

32 U.S.T. 3674

TURKEY

Finance: Consolidation and Rescheduling of Certain Debts

TIAS 9909

32 U.S.T. 3674

October 24, 1980, Date-Signed

November 28, 1980, Date-In-Force

STATUS:

[*1] Agreement signed at Ankara October 24, 1980;
Entered into force November 28, 1980.
With agreed minute
Done at Paris July 23, 1980.

AGREEMENT BETWEEN THE UNITED STATES OF AMERICA AND THE REPUBLIC OF TURKEY
REGARDING THE CONSOLIDATION AND RESCHEDULING OF CERTAIN DEBTS OWED TO,
GUARANTEED OR INSURED BY THE UNITED STATES GOVERNMENT AND ITS AGENCIES

TEXT:

The United States of America (The "United States") and the Republic of Turkey ("Turkey") agree as follows:

ARTICLE I

APPLICATION OF THE AGREEMENT

1. In accordance with the recommendations contained in the Agreed Minute on the Consolidation of Turkey's Debts, signed in Paris on July 23, 1980 among representatives of certain nations, including the United States, and agreed to by the representative of Turkey, hereinafter referred to as the "Minute", the text of which is annexed hereto, the United States and Turkey hereby agree to consolidate and reschedule certain Turkish debts which are owed to, guaranteed by or insured by the United States or its agencies, as provided for in this Agreement.

2. This Agreement shall be implemented by five separate agreements (the "Implementing Agreements"), between Turkey and the United States, with respect [*2] to PL-480 n1 Agreements and the 1972 arrangement n2 consolidating credits granted to Turkey by the European Fund of the European Monetary Agreement, and between Turkey and each of the following United States agencies: The Agency for International Development, the Export-Import Bank of the United States and the Department of Defense. The Department of Defense will include in its Implementing Agreement amounts which it will pay the Federal Financing Bank pursuant to contracts of guaranty covering Contracts between the Federal Financing Bank and Turkey.

-----Footnotes-----

n1 68 Stat. 454; 7 U.S.C. § 1701 *et seq.*

n2 Not printed.

-----End Footnotes-----

ARTICLE II

DEFINITIONS

1. "Contracts" or "Original Contracts" means those agreements listed in Annex A with maturities falling due during the Consolidation Period.
2. "Debt" means the sum of principal and interest payable with respect to Contracts having an original maturity of more than one year and which were due and unpaid as of June 30, 1980, or which will fall [*3] due between July 1, 1980 and June 30, 1981 inclusive. "Debt" does not include "Previously Rescheduled Debt", as defined in paragraph 3 of this Article.
3. "Previously Rescheduled Debt" means the sum of principal and interest payable with respect to the rescheduling agreements between the United States and Turkey signed on September 21, 1978, n1 and December 11, 1979, n2 which were due and unpaid as of June 30, 1980 and which will fall due between July 1, 1980 and June 30, 1981, inclusive.

-----Footnotes-----

n1 TIAS 9361; 30 UST 2723.

n2 TIAS 9783; *ante*, p. 1461.

-----End Footnotes-----

4. "Consolidated Debt" means ninety percent of the dollar amount of the debt described in paragraphs 2 and 3 above. "Non-consolidated Debt" means the remaining ten percent of debt described in paragraphs 2 and 3 above.
5. "Consolidation Period" means the period from July 1, 1980 through June 30, 1981.
6. "Interest" means interest on Debt and Previously Rescheduled Debt. Such Interest shall begin to accrue at the rates set forth in this Agreement on the respective [*4] due dates specified in each of the Original Contracts for each scheduled payment of Debt and shall continue to accrue until the Debt is repaid in full. Interest on Previously Rescheduled Debt shall begin to accrue at the rates set forth in this Agreement on the respective due dates specified in each of the rescheduling agreements cited in paragraph 3 above for each payment on Previously Rescheduled Debt and shall continue to accrue until the Previously Rescheduled Debt is repaid in full. "Additional Interest" shall accrue on due but unpaid installments of principal and interest rescheduled pursuant to this Agreement at the same rate until such amounts are paid in full.

7. "Agency" means: United States Agency for International Development, Export-Import Bank of the United States and the United States Department of Defense.

