

DOCUMENT OF INTERNATIONAL MONETARY FUND
AND NOT FOR PUBLIC USE

**IMMEDIATE
ATTENTION**

EBS/81/250

CONFIDENTIAL

December 29, 1981

To: Members of the Executive Board
From: The Acting Secretary
Subject: Turkey - Exchange System

It is not proposed to bring the attached memorandum to the agenda of the Executive Board for discussion unless an Executive Director so requests by noon on Thursday, December 31, 1981. In the absence of such a request, the draft decision will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Att: (1)

INTERNATIONAL MONETARY FUND

Turkey - Exchange System

Prepared by the European and Exchange and Trade
Relations Departments

(In Consultation with the Legal Department)

Approved by L.A. Whittome and C. David Finch

December 29, 1981

On January 28, 1981 the Fund approved, until December 31, 1981, the retention by Turkey of the multiple currency practices described in EBS/80/29 (2/8/80) and EBS/80/126 (6/4/80). Since then, substantial progress has been made in rationalizing the Turkish exchange system through the abolition (i) on August 27, 1981, of the exchange rate applicable for transfers to students studying abroad and (ii) on November 3, 1981, of the exchange rate applicable for the importation of fertilizer and pesticides. Following these changes, only one multiple currency practice now remains, namely that which results from the operation of the retention scheme for foreign exchange earnings from specified exports and activities of Turkish contractors abroad, as described in EBS/80/126.

The staff has recently examined this practice with the Turkish authorities in the context of discussions related to the forthcoming review of the stand-by arrangement for Turkey. The premium obtainable from the transfer of retained foreign exchange earnings under the scheme has become very small in recent months--averaging only 2 to 3 per cent of earnings, in addition to the 2 per cent spread between the official buying and selling exchange rates. However, the authorities believe that the ready access to foreign exchange that the scheme provides to exporters remains important for the time being in the efforts to further the economy's external orientation. Pending the opportunity for Executive Directors to consider this matter on the occasion of the forthcoming review of the stand-by arrangement for Turkey, which is tentatively scheduled for mid-February 1982, the following decision is proposed for adoption by the Executive Board:

The Fund welcomes the progress made by Turkey in reducing multiple currency practices. The Fund approves the retention by Turkey of the remaining multiple currency practice arising from the operation of the export retention scheme as described in EBS/80/126 until the forthcoming review of the stand-by arrangement for Turkey, or until February 28, 1982, whichever is the earlier.