

mid year outlook on the
TURKISH ECONOMY
and prospects for 1978

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TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION

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Mid-Year Economic Outlook

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Mid-Year Economic Outlook

Foreign Exchange Shortage :

The fundamental problem of the Turkish economy in the second half of 1977 is the shortage of foreign exchange. This has been one of the key economic issues for Turkey over the past 25 years. But its importance has recently increased parallel with the development and integration of the Turkish economy. In the second half of 1977, it has become so critical that it is likely to bring about an economic recession.

In the following table, Turkey's foreign exchange reserves, payment obligations and the foreign exchange deficit are computed on the basis of three alternatives:

	<u>Alternatives (in million dollars)</u>		
	<u>Optimistic</u>	<u>Moderate</u>	<u>Realistic</u>
<u>Resources :</u>			
1. Exports	2,000	1,800	1,800
2. Workers' remittances	1,200	1,000	900
3. Project credits	500	500	400
4. IMF sources	100	50	--
5. Turkey's own hard cash reserves	400	400	500
6. Imports with waiver	200	200	200
7. Total resources	<u>4,400</u>	<u>3,950</u>	<u>3,800</u>
<u>Expenditures :</u>			
8. Profit repatriations	50	50	50
9. Debt repayments (CLA outflow included)	250	250	250
10. Interest payments	250	250	250
11. Imports	5,500	5,500	5,500
12. Total expenditures	<u>6,050</u>	<u>6,050</u>	<u>6,050</u>
<u>Deficit</u>			
13. (12-7) Deficit	<u>1,650</u>	<u>2,100</u>	<u>2,250</u>
<u>Possibilities to bridge the gap :</u>			
14. Net CLA inflow	600	500	400
15. Acceptance credit	150	150	150
16. Imports with payment against commodity	300	200	150
17. Total additional resources	1,050	850	700
18. (13-17) Finance deficit	<u>600</u>	<u>1,250</u>	<u>1,550</u>

Source: TUSIAD Research Group

Turkey's foreign exchange deficit will at least run to \$600m by the end of 1977. A more moderate view puts the estimated deficit at around \$ 1,250m while a realistic assessment indicates the deficit could run to \$1,550m.

In all probability, Turkey will have to bridge the deficit by the end of this year. This is essential if the economy is not to run aground.

The issue at stake is not to take care of everything by the end of the year and then see what can be done about the economy next year. The important thing is to ensure a sound and healthy economy at the outset of the new year.

If the economy is to be stabilized to some extent, additional resources will have to be created: either through imports with payment against commodity, acceptance credits or the renewal of the CLA deposits in Turkey. The absolute minimum for these additional resources is as follows:

-- For credits against commodity payments	\$ 300m
-- For acceptance credits	\$ 150m
-- For CLA commitments	\$ 200m
-- TOTAL	\$ 650m

The structure of the economy will not permit major cuts in expenditure. This year's imports have so far (by the end of June) amounted to \$2,500m, and \$1,600m worth of transfers are pending for imports which have been effected.

In the remaining part of the year:

- \$ 700m will have to be spent on oil imports
- \$ 200m for fertilizer, chemicals and pharmaceuticals
- \$ 200m for machinery and steel products.

All add up to \$ 5,200m. But this is the absolute minimum necessary to keep the Turkish economy running. If the limit is kept around \$ 5,200m, then it will have been done at the expense of suspending certain other imports until the end of the year. But the necessary import payments would amount to \$ 5,500m.

Under the present circumstances, Turkey is faced with one crucial issue: She has to find \$ 1,000m to \$ 1,500m worth of additional foreign exchange resources by January 1978, and in January 1978, she will have to find another \$ 500 - 600m.

Turkey's present foreign exchange crisis differs substantially from past crises she has experienced. Today, all of Turkey's foreign exchange resources have dried up. The coffers are empty. So, all payments in hard cash have been suspended. In such a situation:

1. It is virtually impossible to reactivate the economy in the short-run through domestic measures (such as cuts in expenditures and increases in revenues) because the hard cash coffers are no longer operable.

2. Even if the deficit is bridged around the end of the year through a massive "collective borrowing", it will be too late to revitalize the eco-

nomy, because the issue in question is to provide an inflow of hard cash into the coffers in the short-run, and thus reactivate the economy.

How the Turkish Economy Reached Such an Impasse :

The present crisis in the Turkish economy is the result of long - entrenched deficiencies in the structure of her economy. But no major changes have occurred :

- In the exports/imports composition, in the inflow of workers' remittances,
- In the structure of industry,
- In priorities for investment imports.

So observers may wonder how the Turkish economy reached the impasse it is in now. The underlying reasons are economic, political and administrative.

Economic Reasons :

Because of wrong economic policies, domestic savings steadily declined. A misguided pricing policy (interest rates, foreign exchange rates and the prices of major goods and services) forced the economy to utilize an increasing amount of foreign resources every year. Successive governments did not even attempt to correct these policies; on the contrary, they encouraged them. This prompted the international credit institutions furnishing loans to Turkey to entertain serious doubts about Turkey's repayment ability.

The fast development of the CLA deposits and the increase of short term loans (over a 3-month spread) all contributed to the negative atmosphere. International credit institutions opted for caution in their dealings with Turkey.

Political Reasons :

Strains in Turkey's foreign relations because of the Cyprus issue, which first created the arms embargo and later turned into a disguised element of pressure in economic relations, have started adversely to affect Turkey's relations with international organizations.

In the first quarter of 1977, when there was talk in Turkey about the possibility of an early election, foreign commercial credit institutions -- in a joint action -- decided not to grant any credit facilities to Turkey until after the next Turkish Government had made known its economic policies.

Administrative Reasons :

Turkey's successive political governments --which have been short-lived unstable, disharmonious and lacking cohesion-- have provided no opportunity to follow a long-term and balanced foreign credit borrowing policy.

And erroneous decisions and implementations by two major agencies -- the

Central Bank and the Treasury -- in the conduct of foreign economic relations and debt administration have eliminated all Turkey's chances of seeking foreign payment facilities.

Overcoming the Crisis :

Turkey can overcome the present crisis provided that:

- a serious programme is worked out and implemented to correct past mistakes in the short, medium and long-terms.
- Turkey's relations with international institutions are developed. (This also includes the Cyprus question. But no matter how major a concession is made on Cyprus, it will fail to navigate Turkey through the narrow strait by itself. In other words, the Cyprus impasse may be one of the reasons for the present economic embargo, but lifting this economic embargo on Turkey cannot in itself provide foreign exchange relief for Turkey).

Short-term measures, aimed to correct the major faults in the economy, should include policies designed to:

- help increase domestic savings,
- check inflationary trends,
- prevent the further growth of the balance of payments deficit.

Roughly speaking, these policies should contain measures:

- to curb money supply,
- to ensure a realistic rate of interest, foreign exchange rates and the prices of goods and services,
- to ease the balance of foreign payments.

If the package of measures prepared by Turkey is endorsed by the international organizations or similar packages proposed by international organizations are approved by Turkey (the latter case would be valid if Turkey makes no move), then it will be possible for Turkey to restore her normal level of relations with international credit markets.

As a result of this short-term plan:

- Turkey may receive as much as \$ 200m from the IMF over a period of two years provided that Turkey's "creditability is endorsed" by the IMF.
- But if the package of stabilization measures is endorsed by the IMF and her creditability is ensured, then it will be possible for Turkey to resume her normal credit relations with other international organizations and commercial banks.

But even if one can assume that the new package of measures is prepared by the end of August, the conclusion of talks with the IMF over a very short period is virtually impossible.

Thus, under the most optimistic estimates, the Turkish economy will stagnate (and will be plunged into a state of recession) by November or December at the latest.

Foreign Exchange Reserves :

Turkey's foreign exchange reserves (as of the end of June 1977) (in \$ m.)

