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1. Introduction

The introduction of import restrictions in Turkey - in the form presently applied - dates back to 1958 and the stabilization programme introduced at that time as a result of the developments in the economy in the fifties.

The expansionist economic policy which had been initiated in 1950 was based on a liberal system of imports, the objectives being to increase investment and accelerate the rate of growth of the then stagnating economy.

The policy was, at the outset, a successful one. It had the essentially positive effect of linking the Turkish economy more closely with the outside world as a result of the establishment of many industries using imported raw materials and the realization of investments requiring a high volume of capital imports.

However, the development of exports failed to keep pace with the growing volume of imports, and the situation came to a head in the late fifties when the servicing of the foreign debt presented difficult problems and a severe inflationary pressure appeared.

The Turkish authorities then embarked - with the assistance of the IMF and the OEEC - on a firm stabilization programme which, among other measures, included certain restrictions destined to maintain the increase in imports at a level commensurate with external payment possibilities.

These measures - known as the August 1958 measures - introduced the import régime which is, basically, in effect today. Although quantitative restrictions were introduced to preclude an excessive rise in imports as soon as the situation was stabilized, the Turkish authorities were able to enlarge the scope of the list of commodities which remained liberalized and this policy has been followed ever since.

The basic objective of the Turkish import régime is to secure the stable importation of the capital goods, raw materials and consumer goods required for the orderly and timely implementation of Turkey's Five-Year Development Plans. Within the limits set by external payment possibilities, this régime attempts to increase the liberalization of imports, and total liberalization remains the ultimate objective.
2. Methods used in restricting imports

Imports are effected through an import programme which is planned to cover a whole calendar year. The import programme consists of two lists:

(a) the liberalized list;

(b) the list of commodities subject to foreign exchange allocation (or global quota list).

The import programme is prepared by the Ministry of Commerce. However, in preparing the programme, this Ministry consults extensively with the Ministry of Finance and the Central Bank and other interested Ministries on the one side, and with the Union of Chambers of Commerce and Industry on the other, to determine the requirements of the private sector.

On the basis of these consultations and its own research and investigation, the Ministry of Commerce publishes:

(a) the liberalized list in January to cover the whole year, and

(b) the global quota list twice a year, in January and July, in order to give more flexibility to the system and to adapt it to changing circumstances as embodied in the annual programme.

As a general rule, commodities not appearing in either list cannot be imported during the pertinent import programme period.

Settlement regarding imports in these lists is made in convertible currency.

In addition to the goods appearing in the liberalized list and the global quota list, commodities included in the lists appended to the bilateral agreements can also be imported in accordance with the terms of these bilateral agreements. However, the commodities in the bilateral quotas are all items which are included in either the liberalized or the quota list.

Imports are made on the basis of permits issued by the Central Bank to persons or bodies qualifying for them. These are, in principle:

- registered importers
- industrialists
- State economic enterprises, and
- government departments.
Payment for imports can be made against a letter of credit, documents or goods. Imports from the liberalized list or through AID funds must be made exclusively against a letter of credit.

In every case, the equivalent in Turkish liras of the foreign exchange applied for must be deposited in advance in a commercial bank for eventual transfer to the Central Bank.

For all imports, except imports with waiver (without foreign exchange allocation), there is the additional requirement of a guarantee import deposit.

The liberalized list consists, in effect, of two lists and the difference between them is in the amount of guarantee deposit required. Thus, for items in List I, importers must pay, in addition to the 100 per cent advance payment for the item, a 90 per cent guarantee deposit. In the case of List II, this guarantee deposit is 120 per cent. The primary purpose of these guarantee deposits is to maintain imports at the programmed level.

There are, however, exceptions to these rates. Thus, chemical fertilizers in List I are subject to a guarantee deposit of only 20 per cent, while for breeding livestock and refrigerated trucks the rate is 1 per cent. Conversely, miscellaneous parts, components and accessories for motor vehicles in List II are subject to a guarantee deposit of 150 per cent.

3. Treatment of imports from different sources including information on the use of bilateral agreements

With regard to convertible currency countries, the importation of commodities included in the liberalized list and the global quotas is carried out without discrimination of origin. The only exception is Rhodesia, from where imports are prohibited.

With regard to bilateral agreement countries, importation takes place in accordance with the terms of the relevant agreement and on the basis of the bilateral quotas appended thereto.

