

# TURKEY

## Overview

From its establishment as a Republic in 1923 and until 1980, Turkey was an insulated, state-directed economy. In 1980, the country began an economic turnaround based on increased reliance on market forces, export-led development, lower taxes, integration with the world economy, and privatization. The past two years have seen strong Turkish economic expansion despite ongoing political uncertainty. Economic expansion in 1997 continued with an estimated 8.3 percent real growth in GNP, up from an already high 7.1 percent in 1996. The consolidated 1997 budget deficit registered a 4 percent improvement in US dollar terms. The trade deficit rose 9.5 percent in US dollar terms compared to 45 percent in 1996.

The most significant developments in economic policy in 1998 were the Staff Monitoring Agreement with the International Monetary Fund in June and the introduction of a wide-ranging tax reform in late July. The new tax law reforms the Turkish tax system by introducing significant and sweeping changes and amending 12 separate tax laws. The importance of this amendment lies in the demonstration of the Turkish Government's determination to control the "unregistered" economy. The World Bank estimates Turkey's unregistered economy to be in the range of 40-50 percent of GNP.

The Turkish Government improved Turkey's dialogue with international financial institutions, secured a World Bank pledge for up to US \$3-3.5 billion in funds for social and industrial projects and raised almost US \$1.5 billion from U.S. and European bond markets.

Turkey is a member of the United Nations (UN), the North Atlantic Treaty Organization (NATO), Organization for Security and Cooperation in Europe (OSCE), the Euro-Atlantic Partnership Council (EAPC), and the Western European Union (WEU). As a result of its concern for global peace and stability, Turkey announced its candidacy for the UN Security Council for the years 2001-2002.

## Defense Industry Environment

The geographical position of Turkey, at the heart of the most unstable triangle in the world--the Balkans, Caucasus and the Middle East, makes it imperative to maintain a strong and modern military. Turkey is expanding its national defense industry to support its armed forces. The portion of the Turkish Ministry of Defense budget in the GNP is about 3.6 percent on the average, and around 12 percent in the Consolidated Budget, which is the highest spending in NATO. About half the budget amount (49.5 percent) is allocated to the Land Forces Command with the other half divided among the Turkish General Staff (7.7 percent), Ministry of National Defense (7.3 percent), Naval Forces Command (13.9 percent), and Air Forces Command (21.6 percent).

The sources of funds to meet Turkish military expenditures include the Ministry of National Defense budget; the income from the Turkish Armed Forces Foundation; the Turkish Defense Industry Fund; income derived from the sale of surplus equipment, services, or other goods earmarked for the Ministry of Defense; and funds allocated by the Undersecretariat for Treasury for loan payments, the General Command of Gendarmerie budget and the Coast Guard Command budget. Turkey maintains the second-largest army in the NATO defense system. The requirements of the Turkish armed forces make the country a major market for weapons, ammunition and defense systems sales by U.S. companies. Within the 1999 Turkish National Budget, 2,507 quadrillion Turkish Lira (about US \$7.8 billion) has been allocated for the Turkish Ministry of National Defense (MOD). Defense budgets are prepared in accordance with the State Planning Organization and the Ministry of Finance structures and are subject to approval by the General Assembly of the Turkish Grand National Assembly. The Ministry of Finance supervises payments and contracts, and defense expenditures are subject to Ministry of Finance audits at the end of each fiscal year.

The 609,700 persons serving in the Turkish armed forces are allocated as follows: Army, 495,000; Navy, 54,600; and Air Force, 60,100. Generally, one-third of the MOD budget (about US \$2.6 billion) is spent on foreign procurement expenditures and military-related investments. Due to an intensive modernization program envisioned by the Turkish General Staff, this figure should increase in the years to come.

To support its armed forces modernization, the government has established a policy of pursuing the acquisition of new equipment through a variety of channels including the Southern Region Amendment (SRA), the Conventional Armed Forces in Europe Treaty (CFE), and direct commercial sales (DCS).