I. Reserves according to IMF concept :

<u>Assets</u>	836
-- Gold holdings	148
-- Foreign currency	688
<u>Liabilities</u>	
-- Foreign currency	165
Official foreign currency, total	671

II. Reserves according to commitments :

-- CLA deposits	2,100	
-- Pending transfers	1,520	
-- Banker credits	650	
-- International institutions' credits	140	
-- Debts to foreign correspondents	40	
Total commitment		-4,450
Official reserves		671
Overseas total		123
NET BALANCE		-3,656

Turkey's foreign exchange reserves (according to IMF concept) have shown the following monthly trends in the past two years: (Million dollars)

	<u>1976</u>	<u>1977</u>
January	1,170.6	933.1
February	1,114.6	970.6
March	1,118.3	641.9
April	1,061.8	657.2
May	1,031.7	676.2
June	964.3	670.6
July	826.1	
August	1,146.8	
September	1,052.1	
October	880.7	
November	746.0	
December	1,076.7	

Source: TUSIAD Research Group

CLD (Convertible Lira Deposits) :

The balance of CLD as of the mid-year, 1977, is \$ 2,100m. Despite the unfavourable conditions of the initial months of 1977, the foreign exchange inflow in CLD is \$ 460m gross and \$ 334m net.

The breakdown of CLD according to various currencies, as of June 15, 1977, is as follows:

	Million Unit	Million Dollar	Breakdown %
American Dollar	156.0	156.0	7.8
Austrian Schilling	81.0	4.7	0.2
Belgian Franc	62.0	1.7	0.1
Danish Kroner	3.0	0.4	--
German Mark	2,018.0	841.3	42.1
French Franc	18.0	3.7	0.2
Dutch Guilder	57.0	22.7	1.2
Swedish Kroner	2.0	0.5	--
Swiss Franc	2,488.0	966.6	48.3
Italian Lira	119.0	0.2	--
Pound Sterling	1.0	1.7	0.1
Total	--	2,000.5	100.0

Source: TUSIAD Research Group

C.L.D. Accounts (Million Dollar)

	Inflow	Outflow	Diff.
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	1,029	117.5	911.5
1976	1,296.5	558.3	738.2
1976 Balance			1,771
1976 Jan.	75	6	68
Feb.	145	13	131
March	218	30	188
Apr.	285	31	253
May	340	50	290
June	458	118	339
1977 Jan.	74	55	19
Feb.	180	47	133
March	168	36	132
Apr.	101	22	79
May	65	47	18
June	52	98	-47
1977 Balance			2,105

Source: TUSIAD Research Group

Foreign Debts :

Since no official global figures are available on Turkey's total foreign debts, various forecasts have recently been made.

According to available data, Turkey's debts repayable in foreign exchange as of the end of June 1977 are as follows (figures rounded up):

	(Million Dollar)
-- Consolidated budgetary debts	3,375
-- State Economic Enterprises	1,225
-- Private sector credits	475
-- Private foreign credits	225
-- Imports on credit	200
-- Banker credits	650
-- C L D	2,100
-- Total	8,250

Apart from debts repayable in foreign currency, Turkey has other outstanding foreign debts, payable under different conditions, especially as a result of her relations with Eastern Bloc countries which do not have convertible currencies. For example, the Iskenderun Iron & Steel and the Seydisehir Aluminium projects as well as certain imports from Poland and Romania have been realized through such credits.

Such debts, calculated in TL, are estimated to have reached \$3,000m.

FOREIGN DEBTS REPAYABLE IN FOREIGN CURRENCY (according to Finance Min.)			
	Utilized Credit		
	(Million Dollar)		
	1975	1976	
	Dec.	Dec.	Inc.
A. By Debtors , total	3012	3822	810
-- Debts repayable by the State Budget	2542	2847	305
-- Debts of the public sector other than State Budget	186	580	394
-- Private sector debts	279	390	111
-- Consolidated commercial debts (1959 Paris agreement)	5	5	--
B. By Creditors, total	3012	3822	810
-- International institutions	734	1107	373
-- Foreign governments	2175	2216	41
-- Foreign private firms	98	166	68
-- Consolidated commercial debts	5	5	--

Source: Finance Ministry, Monthly economic indicators

Foreign Trade :

During the first five months of 1977, Turkey's foreign economic relations followed the following pattern:
(January-May) (\$'000)

	<u>1975</u>	<u>1976</u>	<u>1977</u>
Foreign Trade			
a. Import	1887,518	1957,615	2381,415
1. Main imports	1852,547	1902,228	2333,483
2. Import with waiver	34,971	55,387	47,932
b. Export	533,480	1050,053	758,370
1. Agriculture-Livestock	308,920	760,292	411,581
2. Mining	35,536	36,714	47,586
3. Industry	189,024	253,047	299,203
c. Foreign trade deficit	1354,038	907,562	1623,045
Workers' Movements			
1. Workers' remittances	435,300	312,100	359,700
2. Travellers going abroad (person)	1,648	2,969	6,897

Source: TUSIAD Research Group

Five-Month Differences in Foreign Economic Relations :

(January-May) (\$'000)

	<u>1975</u>	<u>1976</u>	<u>1977</u>
Foreign trade			
a. Import	518,711	70,097	423,800
1. Main import	507,584	49,681	431,255
2. Imports with waiver	11,127	20,416	- 7,455
b. Export			
1. Agriculture-Livestock	-176,247	451,372	-348,711
2. Mining	12,222	1,178	10,872
3. Industry	85,366	64,023	45,641
c. Foreign trade deficit	+768,102	-446,476	+715,483
Workers' Movements			
1. Workers' remittances	- 23.3	- 123.1	+ 47.6
2. Travellers going abroad (person)	-10,507	+ 1,321	+ 3,928

The increase in imports is mainly due to increase in the imports of fertilizer, steel and motor vehicles.

Fundamental Developments in Imports During the January-May Period

	1977 / 76	
	Percent	\$ million
-- Crude oil	+ 8.4	32.4
-- Oil and fats	- 80.3	29.6
-- Soya bean oil	- 70.9	16.9
-- Fertilizers	+ 572.3	71.2
-- Tyres and tubes	+ 230.8	19.7
-- Iron and steel	+ 32.3	60.8
-- Motor vehicles industry	+ 29.3	56.6

Oil imports during the January-May period of 1977 decreased over the level of a year ago. But because the price of crude oil jumped by 13%, the oil bill grew, and; subsequently, the overall import bill went up.

The decrease in exports was mainly attributed to setbacks suffered in the exports of tobacco and cotton, which both declined over the level of a year ago.

On the other hand, one favourable trend was observed in foodstuff exports.

Export Trends of Major Commodities During the January-May Period

	1976/1975	1977/1976	1977/1976
	Percent	Percent	\$ mil.
Tobacco	65.7	-58.4	-124.0
Cotton	471.0	-71.8	-225.0
Raisin	48.7	19.7	+ 3.7
Hazelnut	51.7	17.2	+ 14.0
Lemon	49.3	-54.8	- 8.2
Food industry	-22.3	164.4	+ 39.0

Source: TUSIAD Research Group

As of the end of May, the proportional rates of exports and the ability of workers' remittances to finance imports are as follows:

	Foreign Trade Deficit (\$000)	Rate of exports to finance imports	Exports and workers' Remittances / Imports
1975	- 1,354,038	28	51.8
1976	- 907,557	54	69.5
1977	- 1,623,045	32	47.0

Source: TUSIAD Research Group

No major developments are observed this year in the breakdown by area of Turkey's foreign trade:

January-March (Million Dollars)

	Imports				Exports			
	1976	%	1977	%	1976	%	1977	%
-- OECD	888	71.2	1041	74.1	591	75.7	359	72.9
EEC (9)	593	47.5	644	45.8	303	38.7	250	32.0
EEC (6)	502	40.2	540	38.4	254	32.5	211	42.8
W.Germany	240	19.2	261	18.6	123	15.7	96	19.5
Belg-Lux.	28	2.2	42	3.0	33	4.2	17	3.4
France	80	6.4	77	5.5	38	4.8	20	4.1
Netherlands	41	3.4	42	3.0	18	2.3	15	3.0
Italy	112	8.9	118	8.4	42	5.4	63	12.8
EEC (3)	91	7.3	104	7.4	49	6.3	39	7.9
Denmark	4	0.3	4	0.3	4	0.5	4	0.8
U.K.	87	6.9	100	7.1	45	5.7	34	6.9
Ireland	--	--	--	--	--	--	--	--
USA	135	10.8	110	7.8	138	17.6	35	7.1
Japan	34	2.7	88	6.3	23	2.9	16	3.3
-- OECD, other	126	10.1	199	14.2	127	16.3	58	11.8
USSR	10	0.1	15	1.1	27	3.4	19	3.8
Free currency	313	25.1	313	22.3	95	12.2	84	17.1
Other count.	35	2.8	33	2.3	68	8.7	30	6.1
TOTAL	1247	100.0	1405	100.0	781	100.0	492	100.0

Turkey's imports increased by 21.6% during the January-May period of 1977 over the level of a year ago. In terms of imports by source of financing, imports through liberalization lists increased while imports from bilateral agreements suffered setbacks and utilization of project credits decreased considerably.

