

13 Şubat'ta Londra'da TUC merkezinde
yapılan toplantıda Eric ÜSER'in raporunu

TUC, İngiliz işçi sendikalarının ^{birleşiminin} ~~birleşiminin~~ kısıtlarını

TÜSTAV
TÜRKİYE SOSYAL TARİH ARAŞTIRMA VAKFI

"In the past 60 years Turkey has not issued such an invitation to foreign capital as now." (Mr. Vahit Halefoglu, Turkish Foreign Minister, FT, 14. 5. 1984)

"I was impressed by the considerable opportunities that a more stable and more prosperous Turkey, with its large and growing population, offers to British enterprise." (Lord Jellicoe, Chairman of British Overseas Trade Board -BOTB)

I. THE ECONOMIC MISSION OF THE MILITARY REGIME:

From the very beginning, it became quite apparent that the coup of 12th September, 1980 had two clear aims. One was to enable Turkey to play a military political role in the region in accordance with the strategic plans of the USA. The second one was to make sure that the IMF's policy designed for Turkey was implemented unhindered. These facts have now been substantiated in several new publications.

The subject of this paper is the "economic aim of the coup", or rather only one aspect of it, namely turning Turkey into a country of cheap labour for multinational companies with special reference to the British investment in Turkey.

Obviously, the most important issue from the viewpoint of the IMF was to make sure that Turkey paid its debts, which was around \$12 billion in 1980, by squeezing the domestic demand. But, by insisting on the continuous devaluation of the Turkish Lira (TL), the IMF has also been seeking to increase the debt burden of Turkey, which has already reached \$30bn in 1984. However, since this increase has been accompanied by ever increasing squeeze in domestic demand, the labour force has become one of the cheapest in the world: a very good news for multinational companies seeking profit levels of at least 30% or more. Yet, IMF does not stop there. In order to make sure that the harvest will be reaped by these companies, it is also pressing hard for the curtailment of domestic investment.

One of the indications of the economic mission of the coup was revealed in a booklet titled "Foreign Economic Trends and Their Implications for the U.S.: Turkey", prepared by the US Embassy in Ankara, in 1982. In this report it was said that "Turkey's industrial force is organized into powerful unions that in recent years have succeeded in negotiating contracts that for the most part kept pace or even exceeded the rate of inflation.... Under the present government, the term of new agreements are determined by the Supreme Arbitration Board which applies a formula roughly equivalent to the actual or anticipated rate of inflation.... On balance (employers) are pleased with the labour situation.... For U.S. exporters of goods and services this means a lean market, but, at the same time, security of payment and cordial environment for investment proposals."

In this respect, one can also refer to a book published very recently about the background of the coup, in which it is said that the Air Force Attache at the US Embassy before the coup is known to have made the following remark at a cocktail party: "Turkey needs 6-7 years of political tranquility in order to implement the IMF's policy."

The so-called "political tranquility" has been achieved thanks to the military. And hence comment by the President of the Employers' Union, Mr. Halit Narin: "For the last 20 years we have been listening to the workers. Now we are going to do the talking and they will listen to us."

.../...

*) by Dr E. User, to be presented at the "18th Anniversary of DISK" meeting at the TUC, Congress House, London, on 13th February 1985.

II. OPENING THE DOORS FOR FOREIGN INVESTMENT

A. Legal and administrative measures

In international investment circles Turkey has been known to have a poor reputation and an exceptionally low level of foreign investment prior to the coup. "Although the Law for Encouragement of Foreign Capital is quite liberal, its application until the end of 1979 has been very strict", says BOTB in its booklet "Hints to Exporters: Turkey".

The main law regulating foreign investment in Turkey, Law No. 522, passed in 1954, conveys to foreign investors the same rights and privileges as it does to Turkish investors, and guarantees them freedom of transfer of profits, fees and royalties and repatriation of capital in the event of liquidation or sale.

Law No. 622 covers foreign investment in all sectors, except the oil sector, which is regulated by Petroleum Law No. 6326. Virtually all sectors of business activity in Turkey are open to foreign investment.

