Does IMF Help Really Help?

The Recovery of Argentina and Turkey after the 2001 Financial Crises

by

Yonca Özdemir, PhD

Political Science & International Relations Program

Middle East Technical University, Northern Cyprus Campus

yoncita@metu.edu.tr

Turkey and Argentina both had a severe financial crisis in 2001 which had disastrous social and economic effects. These two countries followed different paths for their recovery from the crises. Argentina is a case that has recovered with a hard stand against the IMF and Turkey is a case which has recovered by surrendering to the IMF. Turkey, with the exceptional help it received from the IMF, followed a strict structural adjustment program advised by the IMF. On the other hand, Argentina was abandoned by all creditors, including the IMF, in the midst of its crisis. It defaulted on its debt and then restructured its bonds. By 2008 both countries have economically recovered but with different degrees. Turkey had a faster but a less healthy recovery. After few years, Argentina ended up with more growth, less unemployment, and much better current account and trade balance compared to Turkey. Then, is the IMF support a curse or a cure for the developing nations which face financial crises? This paper argues that IMF aid after financial crises helps developing countries only in the very short-term. In the longer term, it lays the ground for future economic crises. In fact, despite its impressive growth rates, with its unsustainable levels of trade and current account deficits, Turkey is again among the riskiest emerging markets. Argentina, which chose a more independent path, seems to have recovered healthier.

Paper prepared for the 3rd Annual Conference on T*he Political Economy of International Organizations (PEIO)*, January 28-30, 2009, Washington, DC and submission for the special issue of the ***Review of International Organizations.***

A. Introduction

In the aftermath of the Asian financial crisis, based on the IMF's role in the crisis, Devesh Kapur (1998) had asked whether the IMF was a cure or a curse. Although he did not give a definite answer to this question, later the Argentine and Turkish financial crises of 2001 presented us another opportunity to evaluate the IMF's role. The purpose of this paper is to make a comparison of the Argentine and Turkish cases in order to analyze the role that the IMF played in the recovery after the 2001 financial crises.

Both Argentina and Turkey had a devastating financial crisis in 2001 but the IMF's reaction to these crises differed considerably. While Turkey secured substantial IMF help right after the crisis, the Argentine crisis was left to degenerate before the IMF help eventually came. The Turkish government strictly followed an IMF sponsored program for its economic recovery while Argentina declared moratorium and persistently challenged IMF and private financial institutions. Although in the short-term it seems that Turkey's recovery was faster, when we evaluate the economic results of these two different strategies seven years after the crises, it appears that IMF has proven to be more a curse than a cure for Turkey. Despite its impressive growth rates, with its unsustainable levels of trade and current account deficits, Turkey is again among the riskiest emerging markets. Argentina, which chose a more independent path, seems to have recovered healthier.

By examining the economic developments in Argentina and Turkey since 2001, this paper seeks to explore the problems the IMF assistance poses on developing countries. This paper argues that, although IMF aid may help countries in certain ways immediately after the crisis, IMF programs which come along with aid often make countries more prone to future crises in the longer term. This is a serious problem for the developing countries which are looking out for IMF support for sustainable growth.

B. The IMF's Role in Financial Crises

For developing countries IMF support is crucial as these countries have limited resources and are frequently hit by economic crises. Many times these countries shape their economic policies in line with the treatment they receive from the international financial institutions in the hope that they would achieve higher levels of economic development and stability.

Although middle-income countries like Argentina and Turkey are not dependent on aid, support of international financial institutions is crucial for them. Especially the influence of IMF far exceeds the importance of the funds it provides. IMF support is considered as a signal of credibility to all international financial markets. If a country cannot obtain IMF support, it is feared that the country can be deprived of foreign exchange and abandoned by all investors (Lastra 2000). Yet, the power of the IMF is effective only on developing countries, because a country has to have a balance of payments problem in order to be eligible for IMF support (Swedberg 1986). Also, it is generally believed that IMF support is very essential for recovering from a financial crisis. This paper will evaluate the validity of this argument.

The IMF's primary stated goal is to overcome balance of payments problems of its members, while a secondary goal is resuming economic growth and decreasing inflation (Bird 1996b). Financial crises have severe destabilizing effects through the economic devastation they cause. If no financial support is found, either the economy totally collapses or the government needs to take extreme austerity measures that would lead to high unemployment, decreasing incomes, and low consumption levels. These generally lead to political resentment among people that may bring about a serious political crisis or even a regime change. The prompt availability of much needed foreign exchange is crucial at that point. Such aid, which is typically provided by the IMF, may reduce severity of economic adjustments and the danger of political instability (Bienen and Gersovitz 1985; Oatley and Yackee 2000). Although IMF supported policies are generally believed to engender political protests, called "IMF riots" (Payer 1974; Haggard 1985), as Auvinen (1996) maintains,

> IMF's economic intervention may actually enhance economic stability. Without the Fund's assistance, countries would sink deeper into economic distress and would have no hope of securing foreign finance and assistance. Under these conditions, the likelihood of political protest would be even greater. (p. 378)

The focus of this paper is whether the IMF help really helps those countries in crisis. In other words, how do the IMF funds affect stabilization of an economy after a crisis? There are many studies which have investigated the role of the IMF in helping economic stabilization and recovery. However, there is no clear agreement in the literature whether IMF programs really help recovery from the financial crises, have no significant effect, or make things worse. Many scholars who have investigated the IMF programs argue that their effects on the countries are mixed, depending on different aspects of the economy.

As mentioned above, the primary official goal of the IMF is to better the balance of payments position of a country. Therefore, while evaluating the effect of the IMF programs, usually the first aspect of the economy to look at is the balance of payments. Scholars disagree on the effects of the IMF programs on balance of payments. Although some early studies (Reichmann, Thomas M. and Stillson 1978; Connors 1979; Killick 1984) found no significant effect of IMF programs on overall balance of payments, Goldstein and Montiel (1986) argue that there has been a negative effect. On the other hand, some others maintain that there has been considerable improvement in the overall balance of payments position of the countries which received IMF help (Khan and Knight 1981; Donovan 1982; Khan and Knight 1985; Gylfason 1987; Pastor 1987; Khan 1990; Killick 1995; Bird 1996a).

When it comes to current account, again some studies found no significant effect of IMF programs on overall balance of payments or current account (Connors 1979; Killick 1984; Zulu and Nsouli 1985; Pastor 1987). Yet, Goldstein and Montiel (1986) suggest that there has been a negative effect, while many scholars claim improvements in the current account (Khan and Knight 1981; Donovan 1982; Khan and Knight 1985; Khan 1990; Edwards, Sebastian and Santaella 1993; Conway 1994; Killick 1995).

As the second most important goal of the IMF is economic growth, the effect of IMF programs on growth was also researched extensively. In fact, for developmental purposes IMF programs' effect on economic growth is much more important than their effect on balance of payments (Przeworski and Vreeland 2000). Even the first article of the IMF Agreement states that one of the purposes of the IMF is to ''facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.''[1] Indeed, Michel Camdessus, the managing director of the IMF between 1987 and 2000, argued that economic growth is the primary objective.[2] However, according to Stiglitz (2000), IMF programs influence the economy quite negatively by creating recessions and depressions.

When it comes to academic literature, there are again contradictory arguments. Many scholars argue that there is no significant effect of IMF programs on economic growth (Connors 1979; Killick 1984; Zulu and Nsouli 1985; Gylfason 1987; Pastor 1987; Doroodian 1993; Evrensel 2002; Easterly 2005), but some other research findings claim a positive

[1] The articles of the IMF Agreement can be found at http://www.imf.org/external/pubs/ft/aa/aa01.htm
[2] Statement before the United Nations Economic and Social Council in Geneva, July 11, 1990.

influence (Reichmann, Thomas M. and Stillson 1978; Donovan 1981; Killick, Malik *et al.* 1992; Killick 1995). There are even more studies which find significant declines in economic growth (Khan and Knight 1981; Donovan 1982; Goldstein and Montiel 1986; Khan 1990; Bordo and Schwartz 2000; Przeworski and Vreeland 2000; Hutchison 2001; Hutchison and Noy 2003; Barro and Lee 2005; Butkiewicz and Yanikkaya 2005). As Easterly (2005) suggests, especially if the final objective is "adjustment with growth," there is not much evidence that IMF stabilization programs succeed. Investigating both short-term and long-term effects, some studies suggest that economic growth declines in the first year of an IMF program, but there is a positive effect over the longer run (Conway 1994; Atoyan and Conway 2006).

It is not surprising that many scholars have indicated a negative effect on economic growth because IMF programs are usually associated with a decline in public and private investment in the participating countries. Many studies maintain that IMF programs decrease investment ratios (Edwards, Sebastian 1989; Khan 1990; Killick, Malik *et al.* 1992; Conway 1994; Butkiewicz and Yanikkaya 2005). Bird (2001) explains the process as follows:

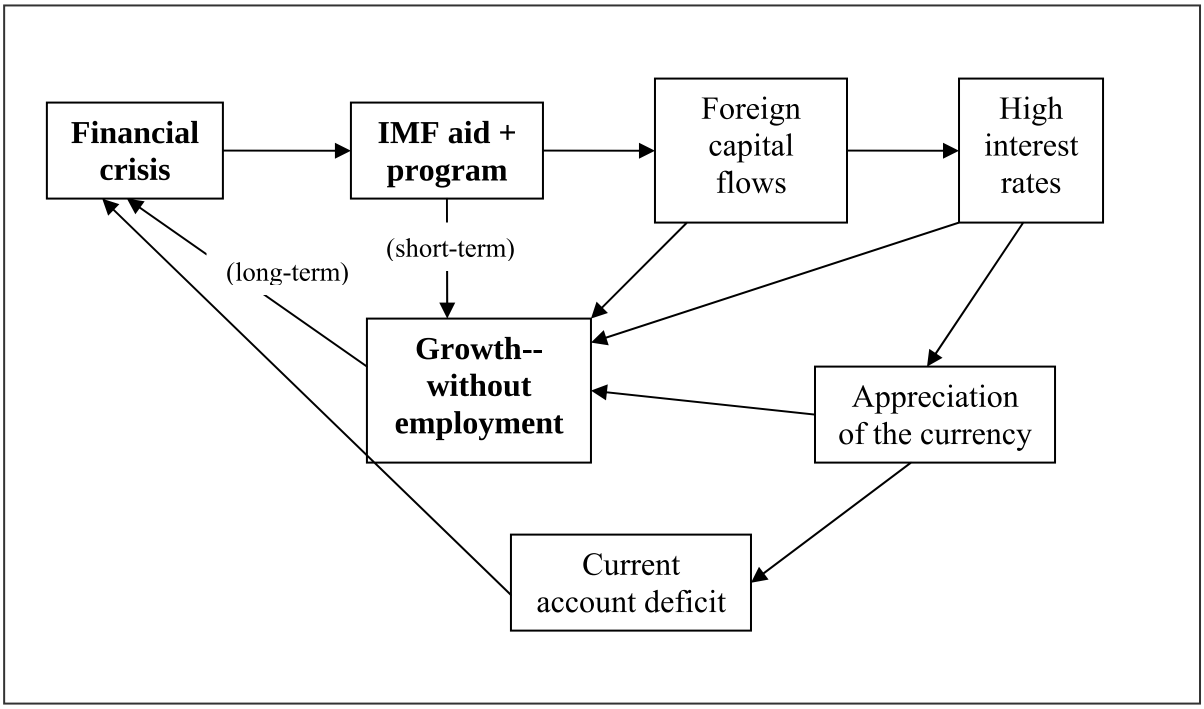
> Stabilization under the auspices of the Fund is generally achieved by lowering investment rather than by increasing savings. It is investment that carries the main burden of reduced absorption; private and public consumption are apparently little influenced by the negotiation of a program with the Fund (which has some bearing on the debate over the effects of IMF-backed programs on the poor). (p. 1851)

IMF programs especially force governments to cut public investment, causing detrimental effects on output growth (Tanzi 1989; Tanzi and Davoodi 1998). However, the negative effects can also be felt in private sector as high interest rates force even good companies to bankrupt (Blejer and Cheasty 1989). Barro and Lee (2005) argue that an additional negative effect on economic growth is due to IMF programs' negative effects on democracy and the rule of law.

Another effect of the IMF programs to look at is inflation, as inflation reduction is another stated goal of IMF programs. According to Conway (1994), although it is not a statistically significant effect, IMF programs help decrease inflation in the short run. Many other studies fail to find a significant relationship between the IMF programs and inflation (Connors 1979; Zulu and Nsouli 1985; Gylfason 1987; Pastor 1987; Edwards, Sebastian and Santaella 1993; Bird 1996a), while Reichmann and Stillson (1978) find an ambiguous effect and Killick (1995) claims a decreasing effect on inflation.

On the whole, there are contradicting arguments in the literature. Therefore, it is hard to make generalizations. This paper contends that IMF involvement after financial crises helps developing countries only in the short-term by providing them the urgently needed foreign currency in order to avoid total collapse of the economy and the political system. In the longer term, the IMF policies, which come as a condition to aid, promote short-term foreign capital flows and the dependency on such flows. In order to attract more short-term capital the economies keep interest rates high, harming the domestic real economy. High interest rates also make the local currency appreciate, which negatively affects the exports. Although the economy can still grow impressively, this kind of growth is fuelled by short-term capital flows and imports, and does not increase domestic savings, investment, or employment. In the end, the increasing current account deficit lays the ground for another financial crisis, which would call for another IMF bailout. Hence, IMF aid locks the recipient countries in a vicious circle of crisis and dependency (see Figure-1). In order to analyze this process in detail, it is necessary to look at individual cases.

Figure-1: The model of IMF involvement after the financial crises



C. Methodology and Data

Most of the mentioned studies in the literature on IMF use cross-sectional econometric analyses to test whether IMF programs affect the economy of the countries positively or negatively. This study uses the comparative case study methodology without conducting any econometric analysis.

In the literature several different methods have been used to evaluate the IMF programs' effects. One method has been looking to the economic data of the countries after the IMF stabilization programs and comparing these data with the data before the IMF programs were implemented ("before-after" approach). This has probably been the most widely used method particularly by early studies (Reichmann, Thomas M. and Stillson 1978; Connors 1979; Killick 1984; Pastor 1987; Killick 1995). Another method used by scholars ("with-without" approach) compares the economies of the countries which resorted to IMF programs under a financial crisis with the economies which did not (Donovan 1981, 1982; Gylfason 1987; Atoyan and Conway 2006).

