

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Committee on Balance-of-Payments Restrictions

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TURKEY

Basic Document for the Consultation¹

I. Legal and administrative basis of the restrictions

1. The existing import controls in Turkey are maintained for balance-of-payments reasons. The Cabinet and certain administrative organs are entrusted with the administration of import control and restriction measures under the following laws and regulations:

- (A) Law No. 3614 and Law No. 13 which authorize the Ministry of Commerce to regulate foreign trade in collaboration with the Ministry of Finance.
- (B) Law No. 5383 which provides that imports can be restricted or prohibited for the economic and financial needs and requirements of the country by the Council of Ministers.
- (C) Law No. 1567 for the Protection of the Value of the Turkish Currency provides for certain restriction and control in relation to the transfer of foreign exchange for imports.
- (D) Decree dated 29 June 1961 referring to the implementation of the Development Plan adopted by Parliament on 21 November 1962.

2. The Ministry of Commerce, within the framework of these laws and regulations and after consultation with the Ministry of Finance and other interested ministries and agencies such as the Ministries of Industry and Agriculture, the State Planning Organization, the Union of Chambers of Commerce, Industry and Commodity Exchanges, the Union of Exporters etc., determines the principles governing the foreign trade controls and restrictions, namely the Foreign Trade Régime, and submits them to the Council of Ministers for approval. The latest document issued concerning the Foreign Trade Régime is the Decree No. 6/1241 dated 4 January 1963 (see Annex II).

¹The revision has been supplied by the Turkish authorities. Although, because of their length, they are not reproduced here, the Annexes to BOP/25 remain unaltered and should be regarded as the Annexes to this revised basic document.

In addition to the decree on principles (Foreign Trade Régime) half-yearly import programmes are prepared by the Ministry of Commerce under a method parallel to the one already explained in connexion with the Foreign Trade Régime. This programme also is approved by the Council of Ministers. The latest document issued in this regard is Decree No. 6/1328 (see Annex I).

3. The allocation of foreign exchange, issue of licences, transfer of foreign exchange and related formalities are carried out by the Central Bank of Turkey. Some ministries are also authorized to issue permits for a limited number of commodities for technical reasons.

4. Commercial imports can be made only by persons in possession of an "importer's certificate" which is obtainable from chambers of commerce or industry. However, this certificate is not required from manufacturers, exporters, mine operators and touristic establishments for the exclusive needs of their commercial activities. An "importer's certificate" specifies the type of commodities which the holder is entitled to import. There are separate arrangements for imports by the manufacturers, exporters etc. mentioned above. The requirement of an "importer's certificate" is not applicable to the public sector, including public and governmental agencies and enterprises. The chambers of commerce or industry which issue these certificates are not governmental organizations. However, they are established under the provisions of a specific law. Their main function is to co-ordinate the interests of producers and consumers and to assist both the private and public sectors on economic and commercial matters.

II. Methods used in restricting imports

5. After August 1958, imports have been based on a quota system in accordance with the Stabilization Programme. The Turkish authorities point out that, since May 1959, this system has been moving towards the liberalization of imports.

Imports from EMA and convertible currency countries are effected through yearly liberalization and half-yearly global quota lists, whereas commodities from bilateral agreement countries are imported under the related agreements and the quota lists attached to them.

Apart from these general import programmes there are infra-structure and off-shore imports connected with NATO and imports carried out under private capital arrangements and special investment arrangements such as those provided by DLF, EXIMBANK and IBRD, and also imports of agricultural surplus commodities made under Public Law 480.

6. An import programme thus comprises liberalization, global quotas and bilateral agreement countries' lists. The outlines of the characteristics of these categories and relevant import formalities applicable are as follows:

(a) Liberalized imports

Goods shown in the liberalization list can be freely imported under licences which are issued automatically upon application. Therefore, apart from some limited items for which a prior permission for purpose of quality control is requested, there are no restrictions for the commodities included in this list. Import applications for commodities shown in the liberalization list are made to the authorized commercial banks without any limitation. A guarantee, in the form of either cash or State bonds of 20 per cent for importers and 10 per cent for manufacturers (those directly importing the commodities needed for their own production) is required at the time of application. This guarantee is kept in deposit in the Central Bank of Turkey until the time the commodities, in respect of which the licence is issued, are actually cleared from customs. (For the commodities shown in the liberalization list see Annex III.)

