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## Turkey's Dangerous Referendum

By Conn Hallinan  
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At first glance, Turkey's Recep Tayyip Erdogan's drive to create an executive presidency with almost unlimited power through a nationwide referendum looks like a slam-dunk.

The man has not lost an election since 1994, and he has loaded the dice and stacked the deck for the April 15 vote. Using last summer's failed coup as a shield, he has declared a state of emergency, fired 130,000 government employees, jailed 45,000 people—including opposition members of parliament—and closed down 176 media outlets. The opposition Republican People's Party says it has been harassed by death threats from referendum supporters and arrests by the police.

He has deliberately picked fights with Germany, Austria and the Netherlands to help whip up a storm of nationalism, and he charges that his opponents are "acting in concert with terrorists." Selahattin Demirtas, a Member of Parliament and co-chair of the Kurdish-dominated People's Democratic Party, the third largest political formation in Turkey, is under arrest and faces 143 years in prison. Over 70 Kurdish mayors are behind bars.

So why is the man so nervous?

He has reason to be. The juggernaut that Erdogan and his Justice and Development Party (AKP) put together to dismantle Turkey's current political system and replace it with a highly centralized executive that will have the power to dismiss parliament, control the judiciary and rule by decree has developed a bit of a wobble.

First, the nationalists—in particular the rightwing Nationalist Movement Party (MHP)—are deeply split. The leadership of the MHP supports a "yes" vote on the referendum, but as much as 65 percent of the rank and file are preparing to vote "no."

Second, there is increasing concern over the economy, formerly the AKP's strong suit. Erdogan won the 2002 election on a pledge to raise living standards—especially for small businesses and among Turks who live in the country's interior—and he largely delivered on those promises. Under the AKP's stewardship, the Turkish economy grew, but with a built-in flaw.

The 2000s were a period of rapid growth for emerging economies like China, Russia and Turkey. China did it by building a high-power manufacturing base and exporting its goods to the global market. Russia raised its economy through commodities sales, particularly oil and gas. Turkey's huge spurt, however, was built around domestic consumption, in particular real estate and construction. Indeed, Turkey's historical strength in manufacturing has languished.

Much of the construction boom was financed through foreign loans, and as long as investors were comfortable with the internal situation in Turkey—and money was cheap—real estate was Erdogan's Anatolian tiger. But when the U.S. tightened up its monetary policies in 2013, those loans either dried up or got more expensive.

Turkey was not the only victim of U.S. tight money policies. Washington's monetary shift also badly damaged the economies of Brazil, South Africa, India, and Indonesia. But the effect on

Ankara has been to increase the debt burden and fuel a growing trade imbalance. Growth fell from 6.1 percent in 2015 to 1.5 percent in 2016.

The fall of the Turkish lira means imports cost more at a time when Turkey's private sector has accrued a foreign exchange deficit of \$210 billion. Consumer inflation will almost certainly reach 11 or 12 percent this year and the jobless rate is over 12 percent. Among young Turks, age 15-24, that figure is over 25 percent. Almost four million people are out of work and many Turks now spend 50 percent of their income on food, housing and rent.

To add to these woes, the credit agencies Moody's, Standard and Poor, and Fitch recently designated Turkey's status as "non-investment" and its economic outlook from "stable" to "negative." Part of the downgrade was based on politics, not the economy. Fitch pointed out that if Erdogan's referendum passed, it "would entrench a system in which checks and balances have been eroded."

Businesses are generally not bothered by authoritarian regimes, but they are uncomfortable with instability and a cavalier approach to the rule of law. Erdogan's erratic foreign policies and the government's seizures of private businesses whose owners choose to oppose him do not create an atmosphere conducive to investor confidence.

There is growing nervousness about Erdogan's internal and external policies. Turkey once had a policy of "no trouble with neighbors," but Ankara is suddenly fighting with everyone. Erdogan strongly supported efforts to overthrow the Syrian government of Bashar al-Assad. He backed the Muslim Brotherhood in Egypt. He put troops in Northern Iraq aimed at keeping the Kurds down. He started a war with his own Kurds and bullies and intimidates any domestic opposition.

A case in point is the lucrative tourist industry that normally contributes about 5 percent of Turkey's GNP. Turkey is the sixth most visited country in the world, but the industry was down 36 percent in 2016, a loss of \$10 billion. Formerly, large numbers of tourists visited from Russia and Iran. But Erdogan alienated the Russians when he shot down one of their bombers in 2015 and angered Iran when he went to Saudi Arabia and denounced the Iranians for trying to spread their Shiite ideology and "Persian nationalism" throughout the Middle East. As a result, tourism from both countries largely dried up, hitting Istanbul and coastal cities like Antalya particularly hard.

