The Turkish Delegation welcomes this opportunity to examine together with the representatives of the contracting parties the balance-of-payments problems currently confronting the Turkish economy and measures taken by the Turkish authorities to alleviate the difficulties of a transitory nature. For Turkey, the balance-of-payments problem, as for most other developing countries, is a structural one, stemming from the very imbalances and the weaknesses inherent in its economic structure. This problem is further aggravated by the process of industrialization and diversification of the economy embarked upon in recent years, as well as by ever deteriorating terms of trade.

In order to put the economic problems and the balance-of-payments difficulties of Turkey into the right perspective, it is necessary to keep in mind the main facts and factors related to the present pattern of the economy and its spontaneous trends.

The population at present exceeding 30 million, is growing at the very rapid rate of almost 3 per cent, corresponding to an increase of 800,000 persons a year. It appears to be most unlikely that this rate will decline in the near future, for there still exists great scope for reducing infant mortality. Improvement in hygienic conditions now under way is expected to offset for the years to come the fall in birth-rate which might result from industrialization and urbanization.

The national income per capita is very low, in fact the lowest among the European countries: approximately $200 per person. Moreover distribution of this low income is far from being equitable, as there are large discrepancies between urban and rural incomes. There are also important regional differences within rural economy itself.

Agriculture occupies nearly 77 per cent of the active population, a substantial part of which, however, adds little to production, hence disguised unemployment is the dominant factor in the rural economy. Despite significant achievements in industrialization the absolute and relative importance of industry is still very limited and its main feature reveals the less-developed
character of the economy. Although industrial employment is growing at the rate of 5 per cent a year and industrial production is increasing by 8 per cent per annum, industry still employs only about 10 per cent of the active population.

Balance of trade has shown large deficits, fluctuating around $150-320 million in recent years. The persistence of a deficit of this magnitude indicates that the main bottleneck in the economic development of Turkey is the drainage of monetary reserves resulting from chronic balance-of-trade difficulties.

In recent years imports have tended to increase more rapidly than the rise in national income. Exports, on the other hand, have shown a very slow growth over the last decade. This fact lies at the bottom of the balance-of-payments problems of the country. A large part of exports consists of agriculture products for which international demand increases very slowly and is inelastic in response to price changes. The remaining exports consist of minerals and raw materials, prices of which have developed unfavourably since the 1952 boom.

Contrary to neighbouring countries in a similar stage of economic development, Turkey has also experienced a net deficit on current invisibles account of the magnitude of $25-30 million a year.

To these crucial problems is to be added a very heavy repayment obligation of foreign debts, which in 1965 amounts to $215 million, including interest charges.

As will be realized, a problem of this nature cannot be solved through short-term or partial measures. A solution can be found only by conscientious and purposeful efforts directed to fundamental changes in the economic structure, diversification of production, creation of national substitutes for imports, establishment of new export industries, and other appropriate economic measures.

In recognition of this, the Turkish Government has initiated and put vigorously into force a comprehensive Development Plan which aims at overcoming the economic and social problems and difficulties currently confronting the Turkish nation in a systematic and coherent manner. The first Five Year Plan has been designed within the perspective of a relatively long period, in other words of the desired level of growth of the Turkish economy over the next fifteen years. During this period an average rate of growth of 7 per cent has been set as a target. In view of the rapid increase of population, this rate of growth, corresponding to approximately 4 per cent net increase, ultimately will bring per capita income from $200 in 1962 to $355 in 1977. The Plan assumes that the investment required to support a 7 per cent growth shall be around 18.3 per cent of the gross national product, 14 per cent of which will be provided internally; the remaining 4.3 per cent will be met by external resources. It is further anticipated in the Plan that the current external deficit which corresponds to 4.3 per cent of the gross national product would persist in the first five years, begin to diminish in the second five years and disappear only towards the end of long-term Plan period.
It is against this background that the precautionary measures taken and restrictive practices maintained by the Turkish Government should be viewed and further appraised. This also explains why despite the firm intention and declared policy of the Turkish Government to pursue a more liberal trade policy consistent with the principles and requirements of a mixed market economy envisaged in the Development Plan, radical changes in the present import regulations and controls could not be undertaken in the near future. It should be emphasized that Turkey's trade policy and import programme is not only connected with her balance-of-payments position but also reflects her development needs and problems. The development needs and the implementation of the Plan necessitates importation of a certain volume of commodities consisting mainly of investment goods and raw materials. In order to ensure such imports without causing harmful effects to the already meagre monetary reserves, the Turkish Government has been compelled to be cautious in its approach to liberalization and relaxation of restrictions.

Furthermore, the low level of monetary reserves and the uncertainty about the amount, the form, and the timing of proceeds of external aid and credits have made it even more necessary for the Turkish Government to take some measures at times, in order to avoid damaging delays in effecting current payments. Certain adjustments have thus been made in the system of guarantee deposits and some items have been removed from the liberalized list. Great efforts have, however, been made to maintain the necessary continuity in administering the import policy and to minimize the frequency of adjustments so as to lessen the disruptive effects on normal trade relations.

From these general remarks we may now turn more specifically to the trends in our balance of trade since the last consultations.

