

AN ECONOMIC ANALYSIS OF TURKEY'S FOREIGN
TRADE AND TRADE POLICIES IN AGRICULTURAL
PRODUCTS

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INTRODUCTION

This study has two objectives. The first, to examine the place and the importance of agriculture in the foreign trade of Turkey. The second, to study and analyze Turkey's foreign trade policies in relation to its agriculture.

The period which is emphasized in this survey is from 1923 to 1947 inclusive. This period was selected because the Republican regime was established in Turkey in 1923, and the policies of the new government were entirely different from those of the former Ottoman Empire.

Since many Americans are unfamiliar with the country, a brief survey of Turkey's natural resources (such as location, area and population, topography and climate) and economic resources (such as mining, transportation, industry and agriculture) is undertaken. In analyzing these topics, emphasis is given those points which seem to have most significance in regard to the country's foreign trade.

Because agriculture is the basis of the country's economy as well as foreign trade, two separate chapters are devoted to this subject-one dealing with the general characteristics of Turkish agriculture, the second dealing with agricultural production. In the former, attention is given to the importance of agriculture in the economy of the country, agricultural areas, land tenure, and farm

practices. A brief summary of the recent social and cultural changes in the peasants' life is also included. The reason is that these peasants produce the products which go into foreign trade channels. In the chapter on agricultural production emphasis is placed on the extent of production and trends of principal products in the country. In addition an effort is made to determine the place of Turkey in world agriculture by particular crops.

After this background on Turkey's economy and agriculture, Turkey's foreign trade in agricultural products is examined. In dealing with this part, the balance of foreign trade of Turkey, export and import trade, and the place of agriculture in the country's foreign trade by principal commodities are given consideration. Furthermore, distribution of trade by continent and by leading countries is examined.

In the final part of the survey consideration is given to Turkey's foreign trade policies in relation to agriculture. In examining these policies, Turkey's general economic policy is undertaken first. However, more particular emphasis is given to policies intended to regulate production and foreign trade. The latter includes export and import measures, currency controls, clearing system of trade and reciprocal trade agreements.

Since the country is developing rapidly, a brief

analysis of its probable foreign trade developments and policies is undertaken in chapter XVI.

In order to integrate the findings and to give the reader a quick grasp of the study summary and conclusions are placed in the section following the final chapter of part III.

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PART ONE

THE BASIS OF TURKEY'S

EXPORT TRADE

CHAPTER I
THE GENERAL CHARACTERISTICS OF TURKEY'S
AGRICULTURAL RESOURCES

The basis and the structure of each nation's economy and foreign trade tend to be determined by its natural resources, such as location, area and population, physical nature, soil, climate, and the relative abundance or scarcity of land, labor, and capital. A brief description of these factors as they are in Turkey is necessary at this point as a background for later discussions.

Location

The Turkish Republic is situated at the meeting point of Europe and Asia, stretching from the 36th to 42nd degrees of North Latitude and from the 26th to 44th degrees of East Longitude. It is made up of two parts, Turkey in Asia (Anatolia), and Turkey in Europe (Thrace). However, only a small portion, 3.1 percent of the country's total area, is located in Europe. Between these two parts there are the Straits of Bosphorus, which links the Black Sea with the inland Sea of Marmara, and the Dardanelles which connects the Marmara Sea with the Mediterranean.¹ It should be kept in mind that these straits are of importance because they serve an important part in the national and

¹See map following page 3.

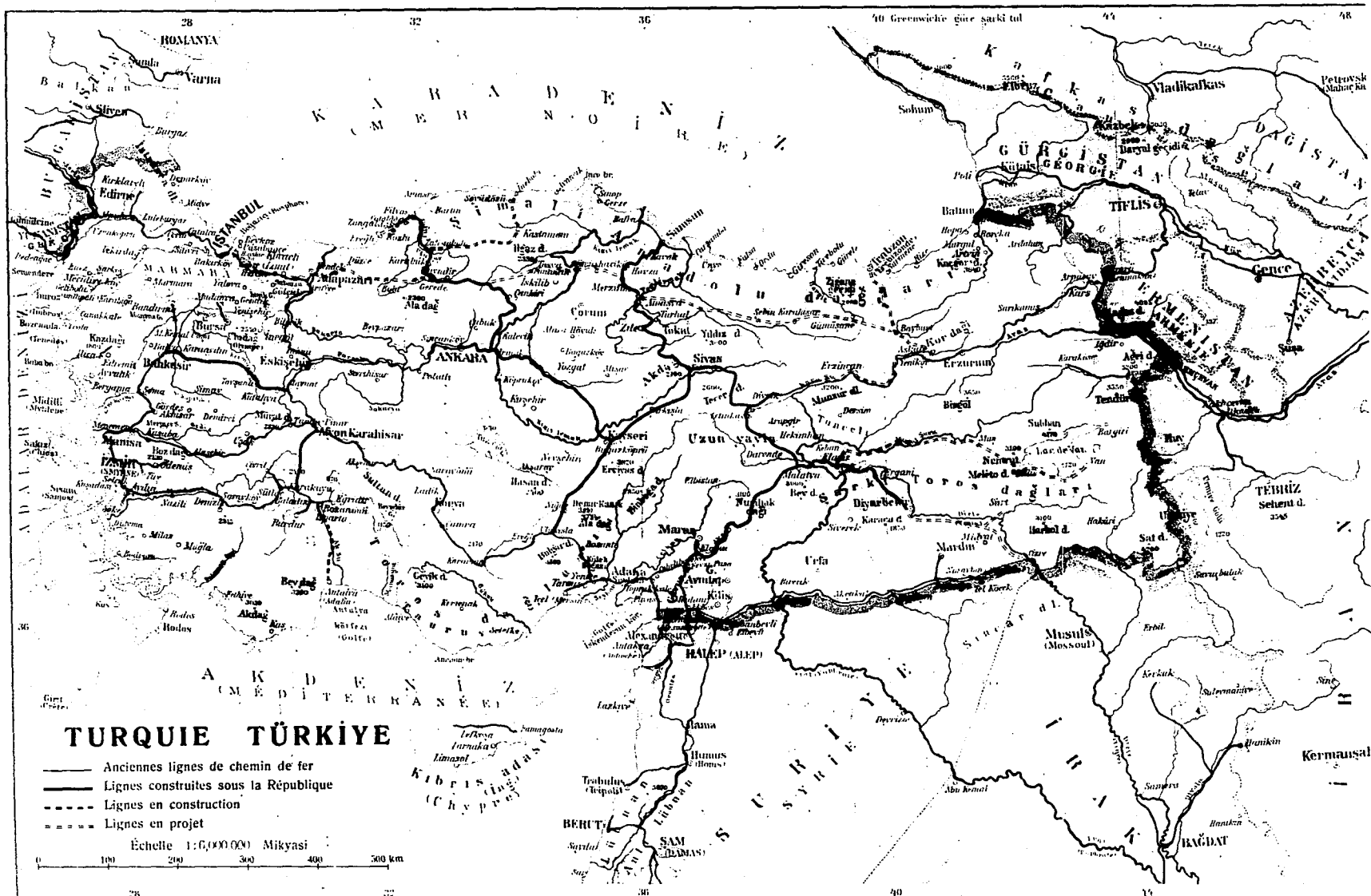
international trade as well as political life of Turkey. For centuries, the intersection of the world's great highways of trade and commerce have been within the Turkish Empire. Throughout history, big and important powers have sought to control the straits and have undertaken numerous diplomatic and military campaigns against Turkey, as well as against each other. In spite of all these conflicts, Turkey safely guarded the straits and successfully defended them each time.

Turkey, for its strategic location, is called "a bridge between Asia and Europe", or "between East and West", "the cross roads of the world", "a key to the East"², and nowadays, is considered a bar protecting the British Life-Line and the American interests in the Near Eastern Countries. Napoleon appreciated this, although he overstated it, when he declared in 1807 that "He who controls Constantinople rules the world."³

Throughout history, Turkey's convenient location enabled her to trade successfully with the rest of the world, even under a poor transportation system, and at the same

²Tobin, Chester M. Turkey, Key to the East, G. P. Putnam's Sons. New York, p. 43.

³Bess, Demaree, "Up To Our Necks in Turkey", The Saturday Evening Post, (January 25, 1947), p. 97.



time attached to her a strategic political importance which tempted the foreign powers to penetrate and dominate the country. For centuries, Turkey's commercially profitable location, therefore, has been an economic asset, as well as a political liability, for the nation.

At present Turkey is bordered by Greece and Bulgaria on the west; by Syria and Iraq on the south; and by Iran and the U.S.S.R. on the east. The seas bathing Turkey's coasts are the Black Sea in the north, the Aegean in the west, and the Mediterranean in the south. Marmara is an inland sea between the Dardanelles and the Bosphorus. These four seas provide Turkey with a coast line of 4,102 miles.

Area

Turkey has a land area of 296,185⁴ square miles, which is about one-tenth of the size of the United States, or five times larger than the state of Michigan. Its large size is appreciated only when one realizes that it is larger than any country in Europe, except Soviet Russia. Turkey is even larger than all the other Balkan countries combined (Bulgaria, Greece, Rumania, Yugoslavia, and Albania⁵).

⁴Lakes and marshes not included.

⁵These five Balkan countries have a total area of 290,876 square miles. (Figures compiled from the World Almanac, 1946, New York World-Telegram, pp. 377-380).

As it has been stated before, only 3.1 percent of its land area is in Europe. As far as area is concerned, this section is rather insignificant, but it is extremely important from commercial and strategic standpoints. Indeed, it contains two of the country's most important cities, Istanbul and Edirne, and causes the land-encompassed straits to be completely within the boundaries of Turkey.

Population

The population of Turkey has indicated a steady growth, increasing from 13.6 million in 1927 to 16.1 million in 1935, and from 17.8 million in 1940 to 18.9 million in 1945⁶. Despite this rapid growth, the density of its population is only 63 per square mile, compared with 48 in the U. S. and 93 in Michigan.⁷

In population Turkey is larger than each of the neighboring states, with the exception of Russia; but as far as the density of population is concerned, it is the most thinly populated country in Europe, except Russia. However, because of a remarkably high birth rate (27 per 1,000 which

⁶Unless otherwise indicated, the statistical data on Turkey are taken from Annuaire Statistiques, Office Central de Statistique, Republique Turque, Ankara.

⁷In 1945 U. S. had an estimated population of 140 million and Michigan 5.5 million.

is one of the highest in the world) and decreasing infant mortality, Turkey's population is increasing at a favorable rate compared with other countries. In another quarter of a century, it may exceed twenty five million.

The greater portion of the inhabitants are settled on the north coast and on the borders of the Aegean and Marmara Seas. About 75 percent of the population is rural, living primarily in small villages; and the remaining 25 percent is urban. There are 10 cities with more than 50,000 inhabitants. Of these, Istanbul is the largest, with a population of 850,000 in 1945. Other cities in order of importance are the capital of Turkey, Ankara, 228,000; Izmir (Smyrna) 200,000; Adana, 80,000. About 98 percent of the population are Turkish, the remaining 2 percent are mostly Jews, Armenians, and Greeks.

Administratively, the country is divided into 63 districts.

Topography

Topographically, Turkey is mountainous. Turkey in Asia is formed of a series of plateaus at altitudes varying from 6,000 feet in the east to 2,600 feet in Central Anatolia. These tablelands are bordered by mountain chains running from east to west along the Black Sea coast, in the north, and along the Mediterranean in the south. The western

part of Turkey consists of masses of mountain ranges running perpendicularly to the Aegean coast, which is furrowed by narrow valleys, forming peninsulas and islands. The eastern section of the country is bordered by very high mountains which rise to 15,700 feet above sea level at Ararat. The rough, mountainous character of a large part of the country has produced innumerable rivers which dig their way out and meander through the deep valleys until they reach the coast. All these rivers are wild in winter and early spring, and sluggish in summer. Many fail to reach the sea. Kizilirmak is one of the largest of Turkish rivers being about 550 miles in length, but if it were straight it would be no more than 125 miles long. There is no navigable river in Turkey, but in many cases the rivers help by adding fertility to the soil.

There are several lakes. Lake Van is the largest (1,475 sq. miles) with waters too salty for organic life. The second largest lake is Salt Lake, the water of which is saltier than any other lake in the world, including the Dead Sea in Palestine. Following evaporation in the summer, a bed of salt ranging from 24 to 30 inches in thickness is exposed and gathered.

Climate

There are a few countries in the world that have a greater variety of soils and climates than Turkey but not many. Turkey is very probably more diversified in this

respect than any other country in the world. In fact, it is called "Asia Minor", for it has all the soils and climatic characteristics of the continent of Asia as a whole.

The climate of Turkey in Europe has been likened to that of other parts of continental Europe; the climate of the western and southern coastal regions with that of southern California; the climate of Central Anatolia with that of Central Asia and the Russian steppes; the climate of eastern Turkey with that of Montana and Wyoming.

The Black Sea region has a moderate climate, with an annual temperature averaging 58 degrees Fahrenheit;⁸ 74 percent humidity, 1-2 days snow covered, 40 to 80 inches rainfall with a maximum of 175 inches in the northeastern corner, which provides a climate for tea and hill-rice⁹ growing. The climate prevailing in this region is best for the growing of hazelnuts, fruits, and tobacco.

Along the Aegean and Mediterranean coasts, the summers are hot, dry, and rainless, yet very pleasant; winters very mild and rainy with an annual average temperature of 65 degrees Fahrenheit; 65 percent humidity, no snow, 20 to 40 inches of precipitation. The climate is much warmer in the southeastern corner of the Mediterranean, the temperature averaging 68 degrees Fahrenheit and the precipitation

⁸Data on climate compiled and converted from the Bulletins of the Central Weather Bureau of Turkey.

⁹Since this section of country receives enough rain during the growing season, rice is grown on hills without artificial irrigation.

41 inches, thus providing a subtropical climate. Because of the climatic conditions prevailing on the Mediterranean coast, experiments have been made with coffee, jute, and rubber trees. The latter two have already given good results and have been introduced into the country's agriculture. The Aegean region is suitable for the growing of cotton, tobacco, grapes, olives and figs.

Turkey's coastal areas play a very important role in the export trade of the country. In fact, more than half of the value of Turkish export products is produced in the coastal area. For example, in 1938, 84 million Turkish liras (65 million dollars) out of the total value of exports, (145 million) is accounted for by six of the products of the coastal districts --- tobacco, hazelnuts, seedless raisins, dried figs, cotton, and olive oils.

In the eastern part the winters are very long and the summers very short, with an annual temperature averaging 40 degrees Fahrenheit; 64 percent humidity, 90-120 days snow covered, 21 inches precipitation.

The climate of the Central Plateau is subject to wide variations because of the fact that it is encircled by mountains which cut off much of the possible rainfall. In summer this plateau is very dry with an average humidity of 20 percent, hot and burnt up, and in winter very cold, snow covered, with a yearly average temperature of 53

degrees Fahrenheit; 10-12 inches precipitation, and 50 percent humidity. This area is excellent for cereal production and also gives a superior quality to the wool of Angora goats (mohair).

Generally speaking, in the coastal areas the summers are longer than in the Central Plateaus and the Eastern Highlands, but throughout the land the hottest months of the year are July and August. The climate is very mild in the coastal area and severe on the central plateau and the Eastern Highlands. Gradual changes in climate occur as one goes from the coast to the interior, with the rainfall decreasing and the average annual temperature falling accordingly. Leaving the Black Sea region out of consideration, Turkey has a barely adequate annual precipitation, with rains falling mostly in the winter months.

From this explanation thus far it is apparent that Turkey presents almost all kinds of climatic conditions. The mountains and seas bordering the country are the principal factors which create such a diversified climate in the country.

CHAPTER II

TURKEY'S ECONOMIC RESOURCES

At the beginning a brief summary of Turkey's economic resources, other than agriculture, seems necessary as a complementary background. In this section a brief discussion will be given to Turkey's mineral resources, transportation and industries which do, in one way or another, affect the country's foreign trade in agricultural products.

Mining

Turkey possesses vast mineral deposits, but few have been exploited on a commercial scale. Because of the lack of transport facilities most of the mines remain undeveloped. In order to explore for mineral resources in the country, the Turkish government first formed an institute of mining, and then a bank, namely, "Eti Bank" which undertook the financial development of Turkish mines and electric power. The principal mines of Turkey produce coal, chrome, copper, lignite, borax, zinc, emery, manganese, iron, silver-lead, and there are very large salt resources. There are also some gold, marble, and meerschaum. Discovery of oil has been reported but details are not available. Among the mines, chrome plays an important role, and Turkey is one of the leading countries in the world in the production and export trade of chrome. With the gradual extension of the railway system, particularly to the important copper region of Ergani, and under the impetus of the

second 5-year industrial plan of 1937, more active exploitation of mineral resources has taken place.

Transportation

In general Turkey's transportation facilities are very poor. Although the railroad policies of new Turkey are expressed by the motto, "Always more railroads for the country", the existing lines still fall far short of the country's needs. There are only 4,625 miles of railroad line in Turkey or about 1.5 feet per person compared with 9 feet in the United States, and 6 feet in Germany.

The state owns and operates 4,274 out of 4,625 miles and the remaining 250 miles are owned by private companies. Before the Republican regime the railroads in Turkey were all constructed by big foreign powers. Their major aim in building railroads in Turkey was not designed to unify different parts of the country, but to build an overland route to India and thus to connect it with Europe. Most of the foreign companies continued their operation until the entire railroad system was acquired by the Government in 1937.

Turkey has a few all-weather roads, too. There are about 16,768 miles of surfaced roads, including 10,562 miles of water-bound macadam road and 5,234 miles of improved earth, sand, clay, and gravel road. Considerably less attention has been paid by the government to the construction

and maintenance of roads than to the development of the railways.

One important reason for the lack of transportation is the geographical factor. The mountains prevented the construction of adequate highways, because it was too expensive to undertake building roads over such terrain.

One American expert in his report about Turkey's economy described the transportation situation by stating that "within the political boundaries of Turkey are a hundred 'little Turkeys' each economically isolated from the rest and usually producing a fractional part - one-third to one-tenth of its potentialities. Obviously the strength of Turkey cannot approach the sum of its parts until they can be added together."¹⁰

Considerable efforts have been made by the government to improve and extend the country's shipping position. After Turkey's right of cabotage was acknowledged by the Lausanne Treaty in 1923, the merchant marine increased rapidly from 32,902 tons in 1923 to 165,000 in 1945; and with the purchase of 20 more ships in 1946 and 1947 the tonnage reached about 250,000.

There are five principal ports, namely, Istanbul,

¹⁰Thornburg, Max W., Turkey: "Aid for What?" Fortune, October, 1947, p. 106.

Izmir (Smyrna), Mersin, Iskenderan, and Samsun.¹¹ Istanbul is the most important port in Turkey. In 1939 it handled about 76 percent of all imports and 35 percent of all exports. Izmir, the second most important port, accounted for 7 percent of all imports and 30 percent of all exports. Samsun, the most important port on the Black Sea is good for anchorage, but is exposed and is about a mile from the town. There is only one safe harbor in this section of the country, namely Sinob, but it has not much value from commercial standpoint. Two new ports have been under construction on the Black Sea, one at Trabzon, and the other at Zonguldak.

Industry

The primitive economic and political system of the Ottoman Empire and the various capitulations and concessions to foreigners paralyzed Turkish independence in respect to custom policies, which gradually reduced Turkey to a sort of international colony.¹² Before the industrial revolution in Europe, Turkey had an industry sufficient to meet the nation's requirements and even carried on an export trade. Turkey did not keep pace with the technical progress of western Europe during the 19th century. Home industry

¹¹ See map.

¹² See Chapter IX.

gradually declined since the domestic and primarily handicraft industry was not able to compete with that of foreign products. Thus Turkey was reduced to a country producing primarily agricultural products.¹³

As soon as the Ottoman Empire became the Republic of Turkey in 1923, one of the first objectives of the new government was the industrialization of the country. The new regime declared its philosophy by stating that "Economic freedom is the basis of political independence."

With this economic philosophy the Turkish government first decided to separate the domestic economy from domination by foreign economic influence. The experiences of the old regime had convinced the government that concessions to foreigners had not been a safe guide for the development of the country's economy.

Turkey could not start an industrial program immediately after the installation of the Republic. As a matter of fact, the establishment of a national industry in a country which had become an open market to all foreign countries could only be realized by a policy providing adequate protection. But Turkey was not authorized by the terms of the Lausanne Treaty to increase her tariff rates until 1929. Therefore, national industry was stimulated by legislation

¹³ Republic of Turkey, Ministry of Interior, Turkey on the way of industrialization, Ankara, 1937. pp. 5-9.

known as "The Law for the Encouragement of Industry" enacted in 1927. According to the provisions of this law, industrial firms having 1500 or more man-days work per year were exempt from all kinds of state and municipal taxes. They also enjoyed full exemption from import duties for foreign materials necessary to such factories. Firms intending to enter industry were granted 10 hectares (24.7 acres) of free land, and also free transportation of equipment, machinery, and other materials to be used in the construction of plants. Furthermore, all government departments were obliged to buy their requirements from domestic sources, even though the price of domestically produced goods was as much as 10 percent higher than that of a similar imported product.

Despite these great encouragements of private enterprise, up to 1933, industry made very slow progress. This was due partly to the lack of private capital, inefficient industrial organization, lack of skilled engineers, and partly because of the depressed business conditions in the world during 1929-'33. Therefore, in 1933 the state decided to take an active part in the industrialization of the country.

The First 5-Year plan was announced by the government in June, 1934. The reasons advanced for a program of industrialization mainly centered upon the consideration of enabling the country to meet its own requirements. This idea

of developing the industry of the country found further encouragement in the depression years as a way to find means of employment for thousands of people by using them in the newly inaugurated industries.

The First 5-Year plan accomplished much in the production of consumer's goods. Almost all the industrial development planned under this program was completed by 1939. They consisted of those industries for which raw materials were found or could be produced within the country. These industries were textiles (cotton, woolen, hemp, and silk), cellulose (paper, cardboard, cellulose, and artificial silk), the ceramic industry (glass, bottles, and porcelain), leather tanneries, shoe factories, attar of roses, the mining industry (iron, coal, semi-coke, copper, chrome, sulphur, etc.), and basic chemicals.

Progress on the Second 5-Year plan, inaugurated in 1937, was interrupted by World War II. The war interfered with supplies of machinery and equipment formerly obtained in Central Europe, notably Germany. This plan was designed to give Turkey the backbone of an economic system --- heavy industry. The Second 5-Year plan concentrated on the development of electric power, steel, and chemical industries, food preservation, and processing plants, mineral development, and merchant marine. Of these projects only the iron and steel factory, the first gesture of genuine

economic power, and the first real guarantee of economic independence, had begun production by September, 1939. The plants for the manufacture of sulfuric acid, caustic soda, and chlorine, however, remained unfinished. Despite advanced construction, the proposed synthetic gasoline and synthetic nitrogen plants were abandoned.

The Second 5-Year industrial plan, of which, as indicated above, a small part was completed before 1940, had to be postponed because of the war. After reexamination and with some modifications, the program got under way again in 1947 and is expected to be finished by 1952.

To assist in the completion and operation of these industrial plants two banks, namely, Eti Bank and Sumer Bank were established by the government. The Eti Bank was formed for the purpose of exploiting and developing the mineral resources and electrical power facilities of Turkey. The Sumer Bank is responsible for the control and development of all the industries other than mining and electric power.

At this point the question may be asked, "What was the condition of agricultural industries?" It might be said that agriculture was neglected. No definite attention was given by the government to converting agricultural products into processed food materials. The only outstanding achievements are the sugar refineries, tea processing factory, and

some beer and wine factories. Before the Republic there was not a single sugar factory in the country. In 19²35 the first sugar refinery was built. After that date, three more were erected in different sections of the country.

With this background knowledge of agricultural and economic resources it is appropriate to analyze the general features of Turkey's agriculture.

CHAPTER III

GENERAL FEATURES OF TURKEY'S AGRICULTURE

Turkey is predominantly an agricultural country. However, this does not mean that most of the country's land is used for agricultural purposes. Even if it were true, such a situation alone would not prove that agriculture is the dominant branch of economy in a country.

One way of illustrating the importance of agriculture in a country's economy is to investigate the percentage of the population gainfully engaged in farming. Despite considerable efforts having been made by the Republican government to industrialize the country, there has not been any important shift of population from agriculture. At present about 75 percent of the population is engaged or dependent upon agriculture.

The second method of showing that Turkey is predominantly agricultural is to consider the share of agriculture in the national economy and foreign trade. In 1942 agriculture consisted of 58.3¹⁴ percent of the national income, while during prewar years 80 to 87 percent (by value) of Turkey's total exports were agricultural products.¹⁵

¹⁴T. C. Istatistik Genel Mudurlugu, Turkiye Milli Geliri, (National income of Turkey) Ankara, 1947, p. 14.

¹⁵See Table II on page 73

Considering these facts, it is evident that agriculture is the foundation of the national economy of Turkey, as well as the basis of its exports.

As far as land available for agriculture is concerned, Turkey is the only country in Europe, except Russia, where there is an abundance of land. Yet until 1934 about 15.3 percent of the total area of the country was cultivated. This proportion rose to 18.4 percent (16.6 percent in field crops, 1.8 percent in horticultural crops) in 1944, that is, an increase of 20 percent in 10 years. Pastures and meadows count for 50.2 percent, forests 15.3, and the remaining 16.1 percent consists of mountains, waste land, lakes and marshes. There is room for much further expansion of arable land. In fact, much of the land recorded as pastures and meadows is available for agricultural uses.

Land Tenure

The fact that 2,870,000¹⁶ farm families cultivated 14,286,000 hectares¹⁷ (34.2 million acres) in 1944 indicates that the size of farm units is rather small, averaging about 50 dekars¹⁸ (12.3 acres). However, if we include the land

¹⁶This figure calculated on the assumption that each farm family unit consists of 5 persons and 75 percent of the population are engaged in farming.

¹⁷One hectare is 2.47 acres.

¹⁸One dekar is 0.247 acre. (See Appendix, Table I)

used for pasture, the size will be 161 dekar (about 40 acres). Considering only cultivated land, a cross section of Turkey shows a gradual increase in the size of farm units from west to east, but considerable variations in individual holdings. In the western part of Turkey where grapes, olives, figs, tobacco, and cotton are largely produced, the average farm units are generally under 30 dekar in size. The average holding per family is highest in the Central Plateau, amounting to 100 dekar. But this does not mean that the income level is high. In fact, the technical level of farming is still very low. Because of an acute shortage of capital, there is a wide use of wooden plows, wooden rakes, and other hand-made implements. Oxen are commonly employed as draft animals. Lack of precipitation is also another factor which forces the use of an extensive type of farming in this area.

In the east there are large cattle and sheep ranges but only a small area in crops. In the south the size of the average farm unit is around 50 dekar and up to 100 in the districts where cotton is grown. In the Black Sea area the size of holdings is the smallest in the country, averaging 4 to 6 dekar.

There are three important types of land ownership in Turkey. During the period of the Ottoman Empire some lands were granted to the Moslem church. There are also large acreages of land owned by state. The third type is individual ownership. The land belonging to the state or

moslem church is generally leased in small holdings by peasants. After eight years of continuous operation, they may acquire title to the land they have worked. Some of this land, however, is operated by the church or state. For example, at present about 150,000 hectares of land (about 370,000 acres) is planted to cereals in 13 state operated farms. Their main objective is to raise improved seed for free distribution to farmers, and also to demonstrate the effectiveness of modern methods of farming. Besides these, there is the common land owned by each village, which is used mostly for pasture. Large holdings, 5,000 to 10,000 dekars and in some cases even 30,000 to 50,000 dekars, are largely to be found in the south where large-scale production of single crops such as cotton is concentrated. The landowners having large estates are usually absentees and operate in one of two systems. The land is divided into small holdings operated by peasants who pay a certain proportion of their production as rent to the landlord; the second form is hiring of an agent who organizes production and marketing with the help of hired laborers. It should be kept in mind that not all of the peasants living in villages own or even rent the land they work. It is estimated that 128,000 farm families have no land, while about 872,000 own very small plots.¹⁹ The landless peasants work mainly

¹⁹Turkey's Agricultural Land Law", Foreign Agriculture, U.S.D.A., September 1945, p. 143.

on large holdings as agricultural laborers and receive their remuneration sometimes in kind and sometimes in money. Peasants having small holdings work for wages on the land of their richer neighbors, or cultivate their own, or they work in other industries, such as mining and railroad construction, during the winter and early spring.