Turkey's domestic defense industry was given a boost, with the establishment in 1985 of the Undersecretariat for Defense Industries (SSM), which has the responsibility for the development and modernization of the Turkish defense industry. The Turkish Armed Forces Foundation (TAFF), is another organization created to develop the Turkish defense industry by providing continuous financial support for future investments in the sector. The major source of income for the fund consists of revenues derived from taxes on the sale of alcoholic beverages and tobacco products, along with taxes on the national lottery, joint gambling and games of luck. The average annual income of the fund is about US \$1.1 billion. TAFF is a shareholder in a number of defense companies. A list of these companies by name, activity and percentage of shares held by TAFF are as follows:

- *Aselsan* - Military electronics (85 percent)
- *Aspilsan*- Military batteries (95 percent)
- *Havelsan* - Avionics (97 percent)
- *Isbir Elektrik* - Synchronous alternator and diesel-generating sets (86 percent).
- *Roketsan* - Missiles (15 percent)

In addition to the above mentioned enterprises, the Foundation holds shares in the following civil sector companies: Ditas (oil transportation), Netas (telecommunications), Koytas (agricultural and industrial machinery), and Otomarsan ( bus and motor vehicles).

Other Turkish defense manufacturers include:

- *FNSS* - Joint venture between Nurol (Turkey) and United Defense (U.S.) producing armored combat vehicles, including armored fighting vehicles, advanced armored personnel carriers, armored tow vehicles, and armored mortar vehicles.
- *MIKES* - Joint-venture company between various Turkish shareholders and Lockheed Martin for the delivery of integrated EW systems for the Turkish F-16 Program (Peace Onyx).
- *MKEK* - Turkey's largest industrial organization, producing a wide range of military items including ammunition, small arms, 105 mm tank guns, rockets, mortars, blasting caps, grenades, mines, and batteries. MKEK also has a civil sector producing industrial machinery, stainless steel pipes, construction equipment, and textile machinery. Its production is organized in four main groups: machinery, chemicals, metal/wood materials, and weapons/ammunitions.
- *TAI--Tusas Aerospace Industries* - TAI was originally established as a joint venture company with General Dynamics (now, Lockheed Martin) to co-produce F-16 aircraft. The Foundation is the majority shareholder in this company.
- *TEI--Tusas Engine Industries* - TEI and partner, General Electric Company produce F110/GE100 engines for the F-16 program.
- *Aydin Yazilim* - Software and electronics.

The United States supplies nearly 80 percent of the foreign military hardware, used by Turkish armed forces. Other major suppliers are: Germany (Blohm & Voss, Heckler & Koch, Krauss Maffei, Rheinmetall, Wegmann), United Kingdom (GKN, Marconi, Plessey, Racal, Rockwell Collins, Rolls Royce, Royal Ordnance), France (Giat, Thomson-CSF, Eurocopter), Italy (Officine Galileo), and Spain (CASA).

Other local manufacturers of defense equipment include:

- *Otokar* (Istanbul) - Wheeled armored vehicles
- *Roketsan* (Ankara) and *Mkek* (Ankara and Cankiri) - Weapons for ground forces, rockets, and missile propulsion systems
- *Aselsan* (Ankara), *Teletas* (Istanbul) and *Siemens* (Bursa) - Ground-based communication systems

- *Aselsan* (Ankara) and *Transvaro* (Istanbul) - Sensors and weapon-control systems for ground forces
- *Aselsan* (Akyurt facilities-Ankara) - Microelectronic, electro-optic and guidance systems
- *Barutsan* (Ankara); *Mkek* (Ankara) and *Aselsan* (Ankara) - Engineering and area denial equipment
- *Sumerbank* (Ankara) and *Teknotes* (Istanbul) - Uniforms, protective clothing and personnel equipment

## **Defense Opportunities**

Turkey has one of the most powerful, best disciplined, well equipped, and well trained armies in the world. During the next 25 to 30 years, a significant number of combat weapons and equipment currently in the Turkish Armed Forces (TAF) inventory needs to be modernized or replaced with systems incorporating new technology. The cost of all these systems, including their operation and maintenance is approximately US \$150 billion. During this period, the Army ground forces will need US \$60 billion, the Navy US \$25 billion, and the Air Force US \$65 billion in arms and equipment. The Turkish General Staff indicates that 1,523 projects are planned, at a cost of US \$67 billion, through the year 2004. During the modernizing stage of the TAF defense requirements, the objective is to also raise the Turkish defense industry to the level where it can produce high-technology weaponry and equipment. Consequently, domestic production will be used to the maximum extent possible.