Imports by Source of Financing (January-May) (\$'000)

	1976	1977	Chg.%
Liberalization	1207,885	1650,936	36.6
Quota list	463,172	545,411	17.7
Bilateral agreement countries	40,390	23,195	-45.3
Programme imports	1711,447	2219,542	29.7
NATO infrastructure	9,286	18,460	98.8

Private foreign credit	19,224	12,317	-36.0
Project credits	162,085	69,655	-57.0
Imports with waiver	55,387	47,932	-13.5
a. Import with waiver	(47,154)	(45,560)	- 3.4
b. Grant	(8,233)	(2,372)	-71.2
Others	181	13,509	74.6
TOTAL	1957,615	2381,415	+21.6

Source: TUSIAD Research Group

Breakdown of Imports by Use/Type (January-March) (\$'000)

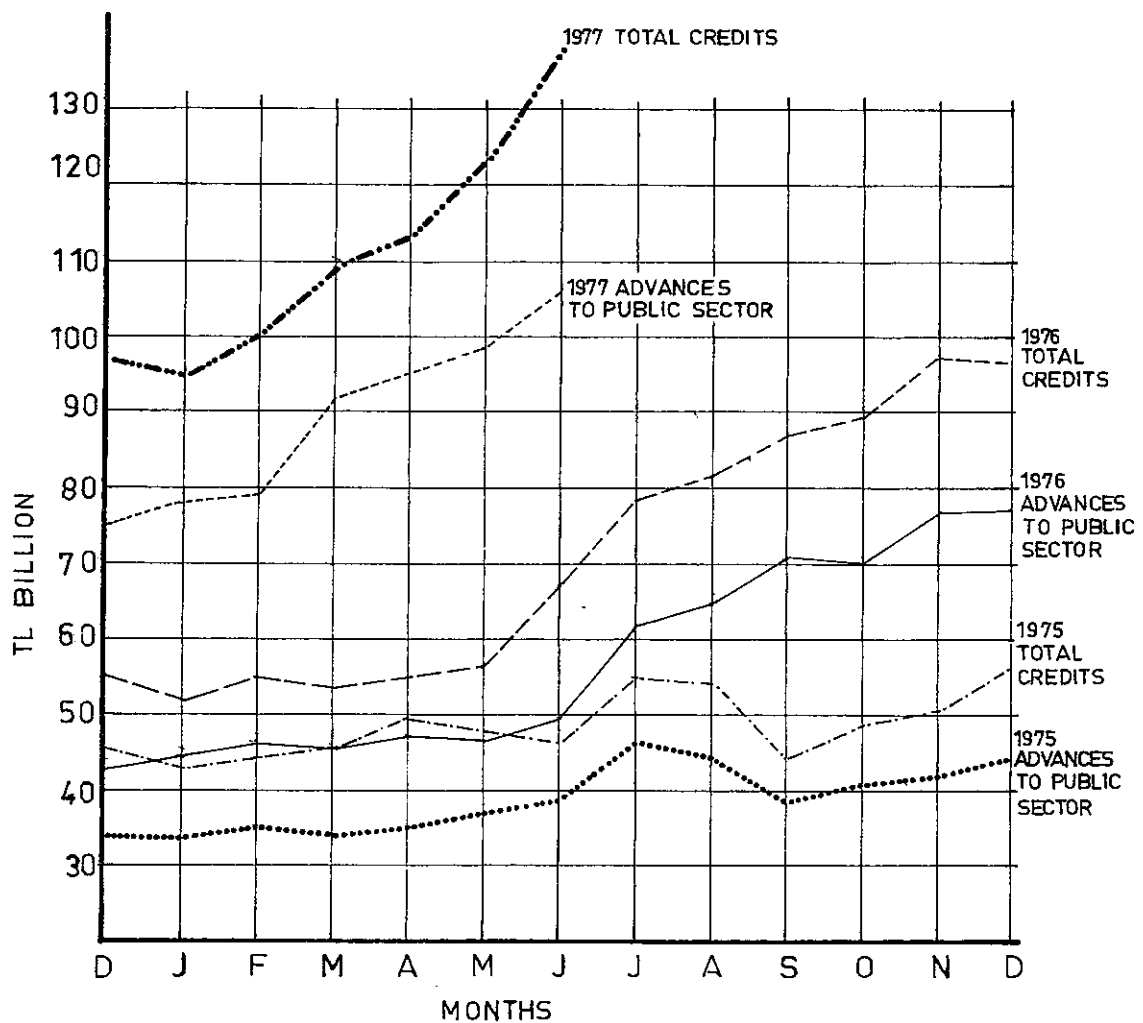
	1976	1977	Chg. %
<u>Investments goods</u>	603,348	712,574	18.1
<u>Construction materials</u>	89,956	48,781	-45.8
<u>Machinery & equipment</u>	513,392	663,793	29.3
<u>Consumer goods</u>	37,568	43,803	16.6
<u>Raw materials</u>	606,662	648,686	6.9
TOTAL	1247,578	1405,064	12.6

Central Bank Credits

As of the end of June 1977, total Central Bank credits amounted to T L 146,000m.

<u>(Million TL)</u>	1975 Dec.31	1 9 7 6 July 2	1977 Dec.31	1977 July 1
<u>TOTAL</u>	<u>65,825</u>	<u>83,954</u>	<u>110,293</u>	<u>146,109</u>
<u>Public sector</u>	<u>32,530</u>	<u>47,162</u>	<u>61,897</u>	<u>96,538</u>
-- Treasury advance	16,761	20,364	21,739	35,862
-- Monopoly Administration	2,180	5,500	7,000	14,000
-- Soil Products Office	6,000	6,500	12,200	12,100
-- Sugar Industry Corp.	1,371	2,808	3,577	5,220
-- Tea Industry Corp.	--	690	1,100	2,264
-- Meat & Fish Agency	--	750	1,298	1,950
-- Milk Industry Corp.	--	49	237	493
-- Special financing (SIB)	6,050	10,041	14,641	24,621
1975 Budget Law art. 78	(6,050)	(5,825)	(5,826)	(5,891)
1976 Budget Law art. 63	(--)	(4,578)	(8,815)	(8,652)
1977 Budget Law art. 62	(--)	(--)	(--)	(10,078)
-- Others	168	158	105	29
<u>Banking Sector</u>	<u>22,226</u>	<u>23,811</u>	<u>34,927</u>	<u>36,102</u>
-- Industry	3,158	4,785	7,562	10,836

CENTRAL BANK CREDITS



-- Artisans' credits	441	1,292	1,202	2,373
-- Agriculture	790	2,714	2,531	5,034
-- Exports	14,133	8,923	16,700	12,838
TIDB export	(11,971)	(6,909)	(13,520)	(10,637)
Other exports	(2,162)	(2,014)	(3,380)	(2,201)
-- Others	3,704	6,097	6,932	5,021
<u>Uses from Deposit Reserve</u>				
<u>Requirement</u>	<u>11,069</u>	<u>12,981</u>	<u>13,469</u>	<u>13,469</u>
-- Agricultural credits	4,000	5,912	6,400	6,400
-- Special credits (SIB)	7,069	7,069	7,069	7,069

Source: Central Bank

-- TL 14,315m credit, consolidated in 1975 included.

Public sector share of the Central Bank credits is as follows:

-- Treasury advances	TL 35,800m
-- Special financing (SIB)	TL 31,600m
-- Direct credits	TL 36,300m
-- Agricultural produce support credits	TL 10,600m
-- TOTAL	TL114,300m

This means that about 80% of Central Bank credits are used to help finance the operations of the public sector.

During the first half of 1977, Central Bank credits increased by TL35,800 million (32.5%), and 90% of this increase was used for the financial requirements of the public sector. The funds used by the public sector out of Central Bank resources tripled this year over the level of a year ago.