In view of this unequal distribution of land among the farmers the Turkish government passed legislation known as "The Law Providing Land for Farmers" on June 11, 1945. The stated primary objectives of this law are: (1) to provide land to landless persons and to those having holdings too small to support their families: thus to raise the status of the agricultural workers; (2) to insure the continuous cultivation of the country's land; (3) to bring uncultivated areas into production and thus increase the agricultural output of Turkey; (4) to create a new era in ownership of land among a large body of the population. According to this legislation, farms are classified as to size into three groups, small, medium, and large. Small farms consist of 500 dekarars of land or less in size; medium, those of 501 to 5,000 dekarars; and large, those comprising more than 5,000 dekarars. Large farms are not to be owned by individuals but by the state. When land is distributed, Agricultural Bank takes a mortgage on the property which is to be repaid by those receiving the land in twenty annual payments, without interest, beginning in January of the sixth year after the indebtedness contract is executed. An

important provision is one which stipulates the deduction of 5 percent of the remaining installments from the debtor's obligation for each of his children when they reach primary school age. A special fund is authorized, from which the Agricultural Bank will furnish credit to purchasers for buildings, agricultural equipment, and improvements for insuring the yearly cultivation of the soil.²⁰

Farm Practices

Fertilizer (commercial and manure) is used extensively on farms located in the coastal districts, but seldom in the Central Plateau and Eastern Highlands. The cold winter prevailing in these areas and the lack of fuel force farmers to use their manure as substitute for fuel. There is no definite crop rotation in any part of the country.

With the exception of the central and southern region and western valleys, Turkey is not adapted to the extensive use of large agricultural machinery, such as tractors and combines. As was pointed out earlier, a large portion of the country is mountainous. Furthermore, land is divided by ownership into small operating units. In the well-drained valleys the land is divided into small units of 5 to 10 dekars. Each farmer has a number of these small units scattered throughout the cultivated area. All these

²⁰Ibid., pp. 142-44.

factors limit the use of agricultural machinery. However, on the cotton farms agricultural machines are widely used. In 1940 there were 1066 tractors, 7496 grain drills, 13,897 harvesters, and 450,892 plows of all kinds in the country.

Agricultural Credit

As far as agricultural credit is concerned, considerable efforts have been undertaken by the state. In 1937 there were 591 credit cooperatives with a membership of 223,672. By 1945 the number of credit cooperatives rose to 617 with branches scattered in 5,749 villages, and with a membership contract of 225,069. These agricultural credit cooperatives are backed and controlled by a soundly established state Agricultural Bank. This bank, which was formed in 1899, aids farmers throughout the country, and grants large loans for production and improvement purposes. It also guarantees a fixed price for wheat. Although the cooperative movement first started in 1863 in Turkey,²¹ that is, 19 years later than that originally known as "Rochdale cooperative" established in England in 1844, the agricultural cooperatives had not been able to advance in the country because of the lack of education of the peasant. Of course it is still backward compared with the other nations of Europe. The aim of government policy is to expand the agricultural credit and marketing cooperatives among the farmers.

²¹The Ministry of Interior, The Development of National Banking in Turkey, Ankara, 1938. p. 22.

In 1937 production and sales cooperatives were established, which are controlled by the Ministry of Commerce, but backed by the State Agricultural Bank. These organizations are, as suggested by their names, cooperatives which sell at wholesale the products of producers. The production and sales cooperatives are established around these organizations: Fig and Raisin League of Smyrna, Hazelnut League of Giresum, Cotton League of Adana, Pistachio League of Gaziantep, and Istanbul Fresh Fruit and Vegetable League. These organizations play a very important role in the country's export trade of their respective products. About 40 percent of the figs and raisins, 50 percent of the hazelnuts and 70 percent of the pistachios exported are handled by these organizations.

Social and Cultural Developments

At this stage a brief summary of recent social and cultural changes in the peasant's life is appropriate. The reason is that they produce the products which go into foreign trade channels and it is through the sale of these products that Turkey secures exchange to buy industrial products, largely capital goods. A study of the foreign trade and trade policies of a country without a description of the general background of its social problems undoubtedly is incomplete.

Looking back to the period of the Ottoman Empire it

is seen that the Turkish peasants lived virtually as serfs and slaves in their homeland. The introduction of the cultural, educational and social developments, which had been taking place in Europe following the French and Industrial Revolutions, was neglected and avoided in Turkey by the Sultans. They followed a policy which was in the main, hedonistic and selfish. To maintain their sultanate the later sultans tried to isolate the nation from the rest of the world. Few students were given permission to study abroad for fear that they might try to introduce new ideas and awaken the nation, so that it might eventually revolt against the sultan himself. In order to discourage the introduction of the new developments into the country, the sultans, used their religious authority. Thus the Turkish peasant, who at that time composed about 95 percent of the population, lived a life dominated by the ancient customs and traditions which were outmoded elsewhere.

This situation prevailed until the rise of Kemal Ataturk and the establishment of the new republican regime in 1923. Realizing the importance of agriculture to the peasants who fought for five more years following World War 1, in the War of Turkish Independence against allied Nations, Kemal Ataturk, leader and first president of the country, declared when the Republic was founded "The peasants are the masters of our country." By this statement he did not intend to indicate a class discrimination within the country,

but it was an indication that government policies were to be designed to provide a better life for the majority of the people, rather than a minority as it had been under the Ottoman regime.

After the establishment of the Turkish Republic on September 29, 1923, the Caliphate was abolished in 1924, and all moslem schools, convents and canonical courts were replaced by modern schools and courts. The peasant was freed of tithes and of some other taxes. Thus occurred the removal of the hampering religious influences, followed by the abolishment of the "Fez" and veil, and then the adoption of the Switzerland civil code, Latin alphabets, Western numbers, Georgian calendar, and the linguistic reformation, that is, replacement of Arabian and Persian words, which were common among the educated people, by Turkish. The Turkish woman who used to live as a prisoner at home, and under the veil and outer garment on the street, was given rights equal with man. She can now go to school, enter any profession she likes, work in any government offices, and has the right to vote and be a representative in the Grand National Assembly, and a candidate for any municipal office.

These social and political changes in Turkey are summed by an American author in his book titled "Governments of Continental Europe" in which he states: "there is no more striking chapter in the history of politics than that of the transformation of Turkey in our own time from a

quasi - federal regime, based on the military occupation of conquered territory, to a modern state".²²

The new educational system is reaching a steadily increasing proportion of Turkey's population. In 1924 the percentage of educated people was about 5 percent. After the adoption of Latin characters on November 1, 1928, this figure rose and was 16 percent by 1935. It is estimated that it reached and exceeded 40 percent in 1945.

Despite great efforts made by the government, the majority of the peasants who live in small villages are still illiterate. This is one of the greatest obstacles to proper development in the agriculture of the country. In 1940 Turkish farm families lived in 34,024 villages, of which 26,221 each had a population of less than 500. Only 9,198 of the villages had schools. In view of this fact, a law enacted in 1940 provides that fifteen-year old farm girls and boys who have already completed the five years' course at a village school be sent to village institutes for five more years to study such things as applied modern methods of farming, handicraft, and nursing. In 1945 there were over 15,000 students and an average of 3,000 are thus being graduated each year from 21 institutes. The Government plan is that by 1950 every village will have its own

²² Shotwell, James T. Governments of Continental Europe, New York, 1946, p. 31.

school with a trained teacher to educate farm children and take an active and intimate part in improving farm life in the country.²³

In addition to the Village Institutes, by a law enacted in 1943 the Ministry of Agriculture was authorized to establish technical agricultural schools wherever it deemed necessary. By this legislation, farm boys who graduate from primary school are sent to these schools for three years' study of either practical horticulture or general agriculture. Boys trained at these schools are to be furnished with all the modern agricultural equipment, a model farm house and land to farm. These trained young farmers, when they go back to their villages, are to follow modern farming methods suitable to their districts under the advice of county agents, so as to be guides to the betterment of their villages. At present there are seven technical agricultural schools in the country, two for horticulture and five for general agriculture.

Besides these schools, there are two schools for agricultural machinery, four agricultural high schools, and an Institute of Agriculture (University) which consists of five faculties (schools), namely, agriculture, veterinary medicine, forestry, agricultural industry, and natural science.

²³Republic of Turkey, Ministry of Education, Education in Turkey, Ankara, 1946, pp. 3, 4, 15.

Furthermore, there are a number of agricultural experiment stations, nurseries, state farms, stud-farms for horses, cattle and sheep, pest and plant control stations, and so forth, operated throughout the country. These establishments are under the control of the Ministry of Agriculture to help in one way or another to improve farm education and practices in Turkey.

CHAPTER IV

AGRICULTURAL PRODUCTION

Cereals

Since Turkey possesses a variety of climates and soils, many kinds and types of agricultural products are grown in the country. Among the crops, cereal production is by far the most important agricultural enterprise in Turkey, from both an economic and social standpoint. About 88 percent of the land under field crops is planted to cereals. Cereal production employs a large portion of the population, and bread and other cereal products constitute an important element in the country's diet. In 1943 cereals provided 33 percent of the national income and 59 percent of the agricultural income of Turkey.

Wheat:

Among all the products cultivated in Turkey wheat holds a leading position in respect to both acreage and production. The area sown to wheat increased from an average of 2,841,000 hectares in 1926-30 to 3,623,000 hectares in 1935-39. In 1941 it reached 4,394,000 hectares. For the same periods production was 2,150,000, and 3,708,000 tons respectively, while in 1941 it increased to 4,394,000 tons.²⁴ In acreage, over 50 percent of the total area under field crops consists of wheat.

²⁴The ton referred to is the metric ton, equal to 2,204 pounds, see appendix, Table I.

At the same time yields per hectare also showed an increase from 760 kg to 1023 kilograms (or from 11 to 15 bushels to the acre).

The rapid expansion of wheat production in Turkey was brought about by various governmental measures. First, high tariffs imposed on wheat in 1929 discouraged imports. Secondly, extension of railroad construction to the wheat areas encouraged domestic production. Third, government aid was given to farmers through low cost production credit, free distribution of certified seeds, and modern agricultural equipment; and most important, the purchase of wheat by the State Agricultural Bank at a price well in excess of world quotations. These factors all contributed to the increase in wheat production to such an extent that Turkey has changed from a wheat-importing to a wheat-exporting country.

Wheat is grown in almost all parts of Turkey, but the principal producing center is the Central Plateau. About 35-40 percent of the country's wheat is produced in this region.

Barley:

Of cereal crops, barley is second to wheat, utilizing about 26 percent of the sown land. Turkish barley, because of its high degree of germination, has a good market in Europe and is well adapted for the manufacture of malt used

in the brewing industry.

The production of barley also showed a considerable increase. In 1926-30 the average production was 1,240,000 tons from 1,398,000 hectares. By 1935-39 production rose to 2,075,000 tons produced from 1,855,000 hectares. In 1940 both acreage and production reached an all-time high, -- 2,092,000 tons from 2,249,000 hectares. Since then, however, the trend has turned downward because of the high demand for and price of wheat.

Barley is also grown everywhere in Turkey. But the principal producing centers are Central Plateau and Western Anatolia.

Corn:

Turkey's Black Sea region provides favorable conditions for corn growing. The trend in corn production has showed a considerable increase in late years. Production increased from 446,000 tons from 341,000 hectares in 1926-30 to 587,000 tons from 448,000 hectares in 1935-39.

All the production is consumed domestically.

Other Cereals:

Besides these cereal crops, rye, oats, millet, rice, and canary seed also are produced in Turkey in considerable amounts. The annual average of all these crops for the period 1935-9 was 934,000 tons produced from 985,000 hectares.

But, as far as export trade is concerned, the most important is canary seed. Turkey is one of the leading countries which produce this crop. In 1935-39 the average yearly production was 15,263 tons produced from 22,500 hectares. More than 75 percent of the crop was exported. It is known as one of the best feeds for chickens. But with the outbreak of World War II, production decreased so drastically that in 1945 the canary seed output was only 222 tons.

Crops for Industrial Use

Of the so-called industrial plants, the most important are tobacco, cotton, sugar beets, opium, sesame, anise, flax, and hemp. In 1935-39 the area covered by industrial plants was 600,000 hectares, which was 7.6 percent of the total land under field crops.

Tobacco:

Among the industrial crops, no doubt the most important in respect to export trade is tobacco. Prior to the 17th century tobacco was unknown in Turkey. It was first brought to Turkey from the United States by way of India in 1610. But, for about 80 years no production of tobacco took place, because its consumption in any form was prohibited and violation of the law was punishable by death.²⁵

²⁵Ministere de l'interieur, La Turquie Contemporaine, Ankara, 1935, p. 94.

As foreign trade became an important factor in the country's economy the prohibition was removed by the Ottoman Government in 1690 which substituted a tax on tobacco for revenue purposes.

As cultivation continued, the product acquired entirely new qualities so different from those of the American product that a distinct type developed. As tobacco grew in importance in the export trade of Turkey, the Government feared its successful transplantation to countries possessing a similar climate, which would deprive the country of one of its most important assets. Therefore, the exportation of tobacco seed was strictly prohibited. Despite the prohibition, at various times seed was smuggled out of the country and transplanted to South America, the Philippines, and the United States. Even in one instance, the promoters in South America went so far as to transport large quantities of soil from the Samsun producing district in order that the seedling might have a start in native conditions. But in every case such efforts proved fruitless, for the combination of Turkish climate and soil conditions could not be duplicated in other countries. Nevertheless, tests still are going on in the mountainous sections of western North Carolina.

There are three principal tobacco regions in Turkey! The Black Sea region grows the most famous types of tobacco, with small leaves, light red in color, sweet and very frag-

rant. The principal producing center in this area is the district of Samsun.²⁶ The Marmara Sea region, where light red types are grown mainly for planting purposes. The Aegean Sea region where the best varieties are produced in and around Izmir (Smyrna) having a light red color, with excellent flavor and fine aroma. These three regions produce almost all the exportable tobacco of Turkey.

Southeastern Turkey, particularly the district of Gaziantep, produces very strong, high nicotine content tobacco. This type is exported to the Arabian States, where it is smoked in water pipes.

The average production of tobacco in 1926-30 was 50,250 tons (110.5 million lbs.). It decreased to 34,000 tons in 1931-35 because of the world economic depression. In the following 5-year period, 1936-40, production increased to an average of 67,300 tons from 83,400 hectares, while it dropped to 57,900 tons from 79,000 hectares in 1941-45.

Production, under the direction of the State Tobacco Monopoly, is carried on by small producers, numbering 135,000, with an average acreage of 6.2 dekars (1.52 acres) per grower in 1936-40.²⁷ During the same period the tobacco yield averaged 809 kg per hectare (725 lbs. to the acre),

²⁶See map.

²⁷Figures calculated from the quarterly bulletin of the Banque Centrale de la Republique de Turquie, No. 60. Ankara, 1947, p. 138.

as compared with 908 kg in the United States for the same period.²⁸ However, considering leaves, Turkish tobacco is much smaller than that of any American tobacco. It is extremely thin, more than 1,000 dried leaves weighing only 500 grams.

In tobacco production Turkey ranks third in Europe and seventh in the world after the United States, India, China, Russia, Greece, and Brazil. However, its yearly production of 67,000 tons is negligible alongside the United States' 650,000 tons or India's 555,000.²⁹ Turkey's share in world tobacco production is only 3 percent, but its value and importance in world trade is much greater.

Cotton:

Of the industrial plants cotton production is another important agricultural enterprise in Turkey. About 3 percent of the tillable land, or 44 percent of the amount of land under industrial plants, is planted to cotton. Its introduction to the country's agriculture goes back to the 1850's. The American Civil War in 1861-65 gave to Turkey, as well as Egypt, a great opportunity to expand the cotton

²⁸ Unless otherwise mentioned, all the figures on the United States were compiled or calculated from the Agricultural Statistics, U.S.O.A., Washington, 1946.

²⁹ This comparison and the following are based upon data taken from the International Yearbook of Agricultural Statistics, International Institute of Agriculture, Rome, 1940.

industry.³⁰ During that war European nations, notably Great Britain, could not import cotton from the United States. At that time England, in order to meet its needs for its growing textile industry, turned to Egypt and Turkey. Thus the great demand for cotton resulted in a ten-fold increase in the area planted. Cotton production, however, declined following the end of the American Civil War, and continued further to decrease as a result of many Turkish Wars, particularly of the World War I, and the War of Turkish Independence. After the establishment of the Republican regime in 1923, the new Government made many attempts to expand and improve cotton production in the country. Three cotton experimental stations were set up to investigate the most suitable types of seeds. American varieties of Acala and Cleveland have been introduced. These varieties are quite satisfactory.

As a result of continuous encouragement and direct help by the government and the establishment of the domestic textile industry, a large increase in cotton production was brought about. For example, for the period 1924-1928 about 18,000 tons was produced annually on 40,000 hectares. By 1929-1933 the average crop had increased to 45,000 tons from 199,000 hectars, showing a yield of 225 kg to the hectare. During the past decade, however, both production and acreage increased further through government encouragement. In the

³⁰J. Russell Smith, Industrial and Commercial Geography, New York, 1946, p. 689.

5-year period 1935-1939 production rose 60,000 tons from 268,000 hectares, showing a yield of 223 kg to the hectare, compared to an average of 251 kg in the United States for the same period.³¹

At present several districts grow cotton. But the principal producing centers are Adana and Mersin in the south on the Mediterranean coast, and Aydin, Manisa, and Izmir in the west. The southern district supplies about two-thirds of the country's total cotton production.

According to a study made by the government, there are over 1 million hectares of land suitable for cotton growing, of which 800,000 hectares are located in the districts of Adana and Mersin in the Cilician Plains.³² With more irrigation and with yield and variety improvements it is estimated that Turkey could produce over 600,000 tons (3 million bales) a year and would rank fourth among the cotton growing nations of the world.³³ In cotton production at present, Turkey ranks second to Russia in Europe, and tenth in the world, after United States, India, Russia, China, Egypt, Brazil, Peru, Argentina, and Mexico. However,

³¹Calculated from the Agricultural Statistics, U.S.D.A. Washington, 1945, p. 70.

³²*La Turquie Contemporaine*, op. cit. p. 102.

³³In 1935-39 the United States ranked first with 13.1 million bales, India second with 4.6, Russia third with 3.4 million, China, 2.7, Egypt 1.9, (Agricultural Statistics, U.S.D.A. Wash., 1945, p. 72-73).

Turkey's share in the world cotton production is only a little over 1 percent.

Sugar Beets:

Turkey has soils and climate which can be used for the production of both cane and beet sugar.³⁴ No attention was given to growing them in the country during the period under the Ottoman Empire. It was in 1926, three years after the establishment of the Republican Government, that sugar beets, which have been cultivated in European countries since 1800, were introduced into Turkish agriculture. Since then sugar beet culture has been successfully practiced in Turkey. A large home market, high tariff, and bounties to growers are the principal factors in building up this industry in a very short time.

The yearly production of sugar beets was 108,000 tons, produced from the use of 13,862 hectares for the period 1928-1932.³⁵ The average crop increased to 394,000 tons in 1935-1939, from 25,000 hectares, showing a yield of 15.4 tons to the hectare,³⁶ compared with 25.7 tons in the United States.³⁷ However, the sugar content of Turkish beets is

³⁴At present two countries in the world, United States and Turkey, produce both beet and cane sugar.

³⁵Republique Turque, Ministere de L'interieur, La Turquie en chiffre, Ankara 1937, p. 73.

³⁶Calculated from the quarterly bulletin Banque Central de la Turquie, No. 60, Ankara, 1947, p. 73.

³⁷Calculated from the Agricultural Statistics, Washington, 1945, p. 87.

one of the highest in the world, ranging from 18 to 22 percent.

Despite the rapid expansion in both acreage and output of sugar beets, production does not satisfy domestic requirements. In fact the amount of sugar production was 96,587 tons in 1946. With the imported sugar, per capita consumption was only 7.5 kg in 1946, compared with 55 kg. in Denmark, 47 in the United States, 8.7 in Italy, 4 in Yugoslavia, and 2 in China.³⁸ One of the reasons for the low consumption is that the price of sugar is very high because of the high consumption tax. It is still considered as a luxury food in the nation's diet.

The Government plans to build four more refineries in the Cilician Plains. This area is particularly suitable for sugar cane production. Historic remains show that sugar cane was probably brought to this section, from India, in the ninth century and processed into sugar. But no production on a large scale occurred until the present time.

Since production costs for cane sugar are generally much lower than for beet sugar, the government believes that this will help to bring the price of sugar down considerably, and thus increase consumption.

It is estimated that after the establishment of

³⁸Converted from the Report of the F.A.O. Preparatory Commission on World Food Proposals, Washington, 1947, p. 81.

these factories Turkey's yearly sugar output (both cane and beet) will reach 160,000 to 180,000 tons. The present sugar supply meets about 65 percent of the nation's demand.

Sugar beets can be produced in several parts of the country. However, because of the transportation difficulties the present producing areas are located only near sugar refineries.

The production of sugar in Turkey provides an important source of government revenue. Since 1940 over 50 percent of the price paid by the consumer has gone to the state in the form of consumption tax. In 1944-45, 80.2 million liras (about 64 million dollars) was collected in taxes on sugar. This represented 6.3 percent of the national revenue.

The sugar industry is a government monopoly. Prices of beets are fixed at the beginning of each season. Each grower has to sign a contract showing how much land is to be cultivated. Seed is produced on state farms and distributed to growers free. Fighting pests and diseases is carried on by the monopoly.

Opium:

Turkey ranks as one of the world's leading producers of opium for medical use. In all probability it originated in Turkey.

Prior to 1929 about 500 to 600 tons of crude opium were produced annually from 30,000 to 50,000 hectares. In 1925, however, a world-wide campaign to restrict opium production and trade to medical uses only was begun. Finally an agreement to restrict the production of opium was reached by the majority of the League of Nations in Geneva in 1931. Thereupon, the Turkish Government took over control of production and trade of opium in the country. Since then both acreage and production have decreased drastically. In 1929-33 the annual production was 382 tons of crude opium and 12,807 tons of seed, produced from the use of 42,669 hectares. By 1935-39 the annual average crude opium and seed were 282 and 1,185 tons, respectively, from 29,452 hectares. Since 1940 production decreased further to an average of 218 tons in 1940-44, while in 1945 it was only 108 tons.

The principal producing centers are Afyon (which means "opium" in Turkish), Amasya, Izmir, and Malatya.

Sesame:

Sesame is cultivated largely in the southern and western districts of the country. It has shown a considerable increase in output and yield in recent years. In 1935-39 production averaged 28,900 tons from 65,300 hectares. It increased to 43,400 tons from 79,800 hectares in 1940.

Sesame is produced mainly for its oil. Its oil cake has a good market in Netherlands, Belgium, and the United States, where it is used for feeding chickens.

In sesame production Turkey ranks first in Europe and fourth in the world after China, India, and Burma.

Anise:

Anise is grown for use in the preparation of some medical products and in flavoring the country's most popular drink, called "raki". The annual production averaged 1 million kg from 1,800 hectares in the period 1935-39. It increased to 4.5 million kg in 1940. Turkey is one of the leading countries in the world producing this crop. The principal producing center is western Anatolia.

Flax:

Flax is cultivated for its fiber and seed, the seed being used in oil production. The principal producing centers are Kocaeli, Zonguldak, Sinop, and Istanbul. In 1935-39 the average yearly production was 3,072 tons of fiber and 8,842 tons of seed, from 19,411 hectares. The high demand of the local textile industry, and Government aid and encouragement have brought about a considerable increase in both acreage and production in recent years. In 1940 flax seed and fiber amounted to 17,533 and 11,146 tons respectively. At present Turkey's share in world production is negligible.

Hemp:

Hemp is another plant grown for its fiber and seed. The principal producing centers are Izmir, Kastamonu, Ordu, and Burdur. In 1935-39 production averaged 8,170 tons of fiber and 2,305 tons of seed, from the use of 12,147 hectares.

In hemp fiber Turkey holds fourth place in Europe after Russia, Poland, and Italy, and eighth in the world.

Jute:

Jute was introduced into Turkey's agriculture in the 1930's. But there is no production worth mentioning as yet.

Potatoes:

Potatoes for food are grown in all parts of the country. However, the principal producing areas are the Black Sea and Marmara regions. During the last decade potato production has increased considerably. The average production was 180,700 tons from 54,700 hectares in 1935-39. It reached 319,000 tons in 1940.

Leguminous Crops

Legumes occupy about 7 percent of the total tillable land of Turkey. The principal legumes produced are beans, vetches, chickpeas, and other peas, soy beans, and peanuts. A few of these crops enter foreign trade in small amounts. They play an important part in the national diet.

In 1935-39 the average area under legumes amounted to 392,000 hectares, of which vetches occupied 118,000 hectares (about 30 percent). Since 1939 a considerable increase has occurred in both acreage and production of beans and peas because of a high demand for these products to feed large numbers of soldiers in the country. The total output of all legumes increased from 318,700 tons in 1935-39 to 371,600 tons in 1941.³⁹

Soybeans are a product of only the last decade in Turkey. There are, however, suitable growing conditions for this crop in Turkey, and its production is increasing steadily.

Fruits and Nuts

Turkey has been known as a paradise of horticultural products. As in the case of tobacco, Turkish fruits, fresh and dried, have a world-wide reputation.

According to the science of fruit culture, about 110 different species of fruits, edible in one form or another, are grown today in different zones of the world. About 65 out of a 110 kinds, including almost all the fruits entering world trade channels, are produced in Turkey. It is not the purpose of this work to enumerate these particular varieties. However, fruits which are playing an important

³⁹Soybeans and peanuts not included.

role in the country's export trade are, in order of their importance, filberts, raisins, figs, olives, pistachio nuts, almonds, chestnuts, walnuts, and oranges. Other fruits which are produced in considerable quantities, such as apples, pears, cherries, berries, quinces, pomegranates, plums, bananas, tangerines, and lemons are consumed only domestically. However, this does not mean that they will remain forever so. Improvements in marketing facilities, that is, transportation, standardization, storage, packing, and packaging, and above all, organization may permit some of these fruits to enter into international trade.

At present 1.8 percent of the total area is under horticultural crops. They comprise five percent of the national income or about 13 percent of the agricultural.⁴⁰

Hazelnuts:

Turkey is the world's largest producer of hazelnuts (filberts). Production is concentrated in the eastern regions of the Black Sea where climate and soil conditions are very favorable to its growth. The hazelnut originated in this region and later was introduced into Italy, Spain, and the United States.

The area under hazelnuts is estimated at about 150,000 hectares. Annual production averaged 60,300 tons during the 5-year period 1935-39 compared with 24,300 tons in Spain,

⁴⁰Turkiye Milli Geliri, Dp. Cit., p. 64.

21,700 in Italy and 2,200 tons in the United States. In other words, Turkey produces over half of the world's hazelnuts. However, because of poor care and the susceptibility of the bearing trees to weather conditions, the size of the filbert crop fluctuates widely from year to year. For instance, in 1938 production was 26,100 tons, while the following year it amounted to 74,800 tons.

Grapes:

Grapes are another important item in the agriculture and export trade of Turkey. They are grown extensively throughout the country. Here again the soil and climatic conditions are the principal factors that enabled Turkey to produce grapes of a very delightful flavor and the finest quality in the world.

