

# Political and social dimensions of the Turkish financial crisis

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The recent collapse of the Turkish financial markets was an important turning point in the crisis of Turkish capitalism. The political and social consequences will be dramatic. The most powerful and aggressive groups of the Turkish and international bourgeoisie want to use the justified and widespread indignation within the population over official corruption to implement extensive changes in Turkey's structures of rule.

While the media announced that the political and economic situation had calmed down after the Turkish lira was allowed to float, in the longer term at least, the opposite should be expected. Even a new military putsch, in some form, cannot be excluded.

On February 19 Prime Minister Bulent Ecevit (Left Democratic Party—DSP) stormed out of a meeting of the powerful National Security Council (MGK), which is dominated by the military, after just 20 minutes. His announcement that the Turkish state faced a serious crisis unleashed a sharp fall on the Ankara stock exchange.

Ecevit accused Ahment Necdet Sezer, Turkey's non-aligned president, of insulting him. For his part, Sezer accused Ecevit's party colleague and right-hand man, Vice-Premier Huesametdin Oezkan, of provoking the escalation.

Only two days later, when the government floated the lira (in line with promises to adhere to measures proposed by the International Monetary Fund—IMF) and both the prime minister and president denied rumours of resignation, did the stock market rise again and bank interest rates fall. The rates had temporarily climbed to 7,500 percent.

At the end of the week, the lira had been devalued by approximately 40 percent. The financial losses of the state banks, running into billions of dollars, have already consumed half the expected tax receipts for 2001. The government wants to push forward with their privatisation. The central bank wants to maintain a consistent policy of keeping money tight. For smaller banks and businesses, in particular, it will become increasingly difficult to repay debts in foreign currency.

The crisis followed a similar occurrence in November last year when the IMF agreed an auxiliary aid package of \$11 billion. The IMF has welcomed the floating of the Turkish currency, however it has made clear that it will not provide any new funds. IMF representatives had called on the government to float the lira after the crisis in November, without success.

There are several different versions as to exactly what occurred during the meeting of the National Security Council. One thing is clear, however: Sezer accused Ecevit's government of not acting energetically enough against corruption. He intimated that Ecevit was covering up for corrupt cabinet members and alluded to Oezkan and Energy Minister Cumhur Ersumer of the conservative Motherland Party (ANAP), the coalition partner of the DSP. The latter is the right-hand man of Vice-Premier and ANAP boss Mesut Yilmaz, against whom several parliamentary investigations had been running but were stopped last year in the context of a deal.

The *Frankfurter Rundschau* wrote: "The president may well have

carefully selected the forum for delivering [Ecevit] his dressing down. Some observers even speculate that he agreed to it beforehand with the generals. The National Security Council, comprised in equal numbers of government politicians and prominent military men, is the body through which the Turkish generals exert crucial influence upon the government. According to the constitution, the cabinet has to give priority to the recommendations of the MGK.

"It is not known if a civilian government has ever opposed a resolution of the National Security Council, with the exception of the Islamic Prime Minister Necmettin Erbakan, who in 1997 vacillated about removing religious fanatics from the civil service, as the generals had demanded. Erbakan was driven from office by the generals, his party was banned by the Turkish constitutional court and he was barred from holding any political office."

It is notable that two participants exercised some restraint during the confrontation between the prime minister and president: the military and the representatives of the fascist MHP or "Grey Wolves". Later, Parliamentary President Oemer Izgi of the MHP mediated at a meeting between Ecevit and the general secretary of the MGK, a general. Afterwards, Ecevit excluded any resignation by the government and a new MGK meeting was set for February 26.

While Vice-Premier Oezkan has only recently become a target, a campaign by the military and newspapers close to the army, such as *Huerriyet*, has already been running against Energy Minister Ersumer and Vice-Premier Yilmaz. It started at the beginning of January.

As part of the so-called "Operation White Energy," a series of managers and bureaucrats, as well as a former ANAP minister, were arrested for irregularities in two rather insignificant energy projects. The operation was carried out by the gendarmerie (police), which is equipped by the army.

*Huerriyet* quoted a provocative assertion made by an anonymous gendarmerie general, according to whom Ersumer had not been informed of the operation up to the last minute. The source added that, more generally, harsh measures would in the future be taken against corrupt civil servants.