A third method is the "actual-versus-target" approach and it compares the actual economic performance of a country under the program and the performance targets set in the program. There are only few examples of this approach in the literature (Reichmann, Thomas M. 1978; Zulu and Nsouli 1985). A fourth method is the "comparison-of-simulations" approach, which compares the simulated performance of IMF sponsored economic policies and simulated performance with some other set of policies. Khan and Knight (1981; 1985) use this type of approach in their studies. There are also many studies which make a generalized evaluation of the IMF programs through regression-based analyses (Goldstein and Montiel 1986; Khan 1990; Doroodian 1993; Conway 1994; Bordo and Schwartz 2000; Przeworski and Vreeland 2000; Hutchison 2001; Hutchison and Noy 2003; Barro and Lee 2005; Butkiewicz and Yanikkaya 2005; Easterly 2005; Atoyan and Conway 2006). Besides, there are several scholars who combine different methods. For instance, Killick (1995) combines before-and-after approach with case studies.

This study is primarily a comparative case study and it uses the "with-without" approach by comparing a case (Turkey) which received IMF help after a financial crisis with a case (Argentina) which did not receive much IMF help after a crisis. As Dreher (2006) suggests, in "with-without" studies finding a satisfactory control group is problematic as the initial positions of the countries differ. However, when several countries are experiencing a crisis at the same and if some resort to IMF while others do not, that provides us a good opportunity to conduct the "with-without" method. Asian crisis of 1987 had provided scholars such an opportunity.[3] Similarly the 2001 crises in Argentina and Turkey provide us an opportunity to conduct a "with-without" analysis.

Argentina and Turkey are chosen as the focus of this study, because they can be considered the most similar cases. Both Argentina and Turkey are emerging markets and they are not only similar in terms of their economic structure but also in terms of the financial crises they experienced in 2001. However, they differed significantly in terms of the IMF involvement in their recovery from these crises.

Prior to 2001, both countries were following neoliberal economic policies but at different levels. Argentina was considered as the country that implemented neoliberal reforms more radically than any developing country. By strictly confirming to IMF policies especially during Carlos Menem's presidency in the early 1990s, Argentina was seen as the "poster child" of the IMF and neo-liberalism (Pastor and Wise 2001; Carranza 2005; Dieter 2006). On the other hand, since the early 1980s Turkey has been liberalizing its economy as well, though at a slower pace. Argentina kept a close relationship with the IMF during the decade prior to the 2001 crisis. Turkey's relationship with the IMF was erratic at best, but it was much closer just before the crisis.

The Turkish and Argentine crises appeared approximately at the same time in 2001. Prior to the crises, both countries' economies were characterized by instability and other structural problems, like inequality. Neither Argentina nor Turkey could achieve sustainable economic growth and faced with economic booms and busts caused by periodic crises in the last two decades prior to the 2001 crises (1994 and 1999 in Turkey and 1981, 1985, 1988, and 1995 in Argentina). In both economies there were many serious problems, including chronic fiscal deficits, insufficient export growth, high indebtedness, and political instability (Öniş

[3] During that crisis Indonesia and Thailand resorted to the IMF help and policies, South Korea got IMF help but followed a more independent path, while Malaysia avoided any IMF involvement (Stiglitz 2000).

2006).

The 2001 crises devastated these countries economically, socially and politically. For both of these countries these were their worst crises, but they followed different paths for their recovery from the crises. Turkey, with the exceptional help it received from the IMF, followed a strict structural adjustment program advised by the IMF. On the other hand, Argentina was abandoned by all creditors including the IMF in the midst of its crisis and it experienced a greater economic fall than Turkey did. Therefore, while Turkey had its recovery through IMF, Argentina largely avoided the IMF (and the IMF largely avoided Argentina, too). Indeed, Argentina took a very controversial stance against the IMF and, especially from 2003 on, chose to follow a more independent path. On the other hand Turkey has continued to follow IMF's mandate until today. By comparing these two countries' current economic situation, we can examine in detail how IMF affects recovery from a financial crisis. At the same time, resembling the "before-after" approach, the paper will also make references to the pre-crisis economic conditions of the two countries in order to evaluate the current economic conditions.

D. The 2001 Financial Crises in Turkey and Argentina

Turkish and Argentine crises were similar in terms of their effects, but they advanced differently. In the beginning, Argentina, unlike Turkey, was not helped by the international institutions and alone sunk further into crisis. Yet, Turkey got into a recovery period in a relatively short-time, thanks to the generous aid provided by the IMF.

1. The 2001 Financial Crisis of Turkey

The 2001 crisis aggravated an already bad economic situation in Turkey. Since economic liberalization started in early 1980, Turkey has had a volatile economy. The years of rapid growth (1981-87, 1990, 1992-93, 1995-97, and 2000) were succeeded by the years of crisis and/or recession (1989, 1991, 1994, 1999, and 2001). Although these rapid shifts indicate instability of the Turkish economic environment, there have been two constants in the Turkish economy: inflation. Until the crisis, inflation had never fallen below 50 percent since 1984.

Despite generous international loans taken and seventeen stand-by agreements, the quasi-liberal and clientalistic Turkish economic system had persisted. With the seventeenth IMF agreement (December 1999) that promised \$11.5 billion, the government seemed to be more determined to keep its promises. However, just after a mini-crisis in November 2000, the IMF had to bail out Turkey with an extra \$7.5 billion. Then, came the larger crisis in February 2001, calling for more IMF loans and more agreements.

The 2001 financial crisis proved to be the most severe crisis in Turkey's economic history since the World War II. It came after a governmental crisis between the prime minister and the president on February 19th, 2001 during a National Security Council meeting. On February 22 the government had to abandon the crawling peg exchange rate system and the Turkish Lira lost about 40 percent of its value against US dollar in just few days. At the same time, interbank interest rates rose to as high as 7,000 percent and about \$7.5 billion fled Turkey in just two days following the crisis (Yeşilada 2002).

As early as April 2001, Turkey succeeded in guaranteeing an agreement with the IMF which promised generous loans. The new agreement with the IMF imposed stricter conditions on Turkey. For example, Kemal Derviş, the new technocratic Minister of Economic Affairs (March 2001-August 2002), had to secure all the new legislation required by the IMF to secure the assistance in mid-May. The Turkish parliament had to pass the bulk of the fifteen priority new legislation sought by Derviş, including the legislation to privatize lucrative Türk

Telekom and to facilitate bank mergers and the liquidation of failed institutions.

2. The 2001 Financial Crisis of Argentina

Argentina's 2001 financial crisis resulted from a convergence of events, some external to Argentina, others directly related to political and economic choices of Argentina. The crisis grew in a longer period and its arrival was much less of a surprise than the Turkish one. Although it is not easy to determine when exactly the Argentina's economic situation turned into a crisis, by early 2001 political, economic and social events were heading towards a serious collapse.

Like Turkey, Argentina is also a country characterized by frequent economic instability. All through the 1980s the country was struggling with the debt crisis and hyper-inflation. The election of Peronist Carlos Menem in 1989 and then appointment of Domingo Cavallo as the Finance Minister in 1991 changed the economic scene and marked the beginning of a radical neoliberal restructuring in Argentina. Indeed, since 1991 until the 2001 crisis, Argentina practically implemented all IMF advices. They adopted a tax reform, privatization of state-owned enterprises, trade liberalization (including unilateral lowering of external tariffs), deregulation, and adoption of currency board—a very orthodox form of exchange rate regime (Dieter 2006).

Among Argentina's neoliberal reforms, the currency board was probably the most radical one. The Convertibility Plan, which was enacted on April 1, 1991, decreased the inflation drastically (from 2,314 percent in 1990 to 172 percent in 1990, then to 25 percent in 1992 and to 4 percent in 1994). Nevertheless, at the same time it also prepared the conditions for the 2001 crisis. The currency board basically guaranteed the convertibility of peso currency to dollars at a one-to-one fixed rate and limited the printing of pesos only to an amount necessary to purchase dollars in the foreign exchange market. Practically, each peso in circulation was backed by a U.S. dollar and monetary policy was forcibly constrained to uphold that promise.

With the help of the financial stability provided by the currency board, the Argentine economy grew 8.2 percent per year on average between 1991 and 1994. However, since Argentine peso was tied one-to-one to US dollars, the appreciation of the U.S. dollar in 1995-1999 resulted in comparable appreciation of the Argentine peso relative to its trading partners. Therefore, the current account deficit and debt measures seriously worsened. The current account deficit increased from $5,179 million in 1995 to $14,534 million in 1998 and public debt rose from 102,838 million pesos in March 1998 to 141,252 million pesos as of September 2001.[4] It was this currency appreciation which mostly laid the ground for the 2001 crisis.

What's worse, the Convertibility Plan made Argentina more vulnerable to movements of international capital. In 1995, the effects of the Mexican financial crisis of December 1994 destabilized the economy and the GNP declined by 2.8 percent in 1995. In 1996-1997 Argentina again entered into an economic growth period, but with the 1997 East Asian crisis, the 1998 Russian crisis and the 1999 Brazilian crisis Argentina entered into a prolonged recession and high unemployment which was still in effect as of early 2003.

As of October 2001 Argentina became financially the most risky country in the world. On November 30, 2001 a run on the banks began and the Central Bank reserves fell by $2 billion in just one day. On December 6, Argentina announced that it could no longer guarantee payment on foreign debt and then the government confiscated pension funds in the banking system to make a debt service payment due that day. This signaled the largest

[4] Data are taken from Ministry of Economy of Argentina's webpage (www.mecon.gov.ar).

sovereign debt default in world economic history.[5] After the Argentine default was announced neither the US government nor the IMF came up with a bailout plan. This silence was surprising, especially because the Argentine politicians also linked their default to a general refusal of neoliberalism and the Washington consensus (Helleiner 2005).

While the Argentine default was received with silence abroad, there were huge reactions within Argentina. Upon social upheaval that followed, the government fell on December 20, 2001. On December 23rd, the new president Adolfo Rodriguez Saá formally declared the country in default by announcing a moratorium on foreign debt. He also pronounced an ambitious economic program on December 26th, but he was replaced by Eduardo Duhalde on December 30th. The new President ended the eleven years of Convertibility Plan on January 5, 2002, by announcing the devaluation of peso by 29 percent and on February 3rd the government announced a new economic package. However, all his efforts fell short of recovering the collapse. The fall of the Argentine economy continued until 2003.

E. Recovery in the Short-run

Turkey and Argentina had similar economic problems because of the financial crises, but the extent of these problems differed. In Turkey the crisis was strong but shorter than and not as destructive as the Argentine one. For Argentina, the crisis was deeper and had wider impact on the whole society. This difference was not because the government applied better policies, but because, unlike Argentina, all through the crisis Turkey was supported by generous loans from the IMF and, thus, the fall in the standards of living in Turkey was less significant than in Argentina.

[5] In December 2001, Argentina defaulted on its $100 billion worth private debt, of which more than half was owed to foreign investors. Italians held the 15% and Swiss held the 10% of this debt, followed by 9% held by the US investors, 5% by the German, and 3% by the Japanese (Helleiner 2005).

The crisis not only affected the financial markets and investors but also the lives of the Turkish people. It was estimated that about 500,000 jobs were lost in Turkey just within first 45 days after the crisis, increasing the unemployment rate to its highest point (8.5 percent, according to State Planning Office, about 15-20 percent according to newspapers) in the last twenty years (*Turkish Daily News*, 8 April 2001). While Turkey faced an economic crash, a lot of businesses went bankrupt, and the economy contracted about 5.7 percent in 2001. The GDP per capita fellfrom $4,021 in 2000 to $3,736 in 2001. Although external debt of Turkey increased, thanks to the IMF bailout, the international reserves in 2002 ($28.3 billion) were even higher than in 2000 ($23.5 billion). (See Table-1.)

Table-1: Economic consequences of the 2001 crises

		2000	2001	2002
GDP (mil $)	Turkey	267,209	196,036	232,745
	Argentina	284,204	268,698	102,040
GDP growth (%)	Turkey	6.8	-5.7	6.2
	Argentina	-0.8	-4.4	-10.9
GDP per capita ($)	Turkey	4,021	3,736	3,911
	Argentina	7,703	7,288	6,431
Unemployment (%)	Turkey	6.5	8.4	10.4
	Argentina	15.0	17.4	19.6
Inflation (%)	Turkey	54.9	54.4	45.0
	Argentina	-0.9	-1.1	25.9
Current Account balance (mil $)	Turkey	-9,920	3,760	-626
	Argentina	-8,981	-3,780	8,767
External debt (mil $)	Turkey	116,784	112,879	130,662
	Argentina	140,914	148,603	144,900
Total reserves (mil $)	Turkey	23,515	19,911	28,348
	Argentina	25,152	14,556	10,492

Source: World Bank, World Development Indicators

As soon as Derviş arrived from World Bank to assume the role of the Minister of Economic Affairs of Turkey, he began to knock on the doors of international creditors in order to guarantee support for Turkey. In April 2001, Turkey immediately secured $10 billion in extra loans from the IMF and the World Bank to help it recover from the economic crisis. In May 2001 $8 billion in new loans was pledged for Turkey by the IMF. This brought the IMF credit available to the country to $19 billion, making Turkey the largest debtor to the IMF. Then, in January 2002, the IMF and the World Bank promised a further $10 billion rescue package in addition to the funds already agreed to reward an increase in the speed of reforms and to eliminate worries about Turkey's ability to service its large domestic debt. The IMF's support was crucial at that stage. The IMF loans helped Turkey to relieve the immediate foreign exchange squeeze and to recover confidence among international and domestic investors in a short time.

The IMF loans and the reforms calmed down the Turkish markets and the economy entered into a recovery period within a year. Indeed, there was more stability in the financial markets and the Turkish Lira was getting stronger against the US dollar by 2002. The generous loans and the reforms attached to them had helped Turkey to calm down the markets and overcome the immediate effects of the crisis. Although effects of the crisis were still prevalent, the investors had more confidence and the economy started to grow, while Argentina was still in deep crisis. In sum, Turkey got over the crisis faster, thanks to IMF's rapid and massive bail-out.

