

diversifying the markets in an environment where competition will further be increased with the liberalisation of the world textiles and clothing trade by the year 2005. Considering the difficulties in creating brands within a short period of time, it is important to create an image of high quality Turkish goods at first.

Necessary investments for gasoline and diesel fuel production, consistent with EU norms, shall be realised.

In order to meet petroleum products demand, construction of a new refinery plant within the country will be encouraged.

In iron and steel industry, special importance should be given to restructuring investments that aim at balancing the production-consumption figure for long and flat products.

Through increased supports for new product development in fields with high value added, the electronics industry will gain a greater share from the global markets.

In the automotive industry, it is important to set up a structure, which enables economies of scale, implementation of new technologies and export - based and sustainable competitiveness.

Studies on opening up the railway vehicles industry, which is still operated by public companies, to the private sector will be initiated. Furthermore, a structure, which follows technological developments, creates designs, meets domestic demand including intra-city railway systems and is oriented towards exports, shall be established.

In the ship building industry, special importance will be given to the production of coaster ships.

In the defence industry, in order to meet the local demand in a stable and safe manner, the aim is to develop local production, which is open to competition, has export potential, is capable of generating technology and is integrated in the domestic industries. The technological capacity of the country shall be utilised to the greatest extent for developing the national defence industry.

Some legal and administrative measures are listed in the annex with a specific time frame, corresponding responsible institutions and their purposes. These are the priority measures stated in official documents. Additional measures will be introduced in the future in a dynamic manner when necessary.

4. COOPERATION WITH EU ON INDUSTRY

During the period of accession preparations to the EU, while realising harmonisation requirements and taking into consideration the customs union, the need for structural adjustment should be taken into account and relevant measures for restructuring the enterprises and increasing competitiveness should be put into operation. The financial support of the EU is necessary in this process.

Approximation of legislation with the EU acquis will continue. Together with legislation alignment and institution building, industrial enterprises should be sufficiently informed and familiarized with EU practices.

National quality infrastructure required for the implementation of the Technical Legislation should be developed.

Turkish firms should comply with the rules and practices of the EU in the field of environment.

For these purposes, support is required for enterprises so that their investments for restructuring and modernisation can be stimulated which in turn will contribute to their adaptation to a competitive environment, for the adoption of technical legislation and corporate level quality upgrading in facilitating access to the internal market, and for facilitating adoption of the environmental requirements of the Community.

In order to improve the financial environment for SMEs, new credit facilities, development of risk capital, investment financing and guarantee funds, and development of special financial instruments including technical assistance are required. SMEs should be provided with consulting services for using international funds, especially EU funds.

In order to foster R&D activities of local entrepreneurs and institutions, active participation in the EU Framework Programmes should be ensured.

Measures for diversification and reinforcement of industrial base and developing human resources necessary for the transition process should be supported.

ANNEX: LEGAL AND ADMINISTRATIVE MEASURES

Legal Measures	Duration	Responsible Institutions	Purpose
Law on State Aid Monitoring and Control will be enacted and an authority for monitoring and control will be established.	2003	State Planning Organisation.	Monitoring, control and evaluation mechanisms shall be made effective in order to ensure new and existing individual aid programmes comply with EU state aid rules.
Public support measures will be rearranged.	2003	Undersecretariat of Treasury	Amendments shall be made in financial legislation and incentive system to enable adaptation of tax incentives for all investments automatically, to reduce bureaucracy and to promote investment.
Free land plots will be allocated to investors.	2003	The Ministry of Industry and Trade	Unallocated land plots in organized industrial zones in priority development regions will be given to the investors at no cost.
Regional classification for state aids will be revised.	2003	Undersecretariat of Treasury	Regional classification for state aids will be revised according to the new NUTS classification and regional supports will be evaluated as such.
Activities of SMEs will be supported.	2003	Undersecretariat of Treasury, Small and Medium Industry Development	Low-cost credits will be provided to SMEs as investment and operating capital. Necessary arrangements shall be made in order to solve guarantee and mortgage

