Offering Circular dated 7 May 2002

Türkiye Cumhuriyeti

(The Republic of Turkey)

Euro 750,000,000

9.75 per cent. Notes due 2007

Issue Price: 99.43 per cent.

Interest on the Euro 750,000,000 9.75 per cent. Notes due 2007 (the "Notes") of Türkiye Cumhuriyeti (The Republic of Turkey) ("The Republic") is payable annually in arrear on 8 May in each year at the rate of 9.75 per cent. per annum. The first interest payment is due on 8 May 2003. Unless previously purchased and cancelled the Notes will be redeemed at their principal amount together with accrued interest on 8 May 2007 and are not redeemable prior to that date. See "Terms and Conditions of the Notes — Redemption".

Application has been made to list the Notes on the Luxembourg Stock Exchange and application will be made for the Notes to be listed on the Frankfurt Stock Exchange.

See "Investment Considerations" for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes have not been and will not be, registered under the US Securities Act of 1933, as amended (the "Securities Act") and are subject to US tax law requirements. Subject to certain exemptions, Notes may not be offered, sold or delivered within the United States or to US persons.

The Notes will be represented initially by a temporary global Note without coupons, which will be deposited with Clearstream Banking AG, Frankfurt ("Clearstream") on or about 8 May 2002 (the "Closing Date"). The Temporary Global Note will be exchangeable for interests in a Global Note, without interest coupons, on or after a date which is expected to be 17 June 2002 upon certification as to non-U.S. beneficial ownership. The Global Note will be exchangeable for definitive Notes in bearer form in the denomination of Euro 1,000 each with Coupons attached only in certain limited circumstances. See "Summary of Provisions relating to the Notes while in Global Form".

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ALPHA BANK
BANCO FINANTIA
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Türkiye Cumhuriyeti (The Republic of Turkey) ("The Republic" or "Turkey") having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to The Republic and the Euro 750,000,000 9.75 per cent. Notes due 2007 (the "Notes") which is material in the context of the issue and offering of the Notes; that such information is true and accurate in every material respect and is not misleading in any material respect; and that this Offering Circular does not omit to state any material fact necessary to make such information not misleading; and that this Offering Circular does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The opinions and intentions expressed in this Offering Circular with regard to The Republic are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions. The Republic accepts responsibility for the information contained in this Offering Circular accordingly.

No person has been authorised to make or provide any representation or information regarding The Republic or the Notes other than as contained in this Offering Circular. Any such representation or information should not be relied upon as having been authorised by The Republic or the Managers as defined under "Subscription and Sale". The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as at any time subsequent to the date of this Offering Circular. Unless otherwise indicated, all information in this Offering Circular is given as of the date of this Offering Circular.

The Managers do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information in this Offering Circular. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers or any person affiliated with the Managers in connection with its investigation of the accuracy of such information or its investment decision. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of The Republic and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment.

Unless otherwise stated, all annual information, including budgetary information, is based upon calendar years. Figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same item of information may vary, and figures which are totals may not be an arithmetical aggregate of their components.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of The Republic or the Managers to subscribe or purchase, any of the Notes. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by The Republic and the Managers to inform themselves about and to observe any such restrictions. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or any state securities law, and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of certain further restrictions on offers and sales of Notes and distribution of this Offering Circular, see "Subscription and Sale".

In this Offering Circular, all references to "Turkish Lira" and "TL" are to the lawful currency for the time being of The Republic, references to "€", "Euro" or "euro" are to the single currency which was introduced at the beginning of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union and all references to "dollars" and "U.S.$" are to the lawful currency for the time being of the United States of America.

Translations of amounts from Turkish Lira to dollars are solely for the convenience of the reader and, unless otherwise stated, are made at the exchange rate prevailing at the time as of which such amounts are specified. The Central Bank of Turkey foreign exchange buying rate for United States dollars on 2 May 2002 was TL 1,362.093 = U.S.$1.00. No representation is made that the Turkish Lira or dollar amounts referred to herein could have been or could be converted into dollars or Turkish Lira, as the case may be, at any particular rate or at all.

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In connection with the issue of the Notes, BNP Paribas (the "Stabilising Manager") (or any person acting for the Stabilising Manager) may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

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TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which, subject to completion and amendment will be endorsed on each Note in definitive form.

The Conditions set out below are provided in both English and German, the English text being exclusively legally binding and the German text being provided for convenience only.

Die nachstehenden Bedingungen sind sowohl in englischer als auch in deutscher Sprache aufgeführt; der englische Text ist ausschließlich rechtlich bindend, der deutsche Text stellt lediglich eine unverbindliche Übersetzung dar und dient ausschließlich zu Informationszwecken.

The Euro 750,000,000 9.75 per cent. Notes due 2007 (the "Notes", which expression includes any further Notes issued pursuant to Condition 12 (Further Issues) and forming a single series therewith) of Türkiye Cumhuriyeti (The Republic of Turkey) ("The Republic") have been authorised pursuant to the provisions of Articles 4 and 7 of the Law Regarding the Regulation of Public Finance and Debt Management (Law No. 4749). A fiscal agency agreement dated 8 May 2002 (the "Fiscal Agency Agreement") has been entered into in relation to the Notes between The Republic, BNP Paribas Luxembourg as fiscal agent (the "Fiscal Agent") and BNP Paribas Securities Services, Frankfurt Branch as paying agent (together with the Fiscal Agent, the "Paying Agents" or the "Agents").

Die Euro 750.000.000 9,75 Prozent Teilschuldverschreibungen fällig 2007 (die „Teilschuldverschreibungen", wobei dieser Ausdruck alle weiteren Teilschuldverschreibungen einschließt, die gemäß § 12 (Weitere Emissionen) begeben werden und dabei eine einheitliche Serie bilden) von Türkiye Cumhuriyeti (die Türkische Republik) („die Republik") wurden autorisiert gemäß den Bestimmungen von Artikel 4 und Artikel 7 des Gesetzes Nr. 4749 zur Regelung der öffentlichen Finanz- und Schuldenverwaltung. In Bezug auf die Teilschuldverschreibungen wurde ein Fiscal Agency Vertrag mit Datum vom 8. Mai 2002 (der „Fiscal Agency-Vertrag") abgeschlossen zwischen der Republik, BNP Paribas Luxembourg als fiscal agent („Fiscal Agent") und BNP Paribas Securities Services Zweigniederlassung Frankfurt am Main als Zahlstelle (zusammen mit dem Fiscal Agent, die „Zahlstellen" oder „Agents").

In these Conditions, "Fiscal Agent" and "Paying Agent" shall include any successors appointed from time to time in accordance with the provisions of the Fiscal Agency Agreement, and any reference to an "Agent" or "Agents" shall mean any or all (as applicable) of such persons.

In diesen Bedingungen umfassen „Fiscal Agent" und „Zahlstelle" alle von Zeit zu Zeit in Übereinstimmung mit den Vorschriften des Fiscal Agency-Vertrages ernannten Nachfolger, und jeder Bezug auf einen „Agent" oder „Agents" soll sich auf jeden oder alle (wie die Umstände es verlangen) dieser Personen beziehen.

Copies of the Fiscal Agency Agreement are available for inspection during usual business hours at the specified offices of each of the Agents. The holders of the Notes (the "Noteholders") and the holders of the related interest coupons (the "Couponholders" and the "Coupons" respectively) are bound by, and are deemed to have notice of, the provisions of the Fiscal Agency Agreement.

Ausfertigungen des Fiscal Agency-Vertrages sind während der üblichen Geschäftsstunden bei den hierfür bestimmten Geschäftsstellen jedes Agents einsehbar. Die Inhaber der Teilschuldverschreibungen (die „Inhaber von Teilschuldverschreibungen") und die Inhaber der darauf bezogenen Zinsscheine (die „Zinsscheininhaber" und die „Zinsscheine") unterliegen den Vorschriften des Fiscal Agency-Vertrages und ihre Kenntnis von diesen Vorschriften wird unterstellt.

References to "Conditions" are, unless the context otherwise requires, to the numbered paragraphs of these Conditions.

Bezugnahmen auf Paragraphen sind Bezugnahmen auf die Paragraphen dieser Bedingungen, soweit sich aus dem übrigen Text nichts anderes ergibt.

1.
Form, Denomination and Title

The Notes are in bearer form in the denomination of Euro 1,000 with Coupons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999.

§ 1
Form, Nennbetrag und Titel

Die Teilschuldverschreibungen im Nennbetrag von je Euro 1.000 werden mit Zinsscheinen ausgegeben und lauten auf den Inhaber. Alle Rechte aus den Teilschuldverschreibungen und den Zinsscheinen werden durch Übergabe und Übereignung übertragen. Der Inhaber einer Teilschuldverschreibung oder eines Zinsscheines gilt (soweit nicht gesetzlich anders bestimmt) in jeder Hinsicht als Eigentümer (unabhängig davon, ob überfällig oder nicht und ohne Berücksichtigung jeder Mitteilung von Eigentum, Treuhandverhältnis oder sonstigen daran bestehenden Rechten, jeder Beschriftung oder jeder Mitteilung vorangegangenen Verlustes oder Diebstahls), und niemand soll dafür haftbar gemacht werden, den Inhaber wie dargestellt zu behandeln. Niemand ist berechtigt, eine Leistung auf Grund der Vorschriften dieser Teilschuldverschreibung nach dem *Contracts (Rights of Third Parties) Act 1999* zu fordern.

2.
Status

The Notes constitute direct, unconditional and (subject to Condition 3 (Negative Pledge)) unsecured obligations of The Republic. Subject to the provisions of Condition 3 (Negative Pledge), the Notes rank and will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured External Indebtedness (as defined in Condition 3 (Negative Pledge)) of The Republic.

§ 2
Status

Die Verpflichtungen aus den Teilschuldverschreibungen stellen unmittelbare, unbedingte und (vorbehaltlich § 3 (Negativverpflichtung)) unbesicherte Verpflichtungen der Republik dar. Vorbehaltlich § 3 (Negativverpflichtung) haben die Teilschuldverschreibungen den gleichen Rang untereinander und mindestens den gleichen Rang wie alle anderen gegenwärtigen und zukünftigen nicht besicherten Auslandsschulden (wie in § 3 (Negativverpflichtung) definiert) der Republik und werden ihn auch zu jeder Zeit haben.

3.
Negative Pledge

The Republic will not, so long as any of the Notes remains outstanding, create or permit to exist:

(i) any Lien (other than a Permitted Lien) for any purpose upon or with respect to any International Monetary Assets of The Republic; or

(ii) any Lien (other than a Permitted Lien) upon or with respect to:

(x) any other assets of The Republic to secure External Indebtedness of any Person; or

(y) any Exportable Assets of any Government-Owned Enterprise to secure External Indebtedness of The Republic,

unless the Notes at the same time share *pari passu* and *pro rata* in such security.

§ 3
Negativerklärung

Die Republik wird, so lange Teilschuldverschreibungen ausstehen, das folgende unterlassen:

(i) Sicherungsrechte (außer Erlaubten Sicherungsrechten) an oder in Bezug auf Internationale Monetäre Positionen der Republik;

(ii) Sicherungsrechte (außer Erlaubten Sicherungsrechten), an oder in Bezug auf:

(x) andere Vermögenswerte der Republik zur Besicherung einer Auslandsschuld jedweder Person; oder

(y) Ausfuhrgüter eines Staatsunternehmens zur Besicherung einer Auslandsschuld der Republik

zu bestellen oder deren Existenz zu gestatten, sofern den Teilschuldverschreibungen nicht gleichzeitig der gleiche Rang und Anteil im Hinblick auf die Besicherung eingeräumt wird.

"Permitted Lien" means:

„Erlaubte Sicherungsrechte" bedeutet:

(A) any Lien on Foreign Currency (or deposits denominated in Foreign Currency) securing obligations with respect to a letter of credit in the course of ordinary commercial banking transactions (and expiring within one year thereafter) to finance the importation of goods or services into The Republic;

(A) jedes Sicherungsrecht an Beständen in Auslandswährung (oder auf Auslandswährung lautenden Einlagen) zur Besicherung von Verpflichtungen bezüglich eines Akkreditivs, das im Zuge gewöhnlicher Bankgeschäfte zur Finanzierung der Einfuhr von Gütern oder Dienstleistungen in die Republik ausgestellt wurde (und binnen eines Jahres nach Ausstellung abläuft);

(B) any Lien on Exportable Assets (but not official holdings of gold), documents of title relating thereto, insurance policies insuring against loss or damage with respect thereto and proceeds of the foregoing, securing External Indebtedness incurred to finance the business of producing or exporting Exportable Assets, provided that:

(B) jedes Sicherungsrecht an Ausfuhrgütern (außer an amtlich gehaltenen Goldbeständen), diesbezüglichen Eigentumspapieren, Versicherungspolicen zur Deckung von Verlusten oder Schäden daran und dem Erlös aus den vorgenannten Vermögenswerten, welches Auslandsschulden sichert, die zur Finanzierung der Herstellung oder der Ausfuhr von Ausfuhrgütern eingegangen wurden, vorausgesetzt, daß:

(x) the proceeds of the sale of such Exportable Assets are expected to be received within one year after such Exportable Assets or documents become subject to such Lien; and

(x) der Erlös aus dem Verkauf solcher Ausfuhrgüter voraussichtlich binnen eines Jahres nach dem Zeitpunkt eingeht, zu dem diese Ausfuhrgüter oder Dokumente dem Sicherungsrecht unterworfen werden; und

(y) such External Indebtedness:

(y) solche Auslandsschulden:

(i) is to be repaid primarily out of proceeds of sale of the Exportable Assets subject to such Lien; and

(i) vornehmlich aus dem Erlös des Verkaufs der dem Sicherungsrecht unterliegenden Ausfuhrgüter zurückzuzahlen sind; und

(ii) does not arise out of financing provided by the lender on condition that other External Indebtedness be repaid;

(ii) nicht aus Finanzierungen herrühren, die von dem Kreditgeber unter der Voraussetzung gewährt wurden, daß andere Auslandsschulden getilgt werden:

(C) any Lien securing External Indebtedness incurred for the purpose of financing any acquisition of assets (other than International Monetary Assets), provided that the assets which are subject to such Lien are:

(C) jedes Sicherungsrecht zur Besicherung von Auslandsschulden, die zum Zweck der Finanzierung des Erwerbs von Vermögenswerten (ausgenommen Internationale Monetäre Positionen) eingegangen wurden, vorausgesetzt, daß die diesem Sicherungsrecht unterliegenden Vermögenswerte

(x) tangible assets acquired in such acquisition (including, without limitation, documents evidencing title to such tangible assets);

(x) materielle Vermögenswerte sind, die Gegenstand dieses Erwerbs waren (einschließlich Urkunden, die das Eigentum an solchen materiellen Vermögenswerten verbriefen),

(y) claims which arise from the use, failure to meet specifications, sale or loss of, or damage to such assets; or

(y) Ansprüche aus der Nutzung, der Fehlerhaftigkeit, dem Verkauf, dem Verlust oder der Beschädigung solcher Vermögenswerte sind, oder

(z) rent or charter hire payable by a lessee or charterer of such assets;

(z) Ansprüche auf von einem Mieter, Pächter oder Charterer dieser Vermögenswerte zahlbare Miet-, Pacht- oder Chartervergütung sind;

(D) any Lien on or with respect to assets (other than International Monetary Assets) existing at the time of the acquisition thereof, provided that such Lien was not incurred in contemplation of such acquisition;

(D) jedes Sicherungsrecht an oder bezüglich Vermögenswerten (ausgenommen Internationale Monetäre Positionen), das am Tage des Erwerbs dieser Vermögenswerte besteht, vorausgesetzt, dass dieses Sicherungsrecht nicht im Hinblick auf diesen Erwerb bestellt wurde;

(E) any Lien on or with respect to assets (other than International Monetary Assets) acquired (or deemed to be acquired) under a financial lease, or claims arising from the use, operation, failure to meet specifications, sale or loss of, or damage to, such assets, provided that:

(E) jedes Sicherungsrecht an oder bezüglich Vermögenswerten (ausgenommen Internationale Monetäre Positionen), das aufgrund eines Finanzierungsleasingvertrages erworben wurde oder als erworben gilt, oder an oder bezüglich Ansprüchen aus der Nutzung, dem Betrieb, der Fehlerhaftigkeit, dem Verkauf, dem Verlust oder der Beschädigung solcher Vermögenswerte, vorausgesetzt, daß

(x) such Lien secures only rentals and other amounts payable under such lease; and

(x) dieses Sicherungsrecht nur die aufgrund eines solchen Leasingvertrages zahlbaren Leasingraten und sonstigen Beträge sichert, und

(y) such assets were not owned by The Republic for more than 120 days prior to becoming subject to such lease;

(y) diese Vermögenswerte der Türkei nicht bereits mehr als 120 Tage vor dem Zeitpunkt gehörten, zu dem sie diesem Leasingvertrag unterstellt wurden;

(F) any Lien on any assets which arose pursuant to any order or attachment, distraint or similar legal process arising in connection with court proceedings so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings;

(F) jedes Sicherungsrecht an Vermögenswerten, das aufgrund einer Pfändung, Beschlagnahme oder ähnlichen Maßnahme entsteht, die im Zusammenhang mit gerichtlichen Verfahren getroffen wurde, solange die Verwertung oder sonstige Durchsetzung wirksam ausgesetzt ist und die dadurch gesicherten Ansprüche durch geeignete Verfahren in gutem Glauben bestritten werden;

(G) any Lien arising by operation of law (and not pursuant to any agreement) which has not been foreclosed or otherwise enforced against the assets to which it applies, including without limitation any right of set-off with respect to demand or time deposits maintained with financial institutions and bankers' liens with respect to property held by financial institutions, provided that such Lien arises in the ordinary course of the activities of the owner of the assets subject thereto and not with a view to securing any External Indebtedness;

(G) jedes kraft Gesetzes (und nicht aufgrund eines Vertrages) entstehende Sicherungsrecht, das nicht verwertet oder in sonstiger Weise gegen den ihm unterliegenden Vermögensgegenstand durchgesetzt wurde, auch einschließlich eines Aufrechnungsrechtes bezüglich Sicht- oder Termineinlagen bei Kreditinstituten und eines banküblichen Pfandrechts bezüglich Vermögenswerten, die von Kreditinstituten gehalten werden, vorausgesetzt, daß dieses Sicherungsrecht im gewöhnlichen Verlauf des Geschäfts des Eigentümers des betroffenen Vermögenswertes entsteht und nicht zum Zweck der Besicherung von Auslandsschulden;

(H) any Lien securing External Indebtedness incurred in connection with any Project Financing, provided that the assets to which such Lien applies:

(H) jedes Sicherungsrecht zur Besicherung von Auslandsschulden, die im Zusammenhang mit Projektfinanzierungen eingegangen wurden, vorausgesetzt, daß die belasteten Vermögenswerte

(x) are not official holdings of gold; and

(x) keine amtlich gehaltenen Goldbestände sind, und

(y) are:

(y) entweder

(i) assets which are the subject of such Project Financing; or

(i) Vermögenswerte sind, die Gegenstand einer solchen Projektfinanzierung sind, oder

(ii) revenues or claims which arise from the use, operation, failure to meet specifications, exploitations, sale or loss of, or damage to, such assets;

(ii) Einkünfte oder Ansprüche sind, die sich aus der Nutzung, dem Betrieb, der Fehlerhaftigkeit, der Ausbeute, dem Verkauf, dem Verlust oder der Beschädigung solcher Vermögenswerte ergeben;

(I) Liens on assets (other than official holdings of gold) in existence on 7 May 2002 provided that such Liens remain confined to the assets affected thereby on 7 May 2002 and secure only those obligations so secured on 7 May 2002;

(I) Sicherungsrechte an Vermögenswerten (außer an amtlich gehaltenen Goldbeständen), die am 7. Mai 2002 bestanden, vorausgesetzt, daß diese Sicherungsrechte auf die davon am 7. Mai 2002 belasteten Vermögenswerte beschränkt bleiben und lediglich der Besicherung derjenigen Verpflichtungen dienen, deren Besicherung sie am 7. Mai 2002 dienten;

(J) any Lien or Liens which otherwise would not be permissible hereunder and which secure(s) indebtedness in an aggregate amount not exceeding U.S.$25,000,000 (or the equivalent thereof in other currencies).

(J) Sicherungsrechte, die sonst nach diesen Anleihebedingungen nicht zulässig wären und Schulden im Gesamtbetrag von höchstens U.S.$25.000.000 (oder dem Gegenwert davon in anderen Währungen) sichern.

For purposes of these Conditions:

Für Zwecke dieser Anleihebedingungen haben die folgenden Begriffe die folgende Bedeutung:

(a) "Exportable Assets" means goods which are sold or intended to be sold for a consideration consisting of or denominated in Foreign Currency and any right to receive Foreign Currency in connection with the sale thereof;

(a) „Ausfuhrgüter" bedeutet Güter, die für eine Gegenleistung verkauft werden oder verkauft werden sollen, welche aus Auslandwährung besteht oder auf Auslandswährung lautet, sowie jedes Recht auf Erhalt von Auslandswährung im Zusammenhang mit dem Verkauf solcher Güter;

(b) "External Indebtedness" of any Person means:

(b) „Auslandsschuld" einer Person bedeutet:

(i) each obligation, direct or contingent, of such Person to repay a loan, deposit, advance or similar extension of credit;

(i) jede unbedingte oder bedingte Verpflichtung dieser Person zur Rückzahlung eines Darlehens, einer Einlage, eines Vorschusses oder eines ähnlichen Kredits;

(ii) each obligation of such Person evidenced by a note, bond, debenture or similar written evidence of indebtedness; and

(ii) jede Verpflichtung dieser Person, die in einer Schuldverschreibung, einem Pfandbrief, einem Schuldschein oder einer sonstigen Schuldurkunde verbrieft oder ausgewiesen ist. und

(iii) each Guarantee by such Person of an obligation constituting External Indebtedness of another Person;

(iii) jede Garantie dieser Person für eine Verpflichtung, welche eine Auslandsschuld einer anderen Person darstellt;

if in each case such obligation is denominated in a Foreign Currency or payable at the option of the payee in a Foreign Currency;

jeweils vorausgesetzt, daß diese Verpflichtung auf eine Auslandswährung lautet oder nach Wahl des Zahlungsempfängers in ausländischer Währung zahlbar ist;

provided that:

in diesem Zusammenhang

(I) an obligation (or Guarantee thereof) which by its terms is payable only by a Turkish Person to another Turkish Person in The Republic is not External Indebtedness;

(I) gilt eine Verpflichtung (oder die Garantie für eine Verpflichtung), die nach ihren Bestimmungen nur von einer türkischen Person an eine andere türkische Person in der Republik zahlbar ist, nicht als Auslandsschuld;

(II) an obligation to the extent that it is owing only to an individual who is a Turkish citizen is not External Indebtedness; and

(II) gilt eine Verpflichtung insoweit nicht als Auslandsschuld, als sie nur gegenüber einer natürlichen Person besteht, die die türkische Staatsangehörigkeit hat, und

(III) an obligation is deemed to be denominated in a Foreign Currency if the terms thereof or of any applicable Governmental programme contemplate that payment thereof will be made to the holder thereof in such Foreign Currency by the obligor, The Republic or any other Turkish Person;

(III) gilt eine Verpflichtung als auf eine Auslandswährung lautend, wenn die Bestimmungen dieser Verpflichtung oder eines darauf anwendbaren Regierungsprogrammes vorsehen, daß ihre Erfüllung in solcher Auslandswährung durch den Verpflichteten, die Republik oder eine andere Türkische Person an den Berechtigten erfolgt;

(c) "Foreign Currency" means any currency other than the lawful currency of The Republic;

(c) „Auslandswährung" bedeutet jede andere Währung als die gesetzliche Währung der Republik;

(d) "Government-Owned Enterprise" means any corporation or other entity which constitutes under the laws of The Republic a judicial entity separate from The Republic and of which The Republic owns, directly or indirectly, more than 50 per cent. of the capital stock or other equity interest;

(d) „Staatsunternehmen" bedeutet jede Kapitalgesellschaft und jede sonstige Rechtsperson, die nach dem Recht der Republik eine von der Republik verschiedene juristische Person ist und an der die Republik direkt oder indirekt mehr als 50 per cent. des Aktienkapitals oder der sonstigen Kapitalbeteiligungen hält;

(e) "Guarantee" includes a suretyship or any other arrangement whereby the respective party is directly or indirectly responsible for any External Indebtedness of another Person, including without limitation any obligation of such party to purchase goods or services or supply funds or take any other action for the purpose of providing for the payment or purchase of such External Indebtedness (in whole or in part);

(e) „Garantie" schließt jede Bürgschaft und jede sonstige Vereinbarung ein, nach der die betreffende Partei direkt oder indirekt für die Auslandsschuld einer anderen Person einsteht, auch einschließlich einer Verpflichtung dieser Partei, Güter zu kaufen oder Dienstleitungen zu vergüten oder Mittel bereitzustellen oder sonstige Maßnahmen zu dem Zweck zu treffen, um die Mittel zur Verfügung zu stellen, um diese Auslandsschuld vollständig oder teilweise zu befriedigen oder zu erwerben;

(f) "International Monetary Assets" means all official holdings of gold, Special Drawing Rights, Reserve Positions in the International Monetary Fund and Foreign Exchange which is owned or held by The Republic or any monetary authority of The Republic, all as defined by the International Monetary Fund;

(f) „Internationale Monetäre Positionen" bedeuten alle amtlich gehaltenen Goldbestände, Sonderziehungsrechte, Reservepositionen im Internationalen Währungsfonds und Devisen, die der Republik oder einer anderen Währungsbehörde der Republik gehören oder zustehen, wobei alle diese Begriffe in dem von dem internationalen Währungsfonds definierten Sinn zu verstehen sind;

(g) "Lien" means any lien, mortgage, deed of trust, charge, pledge, hypothecation, security interest or other encumbrance;

(g) „Sicherungsrecht" bedeutet jedes Grund- oder Mobiliarpfandrecht, Zurückbehaltungsrecht, Sicherungseigentum oder Treuhandverhältnis, jede sonstige Belastung und jedes sonstige Sicherungsrecht;

(h) "Person" means an individual, corporation, partnership, joint venture, trust, unincorporated organisation or any other juridical entity, including without limitation a Government or Governmental body or agency or instrumentality or any international organisation or agency;

(h) „Person" bedeutet jede natürliche Person sowie jede Kapital- oder Personengesellschaft, jede Gemeinschaftsunternehmung, jedes Treuhand- Sondervermögen, jede(n) nicht rechtsfähige Organisation oder sonstigen Rechtsträger, insbesondere auch jeden Staat und jedes Staatsorgan, jede Behörde oder sonstige staatliche Stelle, und jede internationale Organisation oder Behörde;

(i) "Project Financing" means any financing of the acquisition, construction or development of any asset in connection with a project if the Person or Persons providing such financing expressly agree to look to the asset financed and the revenues to be generated by the use, exploitation, operation of or loss of or damage to, such asset as a principal source of repayment for the moneys advanced and at the time of such financing it was reasonable to conclude that such project would generate sufficient income to repay substantially all of the principal of and interest on all External Indebtedness incurred in connection with such project; and

(i) „Projektfinanzierung" bedeutet jede Finanzierung des Erwerbs, der Errichtung oder Erschließung von Vermögenswerten im Zusammenhang mit einem Projekt, wenn die die Finanzierung zur Verfügung stellende(n) Person(en) sich ausdrücklich verpflichtet (verpflichten), sich wegen der Rückzahlung der vorgelegten Beträge in erster Linie an den finanzierten Vermögensgegenstand und die aus seiner Nutzung, seiner Verwertung, seinem Betrieb, seinem Verlust oder seiner Beschädigung entstehenden Ansprüche zu halten, und im Zeitpunkt der Finanzierung die Annahme vertretbar war, daß das Projekt ausreichende Einkünfte erwarten ließ, um daraus das Kapital und die Zinsen auf die im Zusammenhang mit diesem Projekt eingegangene Auslandsschuld im wesentlichen vollständig zu zahlen; und

(j) "Turkish Person" means The Republic and any Person who is a resident or national of The Republic or which has its principal place of business, seat or head office in The Republic or any Person incorporated or organised under the laws of The Republic.

(j) „Türkische Person" bedeutet die Republik und jede Person, die Staatsangehöriger oder Gebietsansässiger der Republik ist oder in der Republik ihre Hauptniederlassung, ihren Sitz oder ihre Hauptverwaltung hat, sowie jede Person, die nach dem Recht der Republik errichtet oder organisiert ist.

4. Interest

Each Note bears interest from and including 8 May 2002 at the rate of 9.75 per cent. per annum, payable annually in arrear on 8 May in each year (each such date, an "Interest Payment Date"). The first such payment will amount to Euro 97.50 per Euro 1,000 Note and will be made on 8 May 2003. Interest will be paid subject to and in accordance with the provisions of Condition 7 (Taxation).

Each Note will cease to bear interest from the due date for redemption unless, after surrender of such Note, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at the rate specified above (as well after as before judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after notice has been given to the Noteholders that the Fiscal Agent has received allsums due in respect of the Notes up to such seventh day (except, in the case of payment to the Fiscal Agent, to the extent that there is any subsequent default in payment in accordance with these Conditions).

If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of the number of days in the relevant period from and including the most recent Interest Payment Date (or, if none, 8 May 2002) to but excluding the relevant payment date divided by the number of days in the period from and including the most recent Interest Payment Date (or, if none, 8 May 2002) to but excluding the next scheduled Interest Payment Date.

§ 4 Zinsen

Die Teilschuldverschreibungen werden vom einschließlich 8. Mai 2002 an mit jährlich 9,75 Prozent verzinst, zahlbar jährlich jeweils nachträglich am 8. Mai eines Jahres (jeweils ein Zinszahlungstag). Die erste Zinszahlung beträgt Euro 97,50 für jede Teilschuldverschreibung im Nennbetrag von Euro 1.000 und erfolgt am 8. Mai 2003. Die Zinszahlung erfolgt unter Beachtung und gemäß § 7 (Steuern).

Die Verzinsung endet mit dem Tag, an dem die Teilschuldverschreibungen zur Rückzahlung fällig werden, sofern im Falle der Einreichung der Teilschuldverschreibungen die Rückzahlung des Nennbetrages nicht ohne rechtlichen Grund unterbleibt oder verweigert wird. In diesem Fall läuft die Zinsverpflichtung in der oben bestimmten Höhe weiter (sowohl vor als auch nach einem gerichtlichen Urteil) bis zu dem jeweils früher eintretenden Ereignis, welches bestimmt wird durch (a) den Tag, an dem alle bezüglich der Teilschuldverschreibungen zu zahlenden fälligen Geldsummen vom Inhaber selbst oder in seinem Namen erhalten worden sind und (b) den Tag sieben Tage nachdem die Inhaber eine Mitteilung erhalten haben, daß der Fiscal Agent alle bis zu diesem siebenten Tag fälligen Beträge bezüglich der Teilschuldverschreibungen erhalten hat (soweit, im Falle von Zahlung an den Fiscal Agent, kein Zahlungsverzug gemäß diesen Bestimmungen vorliegt).

Soll die Höhe der Zinszahlung für einen Zeitraum berechnet werden, der kürzer als ein Jahr ist, so erfolgt die Berechnung auf der Basis der Anzahl der Tage im jeweiligen Zeitraum seit und einschließlich des letzten Zinszahlungstages (oder, wenn kein letzter Zinszahlungstag vorliegt, der 8. Mai 2002) bis zum aber ausschließlich des einschlägigen Zahlungstages geteilt durch die Anzahl von Tagen im Zeitraum seit und einschließlich des letzten Zinszahlungstages (oder, wenn kein letzter Zinszahlungstag vorliegt, der 8. Mai 2002) bis zum aber ausschließlich des nächsten vorgesehenen Zinszahlungstages.

5.
Redemption, Purchase and Cancellation

(a) Final redemption

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 8 May 2007.

(b) Purchase and Cancellation

The Republic and its affiliates may at any time purchase Notes in the open market or otherwise at any price. Any Notes so purchased will be cancelled. Any Notes so cancelled will not be reissued.

§ 5
Rückzahlung, Rückkauf und Kraftloserklärung

(a) Endgültige Rückzahlung

Sofern die Teilschuldverschreibungen nicht vorher zurückgezahlt oder zurückgekauft und für kraftlos erklärt werden, erfolgt die Rückzahlung zum Nennbetrag am 8. Mai 2007.

(b) Rückkauf und Kraftloserklärung

Die Republik und ihre jeweiligen Untergliederungen können jederzeit Teilschuldverschreibungen auf dem freien Markt oder in sonstiger Weise zu jedem Preis erwerben. Jede so erworbene Teilverschreibung wird für kraftlos erklärt. Jede für kraftlos erklärte Teilschuldverschreibung wird nicht wieder ausgegeben.

6.
Payments

(a) Principal

Payments of principal shall be made only against presentation and surrender (or, in the case of part payment only, endorsement) of Notes at the specified office of any Paying Agent outside the United States by cheque drawn on, or by transfer to a euro account.

(b) Interest

Payments of interest shall, subject to paragraph (f) below, be made only against presentation and surrender (or, in the case of part payment only, endorsement) of the appropriate Coupons at the specified office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

(c) Payments Subject to Fiscal Laws

All payments of principal and interest in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 7 (Taxation).

(d) Commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments of principal or interest in respect of the Notes.

(e) Unmatured Coupons

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon

§ 6
Zahlungen

(a) Kapital

Zahlungen von Kapital erfolgen ausschließlich gegen Vorlage und Einreichung (oder, im Falle einer teilweisen Zahlung, einen Vermerk) der Teilschuldverschreibungen gegenüber der hierfür bestimmten Geschäftsstelle einer Zahlstelle außerhalb der Vereinigten Staaten durch Scheck gezogen auf oder Überweisung auf ein Euro-Konto.

(b) Zinsen

Zahlungen von Zinsen erfolgen gemäß Absatz (f) ausschließlich gegen Vorlage und Einreichung (oder, im Falle einer teilweisen Zahlung, einen Vermerk) der maßgeblichen Zinsscheine gegenüber der hierfür bestimmten Geschäftsstelle einer Zahlstelle außerhalb der Vereinigten Staaten gemäß dem in Absatz (a) bestimmten Verfahren.

(c) Zahlungen unter Beachtung des Steuerrechts

Alle Zahlungen von Kapital und Zinsen bezüglich der Teilschuldverschreibungen erfolgen in allen Fällen unter Beachtung der anwendbaren steuerrechtlichen und anderen Gesetze und Bestimmungen vorbehaltlich der Bestimmungen in § 7 (Besteuerung).

(d) Provisionen

Provisionen oder Auslagen werden den Inhabern der Teilschuldverschreibungen bezüglich jedweder Zahlungen von Kapital oder Zinsen im Hinblick auf die Teilschuldverscheibungen nicht in Rechnung gestellt.

(e) Noch nicht fällige Zinsscheine

Zahlung auf eine Teilschuldverschreibung erfolgt gegen Vorlage der Teilschuldverschreibung zusammen mit allen zugehörigen noch nicht fälligen Zinsschei-

(or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (Taxation)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 9 (Prescription)) but not thereafter.

nen, wobei im Falle, daß nicht alle solchen Zinsscheine vorgelegt werden, der gesamte Betrag jedes fehlenden, zugehörigen, noch nicht fälligen Zinsscheines (oder, im Fall daß nicht die Zahlung des gesamten Betrages erfolgt, derjenige Anteil am gesamten zu zahlenden Betrag bezüglich des fehlenden, noch nicht fälligen Zinsscheines, welcher dem hier gezahlten Betrag entspricht) vom zu zahlenden Betrag in Abzug gebracht wird. Jeder so zum Abzug gebrachte Betrag wird in der oben beschriebenen Weise gegen Vorlage und Einreichung (oder, im Falle einer nur teilweisen Zahlung, eines Vermerks) des jeweilig fehlenden Zinsscheins zu jeder Zeit vor Ablauf von 10 Jahren, jedoch nicht später, nach dem Maßgeblichen Tag (im Sinne von § 7 (Besteuerung)) im Hinblick auf die maßgebliche Teilschuldverschreibung (unabhängig davon, ob der Zinsschein anderweitig gemäß § 9 (Verjährung) uneinlösbar geworden wäre), gezahlt.

(f) Payments on business days

If the due date for payment of any amount in respect of any Note or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next following business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph "business day" means, in respect of any place of presentation, any day on which banks are open for business in such place of presentation and which is a day on which the Trans-European Automated Real Time Gross Settlement Express Transfer (TARGET) system is operating, provided that if The Republic determines, with the agreement of the Fiscal Agent, that the market practice in respect of internationally offered euro denominated securities is different from that specified in this paragraph, such paragraph shall be deemed to be amended so as to comply with such market practice and The Republic shall promptly notify the holders of Notes or (as the case may be) Coupons, each stock exchange (if any) on which the Notes are then listed and the Paying Agents of such deemed amendment.

(f) Zahlungen an Geschäftstagen

Wenn der Fälligkeitstag für Zahlungen jedweder Beträge bezüglich Teilschuldverschreibungen oder Zinsscheine an dem Ort, wo Teilschuldverschreibungen oder Zinsscheine zur Zahlung vorgelegt werden, kein Geschäftstag ist, dann hat der Inhaber keinen Anspruch auf Zahlung des fälligen Betrages bis zum nächstfolgenden Geschäftstag an diesem Ort sowie keinen Anspruch auf weitere Zinszahlungen oder sonstige Zahlungen im Hinblick auf eine solche zeitliche Verschiebung. „Geschäftstag" bedeutet für diesen Absatz, unter Berücksichtigung des jeweiligen Ortes, an dem die Vorlage erfolgt, jeder Tag, an dem Kreditinstitute am Vorlagetag für den Geschäftsverkehr geöffnet sind und an dem das Trans-European Automated Real Time Gross Settlement Express Transfer (TARGET) System zur Verfügung steht. Für den Fall, daß der Emittent mit Zustimmung des Fiscal Agents feststellt, daß die Marktgepflogenheiten im Hinblick auf international angebotene Wertpapiere, die auf Euro lauten, von den in diesem Absatz beschriebenen Marktgepflogenheiten abweichen, gilt dieser Absatz als derartig geändert, daß er mit solchen Marktgepflogenheiten übereinstimmt, wobei der Emittent den Inhabern der Teilschuldverschreibungen oder (bezogen auf den jeweiligen Fall) der Zinsscheine, jeder Wertpapierbörse, an der die Teilschuldverschreibungen zu dieser Zeit gegebenenfalls notiert sind und den Zahlstellen unverzüglich eine solche Änderung dieses Absatzes mitteilen soll.

(g) Agents

The initial Agents and their initial specified offices are listed below. Any of the Agents may resign in accordance with the provisions of the Fiscal Agency Agreement and The Republic reserves the right at any time to vary or terminate the appointment of any Agent and appoint additional or other Agents, provided that while the Notes are outstanding it will

(g) Agents

Die anfänglichen Agents und ihre Geschäftsstellen sind nachfolgend aufgeführt. Jeder der Agents kann gemäß den Bestimmungen des Fiscal Agency-Vertrages zurücktreten und die Republik behält sich zu jeder Zeit vor, das der Bestellung jedes Agents zugrundeliegende Rechtsverhältnis zu beenden oder zu verändern und zusätzliche oder andere Agents zu bestellen, maintain (i) a Fiscal Agent, (ii) a Paying Agent having a specified office in a major European city (provided that there will be a Paying Agent in Luxembourg and in Frankfurt am Main, so long as the Notes are listed on the Luxembourg Stock Exchange or Frankfurt Stock Exchange, respectively) and (iii) if the conclusions of the ECOFIN Council meeting of 26-27 November 2000 are implemented, a paying agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing such conclusions or any law implementing or complying with, or introduced to conform to, such Directive. Notice of any change in the Agents or their specified offices will promptly be given to the Noteholders in accordance with Condition 13 (Notices).

vorausgesetzt, daß sie, solange Teilschuldverschreibungen zur Zahlung ausstehen, (i) einen Fiscal Agent, (ii) eine Zahlstelle mit einer hierfür bestimmten Geschäftsstelle in einer bedeutenden europäischen Stadt, (und zwar in Luxemburg und Frankfurt. solange die Teilschuldverschreibungen an der Luxemburger und Frankfurter Wertpapierbörse notiert sind) und (iii), sofern die Ergebnisse des Treffens des ECOFIN - Rates vom 26. bis 27. November 2000 umgesetzt werden, eine Zahlstelle in einem Midgliedstaat der EU unterhält die nicht gemäß einer EU - Richtlinie zur Besteuerung von Zinseinkünften, die diese Ergebnisse umsetzt oder gemäß eines Gesetzes, dass eine entsprechende Richtlinie umsetzt, mit ihr übereinstimmt oder erlassen wurde, um einer solchen Richtlinie zu entsprechen, verpflichtet sein wird, Steuern einzubehalten oder abzuführen. Jede Veränderung bezüglich der Agents oder ihrer Geschäftsstellen wird den Inhabern der Teilschuldverschreibungen unverzüglich gemäß § 13 (Mitteilungen) mitgeteilt.

7.
Taxation

All payments of principal and interest in respect of the Notes and the Coupons by The Republic shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by The Republic or any political subdivision or any authority thereof or therein having power to tax (together "Taxes"), unless such withholding or deduction is required by law. In that event, The Republic shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:

(a) to a holder, or to a third party on behalf of a holder, if such holder is liable to such Taxes in respect of such Note or Coupon by reason of having some connection with The Republic other than the mere holding of such Note or Coupon; or

(b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

§ 7
Steuern

Alle Zahlungen der Republik von Kapital und Zinsen bezüglich der Teilschuldverschreibungen und Zinsscheine erfolgen frei von und ohne, sowie ohne Abzug oder Einbehaltung von, irgendwelchen Steuern, Umlagen oder sonstigen staatlichen Abgaben, die von der Republik oder von einer ihrer Körperschaften oder Behörden mit Steuerhoheit auferlegt, erhoben, eingezogen, einbehalten oder veranschlagt werden (zusammen die „Steuern"), sofern eine solche Einbehaltung oder ein solcher Abzug nicht gesetzlich vorgeschrieben ist. In diesem Fall wird die Republik diejenigen zusätzlichen Beträge zahlen, die dafür nötig sind, daß die Inhaber der Teilschuldverschreibungen und Zinsscheine den Betrag erhalten, den sie erhalten hätten, wenn keine Einbehaltung oder kein Abzug rechtlich zwingend vorgeschrieben wäre, wobei, eine solche zusätzliche Zahlung bezüglich einer Teilschuldverschreibung oder eines Zinsscheines nicht gezahlt wird:

(a) an einen Inhaber oder an eine dritte Person zugunsten des Inhabers, wenn dieser Inhaber bezüglich der Teilschuldverschreibungen und Zinsscheine steuerpflichtig ist wegen einer Verbindung mit der Republik, die über die bloße Inhaberschaft der Teilschuldverschreibung oder des Zinsscheins hinausgeht; oder

(b) sofern eine solche Einbehaltung oder ein solcher Abzug auf eine Zahlung an eine Einzelperson vorgenommen wird und aufgrund einer EU - Richtlinie zur Besteuerung von Zinseinkünften, die die Ergebnisse des Treffens des ECOFIN - Rates vom 26. bis 27. November 2000 umsetzt oder aufgrund eines Gesetzes, dass eine entsprechende Richtlinie umsetzt, mit ihr übereinstimmt oder erlassen wurde, um einer solchen Richtlinie zu entsprechen, erforderlich ist; oder

(c) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a member state of the European Union; or

(c) an oder für einen Inhaber, der in der Lage gewesen wäre, eine solche Einbehaltung oder einen solchen Abzug durch Vorlage der entsprechenden Teilschuldverschreibung oder des Zinsscheines bei einer anderen Zahlstelle in einem Mitgliedsstaat der Europäischen Union zu vermeiden; oder

(d) if such Note or Coupon is surrendered for payment more than 30 days after the Relevant Date, except to the extent that the holder would have been entitled to such additional amounts on surrender of such Note or Coupon for payment on the last day of such period of 30 days.

(d) wenn eine solche Teilschuldverschreibung oder ein solcher Zinsschein mehr als 30 Tage nach dem Maßgeblichen Tag zur Zahlung eingereicht wird, soweit nicht der Inhaber einen rechtlichen Anspruch auf solche zusätzlichen Beträge gehabt hätte, wenn er die Teilschuldverschreibung oder den Zinsschein am letzten Tag der Frist von 30 Tagen ausgehändigt hätte.

In these Conditions, "Relevant Date" means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders. Any reference in these Conditions to principal or interest in respect of the Notes or Coupons shall be deemed to include any additional amounts which may be payable under this Condition 7 (Taxation).

In diesen Bedingungen ist der „Maßgebliche Tag" der jeweils spätere Zeitpunkt von (a) dem Tag, an welchem die in Frage stehende Zahlung erstmalig fällig wird und (b) sofern der Fiscal Agent den voll zu zahlenden Betrag nicht an oder vor dem Fälligkeitstag erhalten hat, dem Tag, an welchem (vorausgesetzt, daß der volle Betrag erhalten wurde) eine diesbezügliche Mitteilung an die Inhaber erfolgt ist. Jede Bezugnahme in diesen Bedingungen auf Kapital oder Zinsen bezüglich Teilschuldverschreibungen oder Zinsscheinen gilt auch für etwaige zusätzliche Beträge, die gemäß dieses § 7 (Steuern) zahlbar sein könnten.

8. Events of Default

If any of the following events occurs:

(a) Non-payment

The Republic fails to pay any amount of interest in respect of any of the Notes when due and such failure continues for a period of 30 days or fails to pay any amount of principal in respect of any Notes at any time; or

(b) Breach of other obligations

The Republic defaults in performance or observance of or compliance with any of its other obligations set out in the Notes which default is not remedied within 30 days after notice of such default shall have been given to The Republic by any Noteholder; or

(c) Cross-acceleration

Any other present or future External Indebtedness (as defined in Condition 3 (Negative Pledge)) of The Republic for or in respect of moneys borrowed or raised, in an amount in aggregate of not less than U.S.$40,000,000 (or its equivalent in other currencies), becomes due and payable prior to its stated maturity otherwise than at the option of The Republic or any amount of such External Indebtedness in an

§ 8 Kündigungsgründe

Im Falle des Eintritts eines der folgenden Umstände:

(a) Verletzung der Zahlungspflicht

Die Republik zahlt Zinsen bezüglich der Teilschuldverschreibungen bei Fälligkeit nicht oder nicht vollständig und dieser Verzug dauert über einen Zeitraum von 30 Tagen an oder die fällige Zahlung des Kapitals unterbleibt zu irgendeinem Zeitpunkt; oder

(b) Verletzung sonstiger Pflichten

Die Republik verletzt eine andere Pflicht im Zusammenhang mit den Teilschuldverschreibungen und diese Verletzung wird nicht innerhalb von 30 Tagen, nachdem die Republik von irgendeinem Inhaber Mitteilung über die Verletzung erhalten hat, geheilt; oder

(c) Cross-acceleration

Eine gegenwärtige oder zukünftige Auslandsschuld der Republik (wie in § 3 (Negativerklärung) definiert), die sich auf geliehenes oder aufgenommenes Kapital bezieht und die U.S.$40.000.000 (oder das Äquivalent dazu in anderen Währungen) übersteigt, wird vor der vorgesehenen Fälligkeit fällig und zahlbar gestellt (wobei eine Auslandsschuld die die Republik nach ihrem Ermessen fällig stellen kann, keine Auslandsaggregate amount of not less than U.S.$25,000,000 (or its equivalent in other currencies) is not paid when due or, as the case may be, within any applicable grace period; or

schuld in diesem Sinne ist) oder irgendein Betrag einer Auslandsschuld, die U.S.$25.000.000 übersteigt (oder das Äquivalent dazu in anderer Währung) wird bei Fälligkeit (oder innerhalb einer vereinbarten Nachfrist) nicht gezahlt; oder

(d) Moratorium

A moratorium on the payment of principal of, or interest on, the External Indebtedness of The Republic shall be declared by The Republic; or

(d) Moratorium

Ein Moratorium der Verpflichtung, Kapital und Zinsen bezüglich Auslandsschulden der Republik zu zahlen, wird von der Republik erklärt; oder

(e) Unlawfulness

It is or will become unlawful for The Republic to perform or comply with any of its obligations under or in respect of the Notes or the Fiscal Agency Agreement; or

(e) Rechtliche Unmöglichkeit

Die Erfüllung der oder das Verhalten im Einklang mit den Verpflichtungen aus den Teilschuldverschreibungen oder dem Fiscal-Agency Vertrag ist oder wird unrechtmäßig für die Republik; oder

(f) IMF

The Republic ceases to be a member of the International Monetary Fund;

(f) IWF

Die Republik hört auf, ein Mitglied des Internationalen Währungsfonds zu sein;

then any Note may, by notice in writing given to the Fiscal Agent at its specified office by the holder, be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount, plus accrued interest, if any. The Republic shall, on the reasonable written request of the Fiscal Agent, confirm whether it is in compliance with the provisions of this Condition 8 (Events of Default) and Condition 3 (Negative Pledge).

kann jede Teilschuldverschreibung, nach schriftlicher Mitteilung des Inhabers an die hierfür bestimmte Geschäftsstelle des Fiscal Agents, für sofort fällig und zahlbar erklärt werden, worauf die Teilschuldverschreibung sofort fällig und zahlbar werden soll zu ihrem Nennbetrag zuzüglich gegebenenfalls aufgelaufener Zinsen. Die Republik soll, gegenüber der begründeten schriftlichen Anfrage des Fiscal Agents, bestätigen, daß sie sich in Übereinstimmung mit den Bestimmungen dieses § 8 (Kündigungsgründe) und § 3 (Negativverpflichtung) befindet.

9.
Prescription

Claims against The Republic in respect of principal and interest shall become void unless made within a period of ten years, in the case of principal, and five years, in the case of interest, from the appropriate Relevant Date as defined in Condition 7 (Taxation).

