TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION

TÜSİAD

Türk sanayicileri ve iş adamları derneği

1981

THE TURKISH ECONOMY

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"THE TURKISH ECONOMY, 1981" is one of the TUSIAD publications to give brief information on the recent developments in the country.

The report was edited by Ertuğrul İhsan Özol, Dr.Hayri Ürgüplü. Staff members worked for the report include Nilgün Demirtaş, Gülçin Gürkan and Tufan Çınarsoy. TUSIAD express particular appreciation to Prof.Dr.Demir Demirgil and Prof.Dr.Erdoğan Alkin for their valuable contributions in their respective fields of specialisation. The repord was set-up by Leyla Dinçmen.

The reader of this report should be aware that it is not an official statement on the problems of the Turkish Economy as viewed by the Government nor a reflection of the opinions of the member of TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION.

The main sources used in the preparation of the survey are the various publications of the State Planning Organization, State Institute of Statistics, The Ministries, the EBA Economic Press Agency; and the ANKA News Agency, IMF, OECD, IBRD.

More detailed information, comments and discussions on the subject covered by this survey are available in various documents of TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION published in Turkish.

The previous publications of these series are:

1) Turkey - An Economic Survey
   May 11, 1976, 152 p.

2) Turkish Economy - A Bridge Between the Middle East and the West
   October 15, 1976, 110 p.

3) Turkey - An Economic Survey
   April 15, 1977, 230 p.

4) Mid-Year Outlook on the Turkish Economy and Prospects for 1978
   September 1977, 32 p.

5) The Turkish Economy, Prospects for Growth Within Stability
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Istanbul, July 27, 1980

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THE TURKISH ECONOMY

1981

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FOREWORD

In this volume, TUSIAD - The Turkish Industrialists and Business men's Association - has endeavoured to present to its readers an objective - but not, of course, in any sense an official - commentary on the developments of the past year and on the prospects for the future.

For Turkey, the year 1980 was a critical one both economically and socially. At the end of January, a comprehensive economic stabilization programme was embarked upon, the first-ever programme which aimed at Turkey's re-orientation as an extroverted market economy.

But implementation of the programme was hindered by an ineffective parliament, by labour unrest and by the widespread anarchy and terrorism which had been fostered by the economic difficulties of the previous three years.

Indeed, it was not until the Armed Forces - that is to say, the National Security Council - took over the country on September 12, 1980 that the stabilization programme was given the stimulus and support which it needed for its deserved success.

This success is indeed crucial to Turkey's rehabilitation, development and eventual full membership of the European Economic Community. The results achieved so far are most encouraging, to the extent that it is likely that 1981 - the Centenary of the birth of Ataturk, the founder of moder Turkey - will mark the turning point in Turkey's economic fortunes.

Of course, a lot remains to be done; in particular, a formula must be found for the re-organisation of the State Economic Enterprises on a profitable basis; and as in numerous industrialised countries, too, curbs must be put in the way of excessive expansion of Public Sector.

On the other hand, confidence in Turkey has been restored, both at home and abroad; this is not only evident from the continued flow of Western aid but also from the rapid increase in the volume of new foreign investment, which latter is at last being genuinely and actively encouraged.

Shortages have been completely eliminated, industrial output is increasing again, exports have risen far faster than even the authorities anticipated, other foreign exchange revenue is also improving rapidly, and an initial steps has been taken towards convertibility of the Lira for current account transactions.Not only is the government dedicated to the removal of un-necessary red tape and other barriers to private enterprises and development generally but the bureaucracy has at last begun to philosophise in the direction too.

TUSIAD hopes that; with the continued and tenacious application of the existing measures and their reinforcement with others as and when circumstances dictate, Turkey's industrial and agricultural structure will be strengthened. The better allocation and use of economic resources and the freer functioning of normal market forces will within a few years allow an outward oriented market economy to take root; this process will be expedited to the extent that the inflow of new foreign investment shows an increase over that recorded in the past.

INTRODUCTION

SOCIAL AND ECONOMIC INDICATORS

1. POPULATION

According to the final results of the 1975 Census,the population of Turkey was 40.3 million. It rose to 45.2 million in 1980, so the average yearly increase was of 2.5 percent.

Mortality, birth and immigration rates show considerable variations which affect the rate of growth of population, its age and its regional distribution.

The fertility rate is affected by such factors as education, rate of marriages, agricultural incomes, women's participation in the labour force and non-agricultural employment opportunities. The crude birth rate was 4.3 percent in 1960 is estimated ta have fallen to 3.42 per cent in 1975, and to 3.22% in 1980

Death rates are affected by the improvement in health services nutritional conditions and industrialization. Infant mortality has shown a considerable decrease recently, falling from 13.3% in 1965-1970 to 12 percent in 1970-1975. The crude death rate was 2% in the 1960s but it had gone down to 1% by 1975.

According to Population Research findings, the natural net rate population increase should not have exceeded 2.34 percent on the basis of the 1975 Population Census and fertility and death rates. The sampling results of the 1975 Census gave a 2.34 rate of increase which became 2.5 percent when the final results of the Census were completed. In view of the decrease in the birth rate and the increase in emigration it is doubtful whether the rate of population increase will remain at 2.3 percent.

EMIGRATION

Massive emigration has been a striking and a beneficial feature of Turkey's recent economic development. By the end of 1980, there were 797,000 Turks working legally abroad and several thousand illegal migrants.

In the decade 1971-1980, workers' remittances of foreign exchange to Turkey exceeded $10 billion at an average rate of $1 billion per annum. Turkey was the last among the Mediterranean countries to join in the mass migration of labour, that has characterized the postwar era. Emigration from Turkey was relatively until the middle of the 1960's but rose very rapidly thereafter. Workers' remittances rose to 1962 million dollars in 1979 and to 2065 million dollars in 1980.

URBANIZATION-
INTERNAL MIGRATION

The state of the economy, civil violence and the Cyprus-Question were the most critical problems facing the Government at the beginning of 1980. But Turkey also suffers from certain long term social problems. One of these is an acutely unequal income distribution. Another is the accelerating flight from the countryside to the already over-crowded cities.

With a 64% inflation rate in 1979, and 94% in 1980, life has become more difficult for Turkey's small land owners, fixed income groups and tenant farmers and agricultural laborers, whose income depends on annually fixed agricultural prices.

As the official figures indicate, urbanisation was proceeding rapidly in the late sixties and early seventies. But in the years preceding the 1973 oil crisis, Turkey had a safety valve in West Germany and the other West European states which were prepared to mop up much of the country's surplus labour. This helped to prevent an excessive build-up in the cities of unemployed people coming from the rural areas.

The European labour market is now saturated and the cities in Turkey have to cope with increasing numbers of people coming in from the countryside. Jobs are still scarce and unemployment is reckoned by a number of unofficial sources to be well over two mn.

The problem is currently aggravated by the present recession stemming from the implementation of the government's stabilisation policy since the beginning of 1980.

So with more people arriving in the towns to compete for less jobs, it is hardly surprising that the infrastructure in such cities as Istanbul and Ankara, designed for populations a third of their present size, is creaking under the strain.

An indication of where internal migrants come from can be obtained from a Demographic Survey conducted in 1970. Central Anatolia shows net migration rates equal to 25 per thousand of its rural population and 3.8 per thousand of its urban population.

Eastern Anatolia has migration rates of 20.5 and 6.1 per thousand and the Black Sea Region rates of 13.8 and 0.4 per thousand, respectively.

The Aegean-Marmara and Mediterranean regions have net rural migrations of 17.8 and 26 per thousand but positive net migration for their urban centres equal to 18 and 15 per thousand respectively.

DISTRIBUTION of *GECEKONDUs**
between
TURKEY's MAJOR CITIES

	Percent
Ankara	29.9
Istanbul	19.4
Izmir	11.6
Adana	5.8
Bursa	4.2
Other Cities	29.1

*Literally, "built-in-a-night"shacks; There are big shack settlements in and on the outskirts of most of the main cities.

POPULATION

YEAR	Census Year Population	Absolute Increase Between Censuses	Annual % Increase Between Censuses	Population Estimates for July 1
1975	40.348			40.025
1976				40.938
1977		4870	0.0228	41.871
1978				42.825
1979				43.801
1980	45.218			44.799
1981				45.820
1982				46.864
1983				47.932
1984				49.025
1985				50.142

Source:State Institute of Statistics, 1980.

There has been a considerable increase in the urban population and this brought the ratio of urban to total population from around 19 percent in 1950 to 36 percent in 1970 and to 44 percent in 1980.

CHANGES in RURAL POPULATION

	Rural Population	Total Population	Annual Change		Rural as % of Total
			Total	Rural	
1950	17,023,336	20,947,188	2.20	2.13	81.27
1955	18,639,638	24,064,763	2.81	1.83	77.46
1960	20,555,202	27,754,820	2.89	1.98	74.06
1965	22,048,415	31,391,421	2.49	1.41	70.24
1970	22,891,068	35,605,176	2.55	0.75	64.29
1975	23,641,194	40,347,719	2.53	0.65	58.59

Source: Turkish Industrial Development Bank, Publication Nr. 26, November 1979.

POPULATION CHARACTERISTICS

(1970)

REGION/AREA	Dependency Ratio	% Rate of Literacy[1]	Net Migration Rate per 1,000	Net Rate of Population Increase per 1,000
Turkey				
Total	87.6	53.2	-	25.0
Rural	92.7	45.1	-20.3	27.2
Urban	77.9	67.9	17.4	20.7
Ankara	73.0	79.4	51.4	21.8
Istanbul	56.0	82.0	32.9	12.6
Izmir	60.0	74.0	44.4	14.4
REGIONS				
Central Anatolia				
Rural	96.1	42.9	-25.0	31.0
Urban	88.3	63.4	-3.8	23.5
Black Sea				
Rural	88.7	45.3	-13.8	23.2
Urban	91.6	63.1	-0.4	24.4
Aegean & Marmara				
Rural	77.0	55.2	-17.8	20.9
Urban	71.8	68.8	18.0	15.6
Mediterranean				
Rural	98.8	52.0	-26.0	27.1
Urban	84.8	65.7	15.0	23.0
Eastern Anatolia				
Rural	109.2	30.8	-20.5	34.2
Urban	98.4	50.0	-6.1	31.7

[1]Persons aged 8 years and over.

Source: Republic of Turkey, Ministry of Health and Social Welfare, School of Public Health, Vital Statistics from the Turkish Demographic Survey (Ankara, 1970).

2. EMPLOYMENT

While 60 percent of the economically active population is still engaged in agriculture and related activities, there has been a perceptible decline in the last fifteen years from 77.1 percent in 1962. This fall of 16.5 percentage points was accounted for partly by an increase of 4.9 percentage points in employment in manufacturing. The most rapid increase equal to 10 percentage points, occurred in the services sector, particularly in the civil service and in commerce, but these jobs are probably of relatively very low productivity. Overall, 53.3 percent of total employment created during the seventeen years of planned development took place in the service sectors, 38.2 in industry and construction and 8.5 percent in transportation.

The Growth of Employment in the sectors outside of agriculture averaged 4.3 percent yearly for the seventeen years of the planned development period. Employment in Industry has increased, on average, by 4.4 percent while that in the construction sector has increased by 3.8 percent p.a. The overall average for the non-agricultural sectors has been affected by the high rate of employment increase in transportation (4.2 percent) and in services (4.8 percent).

The non-agricultural sectors are far from being able to absorb the increments in the Labour Force Supply. In recent years, the yearly increments have not been of less than 230 thousand. The rate of increase in non-agricultural employment allows for the creation of employment opportunities for 180 thousand per year after the total Labour Force Surplus increased recently by not less than 130 thousands. The Total Labour Force Surplus doubled in 17 years from roughly 1.1 million in 1962 to 2.7 million in 1980 or from 8.1 percent of the total labour supply to 15.7 percent.

OPEN UNEMPLOYMENT AND VACANCIES FILLED
THROUGH LABOUR PLACEMENT OFFICE

	1977	1978	1979	1980
Number of People looking for Employment during the year	826,844	832,265	635,581	504,780
Total Number of People looking for Employment	1,039,713	1,039,517	903,272	816,508
Vacancies during the year	405,237	318,130	235,063	189,358
Total Vacancies	416,383	331,752	243,203	198,544
Open Unemployment	131,439	152,954	189,467	263,354
Vacancies filled during the year	376,834	296,925	211,531	163,426

PERCENTAGE DISTRIBUTION
of
THE ECONOMICALLY ACTIVE POPULATION

	1962	1979	1962/1979 Change	
Agriculture	77.0	62.2	-14.8	
			absorbed by	*Relative share of the Absorption*
Industry	7.9	11.7	3.8	25.7%
Mining	0.5	0.8	0.3	2.0%
Manufacturing	7.2	10.3	3.1	20.9%
Energy, water	0.2	0.6	0.4	2.7%
Construction	2.4	3.8	1.4	9.4%
Transportation	2.1	3.3	1.2	8.1%
Commerce	2.9	4.2	1.3	8.8%
Banking	0.4	1.4	1.0	6.7%
Services	7.3	13.4	6.1	41.2%
TOTAL	100.0	100.0		100.0%

SECTORAL DISTRIBUTION
of
MANPOWER DEMAND 1962, 1980

	1962		1980		Change	
	(000)	%	(000)	%	Absolute	%
Agriculture	9,740	77.0	9,520	62.2	-220	- 2.2
Industry	995	7.9	1,803	11.7	+808	81.2
Mining	64	0.5	118	0.8	+ 54	84.3
Manufacturing	912	7.2	1,585	10.3	+673	73.8
Energy, Water	19	0.2	100	0.6	+ 81	426.3
Construction	300	2.4	583	3.8	+283	94.3
Transportation	261	2.1	501	3.3	+240	91.9
Commerce	366	2.9	641	4.2	+275	75.1
Banking	52	0.4	214	1.4	+162	311.5
Services	929	7.3	2,049	13.4	+1,120	120.6
TOTAL.....	12,643	100.0	15,310	100.0	+2,267	210.9
Non-Agriculture	2,903	23.0	5,790	37.8	+2,887	99.4

EMPLOYMENT OPPORTUNITIES
in
NON-AGRICULTURAL SECTORS

YEARS	Non-Governmental Sectors		Public Services		Non-Agricultural All Sectors	
	(000)	% Change	(000)	% Change	(000)	% Change
1962	1,974		929		2,903	
1967	2,439	123.6	1,243	133.8	3,682	126.8
1972	3,030	124.2	1,580	127.1	4,610	125.2
1977	3,712	122.5	1,914	121.1	5,626	122.0
1978	3,832	103.2	1,990	104.0	5,822	103.5
1979	3,890	101.5	2,046	102.8	5,936	102.0
1980	3,948	101.5	2,100	102.6	6,048	101.9

Between 1962-1977 employment in the non-agricultural, non governmental sectors of the economy, comprising Industry, Construction,Transportation, Commerce, Banking and Insurance has increased by 4.5 - 4.8 percent annually. The rate of employment dropped to 3.2 percent in 1978 and to only 1.5 percent in 1979.

Employment in the Public Sector and Private Services increased at the rate of 4.2 - 6.8 percent annually between 1962-1977 but by only 4 percent in 1978, 2.8 percent in 1977 and 2.6 percent in 1980.

Total employment in all non-agricultural sectors increased by 4.4 to 5.4 percent annually. It dropped to 3.5 percent in 1978, to 2 percent in 1979 and to 1.9 percent in 1980.

At present, the non-agricultural sectors of the economy provide additional employment to 100,000 people annually, a figure which is patently too low to absorb the net annual increment in the supply of manpower.

The development strategy of the Five Year Plans has emphasised a higher rate of growth of output and labour productivity than that of employment. Although the rate of growth of employment in industry, construction and transportation accelerated during the Second and Third Plan periods(1968-1977) it failed to absorb the increments in the labour force. This is partly because the rate of employment growth in Services gradually went down from 8 percent during the First Plan period, to 6.4 percent during the Second and to 3.9 percent during the Third Plan.

Emigration greatly eased the pressure on employment in the early 1970's. A record total of 135,820 Turkish workers emigrated in 1973, allowing of the absorption of the yearly incremental total labour force surplus by emigration. But due to changing economic and employment conditions abroad, emigration has slowed down and continues at only around 20 thousand a year.

There are several reasons for believing that the Plan's implicit estimate of the magnitude of agricultural population and of the rural exodus may be too high. It is based on a rising rate of participation in agriculture as elsewhere; but as education spreads and incomes rise, the employment of children and women is likely to fall rather than to rise. On the other hand, the estimate is predicated on very high growth rates of productivity in agriculture:5.1 percent per annum in 1972-1977, 9 percent in 1977-1987 and 6.4 percent in 1987-1995. Such increases in productivity are unlikely to materialise; productivity increase of around 3.2 percent p.a. for Agriculture seem more likely in the medium term. Thus, the actual extent of disguised and open un-employment in agriculture and the rate of annual exodus may well be less than the estimate. Various other projections indicate that the agricultural labour force might increase slightly, but by less than one percent per annum.

On the other hand, a strategy of maximizing employment rather than growth can translate into a substantially faster growth of urban employment at the expense of a small loss in growth. It would also have the advantage that, by increasing employment, the more equal distribution of incomes could be achieved.

Unemployment

Unemployment is threatening seriously the Turkish Economy. Its magnitude has grown to a point that cannot be easily ignored.

In fact total excess Labour was 2,254 thousand people in 1979, 2,732 thousand in 1980 and is expected to grow further by approximately 400 thousand in 1981 and to exceed 3 million people or 3,116 thousand to be more exact. It constitutes 17.5% of total labour force in 1981.

To be more analytical about unemployment, 700 thousand has been estimated to be disguised unemployment in Agriculture. It is a taken figure which has neither decreased nor increased the last few years. The rest of the unemployment is open and is divided into one million of people seeking jobs and 1.4 million unemployed who are not looking for jobs.

In 1981 200 thousand unemployed are expected to be added to those looking for a job and 300 thousand to those not looking for a job

LABOUR MARKET
(As of Dec. 1980)

(1000 person)

	1979	1980	1981
Civilian Labour Supply	16,800	17,342	17,813
Civilian Labour Demand	15,526	15,310	15,307
Difference	1,554	2,032	2,416
a)Open Unemployed	702	932	1,016
- Looking for job through Labour Placement Office	164	281	..
- Others Looking for jobs	538	651	..
b)Not Looking for jobs	852	1,100	1,400
% Unemployment	9.2	11.7	13.6
Disguised Unemployment in agriculture	700	700	700
Total excess labour	2,254	2,732	3,116
Rate of unemployment	13.4	15.8	17.5

Source: State Planning Organisation

3. LABOUR RELATIONS

Collective bargaining and the ensuing agreements related to 4,066 establishments in 1980 covered 215 thousand workers in the Public Sector and 64 thousand n the Private Sector.

The year 1980 witnessed a large number of strikes; 220 strikes involved 84,832 workers who remained on strike for a total of 24,474 days and caused 7,708,750 working days to be lost.

WORKERS' and EMPLOYERS' UNIONS

YEAR	Workers' Unions	Number of Members (000)	Employers' Unions	Number of Members
1973	637	2,658.4	104	9,842
1974	675	2,878.6	101	9,647
1975	781	3,328.6	107	8,943
1976	821	3,624.8	111	10,735
1977	863	3,807.6	118	12,514

Source: Ministry of Labour

COLLECTIVE BARGAINING AGREEMENTS

	Number of Agreements			Number of Establishments			Number of Workers		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
1972	443	1,160	1,603	1,789	1,879	3,668	278,017	148,428	426,445
1973	551	1,370	1,921	4,211	2,098	6,309	249,901	193,389	443,290
1974	594	1,130	1,724	1,880	2,443	4,323	427,300	174,479	601,775
1975	297	1,597	1,893	1,051	3,877	5,928	91,316	209,002	300,318
1976	790	1,640	2,430	2,807	3,156	5,963	220,956	255,426	476,382
1977	573	1,659	2,232	2,498	3,681	6,179	369,324	220,774	590,098
1978	980	1,858	2,838	3,486	4,294	7,780	424,797	259,073	683,870
1979	1,204	1,710	2,914	2,003	9,117	11,120	265,710	480,322	746,032
1980	1,200	1,047	2,247	2,578	1,448	4,066	215,443	63,884	279,327

Source: Ministry of Labour

NUMBER of WORKING DAYS LOST DUE TO STRIKES

	Number of Strikes	Number of Workers Participating	Number of days On Strike	Working Days Lost
1972	48	14,879	2,297	659,362
1973	55	12,286	2,209	671,135
1974	110	25,546	4,104	1,109,401
1975	116	13,708	5,601	668,797
1976	58	7,240	3,691	325,830
1977	59	15,682	3,622	1,397,124
1978	87	9,748	4,457	426,127
1979	126	21,011	10,529	1,147,721
1980	220	84,832	22,474	7,708,750

Source: Ministry of Labour.

SOCIAL SECURITY POLICY

At the end of 1979, 10.9 percent of total population(or one-third of the active population) 4.8 million people had the benefits of one or other of the social security programmes.

On the other hand, 1.5 million people were receiving monthly payments under social security programmes.

NUMBER of PEOPLE COVERED by SOCIAL SECURITY PROGRAMMES

YEAR	Social Insurance	State Retirement Fund	Independent Social Insurance	Special Funds	TOTAL
1973	1,649	850	775	40	3,314
1974	1,800	870	825	45	3,540
1975	1,823	900	850	48	3,623
1976	2,018	1,145	885	57	4,104
1977	2,191	1,175	962	62	4,390
1978	2,206	1,200	1.120	65	4,621
1979	2,152	1,225	1.210	68	4,793
1980	2,250	1,250	...	...	...

NUMBER of PEOPLE RECEIVING MONTHLY PAYMENTS UNDER SOCIAL SECURITY PROGRAMMES

(000)

YEAR	State Retirement Fund	Social Insurance	Independent Social Insurance	Social Funds	Others[1]	Total
			(000)			
1972	322.5	167.9	-	2.5	21.1	514.0
1973	336.4	194.1	1.5	2.7	23.7	558.4
1974	362.0	211.5	2.3	3.0	24.0	602.7
1975	380.0	242.0	3.3	3.4	25.0	653.6
1976	409.3	293.5	4.6	4.5	29.0	740.9
1977	860.2	350.0	27.0	5.0	30.9	1,273.1
1978	910.0	395.0	31.0	5.5	31.0	1,372.5
1979	975.0	440.0	34.0	5.9	32.0	1,486.9

Source: SPO, Fourth Five Year Development Plan

[1]People benefiting from social service programmes such as Houses for the Aged, for Children, etc.

4. INCOME DISTRIBUTION

Turkey shares with many other developing countries the experience of large income differences. The overall distribution of income is highly uneven;the Gini coefficient of net household incomes was estimated at above 0.56 in 1969 and at 0.51489 in 1973.

Comparable data for earlier years are not available and the lack of reliable datum makes it difficult to judge whether income differences have expanded or contracted. The substantial difference in the rate of growth of real per capita output in various sectors suggests,however,that the differences in income of various groups may have widened. On the other hand, the substantial and rapid growth of emigrant workers' remittances in recent years, much of which goes to the poorest groups, has been pulling in the opposite direction.

The general picture reveals that the 4.1 percent of all households which fall within the lowest income bracket (up to TL 2500/year) receive only 0.3 percent of total income, whilst the 0.6 percent of all households which are within the highest income bracket (incomes exceeding TL 200,000/yr) take up 10.2 percent of total income in Turkey.

INCOME DISTRIBUTION by INCOME BRACKETS, TURKEY 1973

Income Brackets	% of total Households	% of National Income
0 - 2,500	4.1	0.3
2,500 - 5,000	8.1	1.2
5,000 - 10,000	17.8	5.4
10,000 - 15,000	20.0	10.1
15,000 - 25,000	22.5	17.9
25,000 - 50,000	18.1	25.4
50,000 -100,000	6.8	18.6
100,000 -200,000	1.9	10.8
200,000 +	0.6	10.2
Gini coefficient: 0.51489		

Source: SPO, Income Distribution, 1973

In the 1980 Development Programme, the State Planning Organisation has recently given the quantitative changes in the functional distribution of income during the 1968-1979 period. No changes of significance seem to have occurred between 1968-1976 but with the acceleration of inflation serious changes have taken place in the last three years.

CHANGES in FUNCTIONAL INCOME DISTRIBUTION

	1968	1976	1977	1978	1979
I. Agriculture	32.4	31.4	28.9	24.3	20.7
II. Non-Agricultural Wage	19.7	20.7	20.8	18.3	16.8
III. Salaries of Gov't Employees	10.3	11.5	13.2	10.6	10.0
IV. Industry	10.2	7.5	7.6	7.9	7.9
V. Incomes of Services	27.4	28.9	29.5	38.9	44.6
TOTAL	100.0	100.0	100.0	100.0	100.0

These can be outlined as follows: In 1977, there were two distinct movements; a decrease in the share of agricultural income and an increase in the share of the salaries of government employees which enabled this underprivileged class to reach its highest share of this twelve year period (1968-1979) by moving from 11.5 percent in 1976 to 13.2 percent in 1977. The nearest to this peak was attained in 1972 and 1973 with 12.8 and 12.6 percent respectively. The share of industry, on the other hand, gradually decreased between 1968 and 1976 from 10.2 percent to 7.5 percent and remained at this level in 1977.

The accelerated rate of inflation in 1978 and 1979 further deteriorated the position of Agriculture, Labour and Government Employees. It didn't improve to any significant degree the position of Industry. The only groups that benefited from the faster rate of inflation were the recipients of different kinds of rents, trade margins, stock profits, capital gains, speculative profits and last but not least the seigniorage accruing to the State and to Government institutions through expropriations made possible by means of financial restrictions.

The end result of all these developments in income distribution by the end of 1979 can be summarised in a comparison of the functional shares of income recipients in 1968 & 1979.

CHANGES in THE SHARES of GDP, 1968-1979

	1968	1979	Change in the Share	1968/1979 %
Agriculture	32.4	20.7	-11.7	-36.1
Non-Agricultural Wage	19.7	16.8	-2.9	-14.7
Salaries	10.3	10.0	-0.3	-2.9
Industry	10.2	7.9	-2.3	-22.5
Services	27.4	44.6	+17.2	+62.8
TOTAL	100.0	100.0	0	

The most serious decrease has taken place in Agriculture. Its share in GDP decreased by 36.1 percent moving from 32.4 percent in 1968 to 20.7 percent in 1979. The second biggest loser is Industry. Its share decreased by 22.5 percent, from 10.2 percent in 1968 to 7.9 percent in 1979.

The share of non-agricultural wage decreased by 14.7 percent, moving from 19.7 percent of GDP in 1968 to 16.8 percent in 1979.

Total salaries of government employees decreased by only 2.9 percent moving from 10.3 percent of GDP in 1968 to 10 percent in 1979.

Against all these decreases, the share of the various services in the GDP increased by 62.8 percent representing 44.6 percent of GDP in 1979 as against 27.4 percent in 1968.

This represents a major distortion in the Turkish Economy which was created a by a combination of high rates of inflation, decreased production and availability of manufactured products and government interference with the market mechanism.

It is not easy to make definite comparisons between the Income Distribution of Turkey and that of other countries but in this report use has been made of the data available in World Bank publications. Sixteen countries are defined by the Bank as Semi-Industrialised. Nine of them, including Turkey, have in the last ten years conducted surveys for the quantitative assessment of their income distribution. Turkey's income distribution is not as distorted as Brazil's or Mexico's but it is more uneven that Korea's, Spain's, Yugoslavia's and Taiwan's.

INCOME DISTRIBUTION
of
SEMI-INDUSTRIALISED COUNTRIES

COUNTRY	YEAR	Households' Percentage Shares of Total					Income
		Lowest 20%	*2nd*	*3rd*	*4th*	*5th Highest 20%*	*Highest 10%*
Brazil	1972	2.0	5.0	9.4	17.0	66.6	50.6
Mexico	1977	2.9	7.4	13.2	22.0	54.4	36.7
TURKEY	1973	3.4	8.0	12.5	19.5	56.5	40.7
Philippines	1971	3.7	8.2	13.2	21.0	53.9	..
Argentina	1970	4.4	9.7	14.1	21.5	50.3	35.2
Korea	1976	5.7	11.2	15.4	22.4	45.3	27.5
Spain	1974	6.0	11.8	16.9	23.1	42.2	26.7
Yugoslavia	1973	6.5	11.9	17.6	24.0	40.0	22.5
Taiwan	1971	8.7	13.2	16.6	22.3	39.2	24.7

A survey conducted recently and covering 1,000 families shows an alarming inequality in income distribution among the inhabitants of Istanbul

The upper income group constituting 20 percent of the population of Istanbul receives 69 percent of the total income of the city.

The next 20 percent the second largest income group just breaks even, receiving 21 percent of the city income.

These two groups together total only 40 percent of the families but they receive almost all (90 percent) of the total income.

Income Group	Percent of Total Population	It Share From Total Income
1 Highest	20	69.0
2	20	21.0
3	20	4.3
4	20	3.3
5 Lowest	20	2.4

In other words 60 percent of the city population receives only 10 percent of the city's income.

5. MIXED ECONOMY

STATE-OWNED INDUSTRY

The Turkish Economy is mixed, with government enterprises owning about 47% of the country's Industry.

The industries under the "monopolies law" are those exclusively reserved to the state (tobacco products, spirits, utilities, railways, municipal public transport, opium products), although the private sector has been permitted to engage in production of tobacco products for export.

The Public Economic Sector in Turkey is composed of 240 establishments, comprising 4572 units, representing a nominal non-revalued capital of TL 162 billion and total fixed assets of TL 187 billion. There are large differences in the characteristics of the public Enterprises: 540 units are run from annexed or direct grant budgets 279 under special laws, 1952 under the status of State Economic Enterprises, 506 as Partnerships 461 as Corporations: 216 are special law companies, 124 are companies with more than 50 percent public ownership, 494 as companies with less than 50 percent public ownership.

At present, the most important of the 29 State Economic Enterprises (SEEs) engaged in industry and communications include: Sumerbank (mainly textiles), Etibank (mining and mineral processing), MKEK or the Machinery and Chemical Industries Board (Industrial chemicals, munitions, special steels, castings, etc.), TPAO (petroleum), Azot (fertilizers), the Maritime Bank, TMO (Cereals Office), TEK (Electricity) TCDD (railways), Petkim (Petrochemicals), THY (Turkish Airlines), TKI (Coal), TUMOSAN (Motor Industry), TAKSAN (Machine Tools Industry), TEMSAN (Electromechanics), TESTAS (Electronic Industry), TELESAN (Electro-Communications Industry), and TUSAS (Aircraft Industry). Other SEEs include the State Investment Bank, Workers, Investment Bank, the Social Insurance Institution and the State Pensions Fund.

Through the SEEs, the Treasury also has interests in some 45 other industrial joint ventures with private capital. Some of these involve foreign corporations - such as Eregli Iron & Steel Mills Corp, the Northern Electric - PTT Telecommunications Equipment Plant and the Mannesman-Sumerbank Steel Pipe Factory.

The production, pricing and even the manpower policies of the SEEs are determined by the government since these Enterprises play a much-manipulated part in the pursuance of the economic policies of the government of the day. The many arguments in favour of increased autonomy for the SEEs which have been put forward since the beginning of the planned development period in 1963 have all failed to convince successive governments to allow these vast concerns to operate in strict accordance with day-to-day market influences. Certain rules of economics need, however, to be observed or losses become inevitable. One such rule is that an investing Enterprise should finance at least part of its new investment costs from its own resources if in fact it is to operate profitably and continue to invest.

DISTRIBUTION and MAIN CHARACTERISTICS of PUBLIC ENTERPRISES

	Number of Establishments	Number of Units	Nominal Capital (mil TL)	Share of Public Ownership (mil TL)	Share of Public Ownership (%)	Total Fixed Assets (mill TL)
Annexed Budget Organizations (universities excluded)	10	540	-	-	100.00	-
Public Economic Enterprises (followed by SPO)	(40)	(3.198)	(148,179)	(146.302)	(98.50)	(147.830)
- Under Special Laws	4	279	69,410	69,410	100.00	5,425
- State Economic Enterprises	18	1.952	61,493	61,493	100.00	106,694
- Anonym Partnerships	6	506	7,500	7,337	97.83	19,325
- Anonym Corporations	12	461	9,776	8,062	82.47	16,386
Other Organisations under Special Laws	14	216	1,041	1,041	100.00	3,351
Companies with more than 50% public ownership	65	124	6,744	6,364	94.37	23,121
Companies with less than 50% public	111	494	6,149	1,685	27.40	12,983
	240	4.572	162,113	155,392	95.85	187,265

Source: SPO

The State Economic Enterprises provide direct employment for 711.967 people.

EMPLOYMENT in the STATE ECONOMIC ENTERPRISES

YEARS	Staff + Technical Personnel	Workers	Total
1970	165,738	196,562	362,300
1971	170,601	204,020	374,621
1972	179,921	212,462	392,383
1973	192,360	233,502	425,862
1974	179,291	324,543	503,834
1975	195,979	348,399	544,378
1976	216,624	368,964	585,588
1977	225,441	410,758	636,199
1978	229,699	409,116	638.815
1979	246,073	411,953	658,026
1980	263,124	448,843	711,967

WAGES and SALARIES in the SEEs

Wages take up a very large proportion of sales revenue and this proportion is systematically increasing. Three possible reasons can be given for this tendency: there is over employment and it goes on increasing; the management of the SEEs is too liberal as regards wage determination during collective bargaining; and selling prices are being kept too low.

WAGES as PERCENT of SALES REVENUE
(mill. TL)

YEAR	Wages	Sales	Wages/ Sales
1974	19.0	71.5	26.5
1975	28.3	92.9	30.5
1976	42.1	127.1	33.1
1977	61.3	183.3	33.4
1978	102.8	295.0	34.8
1979	167.1	505.6	33.0
1980	275.7	1,306.7	21.1

Annual salaries and wages decreased by 4.3% in 1979 and further by 14.2% in 1980 in real terms expressed in 1963 prices.

The decrease in real salaries was 19.5% while the decrease in wages was 12% 1980.

The average salary was 299 thousand TL, the average wage was 493 thousand TL. The average of the two was 420 thousand TL. in 1980

SALARİES AND WAGES OF STATE ECONOMİC ENTERPRİSES

(annual, Thousand TL.)

	Salaries			Wages			Total			1963=100
	In Current Prices	In 1963 Prices	% Change	Current Price	In 1963 Prices	% Change	In Current Prices	In 1963 Prices	% Change	Istanbul Cost of living index
1974	39.6	13.1		36.7	12.1		37.7	12.5	+14.4	301.8
1975	56.6	15.5	+18.3	49.7	13.6	+12.4	52.2	14.3	+16.8	365.8
1976	59.5	13.8	-11.0	79.1	18.4	+35.3	71.9	16.7	+6.6	429.6
1977	89.1	16.5	+19.6	100.3	18.5	+0.5	96.4	17.8	+3.4	541.3
1978	116.9	13.3	-19.4	186.3	21.3	-15.1	160.9	18.4	-4.3	876.3
1979	191.2	13.3	0	287.9	20.1	-5.6	252.0	17.6	-14.2	1433.1
1980	299.1	10.7	-19.5	493.4	17.7	-12.0	420.8	15.1		2784.1

In a few years time wages have attained considerably high proportions in sales revenue indicative of a possible increase in costs.

The State Economic Enterprises resort to public funds to finance their investments, because they are unable to generate capital by themselves. Their financial burden on the Treasury is rapidly increasing, and this in turn leads to further deterioration.

The State Economic Enterprises apart from public utilities, and transport and communications, provide some 40 percent of value added and of employment in the industry. The State has forced their expansion on the one hand and on the other hand used them as buffer programmes for reducing unemployment with the result that the number of employed has doubled between 1970 and 1979 from 362 thousand to 711 thousand.

The SEEs continue to grow bigger; their investments during the past few years have been financed as follows:

STATE ECONOMIC ENTERPRISES:
FINANCING of INVESTMENT and LOSSES
(bill. TL.)

	1977	1978	1979	1980
Fixed Investment	46.1	60.4	76.9	94.3
Stock Changes	16.8	20.2	51.7	131.6
Total Investment	62.9	80.6	128.6	225.9
Own Resources of SEE	- 8.1	-16.9	-61.9	27.9
Total Financing Requirements	71.0	97.5	190.5	253.8
FINANCED by				
Budget Transfers	31.7	40.0	87.9	151.9
Petroleum Fund	1.9	3.8	7.0	12.3
Central Bank	23.2	19.0	38.3	10.1
State Investment Bank	10.3	9.1	14.4	17.4
Foreign Borrowing (net)	3.9	25.6	42.9	62.1
TOTAL	71.0	97.5	190.5	253.8

Excess personnel is not the only reason for the deficits of the State Economic Enterprises; in fact, lack of timely pricing and mismanagement are the two main causes of deficits. As a result, the number of Enterprises reporting negative results in their balance sheets as well as the size of these losses have increased in recent years. The combined operating deficit of the SEEs rose from 36 billion TL. in 1977 to 52 bn TL. in 1978 and to 60 bn. TL. in 1979. But the financing needs were far greater because of heavy investment programmes. In 1980, fixed investment amounted to 94.3 bn. TL. and stock changes to 131.6 bn TL.; added to the deficits these created financing requirements of 253.8 bn TL. Of this, 151.9 bn TL. was financed by Budget transfers, 10.1 billion TL. by the Central Bank and the remaining 91.8 billion TL. through the Petroleum Fund, the State Investment Bank and Foreign borrowing.

The main reasons for these alarming claims on the resources of the economy must be sought in the organisation of these Enterprises which were centrally directed and whose investment and employment policies followed social objectives rather than the rules of the market place. The fact that the SEEs were able to cover their losses, year after year, by receiving government subsidies and cheap official loans had the effect of reducing incentives to follow sound management practices.

THE ROLE of THE PRIVATE SECTOR in INDUSTRY

There were 5,565 private sector establishments in manufacturing in 1977 employing 462,249 workers an average of 83 workers per establishment. The average size of establishments increased from 70.7 workers in 1972 to 83.1 in 1977.

PRIVATE SECTOR MANUFACTURING ESTABLISHMENTS
EMPLOYING MORE THAN 10 WORKERS

	Number of Establishments	Number of Workers	Number of Workers per Establishment
1972	5110	361,667	70.7
1973	5560	412,028	74.1
1974	5567	437,219	78.5
1975	5912	451,949	76.4
1976	5737	464,442	80.9
1977	5565	462,249	83.1

Source: SIS, Surveys of Manufacturing Industry.

The share of the private sector in the production, employment and investment of in large units in the munafacturing industry has shown a continuous increase. Production in private sector establishments amounted to slightly more than half the national total in the late 60s and rose to 65 percent in 1976.

SHARE of THE PRIVATE SECTOR in
LARGE UNITS IN THE MANUFACTURING INDUSTRY

YEARS	Production (Billion TL)			Employment (Thousand)			Industry Investments (billion TL)		
	Tot.	Priv.	%	Tot.	Priv.	%	Tot.	Priv.	%
1964	23.0	13.2	57.3	346	199	57.6	2.0	0.8	40.7
1965	28.6	15.1	52.8	390	220	56.3	1.6	0.8	55.0
1966	34.1	18.1	53.2	410	231	56.3	1.6	1.0	63.4
1967	41.9	21.1	50.5	435	249	57.0	2.2	1.4	63.1
1968	46.8	25.1	53.6	460	265	57.7	2.4	1.6	65.7
1969	59.7	32.3	54.1	480	289	60.1	3.6	1.9	52.3
1970	72.3	41.5	57.4	506	310	61.3	3.8	2.4	62.3
1971	85.4	52.6	60.7	541	334	61.7	4.7	3.0	62.6
1972	104.5	65.6	62.5	576	361	62.6	7.1	4.6	64.5
1973	141.2	89.4	63.3	637	412	64.6	9.2	6.1	66.7
1974	200.2	118.2	59.1	657	428	65.2	10.6	7.1	66.9
1975	253.3	158.3	62.5	699	451	64.6	14.9	9.9	67.0
1976	203.7	197.3	64.9	724	464	64.1	17.1	12.3	72.1

Source: SIS

PERCENTAGE SHARES of the PUBLIC and PRIVATE SECTORS
in
PRODUCTION and EMPLOYMENT of THE MANUFACTURING INDUSTRY
(1976)

(in %)

	PRODUCTION		EMPLOYMENT	
	Public	Private	Public	Private
Food, Beverages, Tobacco	48.2	51.8	57.5	42.5
Food	34.6	65.4	46.6	53.4
Beverages	65.9	34.1	51.0	49.0
Tobacco	88.5	11.5	89.1	10.9
Textiles, Clothing, Leather	13.9	86.1	20.2	79.8
Textiles	14.5	85.5	21.0	79.0
Clothing	2.0	98.0	2.7	97.3
Fur, Leather	-	100.0	-	100.0
Footwear	35.0	65.0	49.2	50.8
Wood Products, Furniture	29.1	70.9	42.7	57.3
Wood Products	29.4	70.6	44.0	56.0
Furniture	26.9	73.1	37.4	62.6
Paper, Printing	49.5	50.5	53.0	47.0
Paper Products	68.9	31.1	74.3	25.7
Printing	10.6	89.4	19.7	80.3
Chemistry, Petroleum, Rubber	55.3	44.7	21.6	78.4
Basic Chemical Products	42.3	57.7	50.3	49.7
Other Chemical Products	3.9	96.1	10.7	89.3
Petroleum Refineries	100.0	-	100.0	-
Petroleum and Coal Products	17.7	82.3	15.7	84.3
Rubber	-	100.0	-	100.0
Other Plastics	2.2	97.8	0.4	99.6
Non-Metallic Minerals	19.3	80.7	20.7	79.3
Pottery, China, Earthenware	19.7	80.3	30.1	69.9
Glass, Glassware	-	100.0	-	100.0
Other	24.7	75.3	24.1	75.9
Basic Metal Industries	41.2	58.8	66.5	33.5
Iron, Steel	42.6	57.4	64.1	35.9
Non-Ferrous Metals	36.2	63.8	68.8	31.2
Metal-Products, Machinery	11.7	88.3	24.9	75.1
Metal Products	2.7	97.3	3.6	96.4
Machinery	24.0	76.0	30.4	69.6
Electrical Machinery	1.8	98.2	9.0	91.0
Transportation Vehicles	12.7	87.3	40.8	59.2
Scientific Equipment	-	100.0	-	100.0
Other Manufacturing Industries	8.9	91.1	18.8	81.2
TOTAL MANUFACTURING INDUSTRY	35.0	65.0	35.2	64.8

Source: State Institute of Statistics

The relative importance of the private sector in manufacturing has increased from 63.7% of the value added in 1963 to 69.6% in 1977.

VALUE ADDED in MANUFACTURING INDUSTRY (1963-1977)

(1968 Constant Producers' Prices)

Percentage Distribution (%)

	Public Sector	PRIVATE SECTOR		Rural Sector	Total
		Large-Scale	Small-Scale		
1963	34.8	40.7	23.0	1.5	100.0
1964	36.6	40.4	21.7	1.4	100.0
1965	34.9	42.2	21.6	1.2	100.0
1966	36.3	41.8	20.7	1.1	100.0
1967	35.9	43.0	20.2	1.0	100.0
1963-1967	35.8	41.6	21.4	1.2	100.0
1968	35.8	43.6	19.8	0.8	100.0
1969	36.6	43.5	19.1	0.8	100.0
1970	37.1	43.5	18.5	0.9	100.0
1971	37.7	43.6	17.9	0.8	100.0
1972	36.6	44.9	17.7	0.8	100.0
1968-1972	36.8	43.8	18.6	0.8	100.0
1973	32.5	46.9	19.9	0.6	100.0
1974	32.0	47.7	19.8	0.5	100.0
1975	31.5	48.4	19.7	0.3	100.0
1976	30.9	49.2	19.7	0.2	100.0
1977	30.3	50.0	19.6	0.1	100.0
1973-1977	31.4	48.4	19.7	0.4	100.0

Source: Istanbul Chamber of Industry

The share of the Private Sector in total fixed investments has shown a gradual increase during the period of three Five-Year Development Plans, rising from 46.55% to 47.30% and 49.62% respectively for the three Plans.

In spite of this upward trend in relation to Five Year averages, yearly data on recent performance indicates a remarkable increase in the share of the private sector in total fixed investments from 1970 on to 1973 but a gradual decrease thereafter, from 52 percent in 1973 to 39.75 in 1980, as can be observed from the table below.

Sectoral shares of private investments have shown varied trends, while the share of the private sector increased in Agriculture and Transportation, it decreased in Mining, Manufacturing, Tourism and Services.

FIXED CAPITAL INVESTMENTS
(TL million, 1976 constant prices)

	Public	%	Private	%	Total
1970	39,775	53.37	34,751	46.63	74,526
1971	36,376	51.24	34,618	48.76	70,994
1972	39,379	50.42	38,772	49.58	78,101
1973	44,028	48.00	47,701	52.00	91,729
1974	50,166	48.34	53,622	51.66	103,788
1975	65,046	50.64	63,471	49.36	128,517
1976	75,227	51.54	70,739	48.46	145,966
1977	83,756	53.24	73,557	46.76	157,313
1978	73,284	52.70	65,889	47.30	139,173
1979	78,196	58.93	54,498	41.07	132,694
1980	74,667	60.25	49,274	39.75	123,941

Source: State Planning Organisation

RELATIVE SHARE of THE PRIVATE SECTOR
in
TOTAL FIXED INVESTMENTS
(1963-1980)

	1963/1967	1968/1972	1973/1977	1978	1979	1980
Agriculture	30.45	38.55	56.68	52.6	42.8	43.0
Mining	26.33	20.21	7.60	4.4	8.3	4.9
Manufacturing	67.27	56.49	56.36	54.8	43.1	39.5
Energy	3.74	7.32	2.93	0.9	1.0	1.9
Transportation	22.99	30.99	40.48	44.8	32.0	29.6
Tourism	71.92	67.36	56.15	51.8	43.1	53.5
Housing	91.66	09.48	93.76	91.6	91.7	93.3
Education	1.48	2.56	3.15	3.7	5.9	3.9
Health	4.86	8.63	5.99	3.3	15.0	9.9
Services	26.81	31.05	22.41	25.2	34.3	34.7
TOTAL	46.55	47.30	49.52	47.3	41.1	39.8

PRIVATE INVESTMENT IN MANUFACTURING

	TL. Million			% Distribution		
	1978	1979	1980	1978	1979	1980
Food	2,907	3,427	2,730	8.6	8.8	9.3
Beverages	393	596	393	1.1	1.5	1.3
Tobacco	41	30	-	0.1	0.1	-
Textiles	3,986	4,423	1,879	11.8	11.4	6.4
Leather	144	272	363	0.4	0.7	1.2
Forest Products	1,694	2,122	692	5.0	5.5	2.4
Paper	691	789	401	2.0	2.0	1.4
Printing	217	180	130	0.6	0.4	0.4
Chemicals	2,747	5,541	5,158	8.1	14.3	17.6
Petroleum	192	182	131	0.6	0.5	0.4
Rubber, Plastics	1,493	1,390	600	4.4	3.6	2.0
Earth Products	3,846	3,126	1,960	11.3	8.0	6.7
Iron-Steel	6,723	5,736	5,603	19.8	14.8	19.1
Non-Ferrous Met.	441	1,293	1,471	1.3	3.3	5.0
Metal Products	1,561	2,230	2,171	4.6	5.7	7.4
Machinery	1,992	2,403	1,100	5.9	6.2	3.7
Electr.Mach.	1,806	1,581	834	5.3	4.1	2.8
Transport Veh.	2,530	2,802	3,013	7.5	7.2	10.3
Other	261	154	157	0.7	0.4	0.5
Total	33,853	38,805	29,265	100.0	100.0	100.0

Source: SPO,

The private sector showed a tendency to invest less in Textiles, Forest Products, Paper, Rubber-Plastics, Mineral Products, Machinery and Electrical Machinery in 1980 as compared with 1978 and 1979. On the other hand, Chemicals, Non-ferrous metals, Metal Products and Transport Vehicles were sectors in which the private sector tended to invest more in 1980 than in 1978 and 1979.

In absolute terms, the amount of private investment showed a decrease of 19 bn TL. in 1978. When deflated by the GNP deflator (69.6 percent in 1979) private investment in Manufacturing expressed in 1978 prices dropped from 33.8 bn. TL. in 1978 to only 22.9 bn TL. in 1979.

BREAKDOWN OF PRIVATE
INVESTMENT IN MANUFACTURING

	TL. Million			% Distribution		
	1978	1979	1980	1978	1979	1980
Construction Invest.	7,538	7,458	4,726	22.3	19.2	16.1
Domestic Mach.+Equip.	6,904	7,567	5,961	20.4	19.5	20.4
Imported Machinery	12,680	16,234	13,099	37.5	41.8	44.7
Transport Vehicles	802	707	430	2.4	1.8	1.5
Interest Paid	3,375	3,265	2,400	10.0	8.4	8.2
Other Investments	2,552	3,572	2,647	7.5	9.2	9.0
	33,853	38,805	29,265	100.0	100.0	100.0

Source: SPO, September 1979, Investment Survey

There was a relative decrease in the investment in construction between 1978 and 1980 and a relative increase in the amount invested in imported machinery.

STOCKS IN PRIVATE
MANUFACTURING INDUSTRY

(bn TL.)

	Finished Products	Raw Materials	Total
End of 1978	21,599	33,148	54,747
Beginning of 1978	16,060	29,527	45,587
Change in Stocks	5,539	3,621	9,160
% Change	34.5%	12.3%	20.0%

Overall, total stocks in the private manufacturing industry, increased by 20 percent during 1978. The increase took place mainly in Finished Products (34.5 percent) rather than in raw materials. In fact stocks of increased by only 12.3 percent.

SECTORAL DISTRIBUTION ACCORDING to SALES &
EMPLOYMENT of PRIVATE CONCERN
INCLUDED AMONG THE 300 BIGGEST INDUSTRIAL ENTERPRISES
(1979)
(million TL.)

	Number of Firms		Own Product Sales		Employment		% of Private	
	Private	Total	Private	Total	Private	Total	Sales	Employment
1. Mining	3	7	2,350	5,461	1,809	5,964	43.0	30.3
2. Food Beverages, Tobacco	27	36	23,238	44,218	12,294	48,522	52.6	25.3
3. Textiles, Leather	51	64	66,374	78,442	64,700	94,626	84.6	68.4
4. Forestry Products	5	6	2,252	2,730	1,427	1,775	24.9	80.4
5. Paper, Printing	9	10	5,083	15,756	3,238	15,346	88.3	21.1
6. Chemicals, Oil, Coal, Rubber	39	45	52,089	149,402	17,948	37,177	34.9	48.3
7. Cement	22	25	26,656	32,749	25,229	33,771	81.4	74.7
8. Iron Steel & Non-ferrous Metals	24	28	44,459	49,533	20,409	31,816	89.8	64.1
9. Metal Products & Machinery	47	54	39,708	65,597	36,661	153,770	60.5	23.8
10. Automotive	17	18	40,408	40,737	16,685	17,221	99.2	96.9
11. Others	6	7	3,327	3,644	3,682	4,042	91.3	91.1
TOTAL	250	300	305,943	488,267	204,162	444,020	62.5	46.0

Source: Istanbul Chamber of Industry.

REGIONAL DISTRIBUTION
of THE 300 BIGGEST INDUSTRIAL CONCERNS (1979)

Istanbul Chamber of Industry has published a list of the 100 largest industrial concerns in Turkey every year since 1968. In 1977, the list was enlarged to cover the "top 300".

This list of the 300 largest industrial concerns includes details of their paid-up capital number of employees, net earnings (profit after tax), total turnover and sales out of their own production.

In 1979, total sales of the 300 concerns amounted to 545 billion TL., of which 336 billion TM. (616 percent of the total) was accounted for by 250 private firms and companies; the remaining 209 billion TL was attributable to 50 Public Sector enterprises. Private concerns' sales averaged 1,344 million TL. each and Public Sector enterprises' sales averaged 4,182 million TL.

Overall profitability, expressed as a percentage of sales, was 8.7 percent. But it was slightly higher for private concerns (9.8 percent) and lower (7 percent) for Public enterprises.

An analysis of the 250 private concerns' sales by regional location shows a concentration in the Istanbul area. In faact, 59.4 percent of private concerns' sales were made in Istanbul, 10 percent in Ankara, 8.6 percent in the Aegean region, 8.1 percent in Adana and 5.5 percent in Bursa; the remaining eight cities listed below accounted for an aggregate of 8.4 percent of all private sector sales.

Total profits in 1979 amounted to 47.5 bn TL., 33 bn TL. of which were made by 250 private concerns and 14.6 bn by 50 Public Sector enterprises.

REGIONAL DISTRIBUTION OF BIGGEST 300 FIRMS
(1979)

	Sales	Profit	Employment	P/S Ratio
Adana	27.3	2.7	23,268	9.9
Ankara	33.7	2.1	23,555	6.2
Denizli	0.9	0.07	733	7.8
Ege	28.8	3.2	17,544	11.1
Eskişehir	3.1	0.2	2,538	6.5
Istanbul	199.6	19.8	109,457	9.9
Kayseri	6.7	1.0	6,777	14.9
Bursa	18.6	1.8	9,217	9.7
Izmit	9.9	1.3	2,317	13.1
Konya	0.7	0.07	358	10.0
Manisa	0.7	0.1	1,340	14.3
Mersin	5.8	0.5	6,173	8.6
Nigde	0.3	0.02	885	6.7
Private Total	336.1	32.9	204,162	9.8
Public Enterprises	209.1	14.6	239,858	7.0
Total	545.2	47.5	444,020	8.7

SECTION ONE

TURKISH ECONOMY AT 1980

CHAPTER I

THE NEW ECONOMIC POLICY MEASURES

As the result of a strong commitment to rapid growth and modernisation, GDP increased at an average annual rate of 6.4 percent, 6.7 percent and 7.2 percent respectively, during the First Plan (1963-1967), Second Plan (1968-1972), and Third Plan (1973-1977) periods. This compares favourably with the experiences of 55 "middle income" developing countries, whose GDP growth averaged a little under 6.0 percent per annum between 1960-1978. Moreover, the relatively high growth rate in Turkey was achieved without significant deposits of oil or other important natural resources.

The relatively high growth rate was accompanied by significant social changes. Although the population grew annually by 2.5 percent, rapid GDP growth brought substantial advances in per capita income. However, rising income levels were not acconpanied by better income distribution. Although basic needs have been met, significant sectoral and regional inequalities in income distribution continue.

The public sector has played a key role in Turkey's development. Between 1963-1977, its share in total fixed investment fluctuated around 50 percent, and its share of fixed investment in manufacturing increased from 21 to nearly 49 percent. The public sector dominates the basic industries. Nevertheless, the private sector has emerged as an increasingly important and dynamic element in the economy and is beginning to shift its orientation from consumer goods to intermediate and investment goods, and from the domestic market to exports.Private sector investment increased at nearly 11.5 percent per year in real terms during 1967-1977 compared to an average annual increase of only 4.8 percent between 1963 and 1967.

However, Turkish development between 1963-1977 exhibited a number of stuctural characteristics which are of considerable relevance to future development policy. First, for a country of Turkey's size and per capita income, it has a very low level of exports relative to GDP,only about 4 percent in 1977 as against a more or less "normal"import level of around 20 percent for middle income countries; this highlights the vulnerability of the balance of payments and the importance of export development to sustain the needed inflow of foreign exchange resources. Second, while the level of investment relative to GDP increased rapidly and compares favourably with that of other developing countries,mobilisation of domestic savings has lagged: the ratio of domestic savings to GDP, is well below the average for middle income countries; the growing gap between domestic savings and investment led in the mid-1970s to a relatively high level of external borrowing, and domestic inflationary pressures emanating from excess demand and deficit financing.Third,a comparatively high proportion of the labour force is still in agriculture, reflecting significant disguised unemployment and the need for accelerated job creation in non-agricultural activities; that in industry is low compared to, other large middle income countries; furthermore, the relatively inadequate generation of additional employment has become more serious following the near cessation of workers' migration to Europe since 1974. Fourth, despite the growing dynamism of the private sector, the industrial scene is dominated by inefficient State Economic Enterprises (SEEs) which have not been exposed to market forces and serve not only economic but social goals; their growing deficits have imposed an inflationary burden on the budget, while their ambitious investment programmes were financed through Central Bank borrowings, since their controlled prices have not, until recently, enabled most of them to generate sufficient cash to cover costs or investment expenditures.Fifth, due to the successes achieved since the early sixties through economic planning, there has been an increasing tendency to plan to a micro-level and to seek to achieve changes through administrative fiat; however, the economy has reached a stage where such excessive reliance on this becomes counter productive; planning needs to be increasingly geared towards setting a framework in which market forces can secure the desired economic results in both the public and private sectors.

THE ECONOMIC CRISIS AND STABILISATION EFFORTS

These institutional and structural characteristics of the economy made it particularly vulnerable to the sharp increase in import prices (including oil) in 1974 and the simultaneous occurence of recession, inflation and rising unemployment in the industrialised countries. These factors played a key part in the deterioration of the economy. However, the politically weak governments, their policies in response to these factors and their efforts to pursue a high growth policy despite the worsening international environment through increasing reliance on short-term external financing, together created forces which brought about the economic crisis in mid-1977.

Despite domestic and international efforts, 1979 was another difficult year for the economy; production stagnated, unemployment increased, inflation accelerated, the balance of payments position remained tight, export performance was poor, severe import rationing continued and the external debt position remained precarious.Policy initiatives taken until then proved inadequate to reverse the tide, as political and economic uncertainties continued to erode the impact of the measures taken.

Compared to a growth of 3 percent in 1978, GDP stagnated in 1979. Value added in agriculture increased by 3.1 percent, and in services by about 0.3 percent, but in industry value added declined by about 5.6 percent.In agriculture, further growth was held back by a sizeable decline in production of industrial crops, mainly cotton, and a bad olive crop; the area cultivated declined, due to shortages of fuel and fertilisers. In industry, worsening shortages of imported raw materials and energy, especially oil, led to a reduction in production of about 3.5 percent. Production of the manufacturing SEEs declined by about 2 percent, and was manifested by decreases of 28 percent in cement production, 9 percent in steel production and 51 percent in certain petroleum production and processing operations. In contrast, the construction and transport sectors grew modestly, but insufficiently to overcome the decline in other sectors. This stagnation was accompanied by unprecendented inflation of about 65 percent in 1979.

The overall public sector deficit increased from 52 billion TL in 1979 to 121.7 billion TL in 1980. It was financed mainly by borrowing from the Central Bank (103 billion TL). The consolidated budget and the operations of the SEEs were almost equally responsible for the enlarged deficit. The deterioration in the consolidated budget was caused mainly by a sharp increase in transfers to the SEEs, which in 1980 amounted to 151.9 billion TL.

On the external account, there was a marginal fall in the value of recorded exports of goods to $2.3 billion, although in volume terms, exports actually declined by an estimated 17 percent. At $ 5.1 billion the value of merchandise imports was about 10 percent higher than in the previous year: but due to substantial price increases. the volume is estimated to have fallen by 19 percent. The current account deficit in 1979 was roughly the same as in 1978, i.e. around $1.2 billion.

Turkey achieved some success in diversifying the sources, and increasing the level, of M and LT commitments, including $250 million in project credits from the Saudi Fund. Perhaps the most important arrangement arrived at was the May 1979 OECD sponsored pledging of $1.45 billion in special assistance, including about $900 million in M and LT bilateral credits and export credits, besides $407 million of medium-term credits from commercial banks (finalised in September 1979). However, actual capital inflows were about the same as in the previous year.

Also, throughout 1979, Turkey made a major effort to alleviate the critical burden of external debt through; (a)slowing of shortterm liabilities; (b)debt relief arrangements; (c)efforts to pursue new sources of credits, especially M and Lt credits. The first debt relief operation, arranged through the OECD consortium for Turkey in May 1978, involved consolidation of $1.14 billion in arrears on guaranteed short-term and bilateral M and LT debt, as well as amounts due over the thirteen month period May 21, 1978 to June 30, 1979. A second major re-scheduling took place in July 1979, involving payments of about $1.02 billion on official bilateral and private guaranteed credits due between July 1, 1979 and June 30, 1980. A third major arrangement, finalized in July and August 1979 with commercial banks, rescheduled convertible lira deposits ($2.3 billion), banker's credits ($429 million) and third party reimbursement credits ($300 million). About $317 million in oil debt was also rolled over. The total amount thus rescheduled was about $5.5 billion. This was perhaps the largest debt rescheduling operation anywhere. Even so, net arrears of about $500 million emerged given the remaining high debt service burden in 1979.

M : Medium term
LT: Long term

JANUARY 1980 STRUCTURAL ADJUSTMENT PROGRAMME AND POLICY OBJECTIVES

Against this background, it was quite clear that drastic and painful stabilisation measures were not enough to reverse the adverse economic tide. What was needed, was a major programme of long-term structural adjustments, if the economy was first to be nursed back to normalcy and then to resume viable growth. Such a bold and far-reaching programme of policies to effect structural adjustments in the economy over the medium term was announced on January 25, 1980, accompanied by initial measures to implement adjustments in certain cricital areas. The policy objectives underlying the programme, and the measures it initiated,represented a basic departure from past planning objectives. Turkey has undertaken, through it, the essential first steps to foster major structural and institutional changes in the key economic areas.

The programme's stated goal of "bringing about a major re-orientation of the economy" calls for: (i)greater reliance on market mechanisms and forces, by both the Public and private sectors; (ii)reduction in the rate of inflation; (iii)improved management of the balance of payments and external debts; (iv)policies to encourage the Public and private sectors to be efficient and internationally competitive; (v)the implementation of rational exchange rate policies and of measures encouraging exports; (vi)domestic resource mobilisation efforts to be substantially augmented through increased tax efforts, realistic SEE pricing, and increased private savings via the banking system and the development of financial markets; (vii)an investment policy aimed at fuller utilisation of existing productive capacity and completion of ongoing projects requiring modest inputs, and tailored to scarce resources; and (viii)conditions to stimulate foreign investments in oil, industry and agriculture.

Successful implementation of this programme over the medium-term, will require persistence and courageous action on the part of the Government. It will also call for substantial support from the international community,without which it is unlikely to succeed.However, if Turkey implements it vigorously, and periodically makes critical in-depth reviews as to the impact of the measures and what further modifications and adjustments are needed to achieve the programme's economic goals, it will strengthen the basis for Turkey's credit-worthiness and re-establish a path of stable economic growth.

