Turkish crisis hits working people

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The Turkish lira’s (TL) freefall depreciation against the US dollar and the euro has immediate repercussions on prices of goods and services, raising the official inflation rate to 15.4 percent in July—the highest level in 14 years. This, however, largely underestimates the real increase in prices.

At the beginning of the year, the minimum wage, paid to almost half of Turkish workers, was 1,603 TL, equivalent to 424 USD, when one dollar was 3.78 TL. Now it is only 221 USD. At the beginning of August, the average monthly gas and electricity bills rose to 14.7 percent of the minimum wage, while prices of staple food products have increased two- or in many cases three-fold.

Widespread workplace closures, bankruptcies and downsizings are threatening all sectors of the deficit-ridden Turkish economy, including construction, banking, automotive, metal, textile and even agriculture. Within a year, Turkey’s Istanbul 30 stock market index has fallen by more than 50 percent in US dollar terms, indicating a danger of stagflation.

Turkey’s heavily import dependent construction sector, mainly responsible for the growth of the Turkish economy over the last decade, has already come to a standstill, leaving tens of thousands of workers unemployed, as the collapse of lira led to a drastic increase in costs.

The number of redundancies and unpaid days off are increasing in the textile and metal industries. According to a current statement of the Dev-Tekstil trade union’s Cukurova branch, some 1,500 textile workers have already lost their jobs in the region.

Meanwhile, there are growing rumors among metal and automotive workers that multinational conglomerates, such as Bosch, Ford, Mercedes Benz, Siemens, Renault and Tofas, are preparing unpaid holidays for masses of workers. It is also reported that Renault executives are considering “voluntary” layoffs by offering the payment of 10 months’ wages.

A woman, who “is keeping the savings of her entire hard working years in a lira account”, told a Xinhua News reporter on Monday: “Now all my gains, my insurance for my elderly years are shrinking in front of my eyes. Over 40 percent of it has just disappeared.”

The crisis hits relative affluent sections of the society as well. According to Xinhua, a shop owner in central Istanbul “with tears” said, “I really don't know how I am going to pay the rent of my shop next month.” Ozlem Yavuz, a 40-year-old high school teacher, told the reporter: “I paid approximately 450 dollars last August for my English language books. It was equivalent to 1,600 liras then. Today the same books are over 3,000 liras and I have no clue what would be the cost next month when the schools open.”

While the great majority of the people have been overwhelmed by the destructive impact of the crisis, business circles are taking advantage of further government promotions in the form of numerous incentives, tax amnesties, economic stimulus packages and easy money, as well as a heavy crackdown and bans on industrial actions of the working class.

The Turkish private sector has a debt of more than 300 billion USD in foreign currency, whose servicing cost has doubled in local-currency terms as the lira further depreciates. The deficit of the Turkish government is running at around 6 percent of GDP.

On Monday, Turkey’s Central Bank introduced a range of measures in the hope of managing liquidity and restoring stability to the financial markets as the TL continued its free fall. According to a Turkish central bank official, it will bring about “10 billion liras (1.5 bn USD), 6 billion USD and 3 billion USD equivalent of gold liquidity” to the financial system “to maintain financial stability.”

Meanwhile, Turkey’s Minister of Industry and Technology Mustafa Varank has announced that the government will provide 1.2 billion Turkish liras (183 million USD) to support local industries. According to his statement, the “support package aims to reduce the current account deficit and encourage production of high value-added outputs.”

There is little doubt that the Turkish government can only provide this liquidity to the financial markets due to support from China. In late July, Turkey’s state-run Anadolu news agency reported that the Industrial and Commercial Bank of China (ICBC) had provided a $3.6 billion loan package for the Turkish energy and transportation sector. Citing from a tweet of the Turkish Treasury and Finance Minister Berat Albayrak over his negotiations in China, the agency stated: “The $3.6 billion loan package from Chinese financial institutions for energy and transportation sector investments—private sector, public institutions and banks—has been completed.”

