GENERAL AGREEMENT ON TARIFFS AND TRADE

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I. *GENERAL ECONOMIC SITUATION*

A. *Background*

Turkey, in January 1980, adopted a structural adjustment program after facing severe economic difficulties especially in the second half of the 1970s. The short term objectives of the program aimed at the alleviation of Balance of Payments difficulties, restoration of international creditworthiness, balanced economic growth, and reduction in the inflation rate.

However, the most important aspect of the program was its long-term objectives. These objectives that have important bearings for today and for the economic outlook of the country could be identified as follows:

- to liberalize all spheres of economic life,

- to establish the principles of free market system and therefore to rely on market forces in determining prices, interest rates, and exchange rates,

- to transform the economy from an inward orientation to an outward orientation and eliminate anti-export biases,

- to reduce public intervention in economic activity,

- to encourage private economic activity,

- to encourage foreign investment.

As an outcome of sticking to these principles and objectives, considerable progress was achieved in removing structural distortions and improving efficiency especially in the first half of 1980s.

The overall economic growth of Turkey which averaged about 5 percent during the period of 1981-91 was noteworthy. In the same period, average real growth rate for industrial and developing countries were 2.8 percent and 3.1 percent, respectively.

[1]Material provided by the authorities of Turkey.

Remarkable growth of exports has been observed during the implementation of structural adjustment program. Export revenues increased from 4.2 percent of GDP in 1979 to 14.2 percent of GDP in 1991, representing an average increase of 16 percent per annum, whereas the World trade rose only around 3 percent annually, during the same period.

Along with this striking increase in export volume, composition of exports changed in favor of manufactured goods. The share of manufactured goods in total exports rose from 35 percent in 1979 to 78 percent in 1990, while the share of agriculture declined from 60 percent to 20 percent. That was achieved in spite of an unfavorable external environment, such as lower GNP growth in some of the major trading partner countries combined with quantitative restrictions on specific imports from Turkey.

Current account deficit declined from 5.4 percent of GNP in 1980 to 2.6 percent in 1985 and this account gave surplus in 1988 and 1989. With the effect of the Gulf crisis, Turkey experienced a current account deficit of US 2.6 billion in 1990.

The foreign direct investment inflows increased from US $ 18 million in 1980 to US $ 910 million in 1991.

The trade regime was substantially liberalized and that was instrumental in opening the domestic industry to international competition.

The foreign exchange regulations were dramatically liberalized by the Decree No. 32 in 1989. Residents are permitted to purchase foreign securities while non-residents are able to purchase Turkish securities listed on the Istanbul Stock Exchange which was reactivated at the beginning of 1980s. Despite the fact that the share of foreign investors in total stock exchange value is still relatively small, the sustainability of a certain amount of foreign investment inflow has been achieved by the ability of markets to adopt themselves to the new conditions and prospects seem promising.

Turkey now has a foreign exchange regime that is more liberalized than some of the OECD countries. Following the substantial liberalization of exchange regime, she has accepted the provisions of Article VIII of Articles of Agreement of the IMF which guarantees to the international community that Turkey will never reintroduce any restrictions in her foreign exchange regime.

Despite the good performance in the external sector, large increases in public expenditures adversely affected domestic fiscal balances. A large portion of the growing deficit was financed through domestic borrowing, often at high interest rates in real terms.

One of the major objectives of the adjustment program was to reduce the rate of inflation which had peaked at over 100 percent in 1980. In response to the policy stance envisaged by the structural adjustment program, the rate of inflation declined, but it has still been high by international standards.

In addition to that, despite a rise in tax revenues as a share of GNP after the introduction of VAT in 1985, public sector deficit persisted and in turn, led to accelerated growth in interest payments.

The money and banking sector is another area which considerable progress has also been made. Interest rates are deregulated to stimulate private savings and to have an efficient resource allocation. Foreign banks were allowed to operate in Turkey in 1980.

As a result of financial liberalization and deregulation measures implemented in the last decade, financial sector, especially the banking sector, has become more market oriented. In this process, the classical tools of Central Bank of Turkey such as rediscounts policy, liquidity, and the reserve ratios were used mainly as the instruments of monetary policy. Starting from 1988, new tools such as open market operations, and interbank and foreign exchange market were put into force in order to implement a more efficient monetary policy.

B. *RECENT DEVELOPMENTS IN THE ECONOMY*

1. *Demand and output*:

Turkey's economy grew strongly in 1990 and the rate of real GNP growth in 1990 was 9.2 percent. However, due to the unfavourable external circumstances, related to the Gulf Crisis, economic performance slowed significantly in 1991. Real GNP growth declined to 0.3 percent, while domestic demand decreased, as compared with the broad increase of the previous year. Such decrease was the result of the effects of the rise in production costs and strikes in the industry, and the political uncertainties created by the call for early elections during the latter part of the year, each of which contributed to a decrease in investment and a decline in the growth of private consumption. Despite the pursuit of expansionary fiscal policies in the second half of the year and a corresponding recovery in the manufacturing industry, growth performance remained weak.

In the 1992 Annual Programme, it is estimated that GNP growth will reach to 5.5 percent. The indicators for the January-September period of 1992 indicate that no serious obstacle shall be encountered in reaching the growth target.

According to the new national income series of State Institute of Statistics, GNP grew by 5.8 percent during January-September period of 1992. Industry was the leading sector in this period, with the growth rate of 7.0 percent. Manufacturing industry showed a 6.8 percent growth during the January-September period.

The value added in the agricultural sector increased by 3.7 percent in the January-September period of 1992.

In parallel to the developments in the agriculture and industry, the value added in services sector grew by 5.0 percent in the January-September period of the year. GNP growth rate is expected to be 5.4 percent for the overall year, close to the programme target.

In terms of demand, it is estimated that the growth in GNP in 1992 is mainly due to the growth in private consumption. It is expected that the contribution of private consumption to GNP growth will be 7.3 percentage points, while those of total investments and foreign balance will be 0.2 and minus 2.2 percentage points, respectively. High increases in wages and agricultural support prices and some employment gains in 1992 are the main factors behind the recovery in private consumption.

Private fixed investments which declined by 3.5 percent in 1991 is expected to increase by 1.4 percent in 1992. It is expected that private sector fixed investments in mining, energy, tourism,

education and health sectors will decline while the increase in manufacturing, housing, and agricultural sectors will be realized in certain limits.

It is estimated that public sector fixed investments in 1992 will increase by 1.1 percent in real terms. High rates of real growth are expected in education, health, other public services, and energy sectors. However, public investments in transportation, agriculture, tourism and mining are expected to show a real decline. The limited increase in public sector fixed investments is due to the decline in investments of SEE's, revolving funds, and extra budgetary funds.

On the external demand side, exports (FOB) will reach 15.1 billion dollars representing a 11.1 percent increase over the previous year's level. Increase in exports is mainly originating from the increase in manufacturing exports.

Imports (CIF) excluding gold is expected to amount 23 billion dollars, with an increase of 9.3 percent in current prices. Imports of investments and non-oil intermediate goods are estimated to increase by 14 percent and 9.1 percent, respectively, while imports of consumption goods are expected to remain at its previous year's level.

The official transfers in grant form to compensate for losses originating from the Gulf Crisis have declined by 1.3 billion dollars in 1992 as scheduled previously. Hence, in spite of strong recovery in tourism revenues, current account deficit is estimated to be US dollars 1.3 billion due to the increase in foreign trade deficit and the decline in the revenues from invisible items.

2. *PUBLIC FINANCE*:

a. *PSBR*:

In 1989, the public sector borrowing requirement as a percentage of GNP was 7.2 percent. This level was attained at large by the negative real interest rates on the part of the Consolidated Budget. In 1990, real GNP recovered from a weak 1989 performance and grew by some 9 percent partly boosted by fiscal expansion. PSBR was realized as 10.6 percent of GNP, nearly twice as large as the target, main reason being the overshooting of the Consolidated Budget expenditures and especially SEEs borrowing requirement which hit 5.5 percent of GNP.

In 1991, the public sector borrowing requirement was programmed to be 7.1 percent of GNP but turned out to be 14.4 percent. The share of the Consolidated Budget deficit increased to nearly 60 percent of PSBR. This unanticipated budget deficit was mainly due to the increased preelection government spending which was primarily induced by high wage settlements and the military burden incurred through the Gulf Crisis. However private expenditure remained subdued and largely offset the stimulative effects of the excessive public spending. Hence the rate of economic growth continued to decline and realized at annual rate of 0.3 per cent.

For 1992, although PSBR was targeted to decline to 8.8 per cent of GNP, it is expected to be 12.6 percent. The consolidated Budget deficit is expected to be 7.3 percent, constituting the largest portion of the public deficit, mainly due to the higher than programmed personnel costs and interest payments on domestic public debt.

The PSBR/GNP ratio has been targeted to decline to 9.0 percent in 1993. Measures to improve revenue collections and to increase the control of public expenditures via merging nearly all Extra Budgetary Funds with the budget will be the main tools to achieve this target.

b. *Consolidated budget*:

In 1991, Consolidated Budget expenditures accounted for 28.7 percent of GNP with a 4.8 percent increase over previous year and reached TL 130.3 trillion which marked a deficit of TL 33 trillion, mostly attributable to increased personnel payments, transfers to SEEs and other transfers affected by the additional burden which incurred as a result of the Gulf Crisis.

Consolidated Budget revenues as a percentage of GNP reached to 21.3 percent with an increase of 1.6 percent over 1990. This improvement was largely due to the contribution of Gulf Crisis-related grants amounting USD 1.9 billion partly offsetting the fall in revenues as a result of the Crisis.

In the 1992 Consolidated Budget, total expenditures as a percentage of GNP are expected to be 29.4 percent with an increase of nearly 2 percent over previous year and reach TL 227.4 trillion. According to the provisional data the share of transfers to SEEs decreases sharply on account of the adjustments in public prices and improved management, while the largest portion of the increase was due to the rise in personnel costs and interest payments on public debt.