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		Organization (KOSGEB)	problems of SMEs. The risk capital system will be improved. Legal arrangements shall be made to strengthen the Credit Guarantee Fund, to extend its usage and to increase the contribution of its partners.
Input costs of the firms will be reduced.	2003	Undersecretariat of Foreign Trade	In order to increase competitiveness, cost of main inputs such as energy, communication and employment will be reduced.
Export credit system will be improved.	2003	Undersecretariat of Foreign Trade	The financial structure of Eximbank will be improved, bureaucratic transactions will be simplified and measures will be taken for problems related to guarantees given by commercial banks.
National brand creation shall be encouraged.	2003	Undersecretariat of Foreign Trade	In order to increase value added, the firms that export under their own brands will be promoted.
Scope of the current legislation in R&D will be extended.	2003-2005	Undersecretariat of Foreign Trade Undersecretariat of Treasury TÜBİTAK	R&D activities will be further promoted.

Legal Measures	Duration	Responsible Institutions	Purpose
In the food industry, Communiqués based on the Turkish Food Codex shall be completed and put into force.	2003-2005	The Ministry of Agriculture and Rural Affairs The Ministry of Health	The international standards accepted by FAO Codex Alimentarius Committee has been taken as a basis in the preparation of national legislation in order to adopt the European food quality standards. The harmonisation process is continuing.
Arrangements for the establishment of the Turkish Drug Institution will be made.	2003-2005	The Ministry of Health	Arrangements shall be made for the establishment of the Turkish Drug Institution responsible for authorisation, testing and monitoring activities related to different kinds of products.
Principles of the university-industry cooperation will be rearranged.	2003-2005	The Ministry of Industry and Trade The Council of Higher Education	The principles of the university-industry cooperation shall be rearranged so as to include research companies.
Arrangements on the establishment of a Legal Metrology Institute shall be completed.	2003-2005	The Ministry of Industry and Trade	Efficient utilization of the system of legal metrology will be provided.
“Reform Programme for the Improvement of the Investment Environment in Turkey” will be implemented.	Ongoing	Undersecretariat of Treasury	The Government of Turkey has initiated a comprehensive reform programme to streamline the investment environment and to attract more private direct domestic and foreign

Legal Measures	Duration	Responsible Institutions	Purpose
			investment. Thus, administrative obstacles encountered in realization of investments will be prevented and unnecessary and repeated bureaucratic transactions will be removed.

Administrative Measures	Duration	Responsible Institutions	Purpose
2003 privatisation programme shall be implemented.	2003	Privatisation Administration	The Government has announced a privatisation programme for 2003 that includes privatisation activities amounting to 4 billion US Dollars.
A privatisation strategy and calendar will be determined for State Economic Enterprises (SEEs) that are not included in the current scope of privatisation.	2003	State Planning Organization	SEEs that are not included in the current scope of privatisation will be classified into three groups according to their activities and the role in the market: <ul style="list-style-type: none"> - SEEs operating under market rules will be privatised within a short period. - SEEs that are monopolies or dominate the market will be privatised after necessary measures are taken. - Privatisation of SEEs that carry out agricultural support activities will be considered together with agricultural policies.
A commission for the evaluation of state aids will be established.	2003	State Planning Organization	A Special Ad Hoc Committee for the preparation of an inventory of all state aids, for the evaluation of their effectiveness and to make suggestions has been established and is continuing its activities.

Administrative Measures	Duration	Responsible Institutions	Purpose
Measures will be taken in order to solve financial difficulties of the firms due to the economic crisis and insufficient capital.	2003	Undersecretariat of Treasury	In order to solve the problems between the firms and banks due to economic crises, Istanbul Approach and Anatolian Approach will be implemented.
A strategic planning activity for exports will be performed.	2003	Undersecretariat of Foreign Trade	To cope with negative effects of globalisation, to avoid sectoral and regional dependence and to determine the competitive edges for Turkey, a strategic plan for exports will be prepared with the participation of the private sector. Export incentive system will be revised according to the long-term strategy.
A restructuring plan for Turkish iron and steel industry will be prepared.	2003	Undersecretariat of Foreign Trade	A project has been initiated with the assistance of the European Commission for preparation of a National Restructuring Plan in order to extend the grace period for granting public aid to Turkish steel sector.
Proper conformity assessment and market surveillance system will be established.	Ongoing	All related bodies	The ongoing work on establishment of a proper conformity assessment and market surveillance, concerning all the product groups by the EU technical legislation to be harmonised, will be accelerated.