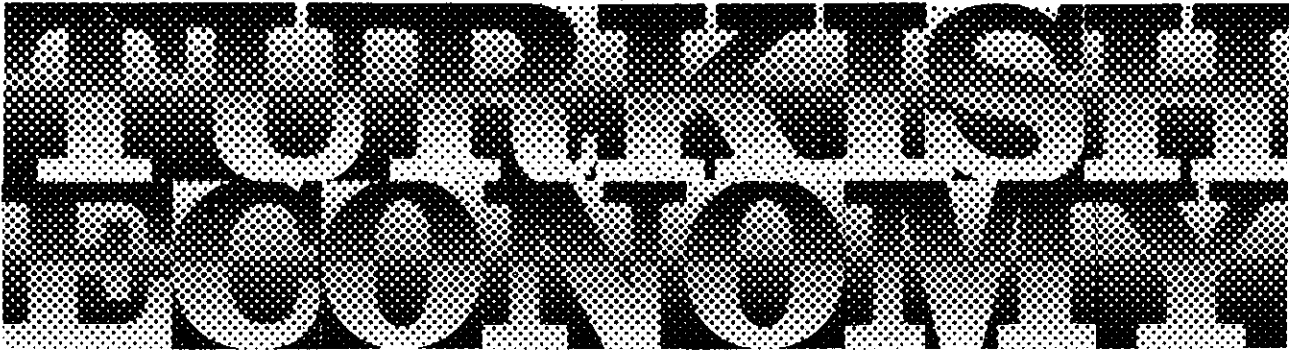


A BRIDGE BETWEEN THE MIDDLE-EAST AND THE WEST

1976

TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION



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TURKISH ECONOMY-A BRIDGE BETWEEN THE MIDDLE-EAST AND THE WEST has been prepared to give brief information on the economic and social developments in the country with special emphasis on the foreign trade regulations and the main economic indicators of the economy in mid's 1976.

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.

A group of Turkish economists associated with the TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION worked on it, taking care to avoid their personal evaluations.

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

More detailed information, comments and discussions on the subject covered by this survey are available in various documents TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION published in Turkish.

THE TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION has been preparing reports in English upon the requests of those who could not follow the publications of the Association in Turkish.

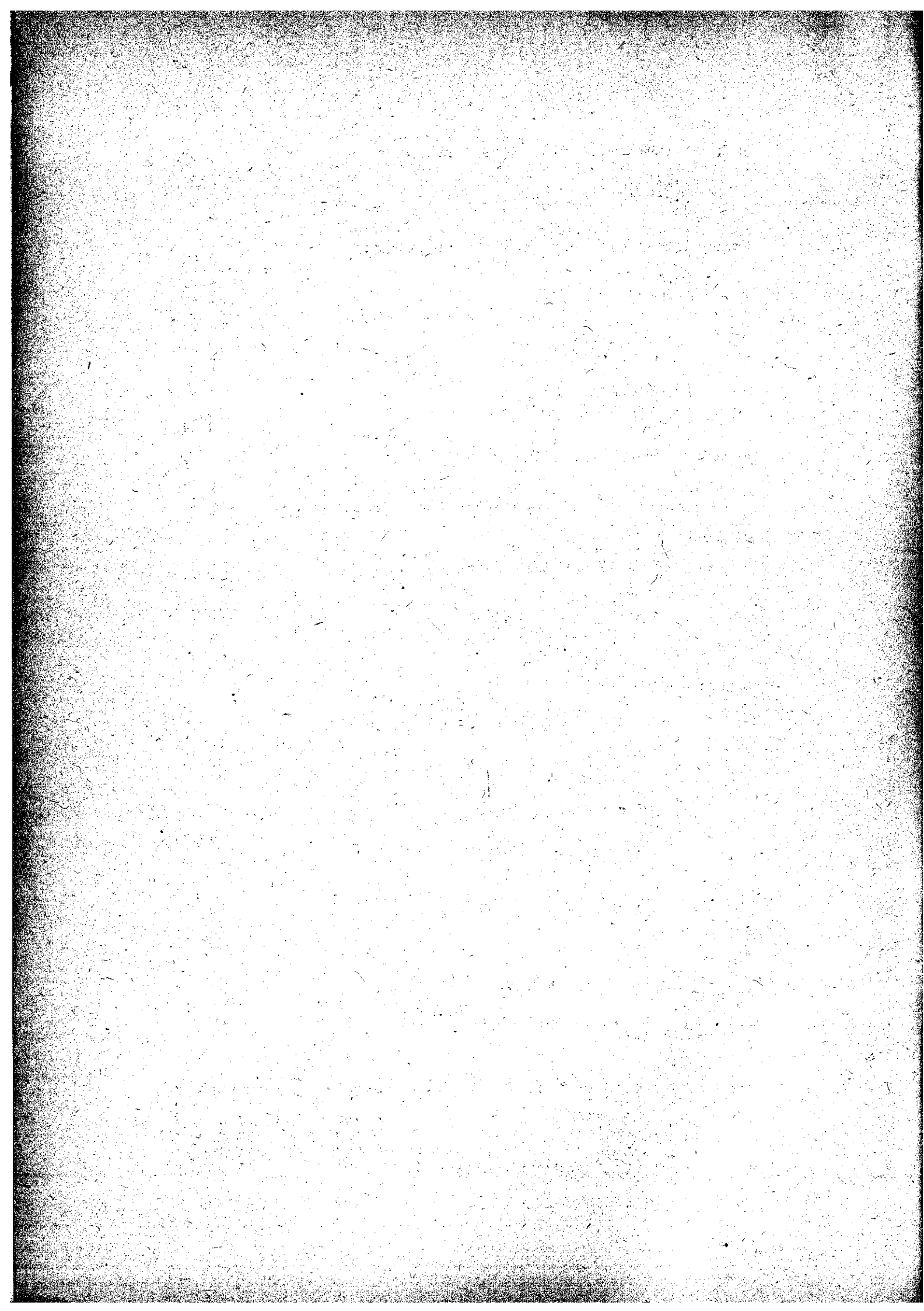
The first of these series is "TURKEY-AN ECONOMIC SURVEY". This one is the second English report of the Association. Upon the warm reception and interest shown to the first report in English, the Association decided to continue such publications.

Istanbul, October 15, 1976

TURKEY

IN FIGURES

Unit of Money	Turkish Lira (TL)
	1 US\$ = 16 TL. (as of October, 1976)
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	35 995
Population (1976)	41 085 000
Rate of population increase (%)	2.4
Density of population (Km ²)	52
Distribution of population (%)	
Urban	41.8
Rural	58.2
Economically Active Population (%)	
Agriculture	60.5
Industry	12.7
Services	13.0
National Income	
GNP (in billion US\$ 1975)	32.8
GNP per capita (in US\$)	820
GNP yearly increase	
1950-1975	6.6
1963-1975	6.9
1975	7.9
1975 (GDP)	9.0
Growth Performance (1975)	
Agriculture	8.9
Industry	9.2
Distribution of GNP (1975)	
Agriculture	22.4
Industry	25.7



TURKISH ECONOMY

A BRIDGE

BETWEEN

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CHAPTER I

TURKEY, THE MIDDLE EAST AND THE WESTERN WORLD

1. Turkey is undergoing a rapid economic, political and social transformation. The landscape and the people of Turkey are changing more rapidly than many people seem to realize.
2. An increasingly prosperous economy, a more differentiated social structure characterized by greater mobility, and a more open political order based on consensus are emerging.
3. The Turkey of to-day is thus very different from the Turkey of twenty years ago and the Turkey of ten years hence will, by the same token be very different from the Turkey of to-day.
4. The most significant aspect of the developments that have been taken place in Turkey is the simultaneous proceeding of rapid economic growth together with progress toward democratic government.
5. The success of Turkish efforts to achieve rapid economic development in an atmosphere of increasing freedom makes the Turkish experience important not only for Turkey but also for other developing countries.

The awakening

6. The awakening of modern Turkey dates back to the 1920's. The reforms which aimed at altering the political, legal and educational structure had far-reaching effects on social economic, cultural and religious life and were part of a deliberate effort to build a modern Turkish nation by releasing it from the paralyzing heritage of the Ottoman Empire.
7. Turkey was one of the first of the developing nations to try to industrialize and to modernize its agriculture. The effects of world depression together with the lack of local private capital and entrepreneurship led to a new departure in economic policy. Formulated in the early 1930's this new policy gave to the state the responsibility to participate

actively in the economic development of the country by mobilizing resources for investment, establishing and operating factories, mines and other productive facilities and monitoring the economy.

8. Turkey was also one of the first nations to experiment with planned development through the adoption of five year industrial plans of which the first covered 1934-1938 and the second was interrupted by the second world war.
9. Turkey invested extensively in infrastructure and industry and was able to increase its industrial output, more importantly to create an industrial culture which was non existent in the country.
10. The accelerated change in the last twenty five years is closely linked to two interrelated decisions adopted in the late 1940's, the decision to open up the political system to a more democratic process and to resume the economic development effort interrupted by the war.

The Experience of Democracy

11. The orderly transfer of power, in 1950 from the Republican to the Democratic Party, the freer political atmosphere and the encouragement of private initiative gave additional impetus to private investment.
12. Rapid economic growth attained in the 1950's was continued in the 1960's by means of a plan. At this time not only is output rising steadily but the structure of industry is being gradually transformed. Production is becoming increasingly diversified, quality is rising, technologically more-advanced processes are being introduced, and production units are becoming larger and therefore more able to achieve economies of scale; in addition a skilled labor force is being built-up, a new professional managerial class is emerging, entrepreneurial abilities and self confidence are developing and public interest in participating in industrial ventures are growing.

Economic Growth in a Democratic Country

13. The oil crisis and the ensuing recession in most countries of the Western World have affected Turkish economic development to a very minor degree. In the last years Turkey stands at the top of the list of nations having achieved substantial growth rate.

14. In many respects the outlook for the continuing evolution of Turkey into a prosperous and democratically organized society is promising.
15. This demonstration that rapid economic growth and progress toward an open, democratically organized society need not be incompatible, but can occur together, makes the Turkish experience important for other developing countries as well.

But also some problems...

16. The rapid change that Turkey is undergoing, however, is itself creating a series of new problems that must be faced.
17. Among these are how to make the Turkish economy more competitive and outwardly oriented and to reduce the balance of payments problem created by a protected industry while being able to export too little.
18. A second problem is how to combine rapid economic development with adequate economic orderliness and price stability.
19. There are a number of factors related with these two problems: The increasing size of the domestic market, desire to reach standards of living representing a humanly acceptable minimum in a short period of time, the drive for industrialization of the entrepreneurs of the large commercial and industrial centers as well as of their counterparts in the underdeveloped regions of the country and the rising expectations of the whole population.

A large domestic market

20. The potential size of the market amounting to 41 million people is exceedingly appropriate for industrialization. At present a large part of this potential market is outside of the market in a state of self sufficiency. But everyday an increasing amount is entering the market contributing towards the creation of a buoyant consumer demand.
21. The desire to reach higher standards of living is quickly expanding through the demonstration effect created by the television, radio, newspapers and advertising. Returning Turkish workers wish to emulate the standards of living of the advanced countries where they were offering their labor.
22. These two factors exert beneficial effects in the form of rising demand on the use of existing industrial capacity as well as inducing the creation of new capacity. But buoyant

demand exerts undue pressure on limited resources and gives rise to inflationary pressures. Moreover by increasing pressure on imports it creates balance of payment deficits.

23. The number of entrepreneurs is quickly increasing as well as their scope: while the big entrepreneurs are moving to new fields of activity, smaller entrepreneurs are emerging in different regions of the country while Turkish workers returning from western countries bring with them capital, know-how and try to form new enterprises.
24. The desire of these entrepreneurs for more investment is reflected in imports of investment goods at an increasing rate.

Desire for to extend economic relations

25. Turkey is known as a peaceful country, desirous of establishing good relations with all countries.
26. Its geopolitical position can be outlined as a bridge between the West and the East. In the past Turkey was the route of the caravans going from East to West and West to East. Today Turkey is the main route for transit transport, the density of which is increasing at an impressive pace.
27. Turkish common heritage with Middle East countries is Islam. Also because of its Westernization policies and efforts Turkey has now strong ties with the West. The relations with the Soviet Union and other socialist countries and mainland China are progressing at a satisfactory pace.
28. For all these reasons Turkey is today a laboratory for the developing countries and can act as a bridge for their relations with the West. Turkey can share this experience both with the West and the Middle East countries.

A bridge between the East and the West

29. Turkey is not only a bridge between the West and the East. It can become an ideal area for the location of industry and services for both sides. The Western Groups can establish industrial undertakings which will be nearer to the markets of the Middle East. They can enjoy in this respect a relatively developed infrastructure, a relatively skilled labor and relatively developed entrepreneurialship with which it can form joint ventures. The same is true for investments, originating from Middle East, reciprocally.
30. The infrastructure in Turkey, as well as its natural environment is favourable to these type of investments and to common ventures. This is especially true for agriculture based investments. Turkey's arable land is one of the largest in Europe and the Middle East, ranking third after the Soviet Union and France.

31. Turkey is prospective member of EEC and a member of RCD and of the Islamic Conference. Within this background it can supply a large number of products under competitive conditions through common investment ventures. There is a large supply of skilled labor in Turkey, a reasonable endowment of natural resources, a capacity to absorb high technology and an entrepreneurial know-how able to organize these ventures.
32. A few examples of such ventures exist. But this needs to be accelerated. In this context, it can be enumerated the fertilizer factory established in 1968 in Mersin with Kuwait capital, the pipeline between Iran and Iskenderun, and a number of agricultural projects of common interest to both Iran and Turkey.