The Turkish defense industry is developing with the support of the private sector and appears to be one of the fastest-growing industrial sectors. Along with the state, the private sector is playing a major role in making Turkey's defense industry more competitive. There has been rapid expansion among a growing number of defense manufacturing subcontractors. Military officials now indicate that 21% of the needs of the Turkish Armed Forces are met by domestic production for the main weapons, equipment and spare parts, while the remaining 79% is supplied from abroad.

The following current major programs and systems are expected to receive acquisition priority:

- F-16 (Peace Onyx) Co-production (Air Force)
- MEKO/Track IIB Frigate Program
- Armored Combat Vehicle Co-production (Army)
- Multiple Launch Rocket System (MLRS)
- AMRAAM (Advanced Medium-Range Air-to-Air Missile)
- Mobile Radars

Future programs include:

### *Army*

- Helicopters (attack, heavy and medium-lift, utility, scout)
- Main Battle Tanks
- Wheeled Armored Vehicles
- Tank Transport and Rescue Vehicles
- Pedestal Mounted Stinger Program
- Army Tactical Missile System (ATACMS)
- Artillery upgrades
- UAV (Unmanned Aerial Vehicle)

### *Air Force*

- Combat Aircraft
- Airborne Early Warning Aircraft (AEW)
- Search and Rescue Helicopters
- UAV (Unmanned Aerial Vehicle)

### *Navy*

- Turkish Frigate 2000 Program
- Fast Patrol Boats
- Submarines
- Mine Hunter Vessels
- Seahawk helicopters
- Maritime Patrol and Surveillance Aircraft
- “Extended Horizon” Monitoring-Reconnaissance Project

Turkey’s key defense protection requirements include the southeastern flank of NATO and the critical passage from the Black Sea into the Aegean. The large military forces of the neighboring former Soviet Republics remain the dominant military threat to Turkey. The potential of conflict within the nearby Central Asian Republics, the Balkans, and the Middle East underscores possible dangers from growing instability in the region. In recognition of these uncertainties, the current Turkish Ministry of Defense modernization projects may be summarized as follows:

- Intelligence and electronic warfare
- Command, control, communications and computer systems
- Fire support (MLRS, tactical ballistic missiles)
- Mobility (tank modernization and main battle tanks, armored combat vehicles)
- Army aviation (attack, utility, cargo and reconnaissance helicopters)
- Close combat (anti-tank weapon system: long, medium and short range)
- Air defense
- Survivability

- Combat engineering systems
- Automation of logistic systems
- Simulators and simulations

## **Defense Procurement Process**

The Turkish Ministry of National Defense (MOD), under the direction of the Minister of National Defense, is responsible for meeting the requirements of the Turkish Armed Forces, utilizing foreign and domestic sources, according to the programs and priorities determined by the Turkish General Staff (TGS). This function of the MOD is performed by the Deputy Under Secretary for Economical and Technical Affairs and subsidiary departments. This department uses national budget funds to realize modernization projects. The Undersecretariat of Defense Industries uses the special “Defense Industries Support Fund” for material and service purchases.

Sealed bids are generally solicited. Bids are published in the Turkish Official Gazette and for large procurement contracts, in at least two local newspapers in Ankara and Istanbul. In general, tender specifications are also sent to the Turkish Military Attaches in Canada, France, Germany, Italy, Japan, Spain, U.K., and the U.S., where major vendors are located. If the purchase might be made from the U.S., an announcement is also made in the Commerce Business Daily. Open tenders are sometimes used for routine or small procurement of supplies. The time frame for submission of tender proposals is generally four to six weeks. Bid bonds are sometimes requested and they are usually three percent of the total contract value. The winning bidder must submit a final guarantee and a performance bond (which is normally twice the amount of the bid bond). Both bonds have to be counter-guaranteed by a Turkish national bank. On completion of the contract, the performance bond is refunded, provided that the terms of the contract have been met. The bid bonds of unsuccessful bidders are also returned.