§ 9
Verjährung

Ansprüche gegen die Republik auf Zahlung von Kapital und Zinsen verjähren, sofern sie nicht innerhalb einer Frist von zehn Jahren im Falle des Kapitals und im Falle der Zinsen innerhalb einer Frist von fünf Jahren nach dem Maßgeblichen Tag (im Sinne von § 7 – Steuern) geltend gemacht werden.

10.
Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as The Republic may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

§ 10
Ersatz von Teilschuldverschreibungen und Zinsscheinen

Wenn irgendeine Teilschuldverschreibung verlorengegangen ist, gestohlen, verschmutzt, unleserlich gemacht oder zerstört wurde, kann sie bei der hierfür bestimmten Geschäftsstelle des Fiscal Agents ersetzt werden, nach Maßgabe aller anwendbaren Rechtsnormen und Bestimmungen der Wertpapierbörsen, und zwar gegen Übernahme solcher Kosten von Seiten des Anspruchstellers, welche im Zusammenhang mit dem Ersatz entstanden sind und zu solchen Grundsätzen wie Evidenz, Sicherheit, Schadloshaltung und andere, auf welche sich die Republik billigerweise berufen kann. Beschmutzte oder unleserliche Teilschuldverschreibungen oder Zinsscheine können nur gegen deren Einreichung ersetzt werden.

11.
Meetings of Noteholders; Modification and Waiver

(a) Meetings of Noteholders

The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions. The quorum at any such meeting for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than one quarter of the principal amount of the Notes, for the time being outstanding or at any adjourned meeting two or more persons being or representing Noteholders whatever the aggregate principal amount of the Notes for the time being outstanding so held or represented, except that at any meeting the business of which includes consideration of proposals, inter alia, (i) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, (ii) to change the currency in which amounts due in respect of the Notes are payable, or (iii) to change the quorum required at any meeting or the majority required to pass an Extraordinary Resolution, the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than three-quarters, or at any adjourned such meeting not less than one-quarter, of the principal amount of the outstanding Notes. An Extraordinary Resolution duly passed at any meeting of Noteholders will be binding on all Noteholders, whether or not they are present at the meeting.

§ 11
Versammlung der Inhaber; Vertragsänderungen und Verzicht

(a) Versammlung der Inhaber

Der Fiscal Agency Vertrag enthält Bestimmungen bezüglich der Einberufung von Inhaberversammlungen um Angelegenheiten zu erörtern, die die Interessen der Inhaber berühren, einschließlich einer Änderung der Bedingungen des Vertrages durch Außerordentlichen Beschluß. Das Quorum auf einer solchen Versammlung für einen Außerordentlichen Beschluß beträgt zwei oder mehr Inhaber oder ihre Vertreter, welche nicht weniger als ein Viertel des ausstehenden Nennbetrages der Teilschuldverschreibungen halten, oder, auf einer vertagten Versammlung, zwei oder mehr Inhaber oder ihre Vertreter, unabhängig vom Gesamtnennbetrag der von ihnen gehalten oder vertreten wird, sofern jedoch bei irgendeiner Versammlung die Erörterung von Vorschlägen auf der Tagesordnung steht, welche zum Inhalt haben, unter anderem (i) irgendeinen bereits bestimmten Fälligkeitstag für die Zahlung von Kapital oder Zinsen bezüglich der Teilschuldverschreibungen zu ändern, den zu einem Zeitpunkt bezüglich der Teilschuldverschreibungen fälligen Betrag an Kapital oder Zinsen zu reduzieren oder die Berechnungsmethode für irgendeine Zahlung im Hinblick auf die Teilschuldverschreibungen oder den Fälligkeitstag für eine solche Zahlung zu verändern, (ii) die Währung, in welcher fällige Zahlungen bezüglich der Teilschuldverschreibungen zahlbar sind, zu ändern, oder (iii) das Quorum, welches bei jeder Versammlung erfüllt werden muß oder die qualifizierte Mehrheit, welche notwendig ist, um einen Außerordentlichen Beschluß zu fassen, zu ändern, beträgt das Quorum für einen solchen Außerordentlichen Beschluß zwei oder mehr Inhaber oder ihre Vertreter, welche nicht weniger als drei Viertel, oder auf einer vertagten Versammlung, nicht weniger als ein Viertel, des ausstehenden Nennbetrages der

Teilschuldverschreibungen halten. Wenn ein Außerordentlicher Beschuß auf irgendeiner Versammlung der Inhaber ordnungsgemäß gefaßt wurde, ist dieser Beschluß bindend für alle Inhaber, unabhängig davon, ob sie an der Versammlung teilgenommen haben oder nicht.

(b) Modification and waiver

The parties to the Fiscal Agency Agreement may agree, without the consent of the Noteholders, to any modification of any provision of the Fiscal Agency Agreement or the Notes which is of a formal, minor or technical nature or is made to correct a manifest error.

(b) Vertragsänderung und Verzicht

Die Parteien des Fiscal Agency-Vertrages können sich ohne Zustimmung der Inhaber darauf einigen, jede Bestimmung des Fiscal Agency-Vertrag oder der Teilschuldverschreibungen zu ändern, soweit eine solche Änderung formeller Natur ist, keine maßgeblichen Bestimmungen berührt oder einen deutlichen Fehler korrigiert.

12. Further Issues

The Republic shall be at liberty from time to time, without the consent of the Noteholders, to create and issue further notes ranking equally in all respects (or in all respects save for the date for and amount of the first payment of interest thereon) so that the same shall be consolidated and form a single series with the Notes.

§ 12 Weitere Emissionen

Der Republik ist es gestattet, von Zeit zu Zeit und ohne Einwilligung der Inhaber der Teilschuldverschreibungen, neue Schuldverschreibungen zu begeben, welche in jeder Hinsicht (oder in jeder Hinsicht außer des Datums, des Nennwertes und des ersten Zinszahlungstages) den Teilschuldverschreibungen entsprechen, so daß die neuen Schuldverschreibungen mit den Teilschuldverschreibungen zu einer gemeinsamen Serie verbunden werden können.

13. Notices

Notices to the Noteholders shall be valid if published in a daily newspaper published in Luxembourg (which is expected to be the *Luxemburger Wort*), at least one mandatory journal (*Börsenpflichtblatt*) with nationwide circulation designated by the Frankfurt Stock Exchange and a daily newspaper published in London (which is expected to be the *Financial Times*). Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

A copy of all notices provided pursuant to this Condition 13 (Notices) shall also be given to Clearstream Banking AG, Frankfurt.

§ 13 Mitteilungen

Mitteilungen an die Inhaber der Teilschuldverschreibungen sollen wirksam sein, wenn sie in einer Tageszeitung, welche in Luxemburg erscheint (welche erwartungsgemäß das *Luxemburger Wort* sein wird) und mindestens einem Börsenpflichtblatt mit landesweiter Verbreitung und Anerkennung der Frankfurter Börse und einer Tageszeitung, welche in London erscheint (welche erwartungsgemäß die *Financial Times* sein wird). Jede solche Mitteilung gilt rechtlich als erfolgt im Zeitpunkt ihrer ersten Veröffentlichung. Gegenüber Inhabern von Zinsscheinen gilt die Mitteilung in dem Zeitpunkt als bekannt gegeben, wenn sie gegenüber den Inhabern der Teilschuldverschreibungen erfolgt ist.

Eine Kopie aller Mitteilungen, welche gemäß dieses § 13 (Mitteilungen) abgegeben werden, soll der Clearstream Banking AG, Frankfurt zugehen.

14.
Currency Indemnity

The euro is the sole currency of account and payment for all sums payable by The Republic under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than the euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Noteholder in respect of any sum expressed to be due to it from The Republic shall only constitute a discharge to The Republic to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that euro amount is less than the euro amount expressed to be due to the recipient under any Note, The Republic shall indemnify such recipient against any loss sustained by it as a result. In any event, The Republic shall indemnify the recipient against the cost of making any such purchases. These indemnities constitute a separate and independent obligation from The Republic's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any judgment or order.

§ 14
Währungs-Ausgleichsbestimmung

Der Euro ist die einzige Währung für Zahlungen aller Summen, welche die Republik im Hinblick auf die Teilschuldverschreibungen zu zahlen hat, eingeschlossen Schadensersatzzahlungen. Jeder Betrag in einer anderen Währung (sei es wegen der Vollstreckung eines gerichtlichen Urteils oder der Anordnung eines Gerichts in irgendeiner Rechtsordnung oder in anderer Weise) den irgendein Inhaber einer Teilschuldverschreibung erhält im Hinblick auf eine fällige Zahlungsverpflichtung der Republik soll nur im Ausmaß des Euro-Betrags, den der Empfänger mit dem so erhaltenen Betrag in der anderen Währung am Tag des Erhalts erwerben kann (oder, wenn es an diesem Tag nicht möglich ist, einen solchen Erwerb zu tätigen, am nächstfolgenden Tag, wo eine solche Möglichkeit besteht) eine Vertragserfüllung für die Republik darstellen. Wenn der Betrag, den der Empfänger so erhält, geringer ist als der Betrag, den er bei fälliger Zahlung in Euro erhalten hätte, soll ihm die Republik diesen Verlust ausgleichen. In jedem Fall soll die Republik den Empfänger für entstandene Umtauschkosten schadlos halten. Diese Ausgleichsverpflichtungen stellen von den sonstigen Verpflichtungen der Republik getrennte Verpflichtungen dar, sollen mit einer selbstständigen Klage gerichtlich geltend gemacht werden, sollen unabhängig von zustimmendem Verhalten irgendeines Inhabers einer Teilschuldverschreibung sein und sollen anwendbar bleiben trotz irgendwelcher Gerichtsurteile, Beschlüsse, Klagen oder Beweise einer Liquidation einzelner Zahlungen bezüglich der Teilschuldverschreibungen.

15.
Governing Law and Jurisdiction

(a) Governing law

The Notes and the Fiscal Agency Agreement shall be governed by and construed in accordance with the laws of England.

§ 15
Anwendbares Recht und Gerichtsstand

(a) Anwendbares Recht

Die Teilschuldverschreibungen und das Fiscal Agency Agreement unterliegen englischem Recht.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with the Notes ("Proceedings") may be brought in such courts. The Republic irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the Noteholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(b) Gerichtstand

Die Gerichte in England sind zuständig für alle Verfahren welche bezüglich und im Zusammenhang mit den Teilschuldverschreibungen anhängig sind und alle Klagen oder Verfahren bezüglich und im Zusammenhang mit den Teilschuldverschreibungen („Verfahren") können vor diese Gerichte gebracht werden. Die Republik unterwirft sich hiermit unwiderruflich diesem Gerichtstand und verzichtet auf jeden Einwand gegen die örtliche oder sonstige Zuständigkeit des Gerichts. Diese Unterwerfung unter den Gerichtstand erfolgt zugunsten eines jeden Inhabers und stellt weder eine Beschränkung des Rechtes jedes einzelnen dar. Verfahren vor jedes andere zuständige Gericht zu bringen, noch soll die Anhängigkeit von Verfahren vor einem oder mehreren Gerichten (gleichzeitig oder nicht) Verfahren vor irgendeinem anderen Gericht ausschließen.

(c) Waiver of Immunity

The Republic irrevocably agrees that, should any Proceedings be taken anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from those Proceedings, from attachment (whether in aid of execution, before judgment or otherwise) of its assets or from execution of judgment shall be claimed by it or on its behalf or with respect to its assets, any such immunity being irrevocably waived. The Republic irrevocably agrees that it and its assets are, and shall be, subject to such Proceedings, attachment or execution in respect of its obligations under the Notes, provided that it is understood that The Republic is unable under the laws of The Republic to waive immunity from attachment in relation to its assets (i.e. properties) located in The Republic and also to its properties outside The Republic which are used in the exercise of sovereign authority.

(c) Verzicht auf Immunität

Die Republik verpflichtet sich unwiderruflich, im Falle, daß irgendwelche Verfahren an irgendeinem Ort angestrengt werden (gerichtet auf Rechtsschutz, bestimmte Leistungen, Schadensersatz oder ein anderes Ziel), gegenüber diesen Verfahren keine Immunität (soweit eine solche zu irgendeinem Zeitpunkt aufgrund von staatlicher Souveränitat oder aus sonstigen Gründen besteht), gegenüber Beschlagnahmemaßnahmen (ob im Wege der Zwangsvollstreckung, des einstweiligen Rechtsschutzes oder in sonstiger Weise) in ihre Vermögenswerte oder bezüglich der Urteilsvollstreckung, geltend zu machen oder im Hinblick auf ihre Vermögenswerte geltend machen zu lassen, wobei auf jede Immunität unwiderruflich verzichtet wird. Die Republik erkennt unwiderruflich an, daß sie und ihre Vermögensgegenstände Gegenstand solcher Verfahren, Beschlagnahme- und Vollstreckungsmaßnahmen im Hinblick auf ihre Verpflichtungen aus diesem Vertrag sind und sein werden, vorausgesetzt, daß anerkannt wird, daß die Republik unter der Rechtsordnung der Republik nicht auf Immunität im Hinblick auf Zwangsvollstreckungsmaßnahmen in ihre innerhalb und, soweit sie zur Ausübung von Hoheitsgewalt genutzt werden, ausserhalb der Republik befindlichen unbeweglichen Vermögenswerten verzichten kann.

(d) Consent to Proceedings

The Republic irrevocably and generally consents in respect of any Proceedings anywhere to the giving of any relief or the issue of any process in connection with those Proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those Proceedings.

(d) Einverständnis bezüglich Verfahren

Die Republik erteilt unwiderruflich und umfassend ihre Zustimmung zu Verfahren, an jedwedem Ort, die angestrengt werden, um Rechtschutz zu erlangen oder zu jedem Urteil, das im Zusammenhang mit diesen Verfahren ergeht, einschließlich, ohne Einschränkung, der Vollstreckung in jeden Vermögensgegenstand, ohne Berücksichtigung seines Gebrauchs oder seiner Bestimmung oder jedes Beschlusses oder gerichtlichen Urteils, welches im Laufe eines Verfahrens ergeht.

(e) Process Agent

The Republic irrevocably appoints The Economic Counsellor of The Republic of Turkey presently located at 43 Belgrave Square, London SW1 8PA as its authorised agent for the service of process in England. Nothing contained herein shall affect the right to serve process in any other manner permitted by law.

(e) Prozessbevollmächtigter

Die Republik ernennt The Economic Counsellor of The Republic of Turkey, gegenwärtig niedergelassen am 43 Belgrave Square, London SW1 8PA, unwiderruflich zu ihrem Prozessbevollmächtigten für Gerichtsverfahren in England. Durch diese Ernennung soll das Recht, einen Prozess in einer anderen rechtlich erlaubten Art und Weise zu führen, nicht beeinträchtigt werden.

(f) Consent to enforcement etc.

Without limiting the generality of any of the foregoing, The Republic agrees, without prejudice to the enforcement of a judgment obtained in London according to the provisions of Article 38 of the International Private and Procedure Law of The Republic (Law No. 2675), that in the event that The Republic is sued in a court in The Republic of Turkey in connection with the Notes, such judgment shall constitute conclusive evidence of the existence and amount of the claim against The Republic pursuant to the provisions of the second sentence of Article 287 of the Civil Procedure Code of The Republic and Article 42 of the International Private and Procedure Law of The Republic.

(f) Einwilligung in die Vollstreckung

Ohne Einschränkung der Gültigkeit des vorstehenden und ungeachtet der Möglichkeit, ein gerichtliches Urteil aus London gemäß Artikel 38 des „International Private and Procedure Law of The Republic (Law No. 2675)“ zu vollstrecken, verpflichtet sich die Republik anzuerkennen, daß in dem Fall, daß die Republik in der Republik Türkei im Zusammenhang mit den Teilschuldverschreibungen verklagt wird, ein solches Urteil ausreichender Beweis der Existenz und des Ausmaßes der Klage gegen die Republik gemäß den Bestimmungen des zweiten Satzes von Artikel 287 des „Civil Procedure Code of The Republic“ und Artikel 42 des „International Private and Procedure Law“ der Republik ist.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Temporary Global Note and the Global Note contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

1. Exchange

The Temporary Global Note is exchangeable in whole or in part for interests in the Global Note on or after a date which is expected to be 17 June 2002 upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Note. The Global Note is exchangeable in whole but not, except as provided in the next paragraph, in part (free of charge to the holder) for the Definitive Notes described below (i) if the Global Note is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (ii) any of the circumstances in Condition 8 occurs. Thereupon the holder may give notice to the Fiscal Agent of its intention to exchange the Global Note for Definitive Notes on or after the Exchange Date specified in the notice.

If principal in respect of any Notes is not paid when due and payable the holder of the Global Note may by notice to the Fiscal Agent (which may but need not be the default notice referred to in "Default" below) require the exchange of a specified principal amount of the Global Note (which may be equal to or (provided that, if the Global Note is held by or on behalf of a clearing system, that clearing system agrees) less than the outstanding principal amount of Notes represented thereby) for Definitive Notes on or after the Exchange Date (as defined below) specified in such notice.

On or after any Exchange Date (as defined below) the holder of the Global Note may surrender the Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for the Global Note, or the part thereof to be exchanged, The Republic will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Third Schedule to the Fiscal Agency Agreement. On exchange in full of the Global Note, The Republic will, if the holder so requests, procure that it is cancelled and returned to the holder together with any relevant Definitive Notes.

"Exchange Date" means a day falling not less than 60 days, or in the case of exchange pursuant to (ii) above 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and, except in the case of exchange pursuant to (i) above, in the cities in which the relevant clearing system is located.

2. Payments

No payment will be made on the Temporary Global Note unless exchange for an interest in the Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by the Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of the Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholder for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes.

3. Notices

So long as the Notes are represented by the Global Note and the Global Note is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions except that so long as the Notes are listed on the Luxembourg Stock Exchange and/or the Frankfurt Stock Exchange and the rules of such exchanges so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) and/or at least one mandatory journal (*Börsenpflicht-blatt*) with nationwide circulation designated by the Frankfurt Stock Exchange, as the case may be.

4. Prescription

Claims against The Republic in respect of principal and interest of the Notes while the Notes are represented by the Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 7 (Taxation)).

5. Meetings

The holder of the Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote in respect of each €1,000 principal amount of Notes for which the Global Note may be exchanged.

6. Purchase and Cancellation

Cancellation of any Note required by the Conditions to be cancelled following its purchase will be effected by endorsement by or on behalf of the Fiscal Agent of the reduction in the principal amount of the Global Note on the schedule thereto.

7. Default

The Global Note provides that the holder may cause the Global Note or a portion of it to become due and payable in the circumstances described in Condition 8 (Events of Default) by stating in a notice to the Fiscal Agent the principal amount of Notes which is being declared due and payable. If principal in respect of any Note is not paid when due and payable, the holder of the Global Note may elect that the Global Note becomes void as to a specified portion and that the persons entitled to such portion as accountholders with a clearing system acquire direct enforcement rights against The Republic under further provisions of the Global Note executed by The Republic as a deed poll.

USE OF PROCEEDS

The net proceeds before expenses of the issue of the Notes, expected to amount to Euro 743,100,000, will be used for the general funding purposes of The Republic.

INVESTMENT CONSIDERATIONS AND FURTHER RECENT DEVELOPMENTS

General

Turkey was affected by the global economic downturn that began in 2001 and the economic consequences of the September 11, 2001 terrorist attacks in the United States. The full impact of such events on Turkey cannot yet be determined with precision. Although certain key economic indicators in Turkey fluctuated dramatically in the days following the terrorist attacks in the United States, such economic indicators have stabilized and many have returned to pre-September 11, 2001 levels.

On February 4, 2002, the IMF Board approved a new stand-by arrangement for 2002-2004 that consists of additional international lending of up to $10 billion in 2002, $1 billion in 2003 and $1 billion in 2004. The $10 billion in additional international lending for 2002 under the new facility, together with $4.3 billion available under the old stand-by arrangement, is expected to provide Turkey with a total of $14.3 billion from the IMF in 2002. Following the approval of the new stand-by arrangement. Turkey drew approximately $9.1 billion of the $14.3 billion available for 2002, and has used such funds as follows: $3.7 billion was used for early redemption of government paper held by the Central Bank (which paper was originally funded by IMF loans received in 2001); $3.5 billion was used for early redemption of domestic debt; and $1.9 billion will be available for financing the consolidated budget. On April 15, 2002, Turkey drew its most recent tranche from the IMF, amounting to approximately $1.1 billion, following completion of the first review of the Turkish economy under the new stand-by arrangement and the IMF Board approval of the extension of the tranche. The IMF and the Government have agreed to the conditions that will have to be satisfied before the remaining $4.1 billion available for 2002 can be released by the IMF. As one of the conditions, Turkey will have to continue its effort to increase its primary surplus. The remaining $4.1 billion scheduled for 2002 is expected to be released in three tranches. The next tranche of IMF funds, totaling $1.1 billion, is expected to be released in the second quarter of 2002 following completion of the second review and IMF Board approval. The Government expects that it will be able to satisfy the IMF conditions and that the remaining $4.1 billion in IMF funds will be released in line with scheduled program reviews.

In addition, Turkey expects to receive approximately $2.9 billion from the World Bank in 2002 in connection with its structural reforms of the financial, economic and agricultural sectors. The release of such funding is linked to Turkey's continued efforts to liberalize such sectors and curtail public expenditures. On April 16, 2002, the World Bank approved a $1.35 billion public and financial sector special adjustment loan for Turkey. The loan will be disbursed in three tranches of $450 million each based on completion of agreed actions.

On January 29, 2002, Standard and Poor's B- rating outlook for Turkey was changed from stable to positive. On January 15, 2002, Moody's B1 rating outlook for Turkey, which had been changed from stable to negative in April 2001, was changed from negative to stable.

The Tobacco Law and the Public Procurement Law were approved by the Parliament on January 3, 2002 and January 4, 2002, respectively. The Tobacco Law is intended to foster competition in the tobacco market and includes new arrangements for the privatization of Tekel, the state-owned alcohol and tobacco monopoly. The Public Procurement Law is intended to regulate the tender process for public contracts and strengthen the transparency and efficiency of such tenders. On March 28, 2002, the Parliament approved the Law Regarding the Regulation of Public Finance and Debt Management (Law No. 4749). The Law Regarding the Regulation of Public Finance and Debt Management (Law No. 4749) establishes, among other things, the rules for, and limitations on, public sector domestic and foreign borrowing and the issuance of debt guarantees by the Government.

In January 2002, the Parliament also passed Law No. 4743 which amends certain provisions of the Banking Law to enable the Government to offer limited financial assistance, on a one-time basis, to strengthen the capital base of banks that meet certain capital adequacy ratios. An audit process of the Turkish banking sector, from which the targets for, and the amount of, this limited financial assistance will be determined, is underway. The financial assistance to be made available by the Government is expected to be within the financial targets set by the Government and is not expected to have a material impact on the Government's budget. The amendment to the Banking Law became effective on January 31, 2002 upon its publication in the Official Gazette.

Key Economic Indicators

- Real gross national product ("GNP") is estimated to have declined 9.4% in 2001, compared to the original forecasted decline of 5.5%. The Government projects GNP growth in 2002 at 3%.
- For the year ended December 31, 2001, Wholesale Price Index ("WPI") increased by 88.6% and Consumer Price Index ("CPI") increased by 68.5%. The Government's targets for CPI and WPI for the year ended

December 31, 2001 were originally 12.0% and 10.0%, respectively. Such targets were revised in the fourth quarter of 2001 to 65.0% for CPI and 80.0% for WPI.

- From March 2001 to March 2002. WPI increased by 77.5% and CPI increased by 65.1%. The Government's current targets for WPI and CPI for 2002 are 31% and 35%, respectively.
- In February 2002, WPI increased by 2.6% and CPI increased by 1.8%. In March 2002, WPI increased by 1.9% and CPI increased by 1.2%.
- On April 19. 2002. the Central Bank foreign exchange buying rate for U.S. dollars was TL1,298.482 per U.S. dollar and foreign exchange buying rate for Euros was TL1,155,000 per Euro, compared to an exchange buying rates of TL1,484,545 per U.S. dollar and TL1,321,096 per Euro on November 30, 2001.
- On April 16, 2002, the Government offered an interest rate of 56.46% for 238 day Treasury bills, compared to an interest rate of 71.34% for 238 day Treasury bills on January 8, 2002.
- The unemployment rate increased from 6.6% in 2000 to 8.5% in 2001.

Tourism

- In 2001, tourism revenues increased to approximately $8.1 billion from approximately $7.6 billion in 2000.
- In 2001, the number of foreign visitors to Turkey increased by approximately 11.4% over 2000.
- In February 2002, the number of foreign visitors arriving to Turkey increased by 5.4%, compared to the same month of the previous year.

Foreign Trade and Balance of Payments

In 2001. the trade deficit amounted to approximately $4.78 billion, as compared to approximately $22.38 billion in 2000. The current account balance produced a surplus of approximately $3.31 billion in 2001, as compared to a deficit of approximately $9.82 billion in 2000.

As of April 5. 2002, total gross international reserves were approximately $34.094 billion (compared to $41.6 billion as of January 26, 2001), Central Bank reserves were approximately $20.5 billion (compared to $25.7 billion as of January 26, 2001), commercial bank reserves and special finance house reserves were approximately $12.5 billion (compared to $14.9 billion as of January 26, 2001) and gold reserves were approximately $1.03 billion (compared to $1.0 billion as of January 26, 2001). As of April 19, 2002, Central Bank reserves were approximately $22.1 billion.

Public Finance and Budget

- For the year ended December 31, 2001, consolidated budget expenditures were approximately TL79,856 trillion and consolidated budget revenues were approximately TL51,090 trillion, compared to approximately TL46.193 trillion and TL33,189 trillion during the same period in 2000, respectively.
- In the January-February 2002 period. consolidated budget expenditures were approximately TL20,534 trillion and consolidated budget revenues were approximately TL9,283 trillion, compared to approximately TL7,372 trillion and TL7,101 trillion during the same period in 2001, respectively.
- For the year ended December 31, 2001, the consolidated budget deficit reached approximately TL28,766 trillion. compared to TL13,004 trillion in the same period in 2000.
- In the January-February 2002 period, the consolidated budget deficit was approximately TL11,251 trillion, compared to TL271 trillion during the same month in 2001.
- For the year ended December 31, 2001, the primary surplus amounted to approximately TL12,299 trillion, compared to TL7,436 trillion in 2000.
- In the January-February 2002, the primary surplus reached approximately TL2.007 trillion. compared to TL3,421 trillion in the same month of 2001.

Privatization

The second public offering of shares in Petrol Ofisi A.S. (POAS) (petroleum distribution company) was completed in March 2002, raising $168 million for 16.5% of the shares in the company. The Government aims to close the third public offering of TUPRAS (petroleum refining company) by end-June 2002 depending on market conditions. Following the public offering, the Government's share in TUPRAS is expected to fall below 50%. With respect to the privatization of Türkiye Vakiflar Bankasi T.A.O., five potential bidders have expressed interest and are conducting due diligence. Bids are expected to be submitted in May 2002. In addition, restructuring and corporatization studies regarding TEKEL's tobacco and alcohol entities and the determination of SEKER's (sugar company) privatization strategy are underway.

Banking System

On November 30, 2001, Toprakbank A.S. was taken over by the Savings Deposit Insurance Fund of Turkey, or the SDIF. The SDIF is taking steps toward returning Toprakbank A.S. to private ownership and is also attempting to resolve the status of the three other intervened banks still under its ownership. In December 2001, the banking licenses of three banks previously taken over by the SDIF, Iktisat Bankasi T.A.S., Etibank A.S. and Kentbank A.S., were revoked. On January 11, 2002, the SDIF sold all of its shares in Sitebank A.S. to NovaBank S.A. (Greece).

Debt

Turkey's total internal debt was approximately TL120.299 trillion as of March 31, 2002, compared to TL50,851 trillion as of March 31, 2001. In 2001, the average maturity of Turkish internal public debt was 4.8 months, compared to 14.2 months in 2000. The average annual interest rate on internal public debt on a compounded basis was 99.0% as of December 31, 2001, compared to 38.1% as of December 2000. In March 2002, the average maturity of Turkish internal public debt was 10.1 months and the average annual interest rate on a compound basis was 73.3%. Turkey's external debt was approximately $115.1 billion as of December 31, 2001, compared to $118.6 billion as of December 31, 2000. Since December 31, 2000, Turkey has issued the following external debt:

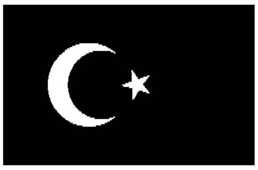
- Euro 500 million of Eurobonds on February 14, 2001, with a maturity of three years and an 8.25% interest rate, which was increased to Euro 750 million on February 19, 2001.
- Euro 500 million of Eurobonds on November 7, 2001 with a maturity of three and one quarter years and an 11% interest rate, which was increased to Euro 800 million on December 12, 2001.
- $500 million of global notes on November 27, 2001 with a maturity of five years and an 11 3/8% interest rate, which was increased to $750 million on December 20, 2001 and to $1 billion on February 19, 2002.
- $600 million of global notes on January 22, 2002 with a maturity of ten years and an 11 1/2% interest rate.
- $600 million of global notes on March 19, 2002 with a maturity of six years and an 9.875% interest rate.

International Relations

On October 13, 2001, a constitutional reform package consisting of 33 amendments was approved by the Parliament. The reform package is intended to assist Turkey in its bid to become a member of the European Union (the "EU"). On November 13, 2001, the EU released a progress report for the thirteen candidate nations aspiring to join the EU. Such report stated that although significant Constitutional amendments had been adopted by the Turkish Parliament in October 2001, Turkey did not currently fulfill the Copenhagen political criteria for beginning accession talks with the European Union. In addition, the report stated that Turkey has not made notable progress towards meeting the Copenhagen economic criteria due to the economic crises encountered by Turkey in 2001. The report acknowledged that Turkey, in the context of the Stand-By Arrangement, continues to implement a strong economic program. Moreover, the report made clear that Turkey will be expected to fulfill the same conditions for accession to the EU as other Central and Eastern European countries and will be monitored in the first half of 2002 for its efforts to adopt the EU "acquis" accession process.

During the latest Turkey-EU Association Council meeting that took place on April 16, 2002, it has been agreed that Turkey's progress on compliance with the Copenhagen political criteria will be assessed in the Regular Report for Turkey to be published by the European Commission in October 2002. The Government expects that the calendar for opening of full membership negotiations with EU will be determined at the Copenhagen European Council meeting in December 2002.

The Notes are only suitable for speculative investors who are in a position to assess and bear the above mentioned considerable risks and can absorb the related losses.



THE REPUBLIC OF TURKEY

This description of the Republic of Turkey, set out on pages 29 to 116 inclusive, is dated as of September 26, 2001 and appears as Exhibit D to the Republic of Turkey's Annual Report on Form 18-K to the U.S. Securities and Exchange Commission for the fiscal year ended December 31, 2001.

The information contained in this description must be read in conjunction with, and subject to, that set out under "Investment Considerations and Further Recent Developments" on pages 24 to 26 inclusive.

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Except as otherwise specified, all amounts in this Country Description are expressed in Turkish Lira (TL) or in U.S. dollars ($). See "Financial System — Exchange Rates and Exchange Policies" for the average exchange rates for Turkish Lira into U.S. dollars. On December 29, 2000, the Central Bank of Turkey (the "Central Bank" or the "CBT") foreign exchange buying rate for U.S. dollars was TL685,762 per U.S. dollar. On September 4, 2001, the Central Bank foreign exchange buying rate for U.S. dollars was TL1,419,614 per U.S. dollar.

The fiscal year of the Government of the Republic of Turkey (the "Government") ends on December 31. The twelve-month period ended December 31, 2000 is referred to in this report as "2000" and other years are referred to in a similar manner.

RECENT DEVELOPMENTS

Political Conditions

The most recent nationwide elections took place on April 18, 1999. The current government, headed by Prime Minister Bulent Ecevit, is a three-party coalition of the Democratic Left Party, the Nationalist Action Party and the Motherland Party. President Ahmet Necdet Sezer was elected by Parliament in May 2000. The main opposition party was the Virtue Party until June 22, 2001 when it was banned by the Turkish Constitutional Court on charges of anti-secular activities. Certain deputies of the Virtue Party formed Saadet Party under the leadership of the head of the former Virtue Party, Recai Kutan. The remaining deputies of the Virtue Party formed the Justice and Development Party under the leadership of the former mayor of Istanbul, Recep Tayyip Erdogan. The Saadet Party and the Justice and Development Party have 48 seats and 52 seats in the Assembly, respectively.

IMF and World Bank Programs

Liquidity Crisis of November 2000

During late November and early December 2000, Turkish financial markets experienced a period of high volatility. Financial difficulties of one medium-sized bank, which was subsequently taken over by the Saving and Deposit Insurance Fund (the "SDIF"), and the sell-off by that bank of large stocks of government paper in the secondary market led primary dealers to suspend the posting of rates on government paper. The suspension triggered massive capital outflows, despite the rise in interest rates to up to 200% per year. At the same time, the Central Bank increased the supply of net domestic assets in an effort to alleviate the effects of excessively high interest rates on the banking system. These events, in the context of weaker international market sentiment for emerging economies, led to the Government's loss of approximately $6.0 billion of foreign exchange reserves. On November 30, 2000, the Central Bank announced that it would no longer provide liquidity to the market in order to stop the loss of foreign exchange reserves. Overnight interest rates rose very rapidly, however, to over 800%.

The pressure on financial markets eased with the announcement of Turkey's request to access the Supplemental Reserve Facility (the "SRF") of the IMF, and the subsequent positive reaction from the international financial community. On December 21, 2000, the IMF approved a $7.5 billion credit under the SRF and, of this amount, $2.2 billion was disbursed on December 28, 2000. As of December 2000, the total amount of IMF financial support for Turkey from the SRF program and the Stand-By Arrangement was $11.4 billion. In addition, in December 2000, the World Bank's Board of Executive Directors approved a new Country Assistance Strategy for Turkey that aims to assist the country in laying the foundation needed to reduce economic vulnerability and includes support of up to $5 billion for the period July 2000-June 2003.

Financial Crisis of February 2001

New financial problems arose on February 19, 2001 as a result of a political row between Prime Minister Ecevit and President Sezer. In the days that followed, the Istanbul Stock Market IMKB-100 Index dropped nearly 15%. The Central Bank raised overnight interest rates, with rates at one point reaching over 4,000%, and, by February 23, 2001, Central Bank reserves declined by $5.3 billion. On February 21, 2001, the Government offered an interest rate of 144% for one-month Treasury bills.

On February 22, 2001, the Government allowed the Turkish Lira to float freely against other currencies, rather than keeping it loosely pegged to the U.S. dollar and the Euro under the so-called "crawling peg" regime established by the Stand-By Arrangement. The floating of the Turkish Lira effectively allowed a devaluation of the Turkish Lira, which fell nearly 30%, and the Central Bank was forced to inject $4.5 billion, or one-sixth of its cash reserves, into the currency markets. Consumer prices also rose. After the floating of the Turkish Lira, the Central Bank began to meet the Turkish Lira requirements of the markets in order to ensure the functioning of the payment system. Consequently, short-term interest rates, which had skyrocketed to over 2000%, decreased to around 80%. For example, Tekel, the state-owned monopoly, announced a 10% price increase for alcohol, tobacco, and salt; prices for electricity, gasoline, and natural gas rose 10%; and Turk Telekom increased telephone rates by 20%.

On February 23, 2001, Standard & Poor's lowered its long-term and short-term issuer credit ratings for Turkey to B/C from B+/B. In addition, Standard & Poor's lowered its foreign currency senior unsecured rating to B from B+. On February 21, 2001, Moody's downgraded its outlook on Turkey's B-1 long-term rating from positive to stable.

Following the February 2001 crisis, the Governor of the Central Bank. Gazi Ercel, the Undersecretary of the Treasury, Selcuk Demiralp, and the president of the Banking Regulation and Supervision Agency, Zekeriya Temizel, resigned. On March 3, 2001, Kemal Dervis, a former Turkish economist at the World Bank who served as Vice President for poverty reduction and economic management, became State Minister for the economy, replacing Recep Onal. In addition, as part of the Government's new economic team, Mr. Sureyya Serdengeçti was appointed as the new Governor of the Central Bank and Mr. Faik Öztrak was appointed as the Undersecretary of the Treasury.

On March 19, 2001, the Government approved an outline of a national program of economic, political, and judicial reforms to prepare the country for accession talks with the European Union (the "EU") and to provide a financial recovery plan. On April 14, 2001, Mr. Dervis announced a program aimed at restoring confidence in Turkey's economy. Under this program, public spending will be cut for the rest of 2001, bureaucratic hiring and wages will be frozen, and the Turkish Lira will continue to float against other currencies. Finally, on May 15, 2001, Turkey, the IMF, and the World Bank reached agreement on an approximately $10 billion package, which is in addition to the $6.5 billion in IMF funds still to be disbursed under the Stand-By Arrangement and the SRF, with $3.8 billion drawn immediately within the scope of the sixth and seventh reviews.

Turkey quickly began to effect the reforms sought by Mr. Dervis and carried out a series of structural reforms concerning, among other things, the banking sector, the telecommunications sector, reform of the Central Bank, duty losses, the liberalization of the natural gas, electricity, sugar and tobacco markets and the maintenance of strict fiscal and monetary policies.

In the banking sector, banks under the SDIF were financially and operationally restructured and a politically independent board was appointed to govern the banks. State and SDIF banks were removed from the overnight borrowing market and a new management team was appointed for state banks. The private banking system was strengthened as a result of implementation of various initiatives. Banks taken over by the SDIF are being resolved through mergers and/or sale.

In order to promote fiscal transparency, the number of budgetary and extra-budgetary funds was reduced and a new law aimed at public finance and debt management was submitted to the Assembly. Legislation to facilitate the sale of Turk Telekom was initiated and a new professional board and management team of Turk Telekom were appointed. In addition, legislation to liberalize airline fares and the sugar and tobacco markets was initiated.

Monetary and exchange rate policy is being conducted in the framework of a floating exchange rate regime and a new Central Bank law has given the Central Bank full operational independence to pursue price stability and to shift to inflation targeting by year-end 2001.

On June 15, 2001, the Treasury invited Turkey's banks to participate in two debt-swap packages designed to alleviate the cost of the Treasury's domestic debt and extend the maturity of domestic borrowing. The Treasury issued three-year and five-year foreign currency-linked bonds and one- to two-year Turkish Lira floating rate notes in exchange for TL9,335 trillion ($8.1 billion) in shorter term domestic treasury bills. The swaps resulted in a coverage ratio of 76.0% for the Treasury. The swaps lengthened the average maturity of debt to 37.5 months from 6 months. As a result of the swaps, the total domestic debt service in 2001 is expected to decline by more than $6.8 billion.

Turkey expects to receive loans totaling $15.7 billion from the IMF and World Bank for the period May-December 2001. In early July, however, the IMF and World Bank postponed a scheduled board meeting at which approval of two loan tranches worth $3.3 billion was expected. The loans were delayed pending fulfillment of various required actions, including those relating to the banking system. The BRSA seized five insolvent banks (Bayindirbank, EGS Bank, Kentbank, Site Bank, and Tarisbank) and put them into the SDIF. On July 12, 2001, the IMF and World Bank agreed to disburse the $3.3 billion loan tranche.

Despite the reforms and new loan installment, the Turkish Lira fell to approximately TL1.5 million to $1 on July 18, 2001. As of July 18, 2001, the Turkish Lira had fallen 54% since February when it began to float freely. The decline followed a disappointing auction of Turkish treasury bonds. The Government intended to raise TL300,000 billion ($200 million) to help repay TL1,095,000 billion of debt that was due on July 18, 2001. It managed to sell only TL45,684 billion to private investors, and the interest rate reached nearly 105% on the seven-month bonds, which was the highest rate paid since April 24, 2001. The Central Bank foreign exchange selling rate for U.S. dollars increased to TL1,373,000 the following day, after the resignation of Turkey's communications minister, Enis Oksuz.

On August 3, 2001, the IMF released a $1.5 billion loan tranche for Turkey. According to the IMF's board of directors there have been encouraging signs that the economic downturn is ending and inflation rates are decreasing as planned, which could result in a reduction of interest rates.

Economy

Gross National Product

- Turkey's real GNP decreased 4.5% in the first quarter of 2001 and 11.8% in the second quarter of 2001, resulting in a cumulative 8.5% decline in the first half of 2001. The Government's forecasted decline for real GNP is 5.5% for 2001.

Energy

- The Natural Gas Market Law, which is intended to attract foreign capital to the natural gas sector, was enacted on May 2, 2001. Pursuant to the Natural Gas Market Law, the BOTAŞ monopoly structure will be eliminated, the supply, transmission and distribution of natural gas will be organized, and current legislation and applications will be harmonized with EU regulations. The Energy Market Regulatory Authority will be established to implement the goals of the Natural Gas Market Law.
- The Electricity Market Law, dated March 3, 2001, was enacted to unbundle the activities of the electricity market, to enable liberalization of the electricity market and to provide for fair and transparent market regulation.

Inflation

- From August 2000 to August 2001, WPI increased by 69.6% and CPI increased by 57.5%. From January to August 2001, WPI increased by 54.6% and CPI increased by 39.5%.
- The Government's targets for CPI and WPI between December 2000 and December 2001 were originally 12.0% and 10.0%, respectively. These targets were revised to 58.0% for CPI and 66.0% for WPI after the February 2001 financial crisis.

Tourism

- In January to June 2001, tourism revenues increased to $3.1 billion from $2.6 billion during the same period of 2000. During the period January to June 2001, the number of foreign visitors increased approximately 23% over the same period in 2000.
- Tourism revenues of $8.5 billion are forecast in 2001.

Employment and Wages

- On March 27, 1999, the Government reached a two-year collective agreement with the public sector worker's union. The agreement provided for an increase in public sector wages by 41.3% for the first half of 2000 and 23.7% for the second half of 2000.
- On May 22, 2001, the collective agreement with the public sector workers was renewed for the next two years. The agreement provided for an increase in public sector wages by 15% for the first half of the first year of the collective agreement and 15% for the second half of the first year. For each the first and second halves of the second year of the collective agreement, the increase in public sector wages will be 10%. The rates of increase have been determined in line with the targeted CPI increases for 2001 and 2002. However, if CPI is realized above 15% and 10%, 80% of the difference will be added to the wage increases to be paid to public sector workers.

Foreign Trade and Balance of Payments

As of August 24, 2001, total net international reserves were approximately $32.0 billion (compared to $37.4 billion at December 26, 2000), Central Bank reserves were approximately $18.9 billion (compared to $19.6 billion at December 26, 2000), commercial bank reserves were approximately $11.2 billion (compared to $16.7 billion at December 26, 2000), and gold reserves were approximately $1.0 billion (compared to $1.0 billion as of December 26, 2000). As of September 7, 2001, Central Bank reserves were approximately $17.8 billion.

Public Finance

The primary surplus of the consolidated central government (excluding privatization proceeds, transfers of profits from the Central Bank, and interest receipts) is targeted at 5.2% of GNP in 2001 (compared to 4.6% of GNP in 2000) and 5.6% of GNP in 2002. Non-interest expenditures of the Government are expected to decline by 9% in real terms in 2001. The revenue to GNP ratio of the Government is expected to remain the same. The primary position of the SEEs is projected to increase from a deficit of 1.5% of GNP in 2000 to a broad balance in 2001.

The net debt of the public sector is expected to increase from 57.4% of GNP in 2000 to 86.6% in 2001. The debt stock figures include the full cost of bank restructuring. The expected sharp rise in the debt ratio in 2001 is partially a result of temporary factors such as the real depreciation of the Turkish Lira, the decline in GNP, the exceptionally high interest rates in the first quarter of 2001 and the high cost of bank restructuring. The stock of government securities issued for bank restructuring is expected to increase to 30% of GNP in 2001. These figures exclude the swaps that were completed on July 18, 2001. Already existing debt of the public sector (17% of GNP) has been taken over fully by the Treasury.

Budget

In the January-June 2001 period, consolidated budget expenditures were TL30,906 trillion and consolidated budget revenues were TL22,516 trillion, compared to TL23,531 trillion and TL15,180 trillion during the same period of 2000, respectively. In the January-June 2001 period, the consolidated budget deficit reached TL8,390 trillion, compared to TL8,351 trillion in the same period of 2000. The primary surplus amounted to TL7,351 trillion in the first six months of 2001, compared to TL4,678 trillion during the same period of 2000.

On December 20, 2000, the Assembly passed the 2001 budget, which foresaw total revenues of TL43,126 (28.1% of GNP) and total expenditures of TL48,360 (31.5% of GNP). The Government estimated that the budget deficit would be TL5,233 trillion (3.4% of GNP) in 2001. After the November 2000 and February 2001 financial crises, the Government prepared a supplementary budget. The supplementary budget of TL30.64 quadrillion became effective on June 21, 2001. In the supplementary budget, TL24.1 quadrillion of the total TL30.64 quadrillion total expenditures corresponds to interest payments resulting from duty losses of the state banks and bank recapitalization.

Privatization

The privatization transactions concluded in 2000 secured privatization receipts for 2001 amounting to $2.1 billion (of which $2 billion was from the sale of the GSM license). Turkey expects total privatization receipts to reach approximately $6-7 billion (representing 3.0% to 3.5% of GNP) in 2001. On February 13, 2001, $2.4 billion was received from the last installment of the sale of two GSM licenses to a consortium of Türkiyeş Bankasi-Telekom Italia. As of September 2001, total privatization receipts in 2001 amounted to $2.1 billion.

The Government intended to complete the privatization of Turk Telekom in 2000. However, the Government's initial offer made in June 2000, to sell a 20% shareholder stake in Turk Telekom, was not attractive to investors. As a result, the Government postponed the privatization of Turk Telekom until 2001 in order to restructure its terms. The new offer, announced in mid-December 2000, is for the sale of a 33.5% shareholder stake in Turk Telekom. Like the first tender, several domestic investors have expressed interest in the sale of Turk Telekom. However, the second offer for the sale of 33.5% of Turk Telekom and various managerial rights was challenged on several legal grounds. The 6th Administrative Court temporarily halted the tender process and the tender was later cancelled by the Turk Telekom Tender Committee. On May 23, 2001, a new law that will permit the sale of 100% of Turk Telekom except for one "golden share" reserved to the Government to protect national interests was enacted.

As part of its privatization program in 2001, the Government also announced the tender for sale of 51% of Turkish Airlines. No bidder for a majority stake in the carrier emerged, however, by the March 31, 2001 deadline for the sale.

Following the global offering of Petrol Ofisi (Petroleum Distribution Company) and Tüpraş (Oil Refinery), the public offering of THY is planned to be launched depending on market conditions.

Debt

Turkey's total internal debt was approximately TL96,395 trillion on July 31, 2001, compared to TL30,943 trillion on July 31, 2000. Prior to the February 2001 financial crisis, Turkey's domestic debt was TL44,428 trillion.

Turkey's external debt was approximately $112 billion as of March 13, 2001, compared to $116.1 billion as of December 31, 2000 and $103.3 billion (revised) as of December 31, 1999.

During the period from January to August 2001, the average maturity of Turkish internal public debt was 3.7 months, compared to 12.7 months during the same period in 2000. The average annual interest rate on internal public debt on a compounded basis was 108.9% in August 2001, compared to 38.1% as of December, 2000.

Since December 31, 2000, Turkey has issued or launched the following:

- EURO 500 million of Eurobonds on February 12, 2001, with a maturity of three years and an 8.25% interest rate.
- EURO 250 million reopening on February 16, 2001 of EURO 750 million of Eurobonds issued on February 12, 2001, with a maturity of three years and an 8.25% interest rate.

International Relations

Turkey was accepted as a candidate for membership in the EU in 1999. On February 26, 2001, the National Security Council approved Turkey's political and legislative action plan for joining the EU, but it was unclear whether this plan complied with all EU criteria. To begin the accession negotiations for the EU, Turkey, and every other candidate country, must comply with the Copenhagen criteria. According to the Copenhagen criteria, "Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for, and protection of, minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union." In addition, "Membership presupposes the candidate's ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union."

The national program to deal with the financial crisis of February 2001 also included concrete economic, political, and judicial reforms to achieve EU membership.

In January 2001, the European Commission approved procedures that will enable Turkey, along with 12 other candidate members for the EU, to join the European Environment Agency prior to becoming members of the EU. Turkey had first attempted to join the European Environment Agency in June 1999.

Turkey's relations with Georgia strengthened in February 2001, when President Sezer and Georgian President Shevardnadze signed three military cooperation agreements. The agreements covered defense cooperation, clearing land mines, and cooperation between the Turkish State Institute of Statistics and its Georgian counterpart.

Turkey's relations with France were strained following the French Parliament's decision on January 18, 2001 to describe as genocide the deaths of Armenians during the last years of the Ottoman Empire. Turkey rejected this charge on the basis that a forced relocation of the Armenians of Eastern Anatolia was necessitated by their collaboration with invading enemy forces during World War I, and their participation in killings of Turks. Turkey's Ambassador in France returned to Ankara for consultations, and the long-term implications for relations between Turkey and France are unclear. Prime Minister Ecevit did not announce a formal boycott in retaliation, but French companies in Turkey faced sanctions. French bidders were barred from defense contracts, grain tenders, a telecommunications tender and a highway contract.

DESCRIPTION OF THE REPUBLIC

Turkey has a democratically-elected Parliamentary form of government. Since the founding of the Republic in 1923, Turkey has aligned itself with the West and is a member of numerous international organizations, including the North Atlantic Treaty Organization ("NATO"), the Council of Europe, the International Bank for Reconstruction and Development (the "World Bank"), the IMF and the Organization for Economic Co-operation and Development (the "OECD"). Turkey is also an associate member of the EU and a founding member of the European Bank for Reconstruction and Development (the "EBRD").

