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October 12, 1977

To: Members of the Executive Board
From: The Secretary
Subject: Turkey - Supplementary Background Material for GATT

The attached paper has been prepared by the staff to supply more recent background information on Turkey in connection with the forthcoming consultation between the CONTRACTING PARTIES to the GATT and Turkey. In the absence of objection from an Executive Director by the close of business on Friday, October 14, 1977, the paper will be transmitted to the CONTRACTING PARTIES for their information and use.

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INTERNATIONAL MONETARY FUND

TURKEY

Supplementary Background Material for GATT

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October 11, 1977

1. Introduction

In recent years Turkey has enjoyed a strong and relatively stable rate of growth. With exports accounting for only a minor fraction of the total use of resources, the international recession in 1974 and 1975--as well as the recovery in 1976--had no immediate consequences for GDP growth, which was basically the outcome of a continuously expanding domestic demand and good harvests. However, the rate of inflation has averaged about 20 per cent in the last four years and the balance of payments has shown a severe deterioration. The strong growth of domestic demand coupled with a severe deterioration in the terms of trade brought about a sharp worsening in the country's external finances in terms both of a rise in the current account deficit and the emergence of an uncomfortable maturity profile of Turkey's external debt.

In an effort to redress the balance of payments situation, the Turkish Government has announced a series of measures which include:

- a. A depreciation of the Turkish lira by 9.1 per cent vis-à-vis the U.S. dollar.
- b. A rise in monopoly prices and in a number of State Economic Enterprises' tariffs and prices, estimated to yield additional revenues equivalent to 4 to 5 per cent of GNP.
- c. An increase in the reserve requirement of the banking system by 5 percentage points.
- d. A rise in import deposits by up to 20 percentage points, depending on the type of import.

2. Balance of payments

After a period of gradual improvement in Turkey's external position in the early 1970s resulting from an improvement in export growth, particularly in industrial exports, and a strengthening in the inflow of workers' remittances, there was a sharp turnaround in the balance of payments in 1974. The overall balance, which had shown a surplus of US\$928 million in 1973, recorded a deficit of US\$377 million in 1974. Subsequently, the balance of payments deficit grew sharply and reached US\$1.6 billion in 1976 (Table 1).

The steady growth in the volume of exports and imports and the stability in the terms of trade experienced in the first few years of the decade underwent some significant changes from 1974 onward, which resulted in a rapid deterioration of the trade balance. The volume of exports fell by 15 per cent between 1973 and 1975 as a result of the worldwide recession of 1975 and, possibly, a decline in the competitiveness of Turkish exports. At the same time, the volume of imports, mainly investment goods and raw materials, rose by 52 per cent in response to ambitious investment and growth targets set in annual programs. In addition, the increase in import prices by about 50 per cent between 1973 and 1975 led to a sharp deterioration in the terms of trade. As a result of these developments, the trade deficit rose from US\$769 million in 1973 to US\$3.3 billion in 1975. A slight improvement occurred in the trade deficit in 1976 as a result largely of an improvement in the terms of trade, but there was again a sharp deterioration in the first half of 1977.

Workers' remittances, which had been a very important source of foreign exchange since the early 1970s, began to decline from 1974 onward. Consequently, the current account deficit rose from US\$719 million in 1974 to US\$2.3 billion in 1976. Net long-term capital inflows, which increased sharply in 1975, largely on account of borrowing by the State Economic Enterprises, remained more or less stable in 1976. A running down of foreign reserves, borrowing from the IMF, and substantial inflows under convertible lira accounts financed the balance of payments deficit in 1975. In 1976 the monetary authorities continued to take recourse to short-term borrowing on international financial markets which brought about a further increase in short-term liabilities under the convertible lira accounts. In the first half of 1977 there was a further large buildup of short-term debt to banks and the emergence of substantial payments arrears.

a. Trade account

(1) Exports

Turkey's exports increased markedly in 1976 after the poor performance in 1975. The value of exports rose by about 40 per cent, while volume grew by close to 30 per cent. This sharp increase, however, needs to be seen against the background of developments in 1975 when exports had declined both in value and in real terms. The increase in 1976 reflected largely the improvement in demand for Turkey's exports, particularly for traditional agricultural products and for cotton textiles, making it possible for Turkey to export stocks accumulated during the previous two years. In 1976 the value of agricultural exports grew by 58 per cent, and volume growth was approximately 35 per cent over the previous year. Exports of the three traditional crops--cotton, tobacco, and hazelnuts--accounted for approximately 46 per cent of total exports and for over 70 per cent of agricultural exports (Table 2).

The improvement in nonagricultural exports in 1976 (including exports of mining and quarrying products) was small and reflected almost exclusively the revival of textile exports. Excluding textiles, the value of nonagricultural exports declined by almost 10 per cent over 1975. This was attributable partly to the strong growth in domestic demand which diverted various export items to domestic uses. It is also possible, however, that it had become increasingly difficult to maintain adequate profit margins on industrial exports because of a more rapid increase in production costs in Turkey than abroad. This supposition is supported by the fact that industrial exports continued to benefit from high rates of export tax rebates in 1976. The system of tax rebates for industrial exports was introduced in 1964 and has been revised several times during 1964-76. The latest major change took place in September 1975 as a result of which the rates of rebate were raised and their coverage considerably extended (see below for further details).

During the first half of 1977 exports totaled US\$884 million compared with US\$1,165 million in the same period of the previous year. The deterioration was caused largely by a sharp decline in agricultural exports, while industrial and mineral exports performed reasonably well. During January-June 1977 the value of agricultural exports decreased by about 40 per cent, mainly as a result of a noticeable decline in cotton and tobacco exports, which together had accounted for approximately 70 per cent of total agricultural exports in January-June 1976. Among other agricultural products, exports of cereals remained insignificant while there was some increase in exports of fruits and vegetables, including hazelnuts. Exports of livestock and livestock products fell sharply during this period.

(2) Imports

Turkey's imports continued to grow in 1976, but the increase was not large judged in relation to the growth of GDP. The value of imports rose by just over 8 per cent. Since there was a slight decrease in import prices, real growth was approximately 10 per cent. Imports of mineral fuels and fertilizers grew sharply in 1976, while there was a slowing down in the growth of machinery and equipment imports (Table 4). Imports of agricultural products, which had been relatively high in 1974 and 1975, reflecting the poor harvests in the previous years, were low in 1976. Cereal imports, in particular, fell sharply.

Turkey's imports totaled US\$2,963 million during January-June 1977 compared with US\$2,358 million during January-June 1976. The growth in imports was particularly strong in April when imports reached US\$603 million, the highest figure recorded to date in a single month. Imports declined in May but still remained significantly above the level reached in May 1976. Import growth picked up sharply in June.

b. Workers' remittances and other invisibles

Workers' remittances totaled US\$983 million in 1976, a drop of over US\$300 million from the previous year. While the decline in the number

of Turkish workers employed in Western Europe, particularly in the Federal Republic of Germany, may have influenced the development of workers' remittances since 1974, the political instability in Turkey in recent years, as well as speculation concerning changes in the exchange rate, is likely to have contributed significantly to the decline in remittances. In an attempt to remedy this situation, effective September 1, 1976, the rate applicable to remittances was raised, resulting in a premium of 9.3 per cent^{1/} over the rate applicable to other current transactions (excluding exports subject to tax rebates). This measure, however, had no noticeable impact on the inflow of remittances in the remaining months of 1976.

