AMERICAN FOREIGN AID AND TURKEY

by

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Y. A.

on the tenth anniversary of the American Aid to Turkey...
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CHAPTER I

INTRODUCTION

American Foreign Aid has been one of the most controversial matters both inside and outside of the country. For instance, the topic "Resolved: American Foreign Aid should Discontinue" is selected as a national debate topic this year.

The United States has helped Turkey since 1947, through the means of different aid programs. So many things have been said and written for and against the necessity, amount, and utilization of these aids that it is quite difficult to take a stand. It is our hope that at the end of our studies some satisfactory answers have been found to these important questions.

Our topic is "American Foreign Aid and Turkey". This is a more general topic than the American foreign aid to Turkey. We are interested in American Aid in general, as well as Turkish Economy as a whole. Our focus of attention has nevertheless been kept upon the American aid to Turkey.

In the first chapter a brief but general picture of the Turkish Economy is given. The chapter is designed
to introduce the reader with the Turkish economy, with its potentialities as well as with its drawbacks. We would like to point out the impossibility of discussing the aid programs without such basic information. The recent years have witnessed a quite speedy and revolutionary development of the economy of Turkey. The introductory chapter, stressing the history, resources, and social structure of Turkey, is the basis from which to measure the impact of American aid in Turkey. It is one of our objectives to examine and emphasize the importance of the American aid in a rapidly changing picture which is the present Turkey.

The American Foreign Aid has been one of the most interesting and controversial phenomena of the last ten years. We cannot avoid studying the general outline and objectives of these programs and preparing ourselves to understand the significance of the particular aid to Turkey and its objectives.

At the end of our research we have found that the American aid to Turkey should be studied under two subheadings. One is the "Turkish Aid Program", and the other is the "Marshall Plan in Turkey". First of all these two types of aids are different in character and objectives. While one was designed to enhance the military power of Turkey against a possible aggressor, the other has been almost exclusively economic in character. Under the "Turkish Aid Program" of seven years from 1947 to 1954, Turkey
modernized her army, with American arms and techniques. Important as this program was to world military balance of power, we are interested in this aid primarily because it had economic effects. It has played a role in the changes occurring in the Turkish economy.

The Marshall Plan for Europe, which included Turkey as one of the sixteen countries in the program, was first designed for a four and one-fourth year period from April 1, 1948, through June 30, 1952. At the end of this period it was found out that the expected recovery had not been achieved, and it was decided that the aid should continue until Western Europe had achieved further recovery. Even though the name of the programs through which the American aid has been extended, has changed, American aid has continued to be recognized as the Marshall Plan in Turkey and by the Turkish people. This is why we have not attempted to study the aid under different headings, as the names of the American Aid Agencies changed by act of the United States Congress. Still, the necessary descriptive information from the American point of view is given in proper places and is related to these changes.

The fields of exploitation, agriculture, public roads and several other sectors in Turkish economy have used the American aid exclusively, and recorded very satisfactory achievements. We have tried to give a summary of the work accomplished under the American aid according to
official and unofficial information, to be able to judge
the value and significance of the aid with economic criteria.
Again, keeping in mind the importance the type of
the aid—whether it is loan or grant, and direct, indirect
or technical—a careful distinction has been made as well as
a definition of their meanings.
One of our main objectives in the preparation of
this paper has been to discover and describe the tangible
effects of the American aid in the Turkish economic develop-
ment. We have followed some policies to be able to attain
this ultimate goal. First, the Turkish economy has been
studied from a dynamic point of view, and the main emphasis
has been put upon the development of the economy rather
than the description of some static conditions. Second,
our descriptive chapter on the Turkish economy contains the
development picture from 1923 when the Turkish Republic was
established, up to 1947 when the American Aid started. This
historical report was thought to be of value in finding what
has been done, since it was during these early years that
forces were unleashed and at work, and American aid programs
had to contend to work with these developments. In addition,
in order to judge the success of the program, the expected
achievements of the aid are described as they may be easily
compared with the actual results accomplished.
Also we thought that the discussion of the questions
dealing with motives Americans felt in promulgating the
program, the value of the military aid, the value of the economic aid given to Turkey compared with the total American aid to other foreign countries, should be included in our thesis.

We have referred to Turkey as an underdeveloped country in our study. The reader should assume that the term is used in the economic sense and means that it is "economically underdeveloped". As a concept we used the definition given in Buchanan and Ellis' underdeveloped country and underdevelopment.¹

"An economically underdeveloped country is one which on the average affords its inhabitants an end product of consumption and material well-being appreciably inferior to that provided by the economies of the developed countries.

...Underdevelopment means poor economic performance as evidenced by the comparatively low average of consumption and material well-being of the people, plus the potentiality of improvement through the application of known means."

This thesis is also aimed to discuss the economic development of Turkey with the contribution of the American Foreign Aid. Then we should explain what we understood by economic development. If we use the expression "real income per person" to describe the partial indicators of material well-being, then development means raising real income per person in a country. In a broader sense, "development means developing the real income potentialities of the

underdeveloped areas by using investment to effect those changes and to augment those productive resources which promise to raise real incomes per person.  

In order to attain an economic development in an underdeveloped country there are several changes to be accomplished in these areas. Some of these are non-economic in character and can be summed up in three headings which are social, political and cultural changes. These changes would in turn improve the environment within which the all economic activities take place in the underdeveloped countries. 

The necessary economic changes for development or, as Buchanan and Ellis call them, "economic means to greater output and improved real income" are mainly three. First of all some technical changes and innovation should be introduced which will improve the productivity of existing resources. Then, shifts in demand within and without the underdeveloped countries would increase the demand for labor supply which is abundant in these countries. Finally, the relationship among the productive factors should be improved. This goal can be attained either through an increase of the quantities of available land and capital factors or by a reduction of the super-abundance of the labor  

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\(^2\) Ibid., pp. 21-22.  

\(^3\) Ibid., p. 43.
factor, or in other words, the disguised unemployment.

In the following chapters the application of these factors in the economic development of Turkey is fully discussed.

We assumed the Turkish economy to be the combination of two sectors. One is the self-sufficient village sector, and the other is the capitalistic sector. Here we would like to discuss what is meant by these expressions and the sectors because we are going to use them in the following chapters.

The self-sufficient sector is the one in which the production is consumed entirely by the producer. The marketing transactions are very insignificant, and money is used very little since there is not much exchange of products. In the capitalistic sector, however, the producers produce more than they need and put it on the market. This is the type of economy in which money is used widely. At the present time, the self-sufficient sector dominates the Turkish economy.

Turkish Lira (T.L.) is the unit of account in the Turkish monetary system. The official exchange rate between the American Dollar and the Turkish Lira is $1 = 2.63 T.L.

In the following chapters the American aid and its applications on the Turkish economy will be described and analyzed. Even though we cannot claim something very new is created, it is our hope that a broad analysis of the subject may be of help. It is almost impossible to find such an analysis at the present time.
CHAPTER II

THE OUTLINE OF THE TURKISH ECONOMY

A. Historical Background

It is important to give a historical background to be able to understand the economy of a nation. The influences of the political institutions and their evolution have a significant effect on the character of a country's economy. This has more importance in our studies since Turkey has witnessed sweeping changes economically, politically, and socially during the last decades.

Our studies will start from a very significant date in Turkish history - 1923. On that date, a young and vigorous republic was starting to build on the ruins of the one-time large Ottoman Empire. The economic conditions the Turkish Republic inherited from the Empire can be described as follows: certain legal and economic practices which hampered the economic development of the country, exhausted financial and human resources after World War I, a religious resistance to progress and change, the privileges and capitulations offered to foreigners which included exemptions from or low rates on taxes and tariff duties, an empty treasury and a high amount of foreign debt. Industry was, in the modern sense, non-existent. As a result, the country was dependent...
upon imports for industrial products. Agriculture was backward although it provided the main source of livelihood. The standard of living, especially among the peasants, who comprised the largest part of the population, was extremely low and backward.

We should make some remarks about the Turkish Revolution at this point. It is oversimplifying the matter to consider the Revolution as a mere substitution of one ruler for another. It changed the whole picture and the direction of Turkish life. Externally it was a war against foreign conquest; internally it was political, economic, and social change. The Revolution was not an uprising of a middle-class against feudalism, or of the poor against the rich. Perhaps it would be more accurate to say that it was an effort to save a people and to create a nation.

The Turkish Government was confronted with three obstacles when solving the economic problems in the early days of the Republic. The first was due to the lack of experience and knowledge in economic endeavor. Trade and the industry had been in the hands of either minorities or resident foreigners while the Turks themselves had engaged in farming or military and governmental affairs. The second and probably more serious drawback was the fact that the peasants, who comprised the greater part of the population

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were characterized by a high degree of conservatism and tra-
ditionalism, and a mentality against progress because of a
very high percentage of illiteracy. As the third obstacle,
we can point to the deficiency of domestic capital.

Two main characteristics can be shown for the very
early economic policy of the Turkish Governments: an econo-
mic policy which was within the theoretical bounds of capi-
talism, yet was nevertheless highly protectionist. It was
decided that the railways were to be nationalized. The im-
portation of sugar and petroleum products, and the importa-
tion, manufacture, and sale of matches and alcoholic drinks
were organized as state monopolies. Steps were taken to en-
courage private enterprise through protective measures. Pri-
ivate ownership and freedom of enterprise were proclaimed as
fundamental principles in the Turkish Constitution.

A noticeable anti-capitalistic movement started by
the early thirties. A group impressed by and responding to
the world economic crisis and the experiments in Russia claim-
ed that capitalism was out of date and unfit to ensure the
development of underdeveloped countries. Capitalism was i-
dentified with imperialism. At the same time, the experiment
in private enterprise had no visible effect in the short pe-
period of time since its adoption. In addition, the prices
and the export volume of many agricultural products declined
sharply during the world crisis.

Under these circumstances, the Government decided to
create an industrial establishment to utilize domestic raw materials. It was also decided that this could not be achieved through capitalism in terms of private enterprise, but only through a planned participation of the state in economic expansion could it solve the problem.

'Estatism' was adopted as the second step in the economic policy as an instrument to achieve the goal of utilizing the raw materials of the country. The Republican People's Party—the only political party of that day—adopted etatism in 1933 as one of its six cardinal principles. In 1936 it was accepted as an article in the Constitution. It is necessary to look at the program of the party to be able to understand what they meant by etatism: even though the state would take an active part in the economic life, private enterprise would continue to be fundamental in the economy. By so saying, the Party wanted to make clear that etatism was not socialism.

The application of the 'five-year plans' was a part of the policy of etatism. Being under the influence of Soviet planning, the first five-year plan was designed for the establishment of consumers goods industries such as cotton, woolen goods and paper. Producer goods industries were to include the manufacture of iron, copper, sulphur, and chemical industries. For executing the plan, an agency was chartered under the name of Sumerbank, with a capital of $11 million.

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3 Omer Celal Sarı, op.cit., p.432
A closer look at the plan will show that it was intended to organize towards national self-sufficiency and the plan included everything that the Government wished to develop first. At the end of three successive five-year plans Sumerbank had a capital of $81 million, with fifty-four main industrial establishments in textiles, paper, ceramics, iron and steel.

Another agency, Eti Bank was established in 1935 to exploit mineral resources and to develop electric power. Eti Bank has cooperated with the Institute for Mineral Research and Exploration (MTA) which performs as a geological survey agency. Among the other state institutions, the Ministry of Agriculture established commercial agencies and model farms.

Some important achievements can be recorded at the end of the period we have been discussing. New industrial enterprises were established and a certain increase in the level of national income per capita was recorded. A higher part of the external debt was repaid, and a substantial improvement was seen in the balance of trade and of payments. Cultivated areas were extended.

The major mistake of ignoring the agricultural field of economy has been criticized very widely. Between the years of 1927 and 1939, while the value added in industry was ninety-six per cent, in the field of agriculture a very

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4 Cemel Celal Sarc, op. cit., p. 434.
5 Ibid., p. 435.
slight progress was seen.

Although Turkey did not enter the Second World War, the war showed its effects on the Turkish economy. Disregarding other factors, the maintenance of a war-time army in Turkey was a great hindrance upon economic development. In the post-war period Turkey was confronted with several economic problems. Inflationary forces generated by heavy imports and by limited exports had to be overcome; in 1946, the lira was devalued in terms of foreign exchange. Imports of capital goods were largely interrupted during the Second World War; Turkey found ready markets for its exports and was able to accumulate relatively large holdings of gold and foreign exchange. Turkey started to draw on her war-time earnings of gold when the imports of capital goods resumed. A new national economic program was oriented toward new goals, mainly in the field of agriculture. In addition to this, new attempts were planned to be made in the transportation system, mining, power, and transmission.

During the same period, Turkey received direct American Military Aid and was included in the European Recovery Program.

The date of 1950 is a turning point in the economic policy of Turkey, as well as the political history of the

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7 Kyklos, op. cit., p. 331.
country. A five-year old Democratic Party took over the political power as a result of a western type election.

In the early years of the Democratic administration a more liberal attitude was taken toward foreign trade and foreign enterprises. A real attempt to raise the productivity of the peasant population was made. The building of new dams, roads, harbors, and factories was started depending mainly the foreign capital and American aid. The Government found herself very soon in the middle of financial difficulties; an inflationary trend, especially in the prices of imported goods, and a very unfavorably balance of payments. Turkey had forced its economic capacity and new restrictive measures were taken in foreign trade.

This very recent economic situation is discussed in Chapter VII.

The center of Turkey is a semi-arid plateau, rising from about 2,000 feet in the west to 6,000 feet in the east, where it merges into the great Anatolian mountains. This plateau is separated from the Black Sea on the north by the Pontic Mountains which leave a narrow coastal plain with a few natural harbors. On the south, the Taurus Mountains similarly lie close to the Mediterranean. On the west, toward the Aegean, the coastal plain is wider and more indented.