Imports can be classified in two main categories, namely normal imports, and imports of surplus commodities pursuant to the United States Public Law 480.

Normal imports include (a) imports from the free exchange area, i.e. imports from countries where payments are made in convertible currency, and (b) imports from bilateral agreement countries.
(a) **Imports from the free exchange area** can be subdivided as follows:

1. **Liberalized list imports**

   These imports can be effected without quantitative restrictions. The commodities are those which are indispensable in keeping the economy running. They are thus mostly raw materials required as inputs for the domestic industry, spare parts for this industry and various components which are not manufactured locally. The main idea is to permit the existing domestic industry to operate as closely as possible to full capacity.

   Another objective is to develop export oriented industries as rapidly as possible. Thus, investment goods for such industries are also included in the liberalized lists.

2. **Global quota imports**

   These imports are limited by the values indicated in the quotas. Moreover, no single importer can be allocated more than 20 per cent of the total quota.

3. **Private direct investment imports**

   These are imports related to approved investment projects by foreign investors. They constitute the investment-in-kind portion of foreign capital investment. Practically all of such investments are carried out pursuant to Law 6224 for the Promotion of Foreign Capital Investment, and the Petroleum Law (No. 6326) which provide very liberal conditions for foreign entrepreneurs.

4. **NATO infrastructure imports**

   These imports are related to common infrastructure projects which are now mostly terminated. Consequently, these imports have been very low during the past few years.

5. **Project credit imports**

   These are imports of commodities relating to projects which are being financed through project credits secured from the Turkish Consortium, international financial institutions or other sources.

6. **Imports without exchange allocation**

   These are imports by Turkish residents returning from abroad. They include imports by Turkish workers of machinery and equipment related to their occupation up to a value of LT 10,000, imports by immigrants, and imports of personal effects by residents and Turkish nationals having spent at least one year abroad.
(b) Imports from bilateral agreement countries

Turkey has, at the present time, bilateral trade and payments agreements with ten countries. These are Albania, Bulgaria, Czechoslovakia, Eastern Germany, Hungary, Poland, Romania, the United Arab Republic, the USSR and Yugoslavia. The agreement with Eastern Germany is between the respective Chambers of Commerce.

As already indicated, the goods to be imported from these countries are indicated in the bilateral quotas appended to the agreement. Bilateral quota items appear in either the liberalized or the global quota list. In each case the agreement includes a specified swing limit.

2. Imports of surplus commodities

Imports of surplus commodities pursuant to the United States Public Law 480, which played a significant rôle in the late fifties when Turkey had a deficit in soft wheat, have declined greatly in importance over the past few years. This is due principally to the substantial increase in agricultural output as a result of large-scale irrigation, increased use of mechanical equipment and chemical fertilizers and lately, the successful introduction of high-yield varieties of wheat of Mexican origin.

Distribution of imports

If we now consider the geographical origin of Turkish imports, the following percentages apply:

Slightly over 75 per cent of Turkish imports are from OECD countries. The change over the past few years has been rather minor, increasing from 75 per cent in 1964 to 77 per cent in 1968.

Within the OECD group there have been certain modifications; the share of the EEC countries has increased significantly, going from 29 per cent to 37 per cent of total imports between 1964 and 1968. Imports from EFTA countries have also increased, although to a lesser extent, rising from 16 to 21 per cent. Conversely, the share of the United States has declined from 29 to 17 per cent, reflecting the reduction of Public Law 480 imports and consortium aid. The share of bilateral agreement countries has also increased slightly and is now around 15 per cent.

Liberalization of imports

With regard to the liberalization of imports, the considered policy of the Turkish Government has been to gradually effect such liberalization, within the limit of foreign exchange availability. The very low level of foreign exchange reserves remains a determining factor, together with the slow progress in increasing exports and invisible foreign exchange receipts.
In spite of these negative factors the percentage of liberalization has, nevertheless, gradually increased and, as already indicated, a significant volume of raw materials and essential spare parts have been liberalized.

The percentage of liberalization is indicated in the table of page 5 of the document BOP/93, and it will be noted that for the most significant item - namely programme imports - the percentage exceeds 50 per cent.

