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CHAPTER VI

The import regime of the 1960's

As was seen in Chapter III, the import procedures and regulations existing prior to August 1958 were rescinded with the announcement of the Stabilization Program. Import Programs became the major regulatory instrument governing imports thereafter, and have remained so since then.

The purpose of this chapter is to examine the detailed workings of the Turkish import regime: the criteria used and intent of government officials in deciding upon the Import Programs, the procedures and regulations governing imports of various kinds, and the way in which the import regime functioned. Each of these three aspects forms the subject of a section below. But before turning to these subjects in detail, it will be useful to have an overview of the import regime, the subject of the first section.

I. The Import Programs and lists

Each Import Program has contained a statement of the procedures to be followed in applying for import licenses and a list of regulations governing importation. In addition each Program has itemized the commodities eligible for importation under each of two lists: the Liberalized List and the Quota List. Commodities not enumerated on either list are not legally importable.[1] Although there is no such thing, it is convenient to refer to commodities not included on an import list as being on the "Prohibited List."

The first Import Program was promulgated in September 1958, the second in February 1959, and the third in August 1959. Thereafter, Import Programs were issued semi-annually: from 1961 on they were issued early in January and July of each year. In 1969 import regulations and the Liberalized List were made valid for the full year so that only the Quota List was issued under the midyear Import Program.[2] The Import Programs have been consecutively numbered. Thus "Import Program No. 26" was issued in January 1971.[3]

1. Some items are designated by use, as, for example, "Articles required in connection with the production and assembly of tractors."
2. In 1971, the Quota List was also made valid for the full year. However, quotas were to be used semi-annually.
3. Each Import Program was published in the *Official Gazette* and reprinted by the Turkish Chambers of Commerce and Industry and the Union of Chambers. The titles have differed somewhat from time to time.

Quota List imports were generally about two-thirds the value of Liberalized List imports, though the ratio varied from time to time (see Table VI-3 below). The determination as to whether an item was eligible for importation at all, and if so on which list, was basic to the import regime. The Import Programs for Quota List items indicated the dollar value of licenses to be issued, and the procedures for allocation of those amounts then began. They involved determination of the amount of the quota going to the public and private sectors, and allocation of import licenses to individual private sector producers.

The value of imports of Liberalized List items was not indicated, as the intent was that licenses should be issued freely to all applicants. It will be seen below that this did not always happen, for a variety of reasons.

Between two-thirds and three-quarters of all imports entered directly under the Liberalized List and the Quota List. Other categories of imports were "Bilateral Agreement Imports" and "Self-Financed Imports." A Bilateral Quota List, published separately from the Import Program, enumerated the items eligible for importation from countries with which Turkey had bilateral trade agreements. Despite the fact that the list was published separately, the Liberalized List–Quota List distinction of the Import Program was still dominant, in that no item was eligible for importation under a bilateral agreement that was not included on one of the lists in the Import Program.

"Self-Financed Imports" were chiefly capital goods imported in connection with investments made under project aid. They were almost entirely for investments within the public sector and thus were government imports. Other "Self-Financed Imports" included PL 480 shipments and various miscellaneous items.

The key decisions made in formulating the Import Programs were: (1) the determination of which items were eligible for importation; (2) the designation of which eligible items should be on each list; and (3) the value of licenses to be allocated in each quota category. In addition, several other aspects of the Import Programs were important. The height of guarantee deposit requirements against license applications for items on each list was announced, and the period for which licenses were to be valid, the procedures to be followed in the event of delay and other administrative aspects of the system were spelled out.

In the latter part of the 1960's an additional feature assumed increasing importance: many categories of eligible imports on both lists became subject to "Ministerial approval." Enumeration on a list was no longer sufficient to insure importation of those items: approval from the designated Ministry had to be obtained first. It will be seen below that the requirement of Ministerial approval gave the government greatly increased control over the detailed allocation of import licenses.

II. The formulation of Import Programs

As indicated above, the Import Programs became the basic instrument in determining the import regime in 1958. The Import Programs retained their function when the SPO was organized, although the process by which they were formulated was altered as SPO assumed a larger role in their determination. Reference in what follows is to the period since 1962 when the Import Programs have been formulated in conjunction with the Plans and the Annual Programs.

There are many stages in the formulation of the Import Programs, and virtually all of them involve formal and informal consultations among many government ministries. There are almost no public records from these consultations, and the substance of the procedures probably varies with the fortunes and political influence of various cabinet ministers and other parties in the negotiating process. Thus any description of the formulation of the programs will fail to capture the degree to which political and subjective factors influence the process and in addition will make the procedures appear to be more cut-and-dried than they in fact are.

With that important caveat in mind, four stages of the process of formulating the Import Program can be distinguished: (1) the SPO projects import "requirements"; (2) those requirements are allocated globally among lists and financing sources; (3) a determination is made of which imported commodities are to be on each list; and (4) negotiations are carried out to determine the value of each Quota List item. Bearing in mind that these stages are not sequential and that the process really contains a fair amount of iteration, we consider each of the stages in turn.[4]

SPO projections of import requirements

The SPO starts by estimating import requirements by end-use: for consumption goods, investment goods and raw materials. These estimates are based upon the anticipated volume of investment (for investment-goods imports) and industrial production (for raw materials and intermediate goods). Consumption imports are projected primarily on the basis of past levels. Once these projections are established, the estimated amount of incremental import-substitution production in each category is subtracted from the totals, thus yielding estimates of net import requirements by end-use category. The value of "Self-Financed Imports" is then estimated. PL 480 imports are sub-

4. Except as otherwise indicated, the information contained in this section is based upon numerous interviews with persons associated with the process of formulating the Import Programs.

tracted from consumption-goods import requirements, and imports financed by project credits are subtracted from investment-goods import requirements. The resulting figures are taken as the control totals which the Import Program must satisfy.

Some iteration is involved even at this stage, since the value of imports projected under the Import Program must be reconciled with expected foreign-exchange availability. The totals in both this and the next stage are adjusted and recomputed to conform with foreign-exchange considerations. The Central Bank provides estimates of the amount of foreign exchange it expects to be available to pay for imports. However, since the SPO estimates the expected availability of foreign exchange from program aid and has some latitude in estimating the likely magnitude of imports financed by project credits, the Central Bank's estimates are not the sole determinant of the global total for the Import Program.

Allocation of end-use requirements among the import lists

The important operational decision is the value of imports to be permitted under the Quota List. It would appear in practice that this figure is initially determined as a residual, and later subject to iteration: (1) Liberalized List imports are projected on the basis of past trends, since (in principle) they are determined by market forces and hence presumably cannot be controlled (but see below, Section III); (2) the value of imports under Bilateral Agreements is generally stipulated in the agreements themselves and is taken as a datum; (3) the sum of imports under the Liberalized List and Bilateral List is then subtracted from total estimated end-use requirements (as reconciled with foreign-exchange availability) to yield the total value of imports to be allotted to quota categories. However, when estimates of Quota List import values become available after negotiations over the value of Quota List items, the estimate for the value of Liberalized List items is generally modified, as is the Quota List figure.

It will be seen below that the import projections by end-use have often differed from actual imports.[5] By contrast, imports by list as indicated in the Import Programs have generally been very close to the actuals. Since the lists are what is actually controlled, it is not surprising that projections of the lists agree much more closely with the actual results than do end-use projections. What should be noted is that the list totals have little significance for development goals. Thus the SPO's decision as to the value of Quota List imports does not give it effective control over end-use categories.

5. See below, Tables VI-2 and VI-3.

Determination of commodity composition of lists

Of major significance is the decision as to the commodities eligible for importation and their assignment to an import list. SPO generally sets the criteria for determining the lists, and decisions to alter the lists are made by the relevant ministries in consultation with the SPO. Usually an item appearing on a given list remains on that list until there is a reason for change; thus decisions are made at the margin, and commodities seldom jump back and forth between lists.

At the outset of the FFYP, the SPO set the criterion for inclusion on the Liberalized List:

> Goods of which internal production partly covers internal needs will not be included in liberalization lists and if already included, will be taken out... Import programs will give priority to imports which contribute to the realization of plan targets. The import requirements of the industries concerned will be examined and fulfilled in the light of their implications for the plan.[6]

Thus the Liberalized List was designed to encompass those commodities whose importation was deemed necessary for achievement of the development plan targets when domestic productive capacity was unavailable. The Quota List was designed to be more protective and restrictive, covering commodities of which there was some domestic production or which were deemed less essential to development, as in the case of most consumer goods. Thus vitamins and antibiotics were included on the Liberalized List, whereas coffee, cocoa and most other consumer goods were included on the Quota List.

The criterion for removing or transferring a commodity from a list gradually became centered upon domestic production considerations. Thus when domestic production of an item on the Liberalized List started, the producer appealed for the transfer of the commodity. The good was then transferred to the Quota List if it was determined that the new producer's capacity would be inadequate to meet domestic demand, or entirely removed from the list of eligible imports if the additional productive capacity was thought sufficient. Once domestic production had started, of course, producer pressure to delete an item from eligibility for importation was persistent.

In the Annual Programs prepared by the SPO, projected domestic production and demand figures are given for various sectors of the economy, as are export figures. Import projections are derived as a residual in the case of domestically produced goods, and from input-output coefficients for non-produced inputs. Those import projections cannot often be translated directly into the lists: for commodities on the Liberalized List, no values are

6. FFYP, *op. cit.* (Note 20, Chap. I), p. 471.

assigned to individual items; for commodities on the Quota List, the SPO figures are directly influential only if the import is used by just one sector.[7]

SPO's projections are nonetheless clearly a dominant element in determining the Import Program, even though the Annual Program figures are not precise guides. SPO's influence is generally acknowledged to be considerable; and it is undoubtedly in the Cabinet-level deliberations as well as the interministerial negotiations at lower levels that SPO officials are able to transform their Annual Program estimates into Import Program decisions.

Questions were asked in interviews with SPO officials as to how import values for individual commodities were estimated by SPO. The responses indicated that the basic mechanism was incremental projections: past import-output and import-investment relationships were applied to the projected increases in output and/or investment to yield import estimates.

In response to the suggestion that if all imports so estimated were exactly realized and all production targets met such projections would be self-fulfilling in perpetuity and the coefficients constant, officials answered that "shortages" did arise and that they quickly became aware of them. It was stated that in such instances the next Annual Program would take these shortages into account. When asked whether checks were ever made on differential disparities between landed cost and domestic selling prices of imports, SPO officials stated that such checks had not been made, although the magnitude of the disparities was generally known. It appeared on the basis of these responses that the basic projection technique was really a "materials balances" approach, and that price signals yielded by the economy were generally ignored.