Six Month Increases in Central Bank Credits (TL million)

	<u>1976</u>	<u>%</u>	<u>1977</u>	<u>%</u>
Short-term advance to Treasury	4,978	21.5	14,123	65.0
Special financing	4,351	71.8	9,980	68.2
State Monopolies Administration	3,320	152.3	7,000	100.0
Soil Products Office	500	8.3	100	0.8
Sugar Company	1,437	104.8	1,643	45.9
Meat&Fish Agency	750	--	652	50.2
Tea Company	690	--	1,164	105.8
Milk Industry Corp.	49	--	256	108.0
Agricultural Sales Coop.	- 5,062	-42.3	- 2,683	-20.1
Public sector credits, total	11,013	21.5	32,035	42.5
Industry	1,627	51.5	3,274	43.3
Artisans	851	193.0	1,171	97.4
Agriculture	1,924	243.5	2,503	98.9
Exports	- 148	-36.9	- 1,179	-23.1
Others	2,393	64.6	- 1,911	-27.6
Private sector, total	6,647	64.8	3,858	17.8
Total credits	18,129	27.5	35,816	32.5

Source: TUSIAD Research Group

An analysis of the credit figures of the Central Bank would indicate an increase in the credits extended to the banking sector.

What the Central Bank Gives the Banking Sector and What It Receives (TL m.)

	<u>1974</u>	<u>1975</u>	<u>1976*</u>	<u>1977**</u>
<u>Outflow</u>	17,722.0	24,656.6	29,002.4	41,626.3
Industrial & commercial bills	12,923.5	7,137.1	11,753.1	19,267.2
Agricultural bills	3,640.1	13,317.1	9,770.3	15,828.7
Advances on bonds	454.5	34.7	1,466.7	102.4
Advances on gold and for. currency	0.4	0.2	0.2	0.2
Banks' liquidation fund	200.2	167.6	100.0	27.8
Agricultural financing	649.9	3,999.9	5,912.1	6,400.0
Bonds	--	--	--	--
<u>Inflow</u>	20,587.1	30,569.4	39,149.6	66,790.5
Counterpart of bank deposits	19,644.2	28,646.2	31,026.0	40,335.9
Import down payments	933.9	1,923.2	8,123.6	26,454.6
<u>Difference</u>	2,865.1	5,912.8	10,147.2	25,164.2

(*) According to the weekly statement of the Central Bank on July 2, '76

(**) According to the weekly statement of the Central Bank on July 1, '77

In the first half of 1977, import down payments account for the lion's share in TL 25,000m the Central Bank received from the banking sector. If the import down payments are disregarded, the credit facilities provided by the Central Bank to the banking sector correspond to the counterpart of official bank deposits.

Money in Circulation :

The increase in bank notes in circulation in the first half of 1977 reached a figure much higher than the annual increase of the past few years.

(TL Billion)

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
-- Increase during first 6 months	1.5	0.8	0.4	13.6
-- Increase in 12 months	7.5	8.0	11.0	
-- Highest figure during the year	34.8	42.7	56.0	
-- Year-end figure	32.8	41.0	52.0	

Usually, the volume of bank notes in circulation records no increases in the first six months of any given year. Such increases come about, usually in the second six-month period. But this year, in the first half, a increase over acceptable limits has been observed.

(Million TL)

	1975	1976	1977
Year end	32,860	41,052	52,061
January	31,278	40,118	51,130
February	32,564	41,536	51,661
March	31,661	40,134	56,512
April	33,438	41,080	56,570
May	32,358	40,565	61,234
June	33,671	41,480	65,634
July	38,677	48,428	
August	38,798	48,681	
September	40,375	54,282	
October	42,753	53,298	
November	40,847	56,021	
December	41,052	52,061	

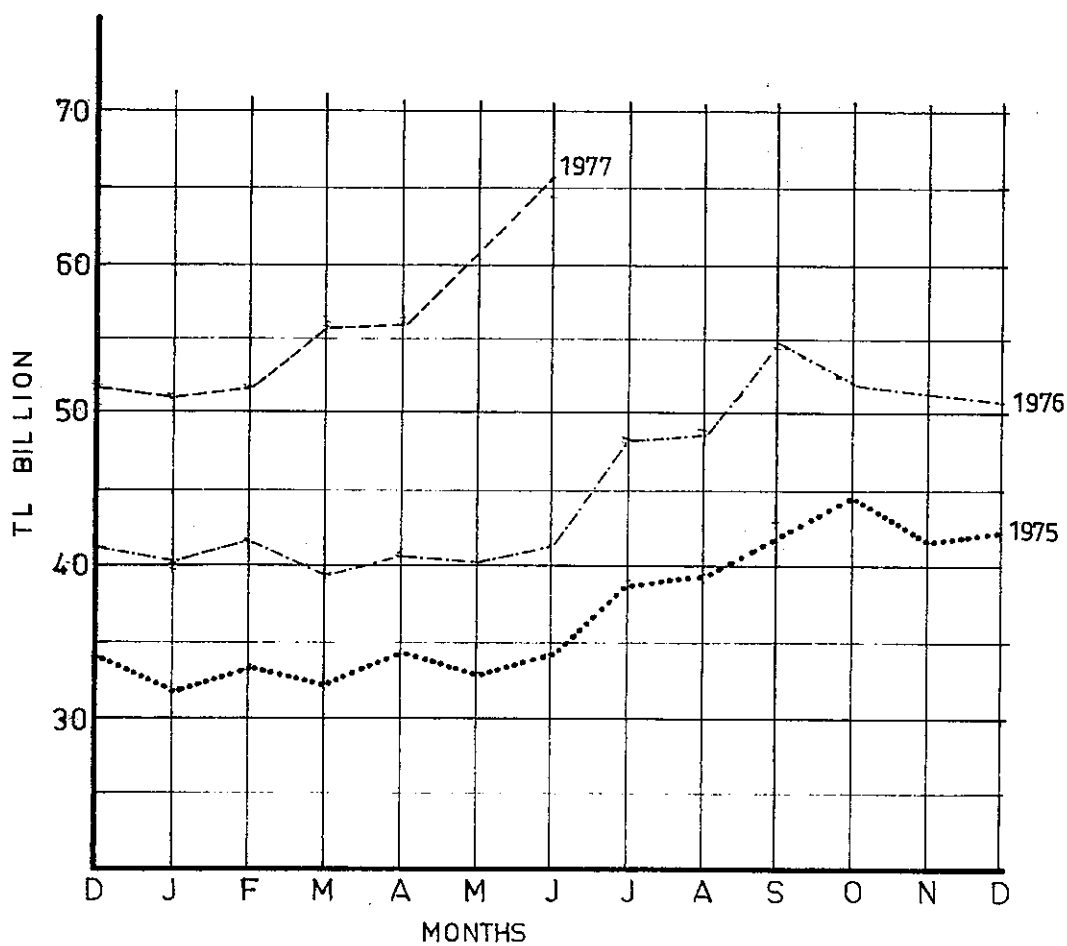
The increase in money circulation this year is largely attributed to credits extended by the Central Bank for public sector financing.

As indicated in the following table, the TL 10,000m increase in import down payments during the first half of 1977 has been a money circulation decreasing factor. Had it not been for this new opportunity, which came about as a result of delays in transfers, the increase in the volume of bank notes in circulation would have been gone over TL 25,000m. In other words the volume would have increased by 50% in the first six months.

Factors Affecting Money in Circulation During the January-July Period
(Million TL)

	<u>Increasing Factors</u>	<u>Decreasing Factors</u>
<u>Increasing factors</u>		
-- Gold holdings	19	
-- Coins	2	
-- Domestic correspondents	1	
-- Credits	33,327	
-- Advance to Treasury	28,018	
-- Advance on bonds	5,092	
-- Rediscount and advance to banks	2,117	
-- Accounts due	3,971	
-- Immovable assets	13	
-- Miscellaneous	275	
<u>Decreasing factors</u>		
-- Decline in the foreign currency reserves		1,638
-- Deposits at the Central Bank		6,232
-- Liabilities		816
-- Provisions		88
-- Miscellaneous (Import down payments)		13,717
TOTAL	+39,608	-26,035
Increase in the money circulation		13,573

MONEY IN CIRCULATION



Money Supply :

The money supply, which stood at TL 151,500m at the outset of 1977, increased by 9.4% or TL 14,300m by June 17, to reach TL 165,800m.

In previous years, in line with the normal structure of the Turkish economy, the money in circulation would usually go up in the second half of the year. During the first half the volume would usually decrease.

