

# As Turkish economic crisis deepens, tens of thousands protest IMF and government policies

**Justus Leicht**  
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Last Saturday, as tens of thousands of workers protested in the streets and following massive pressure from western banks and financial institutions, the Turkish government presented a programme for an extensive reorganisation of the economy and drastic cuts in living standards.

The immediate cause of the latest round of developments is the aggressive action by leading circles of the influential Turkish military and state President Ahmet Sezer in an alliance with the International Monetary Fund and the World Bank. They are attempting to break up the established fabric of politicians, officials and businessmen which has dominated Turkish society for decades. The employers Federation Tüsiad also belongs to this alliance and has been mobilising support for its programme at home and abroad with its ostensible struggle “against corruption” and “for democratisation”.

The economic programme that has now been put forward can only be realised, however, through the systematic impoverishment of an already hard-hit population and is therefore incompatible with genuine democratic pretensions.

The current financial crisis was unleashed at the end of February after a deliberate affront by state President Sezer against the head of government, Bülent Ecevit, in the National Security Council—an organ of state predominantly in the hands of the Turkish military. Sezer accused Ecevit of failing in the fight against corruption. The scandal was widely spread in the media.

The initial consequence was a collapse of the Turkish stock market and then, after the floating of the Turkish lira, a devaluation of 40 percent in the value of the currency and real wages. Since then the economy has collapsed: the Gross National Production has shrunk and inflation has soared. The government is now predicting a negative growth of 3 percent for the economy this year and an inflation rate of over 50 percent. For their part, investment banks such as Morgan Stanley Dean Witter predict 7.2 percent negative growth and inflation of nearly 70 percent.

Over the last six weeks industrial production has shrunk by 10 percent, several thousand small factories have been forced to close, entire branches of industry such as textiles and shoe manufacturing have come to a virtual standstill and an additional half million workers have lost their jobs. Prior to the crisis unemployment in Turkey already stood at 18 percent. According to newspaper reports, medicines and even blood plasma are in short supply. International chemical companies are refusing to deliver their products because of the insecurity surrounding the currency.

At the beginning of March responsibility for the largest sector of economic and financial life in Turkey was handed over to Kemal Dervis, who up until then was the vice president of the World Bank. Dervis had worked for the institution since the end of the '70s. At that time he had broken with the then (and current) social democratic Prime Minister

Bülent Ecevit, who had refused to implement a programme of radical privatisation of the economy during a period of broad workers' struggles. In 1994, Dervis was a founding member of the YDH (“New Movement for Democracy”). YDH, which was led by a former head of the Turkish Employers' Organisation Cem Boyner, proposed a compromise on the issue of the Kurdish question, political concessions to the Islamic movement and a radical programme of economic liberalism. The organisation disappeared from the map following elections a year later.

On March 19 the government agreed a “programme of reforms” with the IMF involving a reorganisation of the banking system, budget cuts and privatisation. The reaction to the very general terms of the programme by international financial circles was sceptical. They did not believe that the government—consisting of a coalition between Ecevit's social-democratic DLP (Democratic Left Party), the conservative ANAP (Motherland Party) and the Fascist MHP (Nationalist Movement Party or “Grey Wolves”)—was capable of imposing the cuts bound up with the programme. Turkey's state banks and concerns are amongst the most important instruments employed by the parties to buy political loyalty. Western governments, the IMF and financial institutes are therefore exerting massive pressure on Turkey. Letters from Ecevit appealing for billions of dollars in credits have been turned down or bound up with demands that the economy first be restructured.

Turkish newspapers and employers' organisations, with the tacit support of the generals, are leading a relentless campaign against the “incapable” and “corrupt” government. At a recent sitting the National Security Council even felt obliged to issue a text—which failed to calm anybody—denying the possibility of a military putsch.

The Turkish and western media claim that the issue at hand is to transform Turkey into a modern democracy. An article in the conservative *Frankfurter Allgemeine Zeitung* of March 19 made clear what was really at stake: “They [the traditional political leaders] all refuse to rid the republic of its out-dated ideological corset, refuse to acknowledge that expensive budgetary policies and cheap populism, oriental clientele politics and Byzantine nepotism belong to the past and that Turkey must finally become a modern state, requiring the establishment of an open society based on the principles of transparency, accountability, efficiency and profit orientation.... Apart from populism, most politicians have learnt nothing else. In the past Turkey experienced acute crises caused by politicians who refused to allow technocrats to enter the government.”

Such technocrats came into government, not through the popular vote but rather as products of military putsches whereby the generals put an end to “cheap populism and expensive budgetary policies” through measures of bloody repression: “Following every putsch, politically independent experts either joined the government or constituted the government as a whole, and repeatedly the country turned to leading

Turkish officials of the World Bank for assistance. Until," as the *Frankfurter Allgemeine Zeitung* regrettably comments, "a new elected parliament reversed all the former measures."

Nevertheless, the newspaper notes contentedly: "Technocrats also have more influence in Ankara following the severe financial crises of last November and this February. A gradual process of stripping the government of power has begun, presumably not without the knowledge and agreement of the generals who appear to be unhappy with the government's performance."

Up until now the government has barely put into force any of the "structural reforms" that have been called for. It has simply attempted to transfer the crisis onto the backs of the population by repeated drastic increases in the prices of all those products subject to state monopoly: petrol, alcohol, tobacco, sugar and paper. After the credit worthiness of Turkey was reduced by international banks and credit agencies at the beginning of April and the value of the currency sank once again, government representatives met with the IMF and World Bank over the weekend of April 7-8 to accept the demands of the latter, which then became the basis of the economic programme presented Saturday.

