1. The Government of Turkey has consulted the Fund under Article XIV, Section 4 of the Fund Agreement concerning the further retention of its transitional arrangements.

2. Since the middle of 1958, the Government of Turkey has introduced measures in the monetary, fiscal, price and foreign exchange spheres in implementation of a comprehensive stabilization programme. By the middle of 1959, the rise in prices had abated and industrial production showed signs of expansion. Private savings increased and together with external assistance, have permitted the maintenance of a substantial level of investments. The Fund, feeling that confidence in the currency should be further strengthened, notes with satisfaction the Government's statement that in order to achieve the objectives of its programme it will continue to maintain a restrictive credit policy and a balanced budget, and keep investments within the limits of available non-inflationary financing. In this connexion, the Fund welcomes the Government's intention to introduce legislation for effective interest rate policy.

3. Exports in 1959 have risen substantially as incentives to seek markets abroad were restored through the adjustments in the effective exchange rates and internal anti-inflationary measures. Turkey, nevertheless, continues to rely on substantial external assistance to meet import requirements and contractual external payments. Further improvement in the balance of payments on current account is essential, and the Fund urges Turkey to continue to implement the measures designed to expand exports and invisible earnings.

4. Since the general readjustment in the exchange system made in August 1958, the Government has substantially simplified the multiple rate structure of the lira. The Fund notes that the Government intends to take early steps towards the unification of the exchange rate of the lira and the establishment of a new par value. The Fund will remain in consultation with Turkey on this matter.

5. In 1959 Turkey has established a free list for 30 per cent of its imports and a large part of the remaining imports have been put under global foreign exchange quotas. Thus restrictions and discrimination, including that arising...
from bilateralism, have been substantially reduced. The Fund welcomes these steps and urges the Government to continue to execute with determination policies designed to facilitate the further removal of restrictions and discrimination.

6. In concluding the 1959 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Turkey.