U.S. firms have been very successful in the Turkish defense market, but some have been frustrated by delays in some major equipment deliveries. A long-term commitment and in-country presence are needed to develop sales opportunities and to successfully market military equipment in Turkey.

There are no barriers to selling general items through a local distributor on a regular commercial basis. However, there are important purchasing policies and procedures that apply to defense purchases with which suppliers should be familiar before submitting a tender. There is a necessity to team or partner with a Turkish firm and a requirement to include local content components in major bids. Local content is determined as the value added by Turkish companies and refers to that part of the contract that is obtained from local sources. Value added is the selling price of the product or service, less the duty paid for importer components, materials and services. An offset package is frequently required for major sales.

There are no laws or regulations which give preference to domestic over foreign goods, although domestic firms are given special consideration for small orders. The availability of suppliers’ credits may determine bid awards for some major procurement. All credit offers must

be screened by the Undersecretariat of Treasury which has the responsibility for making final credit decisions.

*Turkish Defense Procurement and Defense Trade Agencies/Ministries and Organizations*

- Undersecretariat for Defense Industries  
(Savunma Sanayii Mustesarligi- SSM)  
Inonu Bulvari, Kirazlidere Mevkii  
06100 Bahcelievler  
Ankara, Turkey  
Tel: [90] (312) 417-2326  
Fax: [90] (312) 417-3266
  
- Ministry of National Defense
  - Foreign Procurement Department  
(Milli Savunma Bakanligi  
Dis Tedarik Dairesi Baskanligi)  
Ankara, Turkey  
Tel: [90] (312) 418-9616 or 402-3220 or 402-3221  
Fax: [90] (312) 417-7342
  
  - Technical Affairs Office  
(Milli Savunma Bakanligi Teknik Hizmetler Dairesi Baskanligi)  
Ankara, Turkey  
Tel: [90] (312) 425-1956 or 402-5245  
Fax: [90] (312) 417-5488
  
- Turkish Land Forces (Army)  
Procurement Department  
(Kara Kuvvetleri Lojistik Komutanligi Daire Baskanligi)  
Etlik (Gumusdere)  
Ankara, Turkey  
Tel: [90] (312) 342-2024, Ext. 3253 or 3254  
Fax: [90] (312) 342-2031
  
- Turkish Naval Forces  
Procurement Department  
(Deniz Kuvvetleri Komutanligi  
Tedarik Daire Baskanligi)  
Ankara, Turkey  
Tel: [90] (312) 418-2128  
Fax: [90] (312) 425-3650 or 417-3065
  
- Turkish Air Force

Procurement Department  
(Hava Lojistik Komutanligi  
Kaynak Yonetim ve Kontrat Daire Baskanligi)  
Ankara, Turkey  
Tel: [90] (312) 298-6207  
Fax: [90] (312) 249-1062

- Turkish Gendarmerie Command  
Procurement Department  
(Jandarma Genel Komutanligi  
Tedarik Daire Baskanligi  
Dis Tedarik Sube Mudurlugu)  
Ankara, Turkey  
Tel: [90] (312) 417-3100, Ext. 2491 or 418-2371  
Fax: [90] (312) 418-9208
- Turkish Ministry of Defense  
NATO Infrastructure Department  
Bakanliklar  
Ankara, Turkey  
Tel: [90] (312) 417-1466  
Fax: [90] (312) 418-3384
- Coast Guard Command  
(Sahil Guvenlik Komutanligi  
Lojistik Baskanligi)  
Karanfil Sokak 64  
06100 Bakanliklar  
Ankara, Turkey  
Tel: [90] (312) 417-0583 or 417-5050 (SW)  
Fax: [90] (312) 425-0036
- Undersecretariat of Treasury  
Ismet Inonu Bulvari  
06510 Emek  
Ankara, Turkey  
Tel: [90] (312) 212-8800  
Fax: [90] (312) 212-8778
- Ministry of Interior  
(Icisleri Bakanligi)
  - Directorate General of Security  
(Emniyet Genel Mudurlugu)  
Ilkadim Cadessi 98