In January 1980, that is when the IMF's austerity measures were introduced -to be followed by the military coup nine months later, the government adopted a new foreign investment policy, and took certain measures to increase the inflow of foreign capital. The Foreign Investment Department was established as the single authority in the country responsible for all foreign investment.

Dr. Namik Kemal Kilic, the head of the Department, was a guest speaker at the Conference "Turkey: A Fluctuating But Rewarding Market", organised by the London Chamber of Commerce and Industry at the end of November 1983 for encouraging the British businessmen to invest in Turkey. He said at the Conference that his government warmly welcomes foreign businessmen to invest in this "newly created heaven for investment", where, with the introduction of new administrative measures, there is now complete freedom of transfer of profits, extensive tax concessions and comprehensive state subsidies. There would, in the very near future, be "free trade zones" for international investors, the audience was told. Dr. Kilic also stressed the regime's desire to turn Turkey "into a South Korea of the Middle East".

B. Squeezing the wages

The most important, fundamental aspect of the military regime's economic policy is the enforced squeeze of domestic consumption, which is also accompanied by the redistribution of national income in favour of the rich. While the former helped to repay the debt to international banks, the latter resulted in the increase of imported luxury goods.

The drop in real wages as calculated by the legal trade union centre TURK-IS on the basis of government statistics is 55% since the IMF's policy was put into effect in January 1980(see Table I).

TABLE I: ANNUAL DROP IN REAL WAGES

Years	Daily Real Wage(TL)	Reduction in Real Wages(%)
1977	146.53	-
1978	128.44	12.4
1979	118.18	13.5
1980	83.00	25.3
1981	78.83	7.5
1982	73.58	4.3
1983	68.22	10.0

Half of the drop took place in 1980 alone, the first year of the implementation of IMF policy. To this background it must also be added that the net profits of the biggest 500 companies increased by 37% in 1981. The resulting redistribution of the national income increased the social inequalities in the

country in an unprecedented scale (see Tables II and III).

TABLE II: WORKING PEOPLE'S SHARE IN NATIONAL INCOME

	1975 (%)	1981 (%)
Peasants	31	23
Workers	20	11
Civil servants	11	5

TABLE III: DISTRIBUTION OF NATIONAL INCOME
ACCORDING TO HOUSEHOLDS

Households (% of population)	Share in National Income (%)
50.0	17.0
22.5	17.9
13.2	25.4
6.8	18.6
2.5	21.1

Consequently, average wages in Turkey dropped from \$8 in 1981 to \$3 in 1984, which made American Express Bank officials to comment that Turkey has become a heaven for investment by multinational companies. Indeed, in cheap labour Turkey now compares extremely favourably with Hongkong, South Korea, Taiwan, Singapore, etc. Average wages in these countries in 1982 were \$9.76, \$11.36, \$11.68 and \$17.52 respectively. The average wage in Turkey in 1984 is what it was in these countries in 1973.

III. HOW FOREIGN BUSINESS CIRCLES ASSESS THE PROSPECTS IN TURKEY

Assessment of the political and economic prospects of Turkey has become highly favourable lately in the business circles in the West. For instance, BOTB put its views in a Press Notice revealed on the occasion of the visit of a British business delegation to Turkey headed by the Duke of Kent as follows: "Turkey's economic performance has improved considerably in the past 3 or 4 years. The emphasis is shifting from the public to private sector, and the business world has become more outward looking. Since the new government's arrival at the end of last year, radical new economic measures, including those on exchange control and import/export regulations, have been announced. These are designed to open up Turkey's economy and are a virtual revolution in Turkish attitudes towards the movement of goods and capital." Similar view is also shared by "Export Europe", which says: "With an improving political and economic outlook, Turkey is becoming an increasingly important trading partner... economic performance has improved considerably in the past four years. Although problems remain (inflation remains a serious problem and balance of payments show little improvement), prospects are reasonably good for economic progress under the present administration... Army retain a constitutional role in government through President Evren, who plays an active role in national security and foreign affairs."

This last remark is particularly a source of great relief for businessmen, both local and foreign. As stressed several times at the Conference of LCCI, the businessmen, and Mr. Roger Scruton for that matter, are not interested in democracy but in a "constitutional order" which will protect their interests. In this respect BOTB goes as far as to suggest openly that the "economic recovery" has been the result of the IMF's policy and military takeover (see "Hint to Exporters: TURKEY", BOTB, 1984/85).