A violent exchange ensued between Yilmaz, on the one side, who defended Ersumer and warned of a military dictatorship, and the general staff, on the other side, who accused Yilmaz of "insulting the army". Ersumer refused to resign.

At least in part, Operation White Energy can be regarded as a campaign against Yilmaz by military circles. The army's "cold" putsch against Erbakan in 1997 had in practice made Yilmaz the prime minister. Their reference to his involvement in corruption during the presidential elections last year barely concealed their moves against him.

There is a certain irony in the fact that the gendarmerie is formally under the control of an ANAP man, Interior Minister Sadettin Tantan. However, like Sezer, he enjoys the image of a man with clean hands who wants to act uncompromisingly against corruption. The right-wing American think

tank Center for Strategic and International Studies (CSIS) has pointed out that in May 2000 Tantan signed an agreement on co-operation with the Turkish Foundation for Economic and Social Studies (TESEV), which also co-operates with the Brussels-based European Political Studies Centre. TESEV carries out large-scale investigations of corruption. Under Tantan's direction there have been several other operations similar to White Energy, in the course of which a whole number of businessmen and Mafiosi were arrested.

At a conference with TESEV and CSIS on October 30, Tantan called the "corruption economy" the "greatest threat to Turkey" and demagogically declared: "Unfortunately the main participants in this system of robbery and plunder have become powerful and influential in our public life.... They have not been able, however, to destroy the healthy common sense of our people and our people are now beginning to determine their own fate." One should keep in mind that Tantan is anything but a tribune of popular democracy. He was the minister responsible for the massacre of left-wing political prisoners in December.

Speaking before parliament in November, President Sezer expressed himself just as demagogically against corruption as Tantan. He also said it was the main problem, declaring, "The rich people of a corrupt system should no longer be allowed to control our economy."

The most important operation against corruption is dubbed "Hurricane," and is being conducted in the banking sector, where Tantan is co-operating with the Bank Supervisory and Regulation Body (BDDK) under the direction of Zekeriya Temizel. BDDK was created in accordance with the demands of the IMF and the World Bank.

Temizel and Tantan had their most spectacular success in October, when Murat Demirel, a nephew of the former president, was one of those arrested. He had plundered his own bank under the eyes of the Treasury (which is filled with ANAP appointees). The Turkish media assumed that he had received a tip-off about the investigation from his uncle.

By the end of 2000, 10 banks whose funds had been defrauded by the owners or members of the board of directors were taken over by the state. The supposed opponents of corruption paid scarcely any attention to the fact that the supervisory boards of some of the banks taken over by the state because of mismanagement included retired army generals, as is common in Turkish enterprises. The exposures of corruption and nepotism in the banking sector contributed substantially to the flight of capital and the financial crisis last November.

At the beginning of February, President Sezer launched probes by the State Inspection Council (DDK) into several banks, while rumours circulated in the newspapers that the motivation for the investigations was the desire of Vice-Premier Oezkan to sabotage the gendarmerie's investigations into corruption.

The banks, and particularly the state-owned ones, have for decades been a key element in Turkish politics. They have fostered a culture of material advantage, personal relations, dependency and loyalty. Subsidies have been given to the farmers via the state banks, which are filled with people from the ruling parties. According to some estimates, subsidies constitute 50 percent of incomes on the land.

In Turkey, 43 percent of all employed persons work in agriculture. However, agriculture only contributes 18 percent of the gross national product. Once during an election campaign, Demirel promised farmers that he would keep the price of tobacco above the highest price any of his competitors were promising.

Loyalty was repaid with credits and/or posts. And the whole set-up was financed by printing money, which drove up inflation (over 100 percent) and increased the national debt. Moreover, the budget was burdened annually to the tune of over 10 billion German marks by the war against the Kurds.

As a consequence the state offered high interest rates on government bonds, which offered yields of up to 40 percent. Over 80 percent of the

profits of the 500 largest enterprises arose from loans they made to the state.

Today there are approximately 80 private banks, of which only 10 to 15 will be able to survive, according to economics experts and the Turkish employers association TUESIAD.