The Import Program for the Liberalized List items is complete when the contents of the list are determined. The list itself contains several qualifications. It is specified for some Liberalized List items that permission of a particular Ministry is required before an import license application can be made. Some items are also subject to source-restrictions as, for example, goods eligible for importation only with AID funds.

The determination of Bilateral List imports is made essentially on the basis of which goods eligible for importation appear to be available from bilateral-agreement countries. The critical decisions for the Quota List are the value of quotas for each individual quota category.

Negotiations over the Quota List

Although the Annual Programs prepared by SPO indicate the value of imports expected by end-use category, by list and by sector, preparation of

7. H. Lubell, D. Mathieson, R. Smith and B. Viragh, *The Turkish Import Regime*, AID (Ankara), April 1968.

the Import Programs in conformity with the Annual Programs is the responsibility of the Ministry of Commerce. The process of determining the value of each quota item is complex and is conducted under the aegis of the Commerce Ministry, with SPO, the Central Bank, the Ministry of Finance, other government agencies and the Union of Chambers of Commerce and Industry taking part.

The Union of Chambers is a semi-official body to which all private sector firms having ten or more employees must belong. The Union represents the interests of its members in negotiations over quota values, while the Ministry of Finance represents the public sector enterprises. The Union and the Finance Ministry consult with their respective constituents prior to negotiations over specific quota values. Thus when quota-list negotiations take place the Union has consulted with its members and has received responses from them as to their expected import requirements.

There are two types of quotas, commodity-specific and user-specific. Commodity-specific quotas, such as electric motors of less than 60 horsepower, are further allocated between industrialists and importers. Industrialists are those using the quota-good in their own production process. Imports under licenses granted to industrialists cannot legally be resold. By contrast, importers are those who import for the purpose of resale without processing. Each quota value is subdivided into the amount to be allocated to industrialists and the amount for importers.

User-specific quotas are of two general types: (1) those covering the import needs of particular types of assemblers and manufacturers; and (2) investment-goods quotas. In the first category a quota is set aside for the importation of goods required in the production process. Firms operating under these quotas are subject to domestic content requirements. Two investment-goods quotas are set: (1) for private sector investments, and (2) for public sector investments. Goods imported under these quotas naturally require SPO approval to insure that the proposed investments are in conformity with plan objectives. For investment goods imported under those quotas, therefore, SPO has considerable influence over the direction of investment.[8]

The Import Program

As indicated at the outset, the stages discussed above take place simulta-

8. Many forms of machinery and equipment have individual quotas, so that the investment-goods quotas do not cover all investment goods. However, by the late 1960's SPO had power to grant duty-exemptions and other incentives to capital-goods imports when the purpose of the investment conformed with the Plan. Thus SPO could effectively influence virtually all investments. See Appendix A for an estimate of the value of the duty exemptions.

neously and considerable iteration is involved. The Import Program, when it emerges, consists of: (1) regulations and procedures for applying for import licenses; (2) regulations surrounding the use of import licenses and the clearing of goods through customs; (3) the Liberalized List (broken into two lists in recent years, with different guarantee deposit rates being the only distinction between the two), including an enumeration of goods on the List, an item-by-item specification of Ministerial permission requirements, if any, and indication for each item whether there are restrictions on the source of foreign exchange to be used for financing imports; and (4) the Quota List, indicating the value of licenses to be issued in each quota category, and its breakdown into industrialists' and importers' shares.

Once the Import Program is issued, persons wishing to import Liberalized List goods can, after obtaining Ministerial approval where necessary, apply to the Central Bank for an import license. Persons wishing to import a Quota List item begin the process of obtaining an allocation, to be described below. We turn now to the procedures and regulations governing the two types of imports. The functioning of the system, and the degree to which the Import Programs were realized, is then considered in Section IV.

III. Import procedures

Procedures for obtaining imports vary depending upon the list in which a good is included, the restrictions upon importation indicated in the list, and whether the would-be importer is in the public or private sector. This section focuses upon the procedures for private sector firms. Generally speaking, public sector quota allocations are administered by the Ministry of Finance. Public sector imports are not subject to guarantee deposit requirements except for AID-financed imports, and private sector spokesmen claim that generally the SEEs have a far simpler time obtaining their imports than do private sector firms.[9] No hard evidence is available upon this point, however. An effort was made to determine the fraction of all imports going to the public sector, but available data were not sufficient to enable an estimate.

Procedures for Liberalized List items are generally far simpler than for Quota List items, and are therefore considered first. Even at their simplest, however, import procedures are complex. The accompanying chart summarizes the procedures, and may be a useful reference throughout this section.

9. In the Import Programs, special quotas are set aside for "Emergency Requirements of SEEs" and "Emergency Requirements of Private Sector Enterprises." The SEE quotas have generally been twice those of private sector firms, despite the fact that the share of each in total production is about equal.

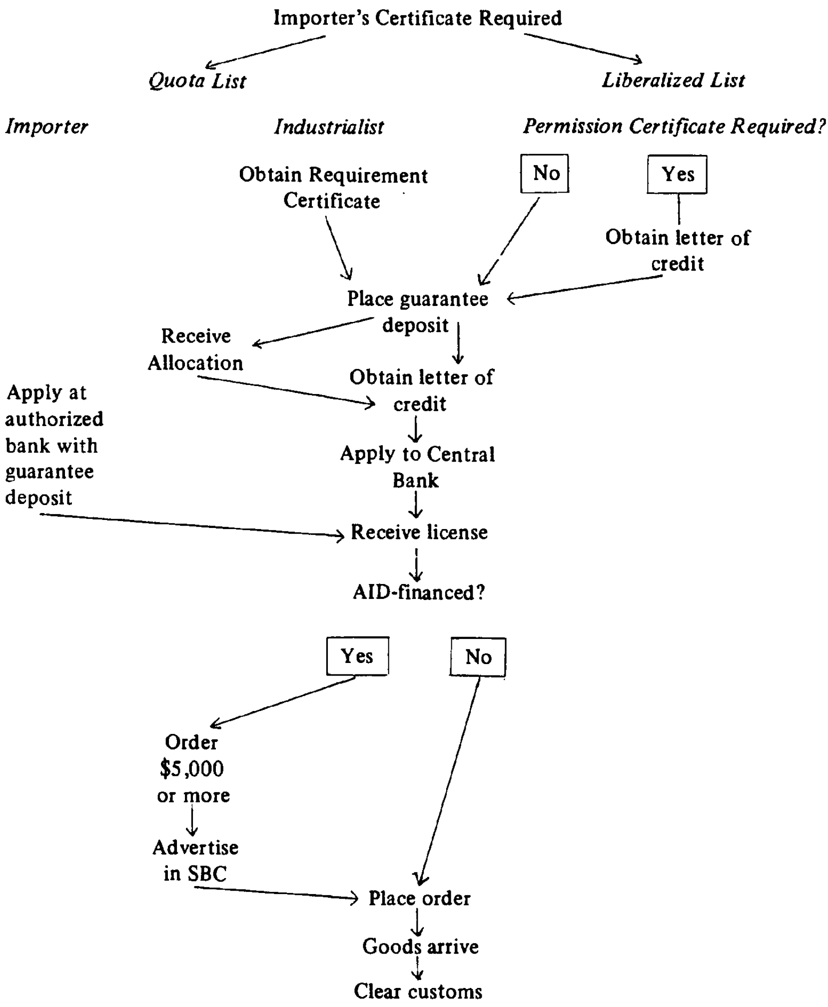

Fig. 3. Summary of import procedures.

The reader can refer to Tables A-11 to A-14 to gain an idea of which goods were in various categories.

Procedures for obtaining imports under the Liberalized List

As indicated above, some items on the Liberalized List require Ministerial approval prior to receipt of an import license. Others are eligible for importation only with AID funds. Special procedures are required for these goods. We first discuss the license allocations for those Liberalized List items which are not restricted in either way. Thereafter, the additional steps associated with AID financing or Ministerial approval are reviewed.

Unrestricted Liberalized List goods. Generally speaking, anyone having a "legitimate reason" to import a Liberalized List good can do so by following the procedures outlined here. First, no one is eligible to receive an import license unless he has an "Importer's Certificate." Such a Certificate is obtained from the local Chamber relevant for the importer's purpose: manufacturing firms are licensed by the Chamber of Industries whereas wholesalers are licensed by the Chamber of Commerce.[10] The Chambers' purpose in licensing is to establish that the applicant is a *bona fide* producer or wholesaler. The Importer's Certificate does not entitle the holder to select any item on the import list. Rather, it is restricted to the range of items relevant to the holder's business. The holder with such a Certificate is eligible to apply for any relevant item from any list.

Interviews with officials from the Chambers and with individual importers yielded the impression that obtaining an Importer's Certificate is straightforward and entails neither high costs nor long delays. Once an individual or firm holds such a Certificate, it is good for an indefinite period unless the holder is found guilty of violation of any import regulations. Thus it is a once-and-for-all procedure. However, the fact that Importer's Certificates are restricted to a given class of commodities implies that an individual importer cannot shift his imports around in response to demand shifts without an amendment to his Certificate. Thus if the domestic price of a given commodity rises sharply relative to landed cost, some wholesalers are ineligible to import it and may continue importing lower-profit items to which they are entitled while having their Certificates altered.

Once a new Import Program is announced, all individuals and firms holding Importer's Certificates valid for commodities on the Liberalized List can make application at any time for an import license (permit) from the Central Bank.[11] The applicant must give the description of the goods he wishes to import, the quantity of each item and the unit price. The applicant files his application, along with a guarantee deposit made at the local bank and then

10. Manufacturers and others importing only for their own use can use alternate procedures if they wish. In 1971 the Ministry of Commerce assumed responsibility for the issuance of Importer's Certificates.

11. Recall that Ministerial approval requirements and AID-financed imports are not yet being considered.

transferred to the Central Bank. The guarantee deposit rates for various categories of goods and at various points in time are given in Table A-8. The Central Bank then issues import permits in the amount applied for to the applicants, on a first-come first-served basis as foreign exchange is available. Generally speaking the fall and winter of each year are the peak export months, with delays in issuing licenses consequently tending to be shorter than during the late summer months. In addition to seasonal factors in export earnings, the general stringency of the foreign-exchange market can influence the delay encountered in receiving import permits. Thus in the early 1960's delays tended to be fairly short, but their average duration increased as the foreign-exchange situation became tighter.

It should be noted that despite the Annual Program figure for Liberalized List imports, licenses are actually issued for Liberalized List imports as foreign exchange becomes available. Thus any errors in forecasting foreign-exchange availability are compensated for by lengthening or shortening the delay in issuing an import license. Hence in the late 1960's when the excess demand for licenses was increasing rapidly, firms wishing to import Liberalized List goods made their applications early, and Liberalized List status did not assure would-be importers that they could import these goods. Also, the Central Bank generally refused to accept new applications in the last part of an Import Program period to prevent speculation against the new import lists.