During 1976 an arrangement was made between the Central Bank of Turkey and the Dresdner Bank in Germany to attract the savings of Turkish workers. Under this scheme the funds deposited in the Dresdner Bank by Turkish workers were made withdrawable on demand either in Germany (in deutsche mark) or in Turkey (in Turkish liras), and higher interest rates were paid on these deposits than on comparable deposits held with German banks.^{2/} In addition, workers who kept their money in these deposits for certain periods of time were granted some facilities in importing machinery and equipment into Turkey. This arrangement became effective in mid-1976, but the net inflow by the end of the year was rather disappointing and remained around US\$50 million. The net inflow under this scheme has been stronger in 1977 and was US\$62 million during the first half of the year.

Workers' remittances showed an improvement during the first half of 1977 and reached US\$454 million, an increase of 14 per cent over the first half of 1976. The figure for the year as a whole is officially estimated at about US\$1.2 billion.

Turkey's gross income from tourism, which has remained on average just under US\$200 million in the past three years, is very low compared with that of Southern European countries. Net income from tourism, which was around US\$40 million in 1974 and 1975, was negative by US\$28 million in 1976. While this was attributable largely to a decrease in tourism revenues, it also reflected a sharp increase in tourism expenditures by Turkish nationals abroad. It may also reflect an incomplete coverage of tourist receipts in the official statistics.

Interest payments on foreign debt have become a large item in the current account following the reactivation of the convertible lira accounts in 1975 (details on convertible lira accounts are given below), exceeding US\$200 million in 1976.^{3/} With a negative net income from

^{1/} This premium is now 3.9 per cent, following the last adjustment in the exchange rate effective September 21, 1977.

^{2/} The rates offered vary between 7 and 11 per cent, depending on the maturity of the deposits.

^{3/} In 1975 and 1976 the interest rate on the convertible lira accounts was LIBOR plus 1.75, undifferentiated as to the maturity of the accounts. In March 1977 the maximum interest rates that could be paid were raised, with higher rates applicable on longer maturities and the spread ranging from 0.75 per cent to 2.25 per cent over LIBOR.

tourism of US\$28 million, income from other invisibles of US\$213 million,^{1/} and interest payments and profit transfers of US\$300 million, net income from invisibles other than workers' remittances was negative by US\$115 million in 1976 compared with US\$146 million in the previous year (Table 1). Net income from other invisibles continued to be negative during the first half of 1977.

c. Current account

Since 1973 the current account has deteriorated as the increase in net income from invisibles has not kept up with the continued rise in the trade deficit. The improvement in the trade deficit in 1976 was more than offset by the decline in net income from invisibles so that there was a further deterioration in the current account with a resulting deficit of US\$2.3 billion (approximately 5.6 per cent of GNP). In the first half of 1977 the current account deficit was US\$1.7 billion.

d. Transfers and nonmonetary capital

The net inflow of nonmonetary capital and transfers remained just under US\$700 million in 1976, approximately the same level as in 1975. Project credits constituted the largest single item rising from US\$380 million in 1975 to US\$485 million in 1976, of which US\$177 million consisted of disbursements by the IBRD/IFC/IDA, US\$153 million from the U.S. Export-Import Bank, US\$77 million from the European Investment Bank, and most of the remainder representing loans by the Federal Republic of Germany, Japan, and the U.S.S.R. In addition, US\$150 million was obtained by the State Investment Bank from a consortium of American banks to finance investments of the State Economic Enterprises. Inflows under private foreign capital in 1976 were substantially less than in 1975, due probably to a decline in confidence caused by the uncertain political situation. Net inflows of nonmonetary capital were low in the first half of 1977 and totaled US\$194 million, most of which again represented disbursements under project credits.

e. Financing items

The balance of payments deficit of US\$1,210 million in 1975 was financed by a decrease of US\$631 million in gross reserves and by accumulation of short-term liabilities, mainly in the form of convertible lira accounts, net inflows under which totaled US\$852 million. The large unidentified negative item under other liabilities implies some repayment of short-term liabilities. A sharp increase in short-term liabilities of the monetary authorities covered the balance of payments deficit of US\$1,617 million in 1976 and also financed a slight increase in gross reserves. Turkey made further drawings from the Fund under the oil facility and the compensatory financing facility in the first half of 1976, which totaled approximately US\$150 million. Net inflows under

^{1/} Other invisibles include transit fees on foreign trucks passing through Turkey. These fees were raised in 1976.

convertible lira accounts continued to be strong and totaled US\$781 million for the year.^{1/} Despite these developments, by the end of November 1976 gross reserves had declined by over US\$200 million. The turnaround at the end of the year represented heavy short-term borrowing by the Central Bank of Turkey in December as reflected under other (net) among the financing items.^{2/}

As a result of these loans, gross reserves were US\$1.1 billion at the end of 1976, an increase of US\$47 million over 1975 (Table 6). During the first eight months of 1977, however, gross reserves declined by about US\$300 million and stood at US\$821 million at the end of August 1977, less than two months of programmed 1977 imports. Gross reserves did not decline as sharply as might have been expected in light of the adverse development in the balance of payments and the repayment of some of the short-term loans obtained at the end of 1976. This was because of new short-term borrowing from banks and the accumulation of payments arrears. The net inflow under convertible lira accounts remained strong during January-May 1977, totaling US\$264 million, but there was a net outflow of over US\$100 million in June-July 1977. At the end of August 1977 the balance on convertible lira accounts was just under US\$2 billion.

3. External debt

Long- and medium-term^{3/} debt repayable in foreign currency of the public sector and the nonbanking private sector^{4/} amounted to US\$5,462 million at the end of 1976, of which US\$3,822 million was disbursed. The rapid increase in debt commitments and disbursements in 1976 was mainly due to new loan agreements with and disbursements from international organizations and banks operating on international financial markets. About 70 per cent of external debt contracted at the end of 1976 was owed by the state budget and 22 per cent by State Economic Enterprises. Foreign debt commitments of State Economic Enterprises rose threefold to US\$1,214 million in 1976. Among these commitments was a US\$150 million 18-month revolving line of credit for the financing of imports of oil and

^{1/} Under the convertible lira scheme, reintroduced in May 1975, banks are permitted to open time and demand deposit accounts for nonresidents (and Turkish residents working abroad) in convertible currencies. The banks then transfer the foreign exchange to the Central Bank and credit the account of the depositor with an equivalent amount in Turkish liras. In the case of a withdrawal, the Central Bank returns the foreign exchange to the bank in question at the same exchange rate at which it was originally transferred. Although technically these amounts are liabilities of commercial banks, they are regarded in this paper as official liabilities because of the exchange rate guarantee arrangement.

^{2/} Other (net) also includes liabilities of the Central Bank in the amount of US\$52 million under the Dresdner Bank scheme to attract workers' remittances.

^{3/} Generally excludes loans with an original maturity of less than five years.