Grapes occupy about 34 percent of the land under tree and bush crops, surpasses only by olives. In 1944 the acreage planted in vineyards was 473,000 hectares. In vineyard area Turkey ranks third among the grape growing nations in the world surpassed only by Italy and France.

Production consists of varieties of wine, table, and seedless grapes, the latter being the most important in the country's export trade. In general, wine grapes are grown in the sheltered valleys of Central Plateau, and around the Marmara Sea. The world's finest table grapes, namely Razaki, Tchavouch, and Misket, are produced in the

Aegean and Marmara regions. Seedless varieties are grown in the Aegean region, where they are dried for export. About 90 percent of raisin production of Turkey takes place in the districts of Mamisa and Izmir.

Turkey's average yearly raisin production was 68,000 tons for the period of 1935-39. It ranked second in the world, surpassed only by the United States with its average of 200,000 tons, and followed by Australia.

At present the seedless yield per hectare is rather low, averaging 2.2 tons, compared with an average of 10.5 tons for the State of California.

In grape production Turkey's possibilities are very great. If Turkey could move grapes quickly to world markets and new and regular markets could be developed, Turkey might rank second to Italy. In fact, one of the German economists who was a director of the I. G. Farben industry and who studied the economic potentialities of Turkey characterized the country by stating, "If Turkey did not produce anything but grapes the possibilities of her grape production would suffice to make her one of the wealthiest countries in the world."⁴¹

Figs:

After Italy, Turkey is the largest producer of figs

⁴¹ John Parker, Modern Turkey, London, 1940, p. 93.

in the world. However, considering the Smyrna type of figs which is the best known and the most widely used in the world markets, Turkey ranks first both in acreage and production. It is believed that figs originated in Anatolia, and from there they spread to the other Mediterranean countries and the United States.

The area under fig culture is estimated at about 50,000 hectares with over 4 million trees, 80 percent of which are in the Aegean region. Production of Smyrna figs has remained practically stationary in the past decade. The average output for the period 1935-39 was 33,500 tons of which about 10-15 percent was consumed domestically.

The Turkish fig production is heavily concentrated in the districts of Aydin, Izmir, and Mugla where the area planted is estimated at about 32,000 hectares.

In general Turkish figs have a high sugar content, a light and extremely thin skin and a heavy weight. The principal commercial varieties are Sari lop, Gok lop, and Cengelci (thehenguejdje). For commercial purposes dried figs are classified into five grades, according to their quality and size.

Olives:

Olives and olive oil are other important items in the agriculture and export trade of Turkey. Olive produc-

tion, characteristic of all Mediterranean countries, is practiced extensively on the hill slopes of the Marmara, Aegean, and Mediterranean regions.

The olive tree is one of the rare trees which need no replacement. Even if the tree is destroyed or cut, its roots provide a trunk for a new tree. Therefore, an olive tree lasts for centuries.

The area under olives is about 350,000 hectares. In addition to this, Turkey has about 200,000 hectares of wild olives. They are of some significance in the production of oil.

In recent years production has increased from an average of 158,000 tons in 1929-34 to 237,000 tons in 1935-39, thus making Turkey one of the world's principal olive producing nations.

Turkey ranks third in acreage and fifth in production of olives in the world. However, great efforts have been made by the Government to bring wild trees into production. For this purpose a law was passed in 1929. This law provides for individuals to graft as many trees as they want for their own uses. After grafting and certain other cares are taken and the land fenced, individuals are given the right of ownership. Thus it is believed that in the next decades Turkey will increase her share of the world production in olives.

Although the olive constitutes an important element in the diet of the people in Turkey, its main importance lies in the oil which is derived from it. On the average, Turkey's annual production of olive oil is 36,800 tons. In olive oil production Turkey holds fifth place, surpassed by Spain, Italy, Greece, and Portugal. Turkey produces about 6 percent of the world's olive oil output.

As it is indicated above, although olive trees are grown in the Marmara, Aegean, and Mediterranean regions, the heaviest production is concentrated in the districts of Balikesir, Izmir, Canakkale, Aydin, and Mugla, all on the Aegean Sea. This section produces about 75 percent of the olives, and 80-85 percent of the olive oils of the country.

In olive culture Turkey's possibilities are very great. Realizing this fact, a special organization was set up to expand and improve production in the country.

Pistachio nuts:

Turkey is the world's largest producer of pistachio nuts. They are grown in the districts of Gaziantep and Marash. There are over 3 million trees in the country. In addition, there is a large area under wild pistachio nuts. The government program is to graft and bring them into production in a short time.

The present yearly production is about 8,000 tons,

most of which is exported.

Citrus fruits:

The different climatic conditions found in Turkey permit the growth of oranges, tangerines, lemons, and grapefruit in the country. Production of these fruits is concentrated in the coastal areas of the Mediterranean, Aegean, and the northeastern Black Sea regions. Because of a high foreign and domestic demand, this branch of agriculture is developing rapidly. In 1940 there were some 1.6 million orange trees, 414,000 tangerines and 257,000 lemons. Production in the same year amounted to 237 million oranges, 83 million tangerines and 37 million lemons. Only a small portion of the oranges are exported.

Other Fruits and Nuts:

Walnuts: Although walnuts are grown in almost every part of Turkey, the crop is of special importance in the districts of Kastamonu, Malatya, Tokat, and Zonguldak. Production averaged 56,000 tons in 1937-41 from 2.2 million trees.

Almonds: Almonds are concentrated in the Aegean, Marmara, and southern regions. In 1937-41 the average production was 13,000 tons harvested from 1.9 million trees.

Chestnuts: The principal producing regions are near the Marmara and Black Sea. Production averaged 16,600 tons

from 760,000 trees.

Apples: Apples are produced all over the country. However, the most important producing centers are Amasya, Nigde, Malatya, Kastamonu, and Izmit. During the period 1937-41 production averaged 96,000 tons from 6.4 million trees.

Pears: Pear growing is also widespread everywhere in Turkey. However, the principal districts are Ankara, Malatya, Tokat, Kumushane, and Kastamonu. The average production for the period 1937-41 was 72,000 tons harvested from 5.8 million trees.

Apricots: The principal apricot growing centers are located in the sheltered valleys of Central Plateau, especially in the districts of Malatya, Erzincan, Kayseri, Diyarbakir, and Gaziantep. In 1937-41 production averaged 17,000 tons from 2.2 million trees.

Peaches: Peaches are produced principally in the districts of Bursa, Diyarbakir, Izmir, and other places along the Aegean and Mediterranean regions. For the period 1937-41 production averaged 9,900 tons from 865,000 trees.

Cherries: Cherries, both sweet and sour, are grown everywhere in Turkey. However, the most important producing areas are the Marmara and Aegean. In 1937-41 production averaged 33,400 tons from 2.7 million trees.

Livestock

Livestock and livestock products also play an important part in Turkey's economy. Turkey has been known as a livestock country, since 50 percent of its area consists of grazing land, pastures and meadows. This does not mean that the livestock industry has developed a great deal. In general, the productivity of animals is very low; care, feeding, and animal housing conditions are very much neglected. Nevertheless, even under these very primitive circumstances, in 1943 the share of livestock and livestock products in the country's national income was 13.5 percent, while it is one fourth of the agricultural income.⁴¹

To improve the quality of livestock the Government set up a number of stud-farms, stallion depots, livestock breeding stations and brood-bull establishments. Scientific measures to develop every species of animal separately have been adopted. Different races were studied separately. Following the results of those studies a definite plan for improvement of the country's livestock industry was adopted. Today Turkey is on the way to achieving this modern and scientific program.

⁴¹Turkiye Milli Geliri, Op. Cit., p. 64.

Cattle:

Cattle are raised chiefly for milk and meat production, but also for use as draft animals. The number of cattle in 1935 was 6,486,000. It increased to 9,759,000 by 1940. This rather sudden increase in cattle numbers was a direct result of Government assistance in establishing breeding centers and applying sanitary measures for the prevention of contagious diseases among animals.

In cattle population Turkey has a density of 53 per square mile, compared with 27 in the United States, and 34 in Michigan. However, from the production standpoint the cows of Turkey are not comparable with those of the United States. In fact, the average milk production per cow in Turkey is about 1200 lbs., compared with an average 4600 in the United States or 5500 in Michigan.

In addition to cows there were some 947,000 water buffalos in 1940. They are used for milk production as well as for draft animals. In water buffalo population, Turkey ranks first in Europe but ninth in the world.

Sheep:

Conditions for raising sheep are more suitable than for any other livestock in Turkey. Although sheep raising is scattered throughout the country, it is a specialty of the farmers in the regions of the Central Plateaus and the Eastern Highlands. They are grown for their wool and meat.

But they also furnish milk and skin. Two varieties are widely raised, (1) horned and long-tailed, and (2) fat-tailed. The former is being raised in the western districts where pastures are rich, and the latter in the Central and Eastern Plateaus where the grazing season is very short. Since by nature sheep in the latter regions have a heavy fat-tail weighing 30-45 pounds, gained during pasture season they survive the winter.

The number of sheep has increased considerably. In 1935 there were 13.6 million sheep in Turkey, whereas the number rose to 26.3 million in 1940 and dropped to 23.4 million in 1945.

In sheep population Turkey ranks third in Europe after Russia and Great Britain, and eighth in the world.

In addition to the varieties mentioned above there are some merinos and karakul, which were introduced into the country's livestock industry following the establishment of the new regime. The number of merinos increased rapidly after the first industrial plan which required about 2,000 tons of merino wool annually. In 1940 there were 39,000 merino sheep, and by 1945 they reached 116,000.

Mohair Goat:

The mohair goat is a native of Turkey. It plays a very important role in the economic life of the farmers of the Central Plateau. In fact it is only through the raising of the mohair goat that it is possible to utilize most of

the land in this region.

The mohair goat, or the so-called Ankara (Angora) goat is raised exclusively for its wool, which is very fine, soft and durable. This production was a monopoly of Turkey until 1860, and there were no goats of this type outside of Anatolia. But with the development of the textile industry in Europe, the demand for mohair wool went up so very high that Turkish production could not meet the requirements. Therefore, diplomatic pressure was brought to bear on Turkey by Great Britain. This pressure finally led the Sultan to present a few mohair goats as a gift to the British Ambassador to be sent to South Africa for breeding purposes. Following the British example, the United States secured mohair goats from Turkey in 1898 and introduced them into Texas and the Western plains.

In 1935 the number of mohair goats in Turkey was 3.3 million, compared with 3.6 million in the United States. It increased to 5.5 million in 1940 and dropped to 4 million in 1945. For the same years, there were 4.3 and 4.4 million goats in the United States.

Besides mohair goats, there were 8.5 million common goats in 1935. Their number increased to 11.4 million in 1940 and 12.2 million in 1945. They are raised for their milk and hair, as well as for meat and skin.

In common goat population, Turkey ranks first in

Europe, and third in the World after India and China.

However, a vigorous campaign is underway to replace these goats with more lucrative sheep or cattle, for they destroy the country's forests. This campaign consists principally of a heavy tax on each goat. It is believed that the common goat population will decrease considerably after these measures.

Hogs:

Since the Moslem religion forbids the eating of pork, hogs are not important in Turkey. However, they are raised on state farms, and by non-Moslem farmers to meet the demand of foreigners living in Istanbul and Ankara. In 1945 there were some 3,000 hogs in Turkey.

Poultry:

There is no organized poultry and egg production in Turkey. There exists practically no large flocks. Each farmer raises a relatively small number of chickens, ranging from 10 to 15. There are no incubators or hatcheries worth mentioning. The method generally employed is natural brooding.

In 1940 there were 18.5 million chickens and 1.3 million turkeys in Turkey, or 67 chickens per square mile compared with 180 in the United States and 270 in Michigan. For the same year egg production amounted to 91.3 million

dozens.

A certain attempt has been made by the Government to improve and develop the poultry industry. To this end, a model poultry farm was established in Ankara. Although this activity has been going on since 1934, no influence on the general poultry situation can be observed.

Sericulture:

Sericulture plays a significant role in the agricultural economy of some districts. Turkey has large resources suitable to this industry. In fact there are over 3 million mulberry trees in the country. In the 1850's Turkey was one of the leading countries in sericulture in the world. But later on the industry declined. The new regime is attempting to revive it. For this purpose a number of schools and experiment stations have been set up. In 1940 the total production was over 3,000 tons produced by 63,500 families.

Other Livestock:

In 1945 there were 977,000 horses, 88,000 mules, 108,000 camels, and 1.6 million asses. In ass population Turkey holds second place in the world after China.

PART TWO

TURKEY'S FOREIGN TRADE
IN AGRICULTURAL PRODUCTS

PART TWO

TURKEY'S FOREIGN TRADE

Foreign trade has always been a prime factor in Turkey's economic life, especially since the demolition of her local handicraft industries in the wake of the European industrial revolution. Although the natural resources of Turkey were suitable for industrialization, Turkey did not develop industrially at the same time as Western nations. The reasons for this may be found in the capitulations and concessions to foreigners under the Ottoman rule which will be discussed in Part III. It is sufficient to say that Turkey sought advantage in foreign trade primarily by producing agricultural raw materials and foodstuffs.

Historically, when a country's trade is based upon the exportation of agricultural products, while importing industrial goods, its foreign trade is small compared with the industrial nations. This is true in the case of Turkey. In fact, in 1935 Turkey's share in the total exports of Europe was 0.9 percent, while in that of imports 0.6 percent.¹ This contrasts with Belgium, which is about one twenty-fifth the size of Turkey and has no natural resources except coal, but nevertheless had a share of 5.4 percent in exports and 5.2 in European imports.² Turkey's share in total world

¹League of Nations, Europe's trade. Geneva, 1941. p.16.

²Ibid., p. 16.

trade is an insignificant figure of about 0.35 percent. Nevertheless, with her peculiar climate and soils which make possible the production of specialized agricultural products, Turkey is important in the world trade of a considerable variety of products.

In order to analyze properly Turkey's foreign trade in agricultural products it is necessary first to consider the subject of balance of trade of Turkey.

CHAPTER V

THE BALANCE OF FOREIGN TRADE

The trade balance of Turkey, on account of the deplorable economic conditions under the sultanate, showed a heavy deficit, for about 80 years. It finally reached a balance in favor of the country, in 1930, under the Republican regime. The table on the next page portrays the development of exports and imports and the balance of foreign trade of Turkey from 1923 to 1946.

In this table it is possible to see most of the effects of the national and international economic happenings. In fact, it indicates that from 1923 to 1929, during the 7-year period of the new regime, the balance of trade was unfavorable to Turkey. The balance of trade continued to be unfavorable because Turkey's demand for foreign goods was very high, since its economic resources were exhausted and destroyed during World War I and the War of Turkish Independence. The low tariff rates and the high demand for foreign products prevailing in 1923-29 have brought about a considerable increase in imports over exports. This unfavorable balance of trade of Turkey had been carried on since the 1850's.³ In 1929, however, a sharp increase in imports resulted in a deficit of 101 million liras in the balance.⁴ This sudden

³See Table 15 in appendix, The Balance of Trade of the Ottoman Empire.

⁴From 1923 to 1929 one Turkish Lira was equal to 50 cents, from 1930 to 1932, 47 cents, and from 1934 to 1946, 80 cents. Since 1946 it has been worth 35 cents. See table 2 in appendix.

Table I: The Balance of Foreign Trade of Turkey 1923-1946.
(in 1,000 Liras)

<u>Year</u>	<u>Exports</u>	<u>Imports</u>	<u>Balance</u> ¹
1923	84,651	144,789	- 60,138
1924	158,868	193,611	- 34,743
1925	192,428	241,619	- 49,191
1926	186,423	234,700	- 48,277
1927	158,421	211,398	- 52,977
1928	173,537	223,532	- 49,995
1929	155,214	256,296	-101,082
1930	151,454	147,551	3,903
1931	127,275	126,660	615
1932	101,301	85,984	15,177
1933	96,162	74,676	21,486
1934	92,149	86,790	5,359
1935	95,861	88,823	7,038
1936	117,733	92,531	25,202
1937	137,984	114,379	23,505
1938	144,947	149,836	- 4,889
1939	127,389	118,249	9,140
1940	111,446	68,923	42,523
1941	123,081	74,815	48,266
1942	165,034	147,713	17,321
1943	257,152	203,045	54,107
1944	232,530	164,944	67,586
1945	218,929	126,166	92,763
1946	432,000	223,900	208,100

Source: Compiled from Annuaire Statistique, Office Central de Statistique, Republique Turque, Ankara.

¹A positive balance represents an excess of merchandise exports, a minus balance an excess of imports.

rise in imports was because importers realized that the low-tariff period would end in 1929. Therefore, they imported as large quantities of goods as possible at the old low rates. Imports increased to an all-time high with a value of 256 million liras, and as a result a very strong demand for foreign exchange took place. Because of the large amount of external debt which was taken over from the Ottoman Government, Turkey was deficient in foreign exchange. Therefore, in order to meet this increased demand the strain upon the lira was very great. This situation created a very severe crisis which marked the beginning of the period of depression in the country. It also forced the Government to take strict measures over imports and currency, beginning in 1930.

As a result of the imposition of high tariffs upon imports and other restrictive measures, there resulted a trade balance in favor of the country for the first time in almost 80 years. This favorable balance was restored in 1930 and maintained until 1938, but was only achieved artificially. After 1930 imports continued to decline due to the imposition of high import duties and the application of the quota system on the one hand, and the world economic crisis on the other. The imports dropped to 74.6 million liras in 1933. In 1937, however, the quota system was abandoned and this caused imports to rise to 114 million liras, or an increase of 24 percent compared with the previous year.

Furthermore, on account of the improved conditions in international trade following 1936, the Government lifted some of the restrictions and followed a somewhat more liberal policy for imports.

In 1938 imports increased further and exceeded exports and thus put Turkey again in an unfavorable balance of trade. The five-year industrial plan and the railroad construction program, which required the importing of large quantities of machinery and iron and steel products was the main factor for increased imports in 1938. During next year and thereafter Turkey maintained a credit-balance, mainly because of the world conflicts which made imports of industrial goods very difficult. In fact, in 1940 imports decreased sharply to a value that was an all-time low in the country's history. Conditions in 1942-44, however, were improved to some extent, as the United States extended Lend-Lease aid to Turkey beginning in 1942.

Exports also followed a trend similar to that shown by imports. Prior to 1930, that is, under the low tariffs, Turkey's exports moved at rather high levels. They reached 192.4 million liras in 1925, which was the highest figure in the period 1923-40. During the world economic depression, however, the prices of agricultural commodities in world markets fell off sharply due in part to the general rise of trade barriers, and partly to the reduction of consumption in importing European countries, which had resulted

from the decrease in their purchasing power. Since Turkey's export trade is dependent upon the western and central European markets, the depressed economic conditions prevailing in 1929-1933 caused her exports to be drastically reduced. The value of exports dropped from 173.5 million liras in 1928 to 92 million in 1933. In 1935, the trend in exports turned up, but the value was still very low, amounting only to 95.8 million liras. After 1936, however, exports revived as the installments on external debt were paid in Turkish currency instead of in foreign exchange. This forced foreigners to purchase Turkey's products for export or to reinvest the interest in Turkey. Thus exports continued to rise until 1938.

With the outbreak of the war in 1939 the trend turned downward again, due partly to the restrictions in some exportable products which Turkey might need in case of involvement in the war, and partly to a severe shortage of shipping facilities. After 1941, however, exports began to increase owing to the British purchases of large quantities of surplus agricultural products, namely, tobacco, filberts, raisins, and figs, which were at high prices in order to keep Turkey from trading with Germany. Another factor contributing to the increase in exports was that ships bringing Lend-Lease equipment to Turkey provided shipping space for the exports of Turkish products, mainly chrome ore, tobacco, valonia, licorice root and dried fruits, to the

United States.

In 1946 a tremendous increase in the values of both exports and imports took place. But this does not mean that the quantities increased greatly compared with other years. This abnormal rise of exports to an all-time high was brought about through the devaluation of Turkish currency from an exchange rate of 1.3 to 1 dollar to 2.82 to 1 dollar by a Government decree dated September 7, 1946, (See Chapter XIII). In fact, if the values of exports and imports are converted into the 1938 price level, they would be, respectively, about 153 and 80 million liras instead of 432 and 223.9 million liras. Another way to compare trade in 1946 with that of 1938 is to consider the quantities traded. In 1938 exports amounted to about 1.5 million tons and imports 844,000 tons, whereas in 1946 they were 905,000 and 403,000 tons, respectively. Hence, it is correct to say that, despite the apparently high values of exports and imports in 1946, the real value was below the figures for 1938.

CHAPTER VI

EXPORT TRADE OF TURKEY

When the general features and agricultural production of Turkey were analyzed above, it was pointed out that the country is predominantly agricultural, and although determined efforts have been made by the Government to develop local industries, Turkey is still far from meeting her industrial needs. Turkey's export trade consists of agricultural and mineral products, with manufactured goods the main items of imports. Nevertheless, at this point a general classification of Turkey's exports will be helpful in setting forth more clearly the nature of her advantage in trade with the rest of the world. The classification employed includes agricultural commodities, raw minerals and manufactured goods. As used in this classification agricultural commodities are those which include all plant and livestock products.

A division of Turkish exports on the basis of this classification shows that the principal exports of Turkey fall within the group classified as agricultural products. Although the country has deposits of many different kinds of minerals, some of very high quality, their contribution to the export trade is comparatively small. But, the most remarkable fact in Turkish export trade is the almost complete absence of manufactured goods. The only manufactured items in the country's export trade are hand made rugs and

carpets. For centuries they have enjoyed a world wide reputation and demand. However, the introduction of machine-made rugs and carpets in large numbers and the lower prices in world markets limited the exportation of Turkish hand-made rugs.

The specific statistics for the above statements are as follows: In 1935-39 agricultural products averaged 84.6 percent of the total Turkish exports by value, while minerals accounted for only 5 percent. The remaining 10.4 percent consisted of miscellaneous items of which 3 percent were manufactured goods, namely, rugs and carpets, and some woolen and silken goods; fishing shared about 0.7 percent.

The Place of Agriculture in Export Trade

The preceding analysis indicates strikingly the fact that in trade with the rest of the world Turkey's advantage is based on the peculiar geographic influences, mainly climate and soil, which make possible the production of specialized agricultural and animal products. The exports of agricultural products from Turkey create the bulk of the purchasing power by which she can obtain exchange to buy industrial goods, chiefly capital goods, to develop her industry.

The exchange of Turkish agricultural raw materials and food stuffs for industrial imports began in the 1850's. Prior to that date Turkey, or the so-called Ottoman Empire,

was almost self-sufficient, having its local handicraft industries and exporting only a few agricultural items. But with the industrial development of western nations the demand for exports of Turkish agricultural products increased considerably. Likewise Turkey's demand for industrial imports increased accordingly.

Table II shows Turkey's exports of agricultural commodities in values and percentages compared with the total exports from 1923 to 1940. This table indicates that the value of exports of agricultural products increased as the total exports increased and vice-versa. It also indicates that the place of agriculture in export trade is very great. From 1923-1940 agricultural products averaged 82.6 percent of the total exports. It decreased to 78 percent in 1927, and increased to 86.3 percent by 1938. In 1941, it rose to an all-time high of 89.9 percent. In volume as well, agricultural commodities provide the bulk of total exports, being about 80 percent in 1938.

Important Agricultural Exports

The foregoing analysis shows that the export trade of Turkey generally consists of the export of agricultural products. However, in Turkey's agricultural export trade the shares of the various enterprises are not the same. Among them field crops play the most important part, consisting of about 50 percent of the total agricultural ex-

Table II: Value of Agricultural Products and Percentage
of Total Export of Turkey. 1923-1946.
 (Values in 1,000 liras)

<u>Year</u>	<u>Value</u>	<u>Percentage</u>
1923	67,452	80.1
1924	129,635	81.5
1925	154,380	80.4
1926	153,351	83.0
1927	130,709	82.7
1928	143,898	83.0
1929	125,756	81.0
1930	119,457	79.1
1931	108,626	85.5
1932	86,183	85.3
1933	75,826	78.1
1934	74,043	80.4
1935	80,546	83.9
1936	100,139	85.0
1937	119,672	86.5
1938	125,189	86.3
1939	103,602	81.5
1940	95,709	85.9
1941	108,579	89.9
1942	143,668	87.0
1943	193,305	76.0
1944	189,598	81.5
1945	196,321	89.7
1946	372,332	86.2

Source: Calculated from Annuaire Statistiques,
 Ankara.

ports. Second in importance come tree crops, and then livestock products which comprise about 30 and 20 percent of the agricultural exports, respectively. A brief discussion of the principal commodities will better indicate the basis of Turkish advantage in each commodity.

Tobacco:

Among all the Turkish exports tobacco is by far the most important item. In the five years ending with 1934, annual exports were valued at 26.8 million liras from 25,564 tons and represented 22.8 percent of the country's total exports, or 28 percent of agricultural exports. Tobacco exports increased from an average of 33.1 million liras in 1935-39 to 48.7 million liras in 1940-44, sharing 26 percent and 28 percent of the total exports respectively. This sudden rise in value in the last five year period was due largely to the increase in the price of tobacco rather than the amount exported. In fact for the same periods exports increased slightly from an average of 34,000 tons to 35,300 tons, or an increase of 4 per cent only. The increase in price was brought about by a drastic decline in tobacco production in Greece during German occupation. In fact Greece was the world's largest exporter of Turkish or so-called oriental tobacco and the principal competitor of Turkey. Since 1941, however, Turkey has held first place in this type of tobacco exports in the world.

Turkish tobacco is shipped to nearly all world markets. Since 1687 it has preserved its superiority among all the tobaccos of the world. Because it gives an exquisite aroma and an attractive color to cigarettes, it has been regarded as an absolute necessity by all tobacco manufacturing countries. The principal buyers are the United States, Germany, the United Kingdom, Italy, Egypt, and Czechoslovakia. These countries and many others⁵ import Turkish tobacco mainly for blending purposes and not for the purpose of increasing the supply to meet their requirements. Therefore, Turkish tobacco, or so-called oriental tobacco produced in Turkey and Greece is a special product not competing with but rather complementary to tobaccos produced in other countries. For instance, the United States is the world's largest producer and exporter of tobacco, realizing 155 million dollars annually from an average export of 200,000 tons.⁶ It is also the largest purchaser of Turkish tobacco.

United States tobacco companies maintain resident buyers in Turkey and play an important role in the tobacco market of the country. The introduction of Turkish blend

⁵See appendix, table 11. Turkey's export of leaf tobacco to principal countries.

⁶Figures represent the years from 1936 to 1937. Values are taken from the Statistical Abstract of the United States, 1943; while the exports are from the International Yearbook of Agricultural Statistics. 1940.

cigarettes which began in 1902 has been given on the reason for the rapid increase in cigarette consumption in the United States.⁷ In 1901-1905, the annual consumption of cigarette tobacco in the United States was 12.4 million pounds. After 1905 the annual consumption began to increase, reaching 22 million pounds in 1906-1910; 130.3 million in 1916-20; 347.9 million in 1930, and 754.5 million in 1942.⁸ There was a similar development in the United Kingdom, Germany, Italy, and other countries. Therefore, it seems quite certain that Turkey's exports of tobacco will continue to be the most important item in her trade with the rest of the world.

In order to protect the quality of the Turkish product and maintain its reputation in foreign markets, the production and marketing of tobacco are under official supervision. The manufacture of cigarettes and other tobacco products is also under Government monopoly. These sales of tobacco furnish an appreciable part of the national revenue. In 1937-41 returns from tobacco sales averaged 43.4 million liras, or about 9 percent of the total revenue.

Hazelnuts (Filberts):

Turkey is the world's largest exporter of filberts,

⁷Leland James Gordon, American Relations with Turkey, Philadelphia, 1932, p. 86.