(TL Billion)

	1974	1975	1976	1977
-- Increase during first 6 months	2.9	1.9	- 0.5	14.3*
-- Increase during 12 months	19.5	28.4	33.0	
-- Year end figures	28.4	118.4	151.5	

(*) Up to June 17, 1977

The main reason for the increase in money supply has been the Central Bank credits provided for the State Economic Enterprises and Annex Budget Departments in the first half of 1977.

The changes in the factors affecting the money supply are shown below:

(January-June) (TL million)

	1974	1975	1976	1977*
Bank notes in circulation	2,472	2,350	1,899	11,361
Deposit money	426	- 402	- 2,391	2,983
Money supply	2,898	1,948	- 492	14,344

(*) Increases up to June 17, 1977

Deposits :

Large increases in bank deposits are nor discernible in the first half of the year in Turkey for the main reason mentioned above --that money supply increases in the second half of the year.

The first six months of 1977, however, were an exception to the general rule, since the increase which started in the last six months of 1976 went on into the new year --an unprecedented phenomenon.

This has not been reflected in bank deposits, which have not increased proportionally in the first half of 1977.

Bank deposits (TL Billion)

	1974	1975		1976		1977
	Dec.	June	Dec.	June	Dec.	June*
Total deposits	99.0	103.7	132.3	131.0	162.8	169.3
Commercial sight deposits	22.6	22.2	32.0	30.6	45.0	44.1
Sight saving deposits	39.8	40.9	52.7	51.7	63.6	67.5
Time saving deposits	24.7	25.8	30.0	30.9	33.8	35.3
Other deposits	11.8	14.7	17.4	19.7	20.5	22.4

(*) Provisional data as of June 17, 1977.

This development indicates that the increase in money supply has been mainly directed to consumption and the enlargement of stocks.

Bank Credits :

The total increase in bank credits between January and June 17, 1977 was TL 10.4 billion. The increase in the same period last year was TL 13.8 billion.

One factor preventing an increase of bank credits in the first half of 1977 has been the falling-off in convertible lira deposits coming into the country. This is shown in the decrease of credits received by the industry and commerce sectors from the banking system:

Increase in bank credits during the first six months (TL billion)

	<u>1976</u>	<u>1977</u>
-- Industrial credits	0.8	0.7
-- Commercial credits	12.1	6.0
-- Others	0.9	3.7

Capital Market :

Shares and bonds offered to the public by private establishments in the first six months of 1977 were as follows:

Bank Credits (TL Billion)

	<u>1974</u>	<u>1975</u>		<u>1976</u>		<u>1977</u>
	<u>Dec.</u>	<u>June</u>	<u>Dec.</u>	<u>June</u>	<u>Dec.</u>	<u>June*</u>
Total	95.7	109.9	138.9	152.7	183.8	194.2
Agriculture (Agricultural Bank)	24.7	28.9	33.2	32.8	37.4	39.5
Industry (two banks)	4.2	4.8	5.2	6.0	6.4	7.1
Artisans (People's Bank)	2.5	3.2	3.9	5.1	6.3	7.7
Under mortgage (five banks)	3.9	4.0	4.5	4.6	5.4	5.5
Mixed credits	60.1	69.4	92.0	104.1	128.3	134.3

(*) Provisional data as of June 17, 1977

Obligations (TL million)

Periods	1976*	1977**
January to March	283	82
April to June	294.5	154.5
January to June	577.5	236.5
July to September	879	
October to December	251	
July to December	1130	
January to December	1707.5	

Shares (TL million)**

	1976	1977
January to March	35	25
April to June	128	159
January to June	163	184
July to September	52.5	
October to December	75	
January to December	300.5	

(*) Source: Central Bank

(**) Source: Turkish Industrial Development Bank.

As can be seen from the table above, the value of the share issues and bonds offered to the public this year is almost equal to that offered in the first half of 1976.

The scarcity of the shares offered to the public largely derives from problems in the financing of new investments.

Those who want to invest in the shares normally expect a degree of return, which:

- prevents a loss in their savings through annual increases in the rate of interest.
- secures a rate of income after taxation, which is at least the equivalent of that offered by public bonds.

The supply of shares is limited by three factors:

- The amount of time required for realizing investments and for them to yield returns is relatively longer in Turkey.
- The amount of distributable profits can neither compensate for the negative effects of price increases, nor can they keep pace with public bonds.
- There are risks in the industrial sector, which stem from business cycles.

Despite the need to increase the amount of share issues offered to the public, the decrease in business profits and the negative effects of price increases on the financial credibility of firms prevent the enlargement of the capital market.

As a result, the volume of share issues in the secondary market (buying and selling transactions after the primary offer) is quite small.

Prices :

According to the figures provided by the Ministry of Commerce, price increases in the first half of this year were, on the whole, less considerable than last year.

	(Percent)				
	1975		1976		1977
	Jan. June	Jan. Dec.	Jan. June	Jan. Dec.	Jan. June
<u>Wholesale price</u>					
a. General index	3.9	10.1	13.0	15.6	11.0
b. Food	5.3	17.2	12.9	15.0	10.6
c. Industrial raw materials	1.4	- 1.2	13.3	16.0	11.7
<u>Ankara Cost of living</u>					
a. General index	10.4	19.0	8.7	16.4	11.1
b. Food	12.5	20.3	11.2	19.7	13.9
<u>Istanbul Cost of living</u>					
a. General index	8.6	21.2	9.0	17.4	8.5
b. Food	12.4	27.1	12.1	21.3	8.1

The figures for 1977 are quite surprising, because additional expenditure on social concerns, increases in the money supply, anxiety due to the scarcity of certain goods, and the constant fear of devaluation must have increased prices considerably. The figures in the table above, however, show that Turkey sustained a relatively advantageous price structure vis-a-vis international prices within the initial months of 1977.

A closer analysis of the cost of living indices reveals that this development is basically the result of a retardation in the increase of food prices, against large increases in international prices.

In the international market, the prices of cocoa, coffee, and vegetable oil, for instance, increased by 20-50% in the first three months of 1977.

Generally speaking, Turkey is not supposed to have a price advantage as indicated in curves in the table above. This raises serious doubts about the accuracy of wholesale price indices prepared by the Ministry of Commerce on foodstuff prices. (*)

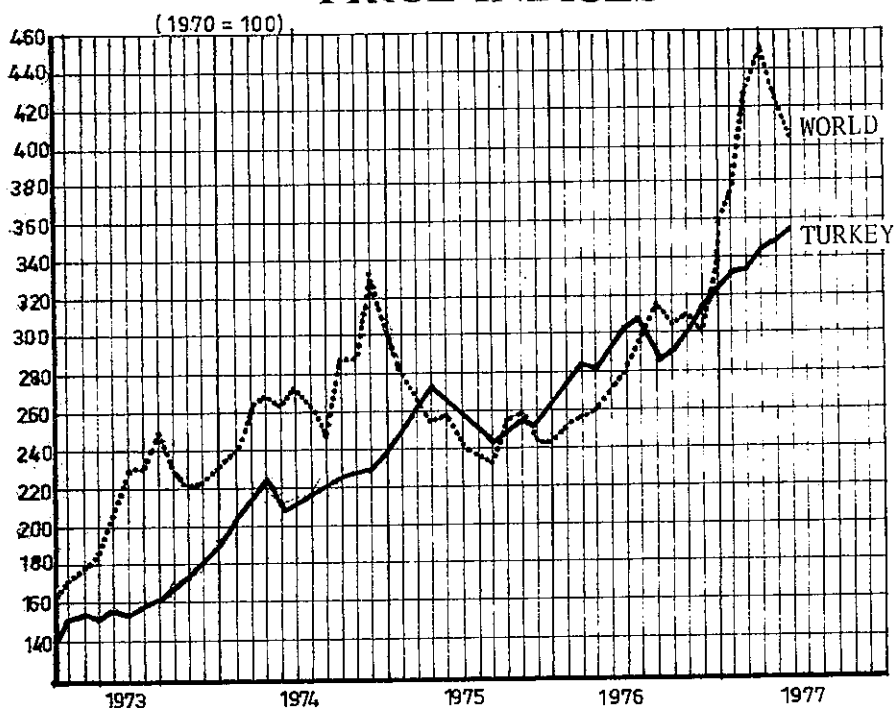
Indices prepared by the Istanbul Chamber of Commerce, in contrast to the Commerce Ministry indices, indicate an upward trend higher than in the past two years ..