The cooperation

33. Within the frame of such cooperation Turkey's contribution can be outlined as follows:
34. Turkey has acquired an important experience in the field of financing. There is a banking system which can contribute to the establishment of financial institutions of a multinational character. In addition to commercial banking there is also a number of specialized banks for investment which could cooperate with similar institutions of the Middle East for the financing of common investment ventures.
35. Turkey can also act as an intermediary in the transit trade between East and West.
36. The construction sector in Turkey has shown an accelerated development. There is an accumulated experience in more complicated construction projects. A number of firms have already undertaken such projects in Libya and Saudi Arabia. These firms can be encouraged to accelerate their activities and to cooperate with firms of the West or of the East.
37. Turkey has acquired experience not only in the construction sector, but in industrial projects delivered on a turn-key basis, includes food and beverages, cement, sugar and metalurgical industries.
38. Despite the long history of cultural, social political and economic ties between the peoples of this area it is obvious that the possibilities of extending and expanding the economic cooperation between Middle East countries and Turkey still remains untapped, an endeavour should be made to explore these possibilities to the best interest of all.

39. Such endeavours are consistent moreover with efforts towards establishing economic cooperation at the world level, cooperation at sub-regional, regional and inter-regional levels as an integral part of this cooperation.
40. A wider cooperation in the region will require that countries trade-off some individual self sufficiency for regional interdependence and complementarity. Moreover this would be a much less costly process than the case for every country becoming industrially diversified and self sufficient by means of extreme protectionist policies. Thus the required level of industrial development and diversification can be reached for the region as a whole, much more quickly.

The Middle East

41. The developing countries of the Middle East also provide a good example of significant resource variations which make up for substantial complementarity in resource endowments.
42. In fact there are three broad categorie of countries:
43. First there are the oil-producing countries bent on rapid industrialization but lacking sufficient manpower, adequate domestic markets and agricultural potential. This results in limited absorptive capacity, surplus of savings that can be invested in other Middle East countries or placed in international capital markets. Saudi Arabia, Kuwait, Oman, Abu Dhabi, Dubai, Qatar and Libya are in this category.
44. The second group of countries are those relatively densely populated ones that have felt the pressures and possibilities for industrialization much earlier and in whose economies the industrial sector weights relatively more heavily. They also have substantial potential for expansion of agricultural output. Turkey, Egypt and Iran are in this category.
45. The third group of countries would be those less densely populated ones where there are still very large areas of potentially cultivable land and where industrialization has not been strong. Examples would be Syria, Iraq and Sudan.
46. All these three groups of countries taken together make up for substantial complementarity in basic factor endowment: cultivable land, labor and capital. This is an encouraging factor for wider schemes of cooperation and integration in the Middle East.

CHAPTER II

TRADE REGIME

Import Regime

47. 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.
48. 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.
49. 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 \$ 2.9 billion was allocated for imports of goods on Free Lists I and II (vs \$ 2.25 billion in 1975). Free Lists I and II account for about 60 % of all imports.
50. 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.

51. The fourth list, the EEC Consolidated Free List, includes almost the same items as List I ; these goods are free of quantitative restrictions.
52. 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.
53. Used machinery may not be imported without specific authorization from the Ministry of Commerce.
54. 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.
55. Relief from duty and/or the payment of duty in installments is often authorized in the case of priority (foreign and local) industrial projects.
56. Tariffs on EEC imports began to be reduced as of September 1971.

Export Regime

57. 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.
58. 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.
59. 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 Information.

60. 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.

61. Export 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 speculation of these goods.

62. In principle Registration Authorities are professional Associations.

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

64. 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.

65. 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.

66. In case of forward sales maximum period 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.

Tax Rebate on Exports

67. 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.
68. Eligible exports are classified in six different lists; additions may be negotiated after a product study has been made by the Ministry of Commerce. "Tax-rebate rates range between 10% and 40% for exporters whose annual sales (all commodities) exceed \$ 1.4 million annually, from nil to 30% for those with smaller turnovers. These percentages are applied in addition to other incentives.
69. There is as yet no export insurance system.
70. Credit facilities at reduced rates of interest are available to exporters. The basic rate is 9%, plus other charges. For medium-term exports credits, industrial borrowers pay 10.4 % (9.4% if they are located in underdeveloped regions).

CHAPTER III

FOREIGN ECONOMIC RELATIONS

71. 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.
72. 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.
73. 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 16.82 % in 1975. On the other hand the share of these countries in Turkish imports has risen from 6.43 % in 1966 to 17.82 % in 1975
74. Major trading partners in 1975 were as follows (as % of Total):

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

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

TRADING PARTNERS OF TURKEY

Geographical Distribution of Exports of Turkey

(000 000 \$)

	The 6	The 3	EEC	USA	Arab and RCD Countries ^{1/}	Others	Total
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
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	

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

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
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	

^{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

75. Turkey and the EEC signed an agreement on Nov.23, 1970 providing for Turkey's associate 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.
76. 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 equalrights 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.

RCD

77. Turkey is maintaining its membership, along with Iran and Pakistan, in the Regional Cooperation for Development organization (RCD).
78. 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.
79. 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 İzmir.

80. 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.

81. 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

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

83. 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

84. 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.

85. 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.

86. 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	Newly signed	

87. 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.

88. 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.

89. 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 to 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

90. One of the main aims of the Islamic Conference which held its first meeting in Rabat (1969), and the last in Istanbul (1976), is delived in its Charter as follows:
91. "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."
92. Activities in the economic field enabled the establishment of two side organizations, the Islamic Development Bank an the Islamic Interdependence Fund.
93. 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."
94. 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.
95. 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,

96. 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.)

97. Asian Countries:

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

98. African Countries:

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

Clearing Agreements

99. 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 arrangements 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

100. 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.
101. The table below indicates the trade balance structure with these countries during the last five years.

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

	(Million TL.)					
	1970	1971	1972	1973	1974	1975
Czechoslovakia	- 18.7	- 18.6	4.7	- 48.7	5.7	-305.9
East Germany	- 18.2	- 40.3	- 18.2	- 43.3	- 7.2	- 82.0
Hungary	48.7	- 25.3	- 19.6	81.5	27.6	- 64.0
Bulgaria	3.5	- 35.1	10.1	- 10.6	-105.3	-292.2
Poland	-215.3	33.8	- 37.7	- 38.6	-275.8	-286.8
Romania	- 38.3	- 46.4	125.7	15.5	-1002.8	-795.4
Yugoslavia	52.4	-260.3	16.6	51.3	76.1	-152.1
Israel	13.9	67.5	112.1			-165.4

Turco-Russian Trade

102. 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.
103. 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.
104. Turkey imports from the USSR are mainly chemical products, fertilizer, asbestos, minerals, electrical machinery, mineral processing equipment, internal combustion engines, pumps and some other industrial equipment. The share of machinery and equipment and within total imports from the USSR is also growing.

Turkish-Soviet Credit Agreements (1960-1975)

Investment Area	Year	Amount of Credit (million \$)	Interest Rate	Term (Years)	Amount of Investment (million \$)
Seydişehir Aluminum 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 Credit <u>1/</u>					98
Iron and Steel Credit <u>1/</u>	1970	113.7	2.5	14	
Iron and Steel Credit <u>1/</u>	1970	45.4	2.5	15	
Agreement Frame	1975	700	2.5	11	

1/ Iskenderun Third Iron and Steel Complex (completed at the end of 1975)

Turko-Japan Trade

105. During the last ten years Japan has shown an interest to invest in Turkey to participate as a contractor, to sell goods to Turkey to give credit.
106. The table below shows different credits 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.

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

107. A number of joint venture projects between Japanese and Turkish firms are in the operational stage and some of them under negotiation.
- Marubeni-Ida and Daido for the production of special steel.
 - Ishikawa-Jima Harima Heavy Industries (IHI) for the construction of a major shipyard at Pendik, Istanbul

- Marubeni Corp. and Asahi Chemical Co. for the production of viscon fiber in Bursa
- Mitsui Chemicals for a petrochemical complex at Aliağa, İzmir.
- Nissan and Mitsui and Co. for the manufacture of gasoline powered engines, gear boxes and pick-ups and other motor vehicles excluding passenger cars.
- C. Itoh Co. for the manufacture of Mazda pick-ups
- Honda for the production of Honda passenger cars and motorcycles
- Matsushita Electronics for the production of speed-o-vision National television sets.

Financial aid, and industrial contacts:

- \$ 50m for the construction of Ayvacık dam, for the financing of PETKİM's coprolactum plant at Yarımca and for ETİBANK's ferro chromium plant in Keban.
- Ishikawajima Harima heavy industries \$ 12m contract to build the Golden Horn Bridge in Istanbul
- Nippon Kokan's 219m TL. worth steel pipes for the Bosphorus sub-sea water supply project.
- Marubeni and Nippon Kokan \$ 16m Contract for the blast furnace to Ereğli Steel Company
- Mitsubishi and Nippon Sansa \$ 2.6m oxygen producing plant
- Sumitomo Shoji \$ 1.2m T.V. studio of National Education
- Mitsubishi \$ 95m contract to deliver turbo-generators for the Çayırhan, Kangal and Çatalağzı power stations
- Mitsubishi for the turn-key construction of Soma and Yatağan thermo-power stations.
- Electrical Power Development Corporation, 24m TL. contract for the project designs of Altınkaya and Derbent dams.
- Mitsubishi 223m TL. contract for the poly propylene unit of the second petrochemical conyplex, at Aliağa, İzmir
- Mitsui 219m TL. contract for the high density polyethylene unit.

Joint Projects with Arab Countries

I. Kirkuk (Iraq) , Iskenderun (Turkey) Pipeline Project

108. \$ 550m. and 981 kms. Kirkuk-Iskenderun 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 ILE PETROL TASIMA AS.(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.
109. The Northern Iraq-Turkish Mediterranean Coast Crude Oil Pipeline System (the Pipeline System), planned to have a maximum throughput capacity (MTC) of 35m tons p.a., will provide the 3rd East Mediterranean outlet for Iraqi crude oil, the other two being at Banias in Syria and at Tripoli in the Lebanon, which presently have MTC's of 36m tons and 24m tons p.a., respectively. The System, due to commence operation in Feb,1977 will comprise a 981 kms. pipeline running underground from Kirkuk in Iraq to a coastline point in Turkey, located south of Ceyhan in the Bay of Iskenderun, where a tank farm and marine terminal will be situated.
110. The current estimate of the total cost, including working capital, to bring the Project into operation in 1977 is TL 7.827.257.000 (\$549,281.193).
111. This figure includes the amount of TL. 562.590,000 (\$ 39.480.000), representing the proportion, payable by BOTAS of the estimated cost of initially filling the pipeline. Of the total cost, approximately 69% requires foreign exchange.
112. Construction work on the Pipeline System commenced in Jan.1975 and by 8th July, 1975, total disbursements by BOTAS had reached TL. 2,438,809,418 (\$ 171,144.521), financed by BOTAS' capital resources and by Ministry of Finance loans.
113. Construction works are carried out by Consortium Groups namely Mannesman of Germany, Ballast of Holland, CMP of France and Tekfen of Turkey.

II. The Arab - Turkish Bank

114. 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 and in increasing the volume of foreign trade and other activities between the two countries.
115. 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.
116. 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.
117. The Head Office of the Bank shall be in Istanbul. It may however, establish branches in or outside Turkey.
118. 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

119. 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 100.000 vehicles in 1976.
120. 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 % increas</u>
1972	10.261	..
1973	19.367	88.7
1974	24.205	25.0
1975	70.541	191.4

121. A recent study by the Ministry of Transport and Communications revealed that the material damage inflicted upon Turkey's road by these vehicles was much more than the fee they paid to cross through Turkey.
122. 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.
123. 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 .
124. 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.
125. 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)
126. 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 kurus a ton/kilometer as well as the fuel charges. (US \$ 2.5)
127. Through bilateral agreements a number of countries got preferential treatment and obtained rates as low as 11 krs. per ton/kilometer.

128. 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 were 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.

129. 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.

130. 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 mountain.

Free Zones And Ports

131. 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.
132. 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.
133. Persons entering free ports and zones will not be subject to any passport control at all.
134. The proposed plan is intended both as a contribution to Turkey's balance of payments position and creating new job opportunities.

CHAPTER IV

FOREIGN TRADE

General

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

136. A summary table showing the development of the balance of payments from 1950 to 1975 is given below.

Balance of Payments
1950-1975

	(Millions of \$)			
	1950	1960	1970	1975
Current Account	- 286	- 468	- 948	- 4739
Trade	263	321	588	1401
Services	- 23	- 147	- 360	- 3338
Transfer	- 27	- 44	+ 181	+ 1375
Current Bal.	- 50	- 139	- 171	- 1938
Capital Account	- 15	- 65	- 173	- 118
Long-term	- 65	- 204	- 344	- 2056
Short-term				
Percent of GDP				
Current Bal.	%27.5	%73.6	%44.7	%74.0
Capital Bal.				
Debt Rep.	%21.6	%38.3	%30.7	%42.3

from 3,78 billion dollars in 1974 to 4,74 billion dollars in 1975, an increase of approximately by 1 billion dollars

138. 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.