ARTICLE III

TERMS AND CONDITIONS OF PAYMENT

1. Turkey agrees to repay the Consolidated Debt in United States dollars in accordance with the following terms and conditions:

(a) The Consolidated Debt relating to Debt described in Article II, paragraph 2 above which was due and unpaid as of June 30, 1980, and which amounts to \$ 19.4 million shall be repaid [*5] in ten equal and successive semi-annual installments of \$ 1.94 million, commencing on July 1, 1985, with the final installment payable on January 2, 1990.

(b) The Consolidated Debt relating to Debt described in Article II, paragraph 2 above which falls due during the Consolidation Period and which amounts to \$ 219.8 million shall be repaid in ten equal and successive semi-annual installments of \$ 21.98 million, commencing on January 2, 1986, with the final installment payable July 1, 1990.

(c) The Consolidated Debt relating to Previously Rescheduled Debt described in Article II, paragraph 3 above which was due and unpaid as of June 30, 1980, and which amounts to \$ 44.2 million shall be repaid in eight equal and successive semi-annual installments of \$ 5.525 million, commencing on July 1, 1984 with the final installment payable January 2, 1988.

(d) The Consolidated Debt related to Previously Rescheduled Debt described in Article II, paragraph 3 above which falls due during the Consolidation Period and which amounts to \$ 53.4 million shall be repaid in eight equal and successive semi-annual installments of \$ 6.675 million, commencing on January 2, 1985, with the final installment [*6] payable July 1, 1988.

(e) The rate of Interest shall be 3.31 percent per calendar year on the outstanding balance of the Consolidated Debt due to the Agency for International Development, 3.0 percent on the outstanding balance of Consolidated Debt due to the United States with respect to PL-480 agreements, 3 percent per calendar year on the outstanding balance of Consolidated Debt due to the United States with respect to the 1972 consolidation of credits granted to Turkey by the European Monetary Agreement, 8.75 percent per calendar year on the outstanding balance of Consolidated Debt due to, guaranteed by, or insured by the Export-Import Bank of the United States, and 8.25 percent per calendar year on the outstanding balance of Consolidated Debt due to or guaranteed by the Department of Defense. All Interest payable with respect to the Consolidated Debt shall be payable semi-annually on January 2 and July 1 of each year commencing on January 2, 1981.

(f) A table summarizing the amounts of the Consolidated Debt owed to each Agency is attached hereto as Annex B.

2. Turkey agrees to pay the Non-consolidated Debt in United States dollars in accordance with the following terms [*7] and conditions:

(a) The Non-consolidated Debt related to Debt described in Article II, paragraph 2 above which was due and unpaid as of June 30, 1980, and which currently amounts to \$ 2.2 million shall be repaid in five equal and successive annual installments of \$ 440 thousand commencing on January 2, 1981, with the final installment payable January 2, 1985.

(b) The Non-consolidated Debt related to Debt described in Article II, paragraph 2 which falls due during the Consolidation Period and which amounts to \$ 24.4 million shall be repaid in five equal and successive annual installments of \$ 4.88 million, commencing on July 1, 1981, with the final installment payable July 1, 1985.

(c) The Non-consolidated Debt related to Previously Rescheduled Debt described in Article II, paragraph 3 above which was due and unpaid as of June 30, 1980 and which amounts to \$ 4.9 million, shall be repaid in four equal and successive annual installments of \$ 1.225 million, commencing on January 2, 1981, with the final installment payable January 2, 1984.

(d) The Non-consolidated Debt related to Previously Rescheduled Debt described in Article II, paragraph 3 above which falls due during the [*8] Consolidation Period and which amounts to \$ 5.9 million, shall be repaid in four equal and successive annual installments of \$ 1.475 million, commencing on July 1, 1981 with the final installment payable on July 1, 1984.

(e) The rate of Interest shall be 3.31 percent per calendar year on the outstanding balance of the Non-consolidated Debt due to the Agency for International Development, 3.0 percent on the outstanding balance of the Non-consolidated Debt due to the United States with respect to PL-480 agreements, 3.0 percent per calendar year on the outstanding balance of Non-consolidated Debt due to the United States with respect to the 1972 consolidation of credits granted to Turkey by the European Monetary Agreement, and 8.75 percent per calendar year on the outstanding balance of Non-consolidated Debt due to, guaranteed by, or insured by the Export-Import Bank of the United States and 8.25 percent per calendar year on the outstanding balance of Consolidated Debt due to or guaranteed by the Department of Defense. All interest payable with respect to the Non-consolidated Debt portion shall be payable semiannually on January 2 and July 1 of each year commencing on January 2, 1981.

