

**RELATIONS BETWEEN THE UNITED
STATES AND TURKEY IN THE POST-
COLD WAR ERA***

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Dear Dean Odyakmaz, faculty and students of Selcuk University, and guests. Before I began my talk I would like to take this opportunity to thank you for your kind invitation and hospitality. I would like to give special thanks to two individuals who made this conference possible—Dean Prof. Dr. Zehra Odyakmaz and the Cultural Attaché of the United States, Dr. Ann Welden.

Introduction:

As you know, the US-Turkish relations are multidimensional and carry importance for both countries. This relationship has undergone drastic changes as the world system as we knew came to an end with the collapse of the Soviet Union. Transition to a monopolar international security order coupled with changes in the international economic regimes have affected the nature of this relationship between the US and Turkey. We can summarize the key aspects of this relationship as:

- Turkey's role in the regional power of balance in the Middle East. This includes the Caucasus and the Black Sea as well as the Balkans.
- Democratic and economic reforms in Turkey.
- Relations between NATO and the European Union.
- Energy policy and security in the region.

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Relations Between the United States and Turkey in the Post-Cold War Era

- Turkey's key role as an example for other states in the former Soviet Union.
- Security in the Balkans.
- Growing educational interaction between the US and Turkey.
- Turkey's importance in global financial markets, and
- Turkey's pivotal role in the U.S.'s security and economic policies in the region (Middle East, Eastern Mediterranean, the Balkans, Black Sea, and the Caucasus).

If there is any constant in US-Turkish relations that has survived the end of the Cold War we can say that it is the general belief in the US policy circles that American policymakers do not want to see an inward-looking Turkey that is governed by politicians who are paranoid, xenophobic, and who do not trust their citizens. As far as the US is concerned, Turkey should be integrated with the West, maintain a strong and secular (laic) political system, and be a key part of global markets.

Yet, despite all this good will and intentions, there are a number of challenges facing the policymakers and citizens of both countries that could disrupt relations between them. For example:

- How would closer ties between EU-Turkey affect this country's relations with the US?
- If for some reason the Baku-Ceyhan pipeline does not get completed, would this negatively affect Turkey's relations with the US?
- It is highly probable that as Turkey becomes stronger economically and politically, it will follow its independent (from the US) foreign and security policies. Would the US see these developments favorably? We already see some degree of independence on Turkey's part in recent years.
- Specific developments could also have adverse effect on US-Turkish relations:
 - Lack of progress in democratization in Turkey and return to authoritarian bureaucratic state system that limits individual civil and political rights, mistreats the Kurdish

minority, and perhaps a military coup that suspends democracy altogether.

- Rise to political power of an Islamist fundamentalist political party that is blatantly anti-West.
- Creation of a US-backed Kurdish state in northern Iraq.
- Passage of the Armenian genocide bill in the US Congress, and
- Improvement of American relations with Iran and subsequent shift in the U.S. energy strategies in the region.
- Failure to make progress on the Cyprus problem.

As you can tell these issues cover both domestic and external policy interests of Turkey. They also relate to Turkey's EU membership aspirations and EU-US relations. I will return to this last point later.

Domestic Situation and the Necessary Reforms:

It is in the interest of the US to see Turkey succeed both economically and politically. For Turkey, the reforms are part of the Copenhagen criteria that cover political and economic reforms and commitment to the EU's *acquis communautaire*, which basically mean that all the legislation and provisions under the EU Treaties must be adopted before the time of accession. The specific requirements for membership specify that Membership criteria are outlined in various EU documents and are summarized as the Copenhagen Criteria. These requirements are:

1. **Europeanness:** The applicant country has to be a member of the European family of states. However, the term "European" has not been officially defined. It combines geographical, historical, and cultural elements which all contribute to the European identity.
2. **Political Criteria:** meaning the presence of a democratic political system characterized by: democracy and the rule of law, respect of human rights, and protection of minorities.
3. **Economic Criteria:** meaning the existence of a strong market economy measured according to: relative strength of a functioning market economy and the capacity to withstand competitive pressure and market forces within the Union. Four freedoms must be in place for accession: freedom of movement of goods, capital, services, and people.

