

NEAR EAST UNIVERSITY



ECONOMIC DEVELOPMENTS AND TURKEY

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ECONOMIC DEVELOPMENTS IN TURKEY

I. GNP, PRODUCTION AND INVESTMENTS IN SECTORS

1. Background

If we look at the history of Economy in Turkey we see a changing trend in the economic models which had been adopted through the years.

1923-1930 Liberal Economy

1930-1938 State economy

1938-1945 War-time, changing to market economy

1945-1960 Liberal economy, increase in consumption

1960-1995 Economical growth by planning

2. GENERAL OUTLOOK

Developments

We will now try to look at the Turkish economy today. Turkish Economy has gone through many phases over the years. The recent and important development took place in the beginning of the 1980's with the Özal period, when the Turkish economy opened to the world. The latest and most important development was when the Turkey joined EU with a Customs Union

3. National Income

The Gross National Product (GNP)

The Gross National Product grew 4% in the first quarter of 1994, and regressed 9.7% in the second quarter, 8.6% in the third quarter and 6.8% in the fourth quarter. Thus, in 1994 the GNP decreased at the rate of 6%.

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Explained in Table 1 or what ever it is. And Explanation of table --- 9/1

WHAT IS THIS TABLE ABOUT?

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TABLE 1- NATIONAL INCOME

Branches of Economic Activity	Value Million TL			Share (%)		Change (%)			
	1992	1993	1994	1992	1993	1994	1993	1994	
1. AGRICULTURE	14,651	14,463	14,415	16.2	14.8	15.7	-13	-0.3	
A. Farming and Animal Husbandry	13,489	13,391	13,357	14.9	.7	14.5	0.7	-0.3	
B. Forestry	900	733	696	1.0	0.8	0.8	-18.6	-5.1	
C. Fishing	262	339	363	.3	0.3	0.4	29.2	7.1	
2. INDUSTRY	24,268	26,260	24,775	26.9	26.9	27.0	8.2	-5.7	
A. Mining	1,624	1,521	1,642	1.8	1.6	1.8	-6.4	8.0	
B. Manufacturing Industry	20,281	22,166	20,473	2.4	22.7	22.3	9.3	-7.6	
C. Electricity, Gas, Water	2,363	2,573	2,660	2.6	2.6	2.9	8.9	3.4	
3. CONSTRUCTION INDUSTRY	5,814	6,272	6,144	6.4	6.4	6.7	7.9	-2.0	
4. TRADE	17,902	19,975	18,472	19.8	20.4	20.1	11.6	-7.5	
A. Wholesale and Retail Trade	15,370	17,209	15,490	17.0	17.6	16.9	12.0	10.0	
B. Hotel, Restaurant Services	2,533	2,766	2,982	2.8	2.8	3.2	9.2	7.8	
5. TRANSPORTATION, COMMUNICATIONS	10,899	12,081	11,835	12.1	12.4	12.9	10.8	-2.0	
6. FINANCIAL INSTITUTIONS	2,463	2,453	2,417	2.7	2.5	2.6	-0.4	-1.5	
7. HOUSING OWNERSHIP	4,841	4,976	5,117	5.4	5.1	5.6	2.8	2.8	
8. SELF-EMPLOYED AND SERVICES	2,051	2,192	2,100	2.3	2.2	2.3	6.9	-4.2	
9. (-) RELATIVE BANK SERVICES	2,116	2,103	2,066	2.3	2.2	2.3	-0.6	-1.8	
10. SECTORS TOTAL (1-9)	80,774	86,568	83,209	89.4	8.6	90.6	7.2	-3.9	
11. STATE SERVICES	4,259	4,336	4,371	4.7	4.4	4.8	1.8	0.8	
12. NON-PROFIT	386	397	388	0.4	0.4	0.4	3.0	-2.5	
13. TOTAL (10+11+12)	85,419	91,302	87,968	94.5	93.5	95.8	6.9	-3.7	
14. IMPORT TAX	3,982	5,289	3,429	4.4	5.4	3.7	32.8	-35.2	
15. GDP (BUYER PRICES) (13+14)	89,401	96,590	91,396	99.0	98.9	99.6	8.0	-5.4	
16. FOREIGN NET FACTOR INCOME	944	1,086	412	1.0	1.1	0.4	17.8	-62.1	
A. Coming from Abroad	3,532	3,922	3,567	3.9	4.0	3.9	11.8	-9.1	
B. Going Abroad (-)	2,588	2,836	3,154	2.9	2.9	3.4	9.6	11.2	
17. GNP (Buyer Prices) (15+16)	90,344	97,677	91,809	100.0	100.0	100.0	8.1	-6.0	