By December 2002, when the new government came to power under the leadership of Justice and Development Party (AKP), Turkey had already received enormous amount of funds from the IMF. The need for IMF funds had decreased by 2003. In fact, during the first year of the AKP government only $1.7 billion was received from the IMF as opposed to $23.8 billion received in 2001-2002.[6] As stated in the *IMF Survey* dated December 16, 2002;

> The IMF announced on December 3 that Turkey had made "major strides" this year in laying the groundwork for economic growth and financial stability. Economic growth

[6] The source of data is the Undersecretariat of Treasury, Turkey (http://www.treasury.gov.tr)

> and progress in disinflation have exceeded expectations, and these achievements, combined with the recent resolution of political uncertainty in the country and prudent signals by the winning party, have bolstered financial markets' confidence in the country's prospects. ("Turkey Negotiations Back on Track 2002", p. 392)

Despite strong signs of recovery, the Turkish government signed another stand-by agreement with the IMF in 2004 which assured the investors that further liberalization process of the Turkish economy would continue until 2008. The structural reforms that the government has initiated and implemented involved cuts in public services and public spending in the fields of social security, education, health, and the privatization of the related institutions. The government has been extremely determined while employing these reforms and closed its eyes to all reactions and opposition (Yeldan 2007). With the quick recovery from the crisis, there was not even a strong reaction or opposition to the reforms.

The IMF noticeably favored Turkey and helped it manage its crisis, whereas it ignored Argentina's demands for a long while.[7] In contrast with the Turkish case, the 2001 crisis in Argentina could not secure any IMF loans until 2003 and was by and large left to degenerate. For instance, on December 5, 2001, the IMF did not release the $1.3 billion tranche of the loan for Argentina that was due. This further panicked the investors and caused a default and an ultimate collapse. As Argentine government could not find any international funding, it resorted to domestic savings of people to pay its debt. These policies hurt especially the middle classes and inflamed social rage. For instance, the de la Ruá government responded to the growing crisis by introducing *Corralito* on December 3, 2001, which imposed a limit of 1,000 pesos per month on personal bank withdrawals. That provoked huge protests of the middle class. The government also confiscated pension funds on December 6 in order to pay

[7] The most important reason why the IMF gave generous loans to Turkey was because it was a very important strategic ally of the US. Especially after the September 11 terrorist attack, the US government pushed the IMF to help Turkey, whose geo-political position of vital interest to the US.

debt and other expenses. What's more, the government had already cut public employees' and retirees' salaries by 13 percent and announced that it could even increase the cuts up to 20 percent. Consequently, the social unrest grew, confidence in the markets did not resume, and Argentina had three government changes during 2001.

The 2001 crisis was Argentina's worst economic crisis since the Great Depression. Unlike its generosity to Turkey, all through 2002 the IMF maintained its apathetic attitude that Argentina should solve its economic problems itself. As can be seen from Table-1, the economic effects of the crisis were much more severe in Argentina than in Turkey. First of all, whereas inflation decreased in Turkey from 55 percent in 2000 to 45 percent in 2002, it increased from -1 percent to 26 percent in Argentina. According to *The Economist* (30 March 2002, p.31), basic food expenses increased 50 percent within only the first three months of 2002. The domestic firms were hit hard by the crisis. The industrial output decreased 15 percent in just the first half of 2002. While Turkey experienced an output fall only in 2001, Argentina's economic contraction was much more severe in 2002 (-11 percent) than in 2001 (-4 percent). Unemployment also rose to record levels; in October 2001 it was 17 percent but increased to 25 percent by May 2002.[8]

The households were devastated as their financial assets were frozen and their salaries were cut by 10-15 percent in nominal peso terms. Once Latin America's richest country, half of the population of Argentina was now under poverty line (Hershberg 2002). Malnutrition of children has become a common phenomenon (Gaudin 2002). The poverty increased so drastically that the government finally decided to give out 150 pesos a month to the two million poor and unemployed in the country in order to prevent further social unrest.

---

[8] Data are taken from the Instituto de Estadistica y Censos of Argentina (www.indec.gov.ar).

By late 2002 Argentina was still in macroeconomic crisis and it still lacked the IMF support. The government released some of the restrictions on banks deposits by November 2002. The fall in output finally stopped by the end of 2002. Although the economy was still in shambles in the beginning of 2003, the peso has stabilized and consumer confidence has started to rise. Argentina had $10.8 billion debt payment due in 2003, but had only $9.4 billion in reserves. Therefore, in January 2003 the IMF agreed to extend a $6.78 billion worth of eight-month credit line to Argentina in order to prevent the country from defaulting on its IMF debt. That was the first sign of IMF support for Argentina, but came too late, only after Argentina showed signs of recovery. This arrangement had few new conditions and provided financial resources sufficient only to "roll over" Argentina's repayments to IMF until August 2003. Until that time the Argentine policymakers had not spelled out when and how much of the defaulted debt would be repaid. However, the day the IMF decision was announced, President Duhalde announced that private creditors would be asked to accept at least 70 percent cut on their debts.

In May 2003, Néstor Kirchner resumed power as the new President of Argentina. As an advocate of "national capitalism," he was even tougher with the foreign creditors (Helleiner 2005). During the negotiations with the IMF, he even implied defaulting on its IMF debt. In September 2003 the IMF announced another financial assistance offering $13.3 billion for three years, which was again to be used primarily to repay IMF. This agreement did not even set specific primary budget surplus targets for the second and third years of the program (Helleiner 2005). Right after this new IMF help, the Argentine government finally announced the repayment terms: they would pay just 25 percent of the nominal value of their debt to private creditors.

By December 2003, Kirchner toughened its stance against the IMF and started to publicly condemn IMF frequently. He made it clear that the term of repayment to private creditors announced in September 2003 would not be changed and, during IMF reviews, he threatened not to make the due IMF repayments (Helleiner 2005). In August 2004, the Argentine government asked a temporary suspension of the IMF lending program, which was accepted by the IMF in September 2004. Argentina would continue making due repayments to IMF, but IMF would defer $1.1 billion repayments due in late 2004 and early 2005. After reaching this agreement, Argentina began its formal debt rescheduling and the details of the final terms were released in January 2005. Hence, by early 2005, the Kirschner government in Argentina had already succeeded in restructuring its debt which required them to repay only about 30 percent of the present value of the bonds that foreigners were holding (a little bit more than the initial offer).

F. Analysis of the Recovery in the Longer-run

In order to analyze the effects of the IMF, this paper focuses on several different aspects of the economy: balance of payments and current account, growth, employment, investment, and inflation. Although we see more convergence between these two economies in terms of the rate of recovery in the longer run, we begin to see more divergence in their strategies of recovery.

It is in 2003 that we begin to see more differences in the way the crises were dealt in Turkey and Argentina. With a much more receptive attitude towards the IMF, Turkey strictly followed the IMF program for its economic recovery even after the initial recovery. On the other hand, Argentina, which had frequently accepted IMF help before, declared moratorium on its foreign debt, started to challenge IMF increasingly from 2003 onwards, and chose an independent attitude to bargain with the foreign investors for rescheduling and canceling debt. Therefore, while Turkish government preferred an orthodox recovery strategy sponsored by the IMF, the Argentine government chose a self-reliant approach without the IMF (Öniş 2006).

Turkey's relations with the IMF grew closer after the 2001 crisis. Turkey's policymakers unquestioningly followed the IMF plans and enjoyed significant sums of aid provided by the IMF which helped Turkey's immediate recovery from the crisis and economic reforms. On the other hand, IMF imposed some conditions on Turkey, including tighter supervision of the Turkish baking sector and fiscal discipline. IMF's huge help and Turkish government's commitment to economic reforms increased confidence of the international investors and encouraged them to contribute to Turkey's economic recovery through financial flows (Öniş 2006).

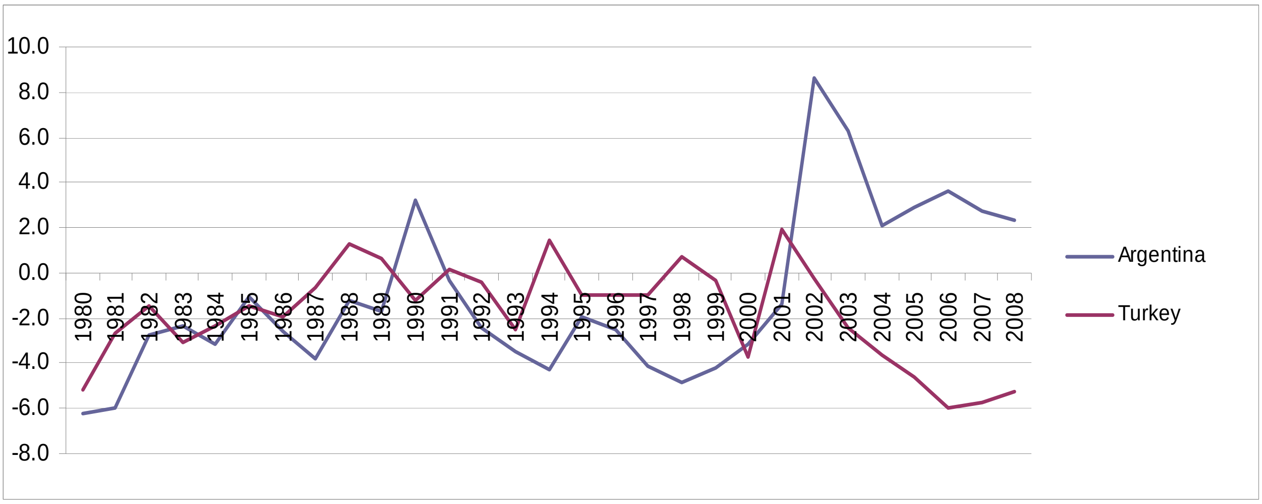
After the 2001 crisis, Argentina was discredited by a larger degree compared to Turkey (Öniş 2006). Abandoned by the IMF and international investors, recovery was slower in Argentina in the first couple of years, but it was fast later.

1. Balance of Payments and Current Account

As mentioned before, the number one purpose of the IMF is to help countries under balance of payments problems. As both Argentina and Turkey were having a balance of payment crisis in 2001, we should look at their balance of payments accounts to get an idea about the current health of their economy.

Current account is one of the best indicators when it comes to evaluate the health of an economy. As can be seen in the Figure-2, both Argentina and Turkey had current account deficits before 2001. In 2001, Turkey achieved a current account surplus, while Argentina had increased current account deficit due to heightened capital flight. However, Argentina realized a very high current account surplus in 2002 (8.6 percent of its GDP) and continues to have a surplus since then. On the other hand, when look at Turkey, we see that the economy returned to a current account deficit as early as 2002, and the deficit has increasingly grown thereafter. By 2006, Turkey had a current account deficit of 6 percent of its GDP, which is a historically high level. (See Appendix-1.)

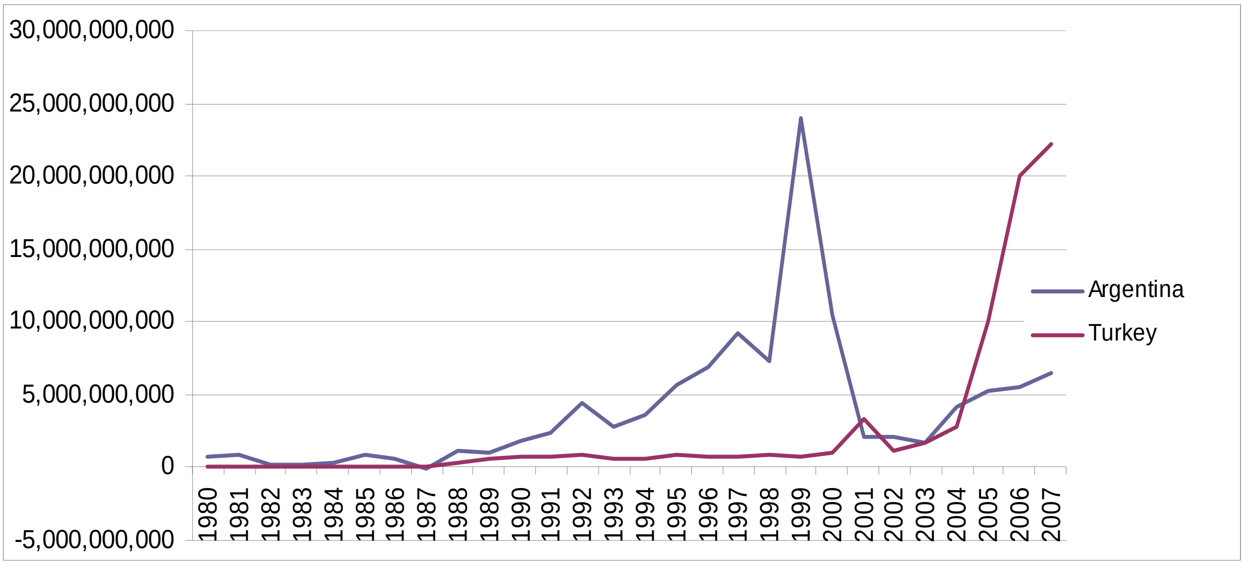
Figure-2: Current Account Balance (% of GDP)



As it is probably the most important element of balance of payments, let's focus on trade balance in goods and services. Both Argentina and Turkey had negative trade balance on goods and services before 2001. In 2001, with the effect of devaluation and contraction, there was trade surplus in both economies. Although the trade surplus was much higher in 2002 (14.9 percent), Argentina has continued to have a trade surplus from 2001 onwards. On the other hand, when we look at Turkey, we see that the economy returned to a trade deficit right after 2001, and the deficit has increasingly grown thereafter. By 2007, Turkey had a trade deficit of 5.1 percent of its GDP, which is unprecedented in its history. (See Appendix-1.)

