

TURKEY

Trade: Export Subsidies

TIAS 11322

February 25, 1985, Date-Signed

February 25, 1985, Date-In-Force

STATUS:

[*1] Agreement effected by exchange of letters
Signed at Washington February 25, 1985;
Entered into force February 25, 1985.

[NO LONG-TITLE IN ORIGINAL]

TEXT:

The Turkish Undersecretary for Treasury and Foreign Trade to the United States Trade Representative

TURKISH EMBASSY
WASHINGTON, D.C.

February 25, 1985

Dear Mr. Ambassador:

With reference to bilateral discussions between representatives of the Government of Turkey and the United States Government, concerning acceptance by Turkey of the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade (the Code) n1 and regarding the basis on which each Government shall apply provisionally to the other the benefits of the Code, I have the honor to inform you of the following with regard to export subsidies on products other than certain primary products.

-----Footnotes-----

n1 TIAS 9619; 31 UST 513.

-----End Footnotes-----

1. As the United States Government is aware, Turkey is a developing country and subsidies are an integral part [*2] of its economic and development program. The Government of Turkey currently operates programs basically consistent with its competitive and development needs that, nevertheless, have been noted as containing export subsidy elements falling within the purview of the Code's Illustrative List of Export Subsidies (hereafter "Programs"). The Programs that have been identified as falling within this category include:

a. Export Tax Rebate Schemes: rebate paid upon export of products, set as a percentage of F.O.B. value;

b. Partial Export Revenue Deduction for Corporate Tax Purposes: exporters may deduct 20 percent of export revenue from industrial exports, above \$ 250,000, from their taxable income;

c. Resource Utilization Support Fund Payments.

2. As from the date of Turkey's accession to the Code, the Government of Turkey will not institute any program that is an export subsidy inconsistent with the Code's Illustrative List, on products other than certain primary products. Furthermore, the Government of Turkey will not increase the level of export subsidies in the programs above. However, the maintenance by the Government of Turkey of a non-excessive remission or drawback of import [*3] charges, or non-excessive remission or rebate of indirect taxes borne by the product, consistent with items (g), (h), or (i) of the Illustrative List annexed to the Code, is not an export subsidy.

3. The Government of Turkey will phase out in steps and eliminate the basic and supplemental Export Tax Rebate Schemes, by the end of 1988. Furthermore, the Government of Turkey will eliminate the Partial Export Tax Revenue Deduction for Corporate Tax Purposes by the end of 1989, and will eliminate Resource Utilization Support Fund Payments, by the end of 1986.

4. The Government of Turkey has submitted today to the Code the Declaration attached to this letter.

5. The Government of Turkey recognizes that the United States Government's provisional application of the benefits of the Code is based on the United States Government's expectation that the Government of Turkey will implement fully the provisions of this letter.

6. It is the expectation of the Government of Turkey in return that the United States Government will not institute any program that is an export subsidy inconsistent with the Code's Illustrative List, on products other than certain primary products, and that the United States [*4] Government will recognize Turkey as a "country under the Agreement" in terms of the United States' countervailing duty law and will accord Turkish exports the benefit of a material injury test in any countervailing duty investigations affecting these exports, including the ongoing investigation for certain textile mill products and apparel.

7. The Government of Turkey agrees that all rights and obligations of the Code shall apply between Turkey and the United States, subject to the right of either party to terminate such application between our two Governments if the other party does not fulfill the undertakings in this letter or if the expectations of either party are not realized. The Government of Turkey will apply the Code to the United States on a provisional basis as long as the United States is applying the Code to Turkey on a provisional basis. Our two Governments shall consult at least 60 days prior to any such termination of the application of the Code. Our two Governments also understand that both Governments will consult upon request concerning the fulfillment of the expectations of both sides, and the implementation of the undertakings in this letter.

I would be grateful [*5] for a formal confirmation from you that the above is acceptable to your

Government.

Please accept, Excellency, the assurance of my highest consideration.

DECLARATION TO THE GATT SUBSIDIES CODE

1. The Government of Turkey recognizes that it is desirable to restrict the use of export subsidies. Therefore, the Government of Turkey is committed to reduce or eliminate export subsidies whenever the use of such subsidies is inconsistent with its competitive or development needs. To this end, the Government of Turkey has decided to phase out tax and financial programs that have been noted as containing export subsidy elements, by the end of 1989.
2. The Government of Turkey does not intend to maintain any program inconsistent with the provisions of the GATT Code on Subsidies. The Government of Turkey does not anticipate establishing new export subsidy programs.
3. The Government of Turkey understands that it will not be subject to the review procedures mentioned in Paragraph 8 of Article 14 of the Code until the end of 1989.

The United States Trade Representative to the Turkish Undersecretary for Foreign Trade

THE UNITED STATES TRADE REPRESENTATIVE WASHINGTON

20506

February 25, [*6] 1985

Dear Mr. Undersecretary:

I am pleased to acknowledge receipt of your letter of today's date and to confirm that its provisions are acceptable to my Government. Accordingly, I have the honor to inform you that my Government will designate Turkey, effective today, as a "country under the Agreement" for the purposes of the United States countervailing duty law. This step has been taken on the understanding that all rights and obligations of the Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement of Tariffs and Trade (the Code) will apply as between the United States and Turkey subject to the right of either Government to terminate such application between our two governments if its expectations are not realized or if the undertakings in your letter are not fulfilled.

It is my understanding that our two Governments shall consult at least 60 days prior to any termination of the application of the Code between our Governments. I also understand that both Governments will consult upon request concerning the fulfillment of the expectations of both sides and the implementation of the undertakings in your letter.

In addition, the United [*7] States Government will inform the Director General of the GATT, as depositary of the Code, of its withdrawal, effective today, of United States invocation of the provisions of Article 19.9 with respect to Turkey.

Furthermore, the United States will inform the Director General of the GATT, as depositary to the Agreement, that until such time as the United States Government otherwise notifies the Director

General to the Contracting Parties to the GATT, the United States Government will provisionally apply to Turkey all rights and obligations of the Agreement.

Please accept, Excellency, the assurance of my highest consideration.

Very truly yours,

SIGNATORIES:

Prof. Dr. Ekrem Pakdemirli
Undersecretary for Treasury and Foreign Trade of the Prime Ministry

The Honorable William E. Brock
United States Trade Representative
Washington, D.C.

WILLIAM E. BROCK

His Excellency Prof. Dr. Ekrem Pakdemirli
Undersecretary for Treasury and Foreign Trade of the Prime Ministry
Ankara, Turkey