(b) Global quota imports

The global quota list indicates the quotas fixed for commodities subject to quantitative restrictions. The list of commodities subject to allocation shows the separate global quotas for manufacturers and importers. The shares of private and public sectors in the manufacturers' quotas are determined by the Ministry of Commerce in collaboration with the Ministry of Industry and the Union of Chambers of Commerce and Industry. Furthermore, the distribution of shares within these two sectors are made by the Ministry of Industry (for the Public Sector) and by the Union of Chambers of Commerce and Industry (for the Private Sector).

Importers quotas are distributed through the Central Bank of Turkey in proportion to requests without any discrimination between the private and public sector applicants.

Import applications for commodities subject to allocation are made to the authorized commercial banks within one month from the publication of the import programme. Applicants are obliged to make separate applications for each quota and an application by one applicant for a particular quota can not exceed 20 per cent of this quota. The deposit of a 10 per cent guarantee is required with the lodging of an application.

The Central Bank, after classifying the applications as per quota serial number, allocates exchange in proportion to requests. The applicants are notified of their shares by foreign exchange letters. These letters can be used within two months for payments by letter of credit, within five months from the date of issue for payments against documents and for payments against commodity within six months after the customs clearance.

Allocations from the manufacturers quota are made by requirement certificates through the authorized agencies within the period of validity of the quota list. No guarantee is required for imports by manufacturers.

(c) Imports from bilateral agreement countries

Imports from bilateral agreement countries are limited to the quotas fixed in the lists attached to these agreements. Consequently, commodities which are imported without any restriction from the free currency area are subject to quantitative restrictions when imported from bilateral agreement countries.

Applications for imports from bilateral agreement countries are made to the authorized commercial banks under the same procedure as mentioned above. For these requests the 20 per cent margin limit is not applied. These quotas are also subject to subsequent monthly applications and distributions.

7. AID financed imports and imports under Public Law 480 are made in accordance with the provisions of the special regulations prepared by the Ministry of Commerce. Treatment of all other imports which fall outside the Foreign Trade Régime, such as infra-structure, off-shore and other similar imports of an extraordinary nature, is determined by the Ministry of Finance.

8. The import programmes are drawn up mainly according to the following considerations:

(a) The volume of foreign exchange to be allocated to imports: this is determined jointly by the Ministries of Finance and Commerce upon consultation with the Central Bank of Turkey. Financing of import programmes are based on an estimated cash position which is prepared every six months by the Ministry of Finance in collaboration with other related ministries and the Central Bank of Turkey. The preparation takes into account the cash position estimates, existing reserves and probable receipts as well as payments with regard to the items of the balance of payments which should be taken into account.

(b) The import spectrum is restricted to commodities which are expected to contribute to an improvement in the balance of payments, either through increasing production directed to exports or by contributing to the production of import substitutes. Import requirements for capital goods are fully met. Efforts are being made to build industries which use relatively greater amounts of domestic raw materials. Only those branches of industry which are efficient and which are able to compete with imported goods are given priority in the importation of raw materials. Import of consumers goods are restricted to the minimum needs.

9. The selection of permitted imports and the determination as to whether they should be admitted free of restriction or under quantitative limitation are the responsibilities of the Ministry of Commerce. Decisions of this Ministry are based on information and relevant data compiled from various sources including the Ministries of Industry, Agriculture, Hygiene, Finance and institutions of a private nature, such as the Union of Chambers of Commerce and Industry and Commodity Exchanges and the individual chambers (Istanbul, Ego, Ankara).

10. For purposes of the import control and restrictions, a distinction may be drawn between the following four sources of supply:

(a) Free exchange area: more than 75 per cent of the annual imports were, in 1962, from countries grouped within this category under the general import procedures described in the preceding paragraphs.