4. Commodities, or group of commodities, affected by the various forms of import restrictions

In view of the limited availability of resources which can be allocated to imports, the Turkish authorities are, obviously, forced to establish a list of priorities in accordance with the Five-Year Plan and the annual programmes. In this order of priorities, as already indicated, raw materials and spare parts hold the first place, closely followed by investment goods. Since the introduction of the Five-Year Plan, the share of consumer goods has substantially declined and, as can be seen on page 5 of document BOP/93, has fallen below 5 per cent of total imports. Of course, once again, this decline reflects the reduction in Public Law 480 imports and, in particular, wheat imports.

The commodities affected by restrictions are thus, first of all, consumer goods, and second, commodities which are produced domestically.

Finally, it should be noted that the importation of certain commodities, both in the liberalized and the global quota lists, are subject to the approval of an authority, which is usually the competent Ministry. However, this approval is in the nature of a quality control rather than a restriction. For instance, animals imported for breeding purposes, seeds, raw materials for insecticides and fertilizers are subject to the approval of the Ministry of Agriculture, and basic materials for the pharmaceutical industry require the approval of the Ministry of Health. Such approval is not meant to restrict the volume, but only to ascertain the quality of the commodity imported and to ensure its utilization for the purpose it was imported.

5. State trading, or Government monopoly, used as a measure to restrict imports for balance-of-payments reasons

Most of our trade is effected through the private sector, and even in cases when the purchaser of the commodity is the central Government or a State economic enterprise, the actual import is, in most cases, effected by the private sector - usually by the representative or agent of the exporting firm. Even in cases where the country of origin is a bilateral-agreement country, the exporting organizations in these countries are represented in Turkey by private Turkish importing firms. In certain exceptional cases Government agencies or State economic enterprises, importing commodities for their own use, may deal directly with the exporting firms abroad for practical considerations. Consequently, it can be stated that State trading is not used in Turkey to restrict imports for balance-of-payments reasons.
The importation of a relatively minor number of commodities is under monopoly for health or social reasons. These include items such as manufactured and unmanufactured tobacco, beverages with a high alcohol content, tea and salt.

6. Measures taken since the last consultation in relaxing or otherwise modifying import restrictions

As already stated, the ultimate goal of the Turkish authorities is a complete liberalization of imports. However, under the present circumstances, this process can only be realized gradually in accordance with annual programmes and within the limits of Turkey's external payment possibilities. Nevertheless, an effort is always made to shift commodities from the global quota list to the liberalized list and, of course, when a new branch of industry is established which is dependent upon imported raw materials, these are also usually added to the liberalized list. The extent of our efforts is illustrated by the percentage of liberalization and if we turn to the table on page 5 of document BOP/93 and compare the 1966 column with the 1968 column, we can clearly see that liberalization has been significantly increased in spite of a persistent foreign exchange shortage. It should be added that sometimes the addition of a commodity to the liberalized list is for the purpose of regulating the market and precluding excessive monopolistic or oligopolistic profit margins for domestic producers. With the commodity in the liberalized list, such domestic producers must, perforce, adjust their prices to world prices.

As of the end of June 1968 a modification which is, in effect, a substantial relaxation of restrictions has been introduced. The system previously in force permitted certain commodities to be imported through AID funds only. Thus, when a commodity bore the notation "AID only", this commodity could not be imported from other sources, even if a lower price could be obtained. Now, under the new system, there is a negative AID list indicating the commodities which cannot be financed through AID funds, and for commodities outside this list the importer is free to choose the origin according to the most competitive price.

This modification was notified to GATT and circulated as document L/3086, on 31 October 1968.

7. Effects of the import restrictions on trade and general policy in the use of restrictions for balance-of-payment reasons

As already indicated, import restrictions are maintained in Turkey for balance-of-payments reasons. In view of the determined effort to accelerate growth, the demand for imports is very strong and is constantly growing. The table on page 6 of document BOP/93 clearly shows the rising trend of imports, and this in spite of restrictions.
Conversely, the development of exports has failed to keep pace with the increase in imports. The result has been a constantly growing trade deficit.

Invisible receipts have improved considerably, particularly as a result of the substantial remittances by Turkish workers abroad. However, total invisible receipts have not reached a level sufficient to offset the trade gap.

The servicing of Turkey's external debt, which is a relatively high one, also exercises great pressure on the balance-of-payments. It should be noted that something between one fourth and one fifth of total export receipts must be devoted to foreign debt payments.

