
**EMBARGO:
NOT FOR PUBLICATION BEFORE 1300 HRS GMT 21 JANUARY 1994**

GATT/1605
13 January 1994

**TURKEY'S TRADE, FOREIGN EXCHANGE AND INVESTMENT RÉGIMES
LIBERALIZED CONSIDERABLY - BUT OTHER STRUCTURAL INDICATORS
PRESENT LESS ROSY PICTURE**

In the last decade, Turkish trade policy has undergone major changes for the better, but many tools continue to be used by the Government to intervene in economic activity, according to the GATT Secretariat's report on Turkey's trade policies and practices.

Following a severe balance-of-payments crisis, Turkey initiated a stabilization and adjustment programme in January 1980 designed to move away from past policies of import substitution and reduce the anti-export bias of its traditional inward orientation. As part of the process, the Turkish lira was devalued and the real exchange-rate depreciation continued, combined with export incentives and wage controls, until the late 1980s. Import protection was gradually, but significantly, reduced and a privatization programme launched to cut back the scope of the public sector in economic activity.

"While Turkey has considerably liberalized its trade, foreign exchange and investment régimes," says the report, "other structural indicators present a less rosy picture." The prevalence of tax allowances results in an effective corporate tax rate of only 10 to 15 per cent and Turkey has relied increasingly on taxes on trade for government revenue. The share of trade taxes in fiscal revenue rose from 12 per cent in 1980 to 18 per cent in 1990. The monetary authorities have found it difficult to control inflation, as money creation has been used to finance large public deficits.

The report also points out that, in the economy as a whole, real wage increases, unmatched by productivity gains, have eroded Turkey's international competitiveness. "High industrial concentration suggests that, despite trade reform, there is inadequate competition in the domestic market and that it is relatively easy to pass on wage increases into prices," says the report. "More open trade may provide

incentives for better resource allocation but the welfare gains will be limited if inefficient industries are sustained."

Turning to specific trade policy measures, the report points out that quantitative restrictions were partly phased out in 1981; the number of items requiring import authorization was reduced from 1,300 in 1983 to 17 in 1989; the system of import authorization was abolished in 1990; and restrictive export licensing and export price controls were terminated in 1984. Considerable progress has also been made in eliminating export subsidies. Nevertheless, in 1991, all subsidies amounted to nearly US\$800 million, the equivalent of roughly 6 per cent of the value of total merchandise trade. Tariffs were reduced significantly in 1984 and, since then, gradual reductions have continued. However, the scope and incidence of import surcharges increased. In particular, an import levy aimed at financing the Mass Housing Fund, was significantly broadened after 1984. The 1993 Import Régime consolidated most supplementary import charges into the Mass Housing Fund levy.

"While abiding by its multilateral commitments, Turkey exhibits a strong degree of pragmatism regarding the advantages of regional trading arrangements," says the report. Strengthening economic and trade relations with the European Communities has been a major objective of Turkish trade policy for decades. A framework for a customs union was first established in 1964 and extended in 1970. Turkey's objective is to reach customs union with the EC by 1995. This will effectively bind Turkey's external trade régime to that of the EC, and provide greater certainty about policies and access to the Turkish market.

The report goes on to caution that as trade taxes inevitably become a diminishing source of revenue, with tariff reduction and the elimination of the Fund levy, the authorities will have to find alternative means of reducing the fiscal deficit and ensuring continuing servicing of the foreign debt. Tighter budgetary control and a more stringent monetary policy may attract capital for productive investment. A more effective tax system, pending competition legislation and further privatization, would have the potential to introduce greater stability. However, if competitiveness and efficiency in the domestic economy are to be secured, the monopolistic hold of both public and private enterprises on large segments must be loosened, and market access for foreign suppliers enhanced.