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See: Appendix, Table VI.
B. General Outlook of the Present Resources

1. The Shape and Nature of the Land

Turkey forms a rectangle approximately 900 miles long from east to west and over 300 miles from north to south, with a total area of 296,380 square miles. Ninety-seven percent of this total consists of the Anatolian Peninsula in Asia Minor; the rest is the European Turkey in Thrace. The Bosphorus, the Sea of Marmara, and the Dardanelles are a waterway separating these two parts of Turkey. Turkey is bounded by the Soviet Union and Iran in the east, by Syria and Iraq in the south. The bordering neighbors in Europe are Greece and Bulgaria.

Turkey lies between the 36th and 42nd parallels, about the same latitudes as Spain in Europe, State of Kansas in the United States, and Korea in the Far East.

The center of Turkey is a semi-arid plateau, rising from about 2,000 feet in the west to 6,000 feet in the east, where it merges into the great eastern mountains. This plateau is separated from the Black Sea on the north by the Pontic Mountains which leaves a narrow coastal plain with a few natural harbors. On the south, the Taurus Mountains similarly lie close to the Mediterranean. On the west, toward the Aegean, the coastal plain is wider and more indented.
2. Climate, Rainfall, and Water

Turkey has a wide diversity of climate. The coastal plains of the Mediterranean and Aegean have a warm Mediterranean climate with mild and rainy winters, and hot dry summers. Olives, grapes, tobacco, figs, oranges, cotton are the main crops of this region. It is relatively cooler on the Black Sea coast. The central plateau has a climate similar to that of Kansas and Nebraska with hot summers and cold winters.

Rainfall is moderate in the South, Southwestern and Northwestern coastal areas averaging about thirty inches a year. On the Northeast coast as high as 100 inches rainfall have been recorded. In the central plateau precipitation is very slight with a ten-inch annual rainfall.

Water is sometimes a very scarce and valuable asset in Turkey. The lakes are often permeated with salt and other chemicals, so they are of little use for water supply and irrigation. The rivers are not available for navigation. The principle rivers are the Seyhan and the Ceyhan rivers in the south, Gediz, Buyuk and Kucuk Menderes in western Turkey, Sakarya and Kizilirmak in the North. All of these rivers have the potentialities for irrigation and hydro-electric projects. The Tigris and the Euphrates both rise in Turkey and flow to the south. By the end of the period under consideration, only about 100,000 hectares of land in Turkey
are irrigated, and the irrigation is based upon surface wa-
ters.

3. **Land Use and Land Tenure**

Land survey figures should be admitted as mere es-
timates since there has been no full cadastral survey in
Turkey. For the year of 1949 the following percentages were
given: 17.3 per cent arable lands, 49.7 per cent pastures
of all types, 2.4 per cent gardens, vineyards, orchards,
etc., 13.3 per cent forests, 17.3 per cent unproductive land.

There are about 2.5 million farms in Turkey. Ninety-
seven per cent of this total is of 125 acres or less, and
an average-sized farm is about fourteen acres. Seventy-five
per cent of the farms are individually owned by their opera-
tors. The others are leased or operated on a sharecropping
basis.

4. **Minerals**

Minerals have a basic role in Turkey's economy even
though they are not above the average in abundance. Coal, lign-


12. Ibid., p.530.
source of lignite. Chrome has a special significance because of its value as an export item and source of foreign exchange. Production of other mineral are less important in comparison with coal and chrome. No significant amount of petroleum exists in Turkey according to up-to-date surveys.

5. **Transportation**

The Government owns and operates the biggest part of shipping in Turkey, including the passenger vessels. An extensive development program for the new ports and for a bigger fleet is under way.

Inland transportation is a bigger problem due to the physical character of the country. Railroads are owned and operated by the State. A total of 7,600 kilometers of rail lines is under operation. With assistance from the United States highway experts and United States financial assistance a new development program has been undertaken since 1946 on the highway system.

Air transportation is provided by the State Airlines.

6. **Agricultural Equipment and Livestock**

The low ratio of capital including land and land improvements, as well as machinery and the livestock is one of the main obstacles to agricultural development. In most places land holdings are not sufficiently large and do not

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The Economy of Turkey, op. cit., p. 18.
permit economical use of large farm machinery. During the very recent years about thirty thousand tractors entered the country and have been rented on a part-time basis. The estimated livestock population includes about twenty-five million sheep, seventeen million goats, ten million cattle. Cattle and buffalo are also raised for their meat and milk. In addition to these there are 1.1 million horses, 1.6 million donkeys, 0.1 million camels, 0.1 million mules. The number of chickens and turkeys are low, twenty million and 1.1 million, respectively.

7. Industrial Plants

The leading industries are mainly textile manufacturers with light industries such as paper, leather and shoes, sugar, tobacco, food processing, and wood products. Iron and steel, metal working, cement, building materials, and chemicals are the leading heavy industries. Most of these industries are all state-owned and built according to five-year plans.

Industrial plants are poorly equipped except the state-owned large-scale industries. Almost all manufacturing operations are conducted on a small scale. Private corporations and joint stock companies are very few.

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Ibid., p.18.

Ibid., p.19

Thornburg, op. cit., p.151.
8. **Financial Resources**

Low average income and consequently a small supply of domestic savings available for investment limits the financial resources of Turkey. 

At the end of 1949, there were forty-two commercial banks in the country operating a total of 556 branches. Total paid-in capital and reserves of all banks amounted to TL 592 million.  

There are three major government-owned institutions functioning as combined government investing or lending agencies and management holding companies. They are the Sumer Bank, the Eti Bank, and the Iller Bank. Is Bank, established in 1923, is nominally a private organization, but because the government provided a large percentage of its capital, it acted as a government agency. The recently established Industrial Development Bank, state-owned Mortgage Bank, and the Savings Bank of Istanbul are worth being added to this list. 

There are six major insurance companies with a total reserve amounting to TL 46.3 million at the end of 1949. The same year TL 15.6 million in premiums and about five million liras in paid benefits were received.

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17. The Economy of Turkey, *op. cit.*, p.22.
9. Human Resources

The population of Turkey is 20.9 million according to the 1950 census. The village population consists of 74.8 per cent of the total. Density per square kilometer is twenty-seven. Turkey had an average annual population increase 2.1 per cent between the years of 1945 and 1950.

The distribution of population among major occupation groups indicates that eighty per cent of the population is engaged in agriculture.

Only 34.6 per cent of the population was literate in 1950, and there is still much to be done in this field.

2. Agricultural Development

After many years passed, experience seems to indicate that a more sensible policy should have been maintained in the field of agriculture, because of its actual importance as well as its potentialities as the source of income for an overwhelming majority of the population. To clarify this, it should be noted that only three per cent of the budget, according to the unofficial results of the 1955 census, the population of Turkey is 24.1 million.

See: Appendix, Table I, also.

The Middle East, op. cit., p. 503.

See: Appendix, Table II.

Eggis, p. 44.
C. Agriculture

1. The Importance of Agriculture in Turkish Economy

Agriculture is almost the whole basis of the national economy of Turkey. As mentioned before, four-fifths of the population is engaged in agriculture. In January 1947, the Ministry of Agriculture estimated the income of agriculture during the war years as ranging between $3.5 billion and $4.5 billion, or from forty-two per cent to fifty-eight per cent of the total national income.

Agricultural products are the main source of Turkish exports. Tobacco alone accounted for twenty-two per cent by value of 1946 exports. Cereals and legumes, hazelnuts, raisins and figs were, together, thirty-nine per cent of the same year's exports.

2. Agricultural Development

After many years passed, experience seems to indicate that a more sensible policy should have been maintained in the field of agriculture, because of its actual importance as well as its potentialities as the source of income for an overwhelming majority of the population. To clarify this, we can show the fact that only three per cent of the budget was spent for agriculture for the first twenty years of the Republic, while railroad construction and industry each took

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Thornburg, op. cit., p. 43.
Ibid., p. 44.
an eight and nine per cent share every year, respectively.

The real value added in agriculture - based on 1938 prices - increased by twenty per cent, from 1929 to 1939. As may be expected, this was the result of expansion of cultivated area, and to some extent, the intensification of this cultivation. However, during the same period of time there was nearly a twenty per cent increase in population.

Rural education was not dealt with effectively until about 1938. The difficulty of establishing an adequate education system in 40,000 scattered and isolated villages is obvious. In 1945-46, the number of village schools reached 12,478 as against 4,852 in 1937-38.

One basic restricting factor in agricultural production is the very low capital investment. Some government measures had been taken in the past, but only in the post-war years, was the importance of agricultural development realized by the officials. With the assistance of American financial and technical aid the rate of agricultural investment was greatly increased in recent years.

Increased capital expenditure are thought to be needed for the improvement and extension of arable land and modernization of agricultural methods. Multi-purpose dam projects are being constructed as a part of big irrigation

24 Kyklos, op. cit., p. 329.
25 Ibid., p. 332.
26 Thornburg, op. cit., p. 60.
schemes. According to the Turkish Government there is presently 10.4 million acres of land that is described as 'not cultivated but easily tillable' by means of proper machinery and irrigation. Mechanization, irrigation, and improved techniques, are the three steps to be taken in the agricultural development of the country according to the national economic program of the Turkish Government.

3. Marketing - State Marketing

The marketing situation must be improved in Turkey. Today only five or ten per cent of what is raised ever leaves the district where it is grown. Unless the above mentioned situation is changed, any kind of attempt towards the increase of agricultural products will be fruitless.

In 1932, the low price of wheat had disastrous effects on Turkish farmers engaged in commercial agricultural activity, and hence, on the whole economy. As a remedy to the situation a law was passed authorizing the establishment of a state agency to purchase, store and sell, all the wheat offered, under regulations to be decided by the Council of Ministers. It set a price higher than could be obtained on the market. Afterwards its powers were extended to include barley and oats. This agency acted as a sort of Food Ministry during the War. It has done an efficient job in subsidizing the wheat growers by control of prices. It controls the

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27 Country Studies: Turkey, op. cit., p.3.
28 Thornburg, op. cit., p.54.
prices of every agricultural commodity which it handles. The purpose is to keep the prices as high as possible in order to increase and purchasing power of the peasant.

The distribution of seed to the farmers, which has been subjected to at least some process of cleaning and selection is among the activities that the same agency performs.

4. Cooperatives and Agricultural Credit

Cooperatives were established aiming for two main functions: to aid the peasants to achieve higher income by helping them in preparation and processing of products, and to provide business experience. There were eighty-two local marketing cooperatives with a total membership of 95,000 in 1944.

The Agricultural Bank of Turkey has been performing in its field since 1863. It makes loans to cooperatives and credit unions. It also extends loans to individual farmers for farm implements, seeds, marketing, and other related purposes.

Credit Unions are establishments serving the same purpose. According to their constitution, they make loans only for productive expenditure. Their capital is collected from the members as well as from advances from the Agricultural Bank.

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29 Ibid., p.55.
30 Ibid., p.59.
5. State Farms, Education, Research

There are ten farms in Turkey run by the State as model farms. These farms produce much of the wheat recorded as entering commercial channels and it accounts for the surplus available for export. Their daily products are sold in government retail stores in the principal cities.

The Ministry of Agriculture carries on research in such projects as water resources, dry farming, economic conditions, production methods, control of plant diseases and insects, and animal breeding. There are five animal breeding stations and four cattle farms under operation.

There is one Agricultural College, four agricultural high schools, and six technical schools in Turkey. An extension service begun before the War in three provinces, is now being expanded.

Under the Ministry of Agriculture a Forestry Department is responsible for state forests and the improvement of forestry practices. It manages three nurseries and 120 forest districts.

6. Land Reform and Taxation

In May, 1945, a law was passed intending to give small holdings to more of the rural population. Under this law large tracts belonging to the state, the moslem church, or to private holders were to be subdivided and distributed among landless peasants and immigrants of Turkish nationality.
Agricultural products are not subject to taxation in Turkey. This law was passed in the early days of the Republic to protect the small farmer and it is now a matter of great controversy.

The industrial development case to Turkey 150 years in the early thirties under the policy of A wide variety of crops is produced in Turkey because of the different kinds of climate, rainfall, and soil. Live five-year-old wheat is the main crop of the Central Plateau, but can be produced in almost every part of the country. It is now the staple food and became an export item in recent years. Cotton is grown in the south and west parts of Turkey, and is the main industrial crop. Besides supplying the domestic textile industry, it is an export material. Tobacco is another product which is used for domestic consumption and is a very valuable export asset since the United States is the main buyer. Fruit is grown in every part of Turkey. Grapes and figs are the main fruits entering the foreign trade of the nation. The vine. They had been under the direct control of Mint. Among the other agricultural products, sugar beets, olives, and some tea raised in the northeast corner of Turkey are worth mentioning.

See: Appendix, Table III.
D. Industry and Mining

1. Industrial Development

Industrial development came to Turkey 150 years later than in Europe. Since the early thirties under the policy of etatism, the development of industry became the chief aim of Turkey's economic planning. Under the successive five-year-plans, various new industries were brought into existence and enlarged the factories she already possessed. Some private-owned enterprises were brought under the government control. As a result, the state has become a powerful, important entrepreneur.

These industries have been financed either by general tax funds or by long-term credits granted by the foreign furnishers of factory equipment—especially the Soviet Union and Great Britain. These industries have been run by two holding concerns belonging to the state, Sumer Bank and Eti Bank. The first one manages the factories, and the second manages the mines. They had been under the direct control of Ministry of Economics, but lately a Ministry of State Enterprises was established for the purpose of better coordination and planning. Their assets consist of the annual appropriations from the national budget, and they also obtained a transfer of the assets owned by the state enterprises which had existed prior to 1933. The capital invested by the state
in its banks during the period between 1933-39 is estimated
at TL 135 million.

Some change has been noticed in the economic policy
of the Government since 1950, with the change of the politi-
cal power. The new Government, on the whole, has continued
and expanded the establishments inherited from the Republi-
can Party, but has put more emphasis on the share of private
enterprise in the economy. Towards this goal the Industrial
Development Bank of Turkey was established in 1950. This bank is
under private control and makes loans and expert advice ava-
liable to private industrial enterprises.