^{4/} Exclusive of convertible lira deposits.

oil products. As regards creditors, 34 per cent of total debt contracted at the end of 1976 was borrowed from international organizations, mainly the IBRD and the EIB. The share of foreign governments and government agencies in total contracted loans amounted to 50 per cent. The most important lenders in this category were the United States, the Federal Republic of Germany, Canada, the United Kingdom, and France. Foreign private firms accounted for about 9 per cent of total loans. The Turkish State Investment Bank borrowed US\$150 million from a consortium of American banks in 1976 to finance investments of State Economic Enterprises.

Since the time the convertible lira account scheme was reinstated in May 1975, such deposits have risen rapidly (Table 8). At the end of 1975 convertible lira account deposits amounted to US\$999 million. They rose steadily throughout 1976, reaching US\$1,780 million on December 31, 1976. The increase continued in the first five months of 1977, and on May 31, 1977 convertible lira accounts amounted to US\$2,044 million. However, between the end of May and the end of August 1977 convertible liras fell by about US\$84 million.

Turkey has been borrowing relatively large amounts of short-term funds mainly from foreign commercial banks. The total of purchases from the Fund under the compensatory financing facility and the oil facility and the purchase of the full gold tranche amounted to US\$287 million at the end of 1975 and US\$435 million at the end of 1976 and on September 30, 1977. Payments arrears for imports accumulated during 1976 and the first half of 1977. There is also a substantial backlog of applications for foreign exchange awaiting approval. Official projections of debt service on Turkey's long- and medium-term debt outstanding on December 31, 1976 are shown in Table 9.

4. Gross domestic product and employment

The deterioration in Turkey's balance of payments was associated with a rate of growth in recent years which has been high and relatively stable. During the period 1974-76 fluctuations did not exceed one half of a percentage point. GDP rose at an annual rate of between 8.5 and 9 per cent. Since net factor income from abroad (chiefly workers' remittances) has shown a decline in this period, the growth of gross national product has fallen short of that of gross domestic product by about 1 percentage point. There has been a halt to the previous trend which showed a decline in the relative share of the agricultural sector in total GDP. As a result of exceptionally good crops for three years in a row, the agricultural sector even recorded a slight increase in its relative share.

Preliminary data on the national accounts in 1977 indicate that there may have been a falling off in the rate of growth as import bottlenecks have become more acute.

Despite the high rate of economic growth, the unemployment has worsened, reaching about 13 per cent of the labor force. While a slack labor market in Western Europe (mainly in Germany) and restraints on immigration of foreign workers undoubtedly contributed to its rise, unemployment in Turkey is basically related to the process of urbanization and to rising productivity in the agricultural sector. The impressive increases in agricultural production in recent years was accompanied by a virtual fall in the number of employed persons in the sector. It is conceivable that a large part of the unemployed is unskilled labor, and, therefore, unable to meet the demand for labor generated by new investments.

5. Prices and wages

The various price indexes in Turkey indicate that in the first half of 1977 prices rose at an annual rate of about 20 per cent--slightly more than in 1976. For the year as a whole the rate will be influenced by the package of measures adopted last September which included increases in the prices of monopoly products (tobacco and alcohol) and products of the State Economic Enterprises. The high rate of inflation in recent years is to be viewed against the background of high rates of growth and an expansionary monetary policy, which suggests that it has chiefly been the result of demand pressures. Despite the high and growing unemployment, wages have risen steadily at a rate of 23-25 per cent, partly under the influence of easy monetary conditions and partly reflecting shortages of skilled labor.

6. Agricultural support prices

In Turkey agricultural support prices are set for a number of products each year. Government agencies and sales cooperatives are obliged to purchase at the officially set support price any amount of these agricultural products offered to them by the farmers. The Government provides funds for the support purchases through the Central Bank, and absorbs any losses incurred by the intervening agencies in purchasing, storing, and selling the commodities in question. This system, which aims at preventing large fluctuations in agricultural incomes from year to year, is often a burden on public finances, particularly at times when unrealistic pricing vis-à-vis developments in international markets leads to export bottlenecks. In 1977 support prices were adjusted marginally (Table 14) especially for important agricultural commodities such as wheat and cotton, which are also export items. This was done with the purpose of not aggravating the discrepancies between domestic and foreign prices for these products, since prices of wheat and cotton in Turkey had exceeded world market prices since late 1976.

7. Fiscal and monetary developments

Information on public expenditure in 1977 is not yet available, but monetary data, namely, Central Bank credit to the public sector,

indicate that deficit spending through August 1977 was of larger proportions than in the whole of 1976. Budgetary expenditure in excess of the amounts envisaged by the original budget, as well as increased SEE production costs (mainly wage increases not accounted for in the initial annual program), were probably the factors that brought about the large deficit spending. The recent rise in monopoly prices and in SEE tariffs and prices are estimated by the Turkish authorities to raise public sector revenues by approximately LT 40 billion a year, the equivalent of 4-5 per cent of GNP, but without substantial cuts in expenditures, this does not seem likely to eliminate the substantial borrowing need.

Monetary developments in 1976 and 1977 have been closely related to the public sector deficit with increases in Central Bank credit to the public sector constituting a major cause of the rise in reserve money (from LT 74.4 billion at the end of 1975 to LT 93 billion at the end of 1976 and to LT 116 billion at the end of August 1977--the equivalent of an annual rate of 32 per cent). Credit from the Central Bank to the private sector has been relatively stable during 1977, but, given the sizable additions to the liquid reserves of the banking system, the private sector has not encountered difficulties in obtaining the credit it needs. This impression is confirmed by the existence of sizable unutilized rediscount quotas with commercial banks. The sizable expansion of Central Bank credits was also associated with a sizable decline in net foreign assets of the Central Bank.

8. Exchange and trade system^{1/}

a. Exchange rate system

Effective December 22, 1971, Turkey established a central rate of LT 14 = US\$1, and availed itself of the wider margins. However, from July 8, 1975, Turkey ceased to maintain prescribed margins around the central rate. The Turkish lira depreciated by 27.3 per cent (from US\$0.070721 per LT 1 to US\$0.051434 per LT 1) between July 1975 and September 1977. On September 21, 1977 the official rates for the U.S. dollar, the intervention currency, were LT 19.25 buying and LT 19.635 selling, per US\$1. Besides setting the official buying and selling rates for the U.S. dollar the Central Bank establishes official quotations for a number of other currencies.^{2/} Turkey maintains a separate rate for workers' remittances which are converted at a buying rate of LT 15.00 per US\$1; when the Turkish lira equivalent is credited to an account with a bank in Turkey, the account is immediately credited with an additional 33 1/3 per cent of the amount converted yielding an effective rate of LT 20.00 per US\$1.

^{1/} A more detailed description of the basic features of the system as of December 31, 1976 is given in the Twenty-Eighth Annual Report on Exchange Restrictions.