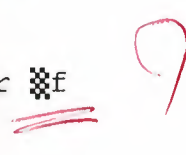
Source: State Institute of Statistics (SIS)

4. Personal income

Gross National Product per Capita

Year	Population	Current TL	price Fixed price TL (1968=100)
1969	34.442.000	3.626.2	3.443.30
1970	35.321.000	4.183.8	3.551.00
1971	36.215.000	5.318.3	3.813.69
1972	37.132.000	6.485.2	3.998.61
1973	38.072.000	8.130.50	4.109.52
1974	39.036.000	10.941.1	4.304.05
1975	40.078.000	13.368.2	4.823.76
1976	40.915.400	16.497.3	4.784.32
1977	41.768.000	20.898.6	4.868.76
1978	42.640.000	30.270.2	4.903.78
1975	43.530.000	50.528.8	4.786.20
1980	44.438.000	99.805.4	4.638.39
1981	45.540.000	144.460.5	4.713.92
1982	46.688.000	188.613.0	4.807.00
1983	47.864.000	241.347.6	4.844.22
1984	49.070.000	374.461.8	5.006.04
1985	50.306 000	552.447.5	5.132.00
1986	51.546 000	760.301.1	5.410.38
1987	52.845.000	1055.109.0	5.636.0

5. SECTORAL DEVELOPMENTS

The economic instability that started in the financial markets in the first months of 1994 was also reflected in production in the following months. Industrial production decreased to a significant degree under the influence of the April 5th Decisions which restrained the demand and limited investments. In 1994 there was a regression in the agricultural sector production as well due to the fact that it was a year ~~of~~ drought. 

a. Agriculture

In 1994 there was a decrease of 0.3% in the added value of the vegetable production and animal husbandry sectors, a decrease of 5.1 % in the added value of the forestry sector and an increase of 7.1 % in the added value of the fishery products sector. Thus, there was an 0.3% decrease in 1994 in the added value of the agricultural sector¹.

As a result of these developments, the share of the agricultural sector in the GNP that was 15.3% in 1993 became 15.6% in 1994. In 1994 the share of vegetable production and animal husbandry within the agricultural added value was realized at 93.2% the share of forestry was 2.8% and the share of fishery products was 4%.

¹ Undersecretariat of Foreign Trade, "Main Economic Indicators", P.15

In 1994, while the cereals added value, decreased 15.1 % and the pulses added value decreased 13.5%, the fruit growing added value increased 16.4% and the vegetable growing added value increased 4.3%.

In 1994, of the important cropland products, wheat production decreased 16.7%, barley production decreased 6.7%, corn production decreased 26%, tobacco production decreased 28.6%, sugar beet production decreased 18.5% and sunflower production decreased 9.2% and there was a 4.9% increase in cotton production.

Olive production increased 154.6% in 1994 and apricot production increased 73.9%, while pistachio nut production decreased 20% and grape production decreased 6.8% . In general an increase was observed in vegetable production.

b. Agricultural Support Purchases

In 1994 in the framework of the April 5th Decisions, the scope of the agricultural support purchases was limited. The purchase prices of the products in the scope of support in 1994 increased a nominal average of 84.5% compared with the previous year. In the same period, the increase in the Consumer Price Index in Rural Areas, that was disclosed by the State Institute of Statistics (SIS) was 110.6%. Thus, in 1994 the support purchase prices regressed 12.4% in real terms.