⁸Statistical Abstract of the United States, Washington, 1943, p. 821.

followed by Spain and Italy. About 90 percent of the crop is shipped to foreign markets. These shipments normally represent about 9 percent of the value of all Turkish exports. Hazelnuts rank second to tobacco. Though exports vary from year to year according to size of crop, the trend in the past decades has been upward. Whereas Turkey exported a yearly average of 15,700 tons of shelled filberts valued at 8.3 million liras in the 1930-34 period, she shipped an average of 20,600 tons with a value of 11 million liras in 1935-39. In the last 5-year period, 1940-44, although production increased, exports decreased considerably because of World War II, which reduced the purchases by filbert-importing nations in Europe and also checked shipments from Turkey. Even under these conditions, the value of filberts exported during the war years was slightly higher than that of 1935-39, amounting to 12.6 million liras from 14,500 tons. This increase in value was due to the increase in prices.

Prior to World War II the principal markets for Turkish filberts were Germany, France, Czechoslovakia, the United Kingdom, Switzerland, Sweden, and the United States.

In order to protect the quality and maintain its reputation in foreign markets, filbert exports are under the strict control of the Minister of Commerce and a central export organization. The latter sets minimum export prices for hazelnuts.

Raisins:

Raisins have been third in importance in the export trade of the country.⁹ In some years they have ranked second, exceeded only by tobacco. The Turkish raisin is produced from a seedless variety of grapes known as sultana. Turkey's principal competitors on world markets are the United States, Australia, and Greece. Both the United States and Australia brought seedless grapes from Turkey and introduced them into their agriculture in the 1870's. By 1920 the United States had become the largest producer and exporter of raisins in the world.

During the 1930-34 period the average value of raisin exports was nine million liras from 43,800 tons, representing 8.1 per cent of the value of the country's total exports. During the following five years ended with 1939, however, exports increased substantially, averaging 9.3 million liras from 60,000 tons, placing Turkey in the first rank as the world's largest exporter against United States exports of 56,250 tons for the same period. In 1940-44, because of the war, exports from Turkey decreased drastically to an average amount of 23,000 tons, while exports from the United States averaged 75,000 tons.

⁹The name "raisin" refers to the dried fruit of certain varieties of the grapevine. However, in foreign trade it refers to the dried seedless grapes, while dried seeded grapes are called currants.

The exportation of raisins is controlled by the Government with a view to improving their position on world markets.

Prior to the war the principal customers of Turkish raisins were Germany, the United Kingdom, the Netherlands, Belgium, and Italy.

Dried Figs:

Turkey is also the largest exporter of dried figs in the world. Up until 1900 Turkish figs or so-called Smyrna figs were so distinctive as to be entirely free from competition. That situation led the United States to attempt to transplant the fig tree to California where the climate and soil conditions are similar to those of Western Turkey. First efforts failed for about 20 years. The fact was that they did not realize the necessity of caprification in producing figs.¹⁰ Bringing in the wild caprifig and fig wasp, and adaptation of the caprification process in 1899 marked the beginning of successful production of Smyrna figs in California. To indicate its origin and its quality, the California fig is called the "Calimyrna" fig. American fig

¹⁰Caprification is an artificial method of pollinating Smyrna figs (not any other species). Otherwise, no production can be obtained. Fruits of the wild caprifig containing the fig wasp (*Blastophaga grossorum*) are hung in the orchards in May, and the insects upon completing their life cycle go from them to the Smyrna figs carrying pollen grains, thus aiding pollination.

production has steadily increased and today California with her fancy packing and packaging is a formidable competitor of Turkey in the world markets. Nevertheless, the Smyrna fig is sought after throughout the world as a superior product in quality.

In fig exports Turkey holds first place, followed by Italy, Greece, Spain, and the United States. Turkish fig exports have increased from a yearly average of 26,500 tons in 1930-34 to 32,200 in 1935-39. During the latter period value of exports averaged 4.3 million liras, representing 3.4 percent of the total exports. After 1939, however, exports decreased considerably, averaging 18,300 tons in 1940-44.

Prior to 1940 the principal customers of Turkish figs were Germany, the United Kingdom, France, the United States, Belgium, and Czechoslovakia, in the order named.

Cotton:

In the chapter on agricultural production it was pointed out that cotton had become an important Turkish export since the American Civil War of 1861-65. In some years shipments reached about 200,000 bales, but due to the many wars, particularly World War I and the War of Turkish Independence, exports had declined by 1923 to 48,000 bales. During the period 1924-28, however, the amount of cotton exported averaged 76,000 bales and the

value 11.6 million liras. In the following five year period, 1929-34, although average annual exports increased slightly to 78,200 bales, the values dropped to 7.1 million liras. During the 1935-39 period exports increased further to an average of 83,200 bales. During this latest period cotton exports were valued at 7 million liras. This value represented 5.6 percent of the value of all Turkish exports. With the expansion of domestic textile industries after 1937, the trend in cotton exports turned downward. Nevertheless, Turkey still remains as the only cotton-exporting country in Europe.

Turkey ranks tenth in the world export of cotton, but its share of 83,200 bales is negligible compared to that of the United States of over 5 million or India 2.5 million bales.

Prior to World War II, the principal markets for Turkish cotton were Germany, Italy, Hungary, Czechoslovakia, and Romania, in the order named.

Cereals:

One of the most striking facts in Turkish foreign trade under the new regime has been the rapid transition of Turkey from a wheat-importing to a wheat-exporting nation.¹¹

¹¹This statement refers to the net-import and export.

Up until 1930, with the exception of 1927, it had been necessary to import large quantities of wheat from abroad to supplement home production. For example, in 1924 wheat imports amounted to 173,700 tons, while in 1934 exports were 86,800 tons. This rapid change in wheat trade was due largely to the Government aid to wheat growers, improved transportation, and also because the new tariff act of 1929 discouraged imports and encouraged home production sufficiently to permit some exportation.

During the ten year period ending with 1939, exports of wheat increased from an annual average of 34,000 tons in 1930-34 to 66,300 tons in 1935-39, the ratio of increase being 95 percent. In this latest period exports were valued at 3.9 million liras representing 3.1 percent of the value of the country's total exports, and putting wheat in the seventh place among the export products.

Before the war Italy, Germany, Syria, Belgium, and Switzerland were the principal buyers of Turkish wheat.

Barley, canary seed, oats, and millet are other cereal items exported. In 1935-39 they had a combined average value of 5.8 million liras, 60 percent of which consisted of barley. They represented 4.6 percent of the total exports. For the same period leguminous products such as beans, beans of all kinds were valued at 2.4 million annually.

Opium:

Turkey is one of the leading countries in the export of opium for medical use. Being especially rich in morphine content, Turkish opium is highly prized and sought after by foreign buyers.

Prior to 1930, opium played an important part in the country's export trade. In 1925-29 exports averaged 6.9 million liras from 360 tons crude opium, which represented 4 percent of the value of the total exports. A world-wide campaign by the League of Nations, however, to restrict opium trade to medical uses, reduced demand considerably. Thus during the 5-year period 1930-34, exports averaged 267 tons, or a reduction of 26 percent compared with the previous period. In 1935-39 exports declined further, averaging 191 tons with an average value of 1.6 million liras, representing 0.2 percent of the total exports.

Opium export is a Government monopoly. The principal purchasers of Turkish opium are the United States, Germany, the United Kingdom, France, and Italy, in the order named.

Mohair:

Mohair is another important item in Turkish export trade. Up until the 1860's Turkey was the only pro-

ducer and exporter of mohair wool in the world. With the introduction of the mohair goat into South African and United States agriculture, however, Turkey lost her monopoly over this valuable commodity in world trade. Nevertheless, because of its superiority and a very high demand by almost all the textile manufacturing nations, Turkish mohair dominates international trade.

Prior to 1923 Turkey was the world's largest exporter of mohair wool, followed by South Africa. The United States production was consumed domestically. Turkey has maintained this lead to the present time, with the exception of the years 1924-27 inclusive and 1929-31 inclusive, when South Africa gained the foremost position in this export trade, shipping primarily to Great Britain. Presently the mohair goat population of South Africa has declined drastically, while that of Turkey has increased considerably.

During the five years ending with 1929 annual exports averaged 3,632 tons with a value of 5.6 million liras, representing 3.3 percent of the value of the total exports. Since 1930, however, exports have increased but slightly from an average of 4,160 tons in 1930-34 with a value of 2.4 million liras, to 4,860 tons in 1935-39. In this latest period the value of shipments averaged 5.2 million liras, sharing 4.2 percent of the total exports. During World War II there have been practically no change in

volume of exports. The value, however, has increased considerably.

The chief buyers of Turkish mohair wool prior to 1940 were Germany, Russia, the United Kingdom, France, and Switzerland in the order named. The United States used to buy large quantities of mohair wool from Turkey, but with the adoption of the Smoot-Hawley Tariff Act of 1930, which imposed high tariff, on mohair wool (34¢ per lb.), imports from Turkey decreased drastically.

Livestock Products:

Besides mohair the other livestock products exported from Turkey are wool, skins, eggs, live animals, sausage casings and silk. Of these products the most important is wool. In 1935-39 exports averaged 7,634 tons unwashed and 362 tons washed. For the same period the value was 4.7 million liras sharing 3.7 percent of the total exports.

Turkey is the largest wool-exporting country in Europe. It holds ninth place among the wool-exporting nations of the world. However, its exports of 7,634 tons are negligible compared with Australia's 330,000, Argentina's 115,000, or New Zealand's and South Africa's over 100,000 tons each.

Although there are substantial quantities of ship-

ments of skins, live animals and eggs, these commodities are not peculiar to Turkey and there is no advantage enjoyed in their production. In 1935-39 these three export items had a combined average value of 7.9 million liras. While this figure is rather high, the writer believes that as the living standard of the nation increases and the home industries are developed, exports of such items will decline. In fact, according to a study egg consumption in cities in Turkey was 126 per person and for meat only 20 kg. in 1943,¹² compared with 310 eggs and 83 kg. of meat in the United States.¹³

Among the livestock products sausage casings have been one of the important items of Turkish export trade since the "frankfurter" or so-called "hot dog" gained a widespread and increasing popularity in the United States, Germany and Czechoslovakia. In 1935-39 export of sausage casings was valued at 1.5 million liras.

Other Exports:

Other important agricultural products exported from Turkey are Pistachio nuts, in which Turkey holds first place in the world, walnuts, chestnuts, olive oils, almonds, oranges, apples, and sesame. In 1935-39 these had a combined average value of about 4 million liras of

¹²Turkiye Milli Geliri, op. cit., pp. 101, 177.

¹³Shepherd, Geoffrey, Marketing Farm Products, Ames, 1946, p. 15.

which olive oils and walnuts accounted for 70 percent.

There are some other products which might be considered as agricultural, such as licorice root, valonia and gums. Thus far Turkey is the largest exporter of these unusual products. Of these products, licorice root is used as a flavoring for chewing and smoking tobacco, soft drinks and in the manufacture of confections. Turkey supplies about 75 percent of the world's requirements. The United States is the principal customer for Turkish licorice and it plays a very important role in the Turkish market by maintaining resident buyers. As in the case of other products in which Turkey enjoys a natural advantage, attempts have been made to introduce the plant into United States agriculture, but efforts have not been successful as yet.

Valonia is a product of the acorns of an oak tree, "Quercus valonia" which is peculiar to Turkey. It is used in tanning a special grade of light-colored leather. Before the development of the German chemical dye industry, Turkey had enjoyed a natural monopoly on world markets by exporting valonia and other natural dye-yielding items. But since 1920 exports of these products have declined drastically as chemical dyes were developed. Nevertheless, the demand for Turkish valonia is still very high. In the period 1935-39 annual exports were valued at 2.4 million liras. Prior to 1940 the principal valonia

importing countries were Germany, the United States, the United Kingdom, Egypt, France, Italy, and the Netherlands in the order named.

CHAPTER VII

IMPORT TRADE OF TURKEY

Since Turkey is predominantly an agricultural country, its imports have been limited mainly to industrial goods, namely, iron and steel products, machinery, motor vehicles, railway equipment, chemicals, and cotton and woolen piece goods. These items normally account for over 90 percent of the total Turkish imports by value. Prior to 1929 textiles constituted the major portion of the total imports. From 1923 to 1927 imports of textiles averaged 79 million liras representing 50 percent of the value of all imports. With the expansion of local textile mills imports had declined sharply by 1940. Thus, for the five years ending with 1939 values averaged 25 million liras or a decrease of 68 percent compared with the period 1923-27. In this latest period textiles represented 20 percent of the total imports.

During 1923-27 annual imports of machinery, iron and steel and other metallic products were valued at 6.8 million liras representing only 4.5 percent of the total imports. With the beginning of Turkey's industrialization imports of such items increased considerably. Thus in 1935-39 imports of these products averaged 39.3 million liras representing 31 percent of all imports.

The Place of Agricultural Products in Import Trade

The preceding summary indicates strikingly the fact that agricultural products are of little present importance in Turkish import trade. Prior to the new regime, however, it had been necessary to buy large quantities of farm products, namely wheat, wheat flour, rice, corn, sugar, and potatoes, from abroad to supplement domestic production. This situation continued until 1929. After that the rapid developments and improvements of the production of those crops and the tariffs and government bounties eliminated the necessity for their importation. Even now, Turkey has become an exporter of some of these crops.

Table III shows Turkey's imports of agricultural commodities in values and percentages compared with the total imports from 1923 to 1940. The striking thing revealed by this table is that prior to 1929 agricultural products occupied an important place in the country's import trade. For example, in 1923-27 the value of agricultural commodities averaged 41.5 million liras representing 20.1 percent of the total imports. But the adoption of high tariffs in 1929 on the one hand, and the expansion of the home production on the other have brought about a drastic decline in agricultural

imports after 1929. Thus, in 1935-39 the value of farm products imported declined to 9.1 million liras annually constituting 8.2 percent of the total imports.

Important Agricultural Imports

At present the principal agricultural products imported are tea, coffee, rubber, hides, cocoa, sugar, and lemons. At this point a brief discussion of the principal commodities imported seems necessary.

Coffee:

There is no coffee production in Turkey, so that all the coffee consumed must be imported. Although for some years experiments have been conducted on the Mediterranean coast around Antalya, up to the present time the attempts have not been fruitful. In 1935-39 coffee imports averaged 5,279 tons with a value of 1.6 million liras representing 17.5 percent of the total agricultural imports. The only supplier was Brazil.

Tea:

Tea is another important item in Turkish agricultural imports. However, such imports may decline in the future. Experiments in tea growing were started following the establishment of the new regime, and were accelerated in 1938. At present 2500 hectares of land are planted to tea. Requirements of the country are about 1,000 tons of

Table III: Value of Turkish Imports of Agricultural
Products Compared with Total Imports, 1923-1940.
 (Values in 1,000 liras)

<u>Year</u>	<u>Value</u>	<u>Percentage</u>
1923	34,609	24.0
1924	47,738	24.7
1925	54,635	22.7
1926	36,323	15.5
1927	34,099	16.1
1928	44,612	20.0
1929	50,485	19.7
1930	24,092	16.4
1931	14,692	11.7
1932	9,463	11.1
1933	7,705	10.4
1934	5,943	6.9
1935	5,404	6.1
1936	10,123	11.0
1937	9,303	8.1
1938	11,301	7.9
1939	9,473	8.0
1940	6,742	9.9
1941	6,794	9.0
1942	12,634	8.6
1943	15,191	7.4
1944	8,579	4.2
1945	8,391	6.6
1946	21,227	10.4

Sources: Calculated from Annuaire Statistiques,
 Ankara.

dried tea annually, and it is estimated that the addition of 500 hectares to the existing area will be sufficient to produce that quantity, thus making the country self-sufficient.

In 1935-39 imports of tea averaged 936,000 kgs. with a value of 772,000 liras sharing 8.5 percent of the total agricultural imports. The principal suppliers are India, Netherlands, and the United Kingdom.

Crude Rubber:

Imports of crude rubber have shown a steady decline during the last two decades. For instance, from a yearly average of 4,180,000 kgs. in 1925-29 they have declined to 1,295,000 kgs. in 1935-39 - a decrease of almost 70 percent - largely because of the increased imports of manufactured rubber products. In this later period values averaged 1.6 million liras representing 17 percent of the agricultural imports or 1.3 percent of all imports. With the outbreak of World War II, imports of rubber and rubber products declined so drastically that in 1942 the quantity imported was only 26,000 kgs. On the other hand prices of rubber and rubber products went up beyond all expectations (1 tire 3,000 dollars). This situation forced the Government to take measures to produce rubber domestically. Experiments in growing rubber-yielding plants were prompted in 1943. Today Turkey is on the way to growing both the rubber tree (*ficus elastica*) and a plant known as "Taraxacum kok-saghyz". It is anticipated that imports of crude rubber

and rubber products will be decreased or eliminated entirely in the future. The principal suppliers have been the Netherlands, British Malaya, and the Philippines, the latter probably as reexports.

Hides:

Despite the fact that Turkey exports large quantities of skins, hide are not produced in the country in considerable amount. Therefore each year Turkey has to import hides in large quantities to supplement home production. During the past decade imports of hides increased from a yearly average of 2,900 tons in 1930-34 to 5,800 tons in 1935-39. In this last five year period values averaged 2.8 million liras representing 30 percent of the total agricultural imports or 2.4 percent of all imports. The principal suppliers of hides are the United States, Egypt, Palestine, the Philippines, and India.

Sugar:

While in the past Turkey imported all of its sugar from abroad, it has now become a producer of beet sugar. However, domestic production is not sufficient as yet to meet the nation's needs. Therefore it has been necessary to import some sugar to supplement home production. In 1935-39 imports averaged 25,200 tons with a value of 1.7 million liras, thus representing 19 percent of the agricultural or 1.5 percent of all imports. It is anticipated

that with the establishment of the proposed **four** sugar refineries to handle cane sugar, imports will be decreased further or be eliminated entirely. Prior to 1940 the principal countries supplying Turkey with sugar were Czechoslovakia, Russia, the Netherlands, the United Kingdom, and Belgium, in the order named.

Lemons:

Imports of lemons have also been decreased as the domestic production increased. For example in 1923-27 imports averaged 5,100 tons while in 1935-39, they were 2,800 a decline of 45 percent. During this latest period annual imports were valued at 318,000 liras, representing 3.4 percent of the agricultural imports. Principal suppliers are Italy and Syria.

CHAPTER VIII

DISTRIBUTION OF TURKISH TRADE

In distribution of trade, Turkey is considered one of the most strategically located countries in the world. Owing to its proximity to the so-called "world's workshop" - Europe - and to its being situated at the crossroads of the world it has been possible for Turkey to trade readily with the rest of the world. Europe, excluding Russia, is both the largest importer of foodstuffs and raw materials and the largest exporter of manufactured goods in the world. In 1938, for example, Europe's share in world imports accounted for 56 percent, while her exports amounted to 46 percent of the world exports. In the same year her share in the total world trade was 51 percent.¹⁴ In 1935, 45 percent of the aggregate imports of Europe consisted of raw materials and semi-manufactured goods, and 28 percent of foodstuffs.¹⁵ This is one of the most important reasons for the tendency of the bulk of Turkish foreign trade to be carried on with European nations, notably Western and Central Europe. This connection is further strengthened by the fact that Turkey is the nearest country producing large quantities of agricultural products and raw materials for export to those markets. Examination of the following table, however,

¹⁴ Europe's trade, op. cit., p. 9.

¹⁵ Ibid., p. 7.

will give further light on the direction of Turkish foreign trade by continents in 1928 and 1938.

Table IV: Percentage Distribution of Turkey's Foreign Trade by Continents.

	Percentage share of imports		Percentage share of exports	
	1928	1938	1928	1938
Europe	80.5	82.8	74.0	81.3
Americas	5.5	11.8	16.0	13.2
Rest of the world	5.0	5.4	10.0	5.5
	100.	100.	100.	100.

Source: Annuaire Statistiques, Ankara.

Analysis of Table IV reveals strikingly that Turkey in her foreign trade is very much dependent on Europe, notably the Western and Central European countries. In 1928 Turkey disposed of 74 percent of her total exports in European countries, while these countries supplied 80.5 percent of Turkish imports. By 1938 both exports to and imports from Europe continued to increase and were 81.3 percent and 83.8 percent respectively. While imports from the Americas increased from 5.5 percent to 11.5, exports to these countries decreased from 16 percent to 13.2 percent of the total exports. The other continents, Asia and Africa, represented only a small part of Turkish foreign trade, chiefly because they are also producers of foodstuffs and agricultural raw materials.

As long as Turkey's trade represents an exchange of agricultural products and mineral ores against manufactured articles, Europe's share in Turkish trade will continue to be the largest. Even when Turkey has accomplished its proposed industries, this will not bring about a decline in European products in the Turkish market, but, on the contrary, will increase it. With the industrialization of Turkey, its living standard should increase and as a result its trade with Europe and the rest of the world should expand.

Distribution of Trade by Leading Countries.

Prior to World War II, the principal markets for Turkish products were Germany, the United States, Italy, the United Kingdom, France, Soviet Russia, and Czechoslovakia, in the order named. Tables V and VI indicate the importance of Turkish exports to and imports from these countries with percentage distributions. In 1930-34 for example, Turkish exports to these countries represented 70 percent of the total exports, while imports were 71.3 percent of the total. During the following 5-year period, 1935-39, both exports to and imports from the above seven countries increased considerably representing 78.5 percent and 79.1 percent of totals, respectively. However, as it will be readily seen from the tables, trade among these countries is not equally distributed. Therefore, a brief discussion of the trade of Turkey with each country will

Table V: Percentage Distribution of Turkey's Export Trade
in Value, by Leading Countries, 1923-1946.

Year	Germany	U.S.	Italy	Gr. Brit.	France	U.S.S.R.	Czecho-slovakia	Total
1923	9.0	8.0	18.0	18.5	12.3	2.0	0.0	67.8
1924	12.9	10.3	22.0	14.6	11.1	1.2	0.3	72.4
1925	14.4	13.2	26.0	8.0	12.5	2.5	0.0	76.6
1926	12.6	12.7	27.2	11.4	12.1	2.8	0.1	78.9
1927	9.3	15.5	23.4	10.6	10.7	3.9	3.5	76.9
1928	9.9	12.3	18.2	7.8	8.2	3.7	4.1	64.2
1929	13.3	9.9	21.8	9.6	12.6	3.5	2.3	73.0
1930	13.1	11.7	21.1	8.9	12.2	5.1	0.8	72.4
1931	10.7	10.0	24.2	8.5	9.6	3.7	2.4	71.1
1932	13.5	11.9	16.1	9.8	7.7	5.4	3.0	67.4
1933	19.0	10.5	15.5	8.9	6.4	4.6	3.8	66.7
1934	37.3	10.3	11.2	5.7	3.0	4.0	0.7	72.2
1935	40.9	10.1	9.9	5.4	3.2	4.3	3.2	77.0
1936	51.0	11.4	3.7	5.5	3.3	3.4	3.4	81.7
1937	36.5	15.9	5.3	7.1	3.8	4.7	4.4	75.7
1938	42.9	12.3	10.0	3.4	3.3	3.5	3.4	78.8
1939	37.3	14.3	10.0	5.7	4.4	3.1	4.8	79.6
1940	8.7	14.1	16.1	10.4	5.9	0.7	4.2	60.1
1941	21.8	13.5	2.3	16.2	0.8	0.6	5.1	80.3
1942	24.7	17.0	3.1	15.3	0.3	0.1	5.6	66.1
1943	23.7	20.5	1.8	10.8	0.7	0.0	5.0	62.5
1944	22.8	24.0	0.1	22.1	0.1	1.2	1.8	72.1
1945	0.0	43.8	0.0	14.9	1.3	0.0	0.2	60.2
1946	0.0	19.1	2.8	17.5	4.2	0.0	1.1	54.7

Source: Annuaire Statistiques, Ankara.

Table VI: Percentage Distribution of Turkey's Import Trade in
Value, by Leading Countries. 1923-1946.

Year	Germany	U.S.	Italy	Gr. Brit.	France	U.S.S.R.	Czecho-slovakia	Total
1923	6.3	7.5	19.5	17.2	9.0	2.1	1.2	62.8
1924	9.8	5.8	21.2	17.7	9.4	3.3	3.1	70.3
1925	11.3	8.0	20.0	15.6	10.8	2.5	4.2	72.4
1926	13.7	3.5	15.8	14.0	9.8	3.6	7.0	67.4
1927	14.2	5.8	12.3	13.6	13.8	3.2	6.5	67.6
1928	12.5	5.8	11.8	15.8	16.8	5.4	6.1	74.2
1929	15.3	6.7	12.5	12.2	10.4	6.4	6.0	69.5
1930	18.6	4.1	13.8	11.2	10.5	7.2	5.6	71.0
1931	21.4	3.3	14.6	11.3	10.1	5.7	4.7	71.1
1932	23.2	2.6	12.9	12.4	8.4	6.9	4.3	70.7
1933	25.5	5.1	11.4	13.5	6.6	5.2	4.6	69.9
1934	33.8	4.3	8.5	9.9	7.4	4.5	5.4	73.8
1935	40.0	7.0	6.4	9.8	4.7	4.9	4.3	77.1
1936	45.1	9.7	2.2	6.6	2.5	5.4	3.9	75.6
1937	42.0	15.1	5.3	6.2	1.0	6.2	2.6	78.4
1938	47.0	10.5	4.8	11.2	1.3	3.9	3.9	82.6
1939	50.4	9.9	8.5	6.3	1.9	2.9	1.5	81.9
1940	11.7	10.8	16.3	9.6	2.8	1.4	3.6	56.2
1941	11.9	5.4	3.2	18.4	0.4	0.1	2.6	42.0
1942	27.7	4.8	3.0	34.6	0.1	0.6	2.6	73.4
1943	37.7	2.4	1.7	32.3	0.0	0.0	3.9	78.0
1944	30.4	4.6	0.3	29.4	0.0	0.0	4.3	69.0
1945	0.6	17.6	0.0	29.4	0.0	0.1	0.3	48.0
1946	0.0	31.3	5.8	43.2	0.7	0.0	1.8	82.0

Source: Annuaire Statistiques, Ankara.

better indicate the nature of distribution and direction of Turkish trade.

Germany:

The most important development in Turkish foreign trade between the two world wars was the rise of Germany as the largest buyer of Turkish products, at the expense of other countries. From 1923 to 1933 Germany was Turkey's second best customer. Italy held first place (see Table V). German purchases in 1925-29 averaged only 14.4 percent of all Turkish exports, while she supplied 13.8 percent of Turkish imports. Up to 1933 Germany continued to occupy second place as a market for Turkish exports. From 1933 through 1939, however, Turkish-German trade increased tremendously, the high point of 51 percent being reached in 1936. Turkey's policy of carrying on trade by a newly established system of clearing agreements has been largely responsible for the increase in trade. Its counterpart in Germany and Germany's political advancement also facilitated the expansion. In the period 1935-39 Germany took 43.1 percent of Turkey's total exports and furnished 45 percent of its imports. During this period Germany not only was the best customer of Turkish agricultural products by buying above world prices, but purchased more than all other leading countries combined. Exports to Germany increased in both volume and types of commodities involved. Pro-

ducts such as barley, eggs, mohair, wool, skins, olive oil, etc., which were insignificant items in the exports to Germany prior to 1930, became very important after 1933. For example, in 1928, 14.5 percent of all tobacco exports were taken by Germany; by 1938 tobacco exports were 37 percent of the total. Barley exports to Germany increased from 10 percent of the total in 1928 to 49 percent in 1938; filberts from 37 to 66; raisins from 42 to 80; figs from 14 to 53; mohair from 3 to 46 percent. Nevertheless, these relatively large increases in the volume of trade occurred, as indicated above, only at the expense of other countries trading with Turkey. Actually they did not bring about an abnormal upward trend in the total quantities exported from the country.