The Consolidated Budget revenues are expected to be 22 percent of GNP, a 1 percent higher than previous year. As it was programmed, Tax Amnesty and acceleration of tax collection positively affected the revenues and total tax revenue is expected to reach 18.3 percent of GNP.

The budget deficit appears to be 7.3 percent of GNP, which is a 0.1 percent smaller deficit with respect to previous year.

In 1992, a new scheme was introduced and functioned efficiently for Extra Budgetary Funds (EBFs) whereby certain percentages of their revenues were transferred to the Consolidated Budget. In 1993, this scheme will be further improved with the inclusion of majority of the EBFs within the budget.

On the external financing side, with the improving international credibility, the Turkish Treasury continued to have access to international capital markets and refinanced all due capital payments.

In domestic borrowing, direct sales of government papers to the public were started as a step towards improving the secondary market.

c. *State Economic Enterprises (SEEs)*:

The SEE sector had experienced a sharp decline in overall financial performance in the period 1985-1991. There are several structural weaknesses underlying the deterioration: Large operating deficits due to increasing wage and interest expenses, high debt stocks to foreign and domestic commercial banks because of negative cash flows and unprofitable capital investments.

The operating surplus has been turned negative in 1990 and reached 5.5 percent of GNP in 1991 due to increase in employment expenditures. In 1992, operating deficit is estimated to be TL 30.9 trillion (4.2 percent of GNP) and projected to preserve its nominal level i.e. TL 30.9 trillion thus decline to 2.8 percent of GNP in 1993.

After a sharp increase to 5.5 percent of GNP in 1990, the borrowing requirement of the SEE sector fell to 4.7 percent in 1991. The borrowing requirement is estimated to fall to 3.2 percent of GNP in 1992 and projected to be 2.7 percent in 1993 due to decreasing interest payments and consolidation of some debt and receivables of SEEs. With the Consolidation Law, it was aimed to construct the fiscal stability in the public entities and providing transparency in the accounting system by offsetting chronic obligations and claims as of December 31, 1991.

Another factor for improved borrowing requirement figures of SEEs is relatively declining fixed investment expenditures. Fixed investment spending of SEEs was 2.9 percent of GNP in 1991 and is estimated to fall to 2.7 percent in 1992. In 1993 it is projected to further decline to 1.8 percent of GNP.

In the privatization area, seven government owned cement factories were sold to the private sector along with some minority public shares in various companies in 1992. For further steps of restructuring, rehabilitation and privatization of SEEs, the Draft Bill concerning the establishment of a new body, the Turkish Autonomization, Reorganization and Privitization Board (TÖYÖK), is on the agenda of the Parliament.

3. *MONEY AND CREDIT*:

In 1989, an accord was signed between the Treasury and the Central Bank which was an important institutional arrangement. The accord imposed a ceiling on the short term advances to the Treasury which were given at a much lower interest rate than the market rate. Any amount above the limit was to be charged at the ongoing market rate. That accord was an important step in limiting the credits to the public sector. Thus, the Central Bank was able to make a different kind of monetary programming exercise in 1989 without announcing its targets to the public. After that trial year, the Central Bank announced its monetary program in its present form in January 1990.

That monetary program, unlike classical monetary targeting exercises, refrains from targeting any monetary aggregate; and instead, it focuses on reshaping the structure of the Central Bank's balance sheet in medium-term framework. By doing this, the Central Bank aims at reducing the rigidities in its balance sheet that inhibit the enhancement of the effectiveness of the monetary policy. This kind of balance sheet programming is also partly a result of the realization of the fact that it is extremely difficult, if not impossible, to target monetary aggregates under high inflation, rapid structural change, and continuous financial innovation without creating serious credibility questions about the monetary program.

The monetary program has four quantitative targets chosen from the balance sheet of the Central Bank. These targets are the total size of the balance sheet, the total domestic liabilities, the total domestic assets, and the Central Bank money (which is defined as the total Lira liabilities of the Central Bank). Among these four targets, the Central Bank money was given the highest priority. By the end of 1990, that variable was below the lower limit of the announced interval. Although the balance sheet total was slightly above the upper limit, the other two variables remained within the specified limits. Thus, the new monetary program was generally successful in 1990.

1991 began with the onset of the Gulf War, putting a heavy pressure on the banking sector which manifested itself in the form of large withdrawals both from the Turkish Lira and foreign exchange deposits. During the early months of the year, the Central Bank supported the banking system by providing a substantial volume of funds. Due to the uncertainties stemming from the Gulf War, the Central Bank did not announce a monetary program for 1991.

Both in 1991 and 1992, the large public sector deficits exerted great pressures on the Central Bank. The resulting excess liquidity, while putting pressure on the exchange rates, created more uncertainties in the markets.

The Central Bank announced a monetary program for 1992 on January 28, 1992. The monetary program is similar to the one announced in 1990 in that the same quantitative targets were chosen from the Central Bank's balance sheet. The fundamental assumption behind these targets was a budget deficit of TL 32 trillion as proposed in the official budgetary document. The medium term objectives which were announced in 1990 still constituted the background for 1992's monetary program. However, all four targets of the monetary program exceeded their program levels. The main reason behind that discrepancy between the actual and planned levels was the financing need as a result of a public sector deficit which turned out to be substantially larger than the official budgetary figure. Large public sector deficits and, hence, the pressure on the Central Bank sources stemming from those deficits continued during 1992.

The liquidity ratio was increased from 30 to 35 percent in March 1991. On the other hand, reserve requirement ratios were reduced gradually from 17.5 percent to 16 percent for sight deposits and from 8.3 percent to 7.5 percent for time deposits, in 1991.

Both in 1991 and 1992, the Central Bank pursued a policy of maintaining the stability of exchange rates while keeping foreign reserves at a certain level. To achieve this, the Central Bank used open market operations as the major sterilization instrument, to withdraw the excessive liquidity from the market.

4. *PRICES:*

Prices, which declined relatively in 1990, tended to increase in 1991.

The expansionary fiscal policy of 1991 contributed to the reinforcement of inflationary pressures and expectations. The ratio of public sector borrowing requirement to GNP in 1991 reached to 14.4 percent, the highest level of the last three decades. By the end of 1991, the 12 monthly increase in the Wholesale Price Index (WPI) and Consumer Price Index (CPI) were 59.2 percent and 71.1 percent, respectively.

As a result of the realization of the adjustments in public sector prices, a considerable rise was observed in wholesale and consumer prices at the beginning of 1992. The monetization of public sector deficits and the increase in agricultural prices because of the decline in the agricultural production in the last quarter of 1991 were the main factors behind the rise in the prices in early 1992.

Starting from the second quarter of 1992 inflationary pressures were alleviated somewhat by the good harvest. However, the price increases tended to gain momentum starting from August 1992.

Although the inflation rate could not be reduced to the projected levels, the increase in prices lost momentum in the second and third quarters of 1992 in comparison with the corresponding periods of 1991; and the increase in prices in the fourth quarter of 1992 remained around the same levels of the previous year.

Consequently, by the end of 1992 the 12 monthly increase in the WPI and CPI were 61.4 percent and 66.0 percent as opposed to 59.2 and 71.1 percent, respectively in 1991.

The limited improvement in the ratio of PSBR to GNP by around 1.8 percentage points was proved to be insufficient to break the chronic inflationary expectations, and to release the pressure of public sector on financial markets.

In 1993, elimination of the excess demand of the public sector by the reduction of PSBR on the one hand, and increase in total supply with 5.0 percent GNP growth and 9.5 percent rise in imports on the other are expected to diminish inflationary pressures. Consequently, inflation rate as measured by GNP deflator is targeted to decline to 51.0 percent in 1993 from 62.1 percent in 1992.

5. *BALANCE OF PAYMENTS DEVELOPMENTS*:

a. *CURRENT ACCOUNT*

Within the framework of an outward oriented growth policy, Turkey has recorded a substantial growth in her exports in value and volume terms since 1980, and the composition of exports has drastically changed in favor of industrial products. In addition, Turkey has been able to achieve a significant growth in the revenues from tourism and other invisible items. As a result of these developments, Turkey has staged a remarkable success in turning around the balance of payments situation.

1991

In 1991, the contraction in the trade deficit by 23 percent with respect to the previous year and the net income increase provided through Gulf Crisis-related grants were the items which contributed to the current account surplus of US dollars 272 million which had shown a deficit of US dollars 2.6 billion in 1990.

The strong growth rate in the first half of 1990 slowed after mid 1990 due to the adverse economic effects and general climate of uncertainty associated with Turkey's frontline status in the Gulf Crisis. The war in the Gulf brought a sharp contraction in the economic activity in the early months of 1991. Uncertainty resulted in sharply reduced private consumption, deep production cutbacks and a drastic decline in imports. The trade deficit contracted owing both to the decrease in imports on FOB basis by US dollars 1.6 billion and the increase in exports by US dollars 646 million.

Besides the sharp decline in sugar and cereal imports, the recession observed in the economy due to the Gulf Crisis-related uncertainties, as well as the appreciation of US dollars against the other currencies mainly effected the slowdown of imports in 1991 which had shown an extraordinary increase in 1990.

On the other hand, the purchases of nonmonetary gold fell due to lower tourism, slack demand in major re-export markets and high premiums earned from alternative investment instruments resulting the gold imports to decrease by 24 percent compared to 1990.

In 1991, three factors contributed to the increase of exports by 5 percent in value terms in comparison with the previous year:

1. The real appreciation of the exchange rate ended,
2. US and European States increased the quotas for Turkish textile products,
3. Turkish exporters were successful in finding new markets for goods previously sold to Middle East.

Despite the Gulf Crisis that started in August 1990 and affected Turkey significantly, the increase observed in Turkish exports was an indicator that her exports had the ability to shift to other countries or country groups.

The net income from the invisible items and unrequited transfers reached to US dollars 7.6 billion in 1991 increasing by US dollars 668 million.