4. The adoption of the *acquis*.

The candidacy of Turkey settles the Europeaness issue once and for all – though many would still debate this matter for a very long time. The fact of the matter is Turkey, and previously the Ottoman empire, has been a member of the European family of nation states. However, despite its territorial placement Turkey is legally a European state. Since the end of WW II, Turkey joined all the appropriate West European intergovernmental organizations - the OECD in 1948, the Council of Europe in 1949, NATO in 1952, and as an associate member, the EC in 1963. If the Europeans have considered Turkey as part of their world in the past then what is the problem today? It seems that the argument over "Europeaness" is frequently used as a "red herring" to disguise or support other fundamental objections to Turkish membership in the EU.

Democratization:

The post-1982 Turkish political system resembles a heterogeneous form of interest representation that was a cross between state corporatist and pluralist forms of interest representation. The 1982 Constitution placed state control over the activities of citizens, interest groups, and political parties much like the practices observed in other exclusionary state corporatist systems found earlier in Latin America and Southern Europe. Yet, despite these restrictions, politics have moved in the direction of pluralism, though it has been a gradual progress, since transition to civilian rule in November 1983. Today, all of the pre-1980 political parties are re-established, all 1980 imposed restrictions on party officials have been lifted. Clear exceptions to such restrictions are, of course, the new ones imposed on former HADEP parliamentarians and Necmettin Erbakan who received a prison sentence in March 2000 for his activities against the secular nature of the Turkish state. Despite the improvements, Turkish political system still falls short of the EU Copenhagen criteria on political development. EU reports on Turkey (progress reports published by the Brussels Commission in 1998, 1999 and 2000) clearly state that more reforms are needed before Turkey could join the Union. Lifting of the death penalty, independence of the judiciary, human rights record of Turkey (e.g., treatment of the journalists and dissidents, freedom of expression, minority rights) present problems for Turkey's membership in the EU. They also present a sensitive issue in US-Turkey relations.

Economic Development:

On the economic front, Turkey has come a long way since the Ozal decade of restructuring in the 1980s and its economic successes have been noticed around the world. Today, Turkey has the sixteenth largest economy in the world and has a dynamic private sector that competes successfully in world markets. In addition, the Turkish economy has successfully integrated with the world fi-

nancial markets and the Istanbul Stock Exchange remains a star among emerging markets. However, recent financial crises of October and December 2000 and February/March 2001 highlight weaknesses of Turkey's economy. I should also point out that these recent crises demonstrate the political causes of Turkey's economic problems.

Turkey's economic and political fates indeed are tightly bound. Turks have to carry out both economic and political reforms or face greater danger of financial crisis. This is an inescapable reality. In emerging markets like Turkey, political events have grave implications (positive and negative) for portfolio investments. Direct foreign investments (fdi) are also affected in choosing not to come to the country but are not likely for fdi stock to pack up its bags and leave the country – at least not immediately. Portfolio investors on the other hand can take their money and go elsewhere. The flight of \$5 billion after the recent crisis in Turkey (and over \$ billion since November 2000) is an eye opener for the policy makers. The government's decision to invite Kemal Dervis to oversee economic reforms is a good indication that they might have learned their hard lesson. For far too long, Turkey's politicians have been violating the laws of economics and getting away with it. They prevented transparency of the economic system, postponed difficult reforms, continued with expansionary monetary policies and when problems mounted blamed individuals who were simply doing what they were told (remember that the Central Bank was not an independent institution), and took part in massive level of corruption.

During the last six months, conservatives who opposed political and economic reforms seemed to have taken control of government agenda. The main players in this group were the nationalist politicians of the MHP, opportunists in the ANAP, and powerful officers of the TGS. They prevented Ecevit's anticorruption policies from being fully implemented and caused enough friction with the EU in the hope that progress toward meeting the Copenhagen criteria would be severely threatened. It is highly probable that this is also the reason behind rigid position the government has taken over the Cyprus talks. Failure to make progress on Cyprus would only worsen relations with Greece and thus with the EU. Resulting problems with the EU would make political reforms less likely in Turkey.

Yet, the market has demonstrated that Turkey is not immune to paying the consequences of such hasty and irrational politics. As soon as the first sign of political problems emerged (e.g., the clash between Sezer and Ecevit) market immediately went south! My optimism in the future success of reforms stems from the recent actions of the coalition partners and the president in responding to the crisis. First, the latest NSC decisions addressed some of the tough policy

issues in responding to the EU. Second, the appointment of Dervis as the economic minister send a solid signal to international creditors that Turkey means business, and third, the international institutions and Turkey's allies (US and EU) have come to her assistance.

