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INFORMATION

August 12, 1985

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

The attached paper has been prepared by the staff to supply more recent background information on Turkey in connection with the forthcoming consultations between the CONTRACTING PARTIES to the GATT and Turkey. In the absence of objection from an Executive Director by noon on Friday, August 16, 1985, the paper will be transmitted to the CONTRACTING PARTIES for their information and use.

Mr. Tyler (ext. 8850) is available to answer technical or factual questions relating to this paper.

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INTERNATIONAL MONETARY FUND

TURKEY

Supplementary Background Material for the GATT

Prepared by the European Department
and the Exchange and Trade Relations Department

Approved by Brian Rose and J.T. Boorman

August 9, 1985

This supplement updates the Fund report of September 13, 1984, entitled "Turkey--Recent Economic Developments."

1. Exchange and trade system

With effect from the beginning of 1984, Turkey's exchange and trade system was considerably liberalized and simplified. The new regime was described in full in the report on recent economic developments issued on September 13, 1984. This section notes the main changes that have taken place since early 1984.

At the beginning of 1985, the trade system was further modified. Some 40 items, mainly foodstuffs and raw materials, previously requiring approval before importation, can now be imported freely. A further 66 items, out of a previous total of 200 items, were removed from the list of prohibited imports; 9 of these can now be imported freely and the remainder with permission. The structure of tariffs was also revised and rates of duty generally lowered. Advance import deposits, which ranged between 1 percent and 15 percent of import value, were reduced by 25 percent on April 1, 1985.

In August 1984, commercial banks were authorized to allow payment for imports in a foreign currency other than the currency of invoice; previously permission had to be obtained from the Treasury or the Central Bank. ^{1/}

2. Supplementary tables

This section updates the tables on the external sector contained in the report on recent economic developments issued on September 13, 1984.

^{1/} As a prudential measure, the proportion of foreign exchange assets which the commercial banks must hold as cover against foreign exchange liabilities was also modified in August 1984. After the major reforms in January 1984, commercial banks were required to hold foreign exchange assets of a minimum of 10 percent and a maximum of 40 percent of all foreign exchange liabilities. The modification raised the minimum cover for contingent liabilities (letters of credit, acceptance credits, and prefinancing) to 20 percent. The minimum was also raised to 20 percent for foreign exchange deposit liabilities, but the banks were authorized to retain up to 100 percent cover against these liabilities at their own discretion.

Table 1. Turkey: Balance of Payments, 1980-85 ^{1/}

(In millions of U.S. dollars)