This regime, BOTB informs the British businessmen, has pledged to maintain "this recovery programme". People in Turkey call it the "austerity package". But, whatever one may call it, there is an agreement on the basic features of this

policy. Accordingly, BOTB, like any other business circle, emphasizes the "successes" in the reduction of inflation rate (from 110% in 1980 to 60% in 1984), the increase in foreign exchange earnings, and the squeeze in domestic demand.

The squeeze in domestic demand, which is both the main aim and the source of fear, reached such a proportion that the businessmen from U.S. could not help but ask the following question to Mr. Ozal at a Conference held in Istanbul last October: "Mr. Prime Minister, you want us to invest in your country. But can you guarantee that the policies you have been pursuing will not end up with social and political upheavals?"

Yes, the assessments of international business circles on Turkey are favourable at the moment. But the problem still remains: how far can this go on?

IV. FOREIGN CAPITAL INVESTMENT IN TURKEY

The results of the economic policies implemented since 1980 in the sphere of foreign investment was welcomed by the equivalent of CBI in Turkey (TUSIAD). In the report this organisation prepared on the Turkish economy for 1983, it was stated that "encouraging developments have taken place since the beginning of 1980 when organisational and legal measures were introduced with a view to increase the inflow of foreign capital investment." (Turkish Economy:1983, TUSIAD, p.101) According to this report, foreign capital investment in Turkey amounted to 228 million dollars at the end of 1979. In 1980, 97 million dollars worth of foreign capital came in as a response to the economic reforms, followed by 337.5 million dollars in 1981, and 167 million dollars in 1982, bringing the cumulative total to 830 million dollars by the end of 1982. The investment figures for 1980/82 refer to investment approvals issued, although most of these were in fact taken up and implemented.

The number of foreign investor firms went up to 170 at the end of 1982, with the main concentrations being in chemicals (23 firms), electronics (13 firms), food/beverages (15 firms), textiles (11 firms), tourism (11 firms) and machinery manufacturing (10 firms).

The relative share of foreign capital in various sub-sectors of the Turkish economy shows the following breakdown: chemicals (12.16%), food/beverages (11.79%), banking (9.19%), textiles (8.59%), sea transport (8.44%), automotive industry (5.20%), tourism (4.34%), and iron and steel industry (4.18%).

By 1982 61% of the total foreign capital came from three countries only; namely, USA, FRG and Switzerland (14.0%, 18.96% and 28.03% respectively).

The same concentrations can be observed also in the number of firms: Of 170 foreign firms that have investments in Turkey, 99 comes from three countries only. West Germany and Switzerland top the list with 37 firms each, followed by USA with 25 firms.

Another important development since 1980 is the increasing share of foreign capital in joint ventures. In 1979 the foreign companies participated with 29.7% of the capital invested. This figure jumped to 43.6% in 1982.

TABLE IV: FOREIGN INVESTMENT APPROVALS UNDER LAW NO.622

Years	Companies operating	Amounts approved (£ millions)	Cummulative
Up to 1979	91	228.1	228.1
1980	100	97.0	325.1
1981	127	337.5	662.6
1982	170	167.0	829.6

.../...

Among 170 foreign companies here are some prominent names: American Express, Bayer, BMC, BP, Ciba-Geigy, Citibank, Club Mediterranee, Daimler Benz, Fiat, General Electric, Goodyear, Henkel, Hoechst, International Harvester, MAN, Mannesman, Merck, Mobil, Nestle, Northern Telecom, Pfizer, Philips, Pirelli, Renault, Hoffmann -La Roche, Sandoz, Shell, Siemens, Thyssen, Unilever, Uniroyal, and Wyeth...

While there were only 3 banks before the coup, 7 more -mostly US-based- opened branches since then. These are Citibank, American Express Bank, Bank of Credit and Commerce International, Chase Manhattan Bank, First National Bank of Texas.

V. THE BRITISH CONNECTION

A. Trade

British exports to Turkey nearly doubled between 1980 and 1983 when it amounted to £244 millions. The same level of exports was achieved in the first nine months of 1984 which was up 40% from the same period in the previous year.