Istanbul Wage Earners' Cost of Living Indices (1963=100)

	<u>1973</u>	<u>1973</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Annual increase	14.3	23.5	21.7	16.8	--
Increase during the last 12 months (as of June)	12.7	24.3	22.7	16.2	26.5
Increase during 6 months	7.6	13.8	10.9	8.9	13.8

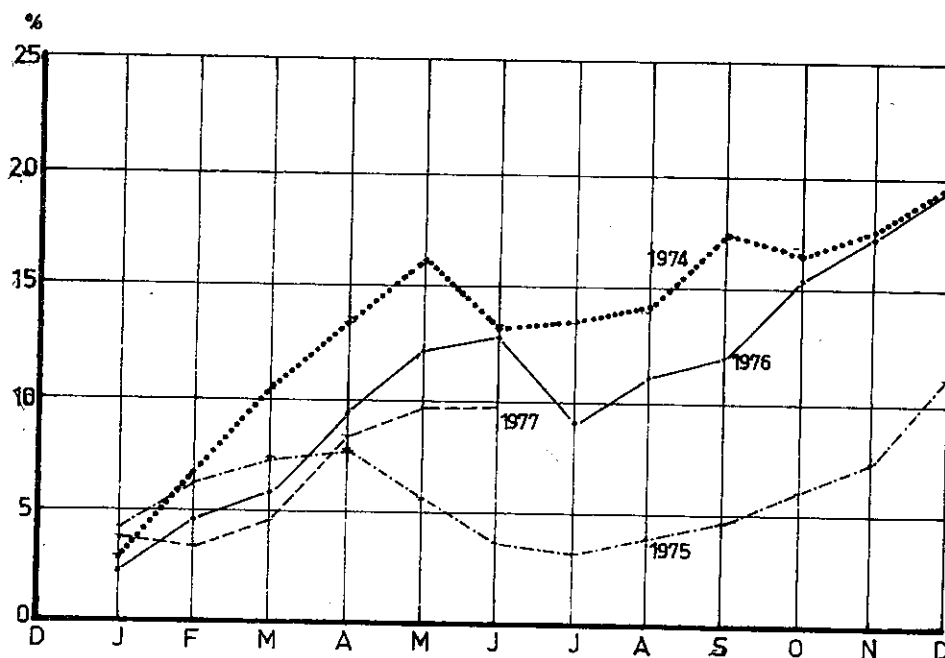
Source: Istanbul Chamber of Commerce

WORLD AND TURKEY'S FOODSTUFF WHOLESALE PRICE INDICES



(*) World prices are computed on the basis of the *ECONOMIST* magazine's dollar index; Turkish prices on the basis of the Commerce Ministry's wholesale price indices.

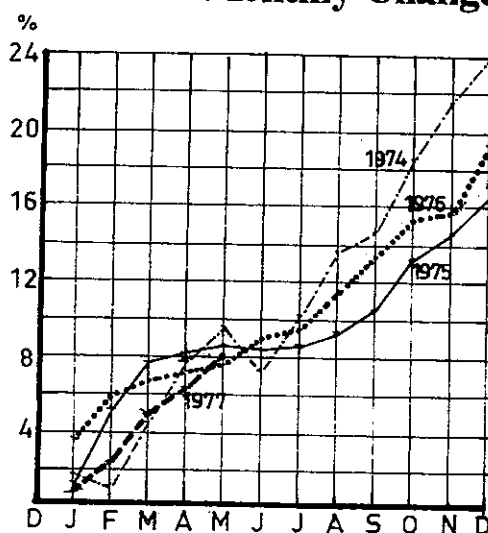
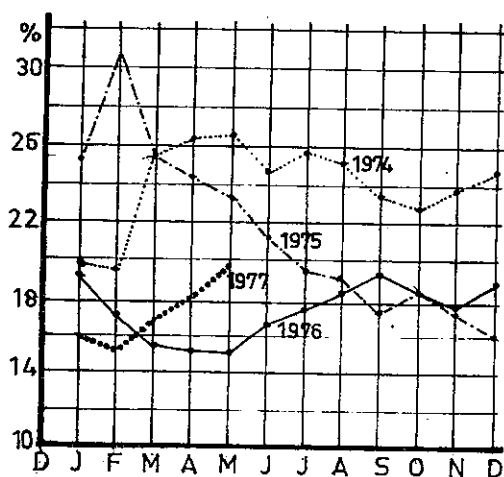
WHOLESALE PRICE INDEX YEAR-END MONTHLY CHANGES