^{2/} These include the Australian dollar, Austrian schilling, Belgian franc, Canadian dollar, Danish krone, deutsche mark, French franc, Italian lira, Kuwaiti dinar, Netherlands guilder, Norwegian krone, pound sterling, Saudi Arabian rial, Swedish krona, and Swiss franc.

b. Import regime

Turkey's import regime relies on a positive listing system. All commodity imports are classified, in the first instance, into two major categories in terms of the type of financing involved, i.e., programmed imports which are financed with the country's own foreign exchange resources and self-financing imports. Programmed imports are divided into those financed in convertible currencies and those conducted under bilateral payments agreements.^{1/} The former are further divided into liberalized and global quota lists. The liberalized list is in two parts, list I and list II. All imports are subject to license,^{2/} but licenses in respect of liberalized list I and list II goods are issued without quantitative restriction. Goods on liberalized list II are, however, subject to greater formalities than those on liberalized list I in order to ensure quality control. As regards self-financing imports, the single most important category is those financed with project credits.

At the beginning of each calendar year, an import program is announced, in which a broad breakdown, in value terms, of the various categories of imports during the year is given. The program also contains product lists for the liberalized and global quota categories.^{1/} The 1977 import program envisages a total value of imports of US\$5.8 billion.

Imports on the liberalized lists were estimated at US\$3.2 billion and imports on the global quota list were programmed at US\$1.6 billion. Self-financed imports were expected to amount to US\$0.9 billion. The total import program for 1977 exceeds the program for 1976 by 16.2 per cent with a much larger increase, 65 per cent, in self-financed imports mainly due to project credits. In the 1977 import program, 10 products were added to liberalized list I, 9 products were shifted from liberalized list I to liberalized list II, 17 items were shifted from the quota list to liberalized list II, 8 items were added to the quota list, 9 items on the quota list were reduced, but numerous items were increased. Within the different categories of imported goods the share of investment goods in total imports (US\$5.8 billion) is expected to rise from 35.0 per cent in 1976 to 38 per cent in 1977 with an equivalent fall in the share of imports of intermediate goods. Expected larger project credits are responsible for the projected stronger growth of investment goods imports.

All commercial imports require import licenses. Import licenses are issued to registered importers (import merchants), industrialists (manufacturers importing for their own needs), State Economic Enterprises, and government departments. Private individuals and corporate bodies are required to secure an import certificate issued by the Ministry of Commerce before submitting applications through the authorized banks for licenses to import goods for commercial purposes.

^{1/} The list of import quotas contains quotas for registered importers and for industrialists.

^{2/} The complex import licensing system is described in the Twenty-Eighth Annual Report on Exchange Restrictions.

Irrespective of the method of payment, registered importers and industrialists are required to prepay in local currency, when submitting an application for an import license, the equivalent of the foreign exchange for which they have applied. The prepayments are transferred to the Central Bank by the authorized bank within five days. In addition, guarantee deposits are payable irrespective of the method of payment. The guarantee deposit varies between 2.5 per cent and 40 per cent of the value of the merchandise. The public sector is exempt, however, and in many cases industrialists make a symbolic deposit of 1-2 per cent. The deposit remains blocked until the goods have been cleared through customs and the foreign supplier paid; it is then refunded to the importer. The guarantee deposits collected are transferred weekly to an account held by the Central Bank in the name of the authorized bank. Should imports not be made in conformity with the regulations, a part of the guarantee deposit corresponding to up to 10 per cent of the value of such imports is forfeited to the Treasury. Imports without an allocation of foreign exchange may be permitted by the customs authorities, the Central Bank, or the Ministry of Finance, under certain conditions.

c. Payments for invisibles

Payments for invisibles require exchange licenses which usually are issued by the Central Bank. These are granted liberally for a considerable number of purposes. The transfer of income related to foreign investments approved under the Law for the Encouragement of Foreign Investment (No. 6229) is permitted freely. Interest on long-term loans and credits extended by nonresidents to enterprises in Turkey (including those of an agricultural nature) may be granted transferability between foreign nationals both in Turkey and abroad.

The allowance of exchange for tourist travel is the equivalent of US\$600 a calendar year; travelers are not allowed to leave the country unless they are carrying at least the equivalent of US\$200 in foreign exchange. Effective August 17, 1976, the annual limit for foreign exchange allowance for business travel was raised to US\$5,000 per person. Exchange for travel abroad for other purposes is sold up to specified limits.

d. Export proceeds

Exporters are required to sell to a bank in Turkey the foreign exchange proceeds of goods exported within three months from the date of export or within ten days from the date on which the foreign exchange is placed at their disposal. They are permitted to export a specified list of commodities on 12-month credit terms, however, against payment in convertible currency and subject to a bank guarantee. Exports of a few essential items such as cereals, oil, textiles, cattle meat, timber, etc., require an export license to ensure adequate domestic supplies.

Turkey maintains an export tax rebate scheme mainly for industrial products.^{1/} The value of exports, as determined by the procedures prescribed by the Ministries of Finance and Commerce, is used as the basis for the tax rebate calculation. Exporters receive rebate payments from the Central Bank after submitting shipping and other supporting documents. The eligible product items are classified into 11 categories, and the basic rebate rates ranging between 5 and 40 per cent are applied. For the majority of product items, if the annual value of exports exceeds US\$1.8 million, the rebate rate is raised by 5 percentage points, while for others such a limit is fixed at US\$1.4 million.

The share of exports subject to tax rebates increased from 30.6 per cent in 1974 to 36.9 per cent in 1975 and to an estimated 37.0 per cent in 1976. The average rate of export rebates (i.e., the premium of the Turkish lira per unit of foreign currency in transactions subject to export tax rebates) rose from 14.2 per cent in 1974 to 18.7 per cent in 1975 and 22.7 per cent in 1976.

Other tax incentives include the exemption of export earnings from income and corporation taxes and the exemption of export goods from the production tax (for foreigners). Exporters of specified goods also have access to credit at preferential interest rates from a Special Export Fund.

e. Tariff regime

In addition to customs duties, imports are subject to a stamp duty at 9.0 per cent or 9.5 per cent, depending on the type of product. The stamp duties are applied to imports from all contracting parties to the GATT without discrimination. The stamp duties have been applied since February 1963 under a periodic GATT waiver from Article II of the GATT. The latest waiver, which was granted in July 1975, is valid until December 31, 1977. Under the provision of this waiver, the duty rate is not to exceed 10 per cent and the continued application of the duty is to be accompanied by commensurate efforts to remove progressively quantitative restrictions on imports. Other taxes levied on imports are a customs surcharge of 15 per cent of the applicable customs duty, a quay duty of 5 per cent, and a production tax ranging from 10 to 75 per cent when domestically produced goods are subject to the same tax. When customs duties are zero, other taxes on imports are not payable. There exist some duty reductions or exemptions for about 30 items of foodstuffs and raw materials.

