

**PROSPECTUS SUPPLEMENT**  
(to Prospectus dated January 7, 2000)

**\$1,500,000,000**



# **TÜRKİYE CUMHURİYETİ**

**(The Republic of Turkey)**

## **11⅞% Bonds due 2030**

The Republic of Turkey is offering \$1,500,000,000 principal amount of its 11⅞% Bonds due January 15, 2030. The bonds will constitute direct, general and unconditional obligations of the Republic. The full faith and credit of the Republic will be pledged for the due and punctual payment of all principal and interest on the bonds. The Republic will pay interest on January 15 and July 15 of each year, beginning on July 15, 2000.

We have applied to list the bonds on the Luxembourg Stock Exchange in accordance with its rules.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these bonds or determined that this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	<u>Per Bond</u>	<u>Total</u>
Public Offering Price .....	99.604%	\$1,494,060,000
Underwriting Discount .....	0.875%	\$ 13,125,000
Proceeds to the Republic of Turkey (before expenses) .....	98.729%	\$1,480,935,000

The underwriters are offering the bonds subject to various conditions. The underwriters expect delivery of the bonds on or about January 18, 2000, through the book-entry facilities of The Depository Trust Company.

### **Morgan Stanley Dean Witter**

ABN AMRO  
Chase Securities Inc.  
Deutsche Bank AG London  
ING Barings  
Lehman Brothers

### **Salomon Smith Barney**

BNP Paribas Group  
Credit Suisse First Boston  
Goldman, Sachs & Co.  
J.P. Morgan & Co.  
Merrill Lynch & Co.

The activities of the underwriters in connection with this offering are being led jointly by Morgan Stanley & Co. Incorporated and Salomon Smith Barney Inc.

January 10, 2000

The Republic has made all reasonable inquiries and confirms that this prospectus supplement and the accompanying prospectus dated January 7, 2000, including the documents incorporated by reference, contain all information with respect to the Republic and the bonds that is material in the context of the issue and offering of the bonds, and that this information is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein and therein are honestly held and that, to the best of the Republic's knowledge and belief, there are no other facts the omission of which would make any of this information or the expression of these opinions and intentions misleading. The Republic accepts responsibility accordingly.

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference, in making your investment decision. We have not authorized anyone to provide you with any other information. If you receive any unauthorized information you must not rely on it.

We are offering to sell the bonds only in places where offers and sales are permitted.

You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than its respective date.

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## TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
<b>Prospectus Supplement</b>		<b>Prospectus</b>	
Offering Summary .....	S-3	Where You Can Find More Information ...	2
Recent Developments .....	S-5	Use of Proceeds .....	2
Description of the Bonds .....	S-12	Debt Securities .....	3
Global Clearance and Settlement .....	S-15	Plan of Distribution .....	12
Taxation .....	S-19	Validity of the Securities .....	13
Underwriting .....	S-22	Official Statements .....	13
Legal Matters .....	S-24	Authorized Agent .....	13

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We are a foreign sovereign state. Consequently, it may be difficult for investors to obtain or realize upon judgments of courts in the United States against us. See "Debt Securities — Governing Law and Consent to Service" in the accompanying prospectus.

References to "TL" in this prospectus supplement are to the Turkish Lira, the Republic of Turkey's official currency. References to "U.S.\$", "\$", "U.S. dollars" and "dollars" in this prospectus supplement are to lawful money of the United States of America.

## OFFERING SUMMARY

*The following summary is qualified in its entirety by reference to the more detailed information appearing elsewhere in this prospectus supplement and the accompanying prospectus.*

<b>Issuer</b> .....	The Republic of Turkey.
<b>Securities Offered</b> .....	\$1,500,000,000 principal amount of 11 <sup>7</sup> / <sub>8</sub> % bonds due 2030.
<b>Maturity Date</b> .....	January 15, 2030.
<b>Issue Price</b> .....	99.604% of the principal amount of the bonds.
<b>Interest Payment Dates</b> .....	January 15 and July 15 of each year, commencing July 15, 2000.
<b>Status and Ranking</b> .....	Upon issuance, the bonds will be our direct, unconditional and general obligations and will rank equally with our other external debt denominated in currencies other than Turkish Lira which is (i) payable to a person or entity not resident in Turkey and (ii) not owing to a Turkish citizen. See "Debt Securities — Status of the Debt Securities" and "Debt Securities — Negative Pledge" in the accompanying prospectus.
<b>Markets</b> .....	The bonds are offered for sale in those jurisdictions where it is legal to make such offers. See "Underwriting".
<b>Listing</b> .....	We have applied to list the bonds on the Luxembourg Stock Exchange in accordance with its rules.
<b>Negative Pledge</b> .....	Clause (9) of the definition of Permitted Lien set forth on pages 92 and 93 of the accompanying prospectus shall read as follows for purposes of the bonds: Liens on any assets (other than official holdings of gold) in existence on January 18, 2000, provided that such Liens remain confined to the assets affected thereby on January 18, 2000, and secure only those obligations so secured on January 18, 2000.
<b>Form</b> .....	The bonds will be book-entry securities in fully registered form, without coupons, registered in the names of investors or their nominees in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof.
<b>Clearance and Settlement</b> .....	Beneficial interests in the bonds will be shown on, and transfer thereof will be effected only through, records maintained by The Depository Trust Company ("DTC") and its participants, unless certain contingencies occur, in which case the bonds will be issued in definitive form. Investors may elect to hold interests in the bonds through DTC, the Euroclear system ("Euroclear") or Cedelbank, if they are participants in such systems, or indirectly through organizations that are participants in such systems. See "Global Clearance and Settlement".
<b>Payment of Principal and Interest</b> .....	Principal and interest on the bonds will be payable in U.S. dollars or other legal tender of the United States of America. As long as the bonds are in the form of a book-entry security, payment of principal and interest to investors shall be made through the facilities of DTC. See "Description of the Bonds — Payments of Principal and Interest" and "Global Clearance and

	Settlement—Ownership of Bonds through DTC, Euroclear and Cedelbank”.
<b>Default</b> .....	The bonds will contain events of default; the occurrence of which may result in the acceleration of our obligations under the bonds prior to maturity. See “Debt Securities — Default; Acceleration of Maturity” in the accompanying prospectus.
<b>Sinking Fund</b> .....	None.
<b>Prescription Period</b> .....	None.
<b>Use of Proceeds</b> .....	We will use the net proceeds of the sale of the bonds for general financing purposes, which may include the repayment of debt. The amount of net proceeds (before expenses) is \$1,480,935,000.
<b>Fiscal Agent</b> .....	The bonds will be issued pursuant to a fiscal agency agreement, dated as of December 15, 1998, between us and The Chase Manhattan Bank, as fiscal agent, paying agent, transfer agent and registrar.
<b>Taxation</b> .....	For a discussion of United States and Turkish tax consequences associated with the bonds, see “Taxation” in this prospectus supplement. Investors should consult their own tax advisors in determining the foreign, U.S. federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of the bonds.
<b>Governing Law</b> .....	The bonds will be governed by the laws of the State of New York, except with respect to the authorization and execution of the bonds, which will be governed by the laws of the Republic of Turkey.

## **RECENT DEVELOPMENTS**

### **General**

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 more than 17,000 people. The cities hit hardest by the earthquake, Izmit, Sakarya, Bursa, Bolu, and Eskişehir, 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 and estimated the total financial damage caused by the earthquake in the region affected to be from \$3.0 billion to \$6.5 billion, which comprises between 1.5% and 3.3% 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, leading to a public finance burden of this amount.

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 has caused further damage, which will result in further financial costs to Turkey. As at the date of this prospectus supplement, no estimates of those costs are available.

Turkey expects to receive a total of approximately \$3.7 billion of external financial assistance, most of it during the calendar year 2000. Approximately \$2.4 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, the Republic expects to receive approximately \$1 billion from the World Bank, Euro 600 million from the European Investment Bank, Euro 300 million from the European Council Social Development Fund, \$300 million from the Islamic Development Bank, \$400 million from the Gulf Cooperation Council, \$400 million from Japan, \$60 million from Spain, \$30 million from Korea, \$18 million from Italy, \$12 million from Germany and \$5 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 expects to finance expenses not covered by these funds through its own revenue sources and domestic or international borrowing. To reduce the need for deficit financing, the Grand National Assembly (the "Assembly" or the "Parliament") passed, on November 26, 1999, a package of measures that includes extraordinary taxes and other measures intended to increase revenues. The new law adds five percent to marginal corporate and income tax rates on 2000 earnings and payroll earnings of more than TL 12 billion annually. The law also implements an additional real estate tax and a one-off additional tax on registered vehicles as well as a 25 percent tax on mobile telephone usage until the end of 2000. It also authorises the Cabinet to increase the petroleum consumption tax to 500 percent from 300 percent currently. Interest earnings from domestic treasury securities issued before December 1, 1999 will be subject to additional tax at a rate of four to 19 percent depending on their maturity. The Government is also pursuing additional revenues by permitting citizens to pay a one-time fee rather than performing compulsory military service.

### **Political Conditions and Foreign Relations**

The most recent nationwide local and general elections took place on April 18, 1999. Bulent Ecevit's Democratic Leftist Party ("DSP") placed first with 22.2% of the vote and 136 deputies in the 550-seat Assembly. The Nationalist Action Party ("MHP") led by Devlet Bahçeli came in second with 18.0% of the vote and 129 seats. The Virtue Party ("FP") won 15.4% of the vote and 111 seats. Mesut Yılmaz's Motherland Party ("ANAP") won 13.2% of the vote and 86 seats while the Truth Party ("DYP") won 12.0% of the vote and 85 seats. On May 28, President Süleyman Demirel approved a coalition Government of DSP, MHP and ANAP, led by Mr. Ecevit as Prime Minister.