As for the balance of trade, from 1926 to 1933 inclusive trade between the two countries had been unfavorable, while during the years 1934-37 it was in favor of Turkey. (See Appendix, Table 7). Exports to Germany averaged 51.8 million liras in 1935-39 compared with 51.1 million liras worth of imports. About 95 percent of exports consisted of agricultural products.

From 1933 to 1941 trade between Turkey and Germany was carried on by the commercial and clearing agreements.

Italy:

Prior to 1933 Italy occupied first place among

Turkey's customers. In the 10 years ending 1932 average exports to Italy represented 21.2 percent of the total exports, the high point being reached in 1926 when she took 27.6 percent of the country's total exports. During the same period Italy supplied 15.4 percent of Turkish imports. Since 1932, however, there has been a gradual decline in exports. This was sharpened after the League of Nations economic sanctions, in which Turkey participated, against Italy for invasion of Ethiopia in 1935-36. Turkey's trade was further affected by the import restrictions and exchange control measures she introduced to increase her self-sufficiency.¹⁶ Thus, for instance, for the period 1935-39 export to Italy decreased to 7.8 percent of the total, putting Italy in third place among Turkish customers. Whereas for the same period Italy furnished 5.4 percent of Turkish imports. Since 1925, trade between the two countries has been in favor of Turkey. Exports to Italy averaged 9.7 million liras in 1935-39 compared with 40.9 million in 1925-29. About 97 percent of the exports were agricultural products, mainly tobacco, olive oil, cotton, eggs, figs, wheat and barley. Trade between Turkey and Italy was regulated by the commercial and clearing agreements.

¹⁶Europe's trade, op. cit., p. 45.

The United States:

For several years prior to 1935, the United States was Turkey's third customer in importance. Since then, however, it has ranked second as a purchaser of Turkish agricultural products. Because of its policy of using only free exchange for payment in its foreign trade relations, the United States has been the principal source of Turkish foreign exchange during recent years. In order to increase her reserves Turkey encourages exports to the United States.

The Turkish advantage in her trade with the United States is based on peculiar geographic influences enabling the production of specialized agricultural and animal products which are needed in the United States. Trade between the two countries has expanded sharply during the period 1935-39, with large increase in both exports and imports. In fact, it is the only country among the principal customers for Turkish agricultural products whose trade did not decrease with the great increase in German purchases since 1933 (see Tables V and VI). In 1923-27 exports to the United States represented 11.9 percent of total Turkish exports, while the United States supplied 5.7 percent of Turkish imports. In the period 1935-39, however, both exports to and imports from the United States increased considerably representing 12.4 and 10.4 percent

of the totals respectively. Since 1924 the value of exports to the United States has always exceeded that of Turkey's imports from that country. However, during the pre-war years this excess has been substantially reduced, Turkey's imports from the United States having increased relatively more than her exports to the United States. The increase of nearly 100 percent in Turkey's imports from the United States resulted from an improved demand for American products, such as cars, sewing machines, electric refrigerators, agricultural machines, and petroleum products, and from the extension of Turkey's industrialization program.

The major item in exports to the United States is leaf tobacco which in 1935-39 amounted to 74 percent of the total exports to the United States, or 35 percent of all tobacco exports from Turkey. Other leading products are sausage casings, crude valonia, licorice root, undressed furs, canary seed and chrome ore, the latter of which became an especially important item during the war years.

A reciprocal trade agreement was signed between the two countries on April 1, 1939. Its details, however, will be discussed in a later chapter.

The United Kingdom:

For many years prior to World War II, the United

Kingdom took fourth place both as a supplier to and customer of Turkey. However, the trend in the trade between the two countries was downward. In the period 1923-29, when the Turkish tariffs were low, the volume of trade between Turkey and the United Kingdom was rather large, always with a substantial amount of unfavorable balance for Turkey. With the imposition of high tariffs on goods imported into Turkey and the adoption of quota and barter systems after 1935 both exports to and imports from the United Kingdom were curtailed considerably. In 1925-29, for example, exports to Great Britain averaged 9.6 percent of the total Turkish exports, while she supplied 14.2 percent of Turkish imports. Whereas, in 1935-39 she took only 5.4 percent of Turkey's total exports and furnished 8.0 percent of its imports, the ratio of decrease being 43 percent in each case. Another factor responsible for the decline in trade between the two countries was the adoption by Great Britain of the principle of imperial preference, whereby several agricultural products were granted special tariff reductions when coming from her Empire. After 1939, however, the trend in both exports to and imports from the United Kingdom turned upward due mainly to political rather than economic reasons. In fact, the aim in buying Turkish products above world prices was undoubtedly to replace Germany as the most important economic factor in Turkey's foreign trade.

The United Kingdom's principal imports from Turkey in the pre-war years consisted of raisins, figs, and filberts. In 1935-39 these three items together made up 39 percent of the total volume of British imports from Turkey. Other important Turkish exports to the United Kingdom were mohair, cereals, oilseed, olive oil, valonia, opium, metals, and chrome ore. From 1923 to 1939 inclusive, with the exception of two years (1936 and 1937) trade between the two countries had been unfavorable for Turkey.

Before World War II trade between Turkey and the United Kingdom was regulated, for a number of years, by a series of trade agreements. The first Treaty of Commerce and Navigation of 1930, which gave reciprocal most-favored-nation treatment to both countries, was succeeded in June 1935, by a Trade and Payment Agreement. These agreements worked badly, owing to the arrears of imports from the United Kingdom over exports to that country. A clearing system was accordingly adopted in September 1936, but still there was little improvement because arrears due to United Kingdom exports continued to increase. In July 1938 a supplementary agreement came into being, under which the Turkish Government imposed quotas for British goods imported into the country. However, the aim of bringing the trade into balance could not be achieved. In November 1939 the quotas for normal trade were closed in preparation for the adoption of a

complete system of compensated trade. This method of trading will be discussed in the next part of this work.

France:

Turkey's trade with France has shown a gradual decline since 1923. In 1925-29 France took a yearly average of 11.2 percent of the total exports from Turkey and ranked fourth in importance. After 1930 the downward trend in exports to France sharpened as the exports to Germany began to increase. Thus in 1935-39 exports to France were only 3.6 percent of the total, a decline of 68 percent in 10 years, and this put France in fifth place as a customer of Turkish products. France's exports to Turkey have followed a similar trend. For example, Turkish imports from France decreased from an average of 12.3 percent of the total in 1925-29 to 1.9 percent in 1935-39, the ratio of decline being 84 percent in 10 years, one of the greatest drops Turkey has ever experienced.

There were a number of factors responsible for the drastic shrinkage of trade between the two countries in the 1930's. In the first place, France restricted her imports, largely by means of quotas. A second factor was the strengthening of the historic aim of France to maintain a self-sufficient agriculture. To this end France imposed very high tariffs, strict sanitary measures, and even prohibitions to prevent importation of agricultural products

into the country.¹⁷ In counteraction Turkey applied similar measures to luxury goods which had long been characteristic of French exports to Turkey such as matured wines, perfumery, furs and fine textile products. France's political and economic ties with her colonies and dominions were among the other factors leading to a decline in France's share of Turkey's exports.

From 1923 to 1939, with the exception of five years, France enjoyed a favorable balance of trade with Turkey.

Prior to World War II Turkey's exports to France were principally dried fruits, cereals, coal, tobacco, and minerals such as chrome, zinc, lead and alloys. Of the exports to France the agricultural products consisted of about 70 percent of the total in 1935-39.

Before the war the trade between Turkey and France had been carried on by an agreement dated July 29, 1929. In January 1, 1940 a new agreement was signed by two nations as a supplementary agreement to the Tripartite Treaty of Mutual Assistance of 1939 which was signed by Great Britain, France and Turkey.

Russia:

Since Russia is almost self-sufficient agriculturally, export to that country has not been of great size

¹⁷U. S. Senate Document, No. 70, World Trade Barriers in Relation to Agriculture, Washington 1933, pp. 107-110, 369-378.

compared with that to the western industrial nations. Nevertheless, from 1923 to 1940 Russia was a steady market for some Turkish products and consistently sixth in importance among Turkey's customers.

Turkish exports to Russia increased from 3.3 percent of the total in 1925-29 to 4.5 percent in 1930-34, while for the same periods Russia supplied 5.2 and 5.9 percent of all Turkish imports. For the period 1935-39, however, there was a slight decline in trade between the two countries, with exports averaging 3.8 percent and imports 4.6 percent of the totals. From 1923 to 1940, with the exception of 1933, trade between Turkey and Russia was unfavorable to Turkey. The principal Turkish exports to that country were live animals, mohair, wool, olives, dried fruits, and cotton, while she supplied cotton yarns and goods, fertilizers, iron, steel, and petroleum products. Trade between the two countries was regulated by the Commercial and Navigation Agreement of October 8, 1937.

Czechoslovakia:

Turkey's trade with Czechoslovakia has never been of great proportions, although it has fluctuated from year to year. Purchases by Czechoslovakia in 1925-29 averaged only 2.0 percent of all Turkish exports, while that country furnished 6.0 percent of all Turkish imports. During the 5-year period ending with 1939 exports to

Czechoslovakia increased slightly to 3.2 percent of the total, while imports from that country decreased to 3.8 percent. From 1923 to 1939, with the exception of four years, the trade between the two countries was unfavorable to Turkey. Turkish exports to Czechoslovakia were primarily dried fruit, vegetable products, cereals, fishes, tobacco, and mohair.

Trade between Turkey and Czechoslovakia was regulated by the agreement of May 31, 1934.

PART THREE

TURKEY'S FOREIGN TRADE POLICIES IN RELATION
TO AGRICULTURE

CHAPTER IX

GENERAL ECONOMIC POLICIES OF TURKEY

Before World War I Turkey was the center of the loosely held Ottoman Empire governed by the Sultan. As a result of World War I substantial territories were lost. The present day boundaries of Turkey were defined in the Treaty of Lausanne in 1923. Nationalism became an important force in Turkey after World War I with corresponding national policies and programs, contrasting sharply with the policies under the Ottoman Empire.

Prior to 1923

Prior to the formation of the republican regime in Turkey in 1923 there were no real national and international policies. Turkey's economy and foreign trade were almost entirely dominated by some of the western powers under the protection of "capitulations"¹. Many measures, normally considered as part of the usual sovereign powers, were alienated to foreign powers by various treaties or capitulations.²

Under this system, foreign subjects living in the Ottoman territories were free to carry on business through-

¹The term is used to indicate the regime of extraterritorial privileges enjoyed by foreigners in the Ottoman Empire.

²The first of these concessions of extraterritorial privileges was granted to France by the Turkish sultan in 1536. As the Ottoman Empire had become weak, however, capitulations were extended to the other western nations, and by 1914 almost all countries enjoyed them.

out the Empire. All foreign business firms were free of Turkish control and exempted from all taxes. They were subject only to the laws of their own country, and liable to trial only before their consular courts.³ To make matters even more favorable to themselves, foreigners obtained permission to employ non-Turkish staff members in their establishments, who also were exempt from Turkish taxes and controls.⁴ This resulted in preventing many Turkish citizens from gaining experience in commerce and industry. A further disadvantage to Turkey's existing small scale and handicraft industry was that the Ottoman administration agreed to charge very low duties on the goods imported from western countries;⁵ the policy being to let Turkish people pay the low prices provided by the European industrial revolution. But in this way they were able to undersell Turkish goods in the Turkish market. This finally resulted in the gradual industrial decline of Turkey and forced her to concentrate in the production of agricultural raw materials.

At the same time the nation contracted an increasingly heavy foreign debt. From 1854-1914 there had been a

³John Parker, op. cit., p. 27.

⁴Even in many cases, the Turkish citizens left for the United States, and after becoming American citizens; they returned to Turkey and enjoyed the same privileges. (Gordon, op. cit., p. 302)

⁵For example, a three percent ad valorem duty on imports was the only tax on foreign trade. While exports from Turkey were charged 12 percent. (Frank Edgar Bailey, British Policy and the Turkish reform movement, Harvard University Press, London, 1942, p. 79).

tremendous flow of foreign capital through the mediums of direct loans to be used in financing the Ottoman wars, or in offsetting budget deficits. In return for such loans additional concessions were granted. So capitulations had a beginning but no end. They increased both in number and in size as Turkey was given more loans. Thus in 1914 Turkey's total foreign indebtedness was 158,622,734 gold Turkish lira,⁶ (about 698 million dollars in gold)⁷. The most dependable sources of revenue of the country had to be used as payments on the debt; otherwise they might have been utilized for the development of the country's public works and economic resources.

One of the unfortunate results of these direct loans was that in order to meet the interest payments on the external debt Turkish customs revenues and later customs administration passed into the hands of western nations. Consequently they maintained purely nominal rates of duty on the importation of their own goods into Turkey.

Industrial loans were conspicuously avoided. The main factor which discouraged foreign capitalists from investing their money in industry was the insecurity of the

⁶Turkey on the Way of Industrialization, op. cit.
p. 9.

⁷One gold lira was equal to \$4.40 gold dollars in 1914.

political situation of the Ottoman Empire.

Under the traditional theory of international exchange it would be expected that the pressure of foreign debt charges would encourage the development of internal production. Such did happen in the case of agricultural raw materials and to a marked degree. But, by virtue of the capitulations, the lack of knowledge and training of modern industrial processes and for various political reasons, there was very little development or modernization of internal industry for domestic consumption.

As a result of the capitulations, all railroads, public utilities, banks, mining companies, export and import trade establishments, ports, customs administration etc., were entirely dominated by foreigners.

A striking fact in the country's economic development was that the Ottoman Bank which was founded by British capitalists in 1856 became the State Bank and the bank of issue of the Empire.⁷ The chief objective was to assist the treasury in establishing financial security, but its functions had been to promote English commerce and to advance British political favor.⁸ The capitulations, which were originally intended to guarantee freedom of trade to

⁷The Development of National Banking in Turkey, *Op.cit.*, pp. 26-29.

⁸Leland James Gordon, *op. cit.*, p. 143.

foreign business men to help the development of the economy of the Ottoman Empire, had gradually degenerated into a machine that in reality colonized the country. The way foreigners acted in the Ottoman Empire was expressed by Philip Marshall Brown who stated, "Foreigners misused their immunities to the extent of practising with impunity smuggling, bribery, and corruption."¹⁰ In short, the consequences of the capitulations resulted only in economic decay and the loss of the country's independence, instead of its economic development as was originally intended.

The capitulations had only one positive effect. They helped speed the adaptation of western principles of justice in reforming the judicial system of New Turkey.¹¹

After 1923

Up to the present point an attempt has been made to analyze the historic origin of Turkey's economic policies under the Ottoman Empire. As it is seen from this discussion there was no economic policy inspired from the interests of the nation, but rather the country was a sort of international colony.

It was after winning her political independence by force of arms, (fighting five more years following the World

¹⁰Encyclopedia of the Social Sciences, Vol. III, p. 214.

¹¹Ibid., p. 214.

War I) that Turkey on July 24, 1923 obtained the abolition of the capitulations by the Treaty of Lausanne. The economic policy of New Turkey was therefore born of a strong reaction against the political and economic imperialism of various foreign states. The new economic policy of Turkey was declared by a slogan "Turkey for the Turks", that is, strictly nationalistic. It was planned that all economic developments in the country were to be carried out only by the national capital. It was also believed that "without economic freedom there could not be political independence."

However, the economic policy of New Turkey cannot be described only through the historic origin. By her new economic policy Turkey has attempted to develop all branches of her economy as an integrated whole. To this end Turkey followed a policy which was strictly protectionistic.

In order to carry out her economic development programs Turkey needed capital urgently. From the economic standpoint the investment of foreign capital in Turkey would be considered the easiest way to attain this end. But people remembered too well that it was just such debt that had brought about the downfall of the Ottoman Empire. Financially strong countries still considered Turkey merely a source for raw materials. They invested capital not only upon certain economic, but also political terms, which Turkey could not accept except by giving up some of

her newly won political independence. Therefore Turkey chose to work mainly on a pay-as-you go basis, and refrained from unrestricted foreign borrowing.

The need for the extension of protectionist policies became more apparent during the thirties. Probably one of the reasons for this was the general trend on the part of the important free trade countries to turn towards protectionism. Under such conditions many smaller countries, including Turkey, saw no alternative but to follow suit. Secondly, considering Turkey's strategic military location, the Turkish Government was constantly in fear of war and the possibility of the blockading of her most essential imports and exports. The unstable political and international situation of this time substantiated the fear of the Turkish nation of the probability of war. For example, by the mid-thirties the invasion of China and Manchuria by Japan was well under way. On March 22, 1934 Italian Government announced her historical objective to revive the old Roman Empire in the Mediterranean countries, including Turkey.¹² In 1935 Ethiopia was occupied by Italy, while Germany abrogated the military clause of the Versailles Treaty, and annexated the Ruhr and Saar. The immediate effects of these political developments abroad increased the feelings of the possibility of a European War. Finally

¹²Donald Everet Webster, The Turkey of Ataturk, Philadelphia, 1939, p. 117.

Turkey asked the League of Nation for permission to fortify the traits. On June 23, 1936 she was granted permission to do so.¹³

Such military actions abroad and the increasing dangers of world conflict provided the Turkish government with the motivation to take an active part in the development of the country's economy, especially in view of the limited local capital investments. To this end the policy of economic nationalism, with maximum self-sufficiency as an ultimate aim, seemed to be imperative as the only way for national defense. Until the present time emphasis has been given to industrial developments, although the government, has recognized the necessity for speeding up agricultural production by improving efficiency on all sides. So far such direct development programs have not advanced to an appreciable extent, because Turkey's agricultural policy was not clearly defined and in addition was never adequately financed.

As far as foreign economic policies are concerned; Turkey has had a trading system which was strictly controlled. The trade control measures took many forms. In general, from 1923 to 1939 inclusive, all measures were designed to stimulate exports while restricting imports. With the

¹³Ibid., p. 120.

beginning of World War II, however, the policies took an opposite direction, that is, to facilitate imports while restricting exports.

In the next chapters attention will be given to analyzing the principal types of measures which have been employed to regulate the foreign trade of Turkey since 1923. Controls have been used not only in regulating the actual movement of goods and services but also in changing the conditions of production within the country. The measures affecting internal production will be considered first.

CHAPTER X

PRODUCTION MEASURES

Turkey's agricultural policies relating to production may be summed up as follows: (1) to develop new producing areas, (2) to increase production to make the country self-sufficient, (3) to provide every peasant family with sufficient land, (4) to maintain fair prices for farm products, and thereby to raise levels of living of the peasants.

The measures taken under the Republican regime to carry out the foregoing aims have taken many forms. At this point, however, an attempt will be made to analyze those measures relating to the production aids and those relating to the production restrictions.

Production Aids¹⁴

Expansion of production has been a primary objective of the Turkish agricultural policies since 1923. The measures employed to expand production are perhaps best viewed through a brief discussion of typical examples.

Tobacco:

For years tobacco production has been carried out

¹⁴In the preparation of this chapter Ziraat Kanunlari (Agricultural Laws) Ministry of Agriculture, Ankara, 1940, was an invaluable reference. See it for details on individual laws.

under the supervision of monopoly. The first tobacco monopoly was established in 1884 when the Ottoman Government granted a concession to a foreign company, namely, "Regie co-interessee des Tabacs de l'Empire Ottoman"¹⁵.

The monopoly regulated the variety and area that each district might plant, and issued individual permits. The foreign monopoly, or so-called Regie, was primarily a commercial organization with but limited interest in the improvement and development of production. Therefore, the Regie system, after 42 years operation was cancelled in favor of a Government monopoly on March 1, 1925.

The present monopoly has functioned under several laws. The latest law was enacted on June 10, 1938. Under this Act, the particular areas to be planted, the type to be grown, and the production and the marketing of tobacco are under official supervision. The ministries of agriculture and monopolies after consultation may authorize increases or decreases in planting in the same districts. It is prohibited to grow tobacco within five meters of a dwelling, and no other products may be produced in a tobacco field. Local trade in leaf tobacco is free, but transportation of tobacco outside its district and its sale elsewhere in the country are subject to the control of the monopoly. The manufacture of cigars, cigarettes and other tobacco products,

¹⁵La Turquie contemporaine, op. cit., p. 94.

and the sale of these articles in Turkey are under the strict control of the monopoly.

So far one might get the impression that such measures were directed to discourage production rather than to stimulate it. But, since Turkey is on a net export basis, and exports of tobacco play a very important role in the country's economy; all these measures were designed to protect and maintain the reputation and competitive strength of Turkish tobacco in world markets. In this case, it might be better termed as "regulated stimulation of production."

As regards price-fixing; there is nothing in the monopoly law authorizing the state to purchase tobacco from the grower at fixed prices. On the contrary purchases are made at current market prices. Nevertheless the monopoly manipulates prices in order to maintain a sufficient return to the producer and to secure as much exchange as possible from tobacco exports. Government may enter tobacco market when necessary to support prices.

The most recent measures by the Government provide that tobacco growers contribute a premium of five percent of their tobacco sales to support a Tobacco Bank. The Bank is to be set up to intervene in the market, to prevent severe price drops and thus to protect the growers.

Wheat:

Since wheat occupies nearly six percent of the total area of the country and a very large portion of the population is concerned with its production and price, Government intervention has been extensive. Government aid to wheat production in Turkey took many forms such as, grant of credit facilities, construction of elevators, importation of farm machinery without tariff, free distribution of certified seed, and the establishment of wheat experiment stations. The main factor in stimulating wheat production had been the Government policy of maintaining wheat prices above world market levels prior to the World War II. This was accomplished first through the imposition of high import duties in 1929 and by fixing wheat prices above world market after 1932.

During the depression of the thirties, domestic prices of wheat dropped to very low levels. The farmer was no longer in a position to pay his tax to the State and his debt to the Agricultural Bank. In order to meet this crisis a law was passed on July 3, 1932, which authorized the Government to make direct purchases and sales of wheat through the Agricultural Bank, at fixed prices and thus to support the market. This law also allowed the Government to suffer a yearly loss of one million liras. Any profits realized were to be used for the construction of grain elevators and warehouses in the wheat areas.

The purchase and storage of large quantities of wheat in 1932 required the immediate construction of elevators, and finally the Law of June 11, 1933 authorized the Government to spend three million liras for this purpose.

The immediate objective of the Act of July 3, 1932 was designed to help the wheat grower, but at the same time it was expected that it would protect consumers in urban areas from speculative prices. The other objectives of the purchase of wheat at high-fixed prices were to improve the economic situation of farmers, to increase production of wheat and thus to bring about an exportable surplus.

From 1932 to 1938 the operation of the Law was carried out by the State Agricultural Bank. On July 3, 1938 a new Act was enacted, which provided for the establishment of the Office of the Products of the Soil under the Ministry of Commerce. This office took over the control of wheat purchases and sales from the Agricultural Bank. One of the principal objectives of this agency is to prevent price fluctuations not only in wheat, but also in other cereals. It accomplishes this through the purchase, sale and storage of cereals when the market conditions make its interference necessary. A second objective of this office is to improve the foreign market for Turkish wheat through standardization and price control. It is the only agency for the export and import of cereals. However, private firms may enter into foreign trade in cereals

with the approval of the Office. All elevators and warehouses are its property and under its control. It owns several flour mills and is authorized to establish bakeries.

Tea:

Tea industry is another outstanding example of continuous Government aid and encouragement. In order to regulate and stimulate the production of tea a law was enacted on March 27, 1940. Under this Law tea can be planted only in districts authorized by the Ministry of Agriculture. Any person desiring to grow tea must make an application to the local agricultural agent and may get permission if his land is suitable to tea growing. The Act provided the free distribution of seeds and fertilizers to growers for five years; the opening of credits amounting to 40 liras for each dekar of land planted to tea. No interest rate is charged for these credits. Tea plantations were exempt from the land tax for a period of eight years.

From the date of obtaining permission to grow tea every activity in cultivation, care-taking and picking is closely supervised by an organization set up for this purpose.

The Law authorized the Minister of Agriculture to buy green leaf at fixed prices and to establish plants for handling tea. This tea is turned to the Ministry of Monopo-

lies at the cost price. The sale price of tea is fixed by the Monopoly. The official reason for turning over all tea production to the Monopoly is that prior to the domestic production, tariff on imported tea supplied about 1.5 million liras revenue annually. In order to make up this revenue tea sales was taken over by the monopoly.

At this point one may ask what was the objective of the Law. Actually, to purchase tea from growers at high prices and to sell to consumers at exorbitant prices (16 liras a kilogram, or 2.5 dollars a pound in 1946) offers no economic ground. The main objective of the Act was social other than economic. It was designed to provide job opportunities for the people living in the district of Rize,¹⁶ where high density of population combined with poor soils caused large scale migration to the other parts of Turkey. It is too early yet to see whether or not the Law will cause a sizable drop in migration or improves the long run economic position of the area.

Cotton:

By a law enacted on January 27, 1936 the Ministry of Agriculture was authorized to restrict the areas in which certain varieties of cotton could be produced. Each grower has to use the certified seeds distributed free by

¹⁶Rize, a district in the northeastern part of the Black Sea region, has the most suitable soil and climatic conditions for tea growing.

the Government. Cotton gins in each district could only handle the variety specified for that area.

The objective of the Act was to improve and increase cotton production in the country and at the same time to meet the requirements of foreign markets.

In pricing the Government set the maximum sales prices. Production and quality has improved considerably under this program.

Production Restrictions

With the exception of opium and rice no strict control has been established over Turkish agriculture. In fact, almost all the measures adopted so far have been aimed mainly at guiding and assisting farmers in improving or increasing their production.

Opium:

For more than two decades restrictive legislation for the production and marketing of opium have been in effect from time to time. In general, in opium production and trade the Turkish Government followed the recommendations made by the League of Nations in 1931 and recently by the International Opium Board. Opium production is restricted to certain specified areas in Central Anatolia. However, no measures are taken to control acreage. Opium

buying, selling and exporting all are completely in the hands of the Government. By buying at low prices the Government is continuously discouraging large scale opium production.

Rice:

Rice production constitutes another case of restriction beginning on June 11, 1936. The main objective of this rice control act was to fight malaria and protect the public health by limiting production to certain specified areas. Under this Law no one may grow rice on any land whatsoever unless he has first obtained a license from the Rice Control Board in his district. The rice plantations must be 1-3 kilometers - depending upon the type of irrigation, continuous or periodical - from the urban areas. The Board was authorized to determine what type of irrigation each producer must follow. In case of periodical irrigation the Board sets up a schedule showing the periods during which irrigation can be applied. Violation of this schedule was punishable by fine or may result in the suspension of his right to raise rice.

At first glance such measures taken to fight malaria might seem unwise in view of the fact that through the modern production methods both high production can be secured and at the same time no malaria will occur. But, since introduction of modern methods in rice production requires considerable amount of capital the Government felt compelled to use the more antiquated and ineffective

methods to control malaria at the expense of rice. It is probable that as the Government irrigation and reclamation programs are completed restriction on rice production will be moderated or lifted.

CHAPTER XI

EXPORT MEASURES

Turkey's policies regarding exports of agricultural products are directed toward facilitating the sale of agricultural commodities, to safeguard their reputation in world markets, and to insure their export. The principal measures employed to carry out the foregoing objectives will be discussed under the headings of quality controls and export restrictions.¹⁷

Quality Controls

The Government has taken rigorous measures to improve the quality and the grade of Turkish products exported to foreign markets. In order to increase confidence on the part of the foreign importers of Turkish products, as well as to protect the interests of Turkish exporters a law was enacted on June 19, 1930. This Act authorized the Government to control and fix the quality and the conditions of the exports of agricultural products. This law worked badly. Therefore, on June 3, 1936 a new Act was passed which gave to the Government full authority to set up grades, standards, packing, shipping, for each product exported.

¹⁷In the preparation of this chapter Dis Ticaret Mevzuatimiz ve Tatbikati (Fundamental regulations of our Foreign Trade), by Abdulhalik Indere Ankara, 1944, was an invaluable reference.