b. Industry

In 1994, the industrial sector, just as the other sectors, remained under the influence of the April 5th Decisions which restrained the demand and limited investments. The industrial sector added value increased 6.4% in the first quarter of 1994, decreased 11.9% in the second quarter, decreased 8.3% in the third quarter and decreased 7.3% in the fourth quarter and thus, as of 1994, the industrial sector added value decreased 5.7%

The mining sector added value increased 8% in 1994 and the energy sector added value increased 3.4%, while the manufacturing industry added value decreased 7.6%. As a result of these developments, the share of the mining sector in the GDP that was 1.1% in 1993 had increased to 1.4% in 1994. In the same period, the share of the manufacturing sector rose from 20.8% to 22% and the share of the energy sector went from 2.6% to 2.9%. Thus, the share of the industrial sector in the GDP was realized at 26.3%.

Industrial production increased 6% in the first quarter of 1994 and decreased 9.1 % in the second quarter, decreased 8.8% in the third quarter and decreased 5.3% in the fourth quarter. Thus, the total industrial production decreased 4.6%. The industrial

sector production index that was 149 in 1993 decreased 4.6% and became 142.1. In 1994 the public sector industrial production increased 4.3% and the private sector industrial production regressed 11.5%².

In January 1995, industrial production had decreased 5.8% in comparison with the same month the previous year and in February it had decreased 2.7o/a. Manufacturing industry production had decreased 10.3% in January and 4.7% in February and mining production had decreased 5.7% in January and 3.2% in February.

b.1. Mining

The mining sector added value increased 4.2% in the first quarter of 1994, 21.4% in the second quarter, 6.3% in the third quarter and 2.1% in the fourth quarter. Thus, in 1994 the increase in added value in the mining sector was 8%.

The mining sector production increased 1.4% in the first quarter of 1994 and 7.7% in the second quarter and decreased 2.6% in the third quarter and 1.9o/o in the fourth quarter. Thus, in 1994 the total mining sector production increased 0.9%. Mining production increased 1.3% in the public sector and decreased 1 % in the private sector.

² Undersecretariat of Foreign Trade, "Main Economic Indicators", P.14

Coal production increased 4.8% in 1994 and iron ore production 19.2%, while crude oil and natural gas production decreased 5.3%³

b.2. Manufacturing Industry

The manufacturing industry added value increased 6.5% in the first quarter of 1994 and decreased 15.4% in the second quarter, 10.5% in the third quarter and 9.1% in the fourth quarter. Thus, the total decrease in the added value in the manufacturing industry in 1994 was 7.6%.

The manufacturing industry production increased 5.6% in the first quarter of 1994, and decreased 13.2% in the second quarter, 12.1 % in the third quarter and 7.8% in the fourth quarter. Thus, the total manufacturing industry production regressed 7.40/o in 1994. The manufacturing industry production increased 2.9% in the public sector and regressed 11.9% in the private sector.⁴

b.3 Food Industry

The food industry production increased 16.9% in the first quarter of 1994, 1.4% in the second quarter, 0.1% in the third quarter and decreased 7.8% in the fourth

³ UCCET ECONOMIC REPORT, MAY 1995, P.21

⁴ Undersecretariat of Foreign Trade, "Main Economic Indicators", P.11

quarter. Thus, the total increase in the food industry production in 1994 was 1.6%. The food industry production increased 4.9% in the public sector and decreased 2% in the private sector. The 73.4% rate of capacity use in 1993 became 71.4% in 1994.

b.4 Textile Industry

The textile industry production increased 6.3% in the first quarter of 1994 and decreased 14.9% in the second quarter, 11.5% in the third quarter and 0.8% in the fourth quarter. Thus, there was a 5.3% decrease in the total textile industry production in 1994. Textile production decreased 26.4% in the public sector and 3.8% in the private sector (Tables 22-23). The 81.4% rate of capacity use in 1993 became 78.2% in 1994.

b.5 Forest Products Industry

The forest products industry production increased 13.8% in the first quarter of 1994 and decreased 15.9% in the second quarter, 33.7% in the third quarter and 18.8% in the fourth quarter. As a result of these developments, there was a 15.5% decrease in the total forest products industry production in 1994. The forest products industry production decreased 34.1 % in the public sector and 8.3% in the private sector (Tables 22-23). The 77.4% rate of capacity use in 1993 had regressed to 67.1 % in 1994.