Regarding the tourism earnings which have a considerable share in current account, observations doubtlessly show that in 1991, the Gulf Crisis was the cause of negative developments and serious problems in Turkish tourism sector, along with many other countries. The decrease of 37 percent in the number of tourists from West European countries was compensated by the increasing number of tourists from East European countries. In 1991, while the number of tourists kept nearly the same level of the same period of 1990, the average spending per tourist decreased by 22 percent. This decrease is mainly originated from the increase by 92 percent in the number of tourists with a lower per capita expenditure compared to that of West Europeans. With respect to this Gulf related losses in tourism proved smaller than initially feared, realizing around US dollars 2.7 billion decreasing by 18 percent compared to the previous year.

While there was no significant change in the contractors' earnings and interest income, the freight income realized as US dollars 936 million, increasing by 12 percent and other private and official service income realized as US dollars 3.9 billion increasing by 25 percent.

The interest payments which was the main item of the invisible expenditures increased by 5 percent reaching to US dollars 3.4 billion. Other goods and services kept the same level of 1990.

Workers' remittances decreased by 13 percent with the effect of the general climate of uncertainty created by the Gulf War and realized as US dollars 2.9 billion.

Official transfers represented the second largest source of invisible receipts after tourism in 1991, almost doubling to US dollars 1.9 billion as a result of the large payments from Saudi Arabia, Kuwait, and other countries to compensate for Gulf Crisis-related losses.

1992

At the end of 1992, trade deficit is expected to realize around US dollars 8.0 billion increasing by 9.0 percent compared to 1991.

In January-October period of 1992, exports (FOB) rose to US dollars 12.1 billion from US dollars 10.9 billion and imports (CIF) rose to US dollars 18.2 billion from US dollars 16.8 billion, compared to the previous year's same period. This means that during the January-October period, exports and imports increased by 11 and 8 percent respectively over the same period of 1991.

The political climate of Middle East and Balkan countries still has a negative effect on Turkish export markets. When the main sectors of exports are examined, it is observed that during the January-October period of 1992, the exports of agricultural products decreased by 9 percent compared to the same period of 1991, partly stemming from the problems of transportation of the agricultural goods destined to West European countries due to the war in former Yugoslavia. Also the decline observed in agricultural output compared to the harvest of the previous year played a role in the weaker performance of agricultural exports in this period. On the other hand, industrial product exports which had a significant share of 83 percent in exports, increased by 16 percent in January-October period of 1992.

In the same period, exports towards OECD countries increased by 10 percent compared to the same period of the previous year which has a share of 64 percent in total exports.

On the import side, in January-October period of 1992, it is observed that imports of investment goods had increased by 13 percent compared to the same period of 1991. In 1992, although the prices for per barrel of crude oil is estimated to be the same as in 1991, the oil import bill is expected to increase depending on the projected increase in volume of imported crude oil.

Regarding the gold imports, due to the strong demand, observed in January-October period of 1992, arising from the falling gold prices, the amount is expected to reach US dollars 1.5 billion which represents a 25.0 percent increase compared to that of 1991. When the ten months data of 1991 and 1992 is compared, it is observed that the volume of imported gold had increased by 26 percent. Additionally, the increasing re-export of gold and gold sales in the form of jewellery to tourists also contributed to the upward trend of gold imports in 1992.

As regards the tourism receipts, the realized amount US dollars 3.4 billion of January-October 1992 period indicates that the target of US dollars 4.0 billion is achievable by the end of 1992. The climate of uncertainty which the Gulf Crisis caused affected the tourism revenues negatively that by the end of 1991, tourism receipts ended up with a decrease of 18 percent compared to 1990. However, since the adverse effects had diminished by the end of 1992, travel item is expected to show a 24 percent increase compared to 1990. The tourist arrivals are estimated to reach around 7.5 million persons and expenditure per capita is expected to be around US dollars 536. The 70 percent of the tourism receipts is expected to be provided by the tourists of OECD countries.

On the debit side of the travel item, in 1992, the travel expenditure is expected to be around US dollars 800 million with an estimated expenditure per capita of US dollars 640 and the number of residents travelling abroad of 1.3 million.

Interest income is expected to reach to US dollars 1.0 billion increasing by 7 percent compared to figures of 1991.

On the other hand, interest payments decreased by 5 percent in the period of January-October of 1992 compared to the same period of last year. At the end of 1992, this item is expected to be around US dollars 3.3 billion.

In 1992, other goods and services receipts is estimated to decrease by 9 percent realizing around US dollars 5.2 billion. On the other hand, other goods and services expenditures, in 1992, is estimated to be around US dollars 3.4 billion increasing by 20 percent compared to 1991.

Workers' remittances is estimated to keep the same level of 1991 and expected to be realized as US dollars 2.9 billion in 1992.

The current account deficit is expected to end up with an amount of US dollars 1.3 billion by the end of 1992, which was 526 million US dollars in January-October period of this year.

b. *CAPITAL ACCOUNT*

Direct investment:

From 1980 onwards concrete efforts were made to attract foreign investment. Particularly, since 1984, foreign investment approvals by the Foreign Investment Directorate have been increased substantially and while realization of Direct Investment in net basis was US dollars 354 million in 1988, it was US dollars 783 million in 1991 and estimated to be around US dollars 1.1 billion by the end of 1992. The Decree No. 32 of August 1989 brought about a considerable liberalization in capital movements and played a crucial role in recent increase of foreign capital inflows.

Portfolio investment:

Parallel to the sound economic policies put into force in Turkey throughout the period 1988-1992, the creditworthiness of Turkey in international markets improved. As a result of this, beginning from 1987, Turkey had the opportunity to raise considerable funds through bond issues in international capital markets. In 1992 Portfolio Investment (net) is estimated to reach around US dollars 1.9 billion.

Other long term capital:

Regarding the medium and long term capital, throughout 1988-1991, Turkey was in a position of being a net payer. Since this situation is expected to continue in 1992, a net outflow of US dollars 750 million is expected to be realized by the end of the year.

Turkey resumed to obtain medium and long term credits from multilateral lenders such as the World Bank and the European Resettlement Fund. Also she had obtained credits from commercial banks in the form of syndicated loans.

The credit disbursements realized as US dollars 3.1, US dollars 2.6, US dollars 3.7, US dollars 3.8 billion respectively between 1988-91 period and estimated to be around US dollars 3.3 billion by the end of 1992. On the other hand, in 1990, US dollars 218 million from O.E.C.F. and in 1991, a total of US dollars 650 million from O.E.C.F. and EC countries had been disbursed as "Gulf Crisis-related loans".

The Dresdner account which was US dollars 594 million and US dollars 518 million in 1988 and 1989, increased only by US dollars 49 million in 1990, whereas this account had shown an outflow of US dollars 497 million in 1991. This decrease stemmed from the huge amount of withdrawals from this account early in 1991 because of the Gulf Crisis. Since the negative effects of

Gulf Crisis diminished, in 1992, this account is projected to end up with an increase of US dollars 300 million.

On the other hand, on year basis, approximately US dollars 4.0 billion of repayments were actualized between 1988-1991.

Short term capital:

In 1988, in line with the external debt policy of reducing the requirement of short term borrowing and the achievement of a surplus of US dollars 1.6 billion in current account, a net outflow of approximately US dollars 2.2 billion was registered in short term capital. This decline in the net inflow of short term capital was due to sharp increases in the foreign exchange reserves of commercial banks and the decline in foreign exchange liabilities as well as the US dollars 607 million credits extended abroad.

As a result of the decrease in both short term assets and liabilities of US dollars 371 million and US dollars 955 million respectively, there had been US dollars 584 million net outflow in short-term capital at the end of 1989.

In 1990, the most important development in the capital account was the sharp increase in short term capital inflow. Taking into consideration the liberalization of capital transactions with the adoption of Decree No. 32 introduced in August 1989, the high nominal interest rates in domestic market and the real appreciation of Turkish lira, short term borrowing from abroad were preferable. As a result of those favourable conditions for the borrowing of the banks, total net short term inflows of the banks amounted to US dollars 1.0 billion in 1990, whereas in 1989 the net short term transactions of the banks recorded a US dollars 29 million outflow. In the same manner, the short term foreign borrowing of the public enterprises and private sector had a sharp increase of US dollars 1.1 billion in 1990 which had shown a negligible increase in 1989. As a result of the above mentioned developments including the increase of deposit accounts in the banks and the other short term liabilities in 1990, the short term liability realized as US dollars 3.4 billion showing a net inflow which in 1989 ended up at US dollars 955 million as an outflow.

The short-term capital movements which were recorded a net outflow of US dollars 3.0 billion in 1991, is expected to end up with a net inflow of US dollars 150 million in 1992.

On the assets side of short term capital in 1991, banks' reserves had shown a huge amount of increase due to the result of the surplus in the current account, short and long term credit disbursements as well as the increase in the foreign exchange deposits of residents. In 1992, banks' reserves is expected to increase by US dollars 1.5 billion as a result of increase in long and short term borrowing and in foreign exchange deposit accounts of residents. Credits extended abroad by Deposit Money Banks and Central Bank increased on a net basis by US dollars 811 million in 1991. Besides, in 1992, credits extended are expected to increase by US dollars 150 million.

On the liabilities side of short term capital, short term credits after increasing sharply in 1990 increased only by US dollars 590 million in 1991. The main reasons of the relatively slower growth of short term borrowing in 1991 than that of 1990 are the surplus in the current account, increasing cost of foreign borrowing and adequate reserves of banking sector. On the other hand, short term deposits registered a net outflow of US dollars around 1 billion due to the withdrawals from these accounts during Gulf Crisis.

The short term liabilities, which had shown a decrease mainly attributable to the withdrawals from the deposit accounts in 1991, are expected to increase by US dollars 1.8 billion parallel to the increase in credits provided in 1992. The increase in trade credits due to the expanding import volume and the lower cost of external borrowing are among the main reasons of the increase of short term credits. No significant change in foreign exchange deposit accounts of non-residents is expected in 1992.

In the light of above mentioned developments, official reserves increased during the period of 1988-1990. On the other hand, official reserves in 1991 decreased around US dollars 1.0 billion and in 1992, an increase of US dollars 1.3 billion is expected.

c. *1993 TARGETS*

For 1993, two main assumptions are made in the process of the setting of BOP targets:

- There will be a recovery in the world economy and trade.