Notes to Editors

1. The GATT Secretariat's report, together with a report prepared by the Turkish Government, will be discussed by the GATT Council on 20-21 January 1994. The TPRM enables the Council to conduct a collective evaluation of the full range of trade policies and practices of each GATT member at regular periodic intervals to monitor significant trends and developments which may have an impact on the global trading system.
2. The two reports, together with a record of the Council's discussion and of the Chairman's summing up, will be published in 1994 as the complete trade policy review of Turkey and will be available from the GATT Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21.
3. The reports cover developments in all aspects of Turkey's trade policies, including domestic laws and regulations, the institutional framework, trade-related developments in the monetary and financial sphere, trade practices by measure and trade policies by sector. Attached are

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summary extracts from these reports. Full reports are available for journalists from the GATT Secretariat on request.

4. Since December 1989, the following reviews have been completed:
Argentina (1992), Australia (1989), Austria (1992), Bangladesh (1992), Bolivia (1993), Brazil (1992), Canada (1990 and 1992), Chile (1991), Colombia (1990), Egypt (1992), the European Communities (1991 and 1993), Finland (1992), Ghana (1992), Hong Kong (1990), Hungary (1991), India (1993), Indonesia (1991), Japan (1990 and 1992), Kenya (1993), Korea, Rep. of (1992), Malaysia (1993), Mexico (1993), Morocco (1989), New Zealand (1990), Nigeria (1991), Norway (1991), the Philippines (1993), Poland (1993), Romania (1992), Singapore (1992), South Africa (1993), Sweden (1990), Switzerland (1991), Thailand (1991), the United States (1989 and 1992), and Uruguay (1992).

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TRADE POLICY REVIEW MECHANISM**TURKEY****Report by the Secretariat - Summary Observations**The Economic Environment

Following a severe balance-of-payments crisis, Turkey initiated a stabilization and adjustment programme in January 1980 designed to move away from past policies of import substitution and reduce the anti-export bias of its traditional inward orientation. As part of the process, the Turkish lira was immediately devalued; real exchange-rate depreciation continued, combined with export incentives and wage controls, until the late 1980s. Import protection was gradually, but significantly, reduced and a privatization programme launched to cut back the scope of the public sector in economic activity.

Between 1980 and 1987, Turkey's economy grew by an average of 5.6 per cent annually (2.8 per cent per capita), fuelled by a 25 per cent annual growth in exports. The share of exports in GDP rose from 5 per cent in 1980 to 25 per cent in 1990, while that of total trade rose from 20 to over 50 per cent. At the same time, the pattern of exports changed markedly: manufactures, which represented one-quarter of exports in 1980, rose to almost 70 per cent in 1990, with textiles and clothing, iron and steel and chemicals predominating.

Relaxation of wage controls, combined with positive real interest rates, led to an appreciation of the real exchange rate in 1989; growth in domestic demand in 1990 stimulated an import surge, with the trade deficit reaching nearly US\$10 billion. Turkey remains a net importer of manufactures, principally machinery, transport equipment and chemicals. Imports of manufactures, however, account for less than one-fifth of domestic consumption, suggesting that there is considerable scope for further import growth. Geographically, trade has been concentrated on the European Communities, whose share of both exports and imports have increased in the last decade, as has its share of foreign direct investment in Turkey.

While Turkey has considerably liberalized its trade, foreign exchange and investment régimes, other structural indicators present a less rosy picture. The prevalence of tax allowances results in an effective corporate tax rate of 10 to 15 per cent and Turkey has relied increasingly on taxes on trade - often through extra-budgetary funds - to help finance its industrialization. The share of trade taxes in fiscal revenue rose from 12 per cent in 1980 to 18 per cent in 1990. The monetary authorities, which are subsidiary to the Treasury, have found it difficult to control inflation, as money creation has been used to finance large public deficits. Losses of state-owned enterprises in agriculture and manufacturing have added to the budgetary burden. The pace of privatization of these enterprises, dominant in mining, chemicals and steel and important sources of non-urban employment, has been slower than planned; nevertheless, receipts from privatization amounted to over US\$2 billion between 1986 and 1991. In the economy as a whole, real wage increases, unmatched by productivity gains, have eroded Turkey's international competitiveness. High industrial concentration suggests that, despite trade reform, there is inadequate competition in the domestic market and that it is relatively easy to pass on wage increases into prices; a new competition law is before Parliament. More open trade may provide incentives for better resource allocation but, if inefficient industries are sustained, the welfare gains will be limited.