	1980	1981	1982	1983	1984
A. Current account	-3,408	-1,919	-935	-1,898	-1,407
Merchandise exports, f.o.b.	2,190	4,703	5,890	5,905	7,389
Merchandise imports, f.o.b.	-7,513	-8,567	-8,518	-8,895	-10,331
Trade balance	-4,603	-3,864	-2,628	-2,990	-2,942
Other goods, services, and income: credit	762	1,316	2,038	2,041	2,366
Shipment	30	283	717	564	653
Travel	326	380	373	420	548
Other	406	653	948	1,057	1,165
Other goods, services, and income: debit	-1,738	-1,946	-2,639	-2,734	-2,945
Shipment	-237	-187	-219	-198	-278
Travel	-104	-103	-149	-128	-277
Interest	-1,138	-1,442	-1,565	-1,511	-1,586
Rescheduled	-470	-250	-100	-70	--
Other	-668	-1,193	-1,465	-1,441	-1,586
Other	-259	-213	-706	-897	-804
Total goods, services, and income	-5,579	-4,494	-3,229	-3,683	-3,521
Private unrequited transfers: credit	2,160	2,359	2,189	1,569	1,901
Workers' remittances	2,071	2,490	2,140	1,513	1,807
Imports with waiver	95	69	49	56	94
Private unrequited transfers: debit	-13	--	--	-20	-16
Official unrequited transfers	18	16	105	236	229
B. Long-term capital	2,047	1,093	1,084	349	1,154
Direct investment	18	95	55	46	113
Other long-term capital					
Resident official sector	1,554	425	230	-136	245
Drawings on loans received	3,110	1,645	1,833	1,792	1,794
Balance of payments loans	1,373	315	902	622	1,002
Rescheduled debt - OECD Consortium					
Principal	980	600	650	930	580
Interest	470	250	100	70	--
Other	287	480	181	170	212
Repayments on loans received	-1,556	-1,220	-1,603	-1,928	-1,549
Principal on loans refinanced by OECD	-980	-600	-650	-930	-580
Other	-576	-620	-953	-998	-969
Deposit money banks	-72	-69	45	-15	187
Other sectors	547	642	754	454	614
Total, Groups A plus B	-1,361	-626	149	-1,549	-248
C. Short-term capital	92	-307	-83	958	36
Resident official sector	226	287	-2	844	-189
Deposit money banks	96	-447	-95	18	66
Other sectors	-230	-147	14	96	159
D. Net errors and omissions	1,247	648	-75	507	317
Total, Groups A through D	-22	-485	-9	-84	105
E. Counterpart items	19	68	27	180	20
Total, Groups A through E (overall balance)	-3	-417	18	96	125
F. Total change in reserves	3	417	-18	-96	-125
Net use of Fund resources	422	268	133	78	-139
Other	-419	149	-151	-174	16

Source: Central Bank of Turkey.

^{1/} At the request of the Turkish authorities, a staff member from the Bureau of Statistics visited Ankara in December 1984 and again in April/May 1985 to assist in revising the classification and compilation of balance of payments statistics. The revised presentation, which now conforms to standard IMF balance of payments accounting practices, differs considerably from the former presentation, particularly in the measurement of the current account. Previously, transit trade was not included in the measurement of imports and exports; payments by Turkish residents to Turkish carriers for freight services, which do not belong in the balance of payments statement, were incorrectly included in imports, c.i.f., and had their counterpart in errors and omissions; the counterpart to imports financed by Turkish nationals living abroad and by NATO had also been incorrectly allocated to long-term capital inflows instead of being treated as private and official unrequited transfers, respectively. In addition, following the major reform of the exchange and trade system in early 1984, adjustments have been made to receipts from certain transportation services and from travel for 1984. As a result of these changes the adjusted presentation shows an improvement in the current account outcome in comparison with the previous series and also in the debt service ratio.

Table 2. Turkey: Foreign Trade ^{1/}

	1982	1983	1984
	(In millions of U.S. dollars)		
Exports, f.o.b.	5,890	5,905	7,389
Imports, f.o.b.	8,518	8,895	10,331
Oil and oil products	3,700	3,583	3,524
Non-oil	4,819	5,312	6,807
		(Percent change from previous year)	
Total exports			
Value		0.3	25.1
Price		-12.5	1.2
Volume		14.6	23.6
Total imports			
Value		4.4	16.1
Price		-6.9	0.6
Volume		12.1	15.4
Oil imports			
Value		-3.2	-1.6
Price		-10.6	-4.1
Volume		8.3	2.6
Non-oil imports			
Value		10.2	28.7
Price		-4.0	3.7
Volume		14.8	23.5
Terms of trade		-6.1	0.6

Source: State Planning Organization.

^{1/} Includes transit trade; comparable data prior to 1982 are not yet available.

Table 3. Turkey: Gross Official Reserves 1/
(In millions of U.S. dollars)

End of Period	Convertible Foreign Exchange	Gold <u>2/</u>	SDRs	Total
1980	1,077	155	--	1,232
1981	928	159	--	1,083
1982 December	1,080	155	--	1,235
1983 March	1,071	155	2	1,227
June	771	155	--	929
September	1,120	155	--	1,272
December	1,253	155	--	1,407
1984 March	1,172	155	--	1,326
June	1,123	155	--	1,278
September	947	155	--	1,102
December	1,239	155	--	1,394

Source: Data provided by the Turkish authorities.