- In the domestic economy, the production is expected to increase during the course of 1993. Also, aggregate demand will be buoyant. These factors will affect mainly the trade and invisible items performance in 1993.

In 1993, while exports are expected to increase by 12.3 percent and will amount to $ 17 billion, imports are expected to increase by 12.2 percent and amount to $ 25.8 billion. An increase in trade deficit by $ 800 million will occur in 1993 according to the targets.

The tendency of increase in the tourism revenues will gain momentum in 1993, and with a growth rate of 25 percent, it is expected to amount to US dollars 5 billion.

The increase in invisible receipts, mainly in tourism incomes, is expected to compensate the widening trade deficit to a certain extent. As a result of these developments, current account will give a deficit around $ 1.2 billion in 1993.

In the capital account, a total of $ 4.3 billion credit of medium and long term will be utilized while a net inflow of $ 1.4 billion is expected through portfolio investment.

The capital account is targeted to give a surplus around $ 3.2 billion and, as a result, the official reserves will increase by $ 2.0 billion.

6. *External debt and debt management:*

As of June 1992, Turkey's total external debt including long, medium and short term public and private debt amounted to US dollars 50.9 billion.

Of total Turkish external debt at June 30, 1992, approximately US dollars 38.5 billion was owed by the public sector. Since 1988, it has been the policy of the Republic to limit annual borrowings by the public sector to the amount of principal repaid during the year and to refinance high interest borrowings at lower current rates. Turkey's relative cost of borrowing has decreased each year since 1987.

Turkey has continually enlarged her investor base and sources of borrowing both in terms of markets and types of financial instruments. Since 1987, in addition to her traditional syndicated loan markets, Turkey has publicly issued bonds in the German Mark and Eurodollar and U.S. markets and has sold securities in Japan.

C. *THE MEDIUM-TERM ECONOMIC PROGRAM:*

In order to create a stable macroeconomic environment to sustain investments, production, and exports within a balanced structure, the Government of Turkey aims at eliminating macroeconomic imbalances.

Since the existence of large public sector deficits is one of the major sources of the macroeconomic imbalances, the Government Program primarily concentrated on reducing public sector deficits.

The fiscal adjustment required to curb public deficits shall be directed to increase public revenues. The extension of the tax base and to minimize tax evasion and loopholes are important in this respect. The ongoing tax reform which aims at increasing tax revenues, takes into account simplicity, equity and economic efficiency.

The reform of SEE's is one of the major elements of the Government Program. Privatization is the main pillar of the SEE reform. Speeding up the privatization process shall contribute to achieving efficiency and productivity as well as facilitating fiscal adjustment. Additionally, structural measures directed at removing the burden of SEE's on the economy shall be implemented.

Financial and banking reform is emphasized as one of the main pillars of the Government Program. In addition to reducing the burden of public sector on financial markets, improving the organizational structure of financial markets, and developing new institutions are among the basic objectives of financial reform.

The essence of the new industrial strategy adopted by the Government of Turkey is to achieve an internationally competitive private sector led industry. Studies on the industrial policy shall be redirected in such a way as to formulate solutions to existing problems and to catch up with the developments in the world.

As the world's economies become more mutually interactive and interdependent, international economic agreements as well as individual governments' economic policies must be responsive to the international climate and to the circumstances of individual economies.

Undoubtedly, trade liberalization helps to increase efficiency, productivity and economic growth. Turkey has shown its commitment to pursue a liberal trade policy. Turkey regards regional integration as a transition phase in the creation of a free trading environment. In this respect, on the one hand Turkey supports GATT Uruguay Round of trade talks which will improve multilateral trade and on the other hand a free trade agreement with EFTA countries was ratified. Additionally, Turkey will carry on its initiatives with the European Community (EC), EFTA Countries, Islamic Countries, Central European Countries, Black Sea Economic Cooperation, and the Economic Cooperation Organization (ECO).

DEVELOPMENTS TOWARDS LIBERALIZATION AND THE CURRENT SYSTEM

A. *THE IMPORT POLICY AND THE REGIME*

1980-1990

The liberalization policy pursued since 1980 created a fundamental adjustment in the structure of the foreign trade regime. The import substitution policy which resulted in the protection of domestic industry was replaced by liberal approaches and a series of important reforms was introduced.

The Customs Tariff previously determined by law kept its validity as the legal basis of all implementations and reflected all contractual commitments such as GATT concessions, preferences under the Protocol among Developing Countries or bindings to the EC.

On the other hand, the Import Regime adopted and amended periodically by the Council of Ministers served to bring tariff rates autonomously and provisionally to a lower level, closely following trends in import performance and avoiding undue protection even where international commitments still made it possible.

The nature of the payments for the Mass Housing Fund, also listed in the Import Regime was misunderstood for a long time and these were considered by some as a surcharge imposed on bound tariffs. In reality, the payments constituted a surcharge only on autonomously lowered Import Regime rates, the total of duties and Fund payments remaining below the bound rate for most products.

Still, the intricate system of three additional taxes of equivalent effect, together with a smaller payment to the Price Support and Stabilization Fund made it difficult for many importers to calculate beforehand the real import burden on a given product. This is why a drastic change bringing full transparency was made in 1993.

In the period between 1980 and 1984 quotas were almost completely dismantled and replaced by tariffs. All import transactions have been carried out on a free currency basis since 1983. The 1984 Decree on Imports determined two lists of products under control: one of prohibited goods, and the other of goods subject to permission. Both lists were periodically and gradually reduced, until 1986 when the list of prohibited goods was abolished. The list of goods subject to permission was also abolished in 1990, thus creating full liberalization of imports.

Customs duties autonomously rearranged under the Import Regime were gradually decreased and import formalities were simplified. Banks, trade chambers and unions were authorized to act as main executers of import procedures.

As a natural consequence of the liberalization process, the Legislation on the Prevention of Unfair Competition in Imports based on GATT principles was adopted in 1989 in order to regulate anti-dumping and anti-subsidy practices.

Several adjustments were made in the rate of the Import Guarantee Deposit which was terminated in 1990.

Turkey adopted the Harmonized System of Tariff Classification at the beginning of 1989. Accordingly, the Turkish Customs Tariff Schedule was rearranged to assure conformity with the new system, and parallel amendments were also made in the Import Regime.

During this period, modifications were mainly characterized by the erga omnes reduction or dismantling of tariffs and other trade measures. As a result of the reforms, stability and continuity were achieved in the import policy.

1991-1992

In addition to continuity and stability, adjustments aiming at non-discrimination were brought to the Regime. In fact, the selective allocation of importing rights from state trading countries (introduced in 1985 to prevent market distorting price effects) was terminated as these countries initiated their economic reforms. On the other hand, tax exemptions granted to the public sector were cancelled in order to create a more competitive market system.

Customs duties autonomously rearranged through the Import Regime were further reduced, and special attention was paid to the importation of investment goods necessary for the development of the economy. On the other hand, many exemptions from duties and charges created an increasing amount of completely free imports.

The alignment of the Turkish Customs Tariff on the Common Customs Tariff of the European Community, started in 1989, continued with further adjustments in 1991 and 1992.

1993

The Import Regime which entered into force on 1st January, 1993 constitutes a very important step towards further liberalization and achieves for the first time a high degree of transparency. As such, it represents a culmination of the reforms previously introduced. Its main elements are outlined below.

Abolition of taxes with equivalent effect:

All taxes with equivalent effect levied on imports were abolished with effect from 1st January, 1993 by a law adopted in July 1992. They included the Stamp Duty, the Municipal Tax and the Transport Infrastructure Tax (both consistent with GATT, since they were put into force before accession).

Payments to the Price Support and Stabilization Fund were similarly terminated on the same date.

Transparency:

The abolition of all additional payments permitted Turkey to indicate in her Import Regime the exact import requirements for each product. In fact, the 1993 Regime covers all the products in the Customs Tariff and clearly sets in a single table the duties corresponding to each of them. This is why it is called the Unified Duty System. No tax or duty except those set in the Regime will apply to any of these products.

Components:

The Harmonized System Classification precedes the descriptions of goods, and for each of them three columns indicate the duties.

The first column indicates the customs duty applicable to imports from EC and EFTA countries (special preferences).

The second column indicates the customs duty applicable to imports from other countries.

The third column indicates the additional payment for the Mass Housing Fund which applies equally to imports from all sources.

No other payment will be required. All payments will be made to the same customs office.

Effect of the payment for the Mass Housing Fund:

In this section, the role that Mass Housing Fund plays as a social and fiscal instrument within the management of the overall economy will not be discussed.

As stated earlier, in its general application the payment is not a surcharge on bound duties, but a component falling under the ceiling they constitute. In other terms, the sum of the customs duty (as set in the Import Regime) and of the Fund payment constitute to-day the overall protection falling on a product.

This overall protection rate (converted in calculations to "ad valorem" rates in the case of "specific" Fund payments) is the basis of a comparison between "bound" and "applied" rates. The calculations of the 1993 Import Regime meticulously took into account all existing GATT bindings, comparing them with protection in earlier years when several taxes could be used additionally.

The new Regime and GATT bindings:

In identifying the level of commitments, bound rates may still be additioned by two taxes of equivalent effect already existing before accession to GATT, although recently abolished: Municipality Tax and Transport Infrastructure Tax.