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On the positive side, private saving has matched investment requirements; however, the servicing of public debt may be crowding out productive investment. While the stock of foreign direct investment has grown from under US\$1 billion in 1980 to over US\$10 billion in 1992, there remains considerable scope for expansion should inflation and the exchange rate stabilize.

Trade Policy Framework

Turkey is a parliamentary democracy. Executive power rests with the Prime Minister and the Council of Ministers; legislative power is vested in the Grand National Assembly. The Constitution adopted in November 1982 strengthened executive power at the expense of the legislature. Since then, decrees issued by the Council of Ministers have been the major instrument for introducing policy changes, including in the trade régime. While this has enabled speedy implementation of structural adjustment measures, frequent modifications in the implementation of policy instruments create uncertainty for economic agents.

Economic policy is set by the State Planning Organization within Five-Year Development Plans and Annual Programmes. The Undersecretariat for Treasury and Foreign Trade (UTFT) is responsible for the co-ordination of foreign trade policies. It prepares decisions on trade policy and related matters in consultation with other relevant Ministries, agencies and subsidiary bodies. Various committees, such as the Budget Committee, within the Grand National Assembly may review trade policies. The private sector can communicate its views to the Undersecretariat through individual contacts or via industry and trade representative bodies, which have strong organic links with Government. Draft proposals by the UTFT are presented to the Council of Ministers for adoption as decrees, which become operational on publication in the Official Gazette. Such decrees have typically introduced the annual Import Régimes, which establish the structure of tariffs and other charges, along with accompanying regulations. Amendments to trade taxes may be made during the year and are published in the Official Gazette.

A contracting party to the GATT since 1951, Turkey has participated in all multilateral trade negotiations. It acceded to the Tokyo Round Code on Subsidies and Countervailing Measures in 1985 and the Customs Valuation Code, with reservations, in 1989.

Strengthening economic and trade relations with the European Communities has been a major objective of Turkish trade policy for decades. A framework for a customs union between Turkey and the EC was first established in 1964 and extended in 1970; Turkey's objective is to reach customs union by 1995. Since 1971, EC imports of manufactures from Turkey have been duty-free; meanwhile, on the basis of the transitional lists established under the 1970 Additional Protocol, Turkey has progressively lowered its tariffs on imports from the Communities, while reducing rates on m.f.n. imports in parallel. Turkey applies its EC rates also to manufactured imports from EFTA members under a new free-trade agreement in force since April 1992.

Turkey has also concluded bilateral and regional trade agreements with neighbouring countries, notably the Economic Cooperation Agreement with Iran and Pakistan and the Black Sea Economic Cooperation Project. Within GATT, Turkey is a signatory to the Protocol Relating to Trade Negotiations Amongst Developing Countries.

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Trade Policy Features and Trends

Recent evolution

During the 1980s, Turkey's traditional policy of import substitution was replaced by progressive liberalization of the trade, foreign exchange and investment régimes. By 1985, import prohibitions (except for health and security reasons) were phased out; between 1983 and 1989, the number of items requiring import authorization was reduced from 1,300 to 17 and, in 1990, the system of import authorization was abolished.

The first significant tariff cuts were introduced in December 1983; the process of duty reduction was continued from 1989. Tariff reduction has been principally guided by the pace of cuts made under the trade agreement between the EC and Turkey, under which preferential rates have been reduced by 50 per cent between 1988 and 1993 while m.f.n. reductions have been made in tandem.

While tariffs were being reduced, however, the number and scope of other charges on imports grew. In particular, an import levy aimed at financing the Mass Housing Fund, introduced in 1984, was significantly broadened in the following years; Fund charges frequently exceed tariffs. The 1993 Import Régime consolidated most supplementary import charges into the Mass Housing Fund levy.

