The state of the economy

Turkey's adherence to the IMF austerity recommendations since agreeing to the standby accord in March has already taken its toll on the economy. Despite glowing reports by the IMF-allied Turkish Central Bank of "an encouraging improvement" in the Turkish economy, the actual situation is tending toward disaster.

For example, according to official figures, exports in the second quarter of this year were 17.3 percent higher than in the same period last year. Imports were 21 percent lower. Thus, the trade deficit was lowered 41 percent. Both the export rise and import cutback were in strict accordance with the IMF's proposals.

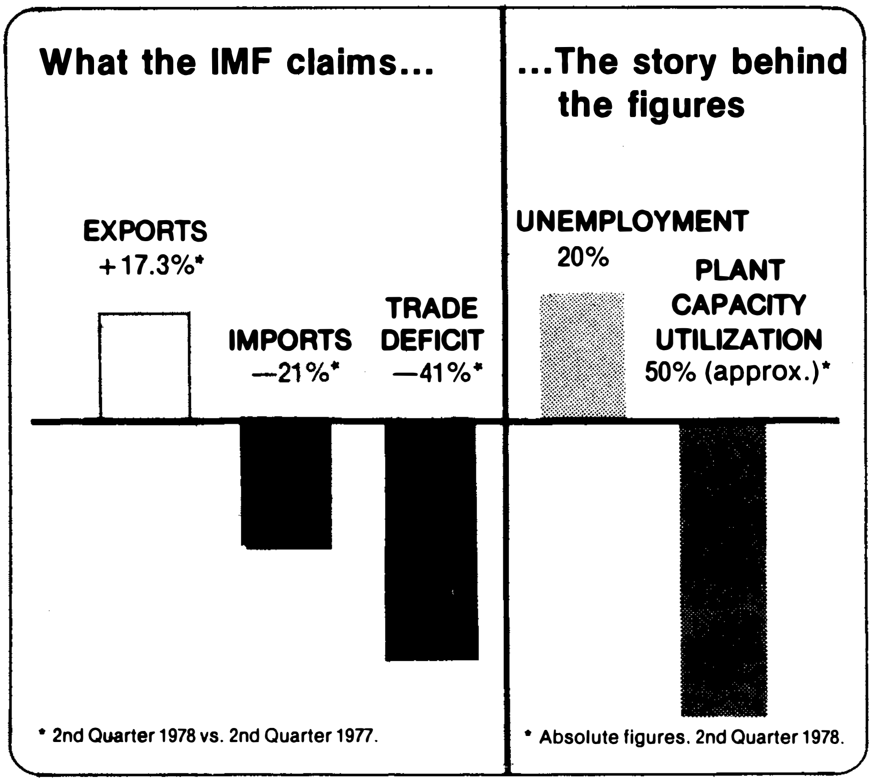
The *effect* of these measures, however, is not being reported. Industrial output has plunged as a result of the slash in imports. Plants are producing at about 45-60 percent capacity. The giant Soviet-built Iskenderun iron and steel mill is working at only 10 percent capacity. The collapse of production has raised unemployment well above the 20 percent mark. Despite the rise in exports, foreign exchange earnings remain inadequate to purchase raw materials and other goods necessary for production.

Turkey's debt situation is equally as bleak, enhancing Turkey's susceptibility to outside pressure. Turkey's outstanding short-term debt is $6.7 billion, approximately $2.5 billion of which are matured 180-day acceptance credits and short-term, high-interest convertible lira deposits. Acting as representatives of 220 smaller foreign banks owed money by the Turks, a consortium of eight foreign commercial banks — Citibank, Chase Manhattan, Morgan Guaranty Trust, Barclays, Dresdner, Deutsche, and the Swiss Banking Corporation — is negotiating the rescheduling of Turkey's debt on the condition that Turkey comply with the IMF.

Regional orientation

To break its isolation, reduce its vulnerability to IMF pressure, and lay the groundwork for a workable alternative, Turkey, backed by West Germany, has moved to firm up relations with its neighbors in the context of regional economic development and in the spirit of the Bonn-Bremen economic accords. In a recent discussion with *EIR*, one high-level Turkish military spokesman, stressing his awareness of the role of British intelligence in undermining the Turkish economy and stirring up Kurdish insurgents, asserted that Turkey's only course is to act as the bridge between East and West and work in conjunction with the Arab World, the Soviet Union and East Bloc, and West Germany.