Many Turks see Washington's response as a sign of good relations between the two countries. It has reinforced in their minds the importance of Turkey to Western interests. Yet, their own response to crisis at home is far more important to market's confidence than what others say or do. This is because Turkey's monetary credibility has suffered as a result of failed crawling peg exchange rate system. Basically, the Turks tried to use this regime as a disinflationary policy but failed to anticipate its complications and to know when to bail out. Under the crawling peg profits can be made by borrowing in foreign currency to buy domestic assets that have higher interest rates. Many Turkish banks followed this and relied on the government's announced rates for the future. When the peg failed they all lost. Businesses that invested based on announced policies and FX rates also faced huge losses. Another serious problem was how the government created a SHADOW TREASURY in the form of two state banks (Ziraat and Halk). It pushed these banks (historically not just this government) to meet government obligations such as guaranteed floor price payments to the farmers and credits to small businessmen (esnaf). In the past, when these banks failed to meet their obligations like paying their loans to other private banks, the Central Bank intervened as the lender of last resort. Yet, when this problem arose recently, the Central Bank could not intervene due to the austerity package signed with the IMF. Incidentally, the combined obligations of Ziraat and Halk stand at \$20 billion. Add to this the increases recently seen in global interest rates on emerging market debt and you get a tremendous shock on government's balance of payments. It is no wonder that public confidence in political parties is at an all time low (23 percent).

At this point we could ask whether or not recent Turkish crisis is likely to be greater than similar developments in other emerging markets: I do not believe this to be the case. Two reasons can be given: one short and one longer. First the short reason: the contagion effect has been very limited thanks to international support and immediate response of the government to address economic and political reforms. Besides, the ratio of foreign portfolio investment in the Istanbul Stock Exchange to similar investments on the world scale is about 3 percent.

Second, unlike Indonesia, Thailand, and South Korea, the crisis in Turkey is going to have a smaller balance sheet loss. But it will need a longer period to regain monetary credibility in the international markets. The crisis in Turkey occurred due to failure of the government to implement reforms and ALSO the IMF's conviction on the soundness of crawling peg as a meaningful policy.

Notice that only Argentina's currency board is in place today. Crawling peg has been a failure in all other key emerging markets (Mexico, Russia, Indonesia, Thailand, South Korea). Turkey's politicians also acted stupidly (Sezer and Ecevit) by getting into an argument that was bound to send shock waves across the market. As I mentioned above, they have learned their lesson. Now with clear heads, they have moved to convince the public that inflation will not be allowed to return (enter Dervis). NSC has given the green light to make progress on the democratization front, and Turkey's strategic allies and key international institutions (IMF and the World Bank) have promised assistance. Under these circumstances an early national elections is not only unlikely but also suicidal.

We wonder about what kind of a country Turkey should be: This is indeed the main question in minds of Turks as well. It will be a while before the dust settles down and a clearer picture emerges. However, we can be sure that liberals, Islamists, and minorities all call for more democratic reforms in Turkey. One wonders how much longer the conservatives would be able to fend off these challenges. Note the fact that those who are for reforms seem to have the support of the market on their side. Yet, don't expect the unitary state to unfold. Greater freedoms do not mean a shift toward a federalist system in Turkey and the US policymakers know this. EU freedoms would be sufficient to meet these peoples' aspiration. On the economic side, it is important to note a crucial economic dilemma in Turkey. While general support for EU membership is very high, Turkish business elites (big business) is not so keen on "globalization" and views it as a potential threat. This is quite opposite of the attitudes of big business in advanced economies. It is another aspect of Turkey's complex picture. It also signals the fact that these people either do not understand what it means to be part of the EU and also have integrated economy with global financial markets or they simply try to have their cake and eat it too.

Nevertheless, there are signs of hope. Turkish leaders are making good response to the crisis. Consider the immediate calming of political uncertainties. The national program for the EU is more optimistic today than it was last month. Second, they have sent a clear and strong message to world markets by appointing Kemal Dervis to head the economy. In a country like Turkey this sort of appointment is no small task. Third, they can assure confidence by carrying out privatization reforms ASAP. Furthermore, it is likely that the Central Bank will soon become independent with a clear mandate to follow anti-inflationary monetary policy. Banking reform is on the agenda and is likely to be successful under the leadership of Dervis. So, even though the next two to three months will be difficult, Turkey is likely to come out of the current crisis looking stronger and more determined. They simply cannot afford to turn back.