Iranians and Russians are not the only nationalities looking elsewhere for fun and relaxation. Erdogan's Sturm und Drang rhetoric directed at the European countries that refused to let him campaign for his referendum among their Turkish populations—"Nazis" and "fascists" were his favored epithets to describe Germany, the Netherlands, and Austria—has tourists from the West looking to vacation in Greece, Spain and Italy instead.

To label Erdogan's foreign policy "schizophrenic" is an understatement.

On one hand, he has backed off from the demand that Syrian President Assad must go and is working with the Russians and Iranians—and Egyptians—to find a negotiated settlement to the horrendous civil war.

On the other, he is wooing Saudi Arabia, the major backer of al-Qaeda associated groups in Syria who have made it clear that they are not interested in negotiations or a political settlement. He is also clashing with Russia and the U.S. over those countries support for Kurdish forces battling the Islamic State and al-Qaeda.

In one rather bizarre example of schizoid foreign policy, Turkey sponsored a Mar. 14 meeting of 50 Syrian tribal leaders to form an “Army of the Jezeera and Euphrates Tribes” to fight Russia, Iran, Hezbollah, and the Kurdish Democratic Union Party in Syria. Beating up on the Kurds is standard Erdogan politics, but how he squares attacking Russia and Iran while professing to support a diplomatic solution to the Syrian civil war is not clear.

His political calculations keep backfiring. For instance, when Iran signed the nuclear agreement and sanctions were lifted, Turkish businesses were eager to ramp up trade with Teheran. Erdogan’s searing attack on Iran largely scotched that, however, and the Turkish president has very little to show for it. Erdogan calculated that embracing Saudi Arabia and the Gulf monarchies would more than offset alienating Iran, but that has not happened.

The United Arab Emirates, Saudi Arabia, Kuwait and Qatar have a combined overseas investment portfolio of \$262 billion, but only \$8.7 billion of that went to Turkey. Europe makes up the great bulk of foreign investments in Turkey, distantly followed by the U.S. and Russia.

In part this is because the Gulf monarchies have their own financial difficulties, given low oil prices and the grinding war they are fighting in Yemen. But one suspects that Saudi Arabia is wary of Erdogan’s AKP, which is closely tied to the Muslim Brotherhood. The Saudis consider the Brotherhood their main enemy after Iran, and they strongly supported the 2013 military coup against the Egyptian Brotherhood government. The recent thaw in relations between Turkey and Egypt has resulted in a chilling of ties between Riyadh and Cairo.

The Islamic State has recently targeted Turkey, in large part as blowback from the Syrian civil war. Ankara formerly turned a blind eye to the Islamic State’s supply lines into Syria because Erdogan wanted to overthrow the Assad government, and replace it with a Muslim Brotherhood friendly regime. Now that policy has backfired on Turkey, much as U.S. support for the Mujahedeen against the Soviet Union in Afghanistan led to the formation of al-Qaeda and the 2001 attacks on the World Trade Towers and the Pentagon.

The Kurds have also engaged in a bombing campaign, but that is a response to Erdogan’s attacks on Kurdish cities in southeastern Turkey.

It is not clear how widespread the “no” vote sentiment is, although it supposedly includes up to 100 AKP parliament members worried about concentrating too much power in the President’s hands. Pollsters say a significant number of voters are unwilling to say how they will vote. In the current atmosphere of intimidation, it could mean those “refuse to say” will turn to “no.” Certainly Erdogan’s prediction of a 60 percent approval has gone a glimmering.

What happens if people do vote “no”? And would Erdogan accept any outcome that wasn’t “yes”?

One disturbing development is the formation of a paramilitary group called “Stay as Brothers, Turkey.” Organized by Orhan Uzun, whose daughter is married to Erdogan’s son, Bital, the group claims up to 500 members. The opposition newspaper *Cumhuriyet* calls the group “Erdogan’s militia,” and some members of the National Movement Party say the “Brothers” are sponsoring weapons training and encouraging members to arm themselves. With the military firmly under control following last year’s attempted coup, even a small group like the “Brothers” could play a major role if Erdogan decides he is finished with the democratic process.

Certainly the President is in a bind. He needs foreign investments and tourism to get the economy back on track, but he is alienating one ally after another.

He could tighten Turkey’s monetary policies to staunch the outflow of capital, but that would slow the economy and increase unemployment. He could lower interest rates to stimulate the economy, but that would further weaken the lira.

His strategy at this point is to double down on getting a “yes” vote. If he fails, things could get dangerous.