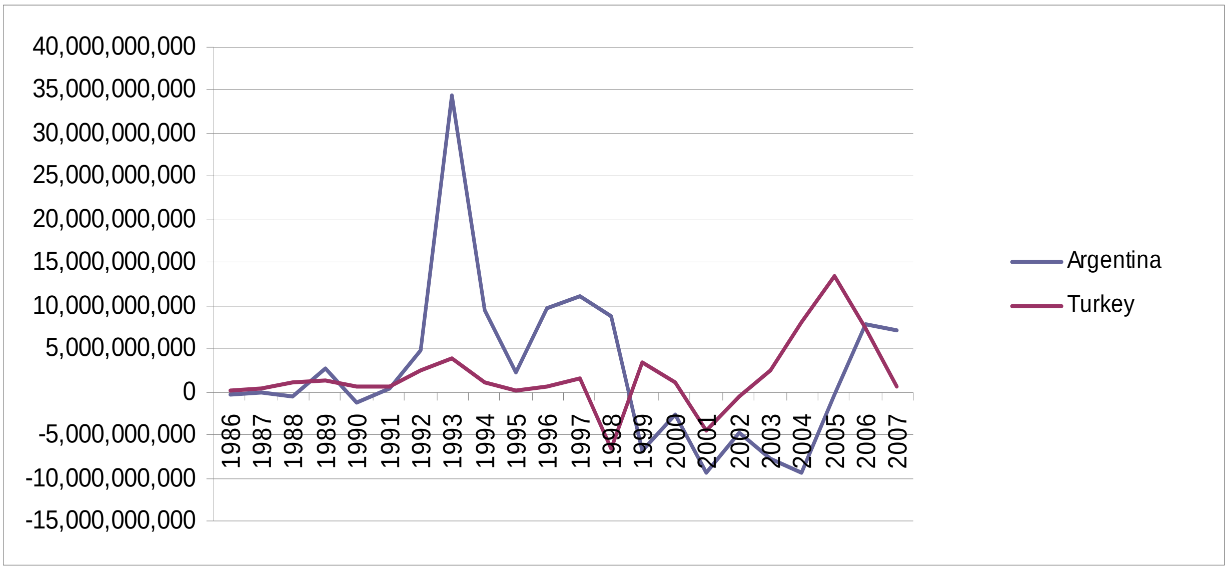
When we look at the capital account position, Turkey and Argentina present several differences. Before the crises, in terms of foreign direct investment (FDI), Turkey was a very insignificant recipient while Argentina received considerable amount of FDI inflows. We see a sharp drop in FDI in Argentina with the crisis, from more than $10 billion in 2000 to only about $2 billion in 2001 (Appendix-2). FDI in Argentina bottomed in 2003 and then resumed growth, but even by 2007, its level was only 62 percent of the 2000 level. On the contrary, in Turkey FDI has become a more important part of the economy after the crisis, especially from 2005 onwards (Figure-3). The increase in FDI is mostly due to block privatization of giant state owned enterprises, such as TÜPRAŞ (Turkish Petroleum Refineries Corporation) and Türk Telekom (Turkish Telecommunication Company), and land and real estate purchase of foreigners in Turkey. This result is directly related to the IMF program because one of the most important conditions of the program was the privatization of the giant state economic enterprises.

Figure-3: Foreign direct investment, net inflows (BoP, current US$)



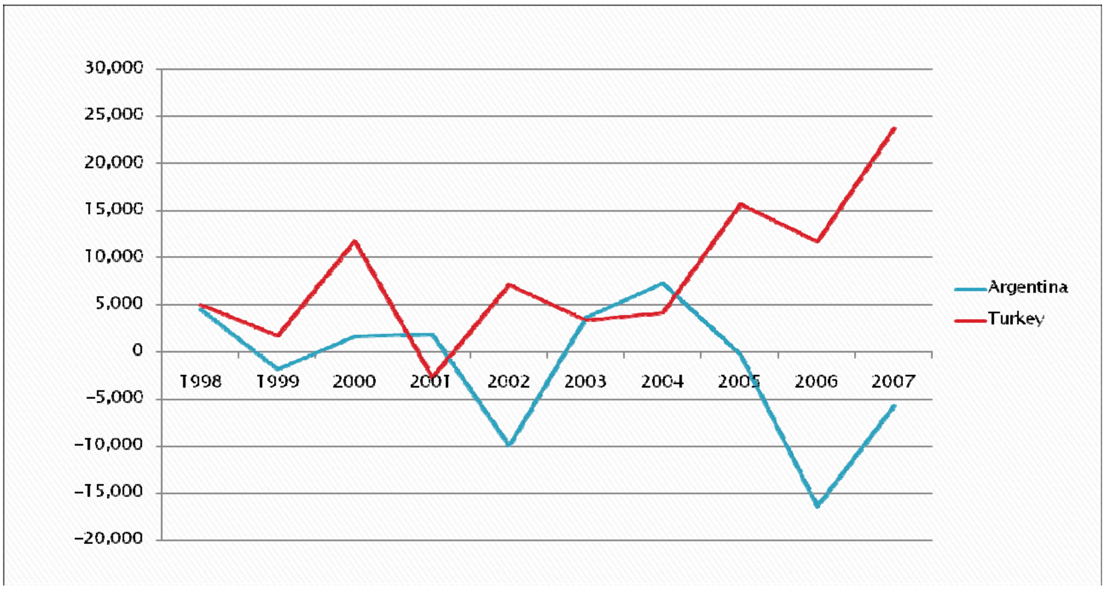
In terms of portfolio investment, there are also differences. Argentina had already been experiencing a short-term capital flight two years prior to the crisis. After the crisis, the capital flight continued until the end of 2005 (see Figure-4). Yet, in 2006 and 2007 portfolio investment rose above $7 billion. In Turkey capital flight was experienced only in 2001 and 2002. After 2002, it rose to unprecedentedly high levels and peaked with over $13 billion in 2005. However, although Argentina and Turkey had almost the same amount of portfolio investment in 2006, the portfolio investment in Turkey experienced a sharp fall in 2007, remaining at only one tenth of the value of the previous year (see Figure-4 and Appendix-2). This fall can be explained by the crisis in international markets (especially the mortgage crisis in the US), but as Argentina was not affected as much by these international developments, we can argue that short-term capital inflows to Turkey are more sensitive to such external disturbances.

Figure-4: Portfolio investment, excluding LCFAR (BoP, current US$)



When it comes to other investment, including credit financing of the banking sector and the non-bank enterprises, from the negative values between 2005 and 2007, it looks like Argentina has been mostly doing repayments of its credits in the last years, while Turkey has been getting more and more indebted, especially from 2005 onwards (see Figure-5).

Figure-5: Other Investment, e.g. credits (current military US$)



Source: Turkey's data are from Treasury of Turkey and Argentina's data are taken from INDEC, Dirección Nacional de Cuentas Nacionales

When we look at reserve positions of the two countries, we see that both countries experienced an erosion of reserves during the 2001 crises, though it was much more serious in Argentina than in Turkey (see Appendix-3). Since 2002 Turkey has increased its reserves substantially. Argentina caught up with its pre-crisis reserve level only in 2005. However, as of 2007, Argentina's reserves constitute a higher percentage of its total external debt than Turkey's.

These changes confirm that foreign capital flows to Turkey have increased with the IMF aid and programs, but these are not sustainable sources of foreign currency or economic growth. Today Turkey is much more dependent on short-term capital flows, as represented by the huge increases in portfolio and other short-term investment in balance of payments. Short-term capital flows allow Turkish people to buy imports and overvalued Turkish Lira means that actually imports are cheaper. Especially increasing foreign credit flows was due to high interest rates in Turkey. As can be seen in Table-2, Turkey has had very high interest rates.

Although these exceptionally high interest rates were for the most part due to high inflation until 2003, later inflation rate fell but real interest rates remained high. Although Turkey and Argentina have almost same level of inflation since 2005, interest rates in Turkey are about twice as high as interest rates in Argentina (see Table-3).

Table-2: Lending interest rate (%)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Argentina	10.6	11.0	11.1	27.7	51.7	19.1	6.8	6.2	8.6	11.1
Turkey	121.0	121.0	39.0	72.0	50.0	35.0	24.0	18.0	21.0	20.0

Source: Argentina data are taken from World Development Indicators, World Bank (http://go.worldbank.org/IW6ZUUHUZ0) and Turkey data are taken from the State Planning Office (http://ekutup.dpt.gov.tr/teg/2008/01/tvii.13.xls)

Table-3: Change in the value of Turkish Liras and Argentine pesos (official exchange rate per US$, period average)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Argentina	1.00	1.00	1.00	1.00	3.06	2.90	2.92	2.90	3.05	3.10
Turkey	0.26	0.42	0.63	1.23	1.51	1.50	1.43	1.34	1.43	1.30
Argentina	--change in exchange rate from pre-devaluation year (2001) to 2007									210%
Turkey	--change in exchange rate from pre-devaluation year (2000) to 2007									108%
Argentina	--change in exchange rate from post-devaluation year (2003) to 2007									7%
Turkey	--change in exchange rate from post-devaluation year (2002) to 2007									-14%

Source: World Development Indicators, World Bank (http://go.worldbank.org/IW6ZUUHUZ0)

NOTE: Turkish Lira was devaluated in 2001 and Argentine peso was devaluated in 2002.

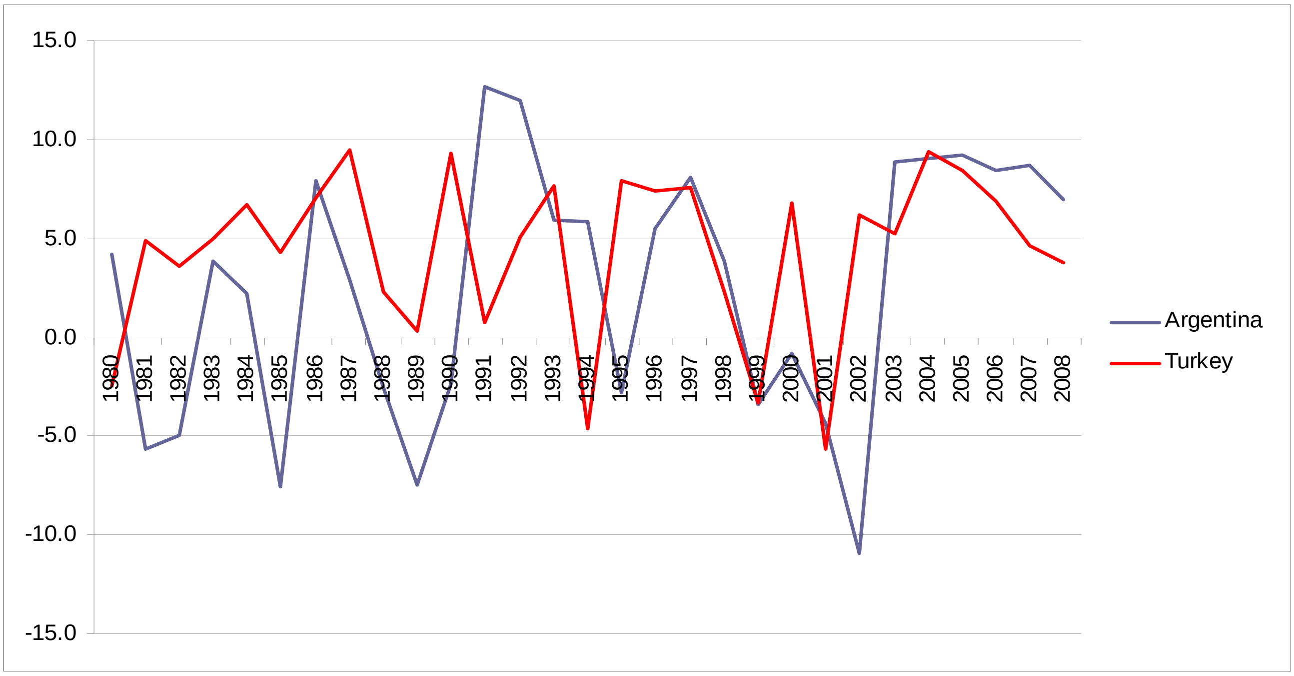
High interest rates are necessary to attract short-term capital, but they cause Turkish Lira to appreciate. As can be seen in Table-3, both countries significantly devaluated their currencies during the crises. However, while US dollar has gained 7 percent value against Argentine pesos from one year after the 2002 devaluation until 2007, it has lost 14 percent of its value against Turkish Lira from one year after the 2001 devaluation until 2007. In other words, Turkish Lira has appreciated. The appreciation of Turkish Liras has had an immense effect on the current account in Turkey, and that is why trade deficit and current account deficit rose to extreme levels in the last years, as predicted by the model presented in Figure-1. This is the result of policies that the IMF has required Turkey to follow, and the need for short-term capital inflows to finance the economy. On the other hand, since the crisis, it looks like Argentina relies much less on foreign financing, be it FDI or short-term capital flows. That is probably the biggest difference between these two economies in the post-crisis period.

2. Output, Growth, and Employment

As mentioned earlier, although the IMF's first task is seen as resolving the short-term balance of payments problems, as an international development institution, its inevitable goal is to increase economic growth in a sustainable manner. This is necessary to allow these recipient countries pay their debt back to the IMF and prevent them from having another economic crisis that would cause them to ask another IMF bailout.

The 2001 crises in Argentina and Turkey had their worst tolls on the real economy. Argentina was in recession for longer time (four years from 1999 to 2003); after a very sharp contraction in 2002, the economy resumed growth and the GDP growth levels did not fall below 8 percent since then (see Figure-7). On the other hand, Turkey experienced negative growth only in 1999 and 2001 but also achieved substantial growth rates since then—though slightly lower than Argentina. As the 2001 crisis hit the Argentine economy harder, as of 2006, the country still had not achieved the same output levels it had before the crisis but it resumed its pre-crisis GDP per capita level. However, compared to 1998 levels, Turkey has almost doubled both its GDP and GNI. Having said that, it has to be noted that GDP per capita of Argentina is still almost double of Turkey's.