b.6 Paper and Printing Industry

The paper and printing industry production increased 1.2% in the first quarter of 1994 and decreased 10% in the second quarter, 5.8% in the third quarter and 0.4% in the fourth quarter. Thus, there was a 3.8% decrease in the total paper and printing industry production in 1994. The decrease occurring in the paper and printing industry production was 0.1% in the public sector and 4.6% in the private sector (Tables 22-23). The 75.9% rate of capacity use in 1993 had regressed to 74.5% in 1994.

b.7 Chemical Industry

The chemical industry production increased 1.3% in the first quarter of 1994 and decreased 9.9% in the second quarter, 5.5% in the third quarter and 0.6% in the fourth quarter. As a result of these developments, there was a 3.8% decrease in the total chemical industry production. The chemical industry production increased 4.9% in the public sector and decreased 11.5% in the private sector (Tables 22-23). The 80% rate of capacity use in 1993 became 75.2% in 1994.

Industry Based on Clay and Earthenware The industry based on clay and earthenware, just as with almost all the sectors, increased in the first quarter of 1994, then as of the second quarter with the influence of the April 5th Decisions, it started to decrease and this decrease

continued in an increasing manner in the third and fourth quarters. Production increased 22.1% in the first quarter of 1994 and decreased 6.3% in the second quarter, 6.6% in the third quarter and 8.4% in the fourth quarter. Thus, the total production decreased 1.5% in 1994. Production in the public sector decreased 35.1% and increased 2% in the private sector (Tables 22-23). The 89.9% rate of capacity use in 1993 became 84.2% in 1994.

b.8 Metal Main Industry

The metal main industry production increased 6.8% in the first quarter of 1994 and decreased 3.7% in the second quarter, 0.5% in the third quarter and 2.4% in the fourth quarter. Thus, there was a 0.1 % decrease in total production in 1994. Production increased 3.4% in the public sector and decreased 1.9% in the private sector (Tables 22-23). The 85.4% rate of capacity use in 1993 became 82.2% in 1994.

b.9 Machinery Industry

In 1994 as of sectors, the machinery industry was the sector with the greatest decrease in production. The machinery industry production increased 0.5% in the first quarter and decreased 32.4% in the second quarter, 33.2% in the third quarter and 29.6% in the fourth quarter. Thus, production regressed 24.6% in 1994. The machinery industry production decreased 27.9% in the private sector

and increased 6% in the public sector . The 77.9% rate of capacity use in 1993 regressed to 60.9% in 1994.

b.10 Manufacturing Industry Production on the Basis of Items

In 1994 cement production decreased 5.8%, profile production 45.8%, plate production 27.1%, ammonium sulphate production 41.6%, cotton thread production 19.8% and cubed sugar production 7.5%. Filtered cigarette production increased 11.7%, newsprint production 16.7%, regular gasoline production 2.8%, diesel fuel production 2%, raw iron and fluid steel production 5.7%.

In 1994, other than music set and refrigerator production, there was a decrease in the production of the remaining durable consumer items. Oven production decreased 28.8%, washing machine production 20.4%, television production 20.5%, automobile production 41.6% and tractor production 27.2%. On the other hand, in 1994, other than music sets and refrigerators, the sales of the remaining durable consumer items decreased. Oven sales decreased 28.3%, washing machine sales 17.1 %; television sales 19%, automobile sales 43.9% and tractor sales 21.3%.

c. Tourism Sector

This is the golden sector of Turkey in the last few years. Tourism is becoming the most important sector in Turkey. It was once dream and never thought to become a

reality, but now Turkey is the most favorable visiting place for Europeans. Tourism is becoming more and more important in Turkish economy. Almost one third of the foreign currency income of Turkey is from tourism activities. It is expected that relations will be even higher after the completion of customs union with Europe.

