

**Trade Policy Review Body**  
**17 and 19 December 2003**

Original: English/  
anglais/  
inglés

## **TRADE POLICY REVIEW**

Turkey

Minutes of Meeting

Addendum

*Chairperson: H.E. Ms Mary Whelan (Ireland)*

This document contains the advance written questions, and replies provided by Turkey.<sup>1</sup>

**Organe d'examen des politiques commerciales**  
**17 et 19 décembre 2003**

## **EXAMEN DES POLITIQUES COMMERCIALES**

Turquie

Compte-rendu de la réunion

Addendum

*Présidente: S.E. Mme Mary Whelan (Irlande)*

Le présent document contient les questions écrites communiquées à l'avance et les réponses fournies par la Turquie.<sup>1</sup>

**Órgano de Examen de las Políticas Comerciales**  
**17 y 19 de diciembre de 2003**

## **EXAMEN DE LAS POLÍTICAS COMERCIALES**

Turquía

Acta de la reunión

Addendum

*Presidente: Excma. Sra. Mary Whelan (Irlanda)*

En el presente documento figuran las preguntas presentadas anticipadamente por escrito, junto con las respuestas facilitadas por Turquía.<sup>1</sup>

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<sup>1</sup> In English only./En anglais seulement./En inglés solamente.



**ADVANCE WRITTEN QUESTIONS BY MEMBERS AND  
REPLIES PROVIDED BY TURKEY**

**III. TRADE POLICIES AND PRACTICES BY MEASURES**

**CUSTOMS PROCEDURES**

**Question (Indonesia):**

With regards to the custom procedures, the paragraph 6 of the Secretariat's Report notes that Turkey has enacted new Customs Law No. 4458 on 5 February 2000 replaced Custom Law No. 1615. Indonesia would be interested to know if Turkey has notified this new custom law to the WTO and where this information available for public.

**Answer:**

The English version of the Turkish Customs Law No: 4458 is at the official website of the Undersecretariat of Customs. The web address is: [http://www.gumruk.gov.tr/Turkish\\_Customs\\_English/toctum.htm](http://www.gumruk.gov.tr/Turkish_Customs_English/toctum.htm). Turkey has not notified the law to the WTO at the moment.

**Question (Indonesia):**

Paragraph 9 of Secretariat's report notes that the customs authority may grant permission to simplify formalities and procedures (Simplified Procedures Authorization), including by waiving the requirement to present some of the documentation to customs. Indonesia would appreciate if Turkey could explain how and under what condition to obtain the simplification of formalities and procedures of customs.

**Answer:**

Article 71 of the Turkish Customs Law No: 4458 draws the general framework for Simplified Declaration Procedure which is comprehensively covered under Articles 136-163 of Customs Law Implementing Provisions. The law can be reached at [http://www.gumruk.gov.tr/Turkish\\_Customs\\_English/toctum.htm](http://www.gumruk.gov.tr/Turkish_Customs_English/toctum.htm).

There are three methods by which customs authorities can grant simplified procedure to declarant in order to facilitate the customs formalities.

The first method (i.e. incomplete declaration) allows the customs authorities to accept, in a duly justified case, a declaration that does not contain all the items required, or that is not accompanied by all documents necessary for the customs procedure in question.

The second method allows the declarant to lodge a simplified declaration when goods are presented to the customs. Such simplified declaration may be in the form of an administrative or a commercial document that contains at least the items necessary for identification of the goods. The document shall be accompanied by the request for the goods to be placed under the related customs procedure in question.

Under the third method, customs authorities may allow the declarant to use local customs procedure which enables the entry of goods for the customs procedure in question to be carried out at

the premises of the real/legal entities concerned or at other places designated or approved by the customs authorities.

The general conditions are indicated in Article 136 of the Implementing Provisions of Customs Law no: 4458 (IPCL). According to this Article, any person who regularly lodges Customs declaration and bears the necessary conditions would be given the right for using simplified procedures.

However,

- a) any person who has been subject to punishment due to infringement of the customs provisions that gives rise to the loss of tax revenue more than at least 5 times and equals to more than 2% of the number of customs declarations lodged in the previous calendar year,
- b) any person who has been subject to punishment for inconsistency due to their conduct pertaining to more than 5% of the number of Customs declarations lodged and the infringement of the Customs legislation at least 10 times within the previous calendar year,
- c) any person acting on behalf of the other

shall not be given the right for using simplified procedures.