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

	1 9 7 5	
	Value	%
<u>Investment Goods</u>	<u>1.961</u>	<u>41.4</u>
- Construction Materials	291	6.2
- Machinery and Equipment	1.670	35.2
<u>Raw Materials</u>	<u>2.574</u>	<u>54.3</u>
<u>Consumption Goods</u>	<u>203</u>	<u>4.3</u>
<u>General Total</u>	<u>4.738</u>	<u>100.0</u>

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

	1 9 7 5	
	Value	%
<u>Program Imports</u>	<u>4.243</u>	<u>89.6</u>
- Liberalization List	2.919	62.3
- Quota List	1.162	24.3
- Bilateral Agreements	161	3.4
<u>Self-Financed Imports</u>	<u>495</u>	<u>10.4</u>
- NATO Infrastructure	37	0.8
- Private Foreign Capital	143	3.0
- Project Credit-Related	219	4.6
- Imports with Waiver (x)	98	2.0
- Others	1	
<u>General Total</u>	<u>4.738</u>	<u>100.0</u>

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

MAIN INDICATORS OF THE PATTERN OF TRADE
(1950-1975)
(in percent)

	1950	1960	1970	1975
EXPORTS				
A. Commodity Composition	100.0	100.0	100.0	100.0
Agricultural and Animal Products	75.1	70.8	75.2	56.6
Cotton, hazelnuts and tobacco	51.7	46.9	57.6	39.5
Animal products and fisheries	8.6	9.9	5.7	4.1
Mining and quarry products	6.8	4.1	7.7	7.5
Industrial products	18.1	25.2	17.0	35.9
Food and beverages	6.5	9.7	7.0	8.3
Textiles	-	0.8	4.4	9.5
B. Geographical Distribution	100.0	100.0	100.0	100.0
EEC countries	34.8	33.5	40.7	43.9
EFTA	24.5	17.5	17.8	12.0
USA and Canada	17.5	18.4	9.8	11.0
Bilateral Agreements	6.3	18.0	16.8	7.0
Middle East Countries			11.6	16.8
IMPORTS				
C. By use	100.0	100.0	100.0	100.0
Investment Goods	46.0	52.1	47.1	41.4
Raw Materials	33.4	38.3	47.9	54.3
Consumption goods	20.6	9.6	5.0	4.3
D. Geographical Distribution	100.0	100.0	100.0	100.0
EEC countries	32.8	35.7	34.3	49.0
EFTA countries	17.4	17.0	17.4	15.0
USA and Canada	25.7	26.0	23.4	10.0
Bilateral Agreement C.	7.5	12.8	13.0	3.0
Middle East Countries			6.7	17.8

FOREIGN TRADE (\$)

	<u>1 9 7 5</u>	<u>1 9 7 5</u>	<u>1 9 7 6</u>
		January-July	
A) Imports			
Total Imports	4.738.558	2.845.225	2.889.012
1.Imports	4.640.398	2.792.241	2.806.883
2.Imports with waiver	98.160	52.984	82.129
B) Exports			
Total Exports	1.401.075	737.712	1.288.306
1.Agricultural	792.630	401.978	877.672
2.Minerals	105.567	55.201	58.543
3.Industrial	502.878	280.533	352.091
C) Trade Deficit	3.337.483	2.107.512	1.600.706
1.Workers' Remittances	1.309.489	700.289	510.480

Exports

139. 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.
140. The table below shows the percentage of total export earnings that each category has secured. It shows a significant change of structure away from agricultural goods:

(In terms of earnings)

	<u>1963</u>	<u>1973</u>	<u>1975</u>
Agricultural	87.6	72.2	56.6
Manufactures	7.8	22.1	35.8
Minerals	4.6	5.7	7.6
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

TURKEY'S MAJOR EXPORTS

(Thousand Tons, \$ Mil.)

<u>Commodity</u>	<u>1975</u>		
	<u>Quant</u>	<u>Value</u>	<u>%</u>
<u>Agricultural Products</u>	<u>890.2</u>	<u>792.6</u>	<u>56.6</u>
a. Cotton, Lint and Linters	266.6	230.3	16.4
b. Tobacco	65.6	183.2	13.0
c. Nuts	102.4	168.0	11.9
Hazelnuts	92.5	154.0	10.9
Other nuts	9.9	14.0	1.0
d. Dried Fruits	102.1	67.9	4.8
Raisins	72.4	45.5	3.2
Figs	27.0	19.0	1.3
Other	2.7	3.4	0.2
e. Fresh Fruit and Vegetables	158.2	39.8	2.8
Citrus	105.0	28.4	2.0
Other Fruit	14.4	5.4	0.4
Vegetables	38.8	6.0	0.4
f. Cereals	-	0.8	0.05
g. Mohair and Wool	-	4.7	0.3
h. Livestock and Products	-	41.0	3.0
i. Olive Oil	9.3	17.7	1.3
j. Other Agr.	-	-	-
<u>Manufactured and Processed Products</u>	-	<u>502.8</u>	<u>35.8</u>
a. Lumber and Products	-	9.0	0.6
b. Food Products	-	87.0	6.2
c. Yarn, Textiles and Clothing	-	127.5	9.1
d. Chemicals and Pharmaceuticals	-	-	-
e. Metals and Metal Manufactures	-	36.4	2.6
f. Other Processed Manufactures	-	210.1	15.0
<u>Minerals</u>	-	<u>106.4</u>	<u>7.6</u>
a. Copper	5.8	6.5	0.5
b. Borates	391.2	28.1	2.0
c. Chrome	648.5	51.6	3.6
d. Lead-Zinc	51.5	5.5	0.4
e. Magnesites	78.3	11.9	0.8
f. Other Minerals	-	-	-
<u>Total Export Earnings</u>	-	<u>1401.0</u>	<u>100.0</u>

EXPORTS TO MIDDLE EAST COUNTRIES

	(Million \$)				
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Iran	4.6	14.6	14.7	42.3	26.1
Iraq	49.3	30.1	33.3	327.4	504.1
Syria	3.0	1.1	3.7	4.1	23.3
Jordan	1.5	0.7	1.9	2.5	9.2
Lebanon	5.0	25.6	70.3	30.5	28.0
Kuwait	9.0	-	5.1	34.6	22.3
U.Arab.Emir.	-	0.9	6.1	6.6	-
Saudi Arab.	21.0	52.0	84.0	252.6	92.5
Egypt	3.6	6.3	0.2	6.3	0.5
SUB TOTAL	97.0	131.0	219.4	706.9	706.0
Libya	7.1	-	-	5.7	78.0
Tunisia	1.4	2.3	1.6	8.6	26.1
Algeria	-	-	0.4	-	1.3
Morocco	-	0.5	0.5	13.7	28.0
Pakistan	1.1	0.8	0.3	0.6	3.7
SUB TOTAL	9.6	3.6	2.8	28.6	137.1
T O T A L	106.6	134.6	222.2	735.5	843.1

EXPORTS

OECD COUNTRIES	Share (%)		1 9 7 5	
	1973	1974	000 \$	Share(%)
EEC (The Six)	37.5	40.5	530.093	37.8
EEC (The Three)	9.0	6.4	85.046	6.1
EEC (The Nine)	46.4	46.8	615.139	43.9
U.S.A.	9.9	9.4	147.118	10.5
JAPAN	1.3	1.2	28.665	2.0
OTHER COUNTRIES	14.4	13.2	194.129	13.9
OECD TOTAL	72.0	70.6	985.051	70.3
<u>BILATERAL AGREEMENTS</u>				
U.S.S.R.	3.8	5.1	73.641	5.3
OTHERS	2	4	6.440	5
TOTAL	4.0	5.5	80.081	5.7
<u>FREE CURRENCY</u>				
EASTERN EUROPE	3.9	4.4	48.697	3.5
RCD COUNTRIES	1.3	1.1	38.165	2.7
OTHERS	6.0	6.6	101.245	7.2
TOTAL	11.2	12.1	188.107	13.4
OTHER COUNTRIES	12.7	11.8	147.833	10.6
TOTAL	23.9	24.0	335.940	24.0
GRAND TOTAL	100.0	100.0	1.401.072	100.0
<u>GROUPS</u>				
ARAB COUNTRIES	12.3	13.6	197.533	14.1
INDUSTRIALISTS COUNTRIES				
OUTSIDE EEC	23.9	22.7	355.907	25.4
SOCIALIST COUNTRIES	11.7	12.4	131.489	9.4
EASTERN COUNTRIES	7.7	9.5	122.338	8.7
EPU	60.3	59.3	802.710	57.3
EFTA	20.5	16.1	250.785	17.9
<u>CURRENCY AREAS</u>				
DOLLAR	10.2	10.2	150.776	10.8
STERLING	10.3	7.8	127.586	9.1
FRENCH FRANCS	5.9	4.7	66.259	4.7

TURKEY'S MAJOR IMPORTS BY COMMODITY

Commodity	1963		1975	
	Value	%	Value	%
Coffee and Tea	2.7	0.4	19.2	0.4
Cereals	60.0	8.7	142.2	3.0
Animal and Veg. Fats, Oil and Waxes	30.5	4.4	124.1	2.2
Mineral Fuels	66.2	9.6	811.4	17.1
Inorganic Chemicals	9.7	1.4	145.8	3.0
Organic Chemicals	15.3	2.2	218.7	4.6
Pharmaceuticals	3.4	0.5	-	-
Fertilizers	5.6	0.8	48.3	1.0
Paints and Dyes	8.6	1.3	54.5	0.1
Rubber and Its Products	27.6	4.0	62.0	1.3
(Of which)				
Tyres and Tubes	(19.4)	(2.8)	14.2	0.3
Paper	10.3	1.5	41.1	0.8
Synthetic Fibres	177.2	2.5	36.9	0.7
Wool	21.8	3.2	23.8	0.5
Iron and Steel and Their Products	64.6	9.4	679.7	14.3
Aluminium and Aluminium Products	4.5	0.7	45.6	0.9
Machinery (Of Which)				
Internal Combustion Engines	146.1	21.2	998.8	21.1
Pumps	(17.1)	(2.5)	117.8	2.5
Excavating and Cons. Machinery	(4.8)	(0.7)	60.1	1.3
Agr. Machinery	(13.1)	(1.9)	99.3	2.1
Electrical Machinery	(3.6)	(0.5)	-	-
Railway Rolling Stock and Parts	42.7	6.2	278.3	5.8
Motor Vehicles	7.2	1.0	-	-
(Of Which)	68.8	10.0	360.2	7.6
Tractors	(4.3)	(0.6)	82.3	1.7
Automobiles	(2.3)	(0.3)	25.4	0.5
Trucks and Buses	(35.6)	(5.2)	-	-
Assembly and Spare Parts	(26.0)	(3.8)	-	-
Vessels	0.1	..	23.6	0.25
Other Imports	74.7	10.8	-	-
TOTAL IMPORTS	687.6	100.0	4738.5	100.0

(\$ Million, %)

IMPORTS FROM MIDDLE EAST COUNTRIES

(Million \$)

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Iran	4.1	12.0	11.9	14.7	37.0
Iraq	6.9	16.4	10.1	30.2	45.1
Syria	5.4	10.5	23.5	29.7	25.1
Jordan	0.8	0.5	1.5	5.2	8.2
Lebanon	44.7	39.1	103.8	109.7	66.4
Kuwait	3.8	3.6	5.2	7.5	8.3
U. Arab. Emir.	-	-	-	0.3	0.6
Saudi Arab.	0.6	1.1	1.5	3.9	5.6
Egypt	3.5	2.2	2.0	5.6	6.3
SUB TOTAL	69.8	85.5	159.5	206.8	202.6
Libya	2.9	5.4	9.2	9.8	27.4
Tunisia	0.6	1.9	3.7	2.4	0.3
Algeria	2.3	1.8	0.3	2.7	3.1
Morocco	0.6	1.3	1.0	0.7	0.8
Pakistan	2.5	1.8	5.5	2.3	1.1
SUB TOTAL	8.9	12.2	19.7	17.9	32.7
T O T A L	78.7	97.7	179.2	224.7	235.3

Source: Ministry of Commerce

IMPORTS BY ORIGIN

	1974 Share(%)	1975 (1000 \$)	1975 Share(%)
EEC (The Six)	43.7	1.962.418	41.4
EEC (The Three)	11.1	375.801	7.9
ECC (The nine)	54.8	2.338.219	49.3
U.S.A.	8.9	425.750	9.0
JAPAN	2.8	211.351	4.5
OTHER COUNTRIES	11.4	526.086	11.1
OECD TOTAL	77.9	3.501.406	73.9
<u>BILATERAL AGREEMENTS</u>			
U.S.S.R.	6.0	73.655	1.6
OTHER		1.085	
TOTAL	6.1	74.738	1.6
<u>FREE CURRENCY</u>			
EASTERN	2.3	170.454	3.6
RCD	7	29.871	6
OTHER	7.0	790.688	16.7
TOTAL	10.1	991.013	20.9
OTHERS	6.0	171.400	3.6
TOTAL	16.0	1.162.413	24.5
GRAND TOTAL	100.0	4.738.557	100.0
<u>GROUPS</u>			
ARAB	9.9	814.710	17.2
ADVANCED COUNTRIES	23.2	1.180.130	24.9
SOCIALIST COUNTRIES	9.4	284.317	6.0
EASTERN EUROPE	8.4	244.109	5.2
EPU	64.5	2.777.824	58.6
EFTA	19.9	781.266	16.5
<u>CURRENCY AREAS</u>			
DOLLAR AREA	10.0	494.082	10.4
STERLING AREA	12.3	510.446	10.8
FRENCH FRANC AREA	6.5	334.289	7.1

Workers' Remittances

141. Workers' Remittances decreased by 125,8 million dollars or by 8,1 % in comparison with 1974. The number of workers sent abroad during 1975 dropped to 4,419.
142. 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, continuing in 1976.