Handmade goods and small manufacture have a great im-
portance in the economic life of the country. There is a
great difference between these manufacturers and the govern-
ment-owned enterprises. In the former the methods and tech-
nique are simply backward while the other employs the most
modern techniques and machinery. There are no commercial
foundries of importance to make the simplest iron necessi-
ties for farming and industry.

2. Textile Industry

Textiles were the earliest industry in Turkey as they were in almost every country; nevertheless most of the
existing textile mills were erected under the Republic.
Half of them are state-owned and under the management of Su-

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Thornburg, op. cit., p.151
mer Bank. Sumer Bank owns several cotton and woolen mills, one plant for the artificial silk, and four rug factories. The products are mainly cheaper and coarser grades. They provide sixty per cent of the demand for cotton, and eighty-five per cent for woolen-clothes, with 23,000 tons and 7,000 tons of production respectively, in 1946.

The textile products of their mills are sold under a monopoly owned by Sumer Bank. The prices of them are fixed by the state and they are sold through a chain wholesale stores. There are some retail stores also.

3. Iron and Steel Industries

The steel industry plant was established in a rather awkward place — called Karabuk, which was forty-five miles from the coal mines and 600 miles from the iron ore. The reason was, the government thought that the furnaces would use the imported ore. Obviously, the military purposes were regarded at the same time, when the place was chosen. A couple of other serious handicaps can be added to this sorry picture. The plan of the plant itself is unbalanced and unsuited to the needs of the country. The rolling mill is not designed to make the steel products Turkey needs most. For the year 1946 the total steel production of the plant was 62,500 tons in face of a demand in Turkey for an estimated

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Ibid., p.112
200,000 tons.

In addition to this list, Sumer Bank owns and operates factories in the textile, footwear, glass, and chemical industry. Cement: The cement production of Sumer Bank-owned factories has been unsatisfactory even though there is not a serious handicap to the expansion of this industry. 235,000 tons of cement production has been recorded annually against an existing potential demand for one million tons of cement.

Paper: Two paper and cardboard factories can only supply one-fifth of the paper consumption of the country. The output of the factories for the year 1946 was 15,000 tons.

Machinery: There is a modern commercial foundry in Turkey at the present time. So the machinery used in Turkey is all imported. Germany and Great Britain are the main suppliers.

Sugar: From the very early days of the Republic and afterwards under the five-year-plans, several sugar factories were established in Turkey. The aim was to make the country self-sufficient and not only this aim has been achieved but Turkey had some export surplus in 1946. Sugar beets are the chief raw material in this production; nevertheless in certain regions sugar cane has demonstrated its superiority. This is a promising field with a great potential impor-

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Ibid., p.107.
Ibid., p.118.
Ibid., p.119.
tance both for domestic consumption and for export.

In addition to this list, Sumer Bank owns and operates leather and footwear, glass, and chemical industry plants in several parts of the country.

5. Mining

Although Turkey cannot be considered rich in minerals, there is enough raw material for the domestic consumption. At the same time, the country is one of the world's three largest chrome producers together with the Union of South Africa and the USSR. Iron and coal have enabled her to develop a heavy industry in the country. Among the other minerals copper, salt sulphur, manganese, lead, zinc, mercury, antimacony, magnesite are worth mentioning.

After years of exploration by the Institute of Mineral Resources, oil production has begun since 1950, on a small scale. Foreign and local private enterprise is being encouraged to continue oil exploration and development, in accordance with the recent change in government policy.

Coal reserves are operated under Eti Bank, a state institution. The government follows a policy selling coal at a loss in order to keep the cost of living down and to assist industrial consumers. Coal reserves are believed to be over 600 million tons.

Turkey has large lignite reserves in western Anatolia.

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37 The Middle East, op. cit., p.532
38 Ibid., p.533.
E. The Economy in Monetary Terms

Since money is the only common unit of measure, to express and economy and its operations in monetary terms, will give a better picture of that economy. In the case of Turkey, such an expression is very difficult and sometimes misleading because of the scarcity of such statistics and data. For that reason the following information should be examined, keeping the idea in mind that the accuracy and inclusiveness of them are questionable.

1. The National Income and the National Budget

A close examination of the distribution of the national income figures reveals that the portion of agricultural sector is only fifty per cent of the total, even though eighty per cent of the population is engaged in agricultural activities. The value of agriculture is so surprisingly low, because the figures do not account for agricultural products not entering the commercial channels.

The national income raised from TL 1.3 billion -\$ 430 million in 1936 to TL 3 billion -\$ 2.3 billion in 1943-44. This was mostly due to inflation. According to the 1936 prices, the increase was only from TL 1.3 billion to TL 1.7 billion during the same period of time.

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39 Thorburn, op. cit., p.143.
40 See: Appendix, Table V., also
41 Ibid., p.144. Ibid., p.145.
Per capita income for the year 1944 was $150. One important point which should be kept in mind is that economic needs such as food, shelter, and even clothing are obtained without the use of much money among the largest part of population.

The national budget is comprised of a number of subsidiary budgets for various state enterprises and departments. In contrast to the rise in budgetary expenses, there has not been much increase in civil governmental activity. Defense and inflation have been the two causes of such an increase. Military expenses accounts for fifty to sixty per cent of the total budget. Turkey has had a budget deficit since 1933 with yearly exceptions. It was sometimes as high as ten per cent of the total receipts.

2. Banking

The Central Bank of Turkey was established in 1930 and has been performing as the only institution which issues the currency and controls foreign exchange. To discount bills issued by state economic enterprises and to issue supplementary paper money for this purpose, to act as a government instrument for controlling credit and fiscal policy are among the functions that the Central Bank performs.

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42 Ibid., p.145.
43 The Middle East, op. cit., p.541.
44 Thornburg, op. cit., p.155.
Another group of banks are the state-owned banks to which reference has already been made. They are the Sumer Bank, the Eti Bank, the Agricultural Bank, and the Industrial Development Bank.

The third group consists of private banks. The most important ones are the Ottoman Bank which is internationally known, and Is Bank—a commercial bank, partly state-owned. The growth of gross deposits in these banks is as follows: from TL 217 million in December 1938 to TL 524 million in December 1945, and again to TL 1,787 million in June 1953.

3. Foreign Trade

Foreign trade amounts to ten per cent of the Turkish national income; nevertheless it is essential to her economy. Although the country is self-sufficient in staple foodstuffs, some important consumer goods have to be imported. She also depends on the import of a large range of capital goods and certain raw materials.

There has been a great increase in foreign trade since the pre-war years. This increase is partly due to the rise in world prices but the quantity of exports also has risen. Among the import items machinery, transport equipment, and other capital goods are the highest in value. The total imports for the year 1952 were amounted to TL 1,556,000. Ex-

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45 The Middle East, op. cit., p. 539.
46 See: Appendix, Table VI.
ports consist almost entirely of agricultural products. Cotton, tobacco, cereals are the main export items. The total value of the exports was 1,016,000 million TL, in 1952.

Germany was both the main market and the main supplier of Turkey before the Second World War. For a short period of time, after the war, the United States and Great Britain took Germany's place, however Germany has already regained her lead. The United States is the main customer of the tobacco crop, and also chrome and other minerals. Turkey's trade with her Middle Eastern neighbors is comparatively slight. Turkey participated in General Agreements on Tariffs and Trade (GATT), and European Payments Union, recently.

Turkey has a chronic balance of trade deficit since 1946.

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47 The Middle East, op. cit., p. 545.
48 Ibid., p. 546.
49 See: Appendix, Table VI, also.
49 See: Appendix, Table VII.
Summary

Turkey may be considered as an underdeveloped country with important natural resources, but owing to the inadequate equipment, with a low level of production and a low level of standard of living in comparison with Western European nations. Income and consumption per head of the population are extremely low. The population is increasing rapidly, but its density is still low. Three quarters of the population are engaged in agriculture, which accounts for one-half of the national product, and nine-tenth of Turkey's exports.

The economy of Turkey consists of two main sectors. One is the self-sufficient sector which covers the village and family type of economy, and the other is the commercial and capitalistic sector. A speedy and sound economic development of Turkey can be attained only with the expansion and intensification of the second sector. As a matter of fact, this is the major concern of the American aid program to Turkey.

Such a change would require resources, capital, and social and economic institution that encourage capitalistic growth. As we mentioned before Turkey has an abundance of

natural resources still largely unexploited. Some institutional change began under the Republic. Inadequate capital accumulation is one of the major drawbacks hindering economic development. Owing to the low level of income, private savings are inadequate. The national budget, foreign capital and, above all, the American aid, are the main resources which the Turkish Government looks upon.

American aid is the most important resource since the standard of living in Turkey is generally too low to provide the necessary savings, and political considerations do not allow sufficient time. Labor can be drawn from self-sufficient sector of the economy, from villages and family. Necessary technical knowledge can be obtained from the United States help and from Turkish school expansion.

One of the barriers to this development is the marketing situation. A highly productive agricultural sector would not mean much unless basic marketing conditions are not maintained. An adequate transportation system is the first prerequisite of a market economy. The movement toward a better highway system started in early 1945.

The role of the government has always been very significant in the economic development of Turkey. We already described this type of government interference in the economy as it is called statism. Private capital and private enterprise are rather insignificant compared with the economic importance of the state in Turkey. So, the Turkish
Government should be expected to play the major role in this expected economic development and change in Turkey.

To help strengthen the private sector of the capitalistic economy the credit institution should be encouraged by means of bank and credit organizations. Again in this field, the Government has to play an active role, since the Government owns and operates the main banks and credit organizations. An important point is that these credits should be channeled toward the investment on industrial undertakings, rather than on real estate and commerce, if this institution is going to be used as a means of helping economic development.

According to us, the traditional institutions will not make a barrier to this development, as long as the literacy level is raised. Turkey has already proved its remarkable ability to adopt the new techniques and ideologies, in its recent history.

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Chapter III

AMERICAN FOREIGN AID

A. The Nature and the Importance of the American Foreign Aid

The end of the Second World War did not put an end to the battle between totalitarian and democratic regimes. One major difference was that the war of arms turned into the war of ideologies and economies, perhaps more explosive when the advances in military technology are considered.

Keeping the lessons of the First World War in mind, the United States helped her friends, especially economically, after the War was over. The United States Government put an end to the neutrality policy, and did not resist helping the belligerents to restore their physical losses and economic restlessness. Unlike the First World War a 'repairment-debts' problem was not discussed. Even the United States followed the policy of preventing the borrowers from suffering from the burden of a heavy debt. To give an idea, we can point out that seventy-five per cent of the aid given to the foreigners between the years 1945 and 1955 was in form of grants; only twenty-five per cent was loans.

For simplicity, we will study the American Foreign

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Aid in two periods; during the Second World War, and after the War. We will try to focus our attention on the type of aids which have an economic character.

1. American Foreign Aid During the Second World War

The American Aid during the War years raised to a considerable high amount. We will only mention these aids to the extent to their interest in our topic.

a. Lend-Lease and Reverse Lend-Lease

Even before the United States entered the Second World War, the Government had started helping the democratic nations of Europe resisting Germany, under the Lend-Lease Act of March 11, 1941. Under this program the President of the United States was authorized to manufacture munitions, weapons, and vessels deemed to be of aid to European friends, in the United States. The system was operated under some kind of material clearing. Such a mutual compensation was different from free-gift system. The goods and services were not sold to the recipient countries, though title to these goods was transferred to them and these goods were allocated on the basis of need rather than capacity to pay. Final settlement was postponed until the War ended.

During the period in which Lend-Lease aid was extended, the United States transferred over $48 billion to friendly countries, and received about $8 billion from other

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aid was toward the winning of the battle, hence was mainly of military character. Thus, the net amount of Lend-Lease aid extended as grants amounted to over $40 billion. The United Kingdom and Soviet Russia absorbed the biggest part of this aid, receiving about ninety-five per cent of the total.

b. United Nations Relief and Rehabilitation Administration (UNRRA) and the American Aid

In November 1943, forty-four countries got together to establish UNRRA which was intended to provide immediate relief and to rehabilitate the economies of the countries destroyed by war. One can easily say that the Organization maintained its existence only with the help of the United States. Over $3 billion in aid was distributed by UNRRA till it was dissolved in 1947. Seventy-three per cent of this amount was furnished by the United States.

c. Miscellaneous Aid

The rest of the American Foreign Aid during the War can be described as contributions to some international organizations established under the auspices of the United Nations - such as, International Bank for Development and Reconstruction, International Monetary Fund, International Red Cross, and the like.

2. After the Second World War

The direction and the nature of the American Foreign Aid changed after the Second World War. During the War, the

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aid was toward the winning of the battle, hence was mainly of military character.

The immediate problem of the post-war years was to feed the hungry Europe. Then, there were the most important problems of recovering the physical destructions of the War, and recovering and improving agricultural, industrial, and commercial capacity in order to strengthen military and political capacity. This was thought to be the prerequisite of the peace and stability under the immediate danger of foreign aggression, namely Communism.

a. Till the Marshall Plan

The American Aid programs under the Lend-Lease policy and UNRRA continued after the war was over. In general, the aid given in this period was in form of grants rather than loans. The total amount of this aid was about $22 billion between the years 1945 and 1948.

This period of relief continued until the political relations of the former allied powers disintegrated and the forces leading to the 'cold war' took shape.

b. Truman's Point-Four Program

On January 20, 1949, President Truman proclaimed as the policy of his government a new program for making the benefits of America's scientific advances and industrial prog-

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4 Seventy per-cent of the American Foreign Aid was spent on 'civilian supply' and 'UNRRA', between the years 1945-48. See "The Foreign Aid Programs and the United States Economy", 85th Cong. 1st Sess., Washington, March, 1957.
ress available for the improvement and growth of the underdeveloped countries.

