

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SCHEDULE XXXVII - TURKEY

Request for Waiver under Article XXV:5

The following communication, dated 26 June 1964, has been received from the permanent representative of Turkey.

On instructions of my Government, I have the honour to inform you that Turkey requests the CONTRACTING PARTIES to grant a waiver from the provisions of Article II, making it possible for the Government of Turkey to give effect, pursuant to the new tariff law which has recently been enacted, with a view to the establishment of a more coherent arrangement and a better adaptation to the objectives of the Development Plan and current economic needs, as promptly and expeditiously as possible, to a revised Tariff Schedule of Turkey, before having completed the necessary renegotiations of Schedule XXXVII in accordance with Article XXVIII of the General Agreement.

Since the establishment of the existing Schedule XXXVII, significant changes have taken place in the economic situation of Turkey.

A comprehensive and long-term Development Plan has been initiated and vigorously put into effect. It was designed to achieve an average 7 per cent rate of growth, to attain the highest possible volume of employment at satisfactory income levels, while maintaining economic stability and securing an equilibrium of the external payments, and at the same time reducing the degree of reliance on direct controls and restrictions on trade and external transactions.

The Turkish Development Plan envisages a mixed economy where private and public sectors function side by side and entails the development of a market economy in which the price mechanism and competition are allowed to play their full rôle. In this connexion the Plan, in conformity with the principles and philosophy underlying the General Agreement, emphasizes that direct controls (quotas and prohibition of certain imports) will be avoided and only indirect measures (taxation, tariffs) will be relied upon to influence the behaviour of the private sector.

Despite some impressive industrial achievements, Turkey has remained pre-eminently an agricultural country. Industrial growth so far has not measured up to the Turkish people's real needs and aspirations. In view of this situation, the Plan assigns great importance to the development of industry which is alone capable of absorbing the rapidly growing labour force and setting up national substitutes as well as creating new export industries. The Plan also contemplates a protected development of domestic industries, which, given the present circumstances, is the only path open to the Turkish economy.

The trade balance has shown a very large deficit in recent years, fluctuating around \$250 million a year. The development of the country has entailed a large and rapid increase of the share of manufactured goods in total national expenditure and has hence led to substantial imports of capital goods. In fact, imports have tended to rise more than the rate of growth of the national product. Exports on the other hand have shown virtually no growth as in the case of all other less-developed countries. A large part of exports has consisted of agricultural commodities for which international demand has increased only very slowly and is very inelastic in response to changes in prices. Much of the rest has consisted of minerals and raw materials, prices of which have developed unfavourably since 1952.

The persistence of a trade deficit of this size implies that the major problem confronting the Turkish economy is the situation of the balance of payments; in other words, the primary bottleneck in the planned development is the shortage of foreign exchange. The need to save foreign exchange and to streamline the available funds to the best interest of economic growth requires prompt action and appropriate measures in this field.

The implementation of the Development Plan, in general, necessitates an effective translation of its broad statements and underlying principles into law and administrative practice. In order to ensure that timely action is taken to attain the objectives of the Plan, the Turkish Government has taken courageous steps to approach and solve the problem of the appropriate reorientation of fiscal legislation and current economic policies. For the purpose of securing the funds needed to finance investments and other development expenditures (expanded education and health services) without recourse to inflationary methods, and to raise the elasticity of State revenues in relation to the national income, an extensive tax reform has also been initiated. Furthermore, with a view to extending adequate protection to new and expanding industries and to prevent an even more difficult balance-of-payments situation developing, without resort to restrictive measures and further intensification of direct controls, a revision of the Turkish tariffs on a selective basis has been undertaken.

For this very reason, my Government has deemed it appropriate, even necessary, to revise and modify the Tariff Schedule XXXVII annexed to the General Agreement, which covers 40 per cent of the General Tariff items.

In view of the special and exceptional circumstances, and in order to proceed with a speedier application of the revised Schedule of concessions, my Government requests that the necessary arrangement be made to enable the CONTRACTING PARTIES to take a decision by postal ballot on Turkey's request as expeditiously as possible.

In this connexion the Turkish Government can give an assurance that the revision and modification anticipated will neither materially affect the interests of the contracting parties nor alter substantially the general level of reciprocal and mutually advantageous concessions contained in Schedule XXXVII.

The request of the Government of Turkey will be put on the agenda for the meeting of the Council on 6-7 July 1964.