In addition to the above stated general conditions, the applicant has to meet the specific conditions mentioned for each customs procedure in Articles 137, 148 and 156 of the Implementing Provisions and the conditions specified for each type of simplified procedure to be granted the status of "Approved Exporter" to use simplified procedures.

The special conditions indicated in Articles 137, 148 and 156 of the IPCL are as follows;

Article 137 is on "The special conditions required for entrance into free circulation under simplified procedure". According to this Article, a declarant who declares goods for free circulation under simplified procedure has to bear at least one of the below mentioned conditions apart from the general conditions stated in Article 136.

- a) The declarant, in order to utilize simplified procedure for free circulation, has to import goods that amount to a value of at least 5 million CIF/USA dollars accompanied by at least 100 Customs declaration in the previous calendar year.
- b) The declarant in order to utilize simplified procedure for free circulation has imported goods that amount to a value of at least 10 million CIF/USA dollars in the previous calendar year.

Article 148 comprises exactly the same provisions with Article 137, however this time for the declarants using simplified procedure for export. Article 156 again indicates the same provisions as Article 137 and 148, however the regime it relates to is Customs warehouse.

#### **Question (Brazil):**

Under chapter III, item 15, of the WT/TPR/S/125 document, Turkey informs that it maintains both preferential and non-preferential rules of origin. In the case that certificate of origin is required from importing countries, could Turkey inform the authorities that issue the certificate of origin?

**Answer:**

In case that the certificate of origin is required from importing countries, the practice is that Turkey does not extend information to the relevant authorities that issue the certificate of origin.

**IMPORT PROHIBITIONS, QUOTAS AND LICENSING**

**Questions (Brazil):**

1. Is there any kind of register required from Turkey importers to the prior import licensing? Which would be the required procedures?

2. What is the value of licensing fees to cover administrative expenses on the processing of documents?

**Answer:**

Import licenses are required for a limited group of products including, *inter alia*, telecommunication equipment, some machinery, some motor vehicles, transmission apparatus, some chemicals, and a number of items related to civil aircraft in order to assure public security and safety and to protect the environment and consumer rights. There is no licensing fees.

Turkey's application on licensing is in conformity with the provisions of the WTO Agreement on Import Licensing. The system is automatic in the sense that once an applicant meets the pre-established conditions the license is issued automatically.

**Question (Brazil):**

Under Chapter III, item 39, of the WT/TPR/S/125 document, Turkey informs that import quotas have been applied on certain textile and clothing products as a requirement for harmonizing its import policy with that of the EU. Considering that EU does not apply any more quotas on Brazilian exports, why Brazil is listed on table III.8 as subject to quotas?

**Answer:**

The quantitative restrictions are applied by Turkey on certain textile and clothing products as a requirement for harmonizing Turkey's trade policy with that of the EC. In this regard, the preferential schemes provided by the EC as a result of recent market access negotiations with certain countries would also be reflected in Turkey's relevant import arrangements. However, simultaneous application of these preferential treatments cannot be offered to the beneficiary countries, since the adoption procedures require some time for the completion of necessary adjustments.

**CONTINGENCY TRADE REMEDIES**

**Question (Brazil):**

In WT/TPR/S/125, Chapter III, paragraph 44, it is mentioned that the new legislative framework introduces provisions on, "inter alia", anti-circumvention. Could Turkey inform if since the implementation of this new legislative framework it has initiated any "anti-circumvention" procedure? If so, could Turkey indicate the number of this procedures that it has initiated, as well as their results?

**Answer:**

The domestic legislation of Turkey on the implementation of WTO Anti-Dumping Agreement comprises of the Law, Decree and Regulation, namely:

- Law No. 3577 on the Prevention of Unfair Competition in Imports,
- Decree on the Prevention of Unfair Competition in Imports,
- Regulation on the Prevention of Unfair Competition in Imports.

In accordance with Article 11 of the Decree on the Prevention of Unfair Competition in Imports, an anti-circumvention investigation can be initiated and carried out in order to prevent the circumvention of existing anti-dumping duties. However, Turkey has not resorted to any anti-circumvention procedure until present.