Under this law no commodities could be exported unless they met the requirements fixed by the Government. Violation of the law is punishable by heavy fine or prison or both. For the second offense of the law by the same exporter the Government has the legal right of seizure and confiscation of his products to be exported.

The Act has been made applicable to the exports of hazelnuts, eggs, raisins, valonia, wheat, barley, mohair, and wool. The Government has established standards for each of these products entering into export markets. It also provided for the adoption of certain brands as trade marks of guaranteed quality for each product. Thus, for example, hazelnuts must be graded and classified according to special Government standards; exports of shelled hazelnuts (filberts) must be in new bags of 50 or 80 kilograms, gross, and must bear trade marks showing the quality and the variety of the nuts. Hazelnuts must be exported under official supervision from certain ports on the Black Sea. Every exporter has to present at least five percent of each shipment of his nuts to be exported for Government inspection. No hazelnuts could be exported unless accompanied by an inspection certificate. Each year's crop must be exported separately. No shipments may contain more than 15 percent humidity and more than 1 percent broken nuts. Bags must be new and weigh at least 1,100 grams.

Eggs destined for the export market are also subject

to strict regulations designed to insure uniform weight, size, color, and quality. Definite standards of quality have been established and no eggs could be exported unless marked to indicate their grade and quality. Eggs could be exported in three different size of crates containing 1440, 720 or 360 eggs each.

Other export products mentioned above are subject to similar regulations.

Export Restrictions

Prior to World War II export restrictions played an insignificant role in the Turkish foreign trade policies. The only restrictions which prevailed during the late thirties were those concerning wheat and cotton. By a Law dated December 11, 1937 wheat exporters were required to secure a special license. The objective of this Act was to meet the terms of the clearing agreements made by the Turkish Government with several European countries. Likewise, the Law of March 2, 1939, which provided that cotton exporters obtain a permit, was designed to insure sufficient supply of cotton for the local mills. With the beginning of World War II, however, the Government introduced strict measures to restrict the exportation of many articles for which there would be great need if Turkey became involved in the War. Thus, cereals, wool, mohair, cotton, skins, sausage casings and several other agricultural commodities could not be exported without securing a license, while

re-exportation of all foreign goods was prohibited. In order to achieve a complete control over exports the Government established several exporters unions under the Ministry of commerce. Merchants and commercial firms could not enter into export trade unless they become members of the unions. All exports had to take place under the supervision of these organizations. The unions were also engaged in finding new outlets and maintaining minimum prices for agricultural commodities. There were 14 exporter's unions in Turkey in 1942.

Another war time restriction was the imposition of an ad valorem duty of three percent on exports of all commodities. The duty was increased to 10 percent in 1942. This tax, however, was not intended to bring about further restriction on exports, but rather to increase fiscal revenue and thus to offset a part of the budgetary deficit. In fact, Turkey's agricultural economic system, with her relatively sparse population living in rural areas, is not adaptable to a system of income taxes on farmers. Therefore, export taxes, being easier to collect, than income taxes, were considered the best way to increase revenue. Nevertheless, since the duty on exports increased the cost of exporting its effect was more likely restrictive in nature. The duties on exports of Turkish products, after five years of operation, were abolished at the beginning of 1946.

Other Measures

The Law of January 29, 1936 to protect the plants from disease and pests, which will be analyzed under import measures was also applied to the exports of all agricultural products.

Another aid for to Turkish exporters as well as importers, was the introduction of a law to expand the organization of commercial attaches. In order to facilitate the sales of Turkish products, and keep close conduct with foreign markets the number of counselors, attaches, and clerks were increased from 18 to 40.

CHAPTER XII

IMPORT MEASURES OF TURKEY

Since 1923 various measures have been employed to restrict the importation of agricultural products in Turkey. The primary objectives of these measures were: (1) to protect domestic agriculture (2) a desire for a favorable balance of trade, and (3) a desire for a maximum economic self-sufficiency. To meet these ends, the principal measures adopted were: import duties, import quotas and licensing, import monopolies, sanitary restrictions, exchange control, and currency devaluation.

Import Duties

Although a strong drift toward protectionism began with the establishment of the new regime in 1923, Turkey, according to the terms of Lausanne Treaty of 1923, had no right to increase her custom duties until August 6, 1929. During this 6-year period Turkey agreed to impose an ad valorem duty of 9 percent on all imports.

As soon as this period ended new tariff legislation was enacted and went into effect on October 1, 1929. This act provided specific duties on the weight of merchandise imported. Furthermore all articles not specifically listed in the schedule were subject to an ad valorem duty of 40 percent. The act also imposed a transaction tax of 6 percent on the duty-paid-value of certain industrial

goods. This was increased to 10 percent in 1933. In addition, all imports were subject to a municipal tax of 10 percent of the import duty. Reduced rates were applicable on products of countries having commercial agreements with Turkey including the most-favored-nation clause.

The 1929 tariff act was in force until December 9, 1946 when all specific duties were increased by 156.6 percent. This abnormal rise on all duties was a result of the devaluation of the Turkish currency on September 7, 1946. In fact, one of the arguments against specific duties is that during periods of rising prices specific duties are a smaller proportion of price, while, when prices are falling, the percentage of protection becomes greater. In other words, the burden of such duties varies in proportion to the variation in the price level.¹⁸ The extremes occurred in the case of Turkish tariffs in 1930-33 when prices were very low, and after 1946 when the prices of imported goods became very high as a result of the devaluation of the Turkish currency. During such periods many nations make adjustments in specific duties. Turkey did not make any reduction in tariffs during the world economic depression of 1930-33. However, after prices increased in 1946 all specific tariff rates were increased by 156.6

¹⁸Under many circumstances such variations have positive advantages in limiting the degree of price change.

percent.¹⁹

At first glance it appears that the rates in the new tariff were greatly in excess of those previously in force. But if allowance is made for the present depreciated value of the paper lira it is estimated that the average rates are equal to approximately 35 percent ad valorem, compared with 25 percent prior to 1946, an increase of 40 percent rather than 156.6 percent.

From the preamble of the Turkish tariff bill of 1929 it was understood that, at least two objectives were to be attained. Of these the most important was the protection and development of domestic agriculture and industries. It was designed to stimulate the importation of capital goods and to keep out luxury items. In other words, Turkey wished to import primarily those commodities which would assist the development of local industries. The second objective was to increase the revenue from customs. To these ends, duties on agricultural foodstuffs were kept at high levels to protect domestic production. Likewise, duties on consumption goods, were also placed at high levels to stimulate the domestic production of such items. Tariffs on those items which were not produced in the country, but had a relatively inelastic demand, such as coffee and

¹⁹This increase of 156.6 percent in tariffs is based on the percentage decrease in the value of the paper lira in terms of the gold lira since 1929.

tea, were placed at even higher levels for revenue purposes. Rates on capital goods, and transportation equipment, which contributed in developing local industries, were insignificant. All agricultural implements and supplies used in production were entirely exempt from duty. Likewise, animals to be used for improving or propagating the breeds were also free of duty.

From this analysis it appears that Turkish tariffs can be classified into three types: (1) revenue tariffs such as the duties on coffee, tea, cocoa, sugar, and luxury items; (2) the protective tariffs, such as the key industry duties and safeguarding duties; and (3) the preferential tariffs which were levied at lower rates, such as those on capital goods, or on those goods given free entrance, such as agricultural implements.

From these general features of Turkish tariffs it is appropriate to pass to a brief analysis of the rates on some selected agricultural commodities.

Although the Turkish tariff policy was strictly protectionist in character, agriculture, with the exception of a few products, was afforded little protection. This was because agricultural production was either for self-sufficiency or export. Thus most of the duties on agricultural products might be considered nominal. Nevertheless, they would be significant to the extent that they indicated the protectionist intent of the Turkish

tariffs. On products such as wheat, sugar, bananas, and lemons tariffs were significant.

On practically all agricultural products produced in the country there is a high tariff. Some idea of the Turkish tariffs may be gained quickly from an inspection of Table VII. This table also represents a comparison of Turkish tariff rates, which were in force from 1929 to 1946 inclusive, with those in force at the present. A conversion of duties per pound or bushel is shown in the last column of the table for the benefit of the American readers.

As shown in this table the rates established in 1929 were all kept at high levels. In many cases the duties imposed on some commodities were higher than the prices prevailing for those commodities in the country of origin. For example a very high tariff, 300 liras per 100 kilos (65 cents a pound)²⁰ was imposed on pork meats. Since the number of non-moslems was very small (318,421 in 1935), and since there was practically no hog production in the country, it is hard to realize their objective in levying such a high tariff on pork. It might be considered as a prohibitive tariff rather than protective or revenue raising. With the exception of wool and hides, tariffs on all other livestock products were highly protective in

²⁰One Turkish lira was equal to 48 cents in 1929.

Table VII: Turkish Import Duties on Agricultural Commodities
in 1929 and 1946.

(Duties as liras per 100 kilos)

<u>Animal products.</u>	1929	1946	1946 tariff in terms of dollars
Pork meats	300.0	770.0	\$1.22 per lb.
Beef	50.0	129.0	.20 " "
Cheese	60.0	154.0	.25 " "
Butter	108.0	277.0	.44 " "
Fats	90.0	231.0	.37 " "
Hides and skins(dried)	48.0	123.0	.20 " "
Leather	150.0	385.0	.61 " "
Wool	25.0	64.0	.10 " "
<u>Cereals: Wheat.</u>	6.3	16.2	1.56 a bushel
Wheat flour	9.5	24.4	4.70 " "
Oats and corn	4.5	11.5	1.10 " "
Rye	4.0	10.3	.53 " "
Barley	4.0	10.3	.53 " "
<u>Fruits: Raisins and figs</u> (dried)	27.5	70.6	.12 per lb.
Apples and pears	18.0	46.2	4.40 a bushel
Oranges	30.0	77.0	.12 a lb.
Lemons	10.0	25.7	.04 " "
Almonds (shelled)	80.0	205.3	.33 " "
<u>Other commodities.</u>			
Sugar	18.0	46.2	.07 " "
Coffee	23.0	32.0	.13 " "
Tea	87.5	24.5	.36 " "
Rubber	10.0	25.7	.04 " "
Tobacco	150.0	385.0	.61 " "
Cotton	15.0	38.5	.06 " "

nature. Because of the extremely high duties on dairy and meat products there have been practically no imports of such items since 1929.

Since wheat-growing has been the outstanding agricultural enterprise, the Government has been particularly active on behalf of the domestic producers of this crop. In order to protect the Turkish wheat grower from foreign competition the duty on wheat was kept at a high level (6.30 liras per 100 kilos, or \$1.37 a bushel)²¹. Duty on wheat was increased to 16.20 liras per 100 kilos. (\$1.56 a bushel) on December 9, 1946.

As was the case for wheat, duties on other cereals were placed at extremely high levels - even higher than the prices of these products in world markets. As result of the high tariffs on cereals and cereal products none of these has been imported since 1930.

On all fruits produced in the country there is a high tariff. With the exception of lemons and very small quantities of dates, practically no import of fruits occurred after 1929. The reason was that practically all fruits were produced domestically, and many fruits were exported from the country. The only fruits that Turkey needed to import were lemons, dates and a few tropical fruits.

²¹This compared with a tariff of 42 cents per bushel in the United States.

There were two rates on lemons, one high and one low. The low rate (3 liras per 100 kilos) were applicable for five and a half months each year - April 15th through September 30th. Imports taking place during rest of the year were subject to a high protective duty, that is, 25.67 liras per 100 kilos, (about 4 cents a pound).

Tariffs on dates and bananas were kept at prohibitive levels, the new rates being 61.60 and 143.73 liras per 100 kilos respectively.

In order to stimulate and protect domestic industry the Turkish government imposed a duty of 18 liras per 100 kilos on sugar in 1929. In addition a consumption tax of 10 percent of the value was assessed in 1932. Duty on sugar was increased to 46.20 liras per 100 kilos (7 cents a pound) in 1946, thus giving Turkey one of the highest duties on sugar in the world. Since the domestic production did not meet the needs of the nation a high tariff on imported sugar caused prices to be very high. Because the demand for sugar is relatively elastic at least at high prices, an increase in price through the tariff and consumption tax brought about a large decrease in sugar consumption. As a consequence, Turkey still remains one of the lower sugar consuming nations in the world.²²

²²In 1946 per capita sugar consumption was 7.5 kilos. This compared with 47 kilos in the United States in 1935-39.

Since both tea and coffee have a relatively inelastic demand, their duties were placed at a considerably higher level for revenue purposes. The duty of 0.82 lira per kilo (12 cents per pound) on coffee is moderately high. The duty of 2.25 liras per kilo (36 cents a pound) on tea is one of the highest.

The tariffs on leaf tobacco and cigarettes amounted to 3.85 liras and 51.53 liras per kilo (36 cents a package) respectively. These duties were prohibitive.

From the above analysis it appears that certain phases of the Turkish tariff law were not well designed in the best interests of the country. But the Government has deliberately adopted a policy of economic self-sufficiency which was inspired by the consideration of national defense and revenue.

Import Quotas and Licensing

Although the high specific duties were quite effective as trade barriers, they were not sufficiently protective during emergencies to meet the requirements of governmental policies concerning international trade. In view of the consistent desire of the Government to have a favorable balance of trade, it felt compelled to take more effective measures after 1930. To this end the application of import quotas seemed to be the most effective measure. In fact, during economic depressions and financial

crises quotas are more effective instruments of restrictions than the import duties; they are more flexible than tariffs, for they may be employed, or changed merely by government decree. With this in mind new legislation was enacted on February 23, 1931 giving the Government the authority to restrict the import of any commodity by establishing import quotas for various articles, by periods, and by countries whenever such action was deemed necessary. It went into effect for the first time on November 16, 1931. The quota system was, in effect, a corollary of measures taken to preserve the stability of the Turkish lira.

With the decree of November 16, 1931 the Government announced the establishment of quotas on a long list of merchandise items for the month of December of that year. From 1932 until 1937 the quota lists were issued every three months about 45 days before the beginning of the period to which they referred.

The Turkish quota system classified all imports into four groups, (1) those free of import quota restrictions, including machinery and implements, packing materials used in the exportation of domestic products (2) those for which definite monthly import quotas were provided, including sugar, tea, coffee, lemons, cotton, and woolen goods, and leather manufactures; (3) those which could be imported only by the authority of the minister of health,

including medicines, chemicals, etc., and (4) prohibited imports, chiefly articles not considered as prime necessity, that is, luxury items and all the agricultural products other than those mentioned above.

The quota system described above fell short in controlling imports to the extent desired by the Government. This became evident in 1932, primarily because export items dropped in total value and imports had not been sufficiently controlled by the quota system. Accordingly, by a decree of November 21, 1932 new quotas were issued which followed the same general system as those for previous periods. The new feature included in this decree was the establishment of a licensing system. This decree provided that all importers must first obtain a license in order to import any of the products designated in the list subject to licensing requirements. It fixed quotas on cotton fabrics among the countries of origin in proportion to Turkey's exports to those countries. The decree also provided the allocation of quotas among various countries exporting rice, glassware, paper products, and iron and steel products, on the basis of compensation exports to those countries.

In April 1933 the Government announced new quotas. This time emphasis was placed particularly on the compensatory trade feature. The Turkish products upon which special emphasis was given in compensating for imports were figs,

olives and olive oils, raisins, hazelnuts, pistachio nuts, mohair, valonia, opium, attar of roses, and live animals.

The quota and licensing systems was in force until July 1937. Since the conditions in international trade had improved, the Government lifted all these restrictions and followed a somewhat more liberal policy toward international trade.

Import Monopolies

Perhaps the most positive method by which a government may maintain prices is some form of monopolistic control. In fact, import monopolies may achieve a precise degree of protection at a lower administrative cost than by imposing quotas. Quotas are more haphazard. Monopolies can permit trade to pursue the line of comparative advantage by purchasing strictly on a price and quality basis.

The most important import monopolies dealing with the agricultural commodities are the sugar, and alcohol monopolies.

Sugar Monopoly:

By a law dated January 25, 1926 the Government was given complete monopoly on the manufacture, refining, importation and exportation of sugar. The primary objectives to be attained by this legislation were to promote and to

protect the domestic sugar beet industry, and to regulate imports. Under this law the imports of raw and refined sugar and sugar products, such as syrup, sweetened beverages of non-alcoholic content, and confectionary products, etc., can take place only under the State sugar monopoly. The law authorized the monopoly to fix the prices of beets at the beginning of each growing season. Each grower has to sign a contract with the sugar refinery in his district showing how much land is to be cultivated and what variety is to be grown. The monopoly is also authorized to fix the cost price of imported sugar and profits to dealers.

Alcohol monopoly:

The alcohol distilling monopoly was set up on June 1, 1925. In 1926 it was given to an organization of Polish distilleries. Because of its failure to fulfill the terms of the contract the Department of State Monopolies took charge of its administration in 1927. Since then alcohol has been controlled by this department.

Under the alcohol monopoly law, the monopoly has the authority to manufacture, sell, import and export all alcohol spiritous liquors, beer, and wine. The monopoly may modify the quantities of alcohol made from specified raw materials, and may control their use by the consuming industries. This power has been used to influence the market for farm products, notably for grapes.

The primary purpose of the alcohol monopoly was to secure revenue for the Government. It was believed that the monopoly would be more effective than a system of taxes, such as in the United States. Although its established objectives included the development of the production of alcohol yielding crops in the country, up to present time nothing has been done to this end by this monopoly.

War-time Control of Imports

By a decree of April 3, 1940 the Ministry of Commerce was authorized to establish importer's unions, (Government controlled importers' monopolies). The objectives of the law were to facilitate imports, and to control prices and sales of imported goods. Under this Act only merchants and commercial firms having an import license could import goods into Turkey and then only with the consent of the union.

Sanitary Restrictions

Restrictions on imports into Turkey to protect domestic animal and plant life from harmful diseases and pests should also be mentioned. Such restrictions undoubtedly have important effects upon the country's economic life.

The sanitary requirements with regard to agricultural products are based on legislation passed on January 29, 1936.

This Act established regulations for the control of the import and export trade in all plant and animal products. It enforced quarantine regulations in order to prevent the introduction of certain animal and plant diseases and pests in the country. All agricultural products and live animals were subject to inspection and quarantine at the port of entry. The importation of plant and livestock products must be accompanied by both shippers and inspector's certificates guaranteeing freedom from certain diseases. For example, lemons entering the country must be free from *Chrysomphalus aspidum* (The Florida red scale), and from cottony cushion scale, grapes from phylloxera, cotton from *platyedra gossypiella* and *anthonomus grandis*.²³

In order to prevent the introduction of diseases and pests in the country the Government set up an organization in Istanbul, Izmir, Mersin, Iskenderon, and Samsun. Entry of agricultural products into Turkey can take place only through these ports.

The most important restriction is that if a disease is observed in one part of a shipment the entire shipment may be returned. Except for this there has not been any effort to use these regulations as additional interferences with the import of goods.

²³ Bodenheimer, F. S. *Turkiye Entomolojisi*, Ankara, 1941. pp. 99-101.

CHAPTER XIII

THE EXCHANGE CONTROL MEASURES

Exchange control has been the main instrument for the regulation of foreign trade of Turkey since 1930. All other measures, such as import quotas, import licensing, clearing, and compensation systems were corollary measures taken to stabilize the value of Turkish currency.²⁴

There were various factors which led the Government to take very strict measures over the country's currency. In the first place, the strong demand for foreign exchange to pay for the huge excess of imports of 101 million liras in 1929 had brought about a sharp decline in the value of the Turkish lira. A second factor was the adoption of a strictly protectionist policy which required the importation of those goods essential to the economic life of the country. Still another important consideration was a strong and established desire for a favorable balance of trade with which to reduce the country's foreign debt. Finally a further factor in taking strict control over currency in Turkey was the relatively greater decline in prices of agricultural products than in prices of industrial goods beginning in 1929. All these considerations

²⁴ Among the various sources consulted in preparing this chapter, Decrees Nos. 1-13 regarding the protection of the value of Turkish currency; *Dis Ticaret Mevzuatimiz ve Tatbikati*, pp. 277-307, by Abdulhalik Indere; and *Turkiye Bis Ticareti*, pp. 65-68, by Kenan Akmanlar proved to be invaluable aid.

(factors) led the Government to pass legislation known as the law for the protection of the value of Turkish currency. It was enacted on February 25, 1930.

The Act prohibited speculation in foreign exchange. It provided that foreign securities could not be taken out of the country unless permission was given by the Ministry of Finance. No funds could be transferred into foreign currencies without securing an exchange permit. The exchange required to pay for imports could be secured only after the presentation of a bill of lading and the invoice. In some cases permission was given after the imports arrived at the port.

In order to create a reserve of foreign currency from which the demands of importers could be met, a central pool consisting of important national and foreign banks was formed on March 24, 1930. The central pool was also intended to regulate the demand for and supply of foreign exchange by selling and buying foreign securities on the exchange market, and thus to minimize the fluctuations in the value of the Turkish lira. The law further provided that all the foreign exchange received from abroad in payment for Turkish exports had to be sold to this pool. Furthermore, exporters were forbidden to extend credit to foreigners without the express permission of the Ministry of Finance. No exchange would be obtained for the importation of non-essential products which were listed in each quota period. Essential imports such as

capital goods were exempt from exchange restrictions. In most cases, however, certain items such as fertilizer, agricultural machines, and supplies were given priority.

The pool carried out its functions until the establishment of the Central Bank of Turkey on October 3, 1931. The Bank took over the duties of the pool, and became the sole fiscal agent of the Government. It was authorized to issue notes, regulate the money market and money circulation, and to prepare, with the Government, the measures necessary to stabilize the value of the lira.

In addition to the above measures which were all designed to protect the value of the lira through controlling the flow of exchange for the purpose of having a favorable balance of trade, the Government took some complementary measures. Of these measures the adoption of tariffs, import quotas and import licensing have already been mentioned. The clearing and compensation agreements will be analyzed in the next section.

Adoption of these various control measures were successful in reducing the volume of imports, and maintaining an active balance of trade during most of the years since 1930.²⁵

²⁵ See Table I, page 65, The Balance of Foreign Trade of Turkey.

Currency Devaluation

Devaluation had been consistently avoided until the outbreak of World War II in 1939. In fact, the main objective of the law passed in 1930 for the protection of the value of the Turkish currency was to prevent the lira from being depreciated. However, one may wonder how Turkey maintained the value of her currency at high levels while many of the nations devaluated their currencies in the thirties. In the first place, it will be remembered from the previous section that speculation in foreign exchange was prohibited. The value of the lira was kept at the rate of 47 cents in 1930. In August of 1931, the lira was tied to sterling at the rate of 10.31 liras to a pound, the equivalent of 47.2 cents. When the United Kingdom abandoned the gold standard on September 21, 1931, the Turkish lira was tied to the franc at an exchange rate of one lira to 12 francs. Thus in world exchange markets the rate of the lira fluctuated with the franc. Since the franc was pegged to gold, the variation in exchange rates was limited within the gold points. In this way, if the value of the franc were to increase in terms of the dollar, or other currencies pegged to gold, the lira also would increase at the same rate. This happened in 1933 when the United States prohibited the exportation of gold of any kind. As a result of this prohibition on gold export, the exchange rate of the dollar decreased in terms of the franc, and also in terms of the lira --- the new rate

being 60.4 cents to the lira. When the United States devalued her currency from \$21 an ounce to \$35 an ounce, or a decrease of 41 percent, on January 31, 1934, the exchange rate of the franc and of the lira was increased. Thus the exchange rate of the Turkish lira increased to 79 cents in 1934. When France devalued her currency in September of 1936 the lira was divorced from the franc, and maintained at its previous rate of one lira to about 80 cents until 1940. However, this stability in the value of Turkish currency did not mean that the demand and supply conditions were in an equilibrium. It was primarily the result of the adoption of the clearing system of trade which lessened the use of money to a considerable degree. On the other hand, the position of the lira in the exchange market improved as the Central Bank of Turkey increased its gold reserves. Nevertheless Turkey had been faced with many difficulties when she traded with those countries which required payments in free exchange. Thus, for example, in trading with the United States or the United Kingdom the issuing of exchange permits was suspended until Turkey had sufficient amount of exchange available. In some cases imports from the United States were compensated for by exports of Turkish products.

After the outbreak of World War II, in 1939, Turkey could no longer maintain stability in the lira with free exchange countries. The value of the lira was reduced slightly from 80 cents to 76 cents in August of 1939. But,

since this rate was still high Turkey traded very little with free exchange countries. Rather than devalue the lira further the Government adopted the premium system for trading with free exchange countries - notably with the United States and the Great Britain.

Under this system exporters were given a premium of 25 percent on exports to the United States, while importers were charged 38.5 percent on purchase of dollar exchange. Thus, for United States importers the purchasing power of the dollar increased from 1.30 liras to 1.625 liras. Whereas for the Turkish importer the rate of lira decreased from 76 cents to 55 cents.

The amount of premiums to both exporters and importers was changed several times. The premium system was intended to increase exports, and within the framework of compensation agreements to increase imports. At the same time price controls were placed on imported products. So it might be considered as a price stabilization measure rather than an exchange regulating measure.

Neither this system nor other price control measures worked out successfully. The general price level reached about 450 percent in 1944 and at the end of 1945 it remained at about 550 percent compared with 1938 as 100. Due to the high exchange rate of the lira, and high prices at home, exports of agricultural products almost stopped during

first half of 1946. Under these conditions the Turkish Government felt compelled to devalue her currency on September 7, 1946. The new exchange rate was fixed at 2.82 liras to one dollar - the depreciation being 41 percent. The immediate effect of the depreciation was a marked increase in export trade due to the decline in prices of Turkish products in terms of foreign currencies; while there was a substantial drop in import trade because of the increase in prices of imported goods in terms of Turkish currency in 1947.

At present Turkey is a member in the International Monetary Fund. Thus, Turkish exchange policies are tied to the policies set by the Fund, which has undertaken to promote exchange stability and to avoid competitive exchange depreciation. It also has authority to fix exchange rates of the member countries, and to assist in the removal of foreign exchange restrictions that hamper world trade.

CHAPTER XIV

OTHER MEASURES REGULATING TRADE

Clearing System

Perhaps one of the outstanding feature of Turkish foreign trade policies was the use of clearing agreements in her trade relationships with certain countries. This system of trading was widely adopted by many European countries during the thirties. The causes that led many countries to use clearing agreements are various.

Looking back at the thirties; Great Britain abandoned her traditional free trade policy and introduced import duties in 1931,²⁶ quotas on many agricultural products in 1933.²⁷ The Ottawa agreement of 1933 provided preferential treatment among the Common Wealth nations, and high tariffs on products imported from other nations.²⁸ The United States by the Hawley-Smoot Act adopted the highest tariffs in its history.²⁹ France introduced an import quota system, and strict sanitary regulations on many agricultural products beginning in 1931.³⁰ In Germany every

²⁶Karl Brandt, *The Reconstruction of World Agriculture*, Stanford University, 1945, p. 83.

²⁷League of Nations, *Quantitative Trade Controls*, Geneva, 1943, p. 17.

²⁸League of Nations, *Commercial Policy in the Inter-war Period*, Geneva, 1942, p. 71.

²⁹Op. cit., *Quantitative Trade Control*, p. 13.

³⁰Lawrence W. Towle, *International trade and commercial policy*, Hayer and Brothers, 1947, p. 432.

foreign trade transaction was brought under the control of a centralized organization. Furthermore, foreign exchange control measures were adopted by a number of countries in Europe, including Bulgaria, Czechoslovakia, Denmark, Finland, Greece, Germany, Italy, Norway, Spain, Yugoslavia, and Turkey.³¹ Thus the golden era of international trade came definitely to an end, and a new era of protectionism got under way. Consequently the world trade shrank drastically for it was diverted from its natural and most economic channels.