[*9]

(f) A table summarizing the amounts of Non-consolidated Debt owed to the United

States and each agency is attached hereto as Annex C.

3. It is understood that adjustments will be made in the amounts of Consolidated and Non-consolidated Debt specified in paragraphs 1 and 2 of this Article by the Implementing Agreements. In part, this will reflect disbursements on Debt during the Consolidation Period. Adjustments shall be made to the scheduled repayments commencing with December 31, 1981, pursuant to this Agreement, to reflect increased interest accrued and due during the Consolidation Period on advances made after the date of this Agreement from Department of Defense guaranteed loans 765-G, 782-G, and 791-G.

ARTICLE IV

GENERAL PROVISIONS

1. Turkey agrees to grant the United States and its Agencies, and any other creditor which is party to an Original Contract, treatment and terms no less favorable than that which may be accorded to any other creditor country for the consolidation of debts covered by the Minute.
2. Except as they may be modified by this Agreement or subsequent Implementing Agreements, all terms of the Original Contracts remain unchanged.

ARTICLE V

ENTRY [*10] INTO FORCE

This Agreement shall enter into force upon receipt by Turkey of written notice from the United States Government that all necessary legal requirements for entry into force of this Agreement have been fulfilled. n1

-----Footnotes-----

n1 Nov. 24, 1980.

-----End Footnotes-----

Done at Ankara, Turkey, in duplicate, this 24th day of October, 1980.

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Consortium/Turkey

AGREED MINUTE ON THE CONSOLIDATION OF TURKEY'S DEBTS

1. The Working Party established within the Consortium, open to all Member countries of the OECD,

met in Paris on 17th, 18th and 19th June and 22nd and 23rd July, 1980, under the Chairmanship of M. CAMDESSUS Chef du Service des Affaires Internationales, French Ministry of the Economy.

The Representatives of the Governments of Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, and the United States, hereinafter called "the Participating Countries", [*11] examined with the Representatives of the Government of Turkey the request for alleviation of that country's external debt service obligations in the light of Turkey's balance-of-payments prospects for the next few years. Representatives of the International Monetary Fund, the World Bank and the Commission of the European Communities also took part in the meeting.

2. The Representatives of the International Monetary Fund described the economic situation of Turkey as well as the major elements of the new economic recovery programme undertaken by the Turkish Government and supported by the standby arrangement with the International Monetary Fund approved by the Executive Board on 18th June, 1980. This arrangement applying to a period of three years beginning on 18th June, 1980 involves specific commitments in both the economic and financial fields.

The Representatives of the Government of Turkey stressed the efforts made by their government in various fields in order to ensure improvement in the economic situation of their country. They explained thoroughly the programme of economic recovery undertaken in January 1980 by the Government of Turkey.

The Representatives of the Participating [*12] Countries confirmed their satisfaction with these measures. They stressed the crucial importance attached to the success of this programme which is intended to resolve the structural problems of the Turkish economy and aims especially at allowing a large improvement in the external payments situation of Turkey.

3. Mindful of the acute balance-of-payments difficulties currently faced by Turkey, the Participating Countries have agreed to recommend that their governments or appropriate governmental institutions provide relief for Turkey's external debt through the rescheduling or refinancing of:

(A) on the one hand, for debt not previously rescheduled:

(a) The amounts of principal and interest due and not paid as of 30th June, 1980 on:

--contracts and government loans referred to in paragraph 4 below having an original maturity of one year or less.

--contracts and government loans referred to in paragraph 4 below having an original maturity of more than one year;

(b) The amounts in principal and interest of debts relating to contracts and government loans referred to in paragraph 4 below having an original

maturity of more than one year falling due successively:

- (i) [*13] between 1st July, 1980 and 30th June, 1981 inclusive
- (ii) between 1st July, 1981 and 30th June, 1982 inclusive
- (iii) between 1st July, 1982 and 30th June, 1983 inclusive.

In the case of payments falling due respectively between 1st July, 1981 and 30th June, 1982 inclusive, and between 1st July, 1982 and 30th June, 1983 inclusive, these provisions will apply under the condition that Turkey has observed the policies set out in the letter of intent dated 2nd June, 1980 or any amendment thereto, and that Turkey has reached no later than 30th June, 1981 and 30th June, 1982 respectively, understandings with the International Monetary Fund on the policy intentions and performance clauses related to the implementation of the standby arrangement up to 17th June, 1983.

