GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

L/6630/Add.3
23 March 1990

Limited Distribution

Original: English

SUBSIDIES

Notifications Pursuant to Article XVI:1

TURKEY

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EXPORT INCENTIVE PROGRAMME

The objective of the export incentive policy is to increase exports in accordance with the targets and guidelines laid down in the Development Plans. Like most developing countries, Turkey attaches great importance to the formulation and implementation of this policy, with emphasises on improving GATT disciplines relating to all subsidies and countervailing measures that effect international trade.

The incentive measures applied in Turkey are appreciably different in purpose from the subsidies referred to by Article XVI:1 of the General Agreement. As it may be seen from the description below of the incentive measures currently in force, the main aim is to eliminate in part, if not entirely, the adverse effects of high domestic inflation and the shortage and high cost of financing.

Incentive measures and guidelines for Turkey's exports are established by Laws, Decrees and Communiqués which are published in the Official Gazette.

The Department of Incentives and Implementation (TUB) of the Undersecretariat for Planning has the overall responsibility for the implementation and supervision of the incentive programme in Turkey. The Ministry of Finance and Customs, the Undersecretariat for Treasury and Foreign Trade, the Export-Import Bank of Turkey, the Ministry of Industry and Trade, Turkish Development Bank and the Central Bank of the Turkish Republic likewise have certain functions in this area.

It must also be stressed that, Turkey has taken great steps towards modifying its incentive system to generally accepted levels by abolishing the tax rebate system by the end of 1988. It has also been decided to encourage exports by the so-called export credit, insurance and guarantee systems.

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Incentive measures can be grouped as follows:

- Export Credits;
- Support and Price Stabilization Fund Payments;
- Corporate Tax Exemption.

I. Export Credits

(a) Background and Authority

The Government of Turkey has declared that the main aim of the annual programme for 1990, concerning the incentives ` : exports will be to encourage exports through a system of export credit, insurance and guarantee systems.

To serve this purpose, various export credit schemes are carried out by the Export Import Bank (Eximbank) of Turkey. These credit schemes are designed to meet the financial needs of exporters in order to achieve the export level laid down in the Programme for 1990.

The rediscount credit schemes carried out by the Central Bank of the Turkish Republic are terminated by the end of 1989 except for the Special Export Rediscount Credit, whose name has been changed as Foreign Trade Companies Rediscount Credit together with some of its conditions. However, as this credit is issued by Eximbank through Central Bank resources, it is examined in detail below as an export credit scheme of Eximbank.

There are mainly three export credit schemes which are Foreign Trade Companies Export Rediscount Credit, Pre-shipment Export Credit and various "Buyer's Credits" which are all issued by Eximbank.

Communiqué No. 6 of the Central Bank of Turkish Republic, published in the Official Gazette No. 20326 of 28 October 1989, established the nature and conditions of the Foreign Trade Companies Rediscount Credit that replaced the Special Export Rediscount Credit.

The Pre-shipment Export Credit programme came into effect on 1 March 1989, with the aim of supporting producers of export related goods in the manufacturing stage.

Other than these two credit schemes, Eximbank has signed two credit agreements with USSR in April and July 1989. These "Buyer's Credit" type of credits amount to a total of US$300 million. Also, an agreement has been signed with Credit Populaire d'Algérie which aims at financing exporters of consumption and investment goods to Algeria. Eximbank pays the total amount of the exports to the exporters after the export is finalized by charging a certain percentage of reimbursement and collects the money from importers within a period of 24-30 months.

On the other hand, various insurance programmes, such as short term export credit insurance scheme which is in effect since March 1989 and special export credit insurance scheme which is in effect since January 1990 are carried out by Eximbank as well as two guarantee programmes for overseas construction companies in Libya and Iraq.

(b) Incidence

Foreign Trade Companies Rediscount Credit is issued by Eximbank through Central Bank resources. This credit is given to exporters that have achieved a minimum export value of US$100 million in the previous year. Export performance of the companies are determined by the bank upon documents submitted to the bank by companies. The limits of the credit are determined by these documents and depend on the export performance. In determining the export performance, only the FOB value of exports are taken into consideration. The amount of credit cannot be above 20 per cent of the FOB export value submitted by the project. This credit is intended for big export companies.

The credit has 90 days maturity. The interest rate is fixed at the interest rate determined for export rediscount credits which is 35 per cent for the time being. However, the interest rate can be five points higher or lower than the fixed amount depending on whether the credit is paid back within 30 days or after 60 days from the issuing date.

Pre-shipment export credit, has a maximum of 180 days maturity. The credit amount is up to 70 per cent of the committed production or the Turkish Lira counter value of FOB export value. The exporters are granted the credit on the condition that they submit a foreign exchange commitment. Evidence of the fulfilment of the commitment is to be in the form of customs declaration and foreign exchange receipts. Different interest rates of the credit are fixed as 35, 36, 38, 40, 43 and 45 per cent according to whether the credit period is for 30, 60, 90, 120, 150 or 180 days.