Up to 1949, only the European nations were considered as the recipients of American foreign aid, by the American policy-makers. As a matter of fact, a very high percentage of the world's population was experiencing a very low standard of living, even though they had an abundance of unexploited resources. At the same time, these countries had such political systems and political environments in which the western ideologies could not grow. On the contrary they could easily be gained by the opposite ideology because of their low standard of living, and the prevailing poverty in those countries. So, with the new policy of the Truman Administration a new phase was being opened in the foreign relations of the United States.

The main purpose of the program is well described in an address delivered by Secretary of State Achison.

"... We have an interest in the development of representative governments in the world, since it creates an environment in which we can live peacefully and continue to develop our own society."

There was, of course, the economic purpose, that such assistance would have the effect of developing overseas markets and sources of raw materials. The aim was to export capital and technical knowledge to the underdeveloped countries to raise the standard of living, which in turn would

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provide a congenial climate in which the free economic system might take root.

The Point-Four Program proposed two forms of assistance for promoting the economic development of underdeveloped areas. First, technical assistance in which American industrial and scientific techniques would be made available for the productive exploitation of the economic resources of these countries; and second, financial assistance involving the movement of capital from the United States to these countries.

At the close of the Second World War the European economy was at its worst. Eastern Europe was cut off from the rest of Europe by war. Foreign investments and shipping revenues were lost. The cost of essential food and raw materials increased and prices rose. To overcome these disadvantages, European production had to expand above prewar levels. Selling directly in the form of food, raw materials, and food were needed to sustain Europe until its production was built up. Some capital equipment was needed to further the rehabilitation of industry. An effective realization of the purchasing power of money was essential to the assumption of ordered economic life.

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8 ---, "Point Four and the Middle East", Middle East Journal, 1950, p.183.
B. Marshall Plan

Among the plans and programs through which American Aid has been distributed, Marshall Plan -European Recovery Program- perhaps deserves the greatest attention. Turkey was one of the sixteen countries included in the aid program, and has received annual contributions according to the Marshall Plan aid.

1. The History of the Marshall Plan

At the close of the Second World War the European economy was at its worst. Western Europe was cut off from the food and supplies which had flowed from eastern Europe before the War. Foreign investments and shipping revenues were lost. The costs of essential food and raw material imports had risen and was still rising. To overcome these disadvantages European production had to expand above pre-war levels. Working capital, in the form of fuel, raw materials, and food were needed to sustain Europe until its production was built up. Some capital equipment was needed to further the rehabilitation of industry. An effective restoration of the purchasing power of money was essential to the resumption of ordered economic life.

Above all, the most serious problem hampering the cure of this sorry picture was the so-called dollar shortage resulting from imports which these countries had to make from
the United States. The United States, on the contrary, was stronger than ever at the end of the War. Even though she had entered the War, she was neither suffering from the physical destruction nor the economic stability. Under these circumstances the necessity and possibility of helping Europe seemed feasible. The United Kingdom and France had requested individually, urgent help from the United States.

In 1947, the so-called 'cold war' was most severe, and the political equilibrium of the world was far from being stable. A large gap existed between the United States and Soviet Russia since the Moscow Conference was dismissed without success. Furthermore, Turkey and Greece were subjected to an increasing Russian political pressure. In this critical period, President Truman asked Congress for $400,000,000 in military aid for Turkey and Greece as a measure against Communism.

Thinking that loans extended individually would not be as fruitful, the United States Government thought that it would be better if the European countries set up an economic cooperation with the object of helping each other and if the American aid was granted within the framework of this organization under a progress and control. Therefore, Secretary of State General Marshall gave the outlines of the aid plan

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which bears his name, from an address delivered at Harvard on June 5, 1947. The Secretary of State was asking the European countries for cooperation and mutual assistance. According to him, Europe should recover its 'political health' if the political health of the world and international peace were to be maintained. To this end, he said that the European countries should get together, determine their requirements through common decisions to be taken among themselves, and they should propose the ways and means in which they expected to make use of the American aid.

The "Big Three" conference was held in Paris on June 16, 1947. Russia participated in the Conference, but assumed an oppositional attitude toward any kind of agreements. Under these circumstances the Conference was dismissed on July 3, 1947. This time Great Britain and France decided to hold another conference among the European countries to which American aid would be extended. The conference, to which Soviet Russia and her satellites did not attend, was called the "Sixteen Conference" because sixteen European nations got together in Paris including Turkey. With the participation of three German sectors later on, the number of attending nations rose to nineteen.

The Conference sent a thirteen-item questionnaire to each member country. When these questionnaires were returned, 

12 Ibid.
the total aid requested from the United States summed up to $30 billion whereas the United States had implied that she was willing to extend help for about $15 billion. Afterwards the Conference reduced the amount to $21 billion, but still this met with the disapproval of the United States Government. Finally a report was prepared on the basis of a four-year recovery program and on the necessity of extending $18 billion of help to the European countries. This report was transmitted to three well-known committees, as 'Krug', 'Nourse', and 'Harriman', by President Truman for further studies from various aspects. In Harriman's report to the President, all the resolutions taken by the Conference were approved, and a $12-17 billion grant to Europe every year was found proper. The recommendation of setting up a special organization to operate the Marshall Plan was included in the report.

The Marshall Plan became an act after seven months of discussion in Congress in April, 1948. In pursuance of the Foreign Assistance Act of the Eighteenth Congress, all countries to utilize the aid extended under this Act should join the Organization for European Economic Cooperation Agreement with the United States Government.

The OEEC Agreement was signed on April 16, 1948 in Paris with the participation of Turkey to the Convention.

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15 Ibid., p.10.
and the Agreement was approved under Turkish Act No. 5252 of July 8, 1948. The Economic Cooperation Administration Agreement of July 4, 1948 concluded between the Turkish and United States Governments was also approved under Act No. 5253 of same date, and since then Turkey has made use of the aid granted to the member countries under the Marshall Plan.

2. Objectives and Policies

The interest of the United States in European economic recovery can be described in three items: humanitarian, economic, political.

It is a well-known reality that the service of the American people to distressed humanity is traditional. During and following the First World War Americans helped the war-sufferers without any discrimination. The Americans who as a nation were enjoying comparative luxury at the end of the Second World War, could not in good conscience do otherwise. In the Harriman report, it says:

"...To withhold our aid would be to violate every moral precept associated with our free government and free institutions."

This is what we call the humanitarian appeal.

The economic self-interest of the United States has always been closely related to the fate of Europe. The im-

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portance of trade with the European countries could not be
denied. A serious decline in the producing and purchasing
power of 270 million people in western and central Europe
would have a powerful impact upon American prosperity. In
addition to this the maintenance of such a situation could
have indirect effect upon the trade relations between the
United States and the other parts of the world. Most of the
countries were paying for their import surpluses from the
United States, by means of their export surpluses to Europe.
Thus a disintegration of the European economy would curtail
the power of the countries to buy United States goods.

At the same time, the difficulty of obtaining essen-
tial imports would force European countries to exercise go-
vernmental monopoly in their foreign trade. Such an experi-
ment would involve not only the economy of a nation, but po-
itical institutions as well. The United States would almost
inevitably follow suit. This would endanger the survival of
the American system of free enterprise, because such a system
of state controls on foreign trade have a tendency to cover
the entire economy.

The important point here is that a considerable amount
of capital accumulation was necessary for the European econo-
mic recovery. Only two sources of capital could be considered:

18 European Recovery and American Aid, op. cit., p. 22.
19 Ibid., p. 24.
the United States could provide capital through saving some of its growth without reducing its standard of living, or it could be accumulated inside of Europe, at the expense of an already greatly deprived standard of living. In other words, Europe had to lower its standard of living, which was already very low, to accumulate this necessary capital for the recovery, unless the United States helped her.

The capital accumulation, by means of lowering the standard of living, could not be attained by democratic economic planning. Such a practice would involve a change in the political institutions as well as in the economic system. And in turn, the results of a change would be so dangerous that the United States should and could not afford helping Europe, even though it would slow the speed of its own economic growth to some extent.

The third United States interest in the European recovery is probably the most important one. For simplicity we will call it political. In fact it has a greater importance than the word itself implies. Again in Harriman's report to the President, this interest was explained as follows:

"... It stems from the realization that a European recovery program is an investment in the continued survival of a world economically stabilized and peacefully conducted, in which governments based on fundamental democratic principles can prosper, in which right, not might, prevails and in which religious freedom, economic opportunity and individual liberties are maintained and respected."

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During the same time two conflicting ideas were challenging each other in Europe. One was a system in which individual rights and liberties were emphasized, while in the other one the iron discipline by the state stamped out individual liberties. The first regarded the strength of international relations between individuals and nations. The second showed its distrust for cooperation among nations. The countries in western and central Europe had favored the first system by tradition and inclination. And the United States had built her strong position on the existence of these states and their stable influence on the world society. The immediate danger was that the people of these countries were dissatisfied with their present plight and if by democratic means they did not soon obtain an improvement in their affairs, they might be driven to turn into the opposite direction. By tradition and inclination western Europe had shown its desire to maintain the democratic concepts of government, but tradition and inclination were not enough.

If the countries of middle-western and Mediterranean Europe became communist, Scandinavia would perhaps fall into the same trouble. The strategically and economically vital north African and Middle-Eastern areas might have followed. Under these circumstances western Europe could not resist. The position of the United States would not be very comfortable in such a world.

From the very beginning of aid programs the idea that
the future of Western Europe lay in its own hands was kept in mind and the aid was considered "as a spark which can fire the engine". It was the main objective to restore that area to a self-supporting position, in the sense that it would bring to an end the need for continued and indefinite assistance.

3. The Organization of the Marshall Plan

The Marshall Plan has been operated by two main organizations; one is the 'Organization for the European Economic Cooperation' - OEEC, and the other is the 'Economic Cooperation Administration' - ECA.

a. Organization for the European Economic Cooperation - OEEC

The Sixteen Conference which was held in Paris on July 12, 1947, set up a Committee for European Economic Cooperation, to have the preliminary schemes formulated properly. It was a temporary body and was created for the purpose of determining the total aid to be requested from the United States, according to the questionnaires sent to the member countries. After a while the necessity of having a permanent body showed itself, and the Conference met in Paris on March 18, 1948, to establish three sub-committees to study the question of setting up permanent organization. On April 16, 1948 the text of the 'European Economic Cooperation Agreement' was signed by the foreign ministers of the participating coun-

Ibid., p.12.
tries, according to the preparations of the sub-committees.

Under the Agreement the signatory countries agreed
to establish a closer cooperation in respect to economic re-
lations and to carry out economic recovery programs in their
countries. At the same time, they were under such obliga-
tions as to increase the production and productivity, to ma-
tain the stability of national currency, coordination of the
balance of payments, and maximum use of the man-power re-
sources.

Organization for the European Economic Cooperation
was established to enforce all the obligations that the Eco-

nomic Cooperation Agreement suggested. The Organization has
a 'council' and an 'executive committee'. The council con-
sists of the Marshall Plan countries and acts as a regulator
of the Organization. The council elects a president and
two vice-presidents among its members, once a year. The
executive committee consists of seven members elected annu-
ally by the council. At the same time, the Organization has
a 'general secretariat' and a four-member 'advisory board'
which has been created to assist the president of the coun-
cil.

The principal task of the Organization for the Eu-

ropean Economic Cooperation is to examine the programs pre-
pared by the participating countries, and to ensure coordi-

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22 Marshall Plan in Turkey, op. cit., p.11.
23 Ibid., p.12.
nation among them. The Organization examines these programs by certain technical committees on behalf of the council, which in turn, submits these to the Economic Cooperation Administration.

b. Economic Cooperation Administration - ECA

This Organization was created under the 'Foreign Assistance Act' passed by Congress on April 3, 1948, for the purpose of directing the aids extended under the Marshall Plan. According to Article 104 of the Act, the ECA was headed by an 'administrator', and had a twelve-member 'public advisory board'. It had a 'special representative' in Europe, stationed in Paris, and a 'special mission' in each country which was a recipient of the Marshall Plan Aid. Following the participation in the OEEC, Turkey signed an 'Economic Cooperation Agreement' with the United States on July 4, 1948. According to the regulations of this Act, Turkey was going to act in accordance with the goals of the European Economic Cooperation Agreement, and the United States would in turn, aid Turkey under the laws and resolutions governing the aid. An ECA special mission to Turkey was created, connected with the ECA in Washington.

According to the provisions of the Foreign Assistance Act, the ECA was to submit a report to Congress for approval of the aid to be extended to Europe, every year. In deter-

\[\text{Ibid., p.13.}\]
\[\text{Ibid., p.14.}\]
mining the aid, the ECA was to make use of the report issued by the OEEC respecting the applications filed for aid by the member countries. After the total figures have been approved by Congress, the aid program was to be referred to the Organization in Paris where aid programs of the participating countries were examined, the total figure on aid which was approved by Congress, divided among the OEEC countries, and a program was prepared to be submitted to the ECA. Upon the approval of the programs submitted by the Marshall Plan countries, by the ECA, these programs were to enter in force.

However, the ECA has not continued its activities under the same title. With the outbreak of the Korean War another institution replaced it, and from then on it was changed every two years.

**Mutual Security Administration-MSA:** Mutual Security Administration replaced Economic Cooperation Administration in 1951. The Korean War had created the necessity of military assistance to the friends, once again. MSA was thought to be the organ which could combine the military and economic necessities.

**Foreign Operation Administration-FOA:** Foreign Operation Administration was established at the end of the Korean War, in 1953. It assumed the responsibilities and the activities of the ECA and the MSA, and operated until 1955.

**International Cooperation Administration-ICA:** This
is the current institution which acts as the center from which the foreign aid is distributed. It is expected that it will be replaced by another agency this year, according to its constitution.

