

The coming problem of Turkish Economy: The Impasse of the foreign debt

Turkey experienced a rapid increase in external debt levels during the 1990s and 2000s, due to external liberalization policies. The external debt stock climbed from 49.2 billion dollars in 1990 to 247.2 billions by the end of 2007. By September 2008, the figure had reached almost \$280 billions and it had exceeded \$300 billions in 2012. The ratios of external debt stock or of debt service to GDP and to exports; of short-term external debt to reserves and to total debt; the ratio of short-term debt plus current deficit (current surpluses taken as zero) to reserves show the risk of external debt in Turkey. After especially external financial liberalization, Turkey has heavy and risky external debt obligations.

After the debt crisis in 1980's, currently, the new wave of the debt crisis threatens the developing countries which are already experiencing of serious financial crisis. NML Capital Ltd., a "vulture fund" that claims Argentina owes \$172 million to the fund, succeeded in getting courts in Washington D.C. to place a lien on 15 properties belonging to the Argentine government. This court decision about the foreign debt of Argentina is an indication that there will be extremely serious consequences for *sovereign debt of many developing countries*. Therefore, the discussion of foreign debt restructuring in the international financial architecture which has developed to prevent financial crises, lessen its severity and reduce its damage, has recently become important part of the debate.

There is a broad agreement that the boom-bust cycle in capital flows needs to be moderated. Because of this, the reintroduction of capital controls and the reactivation of crucial policy tools for economic development in developing countries are essential. It is clear that capital controls are "necessary but insufficient" first to prevent the crises and second to prevent the dispossession in the post-crises period which is acknowledged by D. Harvey. Otherwise, future crises are inevitable.

Briefly, this paper will try to examine the debt problem of Turkish economy with the causes and effects on the economy.

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