

Turkish economy falls into recession, amid fears of further US economic reprisals

Baris Demir**26 March 2019**

The Turkish lira depreciated by more than 5 percent in US dollars terms last Friday, just nine days before nationwide local elections in which President Recep Tayyip Erdogan and his Justice and Development Party (AKP) are expected to suffer significant losses.

The lira (TL) did recoup more than half of Friday's losses yesterday, after Turkey's central bank sharply raised overnight borrowing costs for financial institutions. Nevertheless, Friday's sell-off points to the vulnerability and mounting crisis of the Turkish economy, which fell into recession late last year.

The principal, if not the overriding, factor in Friday's lira depreciation was investor fears of a further deterioration in US-Turkish relations, after Erdogan sharply criticized US President Trump's March 21 announcement that Washington was formally endorsing Israel's illegal annexation of the Golan Heights.

According to press reports, figures showing a sharp drop in Turkey's foreign reserves in the first two weeks of March and an IMF spokesman's call Thursday for Ankara to address "key imbalances" in the economy also contributed to Friday's lira sell-off.

US-Turkish relations have been in freefall since Washington made the YPG—the Syrian offshoot of the Kurdish nationalist PKK, against which Ankara has been waging a bloody war in southeast Turkey for the past 35 years—its principal proxy army in its regime-change war in Syria; then backed an unsuccessful military coup against Erdogan in July 2016.

In recent weeks, Trump administration and Pentagon officials have been making ever more explicit threats of retaliatory action against Turkey, a NATO member since 1952, if it proceeds with the purchase of Russia's S-400 air defence system.

Last August's doubling of US tariffs on Turkish aluminum and steel—purportedly in retaliation for Turkey's jailing of a US pastor that it claimed was involved in the failed 2016 coup—triggered a crash in the value of the lira that continues to roil Turkey's economy.

Prices have risen sharply, with inflation surpassing 20 percent in January. So too have borrowing charges on the many US dollar and euro-dominated loans Turkish corporations took out in recent years to take advantage of lower interest rates offshore.

Turkey fell into recession for the first time in a decade when its economy contracted 3 percent in the last three months of 2018. Analysts are predicting a further 2.4 percent slide in the first quarter of this year.

The working class is bearing the brunt of the economic crisis. Turkey's official unemployment rate jumped to 13.5 percent in December 2018, its highest level since the 2008-2009 financial meltdown and global slump. The youth jobless rate is 24.5 percent. In January almost 3.8 million people were registered with the Employment Agency of Turkey (ISKUR), up from 2.4 million in the first month of 2018.

Workers are also being squeezed by food price rises. At 30.97 percent on a year-on-year basis, Turkey's food-price inflation in January was the second worst in OECD countries, trailing only Argentina, and the seventh worst in the world.

Almost half of Turkish workers are paid the minimum wage, whose value in US dollar terms has tumbled—despite a recent 26 percent increase—from 1,603 (TL) or \$424 per month at the beginning of 2018, to 2020 TL, or only about \$350 today.

The Erdogan government is acutely aware of mounting popular anger over the deteriorating economic situation and the threat it could speak a social explosion. Its response has been to put off further austerity measures until after the March 31 elections and announce a handful of populist programs aimed at mitigating popular anger, while intensifying its turn toward authoritarian forms of rule and using nationalist and militarist rhetoric to try to divert social anger along reactionary lines.

The AKP government has set up markets in Istanbul and Ankara, respectively Turkey's largest and second largest cities, to sell vegetables and fruits at half the market price. In both cities, AKP-led administrations are facing a strong

opposition challenge in next Sunday's municipal elections. The government has also announced a "new employment campaign," under which it is promising to pay wages, taxes and social charges for new hires for their first three months on the job.

Erdogan is posturing as the defender of the people against price-gouging. He has accused the supermarkets of "usury" and "exploitation" and said their actions are akin to "treason," even terrorism." In February, the government even made a show of ordering raids on wholesale food markets.

In reality, the AKP has relentlessly pursued neo-liberal policies, including wholesale privatizations, since coming to power in 2002. Many of its pro-investor policies, including subsidy cuts, have adversely impacted small farmers and strengthened domestic and foreign agribusiness, directly contributing to the food price rises.

Erdogan has also tried to shift attention from his own government's responsibility for the economic crisis with demagogic denunciations of US and European bullying, and bellicose attacks on the PKK and YPG.

In a speech at an election rally in the central city of Sivas, Erdogan accused the population of whining about food prices, when they should instead be concerned with the price of bullets and soldiers' uniforms for the battle against the PKK. "All this talk about tomatoes, eggplants and green peppers," fumed Erdogan. "Do you have any idea how much a bullet costs? Think about the cost of getting our soldiers ready to fight terrorists. And here you are talking about tomatoes and potatoes."

"Some people are complicit," he continued, "while George and Hans," a reference to the US and Germany, "are trying to hit us."

Tuncay Ozilhan, a billionaire and leader of Turkey's most powerful business organization, the Turkish Industry and Business Association, recently criticized Erdogan's economic policies, saying Turkey is now experiencing "the consequences of past mistakes in many areas from food inflation to unemployment."

"We," continued Ozilhan, "do not think that" the steps the government has taken "against rising food prices ... can solve the problem. The number of farmers who are responsible for feeding an 80 million population has fallen from 10 percent to 3 percent. In a situation where production decreases, farming collapses and consumption increases rapidly, food price control cannot be a remedy."

Behind these criticisms lie deeper concerns within the ruling class over the growing rift between Ankara and the western imperialist powers and the ability of the Islamist AKP—whose string of electoral successes over the past 17 years has been bound up with its ability to muster support

from sections of the rural and urban poor—to contain mounting social anger as the economic situation goes from bad to worse.

Above all, the ruling class fears rampant social inequality, soaring prices, mass unemployment and the proliferation of precarious contract jobs will cause Turkish workers to join the global working class upsurge that has already convulsed France, Mexico's low-wage maquiladora region, and has now engulfed Algeria in a revolutionary crisis—to name just a few of the most prominent examples.

The principal difference between the AKP and the opposition parties is the latter's more pronounced orientation to the Turkish bourgeoisie's traditional North American and European imperialist allies.

Both the Republican People's Party (CHP)—the historic party of the Kemalist elite that dominated the military and other state institutions of the Turkish Republic in the last century—and the Kurdish nationalist, pseudo-left supported, People's Democratic Party (HDP) are cynically seeking to exploit the popular anger over the mounting economic crisis, while advancing unabashedly pro-capitalist programs.

CHP leader Kemal Kilicdaroglu deplores that Turks have been reduced to scrounging for food in trash bins, but in the very next breathe says Ankara should be focusing on boosting exports, i.e., on boosting the competitive positions Turkish capital, not borrowing funds to sustain a "social state."

The HDP is supporting the CHP in the major cities of western Turkey and promoting it as a defender of "democracy" against AKP "fascism," although the CHP has connived in repeated military coups that resulted in savage repression of the working class and has played a pivotal role in supporting the savage decades-long war against Turkey's Kurdish minority.

The reality is all these parties stand as one against the working class. How they will respond to the inevitable eruption of mass working class discontent was indicated last September, when thousands of construction workers at the site of a new airport in Istanbul carried out protests against workplace accidents, precarious and oppressive working conditions and the violation of their basic rights. The government answered the mass protest and the workers' just demands with a brutal police attack and the jailing of more than 30 militant workers.



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