If we consider the balance-of-payments table on pages 8 and 9 of document BOP/93, the following remarks can be made:

I. CURRENT ACCOUNT

(a) Foreign trade

1. Total imports (c.i.f.)

As already stated, imports have shown a constantly rising trend, rising from $537 million in 1964 to $764 million in 1968. The apparent decline in 1967 is due to the very low level of so-called self financing imports such as imports under project credits, foreign investment and NATO infrastructure in that year, and the discontinuation of Public Law 480 imports. It does not, consequently, impair the trend.

The annual average rate of increase in imports since 1964 has been 8.5 per cent, and has thus exceeded the level foreseen in the Plan. Between 1967 and 1968, the increase in imports amounted to 12 per cent, and this, in spite of certain measures which the Turkish authorities were forced to introduce to keep the increase in imports at a manageable level. The measure which is best known in this House is the introduction of a 5 per cent stamp duty on imports, which has been successively increased to 10, 15 and now more recently to 25 per cent. We are to meet this afternoon to study this aspect of our balance-of-payments problem. The fact remains that, in spite of these measures, the increase in imports has, on the average, exceeded the Plan targets.

2. Total exports (f.o.b.)

While imports have thus exceeded estimates, exports have, conversely, given disappointing results, particularly in 1968. Indeed, while we note a slow but steady increase between 1964 and 1967, there was a decline of 5 per cent in 1968. Lower exports of tobacco were the principal reason for the decline,
but there were also significant decreases in the export of sugar, olive oil, fodder, fish and copper. The increase in cotton exports was unable to compensate for the sharp decline in the above-mentioned items.

The Turkish Authorities have made great efforts over the past years to modify the structure and commodity composition of exports, since traditional Turkish export commodities are basically semi-luxury goods with an inelastic demand, and the terms of trade have continued, on the average, to move adversely. With the possible exception of cotton, no single item has improved significantly. The solution is, of course, a classic one—diversification of exports and development of new commodities and particularly manufactured commodities with high export potential.

The Turkish Authorities have addressed themselves vigorously to this fundamental problem of export promotion. A number of commodities with high export potential have been selected, and a variety of incentives have been introduced.

The areas which we believe hold good prospects for rapid development of exports are:
- fruits and vegetables
- meat and fish
- forestry products, and
- the food processing industry.

Intensive feasibility studies are being carried out in these fields and discussions have taken place with the IBRD, looking toward substantial World Bank financing for projects in these fields. Recent FAO studies have indicated that Turkish forestry reserves exceeded previous estimates and that a substantial potential for export existed in this sector. Although the investments in this field cannot be expected to yield substantial returns within one or two years, we believe that within the next decade this sector will contribute significantly to Turkish exports. However, the other three fields are more promising in the short run, and we expect that even in 1969 significant progress will be realized in these fields.

Now, if we turn to the measures to encourage investment and promote exports, these consist, in effect, of general measures to promote private investments, and of specific measures for the encouragement and diversification of exports.

With regard to the general measures, the objective is to channel private savings into productive and priority sectors. One measure is the investment allowance which permits entrepreneurs to deduct from their assessable net income a certain percentage of their expenditure for productive investment.
A second measure which is now being implemented by the State planning organization is the system whereby certain imports of capital goods required to increase the productive capacity of enterprises or to establish new industries are, partially or totally, exempted from payment of customs duty and other levies. We expect these export oriented investments to contribute to an improvement of our trade balance within a relatively short period of time.

If we turn now to the specific measures to encourage and diversify exports, first it should be noted that export promotion activities have been expanded and have all been placed under the direct control of the State planning organization. This central management of export promotion activities is expected to make possible rapid action and co-ordination of efforts.

The main specific measure is the scheme of tax refunds to exporters. This measure, which is designed to increase the competitiveness of Turkish manufactures and to encourage the development of new export commodities, permits the refund to exporters of a number of taxes, levies and fees embodied in the production cost of such commodities. Each variety of commodity benefits from a different rate of refund, and the possibility of granting provisional refunds to completely new export commodities is an added flexibility of the system.

Commodities which presently benefit from the tax refund scheme constitute only 5 per cent of Turkish exports and the over-all results in 1968 were not too satisfactory since certain measures were introduced only in the month of September of the year. Our expectation is that more significant results will be achieved in 1969.