06540 Dikmen  
Ankara, Turkey  
Tel: [90] (312) 425-2049  
Fax: [90] (312) 468-3346

- General Command of Gendarmerie  
(Jandarma Genel Komutanligi)  
APK Daire Baskanligi  
Ankara, Turkey  
Tel: [90] (312) 425-3810  
Fax: [90] (312) 418-3510

- Turkish Armed Forces Foundation  
Paris Caddesi - Yazanlar Sokak No. 4  
06540 Kavaklıdere  
Ankara, Turkey  
Tel: [90] (312) 468-8788 (6 lines)  
Fax: [90] (312) 468-9906

## **Diversification/Commercial Opportunities**

Turkey's rapid urbanization has required massive investment in the country's infrastructure. The Turkish Government is encouraging the domestic private sector and international investors to construct and operate needed energy, transportation and telecommunications infrastructure projects. The private sector remains the powerful engine for Turkish economic growth. Turkey is also responsive to import competition and takes advantage of European markets (Turkey joined European Customs Union on January 1, 1996) and markets in the Middle East, Black Sea, Caucasus, Central Asia and Russia.

Prospects for growth in Turkey's economy led to its designation by the U.S. Department of Commerce as one of the world's ten "Big Emerging Markets (BEM)." Turkey continues in its role as the "Crossroads of the World," a land bridge between Europe and Asia, and Turkish firms remain active in Russia, the Caucasus, Central Asia and the Middle East. The Turkish market offers strong growth prospects across the board for U.S. firms. To meet new opportunities, U.S. companies should diversify their product bases to include equipment with defense, industrial, and commercial applications.

The Turkish industrial and commercial markets look favorably upon American high technology products and there is a wide variety of commercial and dual-use trade opportunities for U.S. firms, especially in light of the government's industry privatization plans. The outlook is bright for electrical power systems, telecommunications equipment, franchising, telecommunications services, building products, automotive parts and service equipment, security equipment, textile machinery and equipment, medical equipment, pollution control equipment, architectural/construction/engineering (ACE) services, agricultural machinery and equipment, food processing and packaging equipment, and tourism infrastructure. All of these

industries are experiencing growth and are receptive to U.S. products. Several of these sectors are discussed below.

### *Privatization*

Although the Turkish Government has been in the process of privatizing its network of State Economic Enterprises (SEE) for about 15 years, government infighting and constitutional challenges have slowed any real progress to date. The SEE portion encompasses industrial sectors such as telecommunications, iron and steel, petrochemicals, petroleum distribution, shipping, airlines, power generation, and defense, as well as public utility companies (both local and central government), agricultural cooperatives, and many service organizations established by local municipal authorities.

The Privatization Administration (PA) is responsible for planning and executing privatization programs of the SEEs. The PA is working to privatize companies which operate in competitive markets and plans to sell companies that are operating at a loss or those that require substantial additional investment in order to remain profitable. For sensitive industries, such as the Turkish Electricity Authority, Turkish Airlines, the telecommunications sector of PTT, Tupras (oil refining), and Petkim (petrochemical industries), the PA plans to negotiate individual management structures with “core investors” on a case-by-case basis, with the government retaining influence in management. Even this limited privatization will continue to be challenged until a social safety-net for displaced workers is established and the sufficient political will power to handle the expected fallout materializes. Bureaucratic and legal infrastructure to deal with privatization also needs to be more fully developed. The more significant Turkish privatization projects are summarized below with the percent of PA’s share:

- *Petkim* - Produces 1,600,000 tons per year of petrochemical products and owns two major plants in Izmir and Yarimca. Production totals (95.9 percent)
- *Tupras* - The largest firm in Turkey with revenues of US \$4.0 billion in 1996, Tupras refines crude oil in four refineries with a total annual production of approximately 27.6 million tons per year (96.4 percent)
- *Petrol Ofisi A.S. (POAS)* - Distributing petroleum products and producing lubricants and grease oil, POAS is one of the most profitable SEEs with a 61 percent share of the petroleum distribution market in Turkey (93.3 percent)
- *Erdemir* - This profitable firm is the only integrated flat-steel manufacturer in Turkey with a crude steel production capacity of 2 million metric tons per year (51.7 percent).
- *Turkish Airlines (THY)* - Serves more than 20 domestic and 67 international destinations. The company’s current fleet is composed of Boeing 737-400 (28), 727-200F cargo (3), and 737-500 (2); Bae RJ-100 (9) and Bae RJ-70 (4); and Airbus 310-304 (7), 310-203 (7), and 340-311 (5), totaling 65 aircraft with a seating capacity of 9,939 passengers.

- *Turkish Cargo Lines* - Owns and operates over 40 ships, providing sea transport to the United States, Europe and the Far East

### *Electrical Power Systems*

Turkey's demand for additional electricity continues to grow at a rate of over 10 percent per year. New power plants are needed each year at an average total annual capacity of 2,000-2,500 MW to meet the demand. Ongoing power projects represent over US \$5 billion of total U.S. investment and may correspond to over US \$2 billion U.S. exports. Fuel (natural gas and coal) supply projects for all of these power plants will create new business opportunities for U.S. firms.

### *Telecommunications Equipment*

Turk Telekom (TT) has over 17 million lines within the public switched telecommunications network and approximately 16 million subscribers. Basic telephone line density is almost 25 percent. Tenders are expected for payphones and satellite earth station equipment. One of the most attractive telecom equipment procurements expected will be for x-band military and scientific satellite and ground station equipment. The expansion of existing GSM networks and establishment of a third and fourth GSM networks at 1800 MHZ (DCS-1800) will create other significant opportunities.

### *Airport Ground Support Equipment*

Demand for ground support equipment is expected to grow due to the continuously increasing number of air passengers, the expansion and modernization of existing airports, and planned new airports. U.S. airport ground support equipment enjoys a good reputation in Turkey. The demand for airport ground support equipment in 1999-2000 is estimated at US \$20 million and is expected to increase at an average rate of 15 percent during the next five years.

### *Security Equipment*

The market for improved, more advanced products and services will continue in the corporate sector (plant and office security) and will grow strongly in the residential sector. Areas of particular demand will be in fire and theft alarms, improved locks and access control systems, and vehicle and vessel security and tracking equipment.

### *Medical Equipment*

Turkey's demand for medical products and related equipment is expected to grow. The total market size for the entire medical equipment sector is around USD 500 million. Sophisticated laboratory and computerized equipment and items for nuclear medicine, cardiovascular surgery, x-ray, anaesthesia, and intensive care are expected to be in particularly high demand.

## *Turkish Government Points of Contact*

Listed below are key points of contact within the Turkish government for the commercial product areas described above.

- Ministry of Energy and Natural Resources  
Konya Yolu  
06100 Bestepe  
Ankara, Turkey

Dr H. Yurdakul Yigitguden, Undersecretary  
Tel: [90] (312) 222-4059  
Fax: [90] (312) 223-4084

- DSI- Directorate General of State Water Works  
Inonu Bulvari  
06100 Yucetepe  
Ankara, Turkey

Prof. Dr. Dogan Altinbilek, Director General  
Tel: [90] (312) 418-3409  
Fax: [90] (312) 418-2498

- TEAS- Directorate General of Turkish Electricity Production and Transmission Corporation  
Inonu Bulvari 27  
06440 Bahcelievler  
Ankara, Turkey

Mr. Zeki Koseoglu, Director General  
Tel: [90] (312) 222-9536  
Fax: [90] (312) 222-9890