On April 9, the *German Financial Times* described some of the aims of the programme: "Public expenditure is to be drastically cut by a quarter, state income to be raised by 10 percent. From the beginning of 2002 subventions for agriculture are to be done away with, all state-run agricultural facilities are to be sold off. Following negative growth this year, the plan envisages economic growth of 4.5 percent for the year 2002 and 5.5 percent for 2003. The most radical measures are foreseen for Turkey's ailing banking sector: offshore accounts are to be done away with, the owners of bankrupt financial institutions are to be made punishable through their private property. The losses by state-owned banks due to bad credit alone are reckoned to amount to at least \$20 billion. Ankara plans to use the major part of the hoped-for financial injection to cover these debts. The government has an additional ambitious aim of raising \$10 billion by cuts in the public purse.

"The savings programme extends from the recommendation to use both sides of writing paper to the axing of a majority of more than 5,000 planned investments. The majority of the 230,000 apartments for state officials are to be sold, a percentage of the total of 2.5 million state officials to be prematurely retired. Millions of occupants of illegally built houses will be required to legalise their properties for a fee: it is estimated this measure will raise more than \$5 billion."

The programme also envisages that international capital will be attracted to Turkey by the privatisation of the state banks, the energy sector, the airlines and the telecommunications branch, as well as making the Central Bank independent of politics. Financial newspapers make clear, however, that because of economic instability there is no guarantee that buyers will be found for the various branches of economic activity.

On Saturday the government passed just two of the fifteen new laws which it has pledged to implement. It is by no means clear whether the international banks will be satisfied even when all 15 laws are passed. Following the events of last weekend, the IMF is expected to finally agree to allow Turkey to receive a long-promised credit of \$6 billion dollars. The requirements, however, demand considerably more: according to the World Bank the costs of renovating the entire banking system are of the order of \$35 billion. Turkey will be required to demand \$10.1 billion for the next three months alone.

On Saturday, economics minister Dervis was forced to expressly retract his announcement in March that he would offer majority ownership of Turkish Telecom to international investors. According to the US television network NBC's MSNBC web site of the same day, he declared: "We'll soon send a draft to the parliament that suits Turkey's strategic targets and safeguards strategic issues and national defense issues."

There are reasons behind the reluctance and manoeuvring on the part of

the ruling coalition when it comes to fulfilling the demands of the IMF and World Bank. According to opinion polls, all the political parties in Turkey are so discredited that none of them would be able to exceed the 10 percent hurdle laid down for Turkish elections. Following nation-wide demonstrations by hundreds of thousands of independent and small employers at the start of last week calling for the resignation of the coalition, the government gave way to some extent: the state bank responsible for small traders is due to halve its interest rates, which had risen to 110 percent following the latest financial crisis. In addition, the traders are to be given an extension for the payment of overdue taxes. Following threats by peasant organisations to organise their own protests along the lines of those of the small businessmen, it is expected that the government will also make some additional concessions.

As a result it is highly controversial whether it is at all possible for the government to implement the economic programme. Prime Minister Ecevit has ruled out his own resignation. The government has also up to now resisted pleas, for example by the employers federation Tüsiad (Union of Industrial and Businessmen), for a reorganisation of the government. In the current tense state of affairs Tüsiad is not calling for new elections. Along with the European Union the organisation is calling for a political liberalisation to accompany the economic one, in order to include bourgeois political forces which have been excluded from the political set-up as it stands. To this end it is calling for an end to the death penalty, a reduction in the political influence of the military as well as the inclusion of "ethnic", i.e., Kurdish, nationalist parties such as the persecuted HADEP (Democratic Peoples Party), which has the majority of town mayors in the southeast of Turkey. The HADEP is currently the subject of proceedings aimed at banning the party. The same applies to the VP (Islamic Virtue Party), the biggest opposition fraction in parliament. The constitutional court is expected to decide on a ban in the middle of April, a move which could lead to new elections.

Up until now the government has preferred to use other means to hang onto power. In addition to appeals for "national unity" and the readiness of the population to make sacrifices, the government is also encouraging a deliberate hysteria regarding law and order as well as appealing to anti-Kurdish sentiments. The government remains obstinately defiant in the face of demands by left-wing political prisoners who have been on hunger strike for months against isolation cells and inhuman conditions in the jails. Ten hunger strikers have died in the past 10 days and a further sixty are critically ill.

At the beginning of April the government passed a decree for the media which stipulated: "The fact that terrorist activities have ended does not mean that the danger from terrorism has disappeared. Within this framework, media organs should continue to support and to show interest in the struggle against terrorism and should broadcast programs to increase morale and motivation of the people. At times of sustained terrorist activities, the media should use every opportunity to emphasise that groups which take their side by the state will always receive the necessary attention and that the state will always support these groups."

A few days later a pogrom took place in a small town in the northwest of Turkey. Following the discovery of the body of an 11-year-old girl in the house of a Kurd, a rampaging right-wing mob took to the streets crying: "Susurluk will be the grave of the Kurds! Death to Kurds, down with the PKK (Worker's Party of Kurdistan)!" The mob burned down houses and businesses and could only be checked by the intervention of armoured vehicles. The suspected culprit was a "village guardian", i.e., a member of the right-wing militia faithful to the government. However, this did not prevent supporters of the MHP from threatening Kurdish inhabitants days after the incident first took place. Representatives of the human rights organisation IHD claimed that press coverage was partly responsible for the pogrom.

Should the VP be banned and new elections held, in the current climate

of nationalist flag waving and intimidation encouraged by the state and media, a victory for the neo-fascist MHP as the strongest party cannot be ruled out. Such an eventuality would nevertheless precipitate new, wider conflicts. Already a few newspapers have drawn parallels between the present situation and the instability at the end of the '70s, which was the preamble to a take-over by the military on September 12, 1980.



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