Tourism in Turkey had developed in real sense as a sector only in the passed decade. Although Turkey is a part of Europe, Europeans discovered the richness of Turkey in tourism only in the passed few years. The reason for this was the closed economy of Turkey and also the image. Turkey was thought to be a backward Islamic country. Thanks to Özal, Turkey started to open up in 80'ies and Tourism is a very important sector Today. And indeed Turkey is one of the most favorite places in the world.

Main advantage of Turkey in tourism along with the natural beauty is the learning's from the other touristic countries. So, starting late has turned in an advantage and Turkish investor did not make the mistake of the other nations. As known, in Spain the beaches has turned into a concrete block and lost all its beauty. Whereas in Turkey the hotels and holiday villages are so designed that, they are perfect harmony with the nature.

Turkey has all the resources that tourism takes. Along the beautifully designed premises, there is a beautiful beach, swimming pools, walking places and facilities for sports. Turkey is very well known for production of fruits and vegetable. It is the famous place for green-house production, bananas, citrus, strawberries etc.. Labor force has also proved to be more than adequate.

Targets of tourism sector.

Overall bed capacity in Turkey , at the beginning of the holiday season in 1995 was nearly half a million.

Realization of tourism for the 1995 season was stated as below;

NUMBER OF TOURISTS : 7,750,000
INCOME FROM TOURISM : 4.5 billion US dollars
ORIGIN OF TOURIST : 65% OECD
15% Others
20% Eastern Europe

Estimate for 1996 is about 10 million tourist.

Turkish tourism authorities watch and make detailed plans to improve the sector. They introduced plans, incentives and all sorts of support to the tourism.

Governments efforts for the future:

To achieve the figures mentioned above it was planned to take the following action in the coming season:

- * The amount of money to be spend in advertising in each prospective country, will be in proportion of the number of tourists came from that country in the season 1994 and earlier.
- * While trying to attract more tourist from the European Countries of OECD, efforts will be made to attract tourist from USA, CANADA and Australia, who are also members of OECD.
- * Germany, England and France has proved to be prime visitors of Turkey. Direct advertising, to the public is planned to be improved in these countries. More variety tourism segments will be offered to the tourist of these countries, under the headings of, Congress, 3rd age group, adventure, religious tourism etc.
- * Incentive Work-shops held in England Germany and France had helped to improve the figures. Same work-shops will be organized in USA, Canada and Australia this year.

* There will be an advertising campaign for the new prospective countries, along with communication with the tour operators and travel agents of these countries.

* New offices shall be opened at various spots in the customer or prospective customer countries, and the main aim of these offices will be to improve the image of Turkey.

* In established countries, such as England, France and Germany, more detailed advertising campaigns will take place. Advertising of the regions and special spots, will take place rather than the whole country.

* To improve demand and increase tourism income, incentives will be given to the sectors, related with tourism.

* Government will support the sector, to improve capacity, offer more variety, and increase the environmental awareness.

* Along with the tour operators, journalists of press and television will be invited to Turkey, to promote the tourism. In doing this the Ministry will help them to get in touch with the Turkish journalists, artists and intellectuals.

* Communication between the tourism offices will be automated to make the advertisement efforts more effective.

4. Other sectors

We discussed some sectors above. General trend is applicable for those sectors which we have not listed. There are positive developments in the Turkish economy since the last decade. Joining the EU with a customs Union will bring further benefits to the economy. The first and immediate effect of CU is the abolishment of Quotas for garment exports.

5. Targets and Economic Balances

It has been anticipated for 1995 that the growth rate will be 3.1%, the GNP deflator 712%, the annual average inflation 76.2%, the Consolidated Budget deficit 138 trillion TL, exports 20 billion US dollars and imports 27 billion US dollars. It is expected that the balance of current transactions will have a surplus of 1.5 billion US dollars.

7. Social Developments

General Outlook

We will now try to evaluate the developments in the social aspects. Social aspects, like population, employment and education, are important factors in the economy of a country. The whole ideal of economic

activities is to create better climate for the communities.