Moreover, reforms in the political and economic areas are essential if Turkey wants to join the premier league of world states in the post-Cold war era.

For the United States, completion of these reforms is a crucial aspect of making Turkey a role model for other Turkic states of the former Soviet Union as well as for countries of the Balkans and the Middle East. It is also seen as a necessary development in Turkey's quest for membership in the EU. Thus, the US is firmly behind reform policies of the current Turkish government and favors a speedy implementation of Kemal Dervis's economic reform package and other political reforms which the government has identified in its National Program given to the EU.

Foreign Affairs and US Interests

As I mentioned at the beginning of my talk, there are several important foreign policy interests of the US that overlap with those of Turkey's. They are:

- Turkey's role in the regional power of balance in the Middle East. This includes the Caucasus and the Black Sea as well as the Balkans.
- The Cyprus problem.
- Relations between NATO and the European Union.
- Energy policy and security in the region, and
- Turkey's pivotal role in the U.S.'s security and economic policies in the region (Middle East, Eastern Mediterranean, the Balkans, Black Sea, and the Caucasus).

I will touch upon a few of the key issues of mutual interest for the US and Turkey.

With regard to security policy in the region, the US favors closer relations between Israel and Turkey. This relationship serves more than one purpose. First, it provides closer ties between the only two democracies in the region. Second, it gives Turkey another channel of access to sophisticated defense technologies that the US Congress frequently denies or delays due to domestic political pressures from American lobbies. Finally, it creates a stronger pro-US military cooperation among the region's powers.

Cyprus presents one of the biggest problems in US-Turkish relations in recent years. In Washington's policymaking circles, the Turkish side is seen as the one that walked away from the negotiation table. Regardless of how much the Turkish sides argues its justification in walking away from the indirect negotiations sponsored by the United Nations Secretary General, that does not

alter this perception in Washington. The US firmly supports a political settlement of Cyprus in accordance with previous UN resolutions that states a bizonal, bicomunal, federal republic for future Cyprus. Recent decision of the Turkish side to shift its demand from federalism to confederalism is not a welcomed development for the US policymakers. As far as they are concerned, it took many years of hard work to convince the Greek side to accept a federal solution for Cyprus. When the Turkish sides insisted on a federal solution, the Greek side was arguing for a return to the 1960 political system. So you can see why the Americans feel frustrated by the recent developments on the Island. Furthermore, as the US policymakers point out, the Turkish side will be unable to defend its position from an empty chair. Continued delay in getting the talks restarted will also damage Turkey's relations with the EU. This is another point that the US policymakers feel let down by Turkey. The US spent much to much energy in getting the Europeans to agree on Turkey's candidacy during the period between the Luxembourg and Helsinki summit meetings. Failure to make progress on Cyprus threatens Turkey's candidacy and eventual accession.

One point needs clarification here. And that is the way in which the Turkish side decided to pull out of the indirect Cyprus talks. As you know, President Rauf Denktas went to Ankara, met with Turkish leaders and decided to pull out of these talks. He then went back to Cyprus to brief the Turkish Cypriot government and the Parliament. This is quite amazing because it paints the picture of Turkey calling the shots with complete disregard to the views of the TRNC government. The more effective way of reaching the same decision of quitting the negotiations would have been for the TRNC government to decide on it, get the approval of the parliament, telling president Denktas to go to Ankara and to inform the Turkish government. This would have left no room for debate over who is in charge of the TRNC. It is now too late to correct this mistake. The anti-Turkish lobbies in Washington have been handed over a remarkable ammunition in their efforts to pressure Congress to pass resolutions that present Turkey as the "bad guy" in Cyprus.

In order to remedy the situation, it is important for the Turkish side to return to the negotiation table. This does not mean accepting any proposal that favors the Greeks. On the contrary, it would be much easier to present the Turkish side of the Cyprus problem and to demand a "just" resolution of the crisis. In doing so, the Turkish side should also start using the diplomatic language of the present times. Remember that the Greeks are approaching the issue from the standpoint of human rights. The Turks need to do the same thing and use the courts just as the other side. Arguments like, "we took the North and left you the South, and no one's life is threatened anymore" just does not meet

current international standards. Such words are viewed as being of the past—something leftover from the days of the Cold War.