Whoever received a credit—large or small—from a patron in a state bank only had to pay it back when inflation had made the total value of the credit worthless. The "inflation lobby" or "high interest lobby"—much-discussed in the context of the "fight against corruption" (which the restructuring of the banking sector is supposed to put an end to)—is thus nothing less than the social support mechanism for the political establishment in general, and the conservative parties in particular. Many foreign investors were deterred by the high inflation rate and the climate of favouritism. According to the trade journal *Dunya*, the Federation of Foreign Capital (YASED) explained that the crisis had to be regarded as a "problem of persons and relations".

Following the military putsch in 1980 the system took on a further dimension. Turgut Oezal, the minister of economics under the junta and afterwards the prime minister until 1989, ruling as the head of the ANAP which he had created, and then president up to his death in 1993, abolished any obligation to prove the origin of foreign exchange and introduced high export subsidies.

Thus Turkey's development made it an attractive centre for money laundering. The military and the secret service increasingly co-operated with Mafia gangsters—in the 1970s predominantly against the left-wing workers and student movements, then in the 1980s first against the Armenian underground group ASALA and then against the Kurdish Worker's Party (PKK), among others.

In 1992, Dogan Gueres became the chief of the general staff. In 1993, Demirel took over the presidency and Tansu Ciller became prime minister. Under their rule, units like the "special teams" and death squads like the Hizbollah were given a free hand to terrorise the Kurdish population in southeast Turkey. They enabled Mafiosi such as Alaatin Cakici, fascists like Tugrul Tuerkes and Kurdish clan chiefs loyal to the state like Sedat Bucak to become rich and powerful men with their own private armies numbering in the thousands.

Policemen like Mehmet Agar and state bureaucrats like Hayri Kozakcioglu are said to have gained control of drug trafficking, putting what Ersumer, Oezkan and Yilmaz are accused of doing today in the shade. Last year Ciller publicly boasted of being involved in defrauding state funds and arms smuggling "for the fatherland". Today she is chair of the conservative Party of the Right Way (DYP). Also sitting in parliament for the DYP is Gueres, who was even a candidate in the last presidential election, as well as Bucak and Kozakcioglu. Thanks to their relations with the army, they have little to fear.

The political influence of these forces has risen even more. In January, the police chief in the Kurdish metropolis Diyarbakir, Gaffar Okkan, was shot, probably by a Hizbollah killer commando unit. The assassination was carried out close to a police station by up to 15 men using automatic weapons, even though a state of emergency exists in Diyarbakir and security precautions are accordingly very strict. For the first time in two years, two Kurdish activists "disappeared" in the Kurdish region, after they had been arrested by the gendarmerie. Several offices of the human rights organisation IHD were closed, and prohibition proceedings were initiated against the IHD in February.

The interlacing of the army and big business actually goes far beyond that. Both the Aid Organisation for Members of the Military (OYAK) and the Foundation for the Stabilisation of the Turkish Security Forces (TSKGV) enjoy tax-exempt status as non-profit organisations. In reality, both have long since become large enterprises and maintain shares in numerous European and American corporations, including Goodyear, Mobil, Shell, Renault and Tuerk Telekom.

The military stands to profit from a restructuring of the Turkish economy along the lines proposed by the IMF. Some generals and MHP ministers, however, oppose for nationalist reasons any far-reaching opening up of strategic sectors of the economy to international capital.

The winners will also be large holdings like Koc and Sabanci, which domestically and abroad have sufficient capital and power to hold their own under market conditions.

The workers and the poor have already lost due to the devaluation of the national currency, and will lose still more from the cuts announced in the budget and privatisations. The social situation is already explosive: the average per capita income amounted to approximately 7,500 German marks for the past year.

The richest 20 percent of the population monopolise 55 percent of all wealth, while the poorest 20 percent share just over 5 percent. A third of the population lives on the poverty line, and for 20 percent of the population hunger is a daily reality. Many people have two jobs and work almost around the clock in order to keep their families alive.

Ecevit wants to avoid new elections at all costs. So far he has also rejected a cabinet reshuffle—demanded by the employers associations and supported by the trade unions—probably under the pressure of ANAP.



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