**Question (Brazil):**

In WT/TPR/S/125, Chapter III, paragraph 47, it is said that "(...) Provisional measures shall be imposed no earlier than 60 days from the initiation of an investigation, and their duration shall be limited to four months. However, according to Article 12 of the Law, provisional measures may be extended to a period not exceeding six months upon request by exporters with a significant share of the exports of the product to Turkey." In the light of Art. 7.4 of the Anti-Dumping Agreement which establishes that "when authorities, in the course of investigation, examine whether a duty lower than the margin of dumping would be sufficient to remove injury, these periods (of appliance of the provisional measures) may be six and nine months, respectively", could Turkey clarify if its legislation does not provide the possibility of appliance of a duty lower than the margin of dumping, if it is sufficient to remove injury?

**Answer:**

Article 12 of the Law No. 3577 on the Prevention of Unfair Competition in Imports stipulates that, "in the course of a dumping investigation, to examine whether a duty lower than the margin of dumping would be sufficient to remove the injury, these periods [that is, 4 and 6 months] may be applied as 6 and 9 months, respectively". This Article involves the provision set out in Article 7.4 of the Anti-Dumping Agreement. Moreover, Article 4 of the Decree on the Prevention of Unfair Competition in Imports states that, "where, as a result of the investigation, it is determined that there are dumped or subsidized imports and that such imports are causing injury, a definitive anti-dumping duty or countervailing duty at an amount equal to the margin of dumping or amount of subsidy or at a lesser amount or rate adequate to remove the injury shall be imposed to eliminate such injury". Also in practice, Turkey imposes a lesser duty than the dumping margin if the authority considers that this lesser duty is sufficient to remove the injury suffered by the domestic industry.

**Question:**

In WT/TPR/S/125, Chapter III, footnote 45, it is mentioned that "In the case of fragmented industries involving an exceptionally large number of producers, the Turkish authorities may decide to initiate an investigation "ex officio" (without having received a written application by or on behalf of a domestic industry), provided there is sufficient evidence of dumping, injury, and a causal link (Article 4 of the Law and Article 20 of the Regulation)". Could Turkey clarify if this is the only situation in which authorities are allowed to initiate an investigation "ex officio"?

**Answer:**

Article 4 of the Law No. 3577 on the Prevention of Unfair Competition in Imports sets out that, “the Directorate General may, upon complaint or, where necessary, ex officio, initiate a dumping or subsidy examination”. Article 20 of the Regulation on the Prevention of Unfair Competition in Imports sets out that, “as regards ex-officio initiation of an investigation, sufficient evidence,... , of dumped or subsidized imports and existence of injury on the domestic industry caused by such imports should be present”. Hence, the Law provides the use of such procedure whenever it is deemed necessary, provided that the specified conditions exist. Also Article 5.6 of the Anti-Dumping Agreement provides that in case the authorities “decide to initiate an investigation without having received a written application..., they shall proceed only if they have sufficient evidence of dumping, injury and a causal link,..., to justify the initiation of an investigation”. Should the Turkish authorities intend to initiate an ex officio investigation, they shall definitely abide by these provisions laid out both in the Anti-Dumping Agreement and in the domestic Legislation. However, the provision on ex-officio initiation has not been invoked until present.

**Question (Brazil):**

In WT/TPR/S/125, Chapter III, paragraph 47, it is also mentioned that "Definitive measures shall remain in force for five years from the date of the conclusion of the most recent review investigation that has covered both dumping and injury examination or from the date of their imposition". Is the possibility of maintaining the measure after the five years period restricted to the cases in which the review that covered both dumping and injury examination has determined that (i) the continued imposition of the measure is necessary to offset dumping and (ii) that the injury would be likely to continue or (iii) recur if the measure were removed?

**Answer:**

In accordance with Article 7 of the Decree on the Prevention of Unfair Competition in Imports, “definitive measures shall remain in force for 5 years, from the date of the conclusion of the most recent review investigation that has covered both dumping or subsidy and injury examination or from the date of their imposition”. Before the expiry of the definitive measure in force, an expiry review investigation may be initiated. The same Article sets out the conditions for the extension of the duty by stating that, “in such an investigation, whether the expiry of the duty would be likely to lead to a continuation or recurrence of dumping or subsidy and injury shall be examined”.

