

Last Wednesday he told a news conference that Israel will probably have to withdraw from much of the land it invaded in 1967, but that a peace settlement will be a "long, tedious process" that must start with ensuring Israel's survival. Why it should be long and tedious, why it should start with ensuring Israel's survival, he did not say. Clearly, however, Mr. Carter isn't anxious to put over an image of "honest broker" in the Arab-Israeli dispute....

You can only wonder what is left for Presidents Sadat and Assad to discuss when — and if — they go to Washington. How Mr. Carter can have made up his mind on the Middle East issue, in the absence of any kind of

discussion with the Arab leaders, is surely astonishing. It is all the more so since the Vance "fact-finding" junket was his idea and he was the one to request talks with the Arab leaders and invite them to Washington. And even if his discussions with General Rabin have served to decide him on the issues involved, wouldn't it have been rather better form for him to refrain from making such announcements until after the Arab leaders' visits? But, in a way, it serves the Arabs right. For them to have thought that the United States would show them even a fraction of the consideration...was plainly ridiculous. And to have believed that the U.S. would really fulfill its pledge to work for a just peace was ludicrous.

## Turks Look To East For Relief From IMF

Last week, after issuing a statement praising Moscow and the importance of Turkish-Soviet relations, Turkish Foreign Minister Ihsan Sabri Caglayangil arrived in Moscow to discuss with Soviet officials Soviet financing of 20 industrial projects in Turkey involving \$7 billion in credits. Turkey is also considering construction of a large Black Sea refinery for the processing of Soviet oil from the Baku fields.

According to Radio Moscow, high level military contacts between the two countries are also being planned, with Soviet Chief of Staff General Nikolai Ogarkov slated to visit Turkey later this year, complementing a trip to Moscow last year by his Turkish counterpart General Semih Sancar.

Turkey's turn to the East is primarily propelled by its bitter battle with the International Monetary Fund. Turkish officials, led by Finance Minister Yilmaz Ergenekon, walked out of a meeting with an IMF delegation that arrived in Turkey on the eve of Caglayangil's departure to the Soviet Union. The IMF was demanding drastic import cutbacks. The IMF also made known its decision to cut credit to Turkey until after the elections, scheduled for October. The IMF, however, was forced to back down slightly and agreed to extend \$70 million to the Turks.

Turkey's trade deficit continues to grow, exacerbating its liquidity problems. To attract foreign cash, it has promised to up interest rates on convertible lira deposits made for longer than six months. According to one banker, nobody is taking the Turks up on their offer and whatever deposits are being made are still short-term. With only \$900 million in foreign currency reserves, the Turks are faced with paying back double that amount in convertible lira deposits as well as the \$3.1 billion deficit.

### *Clifford on the Watch*

The Carter Administration has met Turkey's turn toward the Soviets and its insistence on a 7 percent growth rate with rather undisguised threats. Last week, the *New York Times* warned of "the ever-present threat of military intervention in Greece and Turkey" due to the "fragility" and "unviability" of democracy in both countries. Turkey is paralyzed as a result of right- and left-wing student clashes that have left at least 40 dead since

the start of the school year. Late last week, four political prisoners managed a spectacular escape from prison, leading to search and seal operations throughout the country and raising the spectre of martial law and military takeover.

According to the Turkish press, Carter's hand-picked envoy Clark Clifford, who just returned from a trip to Greece, Turkey, and Cyprus at Carter's behest, will shuttle back to the area next month, uninvited by local leaders. Clifford's first trip followed by days important steps by the Greek Cypriot and Turkish Cypriot leaders toward a settlement. The second trip will intersect the convening of U.N.-sponsored peace talks beginning March 31 in Vienna. A March 13 *New York Times* editorial by C.L. Sulzberger attacked the Clifford mission as unnecessary and ill-timed, noting that it comes exactly as the region is on the verge of solving its difficulties on its own.