1/ Gross foreign exchange holdings of commercial banks equalled US\$1860 million on December 31, 1984.

2/ Valued at US\$42.42 per ounce.

Table 4. Turkey: Commodity Composition of Exports ^{1/}

(In millions of U.S. dollars)

	1979	1980	1981	1982	1983	1984
Agricultural products	<u>1,344</u>	<u>1,672</u>	<u>2,219</u>	<u>2,141</u>	<u>1,881</u>	<u>1,749</u>
(In percent of total)	(59.4)	(57.5)	(47.2)	(37.3)	(32.8)	(24.5)
Cereals and pulses	<u>169</u>	<u>181</u>	<u>326</u>	<u>337</u>	<u>376</u>	<u>267</u>
Fruit and vegetables	<u>648</u>	<u>754</u>	<u>795</u>	<u>649</u>	<u>591</u>	<u>...</u>
Hazelnuts	<u>353</u>	<u>395</u>	<u>302</u>	<u>241</u>	<u>246</u>	<u>305</u>
Dried fruit	<u>166</u>	<u>187</u>	<u>234</u>	<u>198</u>	<u>150</u>	<u>...</u>
Citrus fruit	<u>53</u>	<u>86</u>	<u>125</u>	<u>77</u>	<u>72</u>	<u>...</u>
Other	<u>76</u>	<u>86</u>	<u>134</u>	<u>133</u>	<u>123</u>	<u>...</u>
Industrial crops and forestry products	<u>448</u>	<u>606</u>	<u>813</u>	<u>741</u>	<u>532</u>	<u>...</u>
Cotton	<u>228</u>	<u>323</u>	<u>348</u>	<u>297</u>	<u>197</u>	<u>196</u>
Tobacco	<u>177</u>	<u>234</u>	<u>395</u>	<u>348</u>	<u>238</u>	<u>216</u>
Other	<u>43</u>	<u>49</u>	<u>70</u>	<u>96</u>	<u>97</u>	<u>...</u>
Live animals and sea products	<u>79</u>	<u>131</u>	<u>285</u>	<u>414</u>	<u>382</u>	<u>...</u>
Processed and manufactured products	<u>785</u>	<u>1,047</u>	<u>2,290</u>	<u>3,430</u>	<u>3,658</u>	<u>5,144</u>
(In percent of total)	(34.7)	(36.0)	(48.7)	(59.7)	(63.9)	(72.1)
Processed agricultural products	<u>135</u>	<u>190</u>	<u>412</u>	<u>568</u>	<u>670</u>	<u>808</u>
Manufactured products	<u>650</u>	<u>857</u>	<u>1,878</u>	<u>2,862</u>	<u>2,988</u>	<u>4,336</u>
Textiles and clothing	<u>391</u>	<u>440</u>	<u>803</u>	<u>1,056</u>	<u>1,299</u>	<u>1,875</u>
Hides and leather industry	<u>44</u>	<u>50</u>	<u>82</u>	<u>111</u>	<u>192</u>	<u>...</u>
Forestry industry	<u>5</u>	<u>8</u>	<u>20</u>	<u>33</u>	<u>15</u>	<u>...</u>
Chemical industry	<u>24</u>	<u>76</u>	<u>94</u>	<u>148</u>	<u>120</u>	<u>...</u>
Rubber and plastic industry	<u>3</u>	<u>16</u>	<u>72</u>	<u>61</u>	<u>77</u>	<u>...</u>
Petroleum products	<u>--</u>	<u>39</u>	<u>107</u>	<u>344</u>	<u>232</u>	<u>...</u>
Glass and ceramics	<u>37</u>	<u>36</u>	<u>102</u>	<u>104</u>	<u>108</u>	<u>...</u>
Cement	<u>45</u>	<u>40</u>	<u>198</u>	<u>207</u>	<u>81</u>	<u>...</u>
Iron and steel industry	<u>31</u>	<u>34</u>	<u>100</u>	<u>362</u>	<u>407</u>	<u>...</u>
Nonferrous metals industry	<u>15</u>	<u>18</u>	<u>30</u>	<u>45</u>	<u>79</u>	<u>...</u>
Metal products and machinery	<u>18</u>	<u>30</u>	<u>85</u>	<u>143</u>	<u>122</u>	<u>...</u>
Electrical equipment and products	<u>5</u>	<u>12</u>	<u>26</u>	<u>75</u>	<u>69</u>	<u>...</u>
Motor vehicles	<u>27</u>	<u>50</u>	<u>117</u>	<u>110</u>	<u>126</u>	<u>...</u>
Other	<u>7</u>	<u>10</u>	<u>42</u>	<u>63</u>	<u>61</u>	<u>...</u>
Mining and quarrying products	<u>132</u>	<u>191</u>	<u>193</u>	<u>175</u>	<u>189</u>	<u>240</u>
(In percent of total)	(5.8)	(6.6)	(4.1)	(3.0)	(3.3)	(3.4)
Total	<u>2,261</u>	<u>2,910</u>	<u>4,703</u>	<u>5,746</u>	<u>5,728</u>	<u>7,133</u>