An analysis of the new Regime based on 8-digit sub-items in the Customs Tariff proves that full GATT consistency is secured in the second column (customs duties), and that overall protection (columns 2 and 3) for 60 % of products bound to GATT is below the set level. For another 28 % protection is equal to the binding, remaining higher only for 12 %. Efforts continue to make necessary adjustments to remedy the provisional divergency in a small percentage of the bindings (corresponding to 5 % only of total imports in 1991) through measures which will gradually be put into force. The reasons for a short delay in full adjustment are given below.

a) GATT bindings were made at different times between 1951 and 1969 when Turkey was not a producer of these products and an adequate level of protection could not be anticipated.

b) The Stamp Duty was still in force in 1992, to which a payment to the Price Support and Stabilization Fund was added. Both are abolished in 1993 as inconsistent with GATT.

c) The actual sensitivity of the industries concerned did not permit an import shock which would be created by a sudden decrease in protection levels overnight, leaving them no time for restructuring.

d) The current liberal import policy of Turkey definitely excludes all kinds of quantitative restrictions or licensing systems which could otherwise protect these sectors with lower tariffs. In other words, Turkey prefers tariffication to non- tariff measures although these are permissible under a number of GATT articles.

e) The alignment of the Turkish Tariff on the Common Customs Tariff of the EC is under way. According to the programme, rates will be further reduced at the beginning of 1994, and by 1995 the customs duties will be identical to those of the Community. The remaining payments to the Mass Housing Fund are also to be eliminated within a calendar soon to be decided by the authorities. This will result in the creation of a customs union with EC, and GATT bindings of Turkey will be equal to those of the Community. As a matter of fact, when determining the new customs duty and Mass Housing Fund levels, due consideration was given to Turkey's obligations imposed by the creation of a customs union, and to declarations made in Ad-Hoc Committee meetings between EC and Turkey in 1988.

f) With the tariff facilities provided through the new Regime, Turkey's determination for further economic integration with EC was reaffirmed. Thus any inconsistency in the 1993 Regime is bound to disappear gradually.

B. *TRADE OF PRECIOUS METALS*

The Central Bank of Turkey is authorized to import inwrought gold into Turkey. In 1989, an inwrought gold market is established in the Central Bank selling gold conforming to the international standards in exchange of foreign currency to the banks and authorized institutions which in turn sell the gold to the public in exchange of Turkish lira. It is completely free to export gold. Import and export of processed precious metals and goods for commercial purposes are free. Authorized institutions get necessary permission from the Undersecretariat of Treasury and Foreign Trade. Travellers may bring into or take out of Turkey their personal precious metals or stones of value up to US dollars 15.000. Precious metals or stones above that value are subject to declaration. Gold exporters are not required to repatriate gold export proceeds.

Since June 1991, exportation and importation of gold (except for inwrought gold) are allowed within a framework established in the Export and Import Regimes. The importation of inwrought gold is subject to provisions specified by the Central Bank.

C. *PAYMENTS FOR INVISIBLE ITEMS*

Residents may freely make payments for invisible transactions relating to all services to non-residents at home or abroad. Proceeds from invisible accruing to residents may freely be used. Individuals residing in Turkey may accept foreign currency from non-residents for the services rendered in Turkey.

All residents traveling abroad may take out foreign exchange notes up to the equivalent of US $ 5.000 a person without proof of exchange allocation by commercial banks and banks are permitted to sell to residents without restriction. Foreign currency notes in excess of US $ 5.000 or its equivalent can be taken out of the country, provided it is documented that they have been purchased

from commercial banks for invisible operations. Travelers are also permitted to take out up to the Turkish lira notes equivalent of US $ 5.000 if they desire so. Non-residents may take out without restriction the unspent portion of the foreign exchange that they brought in. Turkish workers employed abroad and persons domiciled abroad may freely take abroad with them foreign exchange in excess of US $ 5.000 or its equivalent, provided that they declared such amounts on arrival.

Turkish citizens traveling abroad are subject to a tax equivalent to US $ 100, payable in Turkish liras, regardless of whether they are related to the purchases of foreign exchange and the tax reduced by one half for travelers 18 years or younger.

D. *CAPITAL MOVEMENTS*

Non-residents wishing to invest in Turkey must import the required capital in the form of foreign exchange or in kind and must obtain a licence from the Undersecretariat of Treasury and Foreign Trade. In the establishment of ordinary partnerships and joint companies at the sectors which are open to the Turkish private sector the minimum capital to be brought in by the foreign partners is US dollars 50.000. There are certain investments made in accordance with the provisions of the Law for the Encouragement of the Foreign Investments or the Petroleum Law. For commercial activities other than forming a company or opening a branch in accordance with the Foreign Investment and Petroleum Laws, they must obtain the permission of the Undersecretariat of Treasury and Foreign Trade. The income and profits, the proceeds of sales and liquidation of foreign capital may be transferred out of the country by the banks and special finance institutions. The Central Bank should be informed about the amount transferred. Resident individuals or corporations may freely invest abroad and in the free zones in Turkey up to US dollars 5 million or its equivalent in cash or in kind. A permission must be obtained from the Ministry for the export of capital amounting from US dollars 5 million up to US dollars 50 million or its equivalent. Higher amounts must be approved by the Council of Ministers. The requests of residents, for exporting goods instead of transferring cash and using the export proceeds as the capital of the firms or branches to be established abroad shall be examined and finalized by the Undersecretariat of Treasury and Foreign Trade. Substantial liberalization of capital movements were embodied in Decree No. 32, enacted on August 11,1989 and its subsequent amendments.

Provisions related to the blockage on real assets and all the previous restrictions for transferring abroad the sales value and the reserves of real rights in connection to the real estate purchased whether in Turkish lira or through converting foreign currency by non-residents, have been abolished. The circulation of the securities in and out of the country is free. In this context, it is free for non-residents (including mutual funds and investment funds abroad) to buy and to sell all the securities listed at the stock exchange or issued upon the permission of the Capital Market Board, securities issued by the public institutions, through the intermediary institutions operating in Turkey under the Capital Market Law including banks. The transfer of the income from such securities and the proceeds from the sale of them through the banks and special finance institutions is free. The issue, the public introduction and the sale of the securities by the non-residents in Turkey is realized within the framework of the provisions of the Capital Market Legislation.

It is also free for residents to purchase and to sell through the banks and special finance institutions, the securities quoted at the foreign stock exchanges and treasury bonds and government bonds issued by foreign countries which are denominated in the currencies bought and sold by the Central Bank and to transfer abroad their purchase value. It is also free for the residents to issue, introduce and sell securities in the financial markets abroad.

Residents may freely obtain credits in kind or in cash from abroad provided that they utilize such credits through the banks or the special finance institutions. The terms of prefinancing, commodity, and acceptance credits may not exceed one year. The cash and in-kind credits obtained from abroad by residents with terms exceeding one year (365 days) shall be registered to the debt log maintained by the Undersecretariat of Treasury and Foreign Trade. No transfers shall be made by the Central Bank or by banks or special finance institutions loans that have not been registered in the debt log. The residents may also extend foreign exchange and Turkish Lira credits in accordance with the provisions of Decree No. 32.

E. *FOREIGN EXCHANGE ACCOUNTS*

Commercial banks may open "Foreign Exchange Accounts" for residents or non-residents. Funds in such accounts may be freely disposed of by the holders and interest rates and other conditions on the above accounts are freely negotiable between the parties. Commercial banks are free to conduct foreign exchange transactions according to their needs and within the margins of certain ratios set by the Central Bank, such as the liquidity ratio which is the ratio of the foreign exchange assets to the foreign exchange liabilities. This ratio may not be below 10 percent. On the other hand, the ratio of all foreign currency denominated assets to the sum of foreign currency deposits plus foreign exchange overdrafts and foreign exchange loans received from abroad is subject to an exchange rate risk ratio requirement. This ratio is calculated in three categories; US dollars, Deutsche marks and total US dollar equivalent of other convertible currencies. The exchange rate risk used in relation to foreign exchange position management is 75 percent (minimum) and 115 percent (maximum) for each category and 80 percent (minimum) and 110 percent (maximum) for the US dollar equivalent of the total amount concerned commencing from April 1,1992.

Table 1
Balance-of-Payments summary presentations
(Million $)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	Jan-Oct Estimate 1992	1992
A. Current account															
Merchandise exports FOB	2261	2910	4703	5890	5905	7389	8255	7583	10322	11929	11780	13026	13672	12109	15250
Merchandise imports FOB	-4815	-7513	-8567	-8518	-8895	-10331	-11230	-10664	-13551	-13706	-15999	-22581	-20998	-18469	-23210
Trade balance	-2554	-4603	-3864	-2628	-2990	-2942	-2975	-3081	-3229	-1777	-4219	-9555	-7326	-6360	-7960
Other goods, services and income: credit	708	762	1316	2038	2041	2366	3162	3338	4195	6026	7098	8933	9315	8656	10200
Travel	281	326	380	373	420	548	1094	950	1476	2355	2557	3225	2654	3356	4000
Interest	0	0	0	110	81	146	298	341	382	374	684	917	935	840	1000
Other	427	436	936	1555	1540	1672	1770	2047	2337	3297	3857	4791	5726	4460	5200
Other goods, services and income: debit	-1377	-1738	-1946	-2639	-2734	-2945	-3184	-3646	-4162	-4812	-5476	-6496	-6816	-6128	-7400
Travel	-83	-104	-103	-149	-128	-277	-324	-313	-448	-358	-565	-520	-592	-709	-800
Interest	-1010	-1138	-1443	-1565	-1511	-1586	-1753	-2134	-2387	-2799	-2907	-3264	-3430	-2675	-3250
Other	-284	-496	-400	-925	-1095	-1082	-1107	-1199	-1327	-1655	-2004	-2712	-2794	-2744	-3350
Total: Goods, services and income	-3223	-5579	-4494	-3229	-3683	-3521	-2997	-3389	-3196	-563	-2597	-7118	-4827	-3832	-5160
Private unrequited transfers: credit	1818	2166	2559	2189	1569	1901	1782	1718	2088	1846	3171	3374	2879	2497	3000
Migrants' transfers	0	0	0	0	0	0	0	0	0	0	23	0	0	0	0
Workers' remittances	1694	2071	2490	2140	1513	1807	1714	1634	2021	1776	3040	3246	2819	2386	2850

Table 1 (cont'd)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	Jan-Oct Estimate 1992	Jan-Oct Estimate 1992
Other	124	95	69	49	56	94	68	84	67	70	108	128	60	111	150
Private unrequited transfers: debit	-19	-13	0	0	-20	-16	-20	-15	-22	-19	-36	-25	-25	0	0
Official unrequired transfers	11	18	-1	88	211	197	222	221	324	332	423	1144	2245	809	910
Current account balance	-1413	-1408	-1936	-952	-1923	-1439	-1013	-1465	-806	1596	961	-2625	272	-526	-1250
B. Capital, excluding reserves	-393	672	899	280	883	73	1065	2124	1891	-958	780	4037	-2307	2612	2350
Direct investment	75	18	95	55	46	113	99	125	106	354	663	700	783	676	1050
Portfolio investment	0	0	0	0	0	0	0	146	282	1178	1586	547	648	1679	1900
Other long-term capital	532	656	683	127	39	612	-513	1041	1453	-209	-885	-210	-808	-784	-750
Short-term capital	-1000	-2	121	98	798	-652	1479	812	50	-2281	-584	3000	-3020	1041	150
C. Net errors and ommissions	651	1434	649	-75	409	469	-837	-118	-506	515	971	-468	926	-1206	200
D. Exceptional financing	1003	1373	315	902	622	1002	676	0	0	0	0	0	0	0	0
E. Counterpart items	40	19	68	13	161	-171	233	249	390	-263	50	364	170	0	0
Total: overall balance	-112	90	-5	168	152	-66	124	790	969	890	2762	1308	-1029	880	1300
F. Total change in reserves	112	-90	5	-168	-152	66	-124	-790	-969	-890	-2762	-1308	1029	-880	-1300

Source: Central Bank of Turkey- Foreign Relations Department - Balance-of-Payments division, January 8, 1993.