In 1963 Turkey's trade deficit reached $320 million, partly as a result of a fall in exports, but mainly because of a rise in imports. Consequently monetary reserves fell to $30.3 million at the end of 1963 from $76.3 in 1962. The total utilization of external financial assistance provided by the member countries of the Turkish Consortium amounted to $169.5 million. However, there were some delays in negotiations with the member countries and in the use of funds, which accounted partly for the sharp fall in reserves.

Trade deficit in 1964 fell to $126 million because of certain increases in exports on the one hand, and a decline in imports under project credits, NATO infrastructure, and surplus programme on the other.

The trade deficit for 1965 is expected to be $255 million, twice as high as the 1964 figure. Exports are estimated to continue at the record level reached in 1964, i.e. $410 million. Imports are forecast to be $665 million compared with $537 million in 1964. The increase in imports is expected to originate from investment goods and raw materials required for the prompt implementation of the development programme.
As has already been pointed out, one of the major problems confronting the Turkish economy is to ensure a steady and appreciable increase in foreign exchange earnings. Although earnings from invisibles, notably from tourism and workers' remittances provide some prospect and scope, real progress towards solving this problem ultimately rests on earning more foreign exchange from the sale of commodities, which furnishes the bulk of total exchange receipts of the country.

In order to increase foreign exchange earnings from exports, the Turkish Government has endeavoured to diversify the trade structure by encouraging existing products to enter export markets and by fostering the production of new export commodities. The Turkish Government has also tried to develop new markets and further increase earnings from existing exports by expanded production of fresh fruits and vegetables which seem to offer better prospects. A number of measures have been taken in conformity with the underlying principles of the Development Plan to implement Turkey's export drive policy. In this connexion rebates of duties have been provided in respect of certain export commodities. Some export formalities have also been simplified or removed. Efforts have been made to improve standardization and quality control procedures. The preparation of legislation to encourage foreign capital, and investments particularly in mining, has been undertaken, the possibility of an export bank and provision of export insurance is being studied.

An Export Promotion Research Centre was established which began operation in 1962. The main task of this Centre is to investigate export possibilities and make appropriate recommendations to government agencies, producers, and exporters.

In order to get a clear understanding of the nature and the scope of import restrictions maintained by the Turkish Government it might be appropriate at this stage to give a brief description of some of its main features. Goods are imported into Turkey in accordance with the provisions of import programmes which are based on annual implementation programmes of the Development Plan. Import programmes, which are prepared for half-yearly periods and announced in January and July, classify imports into the following three categories:

(1) A liberalized list covering commodities for which import licences are issued automatically;

(2) A global quota list which embodies goods subject to specific allocations on two main categories: i.e. industrialists, and importers;

(3) Bilateral quotas containing commodities which can be imported up to the limits agreed upon under bilateral arrangements.

In principle, the liberalized list and the list of global quotas are applicable to imports from countries other than those with which Turkey has bilateral trade agreements containing import lists.
Application for import licences for goods on the liberalized list can be submitted at any time through authorized banks; import licences are prepared by these banks and forwarded to the Central Bank. An overall exchange allocation is normally set aside in each import programme for commodities on the liberalized list.

Applications for imports on the global quotas have to be made through authorized banks within one month from the date of the announcement of the quotas.

The institution of advance guarantee deposits has been introduced in order to ensure that the goods will in fact be imported. For imports on the quota lists, a guarantee deposit of 30 per cent is required from importers while industrialists deposit 10 per cent of the value of goods imported. For the purpose of guarantee deposits, the liberalized list has recently been divided into sub-groups. A guarantee deposit of 70 per cent is required for commodities on the first sub-group while a guarantee deposit of 100 per cent is requested for goods on the second. Such deposits are blocked until the goods have been imported and the foreign suppliers paid; they are then refunded to the importers.

Payments for invisibles related to the flow of goods (including freight), to approved foreign investments, and to specified technical assistance are made automatically. Payments for subscriptions to newspapers and periodicals, registration fees, advertising expenses as well as purchase of books are liberalized.

Although the underlying principle of the economic policy is to carry out foreign trade on a multilateral basis, nevertheless, the Turkish Government has been compelled to maintain bilateral agreements with some countries. The countries with which Turkey has such bilateral agreements are: Bulgaria, Czechoslovakia, Hungary, Israel, Poland, Rumania, the United Arab Republic, the USSR and Yugoslavia. The agreement with Finland has been terminated.

The share of imports from bilateral agreement countries has been declining in recent years. As a matter of fact it fell from 11 per cent in 1961, to 9.3 per cent in 1964. There is no discrimination in the contents of quota lists related to these countries. As a basic principle of Turkish foreign trade policy, the quota lists of bilateral agreement countries do not include commodities which are not covered by other import lists. All restrictive measures and conditions included in other import lists are also applicable to the lists of bilateral agreement countries.

In the light of the above explanation it can now be stated that the actual practice is in no way harmful to the interest of other contracting parties and the level of restrictions under consideration does not go beyond the extent necessary to prevent a serious decline in our monetary reserves. Consequently, the Turkish Government believes that the present restrictions on imports are in conformity with the provisions of Articles XII and XVIII of the General Agreement.