Following the announcement of this programme,the IMF approved a modification of the terms of the July 1979 Standby Arrangement and the release of larger second and third tranches on February 21 and March 24, 1980. In addition, SDR 71.6 million ($93 million) in compensatory financing for export shortfalls was provided on February 21, 1980, together with the modification of the Standby. In all, this resulted in the provision of $301 million (SDR 231.6 million), with the remaining $26 million (SDR 20 million) to be provided in June. However, on June 18, this Standby was cancelled. The IMF board approved a new three-year Standby Arrangement involving SDR 1.25 billion ($1.63 billion), with SDR 460 million ($600 million) in the first year, SDR 400 million ($522 million)in the second year and SDR 390 million ($509 million)in the third year.The key conditions of the new Standby are that; (i)exchange rate policy is to be kept more flexible; (ii)the financial position of the Public sector is to be improved, mainly as a result of the restructuring of the operational policies of the SEEs; (iii)monetary conditions are to be kept extremely tight, as a result of the observance of limits on Central Bank lending; and (iv)interest rates are to be adjusted to reflect market conditions.

In addition, Germany took the lead in organizing the provision of sizeable external assistance, as well as a further debt relief operation. In meetings under OECD auspices in March and April, $1.16 billion of bilateral aid was pledged, with much more rapid disbursments than in 1979.The World Bank also supported OECD's and IMF's efforts through a $200 million Structural Adjustment Loan in March 1980. Furthermore, about $2.5 billion in service payments to OECD countries on Public and Publicly-guaranteed debts falling due prior to June 1983 were rescheduled, again under OECD auspices, in July 1980. This included all arears up to June 30, 1980, payments due prior to June 1983 on debt not previously rescheduled, and payments due up to June 1981 on debt already rescheduled in 1978 or 1979. Ninety percent of these sums were rescheduled over 8 to 10 years, including 4 to 5 years of grace, and with these developments, Turkey secured debt relief estimated at $1.1 billion in 1980 and another $0.8 billion in 1981, with smaller amounts thereafter. The only sizeable new commitment in the later months 1980 was a $250 million cash loan on 15 year low-interest terms from Saudi Arabia, which had been disbursed by the Spring 1981.

ECONOMIC DEVELOPMENTS IN 1980 AND OUTLOOK FOR 1981

As expected, the initial impact of the January 1980 package was to exacerbate many of the economic pressures. Uncertainty about the course of future policies and about the timing and pace of economic recovery, as well as tight monetary conditions aimed at reducing aggregate demand, slowed investments and economic growth. Devaluation and the removal of price controls on both private business and SEEs, while necessary to alleviate allocative distortions in the economy, contributed to a large initial upsurge in the rate of inflation. Also as expected, the financial rehabilitation of the SEEs and their reorientation to market conditions has only begun, and will require more fundamental changes than price liberalization alone over the medium term. Budgetary transfers to the SEEs to cover remaining operating subsidies and investment expenditures continued to rise for sometime. Inflation has come down sharply, and indeed more rapidly than expected; the impact of higher import prices (especially for oil) has been alleviated by a commensurate increase in capital inflows; and the later part of 1980 saw a very modest resumption of economic growth.

For the full year, GDP growth has most recently been estimated at a negative rate of 0.6 percent, with 1.2 percent growth in agriculture and a marked reduction in industrial output. Public investment continued to fall in real terms and private investments was even more depressed. Unemployment rose and is still rising, whilst, real disposable incomes have fallen. As mentioned above, inflation, which averaged over 100 percent in 1980, has since slowed considerably.

The outlook for the full year 1981 is slightly more promising, although the balance of payments position is likely to remain extremely difficult. Assuming the impact can be mitigated, the growth rate of real GDP is projected to be about 3 percent, with value added in agriculture and industry growing by 3 percent each. Investment is likely to grow only by about 1 percent, after real falls in recent years. The Government hopes to reduce the rate of inflation substantially again. The external position is expected to remain tight. Exports should grow by about 45 percent to $4.2 billion, and imports by about 25 percent to $9.5 billion, in nominal terms. As in 1980, the volume increase in imports is likely to be negligible due to increases in import prices, especially for oil, and hence rationing of imports to primary necessities only will have to continue. With only a modest rise in service receipts and workers' remittances, the current account deficit in 1981 is expected to be $3.1 billion. Turkey has already begun to make preparations to meet the very large financing gap in 1981, and hopes to secure considerably higher capital inflows than in 1980, particularly gross public M and LT disbursements which need to be around $3.5 billion. Apart from the World Bank, IMF and commercial bank loans arranged or being processed, the Government is to receive further special aid from OECD members in 1981, in a probable total of about $1 billion.

TURKEY'S MEDIUM-TERM ECONOMIC PROSPECTS

The international oil situation, following the substantial end-1979 price increases, has a major impact on future prospects. Even if Turkey allows only a marginal increase in oil imports during 1980-1985 to sustain a gradual resumption of growth, the oil import bill is estimated to increase from $3.2 billion in 1980 to $6.1 billion by 1985; as a percentage of merchandise exports and non-factor services, this is equivalent to about 124 percent in 1980 and is likely to remain at about 70 percent until 1985. The pressure this will exert on Turkey's already difficult balance of payments position is obvious. The projected current deficit as a percentage of GNP in current dollars increased from 3 percent in 1979 to about 8 percent in 1980 and is projected to remain at or above 5 percent until 1984. Considering the limitation on available external assistance and given the need for continued sound external debt management, Turkey can sustain the projected annual current account deficits of the order of $3 - 3.5 billion annually in the short run, given further and already promised quick-disbursing assistance in 1981; the deficits are projected to decline to a sustainable $2.5 billion annually in the next years.

Taking into account international inflation and the substantial obligations for debt amortisation, despite the July 1980 debt rescheduling operation, this situation necessitates a large and sharply increasing annual average gross inflow of foreign capital, rising to $4 to 5 billion during the next five years. Such major inflows of foreign capital can only be sustained on the basis of prudent external debt management. In any case, debt service obligations are likely to remain high over the coming 5 years. In 1979, total debt service payments were 26 percent of exports of goods, non-factor services and workers' remittances after rescheduling payments. The ratio is projected to rise to around 45 percent in 1984, taking account of the July 1980 debt rescheduling. This, however, should represent the culmination of the financial consequences of the present crisis and the debt burden should remain manageable, provided the structural adjustment policies are successfully implemented and the export drive is sustained.

Given the accumulation of economic problems of the last four years, the political difficulties, the significantly increased cost of oil imports, and the difficulty of substantially increasing the net inflow of capital, projections suggest that GDP growth in real terms may average around 4 percent p.a. with a real growth of exports of about 9 percent p.a. during 1980-1985.

These growth rates appear attainable, assuming continuation of appropriate economic measures (including those announced in January 1980), and taking into account the low export base and present underutilisation of capacity.

The government which assumed power on September 12 1980 is determined to pursue the programme of structural adjustments announced in January 1980, as well as the economic policies and commitments agreed with the World Bank, IMF and members of the OECD Consortium for Turkey. Indeed, two days after the takeover, both the Bank and the IMF were officially informed of this decision.

CHAPTER II

NATIONAL ACCOUNTS,

INVESTMENTS, PUBLIC FINANCE, PRODUCTION

1. PERFORMANCE OF GNP AND GDP IN 1980

The latest estimates by the State Institute of Statistics (SIS) put the 1980 GNP growth in real terms at a negative rate of 0.7 per cent, compared with a nagative growth rate of 0.3 percent in 1979. National Income accounts released in April 1981 also show a 103.3 percent increase in the GNP deflator, which is the most comprehensive price index available. A fall in real output with a sharp increase in the rate of inflation only indicates that the economic crisis reached its nadir in 1980. Indeed, the economy showed a small but nevertheless encouraging upturn later in the year.

The SIS estimates released on September 15, 1980 anticipated a negative growth rate of 2.2 percent. However, these estimates were based on production data for only the first seven months of the year and thus could not be taken as definitive. Indeed, the latter part of the year, and especially the period after September 12, 1980, witnessed an increase in economic activity in general, and in industrial activity in particular, which quite markedly improved the average for the year as a whole.

The fall in the growth rate was largely due to the decline in industrial output. Despite the rehabilitation measures taken and other efforts made by the government to boost industrial production, the National Income accounts show that industry failed even to maintain its 1979 output level. Output of the industrial sector as a whole dropped by 3.1 percent; whereas the Mining and Electricity-Gas-Water sub-sectors achieved gains of 1.9 percent and 3.2 percent, respectively. Manufacturing output fell by no less than 3.9 percent. The other sector of the economy which was as badly hit as industry was Communications and Transport; here, the downturm was of no less than 4.1 percent.

It is widely held that the fall in manufacturing output was largely due to shortages of energy supplies, of imported raw materials and of credit facilities. The importance of each of the three components of this contention have, however, been exaggerated. In particular, the foreign trade returns show that crude oil imports in 1980 increased by 55.4 percent as compared with 1979 and by 3.7 percent as compared with 1978. Furthermore, non-oil imports increased by 20.3 percent in value, from $3.362mn. in 1979 to $4.046mn. last year. Total imports in 1980 showed an increase of no less than 51.1 percent over 1979.

Whatever the real causes of the recession in the manufacturing sector, its impact on the welfare of the population and its implications for economic policy remain unchanged. The industrial sector accounts for almost one-fourth of GNP and hence its performance, good or bad, is likely to affect the rest of the economy. In a country such as Turkey which identifies development with industrialisation, economic policies should aim above all at providing industry with the required raw materials and energy supplies. During 1980, this requirement was very largely met.

The National Income accounts shown in the following table indicate that it was the traditional Agricultural sector which once more saved the face of the economy in 1980. The agricultural sector succeeded in increasing its output by 1.2 percent compared to the previous year, and in raising its share of the GNP from 22.1 percent in 1979 to 22.5 percent in 1980.

Positive agricultural growth does not imply, however, that the sector is immune to economic and financial crisis. Past experience has shown that, climatic conditions aside, the sector is heavily influenced by the availability of fertilisers and fuels, both of which are largely imported.

The construction sector merely stagnated in 1980. On the other hand, it was only logical that the decline in industrial output would have a negative effect on the income of distributors and retailers. Accordingly, at constant (1968) prices, the contribution of the Commercial sector to GNP dropped from 27.9 bn. TL. in 1979 to 27.7 bn.TL. and that of the Private Professions and Services fell from 10.5 bn. TL. to 10.4 bn. TL. in 1980. Percentage-wise, output of the Commercial sector decreased by 7 percent whilst that of Private Professions and Services, and also that of all Industries, decreased by 8 percent. Public Services' output increased by 5.8 percent and, together, this sector with all Industries thus produced a negative contribution of 0.1 percent. But on the other hand, during 1980 Import taxes decreased considerably by 22 percent and Income from abroad fell by 7.5 percent. As a result of all these developments, GDP fell by 0.6 percent and GNP by 0.7 percent.

A serious problem now facing the Turkish Economy is whether 1981 will be any better. Production figures for the first quarter of 1981 are available. The early indications are that GNP will show a better preformance this year.

It is realistic to assume that the Turkish Economy hit the bottom of the recession in 1980 and that it will improve in 1981, probably not to the extent foreseen in the 1981 Development Programme but considerably above the 1980 growth rate.

Growth in agriculture in 1981 has been estimated at 3 percent for two reasons: First, because the long run trend of the agricultural sector shows 3.5 percent growth rate as an annual average. Secondly on a cyclical pattern, Turkish agriculture progressively moved from a negative rate of 1.2 percent in 1977 to positive rate of 1.2 percent in 1980.

GROSS NATIONAL PRODUCT BY PRODUCING SECTORS
(at 1968 Prices)

(Million TL.)

Sectors	1979	%	1980	%	1980/1979
1. Agriculture	45,989.0	22.1	46,552.6	22.5	101.2
a)Farming	44,046.8	21.1	44,487.8	21.5	101.0
b)Forestry	1,401.8	0.7	1,432.6	0.7	102.2
c)Fisheries	540.4	0.3	632.2	0.3	117.0
2. Industry	51,050.2	24.5	49,548.7	24.0	97.1
a)Mining	3,713.3	1.8	3,781.9	1.9	101.9
b)Manufacturing	43,316.6	20.8	41,618.6	20.1	96.1
c)Electricity, Gas&Water	4,020.3	1.9	4,148.2	2.0	103.2
3. Construction	13,068.7	6.3	13,173.2	6.4	100.8
4. Trade	27,909.0	13.4	27,710.1	13.4	99.3
5. Communications&Transport	19,238.9	9.2	18,450.1	8.9	95.9
6. Financial Institutions	6,845.8	3.3	6,969.0	3.4	101.8
7. Ownership of Dwellings	10,806.2	5.2	11,249.3	5.4	104.1
8. Private Professions & Services	10,500.6	5.0	10,416.6	5.0	99.2
9. Banking Services	3,787.0	1.8	3,855.1	1.9	101.8
10. Industries Total (1-9)	181,621.4	-	180,214.5	-	99.2
11. Public Services	19,415.5	9.3	20,545.5	9.9	105.8
12. Total (10-11)	201,036.9	-	200,760.0	-	99.9
13. Import Taxes	4,449.7	2.1	3,470.8	1.7	78.0
14. GDP (at market prices)	205,486.6	-	204,230.8	-	99.4
15. Factor Income From Abroad	2,856.5	1.4	2,642.3	1.3	92.5
16. GNP (at market prices)	208,343.1	100.0	206,873.1	100.0	99.3

GROSS NATIONAL PRODUCT BY PRODUCING SECTORS
(at current prices)
(mn. TL.)

Sectors	1979	%	1980	%	1980/1979
1. Agriculture	473,327.3	21.3	926,664.8	20.5	195.8
a) Farming	455,236.1	20.5	891,133.8	19.8	195.8
b) Forestry	12,800.8	0.6	24,500.6	0.5	191.4
c) Fisheries	5,290.4	0.2	11,030.4	0.2	208.5
2. Industry	527,228.6	23.6	1,122,469.7	25.0	212.9
a) Mining	23,331.4	1.0	64,947.6	1.4	278.4
b) Manufacturing	470,437.7	21.1	971,039.2	21.6	206.4
c) Electricity, Gas&Water	33,459.5	1.5	86,482.9	1.9	258.5
3. Construction	106,139.2	4.8	217,691.5	4.8	205.1
4. Trade	310,525.4	14.0	667,629.6	14.9	215.0
5. Communications&Transport	228,869.5	10.3	467,809.3	10.4	204.4
6. Financial Institutions	56,667.1	2.5	118,944.2	2.6	209.9
7. Ownership of Dwellings	92,853.8	4.2	205,206.9	4.6	221.0
8. Private Professions & Services	113,812.0	5.1	236,159.9	5.3	207.5
9. Banking Services	28,264.2	1.3	59,326.5	1.3	209.9
10. Industries Total	1,881,158.7	-	3,903,249.4	-	207.5
11. Public Services	235,229.5	10.6	377.626.9	8.4	160.5
12. Total (10-11)	2,116,388.2	-	4,280,876.3	-	202.3
13. Import Taxes	65,557.2	2.9	106,202.0	2.4	162.0
14. GDP (at market prices)	2,181,945.4	-	4,387,078.3	-	201.1
15. Factor Income From Abroad	43,626.1	2.0	107,189.3	2.4	245.7
16. GNP (at market prices)	2,225,571.5	100.0	4,494,267.6	100.0	201.9

GROWTH RATES OF VALUE ADDED

(At constant 1968 prices %)

Yıllar	AGRICULTURE	INDUSTRY	SERVİCES	GDP	GNP
1973	-10,1	11,3	8,0	4,1	5,4
1974	10,3	8,3	8,2	8,8	7,4
1975	10,9	9,0	7,9	8,9	8,0
1976	7,6	10,3	8,6	8,7	7,7
1977	-1,2	12,9	5,8	5,7	4,0
1978	2,4	3,7	4,1	3,6	3,0
1979	3,1	-5,6	0,3	-0,5	-0,3
1980	1,2	-2,9	0,5	-0,6	-0,7

With more imported inputs including oil available to Turkish agriculture in 1980, it is reasonable to expect a higher growth rate in this sectors in 1981.

GROWTH RATES

	1980	1981
Agriculture	+1.2	+3.0
Industry	-2.9	+3.0
Services	+0.5	+2.8
GDP	-0.6	+2.9
GNP	-0.7	+3.0

Industry has hit its lowest level in 1980 with a decrease of 2.9% due to a number negative factors:

- Effects of Price Stabilisation: Following the January 1980 devaluation a series of prices hikes considerably decreased demand for many goods;

- The rate of increase in incomes was seriously reduced through more conservative and more cautious policies as regards wages and salary awards and agricultural support prices;

- The increase in interest rates affected the opportunity-cost of using money for consumption and increased the propensity to save.

GROSS NATIONAL PRODUCT
(1963-1979)
(in billion TL)

	Current Producers' Prices	% Changes	1968 Producers' Prices	% Changes
1963	66.8		84.2	
1964	71.3	6.7	87.6	4.0
1965	76.7	7.6	90.4	3.2
1966	91.4	19.2	101.2	11.9
1967	101.5	11.0	105.5	4.2
1968	112.5	10.8	112.5	6.6
1969	124.9	11.0	118.6	5.4
1970	147.8	18.3	125.4	5.7
1971	192.6	30.3	138.2	10.2
1972	240.8	25.0	148.5	7.4
1973	309.8	28.6	156.5	5.4
1974	427.1	37.9	168.0	7.3
1975	535.8	25.4	181.4	7.9
1976	670.0	25.0	195.3	7.7
1977	870.2	29.9	203.0	3.9
1978	1288.7	48.1	209.1	3.0
1979	2225.6	72.7	208.3	-0.4
1980	4494.3	101.9	206.9	-0.7

In the current year, in contrast to 1980, there has been a reversal of the conditions mentioned above:

- Price stability will in time allow demand to re-emerge.

- Stocks which in the recent past accumulated in anticipation of a rising rate of inflation are being depleted and will soon rech a level which will create a rise in demand.

IMPLICATIONS OF THE CHANGE IN THE PERCAPITA INCOME GROWTH RATE

Official estimates put the GNP growth rate at minus 0.7 percent in 1980. Given the high rate of increase of the Turkish population, there was a decline in per capita GNP in 1980 equal to 2.9 percent in addition to the 2.6 percent decline registered in 1979.

For a country which has the lowest GNP per inhabitant in the OECD area and which aims at not allowing the gap to become larger, the developments of the past two years constituted a major drawback.

PER CAPITA GNP
(1962-1979)

	Population Mid-Year 000	At Current Producers' Prices TL	At 1968 Producers' Prices TL	Real Increase %
1962	28,933	1,991	2,639	-
1963	29,655	2,151	2,839	7.6
1964	30,394	2,346	2,883	1.5
1965	31,151	2,463	2,901	0.6
1966	31,934	2,863	3,168	9.2
1967	32,750	3,099	3,220	1.6
1968	33,585	3,350	3,350	4.0
1969	34,442	3,626	3,443	2.8
1970	35,321	4,184	3,551	3.1
1971	36,215	5,318	3,816	7.5
1972	37,132	6,485	3,999	4.8
1973	38,072	8,138	4,110	2.8
1974	39,036	10,941	4,304	4.7
1975	40,025	13,386	4,532	5.3
1976	40,938	16,366	4,771	5.3
1977	41,871	20,783	4,849	1.6
1978	42,825	30,092	4,882	0.7
1979	43,801	50,812	4,757	-2.6
1980	44,799	100,321	4,618	-2.9

THE MACRO-EQUILIBRIUM OF THE ECONOMY

All the data used in this analysis was obtained from the Annual Programmes within the Five Year Plans and it is in current prices. To facilitate analysis, all data has been expressed as a percentage of total resources in the economy. GNP percentages are below 100 as the foreign deficit was in fact positive during the last five years. Foreign deficit decreased considerably in 1978 and 1979, to 2.6% and 2%, respectively, but rose to 4.7% in 1980.

As a result of the crisis, total investments dropped from 23.6% of total resources in 1977, to 22.1% in 1978, to 21.5% in 1979 and fell still further, to 20.3% in 1980. Public sector investment, after attaining an all time high of 11.5% in 1977, went down to an average of 10.2% for the following three years. As for the private sector, it remained at 10% of total resources for three consecutive years, then dropped to 8% in 1979 and to 7% in 1980.

After a rise of 1.4% in 1976, stocks increased by 2% in 1977 and 1978, then soared by 2.9% in 1979 and by no less than 3.5% in 1980. The available data indicates that total consumption remained on a 78% plateau for four consecutive years (1975-1978), increased slightly in 1979 and then rose sharply in 1980.

Public sector consumption continued to increase during the crisis, from a low of 10.7% in 1974 to 11.3% in 1975 to 12% in 1976 and to a regular 13% during the three years 1977-1979; finally it dropped to 12.1% in 1980.

Private consumption dropped to an all time low equal to 63.5% of total resources in 1977, but rose steadily thereafter and attained 67.6% in 1980.

MACRO EQUILIBRIUM of THE ECONOMY
(in current prices, as % of Total Resources)

	1973	1974	1975	1976	1977	1978	1979	1980
GNP	102.2	97.7	95.1	94.6	93.4	97.4	98.0	95.3
Foreign Deficit	- 2.2	2.3	4.9	5.4	6.6	2.6	2.0	4.7
Total Resources	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Investments	18.4	19.4	21.8	22.0	23.6	22.1	21.5	20.3
- Fixed Capital Investment	17.6	16.7	18.9	20.6	21.4	20.2	18.7	16.8
- Public	8.3	8.0	9.5	10.6	11.5	10.2	10.7	9.8
- Private	9.3	8.7	9.4	10.0	9.9	10.0	8.0	7.0
- Changes in Stocks	0.8	2.7	2.9	1.4	2.1	2.0	2.9	3.5
- Public				1.2	1.8	1.5	2.2	2.4
- Private				0.2	0.3	0.5	0.7	1.1
Consumption	81.6	80.6	78.2	78.0	76.4	77.9	78.5	79.7
- Public	12.2	10.7	11.3	12.0	12.9	13.0	13.1	12.1
- Private	69.4	69.9	66.9	66.0	63.5	64.8	65.3	67.6

Source: SPO. Annual Development Programmes.

RESOURCES and USES
(Annual Percentage Volume Changes)

	1963/1967	1968/1972	1973/1977	1978	1979	1980
GNP	6.7	7.1	6.5	3.0	3.1	0.8
Total						
Fixed Investment	9.4	8.1	14.8	-10.9	-9.0	-6.6
Public	8.5	6.5	16.7	-13.8	-5.0	-4.6
Private	10.5	9.8	12.8	- 6.8	-13.2	-9.3
Total Consumption	5.2	6.6	6.8	1.2	5.4	3.2
Public	7.7	12.3	10.4	- 3.3	5.0	6.8
Private	4.8	5.5	6.2	2.2	5.4	2.5
Total						
National Savings	16.2	9.1	6.3	0	-9.7	-9.7

2. INVESTMENTS

Investments declined by 6.6% in real terms in 1980. Within this total, the most serious decrease was in private sector investment, which was down by 9.3%, compared with a short-fall of 4.6% in Public Sector investment. The sectors more seriously hit were Energy (-13.1%), Tourism (-18.3%), Housing (-9%), Agriculture (-7.8%) and Transportation (-6.3%). Some of these sectoral reductions had forward and backward linkages which negatively affected a large number of other sectors in the economy. It is to be observed that the private as well as the public sector reacted to the economic crisis by reducing their fixed capital investments. Being more sensitive to conjunctural changes the private sector reduced its investments most drastically in the fields of Mining (-43.6%), Transportation (-12.9%) and Manufacturing (-12.6%). In this latter field, Public sector investments continued to increase (+1.4%) during 1980, indicating the relative insensitivity of public investments to recessionary movements in the economy.

FIXED CAPITAL INVESTMENTS
(at 1980 prices, million TL.)

	1979			1980			% Changes		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
Agriculture	33,110	27,960	61,070	30,420	25,900	56.320	- 8.1	- 7.4	- 7.8
Mining	35,145	3,195	38,340	34.620	1,800	36,420	- 1.5	-43.6	- 5.0
Manufacturing	114,575	86,995	201,570	116,240	76,020	192,260	1.4	-12.6	- 4.6
Energy	108,353	1,123	109,476	93,300	1,820	95,120	-13.9	62.1	-13.1
Transportation	87,101	52,789	139,890	85,030	46,000	131,030	- 2.4	-12.9	- 6.3
Tourism	3,252	2,465	5,717	2.170	2,500	4,670	-33.3	1.4	-18.3
Housing	12,721	140,340	153,061	9.300	130,050	139,350	-26.9	- 7.3	- 9.0
Education	15,163	943	16,106	17,280	700	17,980	14.0	-25.8	11.6
Health	7,240	1,272	8,512	7,510	820	8,330	3.7	-35.5	- 2.1
Other Services	26,649	13,699	40,348	27,030	14,390	41,420	1.4	5.0	2.7
TOTAL	443,309	330,781	774,090	422,900	300,000	722,900	- 4.6	- 9.3	- 6.6

Source: State Planning Organization

INVESTMENT - SAVINGS EQUILIBRIUM
(at 1980 prices, billion TL.)

	1979	1980	% Change
I. Total Savings	892.1	874.6	- 2.0
1) Total Domestic Savings	742.8	670.8	- 9.7
- Private	600.3	524.0	-12.7
- Public	142.5	146.8	3.0
2) Foreign Savings	149.3	203.8	36.5
II. Total Investments	892.1	874.6	- 2.0
1) Fixed Capital Inv.	774.1	722.9	- 6.6
- Private	330.8	300.0	- 9.3
- Public	443.3	422.9	- 4.6
2) Stock Changes	118.0	151.7	28.6
- Private	29.0	48.3	66.6
- Public	89.0	103.4	16.2

Source: State Planning Organization

FIXED CAPITAL INVESTMENTS
(at constant 1976 prices, million TL.)

	Fixed Capital Investments	Annual Growth Rate (%)
1963	38,973	
1964	39,620	1.7
1965	41,341	4.3
1966	49,212	19.0
1967	52,985	7.7
1963/1967	222,131	8.2[1]
1968	62,132	17.3
1969	69,023	11.1
1970	74,526	8.0
1971	70,994	-4.7
1972	78,101	10.0
1968/1972	354,776	8.3[1]
1973	91,729	17.4
1974	103,788	13.1
1975	128,517	23.8
1976	145,966	13.6
1977	155,986	6.9
1973/1977	625,986	15.0[1]
1978	140,353	-10.0
1979	132,694	- 5.4
1980	123,941	- 6.6

[1]Annual Average of the increase for the Five-Year Period

SHARE OF FIXED CAPITAL INVESTMENTS
WITHIN GNP - 1968 - 1980

Year	G N P	Fixed Capital Investment	%
1968/1972			17.8
1973/1977			19.8
1968/1977			18.8
1978	1,288,662	261,061	20.2
1979	2,225,572	414,961	18.6
1980	4,494,268	722,900	16.1

DEVELOPMENTS IN TOTAL INVESTMENTS
DURING 1968 - 1980
(at constant 1968 prices)

	Total Investments	% Change
1968/1972		7.3*
1973/1977		13.3*
1968/1977		10.3*
1978	47.176	-8.0
1979	46.239	-2.0
1980	45.195	-2.3

*Annual average change for the Five Year Period.

FIXED CAPITAL INVESTMENTS
(1979-1980)
(at constant 1976 prices)

(Million TL.)

	1979			1980			% Changes		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
Agriculture	5,762	4,314	10,076	5,294	3,996	9,290	- 8.1	- 7.4	- 7.8
Mining	6,456	587	7,043	6,360	330	6,690	- 1.5	-43.8	- 5.0
Manufacturing	21,039	15,975	37,014	21,345	13,960	35,305	1.4	-12.6	- 4.6
Energy	18,878	196	19,074	16,255	317	16,572	-13.9	61.7	-13.1
Transportation	15,530	7,315	22,845	15,161	6,374	21,535	- 2.4	-12.9	- 5.7
Tourism	515	390	905	344	396	740	-33.2	1.5	18.1
Housing	2,091	23,065	25,156	1,528	21,373	22,901	-26.9	- 7.3	- 9.0
Education	2,507	156	2,663	2,857	116	2,973	14.0	-26.3	11.6
Health	1,205	212	1,417	1,250	137	1,387	3.7	-35.8	- 2.2
Other Services	4,213	2,228	6,501	4,273	2,275	6,548	1.4	- 0.6	0.7
TOTAL	78,196	54,498	132,694	74,667	49,274	123,941	- 4.5	- 9.6	- 6.6

Source: State Planning Organization

SECTORAL DISTRIBUTION OF FIXED CAPITAL INVESTMENT

The sectoral distribution of Investment showed marked changes in 1980 as compared with the period 1973-1977.

SECTORAL DISTRIBUTION of FIXED CAPITAL INVESTMENTS (%)

	1975	1976	1977	1978	1979	1980
Agriculture	10.3	13.7	12.7	11.1	8.5	7.8
Mining	3.3	4.0	3.8	4.4	5.4	5.0
Manufacture	30.2	26.1	24.8	23.7	22.5	26.6
Energy	6.5	7.8	8.0	9.7	11.4	13.2
Transportation	20.7	21.3	23.3	23.8	19.8	18.1
Tourism	0.9	0.8	0.8	0.9	0.8	0.6
Housing	18.0	15.7	16.0	17.3	20.7	19.3
Education	3.3	3.6	2.8	2.6	2.0	2.5
Health	1.1	1.2	1.0	1.2	1.2	1.1
Other Services	5.7	5.8	6.8	5.3	7.7	5.7
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

SECTORAL DISTRIBUTION of FIXED CAPITAL INVESTMENT

	1973-1977 average			1980		
	Private	Public	Total	Private	Public	Total
Agriculture	13.62	10.11	11.83	8.6	7.2	7.8
Mining	0.55	6.68	3.68	0.6	8.2	5.0
Manufacturing	32.66	24.00	28.24	25.3	27.5	26.6
Energy	0.42	34.05	7.38	0.6	22.1	13.2
Transportation	16.12	24.83	20.57	15.3	20.1	18.1
Tourism	1.15	0.87	1.00	0.8	0.5	0.6
Housing	32.40	2.14	16.95	43.4	2.2	19.3
Education	0.22	6.22	3.28	0.2	4.1	2.5
Health	0.14	2.01	1.10	0.3	1.8	1.1
Other Services	2.72	9.09	5.97	4.8	6.4	5.7
TOTAL	100.00	100.00	100.00	100.0	100.0	100.0

PERCENTAGE SHARES of SECTORAL INVESTMENTS
in TOTAL GROSS FIXED CAPITAL INVESTMENTS

(constant 1976 prices)

YEAR	Agriculture	Mining	Manufacturing	Energy	Trans-portation	Tourism	Housing	Other[1]
1963	12.8	4.1	24.5	4.9	15.7	0.7	23.8	13.5
1964	14.4	5.6	20.1	6.8	14.3	0.9	22.1	15.8
1965	14.8	7.0	17.4	6.9	14.6	1.5	23.3	14.5
1966	13.1	6.7	18.4	6.4	16.4	1.8	23.0	14.2
1967	14.1	4.7	21.7	7.3	16.4	1.5	20.4	13.9
1963/1967	13.8	5.6	20.4	6.5	15.6	1.3	22.4	14.4
1968	13.8	3.1	23.1	8.7	16.2	2.3	18.5	14.3
1969	12.1	3.0	25.1	9.5	16.0	2.2	18.8	13.3
1970	10.6	3.5	25.5	10.6	15.6	2.1	20.6	11.5
1971	9.6	3.3	26.7	8.8	15.4	2.2	22.7	11.3
1972	9.8	3.5	32.1	7.3	16.7	1.6	19.5	9.5
1968/1972	11.1	3.3	26.7	8.9	16.0	2.1	20.1	11.8
1973	11.1	3.5	29.8	7.0	17.6	1.7	19.1	10.2
1974	10.6	3.4	30.7	7.0	19.0	1.2	16.9	11.2
1975	10.1	3.2	30.3	6.4	20.2	0.9	18.6	10.3
1976	13.7	4.0	26.1	7.9	21.4	0.8	15.8	10.3
1977	14.8	4.1	24.9	7.9	21.8	0.8	14.9	10.8
1973/1977	12.4	3.7	28.0	7.3	20.3	1.0	16.8	10.5
1978	11.1	4.6	24.9	10.1	22.9	0.8	16.8	8.6
1979	8.5	5.8	23.7	12.0	19.1	0.7	20.1	10.3
1980	7.8	5.0	26.6	13.2	18.1	0.6	19.3	9.3

[1]Education, health, and other services.

PUBLIC AND PRIVATE SECTOR PERCENTAGES OF TOTAL

FIXED CAPITAL INVESTMENTS
(1968-1980)

	Private	Public
1968/1972	47.7	52.3
1973/1977	49.9	50.1
1968/1977	48.8	51.2
1978	48.3	51.7
1979	42.7	57.3
1980	41.5	58.5

Fixed capital investments also fluctuated considerably as a percentage of GNP. After a gradual increase of the Fixed Capital Investment to GNP ratio from 16.5% in 1971 to 22.9% in 1977, there were sharp decreases to 20.2% in 1978, to 18.6% in 1979 and to only 16.1% in 1980.

FIXED CAPITAL INVESTMENTS
(as percent of GNP)

	GNP (at cons.68 prices)	at current prices
1970	18.7	18.3
1971	16.1	16.5
1972	17.2	16.8
1973	18.2	17.0
1974	17.3	17.8
1975	18.7	19.0
1976	20.1	22.8
1977	20.8	22.9
1978	18.0	20.2
1979	16.4	18.6
1980		16.1

NEW CONSTRUCTION

The volume of building completions continued to increase in 1980; this was a 15.9 percent rise over 1979 in the area for which occupancy permits were issued.

On the other hand; floor area for which new construction licences were issued decreased by 18% from 32.2 million m^2 in 1979 to 27.9 million m^2 in 1980.

An important reduction has also taken place in residential building; the floor area for which construction licences were issued decreased by 19.2% in 1980, from 27.4 million m^2 in 1979 to 22.1 million m^2 in 1980.

NEW CONSTRUCTION
(According to Occupancy Permits)

Year	Million TL.	1000 m^2	Chain Index	Cost per m^2 (TL)	Chain Index
1969	2782.6	8023.3	-	347	-
1970	3004.6	8092.8	100.87	371	106.92
1971	3308.3	8068.7	99.70	410	110.51
1972	4247.8	9676.3	119.92	439	107.07
1973	5598.1	10879.8	112.44	515	117.31
1974	7318.2	9809.3	90.16	746	144.85
1975	11648.1	11551.4	117.76	1008	135.12
1976	13306.2	12273.5	106.25	1084	107.54
1977	18818.5	14158.2	115.36	1329	122.60
1978	44662.8	14933.8	105.48	2991	225.06
1979	81148.2	15609.8	104.53	5199	173.82
1980	156604.6	18096.0	115.93	8654	166.46

NEW CONSTRUCTION
(Construction Licences Issued)

Year	Million TL.	1000 m^2	Chain Index	Cost per m^2 (TL.)	Chain Index
1969	6987.3	17987.3	-	388	-
1970	8120.2	19741.7	109.75	411	105.93
1971	7171.4	16909.5	85.65	424	103.16
1972	8686.4	19230.9	113.73	452	106.60
1973	13351.3	24484.5	127.32	545	120.57
1974	15136.0	20347.5	83.10	744	136.51
1975	23669.0	23337.3	114.69	1014	136.29
1976	32682.6	29618.3	126.91	1103	108.78
1977	40338.7	28972.2	97.82	1392	126.20
1978	92729.0	32237.2	111.27	2876	206.61
1979	176330.7	34047.3	105.61	5179	180.08
1980	244448.2	27934.0	82.04	875	168.97

RESIDENTIAL BUILDINGS
(According to Construction Licences Issued)

	Number of Licences	Floor area (000 m^2)	Chain Index	Cost (Million TL)	Cost per m^2 (TL.)	Chain Index
1973	64162	19,302.1		9,665.6	500	
1974	54850	15,872.7	82.2	11,412.7	719	143.8
1975	59134	18,195.0	114.6	17,818.9	979	136.2
1976	64964	22,394.7	123.1	23,561.1	1052	107.5
1977	63863	22,312.1	99.6	30,050.5	1347	128.0
1978	73251	25,155.2	112.7	71,541.6	2844	211.1
1979	77254	27,380.5	108.8	141,283.2	5160	181.4
1980	61539	22,123.7	80.8	193,256.2	8735	169.3

GAP IN RESIDENTIAL BUILDINGS

	Need (housing units)	Number of housing units(occupancy perm.)	% of needs covered
1979	277,641	123,723	44.6
1980	319,460	126,306	39.5

The gap in residential buildings has persisted in 1980. The gap of uncovered needs for residential buildings is around 60% and is an indication of the magnitude of the task lying ahead.

EVALUATION of THE PROPENSITIES to SAVE

After a considerable improvement for a quarter of a century during which domestic savings as a percentage of GNP moved rapidly from the low level of 10 percent in 1950-1955 to 18.6 percent in 1968-1973, there was a definite decrease in the domestic savings ratio in the half five years; it fell from 18.6 percent to 17.6 percent. Nonetheless, total savings continued to increase, albeit slowly, from 19.2 in 1968-1973 to 20.1 percent in 1974-1979 thanks to a considerable increase in foreign savings, from 0.6 percent in 1968-1973 to 2.5 percent in 1974-1979. The year 1980 saw a further deterioration to domestic savings, to only 14.9% of GNP However, total savings maintained their relative position at 19.4%, due to the fact that foreign savings increased from an average of 2.5% of GNP during the period 1974-1979 to 4.5% in 1980.

SAVINGS as PERCENTAGE
of
GROSS NATIONAL PRODUCT

Year	Domestic Savings	Foreign Savings	Total Savings
1950-1955	9.9	2.6	12.5
1956-1961	12.7	1.8	14.5
1962-1967	14.6	2.2	16.8
1968-1973	18.6	0.6	19.2
1974-1979	17.6	2.5	20.1
1980	14.9	4.5	19.4

AVERAGE PROPENSITIES to SAVE

Private Sector	Pr. D. I / G.N.P.	Pr. S. / Pr. D. I.	Pr. S. / GNP
1963 - 1967	0.812	0.105	0.085
1968 - 1973	0.794	0.126	0.100
1974 - 1979	0.807	0.112	0.104
1980	0.837	0.152	0.127
Public Sector	**Pu. D. I. / G.N.P.**	**Pu. S. / Pu. D. I.**	**Pu. S. / GNP**
1963 - 1967	0.188	0.379	0.071
1968 - 1973	0.206	0.418	0.086
1974 - 1979	0.193	0.374	0.072
1980	0.163	0.219	0.036
Turkish Economy	**D. S. / G.N.P.**	**F. S. / G.N.P.**	**T. S. / GNP**
1963 - 1967	0.156		
1968 - 1973	0.186	0.006	0.192
1974 - 1979	0.176	0.025	0.201
1980	0.149	0.045	0.194

Pr. D. I. Private Disposable Income
Pu. D. I. Public Disposable Income
Pr. S. Private Savings
Pu. S. Public Savings
F. S. Foreign Savings
D. S. Domestic Savings
T. S. Total Savings

A more detailed analysis has, however, to be mode to determine the origins of the decrease of domestic savings.

Private Savings

Private disposable income, the base for private savings, fell to 79.4 percent of GNP in 1968-1973, from 81.2 percent in 1963-1967 but during 1974-1979 it moved up again, to 80.7 percent. It rose further in 1980, to 83.7 percent. Private savings as a percentage of Private Disposable Income, in other terms, the average propensities to save out of private disposable income, showed a considerable increase in 1968-1973, moving to 0.126 from 0.105 in 1963-1967, but dropped considerably thereafter and was reduced to 0.112 in 1974-1979. However, a further increase took place in 1980 and this brought it to 0.152.

In spite of the decrease in the propensity to save the relative increase in private disposable income allowed the ratio of private savings to GNP to show an increase from 0.100 in 1968-1973, to 0.104 in 1974-1979 and to 0.127 in 1980.

Public Savings

The first factor in this connection is the relative decrease in the disposable income of the public sector; after a marked increase to 20.6 percent of GNP in 1968-1973 from 18.8 percent in 1963-1967, it dropped back to 19.3 in 1974-1979 and fell still further, to 16.3 percent in 1980.

On the other hand, Public Savings as a percentage of Public Disposable Income, decreased in 1974-1979. Thus it not only fell below its 1963-1973 level but also it dropped below the 1963-1967 level of 37.9 percent. In 1980 there was a further deterioration, which decreased the ratio to 21.9%.

As a result of these developments, Public Savings as percent of GNP moved in 1974-1979 back to their 1963-1967 level of 0.071 after having reached 0.086 in 1968-1973 but dropped sharply to 0.036 in 1980.

Domestic Savings

After having made a serious leap upward in 1968-1973, to 0.186 from a low 0.156 in 1963-1967, domestic savings dropped to 0.176 in 1974-1979. Various factors affected the trend of domestic savings, the primary of these being the flight from money, which during the recent bout of inflation lost most of its normal functions. The public sought alternatives which would enable them to hedge against inflation and fourd them is such assets as real estate, foreign exchange and consumer durables. Domestic savings, as a percentage of GNP, were held at 14.9 percent in 1980, in spite of the liberalisation of interest rates.

PER CAPITA CONSUMPTION EXPENDITURES (TL.)
(At 1968 prices)

	1977	1978	1979	1980
Total consumption	3.934	4.302	3.818	3.936
Private consumption	3.270	3.692	3.179	3.338
Public consumption	664	610	629	598

3. PUBLIC FINANCE

In its latest report on the Turkish Economy, which is a staff appraisal, the IMF has said that the Turkish stabilisation programme will have to continue to be pursued with determination for a number of years if the national economy is to make a sound and lasting recovery. Accordingly, it needs to be supported on a continuing basis by substantial external financial aid.

In this connection, the report says "the efforts of the Turkish authorities deserve the continued support of the Fund".

But the report has also identified the weak points in the Turkish economy, mainly the present status of the State Economic Enterprises and the budget performance.

The report, a thorough analysis of the Turkish economy, has noted with satisfaction the Turkish authorities' desire to observe the limits on Central Bank credits. It has equally noted with satisfaction that external competitiveness appears to have been broadly maintained. And the government's decision to shift to a more flexible and realistic interest rate policy has been welcomed.

But,so far as the IMF is concerned, the major blemish on the record is the substantial weakening of public finances. This is claimed to have given rise to a further build-up of arrears of payments to domestic suppliers, to have contributed to the disappointing performance of wheat exports by pre-empting Central Bank credits and to have led to a disproportionate squeeze on credit to the private sector.

The IMF is uncertain about the budget estimates for 1981, and fears that the overall deficit may be understated. Nevertheless, with effective tax reforms, which the Fund has welcomed, there is a reasonable prospect that the 1981 budget deficit can at least be held below the 1980 level.

With the introduction of the recent new tax legislation, Turkey hopes to reduce the 1981 budget deficit to around 58 billion TL, or to less than 1 percent of the Gross National Products (GNP).This is expected to permit not only a marked reduction in Treasury recourse to the Central Bank, but also a significant decrease in budgetary arrears.

The budget estimates prompt a number of question. If the projected impact of the tax reforms,both on the revenue side (+TL 200-225 billion) and on the expenditure side in the form of lower personnel expenditure (-80 billion TL) is disregarded, revenues and expenditures are both forecast to rise by more than 60 percent.One question is whether the projected increase in revenues is consistent with the assumed growth of nominal income --implying, as it does, an increase in the elasticity of tax revenue of more than one third from the average of the past five years. Alternatively, if the rate of inflation should turn out to be significantly higher than the assumed 40 percent the question arises as to whether it would then be possible to hold to the expenditure estimates-- especially given the budget plans for major increases in the volume of "other current" (mainly military) and investment expenditures, on the one hand, and the relatively modest growth budgeted for transfers, on the other.

The implicit increase in tax elasticity in 1981 is largely explained by the fact that a significant proportion of revenue (at least one-quarter) relates to incomes and transactions during the preceding year-- which, in the case of fiscal 1980, was a year of appreciably greater nominal income growth. As to expenditure, the estimates for both transfers and other current account outlays contained allocations for unidentified expenditure which would serve as "safety nets", and the need for transfers has been reduced as a result of the new revenue-increasing powers given to the municipalities. In addition, it was the authorities' intention that the appropriation for investment should, insofar as possible, serve as a cash limit. Even allowing for these considerations, depending on the rate inflation -- which remains extremely difficult to predict with any certainty-- either revenues are somewhat understated. However, this need not negate the attainments of the government's broader fiscal policy objectives (viz. to reduce both Central Bank financing of the deficit and budgetary arrears), particularly if tax reforms and expenditure controls are implemented with determination and complemented by bigger sales of government debt to the non-bank public.

The problems of the State Economic Enterprises are more complex. The Fund is of the opinion that the continued weakness of the SEEs exerts an unrelenting pressure on Public sector finances. This has been met in the past by allowing payments to fall more into arrears, thus transferring the burden to the private sector. The financial rehabilitation of these agencies, and their re-orientation to market conditions will require more fundamental changes than price liberalisation alone, although it remains absolutely imperative that prices be adjusted promptly and fully. Unless their productivity is greatly increased, there is clearly the likelihood that the SEEs will continue to be a major generator of inflation and work against the improvement of the economy which is being sought:

Little fundamental improvement can be expected in the SEEs' accounts in 1981. Official estimates look for a reduction of TL 23 billion in the operating deficit of these Enterprises, but this entirely takes up the expected once-for-all relief for the wage bill that is expected to result from the tax reform. The deficit to be incurred on account of the five "basic" goods and services is forecast to remain substantially unchanged (implying a reduction. in the real rate of subsidy), while the operating profit of the other SEEs is projected to approximately double that of 1980.

Following a paring of plans, SEE investment is expected to fall in volume-term in 1981. Even so, the financing picture remains discouraging. A welcome step is that borrowing from the Central Bank is to be strictly limited to two agricultured SEEs and will thus fall in amount. But budgetary transfers are again expected to grow apace (by nearly 70 percent) and a further build-up in outstanding accounts payable is seen as inevitable.

The authorities believe that it will take a number of years of unrelenting effort to solve the problems of the SEEs, which are deeprooted in nature. In 1981 as a first step in dealing with the fundamental problem of overstaffing, there is to be no increase in SEE employment, and in a number of Enterprises only 50% of positions falling vacant are to be filled. In addition, an effort is to be made to improve the quality of SEE management by raising salaries and lengthening the tenure of appointments. Alongside these measures to raise productivity, officials expect the pricing policy initiated in early 1980 to be implemented more vigorously in 1981 in the light of greater experience with the new approach and the expected diminution in political interference.

Following the 12th of September the new regime has succeeded, to an important extent, in depoliticising the SEEs. Appointments to key posts are not being made according to the political inclination of candidates, but according to their professional ability.

	1978	1979	1980
Budget Revenue	325,629	556,153	957,163
Budget Expend	346,023	608,220	1,078,919
Budget Deficit	-20,394	-52,067	-121,756
General Budget Deficit	-21,589	-58,524	-134,735

TAX REVENUES

Tax revenues for the fiscal year 1980 showed an increase of 85 percent in comparison with 1979.

Taxes on income showed a much lower rate of increase, equal to 99.3 percent, than those from services, which were equal to 124.6 percent.

On the other hand, taxes emanating from foreign trade increased by only 31.8 percent and taxes on commodities by 66.5 percent.

The rate of inflation in 1980 was of 94.7 percent, so that tax revenues as a whole increased at a lower rate than the rise in prices. Thus, the ratio of taxes to GNP decreased from an all time high of 19.3 percent to 16.6 percent in 1980. It is true that the performance of tax revenues showed considerable improvements over the last two decades, increasing from an average of 13 percent for the period 1963-1965 to 18.7 percent for the period 1975-1977; it was at the end of this period that the recession that continues to affect our lives. Tax burden went down to 18 percent during the recessionary period 1978-1980.

Budget Revenues
(March 1980-February 1981)

(million TL.)

	Budget Revenues 1979	Budget Revenues 1980	% Change
I.General Budget Revenue	512,592	920,818	79.6
A)Tax Revenue	403,776	747,198	85.0
Taxes on Income	231,660	461,727	99.3
Taxes on Capital	2,892	7,118	146.1
Taxes on Commodities	63,492	105,696	66.5
Taxes on Services	35,880	80,576	124.6
Taxes on Foreign Trade	69,852	92,081	31.8
B)Non-Tax Normal Revenues	91,152	139,476	53.0
C)Special Revenues and Funds	17,664	34,144	93.3
II.Internal Debt	-	17,404	-
III.Annexed Budget Revenues	-	14,171	-

Fiscal Burden (1963-1980)

1963-1965	13.0 percent	1972-1974	16.1 percent
1966-1968	14.2 percent	1975-1977	18.7 percent
1969-1971	15.4 percent	1978-1980	18.0 percent

Fiscal Burden (1975-1980)

Years	GNP	% Change	Tax Revenue	Change	Tax Burden
1975	535.8	25.4	95.0	45.8	17.7
1976	670.0	25.1	127.1	33.7	19.0
1977	870.2	29.9	168.2	32.4	19.3
1978	1,288.7	48.1	246.4	46.5	19.1
1979	2,225.6	72.8	403.8	63.8	18.1
1980	4,494.3	101.9	747.2	85.2	16.6

EXCISE TAX AMENDMENT

Excise tax provides a more secure source of revenue for the government in the overall Turkish fiscal structure. This is best illustrated by the estimates of the 1981 budget revenues; in these, excise taxes are projected to generate almost 500 billion TL.

The total excise tax must be paid to the tax collector by the producer of the goods or provider of the service. There is no scope for evasion.

Excise tax is added to the cost of the commodity along with the pre-determined margin of profit. In other words, the ex-factory price of any commodity is already excise taxed. These taxes are declared to the Finance Ministry every month.

Under the present system, not only commodities, but also Post Office services, communications, banking and insurance transactions are subject to excise tax at government-set rates. Imported commodities are similarly taxed so that they also provide revenue for the State.

In the view of many observers, the latest amendment to the excise tax now is designed to stimulate production, which stagnated throughout the past year. Now that the fight against inflation is being won (the indicators now put the annual rate at around 40 percent), the time has come to revitalise the Turkish industrial sector.

The decision to reduce the rate of banking and insurance transactions tax from 25 percent, will reduce the cost of credits to borrowers by 3.8 percentage points. Although rate annual interest rate on credits averages 38 percent, with the addition of 25 per cent transaction tax this became 47.5 percent. Thanks to the reduction of the tax to only 15 percent, the gross rate has fallen 43.7 percent.

The decision by the Central Bank to waive the 20 percent tax charged on re-discount transactions will reduce the cost of bill discounting by from 4 to 6 percentage points.

Re-discount credits are an important way of easing the money shortage but only the banks resort to this practive; they usually cash their commercial bills at the Central Bank at a discount of 30 percent. For bills sumitted by farmers and small businessmen, however, the discount rate is 20 percent. Previously, a 20 percent p.a. interest credit would increase the overall cost of rediscounting to 24%, and that of a 30% p.a. interest credit to 36%. With the amendment, these taxes have been totally abolished, a most welcome relief to the business sector.

In short, the cost of credits is being reduced, but in a manner which will not fuel inflation. There will be no big rush on banks to obtain these cheaper credits as the tight-money-and-credit policies are still being rigidly pursued.

On the other hand, the new ruling which subjects household appliances to excise tax at the rate of 8 percent may have adverse effects on the economy to the extent that home market demand is likely to taper off. But the thinking behind the imposition of this tax is that it will force producers to make greater efforts to find export outlets; those which do so will survive. At the same time, the tax is expected to increase Treasury revenue by 6 to 8 billion TL. per annum (Is this correct? seems a lot?)

The new ruling on advertising expenses should also be viewed in the same context. All advertisements and television commercials will henceforth be subject to a 15 percent tax and these expenses are not deductible for the purpose of income and corporate tax assessments. The major consequence of this ruling will be decreased advertising and commercials. But this will be offset by a reduction in overall costs, which were previously encumbered with excessive publicity expenses.

The decision to reduce the rate of excise tax on passenger cars from 25 percent to 15 percent has reduced prices by an average of 80,000 TL. per car. For trucks and other commercial vehicles, the price tag reduction amounts to 50,000 TL.

The new act empowers the Council of Ministers to increase and/or decrease the rates of excise tax by 80 percent. This will provide flexibility for the government in providing selective facilities to sectors which require special treatment in the interests of the economy as a whole.

4. PRODUCTION

The growth rate in the agricultural sector was 1.2 percent in 1980. While agricultural production has become less dependent on wheather conditions through the relative modernisation of production methods, farmers have in turn become more dependent on such industrial inputs as fertilisers, chemicals, spare parts for mechanical equipment and fuel for tractors and other machinery. The foreign exchange shortage does not appear to have seriously affected the availability of these supplies.

Industry

On the other hand, industrial production has been very seriously affected by supply shortages and energy rationing resulted from the foreign exchange bottleneck.

Credit restrictions were an additional depressive factor which influenced the decline in activity, in particular for the private sector, which accounts for some 60 percent of industrial value-added.

Indicators of industrial output bear out the decrease of 6 percent based on GNP data.

AGRICULTURAL PRODUCTION
(thousand tonnes)

	1978	1979	1980	% Annual Change
CEREALS				
Wheat	16,700	17,500	17,400	- 0.6
Barley	4,750	5,240	5,550	5.9
Maize	1,300	1,250		- 2.2
Rice	190	225	220	
PULSES	723	762	831	9.1
INDUSTRIAL CROPS				
Cotton	475	476	460	- 3.4
Tobacco	297	206	220	6.8
Sugar Beets	8,837	8,760	8,800	0.5
Potatoes	2,750	2,870	3,300	15.0
OIL SEEDS				
Sunflower	485	590	650	10.2
Cotton seed	760	762	736	- 3.4
OTHERS				
Citrus Fruits	1,081	1,147	1,050	- 8.5
Grape	3,496	3,500	3,350	4.5
Apples	1,100	1,350	1,100	-18.5
Hazelnuts	310	300	245	-18.3
Olives	1,100	430	1,050	162.5
Tea	449	556	570	2.7

PRODUCTION OF PUBLIC
ECONOMIC ENTERPRISES

The value of production of the State Economic Enterprises increased by only 0.5 percent during 1980. The appended list covering 17 Public enterprises shows positive increases for 13 of them and negative growth rates for 4 of them. The highest rates of increase were recorded by Etibank and Yem (Animal Feed), the production of which increased by 19.3 percent and 14 percent respectively. The four cases of negative rates of increase were Tekel's (monopolies) production decreased by 12.7 percent Sumerbank's by 7.8 percent, MKE's by 3.5 percent and Karabuk Iron and Steel by 1.5 percent.

In spite of the fact that all but 4 enterprises showed positive growth, overall production increased by only 0.5 percent, from 285.6 billion TL. in 1979 to 287.1 billion TL in 1980.

PRODUCTION OF THE
PUBLIC ECONOMIC SECTOR
(billion TL)

	1979	1980	1980 in 1979 prices	1980 % Real Change
Etibank	6.6	19.7	7.9	19.3
TEK	21.7	55.2	22.2	2.5
TKI	12.6	33.3	12.7	0.6
T.Seker	13.5	43.0	14.0	3.9
T.Cimento	4.9	13.9	5.3	8.5
Petrol	78.4	178.3	82.1	4.7
Seka	10.7	21.0	11.0	2.4
Sumerbank	16.7	34.9	15.4	-7.8
Azot	4.6	12.9	4.6	0.6
Yem	1.4	3.1	1.6	14.0
Tekel	41.7	90.7	36.4	-12.7
Karabuk	12.9	29.6	12.7	- 1.5
Eregli	17.3	37.8	17.7	2.1
Iskenderun	7.9	16.7	8.3	5.5
Petkim	12.5	27.6	12.8	2.5
MKE	8.7	16.8	8.4	- 3.5
Caykur	13.5	24.7	14.0	3.7
	285.6		287.1	0.5

DEVELOPMENTS IN THE PRIVATE
MANUFACTURING SECTOR

At current prices, production in private sector manufacturing almost doubled in 1980, rising from 464 billion TL. to 916 billion TL in 1980. But the price deflator for 1980 shows an average increase for Private Manufacturing equal to 106.9 percent, the lowest in Metal Industry, the highest in Chemicals, Petroleum and Coal.

As the price deflator was much higher than the rate of increase in the value of production, the real value of production decreased by 4.6 percent, with 7 of the 10 sub-sectors showing much bigger decreases. Only 3 sub-sectors showed positive growth in 1980; Chemicals, petroleum and coal by 15.7 percent, metal industry by 64 percent and non-metallic minerals by 1 percent.

The most serious decreases were recorded in the Cooperatives, sector, where production decreased by 31.1 percent and in Metal Products. Machinery and Transportation equipment where production decreased by 18.6 percent. Double digit rates of decrease were also recorded in the production of Forestry Products and Furniture and in Paper and Printing.

As could be expected the lowest rates of decrease took place in Food, Beverages and Tobacco (-5.7 percent) and in Textiles, Clothing and Leather (-7.8 percent).

With all these decreases in production, the percentage use of existing capacity further deteriorated in 1980

PRIVATE MANUFACTURING SECTOR
(billion TL)

	1979	1980 (Cur.pri.)	1980 (1979 pri.)	1980 % Change Current	Fixed	1980 Deflator
Food, Beverages, Tobacco	61.5	122.1	58.0	98.6	- 5.7	110.6
Textiles,Clothing,Leather	83.6	143.0	77.1	71.0	- 7.8	85.5
Forestry Prod.,Furniture	6.2	9.7	5.3	55.6	-14.4	81.8
Paper, Printing	9.3	18.1	8.1	94.5	-12.8	123.1
Chemicals,Petroleum,Coal	98.2	267.1	113.6	172.1	15.7	135.2
Non-Metallic Minerals	30.4	74.5	30.7	145.6	1.0	143.2
Metal Industry	36.7	68.9	39.1	87.5	6.4	76.2
Metal Pro., Machinery	122.9	189.6	100.0	54.2	-18.6	89.4
Others	1.7	2.9	1.5	66.5	-14.4	94.5
Cooperatives	13.7	20.2	9.4	47.2	-31.1	113.6
	464.3	916.4	442.9	97.4	- 4.6	106.9

OUTPUT OF
INDUSTRIAL PRODUCTS
(000 tonnes)

	1977	1978	1979	1980	% Change 1979	% Change 1980
MINING						
Coal (T)	4,393.0	4,292.1	4,051.3	3,596.6	- 5.6	-11.2
Lignite (K)	8,289.0	9,321.0	11,050.6	13,652.4	18.6	23.5
Chromite(K)	227.0	212.1	176.4	170.8	-16.8	- 3.2
Copper (K)	110.0	115.8	127.3	102.8	9.9	-20.0
Sulphur (KT)	20.0	20.0	21.0	23.0	5.0	9.0
Crude Oil (T)	2,713.0	2,654.3	2,832.9	2,316.5	6.7	-18.2
Tinkal (T)	135.0	158.9	192.0	224.0	20.8	17.0
Colemanite (K)	210.0	311.6	394.8	453.7	26.7	15.0
Wolfram(T)(Tonne)	-	7.7	257.5	394.8	-	53.3
Phosphate (T)	24.0	23.6	26.7	21.3	13.1	-20.0
Alumina (T)	170.0	74.3	75.2	137.5	1.2	83.0
ELECTRICAL ENERGY(T) (Kwh)	20,058.7	21,726.6	22,541.6	23,537.3	3.8	4.4
MANUFACTURING						
Food						
Sugar (T)	995.4	1,080.5	975.8	1,042.8	- 9.7	6.9
Tea (K)	77.4	89.1	102.0	95.9	14.5	- 6.0
Meat(K)	80.1	63.5	55.6	40.8	-12.4	-26.6
Milk(K)	11.6	12.7	17.6	15.8	38.6	-12.2
Tobacco,Beverages						
Filter Cig.(T)	27.8	29.4	28.6	27.0	- 2.7	- 5.6
Non-Filter C.(T)	28.3	22.1	27.8	21.3	25.8	-13.9
Raki(000 lt.)	46,823.0	43,621.0	42,642.0	44,414.4	- 2.2	4.2
Vodka(000 lt.)	5,374.0	5,344.0	4,831.0	4,203.9	- 9.6	-13.0
Bear(000 lt.)	58,576.0	56,131.0	41,813.9	35,376.3	-25.5	-15.4
Wine(000 lt.)	4,977.0	6,904.0	6,614.8	6,206.8	- 4.2	- 6.2
Textiles, Leather						
Cotton Yarn(K)	37.8	37.8	44.3	41.5	17.2	- 6.5
Cotton Textiles(K)	178.9	200.3	189.7	177.2	- 5.3	- 6.6
Woollen Yarn (K)	3.7	4.2	3.5	3.4	-16.7	- 3.6
Woollen Textiles(K)	5.9	6.7	6.6	4.8	- 1.5	-26.4
Handmade carpets(K)	38.7	46.5	76.6	67.0	64.7	-12.6
Machinemade carp.(K)	145.7	126.2	112.1	79.2	-11.2	-13.3
Shoes (K)(000)	2,755.0	2,495.0	2,828.0	2,525.0	13.3	-10.7
Paper (K)	339.3	303.5	301.8	300.3	- 0.6	- 0.5
Tyres (000's)						
Car Tyres(T)	1,285.1	1,737.0	1,387.9	1,529.0	-20.1	10.2
Truck Tyres(T)	913.5	1,062.0	1,182.6	1,223.6	11.4	3.5
Tractor Tyres(T)	296.0	404.0	372.3	473.3	- 7.8	27.1
Tubes (T)	1,613.3	1,765.0	1,737.8	2,091.6	- 1.5	20.4

(continued)

	1977	1978	1979	1980	% Change 1979	1980
CHEMICALS						
Borax (KT)	23.4	21.1	35.8	35.4	69.7	- 1.1
Boric Acid(T)	20.9	17.6	10.0	16.9	-43.2	69.0
Sodium Perborate(K)	10.8	5.0	5.4	10.0	8.0	85.2
Salt (K)	37.0	989.4	1.079.3	1.171.3	9.1	8.4
P.V.C. (K)	37.7	36.5	21.5	27.1	-41.1	26.2
Poliethylene (K)	25.6	20.2	17.2	16.3	-14.8	- 5.2
Carbon Black (K)	15.8	12.5	15.1	15.4	20.8	2.6
Synthetic Rubber(KT)	20.7	15.5	20.0	20.3	29.0	1.1
Polystyrene (K)	13.1	7.9	9.0	11.0	13.9	21.5
Caprolactum (K)	14.5	12.7	16.4	14.9	29.1	- 9.5
PETROLEUM PRODUCTS						
Gasoline (T)	2.391.6	2.066.1	1.891.9	1.935.3	- 8.4	2.3
Diesel Oil (T)	3.382.3	2.670.3	2.421.0	3.129.5	- 9.3	29.3
Fuel Oil (T)	6.355.6	5.797.3	4.284.5	4.645.7	-26.1	8.4
CEMENT (T)	13.832.0	15.340.0	13.812.0	12.875.0	-10.0	- 7.0
FERTILIZERS & BY PRODUCTS						
Ammonia (T)	152.1	264.1	248.4	321.0	- 5.9	29.2
Sulphuric Acid(T)	418.1	278.0	297.3	345.4	6.9	16.2
Phosphoric Acid(T)	166.3	127.6	160.4	166.2	25.7	3.6
Ammonium Nitrate(T)	972.9	1.265.4	1.660.8	2.217.9	31.2	33.5
Ammonium Phosphate(T)	1.812.0	1.236.6	1.603.5	2.051.0	29.7	27.9
IRON & STEEL						
Coke (T)	1.655.7	1.761.2	2.040.2	1.872.1	15.8	- 8.2
Steel(K)	1.613.3	1.710.0	1.966.0	1.908.4	15.0	- 2.9
Molten Steel(K)	1.400.7	1.636.0	2.277.6	2.294.7	39.2	0.8
NON-FERROUS METALS						
Copper(blister)(T)	31.8	26.2	22.2	15.9	-15.3	-28.4
Aluminium (T)	48.5	32.3	31.7	33.8	- 1.9	6.6
Zinc (K)	16.1	17.3	17.2	13.3	- 0.6	-22.8
Ferrochrome(T)	19.1	35.6	33.2	32.7	- 6.7	- 1.5
AGRICULTURAL MACHINERY(no.)						
Tractors(T)(no.)	31.380.0	17.772.0	14.487.0	16.748.0	-18.5	15.6
ROAD VEHICLES						
Trucks(T)	20.851.0	13.142.0	13.239.0	8.741.0	0.7	-34.0
Vans (T)	14.057.0	6.880.0	7.966.0	7.920.0	15.8	- 0.6
Cars (T)	58.245.0	53.590.0	43.554.0	32.028.0	-18.7	-26.5
Buses (T)	1.555.0	1.416.0	1.639.0	1.621.0	15.7	- 1.1
Minibuses(T)	5.397.0	3.155.0	4.134.0	2.747.0	31.0	-33.6
RAILWAY VEHICLES(no.)						
Locomotives(T)	53	52	35	40	-32.7	14.3
Wagons (T)	519	516	1.311	604	154.1	-53.9

Source: State Planning Organization

K Production of Public Enterprises

T Total Production

CHAPTER III

MONETARY INDICATORS

Since the introduction of the January 1980 stabilisation programme the monetary authorities are resolutely implementing the tight money policy laid down in the programme and in the three-year stand-by arrangement with the IMF.

