commits the nations to complete the negotiations "by no later than" January 2005.

There are fatal flaws lurking in the Cardoso government's stall strategy, however. As Pinheiro Guimaraes warns, it is an illusion for it to believe that Brazil can participate in the negotiations, and then freely decide at their conclusion if it joins the final pact or not; that ignores the dynamics of negotiations and the power of the U.S. political presence, he points out.

Like the North American Free Trade Accord before it, the FTAA is not intended to be a *trade* arrangement, but rather a political pact through which to strip the last remnants of sovereignty from the nations of the region, impose dollarization, and tear down what barriers remain against the looting of their natural and human resources, and the crushing of any independent technological capabilities, such as Brazil still has. Bush and his team made clear in Quebec City, the Anglo-Americans don't intend to take "no" for an answer. U.S. Trade Representative Robert Zoellick told a pre-briefing on the summit on April 19, that bilateral trade accords designed to isolate Brazil and make an FTAA a foregone conclusion will go full steam ahead, because the Bush team still wants to "beat those deadlines," and conclude an overall deal before 2005. "I'm sending a signal to the Brazilians," Zoellick told the *Washington Post*.

The Quebec City summit, though surreal, was not without teeth. The final declaration signed by the Presidents contained a "democracy clause," a big step forward towards turning "the summit process" into the centerpiece of a supranational regional government. Any "interruption of the democratic order"—a formulation which can be interpreted as wished—"constitutes an insurmountable obstacle" for any country so accused to participate in "the Summit of the Americas process." The Presidents instructed their Foreign Ministers to draft an Inter-American Democratic Charter by June, in order to empower the Organization of American States (OAS) as the enforcer of such imperial "rule of law." The Action Plan adopted at the summit mandates establishing a permanent OAS bureaucracy to enforce the summit process, with some media promising that the World Bank and Inter-American Development Bank will put $20 billion behind the "process" over the next five years.

The Brazilian government would do well to learn the lesson of its last battle to defeat this drive to end sovereignty and establish a supranational government: the OAS-State Department's overthrow of Peru's President Alberto Fujimori in 2000. When Brazil put its foot down at the June 2000 OAS meeting, other Ibero-American nations rallied with it, and the drive was blocked, opening the door for the exciting discussions of South America's development at the first-ever Summit of South American Presidents. Because the Cardoso government espoused the glories of democratization and globalization, when the orders came down in October that Fujimori had to go, period, Brazil buckled.

White House Changes Tune In Turkish Crisis

by William Engdahl

The months-long banking and political crisis in Turkey has forced the Bush White House to make an apparent policy about-face on the issue of bailing out troubled "emerging market" countries. On April 18, President George W. Bush convened an emergency meeting to discuss the deteriorating economic and social crisis in Turkey, which included Secretary of State Colin Powell, Security Adviser Condoleezza Rice, Treasury Secretary Paul O'Neill, and Bush. That discussion resulted in a 180-degree shift from earlier statements by Treasury Secretary O'Neill opposing the kind of International Monetary Fund (IMF) bailouts of countries such as Thailand or Russia which had been made in 1997-98.

According to reports in the April 20 *Wall Street Journal,* the White House concluded that, given Turkey's strategic importance in the eastern Mediterranean, and its importance as a NATO member country on the border of the oil-rich Caspian Sea region, the United States will put significant pressure on the IMF to come up with billions of dollars more, if necessary, to stabilize what has become a national emergency situation. Following the talks, Turkish Prime Minister Bulent Ecevit said that Bush had phoned him to assure him of U.S. support.

Five days later, on April 25, Deputy IMF Managing Director Stanley Fischer told press on the eve of the IMF annual meeting, "Turkey deserves the support of the international community, and it will get it." Turkey's new Economics and Finance Minister, Kemal Dervis, a longtime World Bank official, has asked for another $10-12 billion from the IMF and World Bank, on top of the December IMF-led bailout of $11 billion, claiming it is necessary to implement a draconian series of "reform" and austerity measures to get Turkey back on the "track of growth and stability."

News of an open split between Prime Minister Ecevit and President Ahmet Sezer in February over the alleged pace of the government's anti-corruption drive, triggered a full-blown currency crisis as foreign banks liquidated Turkish liras for dollars, and fled. The lira, since mid-February, has fallen more than 80% against the dollar. Many Turkish companies had borrowed in dollars, and now find they are unable to repay the dollar loans.

