Further slump in Turkey’s industrial output

Sinan Ikinci
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According to a statement issued by the Turkish Statistical Institute (TUIK), industrial output from Turkish factories, mines and utilities fell for the fourth straight month in November. This is the largest drop in production since November 2001, following the devastating financial and economic crisis of February 2001.

The TUIK statement notes that the biggest decline in manufacturing took place in the automotive industry, one of Turkey’s leading economic sectors: “When the manufacturing industry production index in November of 2008 is compared to November 2007, the biggest decline was in the manufacture of motor vehicles, trailers and semi-trailers (-41.2 percent), followed by the manufacture of medical, precision and optical instruments (-27.2 percent) and basic metal industries (-25.7 percent)”.

In August, September and October, Turkey’s industrial production declined by 3.5 percent, 4.2 percent and 7.2 percent respectively. All leading figures indicate that industrial production plummeted in December as well. For example, exports in the automotive sector fell by 45.4 percent in December 2008 compared to the same month of 2007, a new record. On Monday, January 12, the TUIK announced that capacity utilisation in manufacturing industry fell sharply by 16 points to 64.7 percent last month compared to December 2007.

The last time Turkish capitalism recorded four straight months of falling output was during the crisis of 2001, the worst since World War II.

These figures clearly indicate that Turkish capitalism is not immune to the global economic downturn, as leaders of the ruling Islamist AKP (Justice and Development Party) have repeatedly suggested. In recent months, Prime Minister Recep Tayyip Erdogan gave a series of speeches claiming that the effects of the global crisis on Turkey will be minimal, even boasting that Turkey has the potential to turn this crisis into an opportunity.

A day before TUIK’s announcement, Tofas, the Turkish manufacturer of cars for Fiat, laid off 657 employees, while 241 more resigned. In a statement to the Istanbul Stock Exchange the company said, “The layoffs are due to the continuation in the global economic recession that is squeezing foreign and domestic demand”.

The totally corrupt right-wing Turk-Metal union (Union of Metal, Steel, Ammunition, Machinery, Automobile and Related Industry Workers of Turkey) played a major role in facilitating these layoffs and “resignations,” as well as ensuring that there would be no collective resistance from Tofas workers.

The reaction of the union bureaucracy comes as no surprise. In Turkey, as is the case all around the world, the attacks on jobs and living standards have been facilitated for decades by the betrayals of the trade union bureaucracy. If Turkey signs a new deal with the IMF that includes austerity measures, it can be predicted that Turk-Metal and the rest of the unions will work again to suppress the resistance of workers.

Tofas and Turkish units of Toyota and Ford suspended production in November. Overall, vehicle production by the two companies halved in the month compared to November 2007.

While it is possible to track the mass layoffs carried out by publicly traded companies, these companies directly employ only a relatively small section of workers. More than 90 percent of companies in Turkey employ less than 30 workers, and almost half of the workers are unregistered.

Nevertheless, many of the company statements sent to the Istanbul Stock Exchange detail the implementation of layoffs, plans for mass job cuts, suspension of output as well as closures.

Tractor producer Turk Traktor suspended production last week from Monday through Friday. Otokar, producer of buses and armoured cars, suspended production for seven days up to January 11 and will suspend production again from January 26 to February 1.

Edip ?plik, a major yarn factory located in Edirne, announced that it would permanently halt production. Two months ago, Sonmez Filament, a major polyester yarn and fibre producer, has also decided to quit the industry. On January 5, Componenta Dokumculuk, a manufacturer of iron products, announced that it will lay off 425 of its workers.

In line with the plummeting industrial production, particularly in November and December, the number of Turkish citizens who receive unemployment benefits has increased sharply. In December, unemployment benefit claims increased by 90 percent, compared to December 2007.

Figures released by the Turkish Employment Organisation (?skur) reveal that the number of people who receive unemployment benefits increased almost 90 percent last year.

In 2000, the country’s unemployment rate was 6.5 percent, and this ratio jumped to 10.3 percent immediately following the devastating 2001 financial crisis. The latest official unemployment rate is once again 10.3 percent, and it is likely that the jobless rate will exceed 2001 levels in the first months of this year.

Unemployment benefits in Turkey are provided for a very limited period of time, and unemployed people are paid between TL265 (US$170) and TL533 (US$343) a month. According to a recent survey released by the Confederation of Labour Unions of Turkey (Turk-Is), a family of four needs TL740 monthly to buy food alone (hunger threshold) and TL2,409 monthly to cover mandatory expenses such as food, rent, transport, health and education (poverty threshold).

While the ruling AKP seeks to downplay the seriousness of the situation for Turkish capitalism, the reality is that the country has a current account deficit nearing US$40 billion and a total foreign debt of US$250 billion. In the current financial downturn this makes Turkey one of most vulnerable countries along with East and Central European countries, as well as Mexico and South Africa.

In the 2003-2007 period, Turkish capitalism enjoyed a period of relatively rapid economic growth, mainly based on foreign capital inflows and speculative-led growth. This did little to ameliorate real unemployment levels and only served to increase social and economic inequality.

A new stand-by agreement with the IMF is in the making and will probably be signed sometime in February. Such an agreement would undoubtedly mean harsher attacks on the working class—including stricter austerity measures, the expansion of “flexible” and insecure working practices, and a further attack on real wages.

For some months the leadership of the ruling AKP played for time, concerned about the negative impact of a new IMF agreement prior to upcoming local elections in March 2009. Along with many other measures, IMF representatives responsible for Turkey have spoken of “the need to implement the stricter control of local government finances,” which will bind the hands of the AKP on the eve of the elections.

On one occasion, Erdogan even went so far as to say, “We make deals only if our interests are satisfied. If they try to push us into a deal, saying, ‘Now’s our chance, let’s throttle Turkey’, then, forgive us, but we will not be involved in such a business”.

Now, however, in response to the financial crisis and the growing economic downturn, the AKP leadership put aside its rhetoric and at the end of December, following three weeks of discussions on the new budget, agreed to major spending cuts in the departments of justice, education, agriculture and the health ministry, as well as cuts in state investments. These are likely to be just the first steps taken by the government prior to the IMF agreement, with many other harsh measures to be announced soon.