How should a government fight against hyperinflation in a developing country? The answer given to this question by the majority of economists is that the correct policy can only be formulated by diagnosing the factors causing and maintaining inflation. But they also say that this is not a simple matter as too many diverse factors may be involved.

Turkey's case is no different. So far more than a dozen factors have been listed by economists as responsible for the galloping prices. Among these, however, excessive monetary expansion has been held as the most virulent. The view taken is that if the money supply grows at a higher rate than the national output, prices go up whether or not there are other inflationary pressures.

No doubt both the IMF and the Turkish monetary authorities also subscribe to this view. Each of the last three Stand-by arrangements which Turkey concluded with the IMF promoted the tight money policy to the rank of the most important performance criterion. The 1978 Stand-by arrangement lapsed only because the limits imposed on the monetary aggregates in the arrangement were not observed. But since the second half of 1978 the Turkish monetary authorities have conscientiously implemented a programmed and properly disciplined monetary policy.

Today they are proud to point out that the limits imposed on public sector credits and on the net domestic assets of the Central Bank in the last two Stand-by arrangements have been observed and that the overall monetary policy has been vigorously complied with.

Thanks to this disciplined monetary policy, the expansion of total credits and of the money supply in the economy have stayed within reasonable and predetermined bounds. In the course of the last year Central Bank credits went up by 71.5 percent from 382.1 bn TL. on December 31, 1979 to 655.2 bn TL. on December 31, 1980. In the same period, bank notes in circulation went up by 62.7 percent and the overall money supply by 49.7 percent. Compared to Western standards, these figures may seem to high for a monetary policy which aims at combatting inflation. Although this is of course true, it should be remembered that in the same period the Wholesale Prices

Index shot up by 94.7 percent, implying a decrease in the purchasing power of the money circulating in the economy, of approximately 20 percent. It should also be considered that it is not possible for the Central Bank to further cut its credits to the public and private sectors as they have for a long time -not to say traditionally- been accustomed to living with large volumes of heavily subsidised credit.

It is certainly not only the State Economic Enterprises which have found it difficult to operate with a limited volume of credit. On the contrary, it is the business community which complained most vigorously about the tight money policy despite the fact that Central Bank credits to the private sector went up by 86.7 percent, and the volume of credits from the banking system by 54.2 percent. Throughout that year, in fact as early as the second half of 1978, certain sections of business repeatedly complained of the tight money policy and even pressed the monetary authorities to relax their grip on credits on the sounds that investment and economic activity generally were being adversely affected and that it would not be possible to attain the growth and export targets set in the annual development programme.

In the view of some observes, the government's perseverance in maintaining its chosen course despite these repeated protests and pressures is remarkable. Some attribute the government's stand to the theory that, in point of fact, supply constraints have played a bigger part in restricting national output than has the credit squeeze. Others maintain that the protests are merely a reflection of the policy's success since it has effectively eradicated the excessive profit margins to which speculators and some merchants had become accustomed.

The tight money policy is an essential measure for combatting inflation and any deviation from the programme is out of the question. The era of cheap credit and easily earned speculative profits is over and business must of necessity learn to adapt to the requirements of a disciplined economy.

Though the tight money policy is meant to be irreversible, it is not intended that it should put an additional burden on industry, which is already suffering from various shortages. The main purpose of the tight money and credit policy is to bring down the rate of inflation by curtailing the aggregate demand. That some sections of the economy will suffer from the policy was known at the outset but it was regarded as the inevitable cost of controlling hyper-inflation.

The tight money policy which is being opposed by some sections of the business community will, in the long run, prove to be beneficial to the economy as a whole. So long as the hold on credits is maintained, industry and business will be forced to operate at a higher level of efficiency.Secondly, coupled with the liberalised interest rate policy, the squeeze on credits will induce a higher volume of domestic savings. Thirdly, the new policy will reduce the extent to which financial resources are wrongly allocated and, finally reduce the amount of capital circulating in the so called "parallel" or "free" money market, thus strengthening the financial structure of the economy.

This final goal cannot be attained solely by enforcing the tight money policy. The long awaited capital market fucntions and management bill has to be enacted for the realisation of this last objective.

1. MONEY, BANKING AND CREDIT

BANKNOTE IN ISSUE

The banknote issue increased by 52.1 percent during 1980 and raising the total issue from 183.8 bn TL. to 279.5 bn TL. During the same twelve months period, wholesale prices increased by 107.2 percent the cost of living (Istanbul) went up by 94.3 percent and the GNP price deflator rose by 103.3 percent.

During the previous few years, the banknote issue had increased more rapidly than prices (1976-1978) or at comparable rates (1979). But in 1980 the note issue was deliberately kept below the rate of inflation. The same thing was to be observed when relating the bank note issue to the total sources of the Central Bank. This rates was 26.4 percent in 1979 then it dropped to 20.1 percent in 1980.

It was possible to maintain the rate of increase in the note issue at 52.1 percent because the factors motivating a decrease in the note issue increased faster than those factors affecting the increase in the banknotes in issue. In fact, sources of the Central Bank excluding banknotes increased by 594.7 bn TL or by 115.8 percent whilst use of funds increased by 690.4 bn TL or by 99 percent. The rate of increase in banknotes in issue was 52.1 percent which raised the total note issue from 183.8 bn TL in 1979 to 279.5 bn TL in 1980.

The main factor affecting the increase in sources was foreign exchange liabilities, which increased by 225.9 percent or by 442.7 bn TL.

The main element affecting the use of funds was the Public Administration inclusive of advances to the Treasury, which increased its use of funds by 126.2 percent or 314.4 bn TL.

Another item of increase was gold and foreign exchange reserves; these increased by 357.4 percent or 211.2 bn TL.

BANKNOTES IN ISSUE

(Billion TL)

	Banknotes in issue	Annual Increase Billion TL.	Annual Increase %	As % of total Sources of Central Bank
1976	52.8	11.9	29.1	27.2
1977	78.7	25.9	49.0	27.1
1978	114.6	35.9	45.6	24.8
1979	183.8	69.2	60.4	26.4
1980	279.5	95.7	52.1	20.1

FACTORS AFFECTING THE VOLUME OF BANKNOTES ISSUED
(Billion TL)

	1976	1977	1978	1979	1980	% Increase
USE						
Gold + Foreign Exchange Reserves	23.2	16.3	42.3	59.1	270.3	357.4
Public Administration	47.0	83.5	139.4	249.2	563.6	126.2
Public Enterprises	25.5	46.5	67.6	123.7	180.2	45.7
Commercial Banks	71.8	100.1	150.5	213.7	316.8	48.2
Other Financial Institutions	22.3	35.8	41.7	47.2	48.7	3.2
Other Assets	4.1	8.1	20.0	4.3	8.1	88.4
Total Assets (Use)	194.0	290.4	461.6	697.2	1387.6	99.0
SOURCES						
Foreign Exchange Liabilities	71.0	81.4	130.4	196.0	638.7	225.9
Public Administration	3.9	5.6	6.1	14.3	74.9	423.8
Public Enterprises	0.2	1.0	1.6	2.5	2.8	12.0
Commercial Banks	52.3	106.7	175.0	260.8	299.5	14.8
Other Financial Institutions	0.2	0.1	0.7	0.2	0.2	
Other Sectors	4.1	3.7	17.6	26.5	58.2	119.6
Undistributed and Capital Ac.	9.4	13.1	15.7	13.1	33.8	158.0
Total Sources Excluding Banknotes	141.2	211.7	347.0	513.4	1108.1	115.8
Banknotes in Issue	52.8	78.7	114.6	183.8	279.5	52.1
Total Liabilities (sources)	194.0	290.4	461.6	697.2	1387.6	99.0

MONEY SUPPLY

The money supply, in all its definitions, increased less rapidly than in 1979. The same is true of the rate of increase in banknotes in circulation as well as of the various other components of the money supply.

Credit stock, the broadest category of monetary indicators, increased by 54.2 percent in 1980, approximately equal to the 1979 rate of 53.7 percent. All the components of the credit stock increased at lower rates than in 1979 except one important category, "Credits of the Commercial Banks"; this category increased by 57.4 percent in 1980 as compared to 56.7 percent in 1979. However, if the rate of inflation taken into consideration, it becomes clear that in real terms, credit was reduced by 13.6 percent in 1979, and by an even higher percentage, 19.2 percent in 1980.

When the main monetary indicators are considered in the longer term, it is clear that there was relative stability during the ten years covered by the first and second "Five Year Plans". But there was serious acceleration in the mid-seventies and again in 1978 and 1979.

When compared with the averages of 1978 and 1979, the rates of increase realised in 1980 need to be divided into two groups. The banknote issue increased at slower rate in 1980. On the other hand, money supply, Central Bank Credits, bank credits, the net credit volume and total deposits all increased at higher rates in 1980 than the averages for the previous two years.

MONEY AND CREDIT STOCKS
(Billion TL)

	1980	1979	% Increase 1980	1979
Banknotes in circulation*	229.3	140.9	62.7	57.4
Sight Commercial Deposits	244.6	152.6	60.3	75.2
M1 (old narrow definition)	473.9	293.5	61.4	66.2
Savings Deposits	181.5	143.7	26.3	38.3
Deposits with the Central Bank	3.1	2.7	14.8	
M1 (new narrow definition)	658.5	439.9	49.7	56.5
Savings Deposits	150.7	91.6	64.5	71.9
M2 (broad definition)	809.3	531.5	52.2	59.0
Direct Credits of the Central Bank	367.0	214.5	71.1	72.7
Credits of the Commercial Banks	678.3	431.0	57.4	56.7
Credits of the Development and Investment Banks	131.8	103.8	27.0	31.4
State Investment Bank Credits	40.0	40.2	- 0.5	14.9
Credit Stock	1,217.1	789.5	54.2	53.7

*Banknotes in circulation is the banknotes in issue minus banknotes in bank vaults

MAIN MONETARY INDICATORS
(Percentage Rates of Annual Increase)

	1963-1967 Average	1968-1972 Average	1973-1977 Average	1978-1979 Average	1980
Banknote Issue	15.5	15.1	31.2	53.0	52.1
Money Supply	16.8	18.6	31.7	46.9	49.7
- Banknotes and coins in circulation	15.3	12.9	31.3	53.2	62.7
- Deposit Money	17.8	21.7	31.3	45.0	54.8
Central Bank Credits	29.2	17.3	57.4	42.8	71.5
- Public	26.7	21.9	53.6	43.4	59.0
- Private	33.6	9.1	40.0	46.9	97.3
Bank credits	18.4	19.1	32.9	37.5	51.4
Net Credit Volume	19.8	19.6	38.2	40.8	54.2
Total Deposits	18.9	24.6	27.6	44.7	54.7

CENTRAL BANK CREDITS:

Central Bank credits increased by 71.5 percent in 1980, raising the total from 382.1 bn TL to 655.2 billion TL. The rate of increase was much higher than in 1978 and 1979 but was equal to the rate which prevailed in 1977.

Central Bank credits showed the following characteristics

a)Advances to the Treasury increased by 105.8 percent and their share of total Central Bank credits rose from 24 percent in 1979 to 28.8 percent last year.
b)Credits to support commodity purchasing policies increased by only 42.1 percent so that the share of such credits within the Central Bank's total fell to 22.5 percent, after a peak of 32 percent in 1976 and 1977 and reductions to 29 percent and 27 percent, respectively, in 1978 and 1979.
c)Credits to Agriculture increased by 126.6 percent raising their share to 10.8 percent as against 8.2 percent in 1979.
d)Credits to Industry increased by only 56.9 percent reducing their share to 30.9 percent from an average of 33 percent for the period 1976-1979.
e)Credits for Exports increased by 110.4 percent raising their share of total Central Bank credits from 2.8 percent in 1979 to 3.4 percent.

There is another increasing characteristic of export credits;they showed a cyclical variation (at least) for the last five years of one year of a high rate of increase being followed by a year of a low rate of increase.

f)Central Bank credits to Trade increased by 53.8 percent in 1980 less than the rate of increase of total Central Bank Credits and thus marginally reducing its share to 2.5% of that total.

CENTRAL BANK CREDITS
(Billion TL)

	1976	1977	1978	1979	1980	% Change 1979/1980
Short term advances to the Treasury	21.7	45.2	56.6	91.7	188.7	105.8
Support	35.2	60.9	70.1	103.6	147.2	42.1
Monopolies	7.0	15.2	21.4	28.1	35.7	27.0
Soil Product Office	12.2	18.6	21.5	25.5	40.2	57.6
Caykur (Tea)	1.3	3.3	5.6	11.1	12.9	16.2
EBK (Meat and Fish)	1.1	2.2	4.2	7.0	10.2	45.7
SEK (Milk)	0.2	0.5	0.6	0.8	1.2	50.0
Agricultural Sales Cooperatives	13.3	21.2	16.8	31.2	46.9	50.3
Agriculture	9.1	10.4	17.3	31.2	70.7	126.6
Agricultural Financing	6.4	6.4	10.0	14.5	23.0	58.6
Agricultural Credit Cooperatives	2.3	3.3	5.8	14.9	44.5	198.7
Others	0.4	0.7	1.5	1.8	3.2	77.8
Industry	37.0	62.0	78.9	129.1	202.5	56.9
State Economic Enterprises	4.5	7.5	14.5	50.5	79.8	58.0
Industrialists Bonds	4.5	10.0	10.7	11.2	40.4	260.7
Documented Exports	2.2	4.0	6.4	13.7	25.8	88.3
Medium Term	4.1	5.5	8.0	8.5	10.8	27.1
State Investment Bank	21.7	35.0	39.3	45.2	45.7	1.1
Artisans Credits	1.2	2.4	3.6	5.3	7.4	39.6
Exports	3.7	4.4	9.2	10.6	22.3	110.4
Trade	2.6	4.5	6.2	10.6	16.3	53.8
Total Credits	110.6	189.7	241.9	382.1	655.2	71.5

CENTRAL BANK CREDITS
(Percentage shares of Total)

	1976	1977	1978	1979	1980
Advances to the Treasury	19.7	23.8	23.4	24.0	28.8
Support Policy Credits	31.8	32.1	29.0	27.1	22.5
Agriculture	8.2	5.5	7.1	8.2	10.8
Industry	33.4	32.7	32.6	33.8	30.9
Artisans	1.1	1.2	1.5	1.4	1.1
Exports	3.4	2.3	3.8	2.8	3.4
Trade	2.4	2.4	2.6	2.7	2.5
	100.0	100.0	100.0	100.0	100.0
Percentage Changes From Previous Year					
Advances to the Treasury		108.3	25.2	62.0	105.8
Support Policies		73.0	15.1	47.8	42.1
Agriculture		14.3	66.3	80.3	126.6
Industry		67.6	27.3	63.6	56.9
Artisans		100.0	50.0	47.2	39.6
Exports		18.9	109.1	15.2	110.4
Trade		73.0	37.8	71.0	53.8
Total		71.5	27.5	58.0	71.5

COMMERCIAL BANKS' DEPOSITS AND CREDITS

The Commercial Banks' deposits increased at the rate of 54.7 percent, bringing the year-end total to 686.2 bn TL, as against 443.4 bn TL. at the end of 1979.

Commercial deposits showed an increase of 59.2 percent in 1980 which brought their share of total deposits to 35.6 percent.

As for savings deposits they increased by 48.7 percent, a rate substantially lower than the 59.7 percent recorded in 1979.

Sight deposits increased by 26.3 percent in 1980 much more slowly than in 1979, when they increased by 38.1 percent.

Time deposits, on the other hand, increased by 84.1 percent which is an impressive record if it is taken into consideration that practically the whole of this increase was realised in the second half of the year following the liberalisation of interest rates on 1st of July 1980.

DEVELOPMENTS IN BANK DEPOSITS
FOLLOWING THE JULY LIBERALISATION OF INTEREST RATES
(Billion TL.)

	December 1979	June 1980	December 1980	% Change 1st Half 80	% Change 2nd Half 80
Commercial Dep.	153.6	184.2	244.6	20.0	32.8
Sight Saving Dep.	143.7	162.1	181.5	12.8	12.0
Time Saving Dep.	91.6	98.2	168.8	7.2	72.0
Other Dep.	55.5	53.7	91.4	3.2	70.2
Total Dep.	443.4	498.2	686.2	12.3	37.7

REAL TERMS CHANGES IN SAVINGS DEPOSITS

	Savings Deposits (Bil.TL)	% Increase	% Increase in the Cost of Living[1]	Real % Decrease in Sav.Dep.	Real % Change in Total Dep.
1976	93.2	17.6	19.3	- 1.4	
1977	116.5	25.0	46.8	-14.9	-12.5
1978	147.3	26.4	54.0	-17.9	-15.2
1979	235.3	59.7	81.8	-12.2	-11.3
1980	350.3	48.9	75.1	-15.0	-11.6

Ministry of Commerce, Istanbul Cost of Living Index, December to December 12 months change.

COMMERCIAL BANKS' DEPOSITS

	1979	1980	% Change 1979	% Change 1980	% Distribution 1979	% Distribution 1980
Commercial Deposits	153.6	244.6	77.7	59.2	34.6	35.6
Saving Deposits	235.3	350.1	59.7	48.8	53.0	51.0
Sight	143.7	181.5	39.1	26.3	32.4	26.4
Time	91.6	168.6	107.7	84.1	20.6	24.6
Others	55.5	91.4	-	64.7	12.5	13.4
Commercial Banks' Deposits	443.4	686.2	60.9	54.7	100.0	100.0

DISTRIBUTION of BANK CREDITS
of
ECONOMIC SECTORS

	1973	1974	1975	1976	1977	1978	1979	1980
Agriculture	21.5	27.7	28.0	24.9	23.5	20.3	26.2	25.9
Industry & Mining	35.8	35.0	38.2	42.1	43.0	44.6	41.6	39.1
Construction	3.5	3.6	2.8	2.5	2.4	2.3	2.0	1.8
Foreign Trade	9.0	7.9	7.9	7.6	6.4	6.9	6.9	10.0
Domestic Trade	11.8	11.0	12.5	13.2	15.1	17.8	15.7	18.0
Local Administration	4.6	3.9	3.4	2.6	2.7	2.7	2.2	1.4
Miscellaneous	11.9	10.0	6.5	6.4	6.8	5.2	5.3	3.3
Interbank	1.0	0.9	0.7	0.7	0.3	0.2	0.3	0.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Percentage distribution of bank credits in 1980 gives evidence of the emphasis given to foreign trade as well as domestic. The share of credits to foreign trade jumped from around 7% to 10% and domestic trade from 15.7% in 1979 to 18% in 1980. Agriculture on the other hand kept its share, but credits to industry decreased from 41.6% to 39%.

BANK DEPOSITS AND INFLATION

An investigation of the rates of increase of the banknote issue and of total deposits over the past sixteen years shows an interesting relationship especially when looked at in conjunction with the rate of inflation.

At low levels of inflation, total deposits grew at higher rates than did the banknote issue and as the rate of inflation continued to grow there was a period when the two series rose at the same annual rate. At higher rates of inflation total deposits no longer responded to the rate of increase in the note issue. The elasticity of the ratio of total deposits to the banknote issue was considerably reduced. As a result of these changes the deposits/circulation ratio increased considerably, from 2.3 during 1965-1968 to 3 during 1969-1972 and to a high of 3.5 during 1973-1976, just before the crisis broke. During 1977-1980 the years of crisis and hyper-inflation, the deposits/circulation ratio dropped to 2.7.

When considered as a whole, the past 16 years show a remarkable similarity in the average rates of increase in the banknote issue and in the increase of total deposits, with the former increasing by 27 percent per year and the latter by 28.8 percent p.a. The rate of inflation, on the other hand, was also not very remote from these averages; it was 24.8 percent for the period, the years 1965 to 1980. As for the average ratio of deposits to circulation, it was 2.9.

RATES OF INCREASE IN TOTAL DEPOSITS
(Average Percentage Annually)

	Banknote Issue	Total Deposits	Inflation	Deposits / Currency
1965-1968	10.8	21.5	6.0	2.3
1969-1972	19.1	24.8	12.0	3.0
1973-1976	26.8	26.8	19.0	3.5
1977-1980	51.5	42.0	62.0	2.7
1965-1980	27.0	28.8	24.8	2.9

THE CAPITAL MARKET:

The private sector issued bonds with a per value of 17 bn. TL. during 1980. This was a remarkable record as over the previous ten years the sector's bond issues aggregated only 12.87 bn. TL. Share issues also showed a timid come-back with a total of 1.173 mn. TL. after having stagnated in the 300 to 700 mn. TL. per annum bracket for the previous five years. However, the issue record remains with 1974, at 1.9 bn. TL.

In spite of the considerable increase in the private sector's bond issues last year, the total still represented only 18.4 per cent of all bond issues, compared with the public sector's 81.6 percent. This was the biggest share ever obtained by the private sector; over the six years 1975-1979, its share averaged only 9.4 percent.

The stock price index in the secondary market displayed a fall which started in 1978 and continued thereafter bringing the average for the year 1980 down to 98.4 in comparison with January 1974, when the index started at 100.

The overall level of share and bond in the private and public sectors attained a record level of 115.7 bn. TL. in 1980.

PRIVATE SECTOR
BOND & SHARE ISSUED

(million TL)

YEAR	Share	Bonds
1970	132	387
1971	85	130
1972	180	350
1973	800	630
1974	1900	470
1975	700	1232
1976	685	1556
1977	450	1383
1978	372	1975
1979	312	4756
1980	1.173	17069

BONDS ISSUED

(billion TL)

YEAR	Public Bonds	Private Bonds	% Share of Total Public	% Share of Total Private
1975	13.9	1.4	90.9	9.1
1976	20.7	1.7	92.4	7.6
1977	40.1	1.6	96.2	3.8
1978	35.5	2.2	94.2	5.8
1979	35.8	4.5	88.2	11.8
1980	75.8	17.1	81.6	18.4

CAPITAL MARKET SHARE PRICE INDEX
(January 1974 = 100)

	1975	1976	1977	1978	1979	1980
January	95.26	118.85	118.91	142.21	144.23	101.76
February	96.11	118.57	120.82	144.09	144.25	105.08
March	96.67	121.11	123.65	166.76	144.79	110.80
April	97.86	125.34	136.12	166.05	122.40	104.31
May	97.23	118.00	127.26	159.26	120.40	101.63
June	96.67	119.13	128.05	134.63	121.36	101.90
July	94.58	119.81	128.22	143.21	121.69	98.19
August	96.33	124.15	125.56	135.39	119.05	95.18
September	98.65	126.02	134.48	132.82	119.48	89.12
October	101.24	137.81	139.11	135.55	115.69	94.21
November	104.46	119.19	139.00	138.71	107.66	94.51
December	109.20	117.44	141.93	141.58	107.81	94.64

SHARES and BONDS ISSUED

	1976	1977	1978	1979	1980
Public Sector					
Public Securities	12.0	19.5	20.0	35.5	50.0
Treasury Bonds	-				10.0
Securities of S.I.B.	8.5	20.2	15.0		15.0
Sec.of Real Estate and Credit Bank	0.2	0.4	0.5	0.4	0.8
Private Sector Bonds	1.7	1.6	2.2	4.9	18.0
Shares	1.6	2.9	3.8	1.7	21.9
	24.0	44.6	41.5	47.9	115.7

Turkey's private stockbrokers operate in a similar way to bankers, receiving funds from customers and giving them in return share certificates and bonds plus profit coupons, which can be cashed at the end of a pre-arranged period.

In the absence of any legislation to regulate the stock market in Turkey, private stockbrokers are free to operate according to their own rules and practices.

Stockbroking became a profitable business in the early 1970s when scores of private companies, frustrated by the scarcity and high cost of bank credits began to float bonds and shares. In parallel, an increasing number of intermediary firms began going to the public for funds. The period coincided with rapid industrialisation, when the annual GNP growth rate averaged 7 percent.

Between 1970 and 1978, the private sector floated 8 bn. TL. of bonds and 5.13 bn. TL. of shares. But in the past two years, the shares market has been hit by a series of crises. According to many brokers, trading in shares is not such a profitable business as trading in debentures. Though shares pay bigger dividends than bonds in the long-run, it is the short-term which counts most at present.

The rapid flow of private funds to private bankers (stock brokers) has alarmed both the government and Turkey's banking community. This is the reason why many banks have themselves begun to offer a series of ingenious schemes to attract the public's savings.

RELATIVE IMPORTANCE OF THE
VARIOUS FINANCIAL INSTITUTIONS

The relative importance of the various Financial Institutions clearly indicates the extent to which monetary aspects have been under-emphasised during the planned economic development period. These are some of the characteristics:

The assets of the Central Bank increased from 17.9 percent of the total assets of all financial institutions in 1966 to 37.5 percent in 1980.

The Commercial Banks lost ground to the Central Bank. As for Development Banks, their importance in terms of share of total assets fell from 10 percent in 1966 to 4.7 percent in 1980. In a country in the process of development, the decrease in the relative importance of the development banks is not easy to interpret.

TOTAL ASSETS OF FINANCIAL INSTITUTIONS
1966 - 1980

(Billion TL)

	1966	%	1980	%
Central Bank	14.7	17.9	1386.7	37.5
Commercial Banks	42.7	52.2	1582.3	42.8
Development Banks	8.2	10.0	173.5	4.7
Social Security Institutions	9.7	11.8	201.6	5.4
Cooperatives	5.8	7.1	220.0	5.9
Insurance Companies	0.8	0.9	25.0	0.7
Unorganised Money	n.a	n.a	110.9	3.0
	81.8	100.0	3700.0	100.0

6) Reform in the Interest Rates Policy

A government decree published in the Official Gazette at the beginning of June 1980 has added a new -- and an exciting -- element to the new economic order launched on January 1980 that interest ceilings were scrapped entirely in certain cases. The government would no longer intervene with the lending and borrowing rates of the commercial banks, which means that banks are allowed to freely negotiate the interest rates on time deposits and their credits.

Those familiar with the economic policies of the government felt that the decision was in full conformity with the moves to liberalise the Turkish economy.

The move was basically aimed at encouraging savings and drawing money away from the black market. But other factors might have played an important role in the new move, such as the need to satisfy the terms of the international Monetary Fund (IMF).

Henceforth, commercial banks will compete with each other and with private brokers to attract the savings of the public. This competition for deposits will increase the efficiency of the entire banking system. The same holds for investors, who will be faced with costlier fund. The era of cheap investible funds is over and investors will have to incorporate more rationality into their decision-making. Higher interest rates on time deposits are expected to induce savings and to help the government to fight inflation on even grounds.

To assure the unhampered functioning of supply and demand, Turkey's Banking Union is barred from setting limits on lending and borrowing rates.

Exporters who continue to enjoy subsidised low cost credits and saving deposits by workers abroad against the sale of foreign exchange will receive a premium of five points above the current rates.

While the minimum reserve requirements on sight and time deposits are increased slightly, banks are allowed to issue deposit certificates, a new and welcome pratice for the Turkish banking system.

With this decision, one of the weakest points of the January stabilisation programme has been strengthened. The government now has an increased chance to combat inflation and pull the economy out of its present crisis.

The first sentence of Article 1 of the decree no 8/900 reads: "Banks (will) freely determine and announce the maximum interest rates on their (various types of) credits"

It took Turkey more than a decade at the cost of continuous inflation, an inefficient banking system and misallocation of scarce funds for years to put such a policy decision into practice. No longer will the commercial banks be protected from internal competition and operate in a cosy market and no longer will the public be cheated out of their savings. Along with the interest rates on credits, those on time deposits will also be freely determined by the commercial banks.

Yet there still are some exceptions. Interest rates on credits extended from the Export Promotion Fund are determined by the Money and Credit Board and those on the specialised credits of the specialised banks are lower compared to general credits by margins equal to the interest rebate rates.

The massive January stabilisation programme had sufficed by introducing marginal adjustments into the structure of interest rates. But it was clear from the beginning that such marginal adjustments would neither encourage savings nor curb the expansion of money supply. For the latter purpose, the government could do nothing but rely on the IMF limits on the net domestic assets and public sector credits of the Central Bank. This, however, was not to the like of the business community who claimed that shortage of money and liquidity hindered economic activity.

But it would be an incosistent approach on the part of the government to prop up the business with a cheap money policy while being adamant in doing away with the age old pratice of propping up the ailing State Economic Enterprises (SEEs). At the same time the problem of beating inflation required curbing the spending spree of the consumers and channeling investible funds into productive activities.

Two options were available. Either to raise the interest rates on time deposits to the level of inflation or let the forces of the market solve the problem.

The first option was inconsistent with the price decontrol policy. If the government aimed at equalising interest rates to the rate of inflation, it would have to change the former when the latter changed.

An important concern for business is whether the interest rates on commercial bank credits will settle below or above the previously determined rates. Lending rates have risen due to the simple fact that on deposits have gone up.

With the decree annual interest rate on sight-saving deposits has been increased from 3% to 5% while the official limits on all categories of time saving deposits have been removed. Banks freely determine the rates that they offer to the time deposits of the public. Given that until July 1, 1980 private bankers were offering higher rates to the savings of the public than the officially determinet rates of the commercial banks and given that banks compete with each other to attract deposits, interest rates on time deposits are going up in the short-run.

Knowing this it is not difficult to guess that the lending rates will also go up. The legally determined rate on the non-preferential medium and long term credits of the commercial bank (which was effective till the beginning of July) was 22%. What enable banks to offer this rate is the fact that they collected deposits at lower rates. With higher rates on deposits it will not be possible to maintain it.

That all interest rates will go up is also partially initiated by the fact that interest rates by the Central Bank to the legal reserve requirements of the commercial banks have been doubled. The rate on the reserve requirements related to sight deposit went up from 5% to 10%, and that on reserve requirements related to time deposits from 8% to 16%.

The new interest rates policy is also expected to modify the practices of the Central Bank. It will have to watch the market and adjust its discount rates to the changing interest rates.

The tight monetary policy strictly implemented by the government since January despite the occasional protests of the business is nothing but a proof of its determination to control inflation. One major motive behind the new policy is the desire of the government to use interest rates as an anti-inflationary policy instrument. Evidently, this purpose will be served to the extent that it encourages savings (discourages consumption) and induces higher volume of production. Higher interest rates will induce greater volume of savings. Business also expects a favourable outcome, as can be understood by the following statement. "Floating interest rates will curb inflation and induce public to save. Increased volume of savings augmented with the resources of the Central Bank will provide the industrialists, exporters and producers with a large volume of credits".

But opinions do not always converge. The view that savings will be induced has been challenged by some people, who argued that there will be no increase in aggregate savings but "a shift from sight deposits to time deposits and from bonds to time deposits." An unfortunate aspect of this argument is its failure to notice that "a shift from sight deposits to time deposits" implies increased volume of savings. A house hold who decides to shift 100 TL from sight deposits to time deposit account for, say six months. has already decided not to consume that 100 TL within the next six month.

An interesting aspect of the Turkish money market is the instituons of private bankers which mushroomed in the last couple of years. So far they are managed to succesfully compete with the banks by offering higher rewards to savings, thanks to the fixed interest rates on private bonds. How will they fare under the new policy? Undoubtedly, much will depend on what will happen to the prices of goods and services they sell, ie., bond and shares.

If the interest rates on bonds issued by private firms and governments are not increased and commercial banks offer higher rates on time deposits, one may expect a flight from bonds which will put the bankers into a difficult position. The guess is that bankers will pressure the government either to increase the rates in bonds or to let private firms freely determine the bond interest rates. One may also expect, more or less definitely, an increase in the rates on government bonds, unless the government has already decided to put more money on the market by purchasing its outstanding bonds. But this alternative is highly unlikely, given that at the outstanding volume of government bonds is around TL 145 billion. A more plausible alternative is that the government will increase the interest rates on its bonds.

But when the interest rates on government bonds go up those on issued by private firms will also go up.

Without any doubt the new policy will considerably affect the climate of money market in Turkey and the functioning of the commercial banks. Floating interest rates is a totally new experience for the banks and therefore it is almost impossible to say how they will be affected and how they will react.

Our view is that the competitive position of the banks relative to private bankers will be greatly enchanced and competition between the two groups will be intensified. So far competition among banks was limited to what economists call non-price competition. With the new policy, ground has been laid for price - competition. But it is difficult to guess how far banks will compete with each other.

We believe that given the oligopolistic structure of the banking system there will be some competition but not a profit-killing war.

As important as the free interest rate policy is the authority given to banks to issue certificate of deposits which will be nothing more than tranferable bonds issued by banks. This again is a totally new practice for the banking system.

ASPECTS OF THE NEW INTEREST RATES POLICY

- Banks are authorised to issue certificate of deposits to the bearer.

- The Turkish Banking Union will not set a limit on interest rates negotiatiable between commercial banks and borrowers on depositors.

- Limits on refunds to be deposited to the Differential Interest Subsidy Fund by the commercial Banks are redetermined. Refunds should be deposited within a month. Subsidy Fund will be used to provide low cost credits to exports, export oriented investments and other investment to be promoted. Exports and export-oriented investments will get highly subsidised credits. If the subsidy Fund do not suffice to meet the demand interest differences will be paid from the "Selective Credit Fund" of the budget.

- Interest rates on Central Bank credits to the State Economic Enterprises have been raised to 10% from their previous level of 1% - 5%.

- Saving deposits of expatriate workers abroad against the sale of foreign exchange will get a premium of 5 points above the interest rates offered by commercial banks.

- Public deposits (excluding the deposits of the social security organisations) and commercial deposits (excluding deposits of the cooperatives) will earn no interest. Deposits of the social security organisations and cooperatives will receive the same rates as saving deposits.

- Banks will not carry blocked accounts.

- Credits benefitting from the Interest Subsidy Fund shall not be used for other purposes specified. Commercial bank extending such credits will be responsible for their utilisation in the specified activity.

- Interest rates earned by the legal reserve requirements of the commercial banks at the Central Bank have been doubled. Legal reserve requirements have also been increased.

- Central Bank is authorised to modify the new decree by publishing communiques in the Official Gazette.

LENDING RATES of COMMERCIAL BANKS	Prior to Feb. 1,'80	As of Feb. 1,'80	As of July 1,'80
A. No Preferential Credits			
a. Medium and Long Term Credits	20%	22%	free
b. Short-Term Credits	16%	21%	free
B. Preferential Credits			
a. Agricultural Credits extended by the Ziraat Bankası (*including credits by Agricultural Sales Cooperatives*)			
-- Medium & Long-Term	16%	18%	+
-- Short-term	14%	16%	+
b. Occupational Credits extended by Türkiye Halk Bankası (*to small industrialists, artisans, merchants and merchants' associations*)			
-- Medium & Long-Term	16%	18%	+
-- Short-Term	15%	17%	+
c. Medium and Long Term Credits extended by the Türkiye Emlâk Kredi Bankası (*on housing construction*)	12%	14%	+
d. Credits extended by the Ziraat Bankası on the sale amount of bonds according to Law 5389	5%	5%	+
e. Credits by Development and Investment Banks	free	free	+
f. Credits with a term of over 5 years.	free	free	

(+)Equal to the difference between the interest rate to be announced by the bank and the minimum interest rebate date.

INTEREST RATES on BANK DEPOSITS	Old	Effective as of July 1, 1980
Interbank deposits	free	free
Public deposits *(excluding deposits of Social Security Organizations)*	0%	0%
Commercial Deposits *(excluding deposits of Cooperatives)*	0%	0%
Saving Deposits		
-- Sight deposits	3%	5%
-- Time deposits		
** *3 months up to 6 months*	8%	free
** *6 months up to 1 year*	12%	free
** *1 year up to 2 years*	20%	free
** *2 years up to 3 years*	22%	free
** *3 years up to 4 years*	24%	free
** *4 years and more*	free	free
-- Other deposits	3%	5%
INTEREST RATES on LEGAL RESERVE REQUIREMENTS DEPOSITED WITH THE CENTRAL BANK		
-- On reserve requirements related to sight deposits and time deposits up to 6 months	5%	10%
-- On reserve requirements related to time deposits extending 6 months	8%	16%

RATE TO BE DEPOSITED TO THE INTEREST DIFFERENCE REBATE FUND WITH THE CENTRAL BANK BY THE COMMERCIAL BANKS FOR THEIR PREFERENTIAL CREDITS	Before July 1,1980	as of July 1, 1980
a. Credits with a term less than 2 years		
-- Export credits	2/21	10%
-- Other credits	5/21	10%
b. Credits with terms longer than 2 years		
-- Promotion credits	2.5/22	15%
-- Others	2.5/22	25%

2. INFLATION

The rate of inflation, as measured by the official wholesale Prices Index, reached a year-on-year rate of 94.7 percent by the end of 1980, after accelerating to 47.4 percent over the first quarter of the year. The Index also showed that the rate of inflation as between December 1977 and December 1980 was of no less than 418 percent. (The remarkable drop in the inflation rate during the first five months of 1981 is dealt with in a later section of this report.)

The largest price increases were recorded in industrial raw materials and semi-finished products, which, on average, were 115.8 percent more expensive in 1980 than in 1979. Food prices also rose rapidly, by 100.4 percent compared with the 1979 average.

To some extent, of course, the massive price rises recorded in 1980 resulted from adjustments of officially controlled prices for a broad range of services, industrial inputs and consumer goods. Price increases also reflected successive devaluations of the Turkish Lira.

These price adjustments, which, in fact, resulted from a release of suppressed inflation, were followed fairly quickly by corresponding adjustments to wages, through the collective bargaining process, and increases in farm prices, civil servants' salaries and minimum legal wages. Collective bargaining settlements in 1979 resulted in increases of 100 percent or more in hourly wages for the first year of a two-year agreement, as well as improvements in various fringe benefits. However, bonus payments and other fringe benefits are not reflected in the published wage statistics. The year 1980 witnessed a period of intense and prolonged strikes and lockouts, to which a stop was put immediately after September 12.

The big increases in farm produce prices in 1980, as compared with preceding years, was to some extent justified by the increase in the cost of agricultural inputs, Nevertheless, these price increases made the objectives of the stabilization programme even more difficult to achieve.

It is also important to bear in mind that few farmers, even those well above subsistence level, pay direct taxes and many still benefit from subsidies in one form of another.

Compared with the circa 100 percent inflation rate, support prices for hazelnuts were increased by 193.3 percent, for sugarbeet by 130.7 percent and for dried figs by 127.3 percent; pistachios, cotton and sunflower seed all benefited by around 100 percent and only tobacco and tea prices lagged behind.

Collective wage contracts in industry concluded during the course of 1980 brought increases of up to 100 percent for the first year of a two-year period. In September, however, the new Government decreed a flat 70 percent increase in all wage contracts due for renewal but not then settled. Civil servants' salaries were raised at the beginning of the year by about 30 percent.

The minimum legal daily wage, which determines the pay of unskilled workers in industry and of wage-earners in agriculture was not adjusted for inflation in 1980 but it was taken up early in 1981 and raised from the 5,400 TL per month determined in 1979, to 10,000 TL for industrial workers; the rate for agricultural workers was set at 8,610 TL. For the under 16's, the rates were fixed at 6,690 TL. and 5,700 TL. respectively.

INDICATORS OF INFLATION

There are three main indices which can be used as indicators of inflation. These are the Wholesale Prices Index, the Consumer Prices Index and the Implicit GNP Price Deflator. Most of the time, all three indices behave quite close to each other. But there are years when they diverge from each other.

INDICATORS of INFLATION
(% Changes in Annual Averages)

	Wholesale Prices Index	Istanbul Cost of Living Index	Implicit GNP Deflator
1970	6.7	7.9	11.9
1971	15.9	19.0	18.3
1972	18.0	15.4	16.4
1973	20.5	14.0	22.1
1974	29.9	23.9	28.3
1975	10.1	21.2	16.1
1976	15.6	17.4	16.2
1977	24.1	26.0	25.0
1978	52.6	61.9	44.0
1979	63.9	63.5	69.6
1980	107.2	94.3	103.3

The Implicit GNP Deflator is the one with the broadest scope as it encompasses all sectors of the economy with their relative weightings.

Up to the end of 1976 the rate of inflation does not seem to have accelerated, one might even think in terms of a deceleration,But the last four years of the period show a definite acceleration of the rate of inflation.

The Implicit GNP Deflator has a limitation: it is not calculated on a monthly basis, but only yearly.

The following Wholesale Prices Index gives the rate of inflation on a monthly base in three different forms: the monthly rate of inflation for every month in comparison with the previous month, the rate of inflation in comparison with the same month of the previous year, and the rate of inflation with respect to the end of the previous year.

WHOLESALE PRICES INDEX

YEAR	Month	Index	Chain Index	Change with Respect to Corresponding Month of Previous Year	Change with respect to end of year
1963		100		-	-
1970		145.7	6.7	-	-
1971		168.9	15.9	-	-
1972		199.0	18.0	-	-
1973		240.1	20.5	-	-
1974		311.8	29.9	-	-
1975		343.2	10.1	-	-
1976		396.6	15.6	-	-
1977		492.1	24.1	-	-
1978		750.8	52.6	-	-
1979		1230.7	63.9	-	-
1980		2550.6	107.2	-	-
1979	January	910.9	4.7	49.5	4.7
	February	955.0	4.8	50.1	9.7
	March	1003.4	5.1	50.9	15.3
	April	1081.8	7.8	57.3	24.4
	May	1132.4	4.7	59.5	30.2
	June	1214.2	7.2	68.0	39.5
	July	1254.1	3.3	66.2	44.2
	August	1295.5	3.3	67.7	48.9
	September	1334.8	3.0	65.8	53.4
	October	1402.8	5.1	69.7	61.2
	November	1513.7	7.9	79.0	74.0
	December	1577.8	4.2	81.4	81.4
1980	January	1722.9	9.2	89.1	9.2
	February	2227.9	29.3	133.3	41.2
	March	2326.5	4.4	131.8	47.4
	April	2408.8	3.5	122.6	52.7
	May	2479.9	2.9	119.0	57.1
	June	2547.9	2.8	109.8	61.5
	July	2552.4	0.2	103.5	61.8
	August	2591.6	1.5	100.1	64.3
	September	2681.2	3.5	100.9	69.9
	October	2872.1	7.1	104.7	82.0
	November	2980.0	3.8	96.6	88.9
	December	3071.4	3.4	94.7	94.7

ISTANBUL COST OF LIVING INDICES
(1963 = 100)

	Ministry of Commerce Index	Ministry of Commerce Change %	Istanbul Chamber of Commerce Index	Istanbul Chamber of Commerce Change %
1970	155.6	7.9	143.3	9.2
1971	185.2	19.0	167.8	17.1
1972	213.7	15.4	190.1	13.3
1973	243.6	14.0	217.3	14.3
1974	301.8	23.9	268.4	23.5
1975	365.8	21.2	326.6	21.6
1976	429.6	17.4	381.7	16.9
1977	541.3	26.0	498.4	30.6
1978	876.3	61.9	842.4	69.0
1979	1433.1	63.5	1485.2	76.3
1980	2784.1	94.3	2608.2	75.6

WHOLESALE PRICES INDICES
(1963 = 100)

Ministry of Commerce

YEAR	General Index	% Change	Food & Feed	% Change	Ind.Raw Materials	% Change
1973	240.1	20.5	225.3	21.5	264.7	19.0
1974	311.8	29.9	305.4	35.5	322.5	21.8
1975	343.2	10.1	357.9	17.2	318.6	- 1.2
1976	396.6	15.6	411.6	15.0	371.6	16.6
1977	492.1	24.1	505.6	22.8	469.7	26.4
1978	750.8	52.6	733.7	45.1	779.2	65.9
1979	1230.7	63.9	1092.8	48.9	1460.6	87.4
1980	2550.6	107.2	2189.7	100.4	3152.1	115.8

Istanbul Chamber of Commerce

1973	236.7	21.0	221.1	24.5	271.3	33.8
1974	300.4	26.9	281.4	27.3	320.6	18.2
1975	334.6	11.4	337.5	11.9	336.4	4.9
1976	392.6	17.3	391.5	16.0	445.0	32.3
1977	504.3	28.5	487.9	24.6	605.0	35.9
1978	774.8	53.6	753.1	54.3	890.8	47.2
1979	1357.0	75.1	1206.0	60.1	1605.0	80.2
1980	2581.9	90.3	2275.0	88.6	2521.0	57.1

COST OF LIVING INDICES
(1963 = 100)

	General Index	% Change	Food	% Change	Light & Fuel	% Change	Clothing	% Change
ANKARA								
1973	241.2	15.8	228.2	15.7	279.7	14.7	260.8	12.2
1974	278.4	15.4	260.4	14.1	315.5	12.8	304.7	16.8
1975	331.4	19.0	313.3	20.3	331.7	5.2	363.6	19.3
1976	385.9	16.4	375.0	19.7	349.8	5.5	417.8	14.9
1977	472.8	22.5	459.6	22.6	453.1	29.5	501.2	20.0
1978	724.8	53.3	650.0	41.4	760.0	67.7	889.3	77.4
1979	1174.2	62.0	1033.0	58.9	1297.2	70.6	1728.0	94.3
1980	2365.1	101.4	2205.1	113.5	3455.0	166.3	2895.8	67.6
ISTANBUL								
1973	243.6	14.0	243.2	14.7	267.7	10.4	238.5	19.8
1974	301.8	23.9	297.4	22.3	338.9	26.6	308.9	29.5
1975	365.8	21.2	378.0	27.1	374.2	10.4	323.3	4.7
1976	429.6	17.4	458.5	21.3	461.2	23.4	340.8	5.4
1977	541.3	26.0	565.0	23.2	610.5	32.4	453.1	33.0
1978	876.3	61.9	864.4	53.0	1096.2	79.5	774.6	71.0
1979	1433.1	63.5	1332.5	54.1	2122.4	93.6	1514.7	95.5
1980	2784.1	94.3	2554.9	91.7	4403.8	107.5	2814.4	85.8

Source: Ministry of Commerce

INTERNAL TERMS OF TRADE[1]

Quarter	1972	1973	1974	1975	1976	1977	1978	1979	1980
I	87.0	87.8	92.0	114.9	114.2	113.7	109.1	86.3	68.8
II	86.0	87.5	92.2	112.9	113.6	110.6	100.8	73.9	65.8
III	79.6	82.5	92.8	110.3	105.5	101.5	93.2	72.4	68.0
IV	82.4	84.4	102.9	112.2	112.2	101.8	85.5	68.6	74.7
Annual Ave.	83.4	85.1	94.7	112.3	110.8	106.9	97.1	75.3	69.5

Source: Ministry of Commerce, Wholesale Price Indices

[1]Agricultural prices/industrial prices.

PERCENTAGE ANNUAL CHANGES IN WHOLESALE
and
COST of LIVING INDICES

YEAR	Wholesale Prices Index			Istanbul Wage Earners' Cost of Living Index
	General	Food	Industrial Raw Materials	
1955	7.1	4.4	14.2	9.7
1956	16.8	18.4	14.2	11.3
1957	18.7	20.5	13.0	8.4
1958	15.1	7.3	32.6	12.8
1959	19.5	18.8	22.0	23.1
1960	5.2	7.3	1.5	6.6
1961	2.9	6.6	- 3.7	4.2
1962	5.6	8.7	-	4.5
1963	4.3	4.3	3.8	10.0
1964	1.2	0.2	2.7	2.0
1965	8.1	10.1	4.9	5.7
1966	4.8	5.4	4.1	4.4
1967	7.6	6.6	9.0	6.1
1968	3.2	2.0	5.3	4.5
1969	7.2	8.1	5.9	4.9
1970	6.7	3.2	12.5	9.2
1971	15.9	14.2	18.5	17.1
1972	18.0	15.2	22.1	13.3
1973	20.5	-21.5	19.0	14.3
1974	29.9	35.5	21.8	23.5
1975	10.1	17.2	- 1.2	21.6
1976	15.6	15.0	16.6	16.9
1977	24.1	22.8	26.4	30.6
1978	52.6	45.1	65.9	69.0
1979	63.9	48.9	87.4	76.3
1980	107.2	100.4	115.8	75.6

Source: Ministry of Commerce, Istanbul Chamber of Commerce

PRICES

(1963=100. Annual Averages Percentage Change)

	Index 1979	1980	% 1980/1979	% 1980/1971
Wholesale Prices				
Total	1231	2551	107.3	1409.5
Food and Feeding	1093	2190	100.4	1360.2
Cereals	774	1638	111.6	1061.7
Livestock	1959	3806	94.3	1392.5
Livestock Products	1473	2625	78.2	1426.2
Industrial and Semi-Manufactured	1461	3152	115.7	1631.9
Fuel	1717	4630	169.7	2043.5
Minerals	1353	2735	102.1	1386.4
Textiles	1190	2135	79.4	1251.3
Building Materials	1676	3157	88.4	1801.8
The Cost of Living				
Ankara, Total	1174	2365	101.4	1206.6
Istanbul, Total	1433	2784	94.3	1404.9
Food	1333	2554	91.6	1295.6
Heating and Lighting	2122	4404	107.5	2346.7
Clothing	1515	2814	85.7	1446.2
Other	1616	3386	109.5	1559.8

THE DIRECTION AND MAGNITUDE OF WHOLESALE PRICE CHANGES

The overall percentage change in wholesale prices during 1980 was of 107.3 percent.

The rate of change is more pronounced in industrial raw materials and semi finished goods which increased by 115.7 percent during the period, whilst food and fodder prices increased by 100.4 percent.

The largest increases were recorded in fuel (169.7 percent), cereals (111.6 percent) and minerals (102.1 percent).

The lowest increases were recorded in livestock products (78.2 percent), textiles (79.4 percent) and building materials (88.4 percent).

Viewed from the longer perspective of a ten year period, with 1971 as the base year, the overall average rise in Wholesale Prices was of 1509.5 percent; within this figure.

the biggest increases were recorded in				
	Fuel	which increased by	2043.5	percent
	Building materials	-do-	1801.8	"
and	Livestock products	-do-	1426.2	"
and the smallest increases were registered in				
	Cereals	which increased by	1061.7	"
	Textiles	-do-	1251.3	"
	Minerals	-do-	1386.4	"
and	Livestock	-do-	1392.5	"

Compared with food prices, increases were more pronounced in industrial goods and semi manufactures in 1980 as well as in the ten year period and, as a result, internal terms of trade deteriorated against food products.

The terms of internal trade went down further in 1980, to 69.5 in comparison to 100 in 1963.

This trend against agriculture was registered between 1975, with the terms of internal trade moving in favour of food prices from 83.4 in 1972 to 112.3 in 1975.

The reverse trend has been the case between 1972 and 1975, with the terms of internal trade moving in favour of food prices from 83.4 in 1972 to 112.3 in 1975.

In terms of annual averages, the Ankara Cost of Living Index increased by 101.4 percent in 1980, slightly more than the 94.3 percent registered for Istanbul. Over the decade 1971/1980, the Ankara index went up from 100 in 1971 to 1306.6 while that of Istanbul went up to 1504.9.

CONSUMER PRICE INDICES
(1968 = 100)
(Annual Percentage Increases)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Ankara	8.1	16.3	12.9	16.6	18.7	20.1	15.3	28.3	49.5	56.5	116.6
Istanbul	6.8	15.7	11.8	15.4	15.8	19.2	17.3	27.1	45.3	58.7	110.2
Izmir	7.8	19.7	14.8	16.7	17.5	20.9	16.5	30.1	45.8	57.3	107.0
Samsun	7.3	15.9	17.2	16.2	22.6	20.9	16.3	29.5	51.4	52.5	104.8
Eskisehir	7.4	14.7	13.0	15.0	16.9	21.3	17.0	28.3	46.5	52.2	117.0
Antalya	8.7	15.1	15.0	17.5	22.0	21.4	13.9	27.8	46.0	59.4	106.9
Diyarbakir	8.2	16.3	17.1	15.7	18.9	19.3	18.6	25.8	43.3	54.8	113.7
Ordu	10.5	16.5	11.3	13.8	22.5	17.6	16.7	28.2	49.4	57.5	104.2

Source: State Institute of Statistics

INDICES of WHOLESALE PRICES
of
SUBSIDIARY GROUPINGS
(1963 = 100)

YEAR	Index for Food Products	Index for Industrial Raw Materials	Terms of Internal Trade
1970	141.0	153.6	91.8
1971	161.0	182.1	88.4
1972	185.4	222.4	83.4
1973	225.3	264.7	85.1
1974	305.4	322.5	94.7
1975	357.9	318.6	112.3
1976	411.6	371.6	110.8
1977	505.6	469.7	106.9
1978	733.7	779.2	97.1
1979	1092.8	1460.6	75.3
1980	2189.7	3152.1	69.5

Source: Ministry of Commerce

Consumer prices indices prepared on a provincial basis indicate that during 1980 Eskisehir had the highest rate of increase (117 percent) followed by Ankara (116.6 percent) and Diyarbakir (113.7 percent). The Black Sea Region showed the lowest rates of increase, with Ordu (104.2 percent) and Samsun (104.8 percent).

Wholesale prices of selected commodity groups give a similar analysis when they are further broken down.

As can be seen from the table below between 1970 and 1980, vegetable food prices did not increase as much as did those of livestock, textiles, leather, paper or contruction materials. The biggest increases took place in the prices of leather, followed by livestock and construction materials.

WHOLESALE PRICES of SELECTED COMMODITY GROUPS
(1963 = 100)

YEAR	Vegetable Food	Livestock	Textiles	Leather	Paper	Construction Materials
1970	127.0	179.1	123.9	140.5	117.1	151.3
1971	138.4	255.1	158.2	173.8	137.1	166.1
1972	153.4	331.5	189.6	285.2	154.6	187.4
1973	192.1	348.5	275.6	371.3	155.2	208.1
1974	281.6	371.0	341.4	361.8	221.8	252.6
1975	313.9	444.2	299.9	308.7	226.9	274.7
1976	355.4	621.3	397.9	374.1	228.0	383.3
1977	410.3	891.4	489.8	491.5	319.2	642.0
1978	549.3	1322.5	681.3	1047.3	568.3	963.4
1979	816.4	1958.6	1190.1	2230.5	776.3	1675.8
1980		3805.8	2134.9	3736.3	2093.5	3157.4
1970/80		2125.0	1723.1	2659.3	1787.8	2086.8

Source: Ministrv of Commerce

In addition to changes in prices of domestically produced goods and services, important rises in prices of imported goods resulted from the oligopolistic pricing policies of the oil producing countries in 1974 and again in 1978-1980.

IMPORT PRICES
(1973 = 100)

YEAR	Terms of Trade		Index in TL	% Change	Index in $	% Change
	in TL	in $				
1974	94.8	92.0	145.2	45.2	147.9	47.9
1975	80.0	77.7	168.0	15.7	165.1	11.6
1976	81.0	79.8	188.9	12.4	167.0	1.2
1977	82.2	79.4	233.1	23.4	184.1	10.2
1978	75.9	73.8	361.0	54.9	209.8	14.0
1979	72.3	73.7	605.3	67.7	247.5	18.0

Source: State Institute of Statistics

INTERNAL TERMS of TRADE

During 1980, the Wholesale Prices Index attained its ever highest average, increasing by 107.3 percent. The two main groups, into which the Index is divided increased at different rates: Food and fodder increased by 100.4 percent, while industrial raw materials and semi-processed products increased by 115.7 percent. At the peak of the crisis in 1977, internal terms of trade were above the parity line of 100, having risen to 106.9 The situation as regards food products deteriorated continually, the most serious drop having occured in 1979, when internal terms of trade dropped from 97.1 in 1978 to 75.3 However, the fall in the internal terms of trade was less serious in 1980, it dropped from 75.3 in 1979 to 69.5 last year.

WHOLESALE PRICE INDEX

(Yearly Averages, Percentage Changes)

	General Index	Food and Fodder	Industrial Raw Materials	Terms of Trade
1976	15.6	15.0	16.6	110.8
1977	24.1	22.8	26.4	106.9
1978	52.6	45.1	65.9	97.1
1979	63.9	48.9	87.4	75.3
1980	107.3	100.4	115.7	69.5

As a result of the increases in oil prices and Turkey's inability to increase its export prices in the same way as was done industrialized countries, this country's terms of trade deteriorated for in the from 100 in 1973 to 69.5 percent in 1980.

THE MAIN FACTORS CONTRIBUTING TO INFLATION

Factors contributing to inflation may be grouped into two categories:

- Factors negatively affecting the supnly of goods

- Factors contributing to the increase in aggregate demand.

A. FACTORS AFFECTING SUPPLY

Decrease in the supply of agricultural products;this was 10.1 percent in 1973 and 1.2 percent in 1977. However, even positive rates of increase in production limit the real supply if they are markedly below the population growth rate; a case in point was the 1.2 percent production increase in 1980 when set against the average population growth of circa 2.5 percent.

Decrease in the supply of industrial products: industrial output values fell by 5.6 percent in 1979 and by 4.8 percent in 1980.

Decrease in Gross Domestic Product: in 1979 the GDP decreased by 0.3 percent in 1980 in fell by 0.7 percent.

Decrease in imports in terms of goods and commodities: while TL value or even the dollar value of imports is increasing, imports may be decreasing in terms of physical quantity. In fact, the volume of imports decreased by 35.2 percent in 1978 by 10.5 percent in 1979 and increased by 3.8 percent in 1980.

In certain cases, the decrease in supply has been the consequence of delays in investment and in building infrastructure, and decreased production due to strikes and lockouts. These factors were especially relevant during the first three quarters of the year. In particular, the effects of strikes and lockouts disappeared after September 12, 1980.

B. FACTORS AFFECTING AGGREGATE DEMAND

1. Foreign Exchange Inflow of Workers Remittances

A large number of factors have been responsible for inflated demand. The inflow of workers' remittances, while very useful in increasing foreign exchange reserves caused increases in the amount of currency in circulation and in the money supply because no steps have yet been taken to counter balance these very substantial funds.

Workers' remittances are different than any other inflow of foreign exchange because the proceeds in TL of the sales of foreign exchange are received by a very large number of individuals in relatively small amounts and are immediately used to buy land, buildings, consumer durables and other consumer goods and only a small part is effectively saved.

2. The State Economic Enterprises' Deficits

The State Economic Enterprises' deficits have been responsible in large measures for the increases in the currency in circulation in the money supply and in the nominal aggregate demand.

The SEEs combined losses before taxes rose to 71 bn TL. in 1979, are estimated to have been 61 bn TL. in 1980 and are expected to drop to 38 bn TL. in 1981. But their overall financial needs were and are far greater because of their large investment programmes.

However, the problems of the State Economic Enterprises are more complex than this. Their continued weakness exerts an unrelenting pressure on public sector finances. This has been met in the past by allowing treasury payments to fall more and more into arrears, thus transferring the debt burden to the private sector. The financial rehabilitation of these enterprises, and their reorientation to market conditions will require more fundamental changes than more pricing freedom, although it remains absolutely imperative that prices be adjusted promptly and fully. Unless their productivity is greatly increased, there is clearly the likelihood that the SEEs will continue to be a major generator of inflation and militate against that fundamental improvement in the economy which is being sought. Losses before taxes are 10 bn. TL. less than in 1979, they are 100 bn TL.higher than the original estimate for the year.

Little fundamental improvement can be expected in the SEE's accounts in 1981. Official estimates foreseen a 23 bn TL. reduction in the operating deficit of these Enterprises, but this entirely the anticipated once-for-all relief in the wage bill that is expected to result from the tax reforms. The deficit on the five "basic" goods and services in forecast to remain substantially unchanged(implying a reduction in the real rate of subsidy), while the operating profit of the other SEE's is projected to approximately double.

Following a paring of plans, SEE investment in expected to fall in volume-terms in 1981. Even so, the financing picture remains discouraging. A welcome step is that borrowing from the Central Bank is being strictly limited to two agricultural SEEs and will thus fall in amount. But Budgetary transfers are again expected to grow apace (by nearly 70 percent) and a further build-up in accounts payable is seen as inevitable.

The authorities believe that it will take some years of unrelenting effort to solve the problems of the SEEs, which are deeprooted in nature. In 1981, as a first step in dealing with the fundamental problem of overstaffing, there is to be no increase in SEE employment, and in a number of Enterprises only 50% of posts falling vacant are to be filled. In addition, an effort is to be made to improve the quality of SEE management by raising salaries and lengthening the tenure of appointments. Alongside these measures to raise productivity, officials expect the pricing policy initiated in early 1980 to be implemented more vigorously in 1981 in the light of greater experience with the new approach and an expected diminution in political interference.

Following September 12, the new regime has succeeded, to an important extent, in de-politicising the SEEs. Appointments to key posts are no longer being made according to be political inclinations of the candidates, but according to their professional ability.

ACCOUNTS THE STATE ECONOMIC ENTERPRISES
(TL billion, calendar year)

	1979	1980		1981
	Initial	Estimate	Current Estimate	Official Forecast
Total Income	474	1136	1305	2097
Sales Revenue	431	1100	1207	1981
Increase in Stocks	43	36	98	116
Total Expenditure	545	1097	1366	2135
Wages and Salaries	143	228	240	300
Purchases of goods & serv.	380	846	1102	1798
Profit/loss, before taxes	- 71	39	- 61	- 38
Budgetary Transfers	83	109	148	249
Change in Accounts Payable, net	79	- 67	87	68
Other Resources, net	- 50	5	44	51
Total Resources	41	86	218	330
Total Investment	172	196	322	433
Financing gap	131	110	104	103
Borrowing from Central Bank	54	59	52	40
Borrowing from State Investment Bank	15	16	17	25
Foreign borrowing, net	62	35	35	38

3. Agricultural Support Prices

Up to 1973, support prices were not of major importance within the overall agricultural income. Payments made to producers through the agricultural support programme amounted to 13 percent of the total agricultural income in 1974 but it jumped to 21.7 percent in 1977, and after falling back to 17.5 percent and 15.6 percent in 1978 and 1979, preliminary estimates place it at 19.5 percent of agricultural income in 1980.

AGRICULTURAL SUPPORT PRICES
(TL/kg)

	1977	% Change	1978	% Change	1979	% Change	1980	% Change
Hazelnuts	16.50	13.8	23.50	30.3	37.50	59.6	110.00	193.3
Sultanas	12.00	4.3	17.50	45.8	45.00	157.1	85.00	88.9
Dried Figs	8.00	14.3	10.50	31.2	22.00	109.5	50.00	127.3
Pistachios	27.00	-	55.00	103.7	150.00	172.7	800.00	100.0
Wheat (average)	2.90	11.5	3.25	12.1	5.30	63.0	10.50	98.1
Cotton (average)	10.50	5.0	12.50	19.0	25.00	100.0	50.00	100.0
Tobacco (average)	50.00	11.1	57.00	14.0	75.00	31.6	109.00	45.3
Olive Oil (per liter)	23.00	27.8	30.00	30.4	(no floor)		120.00	
Sugarbeet	0.63	8.6	0.80	27.0	1.30	62.5	3.00	130.7
Sunflower seed	6.50	13.0	8.50	30.8	16.00	88.2	30.00	87.5
Tea	10.00	17.6	12.00	20.0	14.50	20.8	25.00	72.4
Total Amount paid to Prod. (TL billion)	47.8		52.8		72.8		137.3	
As % of Agricultural Income	21.7%		17.5%		15.6%		19.5%	

Source: Annual Programmes, State Planning Organization

PAYMENTS MADE THROUGH
AGRICULTURAL SUPPORT PRICING

(Billion TL.)

	Payments	Agricultural Product	Payments / Agr. Product
1975	28.5	132.4	21.5
1976	36.6	172.2	21.3
1977	47.6	211.1	22.5
1978	52.8	289.9	18.2
1979	72.8	449.2	16.2
1980	137.3	798.3	17.2

Payments made through 1980 Agricultural Support Pricing have so far reached 137 bn TL. and constitute 17.2 percent of total agricultural output. The average of the previous two years was also equal to 17.2 percent while it was much higher during the period 1975-1977.

4. Net Domestic Credit to the Public Sector

It has been shown that, so far the financing needs of the Public Sector can only be partially financed through the Budget. Successive Governments resorted more and more to the Central Bank for the financing of their deficits. As a result of these policies, net domestic credit to the public sector as a percentage of money supply (M2) rose considerably from 0.13 percent in 1973 to more than half in 1979 and 1980. The velocity of circulation also increased considerably from 3.8 in 1973 to 4.1 in 1979 and 1980.

5. Excessive Increase in the Supply of Money

The situation is outlined in the following table. Real income increased by 65.2 percent during the last decade (1970-1980), banknotes in issue went up 20 fold, Central Bank credits went up 45 fold, the Budget was multiplied by 47. Prices went up from 100 in 1970 to 1750 in 1980.

As a result of excessive increases in the demand side of the equation and excessive decreases in the supply side, too much money chased too few goods, a mass consumption hysteria based on inflationary expectations inevitably developed.

MAIN REASONS for PRICE RISES

(Index 1970 = 100)

	National Income	Banknotes Issued	Central Bank Credits	Budget	Prices
1970	100.0	100.0	100.0	100.0	100.0
1971	110.2	122.4	111.7	139.3	115.9
1972	118.4	144.1	134.1	154.4	136.8
1973	124.7	182.0	191.4	201.1	164.8
1974	134.0	236.1	314.6	258.0	214.0
1975	144.6	294.2	375.9	376.6	235.5
1976	155.7	374.1	664.8	543.3	272.2
1977	163.5	559.7	1208.9	943.3	333.7
1978	167.5	816.8	1535.0	1631.9	513.3
1979	167.8	1314.4	2623.4	2735.7	844.7
1980	165.2	2033.4	4491.3	4667.1	1750.2

It is not surprising that, as will be seen from the table below, domestic savings as a percentage of GNP was higher in the first half of the past decade than it was in the second half.

Savings as Percentage of GNP

1970	18.5	1974	17.4	1978	20.0
1971	17.8	1975	17.8	1979	20.0
1972	18.3	1976	17.6	1980	16.3
1973	20.2	1977	18.2		
Average	18.7		17.8		

The decrease in the second part of the decade is very obvious, with the lowest rate of the decade registered in 1980, the year of shock treatment for the Turkish Economy.

6. Wages

It is conceded that in times of crisis, all the different strata of society should assume a fair share of the sacrifices called for.

Struggling to recover from the shocks of the past and desperately trying to correct the imbalances in its economy, Turkey is living through difficult times. But for the first time in the recent past, both the ruling Council and the government are dealing with the vitally important problem of "labour" from a different angle. No political interests are involved. Nobody is taking sides and no sector is favoured over the others. The imbalances of the past are being corrected.

In some quarters it is being asked-is there a concerted move to deny labour rights? Is there a plot to reclaim labour's acquired rights?

What Turkey most suffered from in the past was the excessive rights granted to labour " overlords". The unionised workforce, especially at the extreme left and right had turned into a militant force, seeking strife not peace. This militancy was naturally reinforced by the never-ending thirst for money on the part of a group of employers who, in some instances, compelled the workers to stage strikes and shut down their factories so they could market their accumulated stocks more easily.

Since the September 1980 change in power, serious efforts have been exerted to streamline industrial relations so as to prevent the re-emergence of the old problems.

Labour is still dissatisfied, but with some justifiable reasons. The new wage guidelines announced by the Supreme Arbitration Board and the hardline stance taken by the employers in minimum wage talks have led to a chorus of protests from the only remaining Turkish labour organisation, the Confederation of Turkish Trade Unions (TURK-IS).

The basic goal of the new wage guidelines is to introduce a single system of wage-price indexing in Turkey, a system familiar in Western European countries. But this should not be confused with the so-called "scale mobile" system as there is no instruction to the effect that wage increase will automatically be tied to price fluctuations.

The Board, announcing the new guidelines, has made it known that the percentage pay rises to be granted to workers whose contracts expire this year will be in the range 40 percent to 55 percent. But this is inclusive of the tax reductions granted by law to all working people. And since tax relief amounts to about 60 percent, instead of the previous 30 percent, the net wage increases will be in the 10 percent to 20 percent range.

A group of workers in Ankara, whose contract expired last October (1980) immediately received an automatic 70 percent pay boost (as ruled by the National Security Council after September 12)and later enjoyed tax reductions as of March 1981 when the new Tax Reform acts went into effect.

Labour believes that civil servants are being favoured at the expense of the workers -a complete reversal of the situation a year ago when labour was the privileged party.

AVERAGE REAL DAILY WAGES OF INSURED WORKERS 1976 - 1980 in TL

	Gross Wage	Net Wage	Istanbul Cost of Living 1975 = 100	Real Wages Gross	Net
1976	115.30	75.39	117.4	98.21	64.21
1977	146.53	92.08	147.9	99.06	62.25
1978	207.93	122.01	239.5	86.81	50.94
1979	294.31	160.35	391.7	75.13	40.93
1980	426.96	216.71	761.0	57.16	28.47

AVERAGE DAILY WAGES OF INSURED WORKERS

(in TL.)

	Private	Public	Average	Index
1970	32.98	38 73	35.52	100.0
1971	36.32	44.42	39.32	111.3
1972	41.36	48.72	43.87	124.2
1973	50.96	61.59	54.41	154.0
1974	65.52	76.88	68.26	193.3
1975	78.75	98.32	85.55	242.2
1976	105.35	132.19	115.30	326.4
1977	128.63	178.15	146.53	414.9
1978	185.56	244.60	207.93	588.7
1979	260.91	348.78	294.31	833.2
1980	367.35	525.30	426.96	1208.8

AVERAGE DAILY WAGES of INSURED WORKERS

(in TL.)

	1978	1979	1980
January	180.50	210.43	310.80
February	172.73	210.15	309.33
March	180.64	245.27	379.27
April	186.15	244.06	381.54
May	181.35	272.14	379.33
June	183.28	270.28	389.22
July	193.48	281.65	-
August	203.69	293.10	-
September	210.08	292.74	-
October	206.96	299.64	-
November	206.35	295.03	-
December	206.35	307.05	-
Average	207.93	294.31	-

New Minimum Wage Levels

In Turkey as in most Western countries, management and labour seldom see eye to eye on wage levels. This was again confirmed in April 1981 as labour leaders refused to attend the meetings of the Minimum Wage Commission in protest of what they called "management intransigence over the rights of the working class."

But a more malleable statement came with the announcement that the minimum wage levels had been fixed - 333 TL a day and 10,000 TL a month for workers over the age of 16 and 223 a day 6,690 TL a month for those under that age.

MINIMUM WAGE LEVELS
(Per day)
TL

	(1) 1977	(2) 1979	(3) 1980	% Increase 1-2	1-3
At current prices	110	180	333	63.6	202.7
At 1963 prices	12.55	12.56	9.43	0	-24.9

The compromise is expected to expedite the work of the Supreme Arbitration Board, which has not yet produced any substantial results. The Board has not yet concluded any contract. This is in contrast to press suggestions that a long-standing pay dispute at the Eregli Steel Works had been settled and that the Board had also concluded its review of contracts involving thousands of workers in the Turkish Metal Goods Sector.

The speedy and lasting restoration of industrial peace is probably the most important item on the agenda of both the National Security Council and the government-especially in view of unjustified Western European concern about Turkish affairs. There is a feeling in labour circles that most labour rights, especially acquired rights, have been trampled upon in the past six months as the new Severance Pay Act restricted payments and the new Social Insurance Act cut into workers' pockets. But most labour leaders also agree with the argument of the government that labour rights were abused in the past and that some sort of limitations were necessary to provide equality between the workers and civil servants. But the most plausible argument is that the State could no longer afford to grant unlimited financial concessions to one stratum of society at the expense of others.

This is why labour leaders agreed to the compromise solution at the Minimum Wage Commission. They could have resisted and brought about a deadlock, but they did not, especially after both the government and business sectors made it clear that 10,000 TL a month as the minimum wage was the most the economy could shoulder at such a critical time.

Nominal wage increases as well as increases in salaries of government employees have also contributed to the increase in demand. Moreover, the rates of increase in wages given in the table below do not fully reflect the increases as they are based on social insurance statements which do not take account of the incidence of fringe benefits.

WAGES (% Change)

	Average Gross Total	Wages of Insured Workers		State Economic Enterprises	
		Public Sector	Private Sector	Wages	Salaries
1970	9.9				
1971	11.3	15	10		
1972	11.6	9	14		
1973	24.0	27	23		
1974	25.5	25	25		
1975	25.3	28	24	35	42
1976	34.8	34	34	59	7
1977	27.1	35	22	27	49
1978	41.9	37	44	86	31
1979	41.5	42.7	40.6	27	14
1980	48.0	50.7	40.7	71	56

WAGES

Year	Daily Wages TL	Index	Chain Index
1976	115.30	100.0	
1977	146.53	127.1	127.1
1978	207.93	180.3	141.8
1979	294.31	255.3	141.6
1980	426.96	370.3	145.0

Source: Social Insurance Institution

In real terms (i.e. basis 1963 prices), the new minimum daily wage of 333.33 TL (outside agriculture) represents an increase of only 21 percent. over 1961. In 1976, the minimum wage was increased by 66.5 percent as compared with 1961.

The increase in the minimum wage appears to have little effect on either the State Economic Enterprises or the bigger corporations, since their wage scales are generally pitched above the minimum. But the latest legislation calls, too, for raising to the minimum wage level the salaries of all civil servants currently being paid less than this; this involves large numbers and amounts. On the other hand, the increase in the minimum wage is being used as an argument and basis for further wage increases under many of the collective agreements now in force.

FACTORS CONTRIBUTING to INFLATION THROUGH AGGREGATE DEMAND

	Inflow of Workers' Remittances (mill.$)	Average Gross Wage of Insured Workers % increase	Currency in Circulation % increase	Supply of Money (M2) % incr.	Net Domestic Credit to the Public Sector As % M2	GNP (M2)
1970	273	9.9	30.5		0.20	3.66
1971	471	11.3	17.4	28.3	0.24	3.83
1972	740	11.6	14.8	25.2	0.19	3.76
1973	1183	24.0	29.6	27.4	0.13	3.80
1974	1426	25.5	26.3	25.4	0.22	4.14
1975	1312	25.3	25.8	29.5	0.32	4.07
1976	983	34.8	29.0	23.5	0.41	4.00
1977	982	27.1	48.2	34.4	0.54	3.97
1978	983	41.9	49.0	35.6	0.55	3.93
1979	1696	41.5	50.6	54.1	0.51	4.10
1980	2071	48.0	63.4	54.9	0.53	5.65

AVERAGE MINIMUM WAGE (1961 - 1979)

	Average Minimum Wage		Cost of Living (Istanbul)	Real Minimum Wage (in 1963 Fixed Prices)	
	TL.	Index		TL.	Index
1961	7.57	100.0	90.2	8.39	100.0
1962	8.53	112.7	93.5	9.12	108.7
1963	8.91	117.7	100.0	8.91	106.2
1964	9.34	123.4	100.2	9.32	111.1
1965	9.70	128.1	104.8	9.26	110.4
1966	10.72	141.6	113.6	9.44	112.5
1967	12.41	136.9	129.6	9.58	114.2
1969	17.08	225.6	144.2	11.84	141.1
1972	23.40	309.1	213.1	10.95	130.5
1974	40.00	528.4	301.8	13.25	157.9
1976	60.00	792.6	429.6	13.97	166.5
1978	110.00	1453.1	876.3	12.55	149.6
1979	180.00	2377.8	1433.1	12.56	149.7
1981	333.33	4403.3	3283.4	10.15	121.0

CHAPTER IV

FOREIGN ECONOMIC RELATIONS

1. FOREIGN TRADE AND PAYMENTS, 1980

In the following pages, individual subjects related to foreign trade and payments are dealt with in detail and, whenever necessary, in a broader perspective. First, however, it is useful to mention the base facts in so far os foreign trade and payments in 1980 are concerned.

The current account deficit increased considerably in 1980, by $1.7 bn as compared with 1979.

Foreign Exchange policy contributed to the improvement in the invisibles balance by $ 241 mn in 1980 as compared to 1979. Net receipts from tourism increased by 18.5 percent, other items by 14.1 percent but the main increase came from workers' remittances which registered a growth of 22.3 percent in 1980.

Capital movements showed a remarkable increase during 1980, equal to 1.7 bn TL. The main increase was realized through programme credits which increased roughly by $ 1.3 bn and through project credits which increased by $ 125 mn.

2. TURKEY'S FOREIGN TRADE

The volume of foreign trade showed a substantial rise and this significantly increased Turkey's share of total world trade.

However, the increase in the volume of trade was not equally spread over exports and imports. It resulted mainly from an unusually sharp rise in imports, due principally to imports of crude oil and petroleum products which increased in volume as well as in value.

As a result of these developments, imports which amounted to only 6.35 percent of Gross Domestic Product over the period 1965-69, 9.47 percent in 1970-74 and 11.13 percent in 1975-79, jumped to 14 percent in 1980, whilst exports showed no significant change. As a percentage of the GDP, exports amounted to 4.56 percent in the first half-decade, to 5.13 percent in the second and dropped to 4 percent in the final five years. In 1980, there was a slight increase, to 5.3 percent; there were two reasons for this - GDP decreased by 0.6 percent whilst the value of exports rose by 28.7 percent.

FOREIGN TRADE as PERCENTAGE
of
GROSS DOMESTIC PRODUCT

YEARS	Exports	Imports	Foreign Trade
1965-69	4.56	6.35	10.91
1970-74	5.13	9.47	14.60
1975-79	4.04	11.13	15.17
1980	5.31	13.98	19.29

Imports showed a continuous rise from 1970 on, which was interrupted only in 1978 and 1979 as a result of acute shortages of foreign exchange. On the other hand, exports, as a percent of GDP, followed a different pattern. A continuous and gradual decrease for the period 1965-1969 was followed by a continuous and gradual increase between 1969 and 1973 and another decrease between 1973 and 1979. This last trend, when investigated for yearly changes, shows a cyclical fluctuation with even years showing a better performance than odd years.

EXPORTS, IMPORTS & GROSS DOMESTIC PRODUCT

	Gross Domestic Product	Exports	Imports	Exports in GDP (%)	Imports in GDP (%)
1965	76,440.1	4.173.6	5.193.3	5.46	6.79
1966	90,775.5	4.414.6	6.521.9	4.86	7.18
1967	101,185.4	4.701.0	6.216.8	4.64	6.14
1968	112,190.1	4.467.8	6.934.1	3.98	6.18
1969	124,470.8	4.831.5	6.787.2	3.88	5.45
1970	145.490.8	6.407.7	9.598.1	4.40	6.60
1971	187.133.3	9.090.0	16.474.4	4.86	8.80
1972	232.114.8	11.875.9	21.564.1	5.12	9.29
1973	295,501.4	18.037.4	29.263.3	6.10	9.90
1974	409,746.2	21.197.3	52.310.8	5.17	12.77
1975	519,173.3	20.075.1	68.987.1	3.87	13.29
1976	658.989.0	30.775.5	82.940.8	4.67	12.59
1977	860,313.4	31.338.5	104.881.6	3.64	12.19
1978	1,274,045.4	55.357.9	113.290.1	4.35	8.89
1979	2,181,945.4	75.743.7	178.505.3	3.69	8.68
1980	4,387,078.3	220,257.9	580,315.2	5.02	13.2

The relative decrease in exports as a percentage of GDP between 1965-1969 was partly associated with the over-valuation of the Turkish Lira but it was also partly the result of deliberate government policy based to a considerable extent upon pessimism about the potential for export growth. Part of the disincentive against exports was unintended, it was the result of a certain stringency in imports which created premium in favour of imports as compared with exports.

The relative increase in exports /GDP between 1969 and 1973 was the result of the devaluation of the Lira in 1970, of the prosperity in the Western World and of price levels either clearly below world price levels or close to them.

On the other hand, several factors were responsible for the relative decrease of exports during the period 1973-1979; domestic price increases has reduced the competitiveness of Turkey's exports, a buoyant domestic demand had competed with exports and thus limited the exportable surplus of a number of goods. Parallel to increasing prices, overvaluation of the Lira had attained dangerous dimensions and last but not least Turkey's principal trading partners faced a recession. There was, however, a distinct improvement in most of these factors during 1980.

The relative stagnation of exports can also be observed by comparing Turkish Exports to World Exports.

TURKISH EXPORTS as a SHARE of WORLD EXPORTS
(1965 - 1980)

	Turkish Exports	World Exports	Turkish Exports as a Share of World Exports %
1965	464	165.400	0.28
1966	490	181.300	0.27
1967	523	190.600	0.27
1968	496	212.900	0.23
1969	537	243.500	0.22
1970	588	280.300	0.21
1971	677	312.600	0.22
1972	885	376.600	0.23
1973	1317	524.000	0.25
1974	1532	771.700	0.20
1975	1401	796.500	0.18
1976	1960	907.400	0.22
1977	1753	1.030.500	0.17
1978	2288	1.193.300	0.19
1979	2261	1.507.800	0.15
1980	2910	1,840,000	0.16

Source: International Financial Statistics

TURKISH EXPORTS as PERCENTAGE of WORLD EXPORTS
(1950 - 1979)

	%
1950-1954	0.47
1955-1959	0.34
1960-1964	0.29
1965-1969	0.25
1970-1974	0.22
1975-1979	0.18
1980	0.16

Source: International
Financial Statistics

Between 1950 and 1978, Turkey's share of world exports decreased steadily from 0.47 percent in the first half of the 1950's to 0.22 percent in the first half of the 1970's and to 0.18 percent in the second half. Turkey has not yet been able to adjust to the changed momentum of world trade whilst many other countries have done so.

Under these circumstances it is not surprissing that where as exports were able to finance 81 percent of total imports in 1965 could cover only 30 percent of the total in 1977 and 38 percent in 1980. The years 1978 and 1979 were not representative as there was an excessive constraint on imports.

GROWTH OF TURKEY's FOREIGN TRADE

	Imports	Exports	Foreign Trade	Trade Balance	Export/Import Ratio
1965	100	100	100	100	81.8
1966	126	106	117	210	68.3
1967	120	113	117	150	76.3
1968	134	107	122	247	65.0
1969	140	116	129	244	67.0
1970	166	127	148	332	62.1
1971	205	146	178	457	57.8
1972	273	191	236	626	56.7
1973	365	284	329	712	63.1
1974	660	330	513	2075	40.6
1975	828	302	593	3084	29.6
1976	897	422	684	2934	38.2
1977	1013	378	729	3744	30.2
1978	804	493	665	2140	48.8
1979	886	487	708	2600	44.6
1980	1340	627	1021	4405	38.0

Taking 1965 as 100, the import index rose to 1340 in 1980 while during the same period the export index rose only to 627.

SHARE OF EXPORTS & IMPORTS
IN TOTAL VOLUME OF TRADE

(Million $)

	Total Volume of Trade	Share of Imports (%)	Share of Exports (%)
1965	1036	55.22	44.78
1966	1209	59.42	40.58
1967	1207	56.72	43.28
1968	1260	60.60	39.40
1969	1338	59.88	40.12
1970	1536	61.69	38.31
1971	1847	63.38	36.62
1972	2448	63.84	36.16
1973	3402	61.32	38.68
1974	5310	71.14	28.86
1975	6140	77.18	22.82
1976	7089	72.35	27.65
1977	7549	76.78	23.22
1978	6887	66.78	33.22
1979	7331	69.15	30.85
1980	10577	72.50	27.50

3. COMPOSITION OF TURKISH EXPORTS

Traditionally, Turkish exports have been heavily concentrated in agricultural products. In spite of a decrease in the relative importance of agricultural exports from approximately 80 percent of the national total in 1965 to 57.5 percent in 1980, agriculture continues to dominate Turkey's exports. Nonetheless, exports of industrial goods have doubled their share during the same period, from 17.45 percent in 1965 to 36 percent in 1980.

The following table based on Turkish Classification of Exports, classifies a number of agricultural products which have gone through a simple processing like refining as industrial products. The table below should be interpreted with these qualifications in mind.

TURKEY's EXPORTS by MAIN SECTORS

(Thousand $)

	Agriculture	%	Mining	%	Industry	%
1965	361.811	78.02	20.999	4.53	80.928	17.45
1966	389.788	79.47	23.345	4.76	77.375	15.77
1967	426.650	81.68	20.738	3.97	74.946	14.35
1968	405.046	81.60	26.043	5.25	65.280	13.15
1969	405.016	75.45	34.845	6.49	96.973	18.05
1970	442.554	75.20	42.679	7.25	103.243	17.55
1971	491.303	72.61	40.113	5.93	145.186	21.46
1972	607.417	68.64	35.901	3.96	242.461	27.40
1973	831.968	63.16	41.714	3.17	443.400	33.67
1974	851.958	55.60	79.831	5.21	600.302	39.19
1975	792.630	56.57	105.565	7.54	502.879	35.89
1976	1.254.408	63.69	110.016	5.61	595.790	30.40
1977	1.041.401	59.41	125.851	7.18	585.774	33.41
1978	1.542.800	67.4	124.100	5.4	621.3	27.2
1979	1.343.600	59.4	132.500	5.9	785.1	34.7
1980	1,671,742	57.4	190,997	6.6	1,047,386	36.0

4. EXPORTS, DOMESTIC PRODUCTION AND PRODUCTION CAPACITY

There has usually been a distinct negative correlation between Exports/Production rates and the over-valuation of the Turkish Lira. With the move away from a major devaluation of the Turkish Lira the Exports/Production rate decreased continuously; from 10.6 percent in 1965 to 7.7 percent in 1969, the year preceding the 1970 devaluation.

The 1970 devaluation of the Lira coincided with a bouyand world trade situation, as mirrored in the relative prosperity of Western countries, and this also benefited Turkey to the extent that in Exports/Production rate rose from a low of 7.7 percent in 1969 to 12.9 percent in 1973.

RELATIONS of EXPORTS to GNP
of
PRIMARY and SECONDARY SECTORS
(Million TL.)

YEAR	GNP in Agriculture	GNP in Industry	GNP in Industry and Agriculture	Exports	Exports as % of GNP in Agriculture+Ind.
1965	23,836.7	15,551.7	39,388.4	4,173.6	10.6
1966	28,853.8	18,574.9	47,428.7	4,414.6	9.3
1967	30,269.9	21,741.3	52,111.02	4,701.0	9.0
1968	31,699.8	24,676.8	56,376.6	4,467.8	7.9
1969	34,113.3	28,471.7	62,585.0	4,831.5	7.7
1970	39,369.8	31,463.6	70,832.8	6,407.7	9.0
1971	50,851.5	40,656.6	91,508.1	9,090.0	9.9
1972	60,654.5	50,847.9	111,502.4	11,875.9	10.6
1973	74,798.5	64,559.5	139,358.0	18,037.4	12.9
1974	107,888.7	91,435.3	199,324.0	21,197.3	10.6
1975	139,127.3	112,295.4	251,422.7	20,075.1	8.0
1976	180,121.9	138,829.5	318,951.4	30,775.5	9.6
1977	223,774.0	178,997.6	402,771.6	31,338.5	7.8
1978	301,163	273,391	574,554	55,357.9	9.6
1979	464,686	484,497	949,183	75,743.7	8.0
1980	926,665	1122,470	2049,135	232,800	11.4

With domestic price increases eroding the value of the Lira and the effects of the devaluation, the rate of Exports to Production decreased sharply from 12.9 percent in 1973 to 7.8 percent in 1977 and 1979, but showed a improvement in 1980 by climbing back to 11.4 percent.

Cyclical changes apart, exports of agricultural and industrial commodities were equal to 9.3 percent of the sum of GNP in Agriculture and Industry, indicating a slight upward slope for the middle of the period 1965-1979 with the first third having an average of 8.9 percent and the last third an average of 8.5 percent.

EXPORTS as PERCENT of GDP
in
AGRICULTURE & INDUSTRY

	%
1965- 1969	8.9
1970 - 1974	10.6
1975 - 1979	8.5
1980	11.4

In a more detailed way exports can be assessed as a percentage of sectoral output. The 1973 Input-Output Coefficients for the Turkish Economy give the following ratios: 0.02 for Agriculture, 0.05 for Mining. As for Industry the sectors with the highest ratios were, in order of importance, as follows 0.1842 for textiles, 0.1556 for beverages and tobacco, 0.1195 for food, 0.0504 for petroleum products, 0.0449 for non-ferrous metals, 0.0238 for metals, 0.022 for metal products and 0.0207 for leather. The remaning sectors displayed smaller ratios.

5. FOREIGN EXCHANGE RECEIPTS AND EXPENDITURE IN THE MANUFACTURING SECTOR

The industrialization strategies adopted in Turkey have placed undue emphasis on meeting internal demand rather than on developing exports. Thus, the rate of export proceeds to import expenditure for the manufacturing industry as a whole has fluctuated between 13.4-24 percent.

RATIO of VALUE of EXPORTS to IMPORTS

YEAR	for Manufacturing	for the Whole Economy
1970	13.6	62.1
1971	15.0	57.8
1972	17.8	56.7
1973	24.8	63.1
1974	22.1	40.6
1975	13.4	29.6
1976	15.0	38.2
1977	13.6	30.2
1978	18.9	48.8
1979	21.3	44.6
1980	23.1	37.9

IMPORT DEPENDENCE of INDUSTRIAL PRODUCTION
(Million $, 1979)

	Production	Imports	Import Dependence
Textiles, Clothing	3.165.5	20.7	0.7
Food Beverages,Tobacco	10,620.7	33.8	0.3
Forestry Products	1,864.7	1.2	-
Paper	358.1	36.4	10.2
Printing	440.1	3.8	0.9
Leather & Hide	794.1	0.3	-
Rubber & Plastics	859.8	145.0	16.9
Chemicals	1,280.7	524.1	40.9
Petroleum Products	2,139.0	750.4	35.1
Fertilizers	206.2	356.2	172.7
Cement	746.5	3.4	0.5
Glass - Ceramics	319.7	27.7	8.7
Iron, Steel	1,421.2	345.1	24.3
Non-Ferrous Metals	697.3	54.6	7.8
Metal Products	1,015.2	14.4	1.4
Machinery	1,140.3	1,203.3	105.5
Electrical Machinery	772.7	259.4	33.6
Motor Vehicles	1,452.5	220.6	15.2
TOTAL	29,291.4	4,000.4	13.6

Although the overall average dependence of industrial production on imported inputs is relatively small in some sub-sectors the percentages quite are high. Fertilizers (172.7 percent), Machinery (105.5 percent), Chemicals (40.9 percent), Petroleum Products (35.1 percent), Electrical Machinery (33.6 percent), Iron and Steel (24.3 percent) and Rubber and Plastics (16.9 percent) are some of the highly dependent sub-sectors.

There are big differences in the Export/Import ratios of the various sub-sectors. Only a small number of them exceed the average for the manufacturing industry as a whole and not more than two which exceed the national average.

The only sub-sector which has systematically exported more than it has imported is Textiles, whilst Glass and Ceramics has shown a remarkable performance by increasing its export/import ratio from 12.4 percent in 1970 to 103.2 percent in 1980.

RATIO of EXPORTS to IMPORTS
of
SUBSECTORS of MANUFACTURING INDUSTRY

	1970	1972	1974	1976	1979	1980
Textiles	111.3	147.8	183.8	341.7	827.4	534.0
Forestry Products	121.5	64.4	74.2	26.8	141.6	162.3
Chemicals	6.2	3.9	6.0	5.6	2.7	6.8
Petroleum Products	4.3	73.8	149.1	15.5	-	4.2
Glass, Ceramics	12.4	19.8	61.1	82.9	133.8	103.2
Non-Ferrous Metals	32.1	14.1	25.9	18.9	26.7	21.0
Machinery	0.9	1.0	2.4	1.5	1.4	2.6
Electrical Machinery	0.4	0.7	5.4	0.4	1.8	4.2
Transport Vehicles	0.3	0.2	2.1	1.5	12.0	22.6
Iron & Steel	3.5	5.0	3.6	4.0	9.0	7.3
Precision Tools	-	0.1	0.4	0.1	-	-
Paper	0.02	0.1	47.7	3.5	-	-
Printing	5.8	3.9	6.4	2.8	-	-
Total Industry	13.6	17.8	22.1	15.0	20.4	22.4

EXPORT PERFORMANCE by MANUFACTURING
SUB-SECTORS

Exports of industrial goods increased considerably during the 1970's.

The sub-sector which occupied the first place in export performance and continues to do so is Textiles.

The second in importance is Chemicals followed by Iron and Steel, Glass & Ceramics, Non-Ferrous Metals Industry and Metal Products.

The table below gives some insight into the potential of the industrial sector, as experienced since 1970.

EXPORTS of THE MANUFACTURING INDUSTRY
BY SUBSECTORS
(1000 $)

	1970	1972	1974	1976	1979	1980
Textiles	27,537	57,750	149,771	272,695	377,630	424,320
Forestry Products	3,099	5,266	16,756	5,622	1,635	4,344
Chemicals	11,132	11,880	34,450	46,741	23,846	75,990
Petroleum Products	706	22,349	85,891	16,161	-	38,513
Glass, Ceramics	1,101	4,017	12,901	20,885	37,077	35,928
Non-Ferrous Metals	8,335	5,908	33,968	16,889	14,574	18,327
Machinery	1,791	4,081	16,090	16,457	12,445	21,680
Electrical Machinery	260	876	983	1,095	4,505	11,451
Transport Vehicles	390	272	5,959	9,329	26,599	50,282
Iron & Steel	3,271	7,443	19,329	22,111	31,086	33,931
Precision Tools	1	21	184	89		
Paper	2	11	8,091	999		
Printing	210	175	341	197		
Total Industry	107,923	246,125	601,325	595,791	785,083	1047,386

6. TERMS OF TRADE

The terms of trade deteriorated in 1974 and again and more seriously in 1975. They have never recovered since then. On the contrary, after a slight improvement in 1976 and 1977, there was an even further deterioration during the period 1978-1980.

TERMS of TRADE
(in $)
1973 = 100

	Export Prices	Import Prices	Terms of Trade
1974	136.0	147.9	92.0
1975	128.3	165.1	77.7
1976	133.3	167.0	79.8
1977	146.2	184.1	79.4
1978	154.9	209.8	73.8
1979	182.4	247.5	73.7
1980*	216.9	334.1	64.9

*First 3 months of 1980.

TERMS of TRADE
(in TL)
1973 = 100

	Export Prices	Import Prices	Terms of Trade
1974	137.6	145.2	94.3
1975	135.4	168.0	80.0
1976	153.0	188.9	81.0
1977	191.5	233.1	82.2
1978	274.1	361.0	75.9
1979	437.5	605.3	72.3
1980*	1260.4	1841.6	68.4

*First 3 months of 1980

The deterioration was a consequence of export prices increasing less rapidly than import prices. In fact, on a dollar basis, prices of Turkish exports increased by only 116.9 percent between 1973 and 1980 whilst prices of Turkish imports increased by 234 percent. That is to say that the rate of increase in import prices was almost twice that of export prices.

As a result the terms of trade deteriorated seriously in 1975, improved slightly in 1976 and 1977 and further deteriorated during 1978-1980.

The same trend was registered in terms of Turkish Lira values, although the increases in prices were still more accentuated. Export prices increased by 1160 percent between 1973 and 1980 whilst import prices increased by 1742 percent during the same period. The big drop in the terms of trade came in 1975, followed by a slight improvement in 1976 and 1977 and another decrease during 1978-1980.

On the other hand, the terms of trade has been relatively favourable to Turkey in the period 1968-1973 as may be seen from the table below:

TERMS of TRADE
1968 = 100

(in $)

	Export Prices	Import Prices	Terms of Trade
1969	100.5	101.4	99.1
1970	99.2	102.5	96.8
1971	106.6	109.2	97.6
1972	116.8	112.5	103.8
1973	145.3	136.6	106.4

(in TL)

	Export Prices	Import Prices	Terms of Trade
1969	100.5	101.4	99.1
1970	118.2	122.8	96.2
1971	155.0	182.2	85.1
1972	171.8	177.2	97.0
1973	219.2	214.8	102.0

FOREIGN TRADE RELATIONS
(million $)

	1976	1977	1978	1979	1980	% Change			
						77/76	78/77	79/78	80/79
Total Imports	5,129	5,796	4,599	5,069	7,667	13.0	-20.7	10.2	51.3
1) Imports	4,993	5,694	4,479	4,946	7,572	14.0	-21.3	10.4	53.1
2) Imports with Waiver	136	102	120	123	95	-24.5	17.0	2.5	-22.8
Total Exports	1,960	1,753	2,288	2,261	2,910	-10.6	30.5	- 1.2	28.7
1) Agricultural	1,254	1,041	1,543	1,344	1,672	-17.0	48.1	-12.9	24.4
2) Minerals	110	126	124	132	191	14.4	- 1.4	6.5	44.7
3) Industrial	596	586	621	785	1,047	- 1.7	6.0	26.4	33.4
Trade Deficit	3,168	4,043	2,311	2,808	4,757	27.6	-42.8	21.5	69.4
Current Account Deficit	2,301	3,385	1,418	1,232	2,965	47.1	-58.1	-22.4	169.7
Workers' Remittances	982	982	983	1,694	2,071		0.1	72.4	22.3
Number of Workers Going Abroad	10,558	19,084	17,372	23,630	28,503	80.8	- 9.0	36.0	20.6
Number of Workers Abroad	705	720	750	771	797	2.1	4.2	2.8	3.4
Average workers' remittances (monthly)	116	114	109	183	216	- 1.7	- 4.4	67.9	18.0

EXPORT IMPORT PERFORMANCE
(million $)

YEAR	Total Imports	Total Exports	Exports of Manufactured Goods
1960	468	321	34
1961	507	346	46
1962	619	381	61
1963	687	368	65
1964	537	411	76
1965	572	464	83
1966	718	490	79
1967	685	522	77
1968	763	496	68
1969	801	537	103
1970	948	588	108
1971	1,171	677	150
1972	1,562	885	246
1973	2,086	1,317	446
1974	3,777	1,532	601
1975	4,738	1,401	502
1976	5,128	1,960	595
1977	5,796	1,753	585
1978	4,599	2,288	621
1979	5,069	2,261	785
1980	7,667	2,910	1,047

7. EXPORTS

The following table shows the composition of Turkey's exports in 1979 and 1980. Comparing the figures for the two years, it will be seen that there have been no marked changes. It is no great importance that the share of industrial products went up to 36 percent in 1980 as compared with 34.7 percent in 1979 or that the share of agriculture and livestock dropped from 59.4 percent in 1979 to 57.5 percent in 1980.

EXPORTS

	1979 (Tons)	1979 (000 $)	1980 (Tons)	1980 (000 $)
AGRICULTURE & LIVESTOCK		1,343,632		1,671,742
A)Crops		1,252,867		1,535,050
a)Cereal		89,262		80,384
- Wheat	686,028	86,152	338,049	52,030
- Others	-	3,110		28,346
b)Pulses		74,901		100,604
c)Industrial Crops		423,930		583,144
- Tobacco	69,553	176,971	83,727	233,742
- Cotton	150,618	227,825	181,296	322,597
- Linters	23,896	4,019	22,666	5,950
- Others	-	15,115	-	20,855
d)Fruit & Vegetables		647,681		753,881
- Figs (dried)	34,872	41,504	32,580	38,745
- Raisins (dried)	75,937	114,822	80,252	130,316
- Hazelnuts	134,343	352,998	100,937	394,849
- Pistachios	825	4,238	923	7,086
- Other hard shelled fruits	3,441	5,922	5,036	11,126
- Oranges, Tangerines	46,079	17,847	46,092	21,046
- Lemon	79,260	34,083	119,029	62,113
- Other Citrus Fruit	6,178	1,466	11,153	3,417
- Other Fresh Fruit	63,493	24,029	60,106	24,585
- Others	8,645	18,862	10,069	25,115
- Vegetables	133,850	31,910	88,078	35,483
e)Seeds, Oil Seeds		15,849		15,599
f)Other Crops		1,244		1,438
B)Livestock & Livestock Products		62,037		108,192
a)Livestock		40,916		98,868
b)Wool, Hair		20,603		7,970
c)Raw Skins, Game Skins		58		147
d)Other Livestock Products		460		1,207
C)Fishery Products		21,740		22,736
D)Forestry Products		6.988		5,764
MINING & QUARRYING PRODUCTS		132,480		190,997
A)Non-Metallic Quarrying Products		102,549		153,751
B)Mineral Ores		27,900		34,221
C)Fuels		2,031		2,945
D)Other Mining Products		—		75

	1979 (Tons)	1979 (000 $)	1980 (Tons)	1980 (000 $)
INDUSTRIAL PRODUCTS		785,083		1,047,386
A)Agriculture Based Processed Products		151,080		209,424
a)Food Industry Products		134,675		190,137
b)Food Industry by-Products		278		61
c)Processed Tobacco Products		-		1
d)Processed Forestry Products		3,068		3,845
e)Processed Textile Fibres		13,059		15,380
B)Processed Petroleum Products		-		38,513
C)Manufactured Products		634,003		799,449
a)Cement Industry Prod.		44,893		39,585
b)Chemical Industry Prod.		23,846		75,990
c)Rubber & Plastics Industry Prod.		3,374		15,889
d)Leather - Hides Processing Ind.		43,632		49,510
e)Forestry Products Industry		1,635		4,344
f)Textile Industry Pro.		377,630		424,320
- Synthetic and Artificial Fibres[1]		12,639		17,208
- Cotton Yarn	82.824	217,861	58,466	181,161
- Synthetic & Artificial Fibres Yarns		6,876		7,491
- Grey Cloth		3,142		6,652
- Other Cotton Textiles		7,166		9,568
- Carpets, Kilims		43,898		83,857
- Other Textiles		10,404		9,069
- Knitwear		9,780		16,198
- Ready-to-wear Clothing		65,098		89,897
- Others		766		3,219
g)Glass & Ceramics Ind.Products		37,077		35,928
h)Iron & Steel Ind.Products		31,086		33,931
i)Non-Ferrous Metals Ind.Products		14,574		18,327
j)Metal Goods Ind.Products		5,660		8,087
k)Machinery Manufacturing Ind.Pro.		12,445		21,680
l)Electrical Appliances Ind.		4,505		11,451
m)Motor Vehicles Ind.Pro.		26,599		50,282
n)Other Industrial Products		7,047		10,125
GRAND TOTAL		2,261,195		2,910,122

SECTORAL RATES of INCREASE in EXPORTS
(%)

	1963/1967	1967/1972	1972/1977	1978	1979	1980
I. Agriculture & Livestock Sector	9.9	7.3	11.4	48.1	-12.9	24.4
1)Cereals & Pulses	- 4.2	39.8	27.2	117.6	-37.5	10.3
2)Fruits & Vegetable	11.0	8.3	17.4	27.4	15.6	16.4
a)Hazelnuts	9.0	6.8	16.6	31.8	6.7	11.9
b)Raisins	8.1	6.1	19.7	32.9	15.2	13.5
c)Others	11.8	14.4	17.7	14.0		27.2
3)Industrial Prod.	13.8	5.7	4.9	45.8	-29.2	37.6
a)Tobacco	15.3	2.1	6.1	28.1	-21.4	32.1
b)Cotton	13.4	7.8	1.9	65.8	-34.6	41.6
c)Others	-	18.1	22.2	2.0	- 4.4	40.0
4)Livestock & Prod.	- 9.2	1.1	6.6	109.2		74.4
5)Fishery Products	18.4	9.6	4.8	110.6		4.6
II. Mining & Quarrying Products	17.6	11.1	29.1	- 1.4	6.5	44.2
III. Industrial Products	3.7	26.5	19.3	6.1	26.2	33.4
1)Food & Beverages	2.9	12.9	7.9	-25.4	37.3	38.6
2)Textiles	-	57.6	37.1	18.9	22.3	12.4
3)Forestry Products	- 1.8	27.7	- 9.4	10.7	50.0	165.7
4)Hides & Leather	28.0	162.8	19.3	-22.8	10.0	13.5
5)Chemical Industry	15.5	32.4	26.2	-29.1	0	218.7
6)Petroleum Products	56.5	133.3	-100.0	-	-	-
7)Cement Industry	-100.0	(+)	- 9.6	330.9	2.3	-11.8
8)Glass & Ceramics	- 9.3	65.8	49.4	9.7	23.3	- 3.1
9)Non-Ferrous Metals	29.3	-18.7	27.7	-42.4	25.0	25.8
10)Iron & Steel Ind.	47.2	34.4	14.4	47.2	47.6	9.2
11)Metal Prod.&Mach.	50.5	84.7	28.0	28.1	0	64.4
12)Electrical Appliances	(+)	74.2	28.0	22.0	0	154.2
13)Vehicles	24.5	86.7	102.2	-33.9	350.0	89.0
14)Others	19.8	40.4	5.3	9.5	100.0	43.7

8. GEOGRAPHICAL DISTRIBUTION OF EXPORTS

The geographical distribution of exports changed drastically in 1980. The OECD countries share of exports decreased 1979 from 64 percent of total exports in to 57.7 percent in 1980.

Exports to Bilateral Agreement Countries and Free Exchange Agreements countries increased to 6.1 percent and 30.3 percent of total exports respectively.

Exports to the COMECON countries increased to 16.5 percent of total exports in 1980 from 13.3 percent in 1979. The increase was notable in the cases of the Soviet Union, Czechoslovakia and Poland.

On the other hand, exports to Arab countries showed a decrease of 17.2 percent of total exports in 1979 to 13.6 percent in 1980.

GEOGRAPHICAL DISTRIBUTION of EXPORTS

(000 $)

	1979		1980	
	(000 $)	(%)	(000 $)	(%)
OECD COUNTRIES	1,446,403	64.0	1,679,738	57.7
A)EEC Countries	1,097,552	48.6	1,242,131	42.7
a)The Sixs	981,288	43.4	1,126,199	38.7
- West Germany	495,069	21.9	603,969	20.8
- Belgium-Luxemburg	60,575	2.7	55,504	1.9
- France	137,295	6.1	163,897	5.6
- Holland	75,378	3.3	84,380	2.9
- Italy	212,971	9.4	218,448	7.5
b)The 3	116,254	5.2	115,933	4.0
- Denmark	6,449	0.3	7,334	0.3
- United Kingdom	103,036	4.6	104,533	5.4
- Ireland	6,779	0.3	4,065	0.1
OTHER OECD COUNTRIES	348,851	15.4	437,606	15.0
- U.S.A.	104,497	4.6	127,390	4.4
- Japan	22,382	1.0	36,687	1.3
- Switzerland	113,745	5.0	125,385	4.3
- Others	108,227	4.8	148,144	5.1
BILATERAL AGREEMENT COUNTRIES	127,115	5.6	178,617	6.1
- U.S.S.R.	126,734	5.6	168,963	5.8
- Albania	381	0.0	9,654	0.3
FREE EXCHANGE AGREEMENT COUNTRIES	596,941	26.4	882,006	30.3
- East European Count.	174,397	7.7	311,900	10.7
- RCD Countries	15,848	0.7	90,650	3.1
- Others	406,696	18.0	479,456	16.5
OTHER COUNTRIES	90,736	4.0	169,761	5.8
TOTAL	2,261,195	100.0	2,910,122	100.0

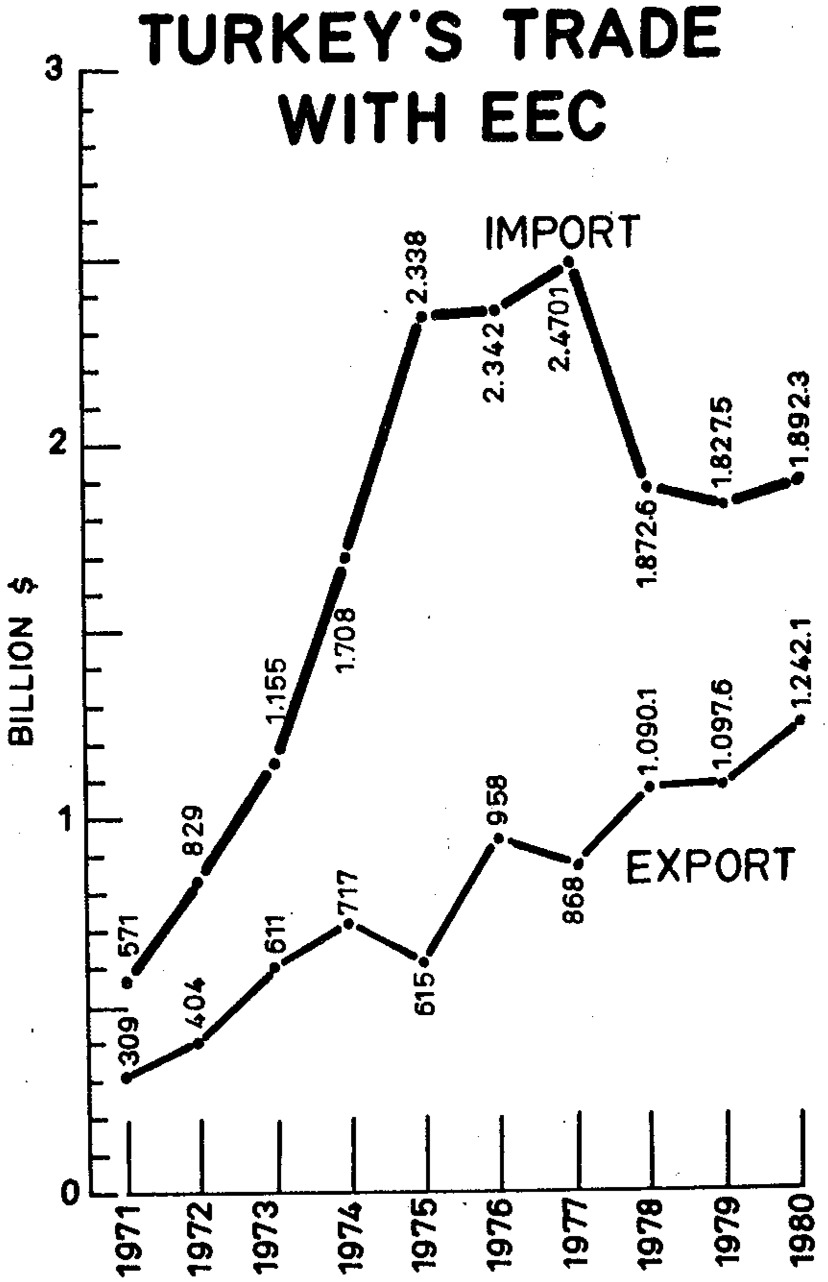
EXPORTS to COMECON COUNTRIES
(000 $)

(Share of Total Exports)

	1976	%	1978	%	1979	%	1980	%
Soviet Union	80.991	4.1	105.235	4.6	126.7	5.6	169.0	5.8
Czechoslovakia	13.524	0.7	34.641	1.5	41.4	1.8	72.1	2.5
Romania	30.624	1.6	74.151	3.2	37.8	1.7	71.0	2.4
Poland	15.693	0.8	42.552	1.8	41.9	1.8	94.1	3.2
Hungary	10.004	0.5	42.170	1.8	16.0	0.7	41.1	1.4
Bulgaria	6.871	0.4	11.358	0.5	7.6	0.3	12.4	0.4
GDR	9.034	0.5	13.861	0.6	29.7	1.3	21.3	0.7
Comecon, Total	166.472	8.6	323.968	14.2	301.5	13.3	481.0	16.5
Total Exports	1.960.214	100.0	2.288.163	100.0	2.261.2	100.0	2.910.1	100.0

EXPORTS to ARAB COUNTRIES
(000 $)

	1978	%	1979	%	1980	%
Bahrain	1,298	0.1	354	-	2,704	0.1
Morocco	2,251	0.1	1,109	0.1	1,329	0.04
Algeria	3,927	0.2	10,204	0.4	8,466	0.3
Iraq	69,466	3.0	113,395	5.0	134,786	4.6
Kuwait	16,267	0.7	15,244	0.7	958	0.03
Libya	48,577	2.1	43,264	1.9	60,319	2.1
Lebanon	20,538	0.9	27,034	1.2	143	-
Egypt Arab Rebuplic of	18,865	0.8	49,847	2.2	20,304	0.7
Sudan	2,141	0.1	-	-	1,653	0.05
Syria	58,513	2.6	54,859	2.4	251	-
Saudi Arabia	17,504	0.8	19,627	0.9	102,924	3.5
Tunisia	23,594	1.0	8,499	0.4	13,209	0.5
Jordan	9,455	0.4	45,145	2.0	48,092	1.6
Yemen	386	-	-	-	126	-
Total	292,781	12.8	388,581	17.2	395,264	13.6
Iran	44,732	2.0	11,815	5.2	84,820	2.9
Pakistan	7,964	0.3	n.a	n.a	5,829	0.2
Total	52,696	2.3	n.a	n.a	90,649	3.1
Total Exports	2.288,163	100.0	2261,195	100.0	2910,122	100.0


TURKEY'S TRADE
WITH EEC
BILLION $
3
2
1
0
IMPORT
EXPORT
571
829
1.155
1.708
2.338
2.342
2.4701
1.872.6
1.827.5
1.892.3
309
404
611
717
615
958
868
1.090.1
1.097.6
1.242.1
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980

9. TWENTY YEARS' EXPORT PERFORMANCE

The export performance of the non-oil-exporting developing nations was relatively better in the 1960's than in the 1970's, when their economies were effected by the international petroleum crisis. The average annual increase in the exports of 52 non-oil-exporting developing countries was of 5.5 percent during the period 1960-1970 and, in spite of the difficulties, it fell only to 5.2 percent in the period 1970-1978.

During the first period, 21 countries registered export performances better then the average of 5.5 percent, ten of them in fact exceeding 10 percent; Korea occupied first position with 35.2 percent. Turkey ranked low in the list, with only 1.6 percent.

In 1970-1978, twenty-five countries had annual export growth rates of or above the average of 5.2 percent. Eight of these 25 had growth rates in excess of 10 percent and, once more, Korea headed the list with an average of 28.8 percent; Turkey was again well below the average, with an average growth rate of 2.5 percent.

The most appropriate countries with which Turkey's export performance may be compared are Brazil and Mexico, which have similar per capita incomes, and Portugal, Greece and Spain, with much higher per capita incomes.

EXPORT PERFORMANCE OF SELECTED
SEMI-INDUSTRIALIZED COUNTRIES

	Turkey	Mexico	Brazil	Portugal	Greece	Spain
Population(millions)1978	43.1	65.4	119.5	9.8	9.4	37.1
Area (thousand Km^2)	781	1973	8512	92	132	505
Percapita GNP $	1200	1290	1570	1990	3250	3470
Exports 1978 (million $)	2288	5739	12527	2393	3341	13115
Annual growth rate of exports 1960-1970	1.6	3.3	5.0	9.6	10.7	11.6
Annual growth rate of exports 1970-1978	2.5	5.2	6.0	- 5.9	13.1	11.0
Exports as % of GDP 1960	3	10	5	17	9	10
Exports as % of GDP 1978	6	11	7	20	17	16
Exports of Fuels, minerals % of total, 1960	8	24	8	8	9	21
Exports of Fuels, minerals % of total, 1977	8	32	10	4	14	6
Exports of Primary Comm. % of total, 1960	89	64	89	37	81	57
Exports of Primary Comm. % of total, 1977	67	39	64	26	36	23
Exports of Manufactures % of total, 1960	3	12	3	55	10	22
Exports of Manufactures % of total, 1977	25	29	26	70	50	71
Manufacturing as % of GDP, 1960	13	23	26	29	16	27
Manufacturing as % of GDP, 1978	18	28	28	36	19	30

Source: The World Bank

10. IMPORTS

Over the period 1972-1977, imports increased by an annual average rate of over 30 percent. In 1978, imports fell by 20.7 percent, increased by a modest 10.2 percent in 1979 and rose by no less than 51.2 percent in 1980.

Raw materials constituted almost 60.5 percent of total imports in 1980; machinery and other investment goods accounted for a further 37 percent and consumer goods made up the modest remainder of 2.5 percent. An analysis of 1980 imports by sources of finance reveals some important changes as compared with 1979. Programme imports represented 89.2 percent of the total, as against 88.4 percent in 1979 but "Liberalised" imports represented 72.4 per cent as against 67 percent and Quota imports were down from 19.2 to 14.7 percent; there was little change in Bilateral Agreement imports. In so far as self-financing imports were concerned, foreign investment in kind was down from 1.4 to 0.5 percent and imports against foreign project credit increased from 7 to 8.3 percent of the overall total.

IMPORTS by COMMODITY GROUPS

	1975		1976		1977		1978		1979		1980	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
INVESTMENT GOODS	1,961	41.4	2,239	43.6	2,255	38.9	1,590	34.6	1,596	31.5	2,835	37.0
- Construction Materials	291	6.2	243	4.7	206	3.6	138	3.0	152	3.0	-	-
- Machinery & Equipment	1,670	35.2	1,996	38.9	2,048	35.3	1,453	31.6	1,444	28.5	-	-
RAW MATERIALS	2,574	54.3	2,733	53.3	3,363	58.0	2,876	62.5	3,377	66.6	4,638	60.5
CONSUMER GOODS	203	4.3	156	3.0	178	3.1	133	2.9	96	1.9	193	2.5
Grand TOTAL ..	4,738	100.0	5,128	100.0	5,796	100.0	4,599	100.0	5,069	100.0	7,667	100.0

IMPORTS by COMMODITY GROUPS
(%)

	1963	1967	1972	1977	1978	1979	1980
1. Investment Goods	45.8	47.2	50.1	38.9	34.6	31.5	37.0
- Construction Materials	6.1	4.4	5.5	3.6	3.0	3.0	
- Machinery Equipment	39.7	42.8	44.6	35.3	31.6	28.5	
2. Raw Materials	48.8	47.9	45.2	58.0	62.5	66.6	60.5
3. Consumption Goods	5.4	4.9	4.7	3.7	2.9	1.9	2.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0

IMPORTS by SOURCE of FINANCE
(million $)

	1977		1978		1979		1980	
	Value	%	Value	%	Value	%	Value	%
Programme Imports.	5,287	91.1	4,048	88.0	4,479	88.4	6,839.1	89.2
- Liberalization List	4,062	70.0	3,200	69.6	3,397	67.0	5,550.4	72.4
- Quota List	1,160	20.0	784	17.0	973	19.2	1,125.6	14.7
- Bilateral Agreements	64	1.1	64	1.4	109	2.2	163.1	2.1
Self-Financing Imports	509	8.8	551	12.0	590	11.6	828.1	10.8
- NATO Infrastructure	39	0.7	12	0.3	11	0.2	22.4	0.3
- Private Foreign Capital	44	0.8	23	0.5	71	1.4	39.1	0.5
- Project Credit-Related	310	5.3	394	8.5	356	7.0	637.0	8.3
- Imports with Waiver*	102	1.6	119	2.6	123	2.4	113.6	1.5
- Others	14	0.2	3	0.1	29	0.6	15.7	0.2
OVERALL TOTAL	5,796	100.0	4,599	100.0	5,069	100.0	7,667.3	100.0

*Imports without an official allocation of foreign exchange: mainly by workers' returning from abroad.

IMPORTS by MAJOR COMMODITY GROUPS
(million $)

	1976	1977	1978	1979	1980	% Composition 1976	1977	1978	1979	1980	% Change 77/76	78/77	79/78	80/79
1. Agricultural Produce & Livestock	77.3	111.6	50.7	36.0	49.8	1.5	1.9	1.1	0.7	0.6	44.3	-54.6	-29.0	38.3
2. Mining, Quarrying	1,086.5	1,262.2	1,133.8	1,068.0	2,853.8	21.2	21.8	24.6	21.1	37.2	16 2	-10.2	- 5.8	167.3
& Crude Oil	1,002.5	1,151.6	1,043.5	962.0	2,710.1	19.5	19.8	22.7	19.0	35.3	14.8	- 9.4	- 7.8	181.7
3. Manufactured Goods	3,829.3	4,320.2	3,294.7	3,842.0	4,668.9	74.7	74.5	71.6	75.8	60.9	12.8	-23.7	16.6	21.5
4. Imports with Waiver	135.5	102.4	119.7	123.0	94.8	2.6	1.8	2.6	2.4	1.2	-24.5	16.9	2.8	-23.0
TOTAL	5,128.6	5,796.4	4,599.0	5,069.0	7,667.3	100.0	100.0	100.0	100.0	100.0	13.0	-20.7	10.2	51.3

SECTORAL RATE OF INCREASE/DECREASE IN IMPORTS

	1963/ 1967	1967/ 1972	1972/ 1977	1978	1979	1980
I. Agricultural Produce & Livestock	-27.9	6.8	27.0	-54.9	-28.0	37.7
a) Crops	-47.8	25.6	28.4	-56.7	-12.8	
b) Livestock Prod.	- 9.9	1.1	23.4	-51.8	-20.2	
c) Fishery	-	(+)	-	-	11.0	
d) Forestry Products'	8.9	-18.4	60.6	-64.1	31.9	
II. Mining & Quarrying	- 3.5	24.5	54.6	-10.2	- 5.8	167.3
a) Crude Oil	- 8.6	27.5	56.2	- 9.4	- 7.9	181.8
b) Others	50.5	11.7	42.1	-16.8	17.8	38.8
III. Industrial Products	3.4	17.5	26.1	-22.8	16.6	21.5
a) Food & Beverages	-34.8	40.1	3.4	42.3	130.0	
b) Textiles	9.7	5.2	10.3	- 2.5	- 8.0	74.1
c) Forestry Products	11.4	26.6	21.4	-23.6	..	131.8
d) Hides & Leather	-11.0	4.4	7.4	-12.8		2.4
e) Chemicals	13.5	14.8	27.6	- 0.9	10.1	27.4
f) Petroleum Prod.	4.8	13.4	56.5	23.8	113.0	21.2
g) Cement	16.4	-52.8	15.6	-56.1		313.3
h) Non-Ferrous Metals	18.2	18.3	18.4	-56.1	31.0	59.6
i) Class & Ceramics	5.1	16.7	4.7	-30.1	-55.6	25.6
j) Iron & Steel	- 7.8	25.9	36.2	-40.9	-15.5	34.0
k) Metal Products & Machinery	5.5	16.2	23.3	-27.3	17.4	5.7
l) Electrical Mach. Industry	1.3	22.3	19.2	-24.4	15.1	7.9
m) Vehicles Ind.	- 6.1	24.5	28.9	-29.0	-41.5	0.8
n) Other Industry Branches	13.0	6.4	33.3	-40.6	6.0	46.9
TOTAL	-	17.7	30.0	-20.7	10.4	51.2

IMPORTS

	1979 (Tons)	1979 (000 $)	1980 (Tons)	1980 (000 $)
AGRICULTURAL & LIVESTOCK SECTOR		36,171		49,807
- Rice	22,759	7,455	5,698	2,534
- Merinos Wool	5,960	18,373	5,447	22,373
- Skins	825	1,569	2,216	4,948
- Cocoa	470	1,710	852	2,738
- Others	-	7,064	-	17,214
MINING & QUARRYING		1,067,640		2,853,803
- Crude Oil	7,191,341	961,648	11,157,410	2,710,128
- Coke & Coal	44,074	3,144	62	954
- Others	-	102,848	-	142,721
INDUSTRY SECTOR		3,842,297		4,668,906
1) Agriculture based Processed Products		114,695		301,316
- (Others) Oils & Fats	15,793	13,633	57,837	43,961
- Textile Fibres	14,141	19,387	17,227	29,153
- Sugar	-	-	163.959	129,752
- Tallow	869	485	17,527	12,477
- Soya Bean Oil	80,510	50,171	101,592	66,684
- Others	-	22,019	-	19,289
2) Petroleum Products	4,589,716	750,356	3,731,348	909,819
- Fuel Oil	2,284,226	232,876	1,873,930	305,343
- Lubricants	57,550	17,277	13,373	9,051
- Petroleum Gases	316,600	51,323	423,495	153,144
- Others	-	448,880	-	442,281
3) Industrial Products		2,977,246		3,457,771
- Cement		75		310
- Chemicals		880,309		1,121,685
- Rubber and Plastics		145,002		181,387
- Leather & Hides		334		342
- Forestry Products		1,155		2,677
- Textiles Industry		45,622		79,457
- Glass & Ceramics		27,717		34,815
- Iron & Steel Industry Products		345,098		462,483
- Non-Ferrous Metals		54,572		87,124
- Machinery Industry		903,473		842,397
- Metal Goods		14,426		22,768
- Electrical Appliances		250,733		270,445
- Motor Vehicles		220,623		222,438
- Others		88,107		129,443
IMPORTS WITH WAIVER		123,325		94,800
GRAND TOTAL		5,069,433		7,667,324

11. GEOGRAPHICAL DISTRIBUTION OF IMPORTS

Geographical distribution of Turkish Imports showed a more marked change than exports mainly because of the relative increase in the price of and in the outlay on oil. Imports from the OECD area decreased from 60 in percent of total imports in 1979 to 46.7 in 1980. Imports from Bilateral Agreement countries increased from 2.20 percent to 2.42 percent and imports from free exchange agreements countries increased from 32.75 percent to 45.72 percent.