4. Summary

These organizations have provided an institutional framework for distributing the capital to the aid-receiving countries, including Turkey. The objectives of this capital distribution have already been studied in general terms, and yet they have special goals and significance in different countries. It is to strengthen the capitalistic sector of the economy at the expense of the self-sufficient sector, thus providing economic growth, in the particular case of Turkey. Such an economic growth and stability would, in turn, help strengthen the resistance against communism, and help the country maintain her independence which is necessary for the defense and unity of Europe. At the same time, such a capital flow to Turkey would help her to increase the production of foodstuffs and coal which are of vital importance for a speedy economic recovery in Europe.

Here again, we would like to mention that capital from the outside and from institutions such as these are not sufficient to assure growth. Even though the socio-cultural factors prevailing in Turkey are not quite similar to those in other underdeveloped countries which are, in some cases
very much against an economic development, there is still the problem of fulfilling the requirements and creating the atmosphere of a capitalistic society. In fact, Turkey has exercised basic institutional changes such as the western-type of governmental system, secularism under the rule of her Constitution, and a legal system according to the western standards.

On the other hand, the highest percentage of the Turkish population live in scattered and isolated villages. The notion of progress and economic development does not have any significant value in their eyes. The main reason for this, of course, is the very high percentage of illiteracy among the peasant population of Turkey. Education and technical assistance would be of great value to help correct this very backward situation.

There are, of course, some traditional and cultural barriers for the establishment of a capitalistic society in Turkey. Some authors show "rationalism, secularism, and materialism" as the three prerequisites of the western capitalistic societies. Among these three, Turkey has taken very significant steps in secularism. However, there is still much to be done to make the necessary changes in these fields. One other change in attitude should be accomplished in the "attitude toward work". The prevailing conditions in Tur-

key are not suitable for the existence of a middle-class of foremen and supervisors.

We have already mentioned the importance of education and technical assistance as a direct approach to cultural change. Here, we would like to suggest the government interference and central planning as the means of indirect approach to indirect cultural change. In our opinion, the price-market system can be of great significance only in the long-run, since there is already much to be done in promoting the marketing situation in Turkey.

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See Buchanan and Ellis, op. cit., Chapter 4, "Social and Cultural Factors in Development", pp. 74-91.
Chapter IV

THE TURKISH AID PROGRAM

A. Introduction

Turkey did not enter the Second World War until early 1945. For that reason Turkey's share in the American aids during the War was rather small and insignificant. The United States gave $27 million to Turkey according to the Lend-Lease Act, and secured $10 million during the clearance of $477 million stocks in Europe, of which Turkey paid $45 million in advance.

After the War, Turkey was included in the aid programs due to its growing importance and strategic position in world affairs. The most steady and economically important aid is, of course, the Marshall Plan Aid. Turkey was included as one of the sixteen European countries in the very beginning of the program and has been assisted financially and technically then on. For this reason, the focus of our attention will be upon the Marshall Plan Aid and its application in Turkey, in our further studies.

The second category of the United States assistance

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1 Turkey repaid its Lend-Lease debt in full in 1946 as the first country.
3 S. Barada, op. cit., p. 191.
to Turkey can be called as the 'military aid', and was directed toward the improvement and modernization of the Turkish military forces. Nevertheless, due to the fact that it was partly used for the development of Turkish highway system, and its indirect effect on the Turkish economy, this type of aid will be subject to our studies, to the extent that it has an economic significance. For simplicity we will study this type of assistance under the title of 'The Turkish Aid Program'.

In order to give a complete picture of the aid Turkey has received, we will also study the grants and credits, extended by the agencies which are supported by the United States capital, such as International Bank for Reconstruction and Development.
B. Turkish Republic Attitude toward Foreign Aid

The Turkish Governments always seemed reluctant to accept foreign assistance for the economic development of the country. The main reason for this attitude has been the unhappy experience of the Ottoman Empire debts. It was considered that the foreign assistance would always bring the foreign tutelage with it.

The Government was very cautious to get only short-term business credits from the foreign concerns to which no political conditions were attached. The only long-term foreign loan accepted was the Swedish Match Loan of £10 million, up to 1933. In 1934-35 a loan of £10 million was received from the USSR, to maintain the industrial expansion, especially in textile industry, under the first five-year plan.

Another national policy followed by the governments was that to cover the imports by only increasing the value of exports rather than borrowing. This policy was successful until 1938, and Turkey had a favorable balance of trade between the years 1930 and 1938. At the end of this period the balance of trade deficit was covered with the credit extended by the United Kingdom. In 1938 two loans were accepted from Britain. One was £6 millions for armaments to be purchased in Britain; interest was to be paid at one per cent above the

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John Parker, Modern Turkey, London, 1940, p.135.
Bank of England discount rate or at three per cent, whichever was the greater, and capital was to be repaid in half-yearly instalments between 1952-1962. The second one was a trade credit of L 10 million to be guaranteed by the Export Credits Guarantee Department. This credit was used mainly for the purchase of mining machinery for the Zonguldak coalfield, for railway engines, and for rolling stock. During the year of 1938 Turkey received two more credits from Germany and Russia; Rm. 150 millions and eight million gold dollars respectively from the countries mentioned above.

The outbreak of the Second World War changed the picture of foreign trade of Turkey. The share of Germany in the foreign trade dropped from fifty per cent to two per cent, and it was replaced by the United Kingdom and France. Under the Treaty of Mutual Assistance in October 1940, British and French Governments were to provide Turkey with a credit of L 25 million which was to bear four per cent interest and to be repaid in twenty years. In addition to this the Agreement provided for an Anglo-French loan of L 15 million to be paid in Ankara in gold, to bear an interest at three per cent and likewise to be repaid in twenty years.

During the Second World War Turkey was benefited from the Lend-Lease Act, as already mentioned.
C. The Turkish Aid Program

1. Why Aid Turkey

The answer of such a question mainly lies in the discussion of the political aim of the American foreign aid in general. To some it might rather seem hard to understand why a country should be helped which was relatively sound financially, had not suffered from the physical distractions of the war, and had no immediate need for a post-war economic recovery.

A close examination of the case would help us to understand those reasons which prepared the idea of aiding Turkey. Even though Turkey had not entered the War, it had had to maintain its army on a war-time basis for eight successive years. This had been a drain on the Turkish economy, both financially and from man-power points. The continuation of such a situation would weaken the resistance of Turkey against the external pressures that Turkey had been confronting.

An army is a drain on an economy in two cases: one if the standard of living is low, two if the rate of growth is not sufficient to support an army at the technical and economic levels required by the military situation. Both of the above mentioned cases are very proeminent in Turkey. Besides a low standard of living, the rate of growth was at a level that the heavy military expenditures was a drain on capital accumulation and labor supply to the extent that it would face the danger of reducing the standard of living to lower levels.
The close of the Second World War marked the beginning of the ideological war between the Communist and the Western World. In this so-called 'Cold War,' Turkey had occupied a very important place because of its geographical and strategic significance, and had never been on friendly terms with Russia and the Communist Regime. This became a severe case after the Soviet Government declared its intention not to renew twenty-year old Turkish-Soviet pact of friendship, in March of 1945. The Russians demanded that the Turkish straits, which are entirely bordered by Turkish territory, be controlled and defended by Turkey and the Soviet Union. At the same time they claimed the annexation of large areas in eastern Turkey. These demands which might easily cause an armed conflict, were rejected by the Turkish Government.

On the other hand, Soviet radio and press urged the Turkish people to rebel against their own government and called high Turkish officials as fascist and reactionary. As a matter of fact this type of propaganda helped the Turkish people to be more determined to defend the country against the possible aggressors.

This was the first time that the Russian demands were rejected in Europe, and gave the United States high officials the belief that post-war communist aggression could

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7 The Turkish Aid Program, Department of State Publication, Washington D.C., 1948, p.3.
be stopped by helping those nations who really wanted to resist. Turkey and Greece were two nations trying to stop communist aggression at that time.

It was well established that Turkey had to be strong in order to maintain her national integrity and freedom. This required the existence of an industrial base. Under the prevailing circumstances Turkey could not acquire this due to the political considerations. Therefore the United States provided arms and military technical assistance immediately, to do what Turkey could not do herself. This is how the economic aim of the program related to the military aim.

Under the capacity and limitations of such an aid, which after all was only military in character, it would neither make Turkey free and maintain her integrity nor help Turkey accomplish a rapid economic growth. So the United States started an economic aid program which would enable Turkey shift away from a self-sufficient village economy to a capitalistic economy. This was thought to be accomplished

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In their study of Russia, Buchanan and Ellis show how Russia succeeded in building a heavy industry in a relatively short time. During the same period of time very little investment was made in consumption goods industry. The capital for the program came through saving the increases in production. War and subversion are based on heavy industry. Since Turkey could not afford the establishment of such a heavy industry for military purposes, the United States helped her.

best, under the principle of the geographic division of labor, by relating the Turkish trade with Europe under the Marshall Plan, which we are going to study in the following chapters.

2. The History of the Aid

By early 1947 British declared that they could not implement their obligations to Turkey as well as to Greece. During the War the United States and Great Britain had furnished Turkey with material aid. Since the War was over Turkey had sought additional financial assistance from the same countries for the purpose of affecting the modernization necessary for the maintenance of its national integrity, which had been considered essential for the preservation of order in the Middle East. British Government informed the United States that owing to its own difficulties it can no longer extend financial or economic aid to Turkey. This was leaving the United States the only country who could help Turkey, as long as such an assistance was considered as necessary.

March 12, 1947 marked an important date for the Ameri-

9 The indirect effect of "The Turkish Aid Program" on the American economy was thought to be that "..The exploitation of undeveloped agricultural and mineral resources could enable Turkey to produce food and fuel which European countries were in dire need of. The increase of export supply of agricultural products would directly ease the supply burden on the American economy, cutting the American exports to Europe to some extent."

See *Turkish Aid Program*, Dep. of State Pub., Washington, 1948, pp. 4-5.

can history as well as for Turkish-American relations. The President of the United States Harry S. Truman declared the principles of a new policy, which was going to be known as the 'Truman Doctrine', on that day. He, in his message to Congress on March 12, pledged assistance by the United States to "free peoples who are resisting attempted subjugation by armed minorities or by outside pressures". He added: "I believe that our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes". The President recalled that the United States contributed $341 billion toward the winning of the Second World War, and the suggested $400 million of aid for Turkey and Greece should not be considered as too high compared with the severity of the case.

President Truman's speech received some severe opposition both outside and inside of the country, as well as it was welcomed in most of the centers. In Great Britain, the Foreign Secretary of State said that he considered such an action as "invasion of south-east Europe by dollar imperialism". Truman's talk received bad press in Paris also. However, the most severe criticism came from the Russian side. The Soviet officials described Truman's Doctrine as "United States aspires to heritage the Axis Imperialism, now openly seeks

for world rule".

Senate voted Greek-Turkish Aid Act sixty-seven to twenty-three on April 23, 1947. The share of Turkey was $100 million out of a total of $400 million, and it was going to go toward modernizing her army and keeping it strong against outside pressures. None of the $400 million could be used by a recipient nation to make payments on the principle or interest of loans made to her by another foreign country.

House passed the bill with a vote of 237 to 107, of "indirect military and direct economic aid to Greece and Turkey in warding off communism". The inclusion of Turkey into the program and the military character of the program met considerable criticism in House discussions.

Secretary of State Marshall asked the Congress to vote for $275 million of aid for Greece and Turkey for the year 1948, through the period ended June 30, 1949. Congress voted the bill on April 3, 1948.

The Greek-Turkish Aid Program ended in 1954, after a period of seven years. During this period Turkey received

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16 "...Bitter four days debate" took place in the House before the adoption of the bill. There was a strong tendency to demilitarize and to keep Turkey outside of the program. At the same time "...moves to place rigid considerations on aid receiving countries -such as the calling of new elections of their governments, installation of taxation systems- were rejected". N.Y.T., May 10, 1947, p.11:3.
a total of $1,250,000,000 from the United States in form of military assistance. Only $297 million of the total was given to Turkey until 1950. The main reason for the increase after 1950 is the outbreak of the Korean War, and the increase of American Military Assistance under the Mutual Security Program.

3. What Has Been Done

The application of the program started in the summer of 1947. The first report arrived in Washington in November, 1947. In the report it was noted that "several unfavorable developments" had hampered the work of the United States missions in both Greece and Turkey. The part of the report related with Turkey is worth being summarized.

The $100 million Turkish aid program was designed to assist Turkey in increasing her power to resist external pressures supplying her modern military equipment and technical training in its use. A special survey mission was sent to confer with officers of the Turkish Armed Forces. The recommendations of the survey group regarding specific training and equipment programs were oriented toward two basic

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18 Namik Zeki Aral, Yenik Ulus (Turkish Newspaper), March 4, 1954.

19 Unless special reference is given, the information on this part should be referred to the "President's Reports to Congress on Assistance to Greece and Turkey" The Department of State, No. 1 to No. 8.
objectives: 20

1. Improvement of Turkey's economic status in the face of demands of national security, and,

2. Maintenance of Turkish economic well-being to prevent development of serious social unrest which might be used by a potential aggressor as an opening for penetration and undermining of Turkish policy and economic institutions.

Also in the report, the survey group recommended that this could best be accomplished by modernizing the Turkish Army so as to facilitate the earliest possible reduction in the armament of man power and the number of draft animals required by the army. This in turn would result in the reduction of the economic burden to Turkey of supporting the Turkish Armed Forces, by increasing the effectiveness of these forces to a point at which Turkey can support them without outside assistance. This in turn should enable Turkey to increase her productive capacity to add to the well-being of the Turkish generally and to produce for export and supply of such critical items as coals and cereals, so vital to European recovery.

The recommendations of survey group were:

1. For purposes of increasing mobility, balance, fire power and other modernizations and decreasing the manpower requirements of the Turkish Armed Forces, allotments of the $100,000,000 grant in aid as follows:

a) For road construction and maintenance equipment and technical training in the location, construction, and maintenance of roads $5,000,000;

b) For naval equipment and technical training $14,750,000;

c) For Air Forces equipment and technical training $26,000,000;

d) For ground forces equipment and technical training $48,000,000;

e) For the improvements of the arsenals $5,000,000.