Table 2
Export-Import Ratio
(Million $)

	FOB Export	FOB Import	% Exp/imp
1979	2261	4815	46.96
1980	2910	7513	38.73
1981	4703	8567	54.90
1982	5746	8518	67.46
1983	5728	8895	64.40
1984	7134	10331	69.05
1985	7959	11230	70.87
1986	7457	10664	69.93
1987	10190	13551	75.20
1988	11662	13706	85.09
1989	11625	15999	72.66
1990	12959	22581	57.39
1991	13598	20998	64.76
1992 Jan-Oct	11971	18469	64.82

Source: Central bank- Foreign relations department - Balance-of-payments division, January 8, 1993.

Table 3
Merchandise Trade - 1979-1992

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 Jan-Oct
Merchandise exports-FOB	2261	2910	4703	5890	5905	7389	8255	7583	10322	11929	11780	13026	13672	12109
Exports FOB in trade returns	2261	2910	4703	5746	5728	7134	7959	7457	10190	11662	11625	12959	13598	11971
Transit trade	0	0	0	144	177	255	296	126	132	267	155	67	74	138
Merchandise imports - FOB	-4815	-7513	-8567	-8518	-8895	-10331	-11230	-10664	-13551	-13706	-15999	-22581	-20998	-18469
Imports CIF in trade returns	-5069	-7909	-8933	-8843	-9235	-10757	-11344	-11105	-14158	-14335	-15792	-22302	-21038	-18188
Transit trade	0	0	0	-112	-134	-193	-227	-105	-88	-161	-76	-46	-64	-119
Freight and insurance on imports	254	396	366	437	474	619	610	640	816	822	927	1299	1265	1090
Imports of non-monetary gold	0	0	0	0	0	0	-269	-94	-121	-32	-1058	-1532	-1161	-1252
Trade balance	-2554	-4603	-3864	-2628	-2990	-2942	-2975	-3081	-3229	-1777	-4219	-9555	-7326	-6360

Source: Central Bank - Foreign Relations Department - Balance-of-Payments divisions, January 8, 1993

Table 4
Imports by sectors
(Million $)

Sectors	1990	1991	January - October 1991	1992	%
TOTAL	22302	21047	16775	18188	8.4
I. Agriculture	1318	808	668	942	41.0
A. Vegetable products	856	377	319	537	68.3
Cereals	561	103	88	120	36.4
Oil seeds	33	32	26	39	50.0
Industrial plants	189	182	156	309	98.1
Others	73	60	49	69	40.8
B. Livestock and animal prod.	325	288	228	279	22.4
Live animals	109	108	82	84	2.4
Wool-hair	84	60	53	61	15.1
Raw-hides and skins	129	116	90	130	44.4
Others	3	4	3	4	33.3
C. Fishery products	11	10	7	13	85.7
D. Forestry products	126	133	114	113	-0.9
II. Mining and quarrying	3989	2992	2460	2502	1.7
Non-metallic quarrying products	90	87	67	64	-4.5
Metallic ores	82	111	94	64	-31.9
Fuels, coals etc.	3817	2793	2299	2374	3.3
Others	0	1	0	0	0
III. Industry	16995	17247	13647	14744	8.0
A. Processed agricultural prd.	1403	1172	938	931	-0.7
Food industry products	686	523	403	433	7.4
By-products of food industry	52	76	60	88	46.7
Manufactured tobacco products	316	298	253	156	-38.3
Manufactured forestry products	89	79	60	88	46.7

Table 4 (cont'd)

Sectors	1990	1991	January - October 1991	1992	%
Processed fibres for textile	260	196	162	166	2.5
B. Processed petroleum prd.	805	962	744	667	-10.3
C.Industrial products	14787	15113	11965	13146	9.9
Cement	45	22	19	14	-26.3
Chemical industry products	2453	2464	1947	2121	8.9
Rubber and plastic industry products	800	841	665	788	18.5
Hides and skin products	125	117	97	108	11.3
Forestry products	22	22	18	22	22.2
Textile products	579	557	458	560	22.3
Glass, ceramics, brick-tile products	183	181	147	160	8.8
Iron and steel products	1933	2010	1619	1685	4.1
Non-ferrous metal products	535	451	372	351	-5.6
Metallic goods industry products	106	121	95	112	17.9
Machinery	3751	3756	2875	3088	7.4
Electric machinery & equipments	1572	1858	1482	1392	-6.1
Motor vehicles, parts & accessories thereof	1602	1557	1246	1775	42.5
Other industrial products	1081	1153	925	970	4.9

Source: SIS

Table 5
Imports by countries and country groups
(Million $)

			January- October		
	1990	1991	1991	1992	(%)
TOTAL GENERAL	22302	21047	16775	18188	8.4
I. OECD COUNTRIES	14251	14070	11123	12362	11.1
A. EEC COUNTRIES	9354	9221	7153	7964	11.3
Germany	3523	3232	2493	2944	18.1
Belgium-Luxembourg	523	557	443	440	-0.7
Denmark	102	95	79	86	8.9
France	1340	1227	976	1067	9.3
Netherlands	573	642	496	554	11.7
Great Britain	1014	1166	925	968	4.6
Ireland	61	43	35	40	14.3
Spain	345	320	262	261	-0.4
Italy	1727	1845	1366	1512	10.7
Portugal	17	18	15	18	20.0
Greece	129	77	62	72	16.1
B. OTHER OECD COUNTRIES	4897	4849	3970	4398	10.8
Australia	105	101	87	86	-1.1
Austria	251	322	261	236	-9.6
USA	2282	2255	1895	2176	14.8
Finland	103	96	79	81	2.5
Sweden	215	257	212	173	-18.4
Switzerland	537	489	373	596	59.8
Japan	1120	1092	893	842	-5.7
Canada	183	155	110	85	-22.7
Norway	57	51	34	88	158.8
Other	45	30	26	35	34.6
II. OTHER EUROPEAN COUNTRIES	967	946	737	750	1.8
Bulgaria	32	140	107	168	57.0
Czechoslovakia	143	158	134	145	8.2
Turkis Rep. of N. Cyprus	9	11	5	5	0.0

Table 5
(cont'd)

	January- October				
	1990	1991	1991	1992	(%)
Hungary	110	134	106	62	-41.5
Poland	210	151	117	71	-39.3
Romania	202	199	151	197	30.5
Yugoslavia	260	148	116	93	-19.8
Other	1	5	1	9	800.0
III. USSR (RUSSIA)	1247	1090	904	...	...
IV. Rep. of the Formers USSR	...	...	...	926	+
Russia	...	...	...	799	+
Belarus	...	...	...	1	+
Ukraine	...	...	...	54	+
Azerbaijan	...	...	...	21	+
Kazakhstan	...	...	...	5	+
Uzbekistan	...	...	...	18	+
Turkmenistan	...	...	...	13	+
Other	...	...	...	15	+
V. MIDDLE EAST	2706	2491	2015	2135	6.0
Abu Dhabi	189	365	273	291	6.6
Iraq	1047	...	0	1	+
Iran	492	91	60	284	373.3
Kuwait	54	...	...	48	+
Syrian Arab Republic	84	67	56	44	-21.4
Saudi Arabia	724	1829	1522	1351	-11.2
Jordan	34	30	24	20	-16.7
Other	82	109	80	96	20.0
C. NORTH AFRICAN COUNTRIES	938	481	372	460	23.7
Morocco	97	78	48	18	-62.5
Algeria	287	52	52	9	-82.7
Libyan Arab Jamah	487	281	216	367	69.9
Egypt	37	48	41	51	24.4
Tunisia	30	21	15	14	-6.7

Table 5 (cont'd)

			January- October		
	1990	1991	1991	1992	(%)
VII. OTHER COUNTRIES	2193	1968	1624	1555	-4.2
Argentina	193	109	87	99	13.8
Brazil	174	219	178	155	-12.9
China	246	172	151	143	-5.3
Rep. of South Korea	302	361	298	289	-3.0
Pakistan	84	70	64	31	-51.6
Indonesia	17	27	24	28	16.7
Other	1177	1010	822	810	-1.5

Source: SIS

Table 6
Exports by sectors
(Million $)

