

IMF Foments Gov't Crisis in Turkey

Members of his own Justice Party are leading a campaign to force Turkish Prime Minister Süleyman Demirel to resign.

Demirel's resignation would probably mean the formation of a new coalition government composed of the conservative Justice Party and the social-democratic Republican People's Party led by Bülent Ecevit — the ideal vehicle for the International Monetary Fund (IMF) to overcome Turkish resistance to its austerity package.

TURKEY

An IMF delegation is currently in Turkey to force through Round Two of its austerity proposals; the first phase was implemented in September but was deemed totally inadequate by the IMF. Among the IMF's demands are a 10-20 percent devaluation (on top of the 10 percent devaluation in September), wage and price controls, a drastic cutback in commodity and capital goods imports, and restrictions in public spending. The Fund is also demanding that Turkey scale down its yet-to-be-drawn-up Fifth Five Year Plan and reduce its planned 8 percent annual growth rate to 5 percent.

Fearful that such a package would spark riots like those that engulfed Egypt last January, Demirel has balked. Although he reportedly "agrees in principle" with the IMF, the Prime Minister is all too aware that his weak three-party coalition government would not survive should he endorse the IMF.

Last week, just as the IMF delegation was preparing to bring up the issue of wage-price ceilings, the Turkish government announced additional payments to all government employees. According to the Turkish daily *Cumhuriyet*, the government action enraged the delegation and may lead to a long overdue rupture in relations with the IMF.

"A Very Crucial Month"

"The month of November is very crucial indeed as far as Turkey's credit situation is concerned," stated a high-level economist at the United Nations. This month and next, \$1.2 billion in short-term, high interest convertible Turkish lira loans falls due. Turkish foreign reserves are well below the \$500 million mark, making it next to impossible for the Turks to pay up. Faced with long delays in repayments by Ankara since last spring, New York and Western European banks have been reluctantly rolling over their loans, fearful that if they attempt to pull out of Turkey, a domino-like banking collapse would ensue. Now, the banks are counting on the IMF to get Turkey to accept austerity as the prerequisite for further roll-overs.

Exacerbating the situation is Turkey's soaring deficit, up 47 percent over last year. In the first nine months of this year, import expenditures were four times higher than export earnings. As a result, the IMF is demanding

that virtually all imports be stopped, and exports be stepped up. With imports severely limited since September, when Phase One of the IMF's program was imposed, Turkey's industrial production "is on the verge of grinding to a halt," stated the UN economist. "So far, Turkey has managed to avoid a massive breakdown in production by using up their stocks," he noted, "but now the stockpiles are gone." An official at Morgan Guaranty said simply: "A lot of Turkish industry will collapse."

On Oct. 25, Turkey's Energy Minister Kamran Inan — a staunch supporter of the no-energy policies of the U.S. Energy Secretary James Schlesinger — announced that production at the giant Soviet-built aluminium plant in Seydisehir had been cut in half due to electricity cutbacks. According to the West German paper *Die Welt*, the cutbacks have "paralyzed" Turkey. At the same time, the head of the Istanbul Chamber of Industry closed down his factory near Istanbul because of lack of steel. The steel had been supplied by the Ereğli Steel Complex, which was shut down a month and a half ago after British creditors put a hold on the plant's bank accounts in England!

Demirel To Resign?

At least 60 Members of Parliament from Demirel's Justice Party are pressuring him to step down on the grounds that his coalition is weak and unable to take the "necessary measures to stabilize the economy," a euphemism for carrying out the IMF's austerity program. Many of the 60, who are threatening to leave the party, are linked to the old Democratic Party that ruled Turkey from 1950-1960 and brought the country to the edge of bankruptcy as a result of their commitment to IMF policy. Backed by pro-austerity Turkish businessmen and industrialists, the renegades — like the IMF — are known to favor the formation of a grand coalition of Turkey's two major parties. Unlike the present government, which is hampered by the Justice Party's two extremist coalition partners, it is expected that a grand coalition would be strong enough to enforce austerity as well as to make territorial concessions on Cyprus.