The Government presented its 1999 Program to the Assembly on June 4, 1999, and received a vote of confidence on June 9, 1999. In its program, the Government stated that it would work for the approval and implementation of major legislative economic reform measures, including a pending social security bill to increase the minimum retirement age and a banking sector reform bill to establish an independent regulatory body and improve bank supervision. Both of these bills were passed by the Assembly and signed into law during 1999, although the opposition has appealed the social security law to the constitutional court. See “— Monetary Policy, Exchange Rates and Banking System” and “— Social Security.” On August 13, 1999, the Assembly approved a constitutional amendment that allows for international arbitration of certain business disputes; the Government expects that this amendment will encourage foreign capital flows into Turkey. In addition, the Assembly passed the 1999 budget on June 18, 1999 and the 2000 budget on December 28, 1999.

At a summit meeting in Helsinki, Finland on December 10 and 11, 1999, the European Union named Turkey 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.

#### **2000-2002 Economic Program and IMF Stand-By Agreement**

On December 22, 1999, the IMF approved a three-year Stand-By credit facility for Turkey in an amount equal to approximately \$4 billion to support the Government's 2000-2002 economic program. The first installment, which was disbursed on December 29, 1999, was in the amount of \$305 million. The principal objectives of the economic program are to lower inflation to single digits by the end of 2002 and to put public finances on a sustainable path.

The economic program rests on three pillars: up-front fiscal adjustment, structural reform, and a firm exchange rate commitment supported by consistent income policies. The fiscal adjustment is necessary because the weakness of public accounts is the ultimate factor behind high inflation. Structural reform is needed to make the fiscal adjustment sustainable; improve economic efficiency; and, through increased privatization receipts, facilitate the decline of public debt. A firm exchange rate commitment and consistent income policies are needed to bring inflation and interest rates down more rapidly, particularly in the first phase of disinflation. In 2000, the Government foresees real GNP growth of 5-5.5%, with an expected rebound from negative growth in 1999. CPI inflation is projected at 25%, compared to 68.8% in 1999; and the external current account balance is projected at -1.8% of GNP, against -0.5% in 1999.

The main fiscal goal for 2000 is to raise the primary surplus of the public sector (which includes the consolidated central budget, the extrabudgetary funds, the local governments, the nonfinancial state enterprises, the central bank, and the so-called duty losses of state banks) to 2.2% of GNP (or 3.7% excluding earthquake-related expenses, which are estimated at about 1.5% of GNP). The fiscal adjustment will result mainly from higher revenues. In that respect, the Assembly has already approved several tax measures in the form of an “earthquake tax package”. See “— General.” Additional revenue measures such as the end of a tax deferral provision, higher withholding taxes on repos and bank deposits and higher VAT rates are also expected to contribute to revenue growth. In addition to the revenue raising measures, the Government plans adjustments in spending. Savings of 0.3% of GNP are expected through cuts in non-investment public expenditures, including a reduction in personnel expenditures in 2000 and cuts in other current expenditures. Civil servant salaries will be increased 25% in 2000, consistent with the inflation CPI target. In addition, fiscal policy will be complemented by a more active and diversified debt management policy and the acceleration of privatization, so as to contain the burden of interest payments.

Structural reforms are planned to make the fiscal adjustment implemented in 2000 sustainable over the medium term, to lower the burden of interest payments on public sector debt, to improve transparency and economic efficiency, and to reduce the contingent liabilities of the public sector. Government structural reform efforts will focus on several areas: agriculture, pensions, fiscal management and

transparency, tax policy and administration, privatization, and banking. To address distortions in the agricultural sector, the Government aims to phase out existing indirect support policies over a two to three year period and replace them with a direct income-support program. The Government plans to deepen social security reforms passed in 1999 by raising contribution ceilings, undertaking administrative reforms and creating a legal framework for private pension funds. Tax reforms will center on improving the tax system and strengthening enforcement. The Government intends to improve transparency in fiscal management by bringing budgetary and extra-budgetary funds within the central government budget. In the area of privatization, the Government is committed to disengage further from economic activity and hopes to raise sizeable receipts for debt reduction, including through major privatizations in the telecommunications and energy sectors. The Government also plans to amend the 1999 Banks Act to increase transparency, enhance the independence of regulators, apply international standards to loan loss provisions and require the takeover of insolvent banks.

As announced by the Central Bank on December 9, 1999, the exchange rate will be the nominal anchor of the economic program. The Turkish Lira will be depreciated by 20% during 2000, in line with targeted WPI inflation. The exchange rate will continue to be depreciated in line with targeted WPI inflation in 2001-2002, at rates of 10% and 5%, respectively. Every quarter, the exchange rate for the 12 months following will be announced, providing an anchor for inflation expectations. A gradual shift toward a more flexible exchange rate regime will begin on July 1, 2001, with the introduction of a progressively widening band around the central exchange rate path. The width of the band will gradually expand from 7.5% in July-December 2001 to 15% in January-June 2002, to 22.5% from July-December 2002. The exchange rate is expected to become freely floating from 2003. The Central Bank will not intervene within the band and no sterilization will be made through the open market operations. The Government expects this policy to reduce the uncertainty of financial investment for both residents and non-residents, while avoiding unnecessary rigidities in the long run by introducing an exit strategy from the current exchange rate regime.

The IMF will monitor the plan's performance through quarterly reviews during the first year of the program, and biannual reviews thereafter. The Government's economic plan is ambitious and may depend on numerous factors, including the cooperation of the Assembly, the stability of the current coalition and favorable international market conditions. It is impossible to determine at this time whether the targets and plans set out in the economic plan will be achieved in whole or in part in the future.

### **Global Economic Conditions and their Effects on the Turkish Economy**

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 Russian situation, 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."

Between August 4, 1998 and December 31, 1998, the Istanbul Stock Exchange index decreased by 37% from 4,128 to 2,598. The level of the index since January 1999 has regained its losses, however, and closed at 16,932 on January 5, 2000. The Republic believes that the increase is due to improved market sentiment toward economic indicators and political developments in Turkey.

During 1999, the average maturity of Turkish internal public debt rose to 15.9 months from 7.7 months in 1998. See "Debt — Internal Debt." During January 2000 the average maturity of domestic debt was 13.6 months. During 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 37.0% in January 2000. A recent treasury auction held by the Republic on January 4, for treasury bills with a maturity of thirteen months, resulted in a rate of 37.0%, compared to 143.1% for five-month treasury bills on January 26, 1999. The

volatility in treasury bill rates, and especially an increase in rates during the second half of 1998, was due to political and economic conditions in Turkey and to volatility in the international capital markets generally.

At December 17, 1999, total international reserves were approximately \$39.2 billion (compared to \$29.5 billion at December 31, 1998), Central Bank reserves were approximately \$24.0 billion (compared to \$19.7 billion at December 31, 1998), commercial bank reserves were approximately \$14.2 billion (compared to \$8.8 billion at December 31, 1998), and gold reserves were approximately \$1.0 billion (equal to the amount on December 31, 1998).

### **Gross National Product**

Turkey's real GNP grew by 9.2%, 4.4%, 2.4% and 0.7% in each quarter of 1998, respectively, yielding annual growth for the entire year of 3.8%. See "Economy — Gross National Product." In 1999, Turkey's real GNP decreased by 8.4% in the first quarter, 3.4% in the second quarter and 6.6% in the third quarter for a cumulative 6.1% contraction in the first three quarters of the year. The Government's original budget assumed that Turkey's real GNP would grow by 3.0% in 1999. However, based on economic results and the Government's expectation that the damage to production and transportation capacity caused by the earthquake would have a negative impact on growth, the Government revised its GNP growth target to negative 2% in October 1999. The provinces in which the August earthquake occurred account for approximately 35% of Turkey's overall output. The four hardest hit provinces account for approximately 8% of GNP and 6% of exports.

Turkey estimates GNP growth in 2000 at between 5.0 and 5.5%.

### **Inflation**

In 1999, the WPI rate of increase was 62.9%, while the CPI rate of increase was 68.8% as compared to 54.3% WPI growth and 69.7% CPI growth in 1998. Under the Staff Monitored Program (the "SMP") with the IMF, the Government had set targets for WPI inflation of 50-55% and CPI inflation of 55% by year-end 1999. In October 1999, these targets were revised to 57% for WPI and 63.9% for CPI. See "Economy — Inflation."

Under Turkey's 2000-2002 economic program and IMF Stand-By agreement, the Government has set a CPI target of 25.0% in 2000.

### **Foreign Trade and Balance of Payments**

In the first nine months of 1999, the trade deficit (including shuttle trade) was \$7.9 billion compared to \$11.1 billion in the same period of 1998. Excluding shuttle trade, the trade deficit amounted to \$9.4 billion, compared to a deficit of \$14.2 billion in the first nine months of 1998. The current account balance (including shuttle trade) produced a deficit of \$588 million in the first nine months of 1999, compared to a surplus of \$144 million in the same period of 1998.

In the first nine months of 1999, merchandise exports (including shuttle trade) decreased by 12.4% compared to the same period in 1998 and reached \$20.5 billion while merchandise exports (excluding shuttle trade) decreased by 6.7% compared to the same period in 1998 and reached \$19.0 billion reflecting lower prices of exported goods.

In the first nine months of 1999, imports (c.i.f.) decreased by 17.8% compared to the same period in 1998 and reached \$28.4 billion.

In the first nine months of 1999, portfolio investment increased by \$2.4 billion.

Tourism revenues were \$4.0 billion in the first nine months of 1999 compared to \$5.8 billion in the first nine months of 1998.



## **Monetary Policy, Exchange Rates and Banking System**

During 1999, reserve money increased by 97.1% from TL3,486 trillion to TL6,870 trillion. Net domestic assets decreased from TL579 trillion to negative TL932 trillion in the same period.

In June 1999, the Assembly passed a banking reform law, the Banks Act (Law No. 4389). The law aims 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 provides for the establishment of a "Banking Regulation and Supervision Agency" which will be a public entity with administrative and financial autonomy and will supervise financial institutions. The Banking Regulation and Supervisory Agency will begin its operations within one year after the appointment of the Board of Directors, which is scheduled to take place by September 2000.

The Treasury and the Central Bank announced on August 5, 1999 that the ratio of a bank's "net open position" to its capital base cannot exceed 20%.

In the first two weeks following the August 17 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 sterilized and the levels of reserves restored.