GEOGRAPHICAL DISTRIBUTION of IMPORTS

	1979	%	1980	%
OECD COUNTRIES	3.063.716	60.43	3.583.361	46.73
A)EEC Countries	1.827.541	36.05	2.203.112	28.73
- West Germany	630.451	12.44	837.495	10.92
- Belgium-Luxemburg	89.674	1.77	158.279	2.06
- France	313.171	6.18	376.617	4.91
- Holland	86.026	1.70	204.658	2.67
- Italy	473.232	9.33	299.688	3.91
- Denmark	7.102	0.14	8.286	0.11
- United Kingdom	227.177	4.48	316.811	4.13
- Ireland	708	0.01	1.278	0.02
OTHER OECD COUNTRIES	1.236.175	24.38	1.380.249	18.00
- U.S.A.	377.705	7.45	442.376	5.77
- Japan	226.498	4.47	112.948	1.47
- Switzerland	251.063	4.95	347.637	4.53
- Others	380.909	7.51	477.286	6.22
BILATERAL AGREEMENTS COUNTRIES	111.370	2.20	185.458	2.42
- U.S.S.R.	108.201	2.14	180.674	2.36
- Albania	3.169	0.06	4.784	0.06
FREE EXCHANGE AGREEMENTS COUNTRIES	1.660.248	32.75	3.505.217	45.72
- East Europe Countries	504.660	9.95	571.863	7.46
- RCD Countries	194.841	3.84	786.369	10.26
- Others	960.747	18.95	2.146.985	28.00
OTHER COUNTRIES	235.097	4.62	393.288	5.13
TOTAL	5.069.431	100.00	7.667.324	100.00

12. BALANCE OF PAYMENTS

Turkey was hard hit in 1980 by the soaring international prices of its imports. The import bill went up by 51.2 percent to $ 7,667 million despite a fall in the actual volume of foreign goods entering the country. In contrast, exports totalled only $ 2,910 mn, pushing up the trade deficit to $ 4,757 mn. This huge deficit was partly covered by the surplus on the capital account which had been swollen by a record inflow of programme credits and the surplus in invisibles.

The performance of the balance of payments may be described as disappointing, fair or promising, depending upon the point of views. Yet any simple evaluation without due regard to the underlying factors is apt to be misleading.

Last year the trade balance was deficitiary by $ 4,757 mn an increase of 69.4 percent compared with the $ 2,808 mn deficit in registered in 1979. In this respect the performance of the balance of payments is disappointing. Exports, which totalled $ 2,910 mn remained much below the original target level of $ 3,500 mn but exceeded the revised target of $ 2,800 mn.

The balance on the "invisibles" account was a positive one, thanks to workers' remittances, which climbed to $ 2,071 mn compared with the 1979 total of $ 1,694 mn. The surplus on the invisibles stood at $ 1,808 mn but was not of course sufficient to cover the trading deficit. So, the current account yielded a deficit of $2,967 mn, 2.5 times that of 1979. In this respect, too, the payments performance was discouraging.

In sharp contrast to recent past performance, the capital account last year yielded a surplus. Thanks to programme credits of $ 1,774 mn and project credits of $ 546 mn, the capital account showed a surplus of $ 1,757 mn despite the $ 576 mn foreign debts. The over all balance was thus a deficit of $ 1,207 mn compared to a short fall of $ 1,139 mn in 1979. In this respect, the payments performance was satisfactory except of course, for the fact that total foreign debts increased by the amount of the foreign credits utilised.

The rapidly increasing foreign trade deficit is due to nothing but rising imports and exports which are failing to show any compensating increase. Underlying this trend is of course, the rapid increase in the international prices of imports, a world-wide phenomenon reflecting the plight of the non-oil-exporting developing countries. After the initial explosion of the oil price rises in 1973/74, such countries have been recurrently hit by the galloping oil prices and the directly linked rises in the prices of the products exported by the industrialised countries (mainly machinery, plant, chemicals and industrial inputs).

BALANCE OF PAYMENTS

(Million $)

	1979	1980
CURRENT ACCOUNTS		
A. Foreign Trade		
1)Exports	2,261.2	2,910.1
2)Imports	-5,069.4	-7,667.3
Balance of Trade	-2,808.2	-4,757.2
B. Invisibles		
1)Interest Payments	- 546.0	- 688.0
2)Tourism & Foreign Trade	178.8	211.9
3)Workers' Remittances	1,694.4	2,071.0
4)Profit Transfers	- 42.2	- 50.9
5)Project & Service Payments	- 65.0	..
6)Other Invisibles	347.0	244.3
Balance of Invisibles	1,567.0	1,808.3
C. Infrastructure & Offshore	9.5	- 16.1
Current Accounts Balance	-1,231.7	-2,965.0
CAPITAL MOVEMENTS		
1)Debt Repayment	- 485.0	- 576.0
2)Private Foreign Investment	86.5	35.2
3)Project Credits	421.1	546.9
4)Imports with Waiver	123.5	94.8
5)Programme Credits	493.2	1,774.6
6)Other Capital Movements	- 547.0	- 117.6
Balance of Capital Movements	92.3	1,757.9
Overall Balance	-1,139.4	-1,207.1
RESERVE MOVEMENTS	- 111.5	- 606.4
I.M.F.	3.0	461.0
SHORT TERM & MEDIUM TERM CAPITAL MOVEMENTS	275.0	- 147.5
ERRORS & OMISSIONS	972.0	1,500.0

Turkey has been no exception and has suffered its share of this worldwide rate and price war between oil-exporting and industrialised countries. Since 1974, Turkey has been able to do nothing but continue swallow this bitter medicine in ever increasing doses. Mean time although international prices of its exports have risen too, Turkey has not as yet benefited for the simple reason that it could not export more.

Turkey's plight is well illustrated by the following figures. From 1977 to 1978, the price index of imports went up from 100 to 113 and then to 140 in 1979, to hit a record of 197 in 1980. Put in move simple terms, this means that the average price of imports doubled in the past three years. What Turkey could buy for $ 100 in 1977 cost $ 197 in 1980.

IMPORT PRICES INDEX

	Oil Imports	Non-Oil Imports	All Imports
1977	100	100	100
1978	119	102	113
1979	136	145	140
1980	156	249	197

IMPORT VOLUME INDEX

	Oil Imports	Non-Oil Imports	All Imports
1977	100	100	100
1978	96	61	70
1979	81	57	62
1980	85	56	65

Notable is the 71 percent increase in the price index of non-oil imports, from 145 in 1979 to 249 in 1980. It is evident that the industrialised countries were not slow to pass on the increase in their oil bills to the non-oil-developing countries by raising their export prices.

The cost of all these developments has been iniquitous for Turkey. While its import bill soared the country reserved foreign goods in ever decreasing quantities. The imports volume index dropped from 100 in 1977 to 70 a year later and to 65 in 1980. The physical volume of foreign goods entering Turkey thus dropped by 35 percent in the last four years, even though almost twice as many dollars were paid out.

In 1980, $ 2.7 mn were paid imports of crude oil 181 percent more than in 1979, but due to increases in crude prices, imports by volume in 1980 increased by only 55.1 percent, from 7,191 thousand tonnes in 1979 to 11,157 thousand tonnes last year. The share of imports of crude oil and petroleum products in total imports went up from 33.7 percent in 1979 to 47 percent.

Obviously there is little which Turkey can do in the face of this situation, except continue with the implementation of its economic stabilization programme, do everything possible to increase exports and other currency earnings and step up its efforts to increase the domestic output of crude oil.

As disappointing as soaring import prices was the poor performance of Turkish exports. Despite the generous subsidies regular adjustments in foreign exchange rates and other facilities and encouragements competitive power in foreign markets, exports totalled only $ 2,910 mn in 1980, a rise of only 28.7 percent over the $ 2,216 mn achieved in 1979.

But the apparent 28.7 percent increase in foreign exchange earnings from exports is illusory. It reflects the increase in international market prices of the commodities exported rather than a genuine export expansion. If in the course of last year, the average export market prices of Turkish goods went up by more than 28.7 percent then the volume of exports would have decreased. That this is so is indicated by the figures in the table export volumes of a few selected commodities.

It will be observed that there was a drastic fall in the volume of exports of some traditional commodities and of textile products. Compared 1979, wheat exports shrank from 686,028 tonnes to 338,049 tonnes; shipment of dried figs dropped from 34,872 tonnes to 32,580 tonnes, hazelnuts fell from 134,343 to 100,937 tonnes and vegetables plummeted from 133,850 to only 88,078 tonnes. One further observes the same frustrating development in textiles; exports of cotton yarn declined from 82,824 tonnes to 58,466 tonnes.

Exports of the remaining commodities in the table were either roughly constant or showed a slight increase.

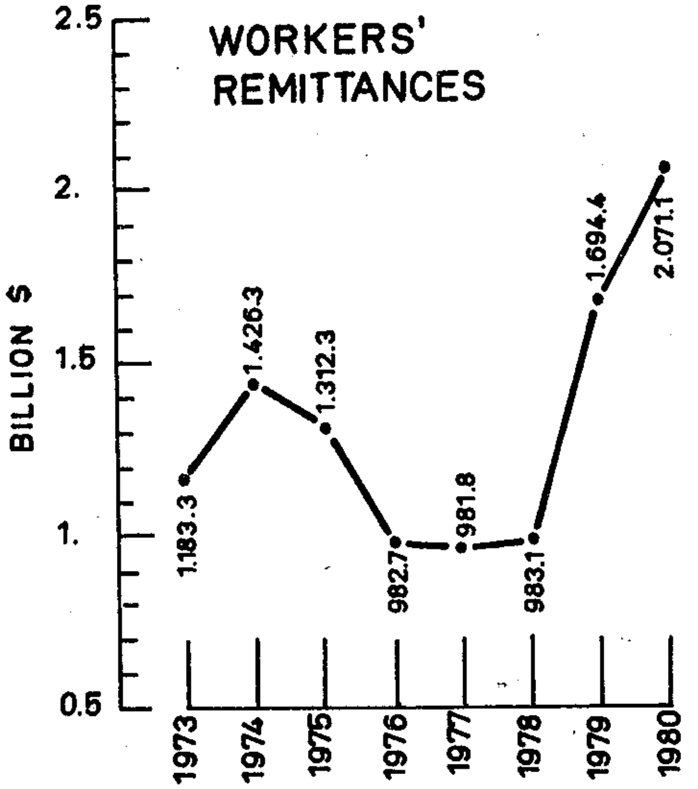
The performance of exports is not only disappointing in relation to the incentives granted to the exports expansion drive and to the newly emerging consciousness in trade and industry of the vital importance of boosting export earnings. Something deeper is involved. The commodities listed in the table are those in the production of which Turkey is reckoned to have a comparative advantage vis-a-vis its trading partners. These are commodities in which Turkey is advised by international organizations such as the World Bank, the IMF and the EEC to specialise.

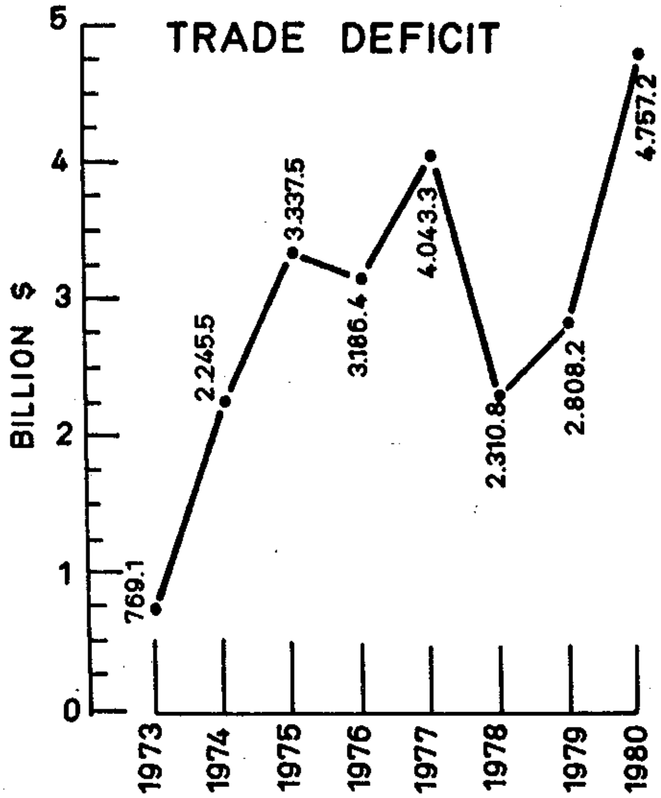
EXPORT VOLUME OF SELECTED COMMODITIES
(January-December)
(Tons)

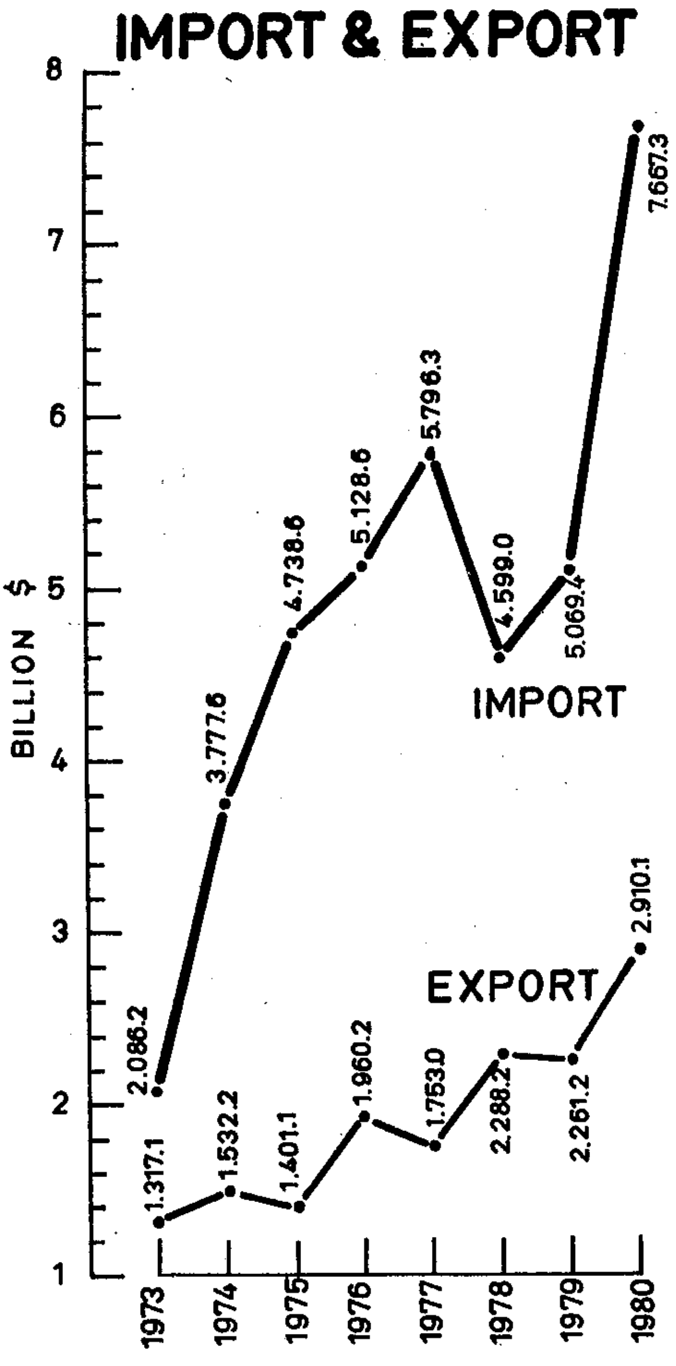
	1979	1980
Wheat	686,028	338,049
Tobacco	69,553	83,727
Raw cotton	150,618	181,296
Linters	23,896	22,666
Dried Figs	34,872	32,580
Hazelnuts	134,343	100,937
Pistachios	825	923
Tangerines & Oranges	46,079	46,092
Vegetables	133,850	88,078
Cotton Yarn	82,824	58,466

MONTHLY TRADING BALANCE

	1978		1979		1980		(1000 $)
	Import	Export	Import	Export	Import	Export	Deficit
Monthly							
January	184,152	151,163	278,958	216,183	420,299	236,268	184,031
February	495.314	169.921	389.921	249.274	595.309	244.758	350.551
March	283,163	159,063	525,843	196,222	370,069	233,578	136,491
April	439,508	182,735	386,656	1,187,378	366,509	219,032	147,477
May	439,633	138,699	335,889	162,456	692,488	196,513	495,975
June	396,673	162,114	486,927	167,215	556,877	169,287	387,590
July	293,434	143,367	271,963	146,348	619,864	167,144	452,220
August	244,724	166,953	334,095	162,000	584,052	179,983	404,069
September	376,360	161,408	621,930	168,432	1,137,172	219,815	917,357
October	417,561	212,735	436,864	174,668	903,669	260,698	642,971
November	418,103	258,775	358,398	212,777	516,761	326,474	190,287
December	610,399	381,230	642,354	218,242	903,255	457,172	446,083
Yearly	4,599,024	2,288,163	5,069,431	2,261,195	7,667,324	2,910,122	4,757,202
Cumulative							
January	184,152	151,163	278,958	216,183	420,299	236,268	184,031
February	679,466	321,084	668,512	465,457	1,015,608	480,426	535,182
March	962,629	480,147	1,194,355	661,679	1,385,677	714,004	671,673
April	1,402,137	662,882	1,581,011	849,057	1,752,186	933,036	819,150
May	1,841,770	801,581	1,916,900	1,011,513	2,444,674	1,129,549	1,315,125
June	2,238,443	963,695	2,403,827	1,178,728	3,001,551	1,298,836	1,702,715
July	2,531,877	1,107,062	2,675,790	1,325,076	3,621,415	1,465,980	2,155,435
August	2,776,601	1,274,015	3.009,885	1,487,076	4,205,467	1,645,963	2,559,504
September	3,152,961	1,435,423	3,631,815	1,655,508	5,342,639	1,865,778	3,476,861
October	3,570,522	1,648,158	4,068,679	1,830,176	6,246,308	2,126,476	4,119,832
November	3,988,625	1,906,933	4,427,077	2,842,958	6,763,069	2,452,950	4,310,119
December	4,599,024	2,288,163	5,069,431	2,261,195	7,667,324	2,910,122	4,757,202
Programme	5,000,000	2,550,000	5,000,000	2,750,000	7,000,000	3,500,000	3,500,000


WORKERS' REMITTANCES
BILLION $
2.5
2.
1.5
1.
0.5
1.183.3
1.426.3
1.312.3
982.7
981.8
983.1
1.694.4
2.071.1
1973
1974
1975
1976
1977
1978
1979
1980


TRADE DEFICIT
BILLION $
5
4
3
2
1
0
769.1
2.245.5
3.337.5
3.166.4
4.043.3
2.310.8
2.808.2
4.757.2
1973
1974
1975
1976
1977
1978
1979
1980


IMPORT & EXPORT
BILLION $
8
7
6
5
4
3
2
1
IMPORT
2.086.2
3.777.6
4.738.6
5.128.6
5.796.3
4.599.0
5.069.4
7.667.3
EXPORT
1.317.1
1.532.2
1.401.1
1.960.2
1.753.0
2.288.2
2.261.2
2.910.1
1973
1974
1975
1976
1977
1978
1979
1980

The Turkish authorities and Turkey's consultant international organisations would be well advised to ponder this phenomenon. It proves once again that in this economy, caught in the clutches of hyper-inflation, it was impossible to boost exports merely by granting additional incentives and making regular exchange rate adjustments; the volume of domestic production had to be expanded too.

This does not however, imply that Turkey should give up its export drive and set aside the measures designed to increase the international competitiveness of its exports Rather, the point to be accepted is that Turkey's recovery depends upon more and still more of every product and commodity being produced.

No one should look for a paradox or for typing errors on seeing that Turkey managed to preserve, even increase, its foreign exchange reserves last year as compared with 1979. Indeed, throughout the first half of the year, Turkey maintained a reasonable average level of gold and foreign currency reserves of around $ 800 mn. In the second half of the year, however, reserves went up above the $ 1,000 mn.

But this is not surprising since the capital account made ever-bigger contributions to the balance of payments in the second half of 1980.

It is only because of this development that Turkey was able to spend more on imports.

GOLD & FOREIGN EXCHANGE RESERVES
($ million)

	1978	1979	1980
January	626.9	641.2	685.2
February	660.7	652.1	884.4
March	701.5	672.7	927.3
April	846.6	661.0	954.6
May	783.4	1,051.6	871.2
June	743.9	1,049.3	788.0
July	813.5	1,777.7	1,036.1
August	923.1	1,138.9	1,209.3
Septemb.	1,086.3	1,020.0	1,266.2
October	1,030.5	920.8	1,308.6
November	972.9	853.0	1,191.7
December	736.1	705.8	1,208.7

13. WORKERS' REMITTANCES

Workers' remittances continue to make an important contribution to the Turkish balance of payments. A realistic and coordinated policy is necessary for the efficient channelling of savings to this country. Until recently, various organisations took up the matter from differing view points as no general policy had been laid down.

Before formulating such a firms policy, it is essential that careful consideration be given to the recent developments and trends in Turkish migrant workers' saving habits and their tendency to return home. A policy which does not take due regard of these changes will have very little chance of success.

As increasing number of migrants decide not to return home, remittances to Turkey will begin to dwindle. Whether other sources will make up for this loss is, at the moment, uncertain, and depends in part on the soundness of the policies adopted. Remittances decreased after 1974 but even though the results of the May 1979 special conversion rate policy fell short of expectations, there was a sharp improvement in 1979, which continued at a lower level in 1980.

According to recent research, the average monthly wage of a Turkish worker in Germany is DM 1,500, about DM 500 of which is saved. The same research shows that a per capita average of DM 3,600 was officially transferred to Turkey in 1979. This figure amounts to only half the estimated average annual savings and compares with remittances in the same year of DM 4,100 by Yugoslav and DM 4,400 by Spanish and Greek workers. The Turkish average is 15 percent less that that of the Yugoslavs and 22 percent less than that of the Spaniards and Greeks. The reasons are open to speculation but there is an inverse factor as well; in general, Turkish workers have a greater tendency to save than do the others.

It is estimated that an amount of more than $ 6 bn today lies deposited in European banks by Turkish workers. The various measures taken in 1978-80 have done little in the way of channelling these homeward.

One factor which prevented a drastic fall in remittances after 1974 is that many workers' savings abroad have reached the targets set by the individuals concerned. For most workers the target is the amount, they will need to make a long-planned investment on their return to Turkey. This tendency is supported by confidence in the German Mark and expectations of further devaluations in Turkey. Others who have not determined where or how to invest their savings keep them abroad until they decide on an investment propositions in the meantime, they remit the minimum amounts that they feel obliged to send home. The still recent galloping inflation and frequent devaluations have shown them to be justified in their caution.

One additional obstacle to transfers is the difference in profitability between investments abroad and those in Turkey. Many workers have found greater benefits in establishing businesses or acquiring property in the host countries.

During the 18 year period between 1961-1979, an additional purchasing power corresponding to $ 10.6 bn was injected into the Turkish economy in the form of migrant workers' remittances. This increase in purchasing power on the part of workers' families and relatives was mostly directed into consumer goods. The general result was to boost aggregate demand and luxury consumption, hence prices rose. Even those remittances intended for investment were partly lost in consumer expenditure for lack of suitable investment opportunities.

Another major portion of the remittances was utilised in areas of short term profit with only minor contributions to the economy (housing, small shops and agricultural land, etc.). This was a major factor causing abnormal increases in property values, especially in the larger towns.

A survey conducted in 1979 by Turkish organisations in Germany showed that TL 8.1 bn was invested in 93 projects in Turkey with the contributions of 36,000 Turkish workers. But these projects created only 13,000 jobs.

Small scale enterprises were in general not very successful and contributed little to the domestic economy. Their success was hampered mainly by deficiencies in production capacity and finance and in lack of managerial experience.

WORKERS' REMITTANCES

(mn $)

	1979		1980	
	Monthly	Cumul.	Monthly	Cumul.
January	83.1		83.3	
February	75.4	158.5	173.3	256.6
March	55.7	214.2	111.7	368.6
April	128.6	342.8	114.8	483.1
May	639.3	982.1	103.2	586.3
June	106.2	1,088.3	155.0	741.3
July	100.9	1,189.2	279.4	1,020.7
August	111.4	1,300.6	279.5	1,300.3
September	110.7	1,411.3	207.3	1,507.6
October	90.4	1,501.7	205.1	1,712.7
November	99.5	1,601.2	172.5	1,885.2
December	93.1	1,694.4	185.9	2,071.1

14. FOREIGN INVESTMENTS

One of the major elements of the 1980 stabilization programme was the introduction of new incentives aimed at augmenting foreign investments in support of Turkey's ailing economy. Whether this drive has been entirely successful has yet to be seen and it has certainly to be accepted that it will be sometime before foreigners rush to invest their money in Turkey. At the same time, there is no denying the fact that foreign investors made an exceptionally good showing in 1980.

Nothing can illustrate better the growing foreign interest in Turkey than the fact that in 1980. The inflow of foreign capital reached an all time peak. Experts predict an even better total this year, probably of the order of $ 200 mn. Major fields of interest have been tourism and the manufacturing industries, but banking has also proved to be an attractive field of foreign investment for foreigners; more and more foreign banks applying for authority to open branches in Turkey.

It is not necessary to look far to understand the new found interest in Turkey since the introduction of the stabilization programme early in 1980, red tape has been reduced and the processing of foreign investment applications has been centralised with the result that the examination process is rapid and efficient.

But in spite of all the incentives which has been introduced, more remains to be done to encourage foreign investors. One idea is to create free trade zones, most probably in Southern Turkey, where tax exemptions and relaxed currency controls could induce foreigners to build up export-oriented industries. But this idea is still in an embryo stage and needs a lot of development before it can be put into concrete form.

There are at present a total of 104 joint-ventures operating in Turkey under the protective cover of law no. 6224.(The law for the protection of foreign capital investments) which guarantees profit and capital repatriation.

The manufacturing sector in which 87 of the present 104 joint ventures operate has so far proved to be the most attractive field for foreign investors. This is followed by tourism, banking, consultancy, agriculture and mining.

Twenty firms are engaged in the manufacture of a variety of chemicals, and an equal number in the manufacture of electrical appliances. Joint ventures manufacturing various types of food stuffs and machinery follow these two groups and next come the motor vehicle manufacturers.

The 104 joint ventures are capitalised at 26.8 bn TL, and the foreign capital contribution is valued at 10.6 bn TL -- 39.6 percent of the total.

The West Germans are the front-runners in investing in Turkey. Of the 104 joint ventures, 24 have been set up with the capital participation of West German companies. Next in the line are the US investors (17 all) with a combined capital injection of 1 bn TL.

Of the total joint venture capital of 26.8 bn TL., 22.3 bn TL. is contributed by the 87 companies operating in the manufacturing sector. This sector is followed by the services sector, where 15 firms operate with a combined equity of 4.4 bn TL.

With a rush of new investments, the banking sector is also gaining vitality.

The sectoral breakdown of the capital brought in by the foreign partners shows that 8.7 bn TL (81.1 percent) of the total of 10.6 bn TL is in the manufacturing industry sector. This is followed by the services sector with 1.7 bn TL (16.0 percent) .

In 1980, foreign investments expanded at a rapid rate. The government authorised 25 joint venture either to make completely new investments or to expand their existing capacities.Scores of other firms were given the go-ahead to raise their share capital --some of them making use of the TL counterparts of non-guaranteed trade arrears which their parent companies had long been owed by Turkey.

There is a strong belief in government circles that foreign capital investments are the principal means by which Turkey can make a rapid economic recovery. In the past two years, most of the external aid has been furnished by international organisations and governments, which have rushed to Turkey's aid for political and strategic reasons. Since such aid cannot continue indefinitely, Turkey will indeed have to devise a formula under which it can attract a regular flow of new private foreign investment.

SECTORAL BREAKDOWN OF JOINT VENTURES
OPERATING IN TURKEY UNDER LAW 6224

	No of Firms	Million TL Authorised Foreign Investment	Total Share Capital	Percentage of foreign capital in the total
MANUFACTURING INDUSTRY				
- Food, drink & tobacco	9	1,068.75	1,937.13	55.7
- Textiles	1	374.10	499.22	74.93
- Paper	1	39.40	70.34	56.01
- Tyres	3	462.90	831.00	55.70
- Plastics	1	3.40	8.74	38.90
- Chemicals	20	992.13	1,343.68	73.83
- Glass	2	83.65	700.00	11.95
- Motor vehicles	7	1,027.31	3,165.40	32.45
- Metal goods	8	509.82	2,543.99	20.04
- Machinery manufacturing	8	1,135.08	2,853.75	39.77
- Farm machinery	1	17.50	70.00	25.00
- Electrical machinery	20	2,538.09	6,434.27	39.44
- Cement	2	174.00	580.00	30.00
- Construction materials	1	0.60	30.00	2.00
- Shipbuilding	1	2.00	20.00	10.00
- Steel	1	100.00	1,000.00	10.00
- Forestry products	1	150.00	500.00	30.00
AGRICULTURE	1	1.02	2.00	51.00
MINING	1	20.00	20.00	100.00
SERVICES				
- Tourism	7	358.51	863.85	41.50
- Banking	6	1,403.50	3,500.0	40.21
- Engineering & consultancy	2	13,16	34.00	38.70

Three channels are open to would be foreigner investor in Turkey: 1) Law No. 6326 - The Petroleum Law,
2) Law No. 6224 - The Law for the Encouragement of Foreign Capital Investments and
3) Decree No. 17 - The Foreign Exchange Regulations.

Law 6224 guarantees repatriation of foreign investors' profits and capital.

Although, as already stated, the inflow of foreign investment has increased rapidly since early 1980, previous performance had to say the least, been generously sluggish. A study by the State Planning Organisation gives some reasons for this, under the following general headings:

1) General reluctance and indifference on the past of previous Turkish Governments
2) Bureaucracy - the maze of red tape.
3) Decentralisation of authority - too many authorities involved in each transaction.
4) The necessity to obtain cabinet approval for practically all operational, financing etc. changes and adjustments
5) Inconsistent policies and past failures in their practical application have not inspired confidence.

In the past, many foreign ventures were not authorised to increase their capital, or authorisations were issued only after long delays and lengthy negotiations. Permission to employ foreign personnel was granted only in very special cases and even then difficulties were created in extending their residence permits. It should be noted that the total number of foreign personnel employed by Law 6224 is only around 250, which is 0.5% of the total work force of these companies.

Foreign investors financially suffered when currency transfers for royalties, licenceties and profits were not made on time.

In spite of the fact that along its Aegean and Mediterranean shores alone Turkey has a coastal strip 4,000 km long land allocations, the most important aspect of touristic sector investments, were withheld or long delayed; as a result, many entrepreneurs who were prepared to invest in Turkey changed their minds.

To resolve the Law 6224 problems, structural changes in organisation and legislation were introduced on January 24, 1980:

- To overcome the time - consuming formalities with the many different departments concerned with foreign capital investments and reduce bureaucracy to a minimum, responsibility was withdrawn from the Ministries of Finance. Industry, Commerce and the State Planning Organisation and transferred to a new, Central Department the Foreign Capital Office. which is now attached to the State Planning Organisation.

- The provision that the cabinet must decide on all subjects related to foreign capital was upheld only for very large projects and for investments in the banking sector. The Foreign Capital Office is authorised to deal with all other cases which fall within the principles established by the Cabinet in the Foreign Capital Framework Decree of January 24, 1980.

This system allows of decisions on foreign capital investments to be reached much more rapidly.

In addition to the changes related to be implementation of Law 6224, two other important decisions regarding foreign capital were taken:

1) Oil companies which are wholly or partly foreign-owned were allowed to export 35 percent of the oil they find in Turkey after January 1, 1980. Furthermore, ex-well prices, which created friction in the past, are now be-established on the basis of world prices.

2) The utilisation of the Lira counter value of non-guaranteed trade arrears for foreign capital investments was encouraged.

It is reasonable to hope that new and additional foreign capital investment will continue to increase as the effects of the stabilization programme become.

Turkey's geographical location, its manpower and natural resources and its regional marketing advantages make it a potentially very attractive prospect for foreign investors, especially in the fields of agri-industry, petroleum, mining and tourism.

Turkey is, after all, in the petro-dollar region and is one of the most stable countries in the area. Saudi Arabia, Kuwait, the United Arab Emirates and Libya, for example, all need imports and have the money to pay for them. Alliances between petro-dollars Western technology and Turkish resources could prove very beneficial to all concerned.

Further new measures are considered necessary, for example:

- The Capital Market Law: Reorganisation of the share and bond markets.

- Free zones: There have already been mentioned, of all world trade, estimated at $ 1,800 bn in 1980, 9 percent was in free zones and its share is expected to reach 20 percent by 1985. The geographical location of Turkey, constituting a bridge between industrialised countries and the Middle East makes it ideal for the establishment of free zones banking, insurance, warehousing, trading and manufacturing enterprises.

Lastly, and this is repeated time and again, Turkey will have to learn to take into consideration its present economic situation and the targets of its long range development plans when screening applications for new foreign capital projects and expansion schemes. Every country expects the maximum profit for its own economy from the injection of foreign capital. It is reasonable for Turkey to expect the following contributions:

- In existing and new investment projects, reduction of dependence on external resources; insofar as is possible, implementation of a programme of progressive increases in local content and the most rapid possible passage from the assembly to the manufacturing stages; integrated schemes whenever possible.

- Basically export-oriented projects, which will help to increase Turkey's foreign currency earnings.

- Every effort on the part of imports to realise their investments on time, in conformity with the provisions of the formal authorisations they receive; no procrastination on the grounds of the necessity for changes in their investment terms.

BREAKDOWN OF FOREIGN CAPITAL JOINT VENTURES
ALLOWED TO INCREASE THEIR CAPITAL IN 1980

Capital Increases	Old Capital	Foreign Part %	Capital Increase	New Capital	Foreign Part %	Amount Brought by foreign part
Eternit Foreign Part	80	30	200	280	30	60
TSK Bankasi IFC and FIB	1500	61443	1500	3000	30712	--
ROCHE Pharmaceuticals F.Hofman La Roche Co. Switzerland	39.3	100	178.85	218.15	100	178.85 (46.0)*
Trakya Cam (glass) IFC	1000	10	800	1800	10	80
Grasso(refrigerating facilities) Koninklijke Maschinen Fabriken NV, Netherlands	6	45	24	30	30	(6.3)*
TOE(automotive) International Harvester, USA	374	10.04	426	800	10.04	42.77
MAN Truck & bus W.Germany	54	30.185	221	265	33.34	(72.05)*
Turyag(oil) Henkel (Germany)	40	58.13	760	800	58.13	(441.8)*
DYO(paint & chemicals) Sadolin Holmblad Ltd., Denmark	10	40	90	100	40	36
AEG-ETI AEG,W.Germany	60	47.7	64	124	47.7	--
Pfizer, pharmaceuticals Pfizer Corp.USA	4.2	100	60.8	65	100	(60.8)*
Dosan(canning) Unilever, Netherlands	35	14.28	165	200	14.28	23.5

Capital Increases	Old Capital	Foreign Part %	Capital Increase	New Capital	Foreign Part %	Amount Brought by foreign part
Istanbul umbrella frame industry Kortenbach, W.Germany	10	50	20	30	50	10
Tumas (engineering-consultancy) Holder Topse Denmark	6	40	24	30	40	9.6
Doktas Ofc (US)	230	10	70	300	10	(7)*
Oyak-Renault (automotive) Renault,France	635	44	35.3	670.3	44	15.5
Coca-Cola U.S.	38.4	100	37.85	76.85	100	37.85 (25.3)*
BMC (UK)	110	26	190	300	26	48.4
Total	4231.9		4856.8	9088.7		1131.42 (759.25)*

* From non-guaranteed trade arrears.

INVESTMENT AUTHORISATIONS ISSUED
IN 1980 UNDER LAW # 6224

(TL. million)

Companies & Characteristics of the Investment	Total Investment	Fixed Investment
PHILIPS: increases production of incandescent light bulb capacity to 14m bulbs from 6m bulbs per annum	178	156
SIMKO: increase of local content ratio to 18% and modernisation of machinery	36	396
ETITAS: expansion of transformer manufacturing capacity to 1.2 million from 600,00 per annum	490	453
LMT-PTT: Complete new investment. During the ninth year of the operation, the capacity will reach 40,000 lines per annum	3175	2604
TUBORG: expansion of the malt production capacity to 24,000 t/y and beer production capacity to 900,000 lt/y from 45,000 lt/y	3680	3350
TOFAS: expansion of pick-up trucks assembly capacity to 10,000 ea/y per annum	456	181
SANTRAL DIKIS: expansion of yarn production capacity to 2,847,000 bobbins from 1,564,000 bobbins p.a.	727	475
BASTAS: expansion of flurescent tube manufacturing capacity to 7.9m ea/y from 3.8m ea/y	598	498
TURK TRAKTOR: complete new investment and modernisation. Expansion of tractor assembly capacity to 25,000 from 20,000 ea. and steering gear case manufacture capacity to 35,000 p.a.	1860	1860
ERCAN HOLDING (MAN):complete new investment. Production of diesel engines and engine parts: 7,000 ea/y	5250	4450
ROBERT BOSH: expansion of injector nozzle manufacturing capacity to 1 million from 650,000 p.a.	111	99
TURK YTONG (ALTOS AS): new investment aiming at elimination of bottlenecks, evaluation of wastes and integrating. Production of 135 t/y aluminium dust.	102	91
M.T.E.: expansion of the drill bits manufacturing capacity to 12,500 from 5,440 p.a.;of saw blades to 8,690 from 4,360 p.a.; springs to 175,000 from 90,000 p.a.	1110	930
ISTANBUL SEGMAN: complete new investment. Production of 12.000 piston rings p.a.	5000	4400
NASAS: expansion & modernisation. Expansion of the aluminium sheet surface processing capacity to 50,000 t/y from 30,000 t/y.	6270	5082
YOMTAS: complete new investment. Production of 44,370 cu.m./y of chipboard and 12,000 cu.m./y of poplar plywood	1685	1505

Companies & Characteristics of the Investment	Total Investment	Fixed Investment
SIEMENS: modernisation investment	210	175
AR TICARET: new investment. Machine tools manufacture (100 ea/y)	1500	1370
MAKO: Modernisation investment. Electronic voltage regulators (150,000 ea/y)	67	22
AEG-ETI: expansion investment. Manufacture of 464 distribution transformers of 729 MVA p.a.; 625 power transformers of 1,700 MVA p.a.;expansion of electric motors manufacturing capacity to 193,000 from 124,000 p.a. and that of switching equipment to 4,240 from 2,900 p.a.	1520	1220
DEMIRER HOLDING: new investment. Manufacture of 3,000 t/y of cable.	2390	1850
ATLAS COPCO: modernisation investment. Manufacture of compressors of a new type.	160	103
GEMAR: 3,100 DWT ship building	455	445
TURK PIRELLI: new investment. Expansion of the tyre manufacturing capacity to 110 thousand a day from 75 thousand a day.	4380	2840
MARDIN ASBEST: manufacture of pipes and joints from asbestos cement. Production capacity will be 25,000 t/y	875	695
TOTAL	42645	35222

FOREIGN CAPITAL VENTURES OPERATING
IN TURKEY

Name of the venture and Foreign partner	Field of Operation	Total Capital TL.million	% of Foreign Invest.	Foreign Invest. TL.million
U.S.A.				
- APEX KIMYEVI MADDELER IM.AS (Apex Chemical Co., Inc.)	Manufacture of chemicals	0.74	36.5	0.27
- BIMAS BIRLESIK INSAAT VE MUH.AS (Foster Wheeler Int.Corp.)	Consultancy and engineering	4	40.0	1.16
- CITI BANK (Citi Bank N.A.)	Banking	$1m. (95)	100.0	95.0
- AMERICAN EXPRESS INT.BANKING CORP. (American Express Int.Banking Corp.)	Banking	$1m. (95)	100.0	95:0
- THE COCA COLA EXPORT CORP. (The Coca Cole Export Corp.)	Coca Cola concentrate & tomato paste	50	100	50.0
- GENERAL ELEKTRIK AS (General Electric Co.)	Light bulbs, fluorescent tubes & glass pipes	10.6	60	6.36
- GOODYEAR LASTIKLERI AS (The Goodyear Tyre)	Tyres & tubes	81	66	53.4
- DEMIRER HOLDING TESISLERI AS (Electro Gear)	Cable production	1000	40	400.0
- PFIZER ILACLARI AS (Pfizer Corp.)	Pharmaceuticals and drug raw material manufacture	65	100	65.0
- PEPSI COLA MAMULLERI LTD (Pepsi-Cola Company)	Soft drinks & canned food	1.13	100	1.13
- TURK DIS TICARET BANKASI (Bank of America, Banco d'Italia)	Banking	10	25	2.5
- TURK OTOMOTIV END.AS (International Harvester)	Motor vehicleş & agricultural implements assembly)	800	10.05	80.4
- UNIROYAL EXID TAS (Uniroyal Inc.)	Tyres & Tubes	150	60	103.5
- PERMA SHARP CELIK SAN.AS (Perma Sharp Ltd.)	Blades	3.6	15	0.54
- SİNGER SAN.AS (The Singer Co.)	Sewing machines	62.21	100	62.21

Name of the venture and Foreign partner	Field of Operation	Total Capital TL.million	% of Foreign Invest.	Foreign Invest. TL.million
- WYETH LABORATUARLARI AS (American Homa Products Corp.)	Pharmaceuticals & drug raw materials	14	100	14.0
- GEMAR GEMICILIK AS (Talat Sozener) (Ryznar Drive Belleville-Michigan)	3,100 DWT dry cargo vessel building	20	10	2.0
USA TOTAL		2,462.28	41.9	1,032.91
GERMANY				
- AEG-ETI ELEK.END.AS (AEG-Telefunken Int.Den)	Substations,electric motors,switching equ.	300	51	153.1
- BAYER TARIM ALA? SAN.LTD. (Farbenfabrikan-Bayer AG Drugofa GmbH)	Pesticides and veterinary drugs	27.57	100	27.2
- BAYER TURK KIMYA LTD. (Farbenfabrikan-Bayer AG)	Chemicals	7.2	100	7.2
- BIRLESIK ALMAN ILAC FAB.LTD. (Bayer AG, Knoll AG, E.Merck, Schering AG)	Pharmaceuticals & PVC hard folio manufacture	26.48	77.5	20.52
- C.CONRADTY IST.ELEKTRIK VE GALVANIK AS (C.Contradty Nurnberg)	Elektric & galvanic carbon production	15	32.0	4.8
- DERBY LASTIKLERI AS (Carl Freudenberg,Weiheim)	Plasticware	8.74	38.93	3.4
- KORTENBACH ISTANBUL SEMSIYE AS (Kortenbach und Rauh-Solingen)	Umbrella manufacture	30	50.0	15.0
- MAGNESIT AS (Gefro Gesellschaft zur Rohstoofiuteresen abu)	Industrial magnesite	20	100.0	20.0
- MAKINA TAKIM END.AS (Thyssen Handelsunion AG)	Drill bits, cutters, saws	250	26.07	65.17
- MAN KAMYONET OTOBUS AS (Maschinenfabrik Augsburg, Nurnberk AG-MAN)	Bus, truck manufacturing	265	33.34	88.35
- MANNESMAN-SUMERBANK END.TAS (Mannesmannrohren-Werke AG, Mannesmann AG)	Sanitary Installation pipes	49.55	57.40	28.44
- MUS MEYANKOKU SAN.AS (Subraton Auer AG)	Liquorice root processing industry	24	26.10	6.26
- OTOMARSAN OTOBUS VE MOTORLU ARACLAR AS (Daimler Benz AG)	Diesel engine injector	670.4	44.0	294.97

Name of the venture and Foreign partner	Field of Operation	Total Capital TL.million	% of Foreign Invest.	Foreign Invest. TL.million
- ROBERT BOSCH TURK MOTORLU ARACLAR YAN SAN.AS (Robert Auer AG)	Diesel engine injector	40.74	60.0	24.44
- SIIRT MEYAN KOKU SAN.AS (Suproton Auer AG)	Liquorice root extract	24	26.10	6.26
- SIMKO AS (Siemens AG)	Electrical appliances, telephone switchboards	180	51.0	91.80
- TOHUM ISLAH VE URETIM AS (Siement AG,Siemens Betelligun AG, Nokia Int. AG)	Sugar beet seed and other cultural seeds improvement and cultivation	2	51.0	1.02
- TURK HOECHST AS (Kleinwanzlebener Saatzuch AG)	Pharmaceuticals & drug raw materials	418	79.24	331.22
- TURK HENKEL KIMYEVI MADDELER AS	Textiles leather processing chemicals,industrial adhesives etc.	4.5	66.66	2.9
- TURK SIEMENS KABLO VE ELEKTRIK SAN.AS. (Siemens AG (30.26%), Siemens Betelligungen AG (25%), Nokia Int. AG (3.733%)	Energy cables (34.5-kv), communication cables	350	59.0	206.5
- TUTUNTEX TIC.AS (Firma Cebruder Kulenkamff(	Tobacco processing	3	75.0	2.25
- TURYAG TURKIYE YAG SAN.AS (Henkel KGA)	Margarine & margarine by products	800	58.13	465.04
- MAN(ERCAN HOLDING AS) (Herman Paus GmbH Ahlmann Maschinen Bau GmbH)	Diesel engine	1,700	40.0	680.0
- ISPARTA ATABEY IS MAK.AS	Heavy-machinery,loaders road cylinders	500	40.0	200.0
W.GERMANY TOTAL		5,716.0	48.0	2,746.1
<u>AUSTRIA</u>				
- BOHLER KAYNAK ELEKTRODLARI AS (Vereinignts Edelstahlwerke AG)	Welding electrodes rolling of wire-rods and metal goods	2	33.73	0.67
- BOHLER SERT MADEN VE TAKIM SAN.AS (Vereinignts Edelstahlwerke)	Hard metal cutting bits, bits for cold rolling of wires and pipes and rock drilling bits	8.84	34.0	3.0
AUSTRIA TOTAL		10.84	33.8	3.67

Name of the venture and Foreign partner	Field of Operation	Total Capital TL.million	% of Foreign Invest.	Foreign Invest. TL.million
BELGIUM				
- BOTAS BEYNELMILEL OTELCILIK VE TURIZM AS (CIWLT)-Compagnie Internationale des Wagons-Lits du Tourisme)	Tourism and hotel management	2.7	70.0	1.89
- ATLAS COPCO MAK.AS (Atlas Copco Airpower N.V.)	Air compressors, pneumatic hammer and parts	170.8	67.0	114.43
BELGIUM TOTAL		173.50	67.0	116.32
DENMARK				
- ALTINYUNUS CESME TURISTIK TESISLERI AS (Turkish-Danish Investment Co. IFU-Denmark (5.54%)	Tourism	110	11.36	12.49
- DYO SADOLIN ŞENTETIK VE SELULOZ BOYA SAN.AS (Sadolin and Holuslod Ltd, Fred Aage Smal (15%)	Manufacture of dye, printing ink and auxiliary materials	100	40.0	40.0
- TUMAS TURK MUH.MUT.MUS.AS (Holder Topsqe Chemical Eng.)	Consultancy & engineering	30	40.0	12.0
- TURK TUBORG BIRA VE MALT AS (A/S Tuborgs Brygerier Aktieselskabet De Forenede Brygerier)	Malt & Beer	635	55.0	349.25
DENMARK TOTAL		875	47	413.74
FINLAND				
- TURK KABLO AO (Oy Nokia Ab.)	Cable manufacture	66	51.0	28.56
ITALY				
- MAKO SAN.AS (Fabrica Italiana Magneti Marelli)	Manufacture of electrical air compressing accessories for automotive vehicles	36.55	43.0	15.71
- SACE ELEKTRIK AS (Sace SpA Costruzioni Elektromecchanice)	Manufacture of power switching equipment and high-tension transformers		6.43	9.00
- TOFAS TURK OTOMOBIL AS (FIAT Auto SpA)	Passenger car manufacture	450	41.5	186.75
- TURK TRAKTOR VE ZIRAAT MAK.AS (International Holding Fiat SA)	Tractor manufacture	70	25.0	17.50
- BANCO DI ROMA (Banco di Roma)	Banking	100	100	100.0
ITALY TOTAL		670.55	100.0	328.96

Name of the venture and Foreign partner	Field of Operation	Total Capital TL.million	% of Foreign Invest.	Foreign Invest. TL.million
JAPAN				
- ANASA ANADOLU NISSAN OTOMOTIC AS (Nissan Motor Co.Ltd.(25%), Mitsui Co.Ltd. (15%)	Motor vehicles, their spares, gasoline engines & gear boxes	10	40.0	4.0
- SEGMAN SAN.AS (Riken Piston Ring Ind.Co.Ltd. (20), Nissho-Iwai Co.Ltd.(10%)	Piston rings and cylinder linings	50	30.0	15.0
JAPAN TOTAL		60.0	31.67	19.0
SWITZERLAND				
- ANTALYA SIDE ACISU TRANSTURK HOLDING AS (Antalya SA - Switzerland)	Tourism	232	75.0	174.0
- BASF SUMERBANK TURK KIMYA SAN.AS (BASF Aktiengesellschaft (59.9%), BASF Handels u Exp.Gesu BASF Chemie Verte AG)	Manufacture of chemicals for processing of leathers, paper and textiles	60	60.0	36.0
- CIBA GEIGY ILAC SAN.AS (Ciba-Geigy Bale (65%),Zyma SA, Nyon (10%)	Manufacture of pharmaceuticals	4	75.0	3.0
- ETERNIT SAN.AS (Eternit Suisse-Team Holding)	Manufacture of pressure pipes and accessories from asbestos-cement	280	30.0	84.0
- OERLIKON KAYNAK ELEKTRODLARI AS (Industrie de la Soudure Buehrle SA)	Welding electrodes, formers for welding, arc welding presses	2	10	0.2
- SANDOZ ILAC SAN.LTD. (Sandoz AG)	Chemicals & drugs	10	80	8.0
- SANDOZ KIMYA SAN.LTD. (Sandoz Bale SA)	Industrial Chemicals and pest control drugs	7.08	100	7.08
- ROCHE MUSTAHZARLARI LTD. (AG fur Finanzierungen und Betiligunger chur (40%), Int. Hande Compagnie AG (30%), F. Hoffman-La Roche U.Co.AG Basel (30%)	Drug raw materials, pharmaceuticals, veterinary drugs	285	100	285.0
- GUNEY TURIZM AS (Unit International)	400-bed capacity holiday village	240	81	194.4
SWITZERLAND TOTAL		1,120.08	70.6	791.68

Name of the venture and Foreign partner	Field of Operation	Total Capital TL.million	% of Foreign Invest.	Foreign Invest. TL.million
NETHERLANDS				
- BIRLESIK AYDINLATMA AS (Philips Gloeilampen Fabriken NV)	Fluorescent tubes, bulbs	222	49.0	108.78
- DOSAN KONSERVE AS (Unilever NV)	Totato paste, canned food	200	14.28	28.56
- GRASSO SOGUK HAVE TESISATI AS (Grasso's Koningklijke Maschinen Fab.NV)	Cold stores(industrial type, cooling facilities, water towers, ammonium compressors etc.	30	30.0	9.0
- KAVEL KABLO VE ELEKTRIK MALZEME AS (N.K.F. Groep NV,Rijsvijk)	Cables	25.3	36.0	9.1
- TURK PHILIPS SAN.AS. (N.V. Philips Cloeilampan fabrieken)	Electronics,light bulbs	164.23	74.5	122.35
- UNILEVER IS TIC.LTD. (Unilever NV)	Margarine & perfume	200	80.0	160.0
NETHERLANDS TOTAL		841.53	52.0	437.79
FRANCE				
- CINEF CICEK VE NEBATI ESANSLARI AS (World Aramatic Products Est., V.Mane Fils (25.22%)	Rose oil, rose water Attar of rose	2.32	51.0	1.8
- ELEKTRIK KOMURLERI LTD. (Societe de Carbone-Lorraine)	Carbon for electrical appliances	2.63	33.35	0.87
- ETITAS ELEKTRIK TECHIZATI AS (Jeumont Schneider (27.7%) Westinghouse Electric Int.SA	Power transformers	200	24.48	48.96
- ISTANBUL TURIZM VE OTELCILIK AS (Ottoman Bank, Paris)	Tourism	220	55.56	122.23
- OYAK RENAULT OTOMOBIL FAB. (Regie Nationale des Usines Renault (40%), Societe Generale SA (3%), Societe de Mecanique de Lastres)	Renault-12 passenger cars & spares	670	44.0	294.80
- P.ROBERTET VE S.KONUR GULYAGI VE ITRIYAT LTD. (P.Robertet et Cie. SA)	Rose oil, fruit juice	2	50.0	1.02
- LMT-PTT (Le Materiel Telephonique Thomson-CSF-IMT)	Electronic telephone switchboards	2.600	39.0	1.014.0
FRANCE TOTAL		3.696.99	40.11	1.483.06

Name of the venture and Foreign partner	Field of Operation	Total Capital TL.million	% of Foreign Invest.	Foreign Invest. TL.million
UNITED KINGDOM				
- BMC SAN.TIC.A.S. (British Leyland Motor Corp.)	Bus & Truck chassis, minibus, panel truck, and tractor diesel engines, gasoline engines for BMC trucks	300	26.0	78.0
- HICKSON's EMPRENYE MADDELERI LTD. (Hickson's Timber Co.- GB)	Wood coating materials and fire proof coating substances	1.15	33.0	3.79
- KERVANSARAY AS (The British Petroleum Co.Ltd.)	Tourism	14.15	100	14.15
- LUCAS ELEKTRO DIZEL MOTOR AS (Lucas Industries Ltd.)	Injector nozzles	120	31.0	37.2
- SANTRAL DIKIS AS (Jand P Coats Ltds, Coats & Clark Inc.)	Sewing and embroidery thread and yarn manf.	499.22	75.0	374.1
UNITED KINGDOM TOTAL		934.52	54.31	507.55
SWEDEN				
- ALTOS AS (Carl Schlend AG)	Aluminium powder	40	26.0	10.40
- TUDOR AS (Aktiebolaget TUDOR)	Underwater batteries and battery containers	10	49.0	4.90
- TURK YTONG AS (Ytong AB)	Concrete construction elements	30	2.0	0.6
SWEDEN TOTAL		80.0	1.9	15.9
CANADA				
- NETAS NORTHERN ELECTRIC TELEKOMUNIKASYON AS (Northern Telecom.Ltd.)	Telephone switchboards and apparatus	100	51.0	51.0
KUWAIT				
- AKDENIZ GUBRE SAN.A.S. (Petrochemicals Industries Co. K.S.C.)	Chemical fertilizer	162	47.25	76.54
INTERNATIONAL ORGANISATIONS				
- ASIL CELIK SAN.AS (IFC)	Quality and alloy steel	1000	10	100.0

Name of the venture and Foreign partner	Field of Operation	Total Capital TL.million	% of Foreign Invest.	Foreign Invest. TL.million
- DOKTAS DOKUMCULUK AS (IFC)	Engines blocs, cast-iron acces-sories for automotive vehicles, steel casting	300	10	30.0
- NASAS ALUMINYUM AS (IFC)	Manufacture of aluminium plates and foil	1.000	2.77	277.0
- ISTANBUL SEGMAN SAN.AS	Cylinder linings and piston rings	1.200	10	120.0
- SIFAS SENTETIK IPLIK AS (IFC)	Artifical and synthetic fibres and yarn	104	7.3	75.92
- TRAKYA CAM SAN.AS (IFC)	Glassware	350	10.0	35.0
- YONTAS YONGA LEVHA AS (Islamic Development Bank)	Fibreboard & plywood	500	30.0	150.0
- MARDIN ASBEST BORU AS (Islamic Development Bank)	Asbestos pipe & joints	300	30.0	90.0
- BAKIRSAN SANAYI MAMULLERI AS (Islamic Development Bank)	Electrolytic copper & wire	900	25	225.0
INTERNATIONAL ORGANISATIONS TOTAL		5.654.0	20.8	1.179.46
MIXED FIRMS				
- ANADOLU CAM SAN.AS. (Glaverbal SA/Belgium(7%) IFC (6%)	Glassware&plate glass	350	13.9	48.65
- AKDENIZ TURISTIK TESISLER AS (Valtur Turchia SpA/Italy, IFC (8.33%)	Tourism	45	75.0	33.75
- TSKB AS (IFC (2.98%)-USA (0.09%)	Banking	3.000	3.07	921.0
- VIKING KAGIT SELULOZ SAN.AS (A/S De Forenede Papirfabrikker7 Denmark (23.5%), IFU (22.9%), IFC (9.6%)	Packing and quality paper	70.34	56.0	39.0
- TURK PIRELLI LASTIK SAN.AS (Societe International Pirelli SA(Switzerland (20.4%), Dunlop Holding Ltd/UK (20.4%),Pirelli SpA/Italy (10.2%)	Tyre manufacture	600	51.0	306.0
MIXED FIRMS TOTAL		4.065.34	33.18	1,348.80
LUXEMBOURG				
- B.C.C.T. (B.C.C.I.)	Banking	$2m	100	190.0
G R A N D T O T A L	104 firms	26,888,6	39.6	10,643.5

SECTION TWO

THE STATE OF THE TURKISH ECONOMY AT MID 1981

CHAPTER V

Production And Public Finance

1. TRENDS IN PRODUCTION

The principal problems facing the Government during 1980 were how to bring down the rate of inflation and how to boost production.

The policies followed by the Government towards management of demand have had full success in curbing price rises but none of the policies so far followed have proved effective in increasing production.

The Government's plan was to boost domestic production by eliminating shortages of energy and of raw materials and other industrial inputs. For well over a year now, energy has ceased to be a problem and supplies of imported raw materials, etc. have been entirely adequate. But the production statistics which are so far available indicate that industry as a whole is still operating at very much below full capacity. During the first quarter of 1981, output of 26 of the 97 items was lower that in the same period of last year.

These 26 items include colemanite, wolfram concentrate, tea, sugar, hand-made carpets, packing boxes, electricity meters, tractors, pickups, minibuses, cars, gasoline, car and tractor tyres, crude oil, caprolactam, sodium perborate, salt, ammonia. ammonium nitrate, urea, super-phosphate, blister copper, card-board, locomotives, cast iron and freight wagons.

On the other hand, production of the 71 remaining commodities increased considerably. If the trend continues for the remaining three quarters an increase of at least 3 percent can be expected in the manufacturing output compared at 1980.