Beginning in 1980, the Government embarked upon a series of market-oriented reforms which, among other things, were designed to remove price controls and reduce subsidies, reduce the role of the public sector in the economy, emphasize growth in the industrial and service sectors, encourage private investment and savings, liberalize foreign trade, reduce tariffs and promote export growth, ease capital transfer and exchange controls and encourage foreign investment, increase the independence of the Central Bank and reform the tax system. Turkey moved towards full convertibility of the Turkish Lira by accepting the obligations of Article VIII of the IMF Articles of Agreement in March 1990. Turkey has now developed a market-oriented, highly diversified economy with growing industrial and service sectors, while retaining a prominent agricultural sector which makes the country largely self-sufficient in foodstuffs. In 2000, the service sector, industrial sector and agricultural sector accounted for an estimated 62.4%, 23.1% and 14.5%, respectively, of Turkey's gross domestic product. See "Economy — Services," "Economy — Industry" and "Economy — Agriculture."

Location, Area and Topography

Turkey, situated at the junction of Europe and Asia, is an important crossroads between Western Europe, the Middle East and Asia. Turkey's location has been a central feature of its history, culture and politics. Turkey's land borders extend for more than 1,615 miles and are shared with eight countries: Greece and Bulgaria in the west and northwest, Iran in the east, Armenia, Georgia and Azerbaijan in the northeast and Iraq and Syria in the south.

Turkey's coastline extends for approximately 4,400 miles along the Black Sea in the north, the Aegean Sea in the southwest and the Mediterranean Sea in the south, all of which are connected by the Bosphorus, the Sea of Marmara and the Dardanelles.

Turkey has an area of approximately 300,000 square miles, and its topography is varied. The major part of the country consists of highland plateau surrounded by mountainous areas which rise toward the east. Climatic conditions differ widely among the regions.

Population

According to estimates of the State Institute of Statistics and the State Planning Organization, population growth averaged approximately 1.62% per annum between 1995 and 2000 and Turkey's population as of December 2000 was 67.3 million.

Turkey's population is comparatively young, and the transformation of Turkey's economy from a largely agricultural to an industrial and service oriented economy has led to an increasingly urban population.

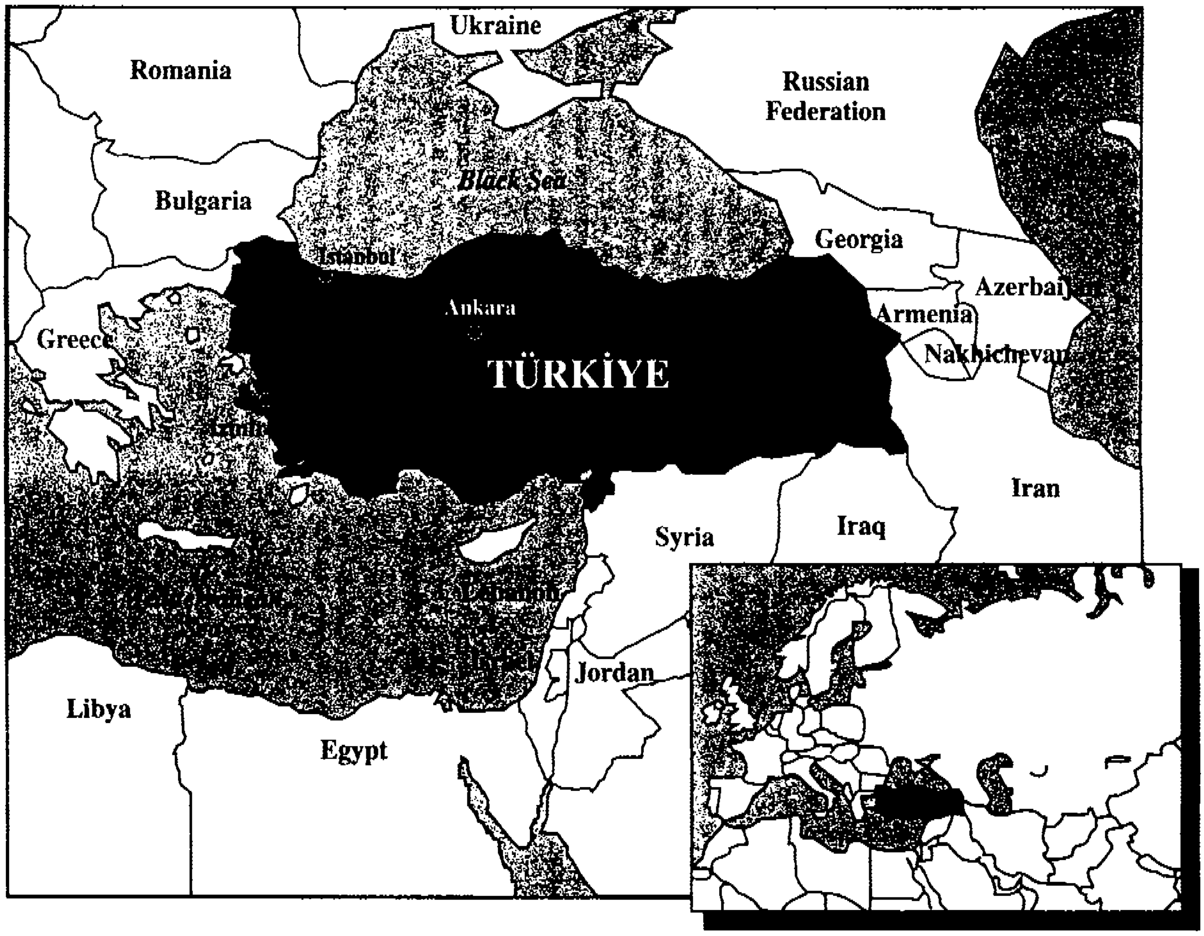
According to the State Institute of Statistics and the State Planning Organization, in 2000, 70.6% of the population lived in urban areas, while 29.4% lived in rural areas. These numbers represent a 4.7% urbanization rate during 1995-2000.

The largest cities in Turkey are Istanbul, the country's commercial center, and Ankara, the capital, with populations of 8.3 million and 3 million, respectively. Other cities with populations in excess of one million are Izmir, Adana, and Bursa.

In the fourth quarter of 2000, total civilian employment was 20.2 million, of whom approximately 32.8% were employed in agriculture, 18.9% in industry and 48.3% in services. See "Economy — Employment and Wages."

According to the State Planning Organization, Turkey has made significant progress in improving social welfare over the last decade. Life expectancy increased by approximately four years from an average of 65 years in 1985-1990 to an average of 69 years in 2000. The infant mortality rate decreased from the level of 65 per thousand in the period of 1985-1990 to 39 per thousand in the period of 1995-2000. In 1999, the adult (over age 12) literacy rate was 94.2% for men, 77.4% for women and 85.7% in total.

Turkey is constitutionally a secular state. The vast majority of the Turkish population is Muslim. There are very small numbers of non-Muslims, including Greek Orthodox, Armenian Christians and Jews. The official language of Turkey is Turkish.



Government Organization and Political Background

A popular nationalist movement began in Turkey before the turn of the century and gathered momentum in the aftermath of World War I. Turkey was declared a republic on October 29, 1923, upon the abolition of the Sultanate. Mustafa Kemal Ataturk was elected as the Republic's first President. Ataturk instituted a series of sweeping social reforms which have played a central role in the development of modern Turkey. The Constitution of the Republic (the "Constitution") was adopted in 1924 and provided for an elected Parliament to be the repository of sovereign power. Executive authority was vested in the Prime Minister and the Council of Ministers. Changes were made in the legal, political, social and economic structure of the country, and Islamic legal codes were replaced by Western ones. Ataturk's reforms and Western orientation continue to be the dominant ideological element in Turkey today.

Historically, the military has been an important factor in Turkish government and politics. The Turkish military establishment has intervened in Turkish politics three times since 1959 (in 1960, 1971 and 1980) to provide stability in the face of political and social factionalism. Each time, the military withdrew after the election of a new civilian government and the introduction of changes to the legal and political systems.

Turkey's current Constitution, which was revised and ratified by popular referendum in 1982, contains a system of checks and balances aimed at ensuring a strong central government and reducing Parliamentary factionalism. The Constitution provides for a Parliament (the unicameral Assembly), a President and a Prime Minister. The President is elected for a seven-year term by a vote of the Assembly, and the Prime Minister is appointed by the President. The Prime Minister, in turn, nominates other members of the Council of Ministers (the "Cabinet"), who are then approved by the President. The Cabinet, chaired by the Prime Minister, exercises the executive powers of the Government.

The members of the Assembly are elected for five-year terms. The Constitution provides for a system of proportional representation and forbids the formation of political parties on the basis of class, religion or ethnic identity. The Election Law (Law No. 298) provides that parties whose nationwide vote in general elections is less than 10% are not eligible for seats in the Assembly. On the other hand, a party must have at least 35% of the nationwide vote in order to have a simple majority in the Assembly.

Judicial power in Turkey is exercised by courts whose independence is guaranteed by the Constitution. The Constitutional Court decides issues relating to the form and substance of laws, decrees and rules of Parliament and matters relating to public officials and political parties. The Court of Appeal is the court of last resort for most civil and criminal matters, while military matters are referred to a separate system of courts.

In July 1995, a series of amendments to the Constitution were adopted. Among other things, the amendments brought into effect reforms related to the formation of political parties, membership of political parties and the involvement of unions and other organizations in political activities. See "Economy — Employment and Wages." The amendments also reduced the legal voting age from 20 to 18, increased the number of members of the Assembly from 450 to 550 and removed restrictions on the ability of academic personnel and university students to engage in political activities.

On June 30, 1997, the ruling coalition Government comprised of the pro-Islamic Welfare Party ("RP") led by Necmettin Erbakan and Tansu Ciller's center-right True Path Party ("DYP") collapsed after the resignation of Mr. Erbakan following widespread resignations from both parties. Earlier in 1997, Mr. Erbakan had agreed to implement a series of proposals made by the National Security Council designed to reinforce the secular nature of the Constitution. In accordance with the Constitution, the National Security Council is composed of the Prime Minister, the Chief of the General Staff, the Minister of National Defense, the Minister of Internal Affairs, the Minister of Foreign Affairs, the Commanders of the Army, Navy, and the Air Force, and the General Commander of Gendarmerie, under the chairmanship of the President of the Republic.

The Government was replaced by a new secularist coalition headed by Prime Minister Mesut Y lmaz of the center-right Motherland Party ("ANAP"), Bülent Ecevit's Democratic Left Party ("DSP") and the Democratic Turkey Party ("DTP").

On January 16, 1998, responding to a case submitted by the government prosecutor seeking to revoke the status of the Welfare Party on constitutional grounds, the Constitutional Court ordered the closure of the Welfare Party after determining that its activities contravened the principles of the secular Constitution. The Constitutional Court also terminated the Parliamentary memberships of former prime minister Mr. Erbakan and five other deputies and held that Mr. Erbakan and six others should be banned from being the founder, member, administrator or supervisor of another political party for five years.

Following the closure of the Welfare Party by the Constitutional Court, a new political party, the Virtue Party ("FP"), was formed in Turkey. The majority of the deputies from the former Welfare Party joined the Virtue Party. The Virtue Party was banned by the Constitutional Court in June 2001 as a result of alleged anti-secular activities. See "Recent Developments — Political Conditions".

The most recent nationwide local and general elections took place on April 18, 1999. Mr. Ecevit's Democratic Leftist Party placed first with 22.2% of the vote and 136 deputies in the 550-seat Assembly. The Nationalist Action Party led by Devlet Bahceli came in second with 18.0% of the vote and 129 seats. The Virtue Party won 15.4% of the vote and 111 seats. Mr. Yilmaz's ANAP won 13.2% of the vote and 86 seats while DYP won 12.0% of the vote and 85 seats. On May 28, 1999, then President Süleyman Demirel approved a coalition Government of DSP, MHP and ANAP, led by Mr. Ecevit as Prime Minister. On May 16, 2000, Ahmet Necdet Sezer, formerly the chief judge of the constitutional court, became President of Turkey.

Since the Virtue Party was banned, the Saadet Party and the Justice and Development Party have been formed. The Saadet Party and the Justice and Development Party have 48 and 52 seats in the Assembly, or 9.5% and 8.7% of the votes, respectively.

The composition of the Assembly as of September 24, 2001 was as follows:

Table No. 1

	Number of Seats	Percentage of Total
Democratic Leftist Party (DSP)[1]	132	24.0
Nationalist Action Party (MHP)[1]	126	22.9
Motherland Party (ANAP)[1]	86	15.6
Truth Path Party (DYP)	79	14.4
Independent	18	3.3
Justice and Development Party (AK)	52	9.5
Saadet Party (SP)	48	8.7
Vacancies	9	1.6
	550	100.0

(1) The parties in the current coalition Government.

Source: Grand National Assembly.

The Assembly passed the 2001 budget on December 20, 2000.

International Organizations

Since its foundation in 1923, the Republic has closely aligned itself with the West. It is a founding member of the United Nations ("UN"), and has been a member of NATO since 1952, an associate member of the EU since 1963, and an associate member of the Western European Union ("WEU") since 1992. Turkey supports NATO expansion and believes that the development of the European security structure should be completed on the basis of NATO standards.

In addition, Turkey is a founding member of the Council of Europe, the European Bank for Reconstruction and Development and the Organization for Security and Co-operation in Europe ("OSCE") and belongs to the World Bank, the IMF, the European Resettlement Fund, the Asian Development Bank, the Multilateral Investment Guaranty Agency ("MIGA"), the Bank for International Settlements ("BIS") and the OECD. Turkey hosted the last OSCE meeting of the millennium in Istanbul in November 1999. Furthermore, Turkey is a party to the General Agreement on Tariffs and Trade ("GATT"), a member of the World Trade Organization ("WTO") and is a participant in the International Convention on the Harmonized Commodity Description and Coding System. Turkey is also a member of the Organization of the Islamic Conference and of the Islamic Development Bank.

In 1963, Turkey signed an association agreement (the "Ankara Agreement") with the European Economic Community ("EEC"), which is now the EU. In 1970, an additional protocol to the association agreement was signed between Turkey and the then EEC which established the framework and conditions of the transitional stage of the association. Turkey seeks full membership in the EU and in April 1987 Turkey submitted its formal application for such membership. In late 1989, the European Commission (the "Commission") reconfirmed that Turkey was eligible to become a full member and was inherently a European country. However, the Commission decided to defer accession negotiations due to changes in the EU and Turkey's economic situation at the time.

In March 1995, Turkey and the EU agreed to form a customs union (the "Customs Union") which came into effect on January 1, 1996. In anticipation of the formation of the Customs Union, Turkey reduced import protection rates during 1995. By the end of 1995, Turkey's tariff rates applicable to non-EU countries on industrial and processed agricultural products were in conformity with EU tariff rates and all customs duties between Turkey and the EU were eliminated. Turkey believes that the Customs Union has thus far been functioning in a satisfactory manner as far as its technical aspects are concerned. The necessary legislation to ensure the efficient operation of the Customs Union has largely been enacted by Turkey, thus fulfilling its obligations under the Customs Union. While the Government anticipates long-term benefits from the Customs Union through increased opportunities for trade and foreign investment, Turkey has incurred a substantial cost in conforming to the Customs Union regulations and a loss of tariff revenues resulting from its entry into the Customs Union. Under the Customs Union, Turkey is entitled to benefit from EU financial assistance from a number of sources, however, this package has not been fully implemented mainly due to vetoes by Greece.

With the completion of the Customs Union, the association between Turkey and the EU, as stipulated by the Ankara Agreement, has come to the membership stage. At the Luxembourg summit in December 1997, Turkey was not included in a list of six countries chosen in 1997 for future accession to EU membership. From 1997-1999, the relations between Turkey and the EU were somewhat strained. However, at a summit meeting in Helsinki, Finland on December 10 and 11, 1999, the EU named Turkey as a candidate for membership in the EU. The EU stated that Turkey is "a candidate state destined to join the Union on the basis of the same criteria as applied to the other candidate states." The EU also encouraged Turkey to focus on meeting political criteria relating to human rights, peaceful resolution of border disputes and settlement of the Cyprus issue.

In June 2000, the Republic's Grand National Assembly passed two laws aimed at strengthening relations with the EU. The first approved a framework agreement governing future loans from the EU to Turkey and the second law established a new Secretariat to aid the legal harmonization of Turkish legislation with that of the EU and to coordinate Turkey's accession into the EU.

The Accession Partnership document for Turkey (the "Accession Partnership"), which was made public on November 8, 2000 by the European Commission, was formally approved in March 2001. The Accession Partnership outlines the strategy for the short and medium-term priorities that Turkey has to fulfill for the adoption of the "acquis" of the accession process. Turkey has prepared a National Program for Adoption of the "Acquis" to complement the Accession Partnership. The program was approved by the Council of Ministers on March 19, 2001.

Following the adoption of the Accession Partnership, the European Commission combined all financial resources available to Turkey in the accession process under a single framework. The European Commission proposed that starting in 2000, the Mediterranean Development Assistance Program ("MEDA") will allocate EURO 177 million to Turkey annually. Under MEDA II (2000-2006), Turkey's allocation doubled and grant aid in the amount of EURO 890 million will be provided. In 2001, financial transfers to Turkey are expected to reach EURO 170 million in grants for various projects, including a large program to support economic reform and structural adjustment.

In addition, Turkey benefits from the Pre-Accession facility, which has a total budget of EURO 8.5 billion and is available to all EU candidates during the period 2000-2003. The Pre-Accession Facility will be implemented on a project basis and will be available to the private sector as well.

The Regulation of the Council of Ministers on the allocation of EURO 450 million to Turkey, constituting a part of the EU's commitment of EURO 750 million EIB credits under the Customs Union, was adopted at the General Affairs Council on December 4, 2000 and is expected to be available in the near future. Turkey is also eligible for the EIB Euro-Med II facility (2000-2006) of EURO 6.425 billion which is available to all eligible countries. The Euro-Med II facility is available to all non-member Mediterranean countries and is aimed at encouraging long-term economic growth and political stability. It is estimated that Turkey could benefit from a budget of EURO 210 million per year under this facility, for a total of EURO 1.470 million. All funds provided to Turkey will be pre-accession.

Turkey and the European Coal and Steel Community ("ECSC") have also concluded a free trade agreement, which came into force in August 1996, liberalizing trade in steel products between Turkey and the ECSC. A further free trade agreement between Turkey and the European Free Trade Association ("EFTA") has been in force since April 1992.

Turkey took the initiative in launching the Black Sea Economic Cooperation Zone, which brings together eleven countries (Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldavia, Romania, the Russian Federation, Turkey and Ukraine) within a framework of economic cooperation. Turkey is also a founding member of the Economic Cooperation Organization ("ECO") initially comprised of Turkey, Iran and Pakistan. ECO has subsequently been enlarged to include Afghanistan, Azerbaijan, Kirgyzstan, Kazakstan, Tajikistan, Turkmenistan and Uzbekistan. Turkey believes that its participation in such regional organizations complements its application to join the EU and is not intended as a substitute for eventual EU membership.

Foreign Relations

Turkey, as a country located between the Balkans and the Caucasus, has played and continues to play a key role in the peaceful resolution of conflicts in the region including, in particular, those in Bosnia and Kosovo, and actively participates in the OSCE's Minsk Group, which is working to settle the Azerbaijan-Armenia dispute. Turkey supported the implementation of the Dayton Peace agreement for Bosnia and was instrumental in the establishment of the Bosnian-Croatian Federation. Turkey has pledged approximately $80 million, including $20 million in grants, for the reconstruction of Bosnia. Turkey was also involved in a program with the United States to train and equip the Bosnian army and participated in the Multinational Protection Force deployed in

Albania in accordance with a UN Security Council Resolution of March 1997. Turkey also took part in NATO's peacekeeping force in Kosovo and accepted several thousand Kosovo refugees during NATO's military campaign.

Turkey places great importance on maintaining long-term, comprehensive stability in the Balkans. In this context, the Southeastern European Countries Cooperation Process was initiated in February 1999 among Turkey, Albania, Bosnia and Herzegovina, Bulgaria, Greece, Croatia, Macedonia, Romania and the Federal Republic of Yugoslavia to create a regional platform for issues of common interest in the region. In addition, Turkey is actively participating in the Stability Pact initiated by the European Union, which strives to develop a comprehensive framework for dealing with problems in the region. Turkey continues to voice concern from time to time about Turkish minorities in some neighboring countries.

In an effort to contribute to the creation of a stable and peaceful environment in its region, Turkey has played a leading role in the formation of a Naval Task Force for the Black Sea (BLACKSEAFOR) that was created to respond to emergencies and environmental disasters in the region, as well as a Multinational Peacekeeping Force for Southeastern Europe.

Turkey seeks good relations with all neighboring countries. Relations with Greece constitute an important aspect of Turkish foreign policy, and Turkey believes that good relations and cooperation with Greece can have a positive impact on the Balkan region. The constructive dialogue that began between Turkey and Greece following a series of earthquakes that struck the region in 1999 has resulted in nine cooperation agreements. Most recently, on April 6, 2001, Turkey and Greece announced their agreement to concurrently begin the procedures necessary to become parties to the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction, also known as the Ottawa Convention. Turkey has also proposed a set of confidence building measures for the Aegean Sea, which are currently being negotiated by Turkey and Greece under the aegis of NATO. There are, however, unresolved issues in Turkey's relations with Greece, including problems related to the Aegean Sea and the status of Cyprus, which is currently divided between Greek and Turkish communities. Turkey and the Turkish Cypriot side were critical of the decision made at the EU summit in Luxembourg in December 1997 to start accession negotiations with the Greek Cypriots. Through separate press statements, they declared their belief that the Greek Cypriot side has no authority to negotiate on behalf of the whole island and that the EU decision was in contravention of the 1959-60 Treaties on Cyprus. The Treaties on Cyprus, signed by Turkey, Greece and Great Britain, preclude Cyprus from joining any international organization such as the EU, unless Turkey and Greece are both also members. Turkey is currently not a member of the EU.

On April 23, 1998, then President Demirel and the President of the Turkish Republic of Northern Cyprus, Mr. Denktaş, issued a joint declaration stating that any negotiation process aimed at finding a solution to the Cyprus issue will succeed only after there is international recognition of the existence of two equal and sovereign parties in Cyprus in the form of a confederation. Turkey continues to support the efforts to negotiate a peaceful and lasting solution to the Cyprus issue as well as the missions of the United Nations Secretary-General. Turkey has stated that it will review and support any constructive effort to find a solution to the Cyprus issue that is consistent with these principles. On March 31, 1998, Turkey and the Turkish Cypriot government announced the creation of a joint economic zone, which seeks to allow for transfers of technology, increased investment, standardization of customs duties and free circulation of capital, goods and services between the Turkish Cypriot side and Turkey.

In addition to fostering economic and political relationships with many countries, both in Europe and the East, Turkey is currently developing political and economic relations with the Balkan, Caucasian and Central Asian countries. Turkey has actively encouraged trade with neighboring countries and has made substantial credit available through the Turkish Export Credit Bank to Bosnia, Azerbaijan and the Central Asian republics. One objective of Turkish foreign policy has been to play a stabilizing role in the region.

Turkey continues to support the independence of the Central Asian republics and facilitate their transition to democracy. By the year 2000, Turkey allotted, in the aggregate, approximately \$874.8 million in credits to the Central Asian republics (compared to \$1.5 billion in 1999), which credits are aimed at supporting the development of their emerging market economies. Trade volume between Turkey and the Central Asian republics reached a total of over \$820.3 million in 2000. Approximately 2,500 Turkish companies are currently involved in a wide range of investment projects and services in the Central Asian republics, and the Government encourages Turkish businesses to enter into joint ventures in the region. Investments by Turkish companies in Central Asia reached approximately \$3.58 billion in 2000 (compared to \$8.4 billion in 1999) and construction activity by Turkish companies in the Central Asian republics increased to \$7.74 billion in 2000 (compared to \$4 billion in 1999).

Turkey also enjoys close economic, political and cultural relations with the countries in the Middle East. Since the inception of the Middle East peace process, which the Republic actively supports, Turkey's relations with Israel have expanded to include economic and military cooperation. In addition to a free trade agreement signed in March 1996, Turkey and Israel signed a military training agreement in February 1996 which provides for cooperation in military training, exchanges between military academies and participation of observers in each other's military exercises. In addition to Israel. Turkey has multidimensional relations with Arab countries. Turkey actively contributes to the Middle East peace process as a facilitator and, upon the request of both Israel and the Palestinian Authority, is currently participating in the Temporary International Presence in Hebron.

In October 1998, Turkey and Syria entered into the Adana Memorandum, which provides a commitment from Syria to forbid activities of the Kurdish Workers Party within its borders. Turkey believes the Adana Agreement is a step toward future economic and strategic cooperation between the two countries.

A 23-year multi-billion dollar natural gas agreement was signed with Iran in August 1996 to supply natural gas to the Republic. In order to facilitate the supply of gas to Turkey, each party has agreed to construct the part of the pipeline lying within its own territory. The pipeline will also be used to transport Turkmen natural gas to European markets.

The "Turkish Caspian-Mediterranean Crude Oil Pipeline Project", a cost-effective, environmentally-safe project, was developed in as the main export route for the transfer of Kazakh and Azeri oil through Turkey to world markets. The legal framework of the project is completed. Engineering work has begun out under the sponsorship of eight international oil companies. Under the current schedule, construction of the pipeline should begin in 2002 and should be complete in 2004. Turkey hopes that the pipeline project will contribute to the political independence and economic development of the Caucasus and the Central Asian republics.

During and following the Persian Gulf War, Turkey cooperated with the international coalition against Iraq and complied with the UN sanctions against Iraq. Turkey continues to enforce these sanctions. Implementation of the UN Security Council Resolution 986 of April 14, 1995, permitting Iraq to export a certain amount of oil for the purchase of food, medicine and other humanitarian products, has provided some degree of economic relief for Turkey. Under this resolution, in December 1996, Iraq was granted the ability to export $2 billion worth of oil during a six-month period. The "oil for food" program has been periodically renewed for six-month periods by the UN. Following the August 17, 1999 earthquake, the UN gave special permission for Iraq to ship $10 million worth of oil through the pipeline in order to provide aid for Turkey. However, such economic relief is inadequate to cover the losses Turkey suffered during the Persian Gulf War.

High level visits between Turkey and the United States during 1999, including a visit to Turkey by former U.S. President William J. Clinton, paved the way for further enhancement of ties between the two countries. As a result of the meetings in 1999, Turkey and the United States have consolidated their "strategic partnership", which involves close cooperation on a wide range of political and economic issues concerning Europe, the Caucasus, Central Asia and the Middle East.

The potential for furthering economic cooperation between Turkey and the Russian Federation seems to be high. Turkish contractors continue to consolidate their position in the Russian construction market by attaining over $8.5 billion of business in 1997. Preliminary reports indicate that the number of Russians visiting Turkey has been increasing each year. Enhanced cooperation in the energy sector in particular is becoming a prominent feature of Turkish-Russian relations. Turkey and Russia have signed an agreement for the transportation of Russian natural gas to Turkey via an underwater pipeline in the Black Sea, known as the Blue Stream. The pipeline is scheduled to be operational in the beginning of 2002.

ECONOMY

Background

The 1980s and the 1990s have seen a transformation of the Turkish economy from a highly protected state-directed system to a market-oriented free enterprise economy. During the 1970s, Turkey concentrated on growth financed by foreign borrowing, which culminated in a period of financial distress and a rescheduling of its external debt in 1978, 1979 and 1980. Reforms initiated since 1980 have, among other things, reduced price controls and subsidies; decreased the role of the public sector in the economy; emphasized growth in the industrial and service sectors; encouraged private investment and savings; liberalized foreign trade; reduced tariffs and promoted export growth; eased capital transfer and exchange controls and encouraged foreign investment; moved towards full convertibility of the Turkish Lira (by accepting the obligations of Article VIII of the IMF Articles of Agreement); and improved the tax system.

Turkey faced economic challenges beginning in August 1998 due to the erosion of investor confidence in emerging markets as a result of the devaluation of the Russian ruble, the default by Russia on its domestic debt and the rescheduling by Russia of its foreign debt. The economic problems in Russia, coupled with the severe economic difficulties experienced by many Asian and Latin American countries since the last quarter of 1997, has had repercussions throughout the emerging markets, including the Republic. For example, the Istanbul Stock Exchange declined in value, interest rates on government securities increased and the amount of international reserves decreased during the second half of 1998. See "Foreign Trade and Balance of Payments — International Reserves" and "Financial System — Capital Markets."

Turkey's real GNP growth rate averaged approximately 3.7% during the period from 1995 to 2000. Over this period, the Turkish economy became more diversified. In particular, the industrial base was broadened, and exports of goods and services grew rapidly. In addition, financial markets expanded and became more sophisticated. Turkey's external debt levels rose in absolute terms from $79.6 billion in 1996 to approximately $116.1 billion in 2000. The relative external debt burden increased from 156.2% of total foreign exchange revenues to 196.8% over the same period. See "Debt — External Debt and Debt Management."

In addition to the registered economy, Turkey has an unregistered economy, which is substantial, though by definition unquantifiable, and has historically not been reflected in the statistics of the Republic. The unregistered economy includes significant amounts of activity in the agricultural sector and in trade with counterparts in the Commonwealth of Independent States ("CIS") republics. Consequently, trade and other figures may under-report the actual level of economic activity intended to be measured. The Government has been working with the World Bank to bring more untaxed economic activities within the scope of the registered economy, and therefore within the tax base of the Republic. Since 1996, the Government has developed a methodology to account for the portion of the unregistered economy relating to "shuttle trade" with the CIS republics. See "Foreign Trade and Balance of Payments — Current Account."

Gross National Product

In 1996, real GNP grew by 7.1% followed by an 8.3% increase in 1997. In 1998, real GNP grew by 3.9%. Real GNP declined by 6.4% in 1999 due to high interest rates, the uncertainty surrounding general elections that took place and the August 17, 1999 earthquake that struck Turkey.

Economic activity, which had been declining since the last quarter of 1998, started to recover in 2000. In 2000, Turkey's real GNP increased by 4.2% in the first quarter, 4.9% in the second quarter, 7.2% in the third quarter and 7.6% in the fourth quarter, for a cumulative 6.1% increase for the year. The Government's original budget assumed that Turkey's real GNP would grow by 5% in 2000. GNP growth in 2000 mainly stemmed from a 9.6% increase in domestic demand. In addition to more stable political and economic outlooks and diminished uncertainties, falling interest rates and sizable real interest payments were the main factors behind the sharp increase in domestic demand.

The following table presents the components of real GNP and related figures for the years indicated:

Table No. 2

Gross National Product

	1996	1997	1998	1999	2000(1)
		(in billions of Turkish Lira)			
At constant 1998 prices					
GNP	47,586	51,532	53,518	50,101	53,107
Foreign balance(2)	1,573	1,991	567	2,165	2.765
Total domestic demand	49,159	53,523	54,085	52,265	55,871
Allocation of Domestic Demand					
Fixed Investment					
Public	2,391	3,110	3,255	3,127	3,618
Private	9,397	10,348	9,779	8,040	9,165
Total fixed investment	11,788	13,458	13,034	11,167	12,784
Consumption					
Public	5,227	5,539	5,878	6,132	6,424
Private	32,355	35,094	35,496	34,157	36,104
Total consumption	37,582	40,633	41,374	40,289	42,529
GNP (at current prices)	14,978,067	29,393,262	53,518,332	78,282,967	125,970,544
Turkish Lira/U.S. dollar (annual average)	81,137	151,428	260,039	417,581	623,419
GNP (at current prices, millions of dollars)	184,602	194.107	205,808	187.468	202.064
Population (mid-year, in thousands)	61,425	62,411	63,391	64,337	65,293
Per capita GNP (at current prices, in dollars)	2,999	3,105	3,247	2,914	3,095

(1) Estimate.

(2) The difference between the revenues earned abroad by Turkish citizens (or payments of foreigners living in Turkey) and the external payments of Turkish citizens (or revenue transfers of foreigners living in Turkey to their countries).

Source: SPO.

Gross Domestic Product

There has been a significant change in the structure of economic activity in Turkey since the 1980s. The share of the industrial sector in GDP rose in the 1980s and has remained relatively stable in the 1990s. The share of the agricultural sector in GDP fell throughout the 1980s but has been relatively stable in the 1990s. The share of the services sector has continued to increase in the 1980s and 1990s. In 2000, the industrial sector, which includes mining, manufacturing and energy, accounted for 23.1% of GDP, compared with 23.2% in 1999. In 2000, the agricultural sector's share of GDP was 14.5%, compared with 15.3% in 1999, and the services sector was 62.4% of GDP in 2000, compared with 61.5% in 1999. GDP increased by 7.2% in 2000, compared with a decrease of 4.7% in 1999.

The following table presents changes in the composition of GDP at current prices for the periods indicated:

Table No. 3

Composition of GDP by Sector
(at current prices)

	1996	1997	1998	1999	2000
		(percentage of total)			
Industry	**25.2**	**25.3**	**22.9**	**23.2**	**23.1**
Mining	1.2	1.2	1.1	1.1	1.1
Manufacturing	21.1	21.6	19.4	19.2	19.0
Energy	2.8	2.5	2.4	2.9	3.0
Agriculture	**16.9**	**14.5**	**17.5**	**15.3**	**14.5**
Services	**58.0**	**60.2**	**59.6**	**61.5**	**62.4**
Construction	5.8	6.0	6.0	5.6	5.2
Trade	20.5	20.8	19.9	19.1	20.0
Transportation and communications	13.1	13.9	13.6	14.0	14.1
Government	8.4	8.9	9.4	11.3	10.1
Other	10.2	10.6	10.7	11.5	13.0
GDP Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: SIS.

The following table presents real growth in output for GDP for the periods indicated:

Table No. 4

GDP Growth by Sector
(at 1987 prices)

	1996	1997	1998	1999	2000
		(by percentage)			
Industry	**7.1**	**10.4**	**2.0**	**(5.0)**	**5.6**
Mining	2.3	4.7	9.3	(7.3)	(1.1)
Manufacturing	7.1	11.4	1.2	(5.7)	5.9
Energy	9.7	5.0	5.3	1.3	6.5
Agriculture	**4.4**	**(2.3)**	**8.4**	**(5.0)**	**4.1**
Services	7.6	8.6	2.4	(4.5)	8.7
Construction	5.9	5.0	(0.7)	(12.5)	5.8
Trade	8.9	11.6	1.4	(6.3)	11.6
Transportation and communications	7.6	7.6	4.9	(2.4)	5.1
Government	(0.3)	0.1	5.9	2.7	1.9
Other	9.4	9.1	1.5	(2.2)	10.9
GDP Total	**7.0**	**7.5**	**3.1**	**(4.7)**	**7.2**

Sources: SIS. UFT.

Industry

Turkey has a well-developed and increasingly diversified industrial sector. Since 1995, industrial production has increased primarily as a result of the expansion of domestic demand since the second quarter of 1995. In addition, decreased import costs due to the Customs Union with the EU and an increase in investment contributed to the rapid growth of industrial production in 1997. In 1997, industrial production accounted for 25.3% of GDP and approximately 19.2% of total civilian employment.

In 1998, the implementation of a tight fiscal policy in order to control inflation led to a slowdown in economic activity. In addition, following the Russian economic crisis, real interest rates increased sharply in response to the outflow of capital. The resulting increase in the cost of financing new investment contributed to the decrease in private investment and consumption. The annual average industrial growth in 1997 was 10.4%, as compared to 2.0% in 1998. In 1998, industrial production accounted for 22.9% of GDP and approximately 16.8% of total civilian employment.

In 1999, the industrial sector value added declined by 5.0%, mainly stemming from the 5.7% fall in private sector industrial production. In 1999, mining and manufacturing output declined by 7.3% and 5.7%, respectively. The earthquake that struck the northwestern part of Turkey in August 1999 adversely affected the industrial sector. In 1999, the industrial sector value added accounted for 23.2% of GDP and 17.2% of total civilian employment.

In 2000, the industrial sector value added increased by 5.6%. Such increase resulted primarily from the 10.5% increase in private sector industrial production. In 2000, the industrial sector accounted for 23.1% of GDP and 18.9% of total civilian employment.

Manufacturing and Mining. Turkey's manufacturing sector is dominated by small and medium sized firms, typically family-owned, though there are also a number of large conglomerates. Areas of specialization include textiles and ready-to-wear apparel, ceramics and glass, iron and steel, chemicals and light consumer goods. Lignite production is the predominant mining activity in Turkey.

Value added in the manufacturing industry increased by 5.9% in 2000 compared to a 5.7% decrease in 1999.

The following table presents industrial output for selected products for the periods indicated:

Table No. 5

Industrial Output

	Annual					Percentage Change			
	1996	1997	1998	1999	2000	1997/96	1998/97	1999/98	2000/1999
	(in thousands of metric tons unless otherwise indicated)					(percentage)			
Mining									
Hard Coal[1]	2,424	2,412	3.335	2,738	3,330	(0.5)	38.3	(17.9)	21.6
Lignite[1]	52,503	52,047	65,084	64,897	59,661	(0.9)	25.0	(0.3)	(8.1)
Crude Oil	3,499	3,428	3.224	2,939	2.748	(2.0)	(5.9)	(8.9)	(6.5)
Manufacturing									
Filtered Cigarette	71	72.417	121,719	119,291	122,929	2.4	68.1	(2.0)	3.0
Raki & Beer	763	796	769	748	759	4.2	(3.3)	(2.7)	1.4
Newsprint	74	60	10	68	128	(19.3)	(83.1)	574.6	87.0
Craft Paper	57	59	54	37	41	4.0	(8.7)	(31.9)	13.0
Sulfuric Acid	623	788	1,007	832	659	26.4	27.9	(17.4)	(20.8)
Polyethylene	299	292.587	223,444	216,537	224,592	(2.3)	(23.6)	(3.1)	3.7
PVC+PCC Comp	203	189,239	199.645	191,327	176,631	(6.6)	5.5	(4.2)	(7.7)
LPG	452	799	839	772	712	76.7	5.1	(8.0)	(7.8)
Naphtha	1,609	1,639	1,979	1,963	1,910	1.9	20.7	(0.8)	(2.7)
Gasoline	3,373	3,940	3,713	3,412	2,758	16.8	(5.8)	(8.1)	(19.2)
Gas Oil	7.485	7.406	8.024	7.932	6,919	(1.1)	8.3	(1.2)	(12.8)
Fuel-Oil	7.408	7.185	6,708	6,584	6.532	(3.0)	(6.6)	(1.9)	(0.8)
Bottles & Glass Articles	603	740	1,168	1.066	1,142	22.7	57.8	(8.7)	7.1
Crude Iron	5.263	5.567	5.087	5.181	5.333	5.8	(8.6)	1.8	2.9
Steel Ingot	13,382	13,644	13.166	13,816	13,596	2.0	(3.5)	4.9	(1.6)
Blistered Copper	30,341	32,491	52.899	43,408	29,951	7.1	62.8	(17.9)	(31.0)
Alumina	159,298	164,333	157.082	159,122	161,228	3.2	(4.4)	1.3	1.3
Cement	35,214	36,035	36.590	34,216	36.237	2.3	1.5	(6.5)	5.9
Tractor	45,656	48,681	54,332	24,864	35,908	6.6	11.6	(54.2)	44.4
Automobile	196,176	236,419	221,218	222,119	305,603	20.5	(6.4)	0.4	37.6
Truck	29,516	43.618	30.900	13,086	28.327	47.8	(29.2)	(57.7)	116.5
Bus and Minibus	18,612	25,072	35,562	31,545	46,841	34.7	41.8	(11.3)	48.5
Energy									
Electrical Energy	95,373	103.150	110.990	116.441	124.948	8.2	7.6	4.9	7.3
Value Added in Industry (At 1987 Prices)	29.743	32,835	33,494	31,814	33,602	10.4	2.0	(5.0)	5.6

(1) Pithead production.

(2) Annualized figures includes public sector.

Sources: SIS, SPO.

Energy. Geographically, Turkey is in close proximity to 70% of the world's energy resources. In 2000, Turkey imported 65.5% of its total energy requirements. In 2000, petroleum imports constituted 40.2% of total energy consumption. In addition, Turkey imported 19,764 million metric tons oil equivalent of coal and natural gas in 2000.

In 1989, approximately 64% of Turkey's crude oil imports came from Iraq. Subsequent to the UN's embargo on Iraq, Turkey met its oil import needs from other sources, principally Saudi Arabia and Iran, although the cost (including transportation costs) of such imports increased substantially. Since 1995, Iraq has been permitted to sell a limited amount of oil in exchange for food, medicine and other humanitarian products. In 2000, 11.9% of Turkey's total crude oil imports originated from Iraq compared to 20.8% in 1999.

The following table presents Turkey's oil imports by source for the years indicated:

Table No. 6

Oil Imports

	1996	1997	1998	1999	2000
		(in millions of metric tons)			
Iran	5,032	4,155	4,471	4,754	3,793
Libya	2,767	3,509	3,276	3,644	3,594
Saudi Arabia	9,585	5,476	5,441	3,630	3,726
Syria	1,632	2,816	2,207	2,137	2,218
Algeria	1,653	1,188	1,019	682	—
Egypt	1,327	2,058	2,280	99	—
Iraq	197	3,613	3,108	4,775	2,587
Kazakstan	—	—	992	723	273
Russian Federation	721	521	863	2,493	2,224
Mexico	—	—	77	—	—
Tunisia	—	—	—	44	—
Others	—	—	—	—	3,256
Total Crude Oil Imports	**22,916**	**23,337**	**23,735**	**22,984**	**21,671**
Petroleum Products Imports	5,094	4,603	5,023	5,585	8,622

Source: Ministry of Energy and Natural Resources.

Energy development and power generation have been priority areas for public investment. In particular, Turkey embarked on a power and irrigation project (known as "GAP") in Southeastern Anatolia in the early 1980s and is currently developing hydroelectric sources. The project region covers an area of 27,340 square miles, which is approximately 9.5% of the total area of Turkey. GAP is a combination of 13 major installations primarily for irrigation and hydroelectric power generation. The project includes the construction of 22 dams and 19 hydroelectric power plants on the Euphrates and the Tigris rivers and their tributaries. It is planned that upon completion of the GAP project scheduled for 2010, approximately 1.8 million hectares (4.47 million acres) of land will be irrigated, and its power generating capacity will be approximately 7,500 MW. The total cost of GAP is expected to be $32 billion (excluding expropriation and overhead costs). The installed capacity of GAP hydropower plants in operation was 5,463 MW as of December 31, 2000 (73% of the total generating capacity of GAP project). In addition, as of December 31, 2000, 12% of the total irrigation was completed, 9% was under construction and 79% was at final design level.

The BOT Model is a project development and financing model whereby private sector sponsors make equity investments in a private entity (the "Project Company") to which the Government also contributes and which is established solely for the purpose of implementing the project. The Project Company builds the project, operates it for a period of time sufficient to generate the envisaged return and then transfers it to the Government. The application of the BOT Model to energy production rests upon Law No. 3096, which was enacted in 1984. This law administers the assignment of the production, transmission, distribution and marketing of electricity to private entities other than the Turkish Electricity Company (TEAŞ) and the Turkish Electricity Distribution Company (TEDAŞ). Under this law, companies are allowed to generate, transmit and distribute electricity nationwide and sell electricity to TEDAŞ and TEAŞ. A standard BOT contract has a term of up to 99 years, after which ownership of all assets is transferred to the Government at no cost.

The BOO Model was also developed for energy production projects. The BOO Model allows private investors to finance, build and operate power plants without the required transfer to the Government. The current legal framework in Turkey allows private companies to construct new power plants either under the BOT Model or the BOO Model.

The TOOR Model permits private companies to operate existing power plants by acquiring their operational rights. Private companies are allowed to operate available power plants by receiving their operational rights under the TOOR Model. In order to implement the transfer of operating rights of distribution facilities, Turkey is divided into 29 regions based on energy consumption and levels of industrialization. In four of the regions, the transfer of distribution facilities has already taken place. Feasibility reports were collected from private investors regarding the transfer of the distribution facilities in the remaining 25 regions. Transfer of the facilities was cancelled in five of the regions. In five of the remaining 20 regions, studies for the transfer of operating rights are ongoing. Transfer committees have been established for four regions. Energy sales agreements have yet to be signed for two regions.

Natural Gas

Turkey is utilizing natural gas to an increasing extent, both from its own reserves and from abroad, having established long-term purchase agreements with the Russian Federation and other countries. In 2000, primary natural gas supply amounted to 15.46 bcm or approximately 18% of the total energy supply. In addition, two power plants, Hamitabat and Ambarli in Thrace, have been producing electricity from natural gas since 1987 and 1988, respectively. The use of natural gas by the industrial sector began in 1989 and natural gas was first supplied to Ankara for residential and commercial purposes in 1988. At present, natural gas is used in Istanbul, Ankara, Bursa, Izmit and Eskişehir.

Turkey began importing natural gas from the former Soviet Union in 1987. Under an agreement signed in 1996, Turkey (through TURUSGAZ, a BOTAŞ, GAZPROM, GAMA joint venture) agreed to purchase 14 bcma of natural gas from the Russian Federation. Moreover, an agreement was signed with the Russian Federation in 1997 to import 16 bcma of natural gas by a pipeline beneath the Black Sea.

In order to diversify the natural gas supply sources and increase the supply security of Turkey, Turkey and Algeria entered into a 20-year term LNG Purchase Agreement in 1998. The volume of LNG imports from Algeria increased from two bcma to four bcma in 1995. In addition, BOTAŞ and Nigeria signed an LNG Sale and Purchase Agreement in 1995 for 1.2 bcma natural gas equivalent of LNG. In 2000, 10.08 bcma of natural gas was imported from the Russian Federation while 3.96 bcm and 0.78 bcm of natural gas equivalent of LNG was imported from Algeria and Nigeria. Turkey has also entered agreements with Iran, Turkmenistan, Azerbaijan, Egypt and Iraq for the purchase of natural gas. Planning studies show that natural gas demand in Turkey will be 55.0 bcm in 2010 and 83.0 bcm in 2020. In order to meet the demand, BOTAŞ continues to conduct studies, monitor supplies and negotiate agreements with suppliers of natural gas and LNG.

Turkey will require 130 billion kilowatt-hours (kWh) of electricity annually in 2001 and an annual increase of 8% in demand for power is expected in the next 20 years. In order to provide cost effective, high quality and reliable energy, the Government intends to establish new power plants which will add approximately 3500-4500 MW production capacity annually and additional transmission and distribution systems. Several models such as the BOT Model, the BOO Model and the TOOR Model have been developed to provide effective means to attract foreign and domestic investment to develop energy generation companies.

Under the BOO Model, contracts have been signed for four natural gas fired and one imported coal fired power plant with a total capacity of 5380 MW. The plants will be commissioned by 2003 with an investment amount of $3.5 billion. Four of the plants are currently under construction.

Under the BOT Model, as of December 2000, 12 hydroelectric power plants, four natural gas power plants and two wind power plants have been commissioned. Total installed capacity of these 18 plants is approximately 1985 MW. Four additional hydroelectric power plants, with an installed capacity of 292 MW, are currently under construction. In addition, 29 power plants will be constructed pursuant to Law No. 4628 (Electricity Market Law). Moreover, three wind energy plants have been commissioned. The wind energy plants are the 1.5 MW Çeşme-Alçat, the 7.2 MW Çeşme-Alaçat and the 10.2 MW Bozcaada Wind Power Plant.

Under the TOOR Model, tenders for nine thermal power plants (Çay rhan, Kangal, Orhaneli, Çatala z -B, Tunçbilek, Yata an, Yeniköy-Kemerköy, Soma A-B and Seyitömer) with an installed capacity of 5330 MW have been completed. The Board of Council of State decided in principle to cancel the Council of Ministers Decree for Orhaneli, Çatala z -B and Soma A-B power plants. In addition, the Council of Ministers approved the TOOR

Model contracts for the power plants from the Turkish Electricity Generation Company (TEAŞ) to entrustment companies.

The autoproduction model, which is aimed at enabling the private sector to meet its own power and steam generation requirements, is also under development. At present, 87 autoproducer plants generate an annual power output of 16.4 billion kWh with an installed capacity of 2381 MW. Agreements have already been finalized for 67 autoproducer applications with a total capacity of 2135 MW. In addition. 296 applications with a total capacity of approximately 14500 MW are under evaluation.

Electricity

On February 20, 2000, the Electricity Markets Law was enacted in order to introduce and expand competition with a more transparent structure, to encourage private sector investments, and to ensure reliable, high-quality and low-cost electricity supplies to the consumers. All generation. transmission, distribution and wholesale and retail activities concerning electricity are regulated in accordance with the Electricity Markets Law.

Turkey has already established interconnections to import electricity with Azerbaijan (Nahcievan), Armenia, Iraq, Syria, Iran, Bulgaria, and Georgia through existing interconnections. Electricity is imported to Turkey through the interconnections in Iran, Bulgaria and Georgia while the Nahcievan interconnection is used for the export of energy. To efficiently utilize the interconnections, Turkey participates in various regional and inter-regional interconnection programs including the following: The East-West European Interconnection, the Southeast Interconnection, the Mediterranean Interconnection, the Five Countries Interconnection (between Turkey, Syria, Jordan, Iraq and Egypt), the Black Sea Countries Interconnection, the Caucasus Countries Interconnections, and the East-West corridor (including high voltage lines to connect Republic of Macedonia with Albania and Bulgaria).

On August 11, 1999, a declaration of common intent was announced for the construction of a 400 kV interconnection line between Turkey and Greece. Project studies among Turkey, Bulgaria, Yugoslavia and Greece determined that the combination of the Turkish Power System with the West and Central European Systems (UCTE and CENTREL) over the Balkan countries was feasible and beneficial. As a result, routing studies of the Turkey-Greece Interconnection line were commenced and border-crossing points were established on March 1, 2001. In addition, pursuant to the Long Term Contract of May 5, 1999 between TEAŞ and the Bulgarian National Electricity Company (NEK), Turkey will purchase four billion kWh per year electrical energy from Bulgaria during the period 2001-2008. In return for its purchase of electrical energy. Turkish companies will be permitted to participate in infrastructure projects in Bulgaria. The contract also calls for the construction of an additional 400 kV interconnection line between Turkey and Bulgaria. The Egypt, Iraq, Jordan, Lebanon, Syria and Turkey Interconnection (formerly known as the Five Countries Interconnection Project (Egypt, Iraq, Jordan, Syria and Turkey)), continues to move forward. The Turkish-Syrian part of the Project is planned to be completed by the end of 2001. and the entire project is expected to be completed in 2002. The interconnections between Egypt-Jordan and Jordan-Syria became operational in 1998 and 2001, respectively.