8. Population

Population of Turkey is well over 60 million as of the end of 1993 and at the end of 1994, with an increase of 1.8%, it reached 61 million (Table 106). The population is composed of 33% in the 0-14 years of age group, 63% in the 15-64 years of age group and 4% in the 65+ years of age group. The 7-21 years of age group, that is described as the educational period age group, has a share of 32% within the total population. On the other hand, 59% of the population lives in cities and 41 % lives in villages.

9. Employment

In 1994, in parallel with the regression accruing in the GNP, employment decreased 2.2% and was 18.3 million persons. Thus, the rate of unemployment that was 7.6% in 1993 rose to 10.5% in 1994

10. Social Security

Social security in Turkey can not be considered as efficient as it should be. Compared with the developed countries, the salaries of the retired and the old age are very low. Recently private insurance companies are dealing with social security. Social security is one of the most important aspect in human life. Security of

earning enough money, having being looked after while of sickness, are all big concerns of human. There is no security for long term unemployment in Turkey yet. But almost all the working population is covered with an insurance.

11. Social Investment

People make the nation and a country. They work and they produce. But they have to be cared for. Social investment is the investment done in the Social sector. These sort of investments, such as hospitals, recreation centers, are done to improve the lives of the community. The more improved living standards means more production.

12. Educational Development

In the competing world the most important factor is the human factor. Education is a very important aspect in the life of a country. Education level of communities, determined the economic well-being of the country. The biggest investment in the countries are in education. Better educated communities are always the healthier in economy and all aspects.

13. Educational Investments

There is a shortage of Universities in Turkey. Education, with some exceptions, is done by the state. There are only a few private schools. But almost no

universities. The number of universities are not enough for the students and there are many students left out of university education. The number of universities has increased a lot since 1980's but there is still some room for investment in this sector.

II. BALANCE OF PAYMENT OF TURKEY

WHY?
WHAT IS THE RELATIONSHIP WITH THE PROJECT?

Currency earnings has always been less than currency spent, in the history of Turkey except for the years, of 1988 when there were more incoming currency of 1.6 billion dollars and 961 million dollar in 1989. In 1990 Trade deficit was 9.5 billion dollars and deficit of currency earnings were 2.6 billion dollars. Although the difficult situation continued in 1991, with the help of the foreign aid, the balance of payment was even. In 1992 deficit was again a billion dollars. In 1993 there was a boom in consumption and import. Exports were increased to 30 billion dollars, and the trade deficit increased to 14 billion dollars. Earnings from tourism and workers abroad was not enough to balance the payment, and Turkey realized the biggest deficit in its history.

Negative effect of balance of payment is reduced by invisible earnings and currency earnings from the workers from the foreign countries.

1 SUMMARY OF BALANCE OF PAYMENT

	1990	1991	1992	1993
EXPORTS	13.026	13.672	14.891	15.610
IMPORTS	22.580	20.988	23.082	29.772
BALANCE OF TRADE	-9.554	-7.326	-8.191	-14.162
INVISIBLES				
IN: TOURISM	3.225	2.654	3.639	3.959
CONTRIBUTION OF WORKERS	3.264	2.819	3.147	2.919
INTERST	917	935	1.012	1.135
OFF. TRANSFERS	1.157	2.245	912	733
OTHER EARNINGS	4.919	5.786	5.800	6.865
	13.464	14.439	14.510	15.611
OUT: TOURISM	520	592	776	934
INTERST	3.264	3.430	3.217	3.461
OTHER	2.737	2.819	3.269	3.434
	6.521	6.841	-7.262	7.829
BALANCE OF INVISIBLE	6.943	7.598	7.248	7.782
BALANCE <i>of what</i>	-2.611	272	-943	-6.380

SOURCE: UNDERSECRETARY OF FOREIGN TRADE DEPT.

Amongst the invisible earnings which are referred to as "others" are the following;

- earnings from the contract of constructions abroad,
- international transport services
- commissions and services.

Amongst invisible spendings are those , spendings for health treatment abroad, education abroad, and aids to the other countries.

Balance of payment, when in deficit, foreign loans are used. Savings in foreign currencies, incoming currency from foreign investments are other reserves which are used to diminish the deficit.

