

Answer to Question

The Turkish Lira Falls to its Lowest Level

And its Implications on the Presidential Elections in 2023

(Translated)

Question:

The Turkish lira plunged to its lowest level in a short period, losing more than 30% of its value in less than two months, and losing more than 45% of its value since the beginning of this year. The inflation doubled to about 21% and prices rose significantly. Note that it has been in continuous fall since 2013. What are the reasons for this? What is the solution for this crisis to stop the fall? What are its implications on the 2023 elections?

Answer:

To know the reasons for this and its repercussions, we will review the following matters:

1- Yes, the currency has lost about 45% of its value! Against the dollar since the beginning of the year, and it lost about 30% since the end of October. And all this is due to the high indebtedness, urgent debts maturity, and the inability to pay the due debt at the time of maturity. All these matters play an important role in the devaluation of the currency. The foreign debt, as announced by the Turkish Ministry of Finance on 31/3/2021, amounted to about 448.4 billion dollars, and the principal debt is 262.1 billion dollars, which has doubled because of the interest, in addition to paying insurances on debts. The urgent debts that Turkey is required to pay within one year amounted to about 168.7 billion dollars. In order to pay the debts, you need to borrow from other parties, and thus remain in the cycle of debt payment. It appears that there is an inability to pay these urgent debts, and they are paid in hard foreign currencies, as is well known. Debt payment scheduling is putting pressure on the Turkish economy. The payment deficit rose last October from \$3.7 billion to \$12 billion last November. It is expected that the deficit in this month of December will be about 10.4 billion dollars.

The deficit is expected until the next summer months at a rate of \$9 billion per month, according to the forecasts of some Turkish economists working in banks. Erdogan tried to blame unknown parties that buy foreign currencies and withdraw them from the markets, so they do not reach the Central Bank. Thereby, ["Erdogan commissioned the State Supervisory Board to identify the institutions that bought large amounts of foreign currency and determine whether any manipulation occurred." He said, "Our country is fighting an economic independence war and will not be under pressure to change course. We are witnessing manipulation around the exchange rate and interest rates." And the rise in prices by those who want to take Turkey out of the equation..."] (Asharq Al-Awsat, 27/11/2021)]. These statements are an attempt to evade responsibility and cover up the truth. The door has been opened wide to various parties for external borrowing with interest, whether those parties are the state, companies or individuals using credit cards. Debts are paid in foreign currencies, all of this causes a real crisis, as the currency decreases and poverty increases. The creditor banks and financial institutions will fill their safes, and their countries, especially the colonial ones, will increase their interference in the country's affairs and impose more of their hegemony over it.

2- As a result, prices have risen remarkably. The Turkish Statistics Authority announced on 3/12/2021 ["that the country's inflation rate on an annual basis reached 21.31% during the month of November" (Anadolu 12/3/2021)] and this leads to an economic downturn. This percentage is four times higher than the goal set by the Erdogan government, which makes the cost of living high for many families, and the inability of many people to pay their debts. The Presidency of

Budget and Strategy of the Presidency of the Republic of Turkey announced in a report issued on 2/12/2021 [that the number of consumers who are unable to pay their interest of debts rose this year to 127.2% more than last year. Note that the number of those using credit cards or lending with interest in Turkey, that is, those who borrow with interest, is about 35 million people. The Minister of Treasury and Finance Lutfi Alwan stated, "The number of people using credit cards are 34,119,250. They have debts of 874 billion and 300 million Turkish liras." (BBC Turk 14/9/2021)].

3- The state, its president, and its institutions encourage people to consume to achieve growth in the economy, and this invites them to borrow which is only with harmful and forbidden usury, this will not change if the Central Bank, at Erdogan's request, reduces the usurious value from 24% to 19%, it decreased during the last months to 15%. By doing so, the president tried to exploit the feelings of Muslims by saying before his party's parliamentary group on 17/11/2021: ("Usury is the cause and inflation is the result, and for this we will fight inflation and we will not let usury crush our people"...), there is no difference if usury is 24% or 19% or 15%, as usury, little or large is forbidden, whoever eats it and legitimizes its consumption and encourages it has declared war against Allah and His Messenger. He has implicated the majority of people with usury over the 19 years of his rule and his party's rule since 2002, on the grounds that he is Islamic!

He encouraged loans that have usury, so that the economy could shift and growth would increase, which means an increase in market movement in terms of selling and buying, investment, and a reduction in unemployment. But all of that turned on the people of Turkey when they began to consume through usurious borrowing. Their poverty and misery increased, while the wealth and capital of the owners of capital increased, people began to complain and voices began to rise in his face, and his popularity began to drop to low levels, and the presidential elections are on the doors, as they are scheduled to take place on 18/6/2023. The capitalist, secular democratic system currently applied in Turkey is the main motive for the spread of usury because it is one of the pillars of this system...