^{1/} Export tax rebates of 10-20 per cent apply to exports of fresh fruits, vegetables, frozen meat, and olive oil. An export tax rebate of 10-15 per cent was introduced in February 1977 on potato and garlic exports and an export tax rebate of 5 per cent was introduced for exports of some textiles and tobacco in February 1977. Export tax rebates on raw cotton were abolished on January 4, 1977 but reintroduced in October 1977.

f. Bilateral payments arrangements

Turkey has two bilateral payments agreements (Albania and the U.S.S.R.); the agreement with Albania has been inoperative during the past three years.

g. Regulations on external borrowing and lending

With the exception of the borrowing by the Government from foreign governments and government agencies, and international institutions, all private and public sector borrowing is regulated. All borrowing must be approved by the Ministry of Finance in consultation with other competent ministries, and the Ministry of Finance may issue a guarantee of the transferability of the foreign exchange. It is up to the intermediating bank to guarantee the repayment in liras. In an annual plan drawn up by the Ministry of Finance the total amount of private and public sector borrowing abroad from private sources, including suppliers' credits, and the sectors eligible to contract foreign loans as well as the characteristics of investment projects are specified. The general guidelines for the approval of external borrowing, including suppliers' credits, are as follows: (1) borrowing must be in conformity with the targets and principles as envisaged in the Third Five-Year Development Plan and the annual plans; (2) investment projects must be undertaken in the sectors included in the table on investment incentives published in the annual plans; (3) borrowing must be obtained in one of the convertible currencies sold and bought by the Central Bank; (4) the amount of borrowing must not exceed 60 per cent of the total value of the project, with the exception that this ratio is 80 per cent for projects to be undertaken in underdeveloped regions, and 90-95 per cent in the case of investments in the shipping industry and the import of ships; (5) borrowing must carry a minimum maturity period of two years; and (6) the rate of interest must not exceed the Euro-dollar rate (the London Interbank Offered Rate--LIBOR) by more than 1.75 per cent.

Nonresidents (including Turkish citizens working abroad)^{1/} may open demand and time accounts in convertible Turkish liras, carrying an exchange guarantee of the Central Bank, with commercial banks. Interest rates on the funds borrowed abroad by banks must not exceed the London Interbank Offered Rate (LIBOR) by more than 2 1/4 per cent. The Turkish lira counterpart of the funds borrowed abroad is to be used mainly for industrial investments. In addition, authorized banks with deposits exceeding LT 2 billion are permitted to incur an overall foreign exchange position (in currencies purchased and sold by the Central Bank) of up to US\$20 million. Banks can lend the foreign exchange in Turkey for use in importing capital goods and raw materials for investment purposes.

Foreign capital invested in Turkey under the terms of the Law for the Encouragement of Foreign Investments (No. 6224) or the Petroleum

^{1/} In addition, Turkish workers in Germany may open foreign exchange accounts with the Central Bank of Turkey denominated in any convertible currency through the intermediation of the Dresdner Bank in Germany.

Law (No. 6326, as amended) is accorded preferential treatment, provided that the enterprise in which the investment is to be made is deemed to contribute to the economic development of the country, or will operate in a field of activity open to Turkish private enterprise and will not entail monopoly or special privilege. Under this law, transfers of profits or repatriation of capital are not restricted, but are subject to approval. In addition to investments under Law No. 6224 and Law No. 6326 as amended, foreign investors do not enjoy any transfer facilities for earnings or liquidation proceeds. Funds accrued or accruing to nonresidents which are not transferable under the existing exchange control regulations are held in blocked funds. Subject to individual permission blocked assets and balances may be used within Turkey for specified purposes.

Transactions in securities, including their export and import, require approval when nonresident interests are involved. There are special facilities for the acquisition by Turkish workers abroad of Turkish shares and bonds.

Capital transfers abroad by residents are subject to approval, and are not normally permitted. There is no regulation prohibiting the granting of suppliers' credits by Turkish exporters, but such credits, in practice, are not provided because exporters do not possess the necessary financial means. Residents are not normally permitted to acquire foreign securities or real estate.

h. Major changes during 1976 and 1977

1976

January 7. The export rebate on raw cotton was abolished.

January 18. The export rebate on livestock was abolished.

February 5. The Australian dollar was included in the foreign currencies bought and sold by the Central Bank.

March 15. The official rates for the U.S. dollar were changed to LT 15.50 buying and LT 15.81 selling, per US\$1.

April 1. Turkish workers in the Federal Republic of Germany were permitted to open time and demand deposit accounts in foreign exchange with the Central Bank of Turkey through the intermediation of the Dresdner Bank in Germany and were granted some imports with waiver privileges depending on the maturity of their accounts.

April 2. The official rates for the U.S. dollar were changed to LT 16.00 buying and LT 16.32 selling, per US\$1.

April 20. Following the expiration of the bilateral payments agreement, settlements with Egypt were placed on a convertible currency basis.

May 5. Authorized banks were permitted to issue certificates of deposit or promissory notes in foreign exchange against convertible Turkish lira deposit accounts, provided their face value did not exceed the amount of the deposit account and their maturity period was longer than three years. This regulation also applied to the unutilized portion of foreign credits received prior to the announcement of the regulation.

May 5. Foreign exchange obtained under foreign cash credits for the purpose of financing projects for which "encouragement certificates" have been issued was required to be transferred to the Central Bank.

July 6. Authorized banks handling import payments through acceptance credits were required to lodge with the Central Bank a deposit in Turkish liras equivalent to 1 per cent of the foreign exchange value of the goods.

August 10. The customs tariff rates on pocket watches and wrist watches were raised to 18 per cent, and those on watch parts and accessories were raised to 10 per cent.

August 17. The annual limit for foreign exchange allowance for business travel, including travel by persons engaged in export businesses which are incurring losses, was raised to US\$5,000 a person.

August 27. Payments for imports of iron, fertilizers, assembled tractors, and spare parts for tractors and trucks were permitted in acceptance credits.

September 1. The nominal rate used for the conversion of workers' remittances was changed from LT 11.2503 per US\$1 to LT 13.1253 per US\$1. The rate of special interest paid on the amount converted remained unchanged at 33 1/3 per cent.

October 28. Workers, professional persons, and businessmen who have worked abroad continuously for a minimum period of one year were permitted to import professional tools and machinery and automobiles up to the value (f.o.b.) of LT 30,000; this limit is increased by LT 2,500 for each additional month, and by LT 30,000 for each additional year. Import licenses issued for this purpose must be utilized within two months. Alternatively, the above-mentioned persons were allowed to maintain a foreign exchange deposit account with the Central Bank or a convertible Turkish lira account with authorized banks for a minimum period of one year in an amount equivalent to the value of the automobiles they are entitled to import at a later date and to use these funds to import automobiles without restriction after the maturity date of such deposits. Import licenses issued in this connection must be utilized within three months. If deposit holders wish to use the funds to import professional tools or machinery before the maturity date of the deposits, partial use of such funds is permitted in accordance with the following schedule: 20 per cent after a waiting period of one year, 30 per cent after a waiting period of two years, 50 per cent

after a waiting period of three years, 60 per cent after a waiting period of four years, and 80 per cent after a waiting period of five years or more. Workers, professional persons, and businessmen who deposit DM 100,000 or its equivalent of their earnings abroad were permitted to import, after one year from the date of the opening of the deposit, certain heavy machinery and equipment; persons depositing DM 50,000 or its equivalent were permitted to import similar goods after two years from the date of the opening of the deposit.

October 28. The official rates for the U.S. dollar were changed to LT 16.50 buying and LT 16.83 selling, per US\$1.

1977

January 7. The quota system for cotton exports was lifted.

January 10. Imports of all foreign private capital under the Law for the Encouragement of Foreign Investments (No. 6224) had to be converted at the going exchange rate at the time the official permission is issued by the Council of Ministers. Previously, the timing of conversion depended on the type of capital.