The Armenian “genocide” resolution that keeps coming up in the US Congress is probably the single most dangerous issue that could threaten US-Turkish relations in years to come. When the Armenian-American realized that they had little chance of winning their war against Turkey in the Congress, they embarked on a grass roots political campaign aimed at State legislators and public opinion. One by one State legislators are passing resolutions that support the Armenian position. Turkish-Americans have been ineffective in stopping this campaign because of the sheer organizational and monetary superiority of the Armenians. The Armenians have bloc voting powers in many states and they have very rich members. In contrast, Turkish-Americans are thinly spread across the US and often argue among themselves. The Assembly of Turkish American Associations has been putting up a good counter argument but often the message falls on the deaf ears of the State legislators who are more concerned about their campaign support. I worry that once 35-40 state legislators pass the Armenian Resolution, the Congress will be forced to consider this matter and most likely pass a similar ruling. How would Turkey respond to that development? Perhaps it is time to rethink strategy in Ankara and send the whole matter to an international board of inquiry that could open everyone’s archives. So far, Ankara’s reaction of threats of economic and political sanctions (e.g., France) only reinforces anti-Turkish position in the views of the general American public. Americans who are ignorant about history feel sorry for the one-sided stories of the Armenians. The Turkish side gets drowned in the mass media campaign of the Armenian side. On top of it, the public hears about the threats coming from Ankara and concludes that there must be something wrong with the Turkish view for the Turks to use such threats. Even many of the pro-Turkish politicians in Congress privately admit the inevitable—that this resolution will someday clear the U.S. Congress. I believe that it is high time for the Turkish government to undertake an international campaign, not designed by itself but by a powerful PR firm in the West, to tell the Turkish human rights story of 1908-1923. It is time to be proactive not reactive in these matters.

Finally, let us consider the regional energy policy and security arrangements. The US clearly favors the Baku-Ceyhan pipeline for transporting Caspian oil to Western markets over other alternative routes. In a way, the great powers of today are reliving and replaying the “Great Game” of the late 19th century in the region. Turkey has to play its cards right if it want the US to continue backing the Baku-Ceyhan option. American oil companies are not all that sure about this option. It is Washington’s strategic interest that is keeping

them in support of it. That could change if Iran-US relations improve in coming years.

In conclusion, we can state that relations between the US and Turkey have survived the end of the Cold War and have become more complex. Turkey is a pivotal country for American interests in the region. In turn, the US support is crucial for Turkey's efforts in democratic reforms, economic reforms, and membership in the EU. There are, however, serious threats to this relationship in the form of anti-Turkish lobbies in the US, anti-American forces in Turkey, and adversaries of Turkey in the region. Success depends on the ability of American and Turkish leaders to use proactive policies in meeting these challenges.

Thank you for your time and for listening to my presentation.

Questions & Answers:

1. If South Cyprus joins the EU will Turkey integrate with the TRNC as indicated before? What would be the likely result of this move (by Turkey)?

That is a highly probable scenario. Turkey and TRNC may integrate in the form of some autonomous province. I do not believe that an outright union between Turkey and the TRNC is likely. The impact of this on the international setting would be very negative for Turkey. In my opinion the cost of such integration outweighs its benefits. It will result in condemnation of Turkey including more lawsuits in international courts and could even result in censure of Turkey in the Council of Europe and certainly in the United Nations. Moreover, such a move would strengthen the position of the Kurdish nationalists in demanding their own version of autonomy in the southeast.

2. Will the passage of the Armenian resolution in the US Congress result in Armenians' demand for reparations? Could you also evaluate the US policy toward the Caucasus?

Most likely the Armenians will look for a way to ask for reparations. However, the resolutions considered in the US Congress clearly state that the modern Turkish Republic is not responsible for the actions of the Ottoman Empire. Yet, as you see the Armenians are attempting to extend their claim to 1923 in order to hold Turkey responsible. I recommend you look at the recent out-of-court settlement between Armenian claimants and New York Life. This insurance company will pay Armenian relatives of some 300 or so who died during 1915 in Anatolia.

As for US policy towards the Caucasus it is centered around two main objectives: how to control Russian advances in this region, and how to secure oil shipments from the Caspian to Western markets. Very little of it has anything to do about who is right or wrong in the area. How else could one explain the current US embargo against Azerbaijan while US taxpayers money is spent on rebuilding Armenian villages in Armenian occupied part of Azerbaijan?