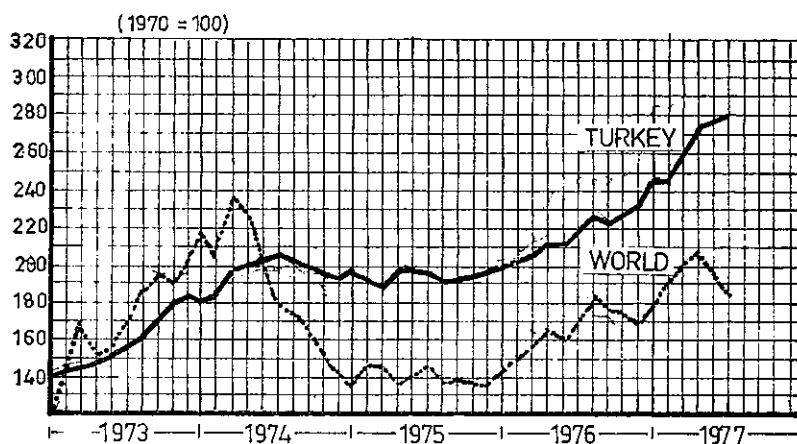
ISTANBUL CONSUMER PRICE INDEX

Year-end Monthly Changes

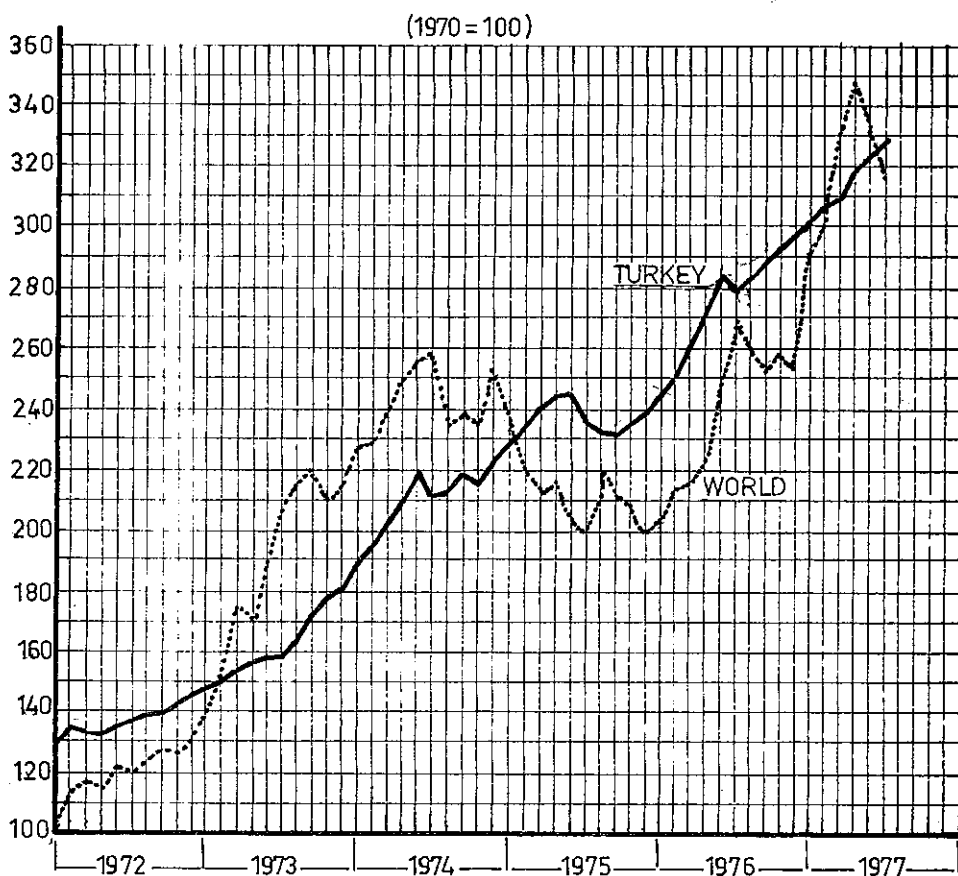
12 Month Changes



WORLD AND TURKEY'S INDUSTRIAL WHOLESALE PRICE INDICES



WORLD AND TURKEY'S WHOLESALE PRICE INDICES



MINISTRY OF COMMERCE, WHOLESALE PRICE INDICES

	<u>Index</u>	<u>Change(%)</u>	<u>Increase over the level of a year ago</u>	<u>Change over the previous year-end</u>
1963	100	--	--	--
1970	145.7	6.7	--	--
1971	168.9	15.9	--	--
1972	199.0	18.0	--	--
1973	240.1	20.5	--	--
1974	311.8	29.9	--	--
1975	343.2	10.1	--	--
1976	396.6	15.6	--	--
1974 Jan.	281.0	2.4	31.7	2.4
Feb.	289.7	3.1	29.4	5.6
March	303.1	4.5	34.4	10.5
Apr.	311.8	2.9	37.3	13.6
May	320.7	2.9	39.0	16.9
June	310.4	- 3.2	34.0	13.1
July	310.8	0.1	32.0	13.3
Aug.	312.3	0.5	29.6	13.8
Sept.	321.5	2.9	27.7	17.2
Oct.	320.3	- 0.4	24.0	16.7
Nov.	321.8	0.5	22.8	17.3
Dec.	326.7	1.5	19.1	19.1
1975 Jan.	339.1	3.8	20.6	3.8
Feb.	346.7	2.2	19.6	6.1
March	350.2	1.0	15.5	7.2
Apr.	350.7	0.1	12.5	7.3
May	346.1	- 1.3	7.9	5.9
June	339.5	- 1.9	9.4	3.9
July	336.8	- 0.8	8.4	3.1
Aug.	338.7	0.6	8.5	3.7
Sept.	340.3	0.5	5.8	4.2
Oct.	345.1	1.4	7.7	5.6
Nov.	347.6	0.7	8.0	6.4
Dec.	360.8	3.8	10.4	10.4
1976 Jan.	369.1	2.3	8.8	2.3
Feb.	377.1	2.2	8.7	4.5
March	381.3	1.1	8.8	5.7
Apr.	393.8	3.3	12.3	9.2
May	404.0	2.6	16.7	12.0
June	407.7	0.9	20.1	13.0
July	393.4	- 3.5	16.8	9.1
Aug.	400.4	1.8	18.2	11.0
Sept.	407.0	1.6	19.6	12.9
Oct.	415.4	2.1	20.4	15.1
Nov.	424.0	2.1	22.0	17.5
Dec.	429.7	1.3	19.1	19.1
1977 Jan.	440.7	2.6	19.4	2.6
Feb.	444.0	0.7	17.7	3.3
March	449.1	1.1	17.8	4.5
Apr.	465.5	3.6	18.2	8.3
May	471.3	1.2	16.6	9.7
June	476.8	1.2	16.9	11.0

Source: Ministry of Commerce

Agricultural Production :

In both 1975 and 1976, wheat production in Turkey reached record levels. Some observers attribute this purely to the fact that a larger area of land was under cultivation, and to favourable weather conditions. Others, however, believe the introduction of more advanced technology was also responsible. Clearly the people who will take the policy decisions ought to have definite knowledge of what in fact caused the bumper yields.

Research into the effects of technology on wheat production in Turkey(*) indicates that climatic conditions, fertilizer and changes in the size of holdings account for nearly all the improvement in production between 1946 and 1976. Yet production has now surpassed the level where it can be analysed purely by these factors. Foreign herbicides, high-yield seed and advanced techniques have also played their part in raising the level of efficiency over that produced by traditional methods.

Nevertheless, some inputs, including fertilizer, are only effective when the soil is moist. As a result, in years when climatic conditions are favourable, there is an absolute increase in production over years affected by poor weather conditions. In other words, while average efficiency increases, the differentiation in efficiency and yield between good and bad years also increases. So the higher the input of modern technology, the greater the difference in yield between good and bad harvests. When half of the land set aside for growing wheat is processed with modern methods, the difference in yield between a good and a bad year can be as much as 10.1 m. tons; when traditional methods are used, the difference only amounts to 4.5m tons.

The study came to the following conclusions as regards wheat policy :
1. Storage capacity must be increased. 2. A decision should be made as to whether wheat is being grown to satisfy an export market, or whether it is destined entirely for domestic consumption.

But before this choice is made, a study should be made of the foreign market potential of wheat, in order to determine a production strategy for exporting wheat. Similarly comparative prices on the domestic market should be analysed, so that wheat production can be cut down and replaced by other crops, if the choice is to produce solely for the domestic market. If a decision is made without having the results of such an analysis at hand, it is unlikely to be either realistic or useful.

(*) Dr. Charles K. Mann, Wheat Research and Training Project, May, 1977, Ankara.

Given these circumstances, the production of all items, particularly grain is not expected to fall below last year's level. A good production year will necessarily raise problems of price policy, exporting and the maintenance of stocks left-over from previous years.

Production estimates for 1977 are as follows: (000 tons)

	Final 1975	Chg.%	Final 1976	Chg.%	1977 July Est.	Chg.%
Cereals						
Wheat	14,750	34.1	16,500	11.9	16,50	--
Barley	4,500	36.4	4,900	8.9	4,750	- 3.2
Oat	750	33.9	740	- 1.3	700	5.7
Rye	390	2.6	400	2.6	375	- 6.7
Maize	1,200	--	1,310	9.2	1,100	-19.1
Pulses	462	0.4	539	16.7	576	6.9
Industrial plants						
Cotton	480	-19.7	470	- 2.1	617	31.3
Tobacco	193	1.6	303	57.0	274	-10.6
Sugar-beet	6,949	21.8	9,400	35.3	9,400	--
Oil seeds						
Sunflower	488	16.2	550	12.7	457	-20.3
Others						
Hazelnut	317	29.9	245	-29.4	250	2.0
Fig	175	12.2	188	7.4	180	- 4.4
Raisin	3,247	- 3.1	3,080	- 5.4	3,200	3.9
Olive	561	-33.2	1,097	95.5	750	-46.3
Antep nut	31	34.8	5	-520.0	30	500.0

Source: State Institute of Statistics Estimates.

Industrial Production :

Energy production in the first three months of 1977 was higher than that of the same period last year.

January-March (10⁶ kwh)

	1976	1977
-- Thermal	2,636	2,760
-- Hydraulic	1,851	2,350
-- Total , 3 months	4,487	5,110
-- Total, annual	18,270	5,110

Troubles encountered in main power plants, however, led to a considerable decrease in energy production in later months.

Energy savings, averaging 4-6 hours a day in key industrial zones, have substantially disrupted industrial production.

According to data available in the first 2-4 months of the year, production increases in industrial sub-sectors were as follows: (in tons)

	<u>1976</u>	<u>1977</u>	<u>Chg. %</u>	<u>1976 annual</u>
<u>Increasing production</u>				
Rolled products	164,925	203,089	23.1	1153,527
Pig iron	23,676	27,516	16.2	141,092
Sheet	33,556	49,034	46.1	190,372
Paper-cardboard	34,376	37,499	9.1	216,250
Newsprint	11,790	14,900	26.4	79,607
Chemical fertilizer	353,178	412,165	16.7	2940,550
Electricity (mil. kwhs.)	4,486	5,110	13.9	18,246
Plate glass	23,109	24,205	4.7	111,563
Sugar	192,450	311,408	61.8	982,327
Cigarette	8,543	10,036	17.5	52,954
Tobacco	518	624	21.0	2,710
Chromium (ungraded)	31,956	40,024	25.3	278,660
Chromium ore	103,318	105,915	2.5	865,056
Blister copper	1,319	5,287	300.8	28,099
Lignite	1547,680	2113,077	36.5	9906,621
Gasoline	462,310	563,589	21.9	1939,989
Asphalt	26,610	51,059	91.9	255,600

Sub-sectors where production decreased in this period are shown in the table below:

(in tons)

	<u>1976</u>	<u>1977</u>	<u>Chg. %</u>	<u>1976 Annual</u>
<u>Decreasing production</u>				
Raw iron	200,716	195,343	2.3	1212,223
Steel ingot	239,028	233,286	2.3	1457,213
Coke	201,464	196,231	2.6	1936,404
Glass & bottles	23,109	20,421	11.6	129,627
Alcohol	1,630	1,367	16.9	11,696
Boron minerals	89,441	74,466	16.7	619,404
Coal	1368,958	1345,443	1.7	8068,282
Crude oil	438,890	409,060	6.8	2568,346
Cement	7222,895	7003,088	3.1	12,382,236
Kerosene	199,994	188,774	5.9	521,308
Diesel oil	764,845	693,579	10.3	3221,390
Fuel oil	1222,901	1128,474	8.4	5809,606

The shortage of foreign currency does not seem to have affected production in the manufacturing zone in the first five months of 1977. But after the fifth month, energy shortages and strikes in the metallurgical industry started to affect industrial production adversely.