PRODUCTION OF INDUSTRIAL PRODUCTS
(Quarterly data: January - March)

	1980 First 3 months Production (cumulative)	1981 First 3 months Production (cumulative)	% +, -
Colemanite (000)	100.6	86.3	- 14.0
Sulphur (000)	5.0	7.3	+ 46.0
Chromite (000)	24.1	45.0	+ 87.0
Borax (000)	32.0	71.4	+123.0
Copper (000)	14.8	30.7	+107.0
Allumina (000)	29.3	32.8	+ 12.0
Wolfram Concentrate	103.3	75.4	- 27.0
Filter Cigarettes	8,415.0	15,286.0	+ 82.0
Non-Filter Cigarettes	4,201.0	7,785.0	+ 85.0
Raki (000 litres)	8,387.0	13,953.0	+ 67.0
Votka (000 litres)	1,088.0	1,692.0	+ 56.0
Beer (000 litres)	6,652.0	7,977.0	+ 20.0
Wine (000 litres)	1,559.0	2,050.0	+ 32.0
Meat	12,5000.0	26,600.0	+112.8
Packed Tea	37,216.0	24,405.0	- 34.0
Sugar	257.0	83.0	- 68.0
Milk	16,986.0	18,216.0	+ 7.0
Pasteurized Milk	4,289.0	4,501.0	+ 5.0
Cotton Yarn	10,459.0	11,376.0	+ 8.8
Cotton Textiles (000 m)	40,809.0	54,860.0	+ 34.4
Woollen Yarn	800.0	1,033.0	+ 29.1
Woollen Textiles (000 M)	1,243.0	1,549.0	+ 28.3
Hand-Made Carpets (m^2)	16,666.0	14,938.0	- 10.3
Machine-Made Carpets (m^2)	24.585.0	26,836.0	+ 9.2
Shoes (1000 pairs)	553.0	694.0	+ 25.5
Round Wood (1000 m^3)	88.0	117.4	+ 33.0
Parquet (1000 m^2)	90.0	102.1	+ 13.0
Packing Boxes (000)	283.4	251.4	- 11.0
Prepared Timber (000 m^3)	54.2	68.8	+ 27.2
Basic Refractories	6,516.0	8,955.0	+ 37.4
Acid Refractories	8,266.0	8,303.0	+ 0.4
Electricity Meters (1 pha)	119,935.0	185,441.0	+ 54.6
Electricity Meters (3 pha)	5,558.0	2,695.0	- 27.2
Televisions	103.8	111.3	+ 7.0
Telephone Exchange	39,119.0	55,424.0	+ 42.0
Tractor	2,568.0	6,512.0	+153.6
Trucks	2,054.0	2,447.0	+ 19.0
Pickups	1,829.0	1,811.0	- 1.0
Buses (no.)	395.0	513.0	+ 29.0
Minibuses (no.)	695.0	462.0	- 33.0
Cars (no.)	8,976.0	4,424.0	- 50.0
Newsprint (no.)	22,816.0	28,609.0	+ 25.0
Cardboard	9,130.0	8,826.0	- 3.0
Cigarette Paper	501.0	625.0	+ 25.0
Craft Paper	11,262.0	13,679.0	+ 21.0
Other paper	20,122.0	31,474.0	+ 56.4
Paper total	63,831.0	83,223.0	+ 30.0

	1980 First 3 months Production (cumulative)	1981 First 3 months Production (cumulative)	% +, -
Electricity (10^6 kWh)	5,681.1	6,607.7	+ 5.7
Transformers (no.)	422,430.0	571,725.0	+ 35.0
Electric Bulbs (000)	5,793.0	8,816.0	+ 50.0
Fluorescent (1000)	1,535.0	1,684.0	+ 9.0
Car Batteries (No.)	79,312.0	99,224.0	+ 25.0
Gasoline (000 tones)	492.6	459.8	- 6.6
Fuel-Oil (000 tones)	1,214.7	1,317.4	+ 8.4
Diesel Oil (000 tones)	639.6	753.8	+ 9.3
Crude Oil Processed (000)	3,061.3	3,221.3	+ 5.2
Car Tyres (000)	405.1	331.6	- 18.1
Truck&Bus Tyres (000)	294.8	342.3	+ 16.1
Tractor Tyres (000)	143.2	135.3	- 5.5
Tubes (000)	556.1	613.6	+ 10.3
Crude Oil (000)	582.1	471.6	- 18.8
PVC	7,131.0	9,777.0	+ 37.1
Polyethylene	4,555.0	5,048.0	+ 10.8
Carbon Black	3,597.0	4,636.0	+ 28.8
Caprolactam (ton)	4,741.0	3,381.0	- 28.7
Synthetic Rubber (ton)	4,133.0	8,863.0	+114.4
Boric Acid (000 tones)	2.3	6.0	+160.9
Sodium Perborate (000)	2.4	0.6	- 75.0
Carbide (000 tones)	5.6	6.9	+ 32.2
Salt (000 tones)	15.3	14.9	- 2.3
Ethyl Alcohol (1000 lt)	1,565.6	2,678.2	+ 71.0
Ammonia (000 tones)	87.2	84.0	- 3.7
Phosphoric Acid (000 tones)	32.5	47.2	+ 45.2
Ammonium Sulphat (000 tones)	31.6	56.9	+ 80.1
Ammonium Nitrate (000 tones)	16.7	14.9	- 10.8
Calcium Ammonium Nitrate(000 t.)	95.7	183.9	+ 91.7
Urea (000 tones)	114.0	106.0	- 7.0
Superphosphate	3.5	3.4	- 3.0
Triple superphosphate(000 t.)	78.1	172.3	+120.6
	15.6	79.4	+408.9
Composite Fertilizers(000 tones)	58.0	99.6	+ 71.7
Nitrogenous Fertilizers(000 t.)	429.9	694.6	+ 61.6
	311.5	771.2	+147.6
Fertilizers Total (000 tones)	741.4	1,465.8	+ 97.7
Lignite (000 tones)	3,251.2	3,613.1	+ 11.1
Coal (000 tones)	846.0	953.9	+ 12.8
Coke (000 tones)	430.4	452.9	+ 5.2
Crude Iron (000 tones)	449.4	497.0	+ 10.6
Cast Iron (000)	55.7	49.2	- 11.7
Molten Steel (000 tones)	553.1	625.3	+ 15.1
Blister Copper (tone)	4,150.0	1,983.0	- 52.0
Molten Aluminium(tone)	7,907.0	10,220.0	+ 29.0
Zinc Ingots	2,551.0	5,186.0	+103.0
Zinc Concentrate (tone)	337.0	432.0	+ 28.0

	1980 First 3 months Production (cumulative)	1981 First 3 months Production (cumulative)	% +, -
Lead Concentrate(tone)	224.0	325.0	+ 45.0
Ferrochronium (tone)	4,951.0	7,905.0	+ 60.0
Electrolytic copper (tone)	2,728.0	4,961.0	+ 81.0
Cement (000 tones)	1,670.0	2,165.0	+ 30.0
Mainline Locomotives(no.)	10.0	6.0	- 40.0
Freight Wagons (no.)	234.0	183.0	- 21.8

CAPACITY USE IN INDUSTRY

A survey prepared by the Istanbul Chamber of Industry and recently updated shows an increase in capacity use for the last quarter of 1980 and for the first quarter of 1981. Average capacity use was 49.3 percent for the first nine months of 1980; it increased to 56.5 percent in the last quarter of 1980 and remained at that level during the first three months of 1981. The fact that no further increase in capacity use took place in the first quarter of this year does not give room for any great optimism about the remaining three quarters.

QUARTERLY CAPACITY USE IN INDUSTRY
1980 - 1981

	January/ March 1980	April/ June 1980	July/ September 1980	October/ September 1980	1980 Average	January/ March 1981	Change: Jan.-March 81 / Jan.-March 80	Change: Jan.-March 81 / Oct.-Dec. 80	Change: Jan.-March 81 / 1980 Average
Mining	28.0	41.5	55.5	49.0	43.5	39.5	+ 11.5	- 9.5	- 4.0
Food	56.4	55.2	52.6	56.1	55.0	54.0	- 2.4	- 2.1	- 1.0
Textiles	57.3	58.4	54.9	62.2	58.2	65.6	+ 8.3	+ 3.4	+ 7.4
Forestry Pro.	53.4	45.4	56.1	54.2	52.2	60.5	+ 7.1	+ 6.3	+ 8.3
Paper	43.0	50.4	50.7	56.5	50.1	53.4	+ 10.4	- 3.1	+ 3.3
Chemicals	51.9	48.6	47.2	52.0	49.9	56.2	+ 4.3	+ 4.2	+ 6:3
Ceramics, Earthenware	50.1	65:3	64.2	74.1	63.4	65.4	+ 15.3	- 8.7	+ 2:0
Basic Metals	43.0	43.4	35.4	44.6	41.6	49.0	+ 6.0	+ 4.4	+ 7.4
Metal Products	50.7	49.7	46.5	59.2	51.5	56.9	+ 6.2	- 2.3	+ 5.4
Automotive	45.2	48.9	44.2	59.1	49.3	63.3	+ 18.1	+ 4.2	+ 14.0
Other Industry	41.5	44.8	48.4	55.4	47.5	56.6	+ 15.1	+ 1.2	+ 9.1
Weighted Average	47.3	50.1	50.5	56.5	51.1	56.4	+ 9.1	- 0.1	+ 5.3

The survey which covered 383 establishments, also investigated the reasons for the low capacity use. The reasons have been classified under fuel, energy, raw materials, financing and lack of demand. Seven sectors were affected by lack of demand, 5 sectors by energy shortages and 5 by raw material shortages; 4 sectors were affected by financing difficulties. Only one sector complained of a fuel shortage.

FACTORS NEGATIVELY AFFECTING CAPACITY USE

	Fuel	Energy	Raw Materials	Financing	Low Demand
Mining	X	X			
Food			X		X
Textiles		X			X
Forestry Pro.				X	X
Paper		X	X		
Chemicals			X	X	
Ceramics,Earthenware				X	X
Basic Metals		X			X
Metal Products			X		X
Automotive		X	X		
Other Industry				X	X
Total	1	5	5	4	7

Five sectors reported a considerable increase in use of capacity between the first quarter of 1980 and the first quarter of 1981. They are shown below by degree of performence:

Automotive	18.1	points increase
Ceramics	15.3	" "
Other Industry	15.1	" "
Mining	11.5	" "
Paper	10.4	" "

Food was the only sector having decreased its use of capacity.

Comparison of the first quarter of 1981 with the average for the year 1980 shows a different make-up of the more successful five industries: They rate as follows:

Automotive	14.0	points increase
Other Industry	9.1	" "
Forestry Pro.	8.3	" "
Textiles	7.4	" "
Basic Metals	7.4	" "

Mining and food, on the other hand, showed decreases in the use of capacity.

Finally, a comparison indicating the continuation or otherwise in 1981 of the general upward movement in the use of capacity provides some alarming indications.

Only six sectors increased their use of capacity in the first quarter of 1981 as compared with the fourth quarter of 1980 whilst five sectors decreased capacity use-

Forestry products	6.3	points	increase
Basic Metals	4.4	"	"
Automotive	4.2	"	"
Chemicals	4.2	"	"
Textiles	3.4	"	"
Other products	1.2	"	"
Mining	9.5	points	decreases
Ceramics	8.7	"	"
Paper	3.1	"	"
Metal Products	2.3	"	"
Food	2.1	"	"

Except for paper, the common reason given for the low use of capacity is lack of demand.

2. CONSTRUCTION ACTIVITIES

The recession in the construction sector is far from being over. During the first quarter of 1981 the number of applications for building permits decreased by 19 percent, the construction area represented by these applications decreased by 39.7 percent and their cost by 18.5 percent. Cost of construction as expressed in TL per m^2 increased by 35.1 percent.

The number of occupancy permits on the other hand decreased by only 2.8 percent, the construction area which these represented decreased by 2.3 percent while costs increased by 20.1 percent. The unit cost of completed buildings increased by 22.9 percent.

BUILDING PERMITS (January-March)

	1980	1981	% Change
Number of applications	13,709	11,111	- 19.0
Floor Area(000 m^2)	6,619	3,994	- 39.7
Cost(million TL.)	50,639	41,277	- 18.5
Unit Cost(TL/m^2)	7,651	10,335	+ 35.1

OCCUPANCY PERMITS (January-March)

	1980	1981	% Change
Number of applications	15,109	14,687	- 2.8
Floor Area (000 m^2)	4,249	4,151	- 2.3
Cost (million TL.)	23,071	27,705	+ 20.1
Unit Cost(TL/m^2)	5,430	6,674	+ 22.9

3. OPEN UNEMPLOYMENT

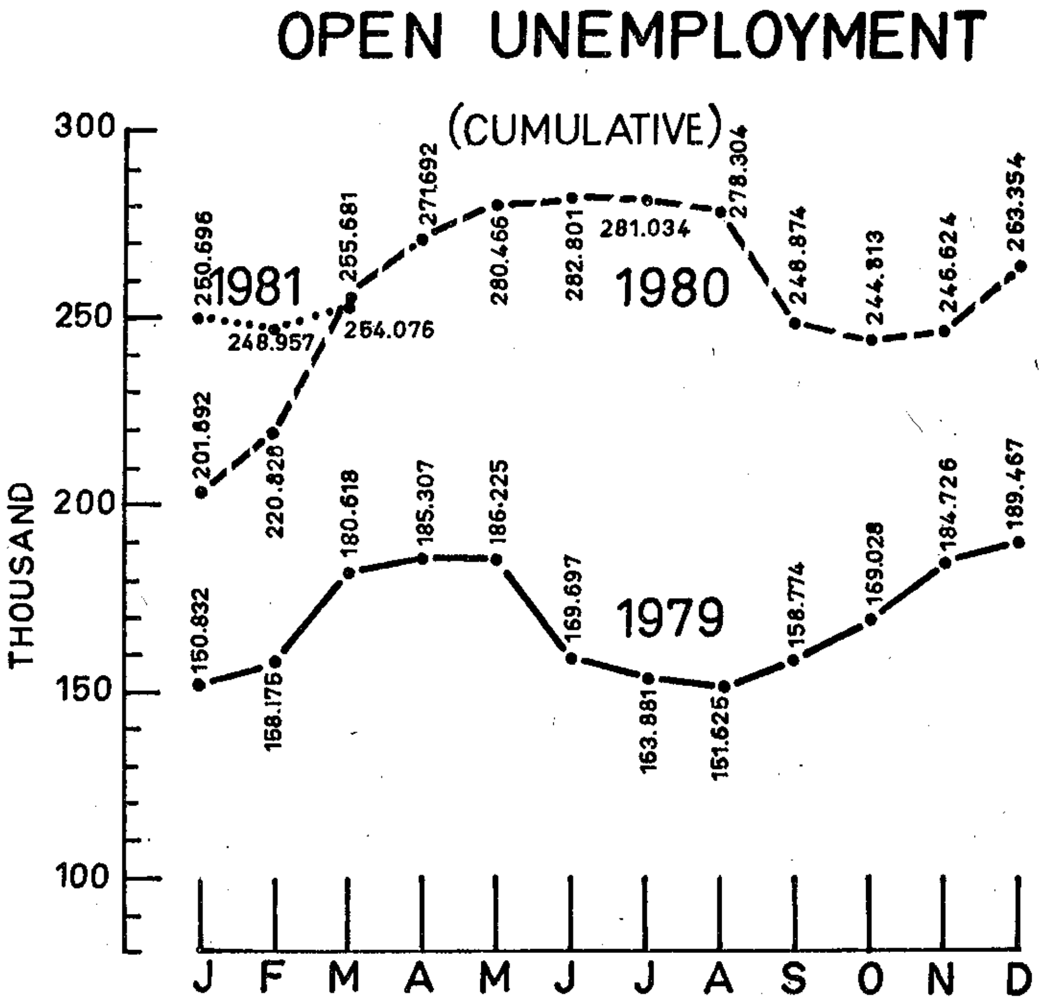
Open unemployment on a month to month basis in 1980 showed an average increase of 50.7 percent over the year 1979. There was a gradual acceleration from January 1980 up to August, when open unemployment increased by 83.5 percent compared with August 1979. Starting from September, however, the rate of increase slowed down considerably. The largest number of openly unemployed was reached in June 1980, with 282,801 applicants for whom jobs could not be found. The figure was down to a quarter of a million in the last four months of 1980.

As there is no unemployment insurance it is not possible to determine accurately the number of openly unemployed. Those who have registered to the Labour Placement Office, and who number roughly a quarter of a million, have some hope to find employment. But there are almost certainly many others who are unemployed but have given up looking for jobs or use the traditional way of looking for jobs through relatives and friends. In any case, the registered openly unemployed is only an indication of the magnitude of open overall unemployment. The coefficient of estimation may be 3 or 4. In fact, the State Planning Organization is estimating open unemployment to be 1,016 thousand people or 5.7 percent of the total civilian labour force.

OPEN UNEMPLOYMENT

	1979	1980	1981	% Change 1980/79	% Change 1981/80
January	150,832	201,892	250,696	33.9	24.2
February	158,175	220,828	248,957	39.6	12.7
March	180,618	255,681		41.6	
April	185,307	271,692		46.6	
May	186,225	280,466		50.6	
June	169,697	282,801		66.7	
July	163,881	281,034		71.5	
August	151,625	278,304		83.5	
September	158,774	248,874		56.7	
October	169,028	244,813		44.8	
November	184,726	246,624		33.5	
December	189,467	263,354		39.0	

Source: Labour Placement Office



4. SECTORAL DISTRIBUTION OF INVESTMENTS
DURING THE FIRST HALF OF 1981

There seems to be a revival in the propensity to invest during the first half of 1981. There have been 1688 applications within the framework of Investment Encouragement Implementation. They represent 436 billion TL worth of investment. Two main items are investments in TIR transportation amounting to 213 billion TL and 83 billion TL worth of investments in ship building. The importance has been given to the service sector which represents 68 percent of the total.

The foreign exchange component of the total investment is 1.8 billion dollars with an annual need for 45 million dollars on the other hand 1.1 billion dollars worth of exports is estimated to be forthcoming from these investments.

Other sectors where investments are heavily concentrated are food with 29.7 billion TL or 7 percent of the total and Livestock sector with 16.2 billion or 4 percent of total investments. 88 percent of the investments are brand new, 12 percent are extensions of existing facilities. 45 percent of total investments are located in Marmara region, 20% in Central Anatolia, 14% in Mediterranea and 6% in Eastern and South Eastern Anatolia.

SECTORAL DISTRIBUTION OF INVESTMENT (JANUARY-JUNE 1981)

		(mn. TL.)		Thousand $			
	Number	Total Invest	Revolving Fund	Foreign Exchange Requirement	Foreign Exchange Requirement Of Revolving Fund	Export	Employment
I.Agriculture	192	19.390	4.615	5.906	-	33.100	4.115
A. Crops	118	2.333	433	3.688	-	12.500	740
B. Livestock	170	16.237	4.093	988	-	12.800	2.975
C. Fishery products	4	820	89	1.230	-	7.800	400
II.Mining and Quarrying	17	3.948	309	12.152	-	4.448	830
III.Manufacturing Industry	408	187.431	14.432	1.641.248	45.481	419.372	28.305
A.Food	88	29.696	5.226	47.733	-	253.202	4.944
B.Textile	20	6.389	746	28.083	-	33.382	4.222
C.Forestery	13	8.041	269	6.134	-	3.475	706
D.Paper	3	3.895	465	13.046	6.173	6.000	193
E.Leather and Hide	1	78	20	174	-	-	97
G.Chemical	26	11.430	768	46.407	-	34.589	804
H.Glass	3	732	193	1.655	-	11.300	86
I.Iron and Steel	3	671	127	2.630	10.000	2.750	386
J.Non-ferrous	3	2.678	440	7.620	800	920	2.163
K.Motor vehicles	116	83.681	896	395.129	900	18.076	5.784
L.Metal Goods	11	3.165	430	10.008	1.206	5.500	620
M.Profession-science	3	781	105	2.404	11.668	1.000	131
N.Machinery	13	5.927	985	15.026	10.800	18.450	1.584
O.Electrical Appliances	5	2.096	388	12.683	3.254	2.470	423
P.Electronics	2	1.442	232	5.431	-	1.000	150
R.Cement	7	2.917	396	7.883	-	2.120	880
S.Clay	28	4.883	483	5.605	-	-	1.547
T.Ceramic	1	1.758	70	6.318	-	2.500	421
U.Others	20	6.210	1.118	24.052	-	18.960	842
IV.Energy	2	111	5	230	-	-	68
V.Services	1.069	216.175	5.561	132.581	-	696.980	32.499
A.Transportation	1.046	213.565	5.452	129.076	-	695.980	31.693
B.Tourism	7	1.445	34	1.408	-	-	627
C.Trade	3	82	3	-	-	-	12
D.Others	5	1.083	72	2.097	-	1.000	167
81/2.Communique	8	77.529	75	33.589	-	900	4.539
T O T A L	1.688	436.584	24.997	1.825.706	45.481	1.154.800	70.288

5. PUBLIC FINANCE

The financing of the Public Sector continues to be a problem which threatens the success of the stabilization programme. The deficit of the Consolidated Budget increased from 52 billion TL in 1979 to 121.8 billion TL in 1980. The deficit as percent of GNP went up to 2.7 percent in 1980 from 2.3 percent in 1979.

According to Budget estimates for Expenditures and Revenues the deficit for the fiscal year 1981 is expected not to exceed 77.8 billion TL or 1.3 percent of expected Gross National Product.

GENERAL, ANNEXED AND CONSOLIDATED BUDGET

(mn. TL.)

	General Budget (1)	Annexed Budget (2)	Treasury Subsidy (3)	Treasury Transfers To Annexed B. (4)=(2)-(3)	Consolidated Budget (5)=(1)+(4)
1978					
Expenditure	342,346	57,519	53,842	3,677	346,023
Revenues	320,757	58,293	53,421	4,872	325,629
Balance	-21,589	774	-421	-1,195	-20,394
1979					
Expenditure	604,636	80,755	77,171	3,584	608,220
Revenues	546,112	85,326	75,285	10,041	556,153
Balance	-58,524	4,571	-1,886	6,457	-52,067
1980					
Expenditure	1.077,862	145,863	144,806	1,057	1.078,919
Revenues	943,127	143,014	128,978	14,036	957,163
Balance	-134,735	- 2,849	-15,828	12,979	-121,756

DEFICIT OF THE CONSOLIDATED BUDGET AS PERCENT OF GNP, EXPENDITURE, REVENUES

(mn. TL.)

Years	Expenditure (1)	Revenues (2)	GNP (3)	BALANCE (4)	4/1	4/2	4/3
1978	346,023	325,629	1,290,394.7	-20,394	5.9	6.3	1.6
1979	608,220	556,153	2,225,571.5	-52,067	8.6	9.4	2.3
1980	1,078,919	957,163	4,494,267.6	-121,756	11.3	12.7	2.7
1981	1,558,743	1,480,965	5,925,900.0	-77,778	5.0	5.3	1.3

Financing needs of the Public Economic Sector have continued to increase in absolute terms from 190.6 billion TL in 1979 to 253.8 billion in 1980. Estimates for 1981 show an increase of 50 percent raising the financing needs to 377.3 billion TL. In relative terms, as percent of Gross Domestic Product financing requirements of State Economic Enterprises were reduced to 5.4 percent in 1980 from 8.7 percent in 1979, they are expected to rise to 6.5 percent in 1981. Financing requirements are expected to rise in 1981 for two reasons: First, the deficit of SEEs is estimated to rise to 60 billion TL in 1981 from 27.9 billion TL in 1980. Second, SEEs fixed investment is planned to rise to 317.3 billion TL in 1981 from 225.9 billion TL in 1980.

In 1981 more emphasis has been given to the financing of the requirements of SEEs through the Budget rather than Central Bank financing. Transfer of funds from the Budget to SEEs are estimated to be 251.3 billion TL or 16 percent of Budget Expenditures.

FINANCING NEEDS OF STATE ECONOMIC ENTERPRISES

(mn. TL.)

	1979	1980	1981
Deficit	61,935	27,884	60,000
Fixed Investment	128,647	225,900	317,316
Financing Required	190,582	253,784	377,316
Sources of Financing			
Budget	87,943	151,884	251,316
State Investment Bank	14,385	17,379	25,000
Foreign Project Credits	42,876	62,122	80,000
Special Fund	33,885	10,000	-
Fund Nr 20	7,033	12,230	-
Other	4,460	110	-
Support and Price Stabilization Fund	-	-	21,000
Financing Required of SEE'S as % of GDP	8.7	5.4	6.5

A higher level of tax revenues seems to be the only way in which the public sectors' dependence on Central Bank borrowing might be dropped to an acceptable level. Inflationary conditions in 1980 might be conducive to a high yield in tax revenues during 1981. But the unfavourable business conditions and the high interest rates might seriously limit the rate of tax payments to the Treasury.

In 1981 the balance of the Public Sector remains the major factor on which the full success of the measures so far taken since January 25, 1980. The responsibility lies mainly with the Public Economic Sector which have failed to reorganize themselves according to sound economic principles dictated by market forces.

Tax revenues for the first quarter (March-May) of the fiscal year 1981 show an increase of 73.3 percent as compared to the same period of 1980. Tax revenues have increased from 50 billion a month during March-May 1980 to 87 billion TL a month for the same quarter of 1981.

69 percent of the tax revenue comes from Income Taxes which increased by 82.7 percent during March-May 1981.

As for total budget revenues, they almost doubled from 160 billion in March-May 1980 to 317 billion TL in March-May 1981.

BUDGET REVENUES (MARCH-MAY 1981)

(bn. TL.)

	Tax Assessment			Tax Reveues		
	1980	1981	% Increase	1980	1981	% Increase
Income taxes	219.7	441.5	100.9	98.9	180.7	82.7
Wealth taxes	5.6	19.3	246.2	0.9	7.8	725.8
Taxes on commodities	62.2	112.7	81.2	21.2	18.9	10.9
Taxes on services	16.2	40.5	149.4	12.6	29.9	137.0
Foreign trade taxes	16.7	23.5	40.1	16.7	23.4	40.1
Tax revenues	320.4	637.4	98.9	150.4	260.7	73.3
Non-tax normal revenues	15.2	63.4	316.0	8.9	53.8	503.7
Special Revenues and funds	0.8	2.7	239.3	0.8	2.7	246.2
Total Budget Revenues	336.5	703.5	109.0	160.1	317.2	98.1

1981 BUDGET; A DEFLATIONARY ONE

The 1981 national Budget, which became effective on March 1 calls for a record spending of 1,558 bn TL (roughly $ 14 bn), an increase of more than 100 percent over the 1980 Budget. But this increase is mostly the logical result of the rate of inflation in the last fiscal year having been around 100 percent.

The 1981 Budget Bill was prepared with several objectives in mind: to establish a social and economic balance in Turkey, where profound developments are taking place in all fields; to increase and expedite investments and growth; to improve the public services and to ensure the most rational utilisation of national resources.

It aims at increasing the level of the Gross National Product, restraining inflation by inducing domestic savings and channelling all the available resources into raising the level of production.

The 1981 Budget is deflationary rather than inflationary, and it contains obvious indications that the new budgetary policies are designed to allow of any deviation from the strategies set early in 1980 which introduced a market oriented economy into Turkey.

The main emphasis is on economies. All the Ministries, State agencies and other departments will have to be content with what they receive intitially from the Budget, and any requests for additional appropriations in the course of the year will be examined very thoroughly before being approved. The inclination will be not to authorise additional expenditure, unless force majeure conditions warrants it.

Several new and important principles have been incorporated in this year's Budget Act. The State Economic Enterprises will not be allowed to borrow from the Central Bank to cover their operational deficits. These enterprises will need approximately 377.3 bn TL to meet their expected losses and finance their investment programmes.

More than half of this amount will be met from the Budget, and the remainder from the State Investment Bank and external sources. There will be no borrowing from the Central Bank beyond the limits determined by the Government in close consultation with the International Monetary Fund. It is possible, however, that at the next round of talks with the IMF, Turkey will ask for a relaxation of the limits so far set in order to pump a certain amount of additional money into the market.

FY 1981 EXPENDITURE BUDGET APPROPRIATIONS
(TL '000)

General Budget Administrations	Proposed	Approved
Legislator	996,637	1,602,615
Office of the Head of State	275,621	275,621
Comptroller's Office	684,289	698,899
Constitutional Court	56,648	58,148
Prime Minister's Office	7,521,960	7,521,960
State Planning Organisation	3,524,822	1,573,022
Council of State	322,473	371,393
High Court of Appeal	351,647	351,647
State Institute of Statistics	870,739	868,439
Department of Religious Affirs	11,399,833	11,399,833
Title Deed & Cadastre Department	4,484,291	4,484,291
Ministry of Justice	21,807,263	24,855,789
Ministry of National Defence	297,940,901	287,632,841
Ministry of the Interior	6,001,160	6,001,160
General Directorate of Security	36,981,071	36,986,071
General Command of Gendarmerie	36,754,483	34,754,483
Ministry of Foreign Affairs	9,344,452	7,592,452
Ministry of Finance	742,340,317	737,272,804
Ministry of National Education	147,166,993	147,261,993
Ministry of Public Works	26,347,909	26,316,409
Ministry of Trade	1,218,034	1,190,034
Ministry of Health	55,436,852	55,431,852
Ministry of Customs & Monopolies	2,099,380	2,334,636
Ministry of Forestry & Agriculture	27,862,013	27,600,633
State Meteorology General Directorate	1,465,683	1,440,683
Ministry of Communications & Transport	12,333,508	12,329,508
Ministry of Labour	1,960,820	1,900,119
Ministry of Industry	7,614,823	7,552,823
Ministry of Tourism	6,761,107	6,531,107
Ministry of Housing	11,049,294	11,019,194
Ministry of Rural Affairs	56,368,192	56,178,013
Land & Resettlement General Directorate	2,610,220	2,591,270
Ministry of Energy & Natural Resources	9,095,590	9,035,490
Ministry of Youth & Sports	882,850	875,114
Ministry of Culture	6,890,215	6,593,215
Ministry of Social Security	121,476	121,476
TOTAL	1,563,943,566	1,540,965,037

FY 1981 EXPENDITURE BUDGET APPROPRIATIONS
(TL '000)

Annex Budget Administrations	Proposed	Approved
Land Reform General Directorate	491,242	491,242
Endowments General Directorate	1,446,741	1,336,741
Physical Training General Directorate	3,850,011	3,850,011
Ankara University	6,296,058	6,294,558
Hacettepe University	4,979,456	4,928,456
Academy of Economic & Commercial Sciences	3,344,510	3,344,510
Istanbul University	7,784,978	7,784,978
Istanbul Technical University	2,139,778	2,139,778
Aegean University	5,120,022	5,120,022
Cukurova University	2,797,974	2,797,974
Diyarbakir University	1,695,699	1,695,699
Euphrates University	697,646	697,646
19 May University	1,176,666	1,176,666
Bursa University	1,711,030	1,711,030
Anatolian University	763,596	763,596
Republican University	979,050	979,050
Ataturk University	2,771,748	2,771,748
Inonu University	301,644	301,644
Selcuk University	247,729	247,729
Black Sea Technical University	1,713,823	1,713,823
State Highways Department	81,447,805	81,341,305
State Hydraulic Works	105,819,428	105,018,928
Monopolies Administration	20,206,140	20,206,140
State Production Farms	430,152	420,152
State Airport Department	2,337,563	2,332,063
Petroleum Office General Directorate	67,499	67,499
Bogazici University	1,263,911	1,263,911
Kayseri University	793,267	793,267
Frontiers & Coasts Quarantine		117,179
Forestry General Directorate		8,727,673
TOTAL	271,598,338	270,435,018

FY 1981 REVENUE ESTIMATES

(mn. TL.)

	1980 Collection	1981 proposal	Additions and/or reduction	Approved
1. Tax revenues	747,198	1.354,800	-7,072	1,347,728
-- Taxes on revenues	461,727	817,240	-7,072	810,168
-- Taxes on property	7,118	16,500		16,500
-- Taxes on commodities	105,696	188,610		188,610
-- Taxes on services	80,576	182,450		182,450
-- Taxes on foreign trade	92,081	150,000		150,000
2. Non-tax normal revenues	139,475	89,144	-80	89,063
3. Special revenues and funds	34,145	60,000	-15,826	44,174
T O T A L....................	920,819	1,503,944	-22,978	1,480,965

SECTORAL BREAKDOWN OF PUBLIC INVESTMENTS

(%)

Sectors	III rd Plan realisation	IVth Plan target	1 9 8 0 Realisation estimate	1 9 8 1 target
Agriculture	10.8	10.4	7.2	12.6
Mining	6.7	9.7	8.2	9.0
Manufacturing	22.8	22.2	27.5	20.8
Energy	13.2	18.3	22.0	22.2
Transport	24.4	19.1	20.1	18.1
Tourism	1.0	1.0	0.5	0.8
Education	6.5	8.2	4.1	5.0
Health	2.2	2.3	1.8	2.2
Other services	10.1	7.1	6.4	7.3
Housing	2.3	1.7	2.2	2.0
TOTAL.................	100.0	100.0	100.0	100.0

The second important principle concerns the rationalisation of investment expenditure. Thousands of small scale and unrealistic projects have been deleted from this year's investment programme. In its original form, the programme had been inflated with unfinished and uninitiated, politically-motivated projects. These have been axed. In an effort to revolutionise project selection, the State Planning Organisation has laid down a set of priorities as a guide to investment policy. The emphasis is on infrastructure investments and energy, mining etc. Housing development projects in both rural and urban areas and water and electricity schemes in rural areas also have a high priority.

As to the public sector investment targets for 1981, the lion's share is reserved for agriculture. Then comes energy, but as will be seen from the table above, the manufacturing sector is to have less attention than in previous years.

For the first time in more than a decade, the Government anticipates a sharp upturn in State revenues in fiscal 1981. Tax consciousness seems at last to be taking root, partly because of the strenuous drive by officials to impose the severe penalties for tax evaders and partly because of the massive propaganda launched through the mass communications media.

Revenue from indirect taxation is expected to be double in fiscal 1980.

Certain remarks contained in the Budget and Planning Committee's report imply, it has been suggested, that the Budget Act does not rule out the possibility of deviations from the policy guidelines which it lays down. The Committee states that a free pricing policy is an instrument for the resolution of the State Economic Enterprises' problems,,but it is not the only instrument which may be used.

This has prompted many observers to comment that the SEEs will no longer have complete freedom in determining their prices. In the past, it is argued, huge price increases in the State sector have played an important part in fuelling the flames of inflation.

The Committee's report goes on to say that "The important thing is to prevent the further escalation of prices at high levels. At every stratum of the SEEs, arrangements will be made to ensure the national and most effective use of resources".

This implies that high investment costs will be avoided. But how will this be managed? The basic problem facing the SEEs stems from their personnel policy; they are heavily overstaffed. In the past, politicians have made a habit of using these Enterprises to foster their political aims and have swollen the cadres with men close to their own lines of thinking. To cite a single example of over-staffing-the Iskenderun steel works is currently operating with something like 15,000 excess personnel on its payroll.

This Government has said that it will not allow mass lay-offs or dismissals but will simply re-organise the SEEs from top to bottom.

It has recently been reported that there are plans to turn the State Economic Enterprises into seven separate holding companies. Enterprises which are continually running into huge deficits and are an unwarranted burden on the Treasury may be sold - either to the private sector or to other public ventures.

To sum up, the 1981 fiscal year budget, is deflationary on condition that revenue estimates are fully realized and is designed to meet State revenues from sound sources.

CHAPTER VI

MONETARY INDICATORS

1. BANKNOTES IN CIRCULATION

The note issue has followed a very regular pattern. This indicates that Monetary Authority is carefully planning monetary expansion, instead of leaving it unconditionally to the demands of deficit financing.

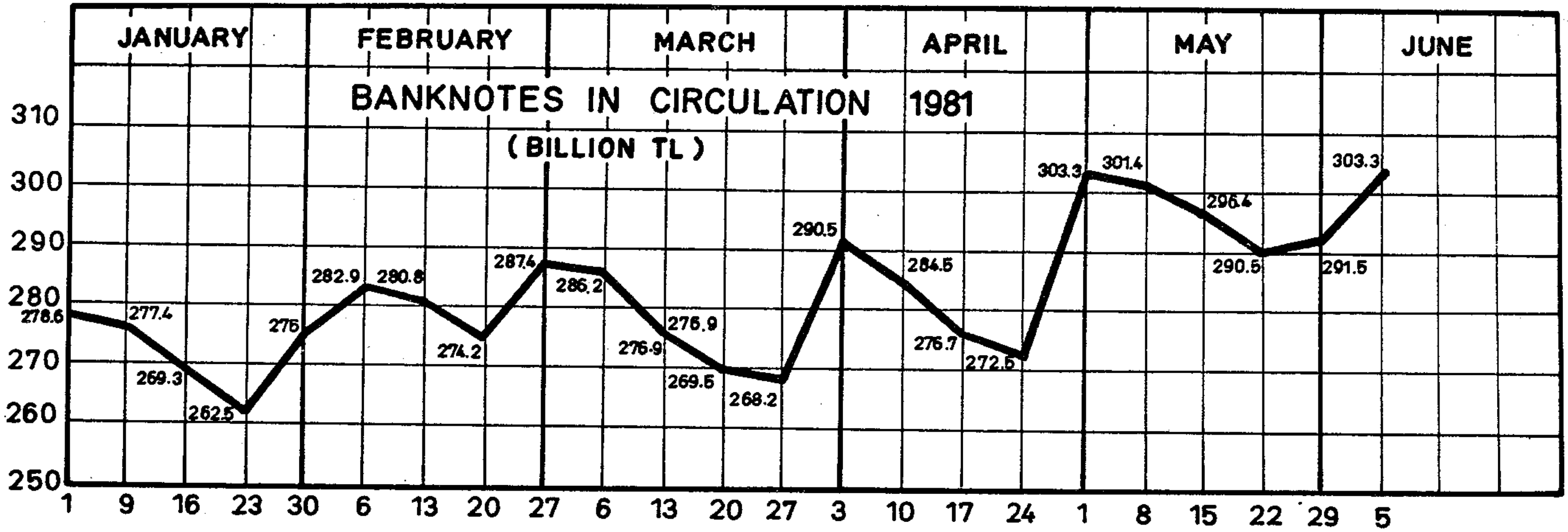
The model can be defined as the cyclical injection of an average of 20 bn TL at the beginning of every month and withdrawing 15 bn TL during the three following weeks that follow; thus there is a net monthly increase of 5 bn TL in the note issue. If this model is followed throughout the year it will result in an annual rate of increase from December 1980 to December 1981 of 21.6 percent and bring the total banknotes in circulation to 338.6 bn TL at the end of this year.

BANKNOTES IN CIRCULATION

(billion TL.)

	1978	1979	1980	1981	Annual % Change 1979/78	1980/79	1981/80
January	78.4	118.8	188.6	275.1	51.5	58.7	45.9
February	79.5	122.3	191.6	287.4	53.7	56.7	50.0
March	81.4	125.1	183.2	290.5	53.7	46.4	58.6
April	83.9	126.1	202.5	300.3	50.2	60.6	48.3
May	85.9	136.0	195.3	291.5	58.2	43.7	49.2
June	88.9	142.8	202.2	303.1*	60.6	41.7	
July	92.7	140.5	237.7		51.5	69.3	
August	102.8	152.1	245.2		47.9	61.2	
September	103.2	153.7	279.9		48.9	83.1	
October	111.6	184.9	280.6		65.6	51.8	
November	114.1	173.0	277.6		51.7	60.4	
December	113.7	182.9	278.6		60.9	52.3	
Dec./May	10.2	19.6	6.8	4.6			

*June 5, 1981.


JANUARY
FEBRUARY
MARCH
APRIL
MAY
JUNE
BANKNOTES IN CIRCULATION 1981
(BILLION TL)
310
300
290
280
270
260
250
278.6
277.4
269.3
262.5
276
282.9
280.8
274.2
287.4
286.2
276.9
276.9
269.5
268.2
290.5
284.5
276.7
272.5
303.3
301.4
296.4
290.5
291.5
303.3
1 9 16 23 30 6 13 20 27 6 13 20 27 3 10 17 24 1 8 15 22 29 5

2. CENTRAL BANK CREDITS

Up to the end of May, Central Bank credits had increased by 61.1 percent on annual basis and raised the total to 742 bn TL at the end of May 1981, compared with 460 bn TL a year earlier.

The distribution of Central Bank credits as between the recipients changed considerably. Public Sector credits constituted 73 percent of the total in May 1979, 63 percent in May 1980 and 60 percent in May 1981, while credits to the Banking sector increased from 17.4 percent to 25.1 percent and to 27 percent respectively.

On the other hand, credits to the Agricultural Cooperatives continued to increase, from 8.3 percent to 12.5 percent and to 12.9 percent respectively.

CENTRAL BANK CREDITS
(As at end May)

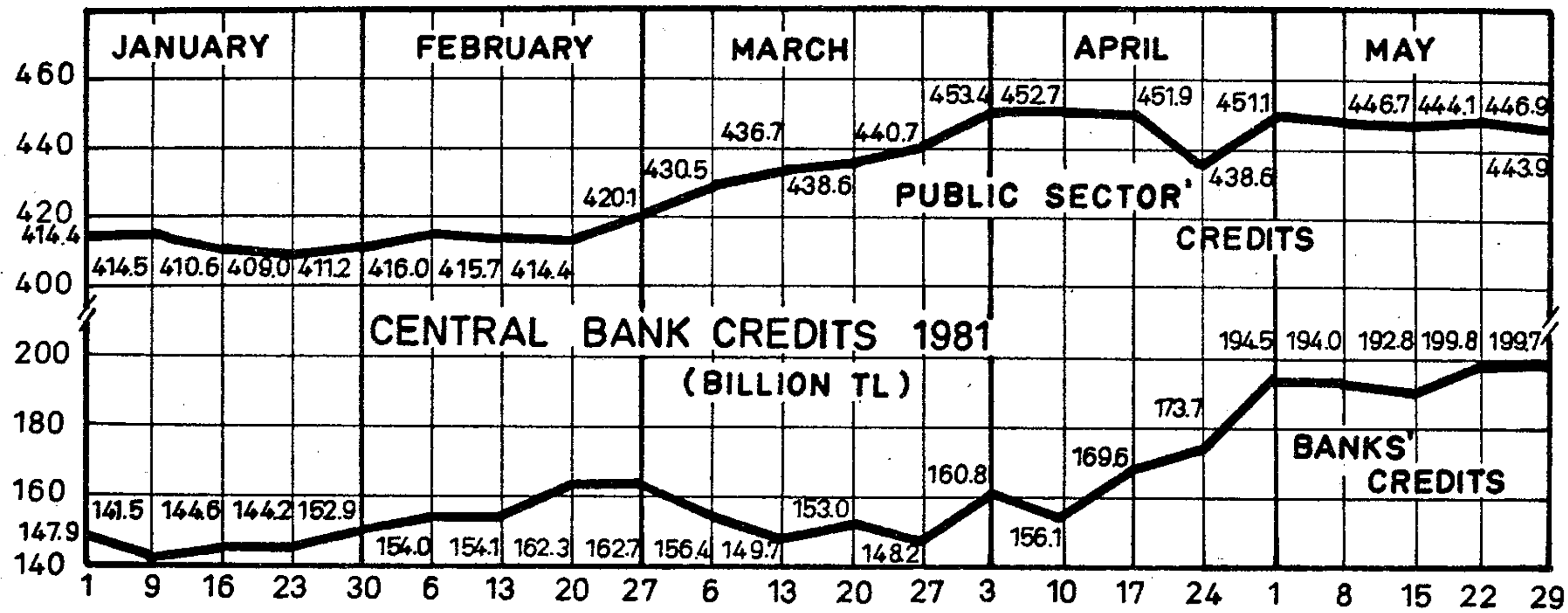
	1979		1980		%	1981		%
	Amount	%	Amount	%	Change	Amount	%	Change
Total Credits	262,6	100.0	460,3	100.0	75.3	741.7	100.0	61.1
1)Public Sector	195,2	73.3	292,1	63.4	49.6	446.9	60.1	53.0
2)Banks	45,7	17.4	115,9	25.1	153.6	199.8	27.0	72.4
3)Agricultural Cooperatives	21,6	8.3	52,2	12.5	141.7	55.0	12.9	81.6

More detailed data shows that credits extended to the State Economic Enterprises and to Annexed Budget Administrations increased by 28.9 percent and 41.6 percent respectively.

Advances to the Treasury, on the other hand, showed a rate of increase by 98.6 percent indicating that the Treasury continues to have cash flow difficulties. In fact, advances to the Treasury increased by 120 bn TL from 112 bn TL on 30 May 1980 to 222.6 bn TL on 29 May 1981.

As a result of these developments, total credits to the Public Sector increased by 53 percent between May 1980 and May 1981.

Credits to the Banking Sector increased by 72.4 percent raising the total from 116 bn TL in May 1980 to 200 bn TL in May 1981, an increase of 84 bn TL. Within the total, the biggest increase was recorded in commercial bonds which rose by 65 bn TL, or by 91 percent in 12 months.


CENTRAL BANK CREDITS 1981
(BILLION TL)
JANUARY
FEBRUARY
MARCH
APRIL
MAY
PUBLIC SECTOR' CREDITS
BANKS' CREDITS
460
440
420
414.4
400
200
180
160
147.9
140
1 9 16 23 30 6 13 20 27 6 13 20 27 3 10 17 24 1 8 15 22 29
414.5 410.6 409.0 411.2 416.0 415.7 414.4 420.1 430.5 436.7 438.6 440.7 453.4 452.7 451.9 438.6 451.1 446.7 444.1 446.9 443.9
141.5 144.6 144.2 152.9 154.0 154.1 162.3 162.7 156.4 149.7 153.0 148.2 160.8 156.1 169.6 173.7 194.5 194.0 192.8 199.8 199.7

CENTRAL BANK CREDITS

(Billion TL.)

	30.5.1980	29.5.1981	Annual % Change
Advances to the Treasury	112.1	222.6	98.6
Bonds under Treasury Guarantee	153.5	195.8	27.6
Annexed Budget Adm.	28.1	39.8	41.6
State Economic Enterprises	106.1	136.8	28.9
State Investment Bank	19.3	19.2	0.5
Advances against Securities	19.2	19.2	0
Commercial	0.2	2.1	950.0
Special Financing from Deposit Reserves	7.2	7.2	0
Credits to the Public Sector	292.1	446.9	53.0
Commercial Bonds	72.1	137.7	91.0
Agricultural Bonds	1.8	2.5	38.9
Advances against Securities	10.2	12.8	25.5
Medium-Term Credits to Industry	7.9	11.3	43.0
Medium-Term Credits to Agriculture	0.1	0.1	0
Special Export Financing Fund	2.6	10.5	303.8
Agricultural Financing from Deposit Reserves	21.3	24.9	16.9
Total Credits to Banks	115.9	199.8	72.4
Support to Agricultural Sales Cooperatives	18.0	49.3	173.9
Agr.Sales Coop.Support to Producer	3.5	4.3	22.9
Agricultural Credit Coop.	30.8	41.5	34.7
Total Agricultural Cooperatives	52.3	95.0	81.6
Central Bank Credits(Total)	460.3	741.7	61.1

Credits to Agricultural Cooperatives increased by 81.6 percent or by 43 bn TL. Most of the increase was chanelled in support of the Agricultural Sales Cooperatives, their credits having increased by 173.9 percent or by 31 bn TL.

Total Central Bank credits, while increasing at a lower rate (61.1 percent) in 1981 than in 1980 (75.3 percent) still continue to be high. The main item contributing to the increase remains the Advances to the Treasury.

In spite of these developments in Central Bank credits, banknotes in circulation did not increase unduly,mainly because of the increase in deposits with the Central Bank. These rose by 193 bn TL.

DEPOSITS WITH THE CENTRAL BANK
and BANKNOTES IN ISSUE

	30.5.80	29.5.81	Annual % Change
Banknotes in issue	195.3	291.5	49.3
Deposits	317.5	711.1	124.0
a)Official	17.5	116.4	565.1
b)Banks	116.7	184.8	58.4
of which Deposit reserv.	108.2	165.9	53.3
c)Others	14.2	26.1	83.8
d)International Org.	169.1	383.8	127.0

Deposit reserves increased by 53.3 percent raising reserves from 108.2 bn TL to 165.9 bn TL, representing a net increase of 57.7 bn TL, a major influence in limiting the credit availability of the Commercial Banks.

Banknotes in issue increased by 49.3 percent, between May 1980 and May 1981. This rate is expected to fall to 21.6 percent by the end of the year.

3. BANK DEPOSITS

Bank deposits have shown a remarkable upsurge far exceeding the rate of increase in the note issue. There was a striking constancy in the Deposit/Currency ratio as well as the Time Deposit/Currency ratio in the first half of 1980, the DT/C remaining constant at 0.50 between end of 1979 and May 1980.The same is true of the Total Deposit/ Currency ratio which remained practically constant between the above mentioned dates at 2.4. By the end of 1980 both ratios increased, the D/C ratio to 2.46 and DT/C ratio to 0.6. But the big jump occurred in the first five months of 1981. By May 22, 1981, the D/C had jumped to 3.04 and the DT/C to 1.00.

The respective rates of increase in deposits, time deposits and currency for the 12 months period between 23 May 1980 to 22 May 1981 indicate the mechanism through which the D/C and DT/C ratios have increased so remarkably.

THE CHANGING RATIOS DEPOSIT/CURRENCY (billion TL.)

	Total Deposits (D)	Time Deposits (DT)	Banknotes Issued (C)	D/C	DT/C
31 Dec. 1979	443.4	91.6	182.9	2.42	0.50
23 May 1980	467.7	97.7	195.3	2.39	0.50
31 Dec. 1980	686.2	168.6	278.6	2.46	0.60
22 May 1981	881.7	291.8	291.5	3.04	1.00
May to May inc.	88.5%	198.7%	48.7%	27.2%	100%

BANK DEPOSITS

(Billion TL.)

	1979 31 Dec.	1980 23 May	1980 31 Dec.	1981 22 May	% Change 1980[1]	1981[2]	Annual[3]
Total deposits	443.4	467.7	686.2	881.7	5.5	28.5	88.5
- Savings deposits	235.3	255.4	350.1	487.4	8.5	39.2	90.8
a)Time	91.6	97.7	168.6	291.8	6.7	73.1	198.7
Savings time	91.6	97.7	150.7	237.1	6.7	57.3	142.7
Certificates of deposit	0.0	0.0	17.9	54.7	-	205.6	
b)Sight	143.7	157.7	181.5	195.6	9.7	7.8	24.0
Commercial sight	153.6	162.4	244.6	272.0	5.7	11.2	67.5
Other deposits	55.5	49.9	91.4	122.3	-10.1	33.8	145.1
Public deposit banks	172.3	185.8	263.5	342.8	7.8	30.1	84.5
8 Commercial banks	256.6	264.7	395.8	500.9	3.2	26.6	89.2
Other Commercial banks	6.5	7.7	12.3	20.1	18.5	63.4	161.0
Foreign banks	8.1	9.5	14.5	17.9	17.3	23.4	88.4

[1]% change between Dec. 31 1979 and May 23, 1980
[2]% change between Dec. 31 1980 and May 22, 1981
[3]% change between May 23 1980 and May 22, 1981

The rate of increase in total deposits, and especially of time deposits, is remarkably high when compared with the 34 percent rate of increase in prices in the same period. Total deposits increased by 40 percent in real terms. As for time deposits their increase in real terms was of no less than 123 percent.

Deposits with the other private banks increased by no less than 161 percent, deposits with "the eight" went up by 89.2 percent and those with the foreign banks rose by 88.4 percent. The lower rate of increase was with the public sector deposit banks, but even this was 84.5 percent.

Not surprisingly, the differential in increases in time deposits compared with sight deposits has considerably affected the ratio of time deposits to total deposits as well as their ratio to savings deposit.

During the eleven months following the liberalization of interest rates the ratio of time deposits to total deposits increased from 19.7 percent in June 1980 to 33.1 percent on 22 May 1981.

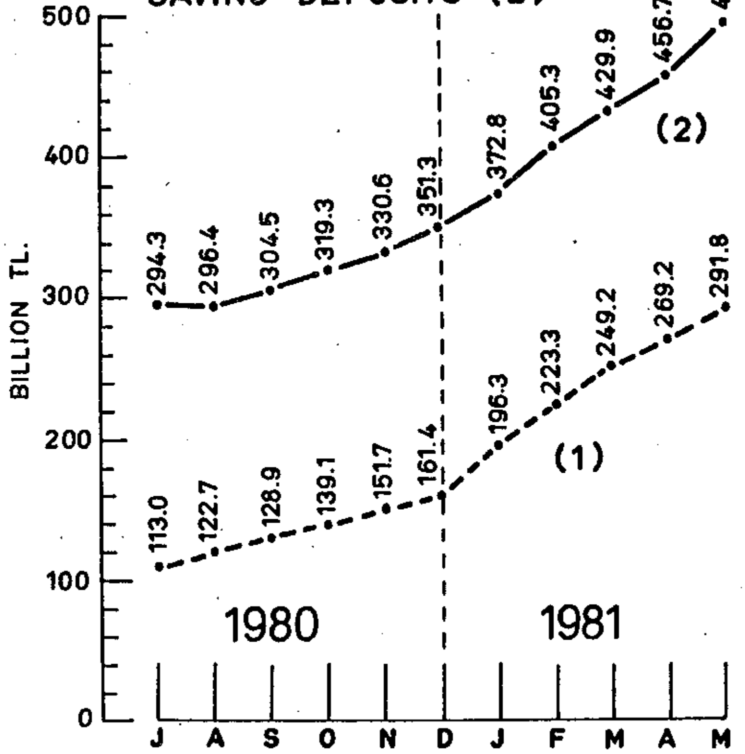
The ratio of time deposits to saving deposits increased from 37.7 percent to 59.9 percent over the period.

TIME SAVINGS DEPOSITS

(Billion TL.)

	Time Savings Deposits	Total Deposits	Savings Deposits	Ratio of Total Deposit (%)	Time Dep. to Savings Deposits (%)
June 1980	98.2	498.2	260.3	19.7	37.7
July	113.0	544.8	294.3	20.7	38.4
August	122.7	568.5	296.4	21.6	41.6
September	128.9	618.0	304.5	20.9	42.3
October	139.1	640.1	319.3	21.7	43.6
November	151.7	657.7	330.6	23.1	45.9
December	168.6	686.2	350.1	24.6	48.1
January 1981	196.3	705.3	372.8	27.8	52.7
February	223.3	736.6	405.3	29.9	55.1
March	249.9	800.6	429.9	31.2	58.1
April	269.2	827.6	456.7	32.5	58.9
May 22	291.8	881.7	487.4	33.1	59.9

TIME SAVING DEPOSITS (1) & SAVING DEPOSITS (2)



4. BANK CREDITS

The stock of bank credit in the economy increased by 64.7 percent between 23 May 1980 and 22 May 1981. Taking into account the 34 percent increase in prices during the same period, it may be concluded that, in real terms, total credit within the economy increased by 23 percent.

It is however true that not all of the sources of credit increased their credit totals at the same rate.

State Investment Bank credits, which are tied to a payments plan, did not increase at all.

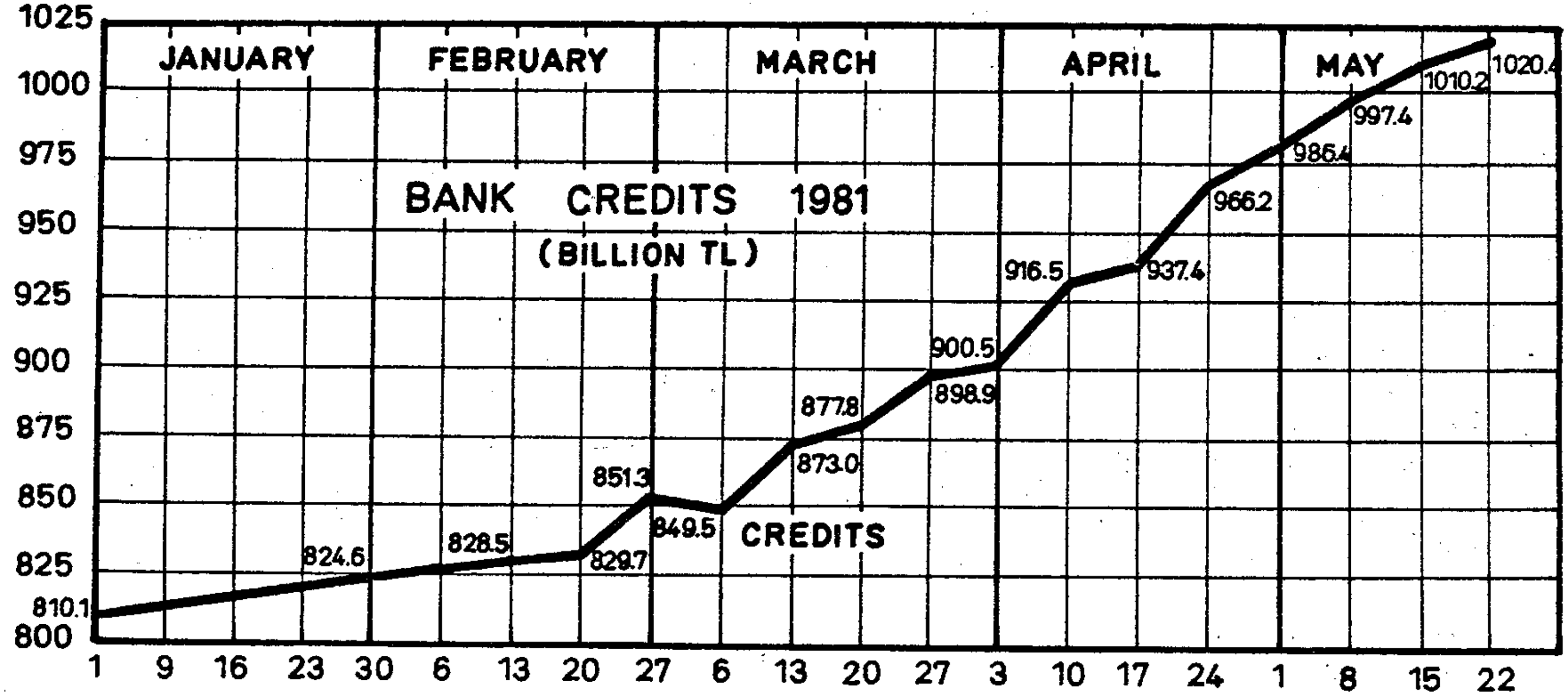
Direct credits from the Central Bank increased by 63.5 percent, a rate slightly below the rate of increase in the total credit stock.

The investment and Development Banks increased their credits by only 19 percent.

BANK CREDITS

(billion TL.)

	1979 31 Dec.	1980 23 May	1980 31 Dec.	1981 22 May	% Change 1980	1981	Annual
Credit Stock	789.5	885.7	1,217.1	1,458.9	12.2	19.9	64.7
A)Bank credits	534.9	602.0	810.1	1,020.4	12.5	26.0	69.5
- Bank Deposits	431.0	488.4	678.3	885.1	13.3	30.5	81.2
a)Public Dep.b.	222.6	266.1	374.8	464.2	19.5	23.9	74.4
Agricultural Credits	79.6	84.3	139.4	161.2	5.9	15.6	91.2
Artisans Credits	23.1	26.2	36.3	44.8	13.4	23.4	71.0
b)8 commercial deposits b.	194.0	203.8	277.3	383.2	5.1	38.2	88.0
c)Other commercial dep.banks	6.4	8.0	11.6	20.1	25.0	73.3	151.3
d)Foreign dep. banks	8.0	10.4	14.5	17.6	30.0	21.4	69.2
- Development Investment B.	103.8	113.6	131.8	135.3	9.4	2.7	19.1
a)State Inv.B.	79.1	79.7	88.4	88.4	0.8	0.0	10.9
b)Others	24.8	33.8	43.3	46.8	36.3	8.1	38.5
B)Central Bank Direct Credits	214.5	243.7	367.0	398.5	13.6	8.6	63.5
C)State Investment Bank tied to a payments plan	40.2	40.0	40.0	40.0	- 0.5	0.0	0.0


BANK CREDITS 1981
(BILLION TL)
JANUARY
FEBRUARY
MARCH
APRIL
MAY
CREDITS
1025
1000
975
950
925
900
875
850
825
800
810.1
824.6
828.5
829.7
851.3
849.5
873.0
877.8
898.9
900.5
916.5
937.4
966.2
986.4
997.4
1010.2
1020.4
1 9 16 23 30 6 13 20 27 6 13 20 27 3 10 17 24 1 8 15 22

The deposit banks as a whole increased their credits by 81.2 percent, a rate commensurate with the rate of increase in their total deposits (88.5 percent) in the same twelve months period to 22 May, 1981.

The "big eight" commercial banks increased their credits by 88 percent but the highest rate of increase in credits was achieved by the other commercial banks, 151.3 percent.

The "big eight" commercial banks increased their credits by 88 percent.

As for the the public sector deposit banks, their credits increased by 74.4 percent overall. The Agricultural Bank increased its credits by 91.2 percent and the Turkiye Halk Bankasi by 71 percent.

Foreign deposit banks' credits increased by 69.2 percent.

5. INFLATION

The Turkish economy has managed to survive three years of galloping inflation and now has it firmly under control.

Starting with the first month of 1978 the inflation rate reached 38.2 percent and for two years continued to climb at an ever faster pace until February 1980 when it attained a peak of 133.3 percent.

After three years of uncertainty in a strongly inflationary climate the Turkish Economy is back to price stability. This is to be seen from the rates of rise in the various price indexes. They indicate annual rates of increase as low as 30 percent (Cost of Living Ankara, Ministry of Trade) and as high as 38 percent (Cost of Living, Istanbul, Ministry of Trade) with the Wholesale Price Indices ranging between 33.2 percent (May 1980 to May 1981, Ministry of Trade) and 32 percent (April 1980 to April 1981, Istanbul Chamber of Commerce).

An analysis of price increases by regions shows that some of the biggest cities had the lowest rate of inflation; this is true of (e.g.) Eskisehir (24.4 percent), Antalya (26.5 percent), Istanbul (26.6 percent) and Ankara (30.6 percent). On the other hand the Diyarbakir rise rate was 40.5 percent, Izmir's 38.2 percent and Adana's 37 percent.

The composition of price increases as between Food and Industrial Products has fluctuated from year to year. In 1979, prices of industrial raw materials and semi-manufactured goods rose by much bigger margins than did food prices. But in 1980, it was food prices which showed the bigger increases.

INFLATION INDICATORS

Consumer Price Index	Ankara	May 1980 - May 1981	30.6%
" " "	Istanbul	"	26.6%
" " "	Izmir	"	38.2%
" " "	Adana	"	37.0%
" " "	Antalya	"	26.5%;
" " "	Bursa	"	29.3%
" " "	Diyarbakir	"	40.5%
" " "	Erzurum	"	31.9%
" " "	Eskisehir	"	24.4%
" " "	Ordu	"	28.5%
" " "	Samsun	"	26.8%
Wholesale price index (Ministry of Trade)		"	33.2%
Wholesale price index (Istanbul Chamber of Commerce)		"	32.2%
Cost of Living Indices (Ministry of Trade) Ankara		"	30.2%
Cost of Living Indices (Ministry of Trade) Istanbul		"	38.2%
Cost of Living Indices (Ist.Chamber of Commerce) Istanbul		"	31.2%

In the long run (i.e. between 1963 and 1981) the internal terms of trade have moved against food as can be seen when we divide index for food prices by index of industrial goods prices in March 1981 it was 80.7. But if we take a shorter perspective (i.e. one year) we find that the domestic terms of trade have moved in favor of food prices.

It was 69.6 in March 1980 moved to 77.4 in December 1980 and to 80.7 in March 1981.