WORKERS' REMITTANCES

	<u>1966</u>	<u>1969</u>	<u>1972</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
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	
September	7.3	12.3	75.6	135.8	139.4	
October	8.7	10.6	55.9	95.0	111.8	
November	11.5	13.9	49.6	84.4	89.7	
December	17.1	21.3	80.1	131.8	96.5	

Total workers' remittances	115.3	140.6	740.1	1426.2	1310.4
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Cumulative number of workers abroad	152106	308232	611478	681122	685541
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Average Remittance	758.2	456.2	1210.7	2094.1	1911.5
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Rate of Change of total workers' remittances	165.2	31.0	57.0	24.1	-8.1
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Rate of change of average remittance	36.1	-7.8	36.6	18.0	-8.7
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Balance of Payments

143. Table below summarily presents the balance of payments data for 1975 and projected aggregates for 1976. As shown in the table, the trend of decline in foreign exchange earnings and the upward trend in foreign exchange payments which started during the second half of 1974 and yielded large deficits in trade and current account of 1975. The

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

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

continuation of an unfavourable trend is viewed as a certainty during the current year 1976. Uncertainties in economic relations with multi-national foreign groups like the EEC, Consortium for Aid to Turkey, and international organizations, seem to reveal that the easiest way to find the much needed foreign finance which Turkey needs in 1976 will be through individual negotiations with each source.

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

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

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

CHAPTER V

FOREIGN DEBTS

149. 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.
150. 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.

Private Foreign Borrowing

151. Private foreign borrowing in Turkey consists of:
- Convertible Lira Deposits
 - Supplier's Credit
 - Direct Loans
152. 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.

153. 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.
154. 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.
155. 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.
Industry.
156. 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 1.75% 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.
157. 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 reinstituted on May 8, 1975.

158. 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.
159. 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 June 1976 \$ 1.4 billion has accumulated as foreign exchange demand and time deposits.
160. The net increase for the first half of 1976 amounted to \$ 448 million as can be seen from the table below. Convertible lira deposits showed a remarkable growth after these changes were reinstituted in the system.

CUMULATIVE FIGURES BY THE END OF YEARS
(Rounded Figures)

<u>Years</u>	<u>Inflow</u>	<u>Outflow</u>	<u>Difference</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
1976 June	2.190	782	+1.408

Monthly figures for 1976

1976 Jan.	75	6	+ 68
1976 Feb.	145	13	+131
1976 March	218	30	+188
1976 Apr.	285	31	+253
1976 May	340	50	+290
1976 June	510	62	+448

161. The term structure of TL convertible foreign exchange deposits 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.

TL CONVERTIBLE FOREIGN EXCHANGE
DEPOSITS AS OF DEC. 31, 1975

	<u>₺ Million</u>	<u>%</u>
Sight deposits	62.4 million ₺	6.49
Up to 1 year	200.9 million ₺	20.90
Up to 2 years	453.0 million ₺	47.13
Up to 3 years	191.7 million ₺	19.94
Up to 4 years	33.9 million ₺	3.53
Up to 5 years	7.1 million ₺	0.74
More than 5 years	12.2 million ₺	1.27
	961.2 million ₺	100.00

162. 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 authorised 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.

163. 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.

Public Foreign Debt

164. 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 300 million dollars yearly for the next ten years, as can be seen from the table below:

FOREIGN DEBT AND REPAYMENT SCHEDULE (§ Mil.)

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

1/ The amount of the secured credit as of Sept.1975

2/ 70 % of this principle debt was supplied by Consortium member countries.

3/ 20 % of the debt outstanding at the end of 1975 has not been utilized; thus is still in the pipeline.

Outstanding Public Foreign Debt

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

166. At the end of March 1976, the foreign debt of Turkey stood at § 3.017 million excluding the TL convertible foreign exchange deposits. Around 71.3 % of this amount is owed

to governments or government agencies; 25.2 % of it came from international organisations, and 3.3 % from private firms and individuals. Foreign loans utilised by the private sector make up 294 \$ million of this amount. The remaining 2.723 \$ million have been utilised by the public sector.

167. In addition to the \$ 3.017 million already utilised, there were \$ 1.193 million of additional foreign loans in the pipeline by the end of March. Most of the latter amount was obtained from international institutions (\$ 717 million) for the public sector.

PUBLIC DEBTS

	M A R C H /		1 9 7 6
	Utilized Credit Amount of debt	Amount of Unutilized Credit	Secured Credit Total
I. EXTERNAL DEBTS REPAYABLE IN FOREIGN EXCHANGE^{1/}			
A. By debtors, total (Mil. \$)	<u>3.017</u>	<u>1.193</u>	<u>4.210</u>
a. Debts repayable by the State Budget ^{3/}	2.536	816	3.352
b. Debts of the public sector other than State Budget ^{4/}	187	278	465
c. Private sector debts	289	99	388
d. Consolidated commercial debts (1959 Paris agreement)	5	-	5
B. By creditors, total (Mil. \$)	<u>3.017</u>	<u>1.193</u>	<u>4.210</u>
a. International Institutions	760	717	1.477
b. Foreign governments and governmental agencies	2.152	446	2.598
c. Foreign private firms and individuals	100	30	130
d. Consolidated commercial debts (1959 Paris agreement)	5	-	5

^{1/} Refinancing credits are included in the section of external debts repayable in foreign exchange.

^{2/} Actually utilized and unrepaid loans and credits.

^{3/} Debts of the General and Annexed Budgets.

^{4/} The Central Bank, State Investment Bank, Public Economic Enterprises, Local Administrations.

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

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

Source: IBRD

171. In fact, \$ 2 billion expected export earnings and 1 billion expected workers' remittances in 1976 would equal the total foreign debt of Turkey.
172. Totay payments of principle and interest in 1976, are lower than 10% of expected foreign exchange earnings in the same year.

173. Total payments of principle and interest in 1976, are lower than 15% of expected export earnings in the same year.

174. Total payments of principle and interest in 1976 are only 35% foreign exchange by mid 1976.

175. According to a report prepared for the UNCTAD meeting (held in Nairobi in 1976) these same ratios for developing countries are calculated as the following:

- i. The ratio of services (principle+interest) to exports, 18%
- ii. The ratio of services to reserves, 56%.

176. Reserves/foreign trade deficit ratios are shown for 30 countries in table below. Turkey ranks as the eighth.

	<u>%</u>		<u>%</u>
1.Mali	2,800	15.Chile	303
2.Uruguay	750	19.Pakistan	221
5.Portugal	572	25.Spain	157
7.Egypt	471	28.Jordan	130
8.Turkey	458	29.Philippines	109
11.Greece	419	30.Honduras	104

Another ranking is on how long reserves could finance imports.

(months)	<u>Current</u>	<u>Last Month</u>	<u>Last Year</u>
Turkey	2.9	2.4	4.0
Greece	1.8	2.4	3.7
Egypt	1.9	1.6	2.5
W.Germany	7.1	6.8	8.2
Iran	8.4	8.8	13.5
Iraq	11.1	12.6	24.0
Israel	2.0	2.1	3.1
Italy	2.2	2.4	4.3
Pakistan	1.6	1.7	1.4
Portugal	8.5	16.3	9.4
Saudi Arabia	46.0	44.0	46.1
Tunisia	2.6	3.0	3.3
England	1.3	1.6	2.0
Yugoslavia	1.4	1.4	1.8

Source: International Reports, May 14, 1976

177. Actually, Turkey is doing the least in foreign exchange markets and more so in institutional borrowing. In the first five months of 1976, borrowing from IMF is only \$ 150 million.

	January-May (\$)	
	<u>1 9 7 5</u>	<u>1 9 7 6</u>
IMF Loans		
-Gold Tranche	47.088,951	-
-Oil Facility	141.914.003	106.925.497
-Fund's Compensatory Financing Facility	-	43.651.408
TOTAL	189.002.954	150.576.905
Consortium	1.922.012	3.928.221
European Investment Bank and IDA	8.403.896	5.612.293
European Rehabilitation Fund	5.292.174	17.495.133
IFC	16.700.000	3.000.000

178. However, the world market conditions are very suitable for specially institutional borrowing. In the first four months of 1976, only in European markets, the following transactions have been taken place:

	(Billion \$)		
	<u>1 9 7 5</u> <u>Total</u>	<u>1 9 7 5</u> <u>Last 4 months</u>	<u>1 9 7 6</u> <u>First 4 months</u>
Industrialized Countries	20.5	5.8	8.8
Developing Countries	13.5	4.5	3.1
- Oil Exporters	3.3	1.0	0.8
- Others	10.2	3.5	2.3
Other Borrowers	8.7	3.2	4.6
- Socialist Countries	2.3	1.0	0.3
- International Organisations	5.7	2.2	3.4
- Unclassified	0.7	0.0	0.9
TOTAL	42.7	13.5	16.5

179. It might be interesting to note that Turkey is not only borrowing less than the countries who have a similar economic set-up, but also less than socialist countries, as shown in the table below:

		(Million \$)	
	1 9 7 5	1 9 7 5	1 9 7 6
		Last 4 Months	First 4 Months
Argentina	34.4	-	38.0
Bahamas	-	-	-
Brazil	2,119.8	659.0	680.0
China	142.7	28.7	83.0
Costa Rica	46.0	-	-
Greece	239.0	-	-
Guatemala	-	-	15.0
Hong Kong	533.4	470.0	-
Jamaica	103.0	50.0	-
Lebanon	22.5	-	-
Malaysia	425.0	200.0	-
Mexico	2,158.2	1,042.3	367.0
Nicaragua	55.0	25.0	-
Panama	115.0	15.0	-
Peru	433.3	260.0	-
Portugal	34.0	-	-
Romania	6.1	-	-
Spain	1,015.4	243.2	164.0
Tabago	5.1	-	-
Turkey	170.0	150.0	-
Uruguay	130.0	-	26.5
Yugoslavia	72.6	-	-
Bulgaria	125.0	-	140.0
Cuba	234.0	137.0	-
Czechoslovakia	60.0	60.0	-
Democratic Republic of Germany (East)	280.3	110.0	-
Hungary	250.0	150.0	-
Poland	475.0	90.0	150.0
USSR	750.0	400.0	-
Democratic Republic of Vietnam	38.1	38.1	-

CHAPTER VI

FOREIGN INVESTMENTS

180. 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.
181. 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.
182. 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.
183. 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.
184. 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).
185. Criteria sought in allowing foreign capital to be invested in Turkey are summarized below:

- a. The area of the investment should be confined 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.
186. 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.
187. 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.
188. 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.
189. Except for state monopolies, foreign investment may be in any field, and even some of the monopoly fields have recently opened up to manufacturers that export. Investments in certain areas are more welcomed than in others. These fields include; cultivation and processing of silk ; electronics and telecommunications; forestry and paper products;; hydroelectric and power projects; iron and

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

190. 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.

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

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

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

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

192. 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.
193. Most of the 111 firms under Law 6224 are concentrated in chemicals, metal goods, and electronics. More than half of the firms are from West Germany, U.S.A. and Switzerland as can be seen from table below.

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

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

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

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

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

FOREIGN CAPITAL FIRMS OPERATING

UNDER LAW 6224

(As Jan. 1976)

Firms	Foreign Capital TL.'000	For.Capt/ Total Capt (%)	Total Capital TL.'000
Altinyunus Çeşme Turistik Tes. A.Ş.	12.500	25	50.000.000
Abbot Laboratories Compania Anonima	4.500	100	4.500.000
Auer İmalat A.Ş.	1.805	50	3.611.200
Agro-Merck 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 Gülyağı ve İtiryat San.	250	50	500.000
Pfizer İlaçları A.Ş.	2.519	60	4.174.000
Pepsi Cola Mamulleri Ltd.Şti.	1.134	100	1.134.000
Permaşarp Çelik San. A.Ş.	540	15	3.600.000
Roche Müstahzarları San. Ltd,Şti.	39.720	100	39.720.000
Sace Elektrik A.Ş.	1.575	11	14.000.000
Santral Dikiş San. A.Ş.	14.661	75	19.548.000
Sandoz İlâç 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 İslah Üretme A.Ş.	1.020	51	2.000.000
Türk Hoecsht San. Tic. A.Ş.	16.865	93	18.000.000
Türk Robert Bosch	24.455	60	40.759.000
Türk Pirelli Lastikleri A.Ş.	61.200	51	120.000.000
Türk Henkel Kimyevi Maddeler San. A.Ş.	3.000	66	4.500.000
Türk Kablo A.Ş.	34.720	62	56.000.000
Türk Ytong San. A.Ş.	600	5	12.000.000
Türk Siemens Kablo ve Elektr. San.A.Ş.	41.300	59	70.000.000
Türkiye Sınai Kalkınma Bankası A.Ş.	22.342	5	425.425.000
Turtel Turistik Tesisler Ltd. Şti.	4.200	74	5.675.675
Tütünteks Tic. A.Ş.	2.250	75	3.000.000
Türk Otomotiv Endüstri A.Ş.	15.075	10	150.000.000
Türk General Elekt. End.A.Ş.	19.227	51	37.700.000
The Coca-Cola Export İst.Şb.	38.395	100	38.395.000
Türk Tuborg Malt San. A.Ş.	21.000	60	35.000.000
Tofaş Türk Otomobil Fab. A.Ş.	186.750	41	450.000.000
Tudor-EAS A.Ş.	4.900	49	10.000.000
Tümaş Türk Müh.Müt.Müş.A.Ş.	2.400	40	6.000.000
Türk Alman Turizm A.Ş.	25.500	67	37.750.000
Tüstaş Sınai Tesisleri A.Ş.	2.625	35	7.500.000
Türk Dış Ticaret Bankası	2.500	25	10.000.000
Unilever İş Tic. ve San.Ltd.Şti.	44.760	80	55.950.000
Uniroyal Endüstri Türk A.Ş.	90.000	60	150.000.000
Unitherm Universal Isı Tekniği A.Ş.	792	35	2.222.000
Wyeth Laboratuvarları A.Ş.	13.745	99	14.000.000
Viking Kağıt Selüloz San. A.Ş.	48.717	56	86.917.436
Vanlack Ltd. Şti.	5.440	68	8.000.000
Nissan Motor Co.	80.000	40	200.000.000
Ford Motor	10.197	31	32.200.000
Miba Sinter Metal	5.520	46	12.000.000
Sabri Tıgılı	5.150	46	11.000.000
Mototrak (Agria-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