Also in August 1999, 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. On December 21, 1999, the Government transferred five private banks to its control and shut down one investment bank in order to strengthen the Turkish banking system.

The capital adequacy ratios for all banks operating in Turkey averaged 14.2% for the first nine months of 1999. The capital adequacy ratios for state-owned deposit banks in Turkey averaged 8.2% for the first nine months of 1999. The net short foreign exchange position ratio was negative 37% for the system as a whole on November 26, 1999.

## **Consolidated Central Government Budget**

In the first eleven months of 1999, consolidated budget expenditures reached TL25,315 trillion, and consolidated budget revenues reached TL16,536 trillion, an increase of 86.4% and 41.7%, respectively, over the same period in 1998. Consequently, the consolidated budget deficit amounted to TL8,779 trillion in the first eleven months of 1999, compared to TL3,169 trillion during the same period in 1998. The primary budget surplus totaled TL1,980 trillion in the first eleven months of 1999, compared to TL2,451 trillion during the same period of 1998.

The 1999 budget, passed in June 1999, projected total revenues of TL18,030 trillion (22.9% of GNP), an increase of 54.5% over the 1998 total, which represented 22.0% of GNP. Total expenditures were estimated at TL27,144 trillion (34.4% of GNP), an increase of 76.3% over the 1998 total, which represented 29.0% of GNP. The projected budget deficit was therefore TL9,115 trillion (11.6% of GNP), an increase of 244.6% over the 1998 total, which represented 7.0% of GNP. The 1999 budget estimated a primary budget surplus of TL1,185 trillion (1.5%) of GNP, a decrease of 51.7% as against the 1998 total, which represented 4.6% of GNP. These budget estimates were based on an assumption of 3.0% real growth in GNP and 44% inflation. As of October 1999, revised budget targets project a budget deficit comprising 11.6% of GNP, a primary surplus of 1.5% of GNP, total revenues of 22.9% of GNP, total expenditures of 34.4% of GNP and non-interest expenditures of 21.3% of GNP. In light of the August 17, 1999 earthquake, the Assembly approved in October 1999 a supplemental budget to cover approximately TL500 billion in earthquake-related expenses and to adjust the budget to reflect lower anticipated GNP growth.

On December 28, 1999, the Assembly passed the 2000 budget. That budget foresees total revenues of TL32.5 quadrillion (26.1% of GNP), total expenditures of TL47.0 quadrillion (37.6% of GNP),

a consolidated budget deficit of TL14.4 quadrillion (11.5% of GNP) and a primary surplus of TL6.7 quadrillion (5.4% of GNP).

On March 27, 1999, the Government reached a two-year employment agreement with the public sector workers' union. The agreement increased public sector wages during the first half of 1999 by approximately 35% over the wage level at the end of 1998. The agreement also set the wage increase for the second half of 1999 and the full year 2000 at the rate of CPI inflation plus an additional 5% of the total increased wage.

### **Social Security**

The first phase of a two-phase social security reform package was approved by the Assembly in August 1999 and 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 years 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, which is expected to be implemented by the end of 2000, will focus on the following:

- Introducing supplementary individual pension schemes.
- Establishing a regulatory framework for individual pension schemes.
- Separating of health insurance and health care services within the SSK.
- Integrating of 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.

### **Privatization**

At the beginning of 1999, the Government had targeted privatization revenues for the year 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 and volatility in international markets generally during the first half of the year, and during the second half of the year, the earthquake in Turkey. The 1999 budget included TL270 billion from the anticipated privatization of GSM licenses, which has been pushed back to 2000. The Government targets privatization revenues for the year 2000 to total approximately \$5.3 billion, with approximately \$3.2 billion of that amount in cash and the remainder due in later installments. Among the privatizations planned for the year 2000 are TUPRAS (oil refinery), Turkish Airlines and POAS (petroleum distribution company).

### **Debt**

Turkey's total internal debt was approximately TL22,673 trillion at December 31, 1999, compared to approximately TL11,613 trillion at December 31, 1998. See "Debt — Internal Debt." Turkey's outstanding external debt was approximately \$100.1 billion at June 30, 1999, compared to approximately \$104.0 billion at December 31, 1998. See "Debt — External Debt and Debt Management".

Since June 30, 1999, Turkey has issued or launched the following:

- The reopening and increase to \$600 million on September 8, 1999 of a \$200 million issue of global bonds of December 10, 1998, with a maturity of ten years, 12% interest and a put option at the fifth year, which was previously reopened and increased to \$400 million on April 7, 1999.
- Euro 400 million of Eurobonds on August 4, 1999, with a maturity of six years and 9.625% interest.
- \$500 million of global bonds on October 29, 1999 with a maturity of 5 years and 11.875% interest.
- Euro 500 million of Eurobonds on November 22, 1999 with a maturity of 7 years and 9.625% interest, which was re-opened and increased to Euro 750 million on December 7, 1999.
- Euro 400 million of Eurobonds on December 2, 1999 with a maturity of 3 years and 7.75% interest, which was increased to Euro 600 million on December 14, 1999.
- The reopening and increase to \$750 million on December 8, 1999 of \$500 million issue of global bonds of June 18, 1999 with a maturity of ten years and 12.375% interest.

## DESCRIPTION OF THE BONDS

*The bonds will be issued pursuant to and will be subject to the fiscal agency agreement dated December 15, 1998 between the Republic and The Chase Manhattan Bank as fiscal agent. The Republic has appointed a registrar, paying agent and transfer agent in accordance with the fiscal agency agreement.*

*The following description and the description in the accompanying prospectus contain a summary of the material provisions of the bonds and the fiscal agency agreement. The Republic has filed a copy of the fiscal agency agreement and the form of bonds with the SEC and at the office of the fiscal agent in New York City.*

### General Terms of the Bonds

The bonds:

- will be issued in an aggregate principal amount of \$1,500,000,000.
- will mature at par, including any accrued interest, on January 15, 2030.
- will bear interest at 11½% annually from January 18, 2000.
- will pay interest semi-annually in arrears in equal installments on January 15 and July 15 of each year, commencing on July 15, 2000, to be paid to the person in whose name the bond is registered at the close of business on the preceding January 1 or July 1.
- upon issuance, will be direct, unconditional and general obligations of the Republic and will rank equally with our other external debt denominated in currencies other than Turkish Lira which is (i) payable to a person or entity not resident in Turkey and (ii) not owing to a Turkish citizen. See “Debt Securities — Status of the Debt Securities” and “Debt Securities — Negative Pledge” in the accompanying prospectus.
- will be recorded on, and transferred through, the records maintained by DTC and its direct and indirect participants, including Euroclear and Cedelbank.
- will be issued in fully registered form, without coupons, registered in the names of investors or their nominees in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof.
- will only be available in definitive form under certain limited circumstances.

### Payments of Principal and Interest

The Republic will make payments of principal and interest on the bonds in U.S. dollars through the fiscal agent to DTC, which will receive the funds for distribution to the beneficial holders of the bonds. The Republic expects that holders of the bonds will be paid in accordance with the procedures of DTC and its direct and indirect participants.

### Fiscal Agent

The fiscal agency agreement contains provisions relating to the obligations and duties of the fiscal agent, to the indemnification of the fiscal agent and to the fiscal agent's relief from responsibility for actions that it takes.

### Paying Agents; Transfer Agents; Registrar

The Republic has initially appointed The Chase Manhattan Bank as paying agent, transfer agent and registrar. The Republic may at any time appoint new paying agents, transfer agents and registrars. The Republic, however, will at all times maintain

- a principal paying agent in New York City, and
- a registrar in New York City or another office as designated by the fiscal agent.

### Definitive Bonds

The Republic will issue bonds in definitive form only if DTC is unwilling or unable to continue as depository, is ineligible to act as depository or ceases to be a “clearing agency” registered under the Securities Exchange Act of 1934.

Payments will be made on any definitive bonds at the global trust services office of the fiscal agent in New York City or the paying agent in Luxembourg. You will not be charged a fee for the registration of transfers or exchanges of definitive bonds. You may transfer any definitive registered bond, according to the procedures in the fiscal agency agreement, by presenting and surrendering it at the office of any transfer agent. The fiscal agent will exchange without charge definitive bonds of the same series of authorized denominations of like tenor as the portion of the global bond submitted for exchange.

The Republic will replace any mutilated, destroyed, stolen or lost bond or coupon at your expense, upon delivery to the fiscal agent or the transfer agent in Luxembourg of the bond or coupon or evidence of its destruction, loss or theft satisfactory to the Republic and the fiscal agent, who may also require an indemnity at your expense.

### **Notices**

Notices will be sent to DTC, or its nominee, as the holder thereof, and DTC will communicate these notices to DTC participants in accordance with its standard procedures.

If and for so long as the bonds are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, the Republic will also publish notices to the holders of the bonds in a leading newspaper having general circulation in Luxembourg. The Republic expects that it will initially make such publication in the *Luxemburger Wort*.

### **Further Issues of the Bonds**

The Republic may, without the consent of the holders of the bonds, create and issue further bonds with the same terms and conditions as the bonds (or the same except for the amount of the first interest payment and the issue price).

### **Purchase of Bonds by the Republic**

The Republic may at any time purchase any of the bonds in any manner and at any price. If purchases are made by tender, tenders must be available to all holders of the bonds alike. All bonds that are purchased by or on behalf of the Republic may be held by the Republic or surrendered to the fiscal agent for cancellation but may not be resold.

