

Has Erdogan Fallen Into a Deadly Trap? Who Controls Turkey's Economy?

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The recent election victory of Recep Tayyip Erdoğan to a new five year term as President of Türkiye, is rapidly looking like it will be a Pyrrhic one, one that will see that pivotal nation literally destroyed by his so-called NATO allies, above all by Washington and the City of London.

Already the outlines of that destruction are emerging. It is aimed at the Turkish economy. While waging a fierce campaign against a unified six party opposition that was quietly backed by the Biden Administration, Erdogan has now named a cabinet which, far from rescuing Türkiye from soaring inflation, will insure the near-term collapse of the Turkish economy and with it, of Erdogan's power to play a global geopolitical role. With Erdogan seeking to join the BRICS countries and his refusal to openly oppose Russia in Ukraine, it is clear why the Anglo-American actors seek to finally neutralize the shrewd president. He is simply a large loose cannon on the NATO deck.

Who Controls Erdogan's Economy?

The two most important appointees of Erdogan's new ruling government are his new Finance Minister and his new Central Bank head. Here lies the trap. For several years Wall Street and the City of London have led heavy speculative attacks on the Lira. They targeted Erdogan's hand-picked finance ministers and central bank heads who had adopted Erdogan's unorthodox low interest rate policy. One result was an inflation rate in late 2022 over 80%. Only through extraordinary short-term loans from UAE, Russia and China was Erdogan able to stabilize the situation somewhat prior to the elections to 39%.

Following his election runoff victory at end of May, Erdogan announced appointment of Mehmet Simsek as Treasury and Finance Minister. Simsek, a member of Erdogan's AKP was named Finance Minister previously in 2009 to 2015. Then, on the reported insistence of

Simsek, Erdogan named 41-year-old Turkish-American banker and former Wall Street Goldman Sachs director, Hafize Gaye Erkan to head the Central Bank of Turkey. [1]



Simsek, who was educated in economics at Exeter in the UK and holds dual UK-Turkish citizenships, is a former top executive with US Wall Street investment bank Merrill Lynch in London. Erkan, the first woman to head the Turkish central bank, is a dual US-Turkish citizen who got her doctorate in finance at Princeton in 2006 where she studied Operations Research and Financial Engineering.

At that same time she joined Goldman Sachs, where she worked for nine years. She became a managing director of Goldman Sachs in 2011. [2]

Three years later in 2014 Erkan left her senior post at Goldman's to become an executive of a young and aggressive San Francisco Bank, First Republic Bank, as Head of Investment. Yes, *that* First Republic Bank. There she increased the assets under management for the high-flying bank by a whopping ten times, earning her by 2021 the title of co-CEO of First Republic. It's now clear that First Republic under the leadership of Erkan was a very murky bank catering to Silicon Valley bigs and other high-net-worth-individuals. In other words, she was clearly a major architect of the deeply-flawed risk model that resulted in the bank's failure in May, 2023. [3] She reportedly left First Republic bank some months before its bankruptcy, perhaps sensing the disaster she created. On May 1 First Republic was taken over by the largest bank in the US, the very corrupt JP Morgan Chase, with quiet Biden Administration backing. Erkan is now being sued in a class action lawsuit for her role in the debacle. [4]

Dubious Credentials

But that is all being ignored as on the demand of Finance Minister Simsek, Erkan will decide the future of Turkish interest rates. According to insider reports, she has agreed to raise present 8.5% base rates to 25% in the next months. Such a rate shock therapy would make Paul Volcker a softie moderate by comparison.[5]

In her first act in office, on June 22, Erkan raised the key Turkish central bank rate by 6.5%, a huge rise by normal standards, bringing it to 15%, almost double. She promised it was just the beginning of the great reversal of the Erdogan low rate era. The "markets" were not satisfied. They had "expected" a jump to 25% in that meeting. They want blood. The lira fell after the rate news and the stage is now set for the destruction of the Turkish real economy in the interests of monetary "orthodoxy." So far this year the Lira has dropped over 20% against the US dollar. Since 2013 it has fallen 90%. Global financial speculators such as Goldman Sachs or JP Morgan Chase now control the Turkish economy.



*“Who controls the food supply controls the people;
Who controls the energy controls the whole continents;
Who controls the money controls world.”
-Henry Kissinger*

Erdogan has clearly made a Faustian bargain to secure his re-election. JP Morgan is “predicting” a central bank interest rate of 30% by year-end. With Simsek and Erkan in firm control of the Turkish economy and credit, Erdogan will be powerless to pursue a strategy of economic growth, or even to pursue an ambitious oil and gas development program that would give him more freedom of action.

As old Henry Kissinger purportedly said years ago, “who controls the money, controls the world...” It looks like for the moment that Wall Street and the City of London bankers control Erdogan’s Turkey. This is a very critical juncture for him and for Turkey’s future geopolitical role.

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Notes

[1] Ragip Soylu, How Mehmet Simsek convinced Erdogan to drop his low interest rate policy , 13 June 2023,

<https://www.middleeasteye.net/news/turkey-simsek-erdogan-convinced-drop-interest-rates-policy>

[2] Al Jazeera, Who is Hafize Gaye Erkan, Turkey’s new central bank chief?

<https://www.aljazeera.com/news/2023/6/9/who-is-hafize-gaye-erkan-turkeys-new-central-bank-chief>

[3] Handelsblatt, Eine Ex-Managerin der First Republic Bank muss jetzt die Lira retten, 9 June, 2023,

<https://www.handelsblatt.com/finanzen/geldpolitik/neue-zentralbankchefin-eine-ex-managerin-der-first-r-public-bank-muss-jetzt-die-lira-retten/29195700.html>

[4] Al Jazeera, Op Cit.

[5] Ragip Soylu, op. Cit.

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This skilfully researched book focuses on how a small socio-political American elite seeks to establish control over the very basis of human survival: the provision of our daily bread. "Control the food and you control the people."

This is no ordinary book about the perils of GMO. Engdahl takes the reader inside the corridors of power, into the backrooms of the science labs, behind closed doors in the corporate boardrooms.

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