CAPITAL MOVEMENTS	(million dollars)			
	1990	1991	1992	1993
BALANCE OF CURRENT AFFAIRS	-2.611	272	-943	-6.380
FOREIGN BORROWINGS	3.595	3.784	3.523	4.857
LOAN PAYMENTS	-3.938	-4.095	-4.871	-4.412
LONG TERM DEPOSITS	49	497	410	925
NET LONG-TERM CAPITAL MOVEMENT	-294	-808	-938	1.370
NET SHORT-TERM CAPITAL MOVEMENT	3.000	-3.020	1.396	3.054
PRIVATE FOREIGN CAPITAL INVESTMENTS	547	648	2.411	3.917
PRIVATE SECTOR ACTIVITIES	3.966	-2.397	3.648	8.963
NET ERRORS	-47	1.096	-1.221	-2.275
GENERAL BALANCE	1.308	-1.029	1.484	308
INCREASE OR DECREASE IN THE RESERVES	-1.308	1.029	-1.484	-308

In 1992, \$4.9 million loan payment have been achieved, and the deficit even then was below \$1 billion. This led to an increase in the reserves of 1.5 million dollars. one of the main reasons for this positive development was the foreign investment in 1992 which totalled to 2.4 billion dollars.

Portfoiy investments in 1993 increased even more to nearly 4 billion dollars, but even this was not enough to balance the current accounts which gave a deficit of 6.4 billion dollars. In 1993 long and short term foreign investments totalled to 9 billion dollars. This should led to a reserve increase of up to 2.5 billion. Instead the increase in the reserves has been shown in the tables above, as 308 million dollars, and the remaining has been shown in the errors part of the table. It is not really explained.

2. BALANCE OF PAYMENT -1994

(Million Dollars)

	1993 Jan-Sept	1994 Jan-Sept
Exports	10.712	12.473
Imports	21.684	15.814
Balance of trade	-10.769	15.814
Invisibles		
EARNINGS		
Tourism	3.042	3.126
Income from workers	2.336	2.163
Interst	832	584
Unreturnable off.trans.	458	285
Other income	<u>5.084</u>	<u>4.816</u>
	11.752	10.974
SPENDINGS		
Tourism	718	690
Interest	2.622	2.674
Others	<u>2.469</u>	<u>2.195</u>
Balance of Invisibles	5.809	5.649
1)Balance ofcurrent acc.	<u>5.953</u>	<u>5.325</u>
CAPITAL MOVEMENTS		
Foreign Borrowings	3.752	2.449
Loan payments	-3.328	-4.070
KMDTH(Net)	<u>711</u>	<u>899</u>
Net long term capital mnt.	1.135	-722
Net short-term " "	3.435	-4.641
Priv. Foreign investment	429	300

Portföy investment	2.136	1.062
2) summary of capital movnt.	7.135	4.001
3) Net errors	<u>-1.599</u>	<u>1.792</u>
GENERAL BALANCE	710	-16
IMF	0	231
change of Reserves	-710	215

Source: State Planning Department

invisible earnings and expense both reduced. There is however a drop in the balance of earnings from 5.9 billion dollars to 5.3 billion dollars. This is a drop of 11%. Due to a big reduction in the foreign trade, current trade deficit increased to 4.8 billion dollars in the first 7 months of 1993. In the same period of the 1994 there was a surplus of 2.2 billion dollars. In total in 1994 there was an improvement on earning in a positive way, around 7 billion dollars. This enabled a payment of credits, about 4.6 billion dollars. The payment of credits were higher than the new credits obtained in this period.

3. 1994 and 1995 plan:

State Planning Organization is expecting increase in imports in the 1995. But they expect the balance of

payment to be positive this year. The expectations for 1994 as shown in the table below are 2.090 billion dollar surplus, and plan for 1995 is 430 million dollars. As it can be seen from the tables, the relations between IMF and Turkey has again started, and IMF has paid 340 million dollars credit in 1994 and they will have a stand-by credit available in 1995 of the amount, 400 million dollars.