### **General Information**

1. The Republic has full power and authority to issue securities, such as the bonds, outside Turkey for any and all purposes, under Article 34(a) of the Budget Law for fiscal year 2000 published in the Official Gazette dated December 30, 1999 (Law No. 4494).
2. The Republic has applied to list the bonds on the Luxembourg Stock Exchange in accordance with its rules.
3. The bonds have been accepted for clearance through DTC, Euroclear and Cedelbank (Common Code: 01065244B; ISIN: US900123AL40; CUSIP: 900123AL4).
4. If and for so long as the bonds are listed on the Luxembourg Stock Exchange and the rules of the exchange so require, copies of the fiscal agency agreement will be available for inspection during normal business hours at the offices of the special agent or, as the case may be, a paying and transfer agent, in Luxembourg. The Republic will promptly provide notice of the termination or appointment of, or of any change in the office of, any paying agent, transfer agent or registrar.
5. The Republic will not appoint a paying and transfer agent in Luxembourg until such time, if any, as the bonds are listed on the Luxembourg Stock Exchange and definitive bonds are issued. The Republic will, when the bonds are listed on the exchange, appoint Kredietbank S.A. Luxembourg as its special agent in Luxembourg for so long as the bonds are in book-entry form, and, upon the issuance of definitive bonds, the Republic will appoint a transfer and paying agent located in Luxembourg. The special agent or, as the case may be, the transfer and paying agent in Luxembourg will act as an intermediary between the holders and the Republic. So long as the bonds are listed on the exchange, the Republic will maintain a special agent or a paying and

- transfer agent in Luxembourg. The holder may transfer a bond in definitive form when the bond is presented at the specified offices of the registrar or the transfer agent, together with any other evidence that they may require. In the case of a transfer of part of a bond, the registrar or transfer agent will issue a new bond in definitive form to the transferee and a second bond in respect of the balance of the bond to the transferor.
6. The Republic has represented and warranted that as of the offering date no litigation or administrative proceeding is pending or, to its knowledge, threatened against or affecting it (a) in which there is a reasonable possibility of an adverse decision that would materially affect its ability to perform its obligations in respect of the fiscal agency agreement or the bonds or (b) that questions the legality, validity or binding effect of the fiscal agency agreement or the bonds.
  7. The Republic will cause notice of any resignation, termination or appointment of any paying agent or transfer agent or the fiscal agent and of any change in the office through which such agent will act to be given as provided under "Notices" above.

## GLOBAL CLEARANCE AND SETTLEMENT

*The Republic has obtained the information in this section from sources it believes to be reliable, including from DTC, Euroclear and Cedelbank, but the Republic takes no responsibility for the accuracy of this information. DTC, Euroclear and Cedelbank are under no obligation to perform or continue to perform the procedures described below, and they may modify or discontinue them at any time. Neither the Republic nor the registrar will be responsible for DTC's, Euroclear's or Cedelbank's performance of their obligations under their rules and procedures. Nor will the Republic or the registrar be responsible for the performance by direct or indirect participants of their obligations under their rules and procedures.*

### Introduction

*The Depository Trust Company*

DTC is:

- A limited-purpose trust company organized within the meaning of the New York Banking Law;
- a "banking organization" under the New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between its participants. It does this through electronic book-entry changes in the accounts of its direct participants, eliminating the need for physical movement of securities certificates. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the NASDAQ, the American Stock Exchange and the National Association of Securities Dealers, Inc.

DTC management is aware that some computer applications, systems, and the like for processing data that are dependent on calendar dates, including dates before, on and after January 1, 2000, may encounter year 2000 problems. DTC has informed its participants and other members of the financial community that it has developed and is implementing a program so that its systems relating to the timely payment of distributions to securityholders, book-entry deliveries, and settlement of trades within DTC will continue to function appropriately. This program also includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's program includes a testing phase, which it expects to be complete within appropriate time frames.

DTC's ability to perform its services properly is also dependent upon other parties. Third parties include issuers and their agents, DTC's direct and indirect participants, vendors from whom DTC's licenses software and hardware, and vendors on whom DTC relies for information and services, including telecommunication and electrical utility service providers. DTC has informed us that it is contacting, and will continue to contact, third party vendors from whom DTC acquires services to:

- impress upon them the importance of these services being Year 2000 compliant; and
- determine the extent of their efforts for Year 2000 remediation and testing for their services.

Additionally, DTC is in the process of developing contingency plans as it deems appropriate.

According to DTC, the foregoing information about DTC has been provided to us for informational purposes only and is not a representation, warranty or contract modification of any kind.

### *Euroclear and Cedelbank*

Like DTC, Euroclear and Cedelbank hold securities for their participants and facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in their accounts. Euroclear and Cedelbank provide various services to their participants, including the

safekeeping, administration, clearance and settlement and lending and borrowing of internationally traded securities. Euroclear and Cedelbank participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and other organizations. The underwriters are participants in Euroclear or Cedelbank. Other banks, brokers, dealers and trust companies have indirect access to Euroclear or Cedelbank by clearing through or maintaining a custodial relationship with Euroclear or Cedelbank participants.

#### *Ownership of Bonds through DTC, Euroclear and Cedelbank*

The Republic will issue the bonds in the form of a fully registered book-entry security, registered in the name of Cede & Co., a nominee of DTC. Financial institutions, acting as direct and indirect participants in DTC, will represent your beneficial interests in the book-entry security. These financial institutions will record the ownership and transfer of your beneficial interests through book-entry accounts. You may hold your beneficial interests in the book-entry security through Euroclear or Cedelbank, if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Cedelbank will hold their participants' beneficial interests in the book-entry security in their customers' securities accounts with their depositaries. These depositaries of Euroclear and Cedelbank in turn will hold such interests in their customers' securities accounts with DTC.

The Republic and the fiscal agent generally will treat the registered holder of the bonds, initially Cede & Co., as the absolute owner of the bonds for all purposes. Once the Republic and the fiscal agent make payments to the registered holders, the Republic and the fiscal agent will no longer be liable on the bonds for the amounts so paid. Accordingly, if you own a beneficial interest in the book-entry security, you must rely on the procedures of the institutions through which you hold your interests in the book-entry security (including DTC, Euroclear, Cedelbank, and their participants) to exercise any of the rights granted to the holder of the book-entry security. Under existing industry practice, if you desire to take any action that Cede & Co., as the holder of such book-entry security, is entitled to take, then Cede & Co. would authorize the DTC participant through which you own your beneficial interest to take such action, and that DTC participant would then either authorize you to take the action or act for you on your instructions.

DTC may grant proxies or authorize its participants (or persons holding beneficial interests in the bonds through such participants) to exercise any rights of a holder or take any other actions that a holder is entitled to take under the fiscal agency agreement or the bonds. Euroclear's or Cedelbank's ability to take actions as a holder under the bonds or the fiscal agency agreement will be limited by the ability of their respective depositaries to carry out such actions for them through DTC. Euroclear and Cedelbank will take such actions only in accordance with their respective rules and procedures.

The fiscal agent will not charge you any fees for the bonds, other than reasonable fees for the replacement of lost, stolen, mutilated or destroyed bonds. However, you may incur fees for the maintenance and operation of the book-entry accounts with the clearing systems in which your beneficial interests are held.

#### **Transfers Within and Between DTC, Euroclear and Cedelbank**

##### *Trading Between DTC Purchasers and Sellers*

DTC participants will transfer interests in the bonds among themselves in the ordinary way according to DTC rules. DTC participants will pay for such transfers by wire transfer. The laws of some states require certain purchasers of securities to take physical delivery of the securities in definitive form. These laws may impair your ability to transfer beneficial interests in the bonds to such purchasers. DTC can act only on behalf of its direct participants, who in turn act on behalf of indirect participants and certain banks. Thus, your ability to pledge a beneficial interest in the bonds to persons that do not participate in the DTC system, and to take other actions, may be limited because you will not possess a physical certificate that represents your interest.



#### *Trading Between Euroclear and/or Cedelbank Participants*

Participants in Euroclear and Cedelbank will transfer interests in the bonds among themselves in the ordinary way according to the rules and operating procedures of Euroclear and Cedelbank.

#### *Trading Between a DTC Seller and a Euroclear or Cedelbank Purchaser*

When the bonds are to be transferred from the account of a DTC participant to the account of a Euroclear or Cedelbank participant, the purchaser must first send instructions to Euroclear or Cedelbank through a participant at least one business day prior to the settlement date. Euroclear or Cedelbank will then instruct its depository to receive the bonds and make payment for them. On the settlement date, the depository will make payment to the DTC participant's account and the bonds will be credited to the depository's account. After settlement has been completed, DTC will credit the bonds to Euroclear or Cedelbank, Euroclear or Cedelbank will credit the bonds, in accordance with its usual procedures, to the participant's account, and the participant will then credit the purchaser's account. These securities credits will appear the next day (European time) after the settlement date. The cash debit from Euroclear's or Cedelbank's account will be back-valued to the value date (which will be the preceding day if settlement occurs in New York). If settlement is not completed on the intended value date (*i.e.*, the trade fails), the cash debit will instead be valued at the actual settlement date.

Participants in Euroclear and Cedelbank will need to make funds available to Euroclear or Cedelbank in order to pay for the bonds by wire transfer on the value date. The most direct way of doing this is to pre-position funds (*i.e.*, have funds in place at Euroclear or Cedelbank before the value date), either from cash on hand or existing lines of credit. Under this approach, however, participants may take on credit exposure to Euroclear and Cedelbank until the bonds are credited to their accounts one day later.

As an alternative, if Euroclear or Cedelbank has extended a line of credit to a participant, the participant may decide not to pre-position funds, but to allow Euroclear or Cedelbank to draw on the line of credit to finance settlement for the bonds. Under this procedure, Euroclear or Cedelbank would charge the participant overdraft charges for one day, assuming that the overdraft would be cleared when the bonds were credited to the participant's account. However, interest on the bonds would accrue from the value date. Therefore, in many cases the interest income on bonds which the participant earns during that one-day period will substantially reduce or offset the amount of the participant's overdraft charges. Of course, this result will depend on the cost of funds (*i.e.*, the interest rate that Euroclear or Cedelbank charges) to each participant.

Since the settlement will occur during New York business hours, a DTC participant selling an interest in the bonds can use its usual procedures for transferring bonds to the depositories of Euroclear or Cedelbank for the benefit of Euroclear or Cedelbank participants. The DTC seller will receive the sale proceeds on the settlement date. Thus, to the DTC seller, a cross-market sale will settle no differently than a trade between two DTC participants.