Baku-Tblisi-Ceyhan Pipeline

Negotiations to construct the Baku-Tblisi-Ceyhan pipeline (the "BTC Pipeline") were finalized in October 2000 in Ankara with the signing of Host Governmental Agreements and other commercial agreements. The BTC Pipeline will be a 1,730 kilometer pipeline for transferring petroleum resources from Baku, the capital of Azerbaijan. in the oil-rich Caspian region. to Ceyhan, Turkey, on the Mediterranean coast, via Tblisi, Georgia. The pipeline is expected to be completed by the end of 2004 and commissioned in early 2005 following any necessary testing.

The BTC Pipeline is expected to provide a secure alternative route for petroleum transportation. The current route utilizes existing pipelines through the Russian Federation (across the Caucasus region) to Novorosisk. Russia. on the Black Sea coast, where it is transferred through the Bosphorus and the Dardanelles.

The following table presents Turkey's energy supply (by resource) for the years indicated:

Table No. 7

Energy Supply

	1996		1997		1998		1999		2000	
	MTOE[1]	% of total	MTOE[1]	% of total	MTOE[1]	% of total	MTOE[1]	% of total	MTOE[1]	% of total
Domestic Production										
Petroleum	3.7	5.3	3.6	4.9	3.4	4.6	3.1	4.0	2.9	3.7
Coal	12.3	17.7	13.1	17.9	14.0	18.8	13.3	17.3	14.6	18.4
Hydroelectric	3.5	5.0	3.4	4.6	3.6	4.9	3.0	3.9	2.7	3.3
Natural gas	0.2	0.3	0.2	0.3	0.5	0.7	0.7	0.9	0.6	0.8
Other	7.3	10.5	7.3	10.0	7.4	10.0	7.0	9.2	6.8	8.5
Total	**27.0**	**38.9**	**27.6**	**37.7**	**28.9**	**38.8**	**27.1**	**35.3**	**27.6**	**34.7**
Imports										
Petroleum	29.5	42.5	29.4	40.2	30.3	40.8	33.3	43.3	32.0	40.2
Coal	7.5	10.8	8.9	12.1	8.8	11.8	7.8	10.2	6.3	7.9
Electricity	0.0	0.0	0.2	0.3	0.3	0.4	0.2	0.3	0.3	0.4
Natural gas	7.3	10.5	9.0	12.3	9.3	12.5	11.2	14.6	13.4	16.8
Total	**44.3**	**63.9**	**47.5**	**64.9**	**48.6**	**65.5**	**52.5**	**68.4**	**52.0**	**65.3**
Exports										
Petroleum[2]	2.3	3.3	2.2	3.0	3.0	4.0	3.4	4.4	0.0	0.0
Electricity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**2.3**	**3.3**	**2.2**	**3.0**	**3.0**	**3.2**	**3.4**	**4.4**	**0.0**	**0.0**
Stock changes	0.3	0.4	0.5	0.7	(0.1)	(0.1)	0.5	0.7	0.0	0.0
Statistical error	0.1	0.1	(0.2)	(0.3)	(0.2)	(0.2)	0.0	0.0	0.0	0.0
Total Supply	**69.4**	**100.0**	**73.3**	**100.0**	**74.2**	**100.0**	**76.7**	**100.0**	**79.6**	**100.0**

(1) Million metric tons of oil equivalent. Calorific unit of energy is taken as 860 kcal/10 kwh.

(2) Includes marine bunkers.

Source: Ministry of Energy and Natural Resources.

Agriculture

Although the relative role of agriculture in Turkey's economy has declined over the last decade, it remains an important sector. Moreover, agriculture plays an important role in supplying products to, and creating demand for, products of other sectors. Turkey's principal agricultural products include wheat, sugar beet, barley, tobacco, grapes, figs and hazelnuts.

Agriculture is one of the sectors that is targeted for structural reform under the Stand-By Arrangement with assistance from the World Bank. Agricultural sector changes were significant in 1999, affecting pricing policy, support purchases and subsidies. Wheat prices were set closer to market rates and such prices will be set at market prices by 2002 (in conjunction with the start of the direct income support system), while tobacco and sugar beet price support purchases declined from 1998. The Government plans next to reduce the price it pays for tobacco to market rates and to privatize the tobacco industry in the medium term. The state sugar company is currently preparing to become part of the EU's regulatory regime.

These changes are part of the Agricultural Reform Investment Project (the "Agricultural Project") which is scheduled to begin in 2001 and use $600 million in funds from the World Bank. The Agricultural Project has four components: direct income support to farmers rather than price supports; some degree of choice among farmers as to the crops they will grow; an end to government transfers to agricultural cooperatives and unions; and a public information campaign.

In 2000, agricultural value added increased by 4.1%, compared to a 5.0% decrease in 1999. Agriculture accounted for approximately 14.5% of GDP and 32.8% of civilian employment in 2000.

Although agricultural production in Turkey is generally less efficient than elsewhere in Europe, Turkey is largely self-sufficient in foodstuffs. Moreover, there have been significant improvements in the quality and productivity of its crops. These crops, such as barley, wheat, maize and soya, have become more readily marketable abroad and are relatively easy to store. In addition, increased grain production has had a positive impact on animal husbandry, since surplus maize is used as animal feed.

Upon completion of the GAP project scheduled for 2010, a total of approximately 1.8 million hectares (4.47 million acres) of land are expected to be irrigated. See "— Energy."

Table No. 8

Agricultural Output

	Annual					Percentage Change			
	1996	1997	1998	1999	2000	1997/96	1998/97	1999/98	2000/99
	(in thousands of metric tons)					(percentage)			
Cereals									
Wheat	18,500	18,650	21,000	18,000	21,000	0.8	12.6	(14.3)	16.7
Barley	8,000	8,200	9,000	7,700	8,000	2.5	9.8	(14.4)	3.9
Maize	2,000	2,080	2,320	2,297	2,300	4.0	11.5	(1.0)	0.1
Pulses									
Lentils	645	515	540	380	353	(20.2)	4.9	(29.6)	(7.1)
Chick Peas	732	720	625	560	548	(1.6)	(13.2)	(10.4)	(2.1)
Dry Beans	230	235	236	237	230	2.2	0.4	0.4	(3.0)
Industrial Crops									
Sugar Beet	14,383	18,553	22,283	16,854	18,781	29.0	20.1	(24.4)	11.4
Cotton	804	810	876	886	865	0.8	8.2	1.1	(2.4)
Tobacco	232	286	251	251	208	23.3	(12.5)	0.3	(17.0)
Oil Seeds									
Cotton	1,285	1,295	1,400	1,415	1,381	0.8	8.1	1.1	(2.4)
Sunflower	780	900	860	950	800	15.4	(4.4)	10.5	(15.8)
Groundnut	80	82	90	95	78	2.5	9.8	5.6	(17.9)
Tuber Crops									
Potatoes	4,950	5,100	5,250	6,000	5,370	3.0	2.9	14.3	(10.5)
Dried Onions	1,900	2,100	2,270	2,500	2,200	10.5	8.1	10.1	(12.0)
Fruit Bearing Vegetables									
Watermelons and Melons	5,800	5,550	5,815	5,725	5,805	(4.3)	4.6	(1.5)	1.4
Tomatoes	7,800	6,600	8,290	8,956	8,890	(15.4)	25.6	8.0	(0.7)
Fruits and Nuts									
Grapes and Figs	3,990	3,943	3,855	3,675	3,840	(1.2)	(2.2)	(4.7)	4.5
Citrus Fruits	1,820	1,433	1,944	2,263	2,222	(21.3)	35.6	16.5	(1.8)
Hazelnuts	446	410	580	530	470	(8.1)	41.5	(8.6)	(11.3)
Apples	2,200	2,550	2,450	2,500	2,400	15.9	(3.9)	2.0	(4.0)
Olives	1,800	510	1,650	600	1,800	(71.7)	223.5	(63.6)	200.0
Tea	600	752	979	1,096	758	25.3	30.1	12.0	(30.8)
Value Added In Agriculture									
(at 1987 prices, billion TL)	15,284	14,927	16,176	15,369	16,005	(2.3)	8.4	(5.0)	4.1

Source: SIS.

Services

The services sector, which, accounted for approximately 62.4% of GDP in 2000 (compared to 61.5% in 1999) and 48.3% of total civilian employment (compared to 42.3% as of October 1999), is composed of a wide range of activities including construction, wholesale and retail trade, tourism, transport and communications, as well as finance and commerce, health, education and social services. In 2000, value added in the services sector increased by 8.7%, compared to a 4.5% decline in 1999. The increase in the services sector was attributable to increases in the trade, construction and transportation sectors.

Trade

From 1995 to 1997, the domestic trade sector grew significantly, primarily as a result of the expansion of domestic demand. In 1997, the wholesale and retail trade sector registered growth of 11.6%. In 1998, however, due to the tight fiscal and income policies pursued by the Government and the effects of the Russian and Asian crises on the global economy, domestic demand and output contracted significantly. This, in turn, contributed to the decline in wholesale and retail trade, which grew by only 1.4% in 1998. As the contraction in domestic demand and output continued in 1999, the value added in trade declined by 6.8% in 1999.

As a result of the sharp increase in domestic demand, wholesale and retail trade value added grew by 11.6% in 2000. Wholesale and retail trade accounted for 20.0% of GDP in 2000, compared to 19.1% in 1999.

Tourism

Tourism has become a major growth sector in Turkey's economy, has contributed significantly to foreign exchange earnings, and has generated demand for other activities including transportation and construction. Government policy has been to support and promote growth in the tourism sector in Turkey by expediting improvements in infrastructure and by facilitating private investment in this sector, including both foreign and domestic investment.

While tourism revenues decreased by 27.5% and reached $5.2 billion in 1999, in 2000, tourism revenues increased by 46.8% and reached $7.6 billion. This represented approximately 3.8% of GDP in 2000. OECD countries, Turkey's principal source of visitors, accounted for 61.7% of total tourist arrivals in 2000.

The following table presents overall tourist arrivals, receipts and the percentage increase in receipts for the years indicated:

Table No. 9

Tourism

Year	Total Arrivals (in thousands)	Total Receipts (in millions of dollars)	% Increase in Total Receipts
1996	8,531	5,650	14.0
1997	9,713	7,002	23.9
1998	9,431	7,177	2.5
1999	7,487	5,203	(27.5)
2000(1)	10,428	7,636	46.8

(1) Provisional.

Sources: SIS, CBT.

Transport and Communications

Modernization of transport and communications has been a priority of the public sector in the past decade, and since 1996 this sector has received, on average, approximately 35% of total public sector investment. Including private sector investments in transport, approximately 26% of gross fixed capital formation has been allocated to transportation and communication since 1996.

Major projects have included the construction of motorways, the modernization of the Turkish Airlines fleet, the expansion of airports and air traffic control systems, railway improvement, and the continuing improvement of road standards to a higher load/axle basis in intensive traffic areas. Modernization of the telecommunications system has extended the telephone service throughout the country.

The most significant project currently underway in the transport and communications sector is the 580-mile Turkish section of the Trans-European highway, part of which is an express highway between Istanbul and Ankara. The highway seeks to exploit Turkey's strategic location for trade between Europe and the Middle East.

Construction

The importance of the construction sector is underscored by the role of housing, particularly the activities of the Mass Housing Fund and, previously, the Public Participation Administration, development of industrial facilities and commercial buildings, and implementation of public infrastructure improvements.

In 1998, the tight fiscal and income policies and the resulting contraction in demand and output also affected the construction sector. The growth rate in the construction sector declined by 0.7% in 1998 as compared to a growth rate of 5.0% in 1997. The construction sector's growth rate further declined by 12.5% in 1999 as a result of a slowdown in economic activity resulting from the earthquakes in 1999. Value added in the construction sector grew by 5.8% in 2000 mainly due to an increase in economic activity.

Employment and Wages

The total civilian labor force in Turkey comprised 21.5 million people as of the last quarter of 2000. Turkey has a large reservoir of unskilled and semi-skilled workers. Turnover of the labor force has been high in certain industries, particularly those that are labor-intensive. During the period from 1994 to October 2000, the total civilian labor force increased at an average annual rate of approximately 0.66%. The Employment and Training Project, a project implemented in 1993, which trains the unemployed and provides them employment guarantees through the Labor Placement Office, trained 84,957 people by the end of 2000.

Total civilian employment was 20.2 million in the last quarter of 2000, of whom approximately 32.8% were employed in agriculture, 18.9% in industry and 48.3% in services. This represented a decrease of 4.7% employees from 1999, principally due to the contraction in the economy. Moreover, in 2000, the labor force participation rate decreased to 49.2% from 53.0% in 1999.

Legislation (Law No. 4325) was enacted in 1998 with the objective of encouraging the private sector to create new employment opportunities in the less developed regions. The legislation includes provisions that allow for the payment of the employer's share of an employee's social security premiums by the Treasury and reductions and deferrals of income taxes for employers and employees.

In 2000, there were approximately 660,000 public sector workers and approximately 1.9 million civil servants, compared to 719,000 public sector workers and 1.9 million civil servants in 1999. At the end of 2000, the rate of unemployment was 6.3%, compared to a 7.4% rate of unemployment in October 1999.

The following table sets forth information with respect to the labor force and employment in Turkey for the dates indicated:

Table No. 10

Employment

	October 1996	October 1997	October 1998	October 1999	IV Quarter 2000
			(in thousands)		
Civilian labor force[1]	22,077	21,796	22,929	22,926	21,547
Civilian employment[2]					
Agriculture	8,977	7,789	8,777	8,595	6,628
Industry	3,386	3,888	3,614	3,664	3,811
Services	8,343	8,568	9,000	8,976	9,743
	20,707	20,247	21,909	21,236	20,182
Unemployed[3]	1,370	1,549	1,536	1,689	1,366
Unemployment rate(%)	6.2	7.1	6.7	7.4	6.3

(1) Civilian labor force is defined to include individuals over the age of 12 who represent labor available for the production of goods and services (employed and unemployed). According to the SPO, in calculating the civilian labor force, there have historically been difficulties in obtaining statistical information in rural areas. The SPO attributes a portion of the decrease in the civilian labor force from 1996 to 1997 to the rise in the school enrollment ratio due to the increase in mandatory primary education from five to eight years. See " – Education."

(2) Civilian employment is defined to include individuals over the age of 12 who have remunerative employment and who worked for at least 40 hours per week at the time of the survey in the public or private sectors or civil servants.

(3) Unemployment is defined as available non-working individuals over the age of 12 who were actively seeking employment at the time of the Household Labor Force Survey from which the relevant employment statistics were derived.

Sources: SIS, SPO.

The collective bargaining system in Turkey covers workers in the public and private sectors. The public sector is defined to include state-owned enterprises, but not the civil service, which includes teachers and government employees. The number of employees covered by collective bargaining agreements decreased to approximately 1.0 million in 1999 from 1.3 million in 1997 (collective bargaining agreements are renewed every two years). One of the main reasons for this decline was the decrease in the number of public sector workers covered by collective bargaining agreements to 508,000 in 1999 from 580,000 in 1997. In addition, by contracting out certain services, municipalities contributed to the decline in the number of employees covered by collective bargaining agreements. In 2000, the number of public sector workers covered by the collective bargaining agreements remained approximately the same as 1999. Salaries of civil servants who are not covered by the collective bargaining system are increased two or three times a year by the Government, taking into account the prevailing conditions in the economy.

On March 27, 1999, the Government reached a two-year employment agreement with the public sector worker's union. The agreement increased public sector wages by 39.1% for the first half of 1999 and 31.7% for the second half of 1999. The nominal wages (net) in the public sector increased by approximately 134.3% while those of the workers in the private sector who are covered by collective bargaining agreements increased by 84.0% in 1999. Net real wages (deflated by consumer prices) increased by 42.0% in the public sector, while net real wages in the private sector increased by 11.6% as compared to 1999. In 2000, nominal wages (net) in the public sector increased by approximately 65.7% while nominal wages of the workers in the private sector who are covered by collective bargaining agreements increased by 56.5% in 2000. Net real wages in the public sector increased by 6.8% while net real wages in the private sector increased by 1.0% in 2000.

In 2000, labor costs in the public sector increased by 82.9% in nominal terms and 20.9% in real terms. During the same period, labor costs in the private sector increased by 71.8% in nominal terms and by 13.4% in real terms.

The annual nominal average increase in civil servants' salaries (net) was 37.1% in 2000. This represented an 11.7% decrease in real terms as compared to 1999. The increase in labor costs (including salaries and benefits) for civil servants in 2000 was 33.7% in nominal terms and –11.7% in real terms. The minimum wage (net) increased by 32.3% on an annual average basis in 2000, which resulted in a decrease of 14.6% in real terms.

The following table sets forth the real and nominal changes in costs of labor to public and private employers from the prior year for the public and private sectors and civil servants for the years indicated:

Table No. 11

Changes in Labor Costs[1]

	Public Sector		**Private Sector[2]**		**Civil Servants**	
	Nominal	**Real**	**Nominal**	**Real**	**Nominal**	**Real**
			(percentage change)			
1996	38.2	(21.5)	85.1	5.2	100.6	14.0
1997	135.6	29.6	87.3	3.0	110.5	15.8
1998	72.8	0.6	99.5	16.1	77.7	3.4
1999	108.3	36.1	76.4	15.2	69.5	10.7
2000	82.9	20.9	71.8	13.4	33.7	(11.7)

(1) Deflated by the WPI. Labor costs presented in this table include costs of employment in addition to wages.

(2) Figures represent a selective sample of wages covered by the collective bargaining agreements between T SK, the confederation of employer unions, and trade unions.

Source: SPO.

The Constitution recognizes the rights of workers and employers to form labor unions, employers' associations and other organizations in order to safeguard and develop their economic and social rights and the interests of their members, consistent with the characteristics of the Republic as defined in the Constitution and with democratic principles. A series of constitutional amendments adopted in 1995 removed certain restrictions on activities of trade unions and associations, including restrictions on direct political activity, contributions from and to political parties and collective activity with other associations, foundations and professional organizations. In addition, the right of civil servants to establish trade unions was recognized.

The Constitution also stipulates, however, that the right to strike and to engage in lockouts are not to be exercised in a manner contrary to the principle of good faith, to the detriment of society or in a manner damaging to national wealth. Workers have the right to strike if a dispute arises during the collective bargaining process. Law No. 2822, enacted in 1983 to regulate collective labor agreements, strikes and lockouts, defines a lawful strike as one with the object of safeguarding and improving the economic and social conditions of workers. This law also expands the definition of unlawful union activity to include strikes for political purposes, general strikes, deliberate reduction of production and occupation of the workplace, while imposing strict regulations on workers' conduct during a strike.

As of July 2000, approximately 2.5 million workers were members of a trade union, compared to 3.0 million workers in 1999. The total number of workers was 4.5 million in 2000.

Inflation

In 1996, the State Institute of Statistics introduced revised indices for measuring consumer and wholesale price inflation in order to reflect the general social, economic and cultural changes in Turkey, some of which resulted from the change in the nature and ownership of production through the privatization of the SEEs. These changes cumulatively rendered the shares of public and private sectors and the commodity weights used in the old indices (in which the base year was 1987) less accurate indicators of the economy. Relative to the old indices, the new indices (in which the base year is 1994) have lower weightings for agricultural, mining and energy components and higher weightings for manufactured products. Wholesale price inflation in December 1995 over December 1994 using the new index was 65.6% (compared to 64.9% using the old index). Consumer price inflation in December 1995 over December 1994 using the new index was 76.0% (compared to 78.9% using the old index). Wholesale price inflation and consumer price inflation at year-end 1997 stood at 91.0% and 99.1%, respectively, compared with 84.9% and 79.8%, respectively, at year-end 1996.

In July 1997, the Government announced a program of stabilization policies and structural reforms beginning in 1998 in order to address chronic inflation which the Government stated was due in large part to the size of Turkey's budget deficit. As part of this program, public sector prices were adjusted. In addition, an anti-inflation protocol, which gives the Central Bank more independence by allowing it to determine interest rates and monetary policy while restricting the Treasury's ability to borrow from the Central Bank to finance deficits, was signed between the Treasury and the Central Bank.

In June 1998, the Government entered into a Staff Monitored Program (the "SMP") with the IMF, under which the IMF staff will monitor Turkey's economic performance on a quarterly basis. See "Financial System — Monetary Policy." In 1998, tight fiscal and income policies, a contraction in domestic demand and controlled increases in wages, salaries and agricultural support prices contributed to the decline of wholesale price inflation and consumer price inflation to 54.3% and 69.7%, respectively, by the year-end. The fall in oil and other non-oil commodity prices also helped to reduce inflation.

Wholesale price index inflation continued to decline to 48% in March 1999, which was the lowest level in the past eight years. However, it accelerated through the rest of 1999 primarily due to rising public sector prices and oil prices. In 1999, the WPI increased at a rate of 62.9% and the consumer price index increased at a rate of 68.8% as compared to 54.3% WPI growth and 69.7% CPI growth in 1998.

Inflation rates remained high during the first two months of 2000. This was primarily due to severe winter conditions, the rise in international oil prices, the pass-through impact of the acceleration of public sector price adjustments and the rapid depreciation of the Turkish Lira in the last two months of 1999. After the impact of such temporary factors diminished and implementation of the disinflation program strengthened the confidence in macroeconomic policies, monthly price increases slowed considerably in March 2000. As a result, at the end of the year 2000, the wholesale price index and the consumer price index decelerated to 32.7% and 39.0%, respectively.

The following table presents the percentage changes in wholesale and consumer prices for the years indicated:

Table No. 12

Inflation[1]

Year	Wholesale Price Index	Consumer Price Index
	(percentage change)	
1996	84.9	79.8
1997	91.0	99.1
1998	54.3	69.7
1999	62.9	68.8
2000	32.7	39.0

(1) Base year = 1994.

Source: SPO.

Education

According to the State Planning Organization, total student enrollment in the educational year 1999-2000 was 14.0 million of which 71.9% were in elementary school, 10.8% were in high school, 6.7% were in vocational and technical school and 10.7% were in university. The adult literacy rate has increased sharply from 67.5% to 85.7% between 1980 and 1999.

In August 1997, the Assembly enacted a bill to increase mandatory primary state education from five years to eight years, commencing in the educational year 1997-1998, in order to improve the education level of the population and to limit effectively enrollment in religious schools. The bill was one of a number of reforms intended to reinforce the secular nature of the Constitution. In order to finance the educational reform, a higher level of educational expenses was necessary. To meet these expenditures, new fees and taxes were imposed on weapon licenses, cellular telecommunications and airline ticket purchases.

Environment

During the 1990s, Turkey experienced increasing environmental pressures, resulting from rapid sectoral growth in energy, industry, transport and tourism, as well as rapid urbanization. Among these environmental pressures, Turkey experienced industrial and urban pollution, deforestation, erosion, and water, air and noise pollution, particularly in urban areas, such as Istanbul, Ankara, Izmir, Kocaeli, Mersin and Adana.

The Ministry of Environment, which is empowered to enforce environmental laws and regulations by imposing fines, ordering the closing of facilities polluting beyond certain thresholds and, in some cases, imposing civil and criminal sanctions, was formed in 1991. Turkey has made significant advances in the second part of the 1990s by reforming its environmental legislation, establishing an "Environmental Impact Assessment" process, and adopting the 1998 National Environmental Strategy and Action Plan. Provincial and local governments now exercise more power with regard to environmental issues. There are 81 provincial offices of the Ministry of Environment. In addition, the Supreme Environmental Board, which is comprised of senior government officials, was established in 1996.

The Government has taken various initiatives to alleviate pollution, including projects to address water, soil, air and noise pollution. As a result of the rapid growth of urban centers, there are still many areas that lack adequate infrastructure to alleviate pollution. Environmental departments have been established in municipalities to address the particular problems of each locality.

Partnership arrangements and other agreements have been made with private sector groups, including the cement, automobile, textile, sugar, and leather industries, for early compliance with environmental legislation. Considerable progress has been achieved in the environmental performance of export-oriented industries, and projects have been launched for ensuring environmentally sound performance of small and medium-sized enterprises. Since 1994, the private sector has been given incentives to invest in environmental protection through the use of matching grants, covering up to 50% of the costs of environmental investments, and tax exemptions. Recently, the Ministry of Environment initiated a study to identify and remove environmentally harmful incentives in cooperation with other related institutions.

Turkey continues to cooperate with international environmental initiatives. Turkey has ratified 15 multilateral agreements and adopted 20 bilateral agreements since 1991. Turkey is active in regional environmental initiatives such as the Mediterranean Action Plan (1975) and the Black Sea Environment Program (1992). Through becoming a candidate country for the EU, a new phase of environmental initiatives has begun for Turkey.

During the last decade, non-governmental organizations involved in addressing environmental issues have proliferated and have actively advocated for conservation of species and habitats, protection of the marine environment and reduction of industrial pollution.

Competition Law

In December 1994, the Assembly enacted Law No. 4054, the Law to Preserve Competition (the "Competition Law"), which seeks to promote free competition, prevent excessive concentrations of economic power contrary to the public interest and avoid excessive price increases. The law prohibits arrangements, agreements and practices that seek to control the market through price fixing, market partitioning, abuse of monopoly status and demand and supply controls. The law was structured on European Union practices, and drafted to address the principles governing the Customs Union with the EU. See "Description of the Republic — International Organizations."

The Competition Council, which is associated with the Ministry of Industry and Commerce but has administrative and financial autonomy, was established on February 28, 1997 to enforce the Competition Law and initiate administrative proceedings to challenge any potential violations. In addition, the Competition Council has the power to impose civil penalties for violations of the Competition Law.

The Competition Law focuses on three main areas: (i) agreements, decisions and practices that prevent, distort or restrict competition between enterprises, (ii) the abuse of dominant position by enterprises in the market, and (iii) mergers and acquisitions by which competition would be impeded.

The Competition Law requires that all documents relating to any merger, acquisition or asset sale that may limit or otherwise restrain open competition be filed within thirty days of such transaction with the Competition Council, if such transaction would result in a 25% or greater national or regional market share for a company or if the total aggregate net sales of the parties to the transaction is equal to or greater than TL25 trillion.

The Turkish Competition Act is in compliance with EU standards and will assist with the effective implementation of the Customs Union.

Intellectual Property

In June 1995, Turkey enacted Decree in Force of Law (KHK No. 556) (the "Decree"), which brought Turkish trademark law into compliance with the requirements of three international harmonizing bodies. First, the Decree fulfills obligations under the most recent amendments to the 1883 Paris Convention (revised in Stockholm in 1967 and amended in 1979) (the "Paris Convention"), to which Turkey acceded in 1995. The Paris Convention enables citizens of member states to obtain equal protection under the laws of the other member states. It also provides citizens of a member state with a six-month period after the first registration of a trademark to register in the other member states, which are effective from the date of the first application. The Decree also incorporates provisions of the TRIPS (Trade Related aspects of Intellectual Property, a part of the World Trade Agreement) as they apply to trademarks, so as to harmonize Turkish law in terms of protection, enforcement and customs procedures designed to prevent trade in counterfeit goods. Finally, the Decree complies with the requirements of the European Community Customs Law Decision (the "Customs Law Decision"). In the area of trademark law, the Customs Law Decision requires adoption of the provisions of EC Directive 89/104, which harmonizes the laws of the member states relating to trademarks.

The Turkish Copyright Law No. 5846 (enacted in 1951, as amended in 1995 by Law No. 4110) provides protection for scientific and literary works (including computer programs), musical works, artistic works (including textile and fashion designs), cinematographic works, and derivations. Acts that the author has the exclusive right to perform, authorize or present with respect to the works mentioned above, include the rights of adaptation, reproduction, distribution, performance presentation and broadcast. This law requires a 70-year term of protection for these economic rights and also recognizes moral rights, which include the authors' right to claim authorship to the work and to object to any distortion, mutilation or other modification of their work that would be prejudicial to their honor or reputation.

The Turkish Patent Decree in Force of Law that came into effect in June 1995 provides a foundation for the issuance and protection of patents and utility model certificates in Turkey while bringing the Republic into compliance with TRIPS and the Customs Law Decision. Patent applications are administered through the Turkish Patent Institute ("Patent Institute"), a Government body established by Decree No. 544 in 1994, with financial and administrative autonomy. In 1995, the Patent Institute received over 1,700 patent applications, of which more than 1,500 were filed by foreign applicants. Turkey has also made treaty commitments to the Paris Convention for the protection of industrial property and the Patent Cooperation Treaty of 1970 (as amended in 1979 and modified in 1984). Turkey has also ratified the Strasbourg Agreement concerning international patent classification, which entered into force on October 1, 1996.

Economic Effects Related to the 1999 Earthquakes

On August 17, 1999, an earthquake measuring 7.4 on the Richter scale struck near the port city of Izmit, about 60 miles east of Istanbul, destroying many buildings and killing approximately 17,000 people. The cities hit hardest by the earthquake, Izmit, Sakarya, Bursa, Bolu, and Eskisehir, include important industrial centers. Approximately 115,000 housing units were destroyed, and infrastructure was heavily damaged in the affected areas. In Izmit, Turkey's largest oil refinery was damaged by fire. In addition, some water systems were damaged in the earthquake, and environmental harm from earthquake-induced industrial damage has not yet been assessed. The full cost of the earthquake to Turkey and its impact on Turkey's economic condition are not yet calculable with precision, although the World Bank has assessed the total financial damage caused by the earthquake in the region affected to be from $3.0 billion to $6.5 billion, equal to between 1.5% and 3.5% of GNP. The total cost of reconstruction of housing facilities damaged or destroyed by the earthquake has been estimated to be approximately $3.6 billion to $4.6 billion.

On November 12, 1999, another earthquake struck the northwestern province of Bolu, which lies halfway between Ankara and Istanbul, killing several hundred people. The province of Bolu accounts for 0.9% of Turkey's GDP. This earthquake caused further damage, which will result in further financial costs to Turkey.

A total of approximately $3.8 billion of earthquake-related external financial assistance has been committed to Turkey from various sources. Approximately $2.6 billion will be in the form of project-tied loans with soft terms such as long maturities and substantial grace periods. The IMF has provided $500 million for earthquake assistance. In addition, $1 billion has been allocated by the World Bank, EURO 600 million by the European Investment Bank, $346.5 million by the Council of Europe Development Bank, $300 million by the Islamic Development Bank, $10 million by the Black Sea Trade and Development Bank, $450 million by Japan and $60 million by Spain, which continue to be disbursed. Other financial assistance, which is expected to be disbursed beginning in 2001, includes $400 million from the Gulf Cooperation Council, $50 million from the International Finance Corporation, $30 million from Korea, $18 million from Italy and EURO 3.7 million from Belgium. Although insufficient to cover all costs associated with the earthquake's damage, these commitments are expected to provide a portion of the funding needed to begin the rebuilding process.

The Government is financing earthquake-related expenses not covered by these funds through its own revenue sources and domestic or international borrowing. To reduce the need for deficit financing, the Parliament passed a law (Law No. 4481) on November 26, 1999, including a package of measures that includes extraordinary taxes and other measures intended to increase revenues. The law (Law No. 4481) added 5% to marginal corporate and income tax rates on 1998 earnings and payroll earnings of more than TL12 billion annually. The law also implemented an additional real estate tax and a one-off additional tax on registered vehicles as well as a 25% tax on mobile telephone usage until the end of 2000. The Cabinet, pursuant to Law No. 4481 (enacted in November 1999), was authorized to increase the petroleum consumption tax to 500% from 300%. The ceiling on the petroleum consumption tax was subsequently abolished in 2000. Interest earnings from domestic treasury securities issued before December 1, 1999 are subject to additional tax at a rate of four to 19% depending on their maturity. The Government, pursuant to Law No. 4459, enacted on November 4, 1999, also obtains additional revenues by permitting citizens to pay a one-time fee rather than performing compulsory military service.

As of September 27, 2000, each residence in Turkey must be covered by earthquake insurance. A Natural Disaster Insurance Institution has been established under the supervision of the Undersecretariat of Treasury, with the goal of providing earthquake insurance at reasonable premiums. This earthquake insurance program aims to alleviate the financial burden of earthquakes on the public sector, to ensure risk-sharing by residents and to strengthen building construction standards.

FOREIGN TRADE AND BALANCE OF PAYMENTS

Foreign Trade

Turkey has increasingly diversified its export products and markets, with industrial products claiming an increasing share of total exports. From 1996 to 2000, exports increased at an average annual rate of 5.02%. The value of Turkey's exports rose from approximately $23.2 billion in 1996 to approximately $27.8 billion in 2000. In 2000, merchandise exports (including shuttle trade and transit trade) increased by 8.0% compared to 1999 and reached $31.7 billion and exports f.o.b. (excluding shuttle trade and transit trade) increased by 4.5% compared to 1999 and reached $27.8 billion.

In 2000, the trade deficit (including shuttle trade) was $22.4 billion compared to $10.4 billion in 1999. Excluding shuttle trade, the trade deficit amounted to $25.3 billion, compared to a deficit of $12.7 billion in 1999. The current account balance (including shuttle trade) produced a deficit of $9.8 billion in 2000, compared to a deficit of $1.4 billion in 1999.

The composition of exports has shifted substantially from agricultural products to industrial products. Industrial exports accounted for 85.5% of total exports in 2000 while the share of agricultural products in total exports was 7.1%. In addition to traditional export goods such as textiles and clothing products, iron and steel, glass and ceramics, products such as color televisions, electrical appliances, motor vehicles and spare parts have been gaining greater importance.

In 1996, Turkey entered into a Customs Union with the EU. Within this context, customs duties for all industrial products imported from the EU were abolished and the Common Customs Tariff of the EU was adopted. In the case of processed agricultural products, the EU and Turkey have agreed upon the establishment of a system in which Turkey differentiates between the agricultural and industrial components of the duties applicable to these products. Accordingly, Turkey has abolished the duties applicable to the industrial component for products originating in EU and EFTA countries, while duties applicable to the agricultural products still apply. However, the EU has granted customs duty concessions for a number of Turkish products, and Turkey has extended to the EU the limited concessions that it allows to EFTA countries. In addition, a free trade agreement between the EU and Turkey covering European Coal and Steel Community products came into effect in August 1996. Within the framework of this agreement, customs duties for ECSC products originating in the EU and EFTA countries were gradually decreased and were fully abolished in January 1999.

In order to comply with the common commercial policy of the EU in the textile and clothing sector, Turkey has harmonized its legislation to the EU's quota and surveillance measures for that sector. A decree on state aid has also been brought into force in line with EU state aid regulations, limiting the scope of state aid to research and development, environmental protection, market research, training activities, refunds on agricultural products and other aid compatible with Turkey's obligations under multinational agreements.

Turkey's principal trading partners have traditionally been the EU member countries. In 2000, the EU accounted for 52.5% of total exports and 48.9% of total imports. The largest total export market for Turkish products is Germany, which accounted for 18.8% of total exports in 2000.

In accordance with the Association Council Decision concerning the Customs Union, Turkey will progressively align itself with the preferential agreements of the EU by January 1, 2001. As of December 31, 1999, free trade agreements have been signed with EFTA, Israel, Hungary, Romania, Bulgaria, Lithuania, Estonia, the Czech Republic, Slovakia, Slovenia, Poland, Macedonia and Latvia. Negotiations with Croatia, Tunisia, Morocco, Egypt and the Faroe Islands are ongoing and Turkey is preparing to enter negotiations with Malta, Palestine, Mexico and South Africa. In an effort to align itself with the EU's procedures, Turkey granted Bosnia and Herzegovina the EU's unilateral concessions on June 31, 1999. Turkey is also in the process of adopting the EU's General System of Preferences towards less developed countries. Turkey's adoption of the EU's preferential agreements enables it to participate in the EU trade arrangements with Central and Eastern European and Mediterranean countries. Turkey was integrated in the Pan-European Cumulation of Origin effective as of January 1, 1999. The free trade agreements signed and the participation in the Pan-European Cumulation of Origin are expected to further diversify the composition and destination of Turkish exports.

The following table presents Turkey's total imports, exports and terms of trade for the years indicated:

Table No. 13

Terms of Trade

Foreign Trade, Value, Volume

	1996	1997	1998	1999	2000
		(in millions of dollars)			
Exports f.o.b.[1]	23,224	26,261	26,974	26,587	27,775
Imports c.i.f.[2]	43,627	48,559	45,922	40,687	54.503
Consumption goods	4,424	5,335	5,328	5,063	7,187
Capital goods	10,336	11,052	10,661	8,729	11,270
Intermediate goods	28,737	31,871	29,575	26,568	35,462
Oil	3,416	3,194	2,084	2,755	4,208
Other	25,321	28,677	27,491	23,814	13,254
Other	129	301	372	327	231
		(percent change from previous year)			
Total exports					
Value	7.3	13.1	2.7	(1.4)	4.5
Price	(4.4)	(4.7)	(4.0)	(6.8)	(4.3)
Volume[3]	12.3	18.7	7.0	5.8	9.2
Total imports[2]					
Value	22.2	11.3	(5.4)	(11.4)	34.0
Price	(6.1)	(8.7)	(4.1)	(5.5)	4.5
Volume[3]	30.0	21.9	(1.4)	(6.2)	28.2
Oil and oil products imports					
Value	22.9	1.4	(27.7)	27.9	75.8
Price	21.4	(8.7)	(35.3)	37.1	64.3
Volume[3]	1.2	11.1	11.7	(6.7)	7.0
Non-oil imports[2]					
Value	22.1	12.7	(2.7)	(15.0)	28.2
Price	(9.3)	(8.6)	0.1	(9.4)	(1.9)
Volume[3]	34.5	23.2	(2.8)	(6.2)	30.7
Terms of trade	1.7	4.4	0.1	(1.4)	(8.4)

(1) Excluding transit trade. Transit trade covers goods imported and exported to a third country without crossing the border.

(2) Excluding transit trade and non-monetary gold.

(3) Volume changes are obtained through dividing value changes by price changes.

Source: SPO and SIS.

The following table presents the composition of Turkey's exports by sector of trade for the periods indicated:

Table No. 14

Exports by Sector and Commodity

	Annual					Percentage Change			
	1996	1997	1998	1999	2000	1997/96	1998/97	1999/98	2000/1999
	(in millions of dollars)								
Agricultural and Forestry	2,454.7	2,678.9	2,699.7	2,394.2	1,973.3	9.1	0.8	(11.3)	(17.6)
Agriculture and farming of animals ..	2,449.5	2,673.7	2,693.1	2,386.0	1,966.1	9.2	0.7	(11.4)	(17.6)
Forestry and logging	5.2	5.2	6.6	8.2	7.2	1.1	25.9	25.2	(12.6)
Fishing..	26.5	33.2	17.2	37.9	24.5	25.1	(48.2)	120.6	(35.3)
Fishing..	26.5	33.2	17.2	37.9	24.5	25.1	(48.2)	120.6	(35.3)
Mining and Quarrying	227.6	404.3	363.7	385.0	400.4	77.6	(10.0)	5.9	4.0
Mining of coal, lignite and peat	0.7	0.3	0.3	0.8	1.6	(51.4)	(12.9)	172.4	104.8
Crude petroleum and natural gas ..	0.0	0.5	2.6	5.1	4.7	—	—	—	(9.5)
Mining of uranium and thorium ores ..	—	—	0.0	—	—	—	—	—	—
Metal ores	118.0	147.8	110.7	112.1	127.5	25.3	(25.1)	1.2	13.8
Other mining and quarrying	108.9	255.7	250.0	267.0	266.2	134.7	(2.2)	6.8	(0.1)
Manufacturing..	20,237.1	23,132.2	23,873.5	23,754.7	25,339.6	14.3	3.2	(0.5)	6.7
Food products and beverages	2,193.8	2,454.3	2,057.0	1,744.0	1,558.9	11.9	(16.2)	(15.2)	(10.6)
Tobacco products	100.2	123.8	84.1	96.4	128.5	23.5	(32.1)	14.7	33.3
Textiles	4,564.7	5,353.9	5,920.6	5,687.2	5,858.1	17.3	10.6	(3.9)	3.7
Wearing apparel	4,083.4	4,539.1	4,589.7	4,142.4	4,149.8	11.2	1.1	(9.7)	(0.2)
Luggage, saddlery and footwear	220.9	299.2	271.5	180.9	189.5	35.4	(9.3)	(33.4)	4.8
Products of wood and cork	68.8	75.1	70.8	68.5	63.0	9.2	(5.8)	(3.2)	(8.0)
Paper and paper products	125.7	154.2	150.0	148.7	164.3	22.7	(2.7)	(0.9)	10.5
Printing and publishing	47.7	40.1	40.8	47.6	42.6	(16.0)	1.8	16.7	(10.5)
Coke, petroleum products and nuclear fuel	259.2	179.1	240.6	315.2	300.7	(30.9)	34.4	31.0	(4.6)
Chemicals and chemical products ..	1,131.9	1,362.5	1,277.3	1,234.8	1,381.9	20.4	(6.2)	(3.3)	11.9
Rubber and plastic products	510.2	621.2	685.4	667.9	781.5	21.8	10.3	(2.6)	17.0
Other non-metallic minerals	780.1	931.2	944.0	955.5	1,119.2	19.4	1.4	1.2	17.1
Manufacture of basic metals	2,258.2	2,627.9	2,228.2	2,103.8	2,304.6	16.4	(15.2)	(5.6)	9.5
Manufacture of fabricated metal prod (exc. machinery)	401.5	454.4	587.5	559.0	549.4	13.2	29.3	(4.9)	(1.7)
Manufacture of machinery and Equipment	854.5	1,035.9	1,149.7	1,259.0	1,425.5	21.2	11.0	9.5	13.2
Office, accounting and computing machinery	21.3	28.9	42.6	60.0	63.1	35.6	47.7	40.9	5.1
Electrical machinery and apparatus ..	772.0	743.9	756.1	692.5	825.6	(3.7)	1.7	(8.4)	19.2
Communication and apparatus	316.5	469.5	862.1	770.7	961.9	48.4	83.6	(10.6)	24.8
Medical, precision and optical instruments. Watches	56.6	61.0	75.3	66.8	75.2	7.7	23.4	(11.2)	12.5
Motor vehicles and trailers	977.0	829.5	984.6	1,616.1	1,749.9	(15.1)	18.7	64.1	8.3
Other transport	155.3	353.9	383.9	770.9	882.1	128.0	8.5	100.8	14.4
Furniture	249.2	299.9	378.7	487.1	630.1	20.3	26.3	28.6	29.4
Recycling	88.3	93.8	92.9	79.9	93.5	6.2	(0.9)	(14.0)	17.0
Electricity, Gas and Water Supply ..	15.5	11.1	14.9	14.3	20.4	(28.3)	34.3	(4.3)	42.9
Electricity, gas and steam	15.5	11.1	14.9	14.3	20.4	(28.3)	34.3	(4.3)	42.9
Other Business Activities	262.2	1.0	0.5	0.2	0.4	(99.6)	(49.6)	(68.3)	158.6
Other business activities	262.2	1.0	0.5	0.2	0.4	(99.6)	(49.6)	(68.3)	158.6
Social and Personal Activities	1.0	0.4	4.5	0.9	16.3	(55.8)	960.4	(80.6)	1,750.7
Recreational, cultural and sporting Activities	0.8	0.2	4.2	0.8	16.2	(74.7)	1,869.2	(82.0)	2,040.9
Other service activities	0.1	0.2	0.3	0.1	0.1	77.2	50.2	(61.9)	(42.1)
Total	23,224.5	26,261.1	26,974.0	26,587.2	27,774.9	13.1	2.7	(1.4)	4.5

Source: SIS.

Trade with Iraq has been suspended since the end of the Gulf War due to the UN embargo on trade with Iraq. However, exports of certain food, medicine and other humanitarian products to Iraq are now permitted under the UN's "oil-for-food" program and, as a result, Turkey has benefited from increased exports to Iraq. The "oil-for-food" program has been periodically renewed for six-month periods by the UN. See "Description of the Republic — Foreign Relations."

Turkey has taken the lead in the establishment of a Black Sea Economic Cooperation Zone, which is intended to create a regional trade organization of countries surrounding the Black Sea. With the participation of Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldavia, Romania, the Russian Federation, Ukraine and Turkey, the Black Sea Trade and Development Bank has been established to promote economic prosperity and promote regional projects in the area. Turkey has also embarked on efforts to develop new export markets in countries with which Turkey has not traditionally traded.

The following table presents Turkey's exports by country for the periods indicated:

Table No. 15

Exports by Country

	1996	Percent Share	1997	Percent Share	1998	Percent Share	1999	Percent Share	2000	Percent Share
	(in millions of dollars, unless otherwise indicated)									
OECD Countries	14,426.5	62.1	15,583.1	59.3	16,979.4	62.9	18,056.4	67.9	18,741.3	68.6
EU Countries	11,548.6	49.7	12,247.8	46.6	13,498.0	50.0	14,348.3	54.0	14,352.0	52.5
EFTA Countries	335.9	1.4	414.3	1.6	356.7	1.3	361.6	1.4	320.5	1.2
Other OECD Countries	2,541.9	10.9	2,921.1	11.1	3,124.7	11.6	3,346.4	12.6	4,068.8	14.9
Turkish Free Zones	-	—	—	—	830.9	3.1	780.5	2.9	889.6	3.3
Non OECD Countries	8,798.0	37.9	10,677.9	40.7	9,163.7	34.0	7,750.3	29.2	7,693.5	28.2
Europe + CIS Countries	3,645.8	15.7	4,684.1	17.8	3,979.7	14.8	2,735.0	10.3	2,947.1	10.8
African Countries	1,159.1	5.0	1,233.9	4.7	1,819.1	6.7	1,656.8	6.2	1,349.4	4.9
American Countries	140.0	0.6	205.3	0.8	234.2	0.9	243.1	0.9	246.7	0.9
Middle East Countries	2,245.1	9.7	2,381.8	9.1	2,190.5	8.1	2,204.1	8.3	2,130.0	7.8
Other Asian Countries	1,143.1	4.9	1,168.6	4.5	635.9	2.4	696.0	2.6	645.0	2.4
Other Countries	464.9	2.0	1,004.3	3.8	304.3	1.1	215.2	0.8	375.3	1.4
Selected Country Groups										
Black Sea Economic Cooperation	2,905.1	12.5	3,831.6	14.6	3,237.6	12.0	2,171.6	8.2	2,324.3	8.5
Economic Cooperation Organization	1,129.1	4.9	1,237.0	4.7	1,125.0	4.2	865.9	3.3	855.4	3.1
Commonwealth of Independent States	2,665.4	11.5	3,512.0	13.4	2,666.5	9.9	1,532.8	5.8	1,607.7	5.9
Turkish Republics	747.2	3.2	858.4	3.3	835.0	3.1	573.6	2.2	565.0	2.1
Islamic Conference Organization	4,104.2	17.7	4,209.6	16.0	4,374.9	16.2	3,947.6	14.8	3,484.1	12.8
Selected Countries[1]										
Germany	5,186.6	22.3	5,253.5	20.0	5,460.3	20.2	5,474.6	20.6	5,149.6	18.8
USA	1,639.0	7.1	2,032.3	7.7	2,233.3	8.3	2,436.7	9.2	3,059.9	11.2
Russia	1,511.6	6.5	2,056.5	7.8	1,348.0	5.0	763.3	2.9	628.5	2.3
United Kingdom	1,260.6	5.4	1,511.3	5.8	1,739.6	6.4	1,829.4	6.9	2,020.2	7.4
Italy	1,446.4	6.2	1,387.2	5.3	1,557.1	5.8	1,682.6	6.3	1,748.0	6.4
France	1,053.2	4.5	1,162.8	4.4	1,304.7	4.8	1,569.8	5.9	1,643.4	6.0
Netherlands	769.7	3.3	779.2	3.0	888.6	3.3	932.3	3.5	869.5	3.2
Belgium — Luxembourg	492.7	2.1	563.6	2.1	669.5	2.5	623.5	2.3	639.2	2.3
Saudi Arabia	430.6	1.9	535.0	2.0	473.9	1.8	367.2	1.4	372.2	1.4
Spain	363.3	1.6	439.2	1.7	513.2	1.9	763.3	2.9	682.9	2.5
Romania	314.0	1.4	358.8	1.4	468.2	1.7	268.2	1.0	324.1	1.2
Israel	254.9	1.1	391.5	1.5	479.5	1.8	585.2	2.2	619.0	2.3
Egypt	316.2	1.4	304.5	1.2	474.2	1.8	467.4	1.8	370.2	1.4
Algeria	278.4	1.2	317.1	1.2	482.3	1.8	407.6	1.5	374.1	1.4
Greece	236.5	1.0	298.2	1.1	370.0	1.4	406.8	1.5	432.3	1.6
Total	23,224.5	100.0	26,261.1	100.0	26,974.0	100.0	26,587.2	100.0	27,324.4	100.0

(1) The countries are chosen according to the total export values in the last three years.

Sources: SIS, SPO.

The value of imports increased from approximately $7.9 billion in 1980 to approximately $54.5 billion in 2000, a 34.0% increase over 1999. The increase was mainly attributable to the overvaluation of Turkish Lira, an increase in domestic demand and a sharp increase in energy prices. In 2000, the EU accounted for 48.9% Turkey's total imports.

In 2000, of the main commodity groups, the share of intermediate goods in total imports was 65.5% while the shares of capital goods and consumption goods in total imports were 20.8% and 13.3%, respectively. As a result of the Customs Union, all customs duties and charges and the quantitative restrictions on imports were abolished.