Another export encouragement measure concerns credit facilities for exporters. This measure consists of exempting exporters from payment of transaction taxes, stamp taxes and other levies and fees. Moreover, credits granted in connexion with exports to the convertible currency area carry a lower rate of interest (3 per cent of the interest rate is reimbursed to the exporter out of a special fund in the Central Bank). In addition, certain other measures have been introduced to meet the financing requirement of exporters, particularly those in the field of marketing, market research and packaging.

Finally, another export encouragement facility, which was introduced at the beginning of 1969, is the special allocation of foreign exchange to manufacturers of export commodities to permit them to import rapidly the raw materials and spare parts they require.

In spite of these incentive measures, the increase in exports is not expected to compensate for the increase in imports over the next few years. The implementation of the development plan targets will necessitate an increasing volume of imports and the trade deficit should continue to increase during the
second Plan period ending in 1972. It is rather in the field of invisibles that a compensating increase in foreign exchange earnings is expected and viability or self-sustained growth should be achieved by the end of the third period.

(b) Invisibles

1. Interest

Interest payments are expected to increase gradually - as can be seen from Table I - in line with the increase in consortium credits granted.

2. Tourism and travel

Tourism is a sector which is expected to become an important foreign exchange earner over the next few years. For the time being, the results remain rather disappointing since the net position on tourism and travel is still negative at $-9 million. However, tourism and travel receipts have increased from $13 million in 1967 to $24 million in 1968 and this is considered a significant jump. The main reason for this increase is the tax rebate system introduced in 1968 which gave tourists an effective exchange rate of LT 12 per US$1 versus the official rate of LT 9 to the dollar. This resulted in an increase in the number of tourist arrivals and in the period of stay.

With large investments by the public sector in infrastructural facilities and substantial investments by the private sector in accommodations, foreign exchange receipts are expected to increase significantly over the next few years. The present credit policy with regard to the tourism sector is designed to encourage this trend.

3. Workers' remittances

Remittances by Turkish workers abroad constitute a positive item in the Turkish balance of payments. Starting from a very low figure of merely $8 million in 1964, they reached $115 million in 1966. Following a decline to $93 million in 1967 - as a result of economic conditions abroad - the remittances resumed their upward trend in 1968 to reach $107 million at the end of that year. For 1969, preliminary returns covering the first five months of the year indicate that the programmed figure of $120 million will be reached.

Workers, by remitting their savings, benefit from an incentive scheme which has the effect of giving them an exchange premium equal to the one accorded to foreign tourists, i.e. LT 12 per US$1.

4. Profit transfers

Profit transfers are, by nature, a negative item. In 1968, they totalled $32 million and the 1969 figure is expected to be around $30 million.
5. Payments for services connected with project credits

These payments have increased commensurately with the increase in new projects over the last few years.

6. Other invisible transactions (net)

With the exception of tourism, travel and workers' remittances all invisible items are included in this column. The net receipts have shown a steady increase since 1966, particularly as a result of the discontinuation of Public Law 480 imports. Receipts from freight and other service transactions have also increased.

Total invisibles

As a result of the above-mentioned developments, total net invisibles showed a slight decline in 1968. This was particularly due to the increase in profit transfers and the disappointing outturn in net tourism and travel receipts. This item is expected to improve in 1969 if the returns from tourism and workers' remittances confirm our estimates.

(c) Infrastructure and off-shore receipts

These receipts have declined substantially with the termination of North Atlantic Treaty Organization infrastructure projects.

Current account balance

Even with the addition of infrastructure and off-shore receipts to the net total invisibles figure, these credit items are far from enough to offset the deficit in the trade balance. As a result the current account balance shows a substantial deficit which more than doubled in 1968 as compared to 1967 and is expected to remain at approximately the same level in 1969.

II. REPAYMENT OF PRINCIPAL ON EXTERNAL DEBTS

As already indicated, Turkey's development efforts are predicated on an important inflow of foreign savings. A substantial portion of these external resources has been in the form of concessional aid and this fact, coupled with interest roll-overs, has kept interest payments at the more or less manageable level indicated above.

