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ASSESSMENT OF TURKEY

The following communication of 3 May 1967 addressed by the Permanent Representative of Turkey to the Secretary-General of the United Nations is submitted to the Committee on Contributions for consideration:

"The Permanent Representative of Turkey to the United Nations presents his compliments to the Secretary-General of the United Nations and, with reference to the Secretary-General's note FI 313/1 (1) regarding the forthcoming session of the Committee on Contributions, has the honour to submit the following for the consideration of the Committee in reviewing the scale of assessments and preparing its report to the twenty-second session of the General Assembly.

It will be recalled that since 1963 Turkey has entered the era of planned development with a view to increasing the national saving, realizing the capital investments in the order of priority most appropriate to the public benefit and to achieve social and cultural progress through democratic processes and has exerted every effort to reach the objectives laid down in the plan by making full utilization of its resources.

As in the case of other developing countries, Turkish economy is predominantly agricultural. In Turkey 75.3 per cent of the active population is employed in the agricultural sector, while only 12.2 per cent works in the industrial sector. In the developed countries these figures are, as shown in the table below, in inverse proportions:

<u>Sectors</u> (% to the active population)	<u>Agriculture</u>	<u>Industry</u>
United States of America	6.4	32.7
France	18.2	40.7
Federal Republic of Germany	11.1	49.5

Consequently, since the beginning of the era of planned development, in order to realize the capital investments necessary for a healthy and durable process of industrialization, which is a basic condition of the economic development, considerable increase in the imports of both capital goods and industrial primary products was envisaged. However, the fact that weather conditions play a great role in the production of agricultural products - coupled with the rigidity of demand for these products and the continuous increase, in recent years, of the volume of industrial goods in world trade - reduces the possibility of increasing the foreign exchange income by raising the export of agricultural products. The remittances of Turkish workers employed in other countries, one of the sources of foreign exchange income among invisibles, cannot be looked upon as a permanent source. Although the income from tourism registered, in the past years, some positive increases, it still requires quite a long time to reach the level sufficient to cover the deficit of the balance of trade.

For the above-mentioned reasons, Turkey is faced with the imperative need of making use of every means to earn foreign exchange in order to avert a "bottleneck" in its economic development due to shortage of foreign exchange.

It is true that since the start of planned development era, Turkey has achieved progress in absolute terms in the fields of economic development. Nevertheless, when compared with the progress achieved by other countries, these results are far from being adequate, as will be observed from the following tables:

<u>Turkey</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Gross national product (at 1961 prices) (million T.L.)	56,082.8	58,666.0	61,551.0
Gross national product (at current prices) (million T.L.)	69,024.0	73,840.0	79,764.0
<u>Per capita</u> income (at current prices) (T.L.)	1994	2074	2180
<u>Per capita</u> income (at constant prices) (T.L.)	1786	1816	1854
Gross national product - rate of increase	7.7	4.6	4.9

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Gross National Product

Rate of Increase

	<u>1963</u>	<u>1964</u>	<u>1965</u>
Federal Republic of Germany	3.5	6.6	4.5
United States of America	3.8	5.0	5.5
Great Britain	4.4	5.4	2.3
France	5.2	5.9	3.4
Sweden	4.9	7.9	3.4

Furthermore, when it is taken into account that in Turkey the population growth-rate is 3 per cent compared to about 1.2 per cent in the industrial countries, it can easily be understood that the yearly increase of Gross National Product of Turkey remains below the desirable level.

Turkey's gold and foreign currency reserves are inadequate. The following table shows gold and foreign currency reserves of Turkey in comparison with the country's yearly import expenditures:

	<u>\$US million</u>		
	<u>1963</u>	<u>1964</u>	<u>1965</u>
Import expenditures	687	537	572
Gold and foreign currency reserves	91.5	50.5	57.7

According to the above figures Turkey's gold and foreign currency reserves in 1963, 1964 and 1965 could meet only 12.0, 9.5 and 10.0 per cent, respectively, of its import expenditures. This situation further deteriorated in the following years, as shown below:

	<u>\$US million</u>	
	<u>1966</u>	<u>1967</u>
Import expenditures	718	800
Gold and foreign exchange reserves	25.1	25.1
Percentage covered by reserves	3.5	3.1

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The level of gold and foreign exchange reserves of Turkey in relation to its import expenditures is very low when compared with the level of gold and foreign exchange reserves of other countries.

Apart from this unfavourable situation, Turkey is obliged to carry a heavy debt service. The following table indicating yearly servicing of foreign debts and its percentage to the export revenues provides a clear picture of this situation:

<u>Years</u>	<u>In \$US million</u>		
	<u>1/</u> <u>Servicing of debts</u>	<u>Export revenues</u>	<u>Percentages</u>
1963	114	368	30.9
1964	131	411	31.8
1965	184	464	39.6

1/ Includes consolidated debts.