Turkey began to apply the EU's common customs tariff on imports of industrial goods from the third countries, except in limited circumstances where the products are automobiles, footwear, certain leather products and furniture. The customs duties applicable to those products were progressively aligned to the EU's common customs tariffs within the five-year transitional period. To this end, the reductions of 10% in 1997, 10% in 1998, 15% in 1999, 15% in 2000 and 50% in 2001 will be accomplished through various import regime decrees.

With the establishment of the Customs Union, Turkey's weighted average rates of protection on industrial imports from the EU and EFTA countries decreased from approximately 10% to 0. As for the products imported from countries that are not part of the Customs Union, average protection rates were reduced from approximately 15%, the pre-customs union level, to 5.6% in 1996. As of January 1, 2001, the average of customs duties on industrial products fell further to 4.5%.

The following table presents the composition (by International Standard Industrial Classification) of Turkey's imports (other than non-monetary gold) by sector of trade for the periods indicated:

Table No. 16

Imports by Sector and Commodity

	Annual					Percentage Change			
	1996	1997	1998	1999	2000	1997/96	1998/97	1999/98	2000/1999
	(in millions of dollars)								
Agriculture And Forestry	2,170.7	2,419.5	2,128.7	1,653.8	2,127.0	11.5	(12.0)	(22.3)	28.6
Agriculture and farming of animals	2,023.0	2,297.8	1,984.0	1,529.1	1,977.7	13.6	(13.7)	(22.9)	29.3
Forestry and logging	147.8	121.6	144.7	124.4	149.4	(17.7)	19.0	(14.0)	20.0
Fishing	1.5	1.7	1.1	1.2	1.7	9.8	(33.6)	5.4	39.6
Fishing	1.5	1.7	1.1	1.2	1.7	9.8	(33.6)	5.4	39.6
Mining And Quarrying	5,089.6	5,138.0	3,757.6	4,253.7	7,104.7	0.9	(26.9)	13.2	67.0
Mining of coal, lignite and peat	580.8	560.8	464.3	310.6	815.1	(3.4)	(17.2)	(33.1)	98.0
Crude petroleum and natural gas	4,252.4	4,264.2	2,962.1	3,703.1	6,196.1	0.3	(30.5)	25.0	67.3
Mining of uranium and thorium ores	—	—	—	—	—	—	—	—	—
Metal ores	138.1	146.6	175.4	111.7	149.4	6.2	19.7	(36.3)	33.8
Other mining and quarrying	118.4	166.3	155.9	128.3	144.1	40.5	(6.3)	(17.7)	12.3
Manufacturing	35,981.8	40,907.8	39,914.0	34,687.8	45,018.1	13.7	(2.4)	(13.1)	29.8
Food products and beverages	2018.9	1,774.0	1,475.4	1,070.9	1,193.4	(12.1)	(16.8)	(27.4)	11.4
Tobacco products	44.0	46.8	55.8	50.1	48.3	6.4	19.1	(10.1)	(7.8)
Textiles	1,893.8	2,051.6	2,022.1	1,664.2	1,880.0	8.3	(1.4)	(17.7)	13.0
Wearing apparel	182.9	265.8	240.7	172.2	246.4	45.3	(9.4)	(28.5)	43.1
Luggage, saddlery and footwear	348.3	358.7	306.5	205.4	312.2	3.0	(14.5)	(33.0)	52.0
Products of wood and cork	124.9	140.4	163.2	132.4	207.4	12.4	16.3	(18.9)	56.6
Paper and paper products	836.5	836.7	860.3	897.8	1,151.6	0.0	2.8	4.4	26.3
Printing and publishing	133.0	157.8	159.4	156.4	250.8	18.6	1.0	(1.9)	60.4
Coke, petroleum products and nuclear fuel	1,069.3	1,152.3	966.8	1,284.3	2,567.1	7.8	(16.1)	32.8	101.4
Chemicals and chemical products	6,390.3	7,141.9	7,187.1	6,854.2	8,076.0	11.8	0.6	(4.6)	17.6
Rubber and plastic products	820.3	888.7	984.7	892.0	1,038.6	8.3	10.8	(9.4)	16.4
Other non-metallic minerals	456.6	433.8	493.2	406.2	421.1	(5.0)	13.7	(17.6)	3.7
Manufacture of basic metals	2,799.9	3,314.5	3,142.6	2,392.2	3,535.4	18.4	(5.2)	(23.9)	47.8
Manufacture of fabricated metal prod. (exc. Machinery)	837.4	898.4	929.2	731.1	776.4	7.3	3.4	(21.3)	6.2
Manufacture of machinery and equipment	7,443.9	8,050.5	7,766.0	5,157.6	5,954.4	8.1	(3.5)	(33.6)	15.5
Office, accounting and computing machinery	775.6	913.5	1,063.0	1,206.9	1,594.8	17.8	16.4	13.5	32.1
Electrical machinery and apparatus	1,225.8	1,476.7	1,656.7	1,568.2	1,605.7	20.5	12.2	(5.3)	2.4
Communications and apparatus	1,391.4	1,943.5	2,354.4	3,145.1	3,993.7	39.7	21.1	33.6	27.0
Medical, precision and optical instruments, watches	1,042.1	1,182.9	1,239.7	1,123.5	1,340.6	13.5	4.8	(9.4)	19.3
Motor vehicles and trailers	2,932.6	4,411.9	4,107.2	3,362.4	5,985.1	50.4	(6.9)	(18.1)	78.0
Other transport	1,659.3	1,845.4	1,326.3	1,031.9	1,474.4	11.2	(28.1)	(22.2)	42.9
Furniture	436.3	524.4	541.4	464.0	562.6	20.2	3.2	(14.3)	21.2
Recycling	1,118.4	1,097.6	872.1	718.8	784.1	(1.9)	(20.5)	(17.6)	9.1

	Annual					Percentage Change			
	1996	1997	1998	1999	2000	1997/96	1998/97	1999/98	2000/1999
	(in millions of dollars)								
Electricity, Gas And Water Supply	11.8	84.0	114.4	81.3	131.7	—	36.2	(28.9)	62.0
Electricity, gas and steam	11.8	84.0	114.4	81.3	131.7	—	36.2	(28.9)	62.0
Other Business Activities	358.6	1.1	0.6	0.9	5.5	(99.7)	(48.2)	59.0	506.4
Other business activities	358.6	1.1	0.6	0.9	5.5	(99.7)	(48.2)	59.0	506.4
Social And Personal Activities	12.7	6.7	5.0	8.3	114.1	(47.0)	(26.0)	67.1	1,272.7
Recreational, cultural and sporting activities	12.7	6.7	5.0	8.3	114.0	(47.1)	(26.3)	67.8	1,272.7
Other service activities	0.0	0.0	0.0	0.0	0.1	—	86.5	(75.3)	1,113.8
Total	43,626.7	48,558.7	45,934.9	40,686.7	54,502.8	11.3	(5.4)	(11.4)	34.0

Source: SIS.

The following table presents imports (other than non-monetary gold) by country or region of origin for the periods indicated:

Table No. 17

Imports by Country

	1996	Percent Share	1997	Percent Share	1998	Percent Share	1999	Percent Share	2000	Percent Share
	(in millions of dollars, unless otherwise indicated)									
OECD Countries	31,091.7	71.3	34,815.2	71.7	33,472.0	72.9	28,326.1	69.6	35,301.0	65.4
EU Countries	23,138.1	53.0	24,869.7	51.2	24,074.7	52.4	21,416.3	52.6	26,388.2	48.9
EFTA Countries	1,112.1	2.5	1,287.2	2.7	1,169.2	2.5	926.1	2.3	1,143.5	2.1
Other OECD Countries	6,841.6	15.7	8,658.3	17.8	8,228.0	17.9	5,983.7	14.7	7,769.4	14.4
Turkish Free Zones	—	—	—	—	417.6	0.9	507.8	1.2	496.2	0.9
Non OECD Countries	12,534.9	28.7	13,743.5	28.3	12,031.8	26.2	11,852.9	29.1	18,185.6	33.7
Europe + CIS Countries	4,102.0	9.4	4,646.1	9.6	4,673.0	10.2	4,671.5	11.5	7,109.6	13.2
African Countries	1,993.3	4.6	2,197.3	4.5	1,758.4	3.8	1,687.4	4.1	2,701.1	5.0
American Countries	643.9	1.5	763.6	1.6	724.5	1.6	494.6	1.2	573.2	1.1
Middle East Countries	3,243.2	7.4	2,726.0	5.6	1,943.1	4.2	1,986.6	4.9	3,088.0	5.7
Other Asian Countries	2,227.0	5.1	2,546.8	5.2	2,625.7	5.7	2,391.4	5.9	3,508.5	6.5
Other Countries	325.5	0.7	863.8	1.8	307.1	0.7	621.4	1.5	1,205.3	2.2
Selected Country Groups										
Black Sea Economic Cooperation	3,867.1	8.9	4,476.0	9.2	4,331.6	9.4	4,297.1	10.6	6,634.1	12.3
Economic Cooperation Organization	1,196.8	2.7	1,099.4	2.3	947.8	2.1	1,123.3	2.8	1,537.8	2.8
Commonwealth of Independent States	3,074.2	7.0	3,615.1	7.4	3,724.4	8.1	3,733.8	9.2	5,650.8	10.5
Turkish Republics	304.0	0.7	391.9	0.8	449.0	1.0	457.2	1.1	625.5	1.2
Islamic Conference Organization	5,566.9	12.8	5,275.8	10.9	4,210.6	9.2	4,049.8	10.0	6,259.1	11.6
Selected Countries(1)										
Germany	7,813.5	17.9	8,021.2	16.5	7,316.3	15.9	5,880.1	14.5	7,149.5	13.2
Italy	4,285.8	9.8	4,463.1	9.2	4,221.7	9.2	3,192.1	7.8	4,304.9	8.0
USA	3,516.0	8.1	4,329.6	8.9	4,053.8	8.8	3,080.3	7.6	3,869.5	7.2
France	2,771.5	6.4	2,967.2	6.1	3,034.1	6.6	3,127.2	7.7	3,511.3	6.5
United Kingdom	2,510.4	5.8	2,763.1	5.7	2,683.3	5.8	2,190.0	5.4	2,699.3	5.0
Russia	1,921.1	4.4	2,174.3	4.5	2,155.0	4.7	2,374.1	5.8	3,864.2	7.2
Japan	1,421.9	3.3	2,040.1	4.2	2,045.6	4.5	1,393.3	3.4	1,587.8	2.9
Netherlands	1,448.6	3.3	1,484.9	3.1	1,446.4	3.1	1,314.9	3.2	1,561.0	2.9
Spain	1,033.7	2.4	1,275.8	2.6	1,276.4	2.8	1,262.1	3.1	1,664.5	3.1
Belgium — Luxembourg	1,128.6	2.6	1,216.7	2.5	1,202.6	2.6	1,133.1	2.8	1,646.3	3.0
Saudi Arabia	1,707.6	3.9	1,017.6	2.1	670.0	1.5	579.2	1.4	951.4	1.8
Switzerland	1,014.7	2.3	1,104.0	2.3	1,017.7	2.2	748.9	1.8	888.0	1.6
South Korea	719.4	1.6	1,085.5	2.2	1,124.2	2.4	871.1	2.1	1,165.4	2.2
Ukraine	761.7	1.7	917.8	1.9	988.8	2.2	773.7	1.9	965.7	1.8
Sweden	659.9	1.5	896.6	1.8	999.4	2.2	1,444.2	3.5	1,436.7	2.7
Total	43,626.6	100.0	48,558.7	100.0	45,921.4	100.0	40,686.7	100.0	53,983.0	100.0

(1) The countries are chosen according to the total import values in the last three years.

Sources: SIS, SPO.

As of December 26, 2000, Turkey's net international reserves were approximately $37,362 million, which would cover 8.3 months of imports. As of December 26, 2000, official reserves of the Central Bank were approximately $19,635 million and commercial bank reserves were approximately $16,717 million. In 2000, portfolio investment increased by $1.0 billion, compared to a $3.4 billion increase in 1999.

Other Goods, Services and Income

In addition to merchandise exports and imports, Turkey's current account is also composed of earnings from other goods, services and income. This item includes tourism revenues, interest earnings and other invisible revenues such as earnings from shipment and transportation, investment income, contractors' earnings and other official and private services (a residual category).

In 2000, Turkey's tourism revenues increased by 46.8% to $7.6 billion. See "Economy — Tourism." In addition, earnings from interest were $2.8 billion in 2000, which represented a 20.7% increase from $2.4 billion in 1999.

Turkey's receipts from shipment, transportation, investment income, contractors' earnings, and other official and private services amounted to approximately $11.8 billion in 2000, which represented an increase of 5.4% from 1999. On the other hand, the debit side for the same services amounted to approximately $7.0 billion, representing a decrease of 11.4% from 1999.

Balance of Payments

The following table summarizes the balance of payments of Turkey for the periods indicated:

Table No. 18

Balance of Payments

	1996	1997	1998	1999	2000
	(in millions of dollars)				
Current account:					
Merchandise Exports	32,446	32,647	31,220	29,325	31,664
Exports f.o.b.	23,225	26,261	26,973	26,587	27,774
Shuttle trade	8,842	5,849	3,689	2,255	2,944
Transit trade	379	537	558	483	946
Imports f.o.b.	(43,028)	(48,005)	(45,440)	(39,768)	(54,041)
Imports c.i.f.	(43,627)	(48,559)	(45,922)	(40,687)	(54,502)
Non-monetary gold	(1,672)	(1,867)	(1,761)	(1,079)	(1,900)
Transit trade	(347)	(492)	(514)	(442)	(911)
Freight and insurance on imports	2,618	2,913	2,757	2,440	3,272
Trade balance	(10,582)	(15,358)	(14,220)	(10,443)	(22,377)
Other goods, services and income (credit)	14,628	21,273	25,802	18,748	22,320
Travel	5,650	7,002	7,177	5,203	7,636
Interest	1,577	1,900	2,481	2,350	2,836
Other	7,401	12,371	16,144	11,195	11,848
Other goods, services and income (debit)	(10,930)	(13,419)	(15,325)	(14,840)	(14,987)
Travel	(1,265)	(1,716)	(1,754)	(1,471)	(1,711)
Interest	(4,200)	(4,588)	(4,823)	(5,450)	(6,299)
Other	(5,465)	(7,115)	(8,748)	(7,919)	(6,977)
Total: trade balance, goods, services and income	(6,884)	(7,504)	(3,743)	(6,535)	(15,044)
Private unrequited transfers (credit)	3,892	4,552	5,568	4,813	5,011
Workers' remittances	3,542	4,197	5,356	4,529	4,560
Other	350	355	212	284	451
Official unrequited transfers	555	314	159	362	214
Workers' remittances	48	32	41	47	43
Other	507	282	118	315	171
Current account balance	(2,437)	(2,638)	1,984	(1,360)	(9,819)

	1996	1997	1998	1999	2000
		(in millions of dollars)			
Capital account:					
Capital, excluding reserves					
Direct investment	612	554	573	138	112
Portfolio investment[1]	570	1,634	(6,711)	3,429	1,022
Other long term capital					
Drawings	6,048	9,905	11,505	11,035	17,459
Repayments	(5,685)	(6,095)	(8.174)	(10,560)	(13,803)
Dresdner Bank Program	1,273	978	654	(131)	620
Total long term capital	1,636	4,788	3,985	344	4.276
Short term capital					
Assets	331	(1,750)	(1,464)	(2,571)	(2.138)
Liabilities	2,406	1,827	2,862	3,330	6,173
	2,737	77	1,398	759	4,035
Capital account balance	5,555	7,053	(755)	4,670	9,445
Net errors and omissions	1,427	(1,071)	(782)	1,896	(2,623)
Overall balance	4,545	3,344	447	5,206	2,997
IMF	0	(28)	(231)	520	3,351
Official reserves of the Central Bank	(4,545)	(3,316)	(216)	(5,614)	(354)
Total decrease (increase) in reserves	(4,545)	(3,344)	(447)	(5,206)	2,997

Sources: CBT, SIS.

Current Account

In part because of its proximity to Russia and the other CIS republics, Turkey benefits from a significant amount of "shuttle trade," which reflects goods purchased by visitors to Turkey from neighboring countries, principally the CIS republics, and transported as accompanied baggage for resale in those countries. In 1996, the Central Bank began to account for the "shuttle trade" in its official balance of payments statistics through conducting surveys based on questionnaires submitted to foreigners travelling to Turkey for the purpose of conducting "shuttle trade." These surveys are conducted approximately three times a year in areas where "shuttle trade" activities are most common. The extent of the shuttle trade is determined by correlating the number of foreigners who traveled to Turkey for this activity with the average amount spent on goods by each such foreigner. This methodology has been accepted by the IMF and will be used by the Republic in future reporting of its economic data. See "Economy — Background."

In 2000, Turkey experienced an increase in export receipts of 4.5%, an increase in shuttle trade of 30.6% and an increase in import (c.i.f.) expenditures of 34.0%, compared to 1999. Consequently, the foreign trade deficit reached $22,337 million, an increase of 114.3% compared to 1999. On the services side, net invisible revenues increased to $7.3 billion in 2000 from $3.9 billion in 1999. In 1999, tourism services and other services increased by 46.8% and 5.8% respectively with the contribution of other goods and services and unrequited transfers amounting to $12.6 billion in net terms, the current account balance showed a deficit of $9,819 million in 2000, an increase of 622% from a deficit of $1.4 billion in 1999.

Import expenditures, which had a declining trend in 1999, increased in 2000 due to excess domestic demand, as well as the increased international market prices of crude oil, iron and steel. In spite of the rapid rise of imports, exports increased only 4.5% in 2000. The slow increase in exports was primarily due to declining agricultural sector exports, the depreciation of the EURO against the US dollar and the real appreciation of the Turkish Lira.

Net revenues from other goods and services, as well as unrequited transfers, increased by 38.3% in 2000, amounting to $12.6 billion. The increase in the services sector was insufficient to compensate for the widening trade deficit. In 2000, the tourism sector recovered and tourism revenues reached $7.6 billion, an increase of 46.8% compared to 1999.

Foreign Investment

Turkey attaches a high priority to the encouragement of foreign direct investment and provides a variety of incentives to prospective investors. The banking, agriculture and mining sectors have been opened to foreign direct investment. and laws protecting copyrights, patents and trademarks have been passed by the Parliament in an effort to encourage greater foreign direct investment. See "Economy — Intellectual Property." In 1995, Turkey issued a decree aimed at facilitating foreign investment by reducing government involvement in a number of areas. Under this decree, official approval is no longer required for capital transfers abroad, new share issues overseas by Turkish companies or execution of know-how and technical assistance agreements between Turkish companies and foreign counterparts. There were also relaxations in 1995 of rules concerning offshore borrowing by Turkish companies, as well as more generous arrangements regarding investment allowances in respect of Turkish companies. In addition, Turkey also changed its regulations to allow foreign investors to keep their investment funds in savings accounts denominated in foreign currency, rather than requiring them to convert their funds into Turkish Lira.

In August 1999, the Assembly passed a law (Law No. 4446) which amended Articles 47. 125 and 155 of the Constitution. The amendment permits national and international arbitration of certain business disputes involving concession agreements for public services. The amendment restricted the role of the High Administrative Court (Danіştay) to reviewing the concession contracts and reporting comments. Previously, the High Administrative Court had been empowered to approve the concession contracts and cancel portions of such concession contracts. The Government expects that this amendment. which became effective on August 14, 1999, will encourage foreign capital flows into Turkey.

Flexible foreign investment policies have been introduced as part of the liberalization of the Turkish economy. Foreign investment legislation provides a more secure environment for foreign capital via support from several bilateral and multilateral agreements granting such investments the same rights and obligations as local capital, while guaranteeing the transfer of profits, fees and royalties and the repatriation of capital. The main features of Turkey's foreign investment policy can be summarized as follows:

- *National Treatment Principle:* Firms and branch offices, established according to Foreign Capital Law and Turkish Commercial Code and registered pursuant to the Turkish Trade Registry, are deemed to be Turkish firms and branch offices.
- *Field of Activity:* Foreign investors may engage in all types of industrial, commercial, agricultural and other fields of activity aimed at the production of goods and services, including those in the Turkish private sector.
- *Participation Ratios:* There is no limitation in participation ratios of local and foreign partners. A company may be 100% foreign owned.
- *Portfolio Investments:* Foreign investors (including investment trusts and investment funds abroad) can freely purchase and sell all types of securities and other capital market instruments through banks and intermediary institutions authorized by the Capital Market Legislation without any need for further permission.
- *Transfer of Profits, Dividends and Capital Shares:* Following the deduction of taxes in accordance with current tax laws, the net profits and dividends received by foreign shareholders of foreign capital entities may be transferred abroad freely. Where shares of foreign shareholders of enterprises with foreign capital are either partially or wholly sold to persons or legal entities that are Turkish, the amounts received or liquidated will be transferred through banks.

In addition to the legislation described above, Turkey has been a party to several international organizations and bilateral and multilateral agreements to provide a more securable investment environment for foreign investors like:

- Turkey is a member of OECD, WTO, IMF/World Bank and organizations of the World Bank, including Multilateral International Guaranty Agency ("MIGA").
- Agreements to protect and promote investment have been signed with 65 countries. Forty-two of such agreements are currently in force.
- Agreements to avoid double taxation have been signed with 47 countries.
- Turkey has been a party to OECD Codes of Capital Movements and Invisible Transactions and the convention on the International Center for Settlement of Disputes.

- Turkey has been a party to investment-related agreements on WTO platforms such as TRIMs (Trade Related Investment Measures) and TRIPs (Trade Related Intellectual Property Rights).

The BOT Model, the BOO Model and the TOOR Model offer foreign investors the opportunity to invest in large infrastructure projects, such as dams, highways, railways, bridges, tunnels, seaports and airports, as well as communications, environmental and energy production projects. See "Economy — Energy".

In 1999, the Assembly passed a law for a constitutional amendment allowing national and international arbitration of certain business disputes involving concession agreements for public services. In 2000, the related implementation laws allowing international arbitration in contracts involving Turkey and foreign investors were approved by the Parliament.

In addition, the Government has decided to introduce regulated markets for electricity and natural gas to address the shortcomings of the current centralized model. The telecommunications sector has also experienced regulatory changes, which have transformed the formerly monopolistic structure to a regulated and competitive structure. The Higher Council of Telecommunications was established in 2000 as a supervisory body.

The liberalization policies have fostered increased direct foreign investment flows into the country. While the cumulative foreign capital approvals between 1954-1980 was $280.0 million, this amount reached $28.6 billion at the end of 2000. The leading investors in Turkey are France, Germany, Netherlands, United States, Switzerland, United Kingdom, Italy and Japan.

The following table sets forth authorized and realized foreign direct investment for the years indicated:

Table No. 19

Foreign Direct Investment

	December 31				
	1996	**1997**	**1998**	**1999**	**2000**
	(in millions of dollars)				
Cumulative authorizations	20,526	22,204	23,850	25,550	28,612
Annual authorizations	3,837	1,678	1,646	1,700	3,060
Annual realizations	964	1,032	976	817	1,719

Sources: CBT, SPO, UT.

The following table sets forth authorized foreign direct investment by sector for which Government permits were granted:

Table No. 20

Foreign Direct Investment by Sector
(Amount of authorized capital)

	1996	1997	1998	1999	2000
			(in millions of dollars)		
Agriculture	64.1	12.2	5.7	17.2	59.7
Mining	8.5	26.7	13.7	6.8	6.3
Manufacturing	625.6	867.9	1,021.0	1,123.2	1,115.2
Food, beverage and tobacco	92.6	138.2	148.6	37.5	23.4
Cement	148.1	33.7	9.4	32.7	33.1
Chemicals	70.8	67.1	271.6	213.1	12.8
Tire	0.2	39.5	40.2	112.3	17.1
Plastics	7.4	28.6	22.7	3.8	30.3
Forestry products	4.2	3.9	1.3	0.3	11.4
Paper	7.5	19.8	3.3	13.8	70.4
Textiles	40.9	85.7	52.3	27.8	41.3
Glass	0.6	1.6	20.4	0.1	0.1
Clay and cement production	2.4	6.0	10.9	10.5	0.0
Iron-Steel	28.5	4.5	15.4	8.0	10.0
Non-Ferrous metals	0.3	1.9	5.1	12.0	1.7
Fabricated metal products	7.9	1.0	2.5	1.3	4.0
Machinery	0.3	0.3	0.3	0.0	0.1
Aeronautical	7.5	28.6	61.5	52.0	0.0
Electrical machinery and electronics	44.9	132.5	133.8	89.3	78.2
Transportation equipment	42.3	177.9	146.8	368.1	245.5
Transport related industries	50.2	96.2	61.9	108.4	154.7
Others	69.1	1.0	13.1	32.3	381.0
Services	3,123.6	767.5	605.3	553.2	1,878.6
Trade and Commerce	146.4	171.8	101.8	36.0	52.8
Tourism	129.1	240.1	52.0	40.0	50.2
Banking	34.4	48.3	72.4	18.7	30.5
Land transportation	4.3	0.6	0.4	3.9	0.0
Air transportation	0.1	12.8	0.1	7.4	0.0
Marine transportation	0.3	0.7	0.6	0.6	1.1
Investment financing	181.5	4.7	54.8	59.0	21.1
Others	2,627.5	288.4	323.1	387.5	1,723.0
Total	3,837.0	1,678.0	1,645.8	1,700.4	3,059.9

Sources: SPO, UT.

Investments in the manufacturing sector (based on the amounts for which permits have been granted) accounted for 36.4% of total foreign direct investment for 2000, while the services sector accounted for 61.4%. In 2000, the Government approved $3.1 billion in foreign direct investment, and the net inflow realized through these permits was $112.0 million.

The following table sets forth authorized foreign direct investment by country for which permits were granted:

Table No. 21

Foreign Direct Investment by Country
(Amount of authorized capital)

	1996	1997	1998	1999	2000
		(in millions of dollars)			
Total OECD Countries	3,632.3	1,409.9	1,582.5	1,541.1	2.568.2
EU of which:					
Germany	226.5	281.6	329.9	407.3	383.0
France	2.370.3	103.9	135.5	146.7	37.8
Netherlands	338.6	206.1	352.1	234.6	696.0
United Kingdom	164.8	122.0	44.4	88.4	167.0
Italy	43.2	124.5	128.7	95.2	271.7
Total EU	3.272.4	1,030.0	1.085.3	1,166.3	1,950.2
Switzerland	156.8	50.3	101.6	50.9	35.4
USA	179.4	174.0	297.2	292.5	296.1
Japan	21.1	126.7	17.5	13.9	192.1
Islamic Countries	83.4	56.5	56.8	26.4	49.4
Other Countries	121.3	211.8	26.5	132.8	435.0
Total	3,837.0	1,678.0	1.645.8	1,700.4	3,059.9

Sources: SPO, UT.

Capital Account

In 2000, the capital account balance showed a net inflow of $9.4 billion compared to a net inflow of $4.7 billion in 1999.

In 2000, direct investment was $112 million, which was a net decrease of 18.8% compared to 1999. Turkey's net borrowing from international capital markets through bond issuances reached $6.3 billion compared to a net borrowing of $3.2 billion in 1999. Residents of Turkey purchased $593 million net worth of securities abroad in 2000 while non-residents sold $4.6 billion net worth of securities in Turkey in 2000. In 2000, there was a net inflow of $1.0 billion compared to $3.4 million in 1999.

In 2000, non-residents' net direct investment was $982 million, which was a net increase of 25.4%, while residents' net direct investments abroad increased to $870 million, which was a net increase of 34.9%. As a result, direct investments showed a net inflow of $112 million, a decrease of 18.8% over 1999. In 2000, portfolio investments resulted in a net inflow of $1.0 billion despite large outflows through securities transactions with non-residents.

As a consequence of the liquidation of securities by foreigners during the November 2000 liquidity crisis. sales of securities by non-residents in Turkey amounted to $5.3 billion in November 2000.

In long-term capital movements, a $344.0 million net inflow was registered in 1999, compared to $4.3 billion in 2000. Long-term foreign exchange credit disbursements increased from $11.0 billion in 1999 to $17.5 billion in 2000 as a result of the increase in general government borrowing and private sector borrowing. Principal payments increased to $13.8 billion in 2000, from $10.6 billion in 1999. Deposits with the Central Bank. which had decreased in 1999, increased by $620.0 million in 2000.

Short-term capital movements, from the liability side showed a net inflow of $6.2 billion in 2000 compared to $3.3 billion in 1999. Short-term borrowings of the banking sector as well as the Government caused the short-term capital flow increase.

FX deposit accounts, which increased by $370.0 million in 1999, decreased in 2000 by $640 million. The decrease can be attributed to a decrease in non-resident individuals' foreign exchange deposit accounts. Trade Credits showed a net inflow of $857 million in 2000. Deposit accounts increased by $640 million in 2000 due to an increase in the corresponding accounts of foreign banks and deposits with banks. The foreign exchange holdings of banks increased by $1,915 million in 2000.

The official reserves of the Central Bank, which had increased by $5.6 billion in 1999, increased by $354.0 million in 2000.

International Reserves

Over the last decade, Turkey has substantially increased its international reserves (including official reserves of the Central Bank, reserves held by commercial banks and gold), which are primarily denominated in U.S. dollars. The 1994 Stabilization Program and the Stand-By Arrangement with the IMF allowed the Government to regain access to the international capital markets. The funds borrowed were deposited with the Central Bank, increasing net international reserves from $24.9 billion in 1995 to $25.0 billion in 1996. Since 1996, net international reserves have increased steadily, reaching $34.8 billion as of December 31, 2000.

The following table presents the level of international reserves at the dates indicated:

Table No. 22

International Reserves

	Gold(1)	Central Bank(2)	Commercial Banks(3)	Gross Reserves	Overdraft	Net Reserves
			(in millions of dollars)			
1996	1,383.2	16,272.5	7,351.9	25,007.6	41.7	24,965.9
1997	1,124.4	18,418.8	7,625.1	27,168.3	30.2	27,138.1
1998	1,012.0	19,721.0	8,772.9	29,506.0	7.4	29,498.6
1999	1,011.0	23,177.4	9,945.0	34,133.0	5.9	34,127.5
2000(4)	1,009.0	19,635.0	11,608.0	34,786.0	26.0	34,760.0

(1) For 1997 $300 per ounce, for 1998-99 $270 per ounce, and for 2000 $269 per ounce.

(2) Includes Turkish defense fund (as of June 4, 2000, the Fund amount is $426 million).

(3) Includes all commercial banks (foreign and domestic) doing business in Turkey.

(4) Provisional.

FINANCIAL SYSTEM

The Central Bank

The Central Bank (Türkiye Cumhuriyet Merkez Bankasi) was founded in 1930 and performs the traditional functions of a central bank, including the issuance of banknotes, implementation of Government exchange rate and monetary policies, supervision of various aspects of the banking system and advising the Government as to financial matters.

The objectives of the Central Bank are set in consultation with the Undersecretariat of Treasury (the "Treasury"). The Board of the Central Bank is appointed by the Government. The Central Bank exercises its powers and is responsible for its affairs within the bounds of applicable law and the Government's defined policies.

The Central Bank is responsible for developing and implementing the Government's monetary policy. In addition to being the sole regulator of the volume and circulation of the national currency, it controls the money supply through open market operations and by setting reserve and liquidity requirements. The Central Bank's open market operations desk maintains a portfolio of Government securities to effect repurchases, reverse repurchases, direct sales and direct purchases. On a day-to-day basis, the Central Bank also regulates liquidity through the inter-bank market. The Central Bank has the exclusive right to issue banknotes in Turkey.

Within the framework of legislation and the Republic's overall economic objectives, the Central Bank manages and controls the official gold and foreign exchange reserves. The Central Bank's foreign currency reserves consist primarily of United States dollar and Deutsche mark denominated deposits and marketable securities issued by foreign governments and institutions of high credit quality. The Central Bank is also required to determine and protect the parity of the national currency with gold and foreign currencies within guidelines set by the Government. Besides the foreign exchange market, the Central Bank oversees the domestic markets for Turkish Lira deposits, foreign currency notes and foreign currency deposits. The Central Bank also engages in lending and the granting of credits through its discount window from time to time, though it has not done so to any material extent from January 1996 to date.

The Central Bank and the Treasury signed an anti-inflation protocol in 1997 that established the manner in which short-term cash advances to the Treasury are given. As a result, the Central Bank obtained more autonomy to determine interest rates and monetary policy. The Treasury also agreed to safeguard the Central Bank's monetary program. According to the protocol, the Treasury has to repay all short-term cash borrowed from the Central Bank at the end of each month; the short-term cash advances to Treasury in the Central Balance must be equal to zero at the end of each month.

Monetary Policy

1996. The Central Bank's monetary policy in 1996 was focused on limiting the growth of reserve money in order to control the growth of the Central Bank's balance sheet and monetary aggregates. In 1996, the Central Bank was able to use its open market operations to slow monetary growth. In 1996, the wholesale price index increased by 84.9%, the exchange rate basket by 76.4% and reserve money by 81% annually. Official reserves of the Central Bank increased by approximately $3.9 billion in 1996, while Treasury bill auction rates after reaching compounded annual rates of approximately 206% at the end of 1995, fell to 125% by the end of 1996.

1997. The main goal of monetary policy in 1997 was to maintain price stability in financial markets. The stability target was reflected in the balance sheet as reserve money was created only against the increase in net foreign assets. The cash credit to the public sector, which is the main constituent of domestic assets, continued its declining trend in 1997. Being the lender of last resort, the Central Bank applied interest rates above the market rates while providing liquidity to the market. In 1997, compound interest rates fluctuated between 83% and 122% and in May 1998, fell to 92%. In 1997, monetary aggregates M1, M2 and reserve money declined whereas MY2 increased in real terms. The exchange rate policy in 1997 was based on stability in the real exchange rates.

1998. The primary goal of the Central Bank's 1998 monetary policy was to contribute to the Government's policy of reducing the inflation rate by implementing an exchange rate policy that is consistent with the inflation target and by controlling reserve money on the liability side of its balance sheet.

Target bands for the growth of reserve money were announced in January and April 1998 for the first and second quarters of the year, respectively. The growth rate of reserve money was targeted to be 18-20% for the first quarter and 14-16% for the second quarter, producing a cumulative increase of 34-39% for the first half of the year. Reserve money grew by 17.3% in the first quarter and 13.1% in the second quarter, which were below the lower limit of the targeted band.

In June 1998, Turkey entered into a Staff Monitored Program (the "SMP") with the IMF, under which the Central Bank adopted new definitions of net domestic assets and reserve money. In line with this program, the Central Bank announced that it planned to conduct its monetary and exchange rate policy consistent with the targeted inflation in the second half of the year. Considering the uncertainties regarding the demand for base money and the reserve money multiplier in a period of declining inflation, the Central Bank shifted its target from reserve money to its net domestic assets for the second half of 1998. In this regard, the Central Bank aimed to keep the expansion of net domestic assets under tight control and to reduce its intervention in the money market. However, due to adverse external developments resulting from the economic crisis in Russia, the Central Bank intervened heavily in the foreign exchange market and raised interest rates in order to provide stability for the currency. This produced a decrease in the official reserves. In addition, the Russian economic crisis limited the ability of the Treasury to obtain financing in the international markets. which in turn brought about an increasing demand for Turkish Lira.

In order to increase the liquidity of the markets, the Central Bank allowed a more rapid expansion of net domestic assets during the third quarter of the year. In October 1998, the year-end target for net domestic assets under the SMP was revised to TL700 trillion from negative TL1.514 trillion. Nonetheless, net domestic assets at year-end 1998 stayed below the targeted level and registered as TL579.4 trillion, compared to TL142 trillion at year-end 1997. In 1998, M2 and MY2 grew by approximately 102% and 90%, respectively, as compared to year-end 1997.

1999. The Central Bank's monetary program announced at the beginning of 1999 is aimed at preserving its international reserve level and maintaining the gain achieved through decreasing inflation. The Central Bank declared that its exchange rate policy would be conducted in accordance with the estimated inflation rate in 1999 in order to prevent appreciation of Turkish Lira, while the exchange rate policy would be conducted by taking into account the current account sustainability and inflation.

In line with the launch of the Euro on January 1, 1999, the Central Bank has replaced the DM with Euro in the basket against which it measures the Turkish Lira. The basket now consists of $1.00 and 0.77 Euro rather than DM 1.5.

In the first quarter, due to a rapid increase in net foreign assets and a moderate increase in reserve money, the realized figure for net domestic assets was below the targeted level. In the first half of 1999, the decline in net domestic assets and gradual increase in net foreign assets due to the rise in foreign exchange reserves continued as a result of the decrease in net domestic credit extension, the decrease in the Central Bank's funding through open market operations and the Central Bank's intensive foreign exchange purchases. Open market operations declined by approximately 53%, reflecting the policy choice of the Central Bank in favor of obtaining liquidity through foreign exchange purchases rather than the open market operations.

During the IMF's visit for Article IV consultations in June 1999, in connection with the SMP, new net domestic asset targets for the end of third and fourth quarters were set at TL1,000 trillion and TL1,100 trillion.

The Central Bank decreased its bid/ask quotations in the interbank money market as of July 5, 1999, to 46%-74% and such quotations were narrowed further to 55%-70% on September 8, 1999 in order to prevent fluctuations in the financial markets. Such quotations were not changed until the end of 1999.

Within the context of the Stand-By Arrangement with the IMF, the Central Bank now operates the monetary policy by specifying a ceiling for net domestic assets and a floor for net international reserves, which are also two performance criteria of the Stand-By Arrangement. With the SMP of the IMF in February 1999, net domestic assets became the target variable, and the upper limits were fixed for March and June 1999. In the first quarter of 1999, the targeted level for net domestic assets was set at TL800-900 trillion while for the second quarter of the year, the end of period stock of net domestic assets was set at TL1,000 trillion.

During 1999, reserve money increased by 97.1% from TL3,486 trillion to TL6,870 trillion. As of the end of 1999, due to the increase in net foreign assets and the moderate increase in reserve money, net domestic assets had decreased from TL579 trillion to negative TL932 trillion. The nominal increase in net foreign assets was 168% compared to the end of 1998. The nominal rate of increase in base money was 83.7% while the nominal rate of increase in reserve money was 87.6% for 1999. The main development of net domestic assets came from an increase of the open market operations by approximately 31% as of the end of 1999 compared to the end of 1998.

In the first two weeks following the August 17, 1999 earthquake, reserves decreased by $1 billion and the demand for Turkish Lira prompted the Central Bank to provide liquidity through open market operations. These operations have since been stabilized and the levels of reserves restored.

The nominal devaluation rate of the exchange basket was 60.9% in 1999, while WPI inflation was 62.9% in the same period. The real effective exchange rate calculated on the basis of wholesale prices declined by approximately 1.7% at the end of 1999 compared to the end of 1998.

2000. The monetary and the exchange rate policies implemented in 2000 differed from previous policies because they were explicitly directed towards disinflation as part of the Stand-by Arrangement. Within the framework of the monetary policy, the annual depreciation path of the Turkish Lira against the foreign exchange basket of $1.00 and EURO 0.77 was determined for the year 2000.

The upper limits on net domestic assets, excluding the revaluation account and the band around net domestic assets, have also been important issues of the monetary policy. In practice, the quarterly ceiling values for net domestic assets were set at TL1,200 trillion and such values were determined as the performance criteria in the context of the Stand-By Arrangement. The band around net domestic assets, which was determined for each quarter in accordance with the realized base money stock at the end of the preceding quarter, provided less room for intervention by the Central Bank. It was presumed that increases in base money demand would be met by capital inflows, which would be viewed as increases in net foreign assets on the Central Bank balance sheet.

In 2000, the required reserve ratio for Turkish Lira denominated deposits decreased. Following the reduction in the required reserve ratio from 8% to 6%, the remaining 2% is being held as free deposits at the Central Bank. By allowing the banking system to hold these free deposits in a weekly averaging plan, the banks have more flexibility in their liquidity management.

The Central Bank offset changes in net credits to the public sector in the balance sheet in order to maintain net domestic assets in the predetermined band, except on religious holidays, possible periods of increases in the demand for base money.

In accordance with the band around net domestic assets, the Central Bank's bid/ask quotations in the interbank money market were announced on a daily basis and were changed frequently in consideration of the liquidity of the market in 2000. In previous years, changes in bid/ask quotations were made much less frequently. In 2000, the difference between ask quotations and bid quotations were much wider than in previous years so as to discourage banks from using Central Bank funds through interbank money market unnecessarily and eliminate the possibility of disturbing the values of net domestic assets at the end of each day.

Between January 2000 and the end of November 2000, the Central Bank maintained net domestic assets in line with what was determined initially by the Stand-by Arrangement. The daily net domestic asset values remained within the predetermined band, except for the religious holiday in March 2000, and the end of quarter values of net domestic assets were realized below the predetermined upper limit of TL1,200 trillion. Following the financial crisis in November 2000, the Central Bank increased lending to the market through open market operations, interbank money market and fixed rate quotations, which required higher net domestic asset values than the requirements of the upper limit of the predetermined band.

The demand for foreign exchange continued despite increased interest rates. There was a partial improvement in the financial market after the announcement of the SRF from the IMF in December 2000.

In 2000, the value of domestic assets (excluding the revaluation account) was TL2,366 trillion, primarily due to the increase in liquidity demand after the financial crisis in November 2000 and the rapid increase in liquidity demand in the markets as a result of the religious holiday in late December. As a result of the unsystematic increase at the end of the year, the net domestic asset value subject to the performance criteria was determined as the average of December 11, 2000 and January 11, 2001. The new performance criteria on net domestic assets for the end of 2000, which was set at TL1,650 trillion, were satisfied with TL1,060 trillion.

In 2000, base money increased by 49% in nominal terms from TL3,879 trillion to TL5,788 trillion. The real rate of growth in base money was 7%. In 2000, foreign assets increased 17% in the period between January and mid-November. However, following the November 2000 financial crisis, foreign assets decreased as a result of the decline in gross foreign exchange reserves. The annual rate of change in net foreign assets by the end of 2000 was –49% in terms of US dollars. In 2000, the quarterly floors set as the performance criteria for net international reserves in the first two quarters were met. In the second half of 2000, the end-of-quarter values of net international reserves were realized higher than the floors. However, the end of year indicative floor value was subject to a revision after the financial crisis in late November 2000.

In 2000, the rate of increase in the exchange rate basket was 20% in accordance with the preannounced rate. In particular, the rates of depreciation of the Turkish Lira against the US dollar and the Euro were 24.4% and 14.1%, respectively, in the year 2000. As of December 2000, the real effective exchange rate based on the wholesale prices decreased by approximately 4.2%.

The following table presents trends in monetary aggregates and selected Central Bank balance sheet information for the dates indicated:

Table No. 23

Selected Central Bank Balance Sheet Data

	As of December 31			
	1996	**1997**	**1998**	**1999**
	(in billions of Turkish Lira)			
Assets	1,272,515	2,155,405	2,570,846	6,322,754
Net Foreign Assets	632,198	1,791,137	2,907,004	7,829,838
Foreign Assets	2,041,524	4,336,722	7,204.082	14,526.524
Foreign Liabilities	1,409,326	2,545,585	4,297,078	6,696,686
Central Bank claims on:				
Public Sector	817,687	699,024	355,114	(247,385)
Deposit Money Banks and other Financial Institutions plus net other items	(177,370)	(334,756)	(691,272)	(1,259,699)
Liabilities	1,272,515	2.155,405	2,570,846	6,322,754
Domestic Liabilities	566,421	1,507,438	2,043,554	4,735,654
FX Deposits of Non-Banks	212,984	703,959	668,292	1,723,362
FX Deposits of the Banking Sector	353,437	803,479	1,375,262	3,012,292
Reserve Money	621,483	1,186,387	2,145,718	3,932,210
(of which: Currency Issued)	382,243	758,878	1,328,542	2,390,748
Deposits and Other Liabilities of the Central Bank	84.611	(538,420)	(1,618,426)	(2,345,110)

The Central Bank implemented a restructured balance sheet, called the Stand-By Balance Sheet, in 2000 and changed certain definitions concerning monetary aggregates in 2000. Balance sheet items for 2000 are no longer presented in the above format. Beginning in 2000, balance sheet items will be presented in the new format, as shown below:

	As of December 31 2000
	(in millions of dollars)
Asset	16,903,438
Foreign Assets	18,004,037
Domestic Assets	(1,100,599)
Cash Operations	(416,026)
FX Revaluation Account	(875,207)
IMF Emergency Assistance	190,634
Liability	16,903,438
Total Foreign Liabilities	15,923,554
Liabilities to Non-Residents	10,405,974
Liabilities to Residents	5,517,580
Central Bank Money	979,884
Reserve Money	5,949,348
Currency Issued	3,772,411
Deposits of Banking Sector	2,015,481
Extra budgetary Funds	115,720
Deposits of Non Banking Sector	45,736
Other Central Bank Money	(4,969,464)
Open market Operations	(5,218,625)
Deposits of Public Sector	249,161

Key Monetary Aggregates

	As of December 31				
	1996	1997	1998	1999	2000
	(in billions of Turkish Lira)				
M1	896,855	1,581,210	2,562.478	4,272,018	6,746,482
M2	2,924,893	5.658,800	11,423,198	21,992.654	31,109,334
M2Y (M2 + foreign exchange deposits at commercial banks)	5,373,709	10,664,059	20,212,650	40,153,556	56,046,300

Source: CBT.

The following table presents the discount rates of the Central Bank for the dates indicated:

Table No. 24

Discount Rates

Year	Discount Rates
1996	50%
1997	67%
1998	67%
1999	60%
2000	60%

Exchange Rates and Exchange Policies

Turkish exchange rate policy is conducted by the Central Bank in coordination with the Treasury. and the Central Bank is fully responsible for its implementation. The exchange rate is determined freely in the foreign exchange market. The Central Bank intervenes in the foreign exchange market to prevent excessive exchange rate volatility.

Pursuant to Decree No. 32 issued in August 1989. as amended in June 1991. the Government eased restrictions on the convertibility of the Turkish Lira. By 1996, all restrictions on the convertibility of the Turkish Lira for current account transactions and non-resident capital account transactions had been phased out. Most restrictions on resident capital transactions have also been removed.

The following table presents the average and period-end rates of exchange of Turkish Lira per U.S. dollar, Deutsche mark, Japanese yen and against a currency basket consisting of $1.00 and DM1.50 for the periods and at the dates indicated:

Table No. 25

Exchange Rates(1)

Period Average	**Turkish Lira per U.S. Dollar**	**Turkish Lira per Deutsche Mark**	**Turkish Lira per Japanese Yen**	**Turkish Lira per Currency Basket $1.00 + DM1.5**
Year				
1996	81,795.50	54,252.48	749.70	163,174.22
1997	152,804.88	87,789.50	1,262.73	284,489.13
1998	262,304.22	149,854.58	2,016.60	487,086.10
1999	422,152.48	228,969.86	3,752.31	765,607.26
2000	626,711.58	294,867.50	5,818.89	1,070,778.80(2)
Period End				
At December 31st				
1996	108,045.00	69,420.00	932.00	212,175.00
1997	205,740.00	114,790.00	1,588.00	377,925.00
1998	314,230.00	188,240.00	2,730.00	569,590.00
1999	542,703.00	278,506.00	5,309.00	960,462.00
2000	675,004.00	317,790.00	5,981.00	1,153,592.88(2)

(1) Central Bank foreign exchange selling rates.

(2) The basket consisting of $1.00 and 0.77 Euro.

Source: CBT.

Beginning in November 1995, the exchange rate policy of the Republic was to devalue the Turkish Lira in line with WPI inflation against a currency basket consisting of $1.00 and DM1.5 over the long run. In 1998, the Central Bank implemented its exchange rate policy in order to maintain international competitiveness and support the decline in inflation. The value of the currency basket consisting of $1.00 and DM1.5 increased by 58.1% against the Turkish Lira, compared with the 54.3% increase in wholesale prices. In 1999, the Central Bank replaced the Deutsche Mark with the Euro in the basket against which Turkish Lira is measured. The basket now consists of $1.00 and 0.77 Euro.

Pursuant to the terms of the Stand-by Arrangement, the exchange rate for the 12 months following was to be announced, providing an anchor for inflation expectations. A gradual shift toward a more flexible exchange rate regime was intended to begin on July 1, 2001, with the introduction of a progressively widening band around the central exchange rate path. The width of the band is expected to gradually expand from 7.5% in July-December 2001 to 15% in January-June 2002, to 22.5% in July-December 2002. The exchange rate is expected to become freely floating beginning in 2003.

Banking System

In June 1999, the Assembly passed a banking reform law, the Banks Act (Law No. 4389 as amended by Law No. 4491). The legislation was established to further align Turkish banking regulation with EU directives. The law aimed to establish rules and procedures governing incorporation, management, transactions, mergers, liquidation and supervision of banks in order to ensure efficiency in the credit system and increase confidence and stability in the financial markets. The law also provided for the establishment of the Banking Regulation and Supervision Agency (the "BRSA") which is an independent and autonomous public entity with administrative and financial autonomy that supervises financial institutions. Major areas of change include reduced lending limits, closer monitoring of problem banks, acceleration of the liquidation of problem banks and increased effectiveness of supervision through the establishment of the BRSA. In addition, to strengthen the financial status of the SDIF, new entrants into the banking sector have to pay an entrance fee to the SDIF as a percentage of the minimum capital requirement.

The Turkish banking system is under the supervision of the BRSA. The Banking Regulation and Supervision Board of the BRSA was appointed on March 31, 2000, but did not begin operations until August 31, 2000.

Savings deposits at banks are insured by the Savings Deposit Insurance Fund, or the SDIF, which is managed and represented by the BRSA. In addition to providing deposit insurance, the SDIF is responsible for restructuring and increasing the financial soundness of banks that are taken over.