Figure-7: GDP Growth (annual %)



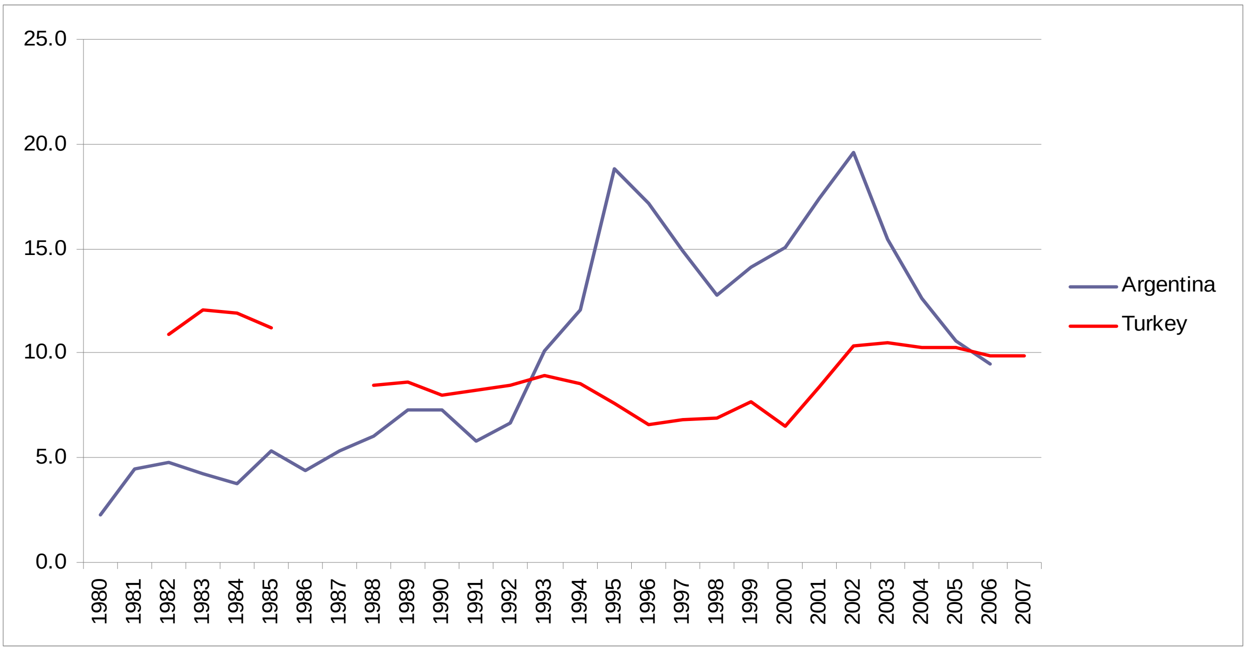
Source: World Development indicators, World Bank (http://go.worldbank.org/IW6ZUUHUZ0)

If Turkey's current account position is so gloomy, how could the economy grow fast? Increasing consumption of imports, fueled by the overvalued Turkish Lira, allows the Turkish economy to grow. Yet, at the same time, massive flows of short-term capital cause speculative transactions in financial markets. Besides, high real interest rates that attract foreign short-term capital flows will probably not allow real economy to grow substantially. In other words, the economic growth in Turkey cannot be a long-lasting growth and it is highly probable that it will end with another financial crisis as suggested in the model shown in Figure-1. In fact, recent financial crises in Turkey (1994, 1999 and 2001) were all preceded with several years of economic growth.

The unsustainablility of the Turkish economy's growth can also be estimated by looking at the investment and savings rates. In Turkey, fixed capital formation as a share of GDP decreased since 2001 (see Appendix-4). Despite high growth rates, investment rates as a share of GDP did not rise to their pre-crisis levels. This is an indicator that the current economic growth in Turkey does not benefit the real sector. On the other hand, although Argentina experienced sharper declines in fixed investment because of the crisis, its gross fixed capital as of 2006 is higher than its pre-crisis levels. A similar (or even worse) situation can be observed in gross savings. While the amount of savings as a percentage of GDP in Turkey is still lower than even the 2001-2002 crisis years and not even comparable to its 1998 level, Argentina succeeded to increase its saving rates substantially after the crisis (see Appendix-4).

A healthy economic growth increases employment so that it benefits larger segments of the population. Another indicator that Turkey is following an unsustainable economic strategy is that unemployment rates in Turkey have not diminished since the crisis despite high levels of annual GDP growth (see Figure-8). Therefore, economic growth in Turkey is not causing new jobs to open. Observing the fact that the rate of income growth exceeded the rate of employment growth in the world, in its 1993 report the United Nations Development Program called this type of economic growth "jobless growth" (1993). The UNDP argues that economic growth does not automatically create development and not all economic growth can be considered as good. For economic growth to contribute to human development, state should actively implement policies to prevent growth's negative effects and redirect its benefits.

Figure-8: Unemployment, total (% of total labor force)



In Argentina economic growth after the crisis seems to have promoted employment. Therefore, growth strategies in post-crisis Argentina seem to have produced more positive results for the rest of the economy and people. As can be seen in Appendix-4, while unemployment in Argentina was 13.5 percent in 1998, and probably reached above 24 percent in 2002 with the effect of the crisis, it is less than unemployment in Turkey by 2007 (7.9 percent compared to 10.6 percent). The point is that while Argentina has continuously reduced its unemployment rate since the crisis, even to below the pre-crisis levels, Turkey could not succeed in doing that.

3. Inflation

As mentioned before, Turkey was struggling with chronic inflation before the 2001 crisis hit, while Argentina had resolved its persistent inflation problem with the 1991 economic program of Cavallo. However, the crises changed many things in these countries with respect to inflation. Turkey's almost 85 percent inflation by 1998 was already down to

55 percent by 2000 (see Table-4). Yet, with the new IMF program adopted after the 2001 crisis, inflation began to decrease rapidly and reached slightly above 10 percent by 2004. It should be noted that inflation had not been that low in Turkey since 1970, so this was a huge accomplishment. Therefore, we can conclude that the IMF program was most successful in Turkey for ending decades long high inflation.

Table-4: Inflation, consumer prices (annual %)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Argentina	0.9	-1.2	-0.9	-1.1	25.9	13.4	4.4	9.6	10.9	8.8	8.6
Turkey	84.6	64.9	54.9	54.4	45.0	25.3	10.6	10.1	10.5	8.8	10.4

Source: World Development indicators, World Bank (http://go.worldbank.org/IW6ZUUHUZ0)

On the contrary, inflation increased in Argentina since the 2001 crisis. With the collapse of the currency board system during the crisis, inflation increased from -1 percent in the pre-crisis period to 26 percent in 2002 (see Table-4). Yet, after 2002, inflation decreased but did not decrease as much as the pre-crisis levels. By 2007 Argentina had an inflation rate almost equal to what Turkey had, but while 8.8 percent inflation is a huge success for Turkey, it is a deterioration for Argentina.

G. Conclusion

The focus of this paper is two countries, Argentina and Turkey, which both suffered from a disastrous economic crisis in 2001. These two cases provide us an opportunity to evaluate the effects of the IMF in dealing with financial crises. While both countries faced severe economic dislocation after the crisis, the way they dealt with the crisis differed substantially. Throughout its crisis, Argentina was not helped by the IMF significantly and was abandoned by foreign creditors. Then, Argentina defaulted on its foreign debt and restructured its bonds with very disadvantageous terms for the creditors. On the other hand, right from the beginning, Turkey secured a huge help from the IMF, avoided default, and strictly implemented IMF stabilization programs since then. In that way, we can argue that the 2001 crisis drew Turkey and the IMF closer while Argentina's crisis drew Argentina and IMF apart.

We can argue that in the short-term the IMF help to Turkey was beneficial because the crisis ended without bringing as much economic, social and political dislocations as it did in Argentina. With a quick and extensive bailout, IMF put Turkey in recovery mode in about a year. Argentina's crisis and its disastrous effects were deeper and lasted at least two years. Therefore, by 2002, Turkey was already recovering while Argentina was still struggling. By 2007 both countries have economically recovered but with different levels of strength. Taking the official goal of the IMF into consideration, one would expect Turkey to have a faster and healthier recovery. However, although Turkey started to recover faster, this recovery looks increasingly unhealthy, especially since 2004.

A summary of the economic changes in Argentina and Turkey is presented in Table-5. The most positive effect of the IMF program on Turkey was that it has helped the country to resolve its chronic inflation problem. However, as we look at the trade balance, current account balance, fixed investment rates, savings, and unemployment rates, it is quite doubtful that the current economic policies implemented would bring sustainable growth to Turkey. Unlike Argentina, Turkey is experiencing giant trade and current account deficits. Although the massive privatization of state enterprises financed part of these deficits, it is highly unlikely that this will be repeated in the coming years. Also, the short-term capital inflows that Turkey relies on to finance its deficits have already started to decline as the world financial crisis set off. Even by looking at the pre-2001 experience in Turkey, it is actually very difficult to argue that these high short-term capital flows, which have already decreased because of the global crisis, indicate a healthy or stable economy in the long run.

Table-5: Summary of Findings (comparison of 2007-2008 to pre-crisis economic situation)

	Argentina	Turkey
Current account	better	worse
Trade balance	better	worse
FDI	worse	better
Portfolio investment	no change compared to 1998	better, but getting worse
Other investment (credits)	lower	higher
Reserves	**better**	better
GDP growth	**better**	better
GDP per capita	**better**	better
Fixed investment	better	not much change
Savings	better	worse
Debt service	better (but worse than 1991-95)	worse than pre-1998, not much change from1999
Unemployment	better	worse
Inflation	slightly worse	better

Turkey is trapped in a debt and short-term capital spiral. The more credits Turkey acquires, the more foreign capital is needed to repay those loans. Therefore, the real interest rates remain high in order to attract foreign capital. Then, the abundance of foreign capital inflows attracted to high real interest rates causes appreciation of the Turkish Lira and subsequently imports become cheaper, exports become more expensive, trade balance deteriorates, and current account deficit increases. Especially when coupled with unfavorable international economic developments, these conditions fuel financial crises. Hence, Turkey is considered one of the most risky markets today (Schmidt-Hebbel 2008). In order to avert another crisis, Turkey has already started seeking further IMF assistance. It is reported that

"The IMF has agreed to lend billions of dollars to various countries… According to a newly published estimate by the Deutsche Bank, Turkey alone could need $90 billion [from the IMF]" (*Washington Post*, October 30, 2008). In others words, despite its much praised economic reforms, once more Turkey is under the risk of a crisis and needs IMF aid.

On the other hand, Argentina seems to have taken a more sustainable path. Although Argentina still suffers from some of the effects of the crisis, its recovery since 2003 has been fast and stable. Argentina currently has considerable trade and current account surpluses. It is relying less on foreign capital but creating more domestic savings and fixed investment, and growing even higher than Turkey does. And, unlike in Turkey, this growth is creating more employment. However, Argentina probably has to maintain high growth rates in order raise its output above pre-crisis levels.

In conclusion, the findings of this study suggest that IMF stabilization programs may help countries in the short-term but they do not benefit them as much in the longer term. Based on the analysis of the two cases, we cannot argue for an entire rejection of IMF help. We can actually argue that IMF bailout is useful in preventing a disastrous economic and political collapse. However, what is problematic is the IMF imposed policies (conditionality) which compromise countries' economic health in the longer term. This paper argues that the countries should bear in mind that long term economic recovery and growth necessitate sustainable economic policies. Therefore, while accepting an IMF help, the developing countries should be careful about not getting stuck in an unsustainable economic path promoted by the IMF, such as relying on short-term foreign capital flows. IMF may hinder diverse and potentially more successful macroeconomic policies in developing countries. The Argentine case proves that developing countries can survive even if they are abandoned by the IMF and foreign creditors and they default on their foreign debt. In fact, relying on the domestic sources of strength and following more independent policies may work better than the IMF sponsored policies in the long run. Focusing on the domestic sources of economic growth is much more important in order to avoid crises and grow in a stable and sustainable way. If developing countries can achieve that, they will not even need the IMF help.

Of course this study is based on only two cases. In order to make solid generalizations about the IMF and the effects of its involvement in financial crises, more cases have to analyzed and compared. What is also needed is a detailed analysis of each IMF agreement and its particular effects on the economy, because although IMF policies are more or less similar, they have shown some changes over the years and in different countries. What would also be helpful is to have a look at the political coalitions in developing countries and how they affect the decisions on resorting to the IMF, adopting IMF policies, and implementing those policies effectively. However, these are possible topics for further research.

REFERENCES

(1993). Human Development Report. Oxford University Press, New York, United Nations Development Programme.

(2002). Turkey negotiations back on track. IMF Survey. Washington DC. **31:** 392.

Atoyan, R. and P. Conway (2006). "Evaluating the impact of IMF programs: A comparison of matching and instrumental-variable estimators." The Review of International Organizations **1**(2): 99-124.

Auvinen, J.Y. (1996). "IMF intervention and political protest in the Third World: a conventional wisdom refined." Third World Quarterly **17**(3): 377-400.

Barro, R.J. and J.-W. Lee (2005). "IMF programs: Who is chosen and what are the effects?" Journal of Monetary Economics **52**(7): 1245-1269.

Bienen, H.S. and M. Gersovitz (1985). "Economic Stabilization, Conditionality, and Political Stability." International Organization **39**(4): 729-754.

Bird, G. (1996a). "Borrowing from the IMF: The Policy Implications of Recent Empirical Research." World Development **24**(11): 1753-60.

Bird, G. (1996b). "The International Monetary Fund and Developing Countries: A Review of the Evidence and Policy Options." International Organization **50**(3): 477-511.

Bird, G. (2001). "IMF Programs: Do They Work? Can They Be Made to Work Better?" World Development **29**(11): 1849-65.

Blejer, M.I. and A. Cheasty (1989). Fiscal policy and mobilization of savings for growth. Fiscal Policy, Stabilization, and Growth in Developing Countries. M. I. Blejer and K.-y. Chu. Washington DC, IMF**:** 33-49.

Bordo, M.D. and A.J. Schwartz (2000). "Measuring real economic effects of bailouts: historical perspectives on how countries in financial distress have fared with and without bailouts." Carnegie-Rochester Conference Series on Public Policy **53**(1): 81-167.

Butkiewicz, J.L. and H. Yanikkaya (2005). "The Effects of IMF and World Bank Lending on Long-Run Economic Growth: An Empirical Analysis." World Development **33**(3): 371-391.

Carranza, M.E. (2005). "Poster Child or Victim of Imperialist Globalization? Explaining Argentina's December 2001 Political Crisis and Economic Collapse." Latin American Perspectives **32**(6): 65-89.

Connors, T.A. (1979). The apparent effects of recent IMF stabilization programs. International Finance Discussion Papers, Board of Governors of the Federal Reserve System.

Conway, P. (1994). "IMF lending programs: Participation and Impact." Journal of Development Economics **45**(2): 365-391.

Dieter, H. (2006). "The Decline of the IMF: Is It Reversible? Should It Be Reversed?" Global Governance **12** (4): 343-349.

Donovan, D.J. (1981). "Real Responses Associated with Exchange Rate Action in Selected Upper-Credit-Tranche Stabilization Programs." IMF Staff Papers **28**(4): 698-727.

Donovan, D.J. (1982). "Macroeconomic Performance and Adjustment under Fund-Supported Programs: The Experience of the Seventies." Staff Papers - International Monetary Fund **29**(2): 171-203.

