Turkey

accounts appear to be running into difficulties and need special control, banks must make provisions amounting to 15 per cent of the loan. At the end of the year, this will be raised to 50 per cent and at the end of two years to 100 per cent.

For defaulters against whom banks have initiated administrative action, provisions have to be made at the end of two months from the start of the legal process. For those against whom banks have taken legal proceedings, provisions must amount to 25 per cent at the end of six months, 50 per cent after 12 months, 75 per cent after 18 months and 100 per cent after 24 months.

Bad debts must be erased from the credit side of balance sheets even if 100 per cent provisions have been made against them. Outlays on bad loans made without collateral in cash or securities must now be regarded as bank expenditure.

In a parallel move, the treasury and foreign trade undersecretariat has directed banks to examine borrowers more carefully before making loans, and review their performance every three months. Legal action against borrowers is now mandatory when assets and spending capital are deemed inadequate, or when they cease trading or supply insufficient information. The lack of independent auditing in the banking sector means the central bank can only guess the size of the problem.

In addition, maturities must not exceed 18 months. For loans contracted before April with no fixed maturity, one must be set by banks within three months.

IN BRIEF

- Six firms have lined up to bid to supply eight helicopters for use in counter-insurgency operations in the southeast. They are two US firms, ***Bell Helicopter Textron*** and ***Sikorsky Aircraft;*** West Germany's ***Messerschmitt-Boelkow-Blohm (MBB); Agusta*** of Italy; France's ***Aerospatiale;*** and the UK's ***Westland Helicopters,*** the Istanbul daily Cumhuriyet says.
- The government has prohibited the import of construction machinery that is more than 10 years old.
- The non-dollar share of total external debt increased to 57.2 per cent at the end of 1987, compared with 55 per cent one year previously. Total external debt rose by 23 per cent to $38,300 million. The largest non-dollar denomination in Turkey's external debts is the West German Deutschmark, which accounted for $11,700 million at the end of 1987.
- The Public Participation Fund is to provide TL 208,000 million ($159 million) towards construction of the Ataturk dam. This represents 13.5 per cent of the support the fund gives to investment schemes annually. This year, the government has decided that special development funds — criticised by some as an extra-budgetary stimulus to inflation — will contribute 30 per cent of their funds to the budget. The leading five funds will raise a combined TL 1.5 million million ($1,181 million) for investment projects. The participation fund alone will provide TL 262,000 million ($201 million) to the State Hydraulic Works (DSI), client for the Ataturk dam.
- Greece's National Economy Minister Panayotis Roumeliotis arrived in Ankara on 25 May for a mixed economic committee meeting. Minister of State Adnan Kahveci headed the Turkish side. Progress made at the talks will underpin the breakthrough in relations achieved at Davos in January. On 23 May, Foreign Affairs Minister Mesut Yilmaz arrived in Athens for a three-day visit and talks with his Greek counterpart, Karolos Papoulias, and Greek President Sartzetakis. Meetings of a joint political committee set up to study areas of contention such as Cyprus and the Aegean began during Yilmaz' visit. The visits and meetings will pave the way for Prime Minister Turgut Ozal's planned 13-15 June visit to Athens.
- Molten metal output totalled 1.9 million tonnes in January-March, 16.9 per cent more than in the corresponding period of 1987, the Association of Iron & Steel Producers says.
- The government has made 8 per cent cuts in all departmental budgets, save the Defence Ministry's, which is reduced by 4 per cent. The cuts are aimed at lowering the expected 1988 budget deficit.

UAE

Joint venture seeks storage tank award

A US/local joint venture is set for an Dh 85 million ($23.1 million) contract to build water storage tanks at the Umm al-Nar power and desalination plant near Abu Dhabi. The offer by ***Pittsburgh-Des Moines*** and ***Abdul Rahman Abdulla al-Habaishie Contracting*** was the lowest of three bids for the order, which has gone to tender three times since February 1986.

The other bidders were:

☐ ***Al-Aweidah/Polimex*** (UAE) — Dh 94.6 million ($25.8 million)

☐ ***Daewoo Corporation*** (South Korea) — Dh 120.3 million ($32.8 million).

The joint-venture bid has been approved by the General Projects Committee in Abu Dhabi and referred to the executive council for final approval.

The project calls for the supply and installation of four 10 million-gallon water storage tanks. The suspended, covered structures are to be made of steel and will provide additional storage for the Umm al-Nar East expansion project. This has added three, 6 million-gallon-a-day desalination units to the 13 already in operation. The new units, installed by ***Italimpianti***, were commissioned in March. The latest contract includes a 20 million-gallon-a-day pumping station, internal pipelines and associated works.

The new storage capacity is required as the rated capacity of the Umm al-Nar complex has risen to about 86 million gallons a day. Derated capacity for the two plants now supplying Abu Dhabi city and its environs with desalinated sea water should exceed 100 million gallons a day in 1988. Average per capita use in the city is estimated at 150 gallons a day; demand estimates for the whole city are for 90 million gallons a day by 1990. Water is distributed free to consumers.

Consultant for the tank scheme is Egypt's ***Dr Ali al-Saie***; client is Abu Dhabi water and electricity department. The contract, divided into two lots, is for completion in 22 months.

Earnings hold up at ADIC

Abu Dhabi Investment Company (ADIC) has posted net profits of Dh 21.6 million ($5.9 million) for 1987, 22 per cent up on 1986. The overall profit takes account of Dh 28.1 million ($7.6 million) set aside to cope with debt problems; this is down from provisions of Dh 70.1 million ($19.1 million) the previous year.

In ADIC's annual report, chairman Hareb Masood al-Darmaki says the debt problems did not dampen the company's enthusiasm for the pursuit of quality loans and syndications as evidenced by participation in the World Bank's Loan Sales Programme. Sovereign and quasi-sovereign debt accounted for 57.1 per cent of loan exposure. The biggest local loan was a $110 million refinancing facility for ***Abu Dhabi National Tanker Company (Adnatco),*** in which ADIC was a manager.

ADIC has shifted to club loans and short-term lending rather than syndicated loans. The firm has ventured into the secondary market and remains active in Eurobond trading. It has also developed its equity brokerage activity, introduced in 1986. Bullion brokerage began in late 1987 and contributed substantially to commission earnings, Al-Darmaki says.

The company's investment portfolio in Euronotes and commercial paper remained high until October; thereafter book size was reduced to $100 million from $175 million, in line with a cautious and conservative policy, the annual report says. Innovations proposed for 1988 include dealing in futures as well as expanding the bullion brokerage operation.

Established in 1977, ADIC is 90 per cent owned by ***Abu Dhabi Investment Authority (ADIA)*** with the remainder held by ***National Bank of Abu Dhabi.***

Oil lifts trade surplus

Firm oil prices and high output in the second half of 1987 pushed the full-year trade surplus to Dh 18,000 million ($4,900 million), latest central bank figures show. The overall balance of payments surplus grew to Dh 6,240 million ($1,699 million) from Dh 4,800 million ($1,306 million) in 1986.

Most indicators rose, but higher oil export earnings were the key to the improved performance. The value of oil exports increased by 15.1 per cent to Dh 29,000