Turkey was UK's 40th largest market in 1983. In 1984 it ranked 32nd.

TABLE V: TRADE BETWEEN UK AND TURKEY (£ MILLIONS)

	1980	1981	1982	1983	1984(Jan.-Sept.)
UK exports	147	160	218	224	243
UK imports	49	123	207	125	135
Balance	98	32	11	99	108
UK's share of OECD Exports(%)	9.1	7.8	9.2	9.5	N/A

UK was the 7th largest supplier in 1982 and 1983 behind the USA, FRG, Italy, etc. Principal UK exports to Turkey were industrial and power generating machinery, road vehicles, transport equipment, and chemicals.

B. Finance and Services

British consultant firms are well established in Turkey, whereas the banks are generally cautious towards Turkey compared with their American rivals.

C. Investment

By the end of 1982, UK firms invested in Turkey numbered 5, with a total investment of £140 million. Unilever is by far the most famous and well-established amongst them with its margarine plant (1952) controlling 80% of the market. Its fame stems from its legendary fight against any competition and against sunflower producers of the Thrace. It also played an instrumental role in bringing down Ecevit government in 1973; initiation of political developments leading to military takeover. It simply stopped the production of margarine causing immense public discontent.

On the whole, the UK investment in Turkey to date has been mainly on a small scale. However there has been systematic encouragement to make proper use of open market and cheap labour. Increasing interest by foreign businessmen is said to have increased the workload in government offices in Ankara and Istanbul. British businessmen are reminded that special encouragement is given by the Turkish government to foreign investors in mining, petroleum, and agri-business sectors.

Supplementary information

CONTRACTS AWARDED TO UK FIRMS-June 1983 to May 1984

1. Supply of anti-aircraft missile system.
Contractor: British Aerospace,
Value: 227 million dollars.
2. Design of Bosphorus Road Bridge.
Contractors: Freeman Fox and Partners,
Value: 5.3 million dollars.
3. Supply of flexible tanks.
Contractor: Marston Trinicon,
Value: 750 000 dollars.
4. Survey of Livestock Processing Industry.
Contractor: Union International Consultants,
Value: not stated.
5. Supply and instalation of supervision and control equipment for power network.
Contractors: Westinghouse Systems and Telettra(Italy),
Value: 17.6 million dollars.
6. Supply of vegetable ghee.
Contractor: Unilever,
Value: 1.9 million dollars.
7. Study of natural gas use.
Contractor: British Gas Corporation,
Value: 300 000 dollars.
8. A major clearing bank has application to open a branch.
9. Shell-oil producing and drilling programme for new fields.
10. Pilkington Brothers-supplying technology and know-how to Turkey Bottle and Glass Factories.
11. Lucas-supplying injectors.
12. Pirelli-building a tyres factory.

Companies represented in Duke of Kent's high level mission to Turkey-1/6 October 1984

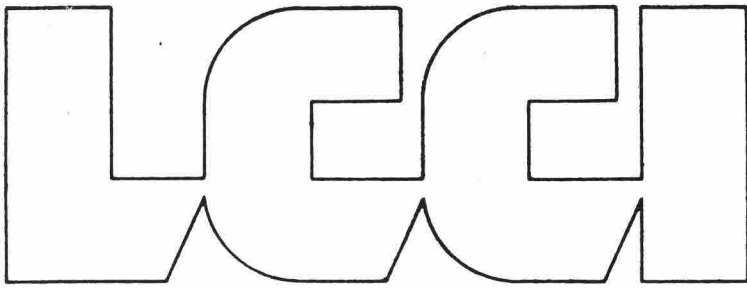
1. Hawker Siddeley(Sir Arnold Hall)
2. Metal Box Plc(The Hon. Richard Stanley)
3. NEI Plc(Mr.G. Anderson)
4. Booker Mc Conneel Plc(Mr.M. Caine)
5. British Aerospace(Mr.L.A. Sanson)
6. Mott, Hay and Anderson(Mr.S.G. Tough)
7. Landmark International Hotels(Mr.R.G. Hainsworth)
8. Trafalgar House Plc(Mr.J.W.S. Fletcher)
9. Standard Chartered Bank Plc(Mr.D.L. Millar)
10. Stone Manganese Marine Ltd.(Mr.N. Preston)
11. Transnark(Mr.J.A.C. Evans)