FIRMS UNDER DECREE NO. 17

<u>CONSTRUCTION - CONTRACTING</u>	<u>Date of License</u>
Chicago Bridge Ltd.Mersin Branch-Center, London	1960
Braitwaite and Co. Engineers Ltd.-Turkish Branch	1967
S.A. Hersent-Paris-Ankara Branch	1958
Halliburton Oil Well Cementing Company-Turkish Branch	1957
Solel Boneh Ltd.-Israel (Haifa)	1955
Reynolds Construction Co. USA-Wilmington	1960
<u>MINING</u>	
Türk Maadin A.Ş. (Ottoman-German Mining Co.)	1918
Fethiye Maden T.A.Ş.-Oriental Mining Co. London	1928
Wilhelm Grillo Maden Ticareti Ltd.Şti.-Germany	1960
Maden Export Ltd.Şti. Sigmund Jeselsohn-Switzerland	1953
Borax Consolidated Ltd. London	1927
Bursa Toros Kromları (Mining Export Philip Broth-Switzerland)	1962
Magnesit Maden Sanayii Ltd.Şti.(Magnesite Mining)	1961
<u>INSURANCE</u>	
Vitsan - The London Insurance - London	1928
Vitsan - The British Ock Insurance Co.-London	1928
Milli Reasurans T.A.Ş.-Comp,Suisse De Reassurance-Zurich	1929
Guardian Assurance Co.Ltd.-Tahsin Gök,-London	1961
Atlantik Sigorta A.Ş. - Afia, New York	1964
Assicurazigni Generali - Trieste	1927
Nordstern Umumi Sigorta A.Ş. Koln	1928
Bankers and Traders Insurance Co.Ltd.-Sydney	1964
Mag Magdeburger Insurance Company-Germany	
La Baloise Nakliyat Sigorta Şirketi-Switzerland	
Aachener-Munchener Feerverver 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 Komerciyale Italyana - Milano	1925

SHIPPING-TOURISM AGENCY

American Bureau of Shipping - İstanbul 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
Yılbank Ticaret A.Ş.-Dr. A.Wander/Levant S.A. Lugano-Switzerland	1947
Kimyanil Ltd. Şti/Farbenfabriken Bayer A.G. F. Germany	1966
Maden Kimya Ltd.Şti/Montecatini, Milano	1962
Basf Turk Boya Ltd. Şti./BASF - F. Germany	1954
Organon İlaçları A.Ş./Organon - Holland	1964
Atlantis (Levant)Ltd/Levant S.A. Lugano-Switzerland	1936

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

ELECTRICITY - GAS

Sınai Tatbikat T.A.Ş. - L'Hydro-Energie-Paris	1973
Türk Anonim Gaz Şirketi/Energie Industrielle-France	1914
Milangaz Ticaret ve Sanayi A.Ş./Raffaele Weissy-Milano	1964
S.A. 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 Ind)	n.a.

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

CHAPTER VII

TURKISH ECONOMY

Main Economic Indicators: 1950-1975

194. Turkey's population nearly doubled between 1950 and 1976 reaching 41 million in 1976 from a level of 21 million in 1950. Annual rate of increase was 2.42 % between 1970-1975 slightly lower than for the period 1965-1970 (2.52 %).
195. Overall population density nearly doubled between 1950-1975 reaching 52 persons/km² in 1975, from 27 persons/km² in 1950.
196. Rate of yearly increase of population on a geographical base between 1970-1975 was highest on the Mediterranean coast (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 2.42%. Population growth was below the national average in the following regions: Eastern Anatolia, Black Sea coast and inland Western Anatolia.
197. Urbanisation has been very rapid raising the share of urban population to 42.6 % of total population from 18.5 % in 1950. Rural population increased much slower than the national average bringing the share of rural population to 57.4 % in 1975 from 81.5 % in 1950.
198. Per capita Gross National Product increased by 150 % in 25 years bringing per capita GNP to 4514 TL. in 1975 from 1976 TL in 1950, both figures expressed in constant 1968 prices. The per capita GNP in 1975 prices for 1975 amounts to 13.097 TL, or \$ 820. (US \$ 1=16.0 TL.)
199. A high percent of the population continues to be employed in the Agricultural sector. While this percentage has dropped considerably during the last 25 years it was 60 % in 1975 with 40 % in secondary and tertiary industries.

TURKISH ECONOMY
Main Indicators 1950-1975

	1950	1960	1970	1975
Population in thousands	20.947	27.755	35.605	40.198
Yearly growth rate of pop. per thous.	22.0	29.3	25.2	24.2
Density of pop. persons per km ²	27	36	45	52
Age distribution of pop. 0-14 percent of tot.	42.6	41.3	41.1	37.2
15-64	-	55.2	54.5	56.4
65+	-	3.5	4.4	6.4
Rural population in thous.	17.063	20.843	22.870	23.076
Rural population percent of tot.	81.5	73.7	64.1	57.4
Urban population in thous.	3.884	6.912	12.735	17.122
Urban population percent of tot. %	18.5	26.3	35.9	42.6
GNP at 1968 constant prices (in million TL.)	37.617	68.859	125.243	181.466
Per capita GNP at 1968 constant prices	1.796	2.481	3.518	4.514

STRUCTURE OF RESOURCES AND THEIR USES

As % of GNP at current market prices

	1950	1960	1970	1975
GNP current market prices	100.0	100.0	100.0	100.0
Imports	9.3	5.4	7.1	11.4
Exports	8.2	3.0	4.4	3.4
Ressource Gap	1.1	2.4	2.7	8.0
Net Factor Income	-	0.6	1.3	3.5
Total Ressources	101.1	103.0	101.4	104.4
Fixed Investment	10.3	15.4	18.6	18.8
Public	4.1	7.5	9.8	9.6
Private	6.2	7.9	8.8	9.2
In Stocks	-	-	1.3	2.8
Consumption	90.8	87.6	81.4	82.8
Public	12.4	10.3	12.0	12.1
Private	78.4	77.3	69.4	70.7
National Savings	9.2	12.4	18.6	17.2

200. 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	<u>0.9</u>

100.0

201. The structure of the Turkish Economy has changed considerably in the last 25 years. The share of agriculture has decreased from 47.8 % in 1950 to 28.7 in 1975, while industry and construction increased from 15.5 in 1950 to 27.1 % in 1975. Services increased to a lesser extent from 36.7 % in 1950. to 44.3 % in 1975.

STRUCTURE OF GROSS DOMESTIC PRODUCT
(1950-1975)
AS PERCENT OF GDP AT FACTOR COST, CURRENT PRICES

	1950	1960	1970	1975
Agriculture	47.8	40.4	30.7	28.7
Industry	12.9	16.6	20.6	21.6
Construction	2.6	5.8	7.7	5.5
Transport	4.8	6.2	6.8	8.2
Housing	3.5	5.8	5.3	3.6
Government Serv.	10.9	8.7	10.8	11.6
Other Services	17.5	16.4	20.6	20.9

Agriculture

202. The climate and agricultural possibilities of Turkey show such a great variety that many agricultural products, except a few tropical ones, can be cultivated.
203. The main crops cultivated in Turkey are cereals (wheat, barley, oat, maize, rice); legumes (Beans, peas, chick-peas, lentils); all kinds of vegetables: fruits (citrus, apples, grapes, various kinds of nuts, figs); and industrial crops (tobacco, cotton, sugar beets, jute, flax, olives, tea, sun flowers).

Agricultural Production, 1975 (in thousands of Tons)

	<u>1975</u>	<u>1976</u>
Cereals		
Wheat	13.275	15.750
Barley	4.500	4.500
Rye	750	730
Oats	390	400
Maize	1.200	1.222
Pulses	684	775
Industrial Crops		
Cotton	480	430
Tobacco	193	220
Sugar Beet	6.949	7.900
Tea	205	210
Tuber Crops		
Potatoes	2.400	2.500
Oil Seeds		
Sunflower	488	500
Cotton Seed	760	920
Fruits		
Haselnuts	317	240
Figs	175	175
Grapes	2.737	3.240
Olives	561	1.000
Pistachios	31	10
Peaches	170	170
Apples	800	950
Citrus Fruit	750	777
Vegetables	5.725	5.850

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 relative terms in recent years agricultural products constituted 56.6 percent of the total exports in 1975.

Natural Resources and Energy

204. 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.
205. Mining activities are mainly carried out by the public sector which produces nearly 80 percent of the total output. The remaining part is produced by the private sector which in general consists of small scale enterprises and in some cases lacks the financial and technological capacity for rational and optimal production.
206. Turkey produces about 3.3 million tons of petroleum every year. The country's geographical location and its geological nature increase the probability that Turkey might be richer in oil fields than it already is. This hope constitutes the heart of the energy policy according to which oil and natural gas exploration has been given priority in recent years.
207. The amount of petroleum produced in Turkey meets only one-third of its home consumption. The remaining two-thirds are imported. A pipeline project designed to transport Iraqi oil to Turkey is under way and its realization is likely to make a considerable contribution to the country's economy.
208. In accordance with the national energy policy, generation, transmission and distribution of electricity are carried out by a State Economic Enterprise. Energy consumption per person was 390 kWh in 1975.

Manufacturing

209. Since the adoption of economic development programmes in 1963, industrialization has been the key factor; accordingly, investments in manufacturing increased more than twice in ten years, measured in constant 1975 prices; from 1.4 billion dollars in 1963 to 3.1 billion dollars in 1975.
210. The breakdown of industrial production is as follows:

<u>Production</u>	<u>1962</u>	<u>1967</u>	<u>1973</u>	<u>1975</u>
Consumer Goods	62.3	52.9	53.5	51.4
Intermediate Goods	27.8	35.4	32.5	34.3
Investment Goods ^{1/}	<u>9.9</u>	<u>11.7</u>	<u>14.0</u>	<u>14.2</u>
	100.0	100.0	100.0	100.0

^{1/} Inclusive of consumer durables.

PRODUCTION OF MAIN INDUSTRIAL GOODS

	1 9 7 5		
	Private	Public	Total
<u>Food Beverages Tobacco</u>			
Meats (Tons)	-	62.629	62.629
Milk (Tons)	12.091	20.847	32.938
Concentrated Fruit (Tons)	11.145	2	11.147
Natural Fruit Juice (Tons)	35.179	-	35.179
Tomato Paste (Tons)	29.185	6.142	35.327
Vegetable (Tons)	11.710	2.450	14.161
Margarin (Tons)	199.002	-	199.002
Sunflower Oil (Tons)	51.634	1.983	53.617
Macaronies (Tons)	75.118	-	75.118
Sugar (Tons)	299.799	477.177	776.976
Beer (Thou.lt.)	104.334	48.943	153.277
Non Alcoholic Bev. (Thou.Lt.)	182.532	-	182.532
Filter Cigarette Tons)	-	14.881	14.881
<u>Textiles</u>			
Coton Yarn (Tons)	75.484	40.851	116.335
Coton Yarn (Tons)	8.886	1.754	10.640
Wool Yarn (Tons)	3.188	561	3.749
Mixed Yarn (Tons)	1.392	-	1.392
Cotton Textile (Thou.M.)	87.663	65.253	152.916
With Synthetic (Thou.M.)	9.671	2.052	11.724
Woolen Textile (Thou.M.)	2.478	1.481	3.959
Synthetic Tex. (Thou.M.)	8.157	-	8.157
<u>Petroleum</u>			
Gasoline (Thou.Tons)	-	-	2.009
Kerosene (Thous.Tons)	-	-	421.236
LPG (Thou.Tons)	837.035	-	837.035
<u>Rubber</u>			
Truck Tubes (in thou.)	537	-	537
Car Tubes (in thou.)	880	-	880
Truck Tires (in thou.)	834	-	834
Car Tires (in thou.)	1.249	-	1.249
<u>Ceramics and Cement Ind.</u>			
Glassware (Tons)	25.379	-	25.379
Bottles (Tons)	112.853	-	112.853
Cement (Thou.Tons)	6.008	4.826	10.834
Bricks (in thou.)	438.744	-	438.744
<u>Basic Metals</u>			
Steel Ingots (Thou.Tons)	168	1.500	1.448
Steel Bilet (Thou.Tons)	88	498	586
Copper (Thou.Tons)	-	27	27

PRODUCTION OF MAIN INDUSTRIAL GOODS
(Continued)

	1 9 7 5		
	Private	Public	Total
<u>Consumer Durables</u>			
Refrigerators (in thou.)	409	-	409
Washing Mach. (in thou.)	163	-	163
Television Sets (in thou.)	570	-	570
Sawing Mach. (in thou.)	120	-	120
Radios (in thou.)	175	-	175
Vacuum Cleaners (in thou.)	113	-	113
<u>Automotive Industry</u>			
Cars (in thou.)	67	-	67
Busses (in thou.)	1	-	1
Minibusses (in thou.)	5	-	5
Trucks (in thou.)	13	-	13
Vans (in thou.)	16	-	16
Motorcycles (in thou.)	28	-	28
Bicycles (in thou.)	97	-	97
Tractors (in thou.)	11	16	28

Source: State Institute of Statistics

Planned Economy Experience

211. 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.
212. 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 during the Second Plan period in transportation.