Although a certain level of production was able to be sustained thanks to raw material and intermediary goods imports previously realized, industrial production will come up against the foreign currency shortage and deteriorating labour relations in the second half of the year.

Investments :

The only indicators available in the first three months of the year were the investment goods imports figures.

January-March (million dollars)

	<u>1976</u>	<u>1977</u>	<u>Chg.%</u>
Investment goods	603	713	18.2
Construction machinery and materials	90	49	-83.7
Machinery & equipment	513	664	29.4
Annual total	2,239		

The volume of these imports was larger in the January to March period this year than was the case in 1976.

As for the public sector, the State Planning Organization calculations of the amount spent on important projects by March are the only source available. The comparative figures and ratios are as follows:

	<u>Beginning of March (Cumulative)</u>			<u>Annual Programme</u>		
	<u>Project</u>	<u>Expenditure</u>	<u>%</u>	<u>Project</u>	<u>Expenditure</u>	<u>%</u>
1975	112.2	33.3	29.7	15.1	3.3	22.0
1976	132.9	40.2	30.2	20.1	3.6	18.2
1977	188.1	41.4	22.3	28.0	4.0	14.3

It is difficult to project this data to the end of the year, since these figures only cover the first three months.

But with resources and imports held up, a rate of realization in investments higher than that of previous years should not be expected.

The construction industry will probably grow as a result of speculative demand.

National Income :

The increase of the Gross National Product at constant prices has been satisfactory since 1968.

Gross National Product				GNP Per Capita			
	Current	Constant Price		Population (000)	Current	Constant Price	
	Price	TL m.	Inc.%		Price	TL	Inc.%
	TL m.						
1968	112,493.4	112,493.5	6.7	33,854	3,323	3,323	4.0
1969	124,892.9	118,594.1	5.4	34,722	3,596	3,416	2.8
1970	147,776.1	125,425.2	5.8	35,605	4,150	3,523	3.1
1971	192,603.3	138,185.3	10.2	36,581	5,265	3,777	7.2
1972	240,809.2	148,476.5	7.4	37,536	6,415	3,955	4.7
1973	309,829.4	156,457.6	5.4	38,491	8,049	4,065	2.8
1974	427,097.5	168,012.9	7.4	39,478	10,819	4,256	4.7
1975	535,771.0	181,383.3	8.0	40,197	13,329	4,512	6.0
1976	664,336.6	195,994.9	8.1	41,200	16,125	4,757	5.4

During the past ten years, the rate of growth in GNP, GDP and sectors was as follows:

(Percent increase)

	1973	1974	1975*	1976**
GNP	5.4	7.4	8.0	8.1
GDP	4.1	8.8	8.9	9.2
Agriculture	-10.1	10.3	10.9	9.2
Industry	11.3	8.3	8.9	10.3
Mfg. industry	12.1	6.9	8.1	10.0
Construction	7.3	6.1	8.5	8.3
Commerce	11.5	10.9	9.5	9.6

Source: State Institute of Statistics

(*) Final estimate, March, 1977

(**) March 1977 estimate.

The main problem this year will be the shortage of foreign currency, which will hold up industrial production considerably.

Of the sectors that constitute the GNP, the industrial sector is restricted to 17.3% at current and 20.0% at constant prices.

The share of sectors in GNP (%)

	Current Prices				Constant Prices			
	1973	1974	1975	1976	1973	1974	1975	1976
Agri.	23.6	24.7	25.4	26.0	20.7	21.3	21.9	22.1
Indus.	17.2	17.9	17.4	17.3	19.3	19.4	19.6	20.0
Cons.	4.8	4.4	4.6	4.7	5.7	5.6	5.7	5.7
Commerce	11.3	12.2	12.1	12.1	12.1	12.5	12.6	12.8

This stagnation in the industrial sector will necessarily affect the construction industry.

Under these circumstances, the growth rate will probably decline. Even if agriculture contributes more to development, the rate of increase in the GNP will only amount to half that of 1976 (8.1%).

The Turkish Economy Towards the End of 1978

The Turkish economy needs an austerity package. Foreign circles, too, are waiting for the introduction of a package of short-term economic measures to re-establish relations with Turkey. As a result, those in power will be forced to do something to attract foreign money, which is now in short supply in Turkey.

Such a package of short-term measures could be approved easily, provided it is seriously prepared. But even the most optimistic estimates reveal that foreign credits will not be available before the end of the year.

Of course, Turkey's foreign affairs, and the Cyprus question in particular, will affect her foreign economic relations. In the latter half of 1977, Turkey is in a position to pursue a belt-tightening line. This will include a reduction in society's purchasing power, and a decline in industrial production.

Towards the end of the year, the foreign currency shortage will severely hurt the economy, and particularly those industries that are largely dependent on imports.

The recession in industrial production will manifest itself most of all in rising unemployment, particularly among those in the higher income bracket. Profit rates will consequently fall.

The positive effects of foreign financing, expected as a result of the austerity measures, will not be seen before the beginning of 1978. In fact, no marked improvement in investments, and thus in the unemployment structure, should be expected even in 1978.

Even if the financing and raw material questions are successfully tackled, industrial production will still suffer from the restrictions on the demand.

Although it is impossible to orient industrial production towards exportation in the short run, investments will be necessarily aiming at external markets if currency rates are successfully fixed.

There may be no serious policy of curtailing investments, but they will still decline due to the shortage of financing.

Consequently, the growth rate cannot exceed 4-5% in 1978.

Problems in Policy Implementation :

Austerity measures, such as limitations on investments and the volume of credits, will lead to a recession in the economy. And anti-inflationary measures generally entail an increase in prices in the short run, until they stabilize at a higher level. Among the most important devices in the struggle against inflation, finding a balance between prices has a special

place, for it can limit demand.

Two kinds of demand limiting measures are possible: first, measures to restrict incomes and second, devices to restrict demand-increasing trends among the income groups.

Payments such as social benefits, wage increases, increase in the minimum living allowance and taxation policies, and stepping up agricultural prices over those of the international markets, are generally regarded as demand-increasing policies. Likewise, the introduction of administrative rather than economic considerations in the price fixing mechanism, the pursuit of an uneconomical interest policy, and the sale of foreign currency below its real value will all help to increase purchasing power.

The only way to establish a balance in the economy is to restrict demand to the existing level of production; this cannot be achieved in the short run. So a package of measures which will transform a portion of incomes into either voluntary or compulsory savings is required. This can be done through taxation policies and by increasing interest rates. A second group of measures to restrict purchasing power should raise the prices of basic goods and services, and of foreign currency, thus forming a new balance at a higher level.

As for the public sector, it should not be permitted to continue as a burden on the economy.

Shorter investment periods with careful selection of projects, location, and technology are advisable. And those establishments which impose an additional financial burden due to mismanagement should stop production. The first step should be to pursue a price policy which eliminates the financial burdens of both the productive and manager firms.

Price policy cannot entirely eliminate blockages in financing, since a part of the problem stems from mismanagement and erroneous investment policies. Price adjustments can thus only be made on the State Monopolies' products, sugar, iron and steel, and in the energy&transportation sectors.

As for agriculture, support prices become increasingly important. If the support price for wheat is fixed at 350 kurus per kilo, while the international price stands at 175, this will create several problems. Price increases for the new season will create a contradictory situation, while the past season's supply could not be sold even below international prices. Tobacco and cotton, to a certain extent, face the same danger. In the light of these facts, the support price policy will be of the utmost importance, for it not only affects money supply and the price structure in general, but also the structure of agricultural production and Turkey's foreign trade policy.

«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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