Repayment by Turkey of 90 per cent of the corresponding sums will be made in ten equal and successive semi-annual payments beginning:

- 1st July, 1985 for the amounts mentioned in A(a) above.
- 2nd January, 1986 for the amounts mentioned in A(b)(i) above.
- 2nd January, 1987 for the amounts mentioned in A(b)(ii) above.
- 2nd January, 1988 for the amounts mentioned in A(b)(iii) above.

Payment by Turkey of the [*14] remaining 10 per cent will be made in five equal and successive annual payments beginning:

- 2nd January, 1981 for the amounts mentioned in A(a) above.
- 1st July, 1981 for amounts mentioned in A(b)(i).
- 1st July, 1982 for amounts mentioned in A(b)(ii).
- 1st July, 1983 for amounts mentioned in A(b)(iii).

(B) On the other hand, for debts previously rescheduled:

- (a) The amounts in principal and interest due and not paid as of 30th June, 1980 in respect of bilateral agreements concluded or to be concluded for the implementation of the Agreed Minutes of 20th May, 1978 and 25th

July, 1979. n1

Repayment by Turkey of 90 per cent of the corresponding sums will be made in eight equal and successive semi-annual payments beginning on 1st July, 1984.

Payment by Turkey of the remaining 10 per cent will be made in four equal and successive annual payments beginning on 2nd January, 1981.

(b) With regard to the exceptional payments difficulties which have been stressed by the Turkish Delegation and as an exceptional measure, the amounts of debts owed by Turkey in respect of bilateral consolidation agreements concluded or to be concluded for the implementation of the Agreed [*15] Minutes of 20th May, 1978 and 25th July, 1979 and falling due between 1st July, 1980 and 30th June, 1981 inclusive.

Repayments by Turkey of 90 per cent of the corresponding sums will be made in eight equal and successive semi-annual payments beginning 2nd January, 1985.

Payment by Turkey of the remaining 10 per cent will be made in four equal and successive annual payments beginning 1st July, 1981.

-----Footnotes-----

n1 Not printed.

-----End Footnotes-----

4. The debts referred to in paragraph 3(A) above to which this relief will apply are:

(a) on the one hand, commercial credits guaranteed or insured by appropriate bodies of the government of the Participating Countries related to contracts or other financial arrangements concluded before 1st January, 1980.

(b) on the other hand, loans from governments or the governmental bodies of the Participating Countries concluded before 1st January, 1980.

It is agreed however that the debts referred to in this Minute do not include those related to the Special Assistance Action for Turkey undertaken [*16] within the framework of the OECD.

5. The Representatives of the Government of Turkey undertook to correct any discrimination among creditor countries as to the fulfilment of payments according to the Agreed Minutes of 20th May, 1978

and 25th July, 1979.

6. The arrangements for the rescheduling or refinancing referred to in paragraph 3 will be established in bilateral agreements to be concluded by each of the Participating Countries with the Government of Turkey on the basis of the following principles:

(a) The Participating Countries will place the relevant amounts at the disposal of the Government of Turkey in proportion to the payments that have fallen due or will fall due during the periods defined above and pari passu with these payments, or will reschedule the corresponding payments.

(b) The rate and the terms of interest to be paid in respect of these financial arrangements will be determined bilaterally between Turkey and each of the Participating Countries.

Each Participating Country is prepared to make its maximum effort to keep the rate of interest applying to each bilateral agreement as low as possible, taking into account the market interest rate of the country [*17] concerned and legal and other modalities of each consolidation.

As far as the amounts mentioned in paragraph 3(B) above are concerned, the interest will apply to amounts in principal and contractual interest consolidated in the 1978 and 1979 agreements as well as to post maturity interests resulting from these consolidations fallen due and not paid by the date of the signature of the bilateral agreements implementing this Agreed Minute.

(c) Each Participating Country will effect the consolidation of the external debt of Turkey in accordance with such rules as it will lay down in the bilateral agreements to be concluded and which will involve rescheduling or refinancing according to the circumstances.

7. The Government of Turkey will accord to each of the Participating Countries treatment no less favourable than that which it may accord to any other creditor country for the consolidation of debts of a comparable term.