As also stated in Article 11.3 of the Anti-Dumping Agreement, “...any definitive anti-dumping duty shall be terminated on a date not later than five years from its imposition (or from the date of the most recent review... if that review has covered both dumping and injury...), unless the authorities determine, in a review initiated before that date ... that the expiry of the duty would be likely to lead to continuation or recurrence of dumping and injury”.

The authorities abide by these rules in their conduct of review investigations and sunset procedures. Hence, the five-year period of a definitive anti-dumping duty can only be extended when the conditions stated in the domestic Legislation and the Anti-Dumping Agreement are fulfilled.

**Question (Brazil):**

Still regarding the question above, could Turkey indicate how many reviews were initiated from 1995 up to September 2003? And how many measures were rescinded after those reviews?

**Answer:**

In the period from 1995 to September 2003, 13 review investigations were initiated, of which 2 are not yet concluded. Of these reviews, 6 resulted in the revocation of the duty. However, in most cases no expiry review was initiated for the measures completing the five-year implementation period since there had been no request by any interested party for doing so. 28 measures were revoked (expired) as such without having carried out any sunset review investigations in the year 2000.

**STANDARDS AND OTHER TECHNICAL REQUIREMENTS**

**Question (Brazil):**

What products are subject to total or partial ban under Turkey's technical regulations?

**Answer:**

According to Communiqué of Standardization for Foreign Trade No: (2004/3) and (2004/6) for the importation of certain chemical products, solid fuels, scrap metals (iron, steel, zinc, copper, nickel and aluminium), and wastes, the importer shall receive a Control Certificate issued by the Ministry of Environment. On the other hand, imports of some kind of wastes are prohibited according to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal.

**Question (Brazil):**

Under Turkey's legislation, should the labeling of packaged edible products carry any detached warning of the product being made with ingredients containing GMO ?

**Answer:**

There is no specific requirement in this area.

**Question (Brazil):**

To what extent has Turkey aligned its legislative framework with the EU "*acquis communautaire*" concerning technical standards and regulations, general product safety, sanitary and phytosanitary measures, intellectual property rights and consumer protection?

**Answer:**

The conclusions of the Helsinki European Council in December 1999 recognized Turkey as a candidate for membership to the European Union. As a candidate country Turkey has to approximate the whole body of EU legislation known as the *acquis communautaire*.

**Free Movement of Goods**

According to Decision 1/95 of the EC-Turkey Association Council, establishing the Customs Union, Turkey had to finalize, before the end of 2000, the harmonization of its technical legislation, in areas of direct relevance to the Customs Union. Within this context, the Association Council Decision 2/97 listed the areas in which Turkey shall align its legislation to that of the EU.



Turkey, following the entry into force of the Customs Union, has removed all customs duties, charges having equivalent effect and quantitative restrictions on industrial products. Thus, with the exception of technical legislation, there is free movement of industrial products between the EU and the Turkey. In line with the Association Council Decisions n° 1/95 and 2/97, a Framework Law relating to the preparation and implementation of the technical legislation regarding products has entered into force on 11 January 2002. This Framework Law establishes the legal basis for full harmonization with the EC legislation, and it lays down the basic principles for product safety and the implementation of Old and New Approach Directives. It sets out the conditions of the placing on the market of the products, the liabilities of the producers and distributors, the conformity assessment bodies, notified bodies, market surveillance and inspection, the prohibition of the placing on the market of certain products, the withdrawal and destruction of the marketed products as well as the notifications relating to these arrangements.

The Framework Law is complemented by five secondary legislations (by-laws) in order to become operational on the ground: (i) market surveillance and control of the products, (ii) use and affixing of the CE conformity mark, (iii) working principles and procedures for the conformity assessment bodies and notified bodies and their assignments, (iv) exchange of information on national measures derogating from the principle of the free movement of goods and (v) notification procedures between Turkey and the EC regarding technical legislation. The first three legislations have been published in the Official Gazette on 17 January 2002 and are applicable retroactively as from 11 January 2002. The fourth one is still under consultation with the European Commission. The fifth one, regulation on the notification procedures between Turkey and the EC regarding technical legislation has been published on 3 April 2002.

Accordingly, in the field of Free Movement of Goods, 240 out of 464 directives have been harmonized and have entered into force.

