

Only Erdogan Can Lift the Lira

by Hugh Fitzgerald



Since the beginning of the year the Turkish lira has lost 44 percent of its value against the dollar, and it continues to plummet. There are many reasons for this fall in value. First, one might point to the economic recovery plan that Turkey followed, beginning in 2001, the brainchild of the economist Kemal Dervish, according to which, in order to raise money, the Turkish state began selling off – privatizing – a great many state-owned factories and companies to foreign investors. To attract them, they were given good deals. But once these properties were sold off, there were ever fewer left to be sold, until the Turkish state found it had nothing left to sell. Investors were understandably spooked.

Foreign investors, like investors everywhere, like stability.

They don't want surprises. But Turkey has an authoritarian ruler who is given to crazed conspiracy theories, sudden outbursts against his "enemies," and grandiose plans. After the failed coup of July 15, 2016, which Erdogan blamed on Fethulleh Gulen, a religious leader now living in Pennsylvania, his government detained more than 110,000 people, and arrested nearly 50,000 of them. These included high-ranking military officers, lawyers, judges, university rectors, professors, journalists (more than 150 were jailed – Turkey now has more jailed journalists than any other country in the world). Many among the intellectual elite of Turkey have either been jailed, or lost their jobs, or have gone into exile – the greatest brain drain in Turkish history. Erdogan has been turning back the clock in Turkey, de-kemalizing and de-secularizing the country, as he attempts to re-Islamize it; this alienates the very people the country – and its economy – need. The educated young are leaving the country.

Here is one report: "These Turks would rather leave their country than continue living under Erdo?an," by Marga Zambrana and Zekine Türkeri, [GlobalPost](#), June 22, 2018:

Bilal Dünderlio?lu, a 34-year-old information technology engineer from Ni?de, in Turkey's Central Anatolia region, says he loves his country.

And in the next breath, he explains why he wants to leave.

"Human and political conditions are not good," he said. "I am not quite happy with the [situation] here – there is no justice."

"I am not happy with the economy either," he added. "Taxes are too high and salaries too low."

Dünderlio?lu is not alone. In Istanbul, most young people interviewed by PRI say they either know someone who has left Turkey or wants to. Many say they're thinking about it

themselves. In cities from Barcelona and Madrid to Stockholm, Berlin and Athens, researchers say Turkish diaspora communities are growing. And for the first time in modern Turkey's history, it seems the exodus isn't mainly due to a search for economic opportunity.

There are no official figures on emigration compiled by the Turkish government that break down the motives behind people's departure. But recent emigres and would-be emigres told PRI their decision was about safety from persecution, having a voice in society and, even more crucially, an uncertain future in the so-called "new" Turkey under President Recep Tayyip Erdoğan. They say that Turkey went from being a haven of a stability and economic growth in the region to a country with increasing societal divisions, rising violence and a government that continues to become increasingly authoritarian.

"Many people – particularly young, secular and educated Turks – say they have had enough.

Here, unfortunately, a human being has no value and cannot express oneself," said Dündarlıoğlu, adding that his final decision to leave will depend on what happens in the June 24 election, which could give Erdoğan even more power. [the election did in fact give Erdogan broad new powers] "If you support the government, maybe you will be valued."

Erdogan's dictatorial ways are driving out the very people the Turkish economy most needs.

Erdogan has sent troops to Syria, to fight both ISIS and, even more, the Syrian Kurds. For if the latter were to retain their autonomy, this might give the Kurds in Turkey ideas about obtaining autonomy for themselves or, still more threatening to Erdogan, even independence. Fifteen million Kurds in Turkey now see Turkish troops killing Kurds in Syria. This contributes to a sense of anxiety – both theirs and that of

the Turks who surely worry about how the Kurds in Anatolia will react to the suppression of their fellow Kurds in Syria. Erdogan's military venture in Syria is seen by investors, rightly, as another source of politico-military instability, with no prospect in sight of Erdogan bringing these troops home.

Another source of worry are Erdogan's constant threats against Israel, including his astonishing call this past March – in an article published by the editors of *Yeni Safak*, the newspaper that serves as his mouthpiece – for the creation of an “Army of Islam” to attack Israel from all sides at once. Erdogan clearly see himself as the leader of such an army. This, too, is not the kind of proposal that reassures investors.

Erdogan seems to think that the fall in the value of the lira is due to another – in his mental universe, there have been so many – “conspiracy.” It is true that in late August, President Trump raised tariffs on Turkish steel and aluminum. That may explain a very small part of the drop in the lira. But for many months, and long before these tariffs were put on, the lira had been steadily falling. Trump cannot be blamed for that.

Erdogan's neo-Ottoman dreams expose him as unrealistic. He continues to think of himself as the natural leader of the Muslim world, while at the same time he continues both to push for full membership in the E.U., and to remain a member of NATO, a military alliance of Western democracies whose chief threat now are the very Muslims whom Erdogan wishes to lead. Turkey under Erdogan will never be given full membership in the E.U., given his human rights record, and there are many in the West who have come to believe that under Erdogan, an Islamic supremacist, Turkey ought not any longer be a member of NATO.

