NATO’s Currency War Against Turkey: Comparative Resistance and Solutions

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Table of Contents

Chapter I: Global Finance Targeting Turkey 3

Chapter II: Using Modern Global Finance as a Stick 12

Chapter III: Turkey’s Economy Doesn’t Warrant a Plummeting Currency 20

Chapter IV: Existing and Proposed Solutions 25

Chapter V: Global Economic Stakes Are Massive 60

for the US / UK / EU / Israel
I. **Global Finance Targeting Turkey**

Turkey is being attacked by Anglo-American finance as punishment for Ankara’s perceived noncompliance with NATO’s geostrategic goals. Despite Turkey’s Justice and Development Party (AKP), under President and once Prime Minister Recep Tayyip Erdoğan, running a successfully growing emerging markets economy for nearly a decade and a half while enduring multiple scares (including the 2008 Financial Crisis and its subsequent, US Fed-triggered “Taper Tantrum”), Turkey’s economy is now uniformly described as in dire straits by the collective London-New York banking juggernaut and its media tentacles. Despite the West’s reasoning for why the nation’s currency – the lira – is plummeting, Turkey is enduring this imposed situation due to seasoned, disciplined internal defensive economic measures, plus its insistent relations with China, Russia and Iran.

For years, independent Turkey has been leaning excessively, in the eyes of the West, toward these interlinked Eurasian partner nations and their growing intercontinental economic, political and security corridor while trying to balance them against its western interests. Yet, judging from acutely speculative attacks on the lira, plus an attempted coup in July 2016, as well as repeated terrorist attacks within its borders, it becomes clear yet again that Atlanticist nations¹ do not tolerate sharing what they perceive as their strategically vital client states with any other major powers.

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¹ By “Atlanticist” here is meant the collective of what is often referred to as “the West”. Namely, the US, UK, their NATO allies, Israel, and even Japan, despite said western client state flanking the Pacific.
Turkey sees itself as a willing participant in China’s vast, multi-billion-dollar One Belt, One Road, and New Silk Road, projects. The feeling is certainly mutual. A recent corporate merger example involved China’s telecom firm ZTE recently buying out its Turkish counterpart, Netas.

In addition to simple corporate growth strategies, there are evident geopolitical ones at work.

Per the South China Morning Post,

The One Belt, One Road trade strategy that President Xi Jinping unveiled in 2013 is composed of two legs: The New Silk Road Economic Belt connecting China with Europe overland and the Maritime Silk Road that links the mainland to the countries in Southeast Asia, Africa and Europe.

Turkey, following the new Silk Road leg, would be an important bridge for ZTE and other mainland companies to grow their business across the vast CIS economies, which include the neighbouring Central Asian republics of Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan and Turkmenistan. [sic]

Although the Turkish Lira has been gradually descending in value for over four years against an equally weighted dollar-euro basket, the currency’s plunge has sped up since the failed coup attempt against the Erdoğan AKP-run government, threatening a currency crisis.

Source: ZeroHedge.com
In the new year, the lira’s rout has been described as the worst in nearly a decade, with the Anglo-American banking sector putting the blame acutely on the Erdoğan government lowering interest rates, on security instability via terrorist attacks, and more widely on Ankara’s efforts to vertically integrate power in order to, ironically, reduce risks to Turkish stability. Subsequently, the lira has apparently replaced the South African Rand as the “World’s Most Volatile Currency”.

Turkish President Erdoğan has notably stated that the lira’s troubles have mostly resulted from attacks against it from speculators and financial “terrorists” abroad. Although these accusations have been criticized in the West as paranoid at best, and ineffective and harmful at worst, a sober viewing of the actors involved, and the history of such currency wars affecting other nations unpopular with Anglo-American Hegemony, reveals a viable pattern that vindicates Ankara’s honest, fearless sentiments.

A cursory look at Turkey’s GDP growth as annual percentage change shows an oddly placed sudden drop in the latter half of 2016, after a somewhat rocky yet still seemingly manageable performance over the prior four years:
Yet the question remains if such a sudden change in GDP performance and the lira’s changes have been due to genuine economic fundamentals, or to consistent extraneous political, security and financial shocks which have been hurled at Turkey.

The western political establishment’s financial press, in their typically concerted efforts to ‘paint the tape’ on a nation or region, have been persistent in their fearmongering of impending political and economic doom within Turkey. The Financial Times (FT) frets that “[arresting Turkey’s economic] decline has fallen upon a beleaguered central bank, pressed by Mr Erdoğan to cut rates to jump-start the economy and by currency markets demanding a rate rise to tackle inflation and bolster the lira.” [sic] This assigned predicament has certainly intended to place the central bank into a seemingly unnavigable position.
The FT continues illustrating the supposedly grave stakes the Turkish economy faces in such a climate due to the nation’s corporate debt burden becoming harder to service while the lira falls in value against the US dollar:

The uncertainty is being felt across the corporate sector.

“Things are changing so fast, so unpredictably, that we find it better to wait for the dust to settle,” said the patriarch of a well-known conglomerate. “No big moves, no big investment, nothing.”

Their caution is warranted. As the lira has tumbled, the mismatch between the foreign-denominated loans held by Turkish corporates and their assets has widened to $213bn, according to calculations by Bloomberg.

“Every dollar, every euro, every cent — we are saving it for the bank,” said the finance head of a services firm that must either pay back an $80m loan in February or refinance it at punishing terms. “I am not approving a single new expenditure right now.”

Such are among the risks which currencies of sovereign states face in a world economy still dictated to by Dollar Hegemony. Thankfully, and based on lucid awareness of global affairs as well as a learned sense of monetary history, Turkey’s AKP Government knows of and is acting on alternative currency valuation arrangements, which will provide needed defensive measures against foreign deployed currency wars as well as provide invaluable, overdue modelling for other nations who’ve faced, or will face, similar economic frontal attacks.
The **telling prescription** from western finance is for Turkey to simply yet aggressively hike interest rates, which would harm Turkish economic growth and endanger its debt burdens while furthering conditions for the banking establishment’s (desired, intended) interventions.

Yet the Turkish government sees both the causes of, as well as the solutions for, this latest currency crisis quite differently than does the West. President Erdoğan “has claimed” Turkey’s struggling economy is under attack from foreign exchange (forex) speculators, while also praising citizens who have converted their foreign currencies into liras.”

**Harassing Turkey: Western Tradition?**
Although a member of NATO, Turkey has nonetheless been made to feel like a pseudo-European member state for decades, partly due to its majority Muslim status, but also because Turkey – which is both a figurative and literal land bridge (or three) connecting Asia to Europe - tries to consistently balance its economic and geopolitical interests between the Eastern and Western hemispheres. Last November,

the European Parliament approved an initiative to suspend EU membership talks with Turkey. The initiative was supported by 471 parliamentarians, with 37 votes against and 107 abstentions. However, the vote was non-binding and mostly symbolic, which meant it would not be supported by the European Commission.

That referenced ‘symbolism’ applies in multiple ways, as Ankara is “fed up” with the EU’s endless condescension toward extending group membership and other issues, including the pressing Syrian refugee crisis.

Syria, Assad and Pipeline (Geo)Politics

Although Turkey had been vehemently against Bashar al-Assad’s rule in Syria for years, Russia, Iran and Turkey managed to recently agree to working together on achieving a Syrian peace, fighting terrorists there, and keeping Assad in power. This deal most certainly did not sit well with the US, NATO and Israel. Yet Turkey was ultimately incentivized by Russia and China

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2 In addition to serving as an economic and geopolitical ‘bridge’ from Europe to both Southwest Asia and East Asia, Turkey is increasingly a ‘bridge to Africa for the various stated regions. Source samples:
1) http://www.mfa.gov.tr/turkey-africa-relations.en.mfa
2) http://www.turkeyafricaforum.org/about-tabef/turkey-africa-relations/
through means including economic ones, considering that Erdoğan had been onboard a US and Saudi proposed natural gas pipeline which would source mostly Qatari gas through Syria into Turkey.

Yet perhaps the newer arrangement with Turkey's Eurasian partners regarding the Syrian peace process also involves newer gas routing agreements.
Turkey has also negotiated significant energy pipeline deals bilaterally with Russia, and for a longer period of time. The Turkstream natural gas pipeline, which is meant to replace the cancelled South Stream project, was first announced by Russian President Vladimir Putin in December 2014, making the timing of NATO’s turning against Erdoğan’s rule not coincidental.

Turkey’s Un-Sanctioning of Iran

Another reason for the West’s consternation with Ankara involves its assisting neighbor Iran with trade and currency relief in spite of US-initiated sanctions against Tehran. For years, Turkey traded gold bullion for direly needed Iranian natural gas, a plan which not only avoided using US dollars, but also added to Iran’s capital resource base, provided hard currency for Iran to conduct transactions for goods, and most importantly essentially re-introduced gold as money into global finance. Although this practice was small in volume compared to the much
vaster global currency markets, let alone US Dollar Hegemony in general, it was nonetheless significant as an act of mutual defiance by Iran and Turkey, as well as a model for other nations to emulate against said hegemony. More on that later.

**Blocking Western-Sponsored Kurdish Affronts**

Lastly, Turkey is definitively against the founding of an independent Kurdish state in West Asia, and has fought Kurdish separatist militants for decades. Curiously, the US, NATO and especially Israel favor such a Kurdish state, and foresee it appropriating land from existing Turkey, Syria, Iraq and Iran. Naturally, Iraq and Iran have seen eye to eye with Turkey on this issue for a very long time as well, with even the old Shah of Iran famously frustrating Washington and Tel Aviv by agreeing in rare fashion with Saddam Hussein in the mid-1970s on the Kurdish issue, which then led to Saddam crushing their insurgency.  

Then Israeli Prime Minister Yitzhak Rabin referred to the Shah’s act as a ‘selling out’ of the Kurds, thus begging questions over what sort of geostrategic interests Israel saw then – and still sees now – in deploying the ‘Kurdish lever’ against its neighbors.

II. **Using Modern Global Finance as a Stick**

Western finance’s tools have been used against other ‘misbehaving’ nations for decades.

**Iran: Sanctions, Currency Wars**

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3 The Iranian-Iraqi-Kurdish historical episode is described by Andrew Scott Cooper in *The Oil Kings* (Simon & Schuster; New York, 2011), pp. 240 - 246.

4 Ibid., P. 243.
As mentioned, the Islamic Republic of Iran has suffered from western-imposed economic sanctions for years because Tehran has fastidiously held to a rare sense of political and economic autonomy, independence and sovereignty for nearly forty years. Recent fiscal sanctions by the US Treasury Department against the Iranian banking sector, use of dollars in trade, individuals and institutions, importing and exporting of goods,\(^5\) have barely seen any sense of reprieve since the agreement to the Joint Comprehensive Plan of Action (JCPOA) by Iran and the P5 + 1 members of the UN Security Council. No doubt that Turkey has taken away lessons from its southern ally's treatment by the West, with regard to effectively resisting client state status.

Repeated currency wars against Iran resulted in the Iranian rial (or “toman”) experiencing “several big drops against the [US] dollar, reaching a record low in early December [2016].”

Tehran is considering very expensive currency redenomination as one means of dealing with a recent exchange rate of 32,376 toman / $1 and averting hyperinflation. Per Sputnik News, certain “economists believe that the Iranian government should take control over the rial

\(^5\) One relevant example, per the previously cited South China Morning Post article on Chinese telecom firm ZTE,

Nomura analyst Huang Leping has said that “ZTE’s long-term growth story remains intact”, although United States export restrictions remain a source of concern for investors.

ZTE last month was granted a reprieve for the fourth time by the US from export restrictions over its violation of long-standing trade sanctions on Iran.

exchange rate to the dollar. They say that the preferable exchange rate would be 4,000-4,500 tomans/$1.” Reminiscent of what Turks will recognize regarding the lira since the failed coup attempt of July 2016, the “exchange rate of the Iranian currency is also affected by other factors, including currency exchange rate manipulations by major [western financial] companies.”

Notably, former UK Ambassador to Iran Richard Dalton attested in a British journal report in October 2016 “that the US and its allies had made ‘some potentially significant mistakes’ in respect to reconnecting Iran to global banks after the deal.” Per The Guardian, economically speaking, “Dalton viewed Iran as an emerging Brics country, alongside newly advanced economies such as Brazil and India … On the regional context, Dalton wrote that ‘we should compare [Iran] not with post-Ottoman, post-imperial Egypt or Saudi Arabia, but with Russia and other Asian powers.’” With a population only slightly larger than Iran’s, nowhere near Iran’s natural resource base, and economic relations not (yet) as tight with Russia or China as Iran enjoys, Turkey is nonetheless clearly in Atlanticist crosshairs as far as fiscal and political pressures go.

**Venezuela: Inflationary Attacks**

Ever since the late President Hugo Chavez took over Venezuela in 1999, that ninth largest global oil exporter (yet largest oil reserves carrier) has struck a defining stance of resistance against the “Washington Consensus”. Assassinating Chavez through deployed poisoning, which led to a slow, fatal illness, apparently wasn’t enough to shift the Latin American nation toward compliance with ‘El Norte’. Years of economic turmoil have been blamed by Atlanticists
on corruption and mismanagement in Caracas, whereas evidence abounds of unsurprising currency wars and fiscal attacks originating from Washington. Most recently, the US Treasury is firmly believed to have prevented the arrival of Venezuela’s new deliveries of printed bolivar currency notes. The notes resulted from the government’s efforts to reign in tactical speculative attacks. Per Telesur,

The measures are part of the government’s attempts to reign in the economic war waged on the country by speculators and business owners, who’ve hoarded everything from food to currency.

...

[President] Maduro has linked [recent economic attacks] to a larger international sabotage effort led by the United States Treasury Department and complacent NGOs in order to economically ruin the nation, create social unrest and topple the socialist government.

Zimbabwe: Currency, Inflationary Barrages

President Robert Mugabe has been famously outspoken against what he’s pointed to as continuing Anglo and European colonialism, both within his nation as well as across Africa. His defiant words and actions have not gone unmet by London’s systematic economic responses, which inevitably brought hyperinflation to the beleaguered independent African nation.

Russia: Sanctions (?!?)

President Putin’s rise to power in the late 1990s resulted in a complete reversal of national economic priorities from those of the inept, often drunk, western-possessed Boris Yeltsin.
Nationalizing vital energy and natural resource-linked firms away from corrupt, foreign-tethered oligarchs and parasitic multinationals before utilizing said state assets for not only economic survival, but keen strategies for growth and global economic integration with essential partners (China, Iran, the former Soviet “Stan states”, and others) resulted in western sponsored sanctions, among other actions. These sanctions were explained by Washington as due to ‘Russia annexing Crimea’, whereas the reality involved Crimeans overwhelmingly voting to rejoin Russia after an illegal, fascist-led, US-backed coup in Ukraine in 2014 threatened them. Although the Atlanticist press incessantly blames the rebranding of Russia as an enemy on a slew of false flag events, assassinations, Crimea’s action and other alleged misdeeds, Moscow’s independence, like those of Iran and Turkey, are truly to blame for western opposition. Obliviously treating Russia – the largest nation on earth with the second greatest nuclear weapons capabilities, highest global reserves of natural gas, and second highest global oil production rate – as a smaller, inept, ‘manageable’ state, UK and US finance imposed various economic sanctions, not realizing that the new Kremlin can flip attacks in Aikido-style fashion by solidifying resource interdependencies with trading partners. The means by which Russia is responding to currency wars and sanctions serve as models for multipolar relations immune to unipolar pretensions and bullying.

The Philippines: Freshly Unexpected Resistance

President Rodrigo Duterte has lashed out against Washington - in unprecedented fashion for a Filipino leader - in defense of the dignity of his nation which, like Turkey, retains a western
military presence while simultaneously building closer relations with Russia and China.

Subsequently, and per The Manila Times in December, former US Ambassador Philip Goldberg outlined a “blue print to undermine Duterte” as a formal strategic recommendation to the US State Department which unsurprisingly included suggestions for eventually removing Duterte from power. Among the economic constraints described by Goldberg for use against Manila are “blackmail[ing] neighboring countries so they would turn against Duterte by reducing trade with the Philippines in favor of Vietnam, Cambodia and Laos.” Goldberg also suggested weakening the Filipino currency, the peso, as it would “lead to inflation (and would raise prices of food and other commodities).” Also, and rather revealingly, Goldberg advised Washington on tracking any internal corruption cases and highlighting Duterte’s failures while outright employing the words “destabilization or a coup” in referencing the Duterte government’s intended fate. None of these foreign imposed actions or events – or even their ‘merely’ official contemplations - should sound unfamiliar to cognizant Turks. Many certainly know what to expect in the currency war and ‘secret ops’ realms against the Philippines, which otherwise still technically lists as a US ally.

India: Monetary Guinea Pig

Although India is a ‘friendly’ nation and trading partner to the US, NATO, EU and Israel, a recent financial shock experiment carried out against it by American firms and nonprofit foundations reveals deeper parameters to global currency wars. A concerted effort by the US government’s development agency, USAID, various high tech executives, over 35 key Indian, American and
global organizations, and the Indian Ministry of Finance, achieved an effort in November 2016 to do away with the two largest Indian currency denomination bills. According to Dr. Norbert Haering, a German economist and writer, this act abolished nearly 90% “of circulating cash by value” in India. This premeditated act by the Indian government of Prime Minister Narendra Modi is meant to replace paper currency – which the majority of Indians rely upon routinely – with digital payment systems in India and, ultimately, globally. Aside from the United Nations, the mostly privately held American entities in this effort include the Bill and Melinda Gates Foundation, the [Pierre] Omidyar Network, the Dell Foundation, Metlife Foundation, Visa, Mastercard and others. Involved in the periphery are global monetary planning entities such as the IMF, which ultimately seeks to replace the world’s reserve currency with its own Special Drawing Rights (SDRs) via digital means – and the opaqueley operating, hyper-elite Group of Thirty. This difficult push toward regularizing digital cash and payment systems for over 1 billion Indians is meant to serve as a test case for the rest of the world and retains core motives of money centralization and monopolization (indeed, even more so than existing Dollar Hegemony), corporate standard settings and oligopolistic profits, and heightened technological surveillance capabilities. Per Dr. Haering, under such an eventually planned scenario,

US intelligence organizations and IT companies together can survey all international payments done through banks and can monitor most of the general stream of digital data. Financial data tends to be the most important and valuable.

Even more importantly, the status of the dollar as the worlds currency of reference and the dominance of US companies in international finance provide the US government with tremendous power over all participants in the formal non-cash financial system.
Again, this is how Anglo-American finance treats a ‘friendly ally’ (albeit one willingly listed in the East-lean ing BRICS consortium) – as a guinea pig for wealth destruction, information and behavior control – let alone how it treats sovereign nations following interests which may conflict with Washington’s and London’s. Nations such as Turkey.

**Egypt Isn’t, and Won’t Be, Libya**

In addition to leaning further toward Russian and Chinese influences throughout Africa and Southwest Asia for well over a decade, Egypt has most recently further upset Washington, London and Tel Aviv by accepting Tehran’s invitation to join international conflict resolution discussions on Syria, alongside itself and Russia. Per Christina Lin of Asia Times, Cairo then “voted for Russia’s UN Security Council resolution that backed the Syrian government. Riyadh retaliated by cutting off 700,000 tons of refined oil products as part of US$23 billion deal signed earlier [in 2016].” Egypt’s growing resentment toward US, UK and Saudi support for the terrorist Muslim Brotherhood and Cairo’s resulting Eurasian pivoting, has brought about “GOP threats to cut off aid over Sisi’s anti-democratic legislation, and austere IMF conditions of rolling back energy subsidies that could further destabilize Egypt in midst of waves of terrorist attacks.” Per Lin again,

Unlike Washington, Sisi sees Assad as a secular bulwark against Islamic extremism in the Levant. If Assad falls, Lebanon and Jordan would be next, and Egypt does not want to end up like Libya with the Brotherhood and other Islamists carving up the country. In response, Cairo is turning towards Russia and Iran, and forming what former Oxford University scholar Sharmine Narwani describes as a new “Security Arc” in midst of Mideast terror.
As with Turkey, Egypt realizes that it cannot successfully balance its national interests between the West and East, because the former will seek economic and political punishments against her for ‘straying’.

III. Turkey’s Economy Doesn’t Warrant a Plummeting Currency

Despite the interlinked US/UK banking, press and credit rating agency-issued financial propaganda, Turkey’s overall economic condition doesn’t justify a plummeting currency. According to Professor Erdal Tanaş Karagöl of the Turkey-focused, Washington DC-based SETA Foundation, “[i]t is obvious that there are speculative rumors behind losing so much value of the Turkish lira such as the statements by the international credit rating agencies like Moody’s. We also do not expect an objective evaluation from another agency, Fitch, on Jan. 27…” Per Turkey’s Daily Sabah news, “Karagöl noted such discredited rumors were being made to freeze capital inflows to the country and to show Turkey was not a safe haven while the country goes through its political process of changing its constitution.”

Cemil Ertem of Daily Sabah stated in January that the “total debt” picture in Turkey isn’t as precarious as it is painted to be. Said domestic debt has been declining since the third quarter of 2015 in terms of its ratio to GDP, and it hovers around low levels when compared to other countries. Moreover, the banking system in Turkey, including state-run banks, has almost no foreign exchange gap. And the banking system’s capital adequacy ratio now has an average of 13 percent - the highest capital adequacy ratio in the world.
Another academic, Professor Kerem Alkin of Istanbul Medipol University, proclaimed that “[i]f the economy was truly in trouble, then not only the foreign exchange rates but also the CDS [Credit Default Swap] rates, the risk premiums of the Turkey's treasury stocks, should rise very rapidly [sic].” Alkin also noted that Turkey’s national stock exchange had not dropped sharply, and “second hand market interest rates” of Turkish sovereign bonds had not increased “with maturities in two to 10 years [sic].” He added that the Turkish central bank’s (CBRT or TCMB) monetary policy instruments are not the only solutions, as “the fiscal policy instruments must be used to prevent the increase in exchange rates.” Relying upon modern Turkish economic history, Alkin also proposed the government’s use of bonds with "super interest rates" as a solution like it was done during the 1994 economic crisis to persuade citizens to sell their foreign currency savings to limit the effects of volatility as well as the option to reset income tax being applied on the Turkish lira denominated bank accounts for a period of time.

In summarizing how economic warfare is behind the Turkish currency's dramatically rapid depreciation, President Erdoğan stated:

**Everybody now sees and knows that the attacks Turkey is suffering have an economic dimension** as well ... In terms of aims, there is no difference between a terrorist who has a gun and a bomb in his hands and those who have dollars, euros and interest rates. The aim is to bring Turkey to its knees, cow it into submission and take it away from its goals. They are using the foreign exchange as a weapon.

Erdoğan here aptly and shrewdly derived that, essentially, the same enemies of Turkey are behind both kinds of attacks – false flag terror and economic ones.
Al-Monitor, an ultimately Washington Consensus-leaning site covering North Africa and Southwest Asia, recently published a piece attributing the lira’s drop to the supposed unsustainability of Turkey’s public-private partnership (PPP) projects – or “mega projects” in infrastructure, energy and power plants, hospitals, etc. – worth $140 billion and “tendered either in dollars or euros,” as a core factor in the private sector’s foreign-currency debt. They cite the CBRT’s Financial Stability Report of November 2016, which lists such a figure and Turkey as being “the second country, after China, where the debt of private companies has increased the most”, and around 27,000 companies as carrying such foreign exchange liabilities. Most of these firms, which have been rewarded PPP projects, retain state guarantees from the Turkish Treasury, which “have amplified both the debt and the exchange rate risk”. Tellingly, these firms are owned by “businesspeople close to the ruling Justice and Development Party (AKP),” again, which President Erdoğan leads. This latter fact begs further questions over motives for which a calculated, coordinated currency war against an independent Turkey would be carried out.

The Al-Monitor piece also expectedly cites only one economist from the AKP’s main opposition, the “People’s Republican Party” – Faik Oztrak – who cites the forecasted, full Turkish debt burden for 2017 as being nearly $200 billion. Yet, where were all of these sudden accusations of ‘unsustainable national debts’ just a few years ago, before the brunt of these externally coordinated terrorist attacks commenced? How is Turkey so deeply underwater fiscally that its currency must seemingly necessarily collapse, when its national debt-to-GDP ratio of 33%
(down from 78% in 2001) is well below those of Japan (229%), France (96%), Spain (99%), the UK (89%), Canada (91%) and most certainly the US (104%)? It is indeed not implausible to assume that one arm of very powerful foreign interests would stoke repeated security and political instabilities … while their other arm would then speculate concertedly against the lira’s cohesion due to said instabilities.

Ratings Agencies: Catalyzing Finance Propaganda

The large, US-based so-called “credit rating” agencies – Moody’s, Fitch (US/UK) and Standard & Poor’s (S&P) – are notoriously politicized ‘when need be’ and are routinely deployed for economic propaganda purposes, not the least instance of which involves Turkey today.

In January 2017, Moody’s forecast that Turkish banking profits will drop throughout the year due to non-performing loans. Per the Daily Sabah, “Karagöl noted such discredited rumors were being made to freeze capital inflows to the country and to show Turkey was not a safe haven while the country goes through its political process of changing its constitution.”

Per Al-Monitor,

[In 2016], two leading credit rating agencies — Moody’s and Standard & Poor’s (S&P) — cut Turkey’s rating to “non-investment” grade, drawing furious reactions from Erdoğan and the government. … [Such downgrades are] likely to further push up exchange rates, dealing a fresh blow on investor confidence in the Turkish economy and capital inflows into the country. Erdoğan and the government had branded S&P and Moody’s as “putschists” after the rating cuts.
Sure enough, Fitch followed said herd – by design and establishment mandate – cutting Turkey’s rating to a BB+ rating, which is considered “junk”, thereby making any presumed central bank borrowing by Turkey’s domestic banks much harder.

In anticipating such clearly politicized moves by the ratings agencies, President Erdoğan had boldly stated back in September 2016: “Drop Turkey’s rating however much you want.” I.E. ‘We are calling your bluff, as you are corrupt, bought off and irrelevant.’ He said as much during a televised speech in Ankara: “Put [three to five] cents extra money in [the ratings agencies’] pockets and get the rating you want. This is how they work. We know where they get their instructions, we will always speak the truth.” With this phrase, “where they get their instructions,” Erdoğan was referencing Wall Street, the City of London and their respectively owned governments. His populist rhetoric wasn’t catering simply to concerned Turks seeking decisiveness and reassurances, but also to Turkey’s Eurasian partners in Beijing, Moscow, Tehran, et al., who are more than familiar with said coercive western economic and financial practices.

European political analyst Federico Pieraccini recently summarized the western rating agencies as “western financial-oligarchy tools” which “have diminishing credibility, having become means to manipulate markets to favor specific US interests.” These are, notably, the same “credit” rating agencies which completely and purposefully missed the screaming warning signs a decade ago regarding the impending global financial crisis, which ultimately saw wildly overleveraged banks and other institutions like Fannie Mae and Freddie Mae cascade into the
greatest economic catastrophe since the Great Depression of the 1930s and 1940s. Judging by how methodically compromised and even irrelevant said agencies remain today, they are expectedly bound to miss the second leg dropping from the 2008 crisis as well (which we'll also explore later). Yet, because of this recent history, the ironies of their demonstrably corrupt ‘ganging up’ on Turkey could not prove more irrational, hubristic, and empirically suffocating.

IV. Existing and Proposed Solutions

As mentioned, in defending Turkey’s economy while preserving its independence, the Erdoğan government has already taken certain shrewd assertive steps, based in part on their recently challenging currency experiences and wider modern monetary history. Ankara should – and possibly will – consider other steps as well involving its rising eastern partnerships. In foremost deflecting the offensive staged against the lira, President Erdoğan has repeatedly urged Turkish citizens to convert any US dollars or other foreign currencies into “liras or gold, while urging businesses to conduct more transactions in the local currency” as well. By reassuring Turkish citizens as to the sanctity of liras and gold versus foreign currencies, Erdoğan urged economic nationalism while labelling the reversion to dollars, et al. western currencies out of fear as “representative of imperial logic”, as the issuers of said currencies wish to “destroy” Turkey.

Lowering the central bank interest rates to urge growth – in defiance of demanded rate increases by UK/US finance – coupled with fiscal policy instruments for preventing forced increasing in exchange rates, should also help weather the storm. In January 2017, the CBRT
also cut its foreign exchange reserve requirement ratios by 50 basis points in order to raise
financial sector liquidity up to $1.5 billion.

**Assertive Turkish Fiscal and Monetary Responses**

Additionally, the Erdoğan government and the CBRT have also responded with specific policy
measures to protect the lira and fight general risks to Turkey’s finances in the current currency
war climate. Generally, said moves fit into a “three-pronged monetary policy” by the CBRT,
which Ziraat Bank Economist Bora Tamer Yilmaz described as including “tight liquidity policy
against price stability, steps to stabilize foreign exchange liquidity and financial stability
supporting policies.”

One step is a clear information campaign meant to shore up confidence in Turkey’s economic
fundamentals, away from all of the concerted noise from western finance and its sycophants
within Turkey. Turkish Deputy Prime Minister Mehmet Şimşek recently proclaimed that “there is
not a big problem in the fundamentals of the Turkish economy. Yes, there are some structural
problems, but we will resolve them through reforms” [emphasis added]. Şimşek continued that
Turkey was technically not in a formal recession as industrial production continued to grow at a
moderate pace. Earlier this year, Şimşek told CNBC news at the World Economic Forum in
Davos that

[Turkey is] not in a currency crisis. We’re just experiencing some adjustment, and that’s
not likely to cause permanent damage … The message is simple, straightforward:
Fundamentals have not changed. Turkey is still one of the very few emerging markets, with
a population of more than 80 million people with a per capita GDP more than $10,000. [sic]
The CBRT hasn’t raised their benchmark one-week repo interest rate – as it has been urged by western finance – in part because Ankara is (rightly) betting on a weak US dollar policy going forward. According to Manik Narain of UBS, “[t]he jury is still out on whether [Turkey’s current interest rate policy] is going to be enough … The true test is going to come if the dollar starts to appreciate again or, more broadly, (when) you get volatility rising in [emerging markets].” This is in spite of announced intentions of the US Federal Reserve over intended, imminent interest rate raising. Per the local Turkish press on February 23rd, 2017, the dollar slipped to 3.58 Turkish liras late Wednesday after documents from the Federal Reserve showed the next interest rate increase could be soon.

With the decline, the U.S. dollar/Turkish lira exchange rate, which has been on a downward trend since the beginning of February as a result of the declining dollar demand in the global markets and the interventions of the [CBRT], fell below the 3.60 level for the first time in one and a half months.

Turks and both their eastern and western allies know that the dollar cannot appreciate significantly due to true US economic conditions being much weaker than what Washington or its press, rating agencies, banks and academic tentacles certainly report. As such, Cemil Ertem aptly asks: “Should Turkey choose to become a debt and import economy again by increasing interest rates and keeping the lira overvalued, or should it take a new growth path based on production and exports with economic distress?”

Protective fiscal measures have been taken

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6 Ertem continues by pointing out the dollar’s hypocritical and manipulative role as global reserve currency, shedding further light on the necessary stance of the Turkish lira, or any global, let alone emerging market, currency:
by Turkey before, thereby garnering valuable policy experiences and thus perspectives for future use. Şimşek reminded Turks on February 17th that Ankara “strictly limited people’s borrowing on foreign exchanges after the 2008 global economic crisis”, thereby avoiding serious problems involving per capita debt levels.

That said, risks clearly do exist, as Turkey raising its interest rates across the board would endanger its debt burdens while, potentially, leaving all rates low could in turn do more to the West’s financial interests than simply forfeit investors’ preferred rates of return. Turkish net foreign exchange liabilities are near $210 billion for non-bank businesses while forex rough earnings are near $23 billion. The “structural” current account deficit, as deputy minister Şimşek acknowledges, certainly exists and raising interest rates as conditions stand would raise the cost of credit, slowing growth. Yet, impending macro-policy decisions, including the national

The U.S. has been trying for a while to reconsolidate its economy through the dollar. U.S. President-elect Donald Trump’s recent statements reflect this consolidation. Trump asked American capital holders why they go to Mexico and invest there, iterating his insistence that they invest their capital in the U.S. The U.S.’s appreciation of the dollar with high interest rate expectations that depend on its concern about external financing is also related. But we cannot say that such a move is right for a power that maintains its claim to lead the world economy. This is because economic sovereignty is possible with the export of commodities and capital. An economy that does not export capital cannot rank among the central economies, let alone become the top economy in the world. In other words, the U.S.’s strategy, which is based on the overvalued dollar, is not suitable for the long-term.


Constitutional Referendum in April 2017 (which will also be covered below) are expected to address these factors.

With regard to Turkey’s non-performing loan (NPL) ratio, the information contrast between western finance and Turkey’s economists exemplify the ‘sentiments’ aspects of this currency war. Per Moody’s, the NPL ratio, which stood at 3.2% at the end of 2016, is likely to break 4% in 2017. Yet according to Turkish economists cited by Daily Sabah news, working in concert with the Anadolu Agency in Istanbul, the NPL risks are overblown while Turkey’s numbers are well below many developing countries:

Chief Economist at Deniz Yatırım Özlem Derici said that their current estimates showed [the NPL ratio] would be around 3.8 percent, and that even if the ratio does go above 4 percent, there was no need for alarm. Meanwhile, Odea Bank AŞ Economic Research Director Ali Kirali said the ratio is expected to stay below 4 percent.

According to the Banking Regulation and Supervision Agency (BDDK) and the IMF’s 2016 data, Turkey was in a better shape than most countries regarding the NPL ratio. Greece had the highest NPL ratio with 37 percent, followed by Ukraine, whose economy has shrunk following the tension with Russia, at 19 percent in 2015. However, the country had a level above 30.4 percent in 2016. Portugal ranks third in NPL ratios with 12.2 percent followed by Romania with 11.3 percent, Hungary was at 10 percent, Russia 9.2 percent, India 7.6 percent, Spain 6.1 percent, 5.2 percent in Czech Republic, 4.4 percent in Poland, 3.9 percent in France and 3.8 percent in Brazil.

Despite the negative developments in both domestic and global economy, Turkey’s NPL ratio in 2016 stood at 3.2 percent, while back in 2002, it was 17.6 percent. [sic]

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8 “NPL serves as one of the main indicators in terms of the general condition of the economy and indicates the ability of individuals and institutions in the economy to pay as well as measures the active quality and risk level of the banks. A proper estimation of the NPL ratio allows the economic units to effectively manage their policies and the banks to run their balances.” Source: https://www.dailysabah.com/economy/2017/01/11/should-turkeys-non-performing-loans-ratio-be-a-cause-for-concern
Concurring with said sentiments is Odea Bank A.Ş. Economist Ali Kırali, who acknowledged the prudent actions of Turkey’s banks while also hinting that widening foreign exchange rates – which western banking has sought to achieve here – “have an absolute impact on NPL ratios”, thus begging questions over the nature of this currency war’s more ‘indirect’ tactics.\(^9\)

One of Ankara’s most assertive responses to the currency war against Turkey is the \$8.8 billion Sovereign Wealth Fund (SWF) started in August 2016 – right after the failed coup attempt of July 15 – with only a \$13 million endowment. A clear manifestation of economic nationalism, the SWF retains consolidated state-owned assets and is meant to help orchestrate more favorable terms of financing than those resulting from the externally engineered perception of Turkey as harboring too many risks for attracting ‘smart money’ investment capital – a tainted image which the ‘Big Three’ western credit agencies have fanned alongside forex speculators.

The SWF represents both a defensive move in protecting said assets and an offensive one in deploying productive Turkish state and corporate resources – among them Halkbank,\(^10\) which had been attacked in the past from abroad – in order to access better terms of financing. It is, in

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\(^9\) Per Kirali:

Highlighting that Turkey’s NPL ratios were better than those of many developing countries and close to the average ratios of the developed countries, Kirali noted that this was achieved by both the effective risk management of the banks and by the cautious approach of the government and the BDDK in regulation and supervision. Kirali added that macroeconomic developments have an absolute impact on NPL ratios through growth and exchange rates, stressing that this impact should also be taken into account by policy makers.


\(^10\) The SWF also includes Turkish Airlines, TPAO (the Turkish oil company) and Turk Telecom, among other respected corporations. Source: [https://www.ft.com/content/e07f4f26-ed40-11e6-ba01-119a44939bb6](https://www.ft.com/content/e07f4f26-ed40-11e6-ba01-119a44939bb6)
essence, the Erdoğan government making an educated bet on Turkey. The FT cited an unnamed “Turkish official” as explaining that the SWF “is a very elegant solution to a very simple problem … [c]ompetitive credit obtained against the strength of our best companies.”

SAXO Capital Markets strategist Cüneyt Paksoy commented that the CBRT’s “determined actions to tighten monetary policy - plus the government’s further structural reforms - would be decisive in determining the position of the Turkish lira … In terms of financial stability, the country may achieve notable gains in the mid-run with a proper management of the recently-founded [SWF].” Similarly, labelling it as the “Credit Guarantee Fund”, Deniz Yatırım Chief Economist Özlem Derici discussed last month that the SWF “will provide some relief” with regard to Turkey’s NPL ratio.

The SWF is intended to also prevent exchange rate risks as well. Per Cemil Ertem,

**Turkey is taking steps to remove its foreign exchange and capital markets from the problems that result from [the] fact that those with around $100 billion have the power to budge foreign exchange rates. Despite many deep objections, this is one of the founding objectives of the [SWF] and there are many other things to be done in this area.**

**Turkey’s money and capital markets will be restructured for more security and stability.**

One wonders if the SWF resulted partly based upon the friendlier, innovative, collaborative urgings of China, Russia, Iran and Turkey’s other Eurasian partners, who continue to seek [economic partnerships with Ankara.](#)

Among risks which the SWF could face is that parasitic western finance capital targets ‘capturing’ it while engineering means for defaults, so that there could then be raids against its
retained assets ‘on the cheap’. Such a scenario would only seem far-fetched to those unaware of the wider yet similar Russian experience of the 1990s. The London establishment paper FT seemingly ‘signaled such a punch’ to the UK, US and EU financial communities by citing an anonymous Turkish “opposition lawmaker” (typically) who complained loudly that “instead of consolidating and rebalancing [forex state liabilities, the AKP government] want to leverage our crown jewels [in the SWF] to borrow more.” This line ended an FT piece, seemingly giving esoteric marching orders for future debt intervention.

Another of Turkey’s current defensive strategies involves targeting nefarious global foreign exchange speculating directly by reducing the maximum level of leverage on forex trading accounts while simultaneously raising the minimum deposit requirements for such trading activity. These steps are meant to limit damages due to aggressive leverage – intentionally inflicted or otherwise – while sending reassuring signals of prudent capital controls. The Capital Markets Board (CMB) of Turkey will, in March 2017, cut leverage limits from 1:100 to 1:10 and raise deposit minimums to $13,500. Even a critic of such government actions – Istanbul-based lawyer Akin Abbak – attested indirectly to added structural risk factors behind forex trading:

The CMB might have paid attention to the win/loss ratios when taking this step [of lowering the leverage ratio]. The losing rate in Turkey is 70-80%, however if they compare this to losses in equities, option / future contracts, bonds and such it wouldn’t be much different. I think that the main reason to single out FX in Turkey is because there has been an outcry against the product. [sic]

His latter observation is obvious because wildly leveraged forex moves can harm the lira currency when marauding speculators aim to tactically widen exchange rates.
Additionally, the CBRT has also started – or some would say ‘gone back to using’ – a mixed interest rate policy, or “corridor”, in addressing said currency issues through defensive tools.\(^{11}\)

Per Reuters this month, at its most recent policy-setting meeting in January, the CBRT:

[R]aised two of its interest rates, but kept its benchmark one-week repo rate TRINT=ECI on hold at 8 percent.

... 

The bank’s unusual liquidity measures have brought suggestions from Turkish market players that it is reviving some of the policies of ex-Governor Erdem Basci, the architect of its so-called “interest rate corridor” of multiple rates.

Under Basci, there were relatively wide differences in the weighted average cost of funding from day to day. However, Murat Cetinkaya, the current central bank governor, has said there would be no return to the "wide corridor" of old.

Call that ‘plausible deniability’, and necessarily so, in a currency war.

Other, related steps taken by the CBRT have included the ordering of foreign exchange rediscount credits in Turkish liras “in order to reduce the demand in the spot market”, thereby dampening volatility and supporting the lira in the spot market. Per economist Yilmaz, who noted that exchange rate volatility had reached 25% in January 2017, the “CBRT enabled banks

\(^{11}\) Specifically, this latest “corridor” monetary policy version involved:

The Central Bank, which did not change its policy rate at the Monetary Policy Committee (MPC) meeting on Jan. 24 [2017], increased the upper band of the interest rate by 75 basis points and [the Late Liquidity Window] by 100 basis points. The CBRT, which has kept the policy rate stable at 8 percent, raised the funding cost of banks from 8 percent to 10 percent today under its tight monetary policy.

... Highlighting that the policy interest rate, which is being kept at 8 percent, and the upper band of the interest rate corridor that has been raised to 9.25 percent with a limited increase, are technical adjustments that reflect the financial stability-supporting stance against the output gap in the economy.


Page 33 of 68
to use dollar deposits against Turkish lira deposits by activating the swap mechanism, so that the banks could meet foreign exchange demands without changing the amount of reserve.”

These steps resulted in a 13% recovery in exchange rate volatility while preparing a “buffer against inflation, which is expected to hit double digits in March-June.”

Per both the Daily Sabah and Anadolu News Agency, additionally recent defensive interventions by the CBRT have included:

- Reducing borrowing limits from TL 22 billion ($6.1 billion) to TL 11 billion ($3 billion);
- Started the foreign exchange deposit market against the lira;
- Continued auctioning forex deposits against lira deposits;¹²
- Continuing “its one-week maturity auctions for foreign exchange deposit[s] against Turkish lira deposits.”¹³

Lastly, there is the impending result of the Turkish Constitutional Referendum, scheduled for April 16th 2017. The government proposed said referendum in order to “grant Mr Erdoğan an executive presidency” [sic], per the FT, and potentially “giving him a huge economic lever to guide the development of the country” when combined with the strengths of the SWF, according to Global Source Partners Analyst Atilla Yesilada. Deputy Prime Minister Şimşek expects much of the economic uncertainty facing Turkey “to disappear after [the] constitutional referendum in April” and a “strong reform agenda is realized” after its presumed passing. Piotr Matys,

¹² “… which are evaluated as swaps in the markets. It prevents the speculative foreign currency demand with these moves.” Source: https://www.dailysabah.com/economy/2017/02/21/turkish-lira-rebounds-thanks-to-central-bank-actions

¹³ “… which started with $300 million, with $1 billion since Jan. 27. While the aim is to bring back the Turkish lira that went abroad as a result of the swap agreements made through London, to the Central Bank, the exchange rate liquidity was also increased without making foreign exchange sales.” Source: Ibid.
Emerging-Markets Strategist at Dutch-based Rabobank, mentioned just last week that “if the ruling Justice and Development (AK) Party ‘focuses on the economy after the referendum on the new constitution, sentiment towards Turkish assets should improve further amongst foreign investors’.”

In late January, the snarky, often front running, propagandistically mandated FT of London seemed shocked at Turkish resolve shown by the CBRT not raising its benchmark rate as the western finance syndicate – again, to which the FT belongs – had been demanding, and by design. Writing during the lira’s freefall, they said “the decision to leave the key rate on hold in spite of the lira’s record-breaking plunge was, to put it diplomatically, brave.”

Well, partly as a result of said resolve, as well as the fact that the lira was, and remains, grossly oversold, February 2017 has seen the lira bounce aggressively:

After suffering sharp losses since the coup bid of July 2016 the Turkish lira has become the best performing emerging-market currency against U.S. dollar in the last three weeks, data revealed on Tuesday.

The Turkish lira gained 3.83 percent in value as of market close on Monday, topping the list of best performing emerging-market currencies in relation to the U.S. dollar.

The U.S. dollar/Turkish lira rate, which was at 3.52 at the beginning of the year, later sharply surged to an historic high of 3.9422. Following the intervention of Central Bank of Turkey, the rate dropped as low as 3.6132. [sic]

Additionally, and per two of the leading Turkish English-language news agencies,

[a]fter the dollar saw the highest level of all times against the Turkish lira on Jan. 11, the Turkish central bank managed to support the lira by reducing the volatility of the exchange rates, which resulted in the lira appreciating by 8.3 percent against the dollar.
The Central Bank of the Republic of Turkey (CBRT), which has been making proactive moves since Jan. 12, has apparently reduced the volatility in the exchange rates, as it became the most important actor in the Turkish lira’s (TL) appreciation against the dollar by 8.3 percent. [sic]

So, the USD/UL parity started the year at 3.52 and rose to 3.94 on January 11th. Then the CBRT intervened with the above-mentioned actions bringing it back to 3.6132. Rabobank had earlier forecast a 3.59 parity, which was certainly close to where the it rose to. Piotr Matys of Rabobank calls 3.40 by the end of 2017, and Cüneyt Paksoy of SAXO Capital foresees a potential “movement toward the broad band range below 3.40-3.55.”14 We shall certainly see.

Ally Closer Currency-Wise with Eastern partners

As referenced earlier, Erdoğan has offered eastern partners Russia, China and Iran the chance to partake in bilateral currency usage, where each nation trades with Turkey using only their

14 Further keen insights by Paksoy on the parity forecast, how and why:

Paksoy said the fact that the dollar index stopped rising with the influence of U.S. President Donald Trump, despite the Federal Reserve (Fed) and was in search of balance in a certain band interval, supported the developing country's currencies. ”The main direction may continue to be on the rising side for a certain period in the medium and long term, depending on the Fed, the EU, China, geopolitical risks and domestic dynamics," he said.

Paksoy said that if the CBRT remained active behind the wheel and continued to pursue a tight monetary policy, there may be seasonal increases in the currencies, but the wavelength may continue to decline for a while. Underlining that the compound interest rate of the benchmark bond in the country, maintaining a band of 11-11.50 percent comes to the fore as a noteworthy measure, Paksoy noted that maintaining permanence below 11 percent would support the decrease in dollar/TL parity.

Noting that the possibility of breaking the support of 3.58-3.60 is important for speeding up the technical correction, and if this happens, a movement toward the broad band range below 3.40-3.55 may become possible, Paksoy said, "If the parity exceeds 3.65-3.67 in occasional increases, the range of 3.70-3.75 will stand out as a significant resistance threshold."

Source: https://www.dailysabah.com/economy/2017/02/22/turkish-lira-outperforms-other-emerging-market-currencies-in-feb
respective national denominations. This concept of ‘currency pairing’ is certainly not exclusive to Turkey’s relationships with said Eurasian powers, as Russia and Iran have been solidifying such an arrangement at the Moscow Exchange. The Iranian Information and Communications Technology Minister, and chair of the Russian-Iranian Trade Commission, Mahmoud Vaezi, stated recently that “Iran and Russia have agreed to use rials and rubles, respectively, rather than U.S. dollars in bilateral trade, pointing out that negotiations between both the Russian and Iranian central banks will commence soon.”

Russian banks are welcome in US-sanctioned Iran, out of a sense of shared – and growing – eastern rejection of Anglo-American financial mandates, with ten of Russia’s largest banks preparing financial services for the Iranian market. According to the former President of the Russian-Iran Friendship Society, Bahram Amirahmadiyan, dollar and euro-based banking transactions between Russia and Iran had proven to be “very inconvenient, because all these operations are controlled either by the EU or US central banks … When Russian banks begin to operate in Iran, there will be more currency operations and the ruble will strengthen. I hope the same will happen to the Iranian rial in Russia.”

Russia made the recent OPEC oil output deal happen, as President Vladimir Putin played mediator between deadlocked rivals Iran and Saudi Arabia, which, according to Reuters, is a “testament to the rising influence of Russia in the Middle East since its military intervention in the Syrian civil war just over a year ago.” Russia and Iran are clearly going after Saudi oil market share, because they can, and one wonders if Putin further pitched non-dollar energy
pricing, trading and investing during said mediation, for future considerations, of course. None

of this eastward momentum in global energy and finance is lost on Turkey, especially as Ankara

expects increased future oil and natural gas supplies from both allies. Additionally, Moscow, in

concert with Beijing, Tehran and others – can help resolve Turkey’s acute fiscal, monetary and

political quandaries.

Despite enduring decades of sanctions and other economic duress from the US and its allies,

Iran has survived and endured patiently. In issues involving discipline, Iran has thrived, and

now presents a formidable emerging market case study for growth. Hence, Iran serves as an

exemplar to Turkey in many ways, not least of which involve how to link up potently with the

rising Eurasian powers, foremost China and Russia.\(^{15}\)

Per analyst Dmitry Bokarev, “China has been the reason why the Iranian economy even

survived these difficult times [of sanctions].” China’s ambitious New Silk Road (NSR) - or One


\(^{15}\) Sir Richard Dalton, who served as UK Ambassador to Iran (2003 – 2006), views Iran

as an emerging Bric country, alongside newly advanced economies such as Brazil and India. “They have a $1.4tn

diversified economy, growing at some 4-5%, with a backlog of investment in all sectors, a reforming government

(for the next year at least) and a well-educated population (total 80 million) striving to take advantage of

the country’s improved prospects ... Crude production will soon go above 4m barrels per day. The oil minister projects

a production capacity of 4.8m barrels per day within five years.”

On the regional context, Dalton wrote that “we should compare [Iran] not with post-Ottoman, post-imperial Egypt

or Saudi Arabia, but with Russia and other Asian powers.”

Belt, One Road (OBOR) – project, is expected, per Bokarev, to eventually render Iran as immune to US or EU sanctions. This NSR project will connect China, the Middle East and Europe, [and will eventually turn] the whole territory into a huge Asia-Pacific free trade zone. If the project is fully implemented, US economic influence in the region will be totally negligible, and such states as Iran will be able to just ignore any sanctions imposed by the West against it. In February of 2016, Beijing launched the construction of the railway route China-Kazakhstan-Turkmenistan-Iran, allowing Iran to establish an uninterrupted trade route with China, but it also will start making profits from the transit of goods to Armenia.

Thus, we can assume that no matter what decision Washington is going to take on sanctions against Iran, there will be no far-reaching consequences for Iran to follow.

Naturally, Turkey can be expected to also benefit from that ‘insurance policy’ from China, which will then be joined by Russia, Iran and the Turkish-speaking Central Asian nations.
In fact, China, which now has its renminbi (or yuan) currency admitted into the IMF’s Special Drawing Rights (SDR) basket of currencies, could ultimately request that the over-leveraged US dollar lose its reserve currency status, especially as expected further deficit spending and debt issuance by Washington flirt with a formal Dollar Crisis. Just the mere request would trigger economic shockwaves, and China retains the credibility to make it more than simply a request. These ‘macro-factors’ are ones which Turks who doubt Erdoğan’s ‘monetary nationalism’ should be aware of.
Lastly, in addition to reducing dollar reserves at home, arranging currency pairings with allied countries and hoisting the Asian Infrastructure Investment Bank (AIIB) and New Development Bank (NDB), China and Russia are also avidly pursuing their own independent rating agencies as well as an alternative to the SWIFT global monetary transfer system.

Per Federico Pieraccini, “Chinese and Russian independent rating agencies are further confirmation of Beijing and Moscow’s strategy to undermine America’s role in western economics.”

Turkey is looking forward to the fulfillment of choice provisions away from Washington’s economic vice grips:

Private Banks, central banks, ratings agencies and supranational organizations depend in large part on the role played by the dollar and the Fed. The first goal of Iran, Russia and China is of course to make these international bodies less influential. Economic multipolarity is the first as well as the most incisive way to expand the free choice before each nation to pursue its own interests, thereby retaining its national sovereignty.

16 Pieraccini continued:

De-dollarization is occurring and proceeding rapidly, especially in areas of mutual business interest. In what is becoming increasingly routine, nations are dealing in commodities by negotiating in currencies other than the dollar. The benefit is twofold: a reduction in the role of the dollar in their sovereign affairs, and an increase in synergies between allied nations. Iran and India exchanged oil in rupees, and China and Russia trade in yuan.

Another advantage enjoyed by the United States, intrinsically linked to the banking private sector, is the political pressure that Americans can apply through financial and banking institutions. The most striking example is seen in the exclusion of Iran from the SWIFT international system of payments, as well as the extension of sanctions, including the freezing of Tehran’s assets (about 150 billion US dollars) in foreign bank deposits. While the US is trying to crack down on independent economic initiatives, nations like Iran, Russia and China are increasing their synergies. During the period of sanctions against Iran, the Russian Federation has traded with the Islamic Republic in primary commodities. China has supported Iran with the export of oil purchased in yuan. More generally, Moscow has proposed the creation of an alternative banking system to the SWIFT system.

Turkey defied US sanctions placed on Iran by trading gold for energy, thereby attracting further concocted political pressures in the way of the exiled, rival, US-supported Fethullah Gülen Movement’s attacks against Halkbank (which had been processing India’s Iranian oil transactions), the Gezi Park protests, more western-assisted Kurdish unrest, terrorist attacks on Turkish soil, and other events. Per Mahmut Övür of Daily Sabah, “[b]ilateral trade between Turkey and Iran increased from $1 billion in 2002 to $11 billion by 2010. Over the next five years, Turkish officials believed, the trade volume would have reached $35 billion.” Yet Washington interfered in multiple instances, including by arresting Turkish-Iranian businessman Reza Zarrab last year, and more recently by attacking the Turkish lira. The intent is to arrest Turkey’s independence, let alone status as a leading emerging economy. Eventual outright Iran-style sanctions against Ankara, at this pace, wouldn’t surprise.

Link the Lira to Gold

According to Jan Skoyles of GoldCore, “[w]ether you think of [Turkey as being] in Europe or not, there is no country on the continent that is able to play all three roles of producer, conduit and accumulator of gold in the same way that Turkey can.” As mentioned, President Erdoğan urged Turks to transfer their foreign currency holdings into liras and gold. Why gold? Because gold is money, and has been for millennia. Also, because the Russian, Chinese (below charts) and other nations’ central banks are stockpiling as much gold bullion as possible in order to preserve and strengthen economic sovereignty while crucially preparing a future re-linking of gold to oil pricing. Erdoğan thus urged the height of
monetary nationalism, and a platform that will be readily assisted by Turkey’s eastern partners in turnkey fashion.

According to GoldCore, “Russian gold reserves increased a very large 199.1 tonnes in 2016 alone. [sic]” The new year also saw aggressive gold buying by Moscow, which at this point uses its gold purchasing frequency to send political messages to the West.  

17 Per GoldCore further on Russia and gold:
Russia gold buying returned in January with the Russian central bank buying a very large 1 million ounces or 37 metric tonnes of gold bullion.

The increase in the gold reserves came after Russia did not buy a single ounce in December – a move seen as potentially a signal or an olive branch to the U.S. and the incoming Trump administration.

It also came after Russia had accelerated its gold buying in the final months of the Obama Presidency. October 2016 saw an increase of 1.3 million ounces or 48 metric tonnes and this was the largest addition of gold to the Russian monetary reserves since 1998. Indeed, it was the biggest monthly gold purchase in this millennium for the Russian central bank.

November 2016 saw another increase of 1 million ounces. Some analysts saw the increased Russian gold buying as a parting ‘gift’ and warning shot by Putin and Russia to his rival outgoing President Obama and the monetary and financial elites in the U.S.

Turkey, like Russia, China, Iran and India, is a rising gold importer and user. Per [GoldCore](http://goldcore.com), Turkish gold imports surged 688% in December 2016, reaching “36.7 tonnes, significantly more than the 4.65 tonnes seen in the same month in 2015. This accounted for more than one-third of the country’s annual imports of 106.2 tonnes, more than double 48.7 tonnes in 2015.”

GoldCore continues that “Turkey’s citizens have long had an affinity to hold physical gold”, not as a yield-chasing ‘investment’, but rightly as “wealth preservation and as insurance.”
Supporting gold also firms up a core form of collateral for the central bank while more than simply symbolically challenging Dollar Hegemony. Turkey’s role is unique with regard to this hard asset class which defines money, as there “is no country positioned in such a way (both geographically and politically) that plays all three major roles of producer, buyer and conduit, in the world of gold.”

![Chart 1: Turkish consumer demand by category and real GDP](image)

Source: Ibid.

**Per the World Gold Council** (WGC),\(^{18}\)

\(\text{\textdagger}t\) an average of 181 tonnes per annum over the past 10 years, Turkey is the world’s fourth largest consumer of gold accounting for around 6% of global consumer demand, and we estimate that Turkish households have accumulated at least 3,500t of ‘under-the-pillow’ gold.

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Turkish citizens, commercial banks and the Turkish central bank retain gold. The WGC further reveals that Turkey ranks as 14th highest in global central bank gold reserves, at 396.5 tonnes. Yet per GoldCore again, these numbers could be understated due to Turkish commercial banks being empowered by the central bank to hold privately held gold for their reserve requirements:

In 2012 the Turkish central bank increased the amount of gold commercial banks could hold as reserves to meet their reserve liability requirements, to 20%. Any form of gold was accepted as collateral. The government were looking to mobilise ‘under the pillow gold’. Banks were also told that gold reserves could not count towards foreign currency liabilities. [sic]

There is a clearly coordinated collective institutional effort to protect the nation’s gold while arming it for defensive insurance measures. That cited 20% above became 35% as of September 2016 in order to mobilize the personal gold holdings of citizens while increasing foreign exchange reserves. By 2014, gold had “become the top investment option amongst Turkish citizens, ahead of real estate”, while “lessening the financial stability risks” of the nation.

Upwards of between 3,500 and 5,000 tonnes of gold is held outside Turkey’s banking system, and the government has attempted to have people deposit them into said banks in order to cushion reserve requirements, strengthen foreign exchange positioning, allow for lira printing when necessary, reduce risks of a liquidity crisis (like the one Turkey
experienced in 2000/2001), and match the similar actions of other prudent Eurasian nations seeking to interlink across the eventual transcontinental free trade zone.

Expectedly, Turkish citizens, like most others, would be reluctant if not resistant to turn their personal gold assets over to banks, the government or anything or anyone else. Perhaps they wouldn’t need to, as Turkey is already Europe’s largest gold producer, and is expected to keep growing. According to GoldCore and the WGC, Turkish gold production (mining, refining) “has climbed from 2 tonnes in 2001 to 33.5 tonnes in 2013”, with gold mining reserves estimated at 840 tonnes, and wider untapped gold resources potentially as high as 6,500 tonnes. With its sober, rightful awareness and valuing of gold as a monetary asset, as well as certainly the amount of gold it produces, recycles and trades with, Turkey is well positioned between Europe, Southwest, Central, South and East Asia, and even Africa, as a future solidified economic pillar to help provide tangible alternatives to the increasingly insolvent western fiat currency paradigm.

Gold as Defensive Asset and Energy Pricing Platform

Turks know well enough that the Iranian rial was sanctioned and tactically attacked by western speculative, politicized finance well before their lira was, proving now to be a bellwether for other politically independent nations to come.19 Said sanctioning led to the

19 Per Jan Skoyles of GoldCore, the “longer the Islamic Republic remains isolated, the greater the trade in Turkish gold, and the longer high prices in the local market are maintained. Reuters report that the fall in the rial’s value against the dollar has caused an increase[d] gold investment for savings purposes.” Source: http://www.goldcore.com/us/gold-blog/turkey-axis-gold-end-us-dollar-hegemony/
heavy gold importing from Turkey, as that nation’s buying Iranian natural gas with gold – again, a means of circumventing US sanctions – helped solidify Iran’s gold reserves, push necessary commodity trading between the two old friendly nations, and – again - reconfirm to the world that gold remains money.

Yet the Turkish-Iranian gold / natural gas link isn’t a fluke or random case of ‘bartering’ one commodity for another. It more than hints at the wider evolving Eurasian re-linking of gold to oil and natural gas – as the monetary system used to technically operate under in varying degrees, before US President Richard Nixon – under orders from powerful Anglo-American financial powers – ‘closed the gold window’ on August 15, 1971. Said political act thereby ended the post-World War II Bretton Woods world financial settlement. Again, gold-for-energy cannot be considered as a ‘barter’ because gold is the first and last form of money on earth. According to Economist James Rickards, other nations do not – and cannot – “issue currencies that are potential alternatives to the dollar because of inadequate rule-of-law, immature bond markets, primitive capital markets infrastructure, or all three. The only feasible alternatives to dollar dominance are special drawing rights (SDRs) issued by the IMF, and gold.”

Rickards is a heterodox economist, author, wealth manager and advisor to US intelligence agencies. One of the best informed public writers and commentators on gold, he covers the global role of gold as money and within currency wars across all five of his published texts: Currency Wars, The Death of Money, The Big Drop, The New Case for Gold and The Road to Ruin.
A brief visual monetary history illustrates the reality of this re-linking of oil to gold. Per analyst Grant Williams,\(^\text{21}\) between

1865 and 1973,\(^\text{22}\) the price of oil was incredibly stable against a backdrop of perhaps the greatest simultaneous economic, demographic and technological expansion in human history.

**How was that possible?**

Well simply put, because oil was effectively priced in gold.

Sources: [ZeroHedge.com](http://www.zerohedge.com) and [tmygh.com](http://www.tmygh.com)

Tellingly then, and as per the above chart, once “the gold window closed and the petrodollar system was implemented, the price of oil soared 50-fold in just 35 years.” As Williams explains,

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\(^{22}\) 1973 was the year of the petrodollar recycling standard’s founding by the US and Saudi Arabia, as essentially the core means of replacing the gold standard, which was politically arrested two years prior. A great review: [http://www.academia.edu/12567282/Igniting_the_Battle_Station_s_Core_Torpedo_ing_Petrodollar_Hegemony_As_Means_of_Christening_a_Multipolar_World_Order](http://www.academia.edu/12567282/Igniting_the_Battle_Station_s_Core_Torpedo_ing_Petrodollar_Hegemony_As_Means_of_Christening_a_Multipolar_World_Order)
the right end of said chart’s dropping signals a return to the ‘gold-for-oil’ standard, yet under the united auspices of Eurasian states coordinating away from dollar – or presumed other western monetary – hegemonies.

Further instructive for Turkey in the international gold space is the recent financial experiences of Russia – with whom Ankara has yet again grown closer, especially since the July 2016 failed coup attempt – vis-à-vis utilizing strategically rising gold reserves as vital means of defending the ruble against western attacks. Per Bloomberg nearly two years ago,

Here’s why [Russian Central Bank] Governor Elvira Nabiullina is in no haste to resume foreign-currency purchases after an eight-month pause: gold’s biggest quarterly surge since 1986 has all but erased losses the Bank of Russia suffered by mounting a rescue of the ruble more than a year ago.

While the ruble’s 9 percent rally this year has raised the prospects that the central bank will start buying currency again, policy makers have instead used 13 months of gold purchases to take reserves over $380 billion for the first time since January 2015.

Not only is Russia’s gold positioning important for its own current accounts, but it is crucial with regard to its tight and growing energy and global economic structuring relationship with China, which is now the world’s largest oil importer (yes, ahead of the US), has replaced the Saudis with the Russians as leading energy exporter, and is setting up a renminbi-based oil crude futures contract at its own exchange – the Shanghai International Energy Exchange – which will serve as a well-heeled rival to both the West Texas Intermediate (WTI, NYMEX-based) and Brent (ICE-based, in London) exchanges.

Williams explicates the requisite gold for oil relationship further:
[C]rucially, being given the ability to sell oil to the Chinese for yuan and buy gold with that same yuan directly through the Shanghai Exchange has completely changed the game for the Russians and those changes are being reflected where they matter most—in the energy markets, the supply / demand dynamics of which are quietly morphing in plain sight.

... 

So, the world’s largest exporter of oil is now dealing with the largest importer directly in yuan and it has the ability to convert those yuan proceeds into physical gold through the Shanghai exchange—which the data suggest it is doing as fast as possible.

Currently, the bilateral oil for gold trade is only available to what the U.S. would no doubt consider a ‘basket of deplorables’ in Iran and Russia...but just think what happens once that fully convertible oil contract is up and running...?

Suddenly, the availability to price oil in gold is available to everybody and, given rising Saudi/U.S. tensions and the Middle East nation’s recent rededication to providing “political and strategic support” to China it’s easy to see why this would be attractive to the Saudis, for example.

Said trends will inevitably draw in Turkey, Iran and other nations, so it is reassuring that Ankara is positioning its currency and future Eurasia-linked trade with solid gold. As Williams posits, based upon data he listed with the above and below gold and oil-targeted charts, the recent downward move in the oil price appears “suspiciously like a sign that a move has started to return to pricing oil in gold.”

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23 Venezuela, Nigeria, along with traditional Atlanticist stalwarts Saudi Arabia, Qatar, the UAE, et al. are expected to seriously consider the Eurasian pricing and trading platforms, as the combination of Russia (core producer) and China (core consumer) engineering a new economic paradigm – especially against the backdrop of a Dollar Crisis – will demand that they do for the sake of state solvency, let alone for growth. Source samples: http://www.zerohedge.com/news/2016-01-21/birth-petroyuan-2-pictures, https://www.wallstreetdaily.com/2016/05/30/u-s-saudi-arabia-petrodollar/ and http://www.globalresearch.ca/the-petro-yuan-versus-dollar-hegemony-china-and-russias-big-bet/5526236
Subsequently, and as has been the case for millennia, they who have the gold, rule. Rumors of western vaults lacking the physical gold which they claim to hold – rumors fed by recent unwillingness, or inability, to rapidly ship back requested bullion to German, Dutch and Swiss governments – will increasingly force the US and UK to either allow for credible auditing of said gold reserves (as has been demanded for years, to no avail) – or lead to Atlanticist/NATO/Israeli powers resorting to global conflict in order to prevent a requisite ‘changing of the guard’ eastward in reserve currency standards, due partly to gold-backed alternatives ascending. Either way, said Eurasian states have, and will continue to accumulate, the provable gold reserves.

In conclusion, and considering how deeply undervalued gold is currently vis-à-vis US Treasuries and oil, there is a tectonic arbitrage opportunity (see chart below) which gold producing, valuing and trading nations like Turkey should take advantage of by working in increasing lockstep economically and thus geopolitically with Russia, China, Iran, India and other nations.
responding to the above-described unprecedented geo-economic opportunities. By doing so, Turkey would not only defend acutely against currency wars heaved at it from the West, but would also climb aboard the right side of (impending) history.

Source: Ibid.

Seek Cheaper, More Flexible Financing from Eastern Institutions

The progression of Anglo-American currency wars is predictable: Briefly, weaken a ‘misbehaving’ nation’s financial conditions enough to the point where said nation is forced to beg for ‘relief’ from Atlanticist-banking-owned global institutions such as the IMF and World Bank. In turn, these large organizations will predictably demand certain reforms and austerities which will purposefully overlap with the geopolitical and strategic preferences of London and Washington. With Turkey’s currency being attacked while its private debt burden is described

24 Generally, the works of author John Perkins, who attests to his experiences abroad advocating for years on behalf of both international finance and its ties to government, flush out the details to said dynamics: http://johnperkins.org/books
as ‘unsustainable’, such self-prescribed hegemonic interventions are inevitable, despite fiscally disciplined, focused Turkey recently paying off its IMF debt. Yet Turkey need not limit itself to such outsized loan sharks, which operate via increasingly unsound fiat currencies as is – namely, the dollar and euro. If need be, Ankara can turn to its eastern friends, who would be clearly incentivized to out-compete the West with any presumed debt restructurings or other forms of fiscal relief. The newly established Asian Infrastructure Investment Bank (AIIB) and New Development Bank (NDB), backed by China, Russia and their Eurasia-leaning partners, could evolve their mandates toward assisting allies under fiscal duress procure collective refinancing solutions while sending a firm, protective, inclusive signal internationally.

As Egypt, too, pivots toward Eurasia, the innovative means of extending financial help to Cairo’s economic and defensive needs have burgeoned. Per Christina Lin of Asia Times Online, China has helped Egypt build the Suez Canal Economic Zone, and now has plans for a US$45 billion business capital east of Cairo as well as investing US$15 billion in electricity, transport and infrastructure projects. Some of these projects will be funded by China’s [AIIB] where Cairo is a founding member.

The EU can also participate in these projects, as most European countries have joined AIIB, while the US and Japan decided to stay out. Indeed this opens up the possibility for China and EU to coordinate AIIB and EU’s own Juncker Fund for co-financing of projects in third countries, in line with the European Neighborhood Policy to integrate EU’s eastern and southern neighborhood in the Mediterranean. [sic]

China’s core involvement would thus set the tone, pace and balancing philosophy behind such aid away from historically exploitative means deployed by western banks while further
incentivizing eager EU economic states such as Germany toward ‘doing global finance the Eurasian way.’ Relatedly, just as Egypt seeks such eastern assistance in also deflecting the Atlanticist-supported Muslim Brotherhood and Salafi terrorism from threatening the Sinai and doing to it what their ancillaries did to Libya and Syria, so too can Turkey draw upon such fiscal and logistical assistance in deflecting PKK and other insurgent entities which draw from western coffers.

**Eurasian Security Assistance**

On that latter point, Egypt certainly serves as yet another proximate exemplar for fellow Sunni nation Turkey with regard to procuring eastern political assistance. Prior to yet analogous with Turkey, Egypt leaned toward Russia and Iran regarding Assad and wider Syrian stability and security matters. Per Lin again,

with Egypt as a large Sunni Arab nation aligning with the Syrian government and the Eurasian bloc, Riyadh’s [and London/Washington/Tel Aviv’s] argument that this is a sectarian conflict is no longer valid.

Russia and China clearly provide not just a combined economic alternative platform for the world, but also vital security assistance to those in need. Turkey demonstrably needs to draw upon both to prevent brutally arranged economic mayhem while firming up internal security measures from continued externally sourced false flag attacks on its people and property. Ultimately, such security assistance would prevent enforced “regime change”, “color revolutions”, and certainly other coup attempts, just as Russian intelligence’s shrewdly strategic
‘tipping off’ President Erdoğan of an impending coup attempt last July did so. As succinctly summarized by Federico Pieraccini, the “only reason why Syria and Iran remain sovereign nations is because of the military cost that an invasion or bombing would have brought to their invaders. This is the essence of deterrence.” Clearly, he refers to the Neoconservative-run West as the invaders, and Russia/China as the deterring parties.25

According to Russia’s Sputnik News, citing the China Youth Daily news source,

Disagreement with NATO on ways to fight Daesh in Syria and the botched coup prompted Ankara to turn to Russia. According to available information, [Erdoğan] managed to prevent the military coup from succeeding because Moscow shared intelligence data with him.

Sputnik concludes:

It is nearly impossible to believe that NATO was not aware of an unusual military mobilization on the eve of the coup, the media outlet said, adding that the bloc apparently did not share this information with Recep Tayyip Erdoğan. Russia used the opportunity and the Turkish leader understood who his friends and enemies are.

The Chinese news source continued that

If Russia, Iran and Turkey join their counterterrorism efforts, they will increase their anti-Daesh capabilities. In addition, they will also make it clear to the United States, Europe and the Middle East that they are the key players in Syria.

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2) https://www.youtube.com/watch?v=BkQJ_iEzZEk
3) http://www.presstv.ir/Detail/2016/11/12/493258/Iran-China-Defense-Minister-Chang-Wanquan-Dehqan-
4) http://rt.com/politics/syria-iran-nato-rogozin-749/,
5) https://www.youtube.com/watch?v=sxep6sf8M0c
By “the Middle East”, they clearly mean Saudi Arabia, Israel, Qatar, the UAE, Bahrain, Oman and any other Atlanticist-tethered client state.

Such geopolitical ‘Realism’ is a firm lesson for Turkey to absorb as an invitation to multipolar integration with Russia, China and Iran while NATO powers and Israel impatiently seek to ‘keep Ankara compliant’ diplomatically, strategically and in terms of energy linking and transporting.

Russian, Chinese and Iranian logistical, technological, intelligence and even police / internal security assistance, arm-in-arm, of course, with Turkish personnel, would go much farther in helping prevent tragedies such as: 1) The 2017 New Year’s Eve terrorist massacre in Istanbul, 2) The assassination of diplomats such as Russian Ambassador Andrey Karlov in Ankara, 3) The Istanbul Airport bombing, and many other incidents meant to purposefully lower public morale, confidence and economic activity while scaring off foreign tourists and investors in Turkey.

‘Wishful thinking’?

Despite enduring one of the worst imposed economic sanctions regimes in the history of modernity, Iran nonetheless managed to round up 1) Eight conspiring Takfiri foreign-sourced terrorists in February 2017 in Tehran, 2) Western-backed Jundallah and Baloch Separatist insurgents in its southeastern provinces, 3) Past CIA cells within Iran, and other instances of crack defensive and intelligence work. Were Iran to have simultaneously had Russian and Chinese technological cooperation, it may very well have also prevented the US/Israeli
deployment of the Stuxnet and Flame viruses several years ago. Again, the collective efforts of such Eurasian allies can firm up Turkish security while extending economic and political integration with the NSR, OBOR and Eurasian Economic Union (EEU) consortiums.

In addition to the above, Turkey clearly needs admission into the fifteen year-old Shanghai Cooperation Organization (SCO), which is a growing Eurasian security pact and, expectedly, a firm rival to NATO itself. China is already willing to favorably consider Turkey for SCO membership, as the latter has been a “‘dialogue partner’ of the regional bloc and had for a long time closely cooperated with it,” according to Chinese Foreign Ministry spokesman Gene Shuang last Fall. Erdoğan himself proclaimed that Turkey “did not need to join the European Union ‘at all costs’ and could instead become part of the SCO,” per Reuters in November 2016. Strategic benefits await Turkey, the existing SCO member nations as well as those countries awaiting entry. Per Reuters, “Kazakhstan, Kyrgyzstan and Uzbekistan speak Turkic languages, and Ankara signed up in 2013 as a ‘dialogue partner’ saying it shared ‘the same destiny’ as members of the bloc.” Additionally, SCO “observer states” such as Iran, India, Pakistan, Afghanistan and Mongolia would be further expedited toward membership with Turkey’s admission, simply due to Free Trade Zone logistical and security requirements alone. The most assertive and reassuring act by China and Russia, of course, would be to admit Turkey, Belarus (again, “dialogue partners”) and said “observers” simultaneously to the SCO. By coordinating military efforts together against ISIS / Daesh in Syria, and by allowing Russia to use its
Hamadan airfield to refuel bombers, Iran is already in a security pact as is with Russia. Said partnered assistance needs to be extended to Turkey.

V. **Global Economic Stakes Are Massive for the US / UK / EU / Israel**

In addition to the above, why else are Atlanticist nations, led by the US and UK, so persistent in targeting Turkey economically and politically? Because the global economic stakes – and specifically, those the West faces acutely in global finance – are massive, nay, unprecedented. London and Washington can thus ill afford to have an important NATO member and literal bridge to East, South and Southwest Asia (as well as, again, in various ways, to Africa), be lost to the core challengers to Dollar Hegemony, who smell blood in the water. Especially considering the knock-on influential effects Turkey’s Eurasian shift would have on EU nations such as Germany, Greece, Italy and others who carry their own various qualms with EU, US and UK economic, monetary and political mismanagement.

There are growing concerns of a ’second leg’ to the 2008 Global Financial Crisis dropping in the not too distance future. Adding to stressors are the precarious states in which various over-leveraged European banks find themselves in, especially as the Himalayan-sized off-balance-sheet derivatives contracts they’re esoterically exposed to could avalanche into a banking crisis due to merely one large counterparty bank becoming insolvent. As author James Rickards
explains, under such a complexity-laden scenario, financial modelling becomes obsolete as the opaque nature of derivatives leads to their cascading violently, defying the ‘normatively constrained’ Value at Risk (VaR) and other at this point antiquated, non-scientific approaches to risk management in western-dominated finance. EU banks such as Deutsche Bank, Monte dei Paschi, Barclays, BNP Paribas, Societe Generale and others, have sparked concerns as well as rescue and bail-in talks internationally, due to the precarious state of their overt – or certainly covert (considering the devolved nature of modern ‘shadow banking’ and derivatives) debt issues.

Rickards explains in his latest text that such a pandemic economic crisis would be at a multiple, in scale and scope, of what occurred between 2007 and 2009, which took down Lehman Brothers, Bear Stearns, Northern Rock, Washington Mutual, IndyMac, Countrywide and a myriad other financial firms while ballooning the US Fed’s balance sheet from $847 billion to nearly $4.5 trillion in efforts to shore up the US economy (which hasn’t properly recovered from said crisis anyway, and actually faces worse dangers now). One could argue, then, that by emphasizing gold ownership nationally and shifting eastward, Turkey isn’t just defending its economy against immediate fiscal and monetary threats, but as much as it can against an

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Rickards discusses net risk exposure becoming “gross exposure”, thus overwhelming the banking system like tipped dominoes falling, under exposed global notional derivatives contracts currently numbering, collectively, between hundreds of trillions to over $1 quadrillion. Rickards discusses said systemic derivatives risks with some detail in his texts, *The Death of Money* (2014) and *The Road to Ruin* (2016).
inevitable global economic depression kicked off by reckless, systematically speculative and shortsighted western finance capital.

The chronic lack of numerate – let alone ethical – fiscal sobriety, coupled with institutional block infighting, clearly make western banking mores deeply dysfunctional. For conducting business with Russia, Iran and other “rogue states” (per, ultimately, the City of London, Wall Street and Washington), and for Germany exhibiting its spine by asking for its US and UK-stored gold bullion back in 2013, Deutsche Bank has conspicuously been ‘punished’ with repeated fines from the US Justice Department and others, including an insolvency-intending $14 billion retribution for subprime mortgage misdeeds allegedly performed nearly a decade earlier. Said fine was settled for half that amount, which still isn’t cheap considering Deutsche Bank’s books.

Relatedly, under new Basel IV banking capital requirements, declared by the Basel Committee on Banking Supervision of the Bank for International Settlements (BIS, I.E. the hyper-secretive, presumptive ‘central bank to all central banks’), already questionable Deutsche Bank would see its risky asset base increase by just over 30%. Belgian, Dutch and Scandinavian banks would also face rising risks, alongside German banks, due to these new, opaquely decided ‘governance’ measures.

After Italian Prime Minister Matteo Renzi’s defeat in a national referendum involving constitutional reform, Deutsche Bank CEO John Cryan stated in a letter to employees in December that the “result of the constitutional referendum in Italy is a harbinger of renewed
turbulence that could spill over from the political arena to the economy - with Europe particular endangered. [sic]" This only adds to the bank’s systemic risk profile, as would other anti-EU political events. The threat of banking bail-ins – where depositors’ assets would be ceased in order to try and prevent the bank’s insolvency – are growing, spiking nervousness across Europe. Bail-ins ‘were tested’ in the Cypriot banking crisis of 2013, and could be imminently repeated elsewhere, especially in Italy, despite said recent populist referendum and rising nationalism.

Per investor Nick Giambruno of Casey Research, shares of many Italian banks dropped by over 50% in 2016, and yet

**Italian banks hold $400 billion-plus worth of loans that are 90 days past due and unlikely to be repaid in full.**

That’s a staggering figure. These nonperforming loans (NPLs) account for more than 18% of all outstanding bank loans in Italy. They add up to over 20% of the Italian GDP.

None of this is lost on Ankara, which is so proximate physically, culturally and historically to Cyprus, let alone lost on Moscow, Beijing, Tehran and other Eurasian nations.

Subsequently, China is downgrading the dollar’s global standing against their renminbi and a global basket of currencies, which the Peoples’ Bank of China (PBOC) is widening. Per Bloomberg in December 2016,

An arm of the People’s Bank of China, which last year started setting the yuan against a basket of currencies, on Thursday said it’s adding 11 units to that reference group. The move lowers the dollar’s weighting by 4 percentage points, to 22.4 percent -- little more than twice the share for South Korea’s won, a new entrant. [emphasis mine]
Neither Bloomberg News, nor the Anglo-American financial Establishment it reports and caters to, seem to care on the surface. From the same article:

While the logic of determining the yuan’s value against the currencies of its trading partners is clear, the problem is that the dollar is still the dominant reference in the perception of the public and the market. The U.S. currency is on one side of 88 percent of all foreign-exchange trading.

The pivotal question, though, is for how much longer, and to what extent percentage-wise in such 'baskets', considering eastward economic inertia.

Too, the Chinese and Saudis have been dumping US Treasury holdings at a record pace. Per ZeroHedge last November, Beijing released $343 billion in Treasuries between July 2015 and August of 2016, a figure which rose to $374.7 billion for November 2015 through November 2016.

Source: ZeroHedge.com
Similarly, stalwart US and UK ally Saudi Arabia also sold off aggressively last year, releasing “nearly 30% of its US paper holdings” between January and November 2016.

ZeroHedge continues:

In some cases, like China, [the bond selling] is to offset devaluation pressure; in others such as Saudi Arabia, it is to provide the funds needed to offset the collapse of the petrodollar, and to backstop the country’s soaring budget deficit [due to a coordinated US/UK financial takedown of oil prices27]. In all cases, it may suggest concerns about a spike in future debt issuance by the US, especially now under the pro-fiscal stimulus Trump administration.

Indeed, the world realistically expects Washington to resort to further debt-based attempts at economic “stimulus”, as well as for defensive measures against the abandonment of US debt overseas, causing long-yields on Treasuries to spike higher.

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27 Historian Andrew Scott Cooper, who writes partly on oil, Iran and Saudi Arabia, wrote the following revealing piece at the outset of aggressive oil price drops in 2014, which were otherwise blamed on ‘market conditions’, US fracking, etc. http://foreignpolicy.com/2014/12/18/why-would-the-saudis-crash-oil-markets-iran/
Donald Trump is about to unleash a $1 trillion debt tsunami at a time when the Fed will not be available to monetize it.

While it is unclear under what conditions foreign buyers may come back, one thing is very clear: as of this moment the selling strike not only continues but is accelerating, and should the foreign liquidation of Treasuries fail to slow, [US Fed Chairwoman] Yellen will have no choice but to forget about hiking rates and focus on QE4 instead.

Clearly, none of it bodes well for the international standing of the US dollar.

The US Treasury Bond selling, again, is significant because of the role of said bonds after the gold window was closed in 1971. As mentioned, the petrodollar standard, floating exchange rates,\footnote{Jim Rickards explains floating exchange rates replacing the gold standard’s innate monetary discipline on foreign currency exchange in \textit{The Road to Ruin} (2016).} and oil producers’ agreements to park their savings in US Bonds solidified Dollar Hegemony, rising oil prices and global US Treasury purchases as practically mandatory.

![Total Foreign Holdings of Treasury Securities (1951-2014)](image)

This rising multi-year trend was due in large part to oil being priced exclusively in US dollars and the practically compulsory role of US Treasuries in each nation’s asset holdings. Sources: [ZeroHedge.com](https://www.zerohedge.com) and [ttmygh.com](https://ttmygh.com)
Per Grant Williams again, by 2015 “there were [US Treasury notes] to the value of around 6 years of total global oil supply in the hands of foreigners.” Yet the bond dumping and drop in oil pricing could be related in exhibiting a paradigm shift of, as described before, returning oil pricing to gold. China, Russia, Iran and anyone trading with them via non-dollar means, are in the process of reverting gold to the center of world monetary standards. In addition to establishing an energy exchange to rival WTE and Brent in the US and UK, respectively, China is also starting the Shanghai Gold Exchange as a rival to the ICE in London and the COMEX in New York. Increasingly backing currencies with gold, employing currency pairings away from purely dollar or euro reliance, drawing upon their own oil, gas and currency reserves, and linking energy to gold is all enough to get the Saudis selling both US Treasuries and securities.

All of the above-outlined urgency has caused enough alarm across the Atlantic that drastic leadership measures apparently had to have been taken by the Anglo-American Establishment in the way of a Trump selection (read: appointment) to serve up newer manifestations of “The Madman Theory” of emergency-era leadership. Tellingly, then, the designer of both the initial Madman Theory as used under Nixon (acutely against the North Vietnamese), as well as the shepherding force behind the petrodollar standard’s multi-nation package itself, was none other

than Henry Kissinger … who is President Donald Trump’s most powerful ‘advisor’, leadership designer, and senior representative of said transatlantic establishment within US government circles.

Indeed, hence the modern stakes we all now face.

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