213. The first three years of the Third Five Year Plan show the same tendencies, GNP has lagged behind, the average growth rate for 1973 - 1975 is 6,9% much below the 7,9% target. But the target growth rate for Gross Domestic Product has been attained. The difference has been created by considerable decreases in 1974 and 1975 in the income from the rest of the world, which reduced the rate of increase of Gross National Product. The contrary happened in 1973 when unfavorable weather conditions decreased agricultural value added by 10% and reduced Gross Domestic Product to 4,5%. increasing income from the rest of the world enabled GNP to increase by 5,5%. At the sectoral level Agriculture, Industry and Construction lagged behind targets while Transport, Housing and Services grew at rates much higher than target rates.
214. All work on the Fourth Five-Year Development Plan (FFYP) is scheduled for completion and submission to the Grand National Assembly by the first of June 1977.
215. Final projects, however, are not to be drawn up before macro alternatives and the overall draft plan have been discussed at the High Planning Council and before the Plan strategy has been ratified by the Council of Ministers (by Oct. 30, 1976). Between the end of October and mid-January, 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.
216. The draft Plan will be ready for submission to the High Planning Council By March 12, 1977 and the document will be submitted for general discussion in the Grand National Assembly on 1st June, 1977.
217. Preliminary target estimates for the fourth five year plan: 1978-1982, (in 1975 prices) are as follows:

Growth rate (average annual)	8 %
Investment for the period	§ 63-67 billion
<u>Total imports for the period</u>	<u>§ 37-40 billion</u>
a. Investment goods	§ 14-15 billion
b. Raw materials	§ 22-26 billion
c. Consumer goods	§ 2- 3 billion

218. Financing of Imports (only)

Exports for the period	§ 16-18 billion
Workers remittances	§ 6- 7 billion
Tourism revenues (net)	§ 0.8-0.8 billion
Other invisibles	§ 1.2-1.2 billion
Project loans available	§ 1.0-1.0 billion
Sub-total	§ 25.5-28.6 billion
Balance	§ 11 billion

MACROECONOMIC TARGETS AND ACHIEVEMENTS OF THE DEVELOPMENT PLANS

(%)

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

^{1/} 1973-1975 actual averages

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

And the Latests Developments...

219. In a recent conference the Prime Minister disclosed the production and investment targets for 1982 and 1987 for the main economic indicators.

The table below summarizes these targets:

	<u>1975</u>	<u>1982</u>	<u>1987</u>
Electric Energy (billion Kwh)	17	35	59
Coal (billion tons)	11	33	50
Iron and Steel (billion tons)	3	12	20
Fertilizers (billion tons)	2	10	20
Cement (billion tons)	15	25	40

220. In order to achieve these targets the public sector is planning an investment package amounting to 441.8 billion Turkish liras.
221. In 1975 the public sector worked on 7.100 projects representing a cost equal to 292.2 billion Turkish liras of which 84.2% are continuing investment projects and 15.8% new projects. The public sector with the exclusion of Local Authorities is working in 1976 on 8.600 projects representing a total cost of 441.8 billion Turkish liras, 82.3% of this investment package or 363.8 billion TL. is composed of continuing investments while 17.7% or 78 billion are new projects.
222. In 1976 the public sector is expected to make an investment amounting to 84.9 billion TL. With 63.5 billion TL. investment foreseen for the private sector the total investment in fixed capital will attain 148.4 billion TL. in 1976. With the exclusion of local authorities public investment expenditure on 8.600 projects amounts to 83.6 billion TL. 58 big projects requiring in total TL.20 billion of investments will be put to service in 1976.

The main investment expected to be completed by the end of 1976:

- The Iraq-Iskenderun pipeline at an estimated cost of TL.10 billion
- The Uludağ Wolfram complex will be completed at a cost of TL.400 billion
- The Karataş phosphate plant at a cost of TL.250 million

Projects recently completed

- The Adana cigarette factory at 400 million TL.
- The Artvin sheet factory at 150 million TL.
- The Elâzığ Ferro-Chrome factory at 355 million TL.
- The Tunçbilek Thermic Power Station at 2 billion 450 million TL.
- Building of boats for the Marmara Sea passenger transport at 300 million TL.
- Building of 5 ships at 461 million TL.
- Building of 4 ships at 742 million TL.
- Purchase of a 25.000 Dwt tanker at 400 million TL.
- 685 thousand telephone lines at 1 billion 865 million TL.

223. One of Turkey's giant projects, the southeastern Anatolia irrigation project, designed to harness the waters of Tigris and Euphrates Rivers is on the move. Part of this project, the construction of the Karakaya high dam over Euphrates, will be handled by a Turkish-Italian consortium. The third phase of the project, the construction of the Karababa dam, will be awarded next year. It will cost TL.10 billion.
224. For the electrification of rural areas, more power projects would be built in the short-run. These projects, to cost an estimated TL.26 billion including \$ 1 billion in foreign currency are to be built at Orhaneli, Can, Soma, Yatağan, Beypazarı, Kangal and Çatalağzı. Their total capacity will be 2.3 million Kw and their yearly production of energy 13.8 billion Kwh. The foreign currency requirements of these projects would be met by external sources: by the Soviet Union for Orhaneli and Can; by Czechoslovakia for Soma; by Poland for Yatağan and by Japan for Beypazarı, Kangal and Çatalağzı. The additional units of Seyitömer and Tunçbilek Power Centers will be completed by January and December 1977 respectively. The electric capacity will increase by 450 thousand at the end of completion. Production of electricity will thus increase by 2.7 billion Kwh.
225. The Afşin-Elbistan power station to be build at a total cost of TL.15 billion will be partly financed through a World Bank credit of \$ 750 million and will be completed in July 1978.
226. The H.Üğurlu Dam under construction on Yeşilırmak river will cost TL.2.6 billion. Its capacity will be 250 thousand Kw. and it will produce 900 million Kwh of electricity and will be completed by October 1978.

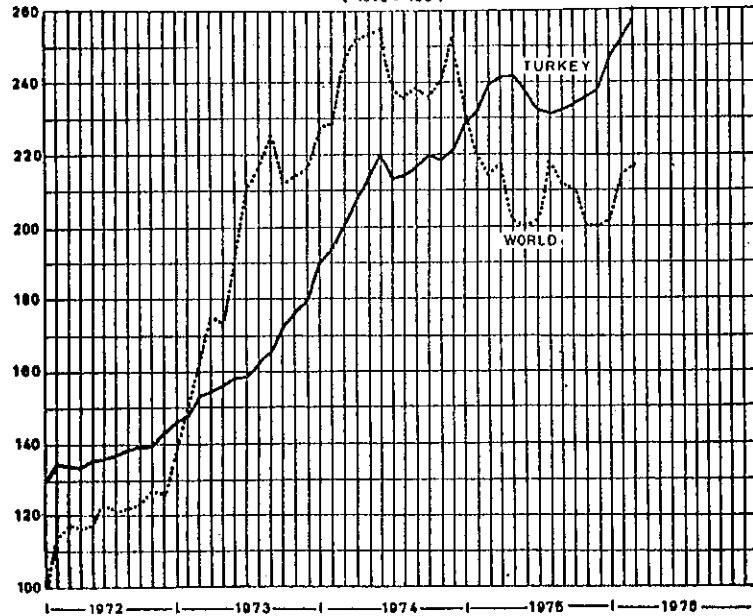
227. Oymapınar Power Station to be contracted in March 1977 will have a capacity of 540 thousand Kw. and a production of 1 billion 620 million Kwhs per year.
228. There is work under progress on the project preparation of Altinkaya power station of 700 thousand Kw. capacity and a yearly production of 1.632 million Kwhs
229. The contract for Turkey's first nuclear power plant would be awarded in 1977. This 600-Mw project, scheduled for completion by 1982, will require an investment of TL.12 billion. During the construction of the power station, similar nuclear power stations would be designed.
230. The foundation of the 5m t/y capacity Central Anatolian oil refinery would be laid soon. This project, to be built in Ankara will cost TL.9 billion and the refinery will receive its crude oil from Iskenderun through a pipeline. Studies are also underway for the proposed Black Sea refinery. The government was thinking of building a 15m t/y capacity oil refinery in Iskenderun, which will be export-oriented.
231. Decisions have been taken for the expansion of Aliağa Refinery from 3 to 5 million tons, of Batman Refinery from 1 to 1.5 million tons and of İPRAŞ Refinery from 8 to 13 million tons.
232. Recently the Council of Ministers took the decision to build 18 cement factories and thus to increase their numbers from 35 to 53.
233. The foundation of the second petrochemical complex will be laid soon at Aliağa. The project will cost TL.16 billion. The third petrochemical complex is at the project preparation phase. Extension investments are being made at Ereğli Iron and Steel and at Iskenderun Iron and Steel. It has been decided to establish the fourth iron and steel complex at Sivas and the fifth at the Black Sea Coast.

Prices

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

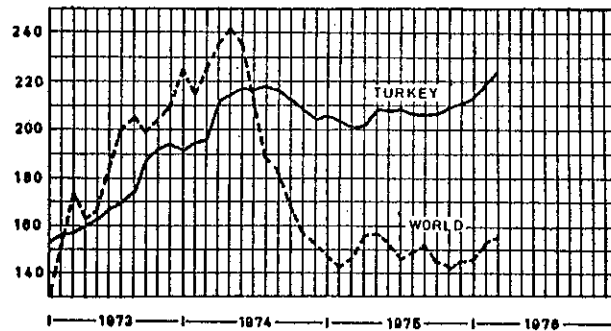
WORLD AND TURKEY'S WHOLESALE PRICE INDICES

(1970 = 100)



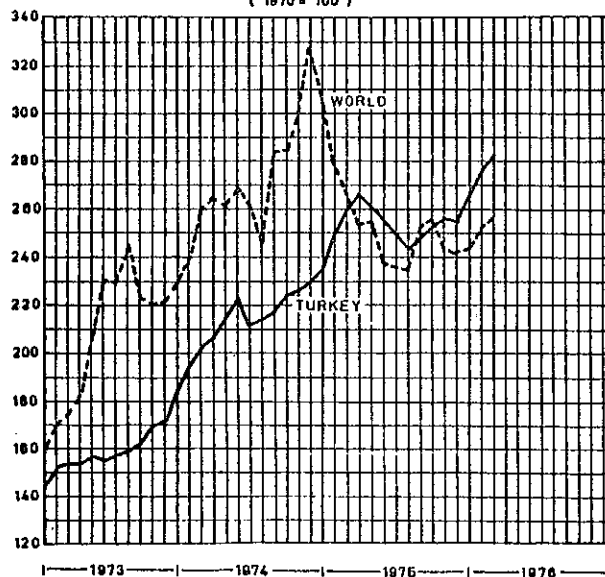
WORLD AND TURKEY'S INDUSTRIAL WHOLESALE PRICE INDICES

(1970 = 100)



WORLD AND TURKEY'S FOODSTUFF WHOLESALE PRICE INDICES

(1970 = 100)



WHOLESALE PRICE INDICES

	<u>Index</u> ^{1/}	<u>% Change</u>
<u>1974 :</u>		
January	281.0	2.4
February	289.7	3.1
March	303.1	4.6
April	311.8	2.9
May	320.7	2.9
June	310.4	- 3.2
July	310.8	0.1
August	312.3	0.5
September	321.5	2.9
October	320.3	- 0.4
November	321.8	0.5
December	326.7	1.5
<u>1975 :</u>		
January	339.1	3.8
February	346.7	2.2
March	350.2	1.0
April	350.7	0.1
May	346.1	- 1.3
June	339.5	- 1.9
July	336.8	- 0.8
August	338.7	0.6
September	340.3	0.5
October	345.1	1.4
November	347.6	0.7
December	360.7	3.8
<u>1976 :</u>		
January	369.7	2.3
February	377.1	2.3
March	383.3	1.6
April	393.8	2.7
May	404.0	2.6
June	407.0	0.9
July	393.4	-3.4
August	400.4	1.8

<u>Months</u>	<u>1974/73</u> <u>% Change</u>	<u>1975/74</u> <u>% Change</u>	<u>1976/75</u> <u>% Change</u>
January	31,7	20,7	8.8
February	29,5	19,7	8.8
March	34,4	15,5	9.4
April	37,0	12,5	12.3
May	39,0	7,9	16.7
June	34,0	9,4	20.1
July	32,0	8,4	16.8
August	29,6	8,4	18.2
September	27,8	5,8	
October	24,0	7,7	
November	22,8	8,0	
December	19,0	10,4	
Annual Average	29,9	10,1	

^{1/} Ministry of Commerce (1963 = 100)

235. 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.

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

Wholesale Price Index

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

236. Cost of living indexes for Istanbul and Ankara show rates of increase by the end of 1975 (Dec.1974 to Dec 1975) considerably below those attained at the end of 1974 (Dec. 1973 to Dec 1974).

237. Yearly average increases in 1975 are higher for Ankara and lower for Istanbul in comparison to average increases in 1974.