Sources: State Institute of Statistics; and State Planning Organization.

^{1/} Excludes transit trade.

Table 5. Turkey: Commodity Composition of Imports ^{1/}

(In millions of U.S. dollars)

	1979	1980	1981	1982	1983	1984
Agriculture and livestock (In percent of total)	<u>36</u> (0.7)	<u>50</u> (0.6)	<u>125</u> (1.4)	<u>176</u> (2.0)	<u>138</u> (1.5)	<u>418</u> (3.9)
Cereals	8	4	58	101	7	...
Coffee, tea and spices	1	3	6	11	14	...
Live animals and animal products	24	36	53	50	73	...
Others	3	8	8	14	44	...
Mining and quarrying (In percent of total)	<u>1,818</u> (35.9)	<u>4,006</u> (50.6)	<u>4,099</u> (45.9)	<u>3,961</u> (44.8)	<u>3,864</u> (41.8)	<u>3,644</u> (33.9)
Crude oil	962	2,952	3,258	3,527	3,242	3,373
Oil products	750	910	621	221	423	...
Others	106	144	221	213	199	271
Industrial products (In percent of total)	<u>3,092</u> (61.0)	<u>3,759</u> (47.5)	<u>4,641</u> (51.9)	<u>4,657</u> (52.7)	<u>5,177</u> (56.1)	<u>6,695</u> (62.2)
Processed agricultural products	115	301	229	176	203	...
Chemicals	524	727	946	839	1,032	1,212
Fertilizer	356	395	253	51	119	128
Rubber and plastics	145	181	240	237	251	358
Textiles	46	79	78	103	98	...
Glass and ceramics	28	35	40	34	57	...
Iron and steel	345	462	605	592	675	862
Nonferrous metals	55	87	141	122	195	220
Machinery and metal products	917	865	1,246	1,346	1,463	1,617
Electrical appliances	251	270	336	374	398	...
Motor vehicles	221	222	356	594	478	...
Other	89	135	171	189	208	...
Imports with waiver (In percent of total)	<u>123</u> (2.4)	<u>95</u> (1.2)	<u>69</u> (0.8)	<u>49</u> (0.5)	<u>56</u> (0.6)	<u>100</u> 1.0
Total	<u>5,069</u>	<u>7,910</u>	<u>8,933</u>	<u>8,843</u>	<u>9,235</u>	<u>10,757</u>

Sources: State Institute of Statistics; and State Planning Organization.