Military Assistance:

For the first year program of the military aid, the amount appropriated for ground-forces was a full range of army equipment including heavy defensive ordinance and vehicles. Air Force program included a number of fighter, trainer, and cargo planes. Naval aid program included four submarines and a number of smaller vessels designed to play a significant role in case of emergency.

The same year, with the assistance of the Army Group of the American Mission, training courses were accelerated for the Turkish ground forces in methods of depot, supply and operation and method of distribution. At the same time, plans for a medical instruction program prepared by the Mission surgeon in cooperation with the medical inspector of the Turkish Army were completed and actual instructions were started. The medical courses were designed to acquaint
Turkish military surgeons with the latest practices and procedure of combat surgery.

By March of 1948, Air Force instruction courses started in seven different schools in the fields of communications, field engineering, pilot training and maintenance.

Several officers and enlisted men were sent to the United States for training. Fifty-seven officers from the ground-forces, forty-five officers from the air-forces, and seventy Turkish naval officers and enlisted men received training in the States.

By the end of 1948, several thousand students had been enrolled in nine Turkish service schools in more than sixty courses. These courses were confined to technical instruction and were designed to produce skilled technicians. At the end of the year, supply and maintenance shops were erected. Supplies and equipment provided under the assistance program, on receipt, broken down and distributed to units or were kept in dead storage until sufficient qualified personnel trained in the use of these items have been returned to their units. The equipment was then released from storage and put into use.

The military aid program followed the same described routine in the next years. The military training schools continued their functions. Several officers were sent to
the United States and American training centers in some European countries. Turkey received modern arms and machinery under the military aid program in successive years.

**Road Construction Program**

The plans of a new highway system for Turkey were arranged in October, 1947. It called mainly for the establishment of a long range highway program, a plan for highway administration on a national scale and standards of highway design, construction and maintenance. It was also going to permit Turkey to acquire necessary road building equipment and have her nationals trained by the United States experts. The two governments agreed upon the terms of a national system of 20,000 km. (1 km. = 0.621 mile) of all weather road, 25,000 km. of provincial roads, and 100,000 to 150,000 km. of country roads.

At the same time United States Public Roads Administration accepted to send Turkey twenty specialists in the various fields of highway construction and maintenance, to comprise the Public Roads Group of the American Mission for Aid to Turkey. By agreement, the Turkish Ministry of Public Works was going to meet all costs of construction except the cost of United States equipment furnished with aid-program funds. The Ministry was going to pay for all costs of the United States road mission after June 30, 1949.

The primary objective of the road building program was
the strategical significance of roads for the defense of the country. However, it was thought such a development would greatly benefit the rural population of the affected regions by facilitating the flow of their farm surpluses into domestic markets and export channels. This would reduce the size of the self-sufficient sector and increase the capitalistic sector of the Turkish economy. It would increase the geographic division of labor and hence productivity.

Training of Turkish road-construction personnel was immediately begun, in a school operated by the Public Roads Group in Iskenderun. In six months 120 Turks were trained as operators and mechanics of highway-construction equipment.

Three military priority road construction projects were initiated by early 1943. One from Adana south toward the sea, one from Toprakkale to Fevzipasa, one from Iskenderun north on the road to Erzurum.

Training of personnel necessary for the use of equipment went hand in hand with the highway construction. Several repair shops were erected in several parts of the country. Timber bridges were built for the first time in Turkey. The Road Group was also engaged in some important research projects. Five Turkish engineers were sent to the United States.

In general, aid-program funds for the highway improvement program were used for the purchase of United States
equipment and to cover salaries and expenses of the staff of the American road experts while all other costs including local labor and materials were met by the Turkish Government.

4. How the Program Operated

There are several factors that should be closely recognized while measuring the success of such a program. The multiple task of providing supplies and equipment in a program limited in dollars, taking every precaution to insure that the program is balanced to the extent that it gives the greater benefit to the recipient government, and at the same time striving to make the most economical use of available stocks in hands of the services requires numerous revisions and substitutes. 20

The program was susceptible to every kind of weakness of a first-time cooperation of any two countries. For this reason some misunderstandings occurred every now and then which should be considered as excusable.

The language seemed to be a barrier throughout the program. Even though English was instructed in training schools, it was far from being sufficient for the people to follow instructions in English. The job was handled by the translators, and this decreased the speed of the work, and increased the possibility of error.

20 Ass. to Greece and Turkey, op. cit., #2.
Limited port and transportation facilities in Turkey was a factor which adversely influenced the effectiveness of the aid program. In recognition of inadequate facilities the first shipments to Turkey were machinery for cargo handling and road building.

The Turkish Aid Program should be considered as successful, in general. The success of a program can be measured according to its accomplishment in the light of primary objectives. Since the strength of the Turkish defense forces against a possible aggression increased, since the modernization of Turkish Military Forces was accomplished to some extent, it can be said that the program succeeded in its primary objectives.

While speaking about the success of the Turkish Aid Program, we would like to make the economic objective of the aid more clear once again, so we can have some measures in hand to figure out how successful the program was.

We can sum up the objectives of the aid program in two points: 1. Turkey did not have the industrial base with which to equip an army to face Soviet Russia, hence her national security was threatened; 2. Any attempt to secure Turkey with her own efforts and capacities would so reduce the standard of living that she would be an easy victim of subversion.

The economic effects of the Turkish Aid Program should not be exaggerated. After all this was a military aid and
was successful in those terms. On the other hand, since Turkey was able to maintain a large army without the cost of reducing the standard of living, and since Turkey succeeded in expanding her agricultural production, industry, and foreign trade, the program was quite successful in economic terms too. It eased the burden of national defense on the national budget and let the government use this money for more productive purposes. Under the highway program, a better system was introduced and the construction of several miles of roads were completed which definitely had a very positive effect on the marketing conditions of the country. Thousands of enlisted men, who were coming from the self-sufficient village sector and who had never been introduced to the machinery before, received technical training. These people can be expected to seek industrial jobs after they finish their military service, or at least they will succeed when a factory job is offered. This is a gain for the capitalist sector over the self-sufficient sector.

The operation of the Turkish Aid Program was explained by the President to the Congress, in quarterly reports. The reports mentioned that the program was "proceeding in an..." 21

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21 One has to be very careful while trying to find out the economic effects of the program. It was only one year after the Turkish Aid Program, that the Marshall Plan Aid started, and they went hand in hand from there on. The latter is purely an economic one, so the influence and share of it on the recent economic development of Turkey is more than the Turkish Aid Program.
orderly manner" most of the time. Special reports noticed that even though the progress was rather slow, it was going smoothly at the same time. The Turks seemed quite diligent and enthusiastic to adopt the things taught them. The slowness was justified by the fact that Turkey had no problem requiring urgent need.

The main criticism of the Turkish Aid Program came from the Turkish official centers. The criticism was directed mainly to the military character of the aid. It was claimed that ninety-five per cent of the aid was devoted entirely to military expenditures placed too great a strain on the Turkish economy. The maintenance of a strong army impacted a still more heavy burden on the state and hindered economic stability and development. Experts estimated that to upkeep and operation cost of the United States military equipment at 400,000,000 TL, and Turkey could save more than this amount by releasing a substantial number of the 500,000 Anatolian constantly who were under arms. Possession of United States equipment further would commit Turkey to buy separate parts from the United States and to retain with the others the most valuable elements of her men-power skilled technicians and mechanics.

We will turn back to this discussion in the military aspect of the aid in our final chapter, and will discuss

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23 Ibid., March 7, 1943, p. 1:5.
military aid vs. economic aid in a broader sense and from a different angle.

The reader should note the early date when such a criticism was made. It was before the Marshall Plan aid started. Turkish official centers seemed not to believe in the positive influence and results of a purely military aid on the economic growth of the country. We have already noted this point and said that the military aid would not solve the problems of Turkey which was the reason for the United States economic assistance.

One other factor of such a criticism may be (again due to the early time) that the aid was not well understood yet by both the Turks and the Americans, and some misunderstandings arose in practice. At the same time, the Turkish officials might have been frightened by the consequences of the aid they had accepted. This fright arose because the aid program was committed for a few years and there was no guarantee that the United States would renew it, because Turkey had been traditionally independent of foreign aid, and because the United States would not commit itself to the point of seeing Turkey grow to where she could maintain her army on the scale the United States thought necessary.

While speaking about the success of the Turkish Aid Program, we would like to point out the very positive effect of the program on Turkish-American relations.
D. Loans Turkey Has Received From the International Agencies

Turkey has loaned from a variety of international agencies to finance the new establishments started with the new Turkish economic development program. Some of these loans were made to help finance the sale of equipment by the United States, as well as to help the Turkish Government to maintain the financial stability in the country.

In addition to these, the new Turkish Governments have recognized the importance of foreign capital in the economic development of the country. It was a well-established fact that Turkey could not accumulate the necessary capital for a speedy economic development. To this end, the Law for the Encouragement of Foreign Investment was passed in 1954 under law number 6224. 25

We are of the opinion that it would be of interest and of value to take a brief look at the loans made to Turkey by the International Agencies. The main reason is that this can give us a more complete picture of the official foreign financing of the Turkish economic development. Another point is that these international

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24 Even though the following information has no relation with the "Turkish Aid Program", we included it in this chapter because we wanted to complete the studyings of the aid outside of the Marshall Plan.

agencies are mostly financed by the American capital.

One of these agencies is the Export-Import Bank. The first credit approved under the Bank's commitments to the Turkish Government was $4,905,000 to help finance the sale of sixty-two locomotives to the Turkish State Railways in January, 1947. This was a part of the $25,000,000 set aside for participation by the Bank in credits to assist Turkish purchases from United States suppliers.

The relation between the International Bank for Reconstruction and Development (World Bank) and the Turkish Government is rather more exclusive and more involved. In early 1949 the Turkish Government started seeking a loan for three projects: one to finance grain storage facilities; two port construction; three, flood control, irrigation, and power projects. The World Bank sent a mission composed of five experts, to Turkey, to inspect the projects in their own places.

The first loan made by the World Bank is a $9,000,000 in 1950, to the new-established Industrial Development Bank of Turkey to stimulate the private enterprise in the country. The loan was guaranteed by the Turkish Government. It was for a term of fifteen years and carried an interest rate of two and three-fourths per cent and was going to be used "to finance the cost of imports for industrial development

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projects undertaken by private enterprises in Turkey. 27

In June, 1952, International Bank for Reconstruction and Development made another loan to Turkey for $25,200,000 to aid the industrial and agricultural development of the Adana Plain, in the country's south-central section. 28

In September, 1953, the World Bank approved a $9,000,000 loan to Industrial Development Bank of Turkey. It was for fifteen years and was carrying an interest at the rate of four and seven-eighths per cent. 29

The International Bank for Reconstruction had already loaned a total of $60,000,000 when a severe crisis broke out with the Turkish Government. 30 The Bank had to close its permanent mission to Turkey. The Turkish Government complained against the Bank's lending policies and claimed that the Bank had adhered to rigid orthodox lending policies which did not correspond to the needs of underdeveloped countries. According to the Government the Bank had sought to have a hand setting the economic policies of member countries as a condition to granting their loan requests. The World Bank-Turkish Government dispute went to

27 Ibid., August 1, 1950, p. 11:1.
28 Ibid., June 19, 1952, p. 4:3.
the United Nations where it was finally solved.  

The first International Monetary Fund loan to Turkey was for $5,000,000 in 1947, which Turkey repaid fully in early 1952. By the middle of the same year Monetary Fund advanced Turkey $10,000,000 on the security of an equivalent amount in TL.  

In August, 1953, the International Monetary Fund announced that it was purchasing $20,000,000 worth of TL, or about 46.5 per cent of Turkey's $43,000,000 quota in monetary system. This was a special favor to Turkey, because previously the purchase of any nation's currency had been limited to twenty-five per cent of its quota.  

At this point we would like to mention about the United Nations Technical Assistance. The primary objective of the assistance was "to help underdeveloped countries to strengthen their national economies through the development of their industries and agriculture, with a view to promoting their economic and political independence in the spirit of the United Nations charter, and to insure the attainment of higher levels of economic and social welfare for their entire populations".  

31 We are unable to give the details of the outcome because of the scarcity of the material.


33 Ibid., August 10, 1953, p. 5:2.

resources kept the United Nations from helping these countries in broader financial terms.

Under the Technical Assistance of the United Nations, 110 countries and territories were benefited by means of qualified experts visiting their countries, receiving fellowships or scholarships for their nationals.

The United Nations granted $421,590 and $522,467 to Turkey in 1953 and 1954 respectively, from the technical assistance funds.\textsuperscript{35}

At a matter of fact, despite the existence of numerous financial and manpower problems due to the external pressures, Turkish national output and even per capita consumption have increased constant above pre-war levels. During the war the price level had risen substantially; but prices had been stabilized after the war. Turkish foreign trade was at record levels.

One of the major problems Turkey confronted was that the national defense expenses had reduced the pre-war role of development of Turkey's agriculture, mining, industry, and other fields. The prevailing opinion was that

CHAPTER V

MARSHALL PLAN IN TURKEY

A. General Information

The inclusion of Turkey into the Marshall Plan was rather because of its military importance and vital role in the security of Europe. It was believed that without Turkey, the security of Europe would never be complete. For this reason, Turkey's role in European Recovery program has, all the time, been subordinated to this point. Nevertheless, an economically sound and progressed Turkey, with its unexploited resources would mean much to the recovery of Europe.

As a matter of fact, despite the existence of some serious financial and man-power problems due to the external pressures, Turkish national output and even per capita consumption have increased somewhat above pre-war levels. During the War the price level had risen substantially, but prices had been stabilized after the War. Turkish foreign trade was at record levels.