Once received, an import permit is valid for six months unless an additional delay is required for manufacture to specifications, in which case it can be extended. In principle, if the import permit is not used within six months it is void, and 10 per cent of the initial guarantee deposit is forfeited. However, government officials and businessmen alike claimed in interviews that renewal of unused import permits was fairly automatic. Thus, at the cost of having resources tied up in guarantee deposits, individuals could "speculate" against the disappearance of a commodity from later Liberalized Lists. Some government officials interviewed claimed that the practice of speculating in import licenses, even if that speculation took place over a period of several years, was commonplace.[12] Indeed, a license once issued constitutes a valid claim against foreign exchange. Government officials complained that the practice of speculative holding of import licenses made new regulations difficult to enforce, particularly when a commodity was removed from the list of eligible imports.

12. With the very high guarantee deposits in the latter part of the 1960's, it is difficult to imagine that speculation was terribly great. However, it is conceivable that individuals held import permits from earlier periods, when guarantee deposits were considerably lower. Of course individual speculators would still have incurred the risk that the license would be invalidated, as per the law.

All Liberalized List imports must be financed under letters of credit. Estimates of the cost of letters of credit have ranged from 1.5 to 10 per cent of the c.i.f. value of the goods. (It should be noted that these costs have not been included in the EER calculations given below.) Once the import permit and letter of credit are in hand, the importer can place his order. The last step is clearing customs. In general, the customs' role is two-fold: (1) to ascertain that the imported items conform in every respect to the description on the import permit; and (2) to collect the duties and surcharges associated with importation.

The process of checking that the goods conform with those described on the import permit has been the subject of complaint at various periods. The consignment was supposed to conform not only in physical description but also in total volume and price to the amount on the import permit. Businessmen have cited in interviews instances where they had been able to obtain orders more cheaply than anticipated. Such a discrepancy was as difficult to clear as one in which the price had been underestimated. Of course one obvious purpose of the customs check is to insure that goods on the prohibited list are not imported clandestinely, either as unnecessary components of larger units, or in other disguised forms. Interviewees occasionally volunteered that they had imported an item to obtain only one component which itself was not legally importable. It is doubtful, however, whether such a practice was widespread.

The collection of duties and surcharges is straightforward, as far as available information indicates. One point should be noted, however. Importing was such a profitable activity that importers were frequently eligible for favored interest rates from the banks and for special classes of credit.[13] The availability of this credit ended at the point where goods cleared customs. Thus it was not infrequent for an importer to keep his goods in customs for considerable periods, since financing was provided through importers' credits. Although the cost to the importer was sizeable, it was less so than holding the goods, once through customs, since duties and surcharges raised the carrying cost of the goods by a high percentage.

Thus licensing procedures are virtually automatic for Liberalized List imports not subject to restriction. The chief difficulties have been with the high guarantee deposit requirements, and with uncertainty about delays in issuance of licenses. When adequate foreign exchange was available, goods on the Liberalized List were generally importable without great difficulty or high costs.

13. Fry, *op. cit.* (Note 30, Chap. II), p. 139.

Liberalized List imports subject to permission. When the approval of a government agency is required prior to issuance of an import license, an additional step is added to the licensing procedure. A "Permission Certificate" has to be obtained from the specified agency. Once such a Certificate is obtained, the other formalities follow the same lines as an unrestricted Liberalized List commodity.

Generally speaking, the intent of the Permission Certificate requirement is to restrict imports. Delays in obtaining Permission Certificates can occasionally be considerable, sometimes spilling over into an Import Program where the item is no longer eligible for importation. In most cases the effect of the additional certificate requirement is simply to lengthen the delay prior to obtaining a license. Sometimes would-be importers are told that the item they seek is available domestically. In those instances it is incumbent upon the applicant either to obtain letters from domestic producers stating they can not provide the item to the right specifications, or to purchase from a domestic source. Apparently the sort of difficulties associated with these stipulations varies considerably from one manufacturing sector to the next.

AID-financed Liberalized List goods. Some Liberalized List goods were designated as "AID-only" and others as "partly-AID."[14] Liberalized List items designated "AID-only" could be imported only with AID funds subject to the restrictions on those funds. "Partly-AID" designations meant that the item could be purchased from the United States with AID funds or from other countries with free foreign exchange. Use of non-AID foreign exchange to purchase goods from the United States under "partly-AID" designations was not permitted.[15] Thus once a particular tranche of program aid was exhausted, importers' applications for permits for AID-financed imports were delayed until new AID funds became available. On rare occasions importers could file a new application designating an alternative source of supply, and receive their import license sooner than by awaiting approval of their AID-financed import application.[16]

AID-financed imports were subject to special formalities. First, U.S. Government regulations were that the minimum size shipment under AID financ-

14. The procedure changed late in the 1960's as program aid became relatively less important and as dollars received under AID were utilized early in the Import Program periods. For most of the 1960's AID-designations were an important part of the system. The episode provides an amusing instance of aid-tying resulting in smaller exports from the aid donor than would otherwise have occurred.
15. In principle, the Ministry of Finance could make special exemption in the case of emergency requirements. That seldom happened, however. It was the United States that requested that the AID-designations be removed.
16. Lubell *et al., op. cit.* (Note 7), p. 84.

ing was \$5,000.[17] Thus a firm requiring spare parts or other items in smaller value was forced to stockpile the additional amount, to pool the order with another firm's, or to order from an alternative source of supply where there was no such requirement. Second, because the U.S. imposed certain requirements on AID-financed imports, customs checks were undertaken in greater detail than for non-AID financed goods. Third – the formality about which there was most complaint – the U.S. required that prospective importers advertise in the *Small Business Circular* (SBC) of the AID Office of Small Business. Advertising had to commence at least 45 days prior to the placing of an order. Importers were required under Turkish regulations to submit their specifications in English for transmittal to the SBC within twenty-five days after receipt of their import permit but not before. Thus the SBC-advertising requirement added at least a month and a half to the delay in obtaining imports.[18]

Procedures for Quota List items

The procedure for individual quota allocations is much more complex than the Liberalized List procedure. As with Liberalized List imports, an Importer's Certificate or other proof of a valid business interest is required, and once a permit is obtained the customs procedures are the same as for Liberalized List items. In between, the procedure differs considerably.

Potential importers must obtain a quota allocation before applying for an import license. As indicated above, potential importers indicate their prospective needs to their local Chamber of Commerce or Industry. The local Chamber representatives then meet under the auspices of the Union of Chambers. The conflict between importers and industrialists is resolved at that stage. Then regional claims are disentangled at the Union of Chambers level. The Union of Chambers represents the private sector in the negotiations for the determination of quotas. Once the quota list is published, firms apply through their Chamber for allocations. After receiving allocations, import license applications are submitted and the Central Bank issues licenses fairly automatically.

17. \$5,000 became the minimum in 1965. Prior to that date it had been \$1,000.

18. The requirement was most onerous on the private sector, since SEEs were not subject to guarantee deposit requirements. Even for the private sector, there were some ways of avoiding SBC advertising: having sole supplier status, exclusive representative status, buying from U.S. stockpiles, etc. A U.S. Government study drew a sample of firms actually winning bids from SBC advertising. Firms in the sample included IBM, General Electric, International Harvester, Dow Chemical, B.F. Goodrich, and General Motors. See Lubell *et al., op. cit.* (Note 7), p. 89.

Importers versus industrialists. As already mentioned, the Union of Chambers is an association of all the regional Chambers of Commerce and Industry. The regional Chambers are in turn subdivided into Chambers of Commerce and Chambers of Industry. Both are further subdivided into functional groups – tire manufacturers, for example, are called together under the auspices of the Chamber of Industry to provide estimates of their import needs. Similarly, an importers' group meets to estimate its demands for imported tires of types not domestically produced. The obvious potential for conflict between importers and industrialists has been fully realized: so much so, in fact, that what used to be a Chamber of Commerce and Industry has become two Chambers. The importers are of course interested in increasing the flow of resaleable goods into the country, in receiving foreign-exchange allocations themselves and in keeping finished goods on the list of eligible imports. Industrialists are by contrast interested in their own quotas of intermediate goods and raw materials and in reducing the importers' quotas to limit competition with their products.

The importers as a group lost out to the industrialists in the 1960's. This can be seen in Table VI-1, which gives the value of industrialists' and importers' quotas for various Import Programs. The user-specific quotas are not included; their inclusion would make the figures show even more vividly the increasing preponderance of the industrialists in the import license allocations. Thus in 1962 importers were allocated 48 per cent of the quota items; by 1970 they received only 23 per cent, and their total allocation had declined by 43 per cent.

Table VI-1
Importers' and industrialists' allocations, various Import Programs (thousands of dollars)

	Number and year of Import Program				
	No. 8 1962	No. 12 1964	No. 16 1966	No. 20 1968	No. 24 1970
Industrialists	15,420	16,017	21,339	23,614	27,046
Importers	14,125	10,181	11,316	10,027	8,135
Total	29,545	26,198	32,655	33,641	35,181
Percent to importers	48	39	35	30	23

Notes: a) Merino wool was included in the 16th and 20th Quota Lists, with quotas to industrialists of $12 million and $13.5 million. To maintain comparability over the period, merino wool was excluded from the sum of the industrialists' quotas.
b) Legally, PL 480 imports are an importers' allocation, but they are not treated in the same manner. Hence they are not included in the totals.

Sources: *Import Programs Nos. 8, 12, 16, 20* and *24* (see Note 3).

Allocation of quotas after publication of lists: Industrialists. As indicated above, the public and private sector shares of individual quotas are worked out by the Ministries of Commerce, Industry and Finance and the Union of Chambers. When quotas are announced, some items are designated as being subject to the control of individual ministries. Industrialists apply for those items to the relevant ministry for a "Requirements Certificate." When no Ministry is specified, they apply to the local Chamber of Industry, which forwards the applications to the Union of Chambers.

The Chambers and practically all ministries base the allocation among industrialists according to the plant capacities of the applicants.[19] Requirements Certificates are issued in proportion to those capacities unless the value of all applications totals less than the quota, in which case applicants receive the amount requested. The amount allocated to each industrialist is shown on the Requirements Certificate which, when forwarded to the Central Bank (with guarantee deposit), is the basis upon which the import license is issued.

In contrast to Liberalized List goods, the Central Bank issues licenses against quota items fairly rapidly, as foreign exchange is budgeted for the purpose. Applications for licenses for Quota List imports can be made only once in each import period, contrasted with Liberalized List imports, for which application can in principle be made at any time and repeatedly if desired.