In addition to the Central Bank, 79 banks were operating in Turkey as of December 31, 2000, including 18 investment and development banks (one of which is a clearing bank) and 61 commercial banks. The universal banking system in Turkey allows commercial banks to engage in banking and other financial services. Four of the commercial banks are state-owned. The major commercial banks are internationally recognized institutions with nationwide branch networks and deposit bases. Banks are permitted to deal in foreign exchange and to borrow and lend in foreign currency.

Of the 57 privately owned commercial banks, 36 are domestically owned and 21 have 50% or more of their shares owned by foreign shareholders or are branches of foreign banks. By year-end 2000, the public and private domestic deposit banks (excluding branches abroad) held 35.6% and 53.5% of the total assets of all banks, respectively, while foreign owned banks and branches of foreign banks together held 6.1% of the total assets of the banking sector. Investment and development banks held 4.7% of the assets of the banking sector as of year-end 2000.

Since 1984, most of the state-owned banks have typically run losses because of their specialized public policy functions, such as the granting of subsidized loans to farmers and small businesses. For example, at the end of December 2000, 32.3% of the loans of state owned banks were granted at below market rates. As part of the reform process, state-owned banks now have no duty to grant subsidized loans to farmers and small businesses unless resources are designated to such state-owned banks by the Government. The transactions that the state-owned banks are obligated to undertake and that appear in their interim balance sheets have been covered by the Treasury within the framework of "special duty losses".

In 1999, in addition to two existing SDIF banks, the Government transferred six private banks to its control and shut down one investment bank in order to strengthen the Turkish banking system. With three more banks taken over by SDIF in year 2000, the number of banks under the control of the SDIF increased to 11 as of December 31, 2000. In addition, two banks were liquidated by the Government in 2000. The Government intends to clean-up the liabilities and improve the financial condition of the banks that have been taken over before ultimately selling them.

The state and SDIF banks are fully recapitalized with Government securities that bear market interest rates. A portion of the securities received by these banks was sold to the Central Bank and the proceeds were used to repay overnight debt. Most of these overnight exposures are already eliminated. The Central Bank will eliminate the liquidity through reverse repos and Treasury borrowing. The management of very short-term debt of the public sector was shifted to the Central Bank. As a result, the cost of financing the very short-term debt will be lower, the maturity of the debt will be lengthened and the balance sheet of these banks will shrink.

"Duty losses" of state banks were eliminated and loss generating duties can no longer be assigned to banks. In addition, a politically independent board for the state banks composed of professional bankers has already been established.

Of the 14 banks taken over by the SDIF:

- Six banks were combined into a transition bank (Sümerbank). Operations are being scaled down rapidly: half of the branches have been closed and half of the personnel laid off. Sümerbank was sold on August 10, 2001.
- Four banks were combined into another transition bank (Etibank). Similarly, operations are being scaled down. Negotiation for the sale of Etibank are underway. Etibank will be sold or liquidated by year end 2001.
- Three banks are in the process of being sold.
- One bank was sold on June 29, 2001.

In 1996, the Uniform Chart of Accounts and accounting standards were revised, bringing those standards in line with the International Accounting Standards, except for the standard on inflationary accounting.

A communiqué on the principles of the preparation and announcement of consolidated financial tables by banks was published in May 1997. The communiqué requires that banks that are the parent company in a group financial institutions holding exclusive or joint controlling power (with other financial institutions in the group) over one or more of the financial companies in the group or hold significant influence over these companies prepare consolidated financial statements. The parent bank established in Turkey is required to consolidate the statements of the financial institutions that are members of such a group, regardless of their country of origin and field of expertise. The rules applying capital adequacy ratio requirements and foreign exchange exposure limits on a consolidated basis were issued in December 1999.

According to the Decree on Loan Loss Provisioning (Decree No. 99/13761 effective December 21, 1999) banks, including branch offices abroad, must classify their loans and all other receivables into one of the following five groups: (i) standard credits and other receivables, (ii) credits and other receivables subject to close scrutiny, (iii) credits and other receivables with a limited possibility of collection, (iv) doubtful loans and other receivables, and (v) credits and other receivables that qualify as a loss. Collateral is classified into four groups according to its liquidity. The Decree on Loan Loss Provisioning also requires banks to maintain a general reserve of 0.5% of their group (i) and (ii) credits and 0.1% of their non-cash credits.

In June 1998, capital against weighted risk assets and off-balance sheet items were brought into line with the EU directives by the communiqué on capital adequacy of banks.

The capital adequacy ratios for all banks operating in Turkey averaged 13.4% in 2000 and the capital adequacy ratios for state-owned deposit banks in Turkey averaged 7.8%.

The following table sets forth the capital adequacy ratios for all banks operating in Turkey and for the state-owned deposit banks:

Table No. 26

	Capital adequacy at end of period	
	All banks	**State-owned deposit banks**
	(percentage)	
Q1, 1996	12.6	9.1
Q2, 1996	10.9	3.9
Q3, 1996	9.8	0.4
Q4, 1996	12.7	9.1
Q1, 1997	13.2	11.9
Q2, 1997	13.4	13.2
Q3, 1997	12.1	9.7
Q4, 1997	12.6	12.6
Q1, 1998	12.8	12.8
Q2, 1998	14.0	11.6
Q3, 1998	14.6	12.7
Q4, 1998	12.6	8.6
Q1, 1999	13.9	7.4
Q2, 1999	14.3	8.5
Q3, 1999	14.2	8.2
Q4, 1999	15.3	11.8
Q1, 2000	13.2	10.4
Q2, 2000	6.8	9.7
Q3, 2000	8.4	7.9
Q4, 2000	13.4	7.8

Source: UT.

In August 1999, the overall foreign exchange open position that a bank may hold was limited to 20% of its capital base in order to limit foreign exchange exposure risks, effective on January 1, 2000. Also, in August 1999, the banks' required levels of general reserves were reduced from 1.0% to 0.5% of total cash credits and from 0.2% to 0.1% of total non-cash credits. In December 2000, the aggregate net short foreign exchange position of Turkish banks was 48% of the aggregate capital base. The net short foreign exchange position ratio was negative 85% for the banking system as a whole as of March, 2001.

According to communiqué No. 2000/1 regarding the amendment of communiqué 96/1, the banks are required to maintain 100% of the foreign currency deposits exceeding the levels of the net position capital base ratio with the Central Bank in a non-interest bearing Turkish Lira account starting from the week of July 1, 2000.

A decree of the Council of Ministers dated June 1, 2000 limits the government insurance of bank deposits to TL100.0 billion until the end of 2000 and TL50.0 billion thereafter.

Capital Markets

As a consequence of the economic liberalization policies implemented in Turkey since the 1980s coupled with encouragement from the Government, the Turkish capital markets, encompassing securities and other financial markets, in addition to the economy as a whole, have undergone significant transformation. Financial liberalization gave rise to reorganization of the economy's institutional structure and the introduction of financial innovations.

Capital markets deregulation was undertaken in line with overall financial sector reform. The objectives of these reforms were several: to secure transparency, confidence and stability in the capital markets; to contribute to the private sector's more effective utilization of capital markets; to bring market discipline to SEEs and strengthen the process of their restructuring; to facilitate local government financing in the capital markets; to develop new instruments, institutions and markets to reduce the costs of credit and fund allocation; to deepen the financial markets; to contribute to the participation of the public at large in investment activity; and to reach standards of developed nations in financial structure and practice.

Basic legislation was enacted in 1981 to adapt the legal framework to world markets and, one year later, the regulatory body responsible for the supervision and regulation of the Turkish securities market, the Capital Markets Board (the "CMB"), was established. In 1983 a decree law came into effect to restructure the stock exchanges and secondary securities markets. The Istanbul Stock Exchange (the "ISE") was established in 1986. In 1989, the foreign exchange regime was amended to allow non-residents to invest in Turkish securities and allow residents to invest in foreign securities.

The Turkish Capital Market Law was amended in 1992, and new instruments were introduced such as repurchase agreements, futures and options contracts, convertible bonds, bonds with puts and calls, asset-backed securities and non-voting shares. The new law also prohibits insider trading activities and manipulation, providing for penalties ranging between TL10 billion and TL25 billion in fines and two to five years' imprisonment

Prospective securities issuers, including SEEs and municipalities, now fall within the scope of the CMB's "Registration System" and all are subject to common disclosure requirements. Prospectuses for issuance of securities are now more detailed, in accordance with EU directives. External auditing has been extended in the market.

Mutual funds, including those established by non-bank financial institutions, have been differentiated based on portfolio structure. "Type A" funds are mutual funds required to invest at least 25% of their portfolios in shares of companies permanently established in Turkey. To encourage individuals to invest in the capital markets, the Government has exempted Type A funds from income taxes.

Rules regarding margin trading, borrowing and lending securities and short-selling were promulgated in December 1994. In March 1996, principles for the issuance of capital markets instruments by non-residents were introduced. Such principles are regulated by the CMB. The Capital Markets Law also authorizes the CMB to regulate the establishment and operations of institutions that operate in the futures markets. In March 1997, a communiqué concerning the establishment and operations of rating institutions was published by the CMB. In June 1998, a communiqué establishing certain principles regarding capital and capital adequacy requirements of intermediary institutions was published by the CMB.

The amendments made in the Capital Markets Law at the end of 1999 introduced new provisions to the markets, including minority rights, interim dividends and dematerialization of capital market instruments. In addition, the Capital Markets Law calls for the establishment of a central registry, an investor protection fund, a capital market training, research and licensing institute and the Turkish Association of Capital Market Intermediaries as well as the formation of a Turkish Accounting Standards Board.

The amount of private sector securities issued increased from TL162 trillion in 1996 to TL5,793 trillion in 2000. In 1996, the total traded value of securities on the secondary market was TL74 quadrillion. By year-end 2000, the total traded value of securities reached TL965 quadrillion, at the end of 2000. As of December 31, 2000, total market capitalization was TL46,692 trillion.

The ISE National-100 Index, the main market indicator, increased by 867% on a Turkish Lira basis and 53% on a US dollar basis between 1996 and 2000. At the end of 2000, the ISE National-100 Index was 9,437.21 (on a TL basis) or 817.49 on a U.S. dollars basis, the average daily traded value on the ISE stock market reached TL452 trillion ($740 million) and total market capitalization reached TL46,692 trillion ($69.5 billion). In addition, the average daily traded value registered on the bonds and bills market at the end of 2000 was TL2,870 trillion ($4.580 million). The total traded value in the stock market was TL111.165 trillion ($182 billion) while the total traded value in the bonds and bills market, including registered off-exchange transactions, was TL2,049,008 trillion ($3,274 billion).

As of December 31, 2000, there were 73 banks and 128 non-bank intermediary institutions operating at the ISE.

The ISE was recognized as a "Designated Offshore Securities Market" by the U.S. Securities and Exchange Commission in 1993 and was designated as an "appropriate foreign investment market for the private and institutional Japanese investors" by the Japan Securities Dealers Association in 1995. Likewise, the ISE has been approved by the Austrian Ministry of Finance as a regulated market in accordance with the regulations of the Austrian Investment Fund Act in 2000.

The settlement and custody operations related to equities, bonds and repo transactions realized on the ISE, are carried out by Takasbank, the ISE's settlement and custody bank. Takasbank is the central securities depository in Turkey, the settlement agency of the ISE, and the national numbering agency responsible for allocating International Securities Identification Numbers, or ISINs, for securities issued in Turkey. In addition, it provides full custody services for foreign institutions. In 1995, Takasbank was granted the title of "Eligible Foreign Custodian" by the SEC and designated as an "Approved Depository" by the Securities and Futures Authority of the United Kingdom. Also in 1995, Japan Securities Clearing Corporations and Japan Securities Depository Center recognized Takasbank as an eligible depository conforming to the standards predetermined by these institutions.

The following table shows market activity on the Turkish capital markets for the periods indicated:

Table No. 27

Securities Markets Activities

	1996	1997	1998	1999	2000
Securities Issued *(in trillions of TL)*	162	378	842	856	5,793
Outstanding Securities *(in trillions of TL)*	3,290	7,025	13,688	27,099	43,670
Private	441	932	1,899	3,796	6,868
Public	2,849	6,093	11,789	23,303	36,802
Traded value on the ISE Markets *(in trillions of TL)*					
Stock Market	3,031	9,049	18,030	36,877	111,165
Bonds and Bills Market	21,051	63,696	115,274	286,154	720,457
Off-exchange bonds & bills transactions	66,747	174,555	360,538	699,525	1,328,551
Market Capitalization *(in trillions of TL)*	3,275	12,654	10,612	61,137	46,692
ISE National-100 Index *(on TL basis)*	976	3,451	2.598	15,209	9,437
Number of Companies Traded	228	258	277	285	315

Source: Capital Markets Board, ISE, UT, Privatization Administration.

PUBLIC FINANCE

General

The public sector in Turkey includes the central Government, local governments (provincial governments, municipalities and villages), financial and non-financial state economic enterprises ("SEEs"), Social Security Institutions and extra-budgetary funds ("EBFs").

The fiscal year of the Republic is the calendar year, and the Republic employs in principle a cash basis of accounting. The annual budget process commences in June with the budget call of the Prime Minister prepared by the Ministry of Finance. Individual ministry budgets are prepared and reviewed by the High Planning Council (consisting of the Prime Minister, certain Ministers and the Undersecretary of the State Planning Organization) and a budget bill together with supporting information is submitted to the Assembly in early October. Following debate, the annual budget law is generally approved by the Assembly and promulgated by the President in early December.

Each of the SEEs adopts an annual financial program, which is approved by the Council of Ministers. The Assembly annually appropriates a single amount to the Treasury for allocation among the SEEs. Revenues and expenditures of the SEEs are excluded from the consolidated budget. Since 1993, by contrast, revenues and expenditures of most EBFs have been consolidated with the national budget. This consolidation was intended to impose a discipline on EBF spending and decrease the EBF's contribution to the annual public sector borrowing requirement. See "— Extra-Budgetary Funds."

Consolidated Central Government Budget

The consolidated budget figures for 1996 showed total revenues of TL2,702 trillion, total expenditures of TL3,940 trillion and a deficit of TL1,238 trillion. The deficit figure corresponded to 8.3% of GNP, significantly exceeding the target for 1996 of 6.5% of GNP due to increases in personnel expenditure, transfers to Social Security Institutions and interest payments for domestic debt. The increase in interest expenditure was primarily due to the relatively short-term borrowing of the Treasury and the unforeseen increase in the market rates of interest.

In the second half of 1996, the Government announced a number of measures designed to increase budget revenues. These measures included the intensification of privatization efforts, the sale of state-owned real estate and land, improvements in tax collection methods and implementation of withholding tax on interest earnings from Treasury bonds and bills. See "— Taxation" and "— Privatization." The Government also implemented a "car-import scheme" to allow Turkish expatriate workers to import automobiles into Turkey duty-free provided the workers deposit hard currency of DM50,000 for one year with Ziraat Bank. The Treasury is permitted to draw on these funds by issuing bonds to Ziraat Bank. Between November 1996 and June 1997, the Treasury had utilized TL143.7 trillion of the aggregate surplus by issuing bonds to the state banks.

The 1997 budget projected a balanced consolidated budget, based on expected revenues from the measures designed to increase budget revenues announced in the second half of 1996 outlined above. In 1997, nominal budget revenues were targeted to increase by 6.8% of GNP over 1996 levels, reaching 24.7% of GNP, while nominal expenditures were budgeted to decline by 1.4% of GNP, mainly due to an expected decrease in interest expenditures. The budget also relied heavily on privatization receipts and included $4.3 billion from the privatization of Türk Telekom and $2.0 billion from the sale of state lands.

However, in 1997, revenues fell significantly short of the targets, while non-interest expenditures rose sharply. In the period from 1996 to 1997, non-interest expenditures increased by 133.9%, while revenues increased by 112.8%. As a result, the budget deficit for the period increased to TL2,241 trillion in 1997 from TL1,238 trillion in 1996. The cash deficit of the budget also increased to TL2,220 trillion in 1997 from TL1,268 trillion in 1996. The primary balance continued to be in surplus by approximately TL37 trillion in 1997, compared with TL259 trillion in 1996.

As a result of the sharp increase in non-interest expenditures during the first half of 1997, the Government submitted a supplemental budget of approximately TL1,835 trillion to the Assembly in the fall of 1997. The bulk of the supplemental budget was allocated to personnel expenditures, transfers to Social Security Institutions (as defined herein), interest payments, state participation in public banks and payments for duty losses. In July 1997, the Government increased consumption taxes on petroleum products from an average of 102% to 150% in order to raise further revenues.

Taking into account the supplemental budget, total budget expenditures for 1997 were approximately TL7,991 trillion, reaching 27.2% of GNP, an increase from 26.3% of GNP in 1996. Consolidated budget tax revenues increased from 15.0% of GNP in 1996 to 16.1% of GNP in 1997. Due to a significant shortfall in revenues, the share of non-tax revenues in GNP in 1997 was 3.2%. Total budget revenues increased from TL2,702.0 trillion, 18.0% of GNP in 1996 to TL5,750.1 trillion, 19.6% of GNP in 1997.

The budget deficit was approximately TL2,241 trillion at year-end 1997, representing 7.6% of GNP. The primary balance yielded a surplus of approximately 0.1% of GNP in 1997. The budget deficit was financed mainly by the issuance of Government bonds and Treasury bills.

In order to tackle the increasing inflation and the fiscal deficit, the Government decided to implement a Three-year Program in 1998. The program was initiated to reduce inflation to a single digit level by 2000 while ensuring sustainable growth. In this context, Government income policy was set in line with the inflation targets. As part of its efforts to reduce inflation, the Government announced that the Treasury, the Central Bank and the Ministry of Finance would each produce quarterly policies to give a clearer picture of the Government's short-term action.

In 1998, the consolidated budget deficit as a share of GNP was targeted to be 8.1%, while the primary balance was projected to yield a surplus of 3.9% of GNP. The following measures were taken in 1998:

- The 1998 Budget Law imposed a ceiling on Treasury's domestic and external borrowing. According to the law, net domestic borrowing must be no greater than the budget deficit. In external borrowing, if the amount borrowed exceeds principal payments of outstanding external debt, the amount will be deducted from the domestic borrowing limit. If the amount borrowed is less than the principal payments, the amount will be added to the domestic borrowing limit.
- The Budget Law required all public institutions to deposit their excess cash in the Central Bank or the Ziraat Bank.
- Investment projects whose appropriation was less than 10% of its estimated cost were postponed.
- Wage and salary increases and agricultural support prices were determined in line with the inflation target.
- A tax reform bill was approved by the Parliament and put into effect in July 1998. The bill aims to include the unregistered economy within the scope of taxation and to minimize tax evasion and losses through a more effective tax system.
- Treasury's use of short-term advances from the Central Bank as a financing tool was restricted to 3.0% of the increase in consolidated budget appropriations over the previous year, which represented 4.0% of targeted GNP.

As a result of these measures, the primary surplus was realized as 4.4% of GNP in 1998 compared to 0.1% in 1997. The budget deficit improved slightly to TL3,819 trillion, 7.1% of GNP, compared to 7.6% in 1997.

Consolidated budget revenues as a share of GNP increased to 21.7% in 1998 from 19.6% in 1997. This was mainly due to the increase in tax revenues from 16.1% of GNP in 1997 to 17.2% of GNP. The improvement in tax administration procedures and the initiation of tax identification numbers and increased tax inspections contributed to the increase in tax revenues. See "— Taxation." Non-tax revenues increased to 4.3% of GNP in 1998 from 3.2% in 1997. This increase was primarily due to the sales of two GSM licenses and special revenues from eight-year basic education levies. See "— Privatization" and "Economy — Education."

Total budget expenditures increased from 27.2% of GNP in 1997 to 28.8% of GNP in 1998 (TL15,414 trillion). The increase in interest expenditures from 7.8% of GNP in 1997 to 11.6% of GNP in 1998 was the primary reason for the overall increase in budget expenditures. Turkey includes interest expenses in its budget only upon maturity of zero-coupon debt. The increase in interest expenditures in 1998 resulted from a lengthening of maturities in 1997, so that more interest that had accumulated during 1997 was paid in 1998. In addition, in 1998 the maturity of new domestic debt issued was shorter due to the Russian economic crisis, so that less of the interest accrued during 1998 was carried into 1999. The share of non-interest expenditures in GNP, on the other hand, declined from 19.4% in 1997 to 17.3% in 1998.

The borrowing requirement of the off-budget public sector increased from a near-balance of 0.3% of GNP to an estimated 1.7% of GNP in 1998.

In October 1998, a comprehensive draft budget was proposed for 1999, but it was held back after the fall of the coalition government. Instead, a transitional budget was approved by the Assembly. The transitional budget was in force for the first half of 1999 and the 1999 budget was approved by the Assembly on June 18, 1999. In 1999, total consolidated budget revenues were estimated as TL18,030 trillion (23.0% of GNP) while total expenditures were estimated to be TL27,145 trillion (34.7% of GNP). Consequently, the budget deficit was estimated to be TL9,115 trillion (11.6% of GNP) and the primary surplus was estimated to be TL1,185 trillion (1.5% of GNP).

The Government decided to embark on a program to reduce the high inflation rate by entering into the Stand-By Arrangement between Turkey and the IMF on December 22, 1999. According to the Stand-By Arrangement, the consolidated central government budget was supposed to produce a primary surplus of TL1,000 trillion at year-end 1999.

According to the provisional consolidated budget figures as of the end of 1999, total revenues were realized as TL18,650 trillion (23.8% of GNP) and total expenditures were realized as TL27,802 trillion (35.5% of GNP), an increase of 61% and 80%, respectively, over 1998. Consequently, the budget deficit in 1999 was TL9,153 trillion (11.7% of GNP) compared to TL3,819 trillion in 1998. The primary budget surplus was TL1,568 trillion (2% of GNP) in 1999, compared to TL2,357 trillion in 1998. The primary budget surplus in 1999 significantly exceeded the targeted primary surplus under the Stand-By Arrangement.

On December 28, 1999, the Assembly passed the 2000 budget. The 2000 budget estimated total revenues of TL32.5 quadrillion (25.8% of GNP), total expenditures of TL47.0 quadrillion (37.3% of GNP), a consolidated budget deficit of TL14.4 quadrillion (11.4% of GNP) and a primary surplus of TL6.7 quadrillion (5.3% of GNP).

The 2000 Budget was based on a GNP increase of 42.5% and real GNP growth of 5.5%.

Since it was Turkey's first year complying with the disinflation program required by the Stand-By Arrangement, Turkey's 2000 budget targeted a sharp decline in inflation and a reduction of the rate of increase in domestic debt stock by decreasing the public sector borrowing requirement.

The provisional budget outcomes for the year 2000 were:

- Total revenues of TL33.2 quadrillion (26.3% of GNP) which exceeded the original target;
- Total expenditures of TL46.2 quadrillion (36.7% of GNP) which was 0.6% below the original projections; and
- Total budget deficit of TL13 quadrillion (–10.3% of GNP).

The budget for the year 2000 set forth provisions aimed at protecting civil servants' wage increases against inflation and limiting Treasury guarantees for local governments to US$500 million.

In 2000, consolidated budget expenditures reached TL46,193 trillion and consolidated budget revenues reached TL33,189 trillion, an increase of 66.1% and 78%, respectively, compared to 1999. Consequently, the consolidated budget deficit amounted to TL13,004 trillion in 2000, compared to TL9,153 trillion in 1999. The primary budget surplus totaled TL7,436 trillion in 2000, compared to TL1,568 trillion in 1999.

The 2000 outcomes reveal a 35% increase in tax revenues in real terms (based on a WPI of 33%). Excluding the impact of revenues from new taxes, tax revenues increased 22% in real terms.

On December 20, 2000, the Assembly passed the 2001 budget. The 2001 budget projects revenues of TL43,126 trillion (28.1% of GNP) and budget expenditures are targeted at TL48,360 trillion (31.5% of GNP). In 2001, the Government estimates that the budget deficit will be TL5,233 trillion (3.4% of GNP).

At the first Treasury auction of 2000, which occurred on January 5, 2000, the interest rate was 37.03% (compounded annually) compared to a 93.32% interest rate (compounded annually) from the last auction in November 1999. Despite efforts to curb demand, the decrease in the interest rates boosted consumption and led to an increase in imports, which raised the issue of sustainability.

The following table sets forth the consolidated central Government budget (adjusted and based on actual amounts realized for the years 1995 to 1997 and provisional figures for 1998, 1999 and 2000):

Table No. 28

Consolidated Central Government Budget (Adjusted)

	1996	1997	1998[1]	1999[1]	2000[1]
		(in trillions of Turkish Lira)			
REVENUES	**2,702.0**	**5,750.1**	**11,594.4**	**18,649.7**	**33,189.2**
Tax Revenues	2,244.1	4,745.5	9,228.6	14,802.3	26,514.1
Direct Taxes	883.6	1,932.0	4,304.1	6,715.6	10,849.2
Indirect Taxes	1,360.5	2,813.5	4,924.5	8,086.6	15,664.9
Non-tax Revenues	430.1	950.4	2,316.1	3,747.1	6,524.4
Grants	1.8	1.7	0.0	7.5	0.0
Annex Budget	26.0	52.5	49.7	92.7	150.7
TOTAL EXPENDITURES	**3,940.2**	**7,990.7**	**15,413.7**	**27,802.3**	**46,193.0**
NON-INTEREST EXPENDITURES	**2,442.8**	**5,712.8**	**9,237.1**	**17,081.5**	**25,753.1**
Personnel	974.1	2,073.1	3,871.0	6,911.9	9,982.1
Other Current	308.6	706.3	1,278.6	2,196.9	3,519.6
Investment	238.1	590.4	885.9	1,404.8	2,250.5
Interest Payments of which	1,497.4	2,277.9	6,176.6	10,720.8	20,439.9
Foreign Borrowing	168.3	300.0	547.1	896.2	1,648.0
Domestic Borrowing	1,329.1	1,978.0	5,629.5	9,824.6	18,791.9
Transfers to SEEs	50.2	123.6	160.0	416.8	885.9
Other Transfers	871.8	2,219.3	3,041.7	6,151.0	9,114.9
PRIMARY BALANCE	259.3	37.3	2,357.2	1,568.2	7,436.1
OVERALL BALANCE	**(1,238.1)**	**(2,240.7)**	**(3,819.3)**	**(9,152.7)**	**(13,003.7)**
DEFERRED PAYMENTS	16.3	139.7	204.3	410.3	496.8
ADVANCES	(45.9)	(119.5)	(273.9)	(383.0)	(402.2)
CASH BALANCE	**(1,267.7)**	**(2,220.4)**	**(3,888.9)**	**(9,125.4)**	**(12,909.1)**
FINANCING	**1,267.7**	**2,220.4**	**3,888.9**	**9,125.4**	**12,909.1**
FOREIGN BORROWING, NET	**(133.4)**	**(444.6)**	**(1,035.6)**	**459.7**	**2,676.7**
Receipts from Loans	253.3	194.6	723.8	2,565.9	5,927.6
Receipts from On-Lending(*)	24.4	52.1	79.5	241.5	402.2
Payments on Loans	(412.1)	(691.3)	(1,838.9)	(2,347.8)	(3,653.0)
DOMESTIC BORROWING, NET	**1,066.2**	**2,505.5**	**4,590.2**	**9,740.5**	**9,350.9**
G-Bonds, net	**274.0**	**1,484.8**	**1,297.0**	**12,233.8**	**10,141.5**
Receipts	583.3	2,068.5	2,806.6	16,903.3	19,655.7
Payments	(309.2)	(583.7)	(1,509.6)	(4,669.5)	(9,514.2)
Treasury Bills, net	**792.2**	**1,020.7**	**3,293.2**	**(2,493.3)**	**(1,333.9)**
Receipts	3,266.4	2,981.6	9,173.7	6,840.0	5,627.9
Payments	(2,474.3)	(1,961.0)	(5,880.5)	(9,333.4)	(6,961.8)
Receipts from On-Lending	0.0	0.0	0.0	0.0	543.2
CENTRAL BANK ADVANCES, NET	**229.0**	**0.0**	**0.0**	**0.0**	**0.0**
OTHER	**107.0**	**159.5**	**334.3**	**(1,074.7)**	**881.5**

(1) Provisional.

(2) Includes privatization proceeds.

(3) Includes transfers to EBF's.

Source: UT.

Taxation

The Government collects taxes on personal and corporate income, real estate, goods and services (including the value added tax), foreign trade, and interest earnings on government securities (except interest payments and any other amounts to be paid by Turkey under any external public debt obligation). Non-tax revenues including revenues from the four non-consolidated EBFs account for the remainder of consolidated budget revenues.

In July 1998, the Assembly approved a tax bill, which aimed to include the unregistered economy within the scope of taxation and to minimize tax evasion and losses through a more effective tax inspection system. The bill covered all types of revenues and sought to limit exemptions and exclusions and to eliminate legislative loopholes that had been eroding the tax base. In order to include unregistered economy within the scope of taxation, all taxpayers are required to obtain tax identification numbers which will be used in financial transactions as well as the buying and selling of real estate and motor vehicles. This provides transparency to the tax system and allow the Government to prevent tax evasion. The new law also reduced the personal income tax rates, from 55% – 25% to 45% – 15% and the corporate income tax rates, from 40% to 37% – 30%. In addition, the penalty system was simplified. Under the new tax law, penalties are non-negotiable and include criminal sanctions.

Beginning in October 1998, the withholding tax on government securities was abolished. In 1998, tax revenues in the budget increased to 17.2% of GNP from 16.1% in 1997.

The recession in 1999 (GDP decreased by 8.4% in the first quarter of 1999 and 3.4% in the second quarter) forced the Government to submit a tax bill (Bill No. 4444) to the Assembly aimed at easing the negative effects of the decrease in economic output. Law No. 4444 was approved by the Assembly on August 14, 1999. As a result of Law No. 4444, the following changes were made:

- The definition of income was changed back to its previous form.
- The declaration method was abolished and the withholding method was adopted for bank deposits and repurchase transactions.
- Filing obligations for mutual funds were abolished.
- Excluding wage and salary income, tax rates on personal income were increased by 5%.
- The advance tax period (for the payment of "advance" or estimated taxes on income during a particular period) was extended so that semi-annual rather than quarterly payments would be required effective as of January 1, 2000 and the tax rate was lowered to 20% from 25%.

Shortly after Law No. 4444 was announced, an earthquake struck the Marmara region of Turkey. The earthquake severely damaged the infrastructure of the region and caused an immediate need for extra revenue. As a result of the earthquake, Law No. 4481 was submitted to the Assembly and was approved on November 26, 1999. Law No. 4481 provided that:

- Individual and corporate taxpayers had to pay an additional 5% tax on their 1998 income.
- Motor vehicle owners had to pay an additional amount equal to their 1999 motor vehicle tax liability.
- Through December 31, 2000, a surcharge of 25% was payable by cellular telephone subscribers as a special communication tax.
- Through December 31, 2000, a special transaction tax equal to education levies had to be paid.
- A one-off interest tax aiming to tax windfall gains on domestic treasury securities issued before December 1, 1999 was introduced, effective as of January 1, 2000. The rates applicable to the interest gains depend on the time to maturity and the type of security. For discounted government papers, the rate is 4% for securities with time to maturity between 1-91 days, 9% for securities with time to maturity between 92-183 days and 14% for securities with time to maturity greater than 183 days. The rate for government bonds with floating rate coupon payments is 4%. The tax rate on gains for government bonds with fixed coupon payments is 19%.
- The legal ceiling of the petroleum consumption tax was increased from 300% to 500%. The legal ceiling was subsequently abolished.

In addition, Law No. 4459 provides that individuals may elect to pay a one-time fee to reduce the duration of compulsory military service. In addition, certain rates of domestic VAT increased by 2% (from 15% to 17% and from 23% to 25%) in December 1999.

Certain taxes (rates and amounts) are increased by the revaluation rate which is calculated each year. The revaluation rate is the year-on-year increase in wholesale price index determined by the State Statistics Institution in October 2000. The revaluation rate is applied through the following year after its announcement by the Ministry of Finance in December. In December 1999, the Motor Vehicle Tax, the Motor Vehicle Purchase Tax, the Gift and Inheritance Tax, and the Fees and Stamp Tax were increased by the revaluation rate. The Environment Tax, a revenue item for municipalities, was increased by half of the revaluation rate. The revaluation rate to be applied in 2000 was announced as 52.1%.

A major change in taxation was the shift from ad valorem taxation to specific taxation in the petroleum consumption tax. The ad valorem taxation of oil consumption was replaced with specific taxation in late January 2000. In order to avoid a fiscal loss, the petroleum consumption tax rates are increased by the value of WPI each month. In July 2000, the Government decided to increase twenty-fold the technical examination fee of motor vehicles using LPG.

Following the November 2000 financial crisis, the Government took additional revenue measures to continue the disinflation and stabilization program required by the Stand-By Arrangement. The Government introduced a tax bill vesting the Council of Ministers with authority to:

- Increase the motor vehicle tax and motor vehicle purchase tax by up to 50% of the revaluation rate depending on the technical features of the vehicle (intended for vehicles using LPG); and
- Increase the motor vehicle purchase tax and additional motor vehicle purchase tax rate from 12% to 36%.

The tax bill reintroduced the concept of minimum taxation which was abandoned in 1998. Minimum taxation requires that taxpayers file their minimum earnings no less than the limits specified in the bill. The minimum taxation requirements are expected to be applied in 2001 only. In addition, the implementation period for special education revenues, special communication tax and special transaction tax was extended until the end of 2002.

Following the introduction of the tax bill, various revenue measures were announced by the Counsel of Ministers. As a result, the following changes have been made:

- Special transaction taxes increased by almost 100%;
- Motor vehicle purchase taxes increased by 60%;
- Advance corporate income tax rate was set at 25%; and
- VAT on telecommunication services (other than GSM networks) increased to 25% from 17%.

The following table sets forth tax revenues for the years indicated:

Table No. 29

Tax Revenues

	1996	1997	1998	1999	2000
		(in billions of Turkish Lira)			
Total Tax Revenues	2,244.1	4,745.5	9,228.6	14,802.3	26,514.1
Taxes on Income	862.6	1,893.3	4,230.1	6,537.4	10,502.5
Income Tax	675.6	1,500.2	3,481.8	4,936.6	6.212.2
Corporation Tax	187.1	393.2	748.4	1,549.5	2,356.8
Additional Income Tax	0.0	0.0	0.0	21.4	95.6
Additional Corporate Tax	0.0	0.0	0.0	30.0	197.3
Windfall Gain Tax	0.0	0.0	0.0	0.0	1,640.7
Taxes on Wealth	18.6	35.5	72.7	178.2	346.6
Motor Vehicle Tax	16.8	32.5	65.9	126.2	201.2
Inheritance and Gift Tax	1.9	2.9	6.8	10.5	13.1
Additional Motor Vehicle Tax	0.0	0.0	0.0	41.5	67.8
Net Asset Tax	0.0	0.0	0.0	0.0	64.5
Taxes on Goods and Services	970.9	1,985.2	3,605.8	6,109.4	11,374.4
Domestic Value Added Tax (VAT)	419.2	861.3	1,589.1	2,433.3	4,487.8
Additional VAT	42.8	58.0	70.0	144.5	532.5
Motor Vehicle Purchase Tax	36.3	77.4	128.2	204.2	429.6
Petroleum Consumption Tax	303.9	637.5	1,069.6	2,248.0	3,268.8
Banking and Insurance Transactions	57.0	114.8	315.1	466.1	858.1
Stamp Tax	57.3	122.9	240.7	355.7	704.4
Fees	54.3	113.5	193.0	249.7	464.5
Special Communication Tax	0.0	0.0	0.0	0.0	415.9
Special Transaction Tax	0.0	0.0	0.0	8.0	212.9
Taxes on Foreign Trade	387.1	826.2	1,317.4	1,977.0	4,289.4
Custom Duties other than on Petroleum	54.3	111.7	168.1	233.7	382.6
Custom Duties On Petroleum	7.8	11.8	7.8	5.3	3.4
VAT on Imports	323.9	700.3	1,136.0	1,731.1	3,891.7
Other Revenues from Trade	1.2	2.4	5.4	6.9	11.7
Abolished Taxes	4.8	5.2	2.6	0.3	1.1

Sources: Ministry of Finance, UT.

The following table sets forth the components of tax revenues as a percentage of GNP for the years indicated:

Table No. 30

Tax Revenues

	1996	1997	1998	1999	2000
		(as percentage of GNP)			
Total Tax Revenues	14.98	16.14	17.24	18.91	21.05
Taxes on Income	5.76	6.44	7.90	8.35	8.34
Income Tax	4.51	5.10	6.51	6.31	4.93
Corporation Tax	1.25	1.34	1.40	1.98	1.87
Additional Income Tax	0.00	0.00	0.00	0.03	0.08
Additional Corporate Tax	0.00	0.00	0.00	0.04	0.16
Windfall Gain Tax	0.00	0.00	0.00	0.00	1.30
Taxes on Wealth	0.12	0.12	0.14	0.23	0.28
Motor Vehicle Tax	0.11	0.11	0.12	0.16	0.17
Inheritance and Gift Tax	0.01	0.01	0.01	0.01	0.01
Additional Motor Vehicle Tax	0.00	0.00	0.00	0.05	0.05
Net Asset Tax	0.00	0.00	0.00	0.00	0.05
Taxes on Goods and Services	6.48	6.75	6.74	7.80	9.03
Domestic Value Added Tax (VAT)	2.80	2.93	2.97	3.11	3.56
Additional VAT	0.29	0.20	0.13	0.18	0.42
Motor Vehicle Purchase Tax	0.24	0.26	0.24	0.26	0.34
Petroleum Consumption Tax	2.03	2.17	2.00	2.87	2.59
Banking and Insurance Transactions	0.38	0.39	0.59	0.60	0.68
Stamp Tax	0.38	0.42	0.45	0.45	0.56
Fees	0.36	0.39	0.36	0.32	0.37
Special Communication Tax	0.00	0.00	0.00	0.00	0.33
Special Transaction Tax	0.00	0.00	0.00	0.01	0.17
Taxes on Foreign Trade	2.58	2.81	2.46	2.53	3.41
Custom Duties other than on Petroleum	0.36	0.38	0.31	0.30	0.30
Custom Duties On Petroleum	0.05	0.04	0.01	0.01	0.00
VAT on Imports	2.16	2.38	2.12	2.21	3.09
Other Revenues from Trade	0.01	0.01	0.01	0.01	0.01
Abolished Taxes	0.03	0.02	0.00	0.00	0.00

Sources: Ministry of Finance, UT.

State Economic Enterprises

SEEs continue to play an important role in the Turkish economy. As of December 2000, there are 35 SEEs: 21 SEEs in the Treasury's portfolio (pursuant to Law No. 4502 Turk Telekom was converted into a joint stock company on January 27, 2000) and 14 SEEs in the Privatization Administration portfolio.

Major SEEs established in the non-financial sector include: the Machinery and Chemical Industries Authority or MKEK (industrial chemicals, munitions, special steels and castings); TÜPRAŞ (petroleum refineries); TÜGSAŞ (fertilizers); Posta şletmesi (postal and telegraph services); SEKA (paper); TMO (Turkish Grain Board); TEAS (Turkish Electricity Generation and Transmission Corporation); TEDAŞ (Turkish Electricity Distribution Corporation); TCDD (railways); TK (Turkish Coal Board); TDÇ (iron and steel industry); TTK (Turkish Hard Coal Extraction Company); TEKEL (tobacco and alcoholic beverage); and TŞFAŞ (sugar factories). Of the financial SEEs, the three public banks, Ziraat Bankasi, T. Emlak Bankasi and Halk Bankasi, are among the largest and most important commercial banks in the Treasury's portfolio, holding 35% of total customer deposits as of December 31, 2000. Publicly owned deposit banks hold 40% of total deposits of the Turkish banking system.

In addition to receiving funding directly from the Government budget, SEEs borrow from the Treasury, domestic commercial banks and in foreign markets. The 1994 Banking Amendment, which decreased the level of short-term advances from the Central Bank to the Treasury, limited rediscount credit facilities from the Central Bank to SEEs and annexed budget administrations to an amount equal to 50% of the short-term advances to the Treasury.

In July 1992, the Assembly enacted legislation that consolidated the debt of all SEEs by netting their respective obligations to each other as at December 31, 1991, to be reflected in the financial accounts commencing in 1993. A total of TL38 trillion of debt and TL13 trillion of receivables of the SEEs were written off.

Further legislation was enacted in 1994 that made the SEEs subject to attachment, bankruptcy and liquidation proceedings. The 1998 Budget Law enabled the Government to write-off tax liabilities of SEEs that had losses of more than TL4 trillion in 1997. TDÇ, TTK, TCDD and SEKA's tax liabilities, amounting to TL108 trillion, were written-off under this provision.

External financing requirements of commercial SEEs increased from TL2,432 trillion in 1999 to approximately TL3,665 trillion in 2000.

The following table summarizes information relating to the financing requirements of the nonfinancial SEEs in the Treasury's portfolio and the SEEs in the Privatization Administration's portfolio for the years indicated:

Table No. 31

Financing Requirements of Non-Financial SEEs

	1996	1997	1998	1999	2000[1]
			(in billions of Turkish Lira)		
Total financing requirement:	(398,684)	(941,131)	(1,802,290)	(2,556,809)	(3,536,382)
Increase (reduction) from internally generated funds	325,237	581,013	840,017	125,143	(559,374)
Net financing requirement from outside sources	(73,447)	(360,118)	(962,273)	(2,431,666)	(4,095,755)
Transfers from consolidated budget	61,320	165,700	256,609	568,802	997,018
Borrowing requirement	(12,127)	(194,418)	(705,663)	(1,862,864)	(3,098,737)
Deferred payments	409,898	892,431	1,747.900	2,675,562	598,366
Advance payments	(179,126)	(601,399)	(1,183,365)	(1,320,693)	565,082
Cash financing requirement	218,644	96,614	(141,130)	(507,995)	(1.935.289)
Change in cash	(177,449)	(156,333)	(314,583)	(248,020)	371,737
Securities and deposits	33,043	(161,791)	(102,268)	119,638	62,527
Domestic bank borrowing, net	(35,284)	195,089	202,783	57,518	1.798
Foreign borrowing, net	(58,920)	26,421	339,849	578,858	1,499,227
Government bonds	19,966	0	15,349	0	0

(1) Provisional estimate.

Source: UT.

In 2000, SEEs reported an operating deficit of TL574.6 trillion which is a 415% decrease over 1999.

The SEEs' investments accounted for 21.6% of total fixed investments by the public sector in 1996, 18.4% in 1997, 28.3% in 1998, 27.4% in 1999 and 27.3% in 2000. Budgetary transfers to SEEs accounted for approximately 1.5%, 1.67%, 1.7%, 2.0% and 1.9% of consolidated budget expenditures in 1996, 1997, 1998, 1999 and 2000 respectively.

The following table summarizes the profits and losses of non-financial SEEs both in the Treasury's portfolio and the Privatization Administration's portfolio for the years indicated:

Table No. 32

Profits and Losses of Non-Financial SEEs

	1996	1997	1998	1999	2000(1)
		(in billions of Turkish Lira)			
Revenues	3,056,289	5,899,082	10,073,438	16,449,255	26,349,934
Expenditures	(2,874,139)	(5,420,499)	(9,220,494)	(16,266,646)	(26,924,502)
Operating surplus (loss)	182,150	478,583	852,945	182,610	(574,568)

(1) Provisional.

Source: UT.

The following outlines some of the most prominent SEEs in Turkey:

TEAŞ (Turkish Electricity Generation and Transmission Company). TEAŞ operates most of the generation plants and high voltage transmission systems in Turkey. The generation capacity of TEAŞ comprises 90% of total generation capacity in Turkey. Turkey is contemplating restructuring rights in electricity generation and transmission, and, currently, the transfer of operating rights of eight thermal power plants owned by TEAŞ is underway. A World Bank loan of $759.6 million requires a commitment to transfer generation and transmission companies by the end of 2000, so if the operational transfer does not take place, Turkey plans asset sales to achieve this objective. The Government currently intends to divide TEAŞ into three parts, specializing in generation, distribution and management, respectively. See "— Privatization" and "Economy — Industry — Energy."

TMO (Soil Products Office). TMO, which is associated with the Ministry of Agriculture and Rural Affairs, is responsible for support purchases of cereals. TMO has 4.5 million tons of storage capacity and has directorates in 12 regions in Turkey.

TEKEL (Tobacco & Alcoholic Beverages Industry). TEKEL is associated with the Ministry of State and is responsible for support purchases of tobacco. It has five product divisions: tobacco, cigarette manufacturing, alcoholic beverages and salt, marketing and distribution.

TCDD (Railways). TCDD provides passenger and freight transport services as the only railway transportation company in Turkey. TCDD now owns over 8,682 miles of track, over 863 locomotives, more than 1,044 passenger vehicles and 20,000 wagons. It employs approximately 41,000 people. All but one of the members of the board of TCDD are appointed by the Minister of Transportation; one board member is appointed by the Minister of State.

Privatization

In 1983, Turkey embarked on a plan to privatize a large part of its public sector by enacting laws permitting the eventual privatization of state-owned assets. Since the passage of the Privatization Law in November 1994, the privatization program has been implemented by the Privatization Administration (the "PA") under the supervision of the Privatization High Council ("PHC"), to which certain SEEs designated for privatization have been transferred by the Government from the Treasury's portfolio. Under the Privatization Law, proceeds from the sale of enterprises in the PA's portfolio cannot be used for general consolidated budget purposes. All proceeds obtained from privatizations are credited to the Privatization Fund. See "— Extra-Budgetary Funds." The Privatization Fund is used to finance, among other things, compensation payments for redundancies, payments of salaries, fringe benefits and other rights for employees of privatized companies whose contracts are terminated as well as contributions to capital increases in the shareholdings of the PA and the liquidation of outstanding debt obligations of companies that have been privatized. A portion of the proceeds from the Privatization Fund is transferred to the Public Participation Fund in order to service debt certificates issued to finance public projects. See "Debt — Internal Debt."

The PHC is the ultimate decision making body for privatization in Turkey. The PHC is composed of the Deputy Prime Minister (in the case of a coalition of more than one party), two Ministers of State, the Minister of Finance, the Minister of Industry and Commerce and is chaired by the Prime Minister. While the PA is the executive body for privatization, the Ministry of Energy and Natural Resources and the Ministry of Transportation also oversee certain privatization projects within their jurisdictions. See "Economy — Industry — Energy."

From 1985 to December 2000, state shares in 217 companies, four power generation plants, 21 incomplete plants and five real estate holdings were taken into the Privatization Administration's portfolio (although 19 companies, four power generation plants and four real estate holdings have since been removed for various reasons). As of December 31, 2000, 162 companies had been privatized either through a sale of shares or an asset sale. Of these, 143 have no remaining shares owned by the Government. Since 1985, the total sale value of privatized assets has been approximately $7.3 billion. Certain of these asset and share sales were made on an installment payment and foreign exchange basis, and as of December 31, 2000, $6.8 billion in privatization revenue has been realized. The discrepancy between the sales value and net revenues realized results from interest earned on payments by installment and exchange rate variations, in the case of foreign exchange payments.

In 1995, a total of approximately $573 million (including METAŞ's sale of pledged securities) was raised through privatization. Sales during this period included entities in the sugar, cement and magnesium industries, as well as a state-owned bank, Sümer Bank. At the outset of 1995, the target for privatizations for that year had been nearly $5.0 billion (revised downward to $2.7 billion in June). The originally targeted level of privatization sales was not achieved for a number of reasons, including unexpected developments at the tender stage, annulments and other problems. Also, the PHC failed to approve certain sales which were otherwise scheduled to be completed in 1995.

At year-end 1996, a total of approximately $230 million. resulting from disposals of entities in the cement, zinc, forestry and textile industries, was realized from privatization.

In 1997, a total of approximately $466 million was raised through privatizations which included the sale of two state-owned banks, Anadolu Bank and Denizbank, for $136 million. The privatization process for transferring the management rights for 30 years in six ports, namely Tekirda, Rize, Ordu, Sinop, Giresun and Hopa ports of T. Denizcilik şletmeleri A.Ş. (Turkish Maritime Organizations), raised approximately $120 million. Although the tender process for the block sale of 99.92% of Deniz Nakliyat A.Ş. (Turkish Cargo Lines) had been completed with a high bid of $141.3 million, the tender was cancelled as a result of an unfavorable Supreme Court decision. The privatization process for the block sale of 99.96% of Petlaş Lastik Sanayi A.Ş. (tire producer) was completed and the sale agreement for $35 million was signed in May 1997. The sale agreements for Ergani cement factory ($47 million) and two refractory brick-ceramic factories (Bozüyük-Filyos) ($30 million) and affiliate shares in Çemas and Çimhol ($3 million), were signed in April and May 1997, respectively. In addition, Turban Kemer Marina, Turban Akçay Holiday Resort, Turban Kuşadasi Marina and Turban Bodrum Marina were privatized by asset sales, raising a total of approximately $68.3 million.

In 1998, a total of approximately $1.02 billion was raised through privatizations from the PA's portfolio. which included the following entities that were privatized through tender:

- The privatization of Kurtalan Cement factory was completed in January 1998 and raised approximately $28.1 million.
- The privatization of Etibank was finalized in March 1998 and raised approximately $155.5 million.
- The block sale of 40% of the shares of Havaş (Airport Handling Services) raised approximately $27.1 million.
- The block sale of SDÇI (Sivas Demir Çelik şletmeleri) (iron-steel) was completed in April 1998 and raised $6.7 million.
- A global offering of 12.3% of the shares of Iş Bank was completed in May 1998 and raised approximately $633 million. The transaction was the largest international sale originating in Turkey.
- The privatization of Konya Krom Magnezit Tu la (Chromium refractory brick) was completed in June 1998 and raised $40.7 million.
- The privatization of Yar mca Porselen Sanayi (porcelain) raised approximately $30.5 million.
- The transfer of management rights of the Antalya port raised $29 million.

In addition, real estate holdings of SEK (dairy products), ORÜS (forestry, wood materials), TD (Turkish Maritime Organizations) and Sümer Holding (textiles) were privatized by asset sales.