However, repayments of principal have constituted, and continue to constitute, a formidable burden. In spite of debt postponements which have alleviated the immediate burden, the yearly payments for the servicing of the external debt remain relatively very high, particularly when compared with export receipts.
III. TOTAL (I + II)

The current account balance added to the repayments of principal on external debts indicates the magnitude of the financing problem facing the Turkish economy in its development efforts. ($-231 million + $-94 million = $-325 million in 1968.)

IV. CAPITAL INFLOW

(a) Private capital inflow

1. Suppliers credits

As a matter of principle, the Turkish authorities have used suppliers credits only in very exceptional circumstances during the Plan period. In fact, apart from 1964, no use has been made of such credits. The Turkish authorities propose to continue this policy over the next few years.

2. Direct investments

In spite of a very liberal foreign capital investment encouragement law, private foreign investments have remained disappointingly low. Several measures were taken to accelerate the operation of the mechanism whereby applications are processed and accepted. The latest measure has been to centralize all activities pertaining to foreign capital investment applications in the State Planning Organization, and it is hoped that these efforts, in conjunction with a more active rôle by the Turkish private sector in finding foreign partners, will more than double such direct investments in 1969, thus raising them from $13 million to $30 million.

3. Imports without foreign exchange allocation

Information with regard to these imports has already been given. A slight decline is expected in 1969.

(b) Official capital inflow

1. Project assistance

With regard to project assistance, the balance-of-payments figures in Table I indicate disbursements from previously granted project credits which are in the course of implementation. In this respect, 1968 was a good year with $127 million actually disbursed. The implementation of a number of important projects thus advanced considerably in 1968 and this trend should continue in 1969.
2. Programme assistance

Programme assistance is extended by consortium members in support of Turkey's Development Plan. It consists of three types of aid: credits, debt postponement and debt refinancing.

In general, programme assistance, which plays a significant rôle in closing the current account deficit, has remained below the level foreseen in the Plan, and this has created a difficult payment situation with repercussions on the level of imports.

3. Borrowing from multilateral organizations

Such borrowing consists mainly in drawings from the International Monetary Fund stand-by credits and in credits from the European Monetary Agreement.

For 1969, the level of disbursement from the project aid pipeline is expected to increase to $150 million, while the programme assistance requirement has been scaled down to $147 million to conform with the reduced level of available aid. This is the lowest level of programme aid that has been requested from the consortium.

(c) United States Public Law 480 imports

As already indicated, these types of imports have been discontinued since 1967 as a result of higher domestic production of agricultural commodities.

V. OVERALL BALANCE

Although the capital inflow totals $339 million and seems to more than balance the financing requirement of $325 million in 1968, a further draw-down of our monetary reserves by $6 million occurred giving a net errors and omission figure of $20 million. Thus Turkish gold and foreign exchange reserves now stand at $47.4 million as of the end of May.

Conclusion

In view of the substantial deficit on current account and the heavy burden imposed by the servicing of the foreign debt, on the one hand, and the insufficient offsetting inflow of capital on the other, restrictive measures in the import system of Turkey are unavoidable under the present circumstances.

With the declining trend in foreign aid, the Turkish authorities are relying increasingly on their efforts to develop exports and increase their invisible foreign exchange earnings.
With close to 95 per cent of investment being met through domestic resources, the savings gap does not seem to constitute an inhibiting factor. The main bottleneck remains the foreign exchange gap and the Turkish authorities have addressed themselves to this problem vigorously and with determination.

The prospects are encouraging. Gross national product in real terms has been growing, during the Plan period, at a level very close to the 7 per cent rate foreseen in the Plan. The export oriented nature of the Second Five-Year Plan should begin to yield returns in the near future and this factor, in conjunction with substantially higher receipts on invisible account should permit us to achieve an equilibrium in the balance of current accounts by the end of the Third Five-Year Plan in 1977.

Until then, we shall have to continue to be careful and, in spite of our wishes to the contrary, we shall have to continue our restrictive system so as not to impair the stability of our economy. Growth in stability remains our goal and in view of various constraints with which we are faced we cannot be permitted to relax our vigilance.

However, as already stated, complete liberalization remains our ultimate objective, and we propose to continue our efforts to gradually relax our restrictions and liberalize by stages.

If our forecasts are accurate and our expectations materialize, we should attain our objectives within the time-limit we have set ourselves.

It should, however, be remembered that we are a developing country striving to achieve self-sustained growth against difficult odds, and that our policies should be judged in this context.