Doroodian, K. (1993). "Macroeconomic Performance and Adjustment under Policies Commonly Supported by the IMF." Economic Development and Cultural Change **41**(4): 849.

Dreher, A. (2006). "IMF and economic growth: The effects of programs, loans, and compliance with conditionality." World Development **34**(5): 769-788.

Easterly, W. (2005). "What did structural adjustment adjust? The association of policies and growth with repeated IMF and World Bank adjustment loans." Journal of Development Economics **76**(1): 1-22.

Edwards, S. (1989). "The International Monetary Fund and the developing countries: A critical evaluation." Carnegie-Rochester Conference Series on Public Policy **31**: 7-68.

Edwards, S. and J.A. Santaella (1993). Devaluation Controversies in the Developing Countries: Lessons from the Bretton Woods Era. A Retrospective on the Bretton Woods System. M. D. Bordo and B. Eichengreen. Chicago, University of Chicago Press**:** 405-55.

Evrensel, A. (2002). "Effectiveness of IMF-supported stabilization programs in developing countries." Journal of International Money and Finance **21**(5): 565-587.

Gaudin, A. (2002). "Cutbacks Threaten Argentina’s Children -and Future." NACLA Report on the Americas **36**(1): 34-37.

Goldstein, M. and P.J. Montiel (1986). "Evaluating Fund Stabilization Programs with Multicountry Data: Some Methodological Pitfalls." IMF Staff Papers **33**(2): 304-44.

Gylfason, T. (1987). Credit policy and economic activity in developing countries with IMF stabilization programs. Princeton Studies in International Finance. Princeton, New Jersey, Princeton University. **60**.

Haggard, S. (1985). "The Politics of Adjustment: Lessons from the IMF's Extended Fund Facility." International Organization **39**(3): 505-534.

Helleiner, E. (2005). "The Strange Story of Bush and the Argentine Debt Crisis." Third World Quarterly **26**(6): 951-969.

Hershberg, E. (2002). "Why Argentina Crashed -And Is Still Crashing?" NACLA Report on the Americas **36**(1): 30-33.

Hutchison, M.M. (2001). A Cure Worse Than the Disease? Currency Crises and the Output Costs of IMF-Supported Stabilization Programs, SSRN.

Hutchison, M.M. and I. Noy (2003). "Macroeconomic effects of IMF-sponsored programs in Latin America: output costs, program recidivism and the vicious cycle of failed stabilizations." Journal of International Money and Finance **22**: 991–1014.

Kapur, D. (1998). "The IMF: A Cure or A Curse." Foreign Policy(111): 114-129.

Khan, M.S. (1990). "The Macroeconomic Effects of Fund-Supported Adjustment Programs." Staff Papers - International Monetary Fund **37**(2): 195-231.

Khan, M.S. and M.D. Knight (1981). "Stabilization Programs in Developing Countries: A Formal Framework." Staff Papers - International Monetary Fund **28**(1): 1-53.

Khan, M.S. and M.D. Knight (1985). Fund-supported programs and economic growth. IMF Occasional Paper. Washington, DC, International Monetary Fund.

Killick, T. (1984). The Quest for economic stabilization: the IMF and the Third World. New York, St. Martin's Press.

Killick, T. (1995). IMF Programs in Developing Countries: Design and Impact. London, Routledge.

Killick, T., M. Malik, *et al.* (1992). "What can we know about the effects of IMF programmes?" The World Economy **15**(5): 575–597.

Lastra, R.M. (2000). "The International Monetary Fund in Historical Perspective." Journal of International Economic Law **3**(3): 507-523.

Oatley, T. and J. Yackee (2000). Political Determinants of IMF Balance of Payments Lending: The Curse of Carabosse? Chapel Hill, University of North California at Chapel Hill**:** 41.

Öniş, Z. (2006). "Varieties and Crises of Neoliberal Globalisation: Argetina, Turkey and the IMF." Third World Quarterly **27**(2): 239-263.

Pastor, M. (1987). "The effects of IMF programs in the Third World: Debate and evidence from Latin America." World Development **15**(2): 249-262.

Pastor, M. and C. Wise (2001). "From Poster Child to Basket Case." Foreign Affairs **80**(6): 60-72.

Payer, C. (1974). The Debt Trap: The IMF and the Third World. New York, Monthly Review Press.

Przeworski, A. and J.R. Vreeland (2000). "The Effect of IMF Programs on Economic Growth The IMF Approach to Economic Stabilization." Journal of Development Economics **62**(2): 385-421.

Reichmann, T.M. (1978). "The Fund's Conditional Assistance and the Problems of Adjustment: 1973-75." Finance and Development **15**: 38-41.

Reichmann, T.M. and R.T. Stillson (1978). "Experience with Programs of Balance of Payments Adjustment in the Higher Tranches, 1963-72." IMF Staff Papers **25**(293-309).

Schmidt-Hebbel, K. (2008). "Editorial: Managing the Global Financial Crisis and Economic Downturn." OECD Economic Outlook(No. 84): 3-5.

Stiglitz, J.E. (2000). "What I Learned at the World Economic Crisis: The Insider." The New Republic **222**(16-17): 56-60.

Swedberg, R. (1986). "The Doctrine of Economic Neutrality of the IMF and the World Bank." Journal of Peace Research **23**(4): 377-90.

Tanzi, V. (1989). Fiscal policy, stabilization and growth. Fiscal Policy, Stabilization, and Growth in Developing Countries. M. I. Blejer and K.-y. Chu. Washington, DC, IMF**:** 13-32.

Tanzi, V. and H. Davoodi (1998). Roads to Nowhere: How Corruption in Public Investment Hurts Growth. Washington, DC, IMF.

Yeldan, E. (2007). Patterns of Adjustment under the Age of Finance: The Case of Turkey as a Peripheral Agent of Neoliberal Globalization. Amherst, University of Massachusetts.

Yeşilada, B. (2002). Financial Crisis in Turkey: A Wake-up Call for Economic and Political Reforms. International Studies Association Convention. New Orleans.

Zulu, J.B. and S.M. Nsouli (1985). Adjustment Programs in Africa: The Recent Experience. Occasional Paper No. 34. Washington, DC, International Monetary Fund.

APPENDIX-1
Current Account Data

		1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Argentina	Current account balance (% of GDP)	-6.2	-6.0	-2.8	-2.3	-3.2	-1.1	-2.6	-3.8	-1.2	-1.7	3.2	-0.3	-2.4	-3.5	-4.3	-2.0
Turkey	Current account balance (% of GDP)	-5.2	-2.7	-1.5	-3.0	-2.4	-1.5	-1.9	-0.7	1.3	0.6	-1.2	0.1	-0.4	-2.5	1.4	-1.0
Argentina	Current account balance (BoP, current US$)	-4,774,000,000	-4,712,000,000	-2,353,000,000	-2,436,000,000	-2,495,000,000	-952,000,000	-2,859,000,000	-4,235,000,000	-1,572,000,000	-1,305,000,000	4,552,000,000	-647,000,000	-5,547,754,559	-8,205,889,940	-10,979,452,970	-5,117,957,254
Turkey	Current account balance (BoP, current US$)	-3,408,000,000	-1,936,000,000	-952,000,000	-1,923,000,000	-1,439,000,000	-1,013,000,000	-1,465,000,000	-806,000,000	1,596,000,000	938,000,000	-2,625,000,000	250,000,000	-974,000,000	-6,433,000,000	2,631,000,000	-2,338,000,000
Argentina	Exports of goods and services (BoP, current US$)	9,897,000,000	10,859,000,000	9,197,000,000	9,290,000,000	9,611,000,000	10,047,000,000	8,449,000,000	8,154,000,000	11,149,000,000	11,766,000,000	14,800,000,000	14,386,000,000	15,383,200,000	16,339,460,000	19,387,400,000	24,987,332,000
Turkey	Exports of goods and services (BoP, current US$)	3,621,000,000	5,967,000,000	7,808,000,000	7,844,000,000	9,609,000,000	11,119,000,000	10,580,000,000	14,135,000,000	17,581,000,000	18,194,000,000	21,042,000,000	22,039,000,000	24,298,000,000	26,263,000,000	29,191,000,000	36,581,000,000
Argentina	Imports of goods and services (BoP, current US$)	13,182,000,000	11,865,000,000	6,877,000,000	6,343,000,000	6,407,000,000	5,705,000,000	6,906,000,000	7,909,000,000	7,594,000,000	6,657,000,000	6,846,000,000	11,566,000,000	19,336,500,000	22,028,700,000	27,305,300,000	26,066,017,000
Turkey	Imports of goods and services (BoP, current US$)	8,082,000,000	9,035,000,000	9,549,000,000	10,061,000,000	11,533,000,000	12,495,000,000	12,008,000,000	15,179,000,000	15,561,000,000	18,356,000,000	25,524,000,000	24,165,000,000	26,567,000,000	33,603,000,000	26,306,000,000	40,113,000,000
Argentina	External balance on goods and services (current US$)	-3,285,000,000.0	-1,006,000,000.0	2,320,000,000.0	2,947,000,000.0	3,204,000,000.0	4,342,000,000.0	1,543,000,000.0	245,000,000.0	3,555,000,000.0	5,109,000,000.0	7,954,000,000.0	2,820,000,000.0	-3,953,300,000.0	-5,689,240,000.0	-7,917,900,000.0	-1,078,685,000.0
Turkey	External balance on goods and services (current US$)	-4,461,000,000.0	-3,068,000,000.0	-1,741,000,000.0	-2,217,000,000.0	-1,924,000,000.0	-1,376,000,000.0	-1,428,000,000.0	-1,044,000,000.0	2,020,000,000.0	-162,000,000.0	-4,482,000,000.0	-2,126,000,000.0	-2,269,000,000.0	-7,340,000,000.0	2,885,000,000.0	-3,532,000,000.0
Argentina	External balance on goods and services (% of GDP)	-1.4	-0.5	2.6	3.3	2.8	5.5	1.8	0.3	3.3	6.5	5.7	1.6	-1.5	-2.4	-3.1	-0.4
Turkey	External balance on goods and services (% of GDP)	-6.8	-4.7	-3.2	-4.1	-4.1	-3.1	-2.8	-1.5	0.8	-1.2	-3.0	-2.0	-2.1	-4.0	0.7	-3.1
Argentina	Net income (BoP, current US$)	-1,512,000,000	-3,684,000,000	-4,707,000,000	-5,399,000,000	-5,701,000,000	-5,294,000,000	-4,404,000,000	-4,472,000,000	-5,127,000,000	-6,422,000,000	-4,400,000,000	-4,260,000,000	-2,383,654,559	-3,068,849,940	-3,558,752,970	-4,636,072,254
Turkey	Net income (BoP, current US$)	-1,118,000,000	-1,426,000,000	-1,488,000,000	-1,466,000,000	-1,503,000,000	-1,553,000,000	-1,877,000,000	-2,085,000,000	-2,513,000,000	-2,327,000,000	-2,508,000,000	-2,663,000,000	-2,625,000,000	-2,745,000,000	-3,264,000,000	-3,204,000,000
Argentina	Net income (% of GDP)	-2.0	-4.7	-5.6	-5.2	-7.2	-6.0	-4.0	-4.0	-4.1	-8.4	-3.1	-2.2	-1.0	-1.3	-1.4	-1.8
Turkey	Net income (% of GDP)	-1.7	-2.0	-2.3	-2.3	-2.5	-2.3	-2.5	-1.7	-2.0	-1.6	-1.2	-1.2	-1.2	-1.1	-1.8	-1.3
Argentina	Exports of goods, services and income (BoP, current US$)	11,202,000,000	11,805,000,000	9,755,000,000	9,764,000,000	9,909,000,000	10,329,000,000	8,841,000,000	8,406,000,000	11,360,000,000	12,042,000,000	16,654,000,000	16,132,000,000	17,757,679,691	18,874,839,433	22,867,477,307	29,355,712,447
Turkey	Exports of goods, services and income (BoP, current US$)	3,672,000,000	6,019,000,000	7,928,000,000	7,946,000,000	9,755,000,000	11,417,000,000	10,921,000,000	14,517,000,000	17,955,000,000	18,878,000,000	21,959,000,000	22,974,000,000	25,310,000,000	27,398,000,000	30,081,000,000	38,070,000,000
Argentina	Imports of goods, services and income (BoP, current US$)	15,999,000,000	16,495,000,000	12,142,000,000	12,216,000,000	12,406,000,000	11,281,000,000	11,702,000,000	12,633,000,000	12,932,000,000	13,355,000,000	13,100,000,000	17,572,000,000	24,094,634,249	27,632,929,373	34,344,130,277	35,070,469,701
Turkey	Imports of goods, services and income (BoP, current US$)	9,251,000,000	10,513,000,000	11,157,000,000	11,629,000,000	13,182,000,000	14,346,000,000	14,226,000,000	17,646,000,000	18,448,000,000	21,367,000,000	28,949,000,000	27,763,000,000	30,204,000,000	37,483,000,000	30,460,000,000	44,806,000,000
Argentina	Net trade in goods, services and income (BoP, current US$)	-4,797,000,000	-4,690,000,000	-2,387,000,000	-2,452,000,000	-2,497,000,000	-952,000,000	-2,861,000,000	-4,227,000,000	-1,572,000,000	-1,313,000,000	3,554,000,000	-1,440,000,000	-6,336,954,559	-8,758,089,940	-11,476,652,970	-5,714,757,254
Turkey	Net trade in goods, services and income (BoP, current US$)	-5,579,000,000	-4,494,000,000	-3,229,000,000	-3,683,000,000	-3,427,000,000	-2,929,000,000	-3,305,000,000	-3,129,000,000	-493,000,000	-2,489,000,000	-6,990,000,000	-4,789,000,000	-4,894,000,000	-10,085,000,000	-379,000,000	-6,736,000,000
Argentina	Net trade in goods, services and income (% of GDP)	-6.2	-6.0	-2.8	-2.4	-3.2	-1.1	-2.6	-3.8	-1.2	-1.7	2.5	-0.8	-2.8	-3.7	-4.5	-2.2
Turkey	Net trade in goods, services and income (% of GDP)	-8.5	-6.3	-4.9	-5.8	-5.6	-4.3	-4.3	-2.6	-0.4	-1.7	-3.3	-2.2	-2.2	-3.9	-0.2	-2.7
Argentina	Net current transfers (BoP, current US$)	23,000,000	-22,000,000	34,000,000	16,000,000	2,000,000	0	2,000,000	-8,000,000	0	8,000,000	998,000,000	793,000,000	789,200,000	552,200,000	497,200,000	596,800,000
Turkey	Net current transfers (BoP, current US$)	2,171,000,000	2,558,000,000	2,277,000,000	1,760,000,000	1,988,000,000	1,916,000,000	1,840,000,000	2,323,000,000	2,089,000,000	3,427,000,000	4,365,000,000	5,039,000,000	3,920,000,000	3,652,000,000	3,010,000,000	4,398,000,000
Argentina	Net current transfers (% of GDP)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.4	0.3	0.2	0.2	0.2
Turkey	Net current transfers (% of GDP)	3.3	3.6	3.5	2.8	3.3	2.8	2.4	1.9	1.7	2.3	2.1	2.3	1.7	1.4	1.6	1.8
Argentina	Workers' remittances and compensation of employees, received (% of GDP)	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	..	..	..	..	0.0	0.0	0.0	0.0
Turkey	Workers' remittances and compensation of employees, received (% of GDP)	3.2	3.5	3.3	2.4	3.0	2.5	2.1	1.7	1.4	2.1	1.5	1.3	1.3	1.1	1.4	1.4
Argentina	Workers' remittances and compensation of employees, received (US$)	56,000,000	42,000,000	28,000,000	28,000,000	32,000,000	27,000,000	32,000,000	34,000,000	..	..	..	..	15,000,000	58,000,000	62,000,000	56,000,000
Turkey	Workers' remittances and compensation of employees, received (US$)	2,071,000,000	2,490,000,000	2,140,000,000	1,513,000,000	1,807,000,000	1,714,000,000	1,634,000,000	2,021,000,000	1,776,000,000	3,063,000,000	3,246,000,000	2,819,000,000	3,008,000,000	2,919,000,000	2,627,000,000	3,327,000,000