As for Erdogan's dream of leading the Islamic world, he apparently does not realize that the Arab states have

historical memories of their Ottoman Turkish overlords, and are unlikely – Erdogan seems not to grasp the significance of that history – to welcome any new Turkish master in the making. At home, he's built himself a 1,150 room White Palace, the Ak Saray, confirming – if such were needed – his egomania and grandiose sense of entitlement as a veritable padishah. All of this – Erdogan's mercurial behavior, his rants about his "enemies," his baseless attacks, his perfervid antisemitism, his driving the most talented young Turks out of the country because of his authoritarian ways and mishandling of the economy, his alienating the Americans and destroying what was once Turkey's most solid alliance – has consequences among investors. They want stability and sobriety. With Erdogan in power, they get neither.

There is no conspiracy by the United States to destroy the Turkish economy. The tariffs on Turkish aluminum and steel will be lifted just as soon as Pastor Andrew Brunson is released. (The charge against him – a Christian pastor – of being an agent of Fethulleh Gulen, a Muslim cleric – is ludicrous on its face.) In fact, the tariffs were imposed only after Trump thought he had a deal. He had asked the Israelis, as a favor, to free Ebru Ozkan, a Turkish woman who had been detained in Israel because of her ties to Hamas. The notion was that Ozkan would be freed in exchange for the Turks letting Pastor Brunson go. The Israelis freed Ozkan, but the Turks did not free Pastor Brunson. Instead, they made another demand: that the DOJ drop its investigation into Halkbank, one of the largest state-owned banks in Turkey which is facing potentially crippling fines for possible violations of US sanctions on Iran. The Americans refuse to discuss this until after Pastor Brunson is freed. It is Erdogan's intransigence about Brunson that is responsible for the continuing burden of those tariffs that Trump is perfectly ready to remove. There is no conspiracy by anyone. It's very simple: we don't like our citizens held for years on false charges. The only surprising element in Erdogan's behavior is that he has not

yet tried to blame “Jewish bankers” for the collapse of the lira – perhaps that’s still coming.

Erdogan has appealed to both the nationalist and religious fervor – patriotism and faith – of the Turks, in asking them to sell dollars, euros, and gold and buy liras instead. Very few have done so. The lira has not moved since he made that appeal in mid-August. Incidentally, it would be fascinating to find out if Erdogan and his family sold all their dollars, euros, and gold to buy liras – why do we suspect that information will never be forthcoming? The appeal Erdogan made to buy liras in mid-August was the same one that he had made last May, and nothing much came of it then. The lira kept falling, and those few Turks who did listen to him and bought liras, and held onto them, lost a lot of money.

There is no reason to think that Turks today who have any money left to invest, so poor is the overall economy – the upper and upper-middle classes – will put that money into liras. These are the people who have been most affected, negatively, by Erdogan’s war on secularism, and by his rounding people up and arresting them with the absurd charge that they are “gulenists” who were involved in the failed coup. It is they who feel most keenly the erosion of Turkish democracy, the assault on human rights, the increasing authoritarianism of Erdogan. It is they who understand that the sell-off of state-owned properties that began in 2001 could not continue forever; eventually the state ran out of properties to sell. It is they, too, who understand how Erdogan is regarded abroad, with his wild conspiracy theories, his deep antisemitism, his anti-Western views, his grand plans to lead an Army of Islam against Israel or, in another version, to lead the Islamic side in a war he has foretold between “the Cross and the Crescent.” They know, as Erdogan apparently does not, that Turkey now has virtually no chance to be admitted to the E.U., given Erdogan’s suppression of human rights. As for Turkey’s membership in NATO, how long can

that continue, given that the greatest threat to the democratic members of NATO are the very forces of Islam that Erdogan wishes to lead?

Erdogan, unhinged, is the main reason for the fall of the lira. Here's what he has to do to stop the slide:

First, he must free Pastor Andrew Brunson. If he needs to save face, by pretending that there really was a case against Brunson, then he should put him immediately on trial, have him acquitted of all charges as speedily as possible – he controls all the judges and can arrange for a quick acquittal – and put him on a plane for Washington.

Second, he should respond politely to the lifting of those latest tariffs, by Trump, just as soon as Pastor Brunson has landed at Reagan International Airport. He can claim a victory, announcing from Istanbul that “Turkish justice, as everyone can see, is fair, and I am glad that President Trump agrees, and has lifted those tariffs.”

Third, he should resist the temptation to make any more wild pronouncements that scare foreign investors. No more of this “gulenist” conspiracy business. This has been going on for two years now. Erdogan should just stop talking about it, stop demanding that the Americans extradite Gulen. As for all of those soi-disant “gulenist” political enemies rounded up two years ago and still in jail, they need to be freed. Release them in an act of presidential magnanimity. Especially the journalists. A way to demonstrate calm self-confidence – I'm in charge, there is no serious threat to the Turkish state – that will reassure investors.

Fourth, he should declare that the new, 1,150-room Presidential Palace (that has been much criticized) will be turned into offices and, possibly, as well, affordable apartments for civil servants. He, Erdogan, should announce his decision to return to his previous residence, for upon

reflection he thinks it unseemly that as president he should inhabit such a gigantic structure. Such becoming self-abnegation from Erdogan, so unlike him, will win points.

These are some of the things Erdogan, in a new, more modest and sober version, could do to help win back, eventually, the confidence of both foreign and domestic investors. And that, in turn, will cause the lira to rise. It has primarily been Erdogan's antic disposition – in the Shakespearian sense – that brought the lira down. Trump's tariffs played only a most minor role – and only a chastened Erdogan can bring it back up.

That's a tall order. But if he wants to lift the lira, by restoring investor confidence in Turkey, he has to start by changes in behavior that will restore confidence in himself. It is the only way.

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