

# Turkey: IMF plan demands new attacks on working people

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On May 12, Turkey signed a new three-year, \$US10 billion loan agreement with the International Monetary Fund.

On the same day, the IMF immediately released \$837.5 million and also approved a one-year extension on \$3.80 billion in repayments due from Turkey in 2006.

Following the IMF executive board's discussion on Turkey, IMF Managing Director Rodrigo de Rato gave an extremely optimistic prognosis: "Turkey's economic performance is at its strongest in a generation. Growth was 8 percent on average over the last three years, while inflation has fallen to single digits, its lowest level in more than 30 years. Strong policy implementation under previous Fund-supported programs has given rise to this impressive performance. Together with the EU's decision to open accession negotiations, this signals a sea change in Turkey's economic prospects."

Meanwhile, the IMF executive board statement on the new stand-by agreement added, "Turkey has concluded the last fund-supported program successfully and the impressive outcome has laid solid foundations for the new program. These reforms have delivered a decisive break with Turkey's history of high and variable inflation, and low and volatile growth. Output has recovered strongly from the 2001 recession, with annual growth rates averaging 8 percent over the last three years. Inflation is now well below 10 percent and government debt has declined to 63.5 percent of GNP."

Like the IMF, the Turkish media has hailed the last three years of positive growth rates as the end of the crisis and claims that this will continue indefinitely. Over the last two years especially, Prime Minister Recep Tayyip Erdogan and all the other leading figures in the ruling Justice and Development Party (AKP)

have repeatedly stated that, "The Turkish economy is no longer vulnerable. The periods of crisis are over."

For the last few years, both the IMF and the AKP government have tried to explain this recovery as a result of "successful crisis management". The unmentioned reality behind the growth and deflation is that the unprecedented appreciation of the new Turkish lira (YTL) and sharp reductions in wages is the result of a dramatic increase of the surplus value extracted from the working class.

Since the middle of 2002, gains on stock market speculation have soared—almost 40 percent in real terms—and consequently a huge amount of foreign speculative capital has entered the Turkish asset markets over 2003 and 2004 with the aim of siphoning off as much public resources as possible.

This surge in the inflow of speculative capital resulted in a further appreciation of the YTL and a massive increase in imports—which means a fast growing trade and current account deficit.

However, the inflow of speculative funds also serves to finance the current accounts deficit which it has fueled. The current account deficit has reached a record \$16 billion for the last 12 months. This corresponds to about 5.3 percent of gross domestic product (GDP). Nonetheless, the AKP government insists that the current account deficit will not create a problem as long as it is financed. The problem is that financing such a deficit with so-called "hot money" is not sustainable.

The overvalued Turkish lira also generates the illusion of a falling ratio of net public sector debt to GNP. Total public debt as a ratio to GNP has fallen from 91 percent in 2001 to 63.5 percent, but this is mainly due to the fall in the foreign debt measured in new Turkish lira prices. When calculated in real terms, public foreign debt has increased more than 50 percent

during this period.

In a nutshell, the overvalued Turkish lira reduces the cost of imports, lowers the YTL equivalent of the foreign and domestic (as an important portion of both are in foreign hard currencies) debt and reduces inflationary expectations.

On May 6, just before the official approval of the stand-by agreement, IMF First Deputy Managing Director Anne Krueger made outrageous remarks in her speech in Ankara about this latest deal, demanding a new round of attacks on Turkish workers. She maintained that in Turkey, “A more flexible labor market is ... badly needed. Labor market rigidities and high minimum wages act as a disincentive to hire new staff.”

Krueger was asked by a journalist, “Can one live on the minimum wage in Turkey?” She replied arrogantly: “If you have to, you have to. Lots of people even live with less money because they cannot even earn the minimum wage because they are unregistered employees. We want to fix this but this will take time. And the problem is not only the minimum wage. To me, we have to reconsider [laws on] employing people, firing them, and the conditions which cover all of business and labor life.”

The net monthly minimum wage for those over 16 years of age is currently about 350 new Turkish liras (\$260, €200), while the current poverty line for a family of four is about 1,600 YTL (\$1,190, €915), 4.5 times the minimum wage.

A report recently prepared by the Turkish government reveals that one out of every four Turkish citizens is living below the poverty line, while 82 percent of them are not covered by the social security system. The report also reveals that only 48 percent of the country’s total workforce is covered by the social security network.

According to the Turkish Central Bank’s annual report (2003), real wages dropped by 30 percent during the 1994 financial crisis, and remained suppressed during the 1994-98 period. Only in 1999 and 2000 was there a slight improvement, but this amounted only to an 11 percent increase on 1994 levels, when real wages had already plummeted. Thus, in 2000, just before the latest and largest financial crises, wage earners had not even recovered their losses from the 1994 crisis. After the two consecutive crises in November 2000 and

February 2001, real wages plummeted once more, and this downward trend has continued through 2004. The Central Bank’s data shows that between 2000 and 2002, public sector wages declined by 21.8 percent and private sector wages declined by 25.2 percent.

Here the treacherous role of the labor bureaucracy should be emphasized. It did its best to prevent the workers from waging a militant struggle against the neo-liberal policies of successive governments.

The new IMF program will have serious social repercussions in a country where a quarter of the population lives below the poverty line, more than a million people go hungry and the vast majority finds itself in a state of misery and desperation.



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