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

Months	1973	1974	1975	1976	1974/73 % Change	1975/74 % Change	1976/75 % Change
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	16,7
March	228,0	286,0	360,0	416,2	25,4	25,8	15,6
April	230,3	290,4	361,4	416,9	26,1	24,4	15,3
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	427,9	25,9	19,7	17,6
August	244,1	306,4	365,1	433,5	25,5	19,2	18,7
September	255,2	314,1	369,8		23,1	17,7	
October	261,5	320,5	378,6		22,6	18,1	
November	264,4	327,4	383,7		23,8	17,2	
December	268,9	334,6	389,0		24,4	16,3	

238. Consumer goods price indexes prepared for 8 cities show that prices continue to increase fast; prices increased faster during 1975 in 5 cities and slower in 3 as can be seen in the table below.

CONSUMER PRICE INDEXES YEARLY AVERAGE INCREASES

Province	1970	1971	1972	1973	1974	1975	1976 ^{1/}
Ankara	8.1	16.3	12.9	16.6	18.7	20.1	14.1
Istanbul	6.8	15.7	11.8	15.4	15.8	19.2	17.6
Izmir	7.8	19.7	14.8	16.7	17.5	20.9	13.4
Samsun	7.3	15.9	17.2	16.2	22.6	20.9	15.0
Eskişehir	7.4	14.7	13.0	15.0	16.9	21.3	17.6
Antalya	8.7	15.1	15.0	17.5	22.0	21.4	13.6
Diyarbakır	8.2	16.3	17.1	15.7	18.9	19.3	18.9
Ordu	10.5	16.5	11.3	13.8	22.5	17.6	15.3

^{1/} Seven months average

Implicit Deflators:

239. According to the implicit price deflators of various sector constituting the Gross National Product (GNP), prices are increasing at lower rates in 1976 than they did in 1975.
240. The only exception is agriculture. In contrast to 1975 when prices were lower than most other sectors agricultural prices are higher in 1976 compared to those in industry, commerce, transport and services. Still, the overall indication is that prices are increasing less in 1976 than in 1975. There are, however difficulties in this interpretation owing to the use of the wholesale price index as the deflator in some sectors.

GNP IMPLICIT PRICE DEFLATORS
(Producers Prices)

	1974	1975	1976
Agriculture	133.7	111.0	116.2
Industry	129.8	117.4	109.3
Mining	118.4	127.0	103.4
Manufacturing	129.9	117.1	108.6
Electricity, Gas, Water	141.4	111.8	105.0
Construction	117.6	121.8	117.1
Commerce	139.7	117.4	109.1
Transport and communication	128.7	111.6	107.4
Finance institutions	133.5	138.3	120.1
Housing	115.5	120.0	116.8
Services	128.9	117.5	112.9
State services	127.2	137.3	122.9
Import duties	131.2	114.8	116.2
G.D.P.	130.0	117.4	113.2
Net factor income from abroad	145.5	127.5	100.8
G.N.P.	130.1	117.3	112.5

Foreign Reserves

241. As Sept.3, 1976 the level of net foreign exchange reserves in the Central Bank of Turkey was 1.050m, of which \$ 146.4m was in gold holdings and \$ 903m was in net foreign exchange holdings. This definition is in line with the standards accepted by the IMF and in use throughout much of the world. In fact, the IMF is even a little more liberal and likes the concept of "international liquidity" whereby Turkey's holdings would have been a little more than in the figure above.

TURKISH FOREIGN EXCHANGE RESERVES

	(\$ million)			
	1 9 7 3	1 9 7 4	1 9 7 5	1 9 7 6
January	1.398,1	2.085,4	1.586,1	1.139,3
February	1.520,9	2.129,2	1.395,3	1.104,2
March	1.629,0	2.169,0	1.321,2	1.118,3
April	1.622,6	2.146,5	1.130,0	1.056,3
May	1.666,2	2.161,8	1.029,9	1.038,4
June	1.725,9	2.079,0	1.171,5	760,0
July	1.880,1	2.170,3	1.225,5	716,1
August	2.010,8	2.136,7	1.201,8	1.049,6
September	2.011,0	2.039,2	1.271,5	
October	2.012,0	1.951,9	1.307,0	
November	1.980,4	1.830,7	1.250,8	
December	2.039,7	1.608,8	1.191,8	

242. It should be noted that the concept of reserves is related to stocks not flows. For example, there are those who wish to subtract out all "foreign exchange sold to importers but not transferred" from reserves because it is a potential outflow. If this practice is adopted, one should also take into consideration the possible inflows of foreign exchange because of exports, workers' remittances, tourism, e.t.c. But then moving from the concept of stock to flow. In order to avoid these problems, the balance sheet concept, the stock or picture at t point in time, of reserves is internationally accepted.

243. 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 September 3, 1976
(Million Turkish Liras)

ASSETS

LIABILITIES

Accounts Related to Reserves

Gold(107.8 net ton)	2.048	Foreign Exchange	417
Foreign Exchange Assets		Liabilities	
(Convertible)	15.609	(Convertible)	1.158

Other Foreign Exchange Accounts

Gold(low quality 3.2 net ton)	60	Foreign Exchange:	
Foreign Exchange:		Foreign Correspondents	538
Foreign Correspondents	128	Other Accounts	55.334
Other Accounts	1,790		

SOME OF THE STATE ECONOMIC ENTERPRISE'S
INVESTMENT PROJECTS

AVAILABLE FOR EXTERNAL FINANCING IN 1976

	(000 TL.)	
	Foreign Exchange Component	Total Cost Of The Project
<u>I. Agricultural Project</u>	<u>1.658.357</u>	<u>5.772.658</u>
1. South-East Stone Clearing Project	300.000	600.000
2. Develi Irrigation Project-I.	300.000	723.546
3. Çumra II. Irrigation Project	500.000	1.251.000
4. Ereğli-İvriz III-Irrigation Project	250.000	701.000
5. Antalya Project	90.627	250.112
6. Adana Project	56.488	502.000
7. Balıkesir Project	41.487	336.000
8. Çaycuma Project	35.764	732.000
9. Dalaman Project	67.025	571.000
10. Demirköy Project	16.966	106.000
<u>II. Mining Projects</u>	<u>2.349.766</u>	<u>5.160.317</u>
11. Mardin-Mazıdağı Phosphate Project	53.484	226.158
12. Espiye-Copper Project	-	-
13. Rize-Çayeli Copper Project	10.000	50.000
14. Imports of Various Types of Drilling Machines	343.796	556.538
15. Hasançelebi Concentration and Pelletizing Project	30.000	100.000
16. Expansion of Beypazarı Lignite Project	114.586	466.746
17. Muğla-Yatağan Lignite Project	403.400	943.875
18. Sivas-Kangal Lignite Project	595.500	957.000
19. Bursa-Orhaneli Lignite Project	279.000	727.000
20. Çanakkale-Çan Lignite Project	520.000	1.133.000
<u>III. Industrial Projects</u>	<u>36.809.147</u>	<u>86.270.944</u>
21. Abbatoirs (Slaughter Houses)	12.000	482.028
22. Dairy Products Plants	39.500	111.500
23. Modernization and Expansion of Eskişehir Sugar Plant	95.800	594.000
24. Expansion of Malatya Sugar Plant	58.000	397.000
25. Çorum Sugar Plant	161.670	1.147.080
26. Konya II. Sugar Plant	194.570	750.000
27. Muş Sugar Plant	58.000	750.000
28. Expansion of Susurluk Plant	80.000	514.000
29. Nevşehir Rakı Plant	20.000	130.000
30. Diyarbakır Beer Plant	100.000	250.000
31. Modernization and Expansion of Malatya Cigarette Plant	272.760	503.895
32. Tokat Cigarette Plant	300.000	600.000
33. Expansion of the Production Capacity of Filtered Cigarette	94.930	151.400
34. Samsun Cigarette Plant	300.000	650.000
35. İzmir Cigarette Plant	435.000	950.000

SOME OF THE STATE ECONOMIC ENTERPRISE'S
INVESTMENT PROJECTS

AVAILABLE FOR EXTERNAL FINANCING IN 1976

(Continued)

	(000 TL.)	
	Foreign Exchange Component	Total Cost Of The Project
36. Erzurum Cigarette Plant	155.000	400.000
37. Diyarbakır Cigarette Plant	155.000	400.000
38. Modernization and Expansion of Denizli Weaving Plant	50.000	175.000
39. Expansion of İzmir Printing Plant	35.000	48.800
40. Adıyaman Kitting and Underweav Plant	35.000	75.000
41. Expansion of Taşköprü Hemp Plant	42.243	53.400
42. Modernization and Expansion of Merinos Wool Tops Plants	110.000	150.000
43. Afyon Straw and Reed Pulp Plant	318.239	1.043.255
44. Dalaman Coated Writing Paper and Paper Board Plant	74.737	118.525
45. Kastamonu Cigarette Paper Plant	388.139	672.351
46. Çanakkale Synthetic Leather Plant	44.460	91.675
47. Tyre Plant	136.778	376.918
48. Kırka Borate Extraction Plant	183.600	754.850
49. Antalya Quicklime and New Calcium Carbide Plant	51.705	177.335
50. 2nd Sodium Perborate Plant	72.600	154.000
51. 2nd Boric Acid Plant	72.900	299.450
52. Gemlik Cellophane Plant	289.200	626.388
53. Modernization and Completion Project for Camaltı Salt Field	120.000	934.000
54. Preparation of Alkaloids from Gum Opium	184.680	300.444
55. 2nd Petrochemical Complex	4.326.614	10.287.210
56. Gemlik Amonia Plant	438.316	994.875
57. 4th Fertilizer Complex	1.885.763	4.830.389
58. İzmir Refinery FCC Project	131.000	368.132
59. Elimination of the Bottle-Neck at İzmir Refinery	130.000	350.000
60. Batman Refinery Steam(Energy) Support	37.100	86.550
61. Elimination of Bottle-Necks at İPRAŞ	332.000	581.500
62. 2nd Expansion of İPRAŞ Refinery	334.580	987.000
63. Establishment of a New Refinery	4.410.000	8.100.000
64. Investment for the Maintenance and Modernization of İPRAŞ Equipment	53.000	210.660
65. İzmit Parafin Separation and Utilization Plant	300.000	840.000
66. İzmit Solvent Extraction and Utilization Plant	93.000	280.000
67. 2nd Bozüyük Ceramic Plant	52.000	167.000
68. Filyos Primary Burning and Magnetic Separation Plant	27.380	70.850
69. Kırıkkale High Quality Steel Plant	450.000	1.000.000
70. Modernization of Kırıkkale Steel Plant	112.025	194.497
71. Expansion of Production Capacity of Karabük Blast Furnaces	219.959	438.825
72. Modernization of Karabük Steel Plant	680.000	1.000.000
73. 4th Iron and Steel Plant	15.000.000	33.000.000
74. Renewal of 2nd Coke Plant at Karabük	66.415	105.700
75. Modern Arms	550.000	645.782

SOME OF THE STATE ECONOMIC ENTERPRISE'S
INVESTMENT PROJECTS

AVAILABLE FOR EXTERNAL FINANCING IN 1976

(Continued)

	(000 TL.)	
	Foreign Exchange Component	Total Cost Of The Project
76. Steel Construction and Equipment Plant	-	1.000
77. Industrial Equipment Plant	420.385	869.487
78. Diesel Motors Plant	413.300	960.788
79. Gear-Box Plant	-	-
80. Typing and Office Machineries	24.438	78.632
81. 2nd Expansion of Ankara Machinery Plant	21.000	110.000
82. Expansion of Motor Plant in Eskişehir	-	-
83. Textile Machinery Plant (Gaziantep)	200.800	544.000
84. Adapazarı Garden Tractor Plant	35.00	148.175
85. Urfa Agricultural Equipment and Machinery Plant and Maintenance Shops	42.066	150.035
86. Expansion of Electricity Supply Meters Plant	27.660	61.603
87. Power Plant Equipment	801.823	1.914.696
88. Medium Tension Switches Plant	30.920	78.470
89. Pendik Shipyard	337.092	1.180.000
90. Alaybey Shiprepair and Shipbuilding Facility	83.500	322.442
 IV. <u>Energy Projects</u>	 <u>13.194.293</u>	 <u>30.735.944</u>
91. Karakaya Hydro-Electric Power Plant	2.883.673	6.653.031
92. Oymapınar Project	1.173.160	2.644.393
93. Altınkaya Hydro-Electric Power	1.600.000	4.500.000
94. Karababa Hydro-Electric Power Plant	700.000	2.506.000
95. Suat Uğurlu Hydro-Electric Power Plant	84.000	700.000
96. Kızıldere and Köklüce	170.000	600.000
97. Nuclear Power Plant	3.750.000	5.000.000
98. Various 154 KV Substations	842.260	3.718.920
99. Power Transmission Lines	1.991.200	4.413.600
 V. <u>Tourism Projects</u>	 <u>117.970</u>	 <u>1.613.145</u>
100. South Antalya Tourism Development Projects	69.970	1.303.145
101. Dalaman Airport	57.000	310.000

1/ The detailed outlines of those projects are available
upon the request to TÜSIAD

CHAPTER VIII

MONEY, BANKING AND CREDIT

244. Banking is one of the most dynamic sectors of the Turkish economy. The banks and foreign banks or they branches in Turkey are subject to the provisions of the Law on Banking.
245. 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
 1. Banca Komerziale Itàlyana (1919)
 2. Banko di Roma (1911)
 3. Holantse Bank-Üni (1921)
 4. Ottoman Bank (1888)
 5. International Investments and Trade Bank (1888)
 - e. Joint venture
 1. Bank of America
 - f. Foreign Bank Representation Offices
 1. Deutsche Bank
 2. Citicorp (Citibank)
 3. Dresdner Bank
 4. Barclays Bank

General

246. The chief sources of local funds are briefly, the big commercial banks such as the İş Bankası, Yapı ve Kredi Bankası, the 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.
247. 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.
248. 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.
249. 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

250. 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.-Artisanal 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-Artisanal Credits 10.5
 - d. Priority Sectors 12.5
 - e. Credits more than 5 years Negotiable

Bank Deposits

251. Bank Deposits reached TL. 131.4 billion by the end of 1975 creating an increase equal to TL. 32.4 billion or 336 %.

	<u>BANK DEPOSITS</u>			
	(Billion TL)			
	1973 Dec.	1974 Dec.	1975 Dec.	1976 Aug.13
Commercial Sight Deposits	16.1	22.6	31.4	32.8
Other Deposits	10.6	11.8	17.7	18.2
Sight Saving Deposits	33.1	39.9	52.3	53.2
Time Saving Deposits	20.6	24.7	30.0	30.9
Total Deposits	80.4	99.0	131.4	135.1

252. In 1973 and 1974 savings deposits constituted 65,2 % and 66,8 % of total Bank deposits; of this around 38,5 % was in the form of time deposits.
253. In 1975 the ratio of savings deposits dropped to 62,63 % and savings time deposits dropped to 36,5 % as can be seen from the table above:

Bank Credits

254. Bank credits increased by TL. 41,9 billion in 1975 raising total bank credits to TL. 137,9 billion. The rate of increase is 44%, a much higher rate than in 1973 and 1974 which are respectively equal to 34,1% and 27,5%.
255. Distribution of the absolute changes as shown in the table below indicate significant developments in agricultural and artisan's credits stemming from Central Bank resources.
256. 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.

