

29/05/89

DEPARTMENT OF EXTERNAL AFFAIRS

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RPTB1

TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

89/90 TRADE AND ECONOMIC OVERVIEW

Mission: ANKARA

Country: TURKEY

THE VOLUME OF BUSINESS VISITORS TO TURKEY FROM CANADA INCREASED 37% LAST YEAR. SIMILARLY, THE VOLUME OF BUSINESS VISITORS TO CANADA FROM TURKEY HAS ALSO INCREASED STEADILY. TRADE INQUIRIES FROM BOTH CANADA AND TURKEY HAVE ALSO RISEN. THESE TRENDS REFLECT AN INCREASING UNDERSTANDING ON THE PART OF THE BUSINESS COMMUNITIES OF THE TWO COUNTRIES THAT THE CANADIAN AND TURKISH ECONOMIES COMPLEMENT EACH OTHER, THEREBY OPENING MANY OPPORTUNITIES FOR BILATERAL TRADE EXPANSION. DURING THE LAST TWELVE MONTHS, THE TURKISH ECONOMY GREW AT A RATE OF 7%. AT THE SAME TIME, INFLATION HAS CLIMBED RAPIDLY, REACHING AN ESTIMATED 85% PER ANNUM AT THE END OF OCTOBER 1988. THE OZAL GOVERNMENT, RECOGNIZING THAT THE EXCESSIVE GROWTH IN THE ECONOMY WAS THE CENTRAL FACTOR PUSHING UP INFLATION, SEVERELY CUT BACK ON PUBLIC SECTOR INVESTMENT, EXCEPT IN CERTAIN CLEARLY-DEFINED SECTORS. ONLY SPECIFIC PUBLIC SECTOR PROJECTS ALREADY UNDERWAY WILL BE FUNDED; THESE INCLUDE THE ATATURK HYDRO DAM, THE COASTAL POWER PLANT PROJECTS, THE ATATURK AIRPORT (ISTANBUL), THE ANKARA METRO AND A FEW HIGHWAY PROJECTS. IN ADDITION TO THESE, HIGH PRIORITY MILITARY PROJECTS ARE UNAFFECTED BY THE AUSTERITY MEASURES. AS A RESULT OF RESCHEDULING IN 1980, 1988 WAS A PERIOD OF HEAVY DEBT REPAYMENT FOR TURKEY; SOME 7.3 BILLION DOLLARS WAS REQUIRED FOR DEBT SERVICING IN 1988, AND 7.9 BILLION WILL BE NEEDED IN 1989. DEBT SERVICING WILL REMAIN HIGH THROUGH 1990 AND THEN BEGIN TO DECLINE. THE COMBINATION OF HEAVY DEBT SERVICE AND HIGH INFLATION WILL LIMIT PUBLIC SECTOR CONTRACTING OPPORTUNITIES FOR THE NEXT 12 MONTHS; HOWEVER, THE TURKISH ECONOMY IS STILL EXPECTED TO MAINTAIN A REAL GROWTH RATE OF GREATER THAN 5% PER ANNUM OVER THE FORSEEABLE FUTURE. ACCORDINGLY, THERE REMAIN EXCELLENT BUSINESS OPPORTUNITIES IN ALL SECTORS FOR FIRMS WHICH ARE WILLING TO DO THE NECESSARY ADVANCE WORK TO POSITION THEMSELVES FOR THE BUSINESS EXPANSION WHICH IS EXPECTED IN THE 1990S. TURKEY REMAINS ONE OF THE MOST DYNAMIC MARKETS IN THE WORLD. WESTERN-ORIENTED, WITH A STABLE, SECULAR AND DEMOCRATIC GOVERNMENT, TURKEY'S HAS APPLIED FOR ENTRY INTO THE EEC. HER HIGH BIRTH RATE AND INDUSTRIOUS POPULATION WILL ENSURE THAT THE TURKISH DOMESTIC MARKET REMAINS DYNAMIC OF ITSELF. MOREOVER, TURKEY'S STRATEGIC POSITION ON THE HISTORIC TRADE ROUTES BETWEEN EUROPE AND THE MIDDLE EAST, ITS POSITION AMONG THE ISLAMIC COUNTRIES AND ITS EXPORT-ORIENTED ECONOMY SHOULD ALSO ENSURE THAT TURKEY REMAINS A GOOD CHOICE FOR INVESTMENT AIMED AT SERVING THIRD COUNTRY MARKETS. THE TURKISH GOVERNMENT HAS ESTABLISHED A LEGAL FRAMEWORK WHICH GUARANTEES THE FREE MOVEMENT OF INVESTMENT CAPITAL. IN ADDITION, SEVERAL INCENTIVE PROGRAMS HAVE BEEN INSTITUTED TO ENCOURAGE FOREIGN INVESTMENT. FOR ALL OF THE ABOVE REASONS, TURKEY SEEMS DESTINED TO BE AN EVER MORE IMPORTANT TRADING PARTNER FOR CANADA IN COMING YEARS.