BALANCE OF PAYMENT -1994

(Million Dollars)

	Target 1994	1995 Plan
Exports	17.800	19.850
Imports	<u>22.440</u>	<u>26.370</u>
Balance of trade	-4.640	-6.520
Invisibles		
EARNINGS		
Tourism	4.000	4.500
Income from workers	2.700	2.900
Interst	800	1.000
Unreturnable off.trans.	630	550
Other income	<u>6.600</u>	<u>6.900</u>
	14.730	15.850
SPENDINGS		
Tourism	700	900
Interest	4.300	4.600
Others	<u>3.000</u>	<u>3.400</u>
Balance of Invisibles	-8.000	-8.900

1) Balance of current acc.	2.090	430
CAPITAL MOVEMENTS		
Foreign Borrowings	3.700	4.850
Loan payments	-5.200	-6.100
KMDTH (Net)	<u>1.000</u>	<u>800</u>
Net long term capital mnt.	-500	-450
Net short-term " "	-3750	-1.430
Priv. Foreign investment	435	800
Portföy investment	1.670	1.750
2) summary of capital movnt.	-1.965	670
3) Net errors	235	-
<u>GENERAL BALANCE</u> <i>sh.</i>	360	1.100
IMF	340	400
change of Reserves	-700	-1.500

Source: State Planning Department

4. Fiscal Policy

The national budget also expresses the government's fiscal policy. Government have explicit responsibility for promoting maximum employment, fighting inflation, and pursuing economic stability and growth. To assist in achieving these objectives, the government may decide to stimulate the economy by operating with a budget deficit. If inflationary pressures persist, the government may choose to reduce the deficit, bring the budget into balance, or produce a budget surplus to restrain the

economy. To be effective, fiscal policy must accord with monetary policy decisions by the independent Federal Reserve System.

5. BALANCE OF PAYMENT

Balance of Payments is the relationship between the amount of money a nation spends abroad and the income it receives from other nations. The concept of balance of payments includes not only trade in goods and services but also movement of other capital, such as foreign aid, foreign investments, military expenditures, and repayment of government loans.

A nation must balance its receipts and its expenditures over the long term in order to maintain a stable economy. Like an individual, a country cannot forever remain in debt. One way to correct a payments deficit is to increase exports and decrease imports. Governmental controls are usually needed to achieve this. For example, the government may devalue the currency to make goods cheaper abroad while imports become more expensive at home.

The term balance of payments may also refer to the statement or record of all international economic transactions made by a country in a given period of time.

III. CONCLUSION

Turkey has entered a new phase at the beginning of the 1996, by joining EU with a Customs Union. Turkey is a big country with a lot of natural resources, and is expected to gain from Customs Union. The early discussions about the Customs Union resembles the discussions that took place in 1980s when Özal Started some reforms. The first figures published by the state shows that even the automotive sector has increased their exports, despite the fears that this sector was going to be worst affected by the Union.

Economic indicators show that there is a positive growth in the Turkish economy.

Budget, forecast of expenditures and revenues for a specific period of time. As a planning document, a budget enables businesses, governments, private organizations, and households to set priorities and monitor progress toward selected goals. To achieve budgetary objectives, it may be necessary to set aside savings (surpluses) or to borrow from outside sources (deficits).

The personal or family budget is a financial plan that helps individuals to balance income and expenses. A business budget is generally used as a tool to formulate intelligent decisions on the management and growth of a business venture. The most complicated budgetary process involves a government budget, which is a plan for the collection and expenditure of moneys needed to carry out

the social, military, and economic policies of an administration. Government Budget For state, and local governments in a country, the chief executive officer—for example, the president, governor, or mayor—prepares the budget on the basis of estimates submitted by departments and agencies. The budget is then presented to a legislative body, which may modify the estimates and rearrange priorities. The legislature enacts appropriation bills to provide government agencies with authority to enter into financial obligations. An independent body generally performs an audit to see that agency expenditures are consistent with legislative directives. Thus, there are four stages of budgeting: preparation, authorization, execution, and audit.

WHY?
HERE?

SURPRISINGLY
MIXED-UP
PROJECT

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