To allay fears in the West over Turkey's efforts to diversify her foreign relations, and in particular, to undercut any attempt by confrontationists, such as



Brandt Commission sabotages Istanbul development meet

On Aug. 7 in Istanbul, a Turkish government-sponsored conference entitled the "New International Economic Order" was convened, attended by leading Third World representatives. The meeting was clearly designed in coordination with those European and Arab governments working for the implementation of the Bonn-Bremen economic accords and a new gold-backed monetary fund to replace the IMF by October of this year.

According to a West German account of the conference, the Brandt Commission moved to

National Security Council chief Zbigniew Brzezinski, to ignite a crisis over the issue, the Ecevit government has taken great pains to make it clear the Turkey, in the interest of world stability, has no intention of pulling out of NATO. In an interview with *Middle East* magazine last month, Ecevit stated:

> I believe that the recent development in Turkish-Soviet relations and, in general, recent developments in Turkey's efforts in establishing closer and better relationships with many of the regional countries can make a real contribution to detente and the world . . . Both (Moscow and Ankara) accept that they are members of different alliances and they are respectful to each other's ties.

Turkish-Soviet cooperation

In June, Ecevit visited the Soviet Union, where he signed a political cooperation document that pledged to strengthen "good neighborly relations and friendly cooperation" between Ankara and Moscow. Extensive economic accords were also concluded, committing the Soviet Union to provide, among other vital goods, three million tons of crude oil — one-fifth of Turkey's oil needs — to Turkey over the next three years, in exchange for wheat. A senior Turkish diplomat, commenting on Ecevit's reception in Moscow and the quality of the economic arrangements worked out, said recently: "We were all taken aback. Kosygin said, 'I know you have problems. We will help you solve them'." For the Turks, this obliging attitude was in marked contrast to the attitude of the World Bank and IMF. Stated one Turkish diplomat bluntly, "The Soviets know how to develop. Others don't."

In addition to the Soviet Union, Turkey is also firming up economic ties with Iraq, Iran, and Libya. As with the Soviet Union, the focus of much of Turkey's regional relations is on oil. Because of Turkey's foreign exchange problems — Turkey's foreign currency holdings amount to a meager $750 million — the difficulty the Turks have had in paying for their oil imports has led to a severe oil shortage, aggravating the serious fall in production that has occurred. The country-by-country breakdown:

Iraq. After months of discord over Iraq's cutoff of oil to Turkey as a result of Turkey's failure to pay $330 million in back oil debt, an agreement has been reached between the two countries following a visit late last month by Iraqi Energy Minister Hussein El Hamadani to Turkey. According to the agreement, Turkey will increase the flow of water into Iraq from the Tigris and Euphrates Rivers in exchange for Iraqi oil. In addition, the $330 million oil debt was postponed for four years and is payable by Turkish exports of wheat and refrigerators. Both countries agreed to further their economic cooperation.

Iran. Efforts are likewise underway to improve

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undermine the event and prevent it from taking firm action against the IMF and toward the new European Monetary Fund. To keep the event a "Third World affair," the Brandt Commission reportedly maneuvered to prevent invitations to the conference from being extended to any U.S., Japanese, and West German officials. The two Brandt Commission representatives at the meeting, Jan Pronk and Goran Ohlin, championed a "new Marshall Plan" for the Third World and promised to deal with the hotly discussed issue of debt moratorium at the Brandt Commission meeting in Tarrytown, N.Y., later in August.

While it is known that the Tarrytown meeting, which was guided by Henry Kissinger, a determined foe of debt moratorium, did discuss the debt moratorium issue, no positive solution to the issue was announced after the meeting.

The Chief of the Arab Development Bank, Ayarai, attacked the Brandt Commission for its sabotage efforts. Ghana's Kenneth Dadzie made a strong call for the need for developing countries to speed up their motion toward industrialization.

Turkish Prime Minister Ecevit made an impassioned call for the recycling of petrodollars into Third World industrial development projects, and the need to bypass "traditional banking channels, which are often unproductive."

Excerpts from Ecevit's speech:

"Countries and institutions allocating credits usually force the economies of underdeveloped countries to stagnation in the name of stability.

"Stagnation would only lead to widening the gap between developed and developing countries, as well as social and political upheavals.

"Such upheavals could increase the tendencies to establish autocratic regimes."

Ecevit went on to condemn those multinational companies that

"are not at ease with democracy even in their mother countries. They tend to move away from labor intensive industries in their mother countries, where labor rights are protected by democratic regimes, and install them in countries where authoritarian regimes keep wages at low levels."