Source: World Development indicators, World Bank (http://go.worldbank.org/IW6ZUUHUZ0)

APPENDIX-1 (cont'd)
Current Account Data

		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Argentina	Current account balance (% of GDP)	-2.5	-4.1	-4.8	-4.2	-3.2	-1.4	8.6	6.3	2.1	2.9	3.6	2.7	2.3
Turkey	Current account balance (% of GDP)	-1.0	-1.0	0.7	-0.4	-3.7	1.9	-0.3	-2.5	-3.7	-4.6	-6.0	-5.7	-5.2
Argentina	Current account balance (BoP, current US$)	-6,769,978,160	-12,138,068,595	-14,481,998,042	-11,942,825,328	-8,980,617,893	-3,780,423,241	8,766,603,553	8,139,922,842	3,211,800,462	5,274,866,972	7,708,562,199	7,102,688,599	7,587,777,420
Turkey	Current account balance (BoP, current US$)	-2,437,000,000	-2,638,000,000	2,000,000,000	-925,000,000	-9,920,000,000	3,760,000,000	-626,000,000	-7,515,000,000	-14,431,000,000	-22,137,000,000	-31,893,000,000	-37,697,000,000	-41,685,000,000
Argentina	Exports of goods and services (BoP, current US$)	28,448,054,642	31,029,571,471	31,287,769,563	28,027,318,725	31,276,520,315	31,169,753,077	29,146,001,752	34,438,713,935	39,863,846,219	47,021,234,799	54,541,322,509	66,120,421,376	82,607,885,226
Turkey	Exports of goods and services (BoP, current US$)	45,150,000,000	51,528,000,000	54,117,000,000	45,482,000,000	50,353,000,000	49,963,000,000	54,765,000,000	70,407,000,000	91,495,000,000	105,013,000,000	118,923,000,000	144,209,000,000	175,691,000,000
Argentina	Imports of goods and services (BoP, current US$)	30,235,504,066	37,537,386,709	38,829,317,537	32,933,076,781	33,108,403,787	27,647,942,433	13,428,721,535	18,827,215,578	27,930,243,051	34,926,057,068	41,119,066,168	53,365,697,541	67,492,519,682
Turkey	Imports of goods and services (BoP, current US$)	48,757,000,000	55,664,000,000	54,637,000,000	47,751,000,000	61,035,000,000	44,190,000,000	53,270,000,000	73,385,000,000	101,434,000,000	122,729,000,000	146,033,000,000	176,999,000,000	211,420,000,000
Argentina	External balance on goods and services (current US$)	-1,787,449,423.7	-6,507,815,237.4	-7,541,547,974	-4,905,758,056	-1,831,883,472	3,521,810,644	15,717,280,217	15,611,498,357	11,933,603,168	12,095,177,731	13,422,256,340	12,754,723,835	
Turkey	External balance on goods and services (current US$)	-3,607,000,000.0	-4,136,000,000.0	-520,000,000	-2,269,000,000	-10,682,000,000	5,773,000,000	1,495,000,000	-2,978,000,000	-9,939,000,000	-17,716,000,000	-27,110,000,000	-32,790,000,000	
Argentina	External balance on goods and services (% of GDP)	-0.7	-2.2	-2.5	-1.7	-0.6	1.3	14.9	10.8	7.1	5.9	5.5	4.3	
Turkey	External balance on goods and services (% of GDP)	-4.6	-4.1	1.2	0.2	-3.0	4.1	1.6	-1.0	-2.6	-3.5	-4.9	-5.1	-5.1
Argentina	Net income (BoP, current US$)	-5,464,728,737	-6,145,110,930	-7,404,518,270	-7,490,377,337	-7,547,770,369	-7,726,728,702	-7,490,685,141	-7,975,687,991	-9,282,803,535	-7,304,191,382	-6,161,568,276	-5,926,818,327	-7,489,149,627
Turkey	Net income (BoP, current US$)	-2,927,000,000	-3,013,000,000	-2,985,000,000	-3,537,000,000	-4,002,000,000	-5,000,000,000	-4,554,000,000	-5,557,000,000	-5,609,000,000	-5,875,000,000	-6,691,000,000	-7,143,000,000	-7,967,000,000
Argentina	Net income (% of GDP)	-2.0	-2.1	-2.5	-2.6	-2.7	-2.9	-7.3	-6.2	-6.1	-4.0	-2.9	-2.3	-2.3
Turkey	Net income (% of GDP)	-1.2	-1.1	-1.1	-1.4	-1.5	-2.6	-2.0	-1.8	-1.4	-1.2	-1.3	-1.1	-1.0
Argentina	Exports of goods, services and income (BoP, current US$)	32,891,911,331	36,516,752,850	37,421,429,538	34,102,430,574	38,696,670,743	36,527,696,528	32,185,180,574	37,542,611,061	43,584,615,507	51,333,987,151	60,215,086,860	72,761,204,828	88,308,035,699
Turkey	Exports of goods, services and income (BoP, current US$)	46,727,000,000	53,428,000,000	56,598,000,000	47,832,000,000	53,189,000,000	52,716,000,000	57,251,000,000	72,653,000,000	94,146,000,000	108,621,000,000	123,306,000,000	150,593,000,000	182,551,000,000
Argentina	Imports of goods, services and income (BoP, current US$)	40,144,089,492	49,169,679,017	52,367,495,782	46,498,565,966	48,076,324,583	40,732,614,586	23,958,585,498	29,906,800,695	40,933,815,875	46,543,000,802	52,954,398,795	65,933,299,321	80,681,819,782
Turkey	Imports of goods, services and income (BoP, current US$)	53,261,000,000	60,577,000,000	60,103,000,000	53,638,000,000	67,873,000,000	51,943,000,000	60,310,000,000	81,188,000,000	109,694,000,000	132,212,000,000	157,107,000,000	190,526,000,000	226,247,000,000
Argentina	Net trade in goods, services and income (BoP, current US$)	-7,252,178,160	-12,652,926,167	-14,946,066,244	-12,396,135,393	-9,379,653,841	-4,204,918,059	8,226,595,076	7,635,810,366	2,650,799,632	4,790,986,349	7,260,688,064	6,827,905,508	7,626,215,917
Turkey	Net trade in goods, services and income (BoP, current US$)	-6,534,000,000	-7,149,000,000	-3,505,000,000	-5,806,000,000	-14,684,000,000	773,000,000	-3,059,000,000	-8,535,000,000	-15,548,000,000	-23,591,000,000	-33,801,000,000	-39,933,000,000	-43,696,000,000
Argentina	Net trade in goods, services and income (% of GDP)	-2.7	-4.3	-5.0	-4.4	-3.3	-1.6	8.1	5.9	1.7	2.6	3.4	2.6	2.3
Turkey	Net trade in goods, services and income (% of GDP)	-2.6	-2.7	-1.3	-2.3	-5.5	0.4	-1.3	-2.8	-4.0	-4.9	-6.4	-6.1	-5.5
Argentina	Net current transfers (BoP, current US$)	482,200,000	514,857,572	464,068,202	453,310,065	399,035,948	424,494,817	540,008,477	504,112,476	561,000,830	483,880,623	447,874,135	274,783,091	-38,438,498
Turkey	Net current transfers (BoP, current US$)	4,097,000,000	4,511,000,000	5,505,000,000	4,881,000,000	4,764,000,000	2,987,000,000	2,433,000,000	1,020,000,000	1,117,000,000	1,454,000,000	1,908,000,000	2,236,000,000	2,011,000,000
Argentina	Net current transfers (% of GDP)	0.2	0.2	0.2	0.2	0.1	0.2	0.5	0.4	0.4	0.3	0.2	0.1	0.0
Turkey	Net current transfers (% of GDP)	1.6	1.7	2.0	2.0	1.8	1.5	1.0	0.3	0.3	0.3	0.4	0.3	0.3
Argentina	Workers' remittances and compensation of employees, received (% of GDP)	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.2	0.2	0.3	0.2	0.2
Turkey	Workers' remittances and compensation of employees, received (% of GDP)	1.4	1.6	2.0	1.8	1.7	1.4	0.8	0.2	0.2	0.2	0.2	0.2	0.2
Argentina	Workers' remittances and compensation of employees, received (US$)	57,000,000	66,000,000	69,000,000	64,000,000	86,000,000	190,000,000	189,000,000	274,000,000	311,800,000	432,096,000	541,286,000	606,610,000	690,990,000
Turkey	Workers' remittances and compensation of employees, received (US$)	3,542,000,000	4,197,000,000	5,356,000,000	4,529,000,000	4,560,000,000	2,786,000,000	1,936,000,000	729,000,000	804,000,000	851,000,000	1,111,000,000	1,209,000,000	1,360,000,000

Source: World Development indicators, World Bank (http://go.worldbank.org/IW6ZUUHUZ0)

APPENDIX-2
Capital Account Data

		1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Argentina	Foreign direct investment, net inflows (% of GDP)	0.9	1.1	0.3	0.2	0.3	1.0	0.5	0.0	0.9	1.3	1.3	1.3	1.9	1.2	1.4
Turkey	Foreign direct investment, net inflows (% of GDP)	0.0	0.1	0.1	0.1	0.2	0.1	0.2	0.1	0.3	0.5	0.3	0.4	0.4	0.2	0.3
Argentina	Foreign direct investment, net inflows (BoP, current US$)	678,000,000	837,000,000	227,000,000	185,000,000	268,000,000	919,000,000	574,000,000	-19,000,000	1,147,000,000	1,028,000,000	1,836,000,000	2,439,000,000	4,430,977,523	2,793,085,410	3,634,931,878
Turkey	Foreign direct investment, net inflows (BoP, current US$)	18,000,000	95,000,000	55,000,000	46,000,000	113,000,000	99,000,000	125,000,000	115,000,000	354,000,000	663,000,000	684,000,000	810,000,000	844,000,000	636,000,000	608,000,000
Argentina	Portfolio investment, equity (DRS, current US$)	0	0	0	0	0	0	0	0	0	0	0	0	1,213,800,000	5,671,300,000	4,220,300,000
Turkey	Portfolio investment, equity (DRS, current US$)	0	0	0	0	0	0	0	0	0	17,000,000	89,000,000	147,000,000	350,000,000	570,000,000	989,000,000
Argentina	Portfolio investment, excluding LCFAR (BoP, current US$)	154,000,000	1,125,000,000	1,888,000,000	1,140,000,000	759,000,000	-507,000,000	-365,000,000	-96,000,000	-656,000,000	2,618,000,000	-1,309,000,000	483,000,000	4,860,125,449	34,402,472,091	9,461,307,995
Turkey	Portfolio investment, excluding LCFAR (BoP, current US$)	..	..	..	..	..	..	146,000,000	282,000,000	1,178,000,000	1,386,000,000	547,000,000	623,000,000	2,411,000,000	3,917,000,000	1,158,000,000
Argentina	Portfolio investment, excluding LCFAR (% of GDP)	0.2	1.4	2.2	1.1	1.0	-0.6	-0.3	-0.1	-0.5	3.4	-0.9	0.3	2.1	14.5	3.7
Turkey	Portfolio investment, excluding LCFAR (% of GDP)	..	..	..	..	..	..	0.2	0.2	0.9	0.9	0.3	0.3	1.1	1.5	0.6

Source: World Development indicators, World Bank (http://go.worldbank.org/IW6ZUUHUZ0)

