

IMF Sets September Deadline For Turks

The International Monetary Fund (IMF) has issued an ultimatum to the Turkish government to impose austerity by Sept. 24 or face a total cutoff of credit from the West. "Bankers have realised that Turkey is in a major economic crisis," wrote *The Economist*. "Worries over Zaire and Peru, where bankers have \$800 million and \$3.5 billion at stake respectively, are almost beginning to look pale by comparison."

TURKEY

Panic over Turkey is not limited to the unpaid debt. Since the 1974 Cyprus affair, NATO has been steadily losing influence in the eastern Mediterranean, and anti-American sentiment is widespread. *New York Times* columnist C.L. Sulzberger sounded the alarm this week by raving about the growth of pro-socialist, pro-Soviet sympathies among young officers in the Turkish military. A Turkish government spokesman confirmed that Turkey is indeed "seriously considering" the Soviet option. "Nobody in Turkey is in love with the Soviets," state the official. "But the Soviets are offering us solid deals. The U.S. is offering nothing but pressure."

Capitulation

Capitulating to the IMF's ultimatum, Turkish Prime Minister Suleyman Demirel has launched his "new economic policy," officially christened "Belt Tightening." The centerpiece of the policy is austerity, and involves drastic cutbacks in all commodity imports, a 50-60 percent currency devaluation, massive taxation leading to a forced shutdown of the "uneconomical" state sector enterprises, cutbacks in all public services by 75-100 percent, and price hikes for oil and oil products by 75-200 percent. Already, Turkey's growth rate — the highest in Europe just last year — has plunged from 8 percent to 5.5 percent. Massive electricity shortages have crippled industry, reducing output by more than 50 percent. And exports of wheat and other foodstuffs vital for domestic consumption have resulted in widespread food shortages.

A World Bank spokesman has confirmed that the IMF is behind the austerity package and that the Fund "requested" that Demirel implement it at this time.

The IMF ultimatum follows months of pressure on the Turkish government to impose austerity. Prior to the June 5 Turkish general elections, the right-wing coalition government of Demirel was too weak to follow through on the IMF's demands, and the IMF was forced to buy time until the elections in the hope that a more stable, majority regime would come into power and carry out the unpopular austerity measures. After more than two months of political stalemate, Demirel was finally reinstalled as Prime Minister, leading a coalition as weak as the one before and more vulnerable than ever to IMF demands.

According to a leading New York banker, "Demirel has set the stage for military intervention. He has proposed the IMF's package, but he is too weak to carry it out himself. It seems the military might have to carry it

out for him." The banker confirmed that a major faction fight currently raging in the general staff of the Turkish army "is definitely linked to the economic crisis and the IMF's demands." Pro-IMF generals linked to Demirel's neo-Nazi coalition partner, Col. Alpaslan Turkes, and backed by Demirel himself are making a major power play against the dominant traditionalist command to seize control of the military and clear the way for an IMF-backed coup d'etat. When it was tried on June 2, this method flopped.

The Economist: Bankers' Cold Turkey

The following are excerpts from the Aug. 20 issue of the British weekly The Economist. The article is entitled "Bankers' Problems: Cold Turkey."

International bankers have been caught napping in Turkey... Now, rather too late, bankers have realised that Turkey is in a major economic crisis which the new-old coalition government probably cannot handle without extensive default....

Turkey has a mere \$500 million of reserves left. It already owes banks and traders around \$1.5 billion for imports received but not paid for. The central bank is now refusing to make the necessary foreign exchange available. Bankers are claiming \$500 million due on letters of credit alone. Some commercial payments are already five months in arrears.

The coldest shock to bankers is that Turkey is now failing to make payments guaranteed by the government. Some \$500 million of convertible lira deposits are falling due right now, another \$500 million before the end of the year. The money is coming through spottily or not at all. Some payments are already several weeks late.

An attempt has been made to launch a little lifeboat to preserve banking confidence. The Bank for International Settlements, which acts as central bank for the top 10 industrial nations, has made a secret loan of \$100 million to Turkey to help it pay out to private bankers under the convertible lira scheme. That won't go far....

Smaller banks suspect that the Turkish central bank may be giving preferential treatment to favoured foreign banks, and trying to penalise those who until now have been making a mint under the convertible lira scheme. They resent the way a few big private commercial banks such as Citibank and Chase Manhattan (the hardest hit by the Turkish economic crisis — ed.), have been effectively delegated the task of operating a queue system on payment arrears. A major international banking row is brewing.

In spite of official aid flows and remittances from overseas workers, Turkey will be at least \$2 billion in deficit this year. Its oil bill alone will top \$1 billion. It has approached international banks for a jumbo loan to get it out of trouble. They have refused. They say that the country must show willing (sic) by going to the IMF and accepting whatever austerity measures it recommends. So far, Mr. Demirel's right-wing coalition government has been too weak to take their advice.