#### *Trading Between a Euroclear or Cedelbank Seller and DTC Purchaser*

Due to time zone differences in their favor, Euroclear and Cedelbank participants can use their usual procedures to transfer bonds through their depositories to a DTC participant. The seller must first send instructions to Euroclear or Cedelbank through a participant at least one business day prior to the settlement date. Euroclear or Cedelbank will then instruct its depository to credit the bonds to the DTC participant's account and receive payment. The payment will be credited in the account of the Euroclear or Cedelbank participant on the following day, but the receipt of the cash proceeds will be back-valued to the value date (which will be the preceding day if the settlement occurs in New York). If settlement is not completed on the intended value date (*i.e.*, the trade fails), the receipt of the cash proceeds will instead be valued at the actual settlement date.

If the Euroclear or Cedelbank participant selling the bonds has a line of credit with Euroclear or Cedelbank and elects to be in debit for the bonds until it receives the sale proceeds in its account, then

the back-valuation may substantially reduce or offset any overdraft charges that the participant incurs over that one-day period.

Finally, a day trader that uses Euroclear or Cedelbank and that purchases bonds from a DTC participant for credit to a Euroclear or Cedelbank accountholder should bond that these trades would automatically fail on the sale side unless affirmative action were taken. At least three techniques should be readily available to eliminate this potential problem:

- (a) borrowing through Euroclear or Cedelbank for one day (until the purchase side of the day trade is reflected in its Euroclear or Cedelbank account) in accordance with the clearing system's customary procedures;
- (b) borrowing the bonds in the United States from a DTC participant no later than one day prior to settlement which would give the bonds sufficient time to be reflected in the borrower's Euroclear or Cedelbank account in order to settle the sale side of the trade; or
- (c) staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC participant is at least one day prior to the value date for the sale to the Euroclear or Cedelbank accountholder.

## TAXATION

### United States

The following discussion describes the material United States federal income tax consequences of your purchase, ownership and disposition of a bond. This discussion assumes that you (i) hold bonds as capital assets (generally, assets held for investment), (ii) were the initial purchaser of those bonds, and (iii) acquired the bonds at their issue price. This discussion also assumes that you are not subject to any special U.S. federal income tax rules, including the special tax rules applicable to:

- dealers in securities or currencies,
- banks or life insurance companies,
- persons that do not use the U.S. dollar as their functional currency, or
- tax-exempt organizations.

Finally, this discussion assumes that you are not using a bond as part of a more complex transaction, such as a “straddle” or a hedging transaction. If any of these assumptions are not correct in your case, the purchase, ownership or disposition of a bond may have federal income tax consequences for you that are not covered in this discussion.

This discussion does not cover any state, local or foreign tax issues. The discussion is based on the provisions of the Internal Revenue Code of 1986, as amended (“Code”), and the regulations, rulings and judicial decisions interpreting the Code as of the date that this prospectus supplement was issued. These authorities may be repealed, revoked or modified, possibly retroactively, so the discussion below might not be reliable in the future. **You should consult your own tax advisor concerning the federal, state, local, foreign and other tax consequences to you of the purchase, ownership or disposition of bonds.**

### United States Holders

This section applies to you if you are a “U.S. Holder”, meaning that you are the beneficial owner of a bond and you are:

- a citizen or resident of the United States,
- a corporation created or organized in or under the laws of the United States or any state thereof,
- an estate the income of which is subject to regular U.S. federal income taxation,
- a trust if a court within the United States is able to exercise primary jurisdiction over your administration and one or more U.S. persons have authority to control all your substantial decisions, or
- a partnership, but only with respect to partners that are U.S. Holders under any of the foregoing clauses.

**Payments of Interest.** Payments of interest on a bond generally will be taxable to you as ordinary interest income. If you generally report your taxable income using the accrual method of accounting, you must include payments of interest in your income as they accrue. If you generally report your taxable income using the cash method of accounting, you must include payments of interest in your income when you receive them.

Interest paid on bonds generally will be categorized as passive income or, in certain cases, as financial services income, from a foreign source for purposes of the foreign tax credit provisions of the Code.

**Purchase, Sale and Retirement of Bonds.** If you sell or otherwise dispose of a bond, you generally will be required to report a capital gain or loss equal to the difference between your “amount realized” and your “tax basis” in the bond. Your “amount realized” will be the value of what you receive for selling or otherwise disposing of the bond, other than amounts that represent interest that is due to you but that has

not yet been paid, which will be taxed to you as interest. Your "tax basis" in the bond will equal the amount that you paid for the bond, decreased by any cash payments of principal that you have received with respect to the bond.

This gain or loss generally will be long-term capital gain or loss if, at the time you sell or dispose of the bond, you have held the bond for more than one year. The gain or loss will be short-term capital gain or loss if you held the bond for one year or less. If you are not a corporation, you will generally pay less federal income tax on long-term capital gain than short-term capital gain. Limitations may apply to your ability to deduct a capital loss. Any capital gains or losses that arise when you sell or dispose of a bond will be treated as U.S. source income or loss applicable to U.S. source income for purposes of the foreign tax credit provisions of the Code.

### **Non-United States Holders**

This section applies to you if you are a "Non-U.S. Holder", meaning that you are a beneficial owner of a bond that is not a "U.S. Holder" as defined in the previous section. You, as a Non-U.S. Holder, will not be subject to U.S. federal income tax on interest that you receive on a bond unless you are engaged in a trade or business in the United States and the interest on the bond is related for tax purposes to that trade or business. If you are engaged in a U.S. trade or business and the interest income is related to that trade or business, you would generally be subject to U.S. federal income tax on that interest in the same manner as if you were a U.S. Holder. In addition, if you are a foreign corporation, your interest income may increase your liability under the U.S. branch profits tax.

You will not be subject to U.S. federal income tax or withholding tax for any capital gain that you realize when you sell a bond if:

- that gain is not related for tax purposes to any U.S. trade or business you are engaged in and
- you are an individual and (A) are not in the United States for 183 days or more in the taxable year in which you sell the bond or (B) do not have a tax home (as defined in Section 911(d)(3) of the Code) in the United States in the taxable year in which you sell the bond and the gain is not attributable to any office or other fixed place of business that you maintain in the United States.

### **Backup Withholding and Information Reporting**

In general, if you are not a corporation or otherwise exempt, information reporting requirements will apply to payments of principal and interest to you if such payments are made within the United States or, in the case of payments made after December 31, 2000, are made to you by or through a custodian or nominee that is a U.S. Controlled Person, as defined below. "Backup withholding" at a rate of 31% will apply to such payments of principal and interest if you fail to provide an accurate taxpayer identification number or, in the case of interest payments, if you fail to certify that you are not subject to backup withholding or if you fail to report all interest and dividend income required to be shown on your federal income tax returns.

If you are a Non-U.S. Holder, you are generally exempt from these withholding and reporting requirements (assuming that the gain or income is otherwise exempt from U.S. federal income tax), but you may be required to comply with certification and identification procedures in order to prove your exemption. Under Treasury regulations effective for payments made after December 31, 2000, if you hold a bond through a foreign partnership, these certification procedures would generally be applied to you as a partner.

If you are paid the proceeds of a sale or redemption of a bond effected at the United States office of a broker, you will generally be subject to the information reporting and backup withholding rules described above. In addition, the information reporting rules will apply to payments of proceeds of a sale or

redemption effected at a foreign office of a broker that is a U.S. Controlled Person. A U.S. Controlled Person is:

- a United States person (as defined in U.S. Treasury regulations),
- a controlled foreign corporation for U.S. federal income tax purposes,
- a foreign person 50% or more of whose gross income is related for tax purposes with a U.S. trade or business for a specified three-year period, or
- with respect to payments made after December 31, 2000, a foreign partnership in which United States persons hold more than 50% of the income or capital interests or which is engaged in a U.S. trade or business.

Any amounts withheld under the backup withholding rules from a payment to you will generally be allowed as a refund or a credit against your U.S. federal income tax liability as long as you provide the required information to the Internal Revenue Service.

#### **The Republic of Turkey**

Turkish law, as presently in effect, does not require deduction or withholding for or on account of taxes on payment of principal at maturity or the redemption date or payment of interest to a holder of any bonds.

## UNDERWRITING

We and the underwriters have entered into an underwriting agreement dated January 10, 2000 relating to the offering and sale of the bonds. In the underwriting agreement, we have agreed to sell to each underwriter, and each underwriter has agreed to purchase from us, the principal amount of bonds that appears opposite the name of such underwriter in the table below:

<u>Underwriter</u>	<u>Principal Amount</u>
Morgan Stanley & Co. Incorporated .....	\$ 725,000,000
Salomon Smith Barney Inc. ....	725,000,000
ABN AMRO Bank N.V. ....	5,000,000
Chase Securities Inc. ....	5,000,000
Credit Suisse First Boston Corporation .....	5,000,000
Deutsche Bank AG London .....	5,000,000
Goldman, Sachs & Co. ....	5,000,000
ING Barings LLC .....	5,000,000
J.P. Morgan Securities Inc. ....	5,000,000
Lehman Brothers Inc. ....	5,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated .....	5,000,000
Paribas .....	5,000,000
Total .....	<u>\$1,500,000,000</u>

The obligations of the underwriters under the underwriting agreement, including their agreement to purchase bonds from us, are several and not joint. These obligations are also subject to the satisfaction of certain conditions in the underwriting agreement. The underwriters have agreed to purchase all of the bonds if any of them are purchased.

The underwriters have advised us that they propose to offer the bonds to the public at the public offering price that appears on the cover page of this prospectus supplement. The underwriters may offer the bonds to selected dealers at the public offering price minus a selling concession of up to 0.50% of the principal amount. In addition, the underwriters may allow, and those selected dealers may reallow, a selling concession of up to 0.25% of the principal amount to certain other dealers. After the initial public offering, the underwriters may change the public offering price and any other selling terms.

In the underwriting agreement, we have agreed that we will indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

We have applied to list the bonds on the Luxembourg Stock Exchange in accordance with its rules. The underwriters have advised us that they intend to make a market in the bonds, but they are not obligated to do so. The underwriters may discontinue any market-making in the bonds at any time in their sole discretion. Accordingly, we cannot assure you that a liquid trading market will develop for the bonds, that you will be able to sell your bonds at a particular time or that the prices that you receive when you sell will be favorable.

