

# Erdogan's Paranoia and Turkey's Economy

The protests roiling Istanbul, which started in May and have already begun to dwindle, were never an Arab-style spring. The Turkish government, however, now risks turning them into a very real political and economic winter.

A hunt has begun for the culprits in a supposed international conspiracy, including banks and news media, which the government claims to have orchestrated the protests. Depending on how far this Orwellian investigation goes, it may have a bigger impact on Turkey's future than the unrest itself.

The head of Turkey's Capital Markets Board confirmed June 26 that his staff had begun an investigation into stock-market volatility during the protests. According to traders in Istanbul, the demands to hand over all e-mail traffic with foreigners, among other records, are unprecedented.

The board's assurances that such investigations are routine might be easier to accept if Prime Minister Recep Tayyip Erdogan hadn't promised to "choke" those he believes to have engineered the protests in order to cause a stock-market collapse. He has accused some companies of abetting "terrorism" and claimed that an ill-defined "interest-rate lobby," committed to raising Turkish borrowing costs for profit, is part of the conspiracy.

As flaky as these charges may sound, they are frightening. Turkey's courts have prosecuted several big alleged anti-government conspiracies since 2008, jailing hundreds of people under sweeping anti-terrorism laws, sometimes on what

independent experts have found to be falsified evidence.

In recent days, Erdogan has threatened retribution against some of the country's biggest banks and industrial conglomerates, leading to a steep fall in their share prices. He repeatedly said that Koc Holding AS, an industrial empire owned by a secularist family against which Erdogan bears deep grudges, "cooperated with terror" and "will have to account for it." The alleged crime was opening the doors of one of the company's hotels to protesters as they fled police.

This week, the government asked Twitter Inc. to hand over data so it could trawl for conspirators (the company refused). Facebook Inc. warned against planned legislation that would force it to share more data with the government. Police arrested more than 40 people accused of working with terrorist groups.

Government ministers are beginning to fill out details of the alleged conspiracy. European Union Affairs Minister Egemen Bagis told a conference of private-equity investors on June 27 that preparations had involved the creation of about 200,000 fake Twitter accounts, pre-registered protest hashtags and pre-made sandwiches. Protesters in Ankara used software to turn their mobile phones into walkie-talkies, he said, claiming that some of them -- armed with knives and guns -- then launched a lightning 3:20 a.m. bid to seize Erdogan's office and residence, as well as the parliament.

The burden of proof is on the government, and so far it has provided none. The government's threats, though, could destroy trust in Turkey's institutions and deter investment, something that a weakened Turkish economy can't afford. Koc, which accounts for 6 percent of Turkey's economy, has plans to invest more than 6 billion Turkish lira in the economy this year.

Erdogan can still step back from the brink by calling off the hunt for so-called culprits -- and Turkey's allies can play a vital role in persuading him to do so.

One way would be for the European Union to accelerate membership talks with Turkey that the bloc has all but frozen for the last three years. Specifically, the EU should begin negotiations to bring the Turkish judiciary, and the country's human-rights and security laws, in line with EU standards. Turkey may well never join the EU, but the accession process is vital to its democratic development.

EU leaders, as well as U.S. President Barack Obama, should also be relentless in trying to talk Erdogan down. It may be coincidence, but on June 25, at the first protest in Taksim Square since an hourlong phone call between Obama and Erdogan earlier this week, police stood aside and didn't use force.

Turkey's allies should make it clear they reject Erdogan's claims of a terrorist conspiracy controlling the protesters. Turkey's remarkable leader has made many friends abroad since his party came to power in 2002. They should let him know that he now risks losing them and could undermine the economic growth that more than anything else has made him popular.