March 1. The permissible markup on interest rates on funds borrowed abroad under the convertible Turkish lira scheme was raised to a maximum of 2 1/4 per cent above the interest rate on the European market for the currency concerned.

March 1. The official rates for the U.S. dollar were changed to LT 17.50 buying and LT 17.850 selling, per US\$1. The nominal rate used for the conversion of workers' remittances was changed from LT 13.1253 to LT 13.50004 per US\$1. The rate of special interest paid on the amount converted remained unchanged at 33 1/3 per cent.

September 21. The official rates for the U.S. dollar were changed to LT 19.25 buying and LT 19.635 selling, per US\$1. The nominal rate used for the conversion of workers' remittances was changed from LT 13.5004 to LT 15.00 per US\$1. The rate of special interest paid on the amount converted remained unchanged at 33 1/3 per cent.

September 22. The guarantee deposits for imports were raised to a maximum of 40 per cent of the value of the merchandise.

September . Export rebates of 15 per cent were introduced on exports of raw cotton.

Table 1. Turkey: Summary Balance of Payments

(In millions of U.S. dollars)

	1973	1974	1975	1976	1977 Jan.-June
Exports, f.o.b.	1,317	1,532	1,401	1,960	884
Imports, c.i.f.	-2,086	-3,778	-4,739	-5,129	-2,963
Trade deficit	-769	-2,246	-3,338	-3,169	-2,079
Workers' remittances	1,183	1,426	1,312	983	454
Other invisibles, net	70	101	146	-115	-81
Current account	484	-719	-1,880	-2,301	-1,706
Nonmonetary capital and transfers	433	291	670	684	194
Unidentified capital, errors, and omissions	11	51	...	...	...
Overall balance	928	-377	-1,210	-1,617	-1,512
Financing	-928	377	1,210	1,617	1,512
Monetary authorities	-928	377	1,310	1,617	1,512
Assets ^{1/}	-736	421	631	-47	286
Liabilities	-192	-44	679	1,664	1,226
of which:					
IMF	(--)	(--)	(245)	(148)	(--)
Convertible liras	(-237)	(-80)	(852) ^{2/}	(781) ^{2/}	(208) ^{2/}
Other, net	(45)	(36)	(-418) ^{2/}	(735) ^{2/}	(1,018) ^{2/}
Commercial banks	--	--	-100	...	...
Assets	--	--	-194	...	...
Liabilities	--	--	94	...	...

Sources: Ministry of Finance, Monthly Economic Indicators; IMF, International Financial Statistics; and information provided by the Turkish authorities.

^{1/} Change in assets is based on information provided by the Turkish authorities and differs from the figures in IFS because of differences in valuation and time of recording.

^{2/} Includes unidentified items.

Table 2. Turkey: Commodity Composition of Exports

(In millions of U.S. dollars)

	1974	1975	1976	1977 Jan.-June
Agricultural products	<u>852</u>	<u>793</u>	<u>1,254</u>	<u>479</u>
(In per cent of total)	(55.6)	(56.6)	(64.0)	(54.2)
Cotton	244	230	438	108
Tobacco	204	183	251	97
Hazelnuts	173	154	204	108
Raisins and figs	71	64	73	34
Citrus fruits and vegetables	31	34	64	...
Seeds and oil seeds	9	11	15	7
Cereals	--	1	38	28
Livestock and products	55	41	63	12
Fishery products	16	13	12	5
Other	49	62	96	80
Industrial products	<u>601</u>	<u>503</u>	<u>595</u>	<u>345</u>
(In per cent of total)	(39.2)	(35.9)	(30.4)	(39.0)
Textiles	149	127	265	160
Processed agricultural products	146	129	98	82
Petroleum products	86	36	16	--
Leather and hides	73	65	60	24
Chemicals	29	33	44	18
Glass and ceramics	13	18	21	16
Cement	8	24	16	7
Nonferrous metals	34	13	17	12
Iron and steel products	19	20	22	7
Other	44	38	36	19
Mining and quarrying products	<u>79</u>	<u>105</u>	<u>110</u>	<u>60</u>
(In per cent of total)	(5.2)	(7.5)	(5.6)	(6.8)
Chromium ore	23	52	55	21
Raw borates	28	28	30	2
Other	28	25	25	37
Total exports	1,532	1,401	1,960	884

Sources: State Planning Organization; and information provided by the Turkish authorities.

**Table 3. Turkey: Export Volume and Unit Values of
the Main Agricultural Exports**

(In thousands of tons and U.S. dollars per ton)

	1974	1975	1976	<u>1977</u> <u>Jan.-Apr.</u>
Cotton				
Volume	183	267	414	54
Unit value	1,331	864	1,059	1,316
Tobacco				
Volume	112	66	75	22
Unit value	1,820	2,779	3,343	3,435
Hazelnuts				
Volume	113	90	138	55
Unit value	1,535	1,712	1,468	1,503

Source: Ministry of Finance, Monthly Economic Indicators.

Table 4. Turkey: Commodity Composition of Imports
(In millions of U.S. dollars)

	1974	1975	1976	1977 Jan.-May
Agricultural products	<u>276</u>	<u>162</u>	<u>36</u>	<u>8</u>
(In per cent of total)	(7.3)	(3.4)	(0.7)	(0.3)
Cereals	245	141	5	--
Coffee, tea, and spices	19	6	18	5
Live animals and animal products	7	9	4	1
Others	5	6	9	2
Raw materials and finished goods	<u>1,677</u>	<u>2,068</u>	<u>2,386</u>	<u>1,223</u>
(In per cent of total)	(44.4)	(43.7)	(46.5)	(51.3)
Mineral fuels	763	811	1,126	524
Fertilizers	101	48	99	95
Textiles	101	118	107	49
Chemical products	233	365	387	165
Paper	38	41	47	24
Animal and vegetable oils	17	124	104	17
Others	424	561	516	349
Equipment materials	<u>1,164</u>	<u>1,741</u>	<u>2,070</u>	<u>852</u>
(In per cent of total)	(30.8)	(36.7)	(40.4)	(35.8)
Machinery and equipment	877	1,345	1,455	622
Means of transport	287	396	615	230
Minerals	<u>661</u>	<u>768</u>	<u>637</u>	<u>299</u>
(In per cent of total)	(17.5)	(16.2)	(12.4)	(12.6)
Total	3,778	4,739	5,129	2,382

Sources: Ministry of Finance, Monthly Economic Indicators; and information provided by the Turkish authorities.

Table 5. Turkey: Workers' Remittances

	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Year
<u>(In millions of U.S. dollars)</u>					
1973	198.7	248.7	451.0	284.8	1,183.2
1974	289.5	275.8	549.6	311.3	1,426.2
1975	286.2	231.1	494.2	300.8	1,312.3
1976	186.7	212.8	319.0	264.2	982.7
1977	215.4	238.7	...	...	...
<u>(Percentage change over previous year)</u>					
1973	65.3	90.6	48.5	53.4	59.9
1974	45.7	10.9	21.9	9.3	20.5
1975	-1.1	-16.2	-10.1	-3.4	-8.0
1976	-34.8	-7.9	-35.5	-12.2	-25.1
1977	15.4	12.2	...	...	...

