

Turkey hit hard by international finance crisis

Sinan Ikinici

8 December 2008

In a televised “address to the nation” one week ago Recep Tayyip Erdogan, Turkey’s prime minister and the leader of the Islamist Justice and Development Party (AKP), once again expressed unfounded optimism regarding the consequences for the Turkish economy of the deepening global financial crisis. Erdogan claimed the crisis has already reached its climax and that its effects will now begin to decline.

Erdogan’s government has been under fire for the last two months—particularly from the so-called “secular” faction of the Turkish bourgeoisie—for underestimating the global financial and economic crisis and not taking the necessary precautionary measures. Despite this, Erdogan declared: “We predict that the crisis has reached its peak and is now in decline.”

He also attacked his bourgeois opponents, commenting: “There are some circles that have been speculating to benefit from the gloomy atmosphere of the crisis. I ask you to please not pay attention those who try to discourage you with pessimistic words. Please just ignore them...Turkey has enough potential to withstand and overcome the crisis.”

Like his previous and equally controversial televised “address to the nation” a month ago, Erdogan once again talked about the possibility of “turning the current crisis into an opportunity.”

On Monday, Deputy Prime Minister and government speaker Cemil Cicek, Finance Minister Kemal Unakitan, and Deputy Prime Minister and Minister of State for Coordination of the Economy Nazim Ekren made similar statements on different occasions.

A month ago, reactions to Erdogan’s speech were relatively mild and restrained. This time, however, even many of his past supporters in the liberal academic community reacted strongly to his remarks. Seyfettin Gursel, professor of economics at Galatasaray University, caustically told *Today’s Zaman*, “If something like this was true, US Treasury Secretary Henry Paulson wouldn’t hesitate to announce it.”

Gursel explained that even according to the best case scenario, stagnation and recession in the world’s major economies will only end by the second half of 2009. “It is clear that Erdogan is wrong in his claim that the worst has passed. It would be very difficult for the recovery to start today or tomorrow,” he added.

Journalists such as *Today’s Zaman* columnist Asim Erdilek, who are known as loyal supporters of the AKP government, have already started to share the criticisms of the rival political faction. In his article dated December 1, Erdilek wrote, “The government has underestimated the potential impact of the global financial crisis on Turkey. It has postponed until recently negotiating a standby arrangement with the International Monetary Fund that would increase confidence and supplement foreign exchange reserves.

“It has also delayed the announcement of an emergency program to stimulate the economy and control the damage from a domestic financial crisis.... Ignoring unpleasant realities, it has made Panglossian assumptions, such as a 4 percent real growth rate, in its 2009 annual economic program. This ostrich-like behaviour is disconcerting in light of the fact that Turkey participated in the recent G20 emergency economic summit.”

There is absolutely nothing progressive in such criticism, which offers nothing to the Turkish working class and other layers of the working population. Erdilek’s call for an immediate stand-by agreement with the IMF would only mean new and harsher austerity measures and further attacks on working people.

It took less than 24 hours before the publication of newly issued data refuted the hollow optimism of Erdogan and his government. On Monday, the Turkish Exporters’ Assembly (TIM) announced that Turkey’s exports in November plummeted 22.3 percent compared to same period last year. This is the second monthly fall in a row. In October Turkey’s exports dropped 3.1 percent compared to October 2007.

In November the automotive industry was the biggest

loser, followed by the country's garment and textile exports. A downturn was also observed in other industrial sector exports, as well as in mining industry exports.

These figures clearly confirm the analysis of the WSWS dated October 1: "The crisis has been spreading into developing countries through two main channels. The first one has already started to work out its implications. Economic decline in rich and industrialised countries has already led to a cut in exports from the developing world. However, its results haven't fully manifested themselves yet." (See "As the international finance crisis intensifies: Turkish economy falters")

The tendencies outlined in this article are now manifesting themselves fully. Rather than reaching its peak, these figures point out that Turkish capitalism is in the early stages of its economic crisis. As Canadian economist David McNally told the Turkish daily *Cumhuriyet*, "There will not even be a single sector left in Turkey unaffected by the crisis. But those sectors which are most dependent on foreign investments and exports will be affected the most."

For the last two months Erdogan and other government officials have been claiming that Turkey's financial system is sound, profitable and has no involvement with toxic financial assets. Although there is an element of truth in this, it is mainly based on a static point of view. Certainly the profitability of Turkish banks, which constitute the backbone of the relatively underdeveloped financial system of Turkish capitalism, will suffer as a result of the breakdown of inter-bank lending coupled with weakening domestic demand and the global crisis. Early signs of this tendency have already appeared and recent figures show that the profitability of Turkish industry fell in the third quarter of this year.

The relative advantage of Turkish capitalism, achieved after the 2001 crisis at the cost of huge losses in real wages and living standards of working people, will evaporate as the ability of bank clients to repay their debts deteriorates.

Turkish capitalism is very dependent on foreign capital inflows of all kinds (mainly comprised of speculative inflows, foreign direct investments and foreign debts). As this turns into a trickle, other facets of the economy have already started to suffer. Speaking at the Moody's Second Annual Turkey Credit Risk Conference on December 2, the senior vice president and leading analyst at Moody's, Kristin Lindow, stated that Turkey urgently needs at least US\$120 billion to handle the crisis. A rough calculation indicates that Turkish capitalism is capable of financing only a third of this amount.

More bad news followed Erdogan's speech. According to CNBC cable television, the Turkish consumer confidence index dropped to its lowest since the figure began being measured in 2002.

Last Monday, the Turkish Employment Organization (?SKUR) announced that the number of people applying for jobs in October increased 134 percent over the previous month, and by 126 percent compared to October 2007. This increase is a clear indication of a coming upsurge in unemployment, which had been running high even during the speculation-driven economic growth period of 2002-2006.

As the latest export figures reveal, Turkish car exporters are especially vulnerable to the effects of a serious recession in Europe, which is expected to be deep and prolonged. Last week Ozlem Gulsen, chief of the Association of Automotive Parts and Components Manufacturers, told *Vatan* that the industry may shed 100,000 jobs in 2009. "Producers will probably make less than half of the vehicles they had targeted this year," she said. According to Gulsen, spare parts factories, employing about 200,000 workers, are currently working three days a week instead of six and two shifts a day instead of three.

Also last week, the Turkish Statistical Institute announced that Turkey's industrial output dropped 8.5 percent in October compared to October 2007. Industrial production had already fallen 5.5 percent in September and 4 percent in August. This means that Turkish capitalism has experienced three consecutive months of falling industrial production and the rate of this decline is accelerating.

This trend is matched by the decline in the rate of capacity utilization in manufacturing industry, which dropped 9.7 points to 72.9 percent in November 2008. Capacity utilization has also been falling for the last three months.

These cutbacks in production are bound up with dramatic cuts in salaries and an accelerating rate of redundancies. Turkish unemployment in 2009 is predicted to continue to climb, inevitably unleashing a fresh round of intense class struggles in the country.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact