

considered that Italy has 60 million, West Germany 60 million, Japan 110, the USA 120, and the USSR 135; forget about the USSR and USA, but Turkey can compare easily to Italy and Germany in respect to size and population and is going to have to greatly increase its steel production soon."

Large investments are also being made in Turkey's petrochemicals, chemicals, and fertilizer industries. The state-run Turkish Petrochemicals Industry Corp. (Petkim) is pursuing an ambitious long-term investment program to make Turkey self-sufficient in petrochemicals production. Turkey's main petrochemicals complex in Izmit, a second one in Ixmir,

and a third yet to be built form the core of the industry, along with two new nitrogen fertilizer plants, a major alkali complex, and a new boron products plant. The World Bank has strongly discouraged investment in petrochemicals and fertilizer production on the grounds that they are too highly capital intensive.

Other vital industries are cement and textiles, both of which have sizable private sector input and a high growth rate.

Mining is another key state-controlled enterprise. Turkey is one of the world's leading producers of chromite, boron compounds, lignite, copper, and aluminium. Bottlenecks in the production of coking coal

Top Banker: 'Turkey Must Cut All Imports, Devalue 75%'

A high-level official of a leading New York bank granted the Executive Intelligence Review the following interview earlier this week:

Q: The situation in Turkey looks critical. Reserves are reported to have fallen to \$516 million.

A: No, they have fallen even lower today. I have a report on my desk that says they are now just below \$500 million. The situation is truly devastating! What do you make of it?

Q: I think it looks like a repeat of 1970, when the trade deficit grew, production collapsed, and in August there was a 66 percent devaluation, to be followed in March by a military takeover. Are the New York banks and the IMF thinking in terms of another devaluation? I've heard that you have been calling for a devaluation of 50 percent or so.

A: Fifty percent — you mean 75 percent! Maybe even more, but 75 percent at least. It has to be smashing to be effective. That's how critical the situation is. We in the banking community are really worried about Turkey.

Q: The IMF wants Turkey to cut imports. But imports for the first quarter are up 12 percent over last year. Why? Is it because of the elections?

A: Partly elections, partly because the Turks are proud and won't give up their damn development programs. It's not just consumer items we want them to cut. They have to cut all imports — heavy industrial goods, capital equipment — the works! But they refuse to do it. They are really stubborn people.

Q: The Turkish Finance Minister was just here in New York along with Turkey's top industrialists. What happened?

A: We met with them. By "we" I mean the IMF, the World Bank, and the banks here in New York. We told them that we would view the situation favorably if the Turks would only make some concessions on Cyprus. We linked aid to Cyprus; Carter is doing that with the Defense Cooperation

Agreement. The Turks were offended. They didn't say anything; I mean they did not say no, they did not reject our offers, but they were angry. They just sat there and wouldn't reply to what we were offering. I think that the U.S. is being very smart to link Cyprus to these matters.

Q: What will the Turks do?

A: I don't have a crystal ball. But they won't break with us, I'm pretty sure. The situation will be resolved soon, I hope, after elections. The Turks may be forced to cooperate. They will be faced with a fait accompli.

Q: What do you mean?

A: It's hard to say until after the elections. I don't want to speculate until the elections. But as I said, we will probably have to force the Turks to accept our recommendations.

Q: Are the Turks asking for a loan from the IMF?

A: As far as I know, no. The situation is not at that point yet. Even if they do ask, they won't get more than \$250 million. People are very scared to invest in Turkey these days; they are just not willing to do it. Those short-term convertible lira deposits are coming due in the next several months, which adds a further strain. The debt itself is not a big problem; it's those deposits — \$2 billion. Most banks are willing to roll the things over, but I know a number of banks are pulling out altogether.

Q: What was the attitude of the Turkish businessmen and industrialists who were there?

A: Those businessmen and industrialists are politically quite important. All the big ones were here. They were as angry as the Finance Minister. Funding for 10 projects was cut by the World Bank. Essentially, all credit to the country has been stopped. The industrialists know that their firms are on the line, because if everything is cut, all imports and so forth, their industries will collapse like that. Anyway, it's only four weeks until the elections. I think the Turks will be able to hang on until then, and then we'll see what will happen.