Allocation of quotas: Importers. Once the import lists are published importers are given a month within which to file their requests for licenses (and a guarantee deposit) with an authorized bank. No application may exceed 20 per cent of the amount of a quota unless 20 per cent does not cover even one unit of the item subject to allocation.

The authorized banks forward the importers' applications to the Central Bank, which sums the value of requests by quota category. Should the sum of the value of imports requested from a given quota category fall short of the amount of the quota, each applicant is given an import permit for the amount he requested. In theory, when the sum of the value of the applications in a given category exceeds the quota amount, the Central Bank grants all applications by scaling them down proportionately so that the quota is exactly filled. Provisions are available for circumstances in which *pro-rata* rationing results in applicants receiving a license for less than the cost of a single unit of the commodity. If such licenses cover more than 50 per cent of the price, each recipient receives an incremental allotment sufficient to cover the purchase of one unit.

19. See below, Section IV, for the way in which the capacity criterion worked.

Bilateral agreement quotas. The items eligible for importation under Bilateral Agreements must be included on either the Liberalized List or the Quota List. Determination as to which items should be on the Bilateral List is made entirely on the basis of the goods available in the bilateral agreement countries. Generally speaking, it was and is considerably easier and quicker to obtain a Bilateral Agreement quota license than any other import permit. Importers who were interviewed claimed that the chief advantage of the Bilateral Agreement quotas was the ease with which licenses could be obtained, and hence that when a commodity was required quickly the Bilateral Agreement list was employed if possible.

Price checks

The applicant is required to indicate in each import-license application the nature of the commodity he wishes to import, its f.o.b. price and its c.i.f. price per unit. Each Import Program has contained a provision to the effect that "Imports will be made at the most suitable prices obtainable in the world markets."[20] In principle, imports were subject to *ex-post* price checks to insure that overinvoicing of imports did not occur. The price checks during the 1950's had, as seen in Chapter II, been vigorously carried out. By the 1960's, however, it was rare that individuals were investigated post-importation. When the government changed in 1971 it was widely believed that there had been overinvoicing during the 1960's and price checks were enforced with greater vigor than before. (See Section IV, below, for estimates of the evasion of the regime.)

IV. The functioning of the import regime

Given the intent with which Import Programs were formulated, it is of interest to consider how the system actually worked. Several questions are significant: (1) How close were actual imports to Import Program figures? (2) How did the composition of the lists change over time? (3) How did applications for import licenses under quotas compare with the quota values? (4) To what extent was the system evaded through over and underinvoicing and other phenomena? Finally, (5) what sorts of import EERs and premia on licenses resulted from the system? Each of these questions will be considered in turn.

20. *Import Program No. 15*, Article 24 (See Note 3).

Actual and program imports

Table VI-2 shows the planned composition of imports from 1964 to 1970. As can be seen, imports categorized as "investment goods" were approximately evenly split between the Liberalized List and the Quota List. The heavy dependence upon anticipated foreign aid can be seen in the large volume of investment-goods imports planned under the "self-financed" category, in which project aid was expected to constitute the largest component.[21] About two-thirds of raw materials imports were planned to originate from the Liberalized List and one-third from the Quota List. However, imports of crude petroleum, the largest single import category, were included in the Liberalized List, thus making the comparison for other products deceptive. As can be seen, the Programs allowed for virtually no increase in consumption-goods imports in the early years, and an absolute decrease after 1968. The consumption-goods totals conceal the fact that an increasing number of "non-essential" consumer goods were dropped from the import lists, while the size of the Liberalized List allocation for consumer goods reflects the growth of those consumer-goods imports deemed vital to health and education. Of course reduced utilization of PL 480 funds also cut the anticipated total of consumer-goods imports.

Unfortunately, no data classified by end-use are available on the actual composition of imports within each import list.[22] Table VI-3 gives the comparison of actual and programmed totals by list and by end-use.

The biggest single disparity between Import Programs and realized imports was in the "self-financed" category prior to 1969 (as reflected in the "other" column of Table VI-3). The disparity between planned and actual figures reflects the shortfall of project credits. Actual quota imports were very close to Plan levels in every year, as were Liberalized List imports.

The composition of imports by end-use was generally different from that planned, as was noted in Chapter V. In every year except 1967 imports classified as investment goods fell below planned levels, generally by substantial amounts. In large part, this once more reflected the lower-than-planned

21. These "self-financed" imports constitute the major part of the column headed "Other" in Table VI-3.

22. The SPO estimated the percentage of Liberalized List imports in each end-use category for 1961, 1964 and 1966. There were no projections of end-use for 1961. For 1964 and 1966, the actual percentage of imports in each category (with projections in parentheses) were cited in Lubell *et al., op. cit.* (Note 7), p. 13:

	Investment Goods	Raw Materials	Consumption Goods	Total
1964	23 (23)	70 (70)	7 (7)	100
1966	30 (30)	63 (60)	7 (10)	100

Table VI-2
Annual program imports, 1964 to 1970 (millions of dollars)

	Liberalized List	Quota List	Bilateral	Other	Total
1964					
Investment goods	55	55	25	145	280
Raw materials	168	64	28	20	280
Consumption goods	17	16	12	35	80
Total	240	135	65	200	640
1965					
Investment goods	65	72	30	127	294
Raw materials	158	79	25	29	291
Consumption goods	17	18	15	30	80
Total	40	169	70	186	665
1966					
Investment goods	78	105	27	110	320
Raw materials	157	108	40	20	325
Consumption goods	25	12	13	30	80
Total	260	225	80	160	725
1967					
Investment goods	100	105	15	120	340
Raw materials	215	100	60	0	375
Consumption goods	25	35	15	10	85
Total	340	240	90	130	800
1968					
Investment goods	100	95	17	120	332
Raw materials	235	120	63	0	418
Consumption goods	25	25	20	15	85
Total	360	240	100	135	835
1969					
Investment goods	80	100	35	150	365
Raw materials	260	120	60	0	440
Consumption goods	15	15	10	15	55
Total	355	235	105	165	860
1970					
Investment goods	110	91	20	154	375
Raw materials	270	110	70	0	450
Consumption goods	20	4	15	16	55
Total	400	205	105	170	880

Note: Planned figures given here do not agree with those in Table V-2. The plan figures in Table V-2 were taken from the Plans, whereas data in this table are from the Annual Programs.

Source: *Annual Programs*, State Planning Organization, various years.

Table VI-3
Comparison of program and actual imports, by list and by end-use (millions of dollars)

		A. By list				
		Liberalized List	Quota List	Bilateral	Other	Total
1964	Plan	240	135	65	200	640
	Actual	239	128	50	120	537
1965	Plan	240	169	70	186	665
	Actual	247	159	69	97	572
1966	Plan	260	225	80	160	725
	Actual	293	218	94	113	718
1967	Plan	340	240	90	130	800
	Actual	326	196	105	58	685
1968	Plan	350	250	100	135	835
	Actual	361	202	108	93	764
1969	Plan	355	235	105	165	860
	Actual	344	181	104	172	801
1970	Plan	400	205	105	170	880
	Actual	405	205	105	220	935

		B. By end-use			
		Investment Goods	Raw Materials	Consumption Goods	Total
1964	Plan	280	280	80	640
	Actual	197	296	44	537
1965	Plan	294	291	80	665
	Actual	197	313	62	572
1966	Plan	320	325	80	725
	Actual	289	365	64	718
1967	Plan	340	375	85	800
	Actual	260	380	45	685
1968	Plan	332	418	85	835
	Actual	325	394	45	764
1968-to-1970	Plan	1052	1388	270	2710
	Actual	791	1408	301	2500

Note: The 1968-to-1970 figure is given in the 1971 *Annual Program.* 1969 data, in the 1970 Program, covered January–June only. Therefore, only the three-year total is available.

Source: *Annual Programs*: same year for planned imports; subsequent year for actual imports.

Table VI-4
Transition matrices, 100-commodity samples

1. Third to sixteenth import list

	Sample 1				Sample 2				Sample 3			
From:	L	Q	P	T	L	Q	P	T	L	Q	P	T
To: L	16	12	0	28	14	13	7	34	15	7	12	34
Q	4	46	0	50	4	32	15	51	3	24	9	36
P	2	20	0	22	1	5	9	15	0	6	24	30
T	22	78	0	100	19	50	31	100	18	37	45	100

2. Sixteenth to twenty-fourth import list

	Sample 1				Sample 2				Sample 3			
From:	L	Q	P	T	L	Q	P	T	L	Q	P	T
To: L	22	7	1	30	28	5	1	34	30	0	8	38
Q	4	39	3	46	3	36	4	43	4	34	12	50
P	2	4	18	24	3	10	10	23	0	2	10	12
T	28	50	22	100	34	51	15	100	34	36	30	100

Notes: L = Liberalized List
Q = Quota List
P = "Prohibited List"
T = Total

Source: *Semi-Annual Import Programs.*

level of project credits which were expected to finance investment-goods imports.

Throughout the 1960's raw materials imports (including intermediate goods) were consistently underestimated. It was projected in the FFYP that raw materials imports would be $1,485 million over the five years, constituting 44 per cent of total imports. As experience demonstrated that these figures were underestimates of the raw materials component of the lists, the Annual Programs revised the raw materials import projections upward and the investment-goods import projections downward. Thus the sum of the Annual Program raw materials estimates was $1,506 million. Despite that upward adjustment, actual raw materials imports were $1,681 million or 13 per cent greater than envisaged in the FFYP, and constituted 51 per cent of total imports during the Plan period.

Thus programmed imports by list were generally quite close to actual imports, save for imports financed by project credits. By end-use categories, however, raw material imports were considerably larger and investment goods imports smaller than had been planned.

Another feature of the outcome should be noted. The fact that Liberalized List imports came as close to program levels as they did does not reflect the accuracy of the planners' demand projections, since import licenses for Liberalized List imports were granted only as foreign exchange became available. Given that licenses under the Quota List were granted fairly rapidly, the value of Liberalized List licenses issued was in fact the residual in terms of Central Bank behavior. Insofar as estimates of available foreign exchange were accurate, the value of Liberalized List imports projected in the Import Programs was realized, as acceleration or delay in the issuance of licenses kept total Liberalized List imports at planned levels.

As foreign-exchange stringency developed in the mid-1960's several factors reduced the degree of freedom associated with Liberalized List imports. It became standard practice to cease processing import license applications for Liberalized List goods prior to the end of the program period. The motive for the cessation was generally "to avoid speculation about the next Import Program." Second, when foreign exchange was in short supply, license applications for Liberalized List imports were held until such time as foreign exchange became available, when they were treated on a first-come, first-served basis. Thus prior to devaluation in 1970 import licenses for Liberalized List goods were issued eight months after application. As these delays developed it was evident that the freedom which the Liberalized List was designed to provide had severe restrictions surrounding it.