### **General Product Safety**

Concerning general product safety, important projects have been submitted to the Pre-Accession Financial Cooperation Programs in order to set up the market surveillance system in accordance with the EU structures. The system is expected to begin operating in 2004. Further, establishing an information network is planned for the notification of dangerous products on a national basis. Efforts for the inclusion of a project prepared for food products in the 2004 Programming Pre-Accession Financial Cooperation continue.

### **Sanitary and Phytosanitary**

In the field of phytosanitary, legislative harmonization work is being carried out through a number of working groups established in the sub-fields of harmful organisms, plant protection products, plant variety rights, and seeds and seedlings. A Law on the plant variety rights in line with the EU rules and UPOV Convention is soon expected to enter into force. Another key legislation on the registration and authorization of plant protection products (including pesticides), in conformity with the EU directive 91/414 and other related EU legislation, is about to be published. A major project aimed at legislative alignment with the *EU Acquis* has been launched within the framework of Turkey-EU Financial Cooperation Programme, which includes upgrading certain laboratory and testing facilities throughout Turkey.

Within this framework, in the field of Phytosanitary, by the end 2005 most of the legislation will be harmonized.

## **Intellectual Property Rights**

With Law No. 5846 on Intellectual and Artistic Works and Law No: 4630 amending Law No. 5846, considerable alignment with the EU *Acquis* on intellectual property rights has been accomplished. Nonetheless, efforts proceed for full harmonization concerning resale rights, copyright and related rights in the information society, which are in general terms already in conformity with the relevant Community legislation. Accordingly, legislative drafting continues for the legal protection of databases and the rights of their producers.

For effective implementation of the arrangements on intellectual property rights, combating piracy has significant importance. To this end, Law No: 4630 introduced significant changes, including effective mechanisms to prevent piracy, which is recognized as an organized crime.

Along with the preceding activities, with a view to removing the conflicts within national legislation, a draft law was prepared to re arrange fines and imprisonment in Law No. 3257 on Cinema, Video and Music Works according to the provisions of Law No. 5846. Further, having scrutinized the Proposal for a directive of the European Parliament and of the Council on measures and procedures to ensure the enforcement of intellectual property rights (30 January 2003), a Draft Communiqué on The Rules To Be Obeyed By Recording Facilities Reproducing Intellectual and Artistic Works and Facilities Producing Empty Carrying Materials was prepared as the first attempt to incorporate the provisions of Article 22 of the Proposal. With this Communiqué, it will be mandatory to fix international codes on CD, VCD and DVDs, using implementations such as SID (Source Identification Code), ISRC (International Standard Recording Code). Thus production and recording facilities will be regulated.

In addition, there is an ongoing project in the field of intellectual and industrial property rights. The aim of the project is to fulfill the remaining commitments stemming from the Customs Union and to ensure effective and prompt implementation of the legislation by the courts.

Accordingly, in the field of Intellectual Property Rights, 7 out of 24 directives have been harmonized and entered into force.

## **Consumer Protection**

In order to align with the EU Directives regarding consumer protection, Law No. 4822 Amending Certain Provision of the Law No. 4077 on the Protection of Consumer has been put into force on 14 June 2003. In addition to this law, thirteen implementing regulations have also been published. Within this framework, Turkey has accomplished its legislative alignment regarding consumer protection.

In the field of Consumer Protection, a total of 18 directives have been harmonized and entered into force.

## **Question (Brazil):**

How is the accreditation system organized in Turkey? How does the central government participates in the certification process ? In what extent does Turkey use the Suppliers Declaration of Conformity as an conformity assessment procedure ?

**Answer:**

“The Law on Establishment and Tasks of Turkish Accreditation Agency” no. 4457 was published in the Official Gazette and put into force on November 4, 1999 to accredit the conformity assessment activities in Turkey. The law is intended to ensure that the conformity assessment bodies, namely private and public laboratories, inspection and certification bodies are approved by Turkish Accreditation Agency (TÜRKAK) for operation under the respective legislation, in voluntary and involuntary areas, in accordance with internationally recognized technical criteria. TÜRKAK is an agency, which is related to the Prime Ministry and is subject to the provisions of private law enjoying administrative and financial autonomy.