A detailed table showing Turkey's balance of payments for the years 1963 through 1967 is attached herewith.

The Turkish Government believes that in the light of the information and figures furnished above the Committee on Contributions will be able to appreciate the difficulties encountered by Turkey in its endeavours to meet its obligations in terms of foreign exchange, without putting in jeopardy the implementation of its five-year plan and consequently its economic development. For this reason, the Turkish Government strongly believes that the present contribution rate of Turkey to the United Nations regular budget should be adjusted and reduced to conform to its actual capacity of payment.

The Permanent Representative of Turkey requests the Secretary-General kindly to transmit the above-mentioned information to the attention of the Committee on Contributions and avails himself of this opportunity to renew the assurances of his highest consideration."

## BALANCE OF PAYMENTS

	<u>\$US million</u>				
	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
I. CURRENT ACCOUNT					
(a) Foreign trade					
1. Total imports (c.i.f.)	-687	-537	-572	-718	-800
2. Total exports (f.o.b.)	<u>368</u>	<u>411</u>	<u>464</u>	<u>490</u>	<u>510</u>
Trade balance .	-319	-126	-108	-228	-290
(b) Invisibles					
1. Interest	- 32	- 34	- 32	- 31	- 33
2. Tourism and travel	- 13	- 14	- 10	- 14	- 2
3. Workers' remittances	-	9	70	115	130
4. Profit transfers	- 1	- 5	- 15	- 16	- 20
5. Payments for services from project credits	-	- 4	- 7	- 7	- 10
6. Other invisible transactions (net)	<u>16</u>	<u>6</u>	<u>4</u>	<u>- 2</u>	<u>14</u>
Total invisibles (net)	<u>- 30</u>	<u>- 42</u>	<u>10</u>	<u>45</u>	<u>79</u>
(c) Infra-structure and off-shore receipts	<u>49</u>	<u>59</u>	<u>20</u>	<u>19</u>	<u>20</u>
Current account balance	<u>-300</u>	<u>-109</u>	<u>- 78</u>	<u>-164</u>	<u>-191</u>
II. REPAYMENTS OF PRINCIPAL ON EXTERNAL DEBTS	<u>-114</u>	<u>-131</u>	<u>-184</u>	<u>-146</u>	<u>-125</u>
III. TOTAL (III I-II)	<u>-414</u>	<u>-240</u>	<u>-262</u>	<u>-310</u>	<u>-316</u>
IV. CAPITAL IN FLOW					
(a) <u>Private</u>	<u>36</u>	<u>42</u>	<u>27</u>	<u>41</u>	<u>48</u>
(i) Suppliers' credits	(10)	(10)	(-)	(-)	(-)
(ii) Direct investments	(21)	(25)	(22)	30	38
(iii) Imports without exchange allocation	( 5)	( 7)	( 5)	11	(10)
(b) <u>Official</u>	<u>268</u>	<u>218</u>	<u>253</u>	<u>260</u>	<u>293</u>
(i) Project assistance	81	40	57	56	100
(ii) Programme assistance	115	129	146	162	193
a. Credits	(104)	(114)	(110)	(111)	(145)
b. Debt postponements	( 11)	( 15)	( 28)	( 29)	( 28)
c. Refinancing	-	-	( 8)	( 22)	( 20)

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BALANCE OF PAYMENTS (continued)

	<u>\$US million</u>				
	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
IV. CAPITAL IN FLOW (continued)					
(iii) Borrowing from multilateral organizations	72	49	50	42	-
a. International Monetary Fund	( 22)	( 19)	( - )	( 22)	( -)
b. European Monetary Agreement	( 50)	( 30)	( 50)	( 20)	( -)
(c) U.S.P.L. 480 Imports	<u>88</u>	<u>31</u>	<u>29</u>	<u>17</u>	-
Total IV	<u>392</u>	<u>291</u>	<u>309</u>	<u>318</u>	<u>341</u>
V. OVER-ALL BALANCE (V III-IV)					
Short-term import-export credits	-21	-15	-35	-39	-25
Change in monetary reserves	48	-12	-13	39	-
(a) Gold and convertibles	(41)	(-14)	(- 7)	33	-
(b) Non-convertibles (+ outflow)	( 7)	( 2)	(- 6)	6	-
Errors and omissions	<u>- 5</u>	<u>-24</u>	<u>1</u>	<u>- 8</u>	-

Source: Treasury and OIEC, Ministry of Finance.

Date: 8 IV 1967.