In addition to delays in and cessation of licensing, other restrictions began to pervade Liberalized List imports. The ministerial permission requirements have already been mentioned. Guarantee deposit requirements against applications for Liberalized List imports were generally higher than those for Quota List imports. Moreover, many items on the Liberalized List could be imported only with AID funds, and hence only from the United States. Particularly given the high minimum import order under AID funds (not to mention advertising in the Small Business Circular and other administrative delays), the restriction against use of free foreign exchange for some Liberalized List imports caused difficulties in many instances.

In interviews with producers using imported intermediate goods, one question that was asked was whether the producers preferred that their imports be on the Liberalized List or the Quota List. In 1965 most responders indicated relative indifference, claiming there were advantages and disadvantages to each. By 1969 however most expressed the view that Quota List classification was preferable since one could then be more or less assured that foreign exchange would be available and licenses would be forthcoming quickly once quota allocations were determined.

Composition of the lists

Given the growth of the Turkish economy and the altered structure of its imports, due both to structural changes and to the import control system, no general description in terms of the value of imports on each list or by end-use can accurately convey the evolution of the import regime under the import lists. Indeed, the commodity-specific nature of the lists make such a macro-view deceptive.

In an effort to characterize the microeconomic aspects of the import control system it was decided to trace the fate of samples of individual commodities. In this section, a report is given on the results from the 1960 to the 1971 import lists.

It was initially decided to choose three samples of commodities, one from an early import list, one from a middle import list, and one from a recent list, and to examine their treatment over time. The choice of three time periods seemed necessary because use of an early list would fail to reflect commodities entering the lists at later dates; use of a later list would ignore commodities which had been dropped from earlier lists. Perhaps the best description of the degree of complexity of the lists and their evolution is the difficulty encountered in attempting to formulate and characterize the sample.[23] The efforts made in that direction and such results as can be gleaned from them are reported in the first part of this section. In the second part a smaller sample of commodities, taken from tariff schedules, is discussed.

Three one-hundred commodity samples. The three Import Programs from which samples were drawn were the Third (August 1959), Twelfth (January 1964), and Twenth-sixth (January 1971). Determination of the items to be included was done by random number drawings: the first determined the page, the second the location of the commodity on that page.

Once the sample items were determined, it was planned to go over the lists for Import Programs 1 through 5, 12, 16, 22, 24 and 26. It was expected that on the basis of the samples one could characterize the evolution of the system: the number of items which moved from the Liberalized List to the Quota List, the number from either list to the "Prohibited List," and the values of permissible imports of quota items at various dates.

The task was considerably more complex than had been anticipated. Mean-

23. I am heavily indebted to Ashok Kapoor, who spent many thankless hours trying to make sense out of a difficult assignment.

ingfully tracing the fate of any import-good category proved difficult, and characterizing the results for each 100-commodity sample grossly oversimplifies what actually happened.

Some examples will illustrate. The third item drawn in the first sample, Quota Number 197, "Miners' Lamps," combined BTN codes 83.07 and 85.10. In the Third Import Program, $5,000 was allocated to importers' quotas from free foreign exchange, and $5,000 from bilateral agreement countries' quotas. Over the next several Programs this same item was on the Liberalized List. In the Twelfth Import Program however 83.07 disappeared from the import list while 85.10, "Miners' Lamps and Parts Thereof," was on the Liberalized List. In the Sixteenth Import Program, 85.11 was Quota No. 307, allotting $20,000 to industrialists and $10,000 to importers for the category "Electric Lamps for use in Industrial Establishments and Laboratories," while 85.10, "Miners' Lamps", was on the Liberalized List. Item 85.11 was omitted from all lists thereafter, implying that imports were now prohibited, while item 85.10 was on the Liberalized List. Many of the commodities drawn in the sample presented difficulties of a comparable nature in terms of classification.

An even more serious problem arose with items such as the fourteenth category drawn in the first sample. That item, BTN code 48.08, was "Paper for Filter Appliances." A total quota allocation of $450,000 was split between importers and industrialists, while another $50,000 was at the disposal of a ministry. In the Fourth and Fifth Programs, 48.08 was lumped with several other commodities to form one quota number. By the Twelfth Import Program, 48.08 had its own quota (112) again. By the Twentieth Import Program, however, Quota Number 163 contained 48.08.10 and 48.08.90, "Paper Pulp Filter – Mass Plates Containing Asbestos Fibers" and "Other," with an allocation to importers of $5,000. No other part of 48.08 appeared on any list. In this and many other cases part of the quota item initially indicated became ineligible for importation, whereas part of the item remained eligible. In some instances the situation was further confounded as an initial four-digit code became subclassified into several six-digit codes, each of which was grouped with commodities from other four-digit codes to form a new quota number. An additional difficulty resulted from the following practice: in drawing commodities from the second and third sample it often happened that no comparable commodity had appeared on earlier lists. This resulted from: (1) the introduction of new intermediate goods to the lists as the items for which domestic productive capacity developed increased, and (2) the use of detailed itemized subcategories, crossing over four-digit classifications in later Programs with no comparable practice in the earlier ones.

Thus in the following characterization of the three samples it must be borne in mind that a considerable element of judgment had to enter into each categorization. Any characterization of the samples, moreover, vastly oversimplifies what really happened.

Table VI-4 presents transition matrices for each of the three samples. Part 1 gives the change in status for each commodity in each sample between the third (pre-planning) and sixteenth (early planning) import list. Of the 78 items from the Quota List chosen in the first sample (third import list), at least some parts of 46 of the commodity classifications were still on a Quota List in the Sixteenth Import Program. Obviously, since the sample was drawn from the third list, no items on the "Prohibited List" were chosen, which explains the zeros in the last column of the sample 1 figures. Twenty-two of the 100 items appearing on the third import list did not appear on any list by the Sixteenth Import Program. Twelve items which were quota items in the third list were on the Liberalized List in the Sixteenth Program. The results differ somewhat for the second sample, drawn from the Twelfth (1964) Import Program. Thirty-one of the items from the Twelfth Program had not appeared in the Third Program, and nine did not appear in the Sixteenth. The fact that an item appeared on the Twelfth Program and neither on the Third nor the Sixteenth indicates that there were some items on each import list which did not recur or recurred only infrequently.

Only 15 items from sample 2 were on the "Prohibited List" in the Sixteenth Program, contrasted with 22 from the first, reflecting the fact that the second sample was chosen for a date which was much closer to the Sixteenth Program. That is, many items from the Third Program which were dropped from an import list were dropped before the Twelfth Program; thus, choosing a sample from the Twelfth Program failed to pick up those items. The third sample was chosen from the 1971 import list which, post-devaluation, was somewhat more liberal than earlier lists had been. That factor, plus the continuing addition of intermediate goods to the import lists as domestic production required new goods, combined with the fact that 1971 categories were of much more detailed nature, explains why there were 45 items on the twenty-sixth import list which did not appear on the third.

Part 2 of Table VI-4 gives similar data for the fate of commodities in the three samples between the sixteenth and twenty-fourth import lists. The increased importance of the diagonal elements reflects the greater fluctuations in the treatment of commodities in the early days of planning. By the late 1960's changes between import lists tended to be somewhat smaller. Thus between the third and sixteenth import lists, 12, 13, and 7 items, respectively, subject to quota in the three samples were transferred to the Liberalized List, whereas between the Sixteenth and Twenty-fourth Programs, 7, 5, and 0 items, respectively, were so transferred. Similarly, most of the items from the first sample which were destined for the "Prohibited List" reached it by the Sixteenth Program; only 6 new items were added to the

"Prohibited List" from the first sample between the Sixteenth and Twenty-fourth Programs.

The transition matrices fail fully to reflect the extent of the increasing use of the "Prohibited List": (1) since all three samples were drawn from import lists, any item continuously prohibited could not be drawn (but see below, where a sample is taken from the Tariff Code); and (2) for many of the items which continued on the lists, only a subcategory of the original classification was eligible for importation in later Programs.

Some evidence of this can be gleaned from classification of the commodities in each sample. Five categories reflect, at least roughly, increasing specificity of an eligible import class. They are, in order of increased restrictiveness: a four-digit category; a six-digit category; a four-digit category containing an "only" or a "for use only by"; a six-digit category containing one of the same restrictions; and a "for use only...subject to ministerial permission" category. The "use-only" categories are by items such as "Rollers for Textile Machines Only." Examples of the "only" part of a classification were cited above.

The breakdown of the number of items in each group in the three samples is as follows:

	4-digit	6-digit	4-digit restricted	6-digit restricted	use/ permission
Sample 1	34	51	3	11	1
Sample 2	23	38	11	21	7
Sample 3	8	48	16	9	19

As can be seen, only one item chosen from the Third Import Program was in the most restricted category, and 85 per cent of all items were in the first two, least restrictive, categories. By the Twelfth Program seven items were in the most restricted category, and 61 per cent were in the least restricted groups. By 1971, the Twenty-sixth Program, 19 items were in the use/permission category, and only 56 per cent were in the least restrictive categories. The "use" categories of course reflect the increasing shift of the Import Programs to heavier and heavier emphasis upon intermediate and other producers' goods.

When the samples were initially drawn it was hoped to trace the value of eligible imports over subsequent Programs to gain some idea of the increasing restrictiveness of the regime. Thus it was hoped that one could estimate the value of the 100 items included in the first sample in 1959 and over subsequent Programs. This proved to be impossible because of the detailed nature of the commodities included in the lists and an inability of find a comparable classification in actual import statistics. All that could be done was to estimate by sample the value of import quotas for those goods that remained in

Table VI-5
Value of items subject to quota at both ends of interval, sample groups
(thousands of dollars)

	First Comparison		Second Comparison	
	Value of Quotas 3rd Program	Value of Quotas 16th Program	Value of Quotas 16th Program	Value of Quotas 24th Program
Sample 1	29,810	5,905	5,665	2,942
Sample 2	18,550	2,781	16,316	9,381
Sample 3	7,555	3,165	5,756	7,167

Source: *Semi-Annual Import Programs.*

quota categories over various periods. As can be seen from the transition matrices this computation covered 46 per cent of the first sample for the period 1959 to 1966 and 39 per cent of the sample for 1966 to 1969. The coverage was even smaller in the second (32 and 36 per cent) and third (24 and 34 per cent) samples. Nonetheless, in the absence of any better indicator the value of quotas for those items which remained on Quota Lists is of some interest. Table VI-5 gives the results of the computations. As can be seen, the value of permissible imports for quota items fell sharply between the Third and Sixteenth Programs, and declined a further 50 per cent between the Sixteenth and Twenty-fourth Programs if judged by the first sample. Of course items subject to quota at an initial but not as a terminal date are excluded from the sample, so that the value of the quotas in the Sixteenth Import Program contrasted to the Third is not the same as that of the Sixteenth contrasted with the Twenty-fourth. Of Items worth $5,905,000 in the Sixteenth Import Program Quota Lists, products worth $240,000 were ineligible for importation or were on the Liberalized List in 1969. The fact that a few items did shift from the Quota List to the Liberalized List makes it impossible to infer the total change in values of quotas, although it is probably reasonable to guess that the "Prohibited List" dominated.

