COUNCIL

TURKEY: MODIFICATION OF POSITION UNDER THE CODE OF LIBERALISATION OF CAPITAL MOVEMENTS

(Report by the Committee on Capital Movements and Invisible Transactions)

This document is submitted to Council for approval under the written procedure.
1. The purpose of this report and the proposed Council action is to modify Turkey’s position under the Code of Liberalisation of Capital Movements to reflect liberalisation measures relating to direct investment in the banking sector by non-residents (item I/A).

2. Turkey currently maintains, inter alia, the following reservations under item I/A of the Code:

   − participation in a Turkish bank and the establishment of a subsidiary by a foreign bank, unless an authorisation is granted (sub-item iv), and

   − establishment of the first branch by a foreign bank, unless an authorisation is granted (sub-item v).

3. The Turkish authorities have explained that the new Banks Act No. 4389 dated 23 June 1999, amended by Act No. 4491 issued on 19 December 1999, no longer contains a provision requiring the permission of a political authority with regard to the legal arrangements for entering the Turkish banking system. According to the Turkish authorities, the new provisions concerning authorisation are of a prudential nature and apply equally to residents and non-residents.

4. In light of these developments, the Turkish authorities propose to withdraw the above mentioned reservations.

5. Accordingly, the Council is invited to adopt the following draft conclusions:

   THE COUNCIL

   a) noted document C(2000)128;

ANNEX

DRAFT DECISION OF THE COUNCIL
AMENDING ANNEX B TO THE CODE OF LIBERALISATION OF CAPITAL MOVEMENTS

THE COUNCIL,

Having regard to Article 5 a) of the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

Having regard to the Code of Liberalisation of Capital Movements;

Having regard to the Report by the Committee on Capital Movements and Invisible Transactions on the modification of the position of Turkey under the Code of Liberalisation of Capital Movements [C(2000)128];

DECIDES:

The list of reservations by Turkey concerning List A, item I/A (direct investment) in Annex B to the Code of Liberalisation of Capital Movements is amended to read as follows:

List A
I/A

Direct investment:

– In the country concerned by non-residents

*Remark: The reservation applies only to:*

i) Investment in the mining sector, except through a company to be established in Turkey;

ii) Investment in exploration and exploitation of petroleum by enterprises controlled or owned by foreign states, unless an authorisation is granted;

iii) Investment in refining, transportation through pipelines and storage of petroleum, unless an authorisation is granted;

iv) Investment in all sectors, if the value of the investment is less than US$50,000.