One of the major problems Turkey confronted was that the national defense expenses had reduced the pre-war rate of development of Turkey's agriculture, mining, industry, and transportation facilities. The prevailing opinion was that relatively small capital outlays in these fields, accompanied
by technical assistance would produce substantial returns, especially in cereals and coal for export to the other participating countries. ¹

1. Turkey's Part in the Recovery Program

In an earlier chapter we mentioned about the "Sixteen Conference" and the questionnaires sent to the participant countries by it. Upon their return these questionnaires were examined by a committee created by the Conference, called Committee of European Economic Cooperation which was finally substituted by the CEEC, and a report was prepared to be submitted to the United States. ² In this report a brief outline of the economies of the member countries was followed by another chapter which explained the potentialities of the economies and their expected share in the economic recovery of Europe.

In this report it was pointed out that Turkey's primary role in the recovery program would be to augment its production of essential commodities in conformity with Europe and world requirements. To this end it was expected that Turkey would receive appropriate assistance in procuring agriculture, transportation, mining and other equipments, and such technical assistance as might be required for effective utilization of the equipment.

² Ibid.
It was also pointed out that two important reservations had to be made regarding Turkey's capacity to make contributions to economic recovery of Europe. First, if Turkey found it necessary to divert further domestic resources from productive channels in the interest of national security and to spend foreign exchange in substantial amounts of military equipment, its capacity to finance imports of agriculture and mining equipment, and to utilize such equipment, effectively might be seriously impaired.

Second, if Turkey's major exports were channeled in accordance with overall European requirements, Turkey would probably have substantial surpluses of exports over imports with some of the participating countries as many as non-participating outside of the dollar area. In the absence of special payment or clearing arrangements, this would mean that Turkey might be accumulating foreign currencies without the immediate possibility of using them in full for procurement of imports from the dollar area. Turkey would no doubt be willing to advance moderate credits to some of the participating countries, but, since Turkey felt that she had to maintain substantial liquid foreign exchange reserves against possible military requirements, she might hesitate to expand such reserves on equipment which produces exports unless assured of replenishment of those reserves from the proceeds of exports. The problem of convertibility is therefore paramount to Turkey.
In order to finance such a development, furthermore the report suggested that Turkey should use normal international lending channels after adequate technical and economic justification had been provided for each specific project or group of projects.

2. The Turkish Production Program

Turkey was expected to achieve new all time production peaks for both agricultural and industrial commodities during the period of recovery program. At the beginning of the program Turkey's output in both agriculture and industry already was equal to or above pre-war levels. Since Turkey was predominantly agricultural in its economy and in its exports, the anticipated gains in agricultural output would be of greater importance to the recovery program as a whole than increases in industrial output, acclaimed in the report. The latter would be of primary importance to the internal economy in raising the standard of living over the larger term.

a. Agricultural Production

Turkish estimates of production for the recovery period indicated substantial gains in every important category of agricultural output with the exception of that for tobacco. In general, the United States technicians estimated that Turkish agricultural prospects were more conservative and suggested that a somewhat longer period would be required

\[\text{Ibid.}\]
\[\text{Ibid.}\]
to bring Turkish production up to the levels indicated in the CEEG report.

1. Bread grains and coarse grains

Turkish estimates were showing an increase of about thirty per cent by 1950-51, over the 1934-38 average in bread grain, and twenty per cent in coarse grain for the respective years, while United States technicians estimated only a ten per cent increase. The technicians claimed that time was short to educate farmers in the use of mechanical equipment and improved methods of cultivation.

ii. Other agricultural products

Turkish estimates for tobacco was 70 thousand metric tons yearly against 60 thousand metric tons indicated in the United States estimates. One of the biggest differences was in dried fruits; only a two per cent increase estimated by the United States experts against eight per cent of the Turkish experts. In meat production Turkish and American estimates showed fifty and seventy per cent increases respectively.

b. Industrial Production

Turkish industrial output, notably in textiles, cement, steel, coal, glass, was expected to show modest gains even without implementation of the plans for an elaborate development program.

Turkish iron and steel production was expected to show twenty per cent increase at the end of the recovery
period, according to the Turkish experts. American experts estimate for the increase of the same products was showing "none". Turkish and American estimates matched each other only in one product; coal production was expected to show fifty per cent increase, in both reports.

3. **Exports**

In 1946 Turkish exports amounted to $214 million, of which seventy per cent was agricultural products. United States experts estimated that this would amount to $270 million in 1948-49, and to $300 million in 1951-52. The major increase was expected to occur in the export of coal, from 25 thousand metric tons in 1948-49, to 140 metric tons in 1951-52.

The pattern of Turkish export trade by areas in 1948-49 was: forty-five per cent with the other countries participating in the recovery program; thirty-five per cent with the non-participating countries; and twenty per cent with the United States. Over the four-year recovery period, the relative importance of exports to participating countries was expected to increase as compared with those from other areas, particularly the non-participating countries outside the Western Hemisphere.

4. **Consumption**

The Turkish standard of living was expected to rise

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5. Ibid.
6. Ibid.
moderately over the recovery period. The rate of increase would be conditioned greatly by the extent to which the government utilizes available resources for capital development rather than for increasing consumer goods production.

5. Contributions to General European Recovery

Although no single Turkish export commodity was quantitatively of great importance in the over-all European supply picture, Turkey should be in a position to make a significant contribution to the cooperative effort of recovery. Turkey's contribution would consist primarily in increasing production of agricultural commodities, notably cereals, coal, in exporting such production to the maximum extent possible commensurate with internal needs, and in channeling exports in general to the overall requirements of the recovery program.

In return, Turkey might expect to receive assistance in procuring goods in short supply for its essential requirements such as machinery and to share in the increased trade which would result from restoration of the European economies with which Turkey had traditionally been linked in trade and upon whose prosperity its economy in large measure depends.

7Ibid.
B. Types of the Aid

We have already studied the history and the organization of the Marshall Plan in previous chapters. Here in this chapter, we will study the types of the aid through which the Marshall Plan Aid extended to European countries, special reference to Turkey.

There are three main types of aid: "Direct Aid", which is made in the forms of grants, loans, and conditional aid; "Indirect Aid", which is based on drawing right, initial position credit, and special resources fund; and "Technical Assistance".  

1. Direct Aid

Direct aid is kind of aid which is extended directly in dollars by the United States to the participating countries, with which these countries are able to meet their requirements from the dollar area.

a. Loans

Some part of the aid is in form of long term loan. The country receiving the loan is indebted for such a credit to the United States to which she pays it back on certain installments.

According to the agreement between Turkey and the

United States Government, payments of the installments on the loan received by Turkey was going to commence as of July, 1952. From 1952 up to 1956 only the interest borne by the loan would be paid and thereafter the loan itself and an interest of 2.5 per cent inclusive, would be settled in thirty-five years through equal installments.

b. Grants

This type of direct aid, as the name implies, is non-returnable, free aid, extended by the United States. As it applies all types of Marshall Aid, grants are made in kind not in cash. All countries receiving grants are requested to deposit the equivalent in their own national currency, of the value of goods imported in these countries, to a special account at the Central Banks of respective countries, named the "Counterpart-Funds".

According to the Foreign Assistance Act, the aid extended as grants are mostly for consumer goods. At the beginning, Turkey received aid only as loans. Then necessary applications were filed to enable Turkey to make use of grants. Thereupon the Economic Cooperation Agreement of July 4, 1948, was amended and a supplemental agreement covering articles on the aid to be received by Turkey as grants were signed on January 31, 1950. The Turkish Grand National Assembly approved it through Act No. 5353.  

\[\text{Ibid.}, \text{ p. 17.}\]
c. Conditional Aid

The aim of this third type of direct aid is to meet the mutual requirements of the OEEC countries more easily and on a larger scale. In order to receive such a conditional aid from the United States, a member country must export to another certain commodities against Drawing Rights, in which case the United States pays the exporting country, under the Conditional Aid, the amount corresponding to the value of goods exported by this country. In other words, "Conditional aid is the aid received in dollars from the United States by a member country against Drawing Rights extended by this country to the other member countries".  

2. Indirect Aid

The second type of aid is called "Indirect Aid", and provided with the object of meeting the imports and purchases to be made among the participating countries.

Such an aid was not suggested on the first project of the Marshall Plan. The member countries used to prefer purchasing the American commodities through loans and grants extended by the United States under the direct aid, instead of purchasing goods and commodities of European origin, paying them in cash. Such a procedure affected badly the industrial countries of Europe, and in a way Turkey, because of her being an exporter of tobacco and dried fruit.

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10 Ibid., p. 17.
a. **Drawing Rights**

If a country is in debtor situation in the European Payments Union, she can make sales from her own market to another member country to cover her deficit in the balance of payments, according to the Drawing Rights. It is the same way if she is creditor in the EPU. She agrees to make purchases from another member country, which is debtor in her balance payments so that the latter may balance her payments in the EPU.

The Drawing Rights were established under the intra-European Payments and Compensations Agreements, concluded on October 16, 1948, and September 7, 1949.\(^{11}\)

b. **Initial Position Credit**

In order to promote the free trade among the European Countries and in turn to develop trade among the OEEC countries and to give way to liberalism in intra-European commercial transactions, "European Payment Union" was set up under an agreement signed on September 19, 1950. Such an organization was necessary to avoid probable risks, easy convertibility of the currencies, and to secure payment facilities, in a liberal system. The agreement was approved by the Turkish Grand National Assembly on August 1, 1951, under Act No. 5324.\(^{12}\)

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According to the Agreement credits or debts of each of the signatory countries to the other members of the EPU are subject to clearing transactions, and the credit and debit balance are shown as credits or debits in the Union. These credits and debits are accounted for on a mutual credit system. All countries that are members of the EPU recognize a credit margin to the other member countries according to the volume of her trade and for such a credit she is extended a credit margin by other member countries. These margins are known as "quotas".

The United States has extended aid in the form of loans and grants under the title of "Initial Position Credit" to certain countries constitutionally debtor to the EPU. Initial Position Credits are utilized prior to quotas as they caused deficits in the balance of payment of the countries to which they are allotted. However, the utilization of the balance of the Initial Position Credit allocated to Turkey was subject to the issuance of an import schedule and has been approved by the ECA.

c. Special Resources

It caused difficulties in the utilization of Initial Position Credits to grant it only to certain countries. It was necessary to create an easier indirect aid and consequently, a "Special Resources" aid was recognized by the United States to the participating countries under Article 1,
Supplemental Protocols No. 2 signed in Paris on August 4, 1951, in modification of EPU Agreement.

3. Technical Assistance

This type of aid can be described as the exchange of technical knowledge and methods among the countries. This adopted knowledge would last much longer than any kind of material aid through the coming generations, it was thought. In order to receive consideration and aid under the technical assistance, the projects should be of such nature as to contribute to the speedy recovery of the country, concern the public not private hands.

Turkey has always seemed to derive great benefits from the Technical Assistance, and has endeavored to make the best of this assistance. Technical Assistance has been furnished to Turkey by the ECA in four ways:

1. Sending Turkish personnel to the United States on visiting tours (technical assistance, type A).

2. Invitation of experts and advisors from the United States (technical assistance, type B).

3. Supply of technical equipment.

4. Solution, through correspondence, of technical problems encountered in economic, industrial and agricultural fields.

Technical Assistance described above has been furnished by the ECA. In fact, there is a further technical
assistance form extended by the OEEC. The object of this assistance is to promote the recovery of technically underdeveloped countries, by sending personnel of these countries to industrially developed countries or to have experts invited from them, thus help increase productivity and prosperity of European countries.

4. Counter-part Funds

According to the Foreign Assistance Act of the Eighteenth Congress it was required that the countries receiving the American aid in form of commodities, services or technical assistance financed by the ECA grants, have to deposit commensurate amounts of local currency in special accounts. It was thought that such a measure would help to establish the internal financial stability which is a prerequisite to the accomplishments of the aims of the ERP. At the same time counter-part funds would decrease the inflationist pressures without taking the possible risk of a deflationist policy, in these countries.

The counter-part funds have, so far, been used for such purposes as maintaining monetary and financial stability, exploration and development of new resources of wealth, and military.

Pursuant to the terms of the Agreement entered into between the Turkish and United States Governments (approved under Act No. 5253 by the Turkish Grand National Assembly)
on July 4, 1948, and protocols dated January 31, 1950 (approved under Act No. 5853) modifying it, the Turkish currency equivalent to the grants received under the direct aid, and funds made available under the special resources aid must be deposited in special accounts at the Central Bank of Republic of Turkey. 13

The five per cent of the counter-part funds may be used by the ECA special mission in Turkey for the administrative expenses within the boundaries of Turkey.

13

The military aid proposed for fiscal year 1957 amounts to $63 million for defense support, about $3 million for technical assistance, and a Public Law 480 fixed-price contract valued at about $44 million.

"Defense support is intended to help Turkey develop a military establishment since that country could provide nothing that assistance, and this aid has the effect of making it possible for Turkey to meet the costs of the omni-military program. There are two types of support assistance: project or nonproject. Nonproject assistance is in the form of surplus or special commodities or of regular commodities such as petroleum products, steel, chemicals, raw materials, machinery, space parts, and the like. Project assistance under defense support includes aid to copper and coal-mining projects, and hydroelectric projects.

The United States helps Turkey militarily also, this type of aid amounts almost twice as much as non-military assistance.

13 Ibid., p. 37.
The aide Turkey received under the Marshall Plan between the years 1948 and 1955, are illustrated in Table 1.

C. The Amount of the Aid

Turkey received a total of $111 million American aid in the fiscal year of 1956, through the International Cooperation Administration. This included a little over

$30 million in project and nonproject defense support assistance, about $2 million in technical assistance, and about $29 million in Public Law 480 surplus agricultural commodities.

Nonmilitary aid proposed for fiscal year 1957 amounts to $30 million for defense support, about $3 million for technical assistance, and a Public Law 480 sales program valued at about $46 million.

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14 "Defense support is intended to help Turkey support a military establishment above and beyond what Turkey could provide without that assistance, and this aid has had the effect of making it possible for Turkey more of its own military program." There are two types of support assistance: project or nonproject. Nonproject assistance is in the form of surplus agricultural commodities or of regular commodities such as petroleum products, tires, chemicals, raw materials, machinery, spare parts, and the like. Project assistance under defense support includes aid to copper and coal-mining projects, and hydroelectric projects.