The underwriters have informed us that they do not intend to confirm sales to any accounts over which they exercise discretionary authority.

In connection with this offering, Salomon Smith Barney Inc., on behalf of the underwriters, may engage in overallotment, stabilizing transactions and syndicate covering transactions in the United States, and Morgan Stanley & Co. Incorporated, on behalf of the underwriters, may engage in overallotment, stabilizing transactions and syndicate covering transactions outside the United States, in accordance with Regulation M under the Securities Exchange Act of 1934, as amended. Overallotment involves sales in excess of the offering size, which creates a short position for the underwriters. Stabilizing transactions involve bids to purchase the bonds in the open market for the purpose of pegging, fixing or maintaining the price of the bonds. Syndicate covering transactions involve purchases of the bonds in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the bonds to be higher than it would otherwise be in the

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absence of those transactions. If Morgan Stanley & Co. Incorporated or Salomon Smith Barney Inc. engages in stabilizing or syndicate covering transactions, it may discontinue them at any time.

In the ordinary course of their respective businesses, certain of the underwriters and their affiliates have engaged, and may engage in the future, in investment and commercial banking transactions with us. The fiscal agent, The Chase Manhattan Bank, is an affiliate of Chase Securities Inc.

## **LEGAL MATTERS**

Certain legal matters will be passed upon for the Republic by First Legal Advisor, Undersecretariat of Treasury, Prime Ministry, The Republic of Turkey. The validity of the bonds will be passed upon for the Republic by Arnold & Porter, New York, New York, special United States counsel for the Republic, and for the underwriters by Clifford Chance Rogers & Wells LLP, New York, New York, United States counsel to the underwriters. All statements in this prospectus supplement with respect to matters of Turkish law have been passed upon for the Republic by the First Legal Advisor, and for the underwriters by Pekin & Pekin, Istanbul, Turkey. In rendering their opinions, Arnold & Porter will rely as to all matters of Turkish law upon the First Legal Advisor and Clifford Chance Rogers & Wells LLP will rely as to all matters of Turkish law upon Pekin & Pekin.



**PROSPECTUS**

**THE REPUBLIC OF TURKEY**

**\$5,000,000,000**

**Debt Securities**

Turkey may offer up to \$5,000,000,000 (or its equivalent in other currencies) aggregate principal amount of its debt securities.

Turkey may offer its debt securities from time to time as separate issues. Turkey will provide a prospectus supplement describing the amounts, prices and terms of the debt securities it is offering. You should read this prospectus and any prospectus supplement carefully before you invest.

Turkey may sell the securities directly, through agents designated from time to time or through underwriters or dealers.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined whether this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

You should rely only on the information contained or incorporated by reference in this prospectus or any prospectus supplement. Turkey has not authorized anyone to provide you with different or additional information. Turkey is not making an offer of these debt securities or warrants in any place where the offer is not permitted by law. You should not assume that the information in this prospectus or any prospectus supplement or any document incorporated by reference is accurate as of any date other than the date on the front of those documents.

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The date of this prospectus is January 7, 2000.

## TABLE OF CONTENTS

	<u>Page</u>
Where You Can Find More Information .....	2
Use of Proceeds .....	2
Debt Securities .....	3
Plan of Distribution .....	12
Validity of the Securities .....	13
Official Statements .....	13
Authorized Agent .....	13

## WHERE YOU CAN FIND MORE INFORMATION

Turkey voluntarily files annual reports with the Securities and Exchange Commission (SEC). These reports and any amendments to these reports include certain financial, statistical and other information about Turkey and may be accompanied by exhibits. You may read and copy any document Turkey files with the SEC at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. You may also obtain copies of the same documents from the public reference room in Washington by paying a fee. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms.

The SEC allows Turkey to "incorporate by reference" the information Turkey files with it. This means that Turkey can disclose important information to you by referring you to those documents. Information that is incorporated by reference is an important part of this prospectus. Turkey incorporates by reference the following document:

- Turkey's Annual Report on Form 18-K for the year ended December 31, 1998.

Turkey also incorporates by reference all future annual reports and amendments to annual reports until it sells all of the debt securities and warrants covered by this prospectus. Each time Turkey files a document with the SEC that is incorporated by reference, the information in that document automatically updates the information contained in previously filed documents.

You may request a free copy of these filings by writing to Turkey's Economic Counsellor at the following address:

Economic Counsellor  
The Republic of Turkey  
821 United Nations Plaza  
New York, NY 10017

## USE OF PROCEEDS

Unless otherwise specified in the applicable prospectus supplement, Turkey will use the net proceeds from the sale of the debt securities for the general financing purposes of Turkey, which may include the repayment of debt.

## DEBT SECURITIES

Turkey may issue debt securities, in distinct series at various times, and these debt securities will be issued pursuant to a fiscal agency agreement between Turkey and a fiscal agent. Turkey has filed a copy of the form of fiscal agency agreement as an exhibit to the registration statement (of which this prospectus is a part). The financial terms and other specific terms of a particular series of debt securities will be described in a prospectus supplement relating to those securities. If the terms or conditions described in the prospectus supplement that relate to your series of debt securities differ from the terms or conditions described in this prospectus, you should rely on the terms or conditions described in the prospectus supplement.

In this description of debt securities, you will see some initially capitalized terms. These terms have very particular, legal meanings, and you can find their definitions under the heading "Definitions" below.

### General

The prospectus supplement that relates to your debt securities will specify the following terms:

- the specific title or designation of the debt securities;
- the principal amount of the debt securities;
- the price of the debt securities;
- the stated maturity date on which Turkey agrees to repay principal;
- the rate of any interest the debt securities will bear and, if variable, the method by which the interest rate will be calculated;
- the dates on which any interest payments are scheduled to be made;
- the date or dates from which any interest will accrue;
- the record dates for any interest payable on an interest payment date;
- whether and under what circumstances and terms Turkey may redeem the debt securities before maturity;
- the currency or currencies in which such debt securities are denominated; which may be U.S. dollars, a foreign currency or units of two or more currencies;
- whether any part or all of the debt securities will be in the form of a global security and the circumstance in which a global security is exchangeable for certificated (physical) securities;
- whether the debt securities will be listed and, if listed, the stock exchange on which these debt securities will be listed; and
- any other terms of the debt securities.

If applicable, the prospectus supplement may also describe any United States federal or Turkish income tax consequences and special considerations applicable to that particular series of debt securities.

### Status of the Debt Securities

The debt securities will be direct, unconditional, unsecured and general obligations of Turkey without any preference one over the other. Turkey will pledge its full faith and credit for the due and punctual payment of principal of and interest on the debt securities and for the timely performance of all its obligations with respect to the debt securities.

The debt securities of any series will rank *pari passu* in right of payment with all other payment obligations relating to External Indebtedness of Turkey.

### **Form of Debt Securities**

Unless otherwise specified in the prospectus supplement, debt securities denominated in U.S. dollars will be issued:

- only in fully registered form;
- without interest coupons; and
- in denominations of \$1,000 and greater multiples.

Debt securities denominated in another monetary unit will be issued in the denominations set forth in the applicable prospectus supplement.

### **Payment**

Unless otherwise specified in the applicable prospectus supplement, principal of and interest on the debt securities will be payable in U.S. dollars at the New York office of the fiscal agent to the registered holders of the debt securities on the related record date; *provided, however*, unless otherwise specified in the prospectus supplement, interest will be paid by check mailed to the registered holders of the debt securities at their registered addresses.

The register of holders of debt securities will be kept at the New York office of the fiscal agent.

Any moneys held by the fiscal agent in respect of debt securities and remaining unclaimed for two years after those amounts have become due and payable shall be returned to Turkey. After the return of these moneys to Turkey, the holder of this debt security may look only to Turkey for any payment.

Turkey may replace the fiscal agent at any time, subject to the appointment of a replacement fiscal agent. The fiscal agent is an agent of Turkey and is not a trustee for the holders of the debt securities.

### **Negative Pledge**

Turkey undertakes that it will not, so long as any of the debt securities remain 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 Turkey; or (ii) any Lien (other than a Permitted Lien) upon or with respect to any other assets of Turkey to secure External Indebtedness of any Person, unless the debt securities at the same time share *pari passu* and *pro rata* in such security.

### **Definitions**

**"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.

**"External Indebtedness"** of any Person means (i) each obligation, direct or contingent, of such Person to repay a loan, deposit, advance or similar extension of credit; (ii) each obligation of such Person evidenced by a note, bond, debenture or similar written evidence of indebtedness; and (iii) each Guarantee by such Person of an obligation constituting External Indebtedness of another Person; if in each case such obligation is denominated in a Foreign Currency or payable at the option of the payee in a Foreign Currency; provided that: (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; (ii) an

obligation to the extent that it is owing only to an individual who is a Turkish citizen is not External Indebtedness; and (iii) an obligation is deemed to be denominated in a Foreign Currency if the terms thereof or of any applicable governmental program contemplate that payment thereof will be made to the holder thereof in such Foreign Currency by the obligor, Turkey or any other Turkish Person.

***“Foreign Currency”*** means any currency other than the lawful currency of Turkey.

***“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).

***“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 Turkey or any monetary authority of Turkey, all is defined by the International Monetary Fund.

***“Lien”*** means any lien, mortgage, deed of trust, charge, pledge, hypothecation, security interest or other encumbrance.