TRADE MISSION TO TURKEY

13 - 18 MAY 1984

LIST OF MISSION MEMBERS

ALWATECH UK LTD	Waste water treatment
ARMCO LTD	Steel culverts, underpass structures
ASHTON BROTHERS & CO	Towels, towelling, sheets
BARWELL MACHINE & RUBBER GRP LTD	Rubber processing equipment
PETER BROTHERHOOD LTD	Steam turbine manufacture
BRUSH FUSEGEAR LTD	Fuselinks
COSTAIN PROCESS LTD	Storage/processing plants (food indust)
CHESSSELL LTD	Data Recorders (Industrial/Scientific)
COURTAULDS FABRIC GROUP	Industrial fabrics & coated products
DELTA ENFIELD CABLES LTD	Cable manufacturers
DIVERSEY LTD	Cleaning/sanitising chemicals
EWBANK PREECE LTD	Consulting Engineers
FIBREGLASS LTD	Glass fibre reinforced cement
FLEXIBOX LTD	Mechanical Engineers
G GASCOYNE SEEDS LTD	Seed producers and exporters
HAIGH CHADWICK LTD	Textile Engineering
HAM BAKER & CO LTD	Valve/sluice mfrs - water industry
HAWKER SIDDELEY BRACKETT LTD	Water screening equipment mfrs
HAWKER SIDDELEY INTERNATIONAL LTD	Consulting Engineers; power generation
HOWDEN COMPRESSORS LTD	Screw compressor manufacturers
HOWARD HUMPHREYS & PARTNERS	Water supply & sewage treatment
HUSBAND & COMPANY	Water/sewage/construction consultancy
INGERSOLL ENGINEERS	Tooling equipment (automotive industry)
KENNEDY & DONKIN	Consulting Engineers (power generation)
LAMP METALS LTD	Electrodes for lighting industry
MANDOVAL LTD	Fire protection products
MORENCO OVERSEAS LTD	Consulting Engineers (energy)
MOORSIDE MACHINING CO LTD	Gaskets for refinery equipment
NORTON CHEMICAL PROCESS PRODUCTS LTD	Tower packings; inert ceramic supports
OVE ARUP & PARTNERS	Civil/Building Engineering consultancy
QUAKER OATS LTD	Food manufacturing & marketing
SMITH & NEPHEW LTD	Splint and wound products
SPIKER TRANSMISSION (DANA LTD)	Commercial transmission and spare parts
STELMO LTD	Pre-cast concrete components
SULBY VACUMATIC DIV. (PORTALS)	Graphic arts equipment
ULG CONSULTANTS LTD	Agriculture/rural devpmt consultancy
WARNE SURGICAL PRODUCTS LTD	Medical and surgical products
THE WELLCOME FOUNDATION LTD	Pharmaceuticals & insecticides
WORTHINGTON INTERNATIONAL INC	Pump and compressor manufacturers
WYKO GROUP LTD	Power transmission products



London Chamber of Commerce and Industry

69 Cannon Street, London EC4N 5AB. Tel: 01-248 4444.
Telex: 888941 LCCI G

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Director: W.F. Nicholas OBE

TUESDAY 4 SEPTEMBER 1984

1500 - 1715 hours
followed by a Reception

TURKEY

THE POTENTIAL OF THE TURKISH MARKET - A REALISTIC ASSESSMENT

TURKEY'S ECONOMIC AND
COMMERCIAL POTENTIAL

MARK RUSSELL CMG
British Ambassador, Turkey

RECENT CHANGES IN TURKISH
BUSINESS STRUCTURE AND ATTITUDES

ALI MANSUR
E G E Holding AS

THE LESSONS AND OPPORTUNITIES FOR
BRITISH BUSINESS IN TURKEY

NEIL FERGUSON
Consul (Commercial)
Istanbul

THE TURKISH TRADING AND
INDUSTRIAL CAPABILITY

SEVKET SABANCI
Haci Omer Sabanci Holding AS

SF553

PLEASE RETURN TO: Julie Smyth, West Europe Section,
London Chamber of Commerce & Industry
69 Cannon Street, London EC4N 5AB

