

## Middle East Report by Nancy Coker

### IMF's man axed in Turkey

*Now that Turgut Ozal is out, will the Fund continue to rule the economy and wreck its industrial base?*

**T**here may have been no dancing in the streets of Turkey on July 14, but most Turks felt immense relief and pleasure upon hearing the news that Deputy Prime Minister Turgut Ozal had resigned.

For almost three years, as Turkey's economics czar and the International Monetary Fund's top operative in the Turkish government, Ozal systematically wrecked the Turkish economy by imposing harsh austerity measures and monetary constraints in an effort to extract debt repayments for his IMF controllers. In his zeal, Ozal plunged the Turkish economy into the deepest depression in the country's history.

Accompanying Ozal in his exit from power were Turkey's Finance Minister and the Minister of Public Works, both long-time cronies.

During Ozal's tenure, Turkey's "unprofitable" state sector enterprises, contributing 50 percent of the country's industrial output, were deliberately undermined. Businesses that failed to switch into export-oriented and hence foreign-currency-earning ventures found themselves cut off from credit and pushed into bankruptcy. Businesses also collapsed under the sheer weight of the cost of borrowing—70 to 80 percent!

Under these conditions, economic activity in Turkey screeched to a halt, and unemployment climbed to record-high levels.

On the recommendation of the IMF, Ozal lifted interest-rate ceilings, setting off warfare among the commercial banks. With Ozal's encouragement, hundreds of unlicensed money brokers then hastily set up shop, attracting thousands of small savers by offering returns of as high as 160 percent on demand deposits.

The game was up for Ozal when the largest of these brokerage firms, an outfit called Banker Kastelli, went under in June. Five million Turks, many of them army families, had placed their savings with Kastelli, and they faced financial obliteration as a result of the collapse.

To prevent the unraveling of the entire economy, Kenan Evren's military government stepped in to guarantee the deposits and bail out the banks that had marketed certificates of deposit through Kastelli. Ozal and his friends were summarily axed.

Ozal's removal clears the way for a shift in economic goals in Turkey. The new finance minister, Adnan Kafaoglu, has been an adviser to Evren since the 1980 military takeover, and has long opposed Ozal's tight-money policy and austerity measures. Kafaoglu believes Turkey must take a fresh look at its relations with the IMF; he is currently preparing a new 12-month economic stabilization program to replace Ozal's.

"Major changes are in the

works," one New York banker told a reporter wistfully. "I doubt there will be a total break with the IMF, but something big definitely is up."

One sign of change is a government decision to bail out Asilcelik, a specialty steel company, reversing Ozal's—and the IMF's—policy of letting firms go under. The high cost of borrowing is also expected to be cut down.

The demise of Ozal will also have political ramifications. In addition to his role as IMF hatchetman, Ozal was the pro-Khomeini inside man in the Turkish cabinet who favored closer relations with Iran. A member of the fundamentalist Nursi sect and a behind-the-scenes leader of the pro-Khomeini National Salvation Party, Ozal recently traveled to Syria, Iran, and Libya to promote cooperation with Turkey.

General Evren, in contrast, is much more closely tied to Saudi Arabia and Iraq. Evren reportedly has worked out a deal with these two states to send troops to the Iraqi border area to ensure security there against the rebellious Kurds while Iraq deals with Iran's invasion in the south.

The ouster also removes from the scene a key figure in Turkey's black-market economy. Through the now-outlawed National Salvation Party, Ozal was reputed to be intimately involved in international drug trafficking and terrorism, an involvement that the military did not look upon kindly.

Ozal apparently does not intend to fade into the sunset. Rumor has it that he has not lost his political aspirations, and is planning to form his own political party in preparation for elections in Turkey next year.