Satisfied with this additional government support, the Turkish ruling class has lined up behind Erdogan and what he calls a “national war of independence” against US president Donald

Trump.

In a joint statement Tuesday, Turkey’s leading business groups, The Union of Chambers and Exchanges of Turkey (TOBB) and the Turkish Industry and Business Association (TUSIAD) said that a “concrete roadmap should be prepared to lower inflation permanently,” while also calling for austerity measures. “We have full confidence that our economy will be balanced again to get back to a sustainable growth process quickly by executing the necessary measures,” they added. They also reiterated their “belief” that Turkey’s “relations with our most important trading partner, the European Union, should be turned back into a positive frame”.

Another main business group, MUSIAD (Independent Industry and Business Association) was more enthusiastic in its support to the government. It stated in a press announcement that it “vigorously condemns the unethical political games, to which our country has recently been exposed and that cannot be explained on any economic basis. We hereby declare that regardless of all the attacks against our national economic model we stand behind our President and our economic administration ‘till the end.’”

The bourgeois opposition parties also slammed the US for “trying to humiliate the Turkish nation,” and declared their support for the government against Trump while criticizing Erdogan’s policies in an imperceptible way.

Turkey’s strongest trade union confederations have followed suit. In a statement, Ergun Atalay, chairperson of Turk-Is (Confederation of Workers' Trade Unions, Turkey’s largest trade union confederation) declared: “The government and opposition, and non-government organizations; all of them should act together. It is the day of protecting Turkey.”

Speaking at a meeting on August 11, Mahmut Aslan, chairperson of Hak-Is, the second largest trade union confederation acting as the workers branch of Erdogan’s Justice and Development Party (AKP), stated that Turkey was “on the brink of a new war of liberation; an economic warfare. On the one side, there stands our nation, and imperialist forces on the other.”

Two public employees’ trade unions confederation (Memur-Sen and Kamu-Sen) also participated in the campaign under the banner of Turkish nationalism.

Being aware that the support of the bourgeois opposition parties and trade unions might not be sufficient to avoid mass opposition of the working class to mass layoffs, austerity measures and further impoverishment, Erdogan’s government is also preparing repressive measures.

Along with the so-called proactive moves of the Treasury, Central Bank, Banking Regulation and Supervision Agency (BBDK), Capital Markets Board (SPK) and other institutions for financial stability, the Turkish authorities have launched investigations against—in the words of Erdogan, “economic terrorists in the social media” who “plot to harm Turkey by spreading false reports.”

Erdogan denounced the social media on Monday as “a network of treason,” adding, “We will not give them the time of day … We will make those spreading speculations pay the necessary price.” According to Reuters, the Turkish “interior ministry said it had so far identified 346 social media accounts carrying posts about the exchange rate that it said created a negative perception of the economy … Turkey’s Capital Markets Board (SPK) and financial crime board have also said they would take legal steps against those who spread misinformation about financial institutions and firms, or reports that the government would seize foreign-currency deposits.”

While taking measures against growing opposition amongst the workers that threatens to rapidly escalate into violent mass class struggles, the Turkish government also attempts to calm and persuade Western investors and lending banks.

In a teleconference that will take place on August 16 in coordination with Citibank, Deutsche Bank, DOME Group and HSBC, Turkey’s Treasury and Finance Minister and Erdogan’s son-in-law Albayrak will address foreign investors. According to the Demiroren News Agency, “some 1,000 foreign investors, particularly from the United States, Europe and the Middle East, are expected to join the meeting, which is scheduled to be held at 4 p.m. Istanbul time.”

Erdogan himself is expected to pay a visit to Germany in September, while a high ranking German trade and industry delegation is planned to visit Turkey in October. German Chancellor Angela Merkel was one of few Western leaders, who, albeit allusively, expressed their solidarity with Ankara against the US sanctions. There are more than 7,000 German companies in Turkey.