4- On 19/3/2021, the President dismissed the former Central Bank Governor, Naji Iqbal, who defended the high interest policy, and appointed Kavcioglu in his place, with the task to reduce usurious interest and work to restore price stability while continuing the vitality of the economy before the upcoming parliamentary and presidential elections. The Governor of the Central Bank of Turkey, Sahap Kavcioglu, said: ["The objective of the Central Bank's intervention in the currency markets is to eliminate the volatility occurring in the market. The cumulative effects of our position on the current monetary policy will be noticed in the first half of 2022." (Anadolu, 2/12/2021)] Erdogan dismissed the Minister of Treasury and Finance Lutfi Alwan, and appointed Nouredin Nebati in his place, and announced this in the Turkish Official Gazette on 2/12/2021. Note that he appointed him one year ago, after he dismissed his brother-in-law, Berat Albayrak, on 09/11/2020. This indicates turbulence in the path, confusion in politics, proposing solutions, and an attempt to blame the failure on other people he has appointed.

5- Erdogan is still serving America's policies in the region and achieving its interests, as he is completely continuing in its orbit. In return, it works to support him in various forms. That is why the international credit rating companies, which are American companies, published their positive reports in favour of Erdogan. On 1/12/2021, the American credit rating agency Standard & Poor's published its forecast for the growth of the Turkish economy [it raised its forecast for the growth of the Turkish economy this year by 1.2 points to 9.8%, while it increased its forecast for growth in 2022 by 0.4 points to 3.7%, and it had published its forecast last September for the growth of the Turkish economy for 2021 by 8.6%." (Anadolu 1/12/2021)]. It was followed by the American Fitch Rating Agency on 2/12/2021, by publishing a statement reviewing positive assessments of the Turkish economy. Its statement stated that Turkey's economy is expected to grow this year by 10.5 percent instead of 9.2 percent, which the agency had announced last September. It also raised its forecast for the growth of the Turkish economy during 2022 from 3.5 percent to 3.6 percent. And it maintained Turkey's credit rating at BB-. The agency's statement indicated that

"Turkey's economic growth is strong compared to its peers, but the per capita income has been declining since 2013 in dollar terms." (Anadolu 3/12/2021).

On 3/12/2021, the US Moody's International Credit Rating Agency maintained its B2 rating with a negative outlook, and the agency indicated [that the main external vulnerability risks for Turkey have decreased due to the current account deficit, which supports the gradual restructuring of foreign exchange reserves on a total net basis, regardless of the current weakness of the local currency, the lira... Turkey has a large and diversified economy, and the country's economy is expected to grow by 11% this year and 4% during 2022," the agency had predicted in its report published in November that the Turkish economy is expected to grow by 9.2% this year" (Anadolu 4/12/2021)]. These reports of US international rating companies are considered a support for Erdogan. It means that America wants him to succeed in the upcoming elections, and he is providing its services, and there is no strong alternative for him has appeared in the arena so far.

6- The Turkish president is trying to support the economy and preserve the value of the currency by attracting foreign investments and searching for Turkish investments abroad, and he is now heading towards the Gulf countries. This is why he flirted with the Emirates, with whom he has long been quarrelling with. The Crown Prince of the Emirates, Mohammad bin Zayed, arrived in Turkey on 24/11/2021 on an official visit at the invitation of Turkish President Erdogan. Note that they had held a phone call on 31/8/2021, during which they discussed bilateral relations and regional issues. After that, Turkish Foreign Minister Mevlüt Çavuşoğlu indicated that a positive atmosphere surrounded the Turkish-Emirati relations in recent times. On this visit, Turkey and the UAE signed 10 agreements in various fields, in the presence of Erdogan and Bin Zayed. After that, Bin Zayed wrote on his Twitter account: "Today in Ankara I met Turkish President Recep Tayyip Erdogan & we had fruitful discussions focusing on ways to strengthen relations between our countries. I look forward to exploring new cooperation opportunities to benefit our two nations & advance our mutual development goals."

While the Chairman of the Board of Directors of the Abu Dhabi Developmental Holding Company, Mohammad Hassan Al-Suwaidi, said: ["The UAE has decided to allocate 10 billion dollars for investment in Turkey." The Turkish Foreign Minister announced that he will visit Abu Dhabi next month. (Anadolu Agency 24/11/2021)]. After that, the Turkish lira rose a little against the dollar, and then fell again. For more than a year, Erdogan has been working on reconciliation with the regimes he has quarreled with in the region; because his rivalries are not ideological, but related to the interests and policies associated with America, which he is following in its orbit. The UAE has normalized with the Jewish entity, and Erdogan is a normalizer and confirms the normalization. They and other regimes in the region are conspiring against Palestine and are silent of its usurpation by the Jews.

7- On 6/12/2021, the Turkish president arrived in Qatar, although the visit came at the invitation of the Emir of Qatar to participate in the seventh meeting of the Supreme Strategic Committee between the two countries. Erdogan said in a press conference before heading to Qatar: ["The volume of projects implemented by Turkish businessmen in Qatar is about \$15 billion." He said, "The two countries have strengthened their partnership on the basis of mutual profit in many areas from economy to defence, and from trade to investment." and he said, "We will continue to develop our relationship with our brothers in the Gulf without discrimination within the framework of our common interests and mutual respect." (Anadolu, 6/12/2021)]. Qatar's Foreign Minister Mohammed bin Abdulrahman Al Thani said in a press conference with his Turkish counterpart Mevlut Cavusoglu, ["it is expected that 12 agreements will be signed between Turkey and Qatar during the meeting of the seventh session of the Strategic Committee" prior to Erdogan's visit to Doha." (Anadolu, 6/12/2021)]. Then 14 cooperation agreements were signed between Qatar and Turkey: [Qatar and Turkey sign 14 agreements, and Erdogan confirms Ankara's keenness to cooperate with the Gulf countries...

Headed by the Emir of the State of Qatar, Sheikh Tamim bin Hamad Al Thani, and President Erdogan, who is visiting the Qatari capital Doha, events of the seventh session were held. The two sides signed 14 cooperation agreements in various fields, such as economy, investment, industry, defence, security, endowments, media, culture, sports...” (Al Jazeera, Anadolu 7/12/2021)]. These are attempts by Erdogan to support the Turkish economy and an attempt to prevent the collapse of the Turkish lira.

8- It is not possible to stop the currency's collapse soon. Attempts have been made and are being made to stop its collapse, but to no avail because the basis on which these attempts are based is corrupt and invalid. The lira collapsed in the past to 1.797 million liras at the end of 2004, so a decision was made to remove six zeros starting from 1/1/2005, so the dollar became equal to 1.79 lira, and it did not stabilize for long. Since 2013, the value of the lira has begun to fall, and is accelerating in its fall. The devaluation of the lira is related to the deterioration of the Turkish economy. The reasons for the deterioration of the Turkish economy are mainly due to the foundations on which it is based and the policies that are applied accordingly. If these foundations are not addressed, people will continue to get burnt by the fire of this system on which the economy is based, and will live in hardship. It is based on false capitalist foundations. It relied on increasing production, growth and encouraging consumption, and for that Erdogan and his secular regime opened the door to borrowing and taking usurious loans even though it is strictly forbidden in Islam. Opening the door for foreign investments so that these companies establish public projects such as building bridges, roads, tunnels, metro and airports. These private companies, including foreign companies collect money from the common people, and reaps profits from them. Note that these are public utilities that the state must provide free of charge to all people, as Islam commands. The solution to the economic problem lies in distributing public funds and benefits to all the citizens and enabling them to benefit from them. The satisfaction of all the basic needs of all members of society, one by one, must be completely secured, and to ensure that each of them is able to satisfy their luxury needs at the highest level, as stipulated in the articles of the Islamic constitution derived from the Qur'an and Sunnah. At the same time, the Turkish lira's link to the dollar must end, and it should be based on gold and silver in accordance with the legal rulings. Also, linking the economy with the outside (economy) and with debt is dangerous and fatal, especially when it involves usury. And Allah has warned those who deal in usury with war with Him (swt), and His Messenger (saw). Allah (swt) said: **يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنتُمْ مُؤْمِنِينَ * فَإِن لَّمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِّنَ اللَّهِ وَرَسُولِهِ وَإِن تُبْتُمْ فَلَكُمْ رُؤُوسُ أَمْوَالِكُمْ لَا تَظْلِمُونَ وَلَا تُظْلَمُونَ** **“O you who have believed, fear Allah and give up what remains [due to you] of interest, if you should be believers * And if you do not, then be informed of a war [against you] from Allah and His Messenger. But if you repent, you may have your principal - [thus] you do no wrong, nor are you wronged”** [Al-Baqara: 278-279]. Allah (swt) has promised happiness to those who follow His guidance, but those who turn away from guidance with punishment, saying **فَمَنِ اتَّبَعَ هُدَايَ فَلَا يَضِلُّ** **“Then, whoever follows My guidance will neither go astray [in the world] nor suffer [in the Hereafter] * And whoever turns away from My remembrance - indeed, he will have a depressed life”** [Ta-Ha: 123-124].

Finally: **هَذَا بَيَانٌ لِلنَّاسِ وَهُدًى وَمَوْعِظَةٌ لِّلْمُتَّقِينَ** **“This [Qur'an] is a clear statement to [all] the people and a guidance and instruction for those conscious of Allah”** [Al-i-Imran: 138].

7 Jumada Al-Awla 1443 AH

11/12/2021 CE