			January- October		
	1990	1991	1991	1992	(%)
TOTAL	12959	13594	10817	11971	10.7
I. AGRICULTURE	2347	2683	1929	1746	-9.5
A. VEGETABLE PRODUCTS	2061	2405	1676	1583	-5.5
Cereals	11	280	205	366	78.5
Leguminous vegetables	292	242	204	156	-23.5
Industrial plants	653	795	485	325	-33.0
Fruits	956	853	602	587	-2.5
Vegetables	109	192	145	119	-17.9
Others	40	43	35	30	-14.3
B. LIVESTOCK & ANIMAL PRD.	216	218	205	112	-45.4
Live animals	204	204	194	102	-47.4
Others	12	14	11	10	-9.1
C. FISHERY PRODUCTS	59	50	41	40	-2.4
D. FORESTRY PRODUCTS	12	10	7	11	57.1
II. MINING AND QUARRYING	327	286	234	224	-4.3
Non-metalic quarrying products	242	227	183	174	-4.9
Metalic ores	82	55	47	46	-2.1
Fuels, coals etc.	1	3	3	1	0
Others	2	1	1	2	100
III. INDUSTRY	10285	10625	8654	10002	15.6
A. PROCESSED AGRICULTURAL PRODUCTS	937	1212	958	1077	12.4
Food industry products	813	1113	879	1007	14.6
By-products of food industry	6	7	5	2	-60.0
Manufactured tobacco products	24	8	4	22	450.0
Manufactured forestry products	16	13	9	5	-44.4
Processed fibres for textile	79	71	61	41	-32.8

Table 6
(cont'd)

			January- October		
	1990	1991	1991	1992	(%)
B. PROCESSED PETROLEUM PRD	291	277	247	206	-16.6
C. INDUSTIRAL PRODUCTS	9057	9135	7449	8719	17.0
Cement	77	111	88	121	37.5
Chemical industry products	618	463	377	399	5.8
Rubber and plastic industry products	238	316	254	310	22.0
Hides and skin products	750	620	500	455	-9.0
Forestry products	23	16	13	19	46.2
Textile products	4060	4328	3514	4337	23.4
Glass, ceramics, brick-tile products	326	358	287	326	13.6
Iron and steel products	1612	1451	1244	1252	0.6
Non-ferrous metal products	250	174	144	140	-2.8
Metalic goods industry products	38	33	26	31	19.2
Machinery	204	232	176	272	54.5
Electric machinery and equipments	440	533	431	493	14.4
Motor vehicles parts & accessories thereof	212	255	196	327	66.8
Other industrial products	210	245	199	237	19.1

Source: SIS

Table 7
Exports by countries and country groups
(Million $)

			January- October		
	1990	1991	1991	1992	(%)
TOTAL GENERAL	12959	13594	10817	11971	10.7
I. OECD COUNTRIES	8823	8857	7002	7691	9.8
A. EEC COUNTRIES	6906	7042	5645	6302	11.6
Germany	3077	3413	2712	3022	11.4
Belgium-Luxembourg	312	288	233	239	2.6
Denmark	87	86	68	75	10.3
France	737	689	558	654	17.2
Netherlands	435	474	379	417	10.0
Great Britain	745	676	540	659	22.0
Ireland	25	19	15	21	40.0
Spain	199	238	188	260	38.3
Italy	1106	972	798	807	1.1
Portugal	44	43	35	33	-5.7
Greece	139	144	119	115	-3.4
B. OTHER OECD COUNTRIES	1917	1815	1357	1389	2.4
Australia	23	25	19	22	15.8
Austria	178	213	168	185	10.1
USA	968	913	634	694	9.5
Finland	25	20	16	18	12.5
Sweden	80	73	59	70	18.6
Switzerland	293	246	199	189	-5.0
Japan	239	226	179	132	-26.3
Canada	64	55	46	44	-4.3
Norway	40	37	32	30	-6.3
Other	5	5	5	5	0.0
II. OTHER EUROPEAN COUNTRIES	598	640	531	623	17.3
Bulgaria	10	76	54	58	7.4
Czechoslovakia	64	64	43	37	-14.0
Turkis Rep. of N. Cyprus	155	132	103	121	17.5

			January- October		
	1990	1991	1991	1992	(%)
Hungary	31	35	29	21	-27.6
Poland	103	141	116	160	37.9
Romania	83	105	87	130	49.4
Yugoslavia	145	83	68	58	-14.7
Other	7	0	31	38	22.6
III. USSR (Russia)	531	611	500	...	...
IV. Rep of the Formers USSR	...	....	...	542	+
Russia	...	...	...	374	+
Belarus	...	...	...	4	+
Ukraine	...	...	...	24	+
Azerbaijan	...	...	...	90	+
Kazakhstan	...	...	...	10	+
Uzbekistan	...	...	...	26	+
Turkmenistan	...	...	...	5	+
Other	...	...	...	9	+
V. MIDDLE EAST	1629	1850	1469	1558	6.1
Abu Dhabi	57	51	45	51	13.3
Iraq	495	122	77	129	+
Iran	214	487	394	375	-4.8
Kuwait	92	16	10	58	+
Syrian Arab Republic	194	264	217	172	-20.7
Saudi Arabia	338	484	400	383	-4.3
Jordan	81	158	118	140	18.6
Other	158	268	208	250	20.2
C. NORTH AFRICAN COUNTRIES	646	692	578	550	-4.8
Morocco	26	27	24	56	133.3
Algeria	201	206	184	94	-48.9
Libyan Arab Jamah	220	237	190	224	17.9
Egypt	159	168	135	133	-1.5
Tunisia	40	54	44	43	-2.3

Table 7
(cont'd)

			January- October		
	1990	1991	1991	1992	(%)
VII. OTHER COUNTRIES	732	948	737	1007	36.6
Argentina	1	2	2	3	...
Brazil	12	23	21	10	-52.4
China	37	20	17	71	317.6
Republic of South Korea	109	224	258	188	-27.1
Pakistan	48	51	43	40	-7.0
Indonesia	9	15	16	18	12.5
Other	516	613	380	677	78.2

Source: SIS

Table 8
Foreign Investment in Turkey

Years	Number of companies (cumulative)	Foreign Investment approvals (Million $)	Foreign Investment Realizations (Million $)
1980	78	97.00	35
1981	109	337.51	141
1982	147	167.00	103
1983	166	102.74	87
1984	235	271.36	162
1985	408	234.49	158
1986	619	364.00	170
1987	836	655.24	239
1988	1172	820.52	488
1989	1525	1511.94	855
1990	1856	1861.16	1005
1991	2123	1967.26	1041
1992	2330	1819.96	1030(*)
TOTAL		10210.18	5514

(*) As of October for 1992.

Table 9
International Reserves
(Million $)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 Jan-Oct
GOLD(*)	155	800	1040	1237	1535	1368	1354	1468	1493	1494
GROSS FOREIGN EXCHANGE RESERVES	2098	3099	2615	3187	3959	5229	7960	9943	10760	13233
Central Bank	1253	1239	1020	1368	1719	2307	4831	5972	4918	5680
Deposit Money Banks	845	1860	1595	1819	2240	2921	3128	3971	5842	7553
GROSS INTERNATIONAL RESERVES	2253	3899	3655	4424	5494	6596	9314	11411	12253	14727
Overdrafts	164	417	376	77	282	168	30	24	3	15
NET RESERVES	2089	3482	3279	4347	5212	6428	9283	11387	12250	14712

(*) Gold is valued at $216.65 per ounce at end-1984, $227 per ounce at end-1985. $332.00 per ounce at end-1986 and $413.5 per ounce at end-1987. $369.1 per ounce at end-1988, 1989, 1990, 1991.

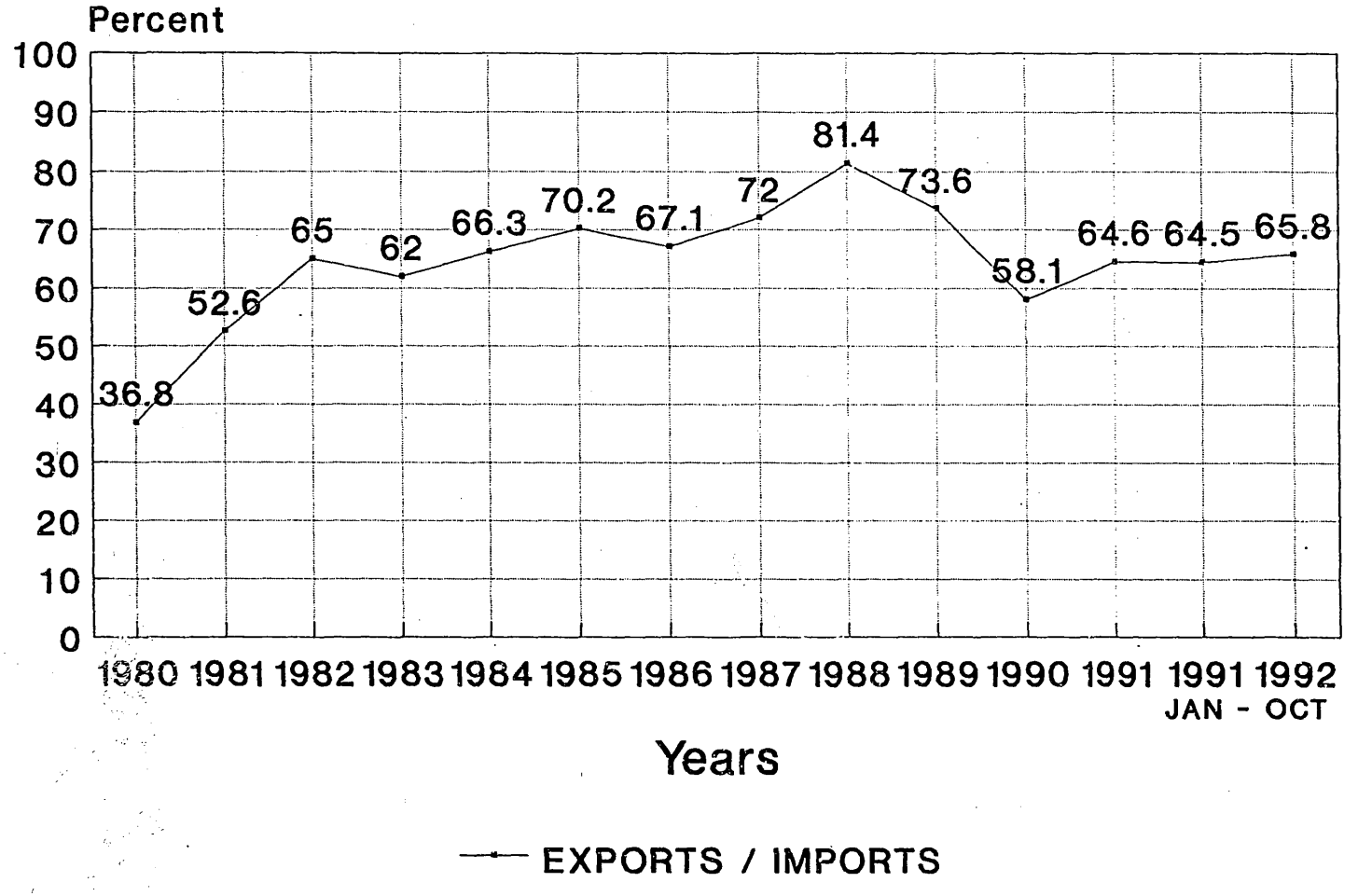
Central Bank of Turkey, Foreign Relations Department, Balance of Payments Division
January 8, 1993