^{1/} Excluding transit trade.

Table 6. Turkey: Direction of Trade ^{1/}

	In Millions of U.S. Dollars				Year-on-Year Percentage Change			Percentage Distribution				
	1981	1982	1983	1984	1981	1982	1983	1984	1981	1982	1983	1984
Exports, f.o.b.	4,703	5,746	5,728	7,133	62	22	--	25	100	100	100	100
EC countries	1,503	1,755	2,010	2,732	20	17	15	36	32	31	35	38
Of which:												
Germany	643	707	838	1,280	6	10	19	53	14	12	15	15
France	215	195	180	201	31	-9	-8	12	5	3	3	3
Italy	246	327	423	501	13	33	29	18	5	6	7	7
United Kingdom	148	189	247	261	41	28	31	6	3	3	4	4
Other OECD countries	761	801	750	...	77	5	-6	...	16	14	13	...
Of which:												
United States	268	252	232	368	111	-6	-8	59	6	4	4	5
Japan	35	43	37	37	-5	23	-14	--	1	1	1	1
Eastern Europe	320	323	245	...	-33	1	-24	...	7	6	4	...
Of which:												
U.S.S.R.	194	124	89	139	15	-36	-28	56	4	2	2	2
Major regional partners	1,422	1,994	1,957	2,205	340	40	-2	13	30	35	34	31
Iran	234	791	1,088	751	179	238	36	-31	5	14	19	19
Iraq	559	610	320	934	314	9	-48	191	12	11	6	13
Libya	442	235	184	142	637	-47	-22	-23	9	4	3	2
Saudi Arabia	187	358	365	378	325	91	2	4	4	6	6	5
Other countries	697	873	766	...	64	25	-12	...	15	15	13	...
Imports, c.i.f.	8,933	8,843	9,235	10,757	13	-1	4	16	100	100	100	100
EC countries	2,519	2,466	2,596	2,974	11	-2	5	15	28	28	28	28
Of which:												
Germany	940	1,009	1,053	1,172	12	7	4	11	11	11	11	11
France	400	263	218	243	6	-34	-17	11	4	3	2	2
Italy	372	415	510	629	24	12	23	23	4	3	6	6
United Kingdom	434	434	441	443	37	--	2	--	5	5	5	4
Other OECD countries	1,760	1,968	1,885	...	34	12	-4	...	20	22	20	...
Of which:												
United States	589	814	695	1,073	33	38	-15	54	7	9	8	10
Japan	206	357	349	405	82	73	-2	16	2	4	4	4
Eastern Europe	791	426	802	...	5	-46	88	...	9	5	9	...
Of which:												
U.S.S.R.	164	107	236	...	-9	-35	122	...	2	1	3	...
Major regional partners	3,278	3,561	3,231	3,369	12	9	-9	4	37	40	35	31
Iran	515	748	1,222	1,548	-36	45	63	27	6	8	13	14
Iraq	1,564	1,417	947	944	26	-9	-33	--	18	16	10	9
Libya	789	823	793	661	1	4	-4	-17	9	9	9	6
Saudi Arabia	410	573	269	216	287	40	-53	20	5	6	3	2
Other countries	585	422	721	...	-10	-28	71	...	7	5	8	...

Source: State Planning Organization.

^{1/} Excludes transit trade.

Table 7. Turkey: Outstanding External Disbursed Debt, 1980-84
(In millions of U.S. dollars; end of period)