- Turk Telekom, Inc.  
Department of Study, Project and Investments  
Samsun Yolu Kavsagi  
06101 Aydinlikevler  
Ankara, Turkey

Mr. Sefer Sakin, Head of Department  
Tel: [90] (312) 555-1408  
Fax: [90] (312) 313-1495

- TGM- Directorate General of Radio Communications  
Ulastirma Bakanligi Sitesi

91. Sokak No. 5 - "L" Blok - 3rd floor  
Emek  
Ankara, Turkey

Mr. Ali Tulumen, Director General  
Tel: [90] (312) 212-3800 or 212-3801  
Fax: [90] (312) 221-3226

- DHMI -Directorate General of State Airports Administration  
Bahcelerarasi Caddesi  
06330 Etiler  
Ankara, Turkey

Mr. Taner Kucukunsal, Director General  
Tel: [90] (312) 215-2266, 215-2267 or 215-2268  
Fax: [90] (312) 212-5222

- Ministry of Health  
Research and Planning Department  
06434 Sihhiye  
Ankara, Turkey

Mr. Muhittin Bal, Head of Department  
Tel: [90] (312) 433-7777  
Fax: [90] (312) 434-4602

## **Doing Business in Turkey**

Generally, U.S. products enjoy a good reputation in Turkey. However, some notable regulations that apply to both commercial and defense transactions are briefly described below.

Proposals and/or quotations submitted to Undersecretariat for Defense Industries (SSM) or the Turkish Ministry Of Defense are first evaluated to ensure technical compliance with Turkish Armed Forces operational requirements. For major co-production projects, the following aspects are considered vital points during the evaluation process: technology transfer, offers for research and development in plants and facilities to be established in Turkey, amount of national content, and net flow currency abroad.

In addition, it is important that bid packages offer *direct* and *indirect* offset programs. The "Offset Guidelines" (prepared in 1991) place almost exclusive interest on direct offsets. Almost every defense project announced by the SSM calls for an offset proposal which is included in the request for proposal (RFP) document related to the project. Companies should carefully study the offset requirements detailed in the RFP document. Firms may obtain and examine a Turkish product catalogue (1997-1998 Turkish Defense Industry Products Catalogue) published by SSM (both in Turkish and English) which contains the names and addresses of

eligible Turkish defense industry producers. In addition, product titles and code names (AcodP-2) of supply articles utilized by the NATO Armed Forces are also included in this publication. A copy of this publication may be obtained from:

- Undersecretariat for Defense Industries (SSM)  
Local Content and Industrial Integration Directorate  
Kirazlidere Mevkii  
06100 Bahcelievler  
Ankara, Turkey  
Tel: [90] (312) 417-2326, Ext. 386  
Fax: [90] (312) 417-9571

(Note: This publication is also available at the Military Attache's Office of the Turkish Embassy in Washington, D.C.)

Turkish State Tender Law (No. 2886) governs preparation and administration of procurement. Articles 51(P) and 89 cover foreign procurement. Copies of these laws and regulations may be obtained from:

- Office of the Chief Counselor for Economic and Commercial Affairs  
Embassy of the Republic of Turkey  
2523 Massachusetts Avenue, NW  
Washington, D.C. 20008  
Tel: (202) 483-5366 or 483-6366 or 483-6367  
Fax: (202) 328-6055

Companies wishing to participate in defense related tenders are requested to have an ISO or an AQAP Quality Assurance Level Certificate. There is no pre-qualification requirement for bidding on Turkish defense procurements. U.S. firms wishing to participate in Turkish defense procurements should also register themselves as qualified bidders with the Ministry of Defense, Technical Affairs Department. U.S. firms should request that their company name and address be entered on the potential bidders list. This MOD office is also a good contact for general procurement information.

Government purchasing agencies may ask company representatives submitting bids to provide additional information and to lower their price proposals when the tender proposal is evaluated. A contract award is normally made to the lowest bidder. Although price is a significant factor, the quality of equipment or service, delivery schedule, availability of spare parts, and previous experience with the supplier will all influence the decision. Contracts may be awarded without competition if the agencies are so authorized by the Council of Ministries. Sometimes, a pre-qualification statement is required prior to submission of proposals.