**The national accreditation system operated by TÜRKAK consists of the following basic components:**

1. Criteria for accreditation
2. Infrastructure for traceability of measurements (metrology)
3. Impartial – Independent and efficient assessment capability (assessors pool)
4. Sectoral Technical Committees

**II. TRADE POLICIES BY SECTOR****AGRICULTURE****Question (Brazil):**

Paragraph 12 of section IV ("Trade Policies by Sector") in the document WT/TPR/S/125 states: "The policies of aids and support to agriculture, in place at the time of the last TPR of Turkey, have resulted in over-production of many agricultural commodities, especially hazelnuts and tobacco, and in the constant fall in agricultural productivity over the past decade. Moreover, the policies have failed to relieve poverty for subsistence farmers. The Government's response to this is contained in the 2001-05 Agricultural Reform Implementation Project (ARIP)..." In the same paragraph, it is stated that: "The main aims of ARIP are to: phase out price support and credit subsidies; withdraw the State from direct involvement in production, processing, and marketing of crops; and introduce a less distortionary direct income support (DIS) system to farmers, based on land rather than on inputs or output. At the same time, ARIP is designed to mitigate the potential short-term adverse impact of subsidy removal and facilitate the transition to efficient production patterns". In the next paragraph, the components of ARIP are defined as follow: "... (i) DIS payments; (ii) farmer transition payments; (iii) restructuring of the Agricultural Sales Co-operatives (ASC) and their Unions (ASCU); and (iv) improvement of support services...". Regarding that, the following questions arise:

What is the difference between components (i) and (ii)? Does component (ii) deal only with hazelnuts and tobacco?

**Answer:**

**Component A: Direct Income Support (DIS):** The objective of DIS component is to design and establishment of a nation wide farm and land registration system to provide assistance to eligible farmers starting from less developed areas to more developed areas. Such areas will be selected based upon transparent and objective criteria such as socio-economic development index. While direct income support payments are financed from Government budget, goods and services are financed by loan proceeds.

**Component B: Farmer Transition Support (FT):** The objective of FT component is to provide financial support to the participating farmers who convert from producing highly subsidized and economically unsustainable crops (hazelnut and tobacco), to more sustainable crops, through the financing of grants to cover the cost of goods, services and works related to crop conversion.

The difference between two components is the source used in financing payments. While DIS payments are financed from government budget, FT payments (for uprooting costs, input costs for new crops and preparing and tending fields) are funding from loan proceeds. FT component is now covering only hazelnut and tobacco but restructuring studies on component is enduring.

**Question (Brazil):**

Is DIS notified in WTO Agriculture Committee as direct payment? And the "farmer transition payments" (ii)? How do they fit in the criteria defined by the AoA?

**Answer:**

Notification of DIS and farmer transition payments to the WTO will be possible upon completion of the Agricultural Reform Programme and the relevant database in 2005.

**Question (Brazil):**

How is component (iii) being implemented? How does the Turkish government intervene with cooperative structures?

**Answer:**

The program of "Restructuring of agricultural sales cooperatives and unions" focuses on turning the quasi-governmental sales cooperative unions previously used to administer support prices, into organizations dedicated to serving their farmer members. The restructuring activities include compensatory payments for the dismissal of excess workers, and technical support to the ASCU's to establish managerial capacity.

**Question (Brazil):**

Is there any priority in the implementation of the four components of ARIP?

**Answer:**

There are no priorities in the implementation of four components of the ARIP.

**Question (Brazil):**

In paragraph 19 of section IV (WT/TPR/S/125), it is mentioned that: "...In 2002, most administered prices were abolished. However, the Turkish Grain Board continues to set purchasing prices for cereals before the purchasing campaign; purchasing prices increased by around 36% for tobacco, about 40% for wheat and maize, and 50% for oats (Table IV.2). The purchasing price for sugar beet increased by 48% despite an increase of 9.6% in the production quota to 12.6 million tonnes of sugar beet..." How does this practice is made compatible with the ARIP policy (paragraph 12)?

**Answer:**

The administered purchasing prices for cereal take place within the ARIP policy. Turkish Grain Board (TMO) works as an intervention agency like the similar institutions in EU. It only procures 10-15 % of the grain production. The prices set by TMO resemble the lower limit and if prices fall below these prices, TMO intervenes into the market.