Initially, the promotion of manufactured exports was emphasized through a number of incentives, including direct and indirect tax exemptions, duty-free imports, direct payments and subsidized export credits. Major beneficiaries were the state-dominated heavy industries such as iron and steel, paper and petroleum refining. The effective level of assistance from these incentives to manufactured exports reached a peak in 1983; in 1985, Turkey joined the GATT Subsidies Code and agreed to phase out all export subsidies by 1989.

Restrictions on foreign exchange and capital controls have also been dismantled. Import deposits were eliminated in 1990; since then, foreign exchange for import payments has been fully liberalized. Nevertheless, surrender requirements for export proceeds remain.

Foreign investment has been encouraged by streamlining regulations and procedures; since 1986, minimum export requirements have been abolished, as have ceilings on foreign ownership with the exception of participation in state-owned enterprises.

Type and incidence of trade policy instruments

Tariffs and other charges are now the main instruments of import protection. No import quotas, tariff quotas or variable import levies are applied.

The Harmonized System tariff schedule, adopted in January 1989, contains 18,610 tariff lines, a number which leads to complexity in administering customs procedures and can permit fine-tuning of industrial protection.

The 1993 Import Régime set explicit tariff preferences for imports from the EC and EFTA. The simple average tariff in 1993 was estimated as 9.5 per cent for m.f.n. suppliers and 5 per cent for EC or EFTA member States. Inter-industry dispersion remained quite significant,

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with average sectoral m.f.n. tariffs ranging from 2 per cent on metallic ores to 78 per cent on tobacco products.

Protection at the border is increased significantly by the addition of the Mass Housing Fund import levy, in 1993 applied to over 16,000 tariff lines. No distinction in treatment is made between imports from m.f.n. and free-trade-area sources. The simple average rate for Fund charges levied on an ad valorem basis is estimated at 17 per cent, increasing nominal protection to nearly 27 per cent on m.f.n. imports. With this charge, overall sectoral border protection within manufacturing varies between 15.2 per cent on printing and 83.8 per cent on tobacco products. One-sixth of tariff lines bear Fund charges on a specific basis; Secretariat estimates, based on unit prices of 1992 imports, calculate the 1993 specific levy as averaging nearly 38 per cent, with substantial peaks in agriculture, food and textiles.

With only one exception, tariffs are applied on an ad valorem basis and, as such, are transparent. The consolidation of multiple import charges at the beginning of 1993 was a further step towards transparency. However, the large number of specific Housing Fund rates detracts from the transparency of the system and obscures the costs of sectoral protection.

Just over one-third of Turkey's tariffs were, before the Uruguay Round, bound under GATT. The import régime is unpredictable as each year, and during the course of the year, tariffs and other import charges may be changed according to estimates of shifting supply or demand, or in the light of perceptions of industrial needs. Customs union with the EC and the adoption of the Common External Tariff will - if rates are bound - ensure greater tariff stability. The rates and scope of the Mass Housing Fund levy, however, are subject to no commitments other than promises that the charge will be abolished in the near future.

Duty-free imports are available to holders of investment incentive and export incentive certificates. Close to 40 per cent of imports enter Turkey duty-free as a result of tariff concessions: crude oil for refining accounts for roughly one-third of these imports, with the rest made up of industrial inputs, machinery and capital goods. The Mass Housing Fund levy is also waived on imported inputs for certain industries, such as coal for iron and steel manufacturing and grain imports by the Grain Board. As long as the domestic market is not competitive, such selective exemptions are likely to create excess profits without lowering domestic prices. While no information was obtained on anti-competitive practices in Turkey, there is a long history of oligopolistic state involvement in industry.

Turkey maintains no general local content programmes. However, for countertrade transactions or buyers' credits, minimum local content is required. Government procurement legislation allows a 15 per cent price preference for domestic suppliers.