3. You mentioned that there are human rights concerns in Turkey. Yet even in the most democratic country in the world, the US, one finds frequent use of the death penalty. We have not executed anyone, even if that person has killed thousands of individuals, in many years. Can you elaborate on the human rights criteria you are talking about?

They include the freedom of assembly, speech, rights of the minorities, the ability of individual citizens to criticize their elected officials without fear of repercussion, and similar individual and civil rights. The present Turkish constitution places far too many restrictions on individual civil and political rights compared to other Western democratic systems. It is not a matter of executing a person for crimes they committed though in the EU there is no death penalty.

4. The European Security and Defense Policy is on the current agenda of Western nations. Isn't the current arrangement sufficient for defense of the EU?

You are absolutely right. NATO is more than enough for Europe's security. However, some members of the EU would prefer looser ties and less dependence on the US for defense of Europe. This is a costly adventure that threatens the unity of NATO.

5. Wouldn't Turkey's EU membership work against US interests in the region?

Not really. The US, contrary to much speculations and rumors in the Turkish media, favors Turkey's membership in the EU for good reasons. Turkish membership will lock in Turkey in the West for good. It will force democratic and economic reforms that would benefit the average Turkish citizen.

6. Why is it necessary to have both economic and political reforms in Turkey and who are preventing these reforms?

When a country has free movement of capital and its financial system is integrated with global financial markets it becomes very vulnerable to movement of portfolio investments. These kinds of investments are sensitive to both economic and political instabilities in the respective markets. I explained

the reasons above. In Turkey, politicians who had a sweet deal in controlling State finances and were engaged in questionable activities opposed reforms that would have disturbed their game.

7. The US says that it supports assistance to Turkey during the current financial crisis. It also says that no additional aid will be forthcoming unless reforms are carried out. The US Ambassador even asked if the government supports Kemal Dervis. Does this mean that failure will result in no further assistance? Also is Dervis a speaker for the US?

I believe that the media has missed the meaning of Ambassador Pearson's question. International lending institutions want to know if the reforms will be carried out by Ankara. The reason is simple. In the past, and as late as last December, Turkish politicians promised reforms and received loans. They then ignored the hard decisions and continued to drive the economy into a big hole. Unless serious commitment is indicated by the Turkish government loans are in danger. And, yes, this is the last chance Turkey does not want to default on its debt and go bankrupt. Kemal Dervis is not a speaker for the US. It was Prime Minister Ecevit who asked Dervis to leave his job at the World Bank. Not the US.

8. Couldn't Turkey become a world power (democratic and economically developed) without joining the EU?

Certainly it can if it carried out the reform necessary for development. The Copenhagen criteria are nothing new for Turkey. Remember that the 1961 constitution of Turkey was a democratic constitution that had all the elements of modern democratic system. Without these reforms it is not possible to reach that higher league of democratic and affluent states. Membership in the EU is another matter. It is the end of a 150-year old aspiration of the Turkish leaders to be part of the European family of states.

9. What have the Turkish Americans done in opposing the Armenian initiatives in the US?

Unlike the Armenians the Turkish community lacks large votes to influence the politicians. Remember that the Armenians live in concentrated areas and thus control local political representatives. Moreover, they have very deep pockets to buy political influence. In addition, the Armenians have been at this rewriting of history for a long time. We, the Turkish American, have a fundamental problem. Many in the Turkish community do not want to be disturbed by this problem and, frankly speaking, they fear for their individual safety. We try to work through the Assembly of Turkish American Association

but our efforts have not been very successful because we lack extensive local level organizations to counter the Armenians.

10. Would an economic/financial meltdown in Turkey result in a global economic crisis?

Probably for a short period this is likely. However, contagion effect will not be very deep since Turkey's share in foreign portfolio investments in the world is about 3 percent. The model advocated by the IMF was wrong for Turkey and it was wrong for the other countries where similar crisis occurred. The IMF now admits this. I am referring to foreign exchange policy. I believe that you can find the reasons for this in the discussion above on foreign exchange policy. The problem is much deeper for Turkey because it must undertake deep structural adjustments to eliminate inefficiencies in its economy. This is no easy task and will definitely hurt fixed wage earners like workers, civil service employees, and farmers. If Turkey wants to regain its economic competitiveness vis-à-vis its neighbors in this global economy, then reforms are essential.