		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Argentina	Foreign direct investment, net inflows (% of GDP)	2.2	2.6	3.1	2.4	8.5	3.7	0.8	2.1	1.3	2.7	2.9	2.6	2.5
Turkey	Foreign direct investment, net inflows (% of GDP)	0.4	0.3	0.3	0.3	0.3	0.4	1.7	0.5	0.6	0.7	2.1	3.8	3.4
Argentina	Foreign direct investment, net inflows (BoP, current US$)	5,609,423,404	6,948,536,687	9,160,272,052	7,290,657,132	23,987,696,390	10,418,314,339	2,166,136,830	2,148,907,534	1,652,010,645	4,124,700,000	5,265,260,000	5,537,350,000	6,462,210,000
Turkey	Foreign direct investment, net inflows (BoP, current US$)	885,000,000	722,000,000	805,000,000	940,000,000	783,000,000	982,000,000	3,352,000,000	1,137,000,000	1,752,000,000	2,785,000,000	10,031,000,000	19,989,000,000	22,195,000,000
Argentina	Portfolio investment, equity (DRS, current US$)	1,552,400,000	867,300,000	2,319,300,000	-209,600,000	-10,772,700,000	-3,227,200,000	31,100,000	-115,900,000	65,400,000	-86,200,000	-48,100,000	706,700,000	1,784,900,000
Turkey	Portfolio investment, equity (DRS, current US$)	195,000,000	191,000,000	8,000,000	-518,000,000	428,000,000	489,000,000	-79,000,000	-16,000,000	905,000,000	1,427,000,000	5,669,000,000	1,939,000,000	5,138,000,000
Argentina	Portfolio investment, excluding LCFAR (BoP, current US$)	2,313,489,543	9,594,192,049	11,024,422,054	8,787,778,449	-6,784,911,598	-2,583,605,594	-9,503,319,280	-4,640,329,322	-7,758,081,673	-9,415,610,485	-387,129,805	7,823,472,820	7,068,798,511
Turkey	Portfolio investment, excluding LCFAR (BoP, current US$)	237,000,000	570,000,000	1,634,000,000	-6,711,000,000	3,429,000,000	1,022,000,000	-4,515,000,000	-593,000,000	2,465,000,000	8,023,000,000	13,437,000,000	7,373,000,000	717,000,000
Argentina	Portfolio investment, excluding LCFAR (% of GDP)	0.9	3.5	3.8	2.9	-2.4	-0.9	-3.5	-4.5	-6.0	-6.1	-0.2	3.7	2.7
Turkey	Portfolio investment, excluding LCFAR (% of GDP)	0.1	0.2	0.6	-2.5	1.4	0.4	-2.3	-0.3	0.8	2.0	2.8	1.4	0.1

Source: World Development indicators, World Bank (http://go.worldbank.org/IW6ZUUHUZ0)

APPENDIX-3
Data on Reserves

		1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Argentina	Total reserves (% of external debt)	34.2	14.0	10.3	6.2	5.3	9.2	8.4	6.4	8.8	4.9	10.0	11.4	16.8	24.1	21.4
Turkey	Total reserves (% of external debt)	17.2	12.6	14.2	13.4	11.3	8.9	8.8	8.9	9.5	15.1	15.4	13.0	13.3	11.4	13.0
Argentina	Total reserves (includes gold, current US$)	9,296,754,708	5,006,229,910	4,503,960,841	2,840,273,963	2,590,505,132	4,702,644,000	4,427,405,700	3,733,969,300	5,157,480,788	3,216,875,257	6,222,040,940	7,462,543,503	11,447,029,750	15,499,431,748	16,003,266,606
Turkey	Total reserves (includes gold, current US$)	3,298,027,746	2,425,976,886	2,802,367,064	2,728,450,650	2,442,157,941	2,317,544,699	2,912,506,886	3,630,665,117	3,912,434,534	6,298,197,195	7,626,099,904	6,616,201,184	7,507,926,703	7,846,358,606	8,633,212,584
Argentina	Changes in total reserves		-46.2%	-10.0%	-36.9%	-8.8%	81.5%	-5.9%	-15.7%	38.1%	-37.6%	93.4%	19.9%	53.4%	35.4%	3.3%
Turkey	Changes in total reserves		-26.4%	15.5%	-2.6%	-10.5%	-5.1%	25.7%	24.7%	7.8%	61.0%	21.1%	-13.2%	13.5%	4.5%	10.0%

Source: World Development indicators, World Bank (http://go.worldbank.org/IW6ZUUHUZ0)

		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Argentina	Total reserves (% of external debt)	16.2	17.8	17.7	17.8	18.8	17.8	9.8	7.2	8.8	12.1	22.5	27.6	36.1	..
Turkey	Total reserves (% of external debt)	18.8	22.3	23.3	21.2	24.0	20.1	17.6	21.7	24.7	23.2	31.0	30.4	30.4	..
Argentina	Total reserves (includes gold, current US$)	15,979,455,559	19,719,018,707	22,424,599,986	24,855,742,287	26,350,163,271	25,152,118,465	14,555,552,761	10,492,424,598	14,157,283,992	19,659,593,361	28,081,732,026	32,022,296,510	46,149,457,445	46,385,380,342
Turkey	Total reserves (includes gold, current US$)	13,890,900,577	17,819,437,215	19,746,043,455	20,567,605,577	24,432,663,721	23,514,529,803	19,911,331,871	28,348,029,784	35,548,509,248	37,304,121,644	52,493,942,490	63,264,840,946	76,496,127,757	73,674,353,593
Argentina	Changes in total reserves	-0.1%	23.4%	13.7%	10.8%	6.0%	-4.5%	-42.1%	-27.9%	34.9%	38.9%	42.8%	14.0%	44.1%	0.5%
Turkey	Changes in total reserves	60.9%	28.3%	10.8%	4.2%	18.8%	-3.8%	-15.3%	42.4%	25.4%	4.9%	40.7%	20.5%	20.9%	-3.7%

Source: World Development indicators, World Bank (http://go.worldbank.org/IW6ZUUHUZ0)

APPENDIX-4
Data Related to Economic Output, Growth, and Employment

		1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Argentina	GDP (current US$)	76,961,923,072	78,676,844,544	84,307,484,672	103,979,106,304	79,091,998,720	88,416,665,600	110,934,441,984	111,106,195,456	126,206,820,352	76,636,897,280	141,352,370,176	189,719,986,176	228,779,376,640	236,753,567,744	257,439,956,992
Turkey	GDP (current US$)	65,382,502,400	71,827,275,776	65,576,251,392	63,208,181,760	61,103,054,848	67,491,344,384	76,237,766,656	122,312,794,112	124,348,956,672	146,784,436,224	212,609,957,888	215,787,798,528	226,070,888,448	256,617,201,664	184,057,380,864
Argentina	GDP growth (annual %)	4.2	-5.7	-5.0	3.9	2.2	-7.6	7.9	2.9	-2.6	-7.5	-2.4	12.7	11.9	5.9	5.8
Turkey	GDP growth (annual %)	-2.4	4.9	3.6	5.0	6.7	4.2	7.0	9.5	2.3	0.3	9.3	0.7	5.0	7.7	-4.7
Argentina	GDP per capita (constant 2000 US$)	7,551	7,014	6,566	6,717	6,762	6,156	6,543	6,636	6,373	5,812	5,593	6,214	6,861	7,169	7,489
Turkey	GDP per capita (constant 2000 US$)	2,525	2,586	2,612	2,674	2,784	2,832	2,963	3,174	3,178	3,119	3,332	3,291	3,391	3,582	3,351
Argentina	GNI (current US$)	76,286,574,592	76,842,106,880	79,243,829,248	98,072,174,592	74,996,801,536	83,672,498,176	105,922,224,128	105,942,859,776	120,715,911,168	70,219,464,704	135,150,026,752	183,857,364,992	224,521,519,104	233,681,502,208	253,881,204,736
Turkey	GNI (current US$)	64,244,502,528	70,384,271,360	64,121,249,792	61,778,182,144	59,600,056,320	65,938,345,984	74,360,766,464	120,227,790,848	121,835,954,176	144,457,433,088	210,101,960,704	213,124,792,320	223,445,876,736	253,873,209,344	180,793,376,768
Argentina	Gross fixed capital formation (% of GDP)	..	..	..	..	..	..	..	..	..	..	..	..	..	19.1	19.9
Turkey	Gross fixed capital formation (% of GDP)	15.9	15.1	15.1	14.8	14.4	15.3	17.1	17.6	19.0	16.7	16.2	16.5	16.2	17.9	17.3
Argentina	Gross fixed capital formation (annual % growth)	8.3	-15.0	-19.9	0.4	-4.1	-14.1	11.0	12.9	-3.5	-21.6	-16.9	29.9	32.6	13.6	13.7
Turkey	Gross fixed capital formation (annual % growth)	..	..	..	..	..	..	..	..	-1.0	2.2	15.9	1.2	4.3	24.9	-15.9
Argentina	Gross fixed capital formation (current US$)	..	..	..	..	..	..	..	..	..	..	..	..	..	45,116,788,736	51,330,895,872
Turkey	Gross fixed capital formation (current US$)	10,396,262,400	10,868,599,808	9,912,925,184	9,325,945,856	8,795,972,608	10,301,065,216	13,064,590,336	21,501,280,256	23,592,798,208	24,451,319,808	34,441,416,704	35,711,004,672	36,599,037,952	45,821,239,296	31,761,864,704
Argentina	Gross savings (% of GDP)	22.9	19.8	18.3	..	..	..	..	..	..	..	..	13	14	16	16
Turkey	Gross savings (% of GDP)	13	15	15	13	13	14	16	17	19	17	15	15	15	15	16
Argentina	Gross savings (current US$)	17,632,153,600	15,567,689,728	15,443,673,088	..	..	..	..	..	..	..	..	25,356,775,424	31,212,843,008	36,904,861,696	40,344,776,704
Turkey	Gross savings (current US$)	8,486,112,256	10,597,554,176	9,871,644,672	8,041,755,136	7,886,821,888	9,411,981,312	12,205,356,032	20,647,419,904	23,291,594,752	24,577,357,824	32,483,282,944	32,401,954,816	33,776,746,496	38,509,846,528	28,702,656,512
Argentina	Unemployment, total (% of total labor force)	2.3	4.5	4.8	4.2	3.8	5.3	4.4	5.3	6.0	7.3	7.3	5.8	6.7	10.1	12.1
Turkey	Unemployment, total (% of total labor force)	..	..	10.9	12.1	11.9	11.2			8.4	8.6	8.0	8.2	8.5	9.0	8.6

Source: World Development indicators, World Bank (http://go.worldbank.org/IW6ZUUHUZ0)

		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Argentina	GDP (current US$)	258,031,878,144	272,149,757,952	292,858,888,192	298,948,362,240	283,523,022,848	284,203,745,280	268,696,715,264	102,040,334,259	129,597,103,034	153,129,481,873	183,193,408,941	214,241,196,284	262,450,806,576	328,384,561,762
Turkey	GDP (current US$)	244,946,321,408	249,135,333,376	266,958,651,392	269,008,498,886	248,960,827,387	267,208,617,821	196,035,681,952	232,744,583,130	304,594,330,513	393,037,537,488	483,992,046,378	529,931,851,529	655,881,426,190	794,228,373,624
Argentina	GDP growth (annual %)	-2.8	5.5	8.1	3.9	-3.4	-0.8	-4.4	-10.9	8.8	9.0	9.2	8.5	8.7	7.0
Turkey	GDP growth (annual %)	7.9	7.4	7.6	2.3	-3.4	6.8	-5.7	6.2	5.3	9.4	8.4	6.9	4.6	3.8
Argentina	GDP per capita (constant 2000 US$)	7,184	7,489	8,000	8,213	7,847	7,703	7,288	6,431	6,932	7,486	8,094	8,693	9,357	9,915
Turkey	GDP per capita (constant 2000 US$)	3,549	3,742	3,954	4,022	3,824	4,021	3,736	3,911	4,062	4,384	4,691	4,950	5,114	5,240
Argentina	GNI (current US$)	253,395,812,352	266,685,693,952	286,714,494,976	291,543,840,284	276,031,727,361	276,655,968,946	260,969,968,132	94,560,779,450	121,626,100,717	144,211,468,319	176,574,682,805	208,660,458,091	257,158,258,107	321,269,359,941
Turkey	GNI (current US$)	241,741,316,096	246,208,331,776	263,945,650,176	266,023,498,886	245,423,827,387	263,206,617,821	191,035,681,952	228,188,583,130	299,037,330,513	387,400,537,488	478,585,046,378	523,240,851,529	648,739,426,190	785,502,373,624
Argentina	Gross fixed capital formation (% of GDP)	17.9	18.1	19.4	19.9	18.0	16.2	14.2	12.0	15.1	19.2	21.5	23.5	24.2	
Turkey	Gross fixed capital formation (% of GDP)	16.5	18.3	18.8	22.9	18.9	20.4	15.9	16.7	17.0	20.3	21.0	22.3	21.6	21.5
Argentina	Gross fixed capital formation (annual % growth)	-13.1	8.9	17.7	6.5	-12.6	-6.8	-15.7	-36.4	38.2	34.4	22.7	18.7	13.1	14.7
Turkey	Gross fixed capital formation (annual % growth)	11.6	14.1	14.8	-3.9	-16.2	17.5	-30.0	14.7	14.2	28.4	17.4	13.3	5.5	3.6
Argentina	Gross fixed capital formation (current US$)	46,285,078,528	49,210,609,664	56,727,150,592	59,595,218,944	51,073,900,544	46,020,116,480	38,098,829,312	12,204,679,168	19,617,777,664	29,350,518,784	39,305,863,168	50,346,680,320	63,515,586,560	
Turkey	Gross fixed capital formation (current US$)	40,450,916,352	45,538,803,712	50,097,799,168	61,488,482,271	47,151,042,106	54,491,947,672	31,249,802,500	38,916,292,690	51,817,042,516	79,950,338,995	101,787,103,578	118,121,380,685	141,449,525,551	171,087,434,234
Argentina	Gross savings (% of GDP)	16	16	15	15.1	13.8	13.0	12.8	20.1	20.2	20.8	24.0	26.8	26.6	
Turkey	Gross savings (% of GDP)	15	14	14	24.2	19.8	18.1	18.2	18.3	15.1	15.6	15.7	16.2	15.8	15.6
Argentina	Gross savings (current US$)	41,145,294,848	42,406,547,456	44,525,838,336	45,041,770,496	39,085,318,144	37,070,094,336	34,339,196,928	20,466,900,992	26,122,598,400	31,880,081,408	44,021,743,616	57,372,532,736	69,914,910,720	
Turkey	Gross savings (current US$)	36,855,726,080	34,324,787,200	38,102,519,808	65,120,514,320	49,337,709,823	48,246,035,469	35,644,644,854	42,677,046,827	45,883,460,313	61,337,415,011	75,874,043,264	86,066,979,232	103,522,695,131	124,104,914,127
Argentina	Unemployment, total (% of total labor force)	18.8	17.2	14.9	12.8	14.1	15.0	17.4	19.6	15.4	12.6	10.6	9.5	..	..
Turkey	Unemployment, total (% of total labor force)	7.6	6.6	6.8	6.9	7.7	6.5	8.4	10.4	10.5	10.3	10.3	9.9	9.9	..

Source: World Development indicators, World Bank (http://go.worldbank.org/IW6ZUUHUZ0)