WHOLESALE PRICE INDEX

	General Index	Food and Feed	Industrial raw materials
1979	81.4	65.7	103.4
1980	94.7	105.2	82.6
January	9.2	10.8	7.8
February	29.3	24.5	34.9
March	4.4	7.4	1.2
April	3.5	- 0.4	8.1
May	2.9	4.5	1.2
June	2.8	3.0	2.2
July	0.2	- 0.6	1.4
August	1.5	3.1	- 0.2
September	3.5	5.9	0.7
October	7.1	8.6	5.4
November	3.8	4.0	3.5
December	3.1	5.4	0.3
1981			
January	4.6	6.2	2.5
February	2.2	3.5	0.6
March	- 0.8	- 1.7	0.5
April	- 0.8	- 1.6	0.3
May	2.2	2.2	2.1
June	6.4	3.0	10.9

Source: Ministry of Trade

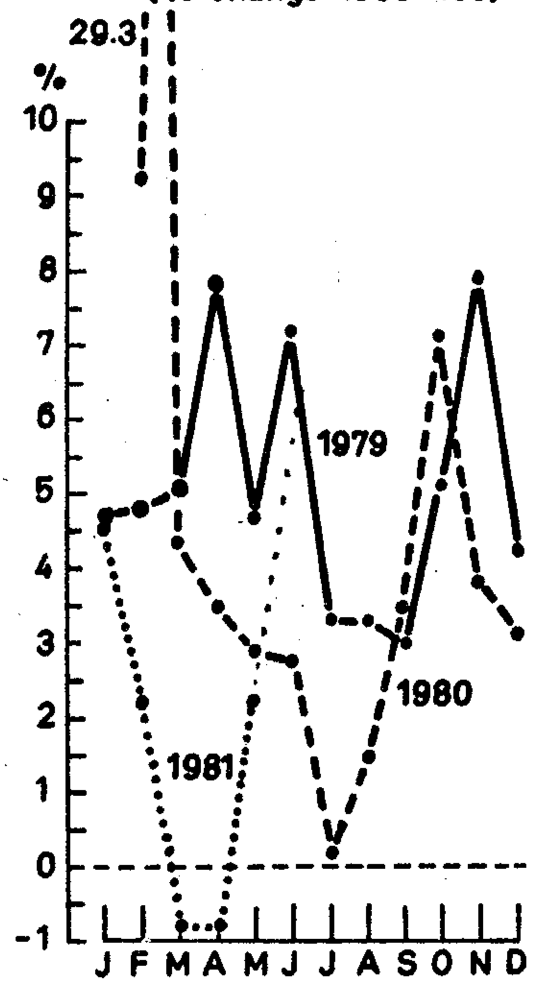
Since demand management policies are being strictly observed, Turkey undoubtedly anticipates that there will be a further deceleration in the rate of inflation. But the OECD has some reservations about the existing price indices. In its latest Survey, the OECD says:

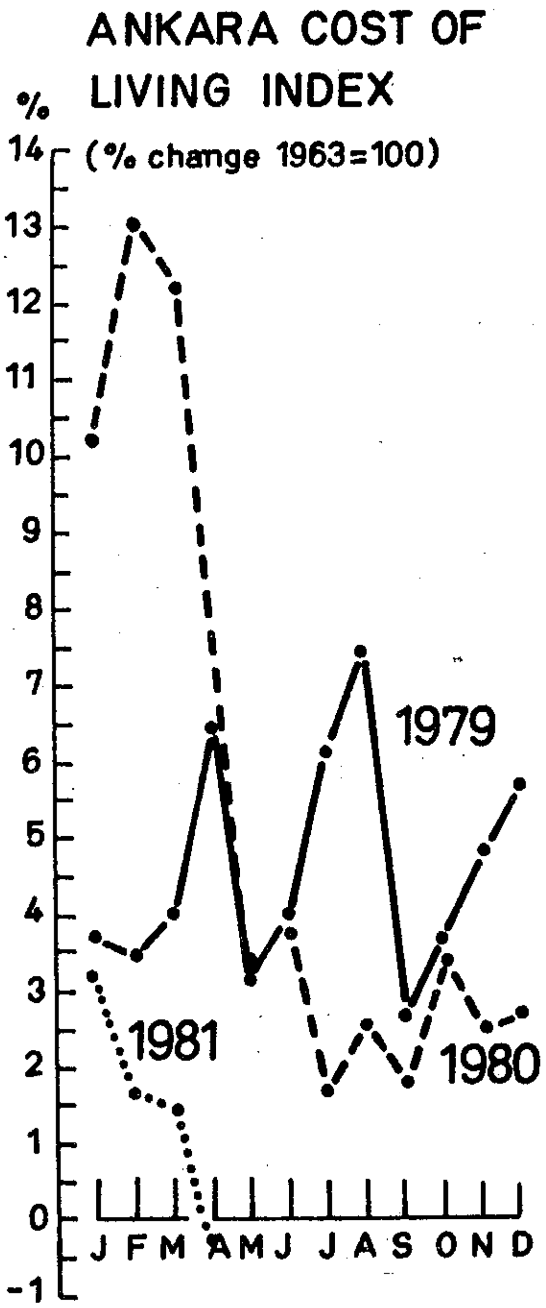
"Existing price indices are not good indicators of price developments due to inadequate coverage and outdated weights. What they show is that the annual average rate of inflation, as measured in terms of wholesale prices, rose to well over 100 percent in 1980.and the cost of living did not trail far behind. However, despite repeated upward adjustments of administered prices as subsidies for State enterprises were removed, and despite pressures exerted on domestic price levels through periodic devaluations of the Turkish Lira, there was a noticeable slowdown of inflationary trends during the course of the year. Wholesale prices experienced their highest year-on-year increase in February, shortly after the introduction of the government's stabilisation programme (+ 133 percent); however, by August, the year-on-year price rise was down to 100 percent. Due to further administered price increases and increased food prices, the wholesale price index rose again to an inflation rate of 105 percent in October, but fell under the influence of declining industrial prices to a rate of 95 percent in December. A similar trend has been observed in the cost of living index calculated for Istanbul. The year-on-year inflation rate peaked in March at 120 percent and declined to 87 percent in September and to 75 percent in December:during the four months to December the annual rate of increase slowed down to 51 percent. Inflationary pressure was, no doubt, also eased by an improved supply situation due to the inflow of foreign financial assistance, although its direct impact is difficult to measure. Larger supplies, notably of oil, steel, chemicals and other strategic inputs for industry, helped to improve capacity utilisation and output in industry and, more generally, had a moderating influence on inflationary expectations.

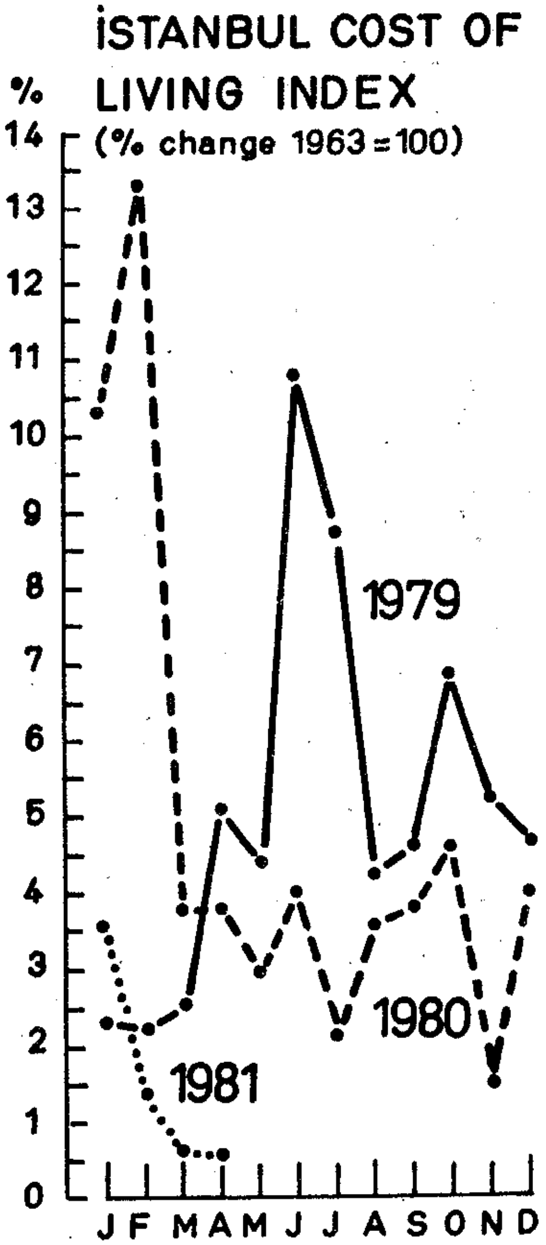
According to the OECD survey further improvement in inflationary performance may be possible if the stated aims of fiscal, monetary and income policies are pursued energetically; a crucial element will be the progress that is be made in improving the financial situation of the State Enterprises through greater efficiency rather than through higher prices or Government subsidies.

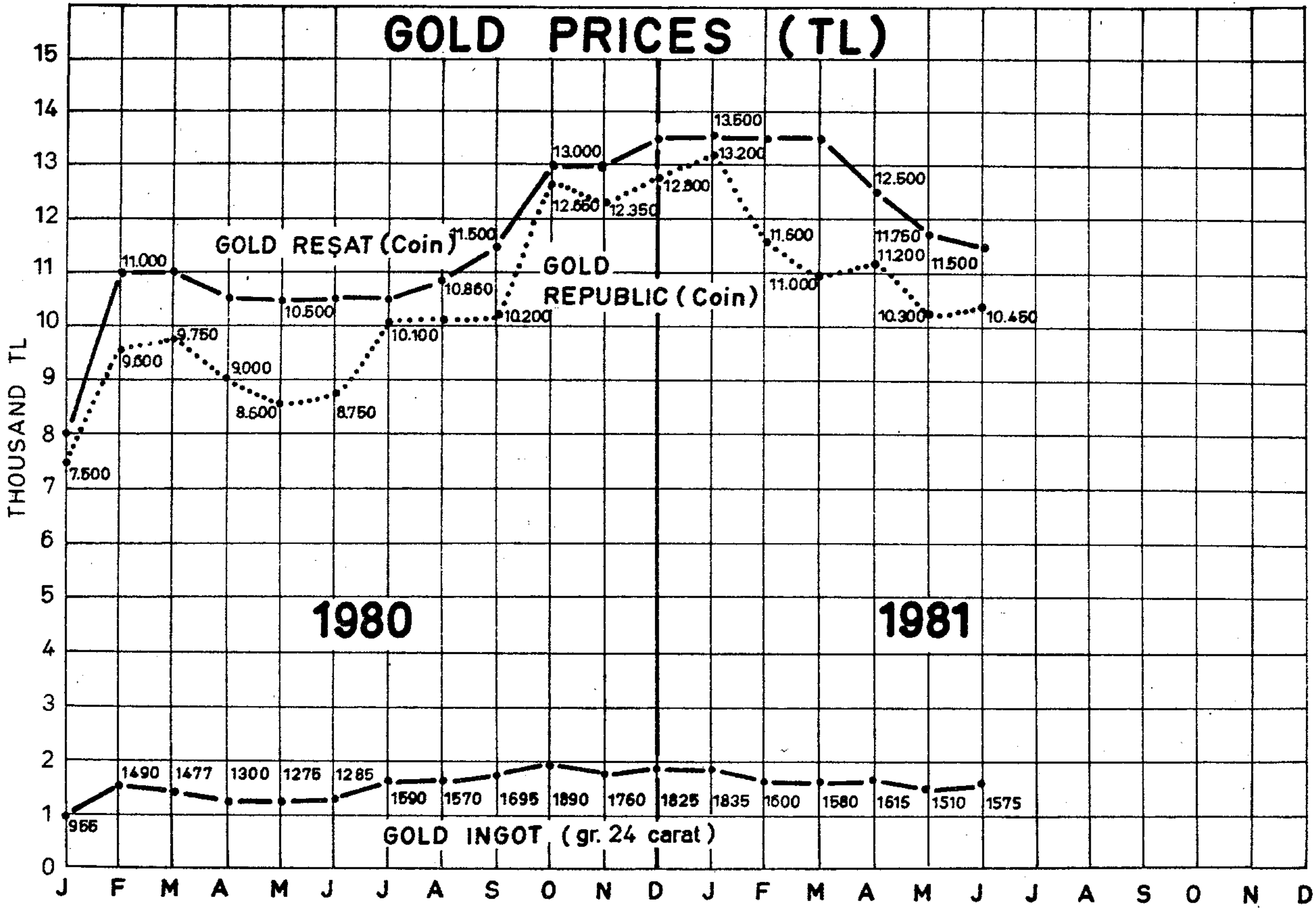
WHOLESALE PRICE INDEX

(% change 1963=100)




ANKARA COST OF
LIVING INDEX
(% change 1963=100)
%
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
-1
1979
1980
1981
J F M A M J J A S O N D


İSTANBUL COST OF
LIVING INDEX
(% change 1963=100)
%
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
1979
1980
1981
J F M A M J J A S O N D


GOLD PRICES (TL)
THOUSAND TL
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
J F M A M J J A S O N D J F M A M J J A S O N D
1980
1981
GOLD REŞAT (Coin)
GOLD REPUBLIC (Coin)
GOLD INGOT (gr. 24 carat)
11.000
10.500
10.860
11.500
13.000
13.500
12.500
11.750
11.500
7.500
9.500
9.750
9.000
8.600
8.750
10.100
10.200
12.650
12.350
12.800
13.200
11.600
11.000
11.200
10.300
10.450
955
1490
1477
1300
1275
1285
1590
1570
1695
1890
1760
1825
1835
1600
1580
1615
1510
1575

CHAPTER VII

Foreign Economic Relations

1. EXPORTS

Export performance in the first four months of 1981 may fairly be described as explosive. This is especially true for January during which month the value of exports increased by 73.8 percent in comparison with January 1980. The total value for the four months showed an increase of 43.4 percent. The corresponding increase for 1979 was of 28.1 percent and that for 1980 was of only 9.9 percent.

Taking into consideration the seasonal variation in exports which shows a continuous upward movement from August until April, it is very probable that the 30 percent annual increase foreseen for exports in 1981 will be exceeded. Our estimate is that the value of exports will attain the level of $ 4,225 mn, exceeding by $ 425 mn the original estimate of $ 3.8 bn.

EXPORTS
(January - April)

	1978	1979	1980	1981	% Change 1979	1980	1981
January	151.2	216.2	236.3	410.6	43.0	9.3	73.8
February	169.9	249.3	244.1	306.6	46.7	- 2.1	25.6
March	159.1	196.2	233.6	304.2	23.3	19.1	30.2
April	182.7	187.4	219.0	316.1	2.6	16.9	44.3
Total	662.9	849.1	933.0	1337.5	28.1	9.9	43.4

The agricultural and livestock sector has not contributed sufficiently to the increased performance of exports. Its rate of increase is only 24.1 percent which is well below than the annual rate of increase foreseen for 1981.

In fact, the industrial sector and to a lesser extent the mining sector, have been responsible for the big increase in exports so far this year.

The rate of increase in exports of manufactured goods exports was only marginally below the 78 percent rise in exported agriculture based processed goods.

Agriculture and Livestock

In spite of considerable increases in the value of exports of wheat, pulses, oranges and other fresh fruit, there were serious decreases in exports of hazelnuts (down by 2.9 percent) of tobacco (25.4 percent less) and of raisins and dried figs, exports of which decreased by 24.8 percent and 13.5 percent respectively. In other words, the total export proceeds of these four important items were $ 355.7 mn in the first four months of 1980 and only $ 260.1 mn in the corresponding months of 1981, a decrease of $ 95 mn.

The big improvement in industrial goods exports was more widely spread with the exception of one or two items and of cotton yarn in particular. While more or less the same quantity of cotton yarn was exported, prices appear to have moved against Turkey and the proceeds decreased by $ 11 mn.

Exports of textile industry products as a whole increased by 43 percent raising this sector's export earnings from $ 146.3 mn to $ 209.1 mn.

Food industry's export increased by 73.4 percent, from $ 57.8 mn in the forst four months of 1980 to $ 100 mn in the same period of the year.

EXPORTS (JANUARY-APRIL)

	1980 (Tonnes)	1980 (000$)	1981 (Tonnes)	1981 (000$)	% Change
I.AGRICULTURE AND LIVESTOCK		584,315		724,973	24.1
A.Crops		567,715		698,440	23.0
a.Cereals		17,301		63,224	265.4
-Wheat	103,352	14,333	212,174	35,432	147.2
-Others		2,968		27,792	836.9
b.Pulses		19,094		58,027	203.9
c.Industrial Crops		250,915		302,352	20.5
-Tobacco	49,395	138,023	33,020	102,897	-25.4
-Cotton	63,205	106,347	103,730	187,907	76.7
-Linters	9,309	2,246	10,190	2,402	6.9
-Others		4,299		9,146	112.7
d.Fruit and Vegetables		277,586		265,894	-4.2
-Figs(dried)	4,209	4,637	4,196	4,012	-13.5
-Raisins	28,296	46,418	23,709	34,924	-24.8
-Hazelnuts	45,333	166,640	30,859	118,265	-29.0
-Pistachios	275	1,446	555	5,286	265.6
-Other hard shelled fruits	2,469	4,109	6,419	9,190	123.7
-Oranges, tangerines	22,714	10,052	65,915	29,887	197.3
-Lemon	30,179	17,274	29,891	16,276	-5.8
-Other citrus fruits	3,968	1,168	4,397	1,397	19.6
-Other fresh fruits	10,420	4,329	60,953	26,980	523.2
-Others	5,004	11,900	2,453	6,546	-45.0
-Vegetables	30,556	9,613	33,446	13,131	36.6
e.Seeds,oil seeds		2,657		8,818	231.9
f.Other crops		162		125	-22.8
B.Livestock and livestock products		8,731		15,577	78.4
a.Livestock		5,201		7,445	43.1
b.Wool,hair		3,053		6,175	102.3
c.Raw skins,game skins		147		33	-77.6
d.Other livestock products		330		1,924	483.0
C.Fishery produets		5,038		7,586	50.6
D.Forestry Products		2,831		3,370	19.0
II.MINING AND QUARRING PRODUCTS		37,224		62,154	67.0
A.Non-metallic quarrying products		25,713		51,981	102.2
B.Mineral ores		11,471		10,122	-11.8
C.Fuels		40		9	-77.5
D.Other mining products				42	

	1980 (Ton)	1980 (000 $)	1981 (Ton)	1981 (000 $)	%Change
III. INDUSTRIAL PRODUCTS		311,497		550,355	76.7
A. Agriculture-based processed products		61,905		110,219	78.0
a. Food industry products		57,851		100,304	73.4
b. Food industry by products		2		22	1.000.0
c. Procesessed tobacco products				3	
d. Processed forestry products		1,234		1,713	38.8
e. Processed textile fibres		2,818		8,177	190.2
B. Processed petroleum products		3,911		10,760	175.1
C. Manufactured products		245,681		429,376	74.8
a. Cement industry products		4,541		18,010	296.6
b. Chemicals industry products		14,385		33,347	131.8
c. Rubber and plasties industry products		3,247		16,309	420.6
d. Leather-hide processing industry products		11,990		19,986	66.7
e. Forestry products		654		1,826	179.2
f. Textile industry prod.		146,271		209,130	43.0
-Synthetic and artificial fibres	1.068	4,728	1.978	9,078	92.0
-Cotton yarns	26.121	80,607	25.088	69,562	-13.7
-Synthetic and artificial textiles	474	2,233	1.564	11,698	423.9
-Grey cloth	581	2,403	297	1,270	-47.1
-Other cotton textiles	435	2,587	665	4,731	82.9
-Carpets, rugs & kilims	318	19,235	688	30,774	60.0
-Other textiles	329	1,376	1.339	8,356	507.3
-Knit wear	448	6,760	740	9,400	39.1
-Ready-to-wear clothing	2.198	25,707	3.423	56,609	120.2
-Others		635		7,652	1.105.0
g. Glass and ceramics industry products		13,680		26,213	91.6
h. Iron and steel industry products		13,070		19,303	47.7
i. Non-ferrous metals industry products		6,010		11,123	85.1
j. Metal goods industry products		1,408		5,203	269.5
k. Machinery industry products		4,024		16,721	315.5
l. Electrical appliances		3,152		4,197	33.2
m. Motor vehicles industry products		20,899		38,189	82.7
n. Other industial prod.		2,350		9,225	292.6
GRAND TOTAL		933,036		1.337,482	43.3

Export Forecasts Revised

Taking into consideration the good performance during the last four months of 1980 and the very marked improvement in exports of industrial products, whilst at the same time assuming that there will be no significant change in the rate of increase in earnings from exports of agricultural goods, we conclude that total exports in 1981 could reach $ 4,225 mn.

REVISED EXPORT FIGURES

(million $)

	1980	1981	% Change
Agricultural goods exports			
4 months	584.3	724.9	24.1
12 months	1,672.0	2,075.0	24.1
Mining products exports			
4 months	37.2	62.2	67.2
12 months	191.0	300.0	57.1
Industrial products exports			
4 months	311.5	550.4	76.7
12 months	1,047.0	1,850.0	76.7
Total Exports			
4 months	933.0	1,337.5	43.4
12 months	2,910.0	4,225.0	45.2

Turkey Needs Higher Export-Oriented Industrial Growth

Although Turkey has managed to cut down the rate of inflation, and succeeded in increasing industrial output, much more remains to be done.

The full application of the free play of market forces requires more remedial measures and the policy of allowing of strict adherence to one basic rule: a existence of a dynamic export industry, which is competitive in the international market.

The recent decision to reduce the tax on banking transactions, which helped reduce the cost of credits to borrowers, and the re-adjustment of Central Bank rediscount rates are all measures which are supplementary to the 1980 stabilization programme.

But export growth is the key factor and Turkey's ability to service its debts depends on this. Further, huge import programmes can only be sustained through a healthy inflow of foreign exchange. For Turkey's long-term salvation, export orientation is the only answer.

The government is giving top priority to finding solutions to all the problems facing Turkey's export industries.

It has to be born in mind, however, that about 60 percent of Turkish exports still consist of agricultural products, of which supplies cannot be quickly expanded in response to demand. Whilst there is definitely considerably scope for expanding agricultural production in the medium-term (provided the necessary investments are carried out), it is unlikely that the food stuff export levels attained in 1980 can be significantly surpassed in the near future, even though Middle East markets for Turkish products are buoyant. Thus, the main improvement in export performance in 1981 and 1982 must come from industry, whose structure is still largely oriented towards the domestic market.

In its latest survey of the Turkish economy, OECD says:

"There is no doubt that the reorientation of policy since January 1980 has helped to a large measure in improving export performance at a time of slack world demand; crucial elements in this were frequent exchange rate alignments, as well as generous incentives to exporters, in the form of tax kickbacks, preferential access to foreign exchange and subsidies credits. In this latter regard. Turkey should observe the general understanding that special incentives for exporters must be regarded as temporary and kept to a minimum."

The OECD has usually been critical of special export incentives, arguing that they are discriminatory and not compatible with the rules of fair competition. But Turkey has stuck to this policy for years and quite recently tax rebate rates were substantially increased with a view to making exports more attractive to the Turkish manufacturer.

New Measures to Promote Exports

The Cabinet Decree governing the scope and rates of tax rebates on export commodities has modified to create new possibilities and higher refunds for exporters.

The rates of tax rebates applicable to certain export commodities now vary between5 percent and 30 percent.New commodities have been added to some lists whilst some other products have been excluded from the scope of the tax refunds sheme.

The most significant alteration in the Decree, is the expansion of the list which enjoys the highest tax refund with the inclusion of such commodities as biscuits, tomato paste, cheese, sausages, salami, macaroni, eggs and butter, and some more products of the textile, iron and steel and railway vehicle manufacturing industries.

Another important change is the abrogation of the export ceilings of $ 2.5 mn and $ 3.5 mn for tax refund. Tax refund rates will be increased by 5 and 10 percentage points for annual exports over $ 4 mn and $ 15 mn, respectively.

Other amendments to the decree mean that exporters who have received letters of credit for pledged exports will be able to obtain rediscount credits of up to 100 percent of the export value pledged and 8 months ' term credits will be extended to fresh fruit and vegetable exporters.

Furthermore, exporters will now be able to obtain credits by a simple and rapid procedure, which is designed to reduce paper work to a minimum.

The principal features of the new export credit system, are as follows:

1) One single, simple set of formalities will be applied to export credits of all kinds, with no differentiation as between credits-on-export licences, Export Encouragement Fund credits, special industrialist-exporter credits or other export financing credits.

2) No certificate from any authority or agency will be required for these credits to be utilised.

3) The maximum annual value of exports made during the previous three years will be used as the basis for allocating credits. For such credits, no export pledges will be required and the credit term will be between four and twelve months.

4) Credits will be furnished to manufacturer-exporters in rotation.

5) As a guarantee against non-fulfilment of the export pledge made when obtaining a credit, the exporter may submit a promissory note to his bank on the basis of which this latter may provide a guarantee to the Central Bank. Other acceptable guarantees include block deposits, certificates of deposit, State Bonds and Letters of Guarantee.

6) The date of commencement of the export period will be the date on which the credit agreement is signed by the exporter and his bankers.

7) In this new credit system, no discount rate will be set in advance for the banks.

8) The Turkish Lira equivalent of the exports pledged will be met in the following manner, depending on whether the exporter had made exports before and whether he is a manufacturer-exporter.

10 - 25 percent Firm's own assets
15 - 25 percent Credit by the intermediary bank
50 - 70 percent Central Bank rediscount account.

9) The firm's contribution from his non assets to the cover of the value of the export will be reduced by 10 percent on receipt of a L/C for exports pledged and the Central Bank's rediscount facility will be increased by 10 percent.

10) Transport from companies will also be able to utilise these export credits provided they guarantee to repatriate a certain amount of the proceeds of new operations.

The new credit system should play an important part in Turkey's achieving a better export performance this year. This is essential if it is to be able to sustain its development programme.

The new export measures have in fact been introduced at a time when the economy has begun to make a slow recovery. But until sounder foundations are established, the present policies will be maintained.

For one thing, the present interest rates on deposits and credits will be maintained -- possibly until the end of the year. The existing levels of bank interest rates have undeniably played a major role in curbing the once galloping inflation. But savings have not yet reached level which warrants a reduction in interest rates.

From whatever aspect one looks at the Turkish economy, it is clear that more and still more exports are the only possible means of achieving long-term security. New credits will have one day, to be repaid and there is no likelihood of further debt-rescheduling agreements.

There is one development that makes for optimism; quantitatively speaking, exports are increasing, and so are export revenues.

The Turkish business sector has come to realise the importance of selling abroad as there are no longer any windfall profits to be made in the home market Gone are the days when manufacturers would not even bother to look beyond Turkey for outlets for their products.

In some circles it is believed that failure of establish a stable, long-term export policy is the biggest obstacle to Turkey's recovery. It is said "If we had planned our exports of manufactured and processed goods and devised an incentives policy at the time when the industrialisation programme was embarked upon, we would by now have achieved and consolidated a better position in export markets. Industries were for the most part established by merchant entrepreneurs whose primary goal was to meet domestic demand with -relatively speaking- low technological inputs and low quality outputs from medium-sized production units. Medium-sized plants had a built-in financial disadvantage which adversely affected costs. At the same time, quality was not of great importance because output was destined for a captive domestic market. And for this reason a contemporary marketing concept could not be evolved."

On the other hand, it is argued that the profitability principle must never be neglected in so far as exports are concerned. In other words, it is not possible to sell a commodity at below cost price for ever. As a solution to the unprofitable exports, re-arrangement of the exemption limits in the Corporate Tax and tax rebate ratios for industrialists are suggested. Another equally important element is not to lose te domestic market. An industrial sector which loses opportunities in the domestic market may have unsurmountable difficulties in regaining its position later on, even if it has developed a large export turnover.

The importance of exporting more is being stressed by urging the business sector as a whole to make short-term sacrifices for long-term benefits.

As has finally been appreciated by government, the only viable way to overcome the economic crisis is to open up the economy, reduce bureaucratic interference and allow the operation of market forces.

Turkey wasted many years before it decided to bring about a fundamental reoriention of its economy. But, slowly, new ideas are being translated into official thinking.

Marketing is important and the problem of marketing Turkish products abroad requires special research. It is evident that many Turkish industries with export possibilities do not have the means or the ability to market their products in foreign countries. More specialised export companies or joint marketing enterprises established by groups of Turkish firms, with foreign participation, would seem to be appropriate in this vital field.

The problems caused by insufficient infrastructure, such as ports, warehouses, roads and services, are also important, both for the overall development of the economy and for its outward orientation.

Suggestions

Several suggestions have been made about how to give a new impetus to Turkey's export drive. These may be summarised as follows.

1)More assistance and better facilities must be provided to producers by the State if they are to compete succesfully with their rivals for foreign markets.

2)The production capacity of industries which are established in the future must be sufficient to enable them to export a certain amount of their output.

3)Special emphasis must be put on increasing food exports and an appropriate agricultural and animal husbandry policy must be followed.

4)An export insurance institute must be established to cover the economic and political risks which Turkish exporters may encounter abroad.

5)The State must take the lead in the attempts to improve the Turkish air freight system.

6)Free zones should be set up in selected Turkish port areas and markets where transactions can be freely undertaken in foreign currency established.

7)Turkeys' merchant fleet should be expanded and improved.

8)Overseas marketing companies must be encouraged and improved with the State's assistance.

2. IMPORTS

Imports maintained at level of $ 2,298 mn in the first quarter of 1981 indicating that the total of $ 9 bn envisaged in the 1981 programme will easily be attained. The rate of increase in the first quarter in comparison with 1980 was of 65.8 percent a rate that can be assumed to eliminate bottlenecks in imported raw materials and other supplies.

IMPORTS
(January - March)

(million $)

	1978	1979	1980	1981	% Change 1979	% Change 1980	% Change 1981
January	184.2	279.0	419.6	774.0	51.5	50.4	84.5
February	495.3	389.6	586.8	849.0	-21.3	50.6	44.7
March	283.2	525.8	370.1	675.0	85.7	-33.6	82.4
Jan.-Mar.	962.7	1194.4	1385.7	2298.0	24.1	13.5	65.8

The composition of imports indicates the emphasis has been put on imports of crude oil, which increased by 173.3 percent. Crude oil's share of total imports increased from 24.6 percent in the first quarter of 1980 to 40.5 percent for the corresponding period of 1981, whilst the share of industrial products dropped from 70.3 percent to 55 percent. In fact, imports of industrial products (excluding agriculture-based processed products and petroleum products) increased by 36.9 percent, a rate which easily takes care of international price increases and in fact, shows a quantitative increase in imports.

Imports with waiver remained at the same level, so their share of total imports fell from 1.5 percent in the first quarter of 1980 to 0.8 percent in 1981.

IMPORTS JANUARY - MARCH

	1980 Quantity (Tonnes)	1980 Value (000$)	1981 Quantity (Tonnes)	1981 Value (000$)
I.Agricultural Products and Livestock		12,352		14,919
- Rice	-	-	10,156	3,912
-Merinos Wool	1,246	4,758	1,555	5,621
-Skins	306	736	805	1,436
-Cocoa	79	288	483	1,211
-Others		6,570		2,739
II.MINING AND QUARRING		378,837		958,662
-Crude oil	1,870,215	341,117	3,234,943	932,510
-Others		37,720		66,152
III.INDUSTRY		974,204		1,264,046
A.Agriculture-Based Processed Products		19,471		44,389
-Other and fats	1,420	1,615	12,923	9,002
-Textile fibers	6,238	10,394	3,714	7,552
-Tallow	547	234	7,589	5,469
-Soya bean oil	6,927	5,104	23,851	16,762
-Others		2,124		5,599
B.Petroleum Products	963,867	195,549	694,367	180,300
-Fuel-oil	537,661	65,539	454,394	98,168
-Lubricants	3,708	1,737	4,232	3,805
-Petroleum gases	116,882	38,088	31,094	12,514
-Others		90,185		65,811
C.Industrial Products		759,184		1,039,357
a.Cement Industry		19		45
b.Chemial Industry		199,673		342,644
-Fertilizers	261,180	47,908	470,908	110,329
-Others		151,765		232,315
c.Rubber and Plastics Industry		38,415		63,166
d.Leather and Hide Industry		59		188
e.Forestry Pruducts Industry		408		337
f.Textile Industry		16,833		17,010
g.Glass-Ceramics Industry		5,959		8,787
h.Iron and Steel Industry		91,911		121,317
i.Non-Ferrous Metal Industry		16,923		34,236
j.Metal Goods Industry		12,302		2,490
k.Machinery Industry		233,352		293,284
l.Electrial Appliances		65,199		73,312
m.Motor Vehicles		59,130		39,565
n.Others		19,001		42,976
TOTAL		1.365,393		2,277,627
IV.IMPORTS WITH WAIVER		20,284		20,369
GRAND TOTAL		1,385,677		2,297,996

COMPOSITION OF JANUARY - MARCH IMPORTS

	1980	1981	1980 % Distribution	1981 % Distribution	1981 % Change
Agricultural Pro.and Livestock	12,352	14,919	0.9	0.6	20.8
Mining and Quarrying Products	378,837	958,662	27.3	41.7	153.0
Industrial Products	974,204	1,264,046	70.3	55.0	29.8
- Agriculture Based Processed Products	19,471	44,389	(1.4)	(1.9)	128.0
- Petroleum Products	195,549	180,300	(14.1)	(7.8)	- 7.8
- Industrial Products	759,184	1,039,357	(54.8)	(45.2)	36.9
Imports with Waiver	20,284	20,369	1.5	0.8	0.4
	1,385,677	2,297,996	100.0	100.0	65.8

LIBERALIZED AND QUOTA IMPORTS CURRENCY TRANSFERS

(millon $)

	January - March 1981	January - March 1980	% Change
Effective Imports	1,850.0	964.3	91.8
Liberalized Import Trans.	1,249.6	963.5	29.7
- Central Bank	491.7	416.9	17.9
- Commercial Banks	757.8	546.7	38.6
Transfers/Imports Ratio	67.54	99.92	
Quota Imports			
Effective Imports	253.8	212.6	19.4
Quota Import Transfers	151.7	33.9	347.5
- Central Bank	53.4	19.8	169.7
- Commercial Banks	98.3	14.1	597.2
Transfers/Imports Ratio	58.63	15.94	
Nonquota Imports			
Transfers for non quota Imp.	8.4	13.2	-36.4
Central Bank	8.4	13.2	-36.4

Currency transfers in respect of liberalized import transfers increased by approximately 30 percent; transfers made through the commercial banks increased by 38.6 percent whilst transfers through the Central Bank increased by only 17.9 percent.

In total, quota import transfers went up 3 1/2 times with transfers through the Central Bank rising by 170 percent and those through the commercial banks by 600 percent.

Non quota transfers were $ 8.4 mn in the first quarter of 1981, 36.4 percent below the total in the corresponding period of 1980.

FOREIGN EXCHANGE TRANSFERS FOR IMPORTS

(million $)

	January - March		
	1981	1980	% Change
Effective Imports	2,298.0	1,385.7	65.8
- Imports with foreign exchange	2,103.8	1,176.9	78.8
Transfers for Imports	1,392.9	1,010.6	37.8
- Central Bank	536.8	449.8	19.3
- Commercial Banks	856.1	560.8	52.7
Transfers/Imports Ratio	65.81	84.75	

During the first quarter of 1981, 61.5 percent of the foreign exchange transfers for imports were made through commercial banks and 38.5 percent through the Central Bank. During the same period in 1980, the rates were 55.5 percent and 44.5 percent respectively.

Imports with foreign exchange increased by 78.8 percent during the first quarter of 1981. Transfers for imports on the other hand increased by only 37.8 percent. Transfers through the commercial banks increased by 52.7 percent whilst those made through the Central Bank increased by 19.3 percent. Thus, transfers as a percentage of imports were 60.6 percent in the first quarter of 1981 percent 72.9 percent in the corresponding period of 1980.

3. BALANCE OF PAYMENTS

The balance of payments for the first quarter of 1981 shows a deterioration as a result of the 90 percent increase in the foreign trade deficit, raising it from $ 671.6 mn in the first quarter of 1980 to & 1,276.6 mn in the same period of 1981.

(million $)

	Imports			Exports			Trade Deficit		
	1981	1980	%	1981	1980	%	1981	1980	%
January	773.9	420.3	84.1	410.6	236.3	73.8	363.3	184.0	97.4
February	849.0	595.3	42.6	306.5	244.2	25.5	542.5	351.1	54.5
March	675.0	370.1	82.4	304.2	233.6	30.2	370.8	136.5	171.6
Total	2,297.9	1,385.7	65.8	1,021.3	714.1	43.0	1,276.6	671.6	90.1

The retrogression is also obvious from the decrease in the Export/Import ratio, which dropped from 0.515 in the first three months of 1980 to 0.444 in the corresponding period of 1981.

Yet a 0.444 ex/im ratio may be considered as an improvement when compared with the post-petroleum crisis years of 1974-1980, when the ex/im ratio dropped to 0.386.

FOREIGN TRADE

	Exports	Imports	Foreign Trade Deficit	$\frac{EX}{IM}$ ratio
1970	588	948	360	62.1
1971	677	1171	494	57.8
1972	885	1563	678	56.6
1973	1317	2086	769	63.1
1974	1532	3778	2246	40.6
1975	1401	4739	3338	29.6
1976	1960	5129	3129	38.2
1977	1753	4796	4043	30.2
1978	2288	4599	2311	48.8
1979	2261	5070	2809	44.6
1980	2910	7667	4757	38.0
1981(E)	3800	9000	5200	42.2
		January - March		
1980	714	1386	672	51.5
1981	1021	2298	1277	44.4

The years of easy prosperity which preceded the petroleum crisis are definitely over. As may be seen from the above Table, the average Export/Import ratio had been soundly set at around 0.6 during the period 1970-1973.

In fact, there are three ex/im ratios for 1981. The quarterly(0.444) the annual unrevised ratio (0.422) and our revised ratio (0.455) which is slightly higher due to the upward revision of exports from $ 3,800 mn to $ 4,225 mn.

There is, on the other hand, an improvement in the revised invisibles balance; this shows an increase of $ 250 mn from $ 1,808 mn in 1980 to $ 2,050 mn in 1981. Because workers' remittances are expected to rise from $ 2.4 bn to $ 2.6 bn, the invisibles balance is expected to rise to $ 2,250 mn. As a result of all these revisions it is now anticipated that the current account deficit will drop from $ 3,150 mn to $ 2,525 mn, $ 440 mn below the 1980 current account deficit of $ 2,965 mn.

BALANCE OF PAYMENTS

(Mn. $)

	1981	1980	1979
I-Current Accounts			
A-Foreign Trade			
1-Exports	3800	2910	2261
2-Inports	-9000	-7667	-5067
Trade Balance	-5200	-4757	-2808
B-Invisibles			
1-Interest payments	-820	-668	-546
2-Tourism and Travel	250	212	179
3-Workers' Remittances	2400	2071	1694
4-Profit transfers	-60	-51	-42
5-Service payments	-70		-65
6-Other invisibles (net)	350	244	339
Invisibles balance	2050	1808	1559
C-NATO Infrastructure Programme		-16	10
Current Account Balance	-3150	-2965	-1239
II-Capital Movements			
1-Debt Repayments	-680	-576	-485
2-Private foreign capital	180	33	86
3-Project credits	2500	1774	421
4-Programme credits	900	519	677
5-Imports with waiver	150	95	124
6-Other capital movements		117	-547
Capital movement balance	3050	1728	276
Overall balance	-100	-1237	-963
III-Reserve movements		-606	-111
IV-Special Drawing Rights	400	461	3
V-Short and medium-term capital movements		-148	470
VI-Net errors and omissions	-300	1530	601

Use of project credits and programme credits is expected to increase to $ 2,500 mn and $ 900 mn respectively.

As was to have been expected, debt servicing commitments around to a highly significant of $ 1.5 bn bringing the total debits figure to $ 10,630 mn. Less than two thirds of this amount will be covered by exports, workers' remittances and tourism income.

FOREIGN TRADE AND WORKERS' REMITTANCES
(JANUARY-APRIL)

(Mn. $)

	1979	1980	1981	1980/79	1981/80
a) Total imports	1,581.0	1,792.2	2,948.8	13.4	64.5
Basic imports	1,536.2	1,726.8	2,920.9	12.4	69.2
Imports with waiver	44.8	25.4	27.9	-43.3	9.8
b) Total exports	849.1	933.0	1,337.5	9.9	43.4
Agric, Livestock	519.4	584.3	725.0	12.5	24.1
Mining	37.2	37.2	62.2	0.0	67.2
Industry	292.4	311.5	550.4	6.5	76.7
c) Foreign Trade Deficit	732.0	819.2	1,611.3	11.9	96.7
Workers' Remittance	324.8	483.1	577.1	48.7	19.5
Memorandum item					
-Exports (Jan-May)	1,011.5	1,129.5	1,631.8	11.7	44.5
-Agr, Livestock	606.9	692.9	837.3	14.2	20.8
-Mining	60.0	55.7	73.4	-7.2	31.8
-Industry	344.7	381.0	721.1	10.5	89.3

Total exports showed a remarkable performance during the first four months of 1981, reaching $ 1,337.5 mn corresponding to an increase of 43.4 percent over the previous years total of $ 933 mn. The export drive continued to do well in May, by the end of which month total exports reached $ 1,631.8 mn.

The increase is mainly due to exports of manufactured and processed goods which increased by 89.3 percent during the January - May 1981 period. Industrial products made up 44.2 percent of total exports, as against 33.7 percent during January-May 1980.

Imports increased by 64.5 percent during January _ April 1981, much more rapidly than aid total exports. As a result, the foreign trade deficit went up to $ 1,611.3 mn, roughly double the deficit of $ 819.2 mn increased during the first four months of 1980.

4. WORKERS' REMITTANCES

Workers' remittances showed a steady rise in the first five months of 1981, bringing the total for five months to $ 740 mn, as against $ 586 mn in the corresponding months of 1980. The rate of increase was 26.2 percent. So long as this pace is continued in the second half of 1981, the years total for workers' remittances should exceed the official forcast of $ 2.4 bn by $ 200 mn, and rise to $ 2.6 bn.

REVISED ESTIMATE FOR WORKERS REMITTANCES

	1980	1981	% Change
January	83.2	134.8	62.0
February	173.3	143.5	-17.2
March	111.7	139.5	24.9
April	114.8	160.0	39.4
May	103.2	162.0	57.0
January - May	586.2	739.9	26.2
Annual estimate	2071.0	2600.0	25.5

5. FOREIGN CREDITS AND DEBTS

While Turkey's total foreign debts amounted to $ 17.8 bn at the end of 1980, there were at that time $ 4.1 bn worth of unsued loans and credits. The following is a list of facilities which has no been used at the end of last year.

UNUSED DEBTS
(at 31 Dec. 1980) (million $)

Medium and long-term debts	
Public Sector	
International Organizations	1,709
World Bank	1,314
I F C	4
E I B	261
E R F	105
I D B	25
Bilateral Agreements	1,209
OECD Countries	276
OPEC Countries	275
Other Countries	478
Commercial Bank Credits	12
Euro Credits	12
Private Sector	1,366
Private Credits	1,366
Total of unused debts	4,116

Conclusion

On January 25, 1980, the Government of the day announced details of a comprehensive economic stabilization programme which was aimed at checking runaway inflation, huge Budget deficits and a rapidly increasing external debt. The policy package - which has been maintained and modified bythe present Government in the light of developments - was notable for a radical departure from previous economic plilosophies in that it gave special importance to the creation of an outward oriented market economy in Turkey.

As has been stated in this Report, the new policy measures, which place great confidence in the effects of a carefully restricted money supply, have already resulted in a sharp decline in the rate of inflation, in a tremendous increase in export earnings and in a huge rise in the volume of the public's savings deposits with the banks. In addition, workers' remittances have increased by a satisfactory margin, energy and raw material shortages have been eliminated and abroad, renewed confidence in Turkey has been demonstrated by an increased flow of foreign government and international institutional aid, as well as by new foreign investments.

In point of fact, the rate of inflation has been reduced to less than 35 percent in a period of 15 months, as against 133 percent in February 1980. This is a remarkable achievement with few parallels elsewhere in the world.

It is true, however, that due to the paucity of the statistics so far available, it is difficult to assess the impact of the implementation of the new policies on individual sectors of the economy. Industrial production recovered to some extent in the fourth quarter of 1980 and has to so far maintained the same modest impetus this year; production for export has played a by no means insignificant part in this development. However, the textiles, building and automotive industries continue to be the hardest hit by restrictive monetary and credit policies.

The fact that the recession is more marked in certain sectors is not only the result of financial pressures, it is due especially to the elimination of the long-standing inflation-ruled-market philosophy of the public in general and of the business sector in particular. This means that, even in the medium term, the problems facing declining industries could not be solved simply by easing interest rates and raising credit ceilings. Rather, it would seem to be necessary to take a closer and deeper look at the structure of these industries, if the true causes of their decline are to be established. It is likely that in some industries the modernisation of production facilities and/or the adoption of new techniques in both domestic and foreign marketing would make them viable again.

It may certainly be postulated that in the housing sector, for instance, the availability of more cash and credit would increase the supply of housing but not the reduced demand. It is no longer profitable to purchase property as a revenue-earning investment; rents in no way compare with the high returns on deposits with both the primary and the secondary bankers. This explains why some 250,000 new flate have remained unsold since the beginning of last year.

From this example alone it is clear that the Turkish economy is passing through a very difficult and highly complex period of adjustment. Whether or not this period can be shortened and the difficulties diminished depends upon the extent to which the authorities are prepared and able to take further decisive and rational action.

It is of course true that the Government has been concentrating its efforts on reviving the economy without inducing a fresh upsurge in inflation but this does not mean that everything possible has already been done to increase the capacity utilisation rate in industry or to initiate new investments in production and especially, in production for export markets.

It would be very helpful at this stage if the authorities were to undertake a comprehensive industrial survey with a view to determing exactly what is required by business and industry to facilitate that transition to a stable and outward-oriented market economy. Such a survey would indicate the nature and importance of the efforts to be made by the Government and by business in both the short-and medium-term. A definite strategy for the period of adjustment is vital if major setbacks and crises are to be avoided later; without appropriate measures at the right time, the period of adjustment will be both longer and more costly than would otherwise be the case.

What is more, identification of the problems and of the measures to be taken to overcome them during the period of adjustment would assist industrialists in formulating their own plans for adaptation to the new economic policies.

It is also encumbent upon the Government to prepare a comprehensive adjustment programme for the public sector in general and for the State Economic Enterprises in particular.

These enterprises should be encouraged to make greater use of normal market mechanisms in their commercial and financial operations. The fiscal and credit advantages now recognised for the SEEs should be abolished in the interests of equal treatment for both public and private sector undertakings. Those State Enterprises which hold import monopolies or are charged with regulating market prices of certain commodities should be deprived of these functions since they have no place in the market economy envisaged in the January 25 measures.

A major success has been achieved by the January 25 measures in so far as exports and workers' remittances are concerned. Exports have increased at a faster rate that had been forecast and are expected to rise by 45 percent to $4.2 bn. in 1981.Workers' remittances will probably register an increase over 1980 of around 25.5 percent. However, it has to be borne in mind that exports have risen from what, compared with other countries with similar economic characteristics to Turkey's, is a low base and the measures taken so far should now be complemented by such facilities as the establishment of an inter-bank foreign exchange market and of free trade zones in selected border areas.

The establishment of an inter-bank foreign exchange market would benefit exporters and other foreign exchange earners more than do most of the other export promotion measures and facilities which already exist. Such a market would enable exporters to make investments and establish other long-term connections abroad. The Government's confirmation that the recent introduction of a daily "fixing" of the exchange rates for all major currencies is a first step towards convertibility of the Lira for current account transactions is encouraging but sight must not be lost of the fact that a full-scale foreign exchange market and external convertibility of the Lira are crucial to the development of a successful export trade.

Free trade zones provide for manufacturing, trading and storage activities free of "red tape", taxes or other restrictions and are an ideal means of allowing both domestic and foreign enterpreneurs to take advantage of this country's still relatively low labour and other costs as well as its ideal geographical location for trade over a vast area. The establishment of these zones would not only improve export earnings but also augment the volume of both foreign and domestic investment in new, productive enterprises. Free trade zones are especially needed along Turkey's southern and north eastern borders since they would revolutionise the already active transit trade which has been developed with Iran, Iraq and with other countries in the Middle East.

At present, tariffs on both inputs and outputs provide unreasonably generous protection for some goods and products which are subject to import licenses or prohibitions; this means, too, that, since they enjoy what is to all intents and purposes a captive home market, producers are not encouraged to look for export outlets. This problem should be overcome by replacing import licencing and prohibitions with suitably readjusted tariff levels.

The new interest rate policies have proved most successful in mobilising savings. Indeed, since restrictions on rates of interest on time deposits were lifted on July 1, 1980, these deposits have risen by 70 percent; and this has been an important factor in curbing the rate of inflation. The low interest policy which was pursued over the past decade may certainly be said to have been a primary cause for the decline in the volume of domestic savings and the emergence of an important but indisciplined and unorganised secondary or "parallel" money market.

Private sector debentures have now been freed of restrictions in so far as interest rates are concerned and this process should be extended to give freedom as regards interest on those types of deposits still subject to fixed limits. The taxation of interest income should also be reviewed so that only real, net returns on bank deposits are assessed; at the same time, direct and indirect charges on financial intermediaries should be reduced. In the national interest, keener competition between the banks and the establishment of new banks - both Turkish and foreign - should be encourged:only in this way will a modern, efficient banking system emerge.

Tax liability on capital gains arising from share price fluctuations should be adjusted to take account of the effects of inflation;this concession would increase the attractions of the stock market and thus make more funds available for industrial expansion.

The fiscal reforms which have been introduced since September, 1980 should be further expanded to render taxation more equitable, more easily applied from the public's point of view and more easily controlled by the administration. In this connection, the Government's decision to introduce a full-scale system of Value Added Tax in 1982 is most welcome.

It is to be appreciated that the conversion of a centrally-controlled economy into an outward-oriented market economy cannot be achieved in the span of only a few years. In the new economic climate, many of the old-established industries may no longer be profitable and many vested interests could be affected. The change in economic philosophy may well create strong resistance from diverse pressure goups.

There exists hundreds of impediments, legal barriers and government restrictions in the way of the easy and efficient functioning of the Turkish market in general, of the production and supply of goods and services, of capital movements, of labour, of foreign exchange transactions and of rents and so on; these should be catalogued and eliminated or at least rationalised, at the earliest possible moment. This is recognised as a formidable task for the National Security Council and Government.

There is no doubt whatever that the January 25 measures are achieving results which are in line with the objectives for which they were introduced; they not only merit the wholehearted support of domestic entrepreneurs but that of foreign investors, too.

Nonetheless, Turkey finds itself confronted with numerous difficulties in so far as its exports to the Western world are concerned; these have their origin in the still deep-roted recession and consequent tendency of industrialised countries to introduce protective tariffs.

In a world in which economic conditions are constantly changing, Turkey must continue the pursuit of stability, build for itself an efficient market economy and take those steps which are necessary for the development of an outward-oriented economic structure.

It is to be hoped that, with the continued and tenacious application of the existing measures and their reinforcement with other as and when circumstances dictate, Turkey's industrial and agricultural structure will be strengthened. The better allocation and use of economic resources and the freer functioning of normal market forces will within a few years allow an outward oriented market economy to take root; this process will be expedited to the extent that the inflow of new foreign investment shows an increase over that recorded in the past.

Calendar Of Main Economic Policy Measures

1980

25th January	The customs duty on chemical fertilisers and raw materials for their production is reduced from 1 percent to zero. On 24th January, the government introduced a new economic stabilization programme; the main features of this programme are given below: a)Organisation changes In order to facilitate economic policy making and co-ordinating policy implementation, two specific Committees and two new Departments in the Prime Minister's Office are created: - Co-ordination Committee - Money and Credit Committee - Department of Foreign Investment - Department of Investment and Export Promotion and Complementation b)Policies related to prices - The Price Control Committee, which was established in 1978, is abolished - SEEs shall in future determine their prices freely and with few exceptions, they will no longer receive government subsidies. Only the prices of coal, fertilisers, and electricity used in ferrochrome and aluminium production, and tariffs of the State railways and maritime transport remain under government control. - The difference between export receipts and domestic support prices for agricultural products are collected in the form of a levy and deposited in a special fund at the Central Bank. c)Exchange rate and foreign trade and payments policies - The Turkish Lira is devalued vis-a-vis the US dollars by 33 percent from TL 47.1 to TL 70 = $ 1. Multiple rate practices are abolished except for imports of fertilisers and agricultural pesticides; for these the rate is raised to TL 55 = $ 1.

- Trade in gold is liberalised. Authorisation by the Ministry of Finance will be necessary only for gold containing more than 22 carats.
- Banks authorised to hold foreign exchange are permitted to keep up to 80 percent of their foreign exchange receipts (previously only 25 percent). Banks may utilise these funds to cover acceptance credit obligations and for imports of oil, petroleum products, fertilisers and pharmaceutical raw materials. The foreign exchange allocation for Turkish tourist going abroad is increasing from $300 to $500 per annum. Limits for commercial travel are also increased. New facilities are introduced under the convertible TL deposit account system enabling workers abroad to obtain Turkish Lira credits for housing and workshops. Exporters are allowed to hold in foreign bank accounts 5 percent, or $ 10,000 (whichever is larger) of export receipts. Exports of goods not falling under the support price schemes up to a value of $ 40,000 are also exempt from foreign exchange repatriation rules.
- Import taxes on raw materials and intermediary goods imported for incorporation in Turkish exports are reduced to zero, provided exporters have used their own permitted foreign exchange holding to finance the transaction.
- Administrative procedures related to exports will be encouraged. Priority will be given in foreign exchange allocations of the Central Bank for raw material requirements of exporters. Fifty percent of import deposits at the Central Bank can be utilised for extending credits to exporters and related industries.
- 1980 import regime: Liberalised List 1 has been enlarged (after having been reduced a year earlier). Requirements for advance deposits on imports are eased.

	Old ratios	New ratios
	Per cent	
Liberalised List I		
Importers	40	30
Industrialists	25	15
Liberalised List II		
Importers	40	20
Industrialists	25	10
Quota List		
Importers	10	20
Industrialists	2.5	10
Public Sector Imports	-	10
Additional Deposit Requirements		
Acceptance credits	-	1
Imports against documents and supplier credits	50	20

- Allocations from the Quota List will be made twice a year instead of once. Imports are no longer subject to systematic price control.

d)Interest rates
Interest rates for all credits are increased by 2 percentage points, Central Bank discount rates have also been raised

e)Foreign investment regulations
Subject to the provisions of the Foreign Investment Law 6224, all foreign invesment applications will in future be evaluated and processed by the Foreign Investment Department. Foreign investments should fulfil the following criteria; that they will promote economic development, will be under taken in sectors open to Turkish private enterprises, and do not create a monopoly or ask for preferential treatment.

The Foreign Investment Department is empowered to issue investment permission under its authority if the following specific conditions are fulfilled.

i)the value of fixed investment falls between $ 2-50 million

ii)the share of the foreign partner is between 10-49 percent of total investment

iii)the amount of foreign participation is not less than $ 1 million.

Investments exceeding $50 million must be authorised by the Council of Ministers.

All or part of the limitations mentioned under i)and ii)and in respect of sectors open to foreigners do not apply to investments financed by international institutions, by foreign investors from specified Arab countries, and for investments in tourism installations of a certain size. Also, if 25 percent of the investments is provided by Turkish workers abroad, the foreign capital share may exceed the limit of 49 percent.

f)Petroleum exploration policy
Oil exploration is opened to private Turkish and foreign companies. 65 percent of the oil produced after 1st January 1980 must be sold in Turkey; producers are free to export the remaining 35 percent. The foreign currency thus obtained may be used for payment of foreign currency obligations subject to the Petroleum Law.

22nd February	Limits established for credits by the Agricultural Bank are increased by between 80 and 100 percent. Private sector bonds can be sold to workers abroad against foreign exchange. In this case the interest rate, which is 25 percent on domestic sales, will be 33 percent.
26th February	The support price for Aegean tobacco is fixed at TL 130 per kilo, an increase of 70 percent.
3rd March	The budget for the fiscal year, 1980-81 is approved by Parliament. New budget appropriations (TL 770 billion) are 85 percent higher than the 1979-1980 fiscal year budget, as approved by Parliament.
3rd April	The Turkish Lira is devalued against the US dollar on 2nd April. The new rate is TL 73.7= $1 against TL 70 = $1, previously. Cross-rates of other currencies are also realigned.
7th April	Petrol prices are increased by an average of 5 percent.
14th April	Exporters with an "export promotion certificate" issued by the Incentives and Implementation Department will be granted facilities such as credits from the Export Promotion Fund, priorities in foreign exchange allocation and transfer, customs duty exemptions. Bank credits obtained for production are exempt from stamp duty and other charges.
2nd May	Support price for sugar beets announced: For sugar beet, the new support prices is TL 3 per kg. (a 134 percent increase).
6th May	Exporters are authorised to retain the following share of foreign exchange earnings: - 50 percent: exports of industrial goods - 10 percent: exports of fresh fruit and vegetables - 10 percent: engineering and consulting services.

7th May

Engineering contractors are allowed to have recourse to the Export Promotion Fund. They are given priority foreign exchange allocations and can be exempted from paying duties and related charges.

13th May

Domestic fares of Turkish Airlines are increased by 110 percent on average.

17th May

The sugar price is raised by 60 percent.

30th May

The Foreign Capital Decree of 24th January is amended. Under the new ruling the minimum foreign capital requirement of $ 1 million is waived.

1st June

The Central Bank changes rediscount rates

A decree is published to regulate the liquidation of the non-guaranteed commercial debt. Suppliers who have claims arising from exports of goods to Turkey made before 31st December 1979 are given different options for repayment in Turkish Lira or in foreign exchange. Maturities, interest rates and other conditions vary depending on the modalities of repayment.

2nd June

The support price for wheat is increased from TL 5.30 to TL 10.50 pr kg. (98+ per cent)

Interest rate regulations on banks lending and deposits are abolished except for minimum interest rate on sight saving deposits which is fixed at 5 percent. Legal reserve ratios and differential interest rebate rates are amended.

LEGAL RESERVE RATIOS

	Old ratios (1.4.1979)	New ratios (1.7.1980)
	Per cent	
General		
Sight deposits	35	35
Time deposits(over 1 year)	30	30
For Deposits extended as:		
- Medium and long-term credits for investments in priority sectors as indicated in General Incentive Tables	5	5
- Medium and long-term credits for investments in underdeveloped regions	0	0
- Housing credits by the Real Estate and Credit Bank	10	5
- Credits to small enterprises and artisans by the Halk Bank	10	20
- Credits for manufactured goods export	5	5
- Medium-term operational and export credits	-	10

DIFFERENTIAL INTEREST REBATE RATES

	Borrower	Bank
	Per cent	
1 Short-term credits (less than 1 year)		
-Credits for industrial exports	40	
-Other exports credits	30	
-Agricultural Bank and Halk Bank credits		6 percentage points
2 Long-term credits (over 1 year)		
- Credits with minimum grace period of two years to sectors specified in General Incentive Tables:		
Export credits for underdeveloped regions	40	
Other investment and operational credits for underdeveloped regions	25	
- Specialised credits:		
Agicultural Bank and Halk Bank		6 percentage points
Housing credits by Real Estate and Credit Bank		6 percentage points
3 Commercial bank credits to SEE's	5 percentage points	1 percentage point

Commercial banks are to make transfers to Differential Interest Rebate Fund from their interest earnings on the following basis:

Interest earning on:	Per cent
1 Short-term credits (less than a year)	
- Exports	10
- Others	25
2 Long-term credits (over a year)	
- Priority credits(over 5 year)	15
- Others	25
3 Deposit counterparts at the Central Bank	2 percentage points

The Central Bank shall transfer to the Fund 10 percent of earnings from credits to SEEs.

9th June	The Turkish Lira is devalued. The new parity for $1 is TL 78.
18th June	A three year stand-by agreement with the IMF is signed.
19th June	The hazelnut support price is fixed at TL 110 (+ 193 percent)
3rd July	Import regulations are eased. Industrial importers can make cash down payments of 10-15 percent in two instalments; no down payments will be required on imports financed by foreign credits.
23rd July	New regulations for private sector bond issues are announced: - The interest rate is 32 percent on bonds with a maximum maturity of 3 years, and 25 percent on bonds with a maturity of 5 years or more. - Bonds cannot be offered at a discount exceeding 5 percent of the nominal value.
28th July	A temporary tax rebate of 5 percent is granted for exports of a number of manufactured goods
5th August	The Turkish Lira is devalued vis-a-vis the US dollar from TL 78 to TL 80.
28th August	The support prices for cotton and sultanas are announced. They are raised for cotton by 98 percent to TL 50 and for sultanas by 89 percent to TL 85. The interest rate on public bonds is increased from 18 to 20 percent (tax free)
1st September	The wholesale price for cooking oil is raised to TL 65 per kg. The retail price is decontrolled.
8th September	The support prices for pistachio nuts are raised by 100 percent to TL 300 for dry figs by 127 percent to TL 50 and for sunflower seeds by 88 percent to TL 25.
16th September	Strikes are declared illegal and a flat 70 percent wage increase is granted for wage contracts under renegotiation.

22nd September	Petrol prices are raised by 10-21 per cent. Sugar prices are raised by 25 percent. Fertiliser prices are raised by 10-40 percent.
29th September	The Central Bank announces new rediscount rates and differential interest rebate rates for medium-term specialised credits by Halk Bank (8 percentage points compared to 6 previously and for housing credits by the Real Estate and Credit Bank (12 percentage points compared to 6 previously.) Commercial banks are requested to allocate at least 15 percent of total credit engagements to manufactured exports.
11th October	The Turkish Lira is devalued twice vis-a-vis the US dollar from TL 80 to 82.70 and later to TL 84.80.
16th October	Paper prices are increased by 14 to 25 percent.
25th October	A new export regime is announced: the authority to export wheat is vested solely in the Soil Products Office: the private sector may export flour, Industrial goods can be exported without a licence in order to follow price developments, information regarding the sale of hazelnuts, seedless raisins, tobacco, cotton and dried figs, is to be relayed to the Ministry of Trade by telephone or telex. Exports to some Eastern countries remain subject registration.
30th October	Wholesale prices for cooking oil are decontrolled. Coal prices are increased by 25 to 40 percent.

7th November	The Turkish Lira is devalued vis-a-vis the US dollar to TL 87.95.
14th November	The olive oil prices is fixed at TL 120 per kg.
28th November	Under the new tax reform several bills are enacted motor vehicles tax motor vehicles purchase tax and stamp duty.
10th December	The Turkish Lira is devalued vas-a-vis the US dollar from TL 87.95 to TL 89.25
19th December	A system of convertible currency deposits introduced. Accounts may be opened by workers, self employed and employers abroad, for terms of 3-24 months. At the end of the term the depositor will be paid in Turkish Lira calculated on the basis of the rate of exchange valid on that date, for both the deposit and the accrued interest. Minimum interest rates for different currencies are fixed; they may be increased by mutual agreement between bank and depositor. But the rate agreed upon at the time when the account was opened will be valid until the end of the term.
21st December	Petrol prices are raised by 9-20 per cent.
	Sugar prices are raised by 7-25 per cent.
23rd December	Commercial banks announce the new interest rates on bank deposits to be effective as from 1st January 1981. The decree published in June 1980 on the liquidation of the non-guaranteed commercial debt is amended. In the case of the Turkish Lira option, the conversion rate to be used will be 15 percent less than the current rate of the US dollar(it was previously fixed at TL 47) if the claimholders agree to use their claims for certain investments;tourism centres, capital shares in companies under the provisions of the Foreign Investment Encouragement Law (6224) and shipbuilding.
27th December	Amendments to the Income Tax. Corporation Tax, Motor Vehicles Tax, Real Estate Purchase Tax, and Real Estate and Tex Procedures Laws are approved.

1981

1st January

The prices of steel and steel products are raised by 15-30 percent.

4th January

The 1981 import regime is announced. Total imports of $9 billion are composed of investment goods - $2 billion intermediary goods and raw materials $6.75 billion and consumer goods $0.25 billion.

- The Quota List is abolished
- Liberalised List I is further enlarged and advance deposit requirements are eased.

ADVANCE DEPOSITS

	Old rates	New rates
	Per cent	
Liberalised List I		
Importers	30	20
Industrialists	15	10
Liberalised List II		
Importers	20	20
Industrialists	10	10

27th January

The Turkish Lira is devalued vis-a-vis the US dollar from TL 89.25 to TL 91.90.

5th February

The Turkish Lira is devalued vis-a-vis the US dollar from TL 91.90 to TL 95.95.

9th February

An "Economic Affairs High Coordination Council" is set up. The Council is headed by the Prime Minister and composed of the two Deputy Premiers, the Ministers of Foreign Affairs, Finance, Trade Agriculture/Forestry, Industry/Technology and Energy.