The February crisis led the IMF to freeze further cash disbursements to Turkey, aggravating the domestic economic crisis. On Feb. 22 the Ecevit government was forced to let the lira float free against the dollar and euro, after a liquidity crisis forced the Central Bank to spend $7.6 billion in one week in a futile bid to defend a fixed lira, pushing overnight interest rates on government bonds to 6,200% in the process. The subsequent 80% devaluation of the lira has led to a new wave of banking crises, as banks were forced to repay some $15 billion in short-term dollar loans in a deflated lira currency.

More than 500,000 Turkish workers have been thrown out of work in the last two months of spreading crisis. For those fortunate still to have work, the soaring inflation has forced many Turkish companies to slash wages 30-40% just to stay in business.

Demonstrations Denounce IMF

The government's latest economic austerity plan, announced on April 16 in a desperate bid to get more international money, triggered more than a week of street demonstrations and protests across the economically devastated country. Trade unions and thousands of businessmen took to the streets to protest the collapsing lira, which is making imports prohibitively costly; soaring interest rates; and the hundreds of thousands of recent layoffs. More than 200,000 marched in the streets, many carrying signs saying, "IMF: Get Out! This is our land," and "IMF Equals Hunger."

The traditionally conservative umbrella organization of businessmen, the Turkish Union of Chambers, which represents hundreds of thousands of businessmen in trade and industry, is calling on the Ecevit government to resign and call new elections. Only six months ago Ecevit was widely regarded as the best hope for stability and reform by most Turks.

The Union of Chambers released a statement calling the current crisis "the worst in the country's history." "A fire has burned in every corner of Turkey," it read. "The slightest spark could mean the end of Turkey—nobody will be able to stop the explosion." The business group is demanding wholesale cleanout of an admittedly corrupt, crony-tied banking system, and privatization of various state telecom and transportation companies to raise cash for the budget.

The new government austerity plan, part of a 15-point precondition to get new IMF aid, calls for severe 9% budget austerity cuts, and a public hiring freeze. Among the draconian government spending cuts are included $19.5 billion in planned arms purchases by the Turkish military. The Turkish military, since the reforms of Kemal Atatürk in the early 1920s, had been regarded as the prime bulwark of Turkish stability.

In order to cut down an expected inflation rate of 57% this year, the Dervis austerity plan calls for major privatization of Turkish Telecom and the national airlines, as well as other state enterprises. The cash from the privatization sales, as well as much of foreign credits hoped for, will finance the costs of bankruptcy reorganization of the state-owned banking sector. This bank privatization process, with four state banks de facto bankrupt, will cost an estimated $20-40 billion to cover bad

The plunge of the Turkish lira since February has brought the nation's banking system to the point of collapse, unions and businessmen both into the streets against the IMF—and seen a sudden turnabout by the Bush administration, which now wants a huge IMF bailout.

loans, many allegedly tied to political payoffs.

Even without the cleaning up of the banks, Turkey's government faces an immediate payments crisis. Between now and June, the Turkish government must roll over $10 billion worth of domestic bonds, or risk a wholesale collapse of the domestic banking system which had been propped up by its lucrative purchases of government bonds. In this grave situation, Moody's, the international credit rating agency, on April 20 downgraded Turkey's sovereign debt rating, a move which makes even less likely, that new private investors will risk investing in Turkey.

Further complicating the domestic unrest is a ruling due to come any day from the Constitutional Court aimed at banning the country's main opposition party, the Virtue Party. This Muslim party was forced out of government in 1997 by a nervous military. They hold some 20% of seats in the Parliament and their banning could unleash new waves of protest from the country's 65 million disenfranchised Muslims. Even without a ban on the opposition, a major scandal looms, which might force the resignation of a senior coalition partner of the Ecevit government. On April 24, State Security Court Chief Prosecutor Cevdet Volkan unveiled an indictment into a state energy scandal, "Operation White Energy." In the indictment, Energy Minister Cumhur Ersumer was named along with 15 others on charges of graft, bribery, and misuse of office. The opposition Virtue Party and the True Path Party both have demanded the minister's resignation, adding to the popular mood of suspicion and distrust of the Ecevit government. If the IMF gives the hinted $10-12 billion, it will guarantee an aggravation of the social and economic crisis in coming months, as the 15-point IMF conditionalities take effect.