VOLUME OF CREDIT

	1973 Dec.	1974 Dec.	1975 Dec.	(Billion TL) 1976 August
Bank Credits	75.068	95.749	137.844	153.396
Direct Credit of the Central Bank	13.767	22.638	32.530	58.882
TOTAL	88.835	118.387	170.374	212.278

Medium-term Credits

257. Until recently the commercial banks seldom if ever provided medium or long-term credits to enterprises other than those in which they themselves were shareholders. Considering the vital importance of medium term and long term credits to business enterprises, as of March 1, 1973, the Government requires the Banks to set aside 20 % of their resources for medium-term, fixed-interest loans for industrial development. In addition Central Bank's new discounting practices play an increasing role in medium-term bank lending. For medium-term funds, borrowers from either private banks or the Central Bank now pay total charges of about 17.5 % a year, but 8-11.5 % for investment in priority industries and 6 % for shipbuilding and imports of ships. For export credits, a special interest rate of 10.4 % applies. Investments in underdeveloped regions qualify for credit rates one point lower than normal rates.

258. The principal source of medium and long-term lira and foreign exchange finance for fixed asset purchases is the Industrial Development Bank of Turkey (TSKB). The TSKB's foreign-exchange resource derive from the World Bank and other foreign project aid for the private sector as well as funds mobilized by TSKB from international financial markets. Interest rate is 14% and lira and foreign-currency loans are charged the same rates. The TSKB, is in principle, prepared to lend up to 60% of the total fixed investment of a project and may invest up to 25% of the equity. The term of the loans vary from 5 to 10 years including a grace period of 1-3 years.
259. Industrial Investment and Credit Bank (SYKB), 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.
260. Provisional data suggests an improvement in medium-term lending for the industry by banks other than specialized ones, such as the Agricultural Bank, People's Bank and the Tourism Bank.
261. The significant increases in Convertible Lira Deposits 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 has fallen in the overall distribution of medium term bank credits.
262. 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.

	Outstanding Credit Balance	Yearly Increase
1971	148	148
1972	496	348
1973	2.792	2.257
1974	3.324	571
1975	2.278	-1.046

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

BANK CREDITS
BY ECONOMIC ACTIVITIES

(Distribution as %)

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

264. Medium term credits allocated to the private sector by the beginning of 1976 are as follows :

(in million TL.)

Approval's (medium-term)	12.964
Disbursements (medium-term)	10.115
Total Bank Credits(Disbursements)	70.325
Relative Importance of Medium Term Credit	14.4%

Central Bank Credits

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

CENTRAL BANK CREDITS

(Million TL.)

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

Capital Market

269. 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.
270. 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.
271. Content and quality of share certificates 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 the previous year 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.

SHARES OFFERED TO THE PUBLIC^{1/}
(TL Million)

	Total	Industrial Companies	Investment Companies and Holdings
1972	180
1973	800
1974	1.900	1.200	700
1975 (Total)	841	961	150

^{1/} Estimate

272. The total amount of bonds issued by the private sector in 1975 reached dimensions incomparable with past years. The main causes for this were the increase in the rate of interest of bonds to 18% in December 1974, and inability of banks to meet the needs of the corporations for funds.

BONDS ISSUED BY THE PRIVATE SECTOR

Years	Total (Millions of TL)	Share of bonds guaranteed by banks (%)
1971	136	47.8
1972	275	44.0
1973	649	27.2
1974	619	26.2
1975	1.520	7.6

273. 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.

CHAPTER IX

BUSINESS CLIMATE IN TURKEY

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)
- CENTO (Central Treaty Organisation) ^{3/}

and has signed bilateral agreements with:

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

Mixed Economy

274. 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.

^{1/} Turkey, Iran, Pakistan
^{2/} Full membership scheduled for 1995.
^{3/} Turkey, Iran, Pakistan, U.K., U.S.A.

Market

275. The Turkish economy has grown substantially since the early 1960s. Under the first five-year plan (1963-67), real GNP growth averaged 6.7 % a year. Under the second plan (1968-72), real GNP growth slightly exceeded the 7 % per annum target, although performance was uneven. The growth rate soared to 9.2 % in 1971, and registered 7.6 % in 1972, 7 % in 1973 and 7.4 % in 1974. Despite this progress, the country is still plagued by serious economic and social problems, including a rapidly expanding population, high unemployment, galloping inflation (20 % in 1973, 30 % in 1974 and 10 % in 1975) and chronic foreign trade deficit.
276. 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.
277. Priority is now being given to the following sectors: electrical power generation, fertilizers, sugar, iron and steel, electronics and telecommunications, automobiles, machine tools, heavy electrical equipment, agricultural and construction machinery and shipbuilding.

State Role in Industry

278. 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.
279. 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

280. Only industries coming under the "monopolies law" are exclusively reserved to the state (tobacco products, most spirits, utilities, rail, air and municipal public transport, salt, opium products). However, the private sector has been permitted to engage in production of tobacco products for export.
281. The network of government industries (SEEs) includes a number of industries in addition to those reserved exclusively to the state. At present, the more important of the 27 SEEs engaged in industry and communications include: Sumerbank (mainly textiles), Etibank (mining and mineral processing), MKEK or the Machinery

and Chemical Industries' Board (industrial chemicals, munitions, special steels, castings, etc.), TPAO (petroleum), Azot (fertilizers), PTT (post office, telephones and telegraphs), SEKA (paper) the Maritime Bank, TMO (Cereals Office), TEK (Turkish National Electricity Board), TCDD (railways), Pet-Kim (Petrochemicals), THY (Turkish Airlines) and TKI (Turkish Coal Board), Tumosan (Turkish Motor Industry), Taksan (Turkish Machine Tools Industry), Tamsan (Turkish Electromechanic Industry), TESTAS (Turkish Electronic Industry), Telesan (Turkish Electro-communications Industry), and Tusas (Turkish Aircraft Industry). Other SEEs include the State Investment Bank, Worker's Investment Bank, the Social Insurance Board and the State Pension Fund.

282. Through the SEEs, the Treasury also has interests in some 45 other industrial joint ventures with private capital. Some of these involve foreign corporations-such as the Ereğli Iron and Steel Mills Corp, the Northern Electric-PTT telecommunications equipment plant and the Mannesman-Sumnerbank steel pipe factory.
283. There have been no nationalizations since the 1930s, at least of existing manufacturing industries.

The Role of the Private Sector in Industry

284. 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.

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 private sector creates an additional employment by investing 28.6 thousand liras, while the public sector creates an additional job by investing 106 thousand liras 270 % more than the private sector.
- The share of the private sector in employment has shown a modest increase in consumer goods, and intermediary goods industries but a very considerable increase in capital goods and consumer durable industries.

Incentives to Industry

285. 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.
286. 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.
287. 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.
288. 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

289. 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.
290. 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.
291. 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.
292. 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.
293. 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

294. 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.
295. 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

296. 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.
297. From time to time the government carries out investigations into the pricing of locally manufactured goods.
298. 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

299. The Istanbul Chamber of Industry is gathering information on the largest 100 firms of the year, in Turkey.
300. 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

	<u>Number of Firms</u>	<u>Profit Turnover</u>	<u>Profit Capital</u>	<u>Own Production Turnover</u>	<u>Turnover Capital</u>
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

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.	Istanbul	-	-	-	-
12. Turkish Cement Industry	SEE	1.293	921	- 54	6.151
13. Güney Sanayi Textile Co.	Adana	1.153	289	47	4.812
14.	-	-	-	-	-
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. Turyağ-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.	Istanbul	-	-	-	-
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. Sifas Synthetic Fibers Man	Bursa	469	192	29	1.309
45. Telra, Television and Radio Sets	Istanbul	460	60	58	765
46.	Istanbul	-	-	-	-
47. Bağfaş, Bandırma Fertilizer Co.	Ege	457	82	39	210
48.	Istanbul	-	-	-	-
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	Izmit	437	367	57	1.366
52. Trakya Co.	Istanbul	427	36	10	212
53.	Istanbul	-	-	-	-
54. Marsa, Margarin Co. Sabancı Group	Adana	414	50	58	576
55.	-	-	-	-	-
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.	Istanbul	-	-	-	-
61. Hürriyet-Newspaper Group	Istanbul	395	125	55	792
62. Paşabahçe, Glassworks	SEE	393	141	44	2.506
63. Kayseri Textile Co.	SEE	389	247	63	3.093
64.	Istanbul	-	-	-	-
65. Otoyol, Automotive Ind. Koç Group	Istanbul	384	107	32	582
66. Çukurova Cement Ind.	Adana	381	184	28	727
67. Nasaş Aluminium Works	Istanbul	380	274	65	668
68.	Istanbul	-	-	-	-
69. Çanakkale Ceramics Ind.	Istanbul	372	206	70	2.042
70. Trakya Margarin Co.	Tekirdağ	371	47	4	263
71. Bozkurt Textile Co.	Istanbul	367	62	-	2.045
72. Ayeks Margarine Co.	Istanbul	364	38	-	207
73. Marshall Paint Man. Co.	Istanbul	364	54	20	525
74. Akçimento Cement Fac.	Istanbul	361	169	24	947
75.	Istanbul	-	-	-	-
76. ÇBS Paint and Chemical Works	Istanbul	355	42	-	485
77. Birlik Textile Co.	Kayseri	342	70	20	1.784
78.	-	-	-	-	-
79. Tokar Construction Material Co.	Istanbul	329	13	3	904
80. Nuh Cement Co.	Ankara	317	154	35	525
81. Pancar Motor, engine man. Co.	Istanbul	316	135	45	964
82. Muhittin Ekiz oil and soap Ind.	Ege	315	1	981	281
83.	Istanbul	-	-	-	-
84. Türk Siemens Cable Co.	Bursa	306	110	38	293
85. Fruko Tamek Fruit Juice Co.	Istanbul	303	37	15	1.070
86. Berrak Vegetable Oil	Istanbul	303	39	35	62
87. Mutlu Power Battery Co.	Istanbul	302	62	24	1.014
88.	Istanbul	-	-	-	-
89. İzmir Textile Co.	Ege	298	103	248	1.473
90. Maktas Macaroni Co.	Ege	298	37	13	651
91. Malatya Textile	SEE	287	205	651	2.681
92.	-	-	-	-	-
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	Istanbul	272	119	54	537
96. Kula Textile Co.	Ege	272	125	14	2.186
97. Sunta, Wood Co.	Istanbul	270	118	56	576
98. Eti Food Industry	Eskişehir	269	43	20	823
99. Yücel Pipe Industry	Izmit	268	115	46	170
100. Altinyıldız Textile Co.	Istanbul	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.

Employment and Wages

301. With the enacting of the laws concerning 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.

302. 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	

303. 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 78, in 1975. Average wage trends can be traced in the following table:

Average Daily Wage 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	78.61
1969	32.13	1976	98.18

304. "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.

305. 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 1975.

	<u>Wage Increase</u>		<u>Productivity Increase</u>		<u>Cost of living Istanbul workers</u>	
	<u>Index</u>	<u>Chain Index</u>	<u>Index</u>	<u>Chain Index</u>	<u>Index</u>	<u>Chain Index</u>
	<u>1970=100</u>		<u>1970=100</u>		<u>1970=100</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	241	125	128	105	227.9	121.7

Employment Structure

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

Turkish Workers sent abroad through Government Offices

307. The number of workers sent abroad through official channels have moved down to insignificant figures. 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.

Workers Sent Abroad
Through Government Offices^{1/}

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

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

308. 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.
309. 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 they can employ the Turks only after all the others have left. More interestingly, Libya wants planners, agricultural experts, experts in reconstruction, settlement and naval port management for posts in the government sector.

310. 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.

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

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

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

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

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

Membership in the Association is voluntary.

Objectives and Aims of the Association

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

The Association recognizes the industrialists as the leading power of the development process and pursues the aim of

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

Functions of the Association

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

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derneği**

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**Turkish
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and
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