In 1999, the Government had targeted privatization revenues to total approximately $4.0 billion, however, no significant privatizations took place during 1999, primarily due to uncertainty relating to the April 1999 national and local elections, the volatility in international markets generally during the first half of the year, and the August 17, 1999 earthquake in Turkey. The 1999 budget included TL270 trillion from the anticipated privatization of Global System for Mobile Communications ("GSM") licenses, which was pushed back to 2000.

As a result of general elections and political uncertainty, privatization projects planned for the first half of 1999 were postponed. During the first half of 1999, preparations were initiated for the privatization of larger companies in the second half of 1999 and 2000.

In the second half of 1999, the new government embarked on a privatization program with various strategies. Tender offers were opened for the block sale of 51% of Petrol Ofisi (gasoline and fuel oil marketing and distribution), Deniz Nakliyati T.A.S. (Turkish Cargo Lines), ETAG (wood products), Taksan (machine tools industry), two insurance companies. three assets of TURBAN Turizm A.S. (tourism), the premises of ORUS (forestry and wood materials manufacturing), TZDAS (agricultural equipment), TUGSAS (fertilizer) and assets of Et ve Balik (meat, fish and poultry). Through the privatizations implemented in the second half of 1999, a total of approximately $38.3 million was raised as of December 31, 1999.

In 2000, privatization revenues were expected to reach $7.6 billion, of which $3.1 billion was to be received by the Privatization Administration and $4.5 billion was to come from the sale of GSM licenses, the sale of 20% of Turk Telekom shares and various energy privatizations.

In 2000, the Privatization Administration finalized various privatization transactions, including the sale of Turkish Cargo Lines, two insurance companies, Asil Çelik (Steel Manufacturer), TÜSTAŞ (Engineering/Consulting Company), the premises of seven companies, 25 participation shares of TÜPRAŞ, 51% of POAS (Petroleum Distribution Company) (for $1.3 billion total) and the global offering of TÜPRAŞ (Petroleum Refining Company) shares. The Privatization Authority raised approximately $2.7 billion in 2000. In the global offering of TÜPRAŞ shares, which was the largest government offering in Turkey, a total of $1.2 billion worth of stock was placed in the domestic market.

The Government opened a tender period for the block sale of 51% of the shares of Turkish Airlines on December 14, 2000. However, no bids were received as of the last day of the tender period.

Türk Telekom

After several cancellations by the Turkish Constitutional Court, the legal framework for the liberalization of the telecommunications sector and privatization of Turk Telekom was established after the enactment of various laws.

On January 29, 2000, Law No. 4502 was passed. As a result of Law No. 4502, the following changes to the Turkish telecommunications sector have been made:

- *Independent Regulatory Authority:* An independent telecommunications authority has been established exclusively for the telecommunications sector.
- *Licensing:* An open and transparent licensing regime which incorporates characteristics of the EU licensing system has been adopted.
- *Monopoly:* Turk Telekom has been granted a monopoly over fixed national and international voice telephony services and infrastructure until December 31, 2003.
- *Commercial Independence:* Turk Telekom's status has been changed so that the company now operates as a private joint stock company.
- *Employee Status:* The employment structure has been changed to enable it to gradually move from a civil servant regime to a private recruitment service.

According to Law No. 4000, dated October 6, 1994, up to 49% of shares of Turk Telekom may be transferred. In addition, Law No. 4107, dated May 3, 1995, established the breakdown of the 49% of shares as follows:

- 10% will be allocated to the Postal Administration;
- 5% will be reserved to the employees of Postal Services and Turk Telekom as well as domestic retail investors; and
- 34% will be sold to domestic and foreign investors.

According to Law No. 4161, dated August 1, 1996, independent committees, comprised of representatives from the Undersecretariat of the Treasury, the Capital Markets Board, the Ministry of Transportation, Turk Telekom and the Privatization Administration, have been established for the valuation and tender phases of the Turk Telekom privatization process.

On June 13, 2000 a block sale tender was opened for the sale of 20% of the Government's stake in Turk Telekom. According to the tender specifications, the shares must be sold to a strategic core investor consortium, which will include at least one international basic telecom operator. Although a number of investors expressed interest from domestic markets, the tender could not be finalized.

After an amendment to the Council of Ministers decree stipulating the new sale strategy for 39% of Turk Telekom shares, a new tender was opened on December 14, 2000. Within the framework of this second tender, the Government expects to sell 33.5% of Turk Telekom. The block sale tender for 33.5% of Turk Telekom was expected to be finalized during May 2001, but could not be accomplished.

GSM Licensing

Within the framework of Article 4 of Law No. 4161, August 1, 1996 two license agreements ($500 million each) for a term of 25 years were signed between the Ministry of Transportation and service providers, namely Turkcell and Telsim. These license agreements require the operators to pay 15% of their gross revenues to the Treasury each year until the termination of their licenses.

In 1999, the Ministry of Transportation decided that three additional 1800 MhZ licenses would be issued, one to be awarded directly to Türk Telekom and the other two to be auctioned to capital firms. A Valuation Assessment Committee was formed to assess the value of the three new licenses. After the minimum license value was approved by the Council of Ministers, the Ministry of Transportation opened a tender in April 2000 for the sale of the licenses.

The winner of the first tender was announced on April 12, 2000 as a consortium of Türkiye ş Bankasi-Telekom Italia, which paid a fee of $2.5 billion, plus VAT. There were no bidders for the second license. In addition, Turk Telekom was awarded a license in GSM 1800 MhZ frequency range in return for an amount equal to the fee paid in the auction. The license agreements between the Ministry of Transportation and the Consortium of Türkiye ş Bankasi-Telekom Italia were signed on November 13, 2000. At that time, the first tranche of the license fee, $585 million, was paid. The balance of the license fee was paid in February 2001.

Extra-Budgetary Funds

In 1984, due to increasing budgetary restrictions, the Government established a number of Extra Budgetary Funds ("EBFs") with the objective of financing the implementation and administration of specific Government programs, such as incentive programs for exports and investment, social and housing programs, and public investment projects. Until 1993, the EBFs had not been included in Turkey's consolidated public budget and had been independently financed and administered. In 1992, the Assembly enacted legislation to include 63 EBFs in the 1993 consolidated budget. Currently, there are 11 EBFs and two special accounts, which are not included in the consolidated budget. In 1998, 62% of the revenues of consolidated EBFs and 9% of revenues of non-consolidated EBFs were appropriated directly to the consolidated budget. Non-consolidated EBFs of particular importance to the Turkish economy are the Privatization Fund, which oversees the privatization of SEEs, the Public Participation Fund, which finances infrastructure investment, the Mass Housing Development Fund, which finances housing infrastructure development, the Defense Industries Support Fund, which develops military manufacturing capabilities, and the Support Price Stabilization Fund, which channels certain export and import duties into the subsidization of fertilizers.

The following table presents, for the years indicated, the operating balance and financing of eleven of the largest EBFs, including the Privatization Fund, the Public Participation Fund, the Mass Housing Fund, the Defense Industries Support Fund and the Support Price Stabilization Fund, and two special accounts, the Petroleum Consumption Tax and the Budget Education Health Tax, each of which has been in continuous existence since 1988 (with the exception of the Privatization Fund, which was established in 1995):

Table No. 33

Extra-Budgetary Funds

	1996	1997	1998	1999 Real	2000 Real
		(in billions of Turkish Lira)			
Revenues	290,509	636,353	1,006,170	1,369,189	3,406,448
Expenditures	306,096	633,050	1,007,848	1,872,587	2,063,190
Surplus (Deficit)	**(15,587)**	**3,304**	**(1,678)**	**(503,397)**	**1,343,258**
Financing					
Foreign borrowing, net	18,804	91,543	65,629	241,149	225,969
Domestic borrowing, net	(3,217)	(94,847)	(63,950)	262,249	(1,569,227)
Total	**15,587**	**(3,304)**	**1,678**	**503,397**	**(1,343,258)**

Source: SPO.

In 2000, the borrowing requirement of the EBFs was TL1,343.3 trillion, which amounted to 1.1% of GNP. Revenues of the 11 largest EBFs and two special accounts were TL3,406.5 trillion, while expenditures of such EBFs and accounts were 2,063.2 trillion. This resulted in a deficit of TL1,343.3 trillion in 2000, compared with a deficit of TL503.4 trillion in 1999.

Local Government

The operations of local authorities expanded rapidly following the Government's 1984 decision to decentralize responsibility and to transfer substantial amounts of tax revenues to local authorities. In 1997, total expenditures by local authorities increased to TL1,183.4 trillion from TL544.4 trillion in 1996. In 1999, total expenditures by local authorities were estimated to increase to TL3,543.6 trillion from TL2,299.9 trillion in 1998. In 2000, total expenditures by local authorities were estimated to increase by 63.8% to TL5,803.1 trillion.

The following table presents the operating balance of the local authorities for the years indicated:

Table No. 34

Local Authorities

	1996	**1997**	**1998**	**1999**	**2000[1]**
			(in billions of Turkish Lira)		
Revenues	502,053	1,100,335	2,093,714	3,306,452	5,422,605
Expenditures	(544,404)	(1.183,434)	(2,299,901)	(3,543,647)	(5,803,108)
Surplus (Deficit)	(42,350)	(83,099)	(206,187)	(237,195)	(380,503)

(1) Provisional estimate.

Source: SPO.

Social Security Institutions

Social Security System

As a measure to help reduce the financial problems of the social security institutions, Parliament passed the social security reform on September 9, 1999.

The first phase of a two-phase social security reform package includes the following measures:

- Increasing the minimum retirement age to 58 for women and 60 for men for new entrants to the social security system.
- Introducing minimum retirement age requirements, which range between 41 and 52 for women and 45 and 56 years for men, for the currently insured.
- Increasing the premium ceilings.
- Introducing administrative measures to increase coverage and compliance rates.

The second phase of the reform package will include the following measures:

- Introducing supplementary individual pension schemes.
- Establishing a regulatory framework for individual pension schemes.
- Separating health insurance and health care services within the SSK.
- Integrating the social security institutions.
- Increasing the financial and administrative autonomy of the social security institutions by enabling them to determine their own wage and investment policies.
- Changing the pension calculation system and indexing pension to CPI.
- Indexing contribution bases for SSK and Bag-Kur to both real GDP growth rate and percentage change in CPI.
- Introducing the Unemployment Insurance Fund.
- Extending the reference period to "whole working life" for SSK and Bag-Kur (self-employed and farmers plan) instead of "last years".

The social security system in Turkey has two components. The first component is a noncontributory scheme financed directly by the Government, which provides means-tested pensions to the disabled and individuals over the age of 65. The second component consists of compulsory, earnings-related contributory schemes run by three separate social security institutions: SSK. Emekli Sandi i and Ba -Kur.

SSK: The largest of the earnings-related contributory schemes is Sosyal Sigortalar Kurumu ("SSK") established in 1946 to provide benefits for employment injuries, occupational diseases and maternity. The range of benefits offered by the SSK was extended to old-age pensions in 1950 and to health care in 1951. SSK covers private sector workers and public sector workers under the labor law. Approximately 50% of the insured population is covered by this scheme. Although it is a mandatory scheme, voluntary membership was offered to agricultural workers in 1983.

The contribution rate for SSK ranges between 33.5% and 39% of insurable earnings. Contribution rates are partitioned among employees and employers as follows:

Table No. 35

Contribution Rates to SSK

	Employee	Employer
Health Insurance	5%	6%
Maternity	—	1%
Work injury and occupational diseases	—	1.5%-7%(1)
Long-term risks	9%	11%
Total	14%	19.5%

(1) The rate is subject to risks of injury and disease in a particular sector.

Bag-Kur: Bag-Kur, established in 1972, provides pension and health care benefits to self-employed persons (including in the agricultural sector). Bag-Kur is an earnings-related compulsory and contributory scheme covering nearly 30% of the insured population. There are 24 steps covering the range of earnings-levels. Insured persons effectively choose from among the 24 steps the earnings level that determines their contribution rates and their pension entitlements. The contribution rate for pension benefits is 20% of the associated earnings-level for the self-employed person. The health insurance (excluding the agricultural sector) premium is 15% of the associated earnings level.

ES: Emekli Sandigi ("ES") was established in 1950 to provide pensions to civil servants. It also provides health-care benefits to the pensioners and their families. ES covers nearly 20% of the insured population. ES also coordinates the activities of the non-contributory means-tested pension scheme for elderly and disabled persons. In May 1998, the pension benefits provided by the means-tested scheme amounted to 9% of the minimum wage. The contribution rate for pension benefits is 35% of insurable earnings, 20% of which is provided by the employer (Government) and 15% of which is contributed by the civil servant. This rate also includes an allowance for the provision of health care for pensioners and their families.

Turkey's three social security institutions have recorded increasing deficits (before budgetary transfers) from 2.1% of GNP in 1997 to 2.3% of GNP in 1998 and 3.0% of GNP in 1999. In 2000, the social security institutions experienced an estimated deficit of approximately TL2,600 trillion representing 2.0% of GNP. The 2000 budget provided for direct transfers to the social security institutions of TL3,226 trillion. The inability of the social security institutions to finance their expenditures through their respective contributions, coupled with serious insolvency problems have resulted in the Government's allocation of tax revenues and borrowing to cover the increasing deficit of the social security system.

The following table summarizes the revenues and expenditures of the social security institutions for the years indicated:

Table No. 36

Revenues and Expenditures of Social Security Institutions

	1996	1997	1998	1999	2000(1)
		(in billions of Turkish Lira)			
Revenues	682,768	1,444,627	2,751,372	4.797,297	8,020.798
Expenditures	929,472	2,056,212	3,978,020	7.138,086	10,621,139
Revenue-Expenditure Differences	(246,704)	(611,585)	(1,226.648)	(2,340,788)	(2,600,341)
Budget Transfers	250,741	601,362	1,049,540	2,206,842	2,396,000
Deficits after Budget Transfers	4,037	(10,223)	(177,108)	(131,846)	(204,341)
Fixed Capital Investments	(4,356)	(9,868)	(15,278)	(30,582)	(58,643)
Other	(4.256)	(5.678)	(12.324)	(23,014)	25,000
Borrowing Requirement	(4,575)	(25,769)	(204,710)	(185,542)	(237.984)

(1) Provisional estimate.

Source: SPO.

Public Sector Fixed Investment

The following table summarizes public sector fixed investment, including that of the SEEs and the EBFs, by economic sector for the years indicated:

Table No. 37

Public Sector Fixed Investment

	1996	1997	1998	1999	2000[1]
			(percentage of total)(2)		
Agriculture	10.2	10.8	7.8	8.3	8.2
Mining	1.5	1.6	1.5	1.6	1.4
Manufacturing	4.1	2.5	2.7	2.7	3.7
Energy	12.9	12.4	16.9	14.9	16.1
Transport and communication	34.7	34.8	34.4	36.2	35.2
Tourism	1.3	0.6	0.5	0.4	0.4
Housing	1.7	1.2	1.1	1.3	0.7
Education	9.2	12.4	10.4	11.7	11.6
Health	4.1	4.8	4.5	3.6	3.9
Other services	20.2	18.9	20.2	19.3	18.7
Total	100.0	100.0	100.0	100.0	100.0
Total (billions of TL)	**763,421**	**1,782,699**	**3,254,894**	**4,833,325**	**8,411,401**

(1) Provisional estimate.

(2) At current prices.

Source: SPO.

Public Sector Borrowing Requirement

In 1999, the consolidated budget deficit was approximately TL9,153 trillion, representing 11.7% of GNP, compared to 7.1% of GNP in 1998. Due to the increase in the budget deficit, PSBR (as a percentage of GNP) is estimated to have been 15.3% in 1999 compared to 9.0% in 1998.

In 2000, the consolidated budget deficit was TL13,004 trillion, representing 10.3% of GNP. Primary surplus as a share of GNP increased from 2.0% in 1999 to 5.9% in 2000. PSBR (as a share of GNP) is estimated to be 11.8% in 2000 due to improvements in the balances of the consolidated budget, and the EBFs and the SEEs that are not under privatization.

The following table sets forth information as to Turkey's public sector borrowing requirement for the years indicated:

Table No. 38

Public Sector Borrowing Requirement

	1996	1997	1998	1999	2000[1]
		(percentage of GNP)			
Consolidated budget	8.3	7.6	7.0	11.7	10.2
SEEs not under privatization	(0.5)	(0.3)	1.3	2.5	2.1
Local administrations	0.3	0.3	0.4	0.3	0.3
Social Security Institutions and Revolving Funds	0.0	0.1	0.3	0.2	(0.0)
EBFs and SEEs under privatization	0.6	0.1	0.0	0.8	(0.8)
Total	**8.6**	**7.7**	**9.0**	**15.4**	**11.8**

(1) Provisional estimate.

Source: SPO.

DEBT

General

The Treasury issues and sells government securities through auctions. In September 1995, the Treasury began to issue Treasury bills of varying maturities, depending on market conditions. In order to establish an evenly distributed repayment schedule, the Treasury began to determine maturities according to domestic and external debt servicing requirements in 1996.

In August 1997, the Treasury started announcing its monthly "Cash Management and Borrowing Program" to minimize its financing costs by establishing transparency and predictability. Starting in 1998, quarterly and semi-annual programs have also been made public by the Treasury.

The total internal public debt of Turkey was approximately TL36,420 trillion as of December 31, 2000, compared with TL22,920 trillion as of December 31, 1999, an increase of 58.9%. Turkey's total outstanding external public debt was approximately $114.3 billion as of December 31, 2000, compared to $103.0 billion as of December 31, 1999.

Internal Debt

In 1995, after the implementation of the 1994 Stabilization Program, the average cost and maturity for domestic borrowing improved. The average maturity of borrowing increased from 3.9 months to 6.3 months. The annual cost of borrowing decreased from 165.8% to 122.7% by the end of 1995.

In December 1995, political uncertainties caused the Treasury to borrow internally at higher interest rates and for shorter maturities. The rate began to decline slowly in January 1996 after the 1995 elections. In 1997, the Treasury ceased its Central Bank borrowing and was able to borrow in internal markets at lower interest rates and for longer maturities. In 1997, the Government simultaneously lengthened the average maturity of its domestic debt which reached 11.9 months at year-end 1997 from 8.1 months at year-end 1996, and lowered the average annual cost of borrowing to 109.7% at year-end 1997, from an average of 140.1% at year-end 1996.

In 1997, to improve the transparency and credibility in domestic borrowing, the Treasury announced its monthly "Cash Management and Borrowing program". Additionally, the "Domestic Debt Advisory Board", consisting of representatives of the Treasury, Central Bank and banks, was established. The board convenes each month to discuss ongoing improvements, expectations in the economy and domestic debt securities markets. In 1997, the Treasury also started to issue CPI indexed securities of two-years' maturity with quarterly coupon payments. By the end of 1997, despite the adverse effect of the Asian crisis on the domestic debt market, the average maturity of borrowing increased to 11.9 months and the yearly average cost of borrowing declined to 109.7%.

In the first half of 1998, the Treasury covered all of its short-term advance stock by issuing securities to the Central Bank. Following this operation, the Treasury announced that the short term advance facility would be used only to smooth out temporary cash shortfalls (with zero balance by the end of each month) and would not be used for financing purposes. These efforts, together with the improvement in the primary budget balance and the signing of the SMP with the IMF, led interest rates to decline to approximately 80% level in July 1998. Unfortunately, the declining trend of the interest rates was changed by the Russian crisis, and by September 1998, the interest rates reached approximately 140%. In order to improve the liquidity and the depth of the domestic debt securities, the Treasury determined some of its securities as benchmark issues in September 1998 and started to hold reopen auctions of those securities. By the end of 1998, the yearly average cost of borrowing was 118.1% with an average maturity of borrowing of 7.7 months.

At the beginning of 1999, the Treasury started to auction two-year Government bonds with quarterly coupon payments at fixed interest rates. In July 1999, floating rate notes with a three-year maturity and quarterly coupon payments were auctioned in order to improve the maturity structure of domestic debt and reduce the cost of borrowing. By the end of November 1999, the yearly average of compounded interest rates declined to 108.4% and the average maturity of borrowing increased to 15.9 months. In December 1999, no auctions were held.

Interest income from domestic debt securities was subject to withholding tax between November 1996 and September 1998 at varying rates. From October 1998 through December 1999, the withholding tax was not applied. As a result of the earthquake-related tax package approved in November 1999, a withholding tax on government securities issued before December 1999 was introduced to reduce the windfall gain accruing to securityholders from the reduction in inflation and interest rates in 2000 as a result of Stand-By Arrangement signed with the IMF. See "Public Finance — Consolidated Central Government Budget" and "Financial System — Monetary Policy."

In 1999, the average maturity of Turkish internal public debt increased to 15.9 months from 7.7 months in 1998. The volatility in treasury bill rates, and especially the increase in rates during the second half of 1999, was due to political and economic conditions in Turkey and to volatility in the international capital markets generally. Treasury bill rates declined sharply following the implementation of the Stand-By Arrangement with the IMF on December 22, 1999.

Turkey's total internal debt was approximately TL31.393 trillion as of August 31, 2000, compared to approximately TL22.920 trillion as of December 31, 1999. On July 6, 2000, Turkey's outstanding external debt was revised to approximately $103.3 billion from $101.8 billion as of December 31, 1999, compared to approximately $96.9 billion (revised) as of December 31, 1998. This revision resulted from the Treasury's recent call for the private sector to update its total stock of outstanding debt registered with the Treasury, which resulted in a recorded decrease in debt, as well as a reduction in trade credit due to updates in modeling methods used by the Central Bank.

During the period January to August 2000, the average maturity of domestic debt was 14.4 months. In 1999, the average annual interest rate on Turkish internal public debt on a compounded basis decreased to 108.4% from 118.1% in 1998 and was 38.1% for the period from January to August 2000. A recent treasury auction held by the Republic on September 5, 2000 for treasury bills with a maturity of 17 months resulted in a rate of 33.6%, compared to 95.6% for twelve-month treasury bills on August 3, 1999.

The Treasury shifted to a Primary Dealership system for domestic debt securities on May 8, 2000 as part of the Stand-By Arrangement. The system requires financial institutions, namely the Primary Dealers, to provide continuous two-way quotations in the Treasury bill market and active participation in Treasury auctions. Nineteen banks (including three foreign banks and one public bank) were selected as Primary Dealers for domestic debt securities for the period of May 1, 2000 to April 30, 2001.

The main goal of debt management, within the framework of the Stand-By Arrangement, has been to limit the Government's domestic borrowing in order to reduce domestic interest rates by increasing the primary surplus of the public sector, increasing external borrowing and accelerating privatization. The Treasury may re-borrow 75% of its domestic debt redemption as targeted to relieve the pressure on domestic borrowing in 2000. During the period January to December 2000, the average maturity of domestic debt was 14.2 months. In 1999, the average annual interest rate on Turkish internal public debt on a compounded basis decreased to 108.4% from 118.1% in 1998. In 2000, the rate decreased dramatically to 38.1%.

Following the November 2000 and February 2001 financial crises, as a result of increasing interest rates, declining borrowing maturity and worsening conditions in the foreign markets, an increase in the domestic borrowing requirement appeared inevitable. Moreover, the program for the rehabilitation of public banks and the banks under the supervision of the SDIF was premised on issuing bonds directly to banks, which will in turn provide an extra borrowing requirement for the Treasury. The bonds to be issued are planned to have 3-month floating rate coupons, and in order to finance the coupon payments, the Treasury will have to raise more debt from the domestic market. The operation will not change the total borrowing requirement of the public sector, since these banks are already funding themselves from the market; however, their short-term borrowing activity will be converted into longer-term borrowing by the Treasury.

In order to help rollover the domestic debt, reduce cash flow costs for the Treasury and improve liquidity of FX and bond markets, the Government plans to undertake a voluntary debt swap, which is intended to help the banks reduce open foreign exchange positions and reduce systemic risk. The auction for debt swap is planned for June 2001. The voluntarily swap will cover all Government domestic debt securities in exchange for bonds which are FX indexed and TL denominated with maturities varying from one to five years.

The following table shows the auctioned domestic debt securities for as of December 31, 2000:

Table No. 39

Treasury Auctions

	Auction Date	Issue Date	Maturity Date	Accepted Interest Rates Simple	Accepted Interest Rates Compound	Sale Amount Bid Amount	Sale Amount Nominal	Sale Amount Net
						(in billions of Turkish Lira)		
1997								
January								
399 Days G. Bond	01/07/1997	01/08/1997	02/11/1998	117.12	112.42	469.188	400.801	175.499
399 Days G. Bond	01/21/1997	01/22/1997	02/25/1998	102.99	99.24	564.172	200.355	94.109
Total						1.033.360	601.156	269.608
February								
287 Days T. Bill	02/04/1997	02/05/1997	11/19/1997	89.18	96.47	229.349	196.449	115.345
287 Days T. Bill	02/07/1997	02/12/1997	11/26/1997	95.20	103.44	205.914	129.184	73.794
287 Days T. Bill	02/25/1997	02/26/1997	10/12/1997	103.27	112.86	553.018	394.642	217.523
Total						988.280	720.275	406.662
March								
1 Year G. Bond	03/11/1997	03/12/1997	03/11/1998	109.02	109.02	517.086	240.910	115.257
399 Days G. Bond	03/18/1997	03/19/1997	04/22/1998	111.05	106.77	247.128	321.732	145.101
399 Days G. Bond	03/25/1997	03/26/1997	04/29/1998	119.58	114.71	377.296	358.905	155.316
Total						1.141.510	921.546	415.674
May								
Public offer (362)	05/20/1997	05/21/1997	05/18/1997	112.37	112.63	51.880	39.746	18.770
Total						51.880	39.746	18.770
June								
6 Months T. Bill	06/21/1997	06/25/1997	12/24/1997	96.25	119.41	153.024	76.233	51.466
Total						153.024	76.233	51.466
July								
9 Months T. Bill	07/01/1997	07/02/1997	04/01/1998	111.18	124.47	290.321	313.652	171.035
308 Days T. Bill	07/08/1997	07/09/1997	05/13/1998	116.61	125.08	503.504	231.104	116.324
329 Days T. Bill	07/15/1997	07/16/1997	06/10/1998	115.34	120.37	564.794	280.014	137.095
Total						1.358.619	824.770	424.453
August								
357 Days T. Bill	08/05/1997	08/06/1997	07/29/1998	135.93	137.22	439.723	453.151	194.230
357 Days T. Bill	08/12/1997	08/13/1997	08/05/1998	137.06	138.37	529.026	266.838	130.830
357 Days T. Bill	08/19/1997	08/20/1997	08/12/1998	137.06	138.38	545.047	257.858	109.995
Total						1.513.796	977.848	418.054
September								
6 Months T. Bill	09/02/1997	09/03/1997	03/04/1998	111.15	142.04	352.976	324.280	208.443
1 Year G. Bond	09/16/1997	09/17/1997	08/16/1998	129.10	129.10	583.536	255.894	111.695
Total						936.512	580.174	320.139
October								
231 Days T. Bill	10/07/1997	10/08/1997	05/27/1998	103.60	121.71	465.982	343.066	206.984
111 Days T. Bill	10/27/1997	10/30/1997	02/10/1998	98.69	136.96	394.967	389.036	299.042
Total						860.949	732.102	506.026
November								
197 Days T. Bill	11/18/1997	11/19/1997	06/04/1998	109.00	135.55	900.073	429.838	270.351
Total						900.073	429.838	270.351

	Auction Date	Issue Date	Maturity Date	Accepted Interest Rates Simple	Compound	Sale Amount Bid Amount	Nominal	Net
						(in billions of Turkish Lira)		
December								
98 Days T. Bill	12/09/1997	12/10/1997	03/18/1998	102.83	147.87	594.126	584.225	457.555
Total						594.128	584.225	457.555
Total						9.532.130	6,487.913	3,556,657
1998								
January								
6 Months T. Bill	01/13/1998	01/14/1998	05/15/1998	103.47	130.24	867.897	562,765	370,885
Total						867,897	562.765	370.885
February								
98 Days T. Bill	02/10/1998	02/11/1998	05/20/1998	99.3	141.1	718.854	524.321	413,689
182 Days T. Bill	02/17/1998	02/18/1998	08/19/1998	106.3	134.6	1.058.395	573,919	374,689
Total						1.777.249	1,098,239	788,377
March								
6 Months T. Bill	03/03/1998	03/04/1998	09/02/1998	101.91	127.87	1.100,042	633.483	419.651
238 Days T. Bill	03/10/1998	03/11/1998	11/04/1998	106.77	124.76	967,361	416.672	245.370
3 Months T. Bill	03/17/1998	03/18/1998	06/17/1998	89.14	123.62	1.145.317	652.803	533.830
Total						3,212.720	1.702.958	1,198,850
April								
6 Months T. Bill	03/31/1998	04/01/1998	09/30/1998	93.80	115.80	837,139	457,394	311.362
9 Months T. Bill	04/28/1998	04/29/1998	01/27/1999	100.88	111.94	891,622	637,924	363.164
Total						1,728,762	1,095.318	674.526
May								
1 Year G. Bond	05/12/1998	05/13/1998	05/12/1999	97.97	97.97	1,005.359	484,038	244,502
273 Days T. Bill	05/18/1998	05/20/1998	02/17/1999	91.15	100.29	1,153.382	775,887	460.846
Total						2,158.741	1,259,925	705,348
June								
6 Months T. Bill	06/02/1998	06/04/1998	12/02/1998	81.35	98.01	1.025,871	624,895	444.919
9 Months T. Bill	06/09/1998	06/10/1998	03/10/1999	85.50	93.60	714,147	662.651	403,746
1 Year G. Bond	06/16/1998	06/17/1998	06/16/1999	106.00	106.00	550.311	571,077	277,224
Total						2.290.329	1,858,623	1,125,889
July								
6 Months T. Bill	07/07/1998	07/08/1998	01/06/1999	65.50	76.23	942.100	367.574	275.165
9 Months T. Bill	07/14/1998	07/15/1998	04/14/1999	74.40	80.62	972.144	553,958	355,558
1 Year G. Bond	07/28/1998	07/29/1998	07/28/1999	92.70	92.70	828.087	561,175	291.216
Total						2,742.331	1.482,706	921,938
August								
6 Months T. Bill	08/04/1998	08/05/1998	02/03/1999	78.61	94.06	956,035	549,048	394,138
9 Months T. Bill	08/11/1998	08/12/1998	05/12/1999	93.75	103.39	340.148	50.441	29,617
3 Months T. Bill	08/18/1998	08/19/1998	11/18/1998	81.80	109.09	550.488	313,365	260,594
Total						1.846.671	912,854	684,349
September								
133 Days T. Bill	09/01/1998	09/02/1998	01/13/1999	112.48	156.58	377.517	598,938	424,492
6 Months T. Bill	09/15/1998	09/16/1998	03/17/1999	110.96	141.75	952,640	587.438	377.816
7 Months T. Bill	09/29/1998	09/30/1998	04/28/1999	119.97	148.86	975.915	670,839	396,445
Total						2.306.071	1,857,214	1,198,754
October								
7 Months T. Bill	10/06/1998	10/07/1998	05/05/1999	116.53	143.81	148.374	119,517	71,468
9 Months T. Bill	10/20/1998	10/21/1998	07/21/1999	123.41	139.55	250.221	189,318	98,319
Total						407,595	308,835	169.788

	Auction Date	Issue Date	Maturity Date	Accepted Interest Rates Simple	Compound	Sale Amount Bid Amount	Nominal	Net
						(in billions of Turkish Lira)		
November								
6 Months T. Bill	11/03/1998	11/04/1998	05/05/1999	113.47	145.66	1,258,329	729,908	505,893
329 Days T. Bill	11/10/1998	11/11/1998	10/06/1999	126.41	137.35	731,429	181,435	84,681
245 Days T. Bill	11/17/1998	11/18/1998	07/21/1999	125.05	147.76	1,080,414	612,494	332,577
Total						3,070,172	1,586,836	923,152
December								
308 Days T. Bill	12/01/1998	12/02/1998	10/06/1999	137.78	149.26	1,781,287	1,179,499	544,591
224 Days T. Bill	12/08/1998	12/09/1998	07/21/1999	121.71	148.05	1,218,747	547,743	313,175
420 Days T. Bill	12/15/1998	12/16/1998	02/09/2000	137.89	128.22	530,062	248,070	95,742
133 Days T. Bill	12/22/1998	12/23/1998	05/05/1999	101.25	136.67	697,280	239,280	174,662
Total						4,227,375	2,214,592	1,128,169
1998 Total						26,635,912	15,940,865	9,890,025
1999								
January								
13 Months G. Bond	01/12/1999	01/13/1999	02/09/2000	122.33	118.24	1,580,415.9	1,787,811.9	771,458.6
14 Months G. Bond	01/15/1999	01/22/1999	03/15/2000	150.87	139.98	379,640.3	299,343.7	109,547.9
147 Days T. Bill	01/26/1999	01/27/1999	06/23/1999	106.85	143.09	1,349,684.4	920,434.7	642,979.7
Total						3,309,740.6	3,007,590.3	1,523,986.2
February								
371 Days G. Bond	02/02/1999	02/03/1999	02/09/2000	131.51	130.32	1,868,534.4	1,478,505.0	631,729.2
392 Days G. Bond	02/16/1999	02/17/1999	03/15/2000	127.37	122.98	2,614,972.8	781,294.8	329,429.7
182 Days T. Bill	02/16/1999	02/17/1999	08/18/1999	96.59	119.91	1,315,272.7	745,475.9	502,705.4
14 Months G. Bond	02/23/1999	02/24/1999	04/19/2000	132.11	123.21	1,515,658.3	828,943.5	328,667.4
Total						7,314,438.2	3,834,219.2	1,792,531.7
March								
371 Days G. Bond	03/09/1999	03/10/1999	03/15/2000	100.74	99.99	2,583,416.1	1,405,536.6	693,487.1
399 Days G. Bond	03/16/1999	03/17/1999	04/19/2000	112.34	107.97	2,257,881.7	837,649.8	375,387.7
182 Days T. Bill	03/16/1999	03/17/1999	09/15/1999	90.11	110.41	618,045.8	380,958.7	262,631.4
14 Months G. Bond	03/23/1999	03/24/1999	05/17/2000	106.68	100.46	1,269,847.6	567,063.7	254,182.7
Total						6,729,191.2	3,191,208.8	1,585,688.9
April								
371 Days G. Bond	04/13/1999	04/14/1999	04/19/2000	107.91	107.06	2,328,008.0	1,459,519.7	695,067.9
392 Days G. Bond	04/20/1999	04/21/1999	05/17/2000	94.33	91.74	2,179,880.0	1,152,749.0	571,832.1
140 Days T. Bill	04/27/1999	04/28/1999	09/15/1999	77.85	97.58	1,796,632.6	907,209.0	698,167.6
Total						6,304,520.6	3,519,477.7	1,965,067.6
May								
399 Days G. Bond	05/04/1999	05/05/1999	06/07/2000	100.56	96.96	2,677,811.9	1,133,061.6	538,974.9
182 Days T. Bill	05/04/1999	05/05/1999	11/03/1999	86.08	104.60	656,406.3	740,229.0	517,499.6
371 Days G. Bond	05/11/1999	05/12/1999	05/17/2000	94.35	93.68	2,300,748.7	1,159,747.5	591,236.0
Total						5,634,966.9	3,033,038.1	1,647,710.5
June								
369 Days G. Bond	06/03/1999	06/04/1999	06/07/2000	104.68	104.10	1,309,491.9	947,048.8	459,476.7
434 Days G. Bond	06/15/1999	06/16/1999	08/23/2000	116.73	107.80	2,691,016.0	2,141,770.0	895,473.4
140 Days T. Bill	06/15/1999	06/16/1999	11/03/1999	86.79	111.46	293,336.4	248,066.0	185,984.4
210 Days T. Bill	06/22/1999	06/23/1999	01/19/2000	98.09	117.57	1,731,588.6	1,139,183.0	727,491.2
Total						6,025,432.9	4,476,067.8	2,268,425.7
July								
399 Days G. Bond	07/20/1999	07/21/1999	08/23/2000	94.23	91.03	2,914,275.3	1,413,388.8	695,239.1
182 Days T. Bill	07/20/1999	07/21/1999	01/19/2000	80.15	96.20	1,439,888.0	969,929.0	692,447.7
91 Days T. Bill	07/26/1999	07/28/1999	10/27/1999	75.06	98.96	622,119.4	453,686.9	382,000.7
Total						4,976,282.7	2,837,004.7	1,769,687.5

	Auction Date	Issue Date	Maturity Date	Accepted Interest Rates Simple	Compound	Sale Amount Bid Amount	Nominal	Net
						(in billions of Turkish Lira)		
August								
12 Months G. Bond ..	.. 08/03/1999	08/04/1999	08/23/2000	97.67	95.59	1,047,637.6	591,118.8	290,757.6
91 Days T. Bill ..	.. 08/16/1999	08/18/1999	11/17/1999	75.56	99.79	675,862.7	285,333.1	240,000.0
Total						1,723,500.3	876,451.9	530,757.6
September								
182 Days T. Bill ..	.. 09/13/1999	09/15/1999	03/15/2000	81.89	98.66	1,348,807.8	885,012.3	627,908.8
Total						1,348,807.8	885,012.3	627,908.8
October								
231 Days T. Bill ..	.. 10/05/1999	10/06/1999	05/24/2000	89.68	103.38	1,061,188.5	704,380.2	448,905.8
91 Days T. Bill ..	.. 10/25/1999	10/27/1999	01/26/2000	73.08	95.65	582,774.8	406,846.2	344,000.0
Total						1,643,963.3	1,111,226.4	792,905.8
November								
91 Days T. Bill ..	.. 11/16/1999	11/17/1999	02/16/2000	71.66	93.32	571,548.6	466,943.0	396,000.0
Total						571,548.6	466,943.0	396,000.0
1999 Total						**45,582,393.2**	**27,238,240.2**	**14,900,670.3**

	Auction Date	Issue Date	Maturity Date	Ave. Term	Accepted Interest Rates Simple	Compound	Sale Amount Bid Amount Net	Nominal	Net
							(in billions of Turkish Lira)		
2000									
January									
13 Months G. Bond	.. 01/04/2000	05/01/2000	02/21/2001	42.97	37.87	37.03	1,795,049.5	859,379.7	601,124.8
3 Months T. Bill ..	.. 01/18/2000	01/19/2000	04/19/2000	8.52	34.07	38.67	1,226,504.4	620,714.8	572,000.0
16 Months G. Bond	.. 01/18/2000	01/19/2000	05/23/2001	50.23	37.31	35.30	2,031,140.3	2,109,699.2	1,404,344.5
Total							5,052,694.2	3,589,793.7	2,577,469.3
February									
3 Months T. Bill ..	.. 02/08/2000	02/09/2000	10/05/2000	9.09	36.36	41.62	1,088,661.6	679,629.2	623,000.0
12 Months G. Bond	.. 02/08/2000	02/09/2000	02/21/2001	41.66	40.12	39.84	2,214,145.3	2,474,718.7	1,746,966.3
Total							3,302,806.9	3,154,347.9	2,369,966.3
March									
14 Months G. Bond	.. 03/10/2000	03/15/2000	05/23/2001	43.99	36.90	35.77	1,672,103.1	2,065,739.6	1,434,614.6
11 Months T. Bill ..	.. 03/21/2000	03/22/2000	02/21/2001	32.82	35.56	36.00	780,445.1	204,664.0	154,092.0
Total							2,452,548.2	2,270,403.6	1,588,706.6
April									
16 Months G. Bond	.. 04/04/2000	04/05/2000	08/22/2001	48.97	35.37	33.36	716,780.5	731,986.6	491,388.3
3 Months T. Bill ..	.. 04/18/2000	04/19/2000	07/19/2000	8.32	33.30	37.69	746,536.8	755,018.1	697,000.0
14 Months G. Bond	.. 04/18/2000	04/19/2000	06/20/2001	38.72	33.01	32.18	3,098,495.9	3,068,065.8	2,211,733.1
Total							4,561,813.2	4,555,070.5	3,400,121.4
May									
15 Months G. Bond	.. 05/09/2000	05/10/2000	08/22/2001	43.07	33.43	32.05	2,394,944.6	992,496.5	693,692.1
3 Months T. Bill ..	.. 05/15/2000	05/17/2000	08/16/2000	8.76	35.02	39.89	1,223,558.9	748,236.0	688,000.0
13 Months G. Bond	.. 05/23/2000	05/24/2000	06/20/2001	40.95	38.02	37.53	1,187,095.8	1,192,529.8	846,077.9
Total							4,805,599.3	2,933,262.3	2,227,770.0
June									
14 Months G. Bond	.. 06/06/2000	06/07/2000	08/22/2001	50.09	41.35	39.82	2,292,107.9	1,633,240.8	1,088,144.6
Total							2,292,107.9	1,633,240.8	1,088,144.6

	Auction Date	Issue Date	Maturity Date	Ave. Term	Accepted Interest Rates Simple	Accepted Interest Rates Compound	Bid Amount Net	Sale Amount Nominal	Sale Amount Net
							(in billions of Turkish Lira)		
July									
12 Months G. Bond ..	07/18/2000	07/19/2000	07/18/2001	32.55	32.55	32.55	1,506,093.0	1,037,288.7	782,544.2
3 Months T. Bill	07/25/2000	07/26/2000	10/25/2000	7.18	28.72	31.96	921,688.7	329,042.7	307,000.0
Total							2,427,781.7	1,366,331.4	1,089,544.2
August									
3 Months T. Bill	08/14/2000	08/16/2000	11/15/2000	7.06	28.24	31.37	1,607,436.5	897,151.4	838,000.0
11 Months T. Bill	08/22/2000	08/23/2000	07/18/2001	29.76	32.93	33.41	1,867,717.5	1,244,844.3	959,320.7
18 Months G. Bond ..	08/22/2000	08/23/2000	02/20/2002	56.13	37.42	34.58	1,767,763.2	1,646,793.7	1,054,788.3
Total							5,242,917.2	3,788,789.4	2,852,109.0
September									
17 Months G. Bond (532)	09/05/2000	09/06/2000	02/20/2002	52.68	36.04	33.58	479,360.1	235,425.1	154,197.2
Total							479,360.1	235,425.1	154,197.2
October									
16 Months G. Bond (504)	10/03/2000	10/04/2000	02/20/2002	52.76	38.11	35.80	549,805.4	681,550.3	446,154.7
3 Months T. Bill	10/23/2000	10/25/2000	01/24/2001	8.94	35.77	40.85	522,856.3	248,386.0	228,000.0
14 Months G. Bond (413)	10/24/2000	10/25/2000	12/12/2001	43.38	38.24	37.38	780,838.3	649,611.9	453,060.6
Total							1,853,499.9	1,579,548.2	1,127,215.3
November									
3 Months T. Bill	11/13/2000	11/15/2000	02/14/2001	8.80	35.20	40.12	461,689.6	258,941.2	238,000.0
13 Months G. Bond ..	11/14/2000	11/15/2000	12/12/2001	41.77	38.79	38.28	1,015,973.0	1,324,838.8	989,840.0
Total							1,477,662.6	1,583,780.0	1,227,840.0
December									
12 Months T. Bill	12/20/2000	12/19/2000	12/12/2001				47,387.0	0.0	0.0
Total							47,387.0	0.0	0.0
2000 Total							**33,996,178.3**	**26,689,992.9**	**19,703,083.9**

Source: UT.

2000 Government Bond Auctions with Quarterly Payments

Maturity	Auction Date	Issue Date	Maturity Date	Ave. Term	Accepted Interest Rates Annual Simple	Accepted Interest Rates Annual Compound	Bid Amount	Amount Total Nominal	Amount Total Net
							(in billions of Turkish Lira)		
2 year	01/25/2000	01/26/2000	01/23/2002	9.82%	39.27%	45.44%	1,678,645	627,959	624,651
2 year	02/15/2000	02/16/2000	01/23/2002	10.29%	41.17%	47.97%	1,046,530	723,303	717,491
2 year	03/10/2000	03/15/2000	01/23/2002	10.13%	40.53%	47.11%	1,102,720	846,223	871,872
2 year	04/25/2000	04/26/2000	01/23/2002	9.41%	37.65%	43.30%	1,546,100	334,883	336,683
2 year	05/16/2000	05/17/2000	05/15/2002	9.95%	39.79%	46.13%	1,772,787	1,556,148	1,540,526
2 year	06/06/2000	06/07/2000	05/15/2002	10.49%	41.97%	49.05%	469,900	305,550	300,653
2 year	07/04/2000	07/05/2000	05/15/2002	10.07%	40.28%	46.79%	997,000	386,658	400,471
2 year	08/15/2000	08/16/2000	05/15/2002	8.02%	32.07%	36.13%	722,400	244,132	244,684
2 year	11/21/2000	11/22/2000	05/15/2002	11.43%	45.74%	54.20%	246,143	240,651	232,396

In addition, in March 1997, the Treasury introduced bonds linked to CPI inflation. The following table shows issuances of CPI inflation linked bonds for the periods indicated:

Table No. 40

CPI Inflation Linked Bonds

	Auction Date	Issue Date	Maturity Date	Amount	Bid Amount
				(in billions of Turkish Lira)	
1997					
March	04/03/1997	03/05/1997	03/05/1999	18,608	36,833
April	04/01/1997	04/02/1997	04/02/1999	109,896	141,976
	04/08/1997	04/09/1997	04/09/1999	133,080	218,854
May	05/01/1997	05/02/1997	05/02/1999	10,000	53,980
	05/06/1997	05/07/1997	05/07/1999	34,604	89,424
	05/13/1997	05/14/1997	05/14/1999	55,271	69,671
June	06/03/1997	06/04/1997	06/04/1999	198,109	366,083
	06/17/1997	06/18/1997	06/18/1999	3,050	24,002
November	11/25/1997	11/26/1997	02/26/1998	120,651	265,495
December	12/23/1997	12/24/1997	03/24/1998	146,432	153,132
1998					
January	01/20/1998	01/21/1998	01/22/1999	95,125	319,631
February	02/20/1998	02/25/1998	02/24/1999	123,430	141,630
March	03/20/1998	03/25/1998	03/25/1999	95,986	241,573
April	04/17/1998	04/22/1998	04/21/1999	142,730	248,473
May	05/22/1998	05/27/1998	05/26/1999	129,111	190,611
June	06/12/1998	06/17/1998	06/16/1999	244,327	290,177
July	07/24/1998	07/29/1998	07/28/1999	156,343	458,872
August	08/14/1998	08/19/1998	08/18/1999	174,376	230,026
September	09/25/1998	09/30/1998	09/30/1999	3,524	39,655
1999					
January	01/05/1999	01/06/1999	01/06/2001	471,980	750,415
February	02/23/1999	02/24/1999	02/21/2001	77,460	284,096
March	03/23/1999	03/24/1999	03/21/2001	70,539	310,752
April	04/05/1999	04/06/1999	01/06/2001	444,431	522,057
May	05/25/1999	05/26/1999	02/21/2001	223,975	267,446
June	06/22/1999	06/23/1999	03/21/2001	154,253	240,330
July	07/05/1999	07/06/1999	01/06/2001	283,811	404,162
	07/27/1999	07/28/1999	07/24/2002	609,519	862,946
August	08/18/1999	08/18/1999	08/14/2002	660,233	876,724
	08/24/1999	08/25/1999	02/21/2001	165,342	332,007
September	09/14/1999	09/15/1999	08/14/2002	853,065	1,207,115
	09/21/1999	09/22/1999	03/21/2001	278,085	672,068
October	10/04/1999	10/06/1999	10/03/2001	897,527	1,427,540
	10/05/1999	10/06/1999	08/14/2002	418,744	958,071
	10/26/1999	10/27/1999	07/24/2002	349,570	1,333,998
November	11/02/1999	11/03/1999	10/03/2001	1,078,125	2,109,885
	11/16/1999	11/17/1999	07/24/2002	869,049	2,416,843

Source: UT.

The composition of the domestic debt changed between 1995 and 2000. In 1995, non-marketable debt was 16% of the domestic debt stock. Since 1998 this rate has been 0% in total domestic debt stock. In 1995, the share of government bonds was 37.6% and the share of Treasury bills was 46.4%. In year 2000 the share of government bonds increased to 94.4% while the share of Treasury bills declined to 14% of the debt stock. Turkey's total internal public debt rose by 59% from the year 1999 to 2000.

Table No. 41

Internal Public Debt

	1995	1996	1997	1998	1999	2000[1]
			(in trillions of Turkish Lira)			
Total Domestic Debt ..	1,361,007	3,148,985	6,283,425	11,612,885	22,920,145	36,420,620
Securitized Debt	1,143,067	2,777,992	5,945,802	11,612,885	22,920,145	36,420,620
Cash	733,254	1,923,829	4,642,884	9,511,785	20,197,511	29,422,613
Bonds	220,955	603,485	2,267,893	3,815,843	16,960,758	27,373,224
Bills	512,299	1,320,344	2,374,991	5,695,942	3,236,754	2,049,388
Non Cash	409,814	854,163	1,302,918	2,101,100	2,722,634	6,998,008
Bonds	290,814	646,669	1,302,918	1,956,137	2,722,634	6,989,713
Bills	119,000	207,495	0	144,964	0	8,295
Unsecuritized Debt	217,940	370,993	337,623	0	0	0
By Central Bank Law ..	25,940	40	0	0	0	0
Central Bank Advances ..	192,000	370,953	337,623	0	0	0

(1) Provisional.

Source: UT.

Turkey's internal public debt rose by 58.9% to TL36,420 trillion as of December 31, 2000, of which TL 2,049 trillion was comprised of treasury bills with a maturity of less than 1 year and TL27,373 trillion was comprised of bonds with a maturity of one year or longer.

External Debt and Debt Management

As of December 31, 2000, Turkey's outstanding external debt was approximately $116.1 billion, which represented an increase of approximately $13 billion from approximately $103 billion as at December 31, 1999. The December 31, 2000 amount represented approximately 57.7% of GNP, 366.7% of merchandise exports and 196.8% of total foreign exchange receipts.