	1980	1981	1982	1983	1984
(By maturity)					
Total outstanding disbursed debt ^{1/}	16,227	16,841	17,720	18,343	21,333
Medium- and long-term	13,722	14,667	15,474	15,468	16,663
Short-term	2,505	2,174	2,164	2,889	4,670
(By borrower)					
Medium- and long-term					
Government ^{1/} (including SEEs)	10,197	11,199	12,170	12,126	13,354
Central Bank	3,307	3,227	3,074	3,070	3,093
Private sector	218	241	230	256	216
Short-term					
Government (including SEEs)	25	63	73	20	215
Central Bank	1,448	1,154	1,031	1,499	2,402
Private sector	1,032	957	1,142	1,370	2,053
(By lender)					
Medium- and long-term					
Multilateral agencies	3,242	3,857	4,550	4,952	5,515
IMF	1,054	1,322	1,455	1,572	1,452
IBRD, IDA, IFC	1,438	1,783	2,115	2,488	3,049
European Investment Bank	447	427	420	393	400
European Resettlement Fund	253	287	384	399	538
Islamic Development Bank	35	23	117	42	18
OPEC Fund	15	15	40	40	40
Int. Fund for Agric. Development	--	--	19	18	18
Bilateral lenders	6,026	6,712	7,115	6,566	6,891
OECD countries	5,253	5,901	6,146	5,613	5,682
OPEC countries	392	449	587	535	544
Other countries	381	362	382	418	665
Commercial banks	3,436	3,257	3,229	3,362	3,691
Private lenders	1,018	841	580	608	566
Short-term					
Islamic Development Bank	25	63	73	20	65
Bilateral lenders	620	459	68	14	--
Commercial banks ^{2/}	608	407	335	588	1,488
Private lenders ^{2/}	1,252	1,245	1,688	2,267	3,117
Of which: deposits of citizens abroad ^{3/}	(908)	(946)	(1,402)	(1,898)	(1,724)
(By type of credit)					
Medium- and long-term					
Project and program credits	9,268	10,569	11,665	11,484	12,406
Eurocurrency loans	763	651	720	1,002	1,639
Rescheduled debt					
Convertible Turkish lira deposits	2,137	2,077	1,996	1,886	1,651
Bankers' credits	429	429	429	429	401
Third party reimbursement claims	107	100	84	45	--
Suppliers' arrears (NGTAs)	800	600	350	350	350
Private credits	218	241	230	258	216
Short-term					
Public sector					
Bankers' credits	10	--	--	70	195
Overdrafts	254	69	48	164	422
Dresdner Bank program	365	473	817	1,251	1,724
Petroleum credits	620	459	68	14	--
Other ^{4/}	224	216	171	88	276
Private sector					
Convertible Turkish lira deposits	543	473	585	647	66
Acceptance credits	377	230	276	318	703
Pre-export financing	112	254	199	254	414
Foreign exchange deposit accounts	--	--	--	83	680
Other	--	--	--	--	190
(in percent)					
Memorandum item:					
Ratio of total outstanding debt to GNP					
Including IMF	27.8	28.6	33.1	36.0	42.7
Excluding IMF	26.0	26.3	30.4	32.9	39.8

Source: Data provided by the Turkish authorities.

^{1/} Includes purchases from IMF.

^{2/} Includes acceptance credits and pre-export financing, which are estimated to be distributed equally between commercial banks and private lenders.

^{3/} Dresdner Bank program, convertible Turkish lira deposits, and from 1983 foreign exchange deposit accounts.

^{4/} Includes short-term credits from Islamic Development Bank.

^{5/} Includes pre-export financing of \$38 million.

Table 8. Turkey: External Debt Service

	1980	1981	1982	1983	1984
	<u>(In millions of U.S. dollars)</u>				
Interest	1,138	1,442	1,565	1,511	1,586
Amortization of medium- and long-term debt <u>1/</u>	1,711	1,327	1,731	2,104	1,769
Less: debt relief	1,450	850	750	1,000	580
Total	1,399	1,919	2,546	2,615	2,775
	<u>(In percent of foreign exchange earnings)</u>				
Before debt relief	55.7	32.2	32.5	37.9	28.8
After debt relief	27.3	22.3	25.2	27.5	23.8

Source: Turkish authorities; and IMF Treasurer's Department.

1/ Includes repurchases of Fund credit.