The latter is of particular concern to the Carter Administration, which has grown increasingly nervous about Turkey's economic "drift" toward the Soviet Union and the East Bloc following the U.S. cutoff of aid to Turkey following the Turkish invasion of Cyprus in 1974. Since 1975, the Soviets have massively upped their development credit to Turkey and have encouraged the Turks to sign a joint political communiqué resembling a nonaggression pact. A meeting between Demirel and Soviet President Kosygin on the Turkish-Soviet border was slated for later this month, ostensibly for this purpose. Last week, Demirel canceled the meeting after the U.S. reportedly informed the Turkish Prime Minister of its displeasure.

So far, Demirel has given little indication that he will resign. A long-time powerbroker in Turkish politics who

knows that his chances for becoming Prime Minister in any other government are nil (the Prime Minister in a grand coalition would be an independent), Demirel is instinctively clinging to power.

Should a grand coalition be formed, it is still far from likely that the IMF will succeed in having its program implemented without the country erupting. Over the past several months, the left wing of the Republican People's Party, the labor movement, as well as the development-oriented traditionalist layers of the People's party, have grown increasingly restive and unwilling to tolerate the pseudo-progressive rhetoric of People's Party leader Ecevit. Should Ecevit enter the government and cooperate — as he has indicated he will — with the IMF and the Justice Party to implement the now-stalled IMF package, he will be totally discredited and the People's Party will fracture altogether, clearing the way for the consolidation of a powerful pro-development force in the country.

Following the elections in Turkey last summer, Kemal Turkler, leader of the pro-Soviet labor confederation DISK, issued a call for the formation of a national Democratic Front of all progressive parties. The offer was spurned by Ecevit, who proceeded to activate his operatives in DISK to force a leadership crisis in the confederation that would topple Turkler. Despite an intense factional fight that plunged DISK into turmoil, Turkler was able to regain control, with increased leverage in the labor movement and the People's Party that poses a formidable obstacle to IMF designs.

— Nancy Parsons

* * *

Morgan Guaranty: "The IMF Is Having Trouble"

The following are excerpts from an interview with an official at Morgan Guaranty.

Q: Why did the IMF delegation visiting Turkey extend its stay there for another two weeks?

A: They're having difficulties. I understand, getting

their policy implemented. It doesn't mean that they won't reach an agreement though. The Turkish government agrees with the IMF. The question is whether the government can implement the recommendations.

Q: What is the IMF demanding?

A: First, another devaluation. In my mind, the Turks should have devalued all at once, not in stages. After the first devaluation, informed people knew that more devaluations were to come. But the man in the street has had enough. The first he accepted. But another? It's going to be tough. Other than devaluation, the IMF wants to freeze wages, put a ceiling on prices. That's also a tough one to pull off politically....

Clearly, the Turks don't have enough money to run their country, or enough to run it in the style that they would like. Turkey has the highest growth rate in the world. They've got to pare it down, and they don't particularly like that....

The IMF wants Turkey to cut its capital goods imports. Businessmen don't like this — a lot of Turkish industry will collapse. But that's what's got to happen if you're going to cut the growth rate.

The reason the IMF is taking it slow is that they're concerned by rioting. They don't want Turkey to turn into another Egypt.

"The IMF Is Naive"

The following comments were made by a specialist in Turkish politics at a major U.S. university.

There is certainly reasonable pressure on Demirel to resign. Personally, I doubt that he will resign or that a grand coalition will be formed. The IMF is sort of naive in thinking that they can pull off such a thing, just as they are naive in thinking that they can get their austerity policy accepted as is by the Turks... The problem that the IMF refuses to take into account is that the basic psychology of Turkey is still oriented toward development, toward borrowing money and investing it in ambitious development projects. The resistance to the IMF is strong in Turkey.