15th February	The interest rates on banks' lending and deposits are increased by 10 percentage points and the Central Bank rediscount rates are rearranged.
17th February	A new decree is published with regard to the encouragement and orientation of investment and the implementation of the related incentive measures.
18th February	The support price for Aegean tobacco is fixed at TL 180 per kilo, an increase of 38.5 percent.
24th February	The government's budget for fiscal year 1981-1982 is approved; total appropriations amount to TL 1560 bn.
29th March	The support price for Black Sea tobacco is set at 197 Turkish Liras.
15th April	The Turkish Lira is devalued vis-a-vis the US dollar by 2.7 percent. New rate is TL 98.20=1 dollar.
16th April	Minimum wage is increased to 10.000 Turkish Liras from 5.400 Turkish Liras.
17th April	Contractors operating abroad are allowed to use 20 percent of the foreign exchange that they send to Turkey.
30th April	Purchase price for tea is determined at 41 Turkish Liras per kilo.
1st May	Starting with May 1st, the Central Bank is determining and announcing the foreign exchange rates.
6th May	The Turkish Lira is devaluad vis-a-vis the US dollar to TL 100.45 and later to TL 102.25.
16th May	Banks are to charge commission up to 2 percent from their foreign exchange purchases.
3rd June	The support prices for cereals have been raised by 48.8 percent-60percent.
26th June	Petroleum prices are raised by 6.7 - 7.6 percent.

A N N E X

TAX - REFORM

The long waited tax reform in Turkey, could have only been started after September 1980. Although the reform itself has not yet been completed, Turkish authorities have made so far comprehensive changes in tax lawes, first to render taxation more equitable as there were inequalities among the tax burden of some groups, and secondly to increase government revenues by improving tax collection and closing loop holes in the system.

The principal amendments are as follow:

Income Tax

Income tax provides roughly one half of tax revenues collected. Many potential tax-payers were either not or only inadequately covered under its provisions, or successfully avoided paying tax (for example, landowners and small businesses). With the amendments in the law income tax collection in 1981 is expected to rise by 150 billion TL. depite relief of 140 billion TL.

Income Tax

Former income brackets(TL)		Rates(%)
First	2,500	10
Second	2,500	15
	5,000	20
	15,000	25
	30,000	35
	60,000	45
	150,000	55
	225,000	60
	285,000	68
Over	1,000,000	60

New income brackets(TL)	Rates(%)
Up to 1 million	40
Above 1 million	
2-3 million	45
3-5 million	50
5-10 million	60
10-15 million	70
15-25 million	75
Above 25 million	66

These rates will be lowered by 1 percentage point annually during the following five years.

Tax-free minimum allowances

	Old(TL)	New(TL)
General allowances (per year)	1,800	7,200
Special allowances for wage & salary earners	1,800	54,000
Total allowances for wage & salary earners	3,600	61,200

The allowances will be revised from 1983 onwards.

For civil servants, the new tax rates will apply from 1st March 1981 onwards, and excess tax collected at previously existing rates in January and February will be refunded later in 1981. Workers who have concluded collective bargaining agreements prior to 12th September 1980 will not benefit from the new law during the duration of such agreements. Their income tax obligation will be calculated according to the old schedule, the difference in respect to the new rates being paid into a blocked account with the Central Bank which in principle, will be released before the end of 1982.

A large number of small business and liberal professions are subject to lump sum taxation for which income ceilings and tax rates have now been increased. Under the new regulation income between TL 50,000 and TL 225,000 per annum will be subject to lump sum taxation at 40 percent of assessed income, the minimum amount paid being TL 15,000.

Private professions and businesses and farmers with incomes above the limits of lump sum taxation must make a declaration. A novelty is the introduction of advance payments. There are five categories of advance payments, ranging from TL 50,000 to TL 600,000 which will be determined by special tax commissions on the basis of information about size and location of the business, earnings capacity of the tax-payer, etc. Advance payments will be made in three instalments, in March, June and November in 1981, advance payments will lead to a double burden on tax payers since payments are also due on 1980 tax returns.

Taxation of agriculture has been significantly changed. The law redefines the so-called "small farmer" who will remain tax exempt, within narrow limits. Farmers who own a tractor above 25 horse-power or a harvester or whose land exceeds a certain size or whose annual sales receipts exceed TL 500,000, have to submit an income declaration. Another important change concerns deductions for expenditures. Previously, a minimum of 70 percent of sales receipts was considered as expenditures: the new law fixes the maximum limit at 70 percent. Absentee owners receiving a share of receipts can no longer benefit from the special treatment of agricultural taxation. Instead they will be taxed under the provisions for rental income. In addition, a withholding tax of 5 percent will be applied to all sales made by farmers, either to merchants or in public market places.

There are a series of special exemptions for calculating income tax.

- For investment projects approved by the SPO (minimum TL 20 mn.), 30 percent of the cost of investment earmarked for the current year can be deduced from taxable income.
- If rental income does not exceed TL 120.000 an exemption of TL 40,000 will be applied.
- The exemption of TL 10,000 on copyright earnings is raised to TL 200,000
- Contributions by government employees to special social security funds will in future be deductible.

For unearned income from ownership of bonds, shares and deposits, withholding tax is raised to 25 percent from 20 percent, ant the tax exemption of TL 500 on deposit interest is abolished. Real estate tax can no longer be deducted from income tax but only from real estate earnings. Rental receipts from real estate used as business premises will be subject to a withholding tax of 25 percent.

Corporation Tax

Corporation tax applies to capital companies, co-operatives. State Economic Enterprises, economic establishments attached to foundations and other institutions, including trade unions.

The rate of tax for capital companies and co-operatives is 50 percent, for all others 35 percent. The new rate incorporates both the previous 25 percent corporation tax and 20 percent income tax. Producers and exporters of industrial goods and fresh fruit and vegetables, and sea products and other foreign exchange earners (shipping, construction, tourism, etc.) are granted special exemptions: 20 percent of their receipts in the first year will be tax exempt. For the following years, this ratio will be 30 percent for the amount increased over the previous year, and 15 percent for the remainder. Increases due to parity changes for the Turkish Lira will not be considered as a real change. For industrial exports, the minimum export requirement is $250,000. Exemptions granted for contributions to retirement funds are now restricted only to funds formed under a special law, e.g. Social Security Insurance, Government Employees' Pension Fund. Army Mutual Assistance Fund, Private Professionals and Tradesmen's Mutual Assistance Fund. Government Employees' Mutual Assistance Fund. The exemption for interest earnings on bank deposits by non-resident corporations has been abolished. Losses can be deducted from corporate income only up to 3 years (previously 5 years).

For investment projects approved by the SPO, the countervalue of the investment deposit made at the Central Bank can be deducted from taxable income, provided that the deposit does not exceed 25 percent of such income or the total cost of the project. In order to facilitate the growth of business corporations, the new law permits the conversion of individually owned private companies into corporations without taxing increases in book value occuring as a result of the operation. Profits earned through participation by a corporation in another corporation are also exempted from corportaion tax.

Real Estate Purchase Tax - Property Tax

Real estate purchase tax maintains the 0.7 percent tax rate and TL 50,000 exemption. One important change is the inclusion of non-registered property. Notaries are obliged to transmit sales contracts to tax offices with two weeks of conclusion of sale; if they fail to do so, they will be liable for paying the tax. Property declarations shall be made every four years instead of five, and the 5-year tax exemption from property tax for new buildings has been lowered to 2 years.

Inheritance and Gift Tax

The TL 40,000 exemption on inherited income, property and moveable assets is raised to TL 1 million. For securities, tax will be due within a year, for real estate, within five. Transfers of property will not be allowed until tax payments are completed. However, under the amended law, the property can be totally or partially sold in order to pay the tax.

Vehicles Tax and Vehicle Purchase Tax

Lump sum taxation on motor vehicles has been increased by 4 to 10 times depending on the age, size and standard of vehicles. For the first time, motorboats used for leisure will also be taxed under the provisions of the new law. The Motor Vehicle Purchase Tax has been increased three to six-fold. Additional revenue for 1981 is estimated at TL 33 billion.

ANNUAL TAXES ON MOTOR VEHICLES

Weight of Vehicle	Age 1 - 3 Years		Age 6 - 15 Years	
	Old	New	Old	New
kg.	TL.	TL.	TL.	TL.
900 or less	432	4,080	324	2,040
951 to 1,200	780	6,000	552	3,000
1,201 to 1,800	2,304	18,000	1,584	9,000
Vehicle purchase tax				
951 to 1,200	7,000	50,000	3,500	12,500
1,201 to 1,600	12,000	70,000	6,000	17,000
1,601 to 1,800	15,000	100,000	9,000	25,000
1,800 and over	20,000	120,000	13,000	30,000

Construction Tax

Tax rates for residential buildings are increased by 10 to 25 times and for commercial buildings by 4 to 5 times. Government buildings, industrial buildings, school and places of worship remain exempt.

RESIDENTIAL CONSTRUCTION

Tax per square metre(TL)		
sq.m	Old[1]	New[2]
101-120	20	250
121-150	50	1,000
151-200	60	2,000
Over 200	125	3,000
Commercial construction		
Up to 25		125
26 - 50	25	250
51 -100	50	500
Over 100	75	1,000

[1]Habitable area
[2]Total constructed area

Stamp Duty, Charges and Fees on Special Documents

Existing low fixed rates are increased by a substantial margin. The total increase in revenue from these sources in 1981 is estimated at TL 60 billion.

Sales Tax, Production Tax, Value - Added Tax

a)Sales tax; which was first introduced in 1970, was abolished and a new law was enacted replacing, the old one. The new law was put into effect on May 1, 1981. By the new sales tax, the rates ranging from 5 percent to 30 percent have been reduced to a unique rate, 3 percent. The coverage of the law has also been changed. Certain services will also be subject to 3 percent tax rate. Lump-sum tax on services will no longer be applied.

b)Production tax; Law no: 2447 amended expenditure taxes law. It has been in effect since May 1st 1981.

By this amendment, the government has been authorized to reduce tax rates fixed by tle law. The government may bring the reduced rates to the previous levels. A government decree number 8/2823 of May 4, 1981 reduced tax rates on certain goods. For example rates on automobiles which was 25 percent was lowered to 10 percent. Tax rates on some durables have also been lowered. By law No: 2447, some new goods such as cleansers (detergants) were subjected to tax around 8 percent. House hold durables were also included in the scope of the tax, with a rate of 4 percent.

c)Amendments made in the field of sales taxes were aimed at reducing tax burdens on certain industries and also to increase revenues by expanding the coverage of the law. Another purpose is to replace them by the value-added tax as from 1982. By then value added tax will replace retail sales and production. Thus a reform on the tax system will have been greatly achieved.

Taxes on Banking and Insurance Operations

The tax rate on the transactions of Banks and Insurance Institutions was reduced to 15 percent from 25 percent.

Bankers were also subjected to 15 percent tax rate on their whole operations. Bankers were previously subjected to tax only on their interest receipts.

Financial Equalization Tax

By an act issued on June 1981, corporations were exempted from 3 percent equalization - tax, beginning from January 1, 1981.

Capital Gains Tax on Real Property

Rates of the above mentioned tax were lowered by a law enacted in June 1981. The rate were ranging between 15% and 50%. Now they are between 10% and 50%. Tax base brackets were also increased five times. By these changes it was aimed to lower the tax burden on the construction of new dwellings.

Local Administration

Municipalities will now automatically receive - on the basis of their share in the total population - five percent of government revenues. Other local administrations will receive one percent of the total.

A low (No: 2464, date of issue 26.5.1981(was adopted by the Council to increase financial resources of municipalities.

It contains several taxes, duties and fees for municipalites. The main ones are occupational tax on merchants, corporations and free professionals, tax on advirtesments and one percent tax on real property values. (one percent on buildings, half percent on others) occupational tax will be :assesed on lump sum basis the minimum amount is TL 12,000. It will not exceed TL 21,000 for a year.

Occupational tax will be effect on January 1982, tax on site values on March 1982,others have been in effect starting from 1st July, 1981.

Tax Procedure Law and Law for Collection of Public Claims

A) In order to improve taxation controls and auditing merchants are now under an obligation to keep daily petty cash books and records of retail sales. Liberal professions are obliged to issue receipts. Other business documentation has also been standardised for tax purposes. Business premises must display a notice showing the amount of tax paid and tax-base income. Non-compliance for three times can be punished by prison terms of up to one year.

Tax litigation procedures have been changed with a view to spceding up legal procedures and collecting fines, which under the old regulations could take up to six years. Charges due on unpaid taxes and other claims will be 10 percent the first month (as before) and 3 percent for all following months (instead of 2 percent), raising the interest rate from 32 percent to 43 percent for the first year, and from 24 percent to 36 percent for the following years. The ceiling of 100 percent over four years has been abolished.

B) Law for the speeding up tax collections:

Law No: 2431 dated March 20, 1981 envisaged to speed up collection of taxes occured before 31.12.1980, by giving amnesty to charges due on repaid taxes, tax penalties and fines provided that unpaid Taxes are to be paid by August 31, 1981.

Undeclared wealth can also be declared without any penalty and fine on the condition that a 20 percent tax on the declared value of the wealth is paid.

STATISTICAL ANNEX

NATIONAL PRODUCT

(TL bn)

	Current prices									
	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980 P
1 Agriculture,forestry,fishing	49.6	59.2	73.2	105.5	136.1	176.3	219.8	301.2	464.7	828.4
2 Industry	33.2	40.7	53.4	76.7	93.5	115.0	158.0	273.4	484.5	1.013.4
3 Construction	10.0	12.3	14.8	18.8	24.6	31.0	42.1	64.0	103.9	196.2
4 Wholesale and retail trade	21.0	26.6	35.1	52.3	64.8	81.1	107.0	165.9	286.7	566.0
5 Tronsport and communications	14.8	18.0	25.3	35.5	43.3	54.5	72.2	110.1	192.1	369.9
6 Financial institutions	3.4	4.5	6.6	10.1	12.6	16.8	20.2	25.9	36.4	89.3
7 Ownership of dwellings	7.7	8.9	10.9	13.3	17.9	21.9	31.6	51.6	89.1	187.9
8 Private Professions and services	8.8	10.8	14.1	19.3	25.0	31.6	41.0	62.9	105.2	194.8
9 Government,health,education	19.4	25.6	32.3	38.2	50.5	66.5	101.5	133.1	235.2	377.6
10 Gross domestic product at factor cost	168.0	206.5	265.7	369.8	468.4	594.7	793.5	1188.0	1997.8	3.823.5
11 Net income from abroad	5.5	8.7	14.3	17.4	16.6	11.0	9.9	15.9	43.6	89.5
12 Indirect taxes	20.9	27.3	31.8	42.1	53.3	69.3	79.5	102.2	165.3	238.1
13 Subsidies	-1.7	-1.7	-1.9	-2.2	-2.5	-5.0	-12.6	-17.5	-28.3	-41.6
14 Gross national product at market prices	192.6	240.8	309.8	427.1	535.8	670.0	870.2	1288.7	2178.4	4.109.5

	In 1968 prices									
	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
1 Agriculture,forestry,fising	36.2	36.1	32.4	35.8	39.7	42.7	42.2	43.2	44.7	46.0
2 Industry	24.6	27.1	30.2	32.7	35.6	39.3	44.3	46.0	44.2	47.0
3 Construcion	7.8	8.3	9.0	9.5	10.3	11.2	11.8	12.3	12.8	13.0
4 Wholesale and retail trade	15.1	17.0	18.9	21.0	23.0	25.2	26.4	27.4	26.8	27.1
5 Transport and cornmunications	11.3	12.4	13.9	15.1	16.3	17.8	19.2	19.5	20.1	19.7
6 Financial institutions	2.8	3.0	3.3	3.6	3.9	4.2	4.6	4.8	4.9	5.1
7 Ownership of dwellings	5.9	6.2	6.6	7.0	7.5	8.0	8.6	9.2	9.8	10.5
8 Private professions and services	6.3	6.7	7.0	7.6	8.3	9.0	9.2	9.5	9.6	9.6
9 Government,health,education	12.2	12.9	13.7	14.6	15.5	16.5	17.5	18.6	19.4	20.5
10 Gross domestic product at factor cost	122.3	129.7	135.0	146.9	159.9	173.9	183.8	190.5	192.3	196.2
11 Net income from abroad	3.0	4.4	6.0	4.8	3.6	2.5	1.8	1.9	2.9	2.1
12 Indirect taxes	13.9	15.3	16.4	17.5	19.0	20.6	21.5	21.1	19.6	17.2
13 Subsidies	-1.0	-0.9	-1.0	-1.1	-1.1	-1.7	-4.0	-4.4	-4.2	-3.1
14 Gross national product at market prices	138.2	148.5	156.5	168.0	181.4	195.3	203.1	209.1	210.6	212.1

Note: Imputed bank service charges are exluded from each sector
Source: State Institute of Statistics.

EXPENDITURES ON NATIONAL PRODUCT

(bn.TL.)

	Current prices									
	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Gross National Product	192.6	240.8	309.8	427.1	535.8	670.0	870.2	1.288.7	2.178.4	4.109.5
External deficit	1.8	0.7	-7.2	20.7	25.5	38.0	61.1	34.8	43.7	203.8
Total resources	194.4	241.5	302.6	447.8	561.3	708.0	931.3	1.323.5	2.222.1	4.313.3
Use of resources:										
Investment	33.3	41.0	55.2	91.7	120.0	162.6	219.6	293.0	478.3	874.6
Fixed capital investment	31.7	40.4	52.8	76.1	101.8	152.6	199.7	266.7	414.9	722.9
Public	16.2	20.2	25.1	36.8	53.8	80.0	107.7	135.0	237.6	422.9
Private	15.5	20.2	27.7	39.3	48.0	72.6	92.0	131.7	177.3	300.0
Stock changes	1.6	0.6	2.4	15.6	18.2	10.0	19.9	26.3	63.3	151.7
Consumption	161.1	200.5	247.4	356.1	441.3	545.4	711.7	1.030.5	1.743.8	3.438.7
Public	25.1	31.9	42.6	46.5	63.4	84.6	120.0	172.2	292.0	522.3
Private	136.0	168.6	204.8	309.6	377.9	460.8	591.7	857.8	1.451.8	2.916.4

	In 1968 prices									
	1971	1972	1973	1974	1975	1976	1977	1978	1979P	1980P
Gross National Product	138.2	148.5	156.5	168.0	181.4	195.3	203.1	209.1	210.6	212.4
External deficit	0.3	0.8	1.5	-1.6	-4.1	-5.2	-9.6	-1.4	-1.0	-1.1
Total resources	137.9	147.7	155.0	169.6	185.5	200.5	212.7	210.5	210.7	213.5
Use of resources:										
Investment	23.5	25.8	30.5	36.1	41.2	43.1	47.9	43.5	42.3	39.6
Fixed capital	22.3	25.6	28.5	29.1	34.0	39.3	42.2	37.6	35.9	33.7
investment	11.5	13.1	14.2	14.3	18.5	21.7	24.6	21.2	22.7	21.7
Public	10.8	12.5	14.3	14.8	15.5	17.6	17.6	16.4	13.2	12.0
Private	1.2	0.2	2.0	7.0	7.2	3.8	5.7	5.9	6.4	5.9
Stock changes	114.2	121.9	124.5	133.5	144.3	157.4	164.8	167.0	168.4	173.9
Consumption	16.5	17.7	19.2	20.1	22.4	26.0	30.1	29.1	50.0	32.0
Public	97.9	104.2	105.3	113.4	121.9	131.4	134.7	137.9	138.4	141.9
Private										

Note: Data at constant prices for 1979 and 1980 rebased from data at 1976 prices:rebasing difference incIuded in change in stoks.

Source: State institute of Statistics and State Plannig Organisation.

SUPPLY AND USE OF RESOURCES

	1971	1972	1973	1974	1975	1976	1977	1978	1979 P	1980 P
	Percentage change from previous year									
Gross value added:										
Agriculture, forestry and fishing	13.1	-0.3	-10.2	10.5	10.9	7.6	-1.2	2.4	3.5	2.9
Industry	8.8	9.7	11.4	8.3	8.9	10.4	12.7	3.8	-4.0	1.1
Mining	10.5	0	4.8	22.7	11.1	6.7	56.3	10.0	-8.3	-6.6
Manufacturing	8.2	11.0	12.0	6.9	8.2	9.9	7.8	2.8	-4.1	2.3
Energy	14.3	6.2	11.8	10.5	14.3	20.8	20.7	5.7	3.8	0.2
Construction	-4.9	6.4	8.4	5.6	8.4	8.7	5.4	4.2	4.1	1.6
Wholesalle and retail trade	12.7	12.6	11.2	11.1	9.5	9.6	4.8	3.8	-2.2	1.1
Transport and communications	8.7	9.7	12.1	8.6	7.9	9.2	7.9	1.6	3.1	-2.0
Financial institutions	7.7	7.1	10.0	9.1	8.3	7.7	9.5	4.3	2.1	4.1
Ownership of dwellings	3.5	5.1	6.5	6.1	7.1	6.7	7.5	7.0	6.5	7.1
Private professions and services	8.6	6.3	4.5	8.6	9.2	8.4	2.2	3.3	1.1	0.0
Government, health, education	6.1	5.7	6.2	6.6	6.2	6.5	6.1	6.3	4.3	5.7
Gross domestic product at factor cost	8.9	6.1	4.1	8.8	8.8	8.8	5.7	3.6	0.9	2.0
Net income from abroad	100.0	46.7	36.4	-20.0	-25.0	-30.6	-28.0	5.6	52.6	-27.6
Indirect taxes	6.9	10.1	7.2	6.7	8.6	8.4	4.4	-1.9	-7.1	-12.2
Subsidies	-23.1	-10.0	11.1	10.0	0.0	54.5	135.3	10.0	-4.5	-26.2
Gross national product at market prices	10.2	7.5	5.4	7.3	8.0	7.7	4.0	3.0	0.7	0.8
Expenditure on GNP[1]										
Gross national Product	10.2	7.5	5.4	7.3	8.0	7.7	4.0	3.0	0.7	0.9
External deficit[2]	-1.4	-0.4	-0.5	2.1	1.5	0.6	2.3	-4.1	-0.6	0.5
Total resources	8.8	7.1	4.9	9.4	9.4	8.1	6.1	-1.0	0.1	1.3
Investment	-6.4	9.8	18.2	18.4	14.1	4.6	11.1	-9.2	-0.8	-2.0
Fixed capital investment	-5.1	14.8	11.3	2.1	16.8	15.6	7.4	-10.9	-5.5	-6.6
Public	-8.7	13.9	8.4	0.7	29.4	17.3	13.4	-13.8	7.3	-4.5
Private	-0.9	15.7	14.4	3.5	4.7	13.5	0.0	-6.8	-19.3	-9.6
Stock changes[2]	-0.3	-0.7	1.2	3.3	0.1	-1.9	1.0	0.1	-0.9	0.5
Consumption	12.5	6.6	2.1	7.2	8.1	9.1	4.7	1.3	0.8	3.3
Public	6.5	7.3	8.5	4.7	11.4	16.1	15.8	-3.3	3.0	6.8
Private	13.6	6.4	1.1	7.7	7.5	7.8	2.5	2.4	0.4	2.5

1 Data for 1979 and 1980 derived directly from underlying data at 1976

2 Volume increase in per cent of GDP in preceding period(=contributton to growth of GDP.)

AGRICULTURAL PRODUCTION

	Unit	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Cereals:	1.000tons										
Wheat		13.500	12.200	10.000	11.000	14.750	16.500	16.650	16.700	17.550	17.400
Barley		4.170	3.725	2.900	3.330	4.500	4.900	4.750	4.750	5.240	5.550
Maize		1.135	1.030	1.100	1.200	1.200	1.310	1.265	1.300	1.250	1.150
Rye		895	755	690	560	750	740	690	620	620	580
Other		1.099	928	913	877	911	905	857	867	817	989
Pulses		619	665	589	665	675	752	813	723	723	831
Potatoes		2.100	2.200	2.200	2.275	2.490	2.850	2.800	2.750	2.870	3.300
Sugar beet		5.956	5.896	5.095	5.707	6.949	9.406	8.995	8.837	8.760	880
Tobacco		174	180	149	203	200	324	248	297	206	220
Cotton		522	544	513	598	480	470	575	475	476	460
Oilseeds		1.427	1.535	1.469	1.472	1.354	1.430	1.517	1.374	1.511	1.498
Wool		47	58	61	76	78	54	55	57		
Fruit and nuts											
Grapes		3.853	3.434	3.344	3.347	3.247	3.080	3.180	3.496	3.500	3.350
Figs		195	216	190	156	175	188	175	185	200	200
Hazelnuts		166	190	251	244	317	245	290	310	300	245
Citrus fruit		694	728	691	900	958	975	1.147	1.081	1.147	1.050
Livestock:	Thousands										
Cattle(inc.buffalo)		13.679	14.084	14.259	14.410	14.802	15.158	15.552	15.964	16.580	16.651
Sheep and goats		55.623	57.269	58.793	59.285	60.129	60.012	60.984	62.389	64.801	
Poultry		36.690	38.530	40.677	41.006	48.203	48.203	50.964	54.711	58.941	

1 State Planning Organisation estimation.
Source: Ministry of Finance

INDUSTRIAL PRODUCTION

	Unit	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Mining ,fuel,energy: selected products	10.000tons										
Coals		7.867	7.867	7.848	8.546	8.360	8.068	7.672	7.740	7.020	3.597
Lignite(ungraded product)		9.410	10.260	10.670	11.160	11.850	13.720	14.870	18.030	15.170	13.652
Crome ore		908	679	574	734	947	949	949	670	540	170.8
Iron ore		2.417	2.004	2.570	2.284	2.347	3.629	3.469	4.200	2.920	2.289
Copper		17	17	26	29	27	28	31	32	33	102.8
Crude petroleum		3.452	3.388	3.511	3.309	3.095	2.595	2.713	2.736	2.831	2.210
Petroleum products		8.437	10.658	12.532	12.715	12.784	13.115	14.414	12.815	10.818	9.710
Electric power	bn.kWh	10	11	12	14	16	18	21	22	23	23
Manufacturing: selected products	1.000tons										
Pig iron[1]		882	1.135	896	1.200	1.197	1.518	1.396	1.569	1.966	1.811
Steel ingots[1]		1.122	1.442	1.163	1.458	1.458	1.457	1.397	1.628	1.892	2.380
Sheets and pipes[2]		403	381	311	401	259	287	377	360	290	-
Cement		7.553	8.424	8.946	8.939	10.855	12.342	13.833	15.344	13.812	13.049
Coke		1.445	1.450	1.432	1.396	1.401	1.821	1.751	1.865	2.044	1872.1
Superphosphate[3]		450	616	479	586[4]	962[4]	854[4]	916[4]	820[4]	952[4]	
Glass		64	70	101	108	115	131	156	154	168	107
Paper and cardbgard		194	259	304	321	328	373	363	304	301	302
Sugar[3]		837	747	677	767	907	1.182	995	1.009	983	1.043
Olive oil		52	176	53	130	90	150	60	142	40	145
Woollan and cotton yarns[4]		52	54	55	53	47	50	42	42	48	44.9
Wollen and cotton fabrics[6]	mn.metres	236	232	223	216	220	212	185	210	229	182

1 Production of Ereğli,İskenderun,Karabük iron and steel industries(hot metal)
2 Production of Ereğli and Karabük iron and steel industries.
3 Production and Turkish Nitrogen ındustries inc. Turkish fertilizer Factories and Karabük iron and steelworks.
4 Production and Turkish Nitrogen industries inç. and Karabük iron and steelworks.
5 Campain year (september-March)
6 Production of Sümerbank.
Source: State institue of Statistics.

PRICES

Indices 1963=100 (annual averages)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Wholesale prices:										
Total	169	199	240	312	343	397	492	751	1.231	2.551
Food and feeding stuffs	161	185	225	305	358	412	506	734	1.093	2.190
Cereals	141	136	201	318	337	365	430	545	774	1.638
Livestock	255	332	349	371	444	621	891	1323	1.959	3.806
Livestock products	172	190	226	297	432	453	577	981	1.473	2.625
Industrial and semi-manufactured	182	222	265	323	319	372	470	779	1.461	3.152
Fuel	216	293	327	356	378	393	457	960	1.717	4.630
Minerals	184	194	201	301	305	319	386	645	1.353	2.735
Building materials	166	187	208	253	275	383	642	963	1.676	3.157
Textiles	158	190	276	341	300	398	490	681	1.190	2.135
The cost of living:	181	208	241	278	331	386	473	725	1.174	2.365
Ankara, total	185	214	244	302	366	430	541	876	1.433	2.784
Istanbul, total	183	212	243	297	378	459	565	864	1.333	2.554
Food	180	243	268	339	374	461	611	1096	2.122	4.404
Heating and lighting	182	199	239	309	323	341	453	775	1.515	2.814
Clothing	204	229	245	308	371	352	495	958	1.616	3.386
Other										

Source: Monthly Economic Indicators.

IMPORTS BY COMMODITIES

(U.S. $ Mn.)

	1972	1973	1974	1975	1976	1977	1978	1979	1980 estimat
I. Agriculture and livestock	35	14	306	202	77	112	50	36	50
II. Mining and quarring	173	243	806	882	1.191	1.546	1.486	1.818	2.854
Oil	155	222	752	806	1.106	1.436	1.396	1.712	
Crude oil	125	201	694	718	1.002	1.152	1.044	962	2.710
Oil products	30	21	58	88	104	284	352	750	
Others	18	21	54	76	85	110	90	106	143
III. Industrial products	1316	1.779	2.607	3555	3.725	4.037	2.943	3.092	4.669
Agriculture-based processed products	32	9	150	227	147	58	50	115	301
Industrial products	1284	1.770	2.458	3329	3.578	3.978	2.893	2.977	3.458
Chemicals	307	426	338	531	554	555	476	524	1.122
Fertilizer	307	426	100	48	98	214	283	356	
Rubber and plastics	307	426	135	176	183	266	154	145	.181
Leather and hide	0	0	1	1	0	0	0	0	432
Forestry products	2	2	1	2	2	2	2	1	3
Textiles	39	40	46	66	58	51	50	46	79
Glass and ceramics	20	21	21	26	25	25	18	28	35
Iron and steel	148	248	531	679	546	690	408	345	462
Non-ferrous metal industry	42	67	131	102	89	97	42	55	87
Metal products	402	516	14	15	27	15	20	14	23
Machinery	402	516	637	984	1.070	1.060	761	903	842
Electrical appliances	123	146	174	273	274	291	218	251	270
Motor vehicles	179	234	246	332	518	572	378	221	222
Other industrial products	22	6	82	93	134	141	83	88	129
IV. Imports with waiver	39	50	58	99	136	102	120	123	95
T O T A L	1563	2.086	3.777	4738	5.129	5.797	4.599	5.069	7.667

Source: State Planning Organization.

EXPORTS BY COMMODITIES

(U.S. $ mn.)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
I Agricultural products	439.8	487.3	607.2	831.9	851.9	792.6	1.254.5	1.041.2	1.542.8	1.343.6	1.671.7
a) Cereals	9.8	13.8	36.1	64.2	27.2	28.2	70.0	120.2	262.1	169.2	181.0
b) Fruit and vegetables	137.5	145.3	197.3	258.9	293.7	275.4	375.0	440.0	560.5	647.7	753.9
Hazelnuts	87.0	84.1	116.5	121.7	173.2	154.1	203.2	251.0	330.9	353.0	394.8
Dried fruit	35.6	39.3	46.8	82.8	67.6	75.5	68.4	100.2	144.7	166.4	187.3
Citrus fruit	7.7	17.8	17.6	25.5	26.4	28.5	86.6	76.6	43.8	53.4	86.0
Others	7.2	4.1	16.3	28.9	26.5	17.3	16.8	12.2	41.1	74.9	85.8
c) Industrial crops and forestry products	258.7	288.5	337.6	456.8	459.7	434.5	734.2	432.0	617.9	448.0	605.9
Cotton	173.2	193.1	191.3	305.0	244.0	230.3	438.2	210.0	348.4	277.8	322.6
Tobacco	78.6	85.9	130.8	132.9	204.5	183.3	251.3	175.8	225.3	177.0	233.7
Others	6.9	9.5	15.4	18.1	11.2	20.9	44.7	46.2	44.2	43.2	49.6
d) Live animals and sea products	33.8	39.7	36.2	52.0	71.3	54.5	75.3	49.0	102.3	83.7	130.9
II Mining and quarrying products	39.4	40.1	35.2	41.7	80.3	105.6	110.0	126.0	124.1	132.5	191.0
III Processed and manufactures products	109.3	149.2	242.7	443.4	600.0	502.9	595.5	585.8	621.3	785.1	1.047.4
a) Processed agricultural products	41.6	54.0	87.3	149.1	130.4	128.6	98.1	136.0	110.2	151.1	209.4
Olive oil	0.2	0.9	2.9	47.8	15.1	17.7	2.8	35.2	-	-	-
Sugar	3.9	3.2	23.5	1.0	-	-	5.1	7.3	-	-	-
Food and beverages	37.5	49.9	60.9	100.3	115.3	110.9	90.2	93.5	-	-	-
b) Manufactured products	67.7	95.2	115.4	294.3	469.6	374.3	497.4	449.8	511.1	634.0	838.0
Textiles and clothing	25.8	37.5	52.0	105.6	147.0	127.5	263.1	260.4	309.1	377.6	424.3
Hides and leather ind.	4.6	10.6	21.5	45.2	74.6	64.9	50.2	52.0	40.1	43.6	49.5
Forestry industry	2.8	4.9	4.9	8.0	23.6	2.1	7.0	1.0	0.6	1.6	4.3
Chemical industry	7.3	9.5	11.2	18.3	37.1	32.8	47.1	34.0	23.6	23.5	76.0
Rubber and plastic ind.	1.6	0.9	0.9	1.0	1.0	4.9	3.0	3.0	2.4	3.4	15.9
Petroleum products	0.6	2.5	22.7	49.2	85.9	36.1	16.0	-	-	-	38.5
Glass and ceramics	1.3	2.7	3.7	6.6	12.3	17.9	20.0	27.0	30.1	37.1	35.9
Cement	2.7	8.8	15.1	14.7	8.0	24.2	16.0	9.2	40.5	44.9	39.6
Iron and steel industry	0.2	0.3	2.0	2.0	1.0	20.3	22.0	14.0	21.2	31.1	33.9
Non-ferrous metals ind.	14.7	8.7	11.2	22.3	39.8	20.8	17.0	20.0	11.5	14.6	18.3
Metal products and machinery	2.0	2.4	4.1	8.6	16.1	17.6	16.0	14.0	17.9	18.1	29.8
Electrical equipment and products	0.3	0.6	0.8	1.5	1.0	0.8	2.0	3.0	3.7	4.5	11.5
Others	3.8	5.8	5.3	11.3	22.2	4.4	34.0	12.0	10.4	34.0	60.5
T O T A L	588.5	676.6	884.9	1317.1	1532.2	1401.1	1960.0	1753.0	2288.2	2261.2	2.910.1

BALANCE OF PAYMENTS

(US $ mn .)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980 P
I Trade balance	-494	-678	-769	-2.245	-3.337	-3.169	-4.044	-2.311	-2.808	-4.290
Exports	677	885	1.317	1.532	1.401	1.960	1.753	2.288	2.261	2.910
Imports	-7,171	1.563	2.086	3.777	4.738	5.129	5.797	4.599	5.069	7.200
II Services,net	372	670	1.253	1.525	1.458	868	618	792	1.158	1.162
Workers' remittances	471	740	1.183	1.426	1.312	982	982	983	1.694	2.071
Interest payments	-60	-62	-59	-103	-124	-217	-360	-489	-1.010	-1.280
Profit transfers	-36	-35	-35	-71	-36	-83	-116	-47	-42	-50
Tourism, net	21	44	78	42	46	-27	-65	145	179	210
Others, net	-24	-17	86	231	260	213	117	200	337	211
III Current balance	-122	-8	484	-720	-1.879	-2.301	-3.426	-1.519	-1.650	-3.128
IV Repayment of principal on external debt	-125	-130	-77	-156	-147	-119	-214	-451	-945	-1.464
V Non-monetary capital	472	450	510	415	725	654	1.732	1.635	1.625	4.026
Private	72	82	129	146	403	263	1.229	780	-337	98
Imports with waivers	27	39	50	58	99	136	102	120	124	90
Direct investment	45	43	79	33	55	27	67	47	86	34
Commercial credits	-	-	-	55	249	100	1.060	613	-547	-26
Official	400	368	381	269	322	391	503	855	1.962	3.928
Project credits	219	244	328	237	287	385	499	450	356	519
Programme credits and Debt relief	126	108	53	32	35	6	4	405	1.606	3.409
Agricultural surplus	55	16	-	-	-	-	-	-	-	-
VI Overall balance	225	312	917	-461	-1.301	-1.766	-1.908	-335	-970	-566
VII Errors and omissions	121	-295	35	22	25	-15	-220	-536	608	-
VIII Monetary movements	-346	-17	-952	483	1.326	1.781	2.128	871	362	-
Change in reserves	-345	-235	-728	431	417	112	560	-148	-111	-
IMF	-1	-116	-	-8	301	149	14	175	3	475
Change in liabilities	-	334	-224	60	608	1.520	1.554	844	470	-

P: Provisional
Source: Ministry of Finance

MONEY AND BANKING
End Of Period

(Mn. TL.)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980 P
Money										
Supply of money, total	43.622	52.891	69.803	88.699	117.639	150.382	209.119	283.595	444.507	668.847
Notes and coins	13.918	15.980	20.703	26.154	32.909	42.471	62.961	93.829	143.695	229.470
Commercial sight deposits	8.673	11.838	15.998	22.609	32.077	44.931	62.953	86.033	154.480	245.278
Saving sight deposits	20.877	24.865	32.938	39.654	52.249	62.709	82.399	103.268	143.681	182.561
Deposits with Central Bank	154	208	164	282	404	271	806	465	2.651	11.538
Supply of quasi money, total	17.763	24.527	29.536	34.092	42.515	46.528	55.568	74.104	128.646	—
Public sight deposits	4.743	6.519	8.994	9.515	13.513	15.752	21.165	29.690	45.338	—
Commercial time deposits	746	941	124	143	188	291	339	338	698	—
Saving time deposits	12.274	17.067	20.418	24.434	28.814	30.485	34.064	44.076	82.610	161.958
Central Bank										
Deposits, total	11.016	16.663	20.955	26.120	36.927	44.738	62.937	99.485	144.061	263.361
Public administrations	789	1.150	1.279	972	1.460	2.072	2.571	2.460	5.270	45.265
Public enterprises	124	184	146	239	378	215	747	266	2.336	10.317
Deposits money banks	8.687	14.679	18.525	23.165	34.131	39.060	56.300	78.970	110.675	148.831
Investment and development banks	1	22	27	61	110	170	83	716	191	172
IMF and counterpart of aid	1.233	32	30	28	27	2.387	2.387	12.559	12.919	39.924
Other	182	596	948	1.655	821	834	849	4.514	12.640	18.852
Lending, total	17.279	20.466	28.780	52.592	66.198	110.621	189.899	241.886	382.138	626.034
Treasury	6.088	7.469	7.844	12.434	16.761	21.739	45.178	56.639	91.740	178.412
Public enterprises	5.459	5.809	5.688	9.946	9.551	25.412	46.457	67.610	122.716	174.376
Deposit money banks	5.732	7.174	15.170	24.126	26.653	41.676	62.810	77.285	121.058	225.529
Investment and development banks	—	14	78	6.036	13.233	21.794	35.254	40.352	46.624	47.717
Deposit money banks										
Deposits, total	48.350	62.619	79.971	98.447	130.428	158.448	205.803	269.058	432.386	675.915
Public	4.757	6.720	8.312	9.019	11.107	13.947	18.104	25.053	40.374	—
Private	43.593	55.899	71.659	89.428	119.321	144.501	187.699	244.005	392.012	—
Lending, total	43.651	57.793	77.306	100.521	144.135	191.249	238.288	296.340	446.188	681.920
Public	7.500	9.841	14.037	18.510	25.828	33.529	37.584	43.394	76.054	—
Private	36.151	47.952	63.269	82.011	118.307	157.720	200.704	252.946	370.134	—
Investment and development banks										
Lending, total	12.632	12.892	16.079	26.060	37.981	60.634	84.268	105.446	135.444	159.340
Public	10.184	10.013	12.203	21.585	32.494	53.934	75.164	90.212	109.342	—
Private	2.448	2.879	3.876	4.475	5.487	6.700	9.104	14.636	26.102	—
Total bank lending (net of Central Bank advances to the banks)	67.830	83.963	106.917	149.011	208.428	299.034	414.191	526.037	796.088	1194.048
Public administrations	8.813	10.588	11.412	16.469	21.830	27.521	52.869	66.351	102.731	—
Public enterprises	20.418	22.544	28.360	46.056	62.754	107.063	151.514	192.104	297.121	—
Private sector	38.599	50.831	67.145	86.486	123.794	164.420	209.808	267.582	396.236	—

Source: Central Bank of Turkey.

STATE ECONOMIC ENTERPRISES
Own resources available for meeting investment expenditures[1]

(TL mn.)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980 estimate
Sümerbank	-4	-345	—	+32	-46	+6	-12	+599	-2.544	-5.093
Etibank	+210	+61	+304	-256	-1.567	-1.418	-1.652	-375	-8.368	-6.016
Coalmines	-336	+185	-657	-1137	-2.074	-3.442	-8.077	-7.489	-13476	-70
Iron and steel	+366	-366	-142	-1143	-309	-884	+403	-4.620	-2.995	-7.161
Cement	-102	-153	-75	-65	-17	-178	+321	-472	-1.071	-1.498
Azote campany	-267	-261	-113	-240	+59	+212	-167	-1.179	-1.110	-2.233
Chemicals	-115	-239	+50	-117	—	+6	-11	-67	-2.514	+306
Paper	-54	-41	-17	-173	+83	-772	-946	+629	-1.649	-57
Petroleum	+578	+458	-31	+614	+1.698	+1.876	+3.355	+666	+766	+9.185
Sugar	+74	+63	+114	-986	+205	+479	-1.547	-1.537	-5.644	-551
Turkish Airlines	-33	+2	+148	-188	+31	-275	-258	-21	-267	-1.333
Maritime Bank	-271	+239	-192	-15	-490	+1.061	-1.699	-1.081	-4.874	-4.051
Sea transport	-68	+15	-66	-48	+54	-363	-12	-518	-2.138	+272
Railways	-838	-1582	-623	-1241	-1.344	-1.895	-1.410	-3.212	-7.861	-21.829
PTT	+44	+151	+292	+260	-527	-761	-1.139	+1.191	-2.620	+1.539
Soil Products Office	+7	-36	+14	+21	+37	+106	+659	+805	-4.382	+1.566
Meat and fish	-3	+10	-168	-72	-88	-614	-268	-254	+275	+153
Petrol Office	-29	-391	-151	-251	-113	-352	-852	-84	-1.349	+572
Agricultural equipment	+6	+10	-23	-992	+97	-3.890	-1.526	-2.082	-7.788	-6.692
Milk industry	-28	-36	-46	+5	-16	+45	+215	-146	-159	-65
Tourism Bank	-11	-270	-88	+10	-40	+166	-254	-156	-734	-325
Radio-Television	-15	+46	+27	-178	+313	+283	+30	+89	-5	-76
Petro-chemicals	+151	+129	+79	+136	+120	-352	+246	+1.417	+3.272	+7.597
Others	+402	+793	-241	+173	-550	-921	-1.783	+2.596	+8.421	+9.558
Total of productive SEEs	-337	-1528	-1.605	-5851	-4.484	-11877	-16.384	-15301	-58814	-26.302
Provincial Bank	+185	+50	+106	+516	—	—	—	—	—	—
Agricultural Bank	+6	+47	+86	+34	+60	+53	+109	+87	-1.665	+125
Real estate Bank	-7	+3	-13	+10	+4	-176	-38	-49	-150	-629
Religious Foundations Bank	—	—	-29	—	—	—	—	—	—	—
Social Security Fund	+102	+97	+85	+59	+126	+77	+57	+113	+239	+950
Pension Fund	+19	+27	+46	+22	+54	+72	+139	+131	+123	+254
State investment Bank	+5	+6	—	—	—	—	—	—	-1.148	-417
Others	-15	-16	+6	-2	-69	-270	-134	-71	-520	-1.865
Total of financial SEEs	+294	+665	+287	+639	+175	-244	+133	+211	-3.121	-1.582
Overall total	-43	-862	-1.318	-5212	-4.309	-12121	-16251	-15090	-61935	-27.884

1) Net result of financial transactions by individual SEEs, including short and medium-term borrowing and debt repayments, but excluding transfers from the public budget, loans by the State Investment Bank and foreign projeect credit.

FINANCING OF THE OPERATIONAL SEEs

(TL.mns. at current prices)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980 estimate
1 Current gross profits before tax	812	1.451	361	838	-2.250	-6.703	-8.862	-13.233	3.130	31.799
2 Other financial resources	16.316	14.431	18.919	34.569	41.336	50.056	80.998	164.548	195.243	325.868
3 Depreciation	1.802	2.454	4.743	4.240	4.592	6.224	12.007	20.139	16.271	21.327
4 Accounts receivable	780	1.917	747	656	3.965	772	8.534	8.685	5.682	65.724
5 Decrease in stocks	148	371	1.166	142	1.109	—	189	3.540	—	710
6 Short-term borrowing	5.284	6.965	5.770	14.039	21.275	24.103	31.388	97.516	100.431	164.526
7 Decrease in cash	177	616	659	498	419	157	1.690	1.500	13	4.796
8 Other resources	8.125	2.108	5.834	14.994	10.006	18.800	27.190	33.168	72.846	68.785
9 Total resources(1-2)	17.128	15.882	19.280	35.407	39.116	43.353	72.136	151.315	198.373	357.667
10 Payments	17.465	17.409	20.885	40.531	43.760	55.801	84.700	177.602	256.453	383.644
11 Direct taxes	242	576	684	618	1.649	1.901	2.330	1.847	3.611	10.143
12 Payments to State Investment Bank	1.638	2.043	1.464	1.800	1.753	1.933	7.213	34.469	7.756	19.974
13 Repayments to foreign exchange equalisation fund	—	—	—	—	—	—	—	—	—	—
14 External debts	843	545	769	1.200	—	—	—	4.657	3.046	47.372
15 Consolidated debts	—	—	—	—	8.147	4.620	8.874	—	—	—
16 Increase in cash	1.319	1.059	627	802	1.589	2.026	2.830	2.632	10.340	221
17 Increase in stocks	3.845	2.066	2.879	10.231	13.143	15.072	16.984	23.672	43.721	107.189
18 Other payments	8.096	5.631	10.920	20.169	17.479	30.249	46.469	110.325	187.979	198.745
19 Short-term debt payments	2.482	5.489	3.542	5.711	—	—	—	—	—	—
20 Net resources available(9-10)	-337	-1.527	-1.605	-5.214	-4.944	-12.448	-12.564	-26.287	-58.080	-25.977
21 Requirements for investment	6.659	9.981	12.569	17.112	25.909	35.238	45.750	59.972	128.002	224.300
22 Overall financial requirements	6.996	11.508	14.174	22.326	30.553	47.786	58.314	86.259	186.082	250.277
Financed by:										
23 Credits from State Investment Bank	1.402	2.205	4.574	5.670	6.968	11.741	10.278	9.139	14.385	17.379
24 Contribution from general budget	3.528	6.699	6.059	7.176	10.346	16.226	27.828	39.535	83.443	148.436
25 Central Bank loans	—	—	—	6.073	6.255	9.421	9.240	6.991	33.885	10.000
26 Direct project financing from abroad	2.066	2.604	3.541	2.088	1.430	3.811	5.732	14.139	42.876	62.122
27 Other borrowing	—	—	—	1.319	5.554	6.587	5.236	16.455	11.493	12.340

Source: Ministry of Finance

WORKERS' REMITTANCES BY MONTHS

(US. $ thousands)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
January	31.545	38.386	82.615	122.003	143.886	70.902	75.369	42.442	83.090	83.300
February	30.004	41.740	55.636	78.852	73.221	57.327	69.425	43.362	75.417	173.300
March	24.323	40.086	60.458	88.654	69.066	58.481	70.613	73.471	55.698	111.700
April	21.076	34.544	69.507	61.205	80.849	59.327	67.702	55.508	128.599	114.800
May	29.846	44.953	83.001	107.821	68.319	66.123	76.731	61.595	639.278	103.200
June	35.356	50.976	96.193	106.745	81.900	87.387	94.284	66.025	106.188	155.000
July	62.196	108.959	180.168	209.028	183.104	110.932	106.217	87.183	100.900	279.400
August	66.757	119.143	165.734	204.800	171.695	109.253	109.078	109.334	111.368	279.500
September	44.160	75.620	105.095	135.766	139.431	98.817	92.124	119.238	110.736	207.300
October	44.040	55.922	83.532	95.031	111.813	86.433	81.301	129.966	90.460	205.000
November	35.293	49.637	81.414	84.432	89.732	81.771	63.776	95.838	99.525	172.500
December	46.771	80.189	119.900	131.844	99.338	95.989	75.422	99.102	95.113	186.000
T O T A L	471.367	740.155	1183.253	1426.211	1312.354	982.742	981.824	983.064	1696.372	2071.008

Source: Central Bank of Turkey.

DOLLAR EXCHANGE RATE OF THE TURKISH LIRA

(TL. per US $)

7th	September	1946	2.80	25th	January	1980	70.00
23rd	August	1960	9.00	2nd	April	1980	73.70
10th	August	1970	14.85	9th	June	1980	78.00
28th	December	1971	14.00	4th	August	1980	80.00
16th	February	1973	13.85	11th	October	1980	82.70
15th	August	1973	14.00	26th	October	1980	84.80
14th	May	1974	13.50	9th	November	1980	87.95
20th	September	1974	13.85	10th	December	1980	89.25
17th	April	1975	14.00	27th	January	1980	91.90
8th	July	1975	14.25	5th	February	1981	95.95
8th	August	1975	14.50	22nd	March	1981	95.65
28th	August	1975	14.75	15th	April	1981	98.20
28th	October	1975	15.00	4th	May	1981	99.80
15th	March	1976	15.50	11th	May	1981	100.80
4th	April	1976	16.00	18th	May	1981	102.10
27th	October	1976	16.50	25th	May	1981	102.60
1st	March	1977	17.50	1st	June	1981	103.65
21st	September	1977	19.25	8th	June	1981	107.20
1st	March	1978	25.00	15th	June	1981	107.65
10th	April	1979	26.50	22nd	June	1981	108.70
10th	May	1979	26.50	29th	June	1981	109.90
10th	June	1979	47.10				

Turkish Industrialists and Businessmen's Association

TÜSİAD, «Türk Sanayicileri ve İş Adamları Derneği» or «Turkish Industrialists and Businessmen's Association» was founded in August 1971 by the leaders of the Turkish industry.

TÜSİAD is a non-profit and independent organization. In serving the various groups to which it is accountable, it seeks to improve the quality and effectiveness of free enterprise through development and dissemination of objective information. Also it attempts to create broader understanding of business and economic activity.

Its fundamental purpose is to promote public welfare through free enterprise by bringing together the experiences and views of those engaged in industry and business. It conducts research in the fields of economic outlook and trends, fiscal and monetary developments, marketing, industrial statistics, international economics, public affairs and other related areas. The Association carries out its research work in a scientific manner and handles confidential information in a discreet manner.

The Association brings together leaders in business, labor, the academic world and government at meetings where economic policy, business prospects and executive experiences are discussed.

The news media are an important link in the Association's communication chain. The Association releases a great deal of its work through the media, thus trying to provide the public with objective information upon which to form sound opinion.

The results of the research programs are mailed to associates, the academic world, government officials and news media through research reports, a monthly periodical, books and other special publications.

Membership in the Association is voluntary.

WHAT THE «BY-LAW» SAYS :

Objectives and Aims of the Association

The objectives and aims of the Association are to contribute to the democratic and planned development of Turkey. It seeks to accomplish this in keeping with the principles of mixed economy, as envisaged by the Constitution, and in conformity with Ataturk's principles.

The Association recognizes the industrialists as the leading power of the development process. It pursues the aim of bringing together, within the Association, the Turkish industrialists of the public and private sectors, professionals, academicians and businessmen, with the purpose of protecting and strengthening the democratic government and free enterprise. The Association's objectives include every effort required for the organization and development of free enterprise in the interest of the country.

Functions of the Association

- In order to attain its objectives along the lines of the mixed economy principles, the Association emphasizes the vital importance of free enterprise for the national economy and social structure. It urges and encourages free enterprise to discharge its responsibility towards the development of the country, in line with national interests.
- The Association believes that economic, social and cultural development within the economic power of this country can be materialized following the example set forth by the free world and through democratic processes. In addition, it stresses the need that national savings be increased and channeled to a capital market open to the public.
- Acknowledging the urgency of our educational problems, the Association endeavours to be of assistance in the field of education and training.
- With the firm belief that Turkey must have a balanced development in a setting of social security, and that capital, labor and enterprise are complementary essential elements, it contributes to the development of employer-employee relations in order to cause the most profitable and beneficial impact on the overall development of the country.

- Engages in activities to channel investments toward priorities of public interest and toward those productive areas that give impetus to exports and earn foreign exchange, and which contribute to development plans. Cooperates with private and public organizations which are concerned with industrial development.
- Provides guidance and counsel in order that the commercial and industrial enterprises of Turkey, an associate of the European Economic Community can build up competitive power both within and outside the Community.
- With a view towards stimulating the Turkish economy, takes the initiative in learning and evaluating the points of view of the businessmen and keeps those points of view available to be used by the relevant government offices; engages in guidance activities in the reorganization of the industrial structure.
- Makes use of such publicity media as radio and TV, newspapers, books and brochures to promulgate its objectives and activities; arranges meetings, courses, seminars, lectures and conventions.
- Cooperates both with existing and future domestic and foreign private and public institutions, chambers of commerce and industry, stock markets, professional associations, foundations or sets up new leagues with them or establishes organizations under its sponsorship, if and when necessary.

WHAT TÜSİAD DOES :

Ever since TÜSİAD's founding in 1971, it has been a fundamental tenet that the public will share the knowledge developed by the organization's work. It is to everyone's advantage that the public, as well as management, understands how the business institutions work in market economies, and it has been TÜSİAD's special mission to further this understanding among all groups. To do this effectively requires that TÜSİAD be independent, as it is. It draws its financial support from many diverse sources. It studies economics and business, not a spokesman for, but it advocates in general it is «free enterprise». Its published research presents facts; users of these facts develop their own conclusions as to how to apply them. TÜSİAD conferences provide opportunity for participants to share their experiences with each other and with other elements of society, and for society to feed its reactions and opinions back to «free enterprise». TÜSİAD views business, economics and society through a wide-angle lens, focusing its examinations primarily on questions of national and international significance.

This effort is supported by a full-time staff in the Istanbul headquarters. The staff is engaged in producing information through research or communicating information through publications, meetings, news releases, and other channels.

The greatest part of its income is from annual subscriptions by its Associate members and their organizations. And this is a larger sense in which to view the «charitable» nature of TÜSİAD's work. Its certificate of incorporation states that TÜSİAD's fundamental purpose is «to promote public welfare». It pledges TÜSİAD to carry on its work in the open-minded and straight forward spirit which characterizes all efforts to seek, to learn, and to promulgate the truth.

Delivering Information

Publications, meetings and news releases are the primary means by which TÜSİAD shares business and economic intelligence with its various audiences.

- TÜSİAD regularly receives a great variety of statistical series and analyses describing what is happening in significant segments of the economy. They are of special value to Parliament and government members, government officials and private sector executives, economists and other professionals in both the public and private sectors, and the news media.

Publications

TÜSİAD delivers published research and information in a variety or forms - from single sheet tables, charts or text to major studies running to several hundred pages. The flow of this material is continuous throughout the year, with TÜSİAD distributing roughly 200.000 published items annually to members and Associates and others in the country and around the world.

TÜSİAD reports are for lay audiences and considerable effort is devoted to making them clear, concise and objective. Technical jargon is avoided wherever possible, and great care is taken to ensure that research publications present fact and not opinion.

Among TÜSİAD economic series and reports are :

- **GÖRÜŞ**

  A monthly economic review on economic topics. In the best contemporary magazine journalistic tradition, the professionally edited monthly magazine, GÖRÜŞ carries articles by researchers from many fields of endeavour. This is a publication of factual presentation. Every month 5.000 copies have been printed and it has country-wide distribution.

- **«Conjoncture» Reports**

  TÜSİAD economists carefully study the economic conjoncture within Turkey as well as the international development, and publish 3 conjoncture reports. Throughout the years, these reports have had a large range of distribution.

- **Sector studies**

  TÜSİAD also publishes various sector studies which examine both the bottlenecks and the opportunities existing in different sectors of the economy

- **Occasional Papers on Current Economic Issues**

  As soon as an economic issue gains popularity in the public opinion, TÜSİAD publishes a thorough study on the subject trying to give the most updated information. Such occasional papers (usually ten or so within a year) are highly welcomed by the economic media in Turkey.

- **Annual Economic Country Reports (in English)**

  Every year an Englist Report is published covering the social and economic aspects of the development in Turkey.

- **Monitoring Government Activities**

  The Five Year Development Plans, Yearly Economic programs and the State Budget, which have enormous influence on the state of the Turkish economy, are throughly examined by TÜSİAD in every stages of their development. Each year, TÜSİAD prepares and publishes highly researched studies to present different views for the discussion of these documents and to put forward, the unofficial opinion of the business community on these public issues.

Public Information

In keeping with its responsibility to enhance public understanding of the business and economic system, TÜSİAD conducts a very active information program for news media in Turkey and throughout the world.

Releases are drafted for most TÜSİAD studies, presenting the major findings in language and style which are acceptable to the media and understandable to the general public. They are distributed regularly to editors, writers, columnists and opinion leaders of newspapers, magazines, radio and television news syndicates, and wire services here and abroad. Members of the working press are welcome to anything that TÜSİAD publishes and are encouraged to use TÜSİAD as an information resource when facts and perspectives are needed. Senior research specialists devote an appreciable amount of time to assisting news people, either with interviews or with background information.

The press both in Turkey and abroad, make constant use of TÜSİAD research and conference addresses as the factual basis of news stories, editorial comment, feature articles, and broadcasts on the course of business and the economy. This heavy use of TÜSİAD work provides a measure of TÜSİAD acceptance as an objective source of information for the general public as well as for the public and the private sectors.

Seminars

Seminars are important means of communicating information developed by TÜSİAD. They are intensive instructional vehicles designed to broaden participants' understanding of specific issues.

Meetings

Each year TÜSİAD conducts several meetings in various locations around the country. Each session is attended by many members, chief executives of major public and private corporations, university professors, editors of the news media, and very often, government officials. There is no attempt to reach conclusions or formulate plans of action. Rather, the benefit is in the opportunity that the meetings offer all participants to compare experiences and to share with their peers their opinions on the emerging business social-political issues of the times

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Speakers are drawn from business, labor, government, academies, foundations, associations and other sources of expertise. Audiences range around several hundred.

As with TÜSİAD's research, the open conferences deal with forces affecting business and the economy.

The news media are encouraged to cover open conferences, and on occasion edited transcripts are prepared for distribution to members. In addition to their role as communication vehicles, most of the TÜSİAD meetings generate ideas or provide perspective for the research programs.

Promoting Better Understanding Between Business and Government

With the growing need for involvement in public policy issues by private-sector leaders, TÜSİAD carries programs in order to contribute to professional development and communication in this field.

Sharing With Others

In the broadest sense, information developed by TÜSİAD belongs to the country. TÜSİAD publications are not copyrighted, and anybody has the right to quote from or to reprint their material. This is done in the belief that other responsible parties can help TÜSİAD to achieve its mission of creating broader understanding of business and economic activity. Scholars are frequent users of TÜSİAD research findings, and the broad range of publications containing passages from TÜSİAD reports attests to the confidence which the academic community places in TÜSİAD's objectivity and scientific methods.

WHERE TÜSİAD STANDS

In Turkey, the share of the private sector in the value added of the manufacturing industry is 48.4 %.

In the large manufacturing industry the share of the private sector in total production and employment is 65 % and the rest is State Economic Enterprises.

TÜSİAD members, through the associate companies, represent about half of the production and employment of large manufacturing industry.

But also through associate member companies, TÜSİAD has in addition been representing a big share of the private sector banking community, insurance companies, the construction sector and other service sectors.

The members of TÜSİAD are not more than 200, but the number of associate companies is about 1000.

TÜSİAD was founded in August 1971 under the «Voluntary Associations Law» of Turkey. Its membership is voluntary as well, and candidates for membership are according to TÜSİAD's by law carefully examined and eventually accepted by its Board which is composed of leading industrialists and businessmen of Turkey.

Members can only be individuals, therefore companies are represented in TÜSİAD through their main shareholders, presidents, chairman or top managers.

(According to Voluntary Associations law, only individuals can join the Association as members. Juridical persons have no right of membership in voluntary associations, they can only be members of professional associations, where membership is compulsory such as chambers and unions etc...)

The main professional organizations in Turkey are the following :

Chambers of Commerce
Chambers of Industry
Chambers of Commodity Exchange

TURKISH UNION OF CHAMBERS OF COMMERCE, INDUSTRY AND COMMODITY EXCHANGES

(It is compulsory for any businessman or company to join their local chambers)

Tradesmen's Associations
Craftsmen's Associations
Tradesmen's and Craftsmen's Federations

TURKISH CONFEDERATION OF TRADESMEN AND CRAFTSMEN

(Every person who has professional, commercial and industrial activity must join the local association.)

Chambers of Agriculture

TURKISH UNION OF CHAMBERS OF AGRICULTURE

(This is a country-wide association and it is the top representative of farmers in the country. But all farmers are not members of the local Chambers of Agriculture.)

Employer Associations
Federations of Employer Associations

TURKISH CONFEDERATION OF EMPLOYER ASSOCIATIONS

(For employers, membership is not compulsory in such an union. The Confederation however is the most representative body to run collective bargaining and labour relations on behalf of employers.)

THE FREE ENTERPRISE COUNCIL

This Council has been formed with the participation of :

TURKISH UNION OF CHAMBERS
TURKISH CONFEDERATION OF EMPLOYER ASSOCIATIONS
TURKISH CONFEDERATION OF TRADESMEN AND CRAFTSMEN
TURKISH UNION OF CHAMBERS OF INDUSTRY
TÜSİAD

(The Council is in a position to represent «Free Enterprise» in the country in a broader sense.)

All TÜSİAD members, personally or through their companies are members of at least one chamber and most of them are also members in an employers' union.

State economic enterprises must join their local chambers and may join one employers' union within their field of activity.

Türk sanayicileri ve iş adamları derneği

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Printed by NURTAN MATBAASI
22 73 27 - 26 46 35 İstanbul - Turkey