Last week, Turkey suddenly announced that it will soon send out the Sismik oil search ship into the disputed waters of the Aegean, opening the possibility of a replay of last year's Aegean crisis. Greek political observers charged that the Turkish decision to send out the Sismik again is directly linked to the Clifford mission. While in Ankara last month, Clifford openly "pressured" Prime Minister Suleyman Demirel to "make concessions" in Cyprus, putting Demirel in the politically embarrassing position of having to comply with U.S. dictates and running the risk of losing votes in the upcoming general elections. Turkey's decision to exercise its independence by sending out the Sismik and by announcing military maneuvers for next month has already led to increased tensions in the area, with the Greek government threatening to cut off Aegean peace talks with Turkey and the Greek armed forces being placed in a "state of readiness." Rizospastis, the newspaper of the Greek Communist Party (KKE), has exposed the destabilization as a "U.S.-NATO plot to revive Greek-Turkish tensions and complicate the situation around Cyprus, the Aegean, and the EEC." The Greek press links the increased tensions to Carter-Clifford statements earlier this year predicting an "expected new crisis in Greek-Turkish relations." Huseyin Bas of the Turkish daily *Cumhuriyet* attacked Carter for his "crisis management" foreign policy and

linked it to the Trilateral Commission, warning that Carter is out only to foment crises in the region.

## **State Dept: Spring Always Brings Tensions**

*The following is an interview with a State Department official concerning Greece and Turkey:*

**Q:** Demirel and Karamanlis are both faced with incredibly unstable situations, what will they do about this?

**A:** Well, Karamanlis has a better situation by far, he has a parliamentary majority, while Demirel has to work with a shaky coalition. But Demirel's necessity of working with this coalition is much less than it was on Feb. 28, when he had to get the budget passed (in parliament). That hurdle has been passed. There are increasing chances for an early election. Right now the parliament is out of session, for ten days. When it goes back Demirel and Ecevit may well agree to call early elections, which would then be held in June. There are people in the military who favor both men, and the military even wants early elections. Demirel favors them too, since if he comes out of it well, there will be flexibility with Cyprus.

**Q:** What effect does the Caglayangil trip (to the Soviet Union) have on all this?

**A:** He is in Moscow now, and as far as we can determine, he won't sign a major political document, but will update the 1972 document. The Soviets want more, they want Turkey to loosen ties from NATO, but Turkey won't do this.

**Q:** But a big economic deal seems to be in the making.

**A:** Yes, Turkey is one of the biggest aid recipients from the Soviets, the three steel mills and so on. Kilic (Turkish energy minister-ed.) went to Moscow in 1976 and set up a joint Soviet-Turkish economic commission. It does seem that the Soviets' aid level will maintain a high profile. The basic situation is that the grant aid from the West is harder to get for infrastructure-type projects, and the Turks are intent on maintaining a 7 percent rate of growth.

**Q:** What is the problem with the Western aid?

**A:** Certainly it is harder for Turkey to get grant aid from the West, sources are drying up, it is harder to finance things. The U.S. is going from grant aid to credit aid in even military sales. During the 1950s and 1960s the West was in better position to make grant aid, but this era is passed.

**Q:** What is your assessment of what is facing Karamanlis?

**A:** Karamanlis is a man of the right who has made moves to placate the left. He is moving in a more conservative direction, in preparation for Greek elections in 1978.

**Q:** What evidence do you have of Karamanlis becoming more conservative?

**A:** Well, he would like to move Greece back closer to NATO, he is just using a more independent line to get more concessions from Turkey.

**Q:** You foresee then an upswing in regional tension?

**A:** This always happens as spring approaches, that is the traditional time for military maneuvers; the Turks begin their oceanographic studies at that time, and so on. The Seismic is being sent out again as part of this.

## **U.S. Banker: I Don't Think The Turks Are Serious About Turning East**

*Following are excerpts from an interview with a spokesman for a major West Coast Bank:*

The IMF (International Monetary Fund) is currently reviewing the situation in Turkey. Things are bad there, a lot like Egypt. The deficit is \$2.5 billion. Foreign exchange is bad, \$900 million, and 90 percent of this is tied up in Convertible Lira Accounts which has to be repaid in 36 months. The other 10 percent goes for the servicing of the accounts. So what you have is nothing liquid in the foreign currency account.

The IMF wants to restrain Turkey, and is calling for import cuts and expansion of exports. Some imports have been cut, but vital imports have not. There are political reasons why the IMF cannot push too hard in Turkey. You saw what happened in Egypt. They are afraid that things will explode in Turkey if they go in with a heavy hand. So the IMF is prepared to wait till the November elections.

The IMF has stopped credits. The Turks went to the Euro-dollar market thinking they could get something. But nobody — neither in Europe or New York — was receptive. The only people bullish on Turkey is Wells Fargo. They just gave \$150 million to Turkey for financing shipment of Iraqi oil. We chipped in \$24 million. But the loan was only for 180 days. We won't go any longer than that. But I don't think that the Turks are serious about turning toward the Soviets.