At the meeting of the Council on 15 April 1969 (C/6/53, page 8) the representative of Turkey made the following statement.

I have asked the floor for the opportunity to give further information to the Council on a series of measures which the Turkish authorities have recently adopted in order to meet the financing requirements of the Turkish Development Plan, and to alleviate the pressure on the balance of payments.

I regret that because of our desire not to prejudge the final decision of our Parliament and to avoid a speculative increase in imports, we were not able to notify the CONTRACTING PARTIES sooner and to communicate this matter to the secretariat sufficiently in advance to permit its inclusion as a regular item on the agenda of this meeting. Indeed, our short note on this subject was circulated only this morning, and I propose, therefore, to give today some additional information for consideration by the members of the Council.

As you know, Turkey is a developing country attempting to achieve a sustained increase in its real national income within the framework of a development plan. In the process of growth it has had to cope with three fundamental problems:

First, to generate a volume of savings sufficient to meet the investment requirements of the Development Plan,

Second, to maintain a close surveillance over its balance of payments in view of the limited volume of foreign exchange the Turkish authorities were able to command, and

Third, to give particular attention to the maintenance of internal price stability, so that the process of growth would not be endangered by inflationary pressures.
With regard to the mobilization of domestic savings, we believe that Turkey's self-help efforts during the past years have been commendable. Both voluntary savings and fiscal revenue have increased considerably and over 90 per cent of investments are now financed through domestic savings.

Conversely, our efforts to increase foreign exchange earnings have not been as successful, and our capacity to meet an ever increasing import demand has remained inadequate.

The import demand has been such that in spite of rather stringent measures to control internal demand, increased rates of import deposits, and a 15 per cent stamp duty, the annual increase in imports has averaged 7.1 per cent over the past five years.

Conversely, the increase in exports has not been commensurate and has averaged 3.7 per cent over the same period of time. The substantial and constantly increasing foreign trade gap has been filled until now through the repatriation of earnings of Turkish workers abroad, a now sharply reduced volume of foreign aid and recourse to already inadequate foreign exchange reserves.

In spite of these difficulties, the Turkish authorities have been able - through strenuous efforts - to maintain the foreign trade system established in 1958, and the ratio of liberalized imports to total imports has constantly increased, rising from 38.6 per cent in 1963 to 46.2 per cent in 1968. We believe that this is a clear indication of the importance attached by the Turkish authorities to the gradual liberalization of foreign trade within, of course, the limit of our possibilities.

Finally, I must particularly stress the constant importance attached by the Turkish authorities to the maintenance of stability in the economy. I trust that the representative of the Monetary Fund will agree with me when I say that we have given the utmost care to securing the financing requirements of our Development Plan through sound sources of financing. I believe that the relative price stability which has obtained over the past few years is due to this policy.

However, in spite of these efforts, developments in 1967 and 1968 were not such as to ease the task of the Turkish authorities. Before speaking about the situation which faced my authorities in the course of the preparation of the Fiscal Year 1969 Budget, I would like to say a few words about the mechanism we have introduced in order to channel investment into the high priority sectors of our economy. According to this mechanism, import duties and taxes on capital goods imported for investment in selected high-priority fields can be reduced up to 100 per cent. We feel that such a mechanism is needed in order to secure an optimum utilization of our scarce resources according to the requirements of our Development Plan.

Now, in 1968 alone the tax reduction thus effectively conceded amounted to some LT 1.5 billion. This reduction covers all import duties and taxes, and out of this LT 1.5 billion the share of the stamp duty amounted to LT 259 million.
Thus, with this mechanism, the effective incidence of the stamp duty in 1968 was not 15 per cent, as allowed by the 1967 waiver, but of only around 11 per cent. I believe this to be a noteworthy point, since this mechanism had the undeniable effect of increasing imports and constituting an indirect concession in favour of the contracting parties.

Now, partly because of this mechanism, and partly because of the additional effort required to implement the Development Plan, it appears that there is a gap of some LT 2.8 billion between the revenue and the expenditure estimates of our 1969 budget. In view of the strong pressure on the balance of payments, this deficit obviously has to be filled in such a manner as to preserve both the objectives of the Plan and the stability of the economy.

Consequently, the Turkish authorities have drawn up a comprehensive scheme which will have the dual effect of securing the required financing from non-inflationary sources and alleviating the pressure on the balance of payments. The International Monetary Fund was consulted with regard to these measures.

The deficit of LT 2.8 billion is expected to be filled through a series of internal measures, including an increase in the rate of the stamp duty on imports from 15 to 25 per cent, which is expected to yield LT 600 million.

This comprehensive scheme was introduced through a Law, No.1137, which became effective upon its publication in the Official Gazette on 31 March 1969.

Article 36 of this Law amends Article 2 of Law 828 concerning the import stamp duty. All other provisions of Law 828, including the terminal date of 31 December 1972 for the maintenance in force of the stamp duty, remain unchanged.

My authorities wish to particularly emphasize that the purpose of the increase in stamp duty is not to reduce imports below their present level, but rather to keep such imports and especially liberalized imports, at a level commensurate with present external payment possibilities. Therefore, in spite of this measure, imports are expected to rise above the 1968 realization level of US$764 million. The import estimate in our 1969 Programme is US$860 million.

We also do not expect an increase in the price of imported commodities but rather a reduction in the presently high profit margin of importers.