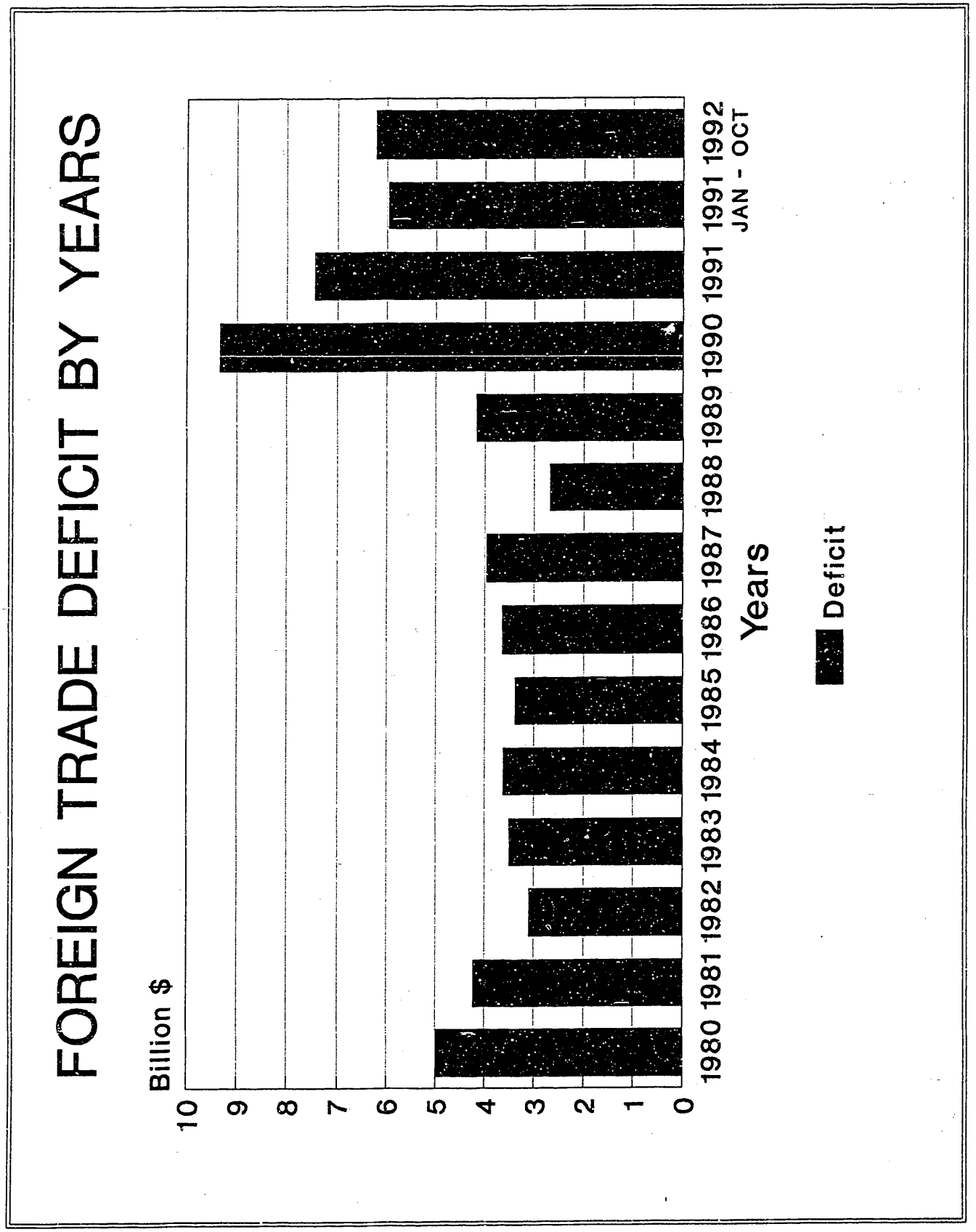
Table 10
Growth of Output at 1987 prices[1]

Sectors	1987	1988	1989	1990	1991[2]
Agriculture	1.1	8.2	-7.6	7.4	-0.3
Industry	8.9	2.3	4.0	9.1	3.2
Mining	-1.0	0.7	6.2	-1.4	3.1
Manufacturing	10.7	1.6	3.2	10.3	3.0
Energy	7.0	11.6	9.9	6.7	5.4
Services	9.6	1.1	0.2	8.3	0.3
Construction	6.9	2.1	-6.3	-0.3	-1.9
Trade	11.3	1.9	-0.5	13.4	0.6
Transport and Communication	14.8	-0.8	2.8	11.0	0.3
Public Services	2.8	1.9	1.2	2.9	2.4
Other Services	4.8	1.0	1.7	3.4	1.5
GDP at Factor Cost	7.7	2.6	-0.3	8.4	1.1
Net Fac. Inc. from abroad	345.5	...	...	19.3	-48.6
Indirect Taxes-subsidies	26.0	-2.9	-2.6	24.5	-1.3
GNP at Market Prices	9.3	1.5	0.9	9.7	0.3

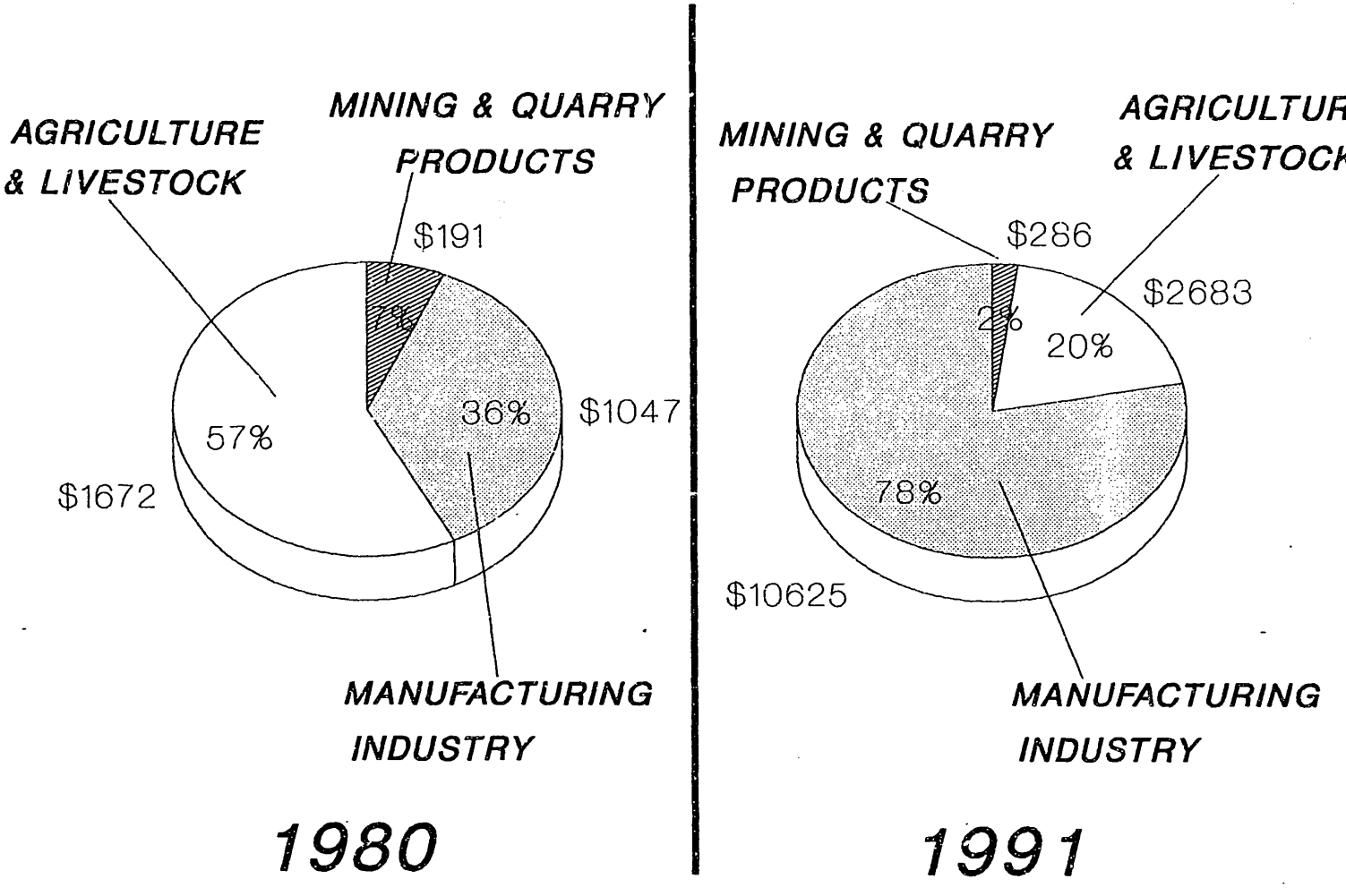
[1]New Series
[2]Provisional

EXPORTS / IMPORTS RATIO




FOREIGN TRADE DEFICIT BY YEARS
Billion $
10
9
8
7
6
5
4
3
2
1
0
1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1991 1992
JAN - OCT
Years
Deficit

COMMODITY COMPOSITION OF EXPORTS*



* Million $