Export taxes, although considerably reduced in coverage, still affect certain primary exports, including pumice and hazelnuts; these taxes are to be phased out by 1995. Export subsidies have been reduced since the mid-1980s. Direct payments and indirect tax rebates have been eliminated, the rate of income tax exemption reduced and the transportation premium abolished. The chief export incentives now consist of tax deductions, duty-free imports for export-oriented production (e.g. on fuels) and subsidized export credits.

Tax allowances and duty-free import concessions for investment in priority sectors remain major tools for regional development and industrialization: in 1992, these financial incentives amounted to more than TL 4 trillion (US\$581 million). Investments under incentive certificates

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account for roughly one-third of annual fixed investment. Concessional credit is also widely available; in a country where the cost of capital is very high, and interest rates have been strongly positive in the last few years, this can confer a considerable advantage. Financing of industrial and regional development through export and investment incentives has, in the past, been provided through various extra-budgetary funds, partly financed through trade charges.

Sectoral policies

The shift to an export-led development strategy in the 1980s favoured industry and tourism, while creating a growing bias against production and exports in agriculture.

Sectoral m.f.n. tariff averages vary from a low of 2 per cent on metallic ores to 78 per cent on tobacco products; preferential tariffs on imports from EC or EFTA sources range between 0.8 and 51.4 per cent. Industries oriented towards domestic consumption, such as food, beverages, tobacco and motor vehicles, tend to bear the highest protection.

In textiles and clothing, Turkey maintains bilateral restraint arrangements under the Multifibre Arrangement (MFA) with the United States and Canada. Outside the MFA, an agreement with Turkish industry establishes export quotas for the EC market.

Major beneficiaries of tax allowances and duty exemptions under investment or export incentives amongst manufacturing sectors have been the textiles, iron and steel, petroleum refining and chemicals industries. Export promotion through tax concessions has been the subject of at least one countervailing investigation by the EC, on polyester yarn and fibres; this was terminated following Turkey's decision to phase out the tax exemption.

In the mining and energy sectors, dominated by state enterprises, a 2.5 per cent surcharge on imports is in place to finance stockholding for export. Domestic exploration and production for petroleum and natural gas is encouraged through direct production subsidies financed by a charge on imports.

Agriculture employs nearly half the labour force but contributes less than 16 per cent to GNP. Turkey is self-sufficient in a number of commodities, including wheat, sugar, tobacco and cotton. Bindings cover just 8 per cent of agricultural tariff lines, with no bound rates on grains or tobacco. Virtually all tariffs of over 25 per cent apply to agricultural or processed food products. Ad valorem equivalents of specific Mass Housing Fund levies, which may act as a variable charge on many agricultural products, can rise to several hundred percentage points. Import monopolies for sugar and tobacco have been abolished but remain on alcoholic beverages; this state-trading activity has not been notified under Article XVII. Although no import quotas apply to agricultural products, for "sensitive" commodities an import permit may be required; in the case of milk powder, import control acts to protect domestic production from world price fluctuations. While support payments were considerably reduced in the 1980s, in the last few years prices and payments have increased. According to the Government, these have led to huge, costly inventories, with few direct benefits to farmers.

Between 1980 and 1990, agricultural items fell from 65 to 25 per cent of merchandise exports. Taxes on agricultural exports during the 1980s limited growth in farm income. The elimination of remaining export taxes by 1995 should help to improve export earnings and promote development in the sector. Competition from foreign imports could encourage production to shift to crops where market opportunities are best.

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Export subsidies on agricultural exports in the years 1986-1990 amounted to nearly US\$ 500 million; in the Uruguay Round, Turkey has agreed to reduce export subsidies by 24 per cent over ten years.

Since 1 January 1987, imports of agricultural products from Turkey into the EC have been duty-free, but not fully exempt from other import restrictions imposed under the Common Agricultural Policy. As a result, certain exports face seasonal tariffs or restrictive quotas. Under the 1993 Import Régime, preferential tariffs were established by Turkey for a number of agricultural imports from the EC and EFTA countries. The terms for customs union with the European Communities by 1995 require the adoption by Turkey of the Common Agricultural Policy. At present, the CAP is being applied on an experimental basis to cereals, fresh fruit and vegetables.