Source: Ministry of Finance, Monthly Economic Indicators.

Table 6. Turkey: Official International Reserves

(In millions of U.S. dollars; end of period)

	Gold	Foreign exchange	Reserve position in the Fund	SDRs	Total gross reserves
1974	153	1,619	46	42	1,860
1975	146	886	--	32	1,064
1976	145	957	--	21	1,123
1976 March	145	729	--	28	902
June	143	748	--	22	913
September	145	898	--	16	1,059
December	145	957	--	21	1,123
1977 March	146	609	--	22	777
June	147	721	--	--	868
August	146	675	--	--	821

Source: IMF, International Financial Statistics.

Table 7. Turkey: Official Buying and Selling Rates
for the U.S. Dollar

(Turkish liras per U.S. dollar; end of period)

	Buying rate	Selling rate
1970	14.85	15.147
1971	14.00	14.280
1972	14.00	14.280
1973	14.00	14.280
1974	13.85	14.127
1975	15.00	15.300
1976	16.50	16.830
1974 May 14	13.50	13.770
September 20	13.85	14.127
1975 April 17	14.00	14.280
July 8	14.25	14.535
August 14	14.50	14.790
August 28	14.75	15.045
October 28	15.00	15.300
1976 March 15	15.50	15.810
April 2	16.00	16.320
October 27	16.50	16.830
1977 March 1	17.50	17.850
September 21	19.25	19.635

Source: Information provided by the Turkish authorities.

Table 8. Turkey: Convertible Lira Accounts

End of period	In millions of U.S. dollars
1973 4th quarter	224
1974 1st quarter	204
2nd quarter	171
3rd quarter	160
4th quarter	147
1975 1st quarter	132
2nd quarter	434
3rd quarter	799
4th quarter	999
1976 January	1,068
February	1,130
March	1,213
April	1,238
May	1,322
June	1,324
July	1,395
August	1,446
September	1,504
October	1,593
November	1,644
December	1,780
1977 January	1,829
February	1,908
March	1,984
April	2,013
May	2,044
June	1,988
July	1,927
August	1,960

Source: Information provided by the Turkish authorities.

Table 9. Turkey: Estimated Debt Service on Debt
Outstanding on December 31, 1976

(In millions of U.S. dollars)

	1977	1978	1979	1980
Principal	242	330	410	422
Interest	319	251	229	201
Total	561	581	639	623

Source: Turkish Ministry of Finance.

Table 10. Turkey: Gross National Product by Sector

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
	In billions of Turkish liras; at current prices			Percentage changes at constant prices		
Agriculture	107.9	139.1	176.3	10.3	10.8	9.2
Industry	91.4	112.3	138.8	7.7	9.0	9.3
Construction	19.5	25.4	32.2	6.2	8.5	8.3
Wholesale and retail trade	56.2	69.5	85.9	10.8	9.5	8.9
Transportation and com- munications	36.0	44.1	54.7	9.1	8.4	9.2
Financial institutions	13.8	18.1	23.7	9.1	6.6	8.0
Private professions and services	21.5	26.9	33.7	8.4	9.0	9.0
Ownership of dwellings	16.4	21.1	26.2	6.5	6.2	6.8
Imputed bank service charges	<u>-6.9</u>	<u>-9.0</u>	<u>-11.8</u>	<u>9.1</u>	<u>6.6</u>	<u>7.9</u>
Total	355.8	447.5	559.7	8.9	9.2	9.0
Government services	<u>38.2</u>	<u>50.5</u>	<u>66.5</u>	<u>6.5</u>	<u>5.8</u>	<u>7.0</u>
Total	394.0	498.0	626.2	8.7	8.9	8.8
Import duties	<u>15.7</u>	<u>21.1</u>	<u>26.9</u>	<u>4.0</u>	<u>8.2</u>	<u>9.9</u>
Gross domestic product at market prices	409.7	519.1	653.1	8.5	8.9	8.8
Net factor income from abroad	<u>17.4</u>	<u>16.6</u>	<u>11.1</u>	<u>-20.8</u>	<u>-24.1</u>	<u>-29.8</u>
Gross national product at market prices	427.1	535.7	664.2	7.4	8.0	8.1

Source: Ministry of Finance, Monthly Economic Indicators.

Table 11. Turkey: Agricultural Production

(In thousands of tons)

	1974	1975	1976	<u>1977</u> Estimate
Cereals				
Wheat	11,000	14,750	16,500	16,500
Barley	3,330	4,500	4,500	4,750
Industrial crops				
Cotton	598	480	476	617
Tobacco	203	193	303	274
Sugarbeet	5,707	6,949	9,400	9,400
Oil seeds				
Cotton seeds	958	768	752	987
Sunflower seeds	420	488	550	457
Fruits and nuts				
Hazelnuts	244	317	245	250
Citrus fruits	900	798	834	807
Olives	840	561	1,097	750

Source: Information provided by the Turkish authorities.

Table 12. Turkey: Labor and Employment

(In thousands of persons)

	1973	1974	1975	1976 ^{1/}
Total labor supply	14,670	15,150	15,600	15,990
Employment	13,946	14,088	14,319	14,621
Agriculture	8,760	8,735	8,705	8,680
Of which:				
Disguised unemployment	(840)	(800)	(750)	(710)
Nonagricultural sectors	5,050	5,333	5,609	5,936
Industry	1,615	1,688	1,759	1,844
Construction	480	514	550	591
Commerce	670	702	736	774
Transportation	485	534	600	663
Services	1,670	1,765	1,834	1,934
Other	130	130	130	130
Net emigration	136	20	5	5
Open unemployment	724	1,062	1,281	1,369
Open unemployment and disguised unemployment in agriculture as percentage of labor force	10.7	12.3	13.0	13.0

Source: Ministry of Finance, Annual Economic Report, 1976.

^{1/} Estimate.

Table 13. Turkey: Price Developments

(Percentage changes at seasonally adjusted annual rates)

	Wholesale prices			Cost of living	
	General	Foodstuffs and fodder	Industrial raw materials and semifinished products	Ankara	Istanbul
1973	19.8	20.8	18.5	15.8	14.0
1974	29.7	35.3	21.7	15.4	23.9
1975	11.0	18.2	-0.6	19.0	21.2
1976	16.0	15.3	17.4	16.4	17.4
1975 1st qtr.	15.5	28.4	-2.9	23.4	28.8
2nd qtr.	2.0	0.7	1.3	25.1	16.2
3rd qtr.	4.4	10.2	-1.3	5.8	8.0
4th qtr.	14.2	11.1	17.1	16.9	17.3
1976 1st qtr.	15.4	10.0	26.7	22.9	27.8
2nd qtr.	32.2	37.1	22.3	18.6	10.2
3rd qtr.	12.4	9.7	20.2	10.9	19.9
4th qtr.	22.9	25.1	16.2	10.1	16.5
1977 1st qtr.	7.7	3.9	16.0	21.2	17.5
2nd qtr.	27.1	28.1	23.6	20.7	21.1

Sources: Ministry of Finance, Monthly Economic Indicators; and staff calculations.

