

RPTB1

## TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

## 90/91 TRADE AND ECONOMIC OVERVIEW

Mission: ANKARA

Country: TURKEY

The trade and economic picture of Turkey into the 1990s will likely be variable in the face of continuing high inflation and slow growth. This notwithstanding, Turkey had a GNP of US \$70 billion in 1988, making it the largest and most diversified industrial economy in the Eastern Mediterranean and Middle East regions. The manufacturing sector has sustained an average growth rate of 7.5% since 1965, but overall growth is estimated to be approximately 1.0% in 1989.

Textiles and clothing remain the predominant manufacturing activities but the food and agro-sectors, iron and steel industries and motor vehicles and parts are important too. Turkey is heavily dependent on its export sector and whose performance has slipped badly in 1989. This has resulted in a programme of reduced imports. New measures introduced to help stimulate the convertibility of the lira and to increase the competitiveness of Turkish industry will have a known effort only in 1990 and beyond. Government measures to stimulate the economy brought rises in the GNP and export sector but at the cost of high inflation. In 1988, the rate was over 75% and by end-1989 will likely be 73%. To control the growth in the rate of inflation government expenditure has been reduced and public investment has declined by 14% in real terms. This has led to the slowdown in the real growth rate.

The Build-Operate-Transfer (BOT) model exploited by the Turkish Government for its capital projects has had mixed results largely due to the uncertainty in financial markets regarding risk assumption. The Canadian Ankara Metro project, currently underway, is a leader in BOT type of projects. Overall, public projects which have committed national funding or external financing will continue implementation. But public projects requiring funding in 1990/1991 will join a long queue for limited funds.

Despite this short term slowdown in growth, Turkey remains a market with great potential. The country is Western orientated, and the economy is adopting market-driven principles. Strategically located between Europe and Asia, Turkey has tentacles throughout the region; this coupled with the export orientation of the economy ensures that Turkey is a market worth investigation, not only in its own right but also for third country potential.

With the active privatisation programme of state owned industries and other investment opportunities, the legal framework also encourages the free movement of capital in and out of Turkey. The trend is towards enhanced involvement of the private sector in economic affairs, and this is where many Canadian firms should direct their activities. In the short to medium term opportunities for Canadian firms lie more with the private business community, rather than with large public sector projects.