However, sugar beet is not included in ARIP. As specified in the Sugar Law, which was entered into force in 19 April 2001, sugar quotas (and related sugar beet quotas) are determined in line with the domestic demand by the Sugar Board and sugar beet prices are determined in agreement between sugar companies and farmers. On the other hand, increase in sugar beet purchasing prices reflect the inflation rate of the related year.

Cultivation of tobacco and hazelnut have expanded outside of the allowed production lands, moreover, tobacco and hazelnut are traditional export items. To that end, they have been included in the ARIP project.

After the enactment of Tobacco Law (Dated January 3<sup>rd</sup>, 2002, number 4733), The Alcohol and Tobacco Monopoly (TEKEL) procures tobacco up to its annual production requirements.

The main reasons for the increases in purchasing prices of agricultural products are the rise in the production costs of the farmers (such as fuel oil, fertilizer, and seeds) and the inflation. Therefore the above-mentioned practices are in line with ARIP implementation.

**Question (Brazil):**

In paragraph 24 of section IV (WT/TPR/S/125), there is a mention on a "deficiency payment" mechanism: "In 1998, deficiency payments were applied to cotton and olive oil, and in 1999, they applied to cotton, sunflower seed, and soybean. As from 2000, deficiency payments have covered olive oil and canola. These payments amounted to TL186,150 billion in 2002 and are expected to be TL 264,000 billion in 2003. In addition, direct payments were introduced for silk cocoon and mohair in 2002 for TL 1,111 billion.". How does this mechanism is made compatible with the ARIP objectives?

**Answer:**

In the first years of implementation of the DIS system, the internal marketing channels could not be established properly, and relevant guidance could not be disseminated to agricultural sector. Therefore, the expected shift from the products where there is surplus to the products where there is shortage could not be provided.

The deficiency payment mechanism is being implemented for the products in which Turkey is net importer. During ARIP implementation this issue was also taken into consideration with the World Bank, and the Bank agreed to preserve deficiency payment mechanism within the context of agricultural support system.

**Question (Brazil):**

In paragraph 14 of Section IV (WT/TPR/S/125), it is stated: "The objective of the second component of ARIP is to provide farmers with a one-off transfer to help them in the transition to alternative and more profitable activities as governmental support is reduced. The most serious problems are concentrated in tobacco and hazelnut production, which are a heavy burden on the fiscal

budget because of excess supply and the Government's purchases of excess supply". On paragraph 18, it is mentioned that "The Tobacco Law ended the practice of administered support prices by the Government through TEKEL, the state monopoly for alcohol, tobacco, and salt, which is also to be privatized in 2003. Purchasing prices are now market determined, and the quota on tobacco production was removed in 2002." Further, in paragraph 19, we can read that "In 2002, most administered prices were abolished. However, the Turkish Grain Board continues to set purchasing prices for cereals before the purchasing campaign; purchasing prices increased by around 36% for tobacco..." Nevertheless, statistics of tobacco trade show that Turkey still exports around 50 per cent of its domestic production, regardless of the downfall in the production. Since Turkey has not notified exports subsidies on tobacco(G/AG/N/TUR/13), is there any policy implemented to keep such a share of domestic production for export?

**ANNEX:****Table of Statistics on Turkey Tobacco Production and Trade**

Year	98/99	99/00	00/01	01/02	02/03	Average
Dry Weight Production	217.570	207.830	207.911	172.027	133.812	187.830
Exports	128.808	115.710	100.900	96.450	88.840	106.142

Source: PSD Official Statistics.

**Answer:**

There is no support payment made in the area of exports within the scope of the ARIP Project. Also, there is not any policy implemented in order to keep such a share of domestic tobacco production for export.

**SERVICES****Question (Brazil):**

It is said (Document WT/TPR/S/125, page ix, paragraph 20): "Turkey has taken measures to address some of the structural problems in certain services activities, notably banking and telecommunications, where independent regulators have been appointed and the scope of the liberalization and privatization process has been extended."

What are the main sectors foreseen to be privatized?

**Answer:**

As stated in the government report, Turkey embarked upon a massive and very extensive plan to privatize almost all of its public sector. The objective of ultimate full membership to the European Union accompanied by the fact that in order to achieve macroeconomic stability and sustainable growth requires the state to withdraw from all of the sectors including electricity transmission, mining and perhaps in the future social security.