THE POTENTIAL OF THE TURKISH MARKET Tuesday 4 September 1984

I/We would like to attend the above event and enclose a cheque for
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COST: Members of LCCI's West Europe Section £25.00 (£21.74 + £3.26 VAT)
LCCI Members and all Non-Members £37.00 (£32.18 + £4.82 VAT)

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. TELEPHONE NO.
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VAT REC NO 262 8582 7h 48 hrs notice required for refunds

TURKEY

INFLATION is now at 40%, and UNEMPLOYMENT is around 20%. The Government's objective is to reduce inflation to about 25% by the start of 1985, and Prime Minister TURGUT OZAL sees INCREASED EXPORTS with consequent INCREASED PRODUCTION as being perhaps the only way of attacking unemployment.

35% of Turkey's EXPORTS presently go to the EEC, and about 28% of her IMPORTS are purchased from the Community. The trading pattern with the MIDDLE EAST is similar, and the two developments support Mr Ozal's contention that Turkey can form a bridge between Europe and the Middle East.

The Government has modified FOREIGN EXCHANGE REGULATIONS, and introduced SIGNIFICANT INCENTIVES for investors in industry. It is hoped that foreign companies and banks will be attracted to Turkey, bringing with them new ideas and skills.

This year EXPORTS are projecting an increase of about 29%, and IMPORTS showing a projected decrease of 7%. If these projections are maintained, then the TRADING DEFICIT would be about \$1 billion compared with \$3.5 billion in 1983.

There has been SOME LIBERALISATION in the import regime, which many of the members on the LCCI's 40 strong mission in May found encouraging for their range of products. There are therefore DEFINITE PROSPECTS for British exporters in Turkey, and the extent to which these develop, will depend largely on how successful the Government is in stabilising still further the Turkish economy.

REGULAR SURVEYS and CORRECT INTERPRETATION therefore constitute the advice to interested British companies. BOTH MARK RUSSELL, who has been our Ambassador in Ankara for the last 18 months, and NEIL FERGUSON, who arrived in Istanbul shortly before General Evren assumed power in September 1980, will try to evaluate what is happening in Turkey today, and where the advantages may lie for British companies.

Prime Minister Ozal is implementing a number of crucial measures, which he hopes will strengthen the financial and trading base of the country. Our two Turkish speakers, ALI MANSUR, whose firm produces chemicals for the colouring of porcelain, and SEVKET SABANCI, whose company is a large textile manufacturer, will discuss the changing attitudes and aspirations of industrialists, as they seek to adapt their organisations to world trade expectations over the next 20 years.

● *İngiliz işadamları:*
**"En büyük
avantajınız
düşük ücretler"**

● İngiliz Ticaret Heyeti Başkanı Turner, Türkiye'nin "acele etmemesini" tavsiye etti. Ve "Sizi AET içinde görmekle seviniriz" dedi

kaparlı, BGMUZ, TİCARET VE SANAYİ ODASI BAŞKAN YARDIMCISI ŞEVKET YILMAZ'IN tepkisi çok sert oldu: "MESS Başkanı gibi konuşan Özal, sabrımızı taşırdı"

● "Böyle birkaç açıklama daha yapılırsa, Türk-İş hükümet zirvesine gerek kalmaz"

Haber 7. Sayfada

● *Yatırımcı İngilizlerin işine geliyor...*

**Türkiye'de
ücretler
çok düşük**

● incelemeler yapan İngiliz Ticaret Heyeti Başkanı Michael Turner: "Düşük ücret, yabancı sermaye için büyük avantaj" dedi

Haber 10. Sayfada



Birmingham Ticaret ve Sanayi Odası Başkan Yardımcısı Michael Turner...

From the Turkish press...

The headline is a quotation from Mr Michael Turner of Birmingham Chamber of Commerce and Industry who led a recent trade delegation to Turkey. It reads "YOUR BIGGEST ADVANTAGE IS THE LOW WAGES". (Milliyet, 6th February, 1985)