The effects of the change in trade policies of big nations, however, became a great burden on small agricultural countries. Because of sharp declines in their exports of agricultural products to the United Kingdom, the United States, France, and other protected markets, great difficulties were experienced in paying for imports of industrial goods needed in developing their economies. Turkey furnishes an example of the effects on small countries. Turkish products such as mohair, wool, cotton, and fruits enjoyed a good market in Great Britain and France. After 1930, however, England began importing the same articles from her vast empire. France did the same. Thus Turkish exports to these countries³² and their dominions dropped sharply.

³¹League of Nations, International Currency Experience, Geneva, 1944, pp. 162-172.

³²See Table V on page 99.

In the face of this situation Turkey chose to seek other markets for her agricultural exports.

In the meantime Germany was too busy trying to find remedies for unemployment, to search new outlets and sources of supply. With the rise of Hitler in 1933, Germany adopted an extensive program for the preparation of a total war. This program required large amounts of raw materials and foodstuffs. Consequently her trade policy was directed first and foremost to these ends. In her new trade policy Germany not only sought those countries which were willing to sell raw materials and purchase industrial goods, but also those whose communications would not be cut off from Germany in time of war. Thus the Danubian countries, the Balkan States including Turkey seemed well suited for this purpose. In carrying out her trade relations Germany adopted the clearing system which did not require the use of foreign exchange. She also introduced subsidies for imports, and in some cases for exports, to expand her foreign trade. In this way exports to Germany were able to receive higher prices than the other markets.

Such an arrangement was welcomed by Turkey, since it offered an answer at least partially to her economic problems. Consequently an agreement was signed between the two countries in August 1933. By this agreement Germany agreed to guarantee that the balance of trade be in Turkey's

favor at a margin of 30 percent. This fitted Turkey's debtor position since in this way she was able to pay part of the bonded indebtedness of the Ottoman Empire, of which German bondholders held a considerable share. The first experiments with the clearing system of trade proved so successful that it was adopted as a definite Turkish foreign trade policy. New agreements were signed with 22 European nations including Italy, Soviet Union, Czechoslovakia, Belgium, Sweden, France, Switzerland, and the Netherlands. In all these agreements it was clearly stipulated that an amount equivalent to 20-35 percent of the value of the imports from Turkey would be kept in a special account in each of these countries, and credited to the Central Bank of Turkey, to be used or converted freely and without any restriction. This program assisted Turkey in moving towards her established foreign commerce policies, that is, to facilitate exports, to protect the value of Turkish currency, to attain a favorable balance of trade, to pay off foreign debts, to protect the national industries and to control foreign trade more effectively.

Under the clearing system foreign trade took place without the exchange of foreign currencies. Importers in Turkey paid into the clearing fund, established in the Central Bank, for the goods they imported from, say, Germany. On the other hand when Turkish exporters sold certain products to Germany they were paid from the clearing fund. The same thing took place in the same way in Germany.

In this form of trade the movements of goods was reflected by the exchange rate between the two countries. The only reference to exchange rate was made when the representatives of both countries set up a relationship between their respective currencies. The methods employed in setting up a relationship and thus valuing their imports and exports, however, varied in each agreement signed with different countries. The general form of procedure was to fix a specific rate for the year and then use it as a basis in calculating the value of trade. In some cases conversion into national currency was made by using average daily rates in the contracting countries and in some others by using the daily exchange rate of a third country. For instance, in calculating the value of trade between Turkey and Finland the daily average rate of sterling was used as a basis.

At first glance one may not find anything wrong with the clearing system of trade. Nevertheless the whole procedure is not so simple as it seems. At times when there was not an appropriate sum in the clearing fund exporters had to wait for several days, weeks, and even months before they were paid by the clearing office. The situation was even more difficult for tourists. If there was not enough appropriate money in the clearing office

it would be impossible to take a trip to a foreign country.³³

Turkey experienced other difficulties from the adoption of a clearing system, too. The most important of them was the occurrence of the Turkish blocked accounts in many contracting countries, notably Germany. This in turn gave rise to delays in payments to the Turkish exporters. Exporters having blocked accounts offered certain amounts of money to importers if they imported goods equal to the value of their blocked funds, from the contracting country. This kind of private compensation arrangements tended to increase imports from that country.

In order to avoid the difficulties arising from these blocked accounts, clearing agreements, particularly those with Germany, and Italy, were supplemented by compensation agreements. This system of trading provided that a particular shipment had to be linked or compensated for by an equal import shipment. The compensation agreements specified the total volume of trade and the commodities which might be traded between the two contracting countries. In this way the possibility of blocked accounts

³³ It was the personal experience of the writer in 1944, after completing all the formalities for going to Switzerland to be unable to obtain Swiss currency. The reason for this was that in that particular period Swiss imports from Turkey were insufficient to create an excess of exchange; therefore, even as a Government student he was not allowed to enter Switzerland.

was prevented, and thereby exporters were enabled to get their funds without undue delay.

Another difficulty that Turkey experienced was the great tendency towards diversion of Turkish trade from the free exchange countries. Because of the high prices paid for the Turkish products by Germany it was very difficult for Turkey to trade with other countries. Thus with the passage of time Turkey became more dependent on the ever expanding German market. In the beginning German exports were sold at prices sufficiently low to discourage the merchants of other countries. Then, when the Turkish market was cleared of competition, Germany tried to take further steps to dictate the price and type of products to be imported and exported. However, these attempts were not always successful.

Another feature of the clearing trade with Germany was that Germany reexported some of the Turkish products such as figs, raisins, and nuts for free exchange and thus she became Turkey's competitor with Turkish products sold directly by Turkey.

The clearing system of trading, which seemed appropriate in terms of short run prospects, has several other disadvantages. One of the major difficulties is that Turkey was tied closer and closer into the economic orbit of Germany and lost a considerable measure of international

economic freedom. Later action was taken to reduce this dependence but at considerable short run cost. A second major difficulty is that trade seldom follows a pure bilateral basis. Under free international trading Turkey's comparative advantage probably would permit sending more goods to the United States than she purchased, while she would purchase more goods, for example, from Italy than she sold to Italy. Complete bilateralism probable would reduce exports to the United States and imports from Italy, thus reducing the total volume of international trade and reducing somewhat the general welfare of the Turkish people. Whether practical problems of international trading relations will permit the reestablishment of such ideal trading relations may be questioned; nevertheless efforts should be made whenever feasible to move towards the goal of permitting multilateral balancing of accounts and increase in the aggregate volume of trade. There should be also mentioned that the complex regulations of international currency increased the costs of importing and exporting and helped to concentrate trading firms in cities accessible to the Central Bank or trade authorities.

Despite these shortcomings inherent in the clearing system or so-called bilateral trade, from 1933 to 1940 it did assist in bringing about a trade balance in favor of Turkey (see Table I). As was indicated above, many of the contracting countries guaranteed to Turkey a surplus

of foreign exchange, making it possible for her to have an excess of exports over imports and pay off her foreign debts. Nevertheless after adopting this system of trading Turkey's foreign trade has never reached its previous level under free trade during the twenties.

During the period 1933-39 about 83 percent of the import and 80 percent of the export trade of Turkey was with countries having clearing agreements with Turkey. After Germany's occupation of Austria in March 1938 and of Czechoslovakia in March 1939, followed by Italy's invasion of Albania in April 1939, Turkey decided to diminish her trade relations with these countries. Despite great efforts made by Germany in 1940 the agreement was not renewed by Turkey. As a result Turkey's trade with Germany dropped suddenly from 37 percent of the total exports in 1939 to 8.7 percent in 1940, while imports decreased from 51 percent to 11.7 percent for the same years.

Premium System

In the section on currency devaluation it was pointed out that in order to increase exports the Turkish government beginning in 1940, adopted the compensation premium system in trading with free-exchange countries. Another objective of employing this system was to limit and reduce the ever increasing German penetration into the country's political and economic life. Still another aim was to pre-

vent importers from raising their prices. Finally a further consideration was to regain a larger share of her trade with the countries having free exchange (particularly the United States and the Great Britain), and thereby to counteract the German method of trading. In fact, it is true that many of the free exchange countries reduced their trade with Turkey either because they could not buy the high priced Turkish products or because they could not sell their goods in Turkish market in competition with Germany.

Under the premium system of trading the Turkish importers paid exchange premiums on the Turkish exports to free exchange countries. Let us see how this system actually has worked out. Beginning January 2, 1940 the Government granted a 25 percent exchange premium on exports to the United States. Coincident with the exports a premium of 38.5 percent collected on exchange transactions involving the purchase of dollars for the payment of imports. These premiums were paid to accounts held by a Government agency known "Takas Ltd." which was given complete monopoly of compensation operations.

The amount of compensation premiums was changed several times. In August of 1942 the premium collected from the importers of United States goods was reduced from 38.5 percent to 33.3 percent above the official exchange rate 1.50 to the dollar, (or from 0.50-lira to 0.43 lira on

each dollar). On November 15, 1944 export premium was increased from 25 percent to 35 percent, while importers were charged 40 percent. In January of 1945 premiums for exporters and importers were 40 and 48 percent respectively. In other words, under this latter case the effective exchange rate for the exporters to the United States was 1.82 liras to the dollar, while for the importers the rate was 1.93 liras to the dollar. For the United States' exporters and the importers the official rate remained 1.30 lira to dollar, but, in effect, the purchasing power of the dollar in Turkey increased by 40 percent.

The compensation premiums were also applied to the trade between Turkey and the sterling area, and some other free-exchange countries. For the period 1940-1945 the premium on exports to Great Britain was 40 percent, and on imports 48 percent above the official exchange rate 3.82 liras to sterling.

As was previously indicated, Turkey's use of premiums in foreign exchange was not designed to curb her trade with free exchange countries nor intended to intensify foreign exchange control. On the contrary it was a measure, to stimulate exports and thereby to meet a specific crisis in her economy, but without devaluating the currency.

The premium system remained in operation until September 7, 1946 when the lira was devaluated from a ratio of 1.30 lira to dollar to 2.82 liras to dollar.

CHAPTER XV

THE RECIPROCAL TRADE AGREEMENT WITH THE UNITED STATES

During the thirties most nations began to raise tariff barriers, in many cases in retaliation against tariff increases by other countries. The United States which passed the Smoot-Hawley tariff in 1930, partially revised its position by passing the Reciprocal Trade Agreement Act in 1934. Thus it was the only major nation which during the thirties was actively engaged in bringing about a reduction in tariffs. However, by 1939 only 21 nations including Turkey had entered into reciprocal trade agreements with the United States.

As was previously indicated next to Germany the United States was the largest purchaser of Turkish products. Since the United States dollar was freely exchangeable in foreign trade, Turkey was very eager to increase its trade with her. This desire finally resulted in a reciprocal trade agreement between the two countries. The agreement providing reciprocal tariff benefits and the unconditional most-favored-nation treatment was signed at Ankara on April 1, 1939, and became effective from May 5, 1939.³⁴ It is still in effect.

³⁴Reciprocal Trade Agreement between the United States of America and Turkey, Executive Agreement series, No. 163, U. S. Government Printing Office, Washington, 1940.

Under this agreement the two nations agreed to adopt the general principle of the unconditional most-favored-nations treatment with regard to custom duties, and other forms of trade control. Thus when each of the contracting parties granted tariff reductions or any concessions to a third country, the same concessions would be granted automatically to the other party. However, special trade advantages may be accorded by the United States to its territories and Cuba and by Turkey to territories detached from the Ottoman Empire in 1923. No restriction of any kind could be imposed by any party on commodities, upon which tariff concessions were granted. However, each country reserved the right to impose quantitative restrictions which were designed to regulate domestic production, supply and prices provided that they are also applied on like products originating in all third countries. If either country proposes to establish import restrictions, written notice must be given to the other country at least two months before they are put into force. If no agreement is reached within the period of two months, the other country may terminate the agreement on thirty days written notice.

Under the agreement Turkey undertook to continue to provide free exchange in payment for commercial imports from the United States. Furthermore the agreement provided that the amount of free exchange which Turkey would make available for each calendar year to cover imports from the

United States should not be less than 10.91 percent of Turkey's total commercial imports.³⁵

The agreement also provided that the goods which each country imports from the other should not be taxed more than domestic goods. Another important provision of the agreement provided that neither country, in awarding contracts to purchase non-military supplies should discriminate against the other in favor of any third country.

Tariff concessions granted by Turkey:

Tariff concessions granted by Turkey under the agreement covered 44 items. These items consisted largely of manufactured products. Tariff reductions on these items ranged from 5 to 88 percent of the general tariff. For example, the duty was reduced by 88 percent on radio parts, 75 percent on radios, dried prunes, canned prunes and prune juices, and canned asparagus. One of the most important items supplied by the United States to the Turkish market has been motor vehicles. The duty on these items was reduced by 60 percent. On typewriters, calculating and registering machines, and electric refrigerators the duties were reduced by 12 percent. Duty reductions were also made on iron and steel products, and on sewing machines, the latter

³⁵ This figure represents the share of the United States in Turkey's total imports in 1935-37.

largely supplied by the United States. These reductions ranged from 5 to 20 percent.

Tariff concessions granted by the United States:

Tariff concessions granted to Turkey under the agreement included 21 items which accounted for 97.5 percent of the value of the American imports from Turkey in 1937. The concessions were of three types: reductions in tariff rates on 12 items, binding of the duty on one item, and binding on the free list of 8 items.

As was previously indicated the most important product among the American imports from Turkey is cigarette leaf tobacco. Duty on this product was reduced from 35 cents to 30 cents a pound, or by 14.3 percent. The remaining 11 items on which tariff reductions were made have played an insignificant role among the American imports from Turkey.

On dried figs valued at 7 cents or more a pound the tariff was reduced from 5 cents to 3 cents a pound or by 40 percent. Practically all American imports of such figs come from Turkey and sell at higher prices than the better grade of domestic figs. Nevertheless the tariff on figs valued less than 7 cents a pound was kept at the old rate, that is, 5 cents per pound.

The duty on shelled filberts was reduced from 10 cents to 8 cents a pound, and on raisins made from seed-

less grapes from two to one and a half cents a pound. Imports of these products, though in small quantities, come almost entirely from Turkey.

The rate on poppy seed was reduced from 32 cents to 16 cents per 100 pounds under the Netherlands agreement of February 1, 1936. By virtue of the unconditional most-favored-nations treatment, the reduced rate was incorporated in the agreement. There is no poppy seed production in the United States.

The agreement also provided for the binding on the free list of eight items. These were, crude valonia, crude licorice root, chrome ore, emery ore, crude borax, undressed hare, martin skins and sausage casings.

This summarizes the 16 articles of the reciprocal trade agreement between Turkey and the United States and the exchange notes attached to it.³⁶ From the analysis of this agreement it appears that the United States granted fewer tariff reductions to Turkish products than were granted by Turkey, but the value of total imports affected by such concessions was higher in the case of American imports from Turkey. For example, commodities on which tariff reductions were made by Turkey accounted for only 41 percent of the total Turkish imports from the United States in 1937. On the other hand, commodities on which tariff reductions were made by the United States accounted for 97.5

³⁶U. S. Department of States, Trade agreement between the United States of America and the Republic of Turkey, Washington, 1939, Press release nos. 126 and 127, mimeographed.

percent of the total American imports from Turkey during the same year. However, it should be considered that leaf tobacco alone accounted for over two-thirds of the total imports from Turkey.

As for the effects of the agreement, the beginning of World War II about four months after the effective date of the agreement meant that the anticipated expansion in trade between the two countries could not be realized. As a result of the world conflict, exports of both countries to each other were disturbed. The reasons for this were mainly of two factors. In the first place shipping facilities were greatly disrupted, and secondly, both countries adopted strict measures to control or restrict exports. However, certain provisions of the agreement were important during the war period. These were the exemption of imports from the United States from compensation requirements, and the assurance of free exchange for payments of imports from the United States. In order to make such exchange available, the Turkish government established a special account in the Central Bank of Turkey. All foreign exchange secured from the exports to the United States was deposited in this account, and thereby imports from the United States were paid regularly and without undue delay.

CHAPTER XVI

FUTURE PROSPECTS OF TURKEY'S FOREIGN TRADE

The previous chapters are primarily devoted to the developments of Turkey's foreign trade in the past. Since the country is developing rapidly, it is appropriate to analyze briefly its probable foreign trade developments and policies in the years to come.

Turkey's trade policy in the past has been profoundly affected by the changes in the trade policies of other countries as well as by the general level of world and especially European economic conditions. If prewar barriers to trade continue the structure of Turkey's foreign trade is likely to shift towards a reduction in imports of goods which can be produced in Turkey; a reduction in exports probably will occur to a lesser extent. For purposes of this analysis of future prospects it has seemed more useful to assume a reasonably high level of world prosperity and a willingness among nations to discuss and reduce trade barriers. Under these assumptions it seems quite likely that Turkey will cooperate in reducing barriers, in expanding exports and increasing imports, particularly of capital goods. Virtually none of Turkey's present industries supply the domestic requirements. Therefore, Turkey will continue exporting agricultural products while importing industrial goods. Nevertheless, it appears likely that Turkey's foreign trade will expand greatly. This state-

ment is based on the post-war economic development plans of Turkey.

The new economic development program of Turkey includes the expansion and improvement of the transportation system (railroads, highways, ports, and merchant marine), the development of mineral resources (oil, chromium, copper, coal, sulphur, iron etc.), expansion of textile industries, sugar refineries, and food processing plants, and the development of basic chemicals.³⁷ Another important program of Turkey is the development of agriculture, and the construction of agricultural machines and fertilizer plants. A number of irrigation schemes are in contemplation as part of a program initiated in 1939. Several dams will be constructed in various parts of the country. These dams will also produce electric power. Furthermore, the Government plans to equip every farmer with modern agricultural implements such as plows, drills, combines, reapers, and harrows.

In order to carry out these programs (already underway) Turkey would require the importation of large quantities of capital goods as well as skilled engineers from abroad. The completion of each program would make necessary the importation of new products to meet the new demands. For

³⁷ As reported in Cumhuriyet (daily newspaper), Istanbul, March 21, 1947 and in Ulus (a semiofficial daily newspaper), Ankara, July 5, 1947.

example, construction of railroads and highways probably would increase the demand for locomotives, motor vehicles, motorcycles, tires, tubes, heavy mineral oils, etc. Production of electric power would expand the market for electrical appliances, refrigerators, radios, washing machines, etc. On the other hand, the development of irrigation systems would undoubtedly increase production of agricultural products, and thereby increase incomes and purchasing power of farmers. Better and faster transportation would enable farmers to market their products more timely at higher prices. Furthermore, the development of all the above mentioned programs would provide more and better jobs for large numbers of persons in the country and eventually increase their income and in turn increase the domestic demand.

The most important **problem** involves the ability of Turkey to import equipment required for these development programs. Turkey has already spent a large part of her supply of dollars, sterling, and gold reserves which she accumulated during the recent war years. In order to be able to continue to import large quantities of capital goods, Turkey has either to increase her exports, or obtain foreign loans, or both.

As previously pointed out, Turkey's main exports are tobacco, filberts raisins, figs, pistachio nuts, cotton, mohair wool, wool, opium, valonia, and mineral ores,

notably chromium. Of these products, it is safe to say that tobacco will continue to be the most important export item, while exports of cotton, and mohair wool may decline as the domestic textile industries are developed. For other export products, Turkey probable would adopt strict measures to improve quality, packing, packaging and grading, and also to reduce prices and thereby compete more advantageously in free exchange markets. It was Turkey's failure in these respects that gave rise to her dependence upon Germany as a market for agricultural products.

In reducing prices of exportable products and thus increasing exports the devaluation of the Turkish lira has already been mentioned. Better methods of farming now developing will also tend to reduce prices by increasing productivity. These methods appear likely to be most effective in fresh fruit production. Throughout the world, fruits grown in Turkey are famous for their excellent taste and flavor. Thus as marketing facilities are developed and improved, exports of fresh fruits, notably table grapes, apples, pears, peaches, cherries, oranges, bananas, strawberries, cantelopes and watermelons which are needed in Europe, would increase. Development of food processing plants, particularly canning and beverage establishments, would also serve to increase production and exports of fruits and grapes. Vegetable production also has a prominent

future in Turkey's export trade. In fact, Turkey is one of the few countries along with Italy and Spain in Europe, that is able to market pre-season fresh vegetables in the Western and Central European countries. For example, developments in refrigeration would make it possible to expand the production and the exportation of tomatoes, eggplants, peppers, cucumbers, green beans, peas, lettuce, and many others.

The above remarks indicate only a few of the possibilities for expanding Turkish exports to obtain foreign exchange. In addition Turkey may increase her advantage in foreign trade through the improvement of her poultry, and silk production. In the past these industries have played an important part in the country's export trade.

In all these fields, fruit, vegetable, poultry, and silk production, only a few years are required to obtain good results. In fact, all these branches of agriculture have already developed sufficiently, requiring only improvement in marketing facilities and well established organizations for entering them into international trade channels, provided trade barriers abroad are not too high.

Turkey may secure long term foreign loans to pay for the importation of capital goods necessary for these development programs. The United States has already adopted the Truman Doctrine, and the Marshall Plan. Appropria-

tions made under the former are directed primarily at strengthening Turkey's national defense but also may have some indirect effects in improving the national economy through expenditures on ports and highways.

If the assumptions regarding trade policies and level of employment are invalid, then Turkey will be unable to follow the extensive program of modernization and industrialization which is planned. Only certain phases will be adopted in accordance with the foreign exchange available.

In any case some shifts in the direction of foreign trade is inevitable. Turkish trade already has shifted from Central European countries to Western European countries and especially to the United States. These countries, particularly the United States and Great Britain, are the sources for much of the capital goods needed in Turkey's program of industrialization.

Now what kind of foreign trade policy should Turkey follow to achieve her economic development programs? While it is not the purpose of this work to elaborate a positive policy toward international trade of Turkey, a few remarks seem appropriate. In fact it is still difficult to predict the exact nature of the economic and political structure of the future; it is assumed however, that the nations all over the world will follow a policy which will promote

national security and international peace.

There are a number of international organizations dedicated to bringing about peace and security to the world. These are: The United Nations, The International Bank for Reconstruction and Development, International Monetary Fund, The International Trade Organization, The Food and Agricultural Organization, and the Economic, Social and Cultural Organization. Turkey participated in all of these organizations. Thus Turkey's international economic policies are closely tied up to the policies set by these organizations. Stated briefly: their aims are to establish and maintain international cooperation in every field of politics. To this end they set up programs to develop the economies of backward nations, to promote exchange stability and orderly exchange arrangements, reduce government barriers to international trade, better organization in world agricultural production, and finally to improve the human resources through the improved health, nutrition and education.

The greater the cooperation among nations achieved by these embryo organizations the greater will be the expansion of foreign trade possible by Turkish economic development. The failure of these international organizations will be a blow to any plans for the expansion of foreign trade, and will undoubtedly revive the policies which existed during the thirties.

CHAPTER XVII

SUMMARY AND CONCLUSIONS

Turkey is predominantly an agricultural country with 75 percent of its population gainfully engaged in agricultural production. About 58 percent of the national income is derived from agriculture while over 85 percent of the export trade is composed of agricultural products.

Turkey has large amounts of land, but only 18.4 percent of it is under cultivation. Throughout the country the size of farms is very small averaging about four dekars (about one acre) in the Black Sea region, 30 dekars in the Aegean region and about 100 dekars in the Central Plateau and Eastern Highlands. Although several land reforms made it possible for a great portion of the farmers to own their land, they did not greatly improve their level of living. The recent law providing sufficient land for every farmer will require years for bringing about a betterment in the farmers' life. Because of a lack of capital in the agricultural districts, very primitive implements are used. Oxen are generally used as draft animals while the use of machinery in farming is negligible. Crop rotation and fertilizer are regularly adopted in a few farm districts. Despite great efforts made by the government in recent years, farm practices are still far from modern. Nevertheless Turkey's great variety of climates and fertile soils enable her to produce almost all kinds and varieties

of plant and livestock products.

Besides these characteristics the country has innumerable mineral resources. But because of transportation difficulties, most of these mines remain undeveloped.

Turkey's industrial development has been carried on according to definite 5-year plans under the supervision of the government. More than 50 percent of the industries are owned and operated by the State. The industry which had developed the most is that of textiles. Other industries are food processing plants, cellulose, ceramics, timber, leather, glass, mining, iron and steel. None of these industries satisfies the needs of the nation.

Despite great efforts made by the government, Turkey is still poor in transportation. Lack of capital and the topography of the country are the main factors in the lack of good transportation facilities.

Among the crops grown in Turkey, cereal production is by far the most important agricultural enterprise from both an economic and social standpoint. About 88 percent of the land under field crops is devoted to cereals of which wheat consists of more than 50 percent. In 1942, cereals provided 33 percent of the national income and 59 percent of the agricultural income of Turkey.

Livestock is also very important with pasture and meadows representing about 50 percent of the total area.

Livestock and livestock products constitute 13.5 percent of the national income.

Since Turkey possesses a great variety of climates and soils, many kinds and varieties of fruits and nuts are grown in the country. About 1.8 percent of the total area is under fruit trees. In 1943 fruit and nuts comprised five percent of the national income.

Turkey's advantage in international trade is based on the peculiar geographic factors which make possible the production of specialized agricultural products. The exports of agricultural products from Turkey create the bulk of the purchasing power by which she can secure exchange to buy industrial goods, chiefly capital goods, to develop her industry. In 1935-39 agricultural products averaged 84.6 percent of the total Turkish exports by value.

Among the products, by far the most important in respect to export trade is tobacco, which is so distinctive as to be a product by itself. All attempts made by other countries to transplant it have failed. Tobacco exports consists of about 28 percent of the total Turkish export by value. It is shipped to nearly all world markets where it is used mainly for blending purposes. Other products exported from Turkey are in order of their importance, filberts, raisins, figs, cotton, mohair wool, opium, cereals, live animals, olives and olive oil, wool, and valonia.

Since Turkey is predominantly agricultural, its imports have been limited mainly to industrial goods, namely, iron and steel products, motor vehicles, machinery, cotton and woolen goods, and chemicals. These items normally account for over 90 percent of the total Turkish imports. Imports of agricultural products play little importance in Turkish trade. The principal agricultural commodities imported are tea, coffee, crude, rubber, cocoa, sugar, and lemons, which represent about nine percent of the total imports.

Owing to its proximity to the so called "World's Workshop" - Western Europe - and to its being situated at the crossroads of the world, it has been made possible for Turkey to trade readily with the rest of the world. However, in her foreign trade Turkey has been very much dependent on Europe, notably the Western and Central European countries. Prior to World War II over 80 percent of Turkey's total trade was carried on with European countries. The principal buyers of Turkish products, were Germany, United States, Italy, Great Britain, France, Soviet Russia, and Czechoslovakia, in the order named. Trade with these countries represented over 70 percent of the total. Among these countries, however, Germany at that time purchased more Turkish products than all the other countries combined, but the development of this trade brought about considerable distrust in Turkey.

Turkey's economic policy was born of a strong reaction against the conditions under the Ottoman Empire. By her new economic policy, Turkey has attempted to develop all branches of her economy as an integrated whole. To this end, Turkey followed a policy which was strict protectionistic. In carrying out her economic development programs, Turkey worked mainly on a pay-as-you-go basis and refrained from foreign borrowing.

Due to the lack of private capital and because of the ever increasing danger of world conflict abroad, the Turkish Government took an active part in the development of the country's economy. To this end, the policy of economic nationalism, with maximum self-sufficiency as the ultimate aim, seemed to be imperative as the only way for national defense. Although Turkey has intended to develop all branches of her economy as an integrated whole; up to the present time emphasis has been given to industrial developments. In other words, Turkish national economic policies were designed to foster industrialization, although agriculture is the foundation of the national economy.

As for foreign trade policies, Turkey has had a trade system which was strictly controlled. The trade control measure took many forms. In general from 1923 to 1939 inclusive, all measures were designed to stimulate exports while restricting imports. With the beginning of World War II, however, the policies took an opposite dir-

action, that is to facilitate imports while restricting exports.