The narrowing of eligible import categories is clearly reflected in the sharp reduction in values of permissible imports, especially between the Third and Sixteenth Programs. As already pointed out, new items were added to the later import lists. It is evident therefore that given the slow growth of total imports over the period, sizeable shrinkage in other import categories had to occur to finance the addition of new import categories.

A sample from tariff categories. To supplement the information from the import list samples (as well as to estimate EERs), a sample of commodities was chosen from the Tariff Schedules. Details on the means of sample selection are given in Appendix A, while Tables A-11 to A-14 detail some of the results.

It was possible, with some first approximations, to designate tariff items as consumer goods, intermediates and raw materials, investment goods, and imports competing with domestic production, although the procedure was necessarily rough. The same difficulties arose as with the import list samples: only part of a given category would be eligible for importation (designated by

Table VI-6
Distribution of import goods by use and list

	1962			
	L	Q	P	T
Consumer goods	5	9	22	36
Intermediate goods	17	18	12	47
Capital goods	7	1	6	14
Imports competing with domestic goods	3	4	6	13
Total	32	32	46	110
	1965			
	L	Q	P	T
Consumer goods	5	7	24	36
Intermediate goods	19	16	12	47
Capital goods	5	5	4	14
Imports competing with domestic goods	2	5	6	13
Total	31	33	46	110
	1968			
	L	Q	P	T
Consumer goods	4	7	25	36
Intermediate goods	14	17	16	47
Capital goods	4	7	3	14
Imports competing with domestic goods	2	5	6	13
Total	24	36	50	110

Notes: L = Liberalized List
Q = Quota List
P = "Prohibited List"
T = Total

Source: Appendix A.

a P-prefix in the Appendix tables), the ambiguity of some categories, the fact that some items were split between two lists, etc. The reader can see the mass of different categories by inspection of the Appendix Tables.

Table VI-6 summarizes the data for 1962, 1965 and 1968. The gradual shift toward Quota Lists (as domestic production began) and the "Prohibited List" (as domestic production was deemed adequate to meet domestic demand) is evident. The intermediate goods which were eliminated from the eligible import lists were generally already fabricated in Turkey. Part of the shift toward the "Prohibited List" is obscured by the behavior of the capital goods category, where more commodities were made eligible for importation in later years (with appropriate ministerial approvals of investment plans). Six of the capital goods were not on an import list in 1962 whereas only three were missing by 1968. Of a total of 97 commodities in other categories, 40 were prohibited in 1962, 42 prohibited in 1965, and 47 prohibited in 1968.

Thus as expected, the "Prohibited List" appears more important in a sample drawn from tariff classifications than in a sample drawn from import lists. Moreover, the shift in eligible imports away from finished consumer goods toward raw materials, intermediate goods and capital goods is apparent. The results of the mechanism and its effects on the economy are examined in Chapters VIII and IX below.

Detailed allocations under Quota Lists

As seen above, the amount allocated to each quota item was specifically determined in the Import Programs. A natural question is the degree to which these amounts were adjusted to reflect the relative strength of excess demand for different imports. But little information on the procedures followed in allocating values to individual quotas is available. Some things can be inferred however by inspection of the value of applications for each quota number relative to the value of the quota.

Several Union of Chambers publications provide some data, although they are far from complete. Reports are available only for the Eighth Import Program (1962),[24] the Eighteenth Import Program (1967),[25] the Twenty-first Import Program (1968),[26] and the Twenty-third Program (1969).[27] The

24. Türkiye Ticaret Odaları, Sanayı Odaları ve Ticaret Borsalari Birliği, *8. Kota Sanayici Tahsislerinin Tevziati* (Ankara) Mart 1962.
25. Türkiye Ticaret Odaları, Sanayı Odaları ve Ticaret Borsaları Birliği, *XVIII. Kota Sanayici Kotalari Tevziati Durumu* (mimeograph) Mayis 1967.
26. Türkiye Ticaret Odaları, Sanayı Odaları ve Ticaret Borsaları Birliği, *XXI. Kota Sanayici Kotalari Tevziati Durumu* (mimeograph) Ekim 1968.
27. Türkye Ticaret Odaları, Sanayı Odaları ve Ticaret Borsaları Birliği, *XXIII. Kota Sanayici Kotalari Tevziati Durumu* (mimeograph) Ocak 1970.

reports are on private sector allocations and cover only those quotas allocated by the Union of Chambers at the time the report was published.

Several interesting sidelights can be gleaned from the 1962 report, which is the only one containing a text explaining some aspects of the allocations. It was stated, for example, that there were six quota groups for which allocations could not be made, since additional information was required about the "needs and capacities" of industrialist applicants. All but one of these was an assembler's quota, the other being a quota for animal fats and oils for use in edible oils factories. Of the 155 quotas listed, allocations had been made for 139. A variety of reasons had prevented determination of allocations for the remainder. In one case (quota 114) the allocation was under the control of the Ministry of Industry. In another case (quota 141) it was stated that allocations had not yet been made pending reexamination of applications. In yet other cases the size of the applications exceeded the available quota by exorbitant amounts and it was stated that the situation had to be examined and studied before an allocation could be made. Thus against a private sector quota of $25,000 for pumps, applications had amounted to $163,671; for machine tools (quota 184) applications were for $380,000, contrasted with a $75,000 allocation to the private sector. It can be seen in Table VI-7 that

Table VI-7
Ratio of value of license applications to licenses issued by quota categories 1962, 1967, 1968, 1970 (number of quota categories)

	Ratio of Value of Applications to Value of Licenses Issued to Private Sector							
Allocations	0	Less than 1	1 to 1.99	2 to 3.99	4 to 9.99	10 to 19.99	Over 20	Total
1962								
$25,000 or less	9	20	8	16	15	1	0	69
Over $25,000	1	10	25	20	14	0	0	70
1967								
$25,000 or less	2	9	22	21	21	14	4	93
Over $25,000	2	4	13	25	29	14	5	92
1968								
$25,000 or less	0	5	19	31	25	18	11	109
over $25,000	0	3	11	15	20	20	13	82
1970								
$25,000 or less	8	3	15	28	29	17	15	115
over $25,000	0	0	12	13	23	10	23	81

Source: Union of Chambers, documents cited in footnotes 24–27.

such discrepancies became commonplace later in the 1960's, but they were apparently rare in 1962.

Although providing only a partial picture of excess demands, the reports give some indication of the characteristics of the system. Table VI-7 gives the data. For each of the Import Programs covered and for each of the quota items, the value of applications by the private sector as a multiple of the value of licenses allocated to it was computed. Such a statistic does not give an indication of actual excess demand since firms undoubtedly applied for more imports than they actually desired. However, applicants were required to place guarantee deposits against their applications. As such, applying for quotas did involve costs to the applicants.

Table VI-7 can be read as follows. In 1962 sixteen quotas of $25,000 or less were allocated where applications were between two and four times the value of the quotas. Only one small quota (under $25,000) was oversubscribed by a factor of ten or more, while none of the larger quotas were oversubscribed by that amount; there were ten quota numbers against which no applications were filed. There were 30 others for which applications were less than the value of the quota, thus indicating that applicants received the full amount of their applications.

Several aspects of the evolution of the import regime can be inferred from Table VI-7. First, despite the increasing reliance upon ministerial permissions, the number of quotas, and especially of small quotas, increased over time.[28] Second, the fraction of small and large quotas that were heavily oversubscribed increased over time, reflecting the increasing stringency of the import regime. Thus in 1962 only one of 139 quota items was oversubscribed by a factor of ten or more. By 1970 (predevaluation) 65 quotas out of 196 were oversubscribed by at least that multiple. At the other end of the scale, 52 per cent of all quotas were either undersubscribed or oversubscribed by a factor of less than two in 1962: by 1970 only 19 per cent were in that category.

28. The increasing number of quotas reflected the greater fragmentation of importable items as domestic production capacity was developed. The number of quota categories, by Import Programs, was as follows:

Import Program number	Date	Number of Quota Categories
5	1960	215
8	1962	261
12	1964	322
14	1965	392
16	1966	418
18	1967	454
20	1968	474

These totals, compared with the total number of quotas indicated in Table VI-7, also give an idea of the fraction allocated by the Union of Chambers.

Third, even with heavy excess demand for many quotas in the later part of the 1960's, there were some undersubscribed quotas. It thus seems irrefutable that premia on different quota items must have varied widely (see Section V, below). Thus in 1970 applicants for three quota items received the full amount they applied for, while applicants for 38 items received less than one-twentieth of their applications.

In interviews with SPO officials, inquiry was made as to whether information about the value of excess demand in any given category or the disparity between landed cost and domestic price of an import was employed in determining detailed quota allocations. The response was negative: it was felt that "speculative and other short-term influences" were too great to provide reliable bases for changing the relative size of different quotas. As indicated above, the general view was that physical shortages became known when present and were taken into account in the allocation of quotas for subsequent periods.

Evasion of the regime

No analysis of the way the import regime functioned would be complete without consideration of the extent to which extra-legal and illegal means of subventing the Import Programs were practiced. Three factors must be considered: (1) the degree to which resale of imports actually occurred; (2) the extent of faked invoicing; and (3) the prevalence of smuggling.

Resale of imports. As indicated above, industrialists could not legally resell their imports. However, there were several means by which resale occurred. Indeed, since new firms in an industry were to be given a quota initially on criteria rather different from established producers, there were reported to be many instances of entrepreneurs "going into business" for the purpose of obtaining imports and reselling to larger firms. Even some small established firms found it more profitable to sell their imports at an appropriate price to larger firms rather than to produce themselves.

One perfectly legal means of resale was for a small producer to ask a large producer to place his order together with the larger establishment's. The purpose of permitting this practice was to enable the small producer to get a better price on his import order than was thought possible with a very small allocation. A producer with a small quota would approach a larger firm, asking that his small quota be pooled with the larger quota for purposes of importing the item in question. The larger firm would readily agree. When the consignment arrived, the small firm could claim that the larger house had violated their understanding; the consignment was not what the small firm required or could use regarding quality, technical specifications, or other matters. The small firm would claim damages and state that the matter could be settled in court. The larger firm, seemingly anxious to repair whatever damages it had incurred, would then settle the matter by paying the importer the value of his foregone income from the imports and retain the imported goods for his own use.

