



TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION
WASHINGTON OFFICE

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TUSIAD: "Every passing day further deepens the crisis in Turkey"

March 28, 2001, Washington, DC: A TUSIAD delegation led by the Chairman of the Board Tuncay Ozilhan that is currently visiting different institutions and persons in Washington, D.C. released a statement concerning State Minister Kemal Dervis comments at the ATC meeting:

"Turkey needs to enact all the laws referred to in the general strategy of the economic program recently made public in order to leave its current economic crisis behind. Although more than a month has already elapsed since the floating of the currency in February, the Government is yet to convince the markets and the public that it is determined to take the necessary steps to overcome the current problems. In case the current predicament continues the problems of the economy will not be dealt with and worse the crisis will deepen. Ankara's behavior during this process leads us to think that over and above the economic crisis we are also faced with a political one.

As Mr. Dervis indicated in his speech Turkey needs foreign funds to find its way out of the crisis. Many developing market economies are susceptible to crises because of their openness to international trade and financial flows. Examples of this can be found in Latin American and Far East Asian countries. In such economies, the disinflation programs anchored in pegged currency necessitate the presence of political determination. In countries such as Brazil, Argentina, Chile and Mexico loss of credibility led to severe crises in the banking system. Turkey has just experienced a similar process. Turkey's own internal dynamics also helped exacerbate the crisis. The success of Turkey's own stabilization program had been hampered by the lack of critical steps taken to reduce the share of the public sector in the economy, towards the depoliticization of the public banks and towards adopting international standards for the supervision and regulation of the banking sector in general.

In our contacts in Washington we have observed that that Mr. Dervis' program is received positively in Washington where the intention to support the program is strong. The important thing is for this support to be timely and in sufficient amounts. Each passing day further deepens the crisis. In fact, in the auction that took place on the 20th of March the Treasury had to pay outlandish interest rates.

Yet we should remember that we can not continue to borrow at these rates forever. Turkey is rapidly moving away from being able to comfortably meet its domestic debt obligations. In order to remove the bottlenecks in the economy the flow of foreign funds is of utmost importance. This, in turn, depends on the determination of the government to carry out the legal steps that are the precondition of the new economic program."