

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

BOP/W/75

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## Committee on Balance-of-Payments Restrictions

### 1983 CONSULTATION WITH TURKEY (SIMPLIFIED PROCEDURES)

#### Background paper by the Secretariat

1. This paper has been prepared in accordance with paragraph 7 of the Declaration on Trade Measures Taken for Balance-of-Payments Purposes (BISD 26S/205) to assist the Committee in taking the decision referred to in paragraph 8 of this Declaration.

#### I. Turkey's last full consultation and subsequent simplified consultation

2. The last full consultation with Turkey took place on 30 October 1979. The Committee noted at that time that severe external payments difficulties had resulted in a sharp decline in imports of about 30 per cent in real terms in 1978. The Committee expressed the view that the adoption of a comprehensive programme to restore external and internal balance would permit Turkey to work toward a liberalization of the import régime. In this connection it noted with satisfaction the introduction of a stabilization programme and a new orientation in exchange rate, monetary and budgetary policy (BOP/R/107, p.10). Subsequently a simplified consultation was held on 14 October 1981 (BOP/R/120).

#### II. The main changes in Turkey's trade policy since the last consultation

##### (a) Import Licensing

3. Since 1981, import licensing provisions have been considerably liberalized. In January 1981, global quotas on a range of imports were abolished. Since that time, imports have been classified into two basic groups: liberalized imports (for which there are no value or quantity limits) and bilateral quota imports made under the provisions of Turkey's bilateral agreements with [please supply list of countries].

4. Liberalized imports, which account for over 90 per cent of total imports, are made under two lists: List I (for which licences are granted automatically) and List II (for which licences are granted on the approval of the appropriate government department). During 1981 and 1982, some 240 items of imports were transferred from List II to List I, thus freeing them from administrative controls.

##### (b) Import deposit requirements

5. Turkey has maintained its system of guarantee deposits. Applications for import licences must still be accompanied by a guarantee deposit in cash in local currency in an amount equal to a specified percentage of the

foreign exchange cost of the goods they cover. In 1981 the general deposit rate was reduced from 30 to 20 per cent and the rate applicable to industrialists' requirements from 15 to 10 per cent. These rates have been maintained since then. The public sector is exempt from making advance guarantee deposits. The deposits are made through authorized banks and are blocked by the Central Bank until importation has been effected. If the imports are not made in conformity with import regulations or the conditions of specific licences, the Treasury may decide to retain up to ten per cent of the recorded import value.

(c) Import duties

6. Turkey's tariff bindings are contained in Schedule XXVII to GATT. In terms of applied rates, 70 per cent of Turkey's imports in 1982 were free of duty, and the average rate of import duty (calculated on all goods) was reduced to 3.5 per cent, compared to 10 per cent in 1979.

(d) Stamp duty

7. A stamp duty levied ad valorem on the declared value of imports has been in force since 1963. A waiver from obligations under Article II of the General Agreement in respect of this tax was extended to Turkey in 1963 and was subsequently extended six times until 1981. In January 1980, the scope of the duty was extended to all products; at the same time the rate was reduced from a range of 22.5 per cent to one per cent. A request by Turkey for an extension of the waiver on the duty at one per cent until 31 December 1983 was referred by the GATT Council to the Committee on Balance-of-Payments Restrictions in October 1981. On the Committee's recommendation (L/5221) the CONTRACTING PARTIES granted an extension of the waiver until 31 December 1983 (BISD 28S/22). Turkey has recently requested a further extension of the waiver until 31 December 1985 (L/5565). A recommendation to this effect has been sent by the Council to the CONTRACTING PARTIES for a decision at the forthcoming Session. The stamp duty is to be abolished when Value Added Tax is introduced by Turkey. A bill for the introduction of VAT and the abolition of the stamp duty was prepared this year, but could not be finalized before the recent legislative elections.

(e) Other non-tariff charges on imports

8. There have been no changes in the system of charges on imports that are levied in addition to customs duty, namely the municipal tax representing 15 per cent of the applicable customs duty; the wharf duty of five per cent of the sum of c.i.f. value, customs duty, municipal tax and customs clearance expenses (not levied on imports by air); and the production tax, ranging from five to 75 per cent, depending, inter alia, on the type of product, and the applicable customs duty. The production tax is not levied on goods exempt from customs duty. All of the above charges are applied on a non-discriminatory basis.

### III. Recent Trends in Turkey's Economy and Foreign Trade

9. As in the preceding year, Turkey's GDP grew by about 4 per cent in 1982. Domestic demand rose by only about 1 per cent, however, the difference being mainly due to a fall in net imports. Stockbuilding was lower than in the previous year. Agricultural output expanded by about 4<sup>1</sup>/<sub>2</sub> per cent in 1982, following poor crops in the preceding year; manufacturing growth slowed down from 8 per cent in 1981 to 5 per cent in 1982. Unemployment recorded a sharp increase. The Turkish lira continued to depreciate rapidly in 1982 and during the first months of 1983. In 1982, its depreciation amounted to 27 per cent in terms of the SDR. There was a modest deceleration in inflation, consumer prices rising by a further 32<sup>1</sup>/<sub>2</sub> per cent, against a 37<sup>1</sup>/<sub>2</sub> per cent increase in 1981.

10. The trade deficit (f.o.b.-c.i.f.) contracted from US\$5 billion in 1980 and US\$4.2 billion in 1981 to US\$3 billion in 1982. The dollar value of exports, after increasing by 29 per cent in 1980 and 62 per cent in 1981, expanded by 22 per cent in 1982; the value of imports, after having also increased rapidly in the two preceding years, declined by 2 per cent in 1982. In 1982 the terms of trade deteriorated by an estimated 5 per cent. The reduction of the trade deficit in 1982 was essentially due to a 21 per cent rise in the volume of exports. Export growth was most pronounced for industrial products (textiles, cement, metals and machinery), whereas deliveries of agricultural products stagnated. In 1982, the volume of imports rose further by 2 per cent; increased purchases of crude oil and transport equipment were offset by a decline in imports of petroleum products and chemicals. Exports increased chiefly to the United Kingdom, Italy, Greece and the Middle Eastern countries, while imports from the United States and Japan grew the most.