Other means of resale were also devised. (There are even reported instances where the local Chambers organized resale markets.[29]) Thus although there was a legal restriction upon the resale of industrialists' quotas, resale was in fact fairly frequent.

Faked invoicing. All applications for import licenses had to contain descriptions of the goods to be imported, the quantities of each and their unit prices. It has already been seen that although price checks were legally in force they were not seriously enforced during the 1960's. There is considerable evidence that substantial under-invoicing of imports in fact occurred, as import licenses were issued in value terms so that more could be imported and both duties and surcharges avoided.

A detailed study of the phenomenon during the period 1963 to 1969 has been made by Cahid Kayra.[30] Kayra undertook a detailed reconciliation of Turkish and partner-country trade statistics, including adjustments for transport costs, differences in the timing of imports and other factors. On the basis of his detailed computations he then provided estimates of the actual value of imports flowing through official channels. Some of his detailed findings are of interest and illustrate the possible magnitude of faked invoicing.

Synthetic fibers are a case in point and Table VI-8 presents Kayra's results. For each five-digit fiber class, Kayra summed the exports to Turkey, as reported by members of the Common Market, and contrasted them with the Turkish records. As can be seen, the discrepancy is substantial: suggesting that less than 10 per cent of the value of Turkish imports of these items was officially recorded in the customs category. Kayra calculated the savings in customs duties made by such under-invoicing. His results are given in the last column of Table VI-8. Thus, in importing $3,500,000 of SITC No. 266.21 (discontinuous or unspun fiber) in 1968, Turkish importers saved $1,544,000 in customs duties by declaring only $412,000 as imports. Kayra then proceeded to examine unit value figures for these countries. The unit value derived from Turkish trade statistics was $681 in 1968 compared with $1,025 for Germany, $1,403 for Greece, and $1,278 for Spain. In 1969 the disparity

29. Lubell *et al., op. cit.* (Note 7), p. 95.

30. Cahid Kayra, *Türkiye'nin Dis Ödelemler Dengesi Tahminleri Üzerinde Düşünceler,* Boğazici Üniversitesi (mimeograph), January 1972.

Table VI-8
Turkish synthetic fiber imports, Turkish and Common Market records
(thousands of dollars)

SITC No.	Year	Turkish Import Figures	Partner Country Export Figures	Difference	Customs Taxes Saved
266.21	1968	412	3500	3088	1544
	1969	111	2833	2722	1360
266.22	1968	–	291	291	145
266.23	1968	234	4992	4758	2855
	1969	74	3675	3601	2160

Source: Kayra, *op. cit.* (Note 30), Table 30.

between Turkish unit-value figures and those of other countries was slightly greater. A similar pattern was found for other groups.

Considering the probable magnitude of under-invoicing (at most 50 per cent) and the disparity in recorded imports, it can be presumed that synthetic fibers (which were on the Quota Lists and generally commanded high premia – see Table VI-11 below) were both under-invoiced and imported under licenses other than those issued directly for those goods. Thus part of the restrictiveness of commodity-specific licensing (and the "Prohibited List") was undoubtedly offset by under-invoicing and erroneous classification of imports into eligible import commodities.

Kayra estimated the value of Turkish imports for the period 1963 to 1969 on the basis of his detailed study of partner country trade statistics. His results, given in Table VI-9, indicate that actual imports by Turkey were an average of about $60 million over recorded imports in the years 1963 to 1965, implying underinvoicing of about 10 per cent. And the magnitude of the phenomenon increased sharply thereafter, reaching over $190 million in 1969.

Table VI-9
Official statistics and Kayra's estimates of imports, 1963 to 1969 (millions of dollars)

	1963	1964	1965	1966	1967	1968	1969
Turkish trade statistics	688	537	572	718	685	764	801
Kayra's estimates	748	577	645	815	836	882	993

Source: Kayra, *op. cit.* (Note 30).

Many goods were imported by the public sector or financed with project credits and therefore were presumably not significantly under-invoiced. For private sector imports, therefore, the magnitude of underrecording of imports was substantial by any standard.

There can be little doubt that under-invoicing and falsely classifying imports made the import regime less restrictive than it would have been in the absence of those practices. However, it will be seen in Section V that despite the leakages in the system the premia accruing to import licenses were substantial.

Smuggling. By its nature, smuggling is a more difficult activity to try to quantify than is faked invoicing, and all that can be done is to provide impressionistic evidence. For a variety of reasons, it would appear that smuggling was concentrated on consumer goods. First, most consumer goods were not legally importable, and are, by their nature, difficult to misclassify into an eligible import category. Second, there have generally been very high disparities between foreign and domestic prices of consumer goods, so that smuggling of those items was probably more profitable than smuggling other categories of goods.

From personal experience, the author can report finding an incredible variety of imported goods not eligible for importation on the shelves of local groceries and in the windows of various shops: canned American salted peanuts, gum, foreign cigarettes, German phonographs, Nabisco crackers, German and American baby food, and so on. As mentioned in Chapter V, smuggling was so widespread that its existence was officially acknowledged at the end of the FFYP. There is every reason to believe that in the early years of the SFYP, smuggling activity grew as the stringency of the import regime increased. Beyond the fact that sale of smuggled goods was fairly open and that prices of black-market merchandise were generally well known, it is impossible to estimate the magnitude of the phenomenon.

V. Import EERs and premia: the 1960's

As seen in Chapter IV, the 1958–1960 devaluation did not result in any significant change in the ratio of import EERs to export EERs. In this section the course of import EERs throughout the 1960's is traced, and the premia accruing to license recipients are estimated for 1968.

Import EERs

Details of the method of computation of EERs are given in Appendix A.

In addition to basic tariff rates which were altered in 1964, several surcharges and the discriminatory component of the production tax led to sizeable differentials between the c.i.f. price and the landed cost of an import, and the c.i.f. price-cum-duty and landed costs of imports.

Table VI-10 gives the import EERs for the 1960's based on Tables A-11 to A-14 and also presents PLD-EERs. EERs were deflated by use of the home goods price computed on a 1958 base. A higher PLD-EER implies a more depreciated exchange rate for the category of goods in question.

All categories of imports became cheaper in real terms during the 1960's. Relative to home goods, imported capital goods were almost 30 per cent cheaper in 1969 than they were in 1960, even taking into account duties and surcharges. That was of course partly the result of the removal and postpone-

Table VI-10
Import EERs and PLD-EERs, by end-use category of imports, 1960 to 1969
(TL per dollar c.i.f. price)

	Capital Goods	Intermediate Goods	Imports Competing with Domestic Production	Consumer Goods
EERs				
1960	12.11	13.25	21.22	18.66
1961	12.55	13.25	21.22	18.66
1962	12.54	13.12	18.96	15.78
1963	12.99	13.57	19.41	16.23
1964	12.99	13.57	19.41	16.23
1965	15.50	14.79	23.01	17.75
1966	15.50	14.79	23.01	17.75
1967	15.29	15.24	23.46	18.20
1968	12.26	16.15	21.98	18.79
1969	13.16	17.05	21.98	19.69
PLD-EERs				
1960	10.35	11.32	18.13	15.95
1961	10.54	11.13	17.83	15.68
1962	10.03	10.49	15.17	14.70
1963	9.84	10.28	14.70	12.30
1964	10.14	10.60	15.16	12.68
1965	11.48	10.96	17.04	13.14
1966	10.61	10.13	15.76	12.16
1967	10.09	9.65	14.85	11.52
1968	7.52	9.91	13.48	11.64
1969	7.44	9.63	12.96	11.12

Notes: a) For definitions of categories of imports, see Appendix A.
b) PLD-EERs are 1958 TL per dollar c.i.f. price.

Source: Appendix A.

ment of duties upon capital goods in the late 1960's. However, imports competing with domestic goods became relatively cheaper by the same proportion, while imported consumer goods were 31 per cent cheaper in terms of home goods in 1969 than they were in 1960. The price of imported intermediate goods in terms of home goods fell only 15 per cent from 1960 to 1969. Thus, whereas capital goods and raw materials and intermediate goods imports had similar EERs in the early 1960's, intermediate goods imports became relatively more expensive in the late 1960's.

This shift in the structure of EERs reflects the SPO's desire to increase the fraction of foreign exchange allocated to capital goods imports. As noted above, raw materials and intermediate goods imports were consistently above planned levels in the mid-1960's, while capital goods imports were below desired levels. The remission of duties and surcharges on capital goods imports was therefore designed to alter the relationship between the two import classes.

It is more difficult to determine the reason why the EERs for imports competing with domestic production retained their parity with capital goods during the 1960's. The absolute differential between the capital goods and the other two classes was of course high at the start of the period. Thus even without allowing for price deflation there was little movement in the EER of imports competing with domestic output over the 1960's. It fell somewhat in the early years, and rose thereafter. Another factor should be considered, however, and that is that the EERs were calculated from the sample of commodities eligible for importation. It is quite possible that the increasing use of the "Prohibited List" as more and more goods were domestically produced resulted in a bias in the estimate of import EERs for consumer goods and import substitutes. Inspection of the list of goods included in each sample suggests that there was some bias toward retaining the commodities with relatively lower EERs on the eligible list. Thus the EER estimates can in no way be interpreted as the degree of protection afforded to the two categories of goods.

Import premia

As indicated above, there was considerable activity in the resale of imports and import licenses, both legally and otherwise. Even for Liberalized List items, the fact that delays in receipts of licenses could be protracted meant that the domestic price of such imports could exceed landed cost by more than the normal distributors' markup. For items on the Quota List, the detailed, firm-specific allocations resulted in an even greater potential for resale, as well as a divergence between landed cost and the domestic price.

Detailed estimates of the premia accruing to license recipients are available only for 1968. The only available evidence for earlier years is based upon the author's interviews with businessmen and observers. Interviews with businessmen were conducted by the author in 1965, 1967, 1969, 1970 and 1971. Businessmen not only were asked what the then-prevailing prices on import licenses were, but also were queried as to their recollection of premia for earlier periods. The responses were necessarily impressionistic, but were surprisingly consistent between interviews and over time. The consensus appeared to be the following.

Premia for licenses in the 1955-to-1958 period ranged up to TL 20–25 per dollar, or eight times the parity rate. The resale market all but disappeared after devaluation in 1958, and premia on licenses were negligible up to 1962. Premia reemerged for some items by 1963, but it was rare that they were more than TL 1 to 2 per dollar. By 1964 however (as foreign aid failed to reach anything near Plan levels and imports rose in response to Plan expenditures) premia jumped to a range of TL 4–6 per dollar, representing 40–66 per cent of the c.i.f. cost of imports, but a far smaller percentage of landed cost (because of duties and surcharges on imports). Premia remained within the TL 4–6 range in 1965 and 1966, but rose to TL 7–9 per dollar, almost 100 per cent, by 1967. They were considerably higher by 1968, and the variation in price among import categories increases sharply. The average price of import licenses in 1968 and 1969 ranged from TL 9 to TL 15 per dollar, or 100 to 166 per cent above the c.i.f. price. Premia were substantially reduced after devaluation in 1970, and there was little reported resale of licenses at the end of 1970.