Telecommunications, petroleum refining, petrochemicals, tobacco, fertilizer, sugar industry, air transport, power generation and distribution, national lottery, banking, tourism, agriculture, some remaining textile plants, motor vehicle inspections and even privatizing both Istanbul Stock Exchange and Gold Bourse are some of the sectors which are on the government's privatization agenda.

**Question (Brazil):**

It is said (Document WT/TPR/S/125, page 09, paragraph 21): "Balance-of-payments data indicate that Turkey continues to be a net exporter of services, albeit with a decreasing surplus (Table I.2)." What are the export services sectors responsible for the trade surplus?

**Answer:**

Turkey's income from the services sector fell from US\$20.4 billion in 2000 to US\$16 billion and US\$14.8 billion in 2001 and 2002, respectively. The main reason behind this decrease was the economic crisis of 2001, which affected all economic sectors of Turkey. However, tourism receipts increased in the mentioned years resulting from the good performance of the sector, as well as the devaluation of the Turkish Lira. Hence, the increase in the tourism receipts caused a continuing surplus in services trade.

**Question (Brazil):**

It is said (Document WT/TPR/S/125, page 10, paragraph 25): "Since 1998, manufacturing and services have attracted almost all FDI inflows into Turkey;(...)" What are the sectors of services that receive the largest amounts of foreign investments?

**Answer:**

Communications sector (especially cellular phone services) has the largest share in foreign direct investment within the services sector between 01.01.1998 and 31.12.2003.

As of December 31, 2003, the share of communication was 29.2%. It is followed by banking and other financial services (26.9%), financial institutions (15.2%), trade (11.6%), hotels (4.8%), other social services (3.2%) and services related with transportation (3.1%)

*Note: Classification of sub-sectors is made according to ISIC Rev.2.*

**Question (Brazil):**

It is said (Document WT/TPR/S/125, page 116, paragraph 134): "Public Law No. 4054 on the Protection of Competition does not grant any special exemptions to the national air transport services industry." Are there any other effects of the Public Law No. 4054 in services area?

**Answer:**

The statement of paragraph 134 on page 116 of the document WT/TPR/S/125 reads as follows:

"Public Law No. 4054 on the Protection of Competition does not grant any special exemptions to the national air transport services industry. No special privileges are granted to the state-owned air companies, except that, where possible, Turkish civil servants are obliged to use the national airline for official travel overseas."

As mentioned within this statement, no exemption is granted to Turkish national flag carrier company, namely Turkish Airlines (THY as the abbreviation of *Türk Hava Yolları*) by Competition Act (Law No: 4054). As a very recent development, domestic lines are open to competition, as well as international lines. Consequently, competitors of THY have commenced operating flights between

national airports on 9 December 2003. All practices of THY, as well as those of its competitors are subject to Competition Act.

Besides air transportation, no enterprise operating in any service sub-sector is exempted from competition rules.

As a conclusion, the Competition Act encourages competition in the services sector and its sub-sectors.

**Question (Brazil):**

It is said (Document WT/TPR/S/125, page 118, paragraph 144): "The Turkish Government remains active in the tourism subsector. It grants incentives for tourism investments in accordance with the Tourism Encouragement Law; (...)Investors in the tourism sector also have access to incentives granted under the general investment aid programme (Chapter III(2)(iii)(d))." How specifically are the incentives to investment granted in the tourist sector within the General Investment Aid Programme?

**Answer:**

Since the GIEP makes no sectoral selection among the industrial sectors or services, applications for an investment encouragement certificate in the tourism sector is treated on an equal basis with the others and the application procedure is the same for all investment projects. General characteristics of the GIEP are mentioned in the text covering Turkey's replies to written questions by Members which was distributed on 19 December 2003.

**Question (Brazil):**

In Turkey's schedule there are no commitments for Distribution Services. Are there any restrictions of Market Access and National Treatment according to GATS disciplines? Please indicate the legislation that rules the provision of these services.

**Answer:**

The coverage of the distribution services is very broad. It comprises the distribution services of the agricultural and industrial products, raw materials, intermediate and manufactured goods under the classification of commission agents' services, wholesale trade services and retailing services. In Turkey, there is not only one regulation that sets the rules of the distribution services. The legislation related to the distribution services and the institution which is responsible for the implementation of this legislation may vary depending on the category of the product.

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