

State Economic Enterprises (SEEs)

SEEs, which have played a major role in the Turkish economy since the time of Ataturk, underwent changes in 1981. Historically, the SEEs have produced poor financial returns as a result of inefficient management, political involvement in policy decisions, a poor industrial relations record and technical problems in design and operations. During the reform, central government administration was reduced, prices of goods produced by SEEs were made more competitive and government subsidies began to be phased out. Comparative cost studies with similar private operations were implemented, and cost increases of imports needed as inputs to SEE production lines were reflected in retail prices. SEE investment expenditure, which was 10.4 per cent of the GNP in 1980, increased to 10.9 per cent in 1988 and was projected to be 8 per cent in 1989. These changes, and the opening up of the SEEs to market forces, caused SEEs to rise from a 34.4 billion Turkish lira (TL) loss in 1983 to a TL 7.296 billion profit in 1988.

Investment Policy

The government policy is to encourage private foreign investment in projects that are in Turkey's national interest, to introduce new technology and to promote exports. Tax and import duty concessions are available for approved investments. The repatriation of profits and capital is allowed under the Foreign Investment Law (Law No. 6224).

In past years, the actual application of the foreign investment policy has not been as liberal as officially stated, and both restrictions and government controls have inhibited normal business operations. Refused work permits, mandatory export levels, disagreements over remittable profits due to differing interpretations of Turkish financial regulations, and direct or indirect government price controls have all restricted foreign investment. Expansion of existing investments is controlled and limited by a requirement that any capitalization of retained earnings must be approved by a separate decree of the Council of Ministers.

Recognizing the gap between stated policy and actual policy and implementation of the policy, Turkey has created a new Foreign Investment Department within the State Planning Organization (SPO) with the mandate to encourage and plan investments and also to reduce or eliminate existing problems. The new department also issues investment licences and investment incentive certificates.