15 Ibid., p.30.

16 The United States helps Turkey militarily also. This type of aid amounts almost twice as much as nonmilitary assistance. Ibid.

17 Ibid., p.30.
The aids Turkey received under the Marshall Plan between the years 1948 and 1955, are illustrated in Table 1 at successive stages and according to their types:

**Table 1. ECA, MSA, and FOA aids extended to Turkey during the years 1948-1955**

<table>
<thead>
<tr>
<th>Periods</th>
<th>Grant</th>
<th>Credit</th>
<th>Conditional</th>
<th>G.U.I.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948-49</td>
<td>1.2</td>
<td>39.0</td>
<td>9.8</td>
<td>-</td>
<td>49.0</td>
</tr>
<tr>
<td>1949-50</td>
<td>16.2</td>
<td>34.8</td>
<td>7.5</td>
<td>-</td>
<td>58.5</td>
</tr>
<tr>
<td>1950-51</td>
<td>45.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>45.0</td>
</tr>
<tr>
<td>1951-52</td>
<td>11.3</td>
<td>11.2</td>
<td>-</td>
<td>-</td>
<td>22.5</td>
</tr>
<tr>
<td>1952-53</td>
<td>33.6</td>
<td>-</td>
<td>12.0</td>
<td>-</td>
<td>45.6</td>
</tr>
<tr>
<td>1953-54</td>
<td>46.0</td>
<td>-</td>
<td>-</td>
<td>30.0</td>
<td>76.0</td>
</tr>
<tr>
<td>1954-55</td>
<td>75.9</td>
<td>-</td>
<td>25.0</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>228.3</strong></td>
<td><strong>84.0</strong></td>
<td><strong>17.3</strong></td>
<td><strong>67.0</strong></td>
<td><strong>396.6</strong></td>
</tr>
</tbody>
</table>

**Table 1(b). Indirect Aid (in million dollars)**

<table>
<thead>
<tr>
<th>Periods</th>
<th>Grant</th>
<th>Credit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948-49</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1949-50</td>
<td>71.5</td>
<td>-</td>
<td>71.5</td>
</tr>
<tr>
<td>1950-51</td>
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<td>1951-52</td>
<td>47.5</td>
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<td>47.5</td>
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<tr>
<td>1952-53</td>
<td>21.4</td>
<td>-</td>
<td>21.4</td>
</tr>
<tr>
<td>1953-54</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1954-55</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>140.4</strong></td>
<td><strong>55.0</strong></td>
<td><strong>195.4</strong></td>
</tr>
</tbody>
</table>

(1) C.U.I. are the initials for the common-use items. It is a part of defense support aid. (2) In the form of drawing rights. (3) $25 million in the form of initial position credit, and $30 million in the form of quota credit.
Table 1(c), Technical Assistance (in million dollars)

<table>
<thead>
<tr>
<th>Periods</th>
<th>Grants</th>
<th>Credit</th>
<th>Total</th>
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</tr>
<tr>
<td>1954-55</td>
<td>0.6</td>
<td></td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7.9</strong></td>
<td><strong>1.1</strong></td>
<td><strong>9.0</strong></td>
</tr>
</tbody>
</table>

Table 1(d), General Summary of the Aid (in million dollars)

<table>
<thead>
<tr>
<th>Periods</th>
<th>Direct Aid</th>
<th>Indirect Aid</th>
<th>Technical Ass.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948-49</td>
<td>49.0</td>
<td>-</td>
<td>-</td>
<td>49.0</td>
</tr>
<tr>
<td>1949-50</td>
<td>56.5</td>
<td>71.5</td>
<td>2.1</td>
<td>130.1</td>
</tr>
<tr>
<td>1950-51</td>
<td>45.0</td>
<td>55.0</td>
<td>0.4</td>
<td>100.4</td>
</tr>
<tr>
<td>1951-52</td>
<td>22.5</td>
<td>47.5</td>
<td>0.8</td>
<td>70.8</td>
</tr>
<tr>
<td>1952-53</td>
<td>45.6</td>
<td>21.4</td>
<td>2.2</td>
<td>69.2</td>
</tr>
<tr>
<td>1953-54</td>
<td>76.0</td>
<td>-</td>
<td>2.9</td>
<td>78.9</td>
</tr>
<tr>
<td>1954-55</td>
<td>100.0</td>
<td>-</td>
<td>2.6</td>
<td>100.6</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td><strong>396.6</strong></td>
<td><strong>195.4</strong></td>
<td><strong>9.0</strong></td>
<td><strong>601.0</strong></td>
</tr>
</tbody>
</table>

The status of Counterpart Funds, as of December 31, 1954, is shown in the following table:

Table 2. Counterpart Funds, as of December 31, 1954 (in Turkish Liras)

<table>
<thead>
<tr>
<th>Description</th>
<th>Individual Program Agreement</th>
<th>Amounts actually released</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Defense Sector</td>
<td>496344000 496344000</td>
<td>496,344,000</td>
</tr>
<tr>
<td>Public Sector Private Enter. Sector</td>
<td>200966315 197086315</td>
<td>189,086,315</td>
</tr>
<tr>
<td></td>
<td>74500000 74500000</td>
<td>54,500,000</td>
</tr>
<tr>
<td>Grand total</td>
<td>771810315 767930315</td>
<td>739,930,315</td>
</tr>
</tbody>
</table>

*Ibid., p. 7.*
D. Summary

We have described the forms of aid and the institutional framework for providing such aid. In the following chapters we are going to explore the uses of this aid.

The American aid to Turkey was expected to be the necessary source of capital in the economic growth of Turkey. But the accumulation of capital does not necessarily solve the problem if it is not matched by a comparable capacity to absorb capital into productive uses. So the problem of the allocation of capital to its most productive uses is, at least, as important as the matter of the availability of capital. Buchanan and Ellis give the example from the underdeveloped countries and they say:

"At their present stage of development, wiping out illiteracy or endemic disease may do more to raise real incomes per person than putting up factories or increasing number of machines."

The other side of the problem is that capital accumulation presumes other changes in economic organization if

---

20 There are two different opinions about the sources of capital for the development of the underdeveloped countries. One, the necessary capital for the growth must be imported from abroad either by very long term loans or, preferably, by large outright grants. Two, the economic growth must be financed by domestic capital accumulation. See Buchanan and Ellis, op. cit., "The Controversy over the Rate of Capital Accretion", pp. 70-74.

21 Ibid., p.68.
there is to be growth. Professor Arthur Lewis discusses some of these changes in his "Theory of Economic Growth".

More than anything, the new idea and techniques may require some changes in capital equipment. For instance the adoption of a new high-yielding seed may require that improved mills be built for grinding it and new barns for storing it. The application of a new method or idea may also involve social changes, or it may be detrimental to whole classes of people who earn their livings in particular ways, and who therefore resist its introduction. One other resistance against change comes from taboos and religious doctrine.

So, these points and their importance should be kept in mind while studying the capital accumulation and its allocation in the particular case of Turkey.

---

22

CHAPTER VI

1

WHERE THE AID HAS BEEN USED

The aim of this chapter is to give a brief, but full description of the areas where the Marshall Plan Aid has been applied. It is designed to show the development achieved in various fields, as well as the amount appropriated to them.

As already mentioned the ECA operations ended by December of 1951. Then, the MSA (Mutual Security Administration), the FOA (Foreign Operation Administration), and finally the ICA (International Cooperation Administration) succeeded one another. Even though the aid program has not been called the Marshall Plan Aid in the United States anymore, it has continued to be known and considered as the

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1 In preparation of this chapter, the quarterly reports, from #1 to #22, published by the Secretary-General's Office of the Organization for International Economic Cooperation, Turkish Ministry of Foreign Affairs, have been used. Unless the special notice is given, the information should be referred to these 22 booklets.

2 The plan to expand and intensify the capitalist sector of the Turkish economy does not require any distinction between state and privately owned property. Both are "capitalistic." Ownership is an institutional arrangement which is designed to encourage and channel income. For some people and in some segments of an economy "private" ownership is more rewarding; for other people or some segments of an economy "state" ownership seems more rewarding.
Marshall Plan Aid in Turkish Official Centers. For this reason in our paper we have not tried to find a new name for the aid following 1951.

Still, we have thought that it would be of practical value as well as logical to cover the area in two parts. One, the actual Marshall Plan Aid years, from 1948 to 1951, the other from 1952 on.

The scarcity of material prevented us from covering the years under the ICA, namely 1955, 1956.
A. Private Enterprise

The aid received under the Marshall Plan was used almost entirely for the improvement and expansion of state-owned works, mills and plants, and setting up new ones under the same organizations. Nevertheless, according to the policy of new Turkish Government and due to its increasing importance, private enterprise sector of the economy attracted the attention of American Aid authorities.

The first aid to private enterprise, was made with the transfer of $2,000,000 drawing rights extended by Denmark in 1949-50, for the development of the cement industry.

After it was decided to allocate this amount to private enterprise, necessary preparations were made to loan this money to the joint-stock company created with the purpose of building a cement mill in Izmir.

The Turkish Government created an Intra-ministerial Committee to supplement the movement thus started in connection with extending loans to Private Enterprise. The Committee issued a memorandum on the operations, sectors and on the conditions of the aid to be made to these sectors. To receive aid under the Marshall Plan, the enterprise should pursue the aim of:

securing dollar savings in Turkey in accordance with the goals of the Marshall Plan;
developing trade with the United States and the dollar area, and evaluation of raw materials exported as manufactured goods, also in accordance with the goals of the ERP;

furthering trade with the OECD countries, thus securing dollar savings;

developing food, clothing and housing sectors, thus causing fall in the costs of production, hence the cost of living in Turkey.

Furthermore, the memorandum set the regulations for the private enterprise, such as; to be set up under the laws of Turkey, and operated by persons or corporate bodies; have the capital and experience and the like.

At the beginning, the Intra-ministerial Committee used to examine the applications submitted to the State Department by private hands. Afterwards it was considered to have competent financial institution and Türkiye Sınai Kalkınma Bankası (Turkish Industrial Development Bank) was established with the purpose of providing credit to private enterprise.

Loans made originally to private enterprise through agreements signed between the State Department and the ECA aggregated to 17,666,800 TL., of which 5,600,000 was used for setting up a cement mill in Izmir, and 7,063,000 TL. for the expansion of the Darica and Zeytinburnu Cement works in Istanbul.
A total of $3,500,000 was made available under the direct aid with the aim of meeting the requirements of private enterprise, without straining the foreign exchange reserves of Turkey. After all only $658,000 was used when the decision was reached that subsequent dollar requirements were going to be met by the World Bank participating in the capital of the Industrial Development Bank of Turkey with $9,000,000. The unused balance was either disposed of or was used to procure miscellaneous market demands.

At the same time "The Marshall Plan Private Enterprise Fund" was created with the purpose of building up new private enterprise, expanding and modernizing the existing one, extending credit to private enterprise endeavoring to increase productivity, and promoting expansion of a long-term capital market. To this end 54,000,000 TL. was released from the Counterpart funds.

It was decided this agency was to be operated for a period of fifteen years by the Industrial Development Bank of Turkey. According to the agreement, loans were going to be extended only to industrial sectors owned totally by private enterprise, and projects directly concerned with increasing production of raw materials, especially in the field of agriculture, and evaluating the existing industries aiming to raise the revenues derived from foreign trade would come on the first plan.

As many as 438 applications were filled up to the
end of 1951, of which 130 were rejected or cancelled, and only thirty-six were approved.

The rate of interest charged against the loans was fixed at six per cent per annum.

After 1952:

The Industrial Development Bank extended credit to Private Enterprise through the Marshall Plan Private Enterprise Fund. As many as 1,039 applications were filled with the Bank by the end of March, 1955. A total of 278 of these applications were rejected, and 457 cancelled.

The 65,680,000 TL, worth of credit was extended for 202 projects, through the mentioned period above. The majority of the accepted projects were about food and food products, textiles, chemicals, and repair and maintenance shops.

There is another point which has been known of great value in the agricultural development of today, training of men who have technical knowledge and skill, and propagation methods and machinery among farmers by the help of these men. Without the necessary technical knowledge to operate these machinery and implements would be of little value.
The main character of Turkish agriculture is in its extensive nature. The annual production is still under the influence of weather conditions to some considerable extent. Although there is a slight increase in recent years on the yield of agricultural produce per acre, yet this increase is far from being sufficient to justify the farming system applied in Turkey as intensive farming system.

There are several factors which may be considered as significant in the agricultural development of Turkey. Long before the Marshall Plan Aid started, to equip Turkish farmers with modern agricultural machinery and implements was thought to be one of these significant tasks to be achieved in this development. But it is only with the Marshall Aid Turkey could make some feasible progress in equipping its agriculture with modern implements. Modernization, in a real sense, began after 1948 and a short but rapid development produced great changes in Turkey's agricultural yield.

There is another point which has been thought of great value in the agricultural development of Turkey, training of men who have technical knowledge and skill, and propagation methods and techniques among farmers by the help of these men. Without the necessary technical knowledge to operate these machinery and implements would be of little value.
in this planned development. As a result of such a tendency, it has been noted that training of qualified men in various parts of the country applied extensively toward the agricultural development. However, it should be borne in mind that development in this field has not yet attained the level reached by productivity by the agricultural machinery. So this seems another problem Turkey has to solve and to eliminate this gap between the productivity of agricultural equipment and the lack of technical knowledge.

In Turkey's agricultural development, supply of short and long term credit requirements of Turkish farmers satisfactorily and under favorable conditions is another point of utmost importance. Both the value of credit extended to farmers by the Agricultural Bank of Turkey, and the credit secured under the American Aid showed a substantial increase in recent years.

This way one of the barriers to growth was removed by facilitating the extension of capital to agriculture, thus increasing productivity. If this is carried far enough, this will supply labor for industry, disrupt the family