***“Permitted Lien”*** means

(1) any Lien on Foreign Currency (or deposits denominated in Foreign Currency) securing obligations with respect to a letter of credit issued 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;

(2) 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 (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 (y) such External Indebtedness (i) is to be repaid primarily out of proceeds of sale of the Exportable Assets subject to such Lien; and (ii) does not arise out of financing provided by the lender on condition that other External Indebtedness be repaid;

(3) 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 (x) tangible assets acquired in such acquisition (including, without limitation, documents evidencing title to such tangible assets); (y) claims which arise from the use, failure to meet specifications, sale or loss of, or damage to, such assets; or (z) rent or charter hire payable by a lessee or charterer of such assets;

(4) 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;

(5) 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 (x) such Lien secures only rentals and other amounts payable under such lease; and (y) such assets were not owned by the Republic for more than 120 days prior to becoming subject to such lease;

(6) any Lien on any assets which arose pursuant to any order of 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:

(7) 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 banker's 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;

(8) any Lien securing External Indebtedness incurred in connection with any Project Financing, provided that the assets to which such Lien applies (x) are not official holdings of gold; and (y) are (i) assets which are the subject of such Project Financing or (ii) revenues or claims which arise from the use, operation, failure to meet specifications, exploitation, sale or loss of, or damage to, such assets;

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

(10) any Lien arising in connection with contracts entered into substantially simultaneously for sales and purchases at market prices of precious metals; and

(11) any Lien or Liens which otherwise would not be permissible pursuant to the negative pledge and which secure(s) indebtedness in an aggregate amount not exceeding \$50,000,000 (or the equivalent thereof in other currencies or composite currency units).

**"Person"** means an individual, corporation, partnership, joint venture, trust, unincorporated organization or any other judicial entity, including without limitation a government or governmental body or agency or instrumentality or any international organization or agency.

**"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.

**"Turkish Person"** means Turkey and any person who is a resident or national of Turkey or which has its principal place of business, seat or head office in Turkey or any Person incorporated or organized under the laws of Turkey.

#### **Default; Acceleration of Maturity**

Any of the following events will be an event of default with respect to any series of debt securities:

(a) Turkey fails to pay, when due, principal of or any interest on the debt securities of a securities and such failure continues for a period of 30 days; or

(b) Turkey defaults in performance or observance of or compliance with any of its other obligations set forth in the debt securities of a series, which default is not remedied within 60 days after written notice of such default shall have been given to Turkey by the holder of any debt securities of a series at the corporate trust office of the fiscal agent in the City of New York; or

(c) any other present or future External Indebtedness (as defined above) of Turkey for or in respect of moneys borrowed or raised in an amount in aggregate of not less than \$40,000,000 (or its equivalent in other currencies or composite currency units), becomes due and payable prior to its stated maturity otherwise than at the option of Turkey or any such amount of External Indebtedness is not paid when due (in accordance with any extension granted in any modification, consent or waiver by the holders of such External Indebtedness) or, as the case may be, within any applicable grace period; or

(d) Turkey ceases to be a member of the International Monetary Fund or of any successor (whether corporate or not) that performs the functions of, or functions similar to, the International Monetary Fund; or

(e) Turkey announces its inability to pay its debts as they mature; or

(f) it becomes unlawful for Turkey to perform or comply with any of its payment obligations under any of the debt securities of a series;

If one or more of the events described above occurs, each holder of debt securities of any series may declare the principal of and any accrued interest on the debt securities it holds immediately due and payable. Holders of debt securities may exercise these rights only by providing a written demand to Turkey and the fiscal agent at a time when the event of default is continuing unless prior to the receipt of that demand by the fiscal agent all defaults have been cured.

No periodic evidence is required to be furnished by Turkey as to the absence of defaults.

#### **Repurchase**

Turkey may at any time purchase debt securities in any manner and for any consideration. If Turkey purchases debt securities of a series by tender, tenders must be available to all holders of debt securities of that series. These debt securities purchased by Turkey may, at its discretion, be held or cancelled but may not be resold.

#### **Meetings and Amendments**

**General.** A meeting of holders of debt securities of any series may be called at any time:

- to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided for in the fiscal agency agreement or the debt securities of that series; or
- to modify, amend or supplement the terms of the debt securities of that series or the fiscal agency agreement.

The fiscal agent may at any time call a meeting of holders of debt securities of a series for any purpose described above. This meeting will be held at the time and place determined by the fiscal agent. If Turkey or the holders of at least 10% in aggregate principal amount of the outstanding (as defined in the fiscal agency agreement) debt securities of a series request (in writing) the fiscal agent to call a meeting, the fiscal agent will call such a meeting.

**Notice.** The notice of a meeting will set forth the time and place of the meeting and in general terms the action proposed to be taken at the meeting. This notice shall be given as provided in the terms of the debt securities. In addition, this notice shall be given between 30 and 60 days before the meeting date.

**Voting; Quorum.** A person that holds outstanding debt securities of a series will be entitled to vote at a meeting of holders of the debt securities of that series. The presence at the meeting of persons entitled to vote a majority of the principal amount of the outstanding debt securities shall constitute a quorum.

At the reconvening of a meeting adjourned for a lack of a quorum, the presence of persons entitled to vote 25% in principal amount of the outstanding debt securities shall constitute a quorum for the taking of any action set forth in the notice of the original meeting.

**Regulations.** The fiscal agent may make reasonable and customary regulations as it deems advisable for any meeting with respect to:

- the proof of the holding of debt securities of a series;
- the adjournment and chairmanship of such meeting;
- the appointment and duties of inspectors of votes, certificates and other evidence of the right to vote; and
- other matters concerning the conduct of the meeting that the fiscal agent deems appropriate.

**Amendments.** Unless the unanimous consent of holders of debt securities of an affected series is required as specified below, with

- the affirmative vote, in person or (in the case of registered owners of the debt securities of that series) by proxy, of the holders of at least 66⅔% in aggregate principal amount of the outstanding debt securities of a series represented and voting at a duly called and held meeting (or any other percentage as may be set forth in the text of the debt securities of that series); or
- the written consent of the holders of 66⅔% in aggregate principal amount of the outstanding debt securities of a series (or any other percentage as may be set forth in the text of the debt securities of that series):

(i) Turkey and the fiscal agent may modify, amend or supplement the terms of the debt securities of a series or, insofar as it affects the debt securities of that series, the fiscal agency agreement, in any way and

(ii) holders of debt securities of a series may make, take or give any request, demand, authorization, direction, notice, consent, waiver or action provided by the fiscal agency agreement or the debt securities of such series to be made, given or taken by holders of debt securities of such series.

The written consent or affirmative vote of the holders of 100% in aggregate principal amounts of each debt security of an affected series is required to:

- change the due date for the payment of the principal of, or any installment of interest on, any debt security of such series;
- reduce the principal amount of any debt security of such series;
- reduce the portion of the principal amount that is payable in the event of an acceleration of the maturity of the debt security;
- reduce the interest rate on the debt security;
- reduce the premium payable, if any, upon the redemption of the debt security;
- change the currency in which any amount in respect of the debt securities of that series is payable;
- shorten the period, if any, during which Turkey is not permitted to redeem the debt securities;
- reduce the proportion of the principal amount of the debt securities of that series that is required:
  - to modify, amend or supplement the fiscal agency agreement or the terms and conditions of the debt securities of that series, or



- to make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action; or,
- change the obligation of Turkey to pay additional amounts.

Turkey and the fiscal agent may, without the vote or consent of any holder of debt securities of a series, modify, amend or supplement the fiscal agency agreement or the debt securities of any series for the purpose of:

- adding to the covenants of Turkey;
- surrendering any right or power conferred upon Turkey;
- securing the debt securities of that series pursuant to the requirements of the debt securities or otherwise;
- correcting or supplementing any defective provision contained in the fiscal agency agreement or in the debt securities of that series; amending the fiscal agency agreement or the debt securities of that series in any manner which Turkey and the fiscal agent may determine and that does not adversely affect the interest of any holder of debt securities of that series in any material respect.

Any modification, amendment or supplement approved in the manner described in this section shall be binding on the holders of debt securities of such series:

#### **Payment of Additional Amounts**

All payments of principal and interest in respect of the debt securities by Turkey will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges imposed, levied, collected, withheld or assessed by or within Turkey or any authority of or within Turkey having power to tax (together, "Taxes"), unless that withholding or deduction is required by law. In that event, Turkey shall pay those additional amounts that will result in receipt by the holders of debt securities of the amounts that would have been received by them had that withholding or deduction not been required, except that no additional amounts shall be payable with respect to any debt security:

- to a holder (or a third party on behalf of a holder) where that holder is liable to pay those Taxes in respect of any debt security by reason of that holder's having some connection with Turkey other than the mere holding of that debt security or the receipt of principal and interest in respect of that debt security; or
- presented for payment more than 30 days after the Relevant Date (see below) except to the extent that the holder of that debt security would have been entitled to additional amounts on presenting the same for payment on the last day of that 30-day period.

The term "Relevant Date" in respect of any debt security means the later of:

- the date on which payment in respect of the debt security first becomes due and payable; or
  - if the fiscal agent has not received the full amount of the money payable on or before that due date, the date on which notice is given to the holders of debt securities that the full amount of those moneys have been received and are available for payment.
- Any reference in this section to "principal" and/or "interest" includes any additional amounts that may be payable under the debt securities.

Upon not less than 30 days prior notice to holders of the debt securities, Turkey will have the right to require each holder to present at the office of any paying agency five business days prior to each record

date a certificate in such form as Turkey may from time to time reasonably prescribe in order to comply with applicable law or regulation, to enable Turkey to determine its duties and liabilities with respect to (i) any taxes, assessments or governmental charges which Turkey or the Fiscal Agent may be required to deduct or withhold from payments in respect of such Securities under any present or future law of the United States or any regulation of any taxing authority thereof and (ii) any reporting or other requirements under such laws or regulations. Turkey will be entitled to determine its duties and liabilities with respect to such deduction, withholding, reporting or requirements on the basis of information contained in such certificate or, if no certificate shall be presented, on the basis of any presumption created by any such law or regulation and shall be entitled to act in accordance with such determination, but shall not be entitled to withhold all or part of any such payment except as required by applicable law.

### **Global Securities**

The prospectus supplement that relates to your debt securities indicates whether any of the debt securities you purchase will be represented by a global security. The aggregate principal amount of any global security equals the sum of the principal amount of all the debt securities it represents. The global security will be registered in the name of the depositary identified in the prospectus supplement or its nominee, and will be deposited with the depositary, its nominee or a custodian.

***Limitations on Your Ability to Obtain Debt Securities Registered in Your Name.*** The global security will not be registered in the name of any person other than the depositary or its nominee. Similarly, the global security will not be exchanged for debt securities that are registered in the name of any person other than the depositary or its nominee. An exception to these restrictions would be made only if:

- the depositary notifies Turkey that it is unwilling, unable or no longer qualified to continue to act as depositary and Turkey does not appoint a successor depositary within 90 days; or
- at any time Turkey decides it no longer wishes to have all or part of the debt securities represented by a global security.

In those circumstances, the depositary will determine in whose names to register any certificated (physical) debt securities issued in exchange for the global security. These certificated (physical) debt securities will be issued:

- only in fully registered form;
- without interest coupons; and
- in denominations of \$1,000 and greater multiples unless otherwise specified in a prospectus supplement.

The depositary or its nominee will be considered the sole owner and holder of the global security for all purposes. As a result:

- You cannot get debt securities registered in your name for so long as they are represented by the global security;
- You cannot receive certificated (physical) debt securities in your name in exchange for your beneficial interest in the global security;
- You will not be considered to be the owner or holder of the global security or any debt securities represented by the global security for any purpose;
- You cannot assert any right of a holder of the debt securities unless you are authorized by the depositary and the participant through which you hold your beneficial interest; and
- All payments on the global security will be made to the depositary or its nominee.

In some jurisdictions, certain types of purchasers (such as some insurance companies) are not permitted to own securities represented by a global security. These laws may limit your ability to sell or transfer your beneficial interest in the global security to these types of purchasers.

***Beneficial Interests in and Payments on Global Security.*** Institutions that have accounts with the depositary or a nominee of the depositary, such as securities brokers and dealers, are called participants. Only participants, and persons that hold beneficial interests through participants, can own a beneficial interest in the global security. The depositary keeps records of the ownership and transfer of beneficial interests in the global security by its participants. In turn, participants keep records of the ownership and transfer of beneficial interests in the global security by other persons (such as their customers). No other records of the ownership and transfer of beneficial interests in the global security will be kept.

When the depositary receives payment of principal or interest on the global security, the depositary is expected to credit its participants' accounts in amounts that correspond to their respective beneficial interests in the global security. In turn, after the participants' accounts are credited, the participants are expected to credit the accounts of the owners of beneficial interests in the global security in amounts that correspond to the owners' respective beneficial interests in the global security.

The depositary and its participants establish policies and procedures that govern payments, transfers, exchanges and other important matters that affect owners of beneficial interests in the global security. The depositary and its participants may change these policies and procedures from time to time. Turkey has no responsibility or liability for the records of owners of beneficial interests in the global security. Also, Turkey is not responsible for maintaining, supervising or reviewing those records or payments. Turkey has no responsibility or liability for any aspect of the relationship between the depositary and its participants or for any aspects of the relationship between participants and owners of beneficial interests in the global security.

#### **Governing Law and Consent to Service**

Turkey is a foreign sovereign government. Consequently, it may be difficult for investors to obtain or realize upon judgments of courts of the United States against the Republic. The debt securities will provide that they will be governed by and interpreted in accordance with the laws of the State of New York except with respect to their authorization and execution and any other matters required to be governed by the laws of Turkey, which will be governed by the laws of Turkey.

Turkey will irrevocably waive, to the fullest extent permitted by law, any immunity, including foreign sovereign immunity, from jurisdiction to which it might otherwise be entitled in any action arising out of or based on the debt securities which may be instituted by the holder of any debt securities in any state or federal court in the City of New York or in any competent court in Turkey. Turkey will appoint the Economic Counsellor of the Republic in New York, New York, as its authorized agent upon whom process may be served in any action arising out of or based on the debt securities which may be instituted in any state or federal court in the City or State of New York by the holder of any debt securities. Such appointment shall be irrevocable until all amounts in respect of the principal, premium, if any, and interest, if any, due to become due on or in respect of all the debt securities issuable under the fiscal agency agreement have been paid by Turkey to the fiscal agent, except that, if for any reason the authorized agent ceases to be able to act as such authorized agent or no longer has an address in New York, Turkey will appoint another person in New York as its authorized agent.

The Economic Counsellor is not the agent for service for actions under the United States federal securities laws or state securities laws and Turkey's waiver of immunity does not extend to such actions. Because Turkey has not waived its sovereign immunity in connection with any action arising out of or based on United States federal or state securities laws, it will not be possible to obtain a United States judgment against Turkey based on such laws unless a court were to determine that Turkey is not entitled

under the United States Foreign Sovereign Immunities Act of 1976 (the "Immunities Act") to sovereign immunity with respect to such actions.

Under the laws of Turkey, assets of Turkey are immune from attachment or other forms of execution whether before or after judgment. The Immunities Act may also provide a means for limited execution upon any property of Turkey that is related to the service and administration of the debt securities. Under the laws of Turkey, assets of Turkey are immune from attachment or other forms of execution whether before or after judgment.

### **PLAN OF DISTRIBUTION**

Turkey may sell any combination of the debt securities in any of three ways:

- through underwriters or dealers;
- directly to one or more purchasers; or
- through agents.

Each prospectus supplement will set forth, including:

- the name or names of any underwriters or agents;
- the purchase price of the securities of that series;
- the net proceeds to Turkey from the sale of these securities;
- any underwriting discounts, agent commissions or other items constituting underwriters' or agents' compensation;
- any initial public offering price; and
- any discounts or concessions allowed or reallocated or paid to dealers and any securities exchanges on which the securities may be listed.

The securities may be sold from time to time in distinct series by different means at different prices that are negotiated and fixed or that vary based on market prices.

Underwriters used in the sale of securities will distribute these securities on a firm commitment basis. In this case, the underwriters will acquire these securities for their own account and may resell them from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices to be determined at the time of sale. Turkey may offer the securities to the public either through underwriting syndicates represented by managing underwriters or directly by underwriters.

Unless otherwise set forth in the applicable prospectus supplement, the obligations of the underwriters to purchase the securities will be subject to certain conditions precedent and the underwriters will be obligated to purchase all such securities if any are purchased. The underwriters may change any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers.

Turkey may also sell securities of any series directly to the public or through agents designated by Turkey from time to time. Unless otherwise specified in the applicable prospectus supplement, an agent used in the sale of securities will sell the securities on a reasonable best efforts basis for the period of its appointment.

Turkey may authorize agents, underwriters or dealers to solicit offers by certain specified entities to purchase the securities from Turkey under "delayed delivery" contracts. Purchasers of securities under delayed delivery contracts will pay the public offering price plus accrued interest, if any, and will take

delivery of these securities on a date or dates stated in the applicable prospectus supplement. Delayed delivery contracts will be subject only to those conditions set forth in the applicable prospectus supplement. The applicable prospectus supplement will set forth the commission payable for solicitation of these delayed delivery contracts.

Turkey may agree to indemnify agents and underwriters against certain liabilities, including liabilities under the United States Securities Act of 1933, or to contribute to payments which the agents or underwriters may be required to make in respect of any of these liabilities.

Agents and underwriters may engage in transactions with or perform services for Turkey in the ordinary course of business.

### **VALIDITY OF THE SECURITIES**

The validity of the debt securities and warrants will be passed upon for Turkey by the First Legal Advisor, Undersecretariat of Treasury and Foreign Trade, Prime Ministry, the Republic of Turkey. Certain legal matters of United States Law will be passed upon for Turkey by Arnold & Porter, United States counsel to Turkey, and for the underwriters, if any, by United States counsel and Turkish counsel to the underwriters named in the applicable prospectus supplement.

As to all matters of Turkish law, Arnold & Porter may rely on the opinion of the First Legal Advisor, Undersecretariat of Treasury and Foreign Trade, Prime Ministry, the Republic of Turkey. As to all matters of United States law, the First Legal Advisor, Undersecretariat of Treasury and Foreign Trade, Prime Ministry, the Republic of Turkey may rely on the opinion of Arnold & Porter. Certain statements with respect to matters of Turkish law in this prospectus have been passed upon by the First Legal Advisor, Undersecretariat of Treasury and Foreign Trade, Prime Ministry, the Republic of Turkey.

### **OFFICIAL STATEMENTS**

The information set forth herein and in the documents incorporated by reference has been reviewed by Aydın Karaöz, Director General of Foreign Economic Relations, Undersecretariat of Treasury, Prime Ministry, the Republic of Turkey, in his official capacity, and is included herein on his authority. Information included herein or therein which is identified as being taken or derived from a publication of Turkey or an agency, instrumentality or SEE of Turkey is included on the authority of such publication as a public official document of Turkey.

### **AUTHORIZED AGENT**

The authorized agent of Turkey in the United States is the Economic Counsellor, The Republic of Turkey, 821 United Nations Plaza, New York, New York 10017.

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**PRINCIPAL OFFICE OF THE REPUBLIC**

**The Undersecretariat of Treasury of**

**The Republic Prime Ministry**

Ismet İnönü Bulvarı

06510 Emek

Ankara

**FISCAL AGENT, PAYING AGENT, TRANSFER AGENT AND REGISTRAR**

**The Chase Manhattan Bank**

450 West 33rd Street

New York, New York 10001

**LEGAL ADVISERS TO THE REPUBLIC**

*As to United States Law*

**Arnold & Porter**

399 Park Avenue

New York, New York 10022-4690

*As to Turkish Law*

**The First Legal Adviser to**

**Undersecretariat of Treasury**

Ismet İnönü Bulvarı

06510 Emek

Ankara

**LEGAL ADVISERS TO THE UNDERWRITERS**

*As to United States Law*

**Clifford Chance Rogers & Wells LLP**

One New York Plaza

New York, New York 10004

*As to Turkish Law*

**Pekin & Pekin**

Lamartine Caddesi 10

Taksim 80090

Istanbul

**LISTING AGENT AND SPECIAL AGENT**

**Kredietbank S.A. Luxembourgeoise**

43, Boulevard Royal

L-2955 Luxembourg

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**\$1,500,000,000**



**TÜRKİYE CUMHURİYETİ**  
(The Republic of Turkey)

**11<sup>7</sup>/<sub>8</sub>% Bonds due 2030**

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**PROSPECTUS SUPPLEMENT**

January 10, 2000

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**Morgan Stanley Dean Witter**

**Salomon Smith Barney**

**Representatives of the Underwriters**

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