In Turkey's trade policies tariff duties have been a major trade barrier. With the exception of agricultural implements, practically all merchandise imported are subject to high tariffs. Some of these duties were designed to protect domestic industries while others were imposed to increase revenue. Import duties have always been the main consideration in Government fiscal policies to increase revenue. Thus, high tariffs were charged on those products which were not produced domestically, even though they would help to raise the living standard of the nation.

Import quotas, import licensing, import monopolies and exchange control measures adopted by Turkey during the thirties were other trade barriers. The primary objectives of these measures were to maintain a certain degree of stability in the value of Turkish currency, to protect local industries, and, more particularly, to bring about an excess of exports over imports; thereby permitting the repayment of the country's foreign debt. Thus, in almost all cases the main consideration was not the demand for certain products, but rather a volume of imports which would not lead to an unfavorable balance of trade for Turkey.

From 1934 to 1940 the above measures were supplement-

ed by bilateral trade agreements and compensation systems of trade. All these measures made it almost impossible for Turkey to trade according to the principle of comparative advantage. It is true that by adopting such measures Turkey attained a favorable balance of trade and thereby paid off her foreign debt, but it was at the expense of her international freedom. Thus Turkey did not realize that by adopting the clearing system of trade it would lead to German penetration into the economic and political life of the country. With the passage of time Turkey was tied closer and closer into the economic orbit of Germany. Later actions were taken in 1939 to reduce this dependence but at considerable short run sacrifices to the national economy.

Prior to World War II, Turkey's sole action in making a reduction in trade barriers was her entering into a reciprocal trade agreement with the United States in April, 1939. However, because of the war the anticipated expansion in trade between the two countries could not be realized.

It must be recognized that Turkey's policy of expanding industrialization brought about many lesser difficulties during the recent war than if she had been solely an agricultural nation as in 1923. At a time when other countries had few goods to export, Turkey was able to produce at least part of her necessities. Thus over the period we

are considering, Turkey has had positive gains and positive losses from her controls over trade.

Turkey is interested in a rapid rate of industrial development. The rate of development will depend upon the volume and value of exports, primarily agricultural. If other nations purchase Turkey's goods a large volume of trade will be possible both in imports and exports; a smaller volume of trade will force Turkey to control imports and develop her own resources at a slower rate because of the lack of capital goods imports. Thus the pattern for the future will depend on developments in United Nations negotiations especially as practiced by other parts of Europe. They will be reflected in Turkey's trade policies since Turkey as a small trading nation finds it difficult to pursue an independent course of action in trade policy.

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APPENDIX

Table 1 - The Units of Turkish Measures in Terms
of American Units.

Length measures

1 meter	=	39.37 inches
1 centimeter	=	0.3937 "
1 kilometer	=	1093.6 yards

Area measures

1 Dekar	=	0.247 acres
1 Hectare	=	2.47 acres

Volume measures

1 Liters	=	61 cubic inches
1 cubic meter	=	1.309 cubic yards = 35.314 cubic feet

Liquid measures

1 Liter	=	0.264 gallon
1 Liter	=	1.057 quart

Mass measures

1 kilogram	=	2.204 pounds = 32.15 ounces
1 metric ton	=	1.102 short ton = 0.984 long ton
1 metric ton	=	2204 pounds

Table 2 - Yearly Average of Lira in Terms
of Dollar¹

<u>Years</u>	<u>Rates</u>	<u>Years</u>	<u>Rates</u>
1923	\$0.60	1935	\$0.80
1924	0.59	1936	0.80
1925	0.54	1937	0.80
1926	0.52	1938	0.80
1927	0.51	1939	0.78
1928	0.50	1940	0.72
1929	0.48	1941	0.76
1930	0.48	1942	0.77
1931	0.47	1943	0.77
1932	0.47	1944	0.77
1933	0.60	1945	0.77
1934	0.79	1946	0.35

Compiled from Annuaire Statistiques,
Ankara 1936, 1942, 1946.

¹Yearly average of selling rates of Central Bank
of Turkey.

Table 3 - Value of Principal Exports of Turkey 1923-1946.

(in 1000 liras)

Part 1

<u>Year</u>	<u>Leaf tobacco</u>	<u>Filberts</u>	<u>Raisins</u>	<u>Figs</u>	<u>Cotton</u>	<u>Mohair</u>	<u>Wool</u>
1923	20,339	3,815	10,562	4,866	6,169	3,152	1,111
1924	46,354	7,586	18,234	10,040	11,390	5,936	2,274
1925	60,244	14,180	10,999	8,237	14,906	2,748	2,539
1926	67,457	11,365	12,561	6,363	11,525	6,468	2,330
1927	43,837	10,365	7,604	4,324	10,199	6,976	2,339
1928	54,028	10,268	15,229	4,888	10,066	7,415	3,964
1929	40,687	4,678	9,931	5,353	10,898	4,304	3,795
1930	42,981	10,292	9,960	4,159	14,270	2,870	1,408
1931	28,752	9,272	10,769	5,355	6,321	1,594	1,815
1932	26,940	6,946	10,574	3,612	2,747	1,634	1,284
1933	21,086	7,838	6,908	3,717	1,233	2,380	1,949
1934	12,729	7,193	7,278	2,791	5,183	3,778	3,477
1935	18,676	10,215	10,497	4,459	6,516	2,139	1,868
1936	24,240	13,531	10,199	4,029	9,083	7,031	5,431
1937	43,894	10,694	5,942	3,246	5,405	5,725	6,551
1938	39,280	12,446	14,329	5,553	10,140	3,575	3,382
1939	38,775	8,262	5,701	4,260	4,190	7,653	4,694
1940	24,222	7,114	4,404	2,397	8,290	6,582	3,769
1941	30,665	9,591	9,013	5,484	4,916	9,765	637
1942	49,753	12,833	12,185	5,162	2,938	9,911	504
1943	98,494	21,001	9,120	3,209	11,611	14,486	164
1944	80,476	16,068	29,103	5,630	13,020	14,775	96
1945	97,286	18,655	19,482	6,582	112	1,828	--
1946	96,034	40,806	36,312	17,755	582	2,183	1,216

Table 4 - Value of Principal Exports of Turkey 1923-1946.

(in 1000 liras)

Part 2

<u>Year</u>	<u>Live Animals</u>	<u>Hides and skins</u>	<u>Sausage Casings</u>	<u>Eggs</u>	<u>Wheat</u>	<u>Valonia</u>	<u>Opium</u>
1923	2,477	1,724	409	1,422	--	1,365	4,186
1924	4,611	2,034	1,160	3,727	--	2,065	6,120
1925	5,068	3,327	1,811	4,860	--	2,295	7,452
1926	3,786	3,638	1,305	4,614	1,119	1,865	8,500
1927	4,303	3,088	840	5,434	1,235	2,710	4,907
1928	2,686	3,176	1,882	6,040	406	3,050	5,327
1929	4,768	3,190	1,069	6,528	41	2,093	8,648
1930	7,546	4,224	936	8,324	577	1,546	3,396
1931	8,007	3,944	485	10,357	856	1,269	2,818
1932	6,357	2,045	518	8,026	1,558	1,480	1,920
1933	5,303	1,522	577	4,806	1,095	1,790	3,238
1934	5,776	2,540	1,031	2,628	4,081	1,373	361
1935	4,433	2,520	1,594	1,369	2,831	1,323	1,064
1936	3,416	2,874	1,485	1,682	1,927	1,624	1,548
1937	2,993	2,245	1,263	695	7,885	1,520	1,605
1938	2,922	3,575	1,410	798	5,631	1,700	953
1939	2,444	4,311	1,710	1,688	1,073	1,619	2,685
1940	1,274	1,865	546	1,707	3,130	1,233	3,566
1941	847	9,775	1,037	360	--	1,429	3,250
1942	3	16,693	1,111	1,506	--	1,973	5,827
1943	129	15,043	1,321	360	74	7,025	5,817
1944	70	4,119	1,341	--	56	2,390	3,243
1945	930	11,953	2,097	4	1,569	754	5,388
1946	34,101	14,734	3,124	1,344	12,115	4,083	6,180

Source: Annuaire Statistiques, Ankara, Turkey.

Table 5 - Volume of Principal Exports of Turkey 1923-1946

(in 1000 kilograms)

Part 1

<u>Year</u>	<u>Leaf tobacco</u>	<u>Filberts</u>	<u>Raisins</u>	<u>Figs</u>	<u>Cotton</u>	<u>Mohair</u>	<u>Wool</u>
1923	24,428	8,810	32,999	19,110	9,677	2,625	2,408
1924	26,782	8,266	48,382	33,435	12,519	3,535	3,313
1925	33,723	13,600	23,819	22,095	15,940	1,349	2,881
1926	41,445	13,596	29,030	24,917	16,817	4,608	3,767
1927	29,331	15,738	18,914	26,903	15,963	4,530	3,410
1928	39,809	14,307	55,596	27,016	14,654	4,522	4,654
1929	32,646	4,548	47,750	27,583	16,373	3,151	4,382
1930	32,750	14,410	39,850	23,809	28,608	3,060	3,042
1931	22,212	13,341	30,140	27,206	20,178	2,351	4,422
1932	28,844	17,640	49,197	25,617	9,142	3,984	3,463
1933	25,932	16,028	45,639	26,991	3,957	5,362	5,478
1934	18,081	17,066	54,282	28,796	13,029	6,042	6,333
1935	21,858	19,958	76,423	37,487	14,964	2,896	3,920
1936	23,253	22,953	66,051	29,136	21,959	7,421	9,178
1937	39,690	20,663	28,820	24,350	11,233	4,009	10,783
1938	42,066	22,651	82,973	41,309	25,888	2,938	6,160
1939	43,284	16,831	38,980	28,633	9,217	7,070	8,129
1940	27,388	17,200	30,796	18,956	11,900	4,551	4,004
1941	31,657	17,528	30,082	33,084	8,132	4,872	669
1942	42,918	11,275	20,094	15,824	2,943	3,608	268
1943	44,182	14,558	12,455	3,571	8,569	4,385	149
1944	30,233	11,736	41,990	10,199	8,235	3,871	58
1945	38,072	13,317	39,880	14,149	646	663	--
1946	28,536	23,255	60,323	24,781	286	1,185	900

Table 6 - Volume of Principal Exports of Turkey 1923-1946.

(in 1000 kilograms)

Part 2

<u>Year</u>	<u>Hides and skins</u>	<u>Sausage Casings</u>	<u>Eggs</u>	<u>Wheat</u>	<u>Valonia</u>	<u>Opium</u>
1923	3,245	223	5,213	--	24,732	358
1924	3,207	266	8,661	--	31,632	202
1925	4,450	260	10,055	--	35,834	266
1926	5,081	270	9,466	1,770	28,377	364
1927	3,907	308	11,056	1,703	37,194	268
1928	3,395	370	11,523	39	36,185	313
1929	3,167	306	11,165	189	36,891	368
1930	4,580	248	17,873	364	32,435	272
1931	5,204	208	24,540	1,489	26,489	351
1932	4,162	175	24,753	19,018	30,222	240
1933	2,781	152	17,911	21,376	30,947	430
1934	5,960	205	10,438	80,816	39,055	42
1935	5,669	231	6,086	64,602	34,214	110
1936	6,194	248	5,774	34,203	29,673	197
1937	7,638	330	3,032	108,092	33,713	194
1938	5,067	247	2,910	101,502	34,911	112
1939	5,168	315	6,162	23,418	37,672	342
1940	2,640	143	4,744	63,878	22,535	327
1941	9,490	236	766	--	14,559	199
1942	7,036	263	1,737	--	17,186	216
1943	5,011	130	212	277	39,911	154
1944	1,432	100	--	200	11,217	88
1945	3,729	190	--	6,814	4,652	162
1946	6,493	312	704	53,777	23,799	177

Source: Annuaire Statistiques, Ankara, Turkey.

Table 7 - Value of Turkey's Trade With Principal Countries, 1923-1946 (in 1000 liras)

Year	United States		Germany		Italy		Great Britain		France	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
1923	6,750	11,059	7,626	9,222	15,201	28,353	15,757	25,063	10,504	13,229
1924	16,392	11,378	20,551	19,114	34,884	40,984	23,282	34,278	18,786	18,302
1925	25,472	19,603	27,701	27,452	50,274	43,487	17,202	37,837	24,040	26,057
1926	23,750	8,166	23,574	32,341	51,752	37,096	21,309	33,049	22,645	23,097
1927	24,584	8,164	14,708	30,005	37,022	26,054	16,839	28,757	16,941	29,173
1928	27,585	10,182	22,151	31,688	31,616	26,426	17,562	27,100	18,452	29,169
1929	15,387	12,151	20,582	39,172	33,845	32,032	14,949	31,356	19,618	26,690
1930	17,806	6,094	19,838	27,380	32,011	20,391	13,521	16,530	18,457	15,499
1931	12,678	4,188	13,649	27,049	30,752	18,450	10,850	14,361	12,156	12,788
1932	12,093	2,267	13,722	19,983	16,359	11,074	9,965	10,640	7,820	7,190
1933	10,066	2,344	18,223	12,043	12,968	8,450	8,594	10,068	6,182	4,903
1934	9,462	3,756	34,410	29,349	10,307	7,395	5,272	8,570	2,809	6,440
1935	9,653	6,182	39,201	35,508	9,493	5,669	5,193	8,682	3,040	4,184
1936	13,110	8,993	60,042	41,742	4,343	2,026	6,356	6,103	3,828	2,335
1937	19,201	17,295	50,412	48,132	7,266	6,085	9,769	7,129	5,264	1,240
1938	17,769	15,680	62,209	70,411	14,562	7,120	4,942	16,794	4,758	1,972
1939	18,215	11,685	47,504	60,140	12,752	10,023	7,302	7,388	5,631	2,236
1940	15,739	7,447	9,687	8,083	17,951	11,224	11,551	9,665	6,613	1,925
1941	16,582	4,007	26,870	8,940	2,853	2,385	19,979	18,391	1,027	337
1942	28,122	7,171	40,757	41,022	5,074	4,433	25,238	34,662	532	134
1943	52,763	4,887	61,102	76,632	4,756	5,456	27,858	32,348	1,789	41
1944	55,627	7,644	52,877	50,227	90	482	51,398	29,517	55	44
1945	95,952	22,183	--	776	130	29	32,612	29,427	2,981	1
1946	82,730	70,131	--	71	12,109	12,980	75,647	43,258	17,999	1,681

Source: Annuaire Statistiques, Ankara, Turkey

Table 8: Value of Principal Agricultural Imports of Turkey1923-1946

(in 1000 liras)

<u>Year</u>	<u>Sugar</u>	<u>Tea</u>	<u>Coffee</u>	<u>Crude Rubber</u> ¹	<u>Hides & Skins</u> ²	<u>Lemons</u>	<u>Cocoa</u> ¹
1923	10,964	907	2,515	1,284	1,506	515	19
1924	12,799	1,168	3,177	2,143	1,857	426	24
1925	13,313	1,573	4,976	3,540	4,563	615	28
1926	12,712	1,510	5,069	3,902	3,680	597	30
1927	13,403	1,411	4,464	3,600	3,185	381	51
1928	12,697	1,826	4,537	4,497	6,238	424	80
1929	12,106	1,628	5,154	5,353	4,861	527	98
1930	9,178	1,241	3,569	3,325	2,886	537	58
1931	4,835	1,077	2,474	2,461	1,462	575	74
1932	3,007	663	2,310	1,521	739	421	59
1933	1,589	804	1,759	1,571	1,770	266	58
1934	424	623	1,541	1,143	1,707	215	55
1935	268	449	1,334	1,010	1,692	229	7
1936	1,415	843	1,590	1,210	4,421	354	54
1937	875	868	1,998	1,800	3,015	414	53
1938	4,161	837	1,507	1,899	2,430	357	46
1939	1,962	861	1,489	1,832	2,970	238	80
1940	962	1,193	1,070	824	1,418	212	52
1941	--	2,525	1,005	1,090	2,558	43	62
1942	--	1,831	361	1,313	5,421	150	142
1943	--	1,598	1,479	1,045	5,041	162	146
1944	--	314	1,717	2,973	8,080	--	262
1945	--	438	1,910	1,263	5,702	--	183
1946	--	1,222	2,980	478	16,148	--	358

Sources: Annuaire Statistiques, Ankara, 1936, 1942, 1946.

¹Figures obtained direct from Central Office of Statistics of Turkey.

²1923-40 figures from (Hayvanlar istatistigi), Ankara, 1942, p. 142.

Table 9: Volume of Principal Agricultural Imports of Turkey1923-1946

(in 1000 kilograms)

<u>Year</u>	<u>Sugar</u>	<u>Tea</u>	<u>Coffee</u>	<u>Crude Rubber</u> ¹	<u>Hides & Skins</u> ²	<u>Lemons</u>	<u>Cocoa</u> ¹
1923	46,689	653	4,677	382	3,994	6,994	41
1924	52,699	719	4,640	1,403	4,635	5,463	52
1925	67,654	906	5,200	1,987	4,355	7,052	59
1926	62,971	980	5,321	2,094	4,049	6,625	86
1927	61,514	850	5,000	2,037	5,502	4,354	80
1928	63,474	1,144	5,097	2,801	6,594	4,299	129
1929	68,588	1,022	5,638	4,106	7,104	4,303	166
1930	63,291	861	5,520	1,498	3,257	4,161	113
1931	44,343	892	5,363	1,386	2,658	4,127	216
1932	29,336	754	4,377	1,119	1,586	5,478	209
1933	17,756	1,082	4,536	828	3,848	4,090	276
1934	3,719	674	4,770	965	3,108	4,143	300
1935	2,187	605	4,360	881	3,128	3,314	21
1936	22,401	1,153	5,447	1,048	6,332	2,623	195
1937	11,991	974	5,120	1,463	5,674	2,957	165
1938	62,097	942	5,320	1,576	8,111	2,780	145
1939	27,388	1,004	5,947	1,506	7,638	2,210	264
1940	9,615	955	4,857	677	2,514	1,941	148
1941	--	1	3,022	809	2,671	508	151
1942	--	--	1,168	729	4,921	704	177
1943	--	638	3,244	398	3,084	501	186
1944	--	166	3,517	1,383	5,616	--	308
1945	--	356	3,632	643	3,006	--	323
1946	--	790	3,657	349	8,272	--	260

Sources: Annual Statistics, Ankara, 1937, 1942, 1946.

¹Figures obtained direct from Central Office of Statistics of Turkey.²1923-40 figures from Livestock Statistic (Turkish) Ankara, 1942, p. 142.

Table 10: Value of Principal Manufactured Imports of Turkey1923-1946

(in 1000 liras)

<u>Year</u>	<u>Cotton goods</u>	<u>Woolen goods</u>	<u>Iron and Steel</u>	<u>Machinery</u>	<u>Petroleum</u>
1923	53,895	8,757	7,751	1,336	5,464
1924	63,543	13,457	16,168	5,639	6,195
1925	74,268	19,482	21,505	7,763	9,294
1926	72,421	20,502	22,235	10,154	8,597
1927	51,005	16,947	22,502	9,488	8,617
1928	52,482	15,258	26,327	10,462	9,075
1929	60,004	18,676	31,764	13,466	9,345
1930	32,264	10,855	20,203	11,690	5,993
1931	33,159	9,065	16,238	10,952	4,041
1932	20,557	5,555	10,429	8,207	3,411
1933	18,833	6,141	9,064	6,710	3,006
1934	17,167	6,136	12,669	12,916	3,073
1935	16,950	4,951	16,579	9,243	2,953
1936	16,616	5,848	14,414	12,202	2,999
1937	22,616	7,753	18,292	15,058	4,221
1938	22,465	7,355	28,173	23,013	5,517
1939	16,307	4,800	20,146	19,958	5,394
1940	6,672	2,277	6,024	8,916	10,253
1941	7,025	3,250	7,250	6,645	10,751
1942	222,969	7,213	20,403	14,999	5,528
1943	9,006	8,818	34,732	21,443	9,767
1944	6,994	6,297	23,071	20,068	13,764
1945	5,869	8,921	9,955	12,670	9,619
1946	8,879	11,867	27,343	32,799	14,207

Source: Annuaire Statistiques, Ankara, Turkey.

Table 11: Turkey's Exports of Tobacco to Principal Countries,
in value 1925-1946.

(in 1000 liras)

<u>Year</u>	<u>U. S.</u>	<u>Germany</u>	<u>Italy</u>	<u>Belgium</u>	<u>Czechoslovakia</u>	<u>Nether- lands</u>	<u>Egypt</u>
1925	11,562	14,905	25,964	1,186	--	2,787	700
1926	10,975	12,273	36,398	456	--	2,014	2,464
1927	11,517	4,666	16,809	377	509	577	215
1928	12,998	6,485	14,986	1,059	7,017	734	4,776
1929	3,125	10,081	11,798	1,389	3,513	1,094	4,464
1930	10,423	8,447	11,383	1,848	1,072	1,586	2,327
1931	7,610	2,059	9,004	582	3,014	2,465	1,194
1932	8,283	5,281	3,084	969	1,158	2,425	950
1933	5,462	6,927	939	1,033	3,350	433	647
1934	4,738	4,371	592	156	60	277	503
1935	6,781	5,796	75	380	1,971	321	730
1936	10,141	8,026	1	570	2,221	221	206
1937	14,921	18,053	984	664	2,003	353	543
1938	14,025	13,396	2,899	388	1,818	889	648
1939	11,829	15,620	2,658	274	1,586	1,196	832
1940	7,528	5,964	3,629	32	462	53	816
1941	9,960	11,010	--	49	172	158	2,564
1942	18,149	15,360	220	92	598	435	7,302
1943	44,660	23,932	143	--	83	56	19,204
1944	44,306	9,138	--	--	--	21	15,168
1945	63,636	--	--	518	419	2,008	19,012
1946	49,119	--	718	2,921	1,910	2,113	18,698

Source: Annuaire Statistiques, Ankara, Turkey.

Table 12: Number of Livestock in Turkey, 1935-1945.

(in 1000 head, all ages)

	<u>Sheep</u>	<u>Mohair</u> <u>Goat</u>	<u>Common</u> <u>Goat</u>	<u>Cattle</u>	<u>Horse</u>	<u>Ass</u>	<u>Mule</u>	<u>Camel</u>
1935	13,591	3,305	8,456	7,165	741	1,164	66	97
1936	20,772	4,295	10,727	9,130	1,020	1,569	73	118
1937	21,725	4,459	11,050	9,670	1,050	1,684	77	119
1938	23,138	4,945	11,329	10,196	964	1,490	71	114
1939	25,321	5,335	11,185	10,302	947	1,387	74	109
1940	26,272	5,501	11,395	10,706	898	1,813	70	109
1941	25,412	5,534	11,523	11,007	982	1,805	91	111
1942	22,967	4,973	11,450	10,500	987	1,690	86	114
1943	21,105	4,381	11,825	10,089	981	1,621	92	108
1944	22,450	4,975	12,250	10,406	1,067	1,644	82	104
1945	23,786	3,997	12,222	10,658	977	1,618	88	99

Source: Hayvanlar İstatistigi, Ankara, 1942.
Annuaire Statistiques, Ankara, 1946.

Table 13: Acreage and Production of Field Crops in Turkey,
1935-39, average, 1940, 1941, and 1942.

(Acreage in 1000 hectares, production in 1000 tons)

	1935-39		1940		1941		1942	
	<u>Hect.</u>	<u>Prod.</u>	<u>Hect.</u>	<u>Prod.</u>	<u>Hect.</u>	<u>Prod.</u>	<u>Hect.</u>	<u>Prod.</u>
Wheat	3,623	3,708	4,381	4,068	4,394	3,483	4,369	2,000
Barley	1,855	2,075	2,092	2,249	2,037	1,758	1,932	902
Corn	448	587	510	757	502	647	631	360
Oats	380	368	464	482	490	342	446	163
Rye	258	247	394	328	367	263	349	183
Rice	30	60	26	63	41	56	26	35
Other Cereals	315	259	322	277	342	277	366	178
Legumes	392	319	402	372	423	337	429	249
Cotton	268	60	325	77	327	64	327	78
Tobacco ¹	79	61	78	71	75	55	78	59
Potatoes	55	181	68	319	73	275	93	279
Sugar Beet ²	29	394	39	550	41	556	29	376
Opium ³	29	282	30	223	30	206	28	151
Flax (fiber)	19	3	36	11	41	7	33	3
Flax seed	--	9	--	18	--	19	--	6
Hemp (fiber)	12	8	12	6	12	10	14	10
Hemp seed	--	2	--	4	--	4	--	3
Sesame	65	29	80	43	67	33	58	20
Onions and garlic	42	112	54	181	56	148	60	111

Sources: Tarla mahsullen istatistigi, Ankara, 1944

¹Annuaire Statistiques, Ankara, 1946, p. 241.

²Quarterly bulletin of Central Bank, Ankara, 1947, p. 73.

³Thousand of kilograms.

Table 14: Numbers and Production of Principal Fruit Trees in
1939-1942

(number in 1000 trees production in 1000 tons)

	1939		1940		1941		1942	
	<u>Nos.</u>	<u>Prod.</u>	<u>Nos.</u>	<u>Prod.</u>	<u>Nos.</u>	<u>Prod.</u>	<u>Nos.</u>	<u>Prod.</u>
Apples	6,618	109	6,540	82	6,580	83	6,716	86
Pears	5,954	90	5,889	62	5,690	59	5,857	64
Cherries	4,327	65	4,412	50	4,480	23	4,761	37
Plums	5,103	57	4,233	50	4,369	27	4,512	46
Hazelnuts	164,578	107	170,484	37	172,047	32	172,358	67
Olives ¹	350	326	350	291	350	383	350	220
Olive oil	--	61	--	54	--	71	--	50
Grapes ¹	420	1,195	397	942	415	869	428	951
Walnut	2,226	69	2,255	58	2,254	33	2,332	35
Pistachio nuts	3,284	10	3,316	7	3,474	2	3,724	4
Almonds	1,903	16	1,902	12	1,941	7	1,953	10
Apricots	2,301	21	2,348	21	2,398	4	2,457	31
Oranges ²	1,711	367	1,550	236	1,652	146	1,637	103
Lemons ²	205	37	257	37	290	39	307	75
Tangerines ²	371	93	415	53	518	57	466	33

Sources: Fruits Statistics, Ankara, 1944.

¹In thousands of hectares.

²In millions of fruit.

Table 15: The Balance of Trade of the Ottoman Empire, 1878-1913.

(in 1000 liras)

<u>Year</u>	<u>Imports</u>	<u>Exports</u>	<u>Deficit</u>
1878	20,009	88,396	11,613
1879	19,418	8,761	10,657
1880	17,847	8,497	6,350
1881	19,486	11,295	8,191
1882	20,192	10,964	9,228
1883	19,578	12,390	7,188
1884	20,638	12,076	8,562
1885	20,004	12,707	7,297
1886	20,703	11,289	9,414
1887	20,106	13,547	6,559
1888	19,457	15,172	4,285
1889	20,042	12,836	7,206
1890	22,914	15,370	7,544
1891	24,554	15,573	8,981
1892	24,467	13,262	11,205
1893	24,047	13,754	10,293
1894	24,084	15,536	8,548
1895	20,583	15,428	5,155
1896	21,369	14,744	6,635
1897	23,475	13,425	10,050
1898	26,621	15,591	11,030
1899	24,450	14,905	9,545
1900	23,842	15,393	8,449
1901	24,568	15,562	9,006
1902	23,926	17,540	6,386
1903	24,396	17,532	6,864
1904	27,903	17,004	10,899
1905	31,366	19,672	11,694
1906	33,539	18,573	14,966
1907	34,766	19,213	15,551
1908	31,432	18,439	12,993
1909	33,382	18,291	15,091
1910	42,685	25,396	17,290
1911	45,009	31,500	13,508
1912	43,549	23,421	19,628
1913	40,810	24,302	16,506

Sources: Annuaire Statistique, Ankara.