Temporary measures

Since 1989, Turkey has had an anti-dumping and countervailing law which includes neither a mandatory review period nor a sunset clause. Since its entry into force, 20 out of 36 investigations have terminated in definitive anti-dumping duties; these affect imports of polyester fibres, paper, glass and machinery. Turkey has, to date, applied no countervailing duties nor safeguard actions under Article XIX.

Trade Policies and Foreign Trading Partners

While abiding by its multilateral commitments, Turkey exhibits a strong degree of pragmatism regarding the advantages of regional trading arrangements. Customs union with, and ultimately membership in, the European Communities have been at the forefront of trade policy. Regional integration, through the Association Agreement, has accelerated the process of tariff reduction, both on regional and m.f.n. bases. Adoption of the European Communities' Common Customs Tariff, while setting a floor on m.f.n. tariff reduction, will simplify the operation of the Turkish tariff and may also create new binding commitments.

The trade-finance link in Turkey appears particularly fragile. As trade taxes inevitably become a diminishing source of revenue, with tariff reduction and the elimination of the Fund levy, the authorities will have to find alternative means of reducing the fiscal deficit and ensuring continued servicing of the foreign debt. Tighter budgetary control and a more stringent monetary policy may attract capital, including foreign, for productive investment. A more effective tax system, pending competition legislation and further privatization, would have the potential to introduce greater stability. However, if competitiveness and efficiency in the domestic economy are to be secured, the monopolistic hold of both public and private enterprises on large segments must be loosened. Such a development can be significantly enhanced by a continuing commitment on the part of the authorities to increasing the contestability of the domestic market, including by enhancing market access for foreign suppliers.

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TRADE POLICY REVIEW MECHANISM

TURKEY

Report by the Government of Turkey - Summary Extracts

INTRODUCTION

The multi-party general elections in 1945 marked the beginning of democracy in Turkey. At that time, Turkish economy was underdeveloped by any standard. Turkey tried hard to reconcile the establishment of democracy, democratic rights and freedoms and democratic institutions with socio-economic development of an underdeveloped country. Nevertheless, political rights and freedoms developed faster than the capability of the economy which sometimes failed to cater to disproportionately large expectations aroused by this situation.

In this respect the case of Turkey is rarely, if ever, seen in economic history. Industrial democracies of the West developed their economies and political regimes in a more balanced manner and in a much longer period of time. Even the Western process of economic and political development was not free from crisis, at times from upheavals. Most developing countries, especially the successful ones, restrict in varying degrees the use of political rights and freedoms with a view to accelerating capital accumulation and disciplining social forces.

It may be interesting to note that Turkey recognized in 1963 all trade union rights and freedoms including collective bargaining and right of strike at a time when Turkish economy was heavily agricultural and rural, and industrial sectors were mostly embryonic.

These constraints required governments to constantly search for consensus between various socio-economic groups which fact slowed down the growth performance. Unlike in other developing countries, Turkish economy was not able to fully enjoy "cheap labour" as an important element of comparative advantage.

Development economics and import substituting industrialization which were in fashion until the 1980's suited well the needs of the then Turkey. Backed up by the prevailing economic school of thought, Turkey followed an inward-looking economic strategy based on the protection of all segments of the economy. It is not surprising that this strategy ended up in crisis in the late 1970's.

The predicament of Turkey stemmed partly from its geographical location. Turkey was surrounded by the Balkan peninsula in the west, the Black Sea and the Caucasus in the north, Middle-East in the south and the west Asia in the east. Among immediate neighbours which share common borders with Turkey, none, but one country, is a member of the GATT.

Although in the aftermath of the two oil crises the purchasing power of the oil producing countries increased, their trade regimes retained their non-transparent character.