Table 14. Turkey: Agricultural Support Prices

	1973	1974	1975	1976	1973	1974	1975	1976
	In kurus per kilogram				Percentage change over previous year			
Hazelnuts	940	1,350	1,400	1,450	17.5	43.6	3.7	3.6
Cotton ^{1/}	554	783	800	1,008	61.0	41.3	2.2	26.0
Raisins	665	1,000	1,000	1,050	141.8	50.4	--	5.0
Sugar beet	30	40	50	58	50.0	33.3	25.0	16.0
Tobacco ^{1/}	2,150	3,129	3,720	4,100	62.9	46.0	18.9	10.2
Tea ^{1/}	450	625	750	850	12.5	38.9	20.0	13.3
Pistachio nuts	1,800	2,500	2,650	...	38.5	38.9	6.0	...
Olive oil	1,175	1,750	1,750	1,800	43.3	48.9	--	2.9
Dried figs	400	500	600	700	66.7	25.0	20.0	16.7
Wheat ^{1/}	120	214	243	261	18.8	78.3	13.6	7.4
Rye	90	158	172	180	20.0	75.6	8.9	4.7
Barley ^{1/}	88	153	157	173	20.5	73.8	2.6	10.2
Oats ^{1/}	83	146	159	166	20.3	75.9	8.9	4.4
Rice ^{1/}	340	425	475	...	47.8	25.0	11.8	...

Source: Ministry of Finance, Annual Economic Report, 1976.

^{1/} Average price.

Table 15. Turkey: Public Sector Expenditures^{1/}

(In millions of Turkish liras)

	Consolidated budget	SEEs		Local adminis- trations	Revolving funds	Total public sector
		Operational	Financial			
1975						
Current expen- ditures	59,150	--	--	4,735	--	63,885
Investment expen- ditures	22,020	37,943	268	3,782	1,809	65,822
Fixed invest- ment	(22,020)	(25,909)	(268)	(3,782)	(1,809)	(53,788)
Stock changes	(--)	(12,034)	(--)	(--)	(--)	(12,034)
Transfers	<u>31,529</u>	<u>-14,416</u>	<u>6,510</u>	<u>-1,965</u>	<u>--</u>	<u>21,658</u>
Total expen- ditures	112,699	23,527	6,778	6,552	1,809	151,365
1976						
Current expen- ditures	79,300	--	--	5,315	--	84,615
Investment expen- ditures	34,697	45,500	233	4,655	2,043	87,128
Fixed investment	(34,697)	(34,900)	(233)	(4,655)	(2,043)	(76,528)
Stock changes	(--)	(10,600)	(--)	(--)	(--)	(10,600)
Transfers	<u>38,203</u>	<u>-25,800</u>	<u>12,835</u>	<u>-2,387</u>	<u>--</u>	<u>22,851</u>
Total expen- ditures	152,200	19,700	13,068	7,583	2,043	194,594

Source: 1977 Annual Program.

^{1/} Excluding debt repayment.

Table 16. Turkey: Consolidated Budget Revenues

(In millions of Turkish liras)

	1974	1975	1976	1977	
				Budget	Mar.-June ^{1/}
Taxes on incomes	29,336	43,107	58,610	80,105	28,819
Personal income tax	22,406	33,238	46,009	63,265	21,099
Corporate income tax	3,839	5,274	6,293	8,080	3,547
Capital gains tax	333	470	684	700	391
Fiscal balance tax	2,758	4,125	5,624	8,060	3,782
Taxes on wealth	734	942	1,115	2,700	796
Real estate tax	287	406	400	1,400	419
Motor vehicle tax	187	195	246	500	148
Inheritance and gift tax	260	341	469	800	229
Taxes on goods	13,069	20,717	26,574	39,115	6,675
Domestic production tax	5,531	8,329	10,571	15,700	3,734
Petroleum tax	1,304	1,364	1,172	1,400	311
Tax on monopoly products	2,709	6,738	9,083	12,500	7
Retail sales tax	683	845	1,106	1,500	432
Sugar consumption tax	672	641	719	1,100	205
Motor vehicle tax	793	988	1,492	2,300	560
Real estate purchase tax	1,342	1,751	2,414	4,600	1,420
Abolished taxes	35	61	17	15	6
Taxes and fees on services	7,295	9,829	13,354	17,530	4,975
Banking and insurance tax	3,410	4,565	6,262	8,200	1,975
Transportation tax	240	370	343	400	73
Communications tax	163	258	257	375	94
Construction tax	121	158	219	325	81
Stamp duty	2,502	3,450	4,930	6,700	2,202
Other taxes and fees	859	1,028	1,343	1,530	550
Taxes on imports	14,540	19,481	26,470	32,250	9,668
Customs duties	3,959	4,797	5,984	7,900	2,132
Duty on petroleum	329	470	503	600	209
Production tax on imports	4,340	5,744	9,259	9,250	3,405
Production tax on petroleum imports	3,025	4,148	4,471	6,300	1,500
Import stamp duty	2,422	3,669	5,438	7,200	2,129
Wharf duty	388	515	711	900	268
Other	77	138	104	100	25
Total tax revenues	64,974	94,076	126,123	171,700	50,933
Nontax revenues	3,826	9,942	10,494	19,560	5,558
Special revenues and funds	486	19	1,973	12,189	700
Annexed budget revenues	1,566	1,656	2,289	2,564	...
Total consolidated budget revenues	70,852	105,693	140,879	206,013	57,191

Source: Information provided by the Turkish authorities.

^{1/} The fiscal year runs from March 1 through February 28.

Table 17. Turkey: Consolidated Central Bank Accounts
(End of period; in billions of Turkish liras)

	1973	1974	1975	1976	<u>1977</u> June
Reserve money	45.6	58.4	74.4	93.2	113.0
Net foreign assets ^{1/}	<u>28.4</u>	<u>22.8</u>	<u>4.8</u>	<u>-21.6</u>	<u>-49.6</u>
Credit to the public sector	<u>20.1</u>	<u>34.8</u>	<u>61.4</u>	<u>92.7</u>	<u>131.7</u>
Treasury/IMF	7.6	12.1	21.1	26.5	41.5
Annexed budget	2.3	2.3	2.3	7.0	14.0
Soil Products Office	2.7	6.7	6.0	12.2	12.1
SIB and other SEEs	0.8	7.0	14.4	29.3	42.4
Consolidated debt and other	6.7	6.7	17.6	17.7	21.7
Credit to the private sector	<u>17.8</u>	<u>25.7</u>	<u>42.3</u>	<u>73.3</u>	<u>81.1</u>
Agricultural sales cooperatives	3.9	11.2	11.9	13.3	10.6
Agricultural credit cooperatives	2.4	2.9	0.7	2.3	3.2
Special agricultural financing	0.7	0.7	4.0	6.4	6.4
Other	7.6	8.9	7.2	18.4	21.5
Consolidated debts	--	--	3.5	3.5	3.5
Convertible lira accounts	3.2	2.0	15.0	29.4	35.9
Other items (net)	-20.7	-24.9	-34.1	-51.2	-50.2
Total net domestic assets	17.2	35.6	69.6	114.8	162.6

Sources: Central Bank, balance sheet; and IMF, International Financial Statistics.

^{1/} The data were adjusted to agree with the balance of payments.