(b) Bilateral agreement countries: imports from bilateral agreement countries amounted in 1962 to approximately 12 per cent of the total annual imports. The share of imports from bilateral agreement countries has shown a slight decline during the 1960-62 period. This share was of the level of 13 per cent in 1960 and dropped to 12 per cent in 1962. No differentiation of treatment exists for imports from these sources. As a basic principle, the quota lists of bilateral agreement countries do not include commodities which are not covered by other import lists; all restrictive measures included in other import lists are also applicable to the lists of bilateral agreement countries. Under the agreements concluded with Finland, Israel and Yugoslavia, half of the payment for each commercial transaction is entered in a separate "free exchange account" which is settled at regular intervals in free convertible currencies. Import lists attached to the agreement with Finland have been eliminated. Apart from certain exceptional cases, bilateral trade is conducted in general in accordance with procedures summarized in paragraph 9 of BOP/25 (for further details see Annex I).

(c) Agricultural surplus: priority is accorded to the sources of supply where imports of agricultural products are made available under surplus disposal schemes. They represented in 1962 approximately 12 per cent of total imports.

(d) The discretion of the importers is limited as regards capital goods to be imported under special arrangements concluded with foreign governments or international financial institutions.

IV. Commodities or groups of commodities affected by various forms of restrictions

11. The breakdown of imports as per main categories are shown in the following table from which, in the opinion of the Turkish authorities, it can be deduced that the "import model" has an industrial bias.

Composition of Imports

Year	Investment goods		Raw materials		Consumption goods		Total	
	Mill.\$	%	Mill.\$	%	Mill.\$	%	Mill.\$	%
1959	163.5	34.8	240.2	51.1	66.4	14.1	469.9	100
1960	191.4	40.9	217.6	46.5	59.2	12.6	468.2	100
1961	185.3	36.4	207.9	40.8	116.3	22.8	509.5	100
Average of								
1959-61	180.0	37.3	222.0	44.8	80.5	16.7	482.5	100
1962	228.2	38.0	276.7	46.0	96.2	16.0	601.1	100
1963*	257.0	41.8	247.0	43.6	83.0	14.6	567.0	100

* Estimates.

For details on commodities or groups of commodities see Annexes III and IV

V. Use of State trading or government monopoly in restricting imports

12. A limited number of commodities are imported only by State-owned enterprises for reasons of revenue, security and health. These include:

Revenue: Coffee, tea, tobacco, salt, alcohol and alcoholic beverages and playing cards.

Security: Explosives and arms (excluding sporting and hunting equipment).

Health: Opium and its derivatives, medical opium and morphine, cocaine and their salts and x-ray films.

The imports of cereals are under the exclusive control of the Soil Product Office.

VI. Measures taken in 1963 in relaxing or otherwise modifying restrictions

13. The main changes introduced since the beginning of 1963 are as follows:

(a) Upon application for an import licence for products on the liberalization list a guarantee in cash or in government securities must be deposited, amounting to 20 per cent of the value in Turkish currency of the foreign exchange requested by a registered importer and 10 per cent in the case of industrial establishments. Under the previous programmes no guarantee was required from industrial establishments, and the importers' guarantee was only 10 per cent.

(b) In order to make use of quotas designated as "various" and requiring authorizations from a body other than the Central Bank, the public sector must obtain an authorization from the Ministry of Industry certifying that the goods are not produced in Turkey or that the home production does not come up to requirements with regard to quantity, quality or price. Formerly, an identical provision applied to both the public and private sectors.

(c) The Ministry of Commerce is responsible for authorizing imports from countries with which no multilateral or bilateral relations have been established, whenever these countries grant reciprocal treatment to Turkish products.

(d) Scope of force majeure cases is enlarged.

VII. Effects of restrictions on trade and general policy in the use of restrictions for balance-of-payments reasons

14. /Statement will be provided by the Turkish Government separately./

List of Annexes¹

- Annex I - Import regulations concerning the Foreign Trade Régime
- Annex II - Decree on the Foreign Trade Régime
- Annex III - Tenth Quota Liberalization List
- Annex IV - Tenth Quota List of Import Commodities subject to allocation

¹The Annexes listed are attached to BOP/25. They are not reproduced here by reason of their length.