

Turkey: Devastating Economic Consequences of Syrian Crisis and Iran Sanctions Regime

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New economic figures just out show that Turkey's erstwhile rising star as a powerful emerging economy has suddenly taken a plunge.

Second-quarter economic data show that the country's halcyon days of stellar growth of more than 8% during 2010 and 2011 are over.

While this year's 2.9% growth still looks robust compared with stagnant North America and Europe, nevertheless the abrupt fall by 50 percent from previous heights serves as a stark warning that Turkey is heading for tough economic times. And parsing the headline figures, there are signs of much deeper malaise for the Turkish economic outlook.

The Financial Times this week notes that the economic news for the government of Prime Minister Recep Tayyip Erdogan would have been a lot worse, only for a recent surge in exports to Iran.

The FT reports that "60 percent of the increase in Turkey's exports during the first seven months of the year was due to soaring gold sales to Iran."

Demand for gold in Iran is largely due to the tighter Western economic sanctions imposed on the Islamic Republic this year, which are driving Iranians to seek financial security by buying tangible assets of the precious metal.

The worrying news for Turkey's government is that the Iranian export surge is likely to be a one-off boost. There is only so much gold that Iranian households can buy, thereby giving a limited lifeline to Turkey to fend off an even more precipitous decline in the latter's economy.

In recent years, Turkey has been seen as something of an international showcase for economic development, garnering glowing reviews in the business media for its growth in the key industries of agriculture, textiles, manufacture of cars and consumer appliances, and a heavyweight ship-building industry. Turkey is now ranked fourth in the world for ship-building behind China, South Korea and Japan.

Such has been the country's rapid growth that some commentators had begun to class Turkey as a "developed economy" rather than an emerging one.

However, the Erdogan government's newfound reputation for sound economic management is taking a battering with the recent downturn.

A major factor in Turkey's economic woes is Ankara's more interventionist and reactionary foreign policy, which is rebounding badly on its economy.

Flagging consumer sales reflect uncertainty among ordinary Turks stemming from the political risk of conflict in neighboring Syria, according to the Financial Times. That risk is also having a detrimental knock-on effect on foreign investment in Turkey, which has been up to now an important driver in the country's recent economic success.

Another source of political risk that is undermining confidence in the Turkish economy is the renewed violence from Kurdish separatists in the southeastern provinces. Dozens of state forces and militants belonging to the Kurdish Workers Party (PKK) have been killed in a spate of clashes in recent weeks. This renewed violence is a repercussion from instability in Turkey's southern neighbor Syria.

Prime Minister Erdogan has led the way for his government's interventionism in Syria, aligning with the Western powers of the US, Britain, France and Germany, and their allies of Israel and the Persian Gulf Arab monarchies, in trying to topple President Bashar Al Assad.

Erdogan's interventions in Syria have become increasingly strident, denouncing Assad for running "a terrorist state" and calling for the setting up of "no-flying zones" in Syria's territory.

Evidence, however, points to the main source of violence in Syria accruing from the foreign powers sponsoring mercenary armed groups. Erdogan's Turkey has taken a lead role in supporting the Sunni extremist network running amok in Syria by providing land bases, logistics, weapons and senior Turkish military personnel, according to recent reports.

The instability in Syria has also caused a massive flow of refugees into Turkey. All of which are placing duress on the Turkish economy and further eroding domestic confidence.

Compounding Turkey's economic woes is Ankara's reactionary relations with neighboring Iraq. Iraq is a major trading partner with Turkey, ranked fifth behind Germany, France, UK and Italy in terms of export purchases.

Erdogan's alignment with the Sunni monarchs of Saudi Arabia and Qatar in facilitating the Western geopolitical agenda of regime change in Syria is driving a political wedge between Ankara and Baghdad. Iraq has cordial relations with Syria and Iran and is none too pleased about the Western covert war of aggression in the region, which is also reigniting sectarian violence across Iraq, with thousands killed in terrorist blasts over the past three months. The recent move by Turkey to afford refuge to Iraq's fugitive former Vice President Tareq Hashemi, who is wanted by the Iraqi authorities for masterminding terrorism, is seen as a deepening of the political wedge between the two countries. Again, the repercussion for Turkey's economy will carry a heavy cost by alienating a key trading partner.

But the cost to Turkey's economy from Ankara's wayward foreign policy is bigger still. While Turkey continues to maintain friendly relations with Iran officially, its pro-Western geopolitical agenda in the region is inevitably lending greater momentum to American and European belligerence towards Tehran. It is crass double-think on the part of Ankara to take such a strident and criminal role in the Western-led destabilization of Syria, and yet to somehow not realize that such a policy is offensive and damaging to Syria's key ally Iran.

This detrimental dynamic of Erdogan's government against Syria and Iran is feeding into the

Western sanctions that are taking a heavy toll on Iran's oil economy. That dynamic, in turn, is driving up oil prices, which are rebounding to hit European economic growth. The EU bloc is the main trading engine for the Turkish export economy. Europe's economic stagnation today is therefore Turkey's stagnation tomorrow.

So there you have it. Regional violence and instability, domestic consumer anxiety, the alienation of key regional trading partners such as Iraq and Iran, and the hammer blow to European economic recovery from Iranian oil sanctions are all boomerangs on Turkey's economy that the Erdogan government has thrown into the air with its reckless foreign policy. In that way, you could say Erdogan's Turkey is voting for Christmas.

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