The following table sets forth information as to the external public and private debt of Turkey at the end of the periods indicated:

Table No. 42

Outstanding External Public and Private Debt[1]

	1996	1997	1998	1999	2000
		(in millions of dollars)			
Outstanding External Debt by Maturity					
Total Outstanding Debt	79,642	84,876	96,890	103,344	116,105
Short Term	17,345	18,047	21,217	23,472	28,912
Medium-Long Term	62,297	66,829	75,673	79,872	87,193
Outstanding External Debt by Borrower					
Short Term[3]	17,345	18,048	21,217	23,472	28,912
Central Government	0	54	0	0	1,000
CBRT	984	889	905	686	653
CBRT Loans	42	30	7	6	26
Dresdner Bank Program	942	859	898	680	627
Deposit Money Banks	8,419	8,503	11,159	13,172	16,900
Other Sectors	7,942	8,602	9,153	9,614	10,359
Medium-Long Term	62,297	66,829	75,673	79,872	87,193
Public Sector	40,227	39,361	40,495	43,766	47,743
General Government	36,332	35,274	36,350	39,077	42,456
Central Government	32,217	31,344	32,281	35,280	38,987
Local Administrations	2,951	2,924	3,221	3,098	2,841
Extra Budgetary Funds	1,148	997	837	694	625
Universities	16	9	10	5	3
Other Public Sector[2]	1,080	938	688	864	1,189
State Owned Enterprises	2,815	3,149	3,458	3,824	4,098
Financial SOEs	157	420	589	697	656
Non-Financial SOEs	2,658	2,728	2,869	3,127	3,442
CBR	11,389	10,868	12,073	10,312	13,398
CBRT Loans	669	601	392	396	3,674
Dresdner Bank Scheme	10,720	10,267	11,681	9,916	9,724
Private Sector	10,681	16,600	23,104	25,794	26,052
Financial	3,352	5,533	6,875	6,757	6,364
Banks	2,268	3,755	4,272	4,066	3,611
Non-Bank Financial Enterprises	1,084	1,778	2,603	2,692	2,753
Non-Financial	7,328	11,067	16,229	19,037	19,688
Outstanding External Debt by Lender					
Short Term[3]	17,345	18,048	21,217	23,472	28,912
Commercial Bank Credits	4,940	6,023	6,511	8,262	13,960
Private Lender Credits	12,405	12,025	14,706	15,210	14,952
Medium-Long Term	62,297	66,829	75,673	79,872	87,193
Official Creditors	18,644	17,182	17,831	16,990	19,855
Governmental Organizations	9,768	9,107	9,828	9,179	8,567
Multilateral Organizations	8,875	8,075	8,003	7,811	11,287
Private Creditors	43,653	49,647	57,841	62,881	67,338
Loan	30,572	35,916	43,806	45,413	45,514
Commercial Banks	14,649	18,530	22,029	24,138	25,597
Nonbank Financial Institutions	2,943	4,557	6,053	7,004	5,538
Non-monetary Institutions	1,781	1,867	3,013	3,344	3,508
Off-shore Banks	467	684	1,004	985	1,124
Private Investment & Development Banks	4	3	17	18	15
Dresdner	10,720	10,267	11,681	9,916	9,724
NGTA	8	8	8	8	8
Bond Issue	13,081	13,731	14,035	17,468	21,824

(1) Provisional

(2) T. Development Bank, T. Vakifbank, T. Eximbank.

(3) Short term debt figures have been revised by the CBRT.

Source: UT. CBTR.

The following table presents the breakdown of currency composition of Turkey's outstanding public and private external debt at the end of the periods indicated:

Table No. 43

External Debt by Currency[(1)]

	1996	1997	1998	1999	2000
			(percentage of total)		
USD	37.88	46.84	48.94	52.63	54.87
DEM	32.62	33.64	34.69	25.57	19.22
EUR/ECU	1.96	1.62	1.53	8.35	12.06
SDR	0.84	0.71	0.41	0.87	3.57
CHF	1.75	1.46	1.24	0.93	0.67
GBP	1.09	0.96	0.84	0.77	0.69
JPY	14.10	10.58	8.26	7.74	6.43
FRF	1.74	1.43	1.42	1.15	0.85
NLG	1.12	0.96	0.99	0.69	0.55
Other	6.90	1.80	1.67	1.29	1.08
Total	100.00	100.00	100.00	100.00	100.00

(1) Provisional.

Source: UT, CBTR.

In April 1995, Turkey raised $500 million in the Euromarkets, which was comprised of $255 million of floating rate notes with maturities of between one and three years and a $245 million syndicated loan. In July 1995, Turkey raised ¥70 billion and DM500 million in the Eurobond market. In addition, Turkey issued a $300 million Eurobond in October 1995 and in the same month established a medium-term note program ("MTN Program"). Under the MTN Program, Turkey has made a series of U.S. dollar, Japanese yen, Deutsche mark and Italian Lira issues between November 1995 and May 1997 totaling an equivalent of approximately $5.6 billion. The MTN Program limit was increased from $1.5 billion to $4 billion in May 1996, to $5 billion in March 1997 and to $10 billion in February 1998. In addition, Turkey has made issues outside the MTN Program; a ¥75 billion Samurai issue in April 1996, a $500 million Eurobond in June 1996, a $400 million Eurobond in May 1997 and a $600 million Eurobond in September 1997.

In February 1998, Turkey issued a DM1.000 million Eurobond and a $400 million Eurobond which was increased to $500 million in April 1998. In April 1998, Turkey issued a step-down structured DM1,000 million bond, and in May 1998, a $300 million bond. In November 1998, Turkey issued a DM600 million bond which was increased to DM1,000 million in December 1998. Turkey also issued a 10 year $200 million bond with a put option in December 1998.

In February 1999, Turkey issued a DM750 million Eurobond, which was increased to DM850 million in March 1999. In March 1999, Turkey issued a EURO 500 million Eurobond which was increased to EURO 800 million in April 1999 and EURO 1 billion in May 1999. In April 1999, Turkey increased the amount of the 10-year U.S. global bond issued in December 1998 to $400 million, which was further increased to $600 million in September 1999. In June 1999, Turkey issued a $500 million global bond which was increased to $750 million in December 1999. In August 1999, Turkey issued a EURO 400 million Eurobond. In November 1999, Turkey issued a $500 million global bond and EURO 500 million Eurobond, which was increased to a EURO 750 million in December 1999. In December 1999, Turkey also issued a EURO 600 million Eurobond.

In 2000, Turkey issued or launched the following:

- $1.5 billion of global bonds on January 10, 2000, with a maturity of 30 years and 11.875% interest.
- EURO 750 million of Eurobonds on January 26, 2000, with a maturity of 10 years and 9.25% interest, which was increased to EURO 1 billion on February 8, 2000.

- Yen 35 billion of Samurai bonds on February 18, 2000, with a maturity of three years and 3.5% interest.
- EURO 600 million Eurobonds on March 30, 2000, with a maturity of five years and 7.75% interest.
- EURO 500 million Euro-FRN (Floating Rate Notes) on June 2, 2000, with a maturity of three years and three months-Euribor + 200 bps interest.
- $750 million of global bonds on June 8, 2000, with a maturity of 10 years and 11.75% interest.
- Yen 55 billion of Samurai bonds on June 15, 2000, with a maturity of four years and 3.25% interest.
- EURO 533,062,178 of Eurobonds on July 13, 2000, with a maturity of seven years and 8.125% interest which is intended to be fungible with an outstanding issue of DM 1.5 billion originally launched in October 1997, which was increased to EURO 733,062,178 on September 1, 2000.
- $500 million reopening on July 19, 2000 of $500 million global bonds issued on June 18, 1999, with a maturity of 10 years and 12.375% interest, which was increased to $750 million on December 8, 1999.
- $750 million reopening on September 12, 2000 of $750 million global bonds issued on June 8, 2000, with a maturity of 10 years and 11.75% interest.
- Yen 50 billion of Samurai bonds on November 2, 2000, with a maturity of three years and 3% interest.

$1 billion of Syndicated Loan on December 20, 2000, with a maturity of six months and Libor + 1% interest.

The following tables present the relationship of Turkey's public and private external debt to other financial indicators for, or at the end of, the periods indicated:

Table No. 44

Debt Ratios

	1996	1997	1998	1999	2000
			(in percentages)		
T. External Debt/GNP	43.38	44.12	46.91	55.79	57.71
Public Sector/GNP	28.12	26.11	25.45	29.19	30.39
Private Sector/GNP	5.82	8.63	11.19	13.92	12.95
T. External Debt/T.FX Revenues(1)	190.78	162.95	166.07	206.08	210.70
T. External Debt/T.FX Revenues(2)	156.26	145.16	154.80	195.41	196.80
T. External Debt/Exports (FOB)(1)	342.91	323.20	359.21	388.70	418.03
T. External Debt/Exports (FOB)(2)	245.46	259.98	310.35	352.41	366.68
External Debt Service/GNP	6.22	6.46	7.99	9.89	10.90
Ext. Debt Service/T.FX Revenues(1)	27.35	23.84	28.30	36.52	39.81
Ext. Debt Service/T.FX Revenues(2)	22.40	21.24	26.38	34.63	37.18
Ext. Debt Service/Exports (FOB)(1)	49.16	47.29	61.22	68.89	78.98
Ext. Debt Service/Exports (FOB)(2)	35.19	38.04	52.89	62.46	69.28
Interest/GNP	2.29	2.38	2.33	2.94	3.13
Interest/Exports (FOB)(1)	18.08	17.47	17.88	20.50	22.68
Interest/Exports (FOB)(2)	12.94	14.05	15.45	18.58	19.89
Int'l Reserves (net)/Total Ext. Debt	22.12	22.99	21.39	23.40	19.94
Int'l Reserves (net)/Short-term Debt	101.55	108.12	97.68	103.03	80.08
Int'l Reserves (gross)/Total Ext. Debt	20.43	21.70	20.35	22.43	19.10
Int'l Reserves (gross)/Short-term Debt	93.82	102.06	92.95	98.74	76.69

(1) Excluding shuttle trade and transit trade.

(2) Including shuttle trade and transit trade.

Source: UT.

Table No. 45

External Debt Service[1]

	1996	1997	1998	1999	2000
		(in millions of dollars)			
Total External Debt Service	11,418	12,418	16,513	18,316	21,937
Principal[2]	7,218	7,830	11,690	12,866	15,638
Interest	4,200	4,588	4,823	5,450	6,299

(1) Provisional.

(2) Repayments through bond issues are included.

Source: UT.

The aggregate amount of scheduled repayment of principal and interest on the medium- and long-term external public and private debt of Turkey (disbursed and undisbursed) is set forth below for the periods indicated:

Table No. 46

Medium and Long-Term External Debt Service[1]

	Principal	Interest	Total
	(in millions of dollars)		
2001			
Private Sector	12,146	2,071	14,217
Public Sector	9,862	3,925	13,788
Total	22,008	5,997	28,005
2002			
Private Sector	6,979	1,291	8,269
Public Sector	8,619	3,555	12,174
Total	15,598	4,845	20,443
2003			
Private Sector	4,296	781	5,077
Public Sector	10,340	3,043	13,383
Total	14,636	3,824	18,460
2004			
Private Sector	2,053	737	2,791
Public Sector	8,354	2,452	10,806
Total	10,407	3,189	13,597
2005			
Private Sector	2,108	411	2,519
Public Sector	6,259	1,904	8,163
Total	8,367	2,315	10,682
2006			
Private Sector	891	233	1,123
Public Sector	3,995	1,572	5,567
Total	4,886	1,804	6,690
2007+			
Private Sector	9,148	678	9,827
Public Sector	18,001	8,198	26,200
Total	27,150	8,876	36,026

(1) Provisional; excluding Dresdner Bank Program Accounts repayment: cross rates based on: December 31, 2000.

Source: UT.

The following table presents the total external public debt of Turkey issued between January 1, 1997 and December 31, 2000:

Table No. 47

External Debt of Turkey
(issued between January 1, 1997 and December 31, 2000)
(Public Guaranteed)

Agreement Date	Currency	Outstanding Amount	Maturity (Year)	Interest (%)
Multilateral Organizations				
11/12/1997	ECU	45,000,000	18.0	FLOATING
05/03/1998	USD	20,000,000	1.5	8.6
05/08/1998	USD	13,100,000	17.0	IBRD SCL LIBOR Based
06/25/1998	USD	270,000,000	17.0	IBRD SCL LIBOR Based
06/03/99	EUR	40,000,000	15	3.50
08/02/99	USD	252,530,000	7	IBRD LIBOR SCL Based
11/26/99	EUR	7,700,000	17	EURIBOR+1.00
2/03/2000	USD	7,700,000	12	5.50
2/09/2000	EUR	150,000,000	30	4.77
5/27/2000	USD	759,600,000	15	IBRD LIBOR-based floating
6/21/2000	EUR	75,000,000	15	5.0
6/21/2000	EUR	50,000,000	15	5.0
7/04/2000	USD	24,332,000	10	7.815
08/03/2000	USD	63,000,000	10	7.64
10/24/2000	USD	50,000,000	10	7.18
11/08/2000	USD	12,645,000	15	5.5
11/09/2000	USD	17,930,000	15	5.5
11/10/2000	USD	17,000,000	25	2.5
11/11/2000	USD	23,000,000	15	5.5
11/23/2000	USD	50,000,000	10	7.17
12/05/2000	EUR	70,000,000	15	EUR-based floating
12/21/2000	USD	777,780,000	17	LIBOR-based floating
12/21/2000	USD	250,000,000	17	LIBOR-based floating
Bilateral Agreements				
01/24/1997	DEM	108,241,009	3.5	DMLIBOR+1.65
01/24/1997	DEM	68,612,000	10.5	DMLIBOR+1
01/28/1997	DEM	46,954,000	10.5	6.32
04/02/1997	USD	9,387,720	11.0	7.25
04/02/1997	USD	16,100,000	4.0	LIBOR+2.0
05/01/1997	FRF	68,794,228	9.0	6MPIBOR+1.125
06/19/1997	USD	73,482,500	10.0	LASU
06/19/1997	USD	31,492,500	10.0	LASU
06/19/1997	USD	12,967,500	10.0	LIBOR+0.90
06/19/1997	USD	5,557,500	10.0	LIBOR+1.85
07/18/1997	USD	455,250	5.0	VIBOR+0.889
07/18/1997	USD	2,576,750	8.5	VIBOR+0.875
07/22/1997	USD	340,000	5.0	—
07/22/1997	USD	21,918,100	5.0	LIBOR+1
07/22/1997	USD	16,660,000	3.0	—
07/29/1997	FRF	42,000,000	5.0	PIBOR+1.725
08/07/1997	FRF	9,315,006	5.0	PIBOR+1.625
08/07/1997	FRF	62,100,040	9.5	PIBOR+1.125
08/25/1997	USD	45,000,000	5.0	LIBOR+2
09/18/1997	USD	112,806,000	5.0	LIBOR+1.90
09/18/1997	USD	180,007,000	13.0	LIBOR+0.90
09/18/1997	USD	28,485,000	13.0	LIBOR+0.90
09/18/1997	USD	312,963,675	16.0	LIBOR+0.90/%7.40

Agreement Date	Currency	Outstanding Amount	Maturity (Year)	Interest (%)
09/23/1997	USD	11,865,000	13.0	LIBOR+0.90
10/23/1997	USD	125,772,464	11.5	LIBOR+1.725
10/23/1997	USD	54,227,536	5.0	7.20
11/19/1997	USD	16,616,501	10.5	LIBOR+0.875
11/19/1997	USD	34,208,529	7.0	LIBOR+2
02/13/1998	USD	20,395,423	2.5	LIBOR+1.9375
03/13/1998	USD	14,499,980	5.0	LIBOR+0.775
03/13/1998	USD	2,558,820	5.0	LIBOR+1.75
04/24/1998	USD	100,000,000	3.0	LIBOR+1.75
05/05/1998	USD	20,000,000	12.0	LIBOR+0.80
05/05/1998	USD	110,000,000	4.0	LIBOR+1.73
05/15/1998	USD	35,513,157	5.0	LIBOR+1.75
05/29/1998	USD	113,649,174	13.0	LIBOR+0.20
06/09/1998	DEM	37,368,000	5.0	LIBOR+1.875
06/09/1998	DEM	52,200,000	5.0	LIBOR+0.875
06/09/1998	DEM	140,227,000	7.5	LIBOR+1.90
06/09/1998	DEM	43,350,000	7.5	LIBOR+1.90
06/09/1998	DEM	24,005,000	5.0	LIBOR+1.875
06/24/1998	USD	41,000,000	4.0	LIBOR+1.85
07/14/1998	DEM	22,705,000	5.0	FIBOR+0.9
07/14/1998	DEM	14,100,000	5.0	FIBOR+0.9
07/14/1998	DEM	41,885,750	5.0	FIBOR+1.75
09/25/1998	USD	15,214,200	5.5	LIBOR+1.75
09/25/1998	USD	22,826,750	9.5	LIBOR+0.25
09/25/1998	USD	25,036,750	9.5	LIBOR+0.75
09/25/1998	USD	38,350,300	9.5	LIBOR+0.55
10/20/1998	USD	2,062,500	4	LIBOR+1.70
10/20/1998	USD	11,687,500	9	6.63
10/20/1998	USD	67,750,000	5.5	LIBOR+1.95
02/23/99	USD	78,476,000	7	1.625
02/26/99	USD	29,886,000	5	LIBOR+1.25
02/26/99	USD	5,274,000	5	LIBOR+1.95
03/22/99	USD	78,752,919	10	5.46
03/22/99	USD	40,658,715	10	5.46
03/31/99	EUR	7,203,216	5	EURIBOR+2.25
03/31/99	EUR	43,775,913	11.5	EURIBOR+1.25
03/31/99	USD	44,625,000	5	LIBOR+2.25
03/31/99	USD	8,488,620	11.5	LIBOR+1.25
04/06/99	USD	18,973,000	10	LIBOR+0.75
04/06/99	USD	11,000,000	5	LIBOR+2.25
04/15/99	USD	98,115,840	12	6.25
04/15/99	USD	5,194,368	10	LIBOR+1.90
04/15/99	USD	12,120,192	10	0.90
04/15/99	USD	275,400,000	12	LIBOR+0.07
04/15/99	USD	48,600,000	10	LIBOR+3.00
06/10/99	USD	31,067,500	10	CIRR
06/10/99	USD	5,482,500	6	LIBOR+1.50
06/11/99	USD	1,295,850	4	LIBOR+2.00
06/11/99	USD	7,343,150	5	6.58
07/14/99	USD	200,000,000	11	LTPR+1.90
07/27/99	USD	90,000,000	5	LIBOR+2.25
07/27/99	USD	41,000,000	5	LIBOR+2.25
09/07/99	EUR	281,427,084	3	9.625
09/21/99	USD	28,900,000	5	LIBOR+2.25
10/08/99	USD	75,567,222	5	LIBOR+2.25
11/23/99	USD	84,872,500	5	LIBOR+2.25

Agreement Date	Currency	Outstanding Amount	Maturity (Year)	Interest (%)
11/26/99	DEM	26.739,552	5	DM LIBOR+2.25
11/26/99	DEM	33.479.103	8	DM LIBOR+0.85
12/01/99	USD	37,386.199	11.5	7.15
12/01/99	USD	6.597,565	5	LIBOR+2.25
12/15/99	JPY	27,800.000.000	5	LIBOR+2.25
12/15/99	JPY	2.700,000,000	5	LIBOR+2.15
12/15/99	JPY	5,310,650,000	17.5	LIBOR+0.75
12/15/99	JPY	796,597.500	5	LIBOR+2.15
12/15/99	EUR	85,002.828	17.5	LIBOR+0.75
12/15/99	EUR	15,000,499	5	LIBOR+2.15
12/15/99	EUR	172,525,369	17.5	AKA PLAFOND C + 0.25
12/15/99	EUR	30,445,653	5	LIBOR+2.15
12/15/99	USD	212,095,000	17.5	CIRR
12/15/99	USD	31,814,250	5	LIBOR+2.15
12/15/99	USD	34,959,134	10	LIBOR+0.75
12/15/99	USD	17,000,000	10	LIBOR+0.75
12/15/99	USD	115.250.000	5	LIBOR+2.25
12/15/99	USD	40,108,149	5	LIBOR+2.25
12/16/99	EUR	987,870	17.5	LIBOR+0.75
12/16/99	EUR	148,180	5	LIBOR+2.15
12/17/99	JPY	58.480.339.000	16.5	2.30
12/20/99	USD	31.000,000	5	LIBOR+2.25
12/23/99	USD	82.450,000	6	LIBOR+2.25
12/23/99	USD	19.550,000	5	LIBOR+2.25
12/24/99	USD	12,300,000	5	LIBOR+2.25
01/04/2000	USD	32.000.000	5	LIBOR+2.25
01/14/2000	JPY	2,025.872.376	9	LIBOR+0.50
01/17/2000	EUR	52,058	33	2.0
01/17/2000	EUR	3,700,000	20	2.0
01/27/2000	JPY	2.025.872.375	5	2.2
01/27/2000	EUR	9.058.645	5	LIBOR+2.50
02/09/2000	JPY	169,370.910	5	6 M LTPR+2.0
02/14/2000	JPY	3.084,692.755	8	2.0
02/14/2000	USD	3,240,000	5	LIBOR+2.25
02/14/2000	JPY	139,600,000	5	LIBOR+2.0
02/15/2000	JPY	959,768.490	5	JPY CIRRI, 2.2
02/17/2000	USD	50,000,000	5	LIBOR+2.25
03/10/2000	GBP	5,991,761	6.5	6.0
03/10/2000	GBP	12,805,820	6.5	GBP LIBOR+1.25
03/23/2000	USD	50,000,000	5	USD LIBOR+2.25
03/28/2000	JPY	27,500,000,000	8	JPLTPR+0.2
04/07/2000	USD	4,654,868	5	USD LIBOR+0.70
04/07/2000	USD	3,438,007	1.5	USD LIBOR+2.25
04/12/2000	USD	52,880,000	5	USD LIBOR+2.25
05/05/2000	USD	40,000,000	5	USD LIBOR+1.75
05/05/2000	USD	45,000,000	5	USD LIBOR+1.75
06/08/2000	USD	1.712.500	5	USD LIBOR+0.875
06/15/2000	CHF	22.268,000	15	CHF LIBOR+0.75
06/15/2000	CHF	3,300,000	5	CHF LIBOR+1.75
06/23/2000	EUR	33,233,972	6	6M EURIBOR+2
07/28/2000	USD	94,235,430	6	LIBOR+2.50
07/28/2000	USD	45,000,000	5	LIBOR+1.75
07/28/2000	USD	46,400,000	5	LIBOR+1.75
07/28/2000	USD	20,000,000	5	LIBOR+1.75
07/28/2000	USD	20,000.000	5	LIBOR+1.75
07/31/2000	USD	20,000.000	5	USD LIBOR+1.75

Agreement Date	Currency	Outstanding Amount	Maturity (Year)	Interest (%)
07/31/2000	USD	20,000,000	5	LIBOR+1.75
08/01/2000	USD	15,000,000	5	LIBOR+1.75
08/29/2000	USD	27,000,000	5	LIBOR+1.75
10/05/2000	USD	124,829,756	5	LIBOR+1.75
10/13/2000	USD	13,500,000	6.5	7.70
10/13/2000	EUR	4,900,000	6.5	6.40
10/13/2000	USD	205,000,000	5	LIBOR+1.75
10/19/2000	USD	10,119,093	8	CIRR
10/19/2000	USD	1,785,722	6	6M USD LIBOR+1.25
10/23/2000	JPY	1,205,257,500	6	CIRR+2%Interest+1.47 risk premium
10/23/2000	JPY	1,585,623,575	5	CIRR+2%Interest+1.47 risk premium
10/31/2000	USD	15,000,000	18	LIBOR+0.95
10/11/2000	USD	34,000,000	5	USD LIBOR+1.75
11/13/2000	EUR	22,888,484	6.5	CIRR
11/13/2000	EUR	4,039,144	6.5	EURIBOR+1.25
11/24/2000	USD	94,929,640	12	6M USD LIBOR+0.65
11/24/2000	USD	35,000,000	5	6M USD LIBOR+1.75
11/28/2000	JPY	435,382,500	6	6M USD LIBOR+1.625
11/24/2000	USD	34,182,000	13.5	6M USD LIBOR+1.30
12/07/2000	USD	5,405,206	6	6M USD LIBOR+0.25
12/07/2000	USD	3,500,000	5	6M USD LIBOR+1.75
12/12/2000	JPY	279,815,925	2	6M LIBOR+1.75
12/12/2000	JPY	1,188,436,627	2	6M LIBOR+1.75

CONSOLIDATED BUDGET

Agreement Date	Currency	Outstanding Amount	Maturity (Year)	Interest (%)
Multilateral Organizations				
01/28/1997	USD	10,150,000	12.0	7.50
01/28/1997	USD	8,168,000	10.0	6.50
08/26/1997	ECU	50,000,000	15.0	FLOATING
09/22/1997	USD	14,500,000	3.0	IBRD SCL Fixed
10/28/1997	USD	20,000,000	17.0	IBRD SCL LIBOR Based
12/01/1997	USD	28,000,000	12.0	6.5
12/01/1997	USD	3,600,000	12.0	6.5
12/19/1997	USD	50,156,520	10.0	6.29
02/03/1998	USD	11,000,000	12.0	6.5
06/03/1998	USD	8,500,000	12.0	6.5
06/25/1998	USD	300,000,000	15.0	IBRD SCL Fixed
07/31/1998	USD	4,000,000	15.0	IBRD SCL Fixed
09/08/1998	USD	2,500,000	17.0	IBRD SCL LIBOR
09/11/1998	USD	369,000,000	15.0	IBRD SCL Fixed
12/04/1998	USD	23,000,000	10.0	5.69
12/16/1998	USD	24,970,000	10.0	5.53
12/17/1998	EUR	32,000,000	15.0	3.5
04/06/99	USD	10,000,000	18	LIBOR+1.00
04/22/99	EUR	38,000,000	20	3.50
07/22/99	USD	45,000,000	10	7.02
08/02/99	USD	155,000,000	17	IBRD LIBOR SCL Based
11/23/99	USD	264,600,000	15	IBRD Fixed Rate SCL Based
11/24/99	USD	6,000,000	15	IBRD Fixed Rate SCL Based
11/25/99	USD	234,400,000	15	IBRD Fixed Rate SCL Based

Agreement Date	Currency	Outstanding Amount	Maturity (Year)	Interest (%)
11/23/99	USD	252,530,000	15	IBRD Fixed Rate SCL Based
12/16/99	USD	39,000,000	10	7.36
Bilateral Agreements				
01/21/1997	FRF	27,202,500	30.0	0.5
08/28/1997	DEM	147,000,000	13.5	2
08/28/1997	DEM	58,000,000	30.5	2
08/28/1997	DEM	20,000,000	30.0	2
01/13/1997	YEN	352,519,259	6.0	2.5
01/20/1997	DEM	530,422	2.0	LIBOR+1.40
01/20/1997	DEM	3,005,728	5.0	AKA-C
01/21/1997	FRF	32,934,500	13.0	PIBOR+1.25
01/27/1997	JPY	18,000,000	5.0	LIBOR+1.675
01/27/1997	JPY	44,209,281	5.0	LIBOR+1.675
01/29/1997	USD	8,547,039	5.0	LIBOR+0.40
02/04/1997	CHF	9,864,774	6.5	SEBR+1.375
03/05/1997	USD	3,890,527	5.5	LIBOR+0.40
03/07/1997	USD	2,328,000	3.0	LIBOR+1.50
03/28/1997	DEM	56,776,600	6.0	FIBOR+0.625
03/28/1997	DEM	10,019,400	4.5	FIBOR+1.625
04/09/1997	USD	1,508,301	4.0	LIBOR+1.375
04/15/1997	USD	150,000,000	3.0	6MLIBOR+1.75
05/16/1997	USD	61,000,000	3.0	6MLIBOR+1.80
05/16/1997	USD	29,000,000	3.0	6MLIBOR+1.80
05/16/1997	USD	25,000,000	3.0	6MLIBOR+1.80
05/27/1997	USD	1,517,021	5.0	LIBOR+0.75
05/27/1997	USD	5,491,627	4.0	LIBOR+1.375
07/21/1997	USD	60,000,000	3.5	LIBOR+1.8
07/21/1997	USD	40,000,000	3.0	LIBOR+1.8
07/22/1997	USD	25,000,000	7.0	LIBOR+0.85
07/23/1997	NLG	1,712,000	7.0	6.15
07/24/1997	DEM	37,670,640	5.5	DMLIBOR+0.75
07/24/1997	DEM	6,647,760	5.5	DMLIBOR+1.50
07/24/1997	DEM	16,673,600	5.5	DMLIBOR+1.875
08/20/1997	USD	100,000,000	3.0	LIBOR+1.7
08/28/1997	DEM	102,000,000	13.5	KFW+0.65
08/28/1997	DEM	38,000,000	15.0	KFW+0.65
09/04/1997	USD	135,000,000	3.0	LIBOR+1.70
09/18/1997	USD	25,000,000	17.0	LIBOR+0.90
09/24/1997	CHF	220,000,000	17.0	LIBOR+1.15
09/24/1997	CHF	34,437,000	3.0	LIBOR+1.70
09/24/1997	USD	81,826,438	3.0	LIBOR+1.70
09/24/1997	USD	55,000,000	4.5	LIBOR+1.95
10/28/1997	USD	75,000,000	3.0	LIBOR+1.70
11/18/1997	GBP	28,027,711	8.0	LIBOR+0.75/8.07
11/18/1997	CHF	56,126,989	8.0	STR LIBOR+1.25
12/19/1997	USD	1,507,350	3.0	LIBOR+1.375
12/23/1997	USD	9,084,899	8.5	LIBOR+0.50
12/24/1997	USD	105,000,000	3.0	LIBOR+1.70
12/24/1997	USD	45,000,000	3.0	LIBOR+1.70
01/16/1998	USD	65,000,000	3.0	LIBOR+1.70
01/16/1998	USD	35,000,000	3.0	LIBOR+1.70
01/19/1998	USD	17,501,755	9.0	LIBOR+0.30
03/26/1998	JPY	2,961,157,691	10.0	2.5
03/31/1998	USD	20,248,476	13.0	6.53
03/31/1998	USD	20,249,154	3.0	LIBOR+1.90
05/28/1998	USD	49,922,418	12.0	LIBOR+0.3

Agreement Date	Currency	Outstanding Amount	Maturity (Year)	Interest (%)
06/08/1998	USD	146,000,000	5.0	LIBOR+2.25
06/24/1998	USD	3,177,285	7.0	6.94
06/24/1998	USD	560,697	7.0	LIBOR+1.125
07/17/1998	USD	2,303.985	3.0	LIBOR+1.70
08/07/1998	USD	75,000,000	5.0	LIBOR+2.25
08/20/1998	USD	10,000,000	13.0	LIBOR+0.85
08/28/1998	USD	100,000,000	5.0	LIBOR+2.25
09/04/1998	USD	20,000,000	5.0	LIBOR+2.25
09/04/1998	USD	20,000,000	5.0	LIBOR+2.25
09/18/1998	USD	42,453,248	11.5	6.36
09/21/1998	FRF	3,617,300	11.0	PIBOR+1.25/5.99[1]
09/21/1998	FRF	2,665,507	30.0	0.2
09/22/1998	FRF	24.305,300	11.0	PIBOR+1.25/5.99[1]
09/22/1998	FRF	18,450,000	30.0	0.2
09/22/1998	FRF	10.670,000	11.0	PIBOR+1.25/5.99[1]
09/22/1998	FRF	8.100,000	30.0	0.2
09/25/1998	NLG	29,000,000	12.0	AIBOR+0.5
09/30/1998	DEM	18,700,000	8.0	FIBOR+0.9
09/30/1998	DEM	22,192,163	8.0	FIBOR+0.9
09/30/1998	DEM	9,204,666	6.0	FIBOR+1.75
10/07/1998	FRF	3,707,007	11.0	PIBOR+1.25/6.18[1]
10/07/1999	FRF	2,780,760	30.0	0.2
11/03/1998	USD	75,000,000	5.0	LIBOR+2.25
11/04/1998	USD	15,110,305	7.5	LIBOR+1.40
11/04/1998	USD	2,538,096	3.0	LIBOR+0.30
11/16/1998	USD	17,014,405	11.0	PIBOR+1.25/6.18[1]
11/16/1998	FRF	12,803,067	30.0	0.2
11/26/1998	USD	27,000,000	5.0	LIBOR+1.875
12/03/1998	USD	9,700,000	5.0	LIBOR+2.25
12/04/1998	USD	40,000,000	5.0	LIBOR+2.25
12/11/1998	DEM	80,000,000	30.0	2
12/14/1998	FRF	1,168,371.750	5.5	5.49
12/14/1998	FRF	198,750,000	5.5	FIBOR+2
12/15/1998	FRF	9,054,100	11.0	PIBOR+1/5.82[1]
12/15/1998	FRF	8,250,000	40.0	0.6
12/16/1998	DEM	15,352.512	5.0	LIBOR+2.375
12/17/1998	DEM	561,000.000	11.0	PLAFONDC+0.25
12/17/1998	DEM	561,000,000	11.0	PLAFONDC+0.25
12/22/1998	DEM	32,750,000	5.5	FIBOR+2.1
12/24/1998	USD	22,146,648	7.0	LIBOR+0.20
12/24/1998	USD	6,765,000	5.0	LIBOR+1.70
12/24/1998	USD	18,128,103	7.0	LIBOR+0.20
12/25/1998	USD	11,079,884	10.0	LIBOR+0.25
01/11/99	USD	834,000	5	LIBOR+1.75
01/11/99	BEF	234,487,741	8	5.21
01/19/99	JPY	950.286,400	6	2.10
01/19/99	JPY	167,697.600	5.5	LIBOR+1.50
02/01/99	USD	53.700,000	5	LIBOR+2.25
02/18/99	EUR	13,955,114	5	4.98
02/18/99	EUR	2,369,261	5	EURIBOR+1.60
03/16/99	USD	10,000,000	5	LIBOR + 2.25
03/24/99	ATS	2,289,000,000	17.5	6.90
03/24/99	ATS	2,095,000,000	18	6.90
03/24/99	DEM	87,146,136	4	LIBOR+2.10
03/24/99	USD	26,000,000	4	TIBOR+2.10
03/24/99	USD	40,000,000	6	TIBOR+2.25

Agreement Date	Currency	Outstanding Amount	Maturity (Year)	Interest (%)
03/24/99	USD	54,000,000	4.5	TIBOR+2.15
03/24/99	USD	41,000,000	4.5	LIBOR+2.15
03/24/99	USD	40,000,000	6	LIBOR+2.25
03/24/99	USD	39,000,000	4	LIBOR+2.10
04/16/99	USD	30,000,000	5	LIBOR + 2.25
05/20/99	DEM	36,000,000	30	2.00
05/26/99	JPY	1,113,000,000	14.5	2.10
05/26/99	JPY	174,450,000	5	LIBOR+1.70
06/04/99	USD	9,803,991	40	0.008
06/24/99	USD	489,377,736	12	LIBOR + 0.75
06/24/99	USD	67,369,260	3.25	LIBOR + 0.75
06/24/99	USD	16,842,315	4.75	LIBOR + 0.75
06/28/99	EUR	1,910,820	5	EURIBOR+2.00
06/28/99	EUR	10,827,798	5	EURIBOR+0.75
06/28/99	NLG	1,275,326	5	5.60
06/28/99	NLG	7,226,850	12	5.70
06/28/99	USD	1,849,593	5	7.60
06/28/99	USD	10,481,028	12	7.20
07/14/99	USD	8,358,000	12	5.78
07/14/99	USD	5,572,000	12	LIBOR+1.00
08/25/99	JPY	2,215,318,616	12.5	2.30
08/25/99	JPY	1,326,345,383	9.5	JPY LIBOR+2.00
09/07/99	JPY	1,888,496,900	5	TIBOR+2.00
09/08/99	DEM	1,311,257	5	EURIBOR+2.25
09/13/99	USD	1,644,740	5	LIBOR +2.25
09/17/99	JPY	12,464,000,000	40	0.75
09/17/99	JPY	29.367,000,000	40	2.2
09/24/99	JPY	121,238,820	5	TIBOR+2.0
09/27/99	JPY	687,019,980	5	2.20
09/27/99	JPY	1,731,379,301	5	2.00
09/28/99	EUR	8,513,114	5.5	EURIBOR+0.70
09/28/99	EUR	5.478.832	5	EURIBOR+2.00
09/28/99	EUR	1,502,315	5	EURIBOR+2.00
10/08/99	USD	9,803,991	10.5	6.81
10/08/99	USD	1,625,296	5	LIBOR+1.75
10/11/99	USD	45,000,000	5	LIBOR+2.25
10/22/99	JPY	305,537,524	5	JPY LIBOR + 2.00
10/27/99	USD	91,846,226	12	LIBOR + 0.20
10/27/99	DEM	7,430.456	5	EURIBOR+0.70
11/08/99	USD	66,071,600	7	LIBOR+1.50
11/11/99	USD	6.661.528	5.5	LIBOR+2.25
11/11/99	DEM	16,500,000	17	2.00
11/19/99	USD	83,600,000	5	LIBOR+2.25
11/30/99	USD	28,015,800	5	LIBOR+0.75
11/30/99	USD	30,000,000	12	1.20
12/01/99	EUR	5,113,000	5.5	EURIBOR+0.70
12/01/99	EUR	19,128,670	5	EURIBOR+2.00
12/01/99	EUR	903,000	5	EURIBOR+2.00
12/01/99	EUR	2,869,078	5.5	EURIBOR+0.70
12/01/99	EUR	506,308	5	EURIBOR+2.00
12/07/99	USD	20,000,000	5.5	LIBOR+2.15
12/10/99	USD	27,000,000	5	LIBOR+2.25
12/16/99	USD	160,000.000	5	LIBOR+2.25
12/16/99	USD	43.000.000	5	LIBOR+2.25
12/17/99	USD	131,536,821	5	LIBOR+2.25
12/17/99	USD	30,000,000	5	LIBOR+2.25

Agreement Date	Currency	Outstanding Amount	Maturity (Year)	Interest (%)
12/20/99	CHF	990,000	5	CHF LIBOR+2.25
12/20/99	CHF	5,610,000	6.5	SEBR+0.75
12/22/99	KWD	20,000,000	20	4.50
12/22/99	USD	4,097,829	6	LIBOR+0.25
12/22/99	USD	4,109,586	6	LIBOR+2.25
12/27/99	USD	45,000,000	5	LIBOR+2.25
International Capital Markets				
02/12/1997	DEM	500,000,000	7.0	7.75
03/14/1997	ITL	300,000,000,000	5.0	9
05/21/1997	USD	400,000,000	5.0	10
06/23/1997	DEM	1,000,000,000	5.0	7.25
09/19/1997	USD	600,000.000	10.0	10
10/20/1997	DEM	1,500,000,000	10.0	8.125
02/03/1998	DEM	1,000,000,000	5.0	7.25
02/23/1998	USD	400,000,000	7.0	9.875
04/01/1998	USD	100.000,000	7.0	9.875
04/15/1998	DEM	1,000,000,000	8.0	10.5(2)
05/08/1998	USD	300,000,000	5.0	8.875
11/26/1998	DEM	600,000,000	3.0	9.5
12/02/1998	DEM	200,000,000	3.0	9.5
12/10/1998	USD	200,000.000	10 put 5	12
12/18/1998	DEM	200,000.000	3.0	9.5
01/28/99	DEM	750,000,000	4	9.25
02/24/99	EUR	500,000,000	5	9.50
03/16/99	DEM	100,000,000	4	9.25
04/07/99	USD	200,000,000	10	12.0
04/28/99	EUR	300,000,000	5	9.50
05/12/99	EUR	200,000,000	5	9.50
06/18/99	USD	500,000,000	10	12.375
08/04/99	EUR	400,000,000	6	9.625
09/08/99	USD	200,000.000	10	12.00
10/29/99	USD	500.000,000	5	11.875
11/12/99	EUR	500,000,000	7	9.625
12/08/99	USD	250,000,000	10	12.375
12/10/99	EUR	250,000,000	7	9.625
12/15/99	EUR	600,000,000	3	7.75
01/10/2000	USD	1,500,000,000	30	11.875
02/08/2000	EUR	1,000,000,000	10	9.25
02/21/2000	JPY	35,000,000,000	3	3.5
04/12/2000	EUR	600,000,000	5	7.75
06/08/2000	USD	750,000,000	10	11.75
06/09/2000	EUR	500,000,000	3	3M EURIBOR+2.00
06/16/2000	JPY	55,000,000,000	4	3.25
07/19/2000	USD	500,000,000	9	12.375
07/25/2000	EUR	533,062,178	7	8.125
09/05/2000	USD	750,000,000	10	11.75
09/12/2000	EUR	200,000,000	7	8.125
11/06/2000	JPY	50,000,000,000	3	3.0
12/20/2000	USD	1,000,000,000	6M	USD LIBOR+1.00

(1) First interest rate applies to the preliminary period, second to the remaining life of the credit.

(2) For the first two years only. For the remaining 6 years, the interest rate will be 7%.

TAXATION

The information provided below does not purport to be a complete, exhaustive or final summary of the tax law and practice currently applicable in The Republic of Turkey and the Federal Republic of Germany. It does not take into account the possible taxation of speculative capital gains or other special considerations that may apply in a particular situation. Investors or other interested parties are required to obtain individual tax advice in connection with the acquisition and holding, as well as the sale or repayment of Notes.

The Republic of Turkey

Article 24 of the Corporation Tax Law of The Republic requires The Republic to withhold 25 per cent. withholding tax from the interest on notes received by limited tax liability corporations, being corporations resident outside The Republic. However, according to the fourth paragraph of Article 24, the Council of Ministers of The Republic is authorised to reduce such tax to zero or to increase it to 50 per cent. Pertaining to the above noted authorisation and to the Decree of the Council of Ministers issued (Decree No. 93/5147) (as amended), the rate of such withholding tax for limited tax liability corporations has been reduced to 0 per cent. on interest on securities issued on or after 1 October 1998.

Article 94/7(a) and (b) of the Income Tax Law requires The Republic to withhold 25 per cent. withholding tax from the interest on notes received by limited tax liability individuals. However, according to the fifth paragraph of Article 94, the Council of Ministers of The Republic is authorised to reduce such tax to zero or increase it to 50 per cent. Pertaining to the above noted authorisation, and with the Decree of the Council of Ministers (Decree No. 93/5148) (as amended), the rate of such withholding tax for limited tax liability individuals has been reduced to 0 per cent. on interest on securities issued on or after 1 October 1998.

There can be no assurance that such rates will continue to be zero, but in the event of any increase in such rates, The Republic will be obliged to pay additional amounts as specified in Condition 7 of the Terms and Conditions of the Notes.

The withholding taxes mentioned above are also subject to a 10 per cent. National Defence Industry Support Fund levy. So long as no withholding tax is payable, such levy will not be applicable.

Furthermore, according to Article 15(b) of the Law Regarding the Regulation of Public Finance and Debt Management (Law No. 4749) the principal amount of the Notes and the interest thereon on each interest payment date shall be considered part of the consolidated State debt and as a result shall be exempt from any and all Turkish taxes, including withholding tax, and the issuance, delivery and execution of the Notes shall also be exempt from Turkish stamp tax.

Capital gains realised from the sale or other disposition of notes between non-residents of The Republic, whether corporations or individuals, are exempt from any and all Turkish taxes.

Residents of The Republic and persons otherwise subject to Turkish taxation are advised to consult their own tax advisors in determining any consequences to them of the purchase, ownership or disposition of the Notes.

The Federal Republic of Germany

In the Federal Republic of Germany, interest payments in respect of Notes paid to persons who are tax residents of Germany (or non-residents provided that the interest income falls in a category of income from German sources, such as income effectively connected with a German trade or business, income from the letting and leasing of German property, income arising from OTC transactions carried out by a German bank or a German branch of a non-German bank etc.) are subject to income tax.

In case of Notes held in custody in Germany, interest on such Notes paid to a German tax-resident person or to a non-German tax-resident person being subject to income tax in Germany according to the preceding paragraph is subject to an advanced interest income tax ("*Zinsabschlagsteuer*"), at present 30 per cent., and an additional solidarity surcharge tax on the income tax ("*Solidaritätszuschlag*"), at present of 5.5 per cent., so that the total rate of tax deductible in advance is 31.65 per cent. In the case of OTC transactions, the rate for advanced interest income tax will be 35% plus an additional 5.5% solidarity surcharge, resulting in a total tax rate of 36.925%. This tax withheld may, for person tax-resident in Germany, later be credited as a prepayment for purposes of the income tax assessment.

Accrued interest for the time of ownership of the Notes is also subject to this advanced interest income tax and solidarity surcharge tax.

SUBSCRIPTION AND SALE

BNP Paribas, UBS AG, acting through its business group UBS Warburg, Commerzbank Aktiengesellschaft. Deutsche Bank AG London, Dresdner Bank AG London branch, Bayerische Hypo- und Vereinsbank AG, Westdeutsche Landesbank Girozentrale, London Branch, Alpha Bank A.E., Banco Finantia, S.A., Credit Suisse First Boston (Europe) Limited. J.P.Morgan Europe Limited and Salomon Brothers International Limited (the "Managers") have, in a subscription agreement (the "Subscription Agreement"), dated 7 May 2002, jointly and severally agreed to subscribe and pay for the Notes at the issue price of 99.43 per cent. of their principal amount less a combined selling, management and underwriting commission of 0.35 per cent. of such principal amount. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the issue of the Notes. The Republic has agreed to indemnify the Managers against certain liabilities in connection with the issue of the Notes.

United States of America

The Notes have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered or sold within the United States or to U.S. persons. Each of the Managers confirms that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes within the United States or to U.S. persons.

In addition, until 40 days after the later of the commencement of this offering and the Closing Date, an offer or sale of Notes within the United States by any dealer whether or not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has confirmed that it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Federal Republic of Germany

Each Manager has confirmed that it will comply with the Securities Sales Prospectus Act (the "Act") of the Federal Republic of Germany (*Wertpapier-Verkaufsprospektgesetz*) (as amended). In particular, each of the Managers has represented that it has not engaged and agreed that it will not engage in public offering ("*öffentliches Angebot*") within the meaning of the Act with respect to any Notes otherwise than in accordance with all applicable legal and regulatory requirements.

The Republic of Turkey

Under prevailing foreign exchange regulations, there is no restriction on the sale of the Notes to residents of The Republic of Turkey, provided that they purchase such Notes which are traded in the financial markets abroad through banks, special finance institutions (Islamic banks) and brokerage companies authorised pursuant to the Capital Markets Board Regulations of The Republic in accordance with Article 15(d)(ii) of Decree No. 32 Regarding the Protection of the Value of Turkish Currency.

General

No action has been or will be taken in any jurisdiction by The Republic or any Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by The Republic and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

1. The Notes have been accepted for clearance through Clearstream Banking AG, Frankfurt under WKN Number 855347 and Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme, Luxembourg under Common Code No. 014711759. The ISIN for the Notes is DE0008553470.

2. The Republic has obtained all necessary consents, approvals and authorisations in The Republic of Turkey in connection with the issue and performance of the Notes. The issue of the Notes was authorised, pursuant to the provisions of Articles 4 and 7 of the Law Regarding the Regulation of Public Finance and Debt Management of the Republic (Law No. 4749).

3. The Republic is not involved in any litigation or arbitration proceedings relating to claims or amounts which are material to The Republic or in the context of the issue of the Notes nor so far as The Republic is aware is any such litigation or arbitration pending or threatened.

4. Save as disclosed in this Offering Circular, since 31 December 2000 there has been no material adverse change, or any development reasonably likely to involve an adverse change, in the condition (economic or otherwise) or general affairs of The Republic that is material in the context of the issue of the Notes.

5. Application has been made to list the Notes on the Luxembourg Stock Exchange and application will be made for the Notes to be listed on the Frankfurt Stock Exchange. Copies (and certified English translations where the documents in question are not in English) of the following documents may be inspected during normal business hours at the offices of the Paying Agents in Luxembourg and/or Frankfurt so long as any of the Notes are listed on such exchanges:

(i) the Fiscal Agency Agreement which includes the forms of the Temporary Global Note, the Permanent Global Note and the Definitive Notes; and

(ii) the Deed of Covenant.

6. Under the International Private and Procedural Law of The Republic (Law No. 2675), a judgment of a court established in a country other than The Republic may not be enforced in the Turkish courts unless (i) there is in effect a treaty between such country and The Republic providing for reciprocal enforcement of judgments or (ii) there is de facto reciprocity in the field of enforcement of judgments between such country and The Republic or (iii) there is a provision in the laws of such country which provides for the enforcement of judgments of the Turkish courts. No international treaty exists between The Republic and the United Kingdom concerning the recognition and enforcement of judgments in civil cases.

7. The Notes and Coupons will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States Income Tax Laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

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PRINCIPAL OFFICE OF THE REPUBLIC
The Undersecretariat of Treasury of
The Republic Prime Ministry
Ismet Inönü Bulvari
06510 Emek
Ankara

FISCAL AGENT
BNP Paribas Luxembourg
10A Boulevard Royal
L-2093 Luxembourg

PAYING AGENT
BNP Paribas Securities Services, Frankfurt Branch
Grueneburgweg 14
60322 Frankfurt am Main

LEGAL ADVISER TO THE REPUBLIC
The First Legal Adviser to the
Undersecretariat of Treasury
Ismet Inönü Bulvari
06510 Emek
Ankara

LEGAL ADVISERS TO THE MANAGERS

As to English law
Clifford Chance
Limited Liability Partnership
200 Aldersgate Street
London EC1A 4JJ

As to Turkish law
Pekin & Pekin
Lamartine Caddesi 10
Taksim 80090 Istanbul

LISTING AGENT
BNP Paribas Luxembourg
10A Boulevard Royal
L-2093 Luxembourg