While the emerging picture is necessarily impressionistic, it is useful in putting the 1968 situation in perspective. An excellent set of data for 1968 exists with which to evaluate the relationship between c.i.f. prices, landed cost and import premia. In the summer of that year Professor Ahmet Aker of Robert College (now Boğazici Üniversitesi) conducted interviews with numerous firms in the Istanbul area. He sought to obtain comparable data on the c.i.f. prices, landed costs and wholesale prices of identical commodities, and succeeded in obtaining comparable price quotations at all three levels for 74 commodities, representing 8.6 per cent of Turkey's total import bill. In his judgment these figures were reliable.

Table VI-11 reproduces his price data. As can be seen in the next-to-last column, there was a sizeable variation in the relationship between wholesale prices and landed costs.[31] Some commodities, such as lanolin and synthetic thread, sold in the wholesale market at little above their landed cost. Of

31. The estimate of landed costs includes the duties, surcharges and production taxes levied upon imports, but does not include the costs of guarantee deposits and letters of credit.

Table VI-11
Import prices, landed costs and wholesale prices, 1968

Commodity	TL per Unit			Ratio		
	Import Price c.i.f.	Landed Cost	Wholesale Price	Landed Cost to Import Price	Wholesale Price to Landed Cost	Wholesale Price to Import Price
Pigs' bristles	58.35	80.60	475.0	1.38	5.89	8.14
Dates	0.06	0.13	6.5	2.17	49.10	108.33
Unroasted coffee	7.34	13.31	36.0	1.81	2.90	4.90
Black peppers	7.19	15.14	29.0	2.10	1.91	4.03
Cloves	7.62	13.20	23.5	1.73	1.78	3.08
Henna	2.94	5.83	11.0	1.98	1.89	3.74
Shellac	6.97	13.65	16.0	1.95	1.17	2.29
Gum arabic	2.77	6.29	13.5	2.27	2.15	4.87
Lard	2.33	3.92	12.0	1.68	3.06	5.15
Lanolin	6.46	10.88	12.0	1.68	1.10	1.86
Hint oil	3.23	4.85	9.5	1.50	1.96	2.94
Cocoa oil	3.17	5.33	60.0	1.68	11.26	18.93
Sunflower oil	2.53	4.25	5.9	1.68	1.39	2.33
Oleic acid	2.64	4.40	5.5	1.67	1.25	2.08
Cocoa beens	3.87	8.29	40.0	2.14	4.83	10.34
Copra oil	8.14	18.72	32.0	2.30	1.71	3.93
Whiskey	9.70	29.92	85.0	3.08	2.84	8.76
Portland cement	0.09	0.15	0.2	1.66	1.33	2.22
Gas oil	0.30	0.70	0.8	2.33	1.14	2.67
Motor oil	0.19	0.56	0.8	2.95	1.42	4.21
Vaseline	1.94	3.18	5.0	1.64	1.57	2.58
Sulphuric acid	0.25	0.44	1.0	1.76	2.27	4.00
Zinc oxide	2.42	3.88	5.5	1.60	1.42	2.27
Titanium oxides	3.99	6.10	8.5	1.53	1.39	2.13
Sodium hydrosulfide	3.50	5.08	7.5	1.45	1.48	2.14
Sodium bicarbonate	0.50	0.79	1.4	1.58	1.77	2.80
Sodium carbonate	0.44	0.62	1.2	1.41	1.93	2.73
Potassium carbonate	1.71	2.73	3.7	1.60	1.36	2.47
Trichlorethylene	1.50	2.23	3.5	1.49	1.57	2.33
Pure methyl alcohol	2.41	3.86	4.5	1.60	1.17	1.87
Acetone	1.68	2.93	3.5	1.74	1.19	2.08
Printing inks	8.22	12.18	60.0	1.48	4.92	7.30
Tall oil	1.74	2.44	5.5	1.40	2.25	3.16
Synthetic rubber	3.86	6.45	42.0	1.67	6.51	10.88
Tires	10.62	21.94	25.0	2.07	1.14	2.35

Table VI-11 (continued)

Commodity	TL per unit			Ratio		
	Import Price c.i.f.	Landed Cost	Wholesale Price	Landed Cost to Import Price	Wholesale Price to Landed Cost	Wholesale Price to Import Price
Inner tubes	10.50	21.69	80.0	2.07	3.69	7.62
Natural cork	1.67	2.11	5.0	1.26	2.37	2.99
Cords of synthetic continuous fiber	9.37	22.47	35.0	2.40	1.56	3.74
Continuous silk fiber	8.01	19.21	29.0	2.40	1.51	3.62
Synthetic thread	14.25	34.19	35.0	2.40	1.02	2.46
Silk thread	8.32	19.96	40.0	2.40	2.00	4.81
Synthetic textiles	23.31	35.70	175.0	1.53	4.90	7.51
Merino wool	11.20	14.11	30.0	1.26	2.13	2.68
Synthetic fibers	8.92	13.47	47.5	1.51	3.53	5.33
Artificial fibers	3.87	6.98	52.5	1.80	7.52	13.56
Jute fiber	2.89	3.64	5.5	1.26	1.51	1.90
Jute yarn	3.75	8.12	11.0	2.17	1.35	2.93
Quilting material	0.50	0.78	2.5	1.56	3.21	5.00
Iron + steel bars or concretes which have I profile	1.03	1.71	2.5	1.66	1.46	2.43
Iron + steel bars or concretes which have H profile	1.00	1.67	3.0	1.67	1.80	3.00
Magnetic sheets	1.20	2.27	2.9	1.89	1.28	2.42
Thick and thin pipes made of cast iron	4.30	7.47	35.0	1.74	4.69	8.14
Unplated pipes, diameters to 3 fingers	2.41	4.46	4.5	1.85	1.01	1.87
Plated pipes, diameters to 3 fingers	2.17	3.01	9.0	1.39	2.99	4.15
Zinc	3.07	5.37	22.0	1.75	4.10	7.17
Air pumps	254	417	2000	1.64	4.80	7.87
Refrigeration units	990	2080	3000	2.10	1.44	3.03
Lathes	1179	1930	8500	1.64	4.40	7.21
Cutting machinery	2898	4746	6500	1.64	1.37	2.24
Typewriters	432	697	1375	1.61	1.97	3.18
1–2 HP electric motors	87	137	300	1.57	2.19	3.45
3–10 HP electric motors	300	475	750	1.58	1.58	2.50

Table VI-11 (continued)

Commodity	TL per unit: Import Price c.i.f.	TL per unit: Landed Cost	TL per unit: Wholesale Price	Ratio: Landed Cost to Import Price	Ratio: Wholesale Price to Landed Cost	Ratio: Wholesale Price to Import Price
Vacuum cleaners	371	822	1500	2.22	1.82	4.04
Distributors	38	50	275	1.31	5.50	7.24
Automatic telephone	32	61	250	1.91	4.10	7.81
Wire telephone parts	36	68	190	1.89	2.79	5.28
Loudspeakers	25	37	60	1.48	1.62	2.40
Small tractors	7654	12,227	50,000	1.60	4.09	6.53
Medium tractors	13,912	22,297	62,500	1.60	2.80	4.49
Large tractors	32,808	52,582	67,500	1.60	1.28	2.06
Passenger cars	16,152	41,902	57,500	2.59	1.37	3.56
Motorcycles	1428	2841	5000	1.99	1.76	3.50
Kilowatt hour meters	29	63	190	2.17	3.02	6.55

Source: Data kindly provided by Professor Ahmet Aker.

course landed cost itself was considerably above the c.i.f price, but nonetheless there were no premia associated with the importation of these commodities. For many commodities, however, premia were substantial. For thirty-one commodities in the sample – almost half – the premium exceeded the landed cost of the import. There were only four commodities in the sample where the wholesale domestic price of the item was less than double the c.i.f. price. The landed cost estimates relative to the c.i.f price estimates accord closely with the EER estimates given in Appendix A whenever items are found in both samples. But confirming the impressions given by excess demand for licenses, there was little relationship between the height of the EER and the domestic wholesale price of the commodity. Distributors, subject to only 31 per cent duties and surcharges, sold domestically for more than seven times the c.i.f. price, for example. Passenger cars, subject to 159 per cent duties and surchanges, sold for about 3½ times their c.i.f. price. Thus the premia on import licenses varied considerably from commodity to commodity, as expected under a quota system. And the tariffs and surcharges absorbed different fractions of the domestic/foreign price differential in the various commodity categories.

To obtain an estimate of the importance of the premia relative to duties and surcharges, the 1967 value of imports of each commodity in the sample was obtained. The value of the premia as given by Aker was then computed under several assumptions as to what mark-up would yield a normal rate of return. Three mark-up rates were used: 20, 50 and 100 per cent. The results of the computations were:

	(millions of TL)
Value of imports in the sample, c.i.f.	547
Landed cost of imports	1,443
Wholesale value of imports	3,568
Premia:	
20 per cent markup	1,836
50 per cent markup	1,404
100 per cent markup	682

The average EER for the sample was thus TL 23.76 = \$1 contrasted with the official rate of TL 9 = \$1. This EER is slightly above the rate calculated in Appendix A. The premium, however, equalled TL 30.21, TL 23.1, or TL 11.22, depending upon the assumption made about the normal mark-up. That would vary from one product to another, but in this author's judgment a 50 per cent mark-up is probably the best estimate. On that basis, a dollar's worth of imports cost the importer TL 23.76, and his return from it was TL 58.75, giving him an average windfall gain, or premium, of TL 23.11 per TL 9 of licenses received.

Thus by 1968 the premium on import licenses was considerably in excess of the duties and surcharges imposed upon imports. Industrialists receiving import licenses for intermediate goods imports were, in effect, subsidized by the amount of the premium they received, and protected by the amount of the EER plus the premium on imports competing with their own production. The premia associated with final outputs were at least as high as those on intermediate goods, and frequently were much higher. For domestic producers of those goods, therefore, the protection afforded through quantitative restrictions considerably exceeded that through tariffs and surcharges. Quantitative restrictions were thus of much greater importance than price interventions in providing incentives for import-substituting production.

The resource allocational and growth effects of these powerful incentives for import-substitution will be examined in Chapters VIII and IX. First however, attention must be devoted to the differential incentives for exports and their effects, the subject of Chapter VII.