I wish to particularly emphasize that this is an across-the-board measure applying to all imported commodities. Consequently, there is no discrimination whatsoever among countries as well as among commodities. There is also no intent to protect domestic production and we do not believe it will have such an effect. And finally, this measure retains its temporary nature, as I have already indicated.
Thus, except for the increase in rate from 15 to 25 per cent, there is no modification whatsoever of the system for which we were granted a waiver in 1967.

In conclusion, I wish to reiterate the fact that the adoption of this measure stems from the application of a considered policy of development in stability. It is part of a comprehensive fiscal effort which is itself a clear indication of the desire of the Turkish authorities to avoid any measure which might have a disruptive effect on the Turkish economy. The main concern of my authorities has been to secure an equilibrium between revenue and expenditure through measures which would in no way endanger the stability of the economy. The increase in the stamp duty to 25 per cent is thus one facet of a comprehensive effort designed to insure the maintenance of both internal and external stability. The alternative, on the external side, would have been additional quantitative restrictions - and this we wish, at all cost, to avoid. Moreover, in view of the incentive system for the promotion of investments to which I have already alluded, the actual incidence of the new rate of the stamp duty will probably remain below 20 per cent instead of the actual 25 per cent.

I have indicated the major reasons which have led my authorities to increase the stamp duty on imports, in conjunction with other non-inflationary measures, so that Turkey can pursue its economic development while maintaining internal economic stability and precluding a further aggravation of the balance-of-payments situation.

In this connexion, I have been instructed to request, pursuant to paragraph 5 of Article XXV of the General Agreement, an amendment of the waiver granted on 11 November 1967, to the extent necessary to permit us to raise the stamp duty on imports to 25 per cent.

My authorities further feel that since one of the main reasons which have led them to adopt this measure is the balance-of-payments situation, it would be appropriate to have this matter given detailed examination in the course of the balance-of-payments consultations with Turkey scheduled for the first week of July. This would permit the measure to be examined in its proper context, namely the overall balance-of-payments position and economic situation of Turkey, as was the case in 1967. We remain, however, in the hands of the Council for the procedure which it deems most appropriate.

II.

In an amendment to Article 2 of Law 828 (cf. document L/3196) it is stated that in certain exceptional cases the rate of the stamp duty can be increased to 100 per cent. The Government of Turkey has submitted the following note regarding those exceptional cases.
NOTE REGARDING THE EXCEPTIONAL CASES WHERE THE 100 PER CENT STAMP DUTY APPLIES

Paragraph 1 of Article 2 of Law 828, as amended by Article 36 of Law 1137, reads as follows: "The rate of this (stamp) duty, not to exceed 25 per cent, shall be determined by the Council of Ministers". However, paragraph 2 of the same Article adds that "However, in cases where commodities have been brought to customs warehouses notwithstanding, or contrary to, the provisions of the Customs Law, the Foreign Trade Regulation, or the legislation pertaining to the protection of the value of the Turkish currency, the maximum rate shall be 100 per cent if the importation of such commodities is exceptionally permitted, or if customs warehouses are cleared in accordance with the provisions of the Customs Law, or in the case of importation relating to the transfer of wealth (from abroad) in accordance with the pertinent laws, decrees or other legislation".

This duty of 100 per cent is now applied in the following three exceptional cases:

1. In the case of exceptional permission to import commodities which have been brought to customs warehouses notwithstanding or contrary to the provisions of the Customs Law, the Foreign Trade Regulation or the legislation pertaining to the protection of the value of the Turkish currency.

In view of the balance-of-payments difficulties presently encountered by Turkey, imports are subject to certain restrictions in agreement with the International Monetary Fund. Thus, only commodities included in either the liberalized or quota lists can normally be imported.

Moreover, the legislation pertaining to the protection of the value of the Turkish currency also presents certain restrictions which preclude the importation of certain commodities.

Until now, commodities which had been brought to the customs contrary to the above legislation could not be imported into Turkey.

Under the new amendment, such commodities can now be exceptionally imported, subject to a stamp duty of 100 per cent. Thus, this increased rate is not a further restriction, but rather a reduction in restriction, since commodities which could not be formerly imported can now be imported under certain circumstances.

2. In cases where the customs warehouses are cleared in accordance with the provisions of the Customs Law.

Whenever commodities which cannot be imported into Turkey for various reasons accumulate in customs warehouses, the Customs Law provides for their liquidation through auction. Thus, in order to provide a parallel with the exceptional cases listed under 1. above, such commodities are also subject to a 100 per cent stamp duty when imported into Turkey.

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3. In the case of importation relating to the transfer of wealth (from abroad) in accordance with the pertinent laws, decrees or other legislation.

This provision relates to the imports by refugees or immigrants. Such persons are permitted, by law, to import certain commodities free of import duties and taxes. In addition to such commodities, they can also import into Turkey commodities relating to the industry, commerce or agricultural occupation they propose to carry out in Turkey, provided that these imports are purchased either with their own cash or through the proceeds of the sale of their movable or immovable property abroad.

Since this is also considered an exceptional case, such imports are considered similar to case 1. above and are also subject to a 100 per cent stamp duty.

As it will be understood from the explanation given above the 100 per cent stamp duty applies only in exceptional cases to commodities outside the normal import system. It is applied across the board and does not discriminate either among commodities or countries.

Since this procedure is applied only in exceptional circumstances, it is estimated that it will apply to less than one half of one per cent of total imports. Consequently, it can be assumed that for all practical purposes the applicable stamp duty rate is 25 per cent only.

III.

The following correction should be made in document L/3196:

Page 2, third paragraph

Delete in the last line the words "- an increase of nearly 8 per cent".