(c) Amount of Subsidy

The amount of credit issued by the Central Bank under different credit schemes are given below although these programmes are terminated by the end of 1989 (March 1988 for Overseas Construction Companies Export Rediscount Credit). The figures given below are gross and include bank charges that amount to approximately 10 per cent of the total value of the credit and cover the period between 1 January 1987 and 31 December 1989.

Kind of Credit	Amount Issued (LT million)
Cash Against Letter of Credit Export Rediscount Credit	1,911,950.7
Cash Against Documents Export Rediscount Credit	65,893.4
Overseas Construction Companies Export Rediscount Credit	7,639.3

The amount of Special Export Rediscount Credit issued since the end of April 1988 is LT 262,034.2 and 390,487 million for 1988 and 1989 respectively. This credit programme is replaced by Foreign Trade Companies Export Rediscount Credit in October 1989 and the amount of credit issued since October 1989 until the end of January 1990 is LT 55,890 million.

For the Post-shipment Export Credit, the amount of credit allowed since the end of May 1988 is LT 100,000 million for 1988 and LT 481,000 million for 1989. This credit scheme is terminated as of 31 December 1989.

The amount of Pre-shipment Export Credit issued since March 1989 is LT 1,100,000 million.

(d) Effect of Subsidy

It is very difficult to evaluate the effects of these types of credits. It can be argued that export credits may cause and increase in exports theoretically, but it is not the case in Turkey, due to the very limited volumes of the said credits in comparison to the total volume of exports.

II. Payments from the Support and Price Stabilization Fund

(a) Background and Authority

Communiqué No. 90/3 of the Money and Credit Board, published in the Official Gazette No. 20414 of 26 January 1990, establishes the nature and conditions for payments from the Support and Price Stabilization Fund. These payments, which are for a limited number of items, are made by the Central Bank of the Turkish Republic on the basis of both the characteristics (weight, length or unit) and destination of certain exported products. This incentive which does not have a general and continuous application is designed to restore the competitiveness on foreign market of products with satisfactory potential.

(b) Incidence

The amounts paid for products included in the list published by Communiqué No. 90/3 are determined jointly by the Undersecretariat for Planning and the Undersecretariat for Treasury and Foreign Trade, no account is taken of the share corresponding to inputs imported.

(c) Amount of Subsidy

Payments from this Fund were put into force by the end of 1986 to restore the relative position of Turkish exports which were declining in 1986 compared to 1985.

The total amount of payments realized from this Fund for the years 1986-1989 are given below:

1986	LT 8,102 million
1987	LT 145,500 million
1988	LT 330,347 million
1989	LT 723,975 million

(d) Effect of Subsidy

It is difficult to calculate the effects of this incentive as it is a part of the whole system of incentives. It could be argued that it is designed to offset the negative effects of scarce and costly domestic finance sources and to safeguard the competitive position of these products in foreign markets.

However, it must also be stressed that incentives like Support and Price Stabilization Fund payments are only temporary as they are effective only for a year and also as the government has declared in its annual programmes for 1989 and for 1990 that gaps from the elimination of tax rebates will be filled by various credit and insurance schemes. Therefore, these payments will be replaced by credit, insurance and guarantee schemes mentioned above within a reasonable period of time.

III. Corporate Tax Exemption

(a) Background and Authority

The Corporate Tax Exemption System, established under Law No. 5422, was amended in 1981 by Law No. 2573 and in 1988 by Law No. 3482 and the Council of Ministers Decree numbered 89/14073, published in the Official Gazette dated 20 May 1989.

The exemption system is only granted to companies and not to businesses operated by individuals. It was therefore mainly designed to encourage exports through companies and "institutionalize" the process. This incentive will also be eliminated within a reasonable period of time.

(b) Incidence

Corporate tax exemption applies to the producer-exporters of industrial products whose annual export earnings are above US$250.000; to the producer exporters of fresh fruits and vegetables and fishery products, and for foreign exchange earnings in respect of freight.

In practice, 18 per cent of export earnings are not subject to corporation tax but they are still subject to income tax. In case of companies which do not produce export products themselves, the rate is 4.5 per cent. On the other hand, it must also be emphasized that the exemption is applicable only when the company makes profits for the year in question and exemption for that year cannot be transferred to the following year.

(c) Amount of Subsidy

Since the subsidy is an exemption for a certain amount of the total corporate taxes to be paid, it is difficult to evaluate the amounts eligible for exemption. It is also very difficult to estimate the amount of this subsidy per unit of exported products.

(d) Effect of Subsidy

It is almost impossible to determine the effects of this exemption.