Turkey appears to be "the first serious test case" of a 1996 human rights law by the U.S. Congress. The law, sponsored by Sen. Patrick J. Leahy (D-Vt) and passed by Congress in 1996, prohibits U.S. funds from aiding units of foreign security forces "that have been involved in

human rights violations.” Consequently, the vast majority of defense contractors doing business in Turkey have problems in obtaining marketing and export licenses for Turkey. However, all defense contractors should be aware that as regional tensions and political concerns wax and wane, obtaining U.S. licenses can become more or less difficult. Major weapon systems procurements are particularly susceptible to political factors because of their high visibility and will continue to undergo intensive review prior to marketing and export license approval.

U.S. firms may wish to consider participating in the International Defense Industry, Aerospace and Maritime Fair held biannually at the Turkish Air League Airport. This year’s event, called IDEF TURKIYE ‘99, will take place from September 28 - October 1, 1999, For further information, contact:

- CNR International Fair Organizations  
(CNR Dunya Ticaret Merkez)i  
Ataturk Havalimani Karsisi  
34830 Yesilkoy  
Istanbul, Turkey

Ms. Serap Yalaz or Mr. Mete Fidan  
Tel: [90] (212) 663-0881  
Fax: [90] (212) 663-0973 or 663-0975  
E-mail: info@cnr.net - <http://www.cnr.net>

### *Import, Export, and Intellectual Property*

The January 1, 1996 introduction of a customs union with the EU marked a watershed in Turkey’s economic history. With this union, Turkey began implementation of EU regulations in important areas such as international trade regulations, competition policy, and intellectual property rights protection. It also reduced the cost of imports. The new tariff rates and the elimination of most “fund” payments associated with imports, reduced the average import payment for U.S. products from about 11% to 4%, and for EU products, from about 6% to zero. The EU accounted for 46.6 percent of Turkey’s exports and 45.8 percent of its imports in 1997.

In 1997, the latest year for which statistics are available, Turkish imports grew by 11.5 percent and were valued at US \$43.6 billion. In 1997, investment goods (machinery and equipment) accounted for 23 percent of total imports, consumer goods, 11 percent, and raw materials, 66 percent. The most important import sectors were machinery, iron and steel, electrical equipment, crude oil and motor vehicles. Turkey’s largest source of imports was from Germany, which accounted for 16.5%, followed by Italy (9.2%), the United States (8.6% or US \$4.3 billion), France (6.2%), England (5.7%), and Russia (4.5%).

U.S. exporters seeking general export information/assistance and country-specific commercial information, may contact the U.S. Department of Commerce, TIDE Information Center, by telephone at 1-800-USA-TIDE or fax at (202) 482-4473, or visit The Commercial

Service Turkey website at <http://www.ita.doc.gov/posts/turkey>. An extensive BEMs website is available at <http://www.stat-usa.gov/itabems.html>.

Turkey is a member of the World Trade Organization (WTO), formerly the General Agreement on Tariffs and Trade (GATT), and regulates its customs practices in line with WTO requirements. Turkish intellectual property protection is inadequate, although in the process of being improved, and Turkey is on the U.S. Government's priority watch list for intellectual property rights violations.

### *Local Agents*

Sections 116 to 143 of the Turkish Commercial Code (Law No. 6762, dated June 29, 1956) governs agents in Turkey. However, agency agreements are private contracts between two parties and their stipulations vary, depending upon the specific contract. There are no fixed commission rates, however, the agency must receive the commission within six months after payment is received by the principal exporting firm. Under the same law, either party may, with three months' notice, terminate an agency contract made for an unspecified period of time. Termination without cause requires compensation. Unless otherwise agreed by the parties, the agency agreement terminates in the event of death, bankruptcy, or restriction of either party. Apart from the above mentioned provisions, there are no laws or regulations that restrict the termination or require the renewal of the agency agreement.

### **U.S. Government Points of Contact**

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