The chronic Middle-East crisis which culminated to three wars inevitably led to the ordering of priorities in the countries concerned on the basis of security and at the expense of economic development. The Gulf war had a disruptive effect on the economies of the region. The

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countries which are supposed to be in transition to free market in the Balkans and the Caucasus are fighting either between or within themselves causing utter devastation and instability.

Contrary to Western Europe or the Pacific rim, this situation does not enable Turkey to develop economic relations within its region. As a result, Turkish economy is compelled to fight continuously the effects of entropy in the areas of the country bordering the regions in turmoil.

Under these conditions, Turkey attempted at launching various regional cooperation schemes. As will be explained in the text, the Black Sea Economic Cooperation, ECO and COMSEC embody as members the countries to the north, east and south of Turkey. Turkey considers that regional cooperation also helps the countries of the regions in question, especially those in transition, to gradually move towards a free market economy. Obviously, these efforts do not substitute for but support Turkey's intensive economic relations with the OECD countries in general and the EC in particular.

It is in this framework that the economic policies and trade regime of Turkey will be examined.

After facing severe economic difficulties especially in the second half of the 1970s, Turkey adopted a stabilization and reform programme in January 1980, representing a sharp break from earlier policies of market intervention, import substitution and reliance on public sector. The short-term objectives of the programme were the stabilization of the balance of payments, restoration of international creditworthiness, and reduction in inflation rate.

However, the most important aspect of the programme was its long-term objectives which can be summarized as follows:

- liberalization of all spheres of economic life;
- establishment of the free market system;
- transformation of the economy from an inward to an outward orientation;
- reducing public intervention;
- encouragement of foreign investment;
- enhancing the role of the private sector through privatization and limiting the weight of public enterprises in certain sectors.

These policy changes first addressed foreign trade, then financial markets and finally capital movements. Rigid controls over exchange rates, interest rates and prices were abolished, the import regime and the regulations concerning foreign direct investment were liberalized.

Trade policies since the adoption of the structural adjustment programme are geared to full liberalization of foreign trade, export development and the fulfilment of our obligations towards a customs union with EC.

Import liberalization which reversed import substitution policies and reforms in foreign exchange policies did not serve consumers only, but exporters as well.

Trade liberalization, which had started with the progressive elimination of quotas and prohibitions, reached in 1990 the goal of total abolishment of the import permit system. At the same time, all import formalities were greatly eased or reduced to the strict minimum. As a

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result, Turkey has become one of the rare countries which does not maintain any quantitative controls on imports.

Regulatory tariff adjustments were first introduced in 1984 and served the double objective of lowering the existing tariff rates in general, while compensating for the effects of the phasing out of quantitative restrictions. With the introduction of a new Import Regime in 1993, however, all additional taxes previously applied were abolished, except the charges of the Mass Housing Fund. The new practice has notably increased the transparency of the regime.

Policies aimed at export promotion were effective not only in increasing the volume of exports, but also in shifting its composition toward manufactured goods.

Along with its general policy of further integration with the global economy, and with a view to establishing the customs union with EC in 1995, Turkey is determined to continue its liberalization efforts.

Turkey, being a Contracting Party to the General Agreement on Tariffs and Trade since 1951, also attaches great importance to the successful conclusion of the Uruguay Round Trade Negotiations. It is her belief that this will strengthen the multilateral trading system and accelerate world economic growth.

NB: The Turkish Government has submitted the following additional information.

The Turkish government introduced a new Import Régime which came into force on 1 January 1994. The main features of the new Régime are given below:

- The Mass Housing Fund import levy has been abolished on 2,600 tariff lines. On the rest of the tariff lines the "Fund" has been reduced by between 3 to 94 per cent.
- With the new Régime the combined incidence of the applied customs duties and the Mass Housing Fund, by import weighted average, has been lowered to 12.8 per cent for EU and EFTA exports, and 17.2 per cent for the exports of other countries, a decrease of 29.9 per cent and 22.7 per cent respectively, compared with the levels in 1993.
- The 1994 Import Régime further reflects Turkey's adherence to its long established policy of integration with the global economy and the European Union in particular.

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