8. The provisions set forth in paragraphs 3 and 4 do not apply to those countries whose principal and interest payments are less than SDR one million as regards the arrears or the amounts falling due during each of the consolidation periods mentioned in these [*18] paragraphs.

9. The Representative of the Government of Turkey stated that their Government will seek to secure from private creditors including banks, rescheduling, financing or refinancing arrangements comparable to those detailed in this Minute, making sure to avoid any discrimination between different categories of creditors.

10. The Representatives of the Government of Turkey informed the Participating Countries of the determination of their Authorities to conclude in the immediate future bilateral agreements, which remained unsigned for the implementation of the Agreed Minute of 20th May, 1978 and 25th July, 1979 as well as those related to the implementation of the present Agreed Minute and to ensure the strict execution of these agreements and of those already concluded.

11. The Representatives of the Participating Countries emphasized the urgency of the question of private non-guaranteed debt, whether or not covered by a governmental agreement. They took note of the undertaking of the Government of Turkey, which is fully aware of this problem, to find without delay, a solution to this problem in conformity with the provisions of paragraph 9 of the Agreed Minute of 25th [*19] July, 1979, with prevailing international trade practices and with legislation of each concerned country.

12. The Participating Countries, noting that any previous creditor country reservations on this issue would be respected, agreed to make available, upon the request of another Participating Country, a copy of its bilateral agreement with the Government of Turkey which implements this Agreed Minute. The Government of Turkey acknowledges this arrangement.

13. The Representatives of the Participating Countries and of Turkey agreed to recommend that their governments initiate bilateral negotiations at the earliest opportunity and conduct them on the basis of the principles set forth above.

Done in Paris this 23rd day of July, 1980 in two versions, English and French, both texts equally authentic.

SIGNATORIES:

FOR THE UNITED STATES OF AMERICA

James W. Spain

Ambassador

FOR THE REPUBLIC OF TURKEY

Nazif Kocayusufpasaoglu

Secretary General of Treasury and OIEC, Ministry of Finance

The Chairman

The Head of the Turkish Delegation

The Delegate of Australia

The Delegate of Austria

The Delegate of Belgium

The Delegate of Canada

The Delegate of the Kingdom of Denmark

The Delegate of Finland

[*20]

The Delegate of France

The Delegate of the Federal Republic of Germany

The Delegate of Italy

The Delegate of Japan

The Delegate of the Netherlands

The Delegate of the Kingdom of Norway

The Delegate of Spain

The Delegate of the Kingdom of Sweden

The Delegate of Switzerland

The Delegate of the United Kingdom

The Delegate of the United States

APPENDICES:

ANNEX A

Loan Agreements Subject to Rescheduling

Export-Import Bank

Direct Credit

No.

4411	E 3808	6329
4514	E 4094	6375
4532	E 4224	6469
4587	4575	21092
4637	5083	21399
4893	5134	21403

5047 5931 21415

6172 6056

E 3827 6143

Financial Guarantees

Credit No.

FG 5048	FG 21093
FG 6330	FG 21400
EFG 3809	FG 21404
FG 6057	FG 21416
FG 6376	

Rescheduling Agreements

R-29

R-33

Suppliers Credits

BG-9526 Hema Disli
MP-210/MT-11023 Rabak Electrolitik
MP-208/MT-11096 Acar Uluslarasi
MP-207/MT-10749 Karsu Tekstil

P.L. 480

Agreements Dated:

March 16, 1970

January 29, 1971

February 6, 1969

December 5, 1978

April 22, 1980

1972 Arrangement Consolidating Credits Granted to Turkey by the European Fund of the European Monetary Agreement [*21]

Treasury Transaction # 74002

782200

792200

ANNEX B

Summary of Consolidated Debt *

(Millions of Dollars)

-----Footnotes-----

* Data are rounded and subject to revision per Article III, Paragraph 3

-----End Footnotes----- [*22]

Export-Import Bank	84.3
PL-480	1.8
Treasury Transaction # 724002	11.1
Agency for International Development	64.9
Department of Defense	158.8
TOTAL	320.9

ANNEX C

Summary of Non-Consolidated Debt *

(Millions of Dollars)

-----Footnotes-----

* Data are rounded and subject to revision per Article III, Paragraph 3.

-----End Footnotes-----

Export-Import Bank	9.3
PL-480	0.2
Treasury Transaction # 724002	1.2
Agency for International Development	7.2
Department of Defense	17.6
TOTAL	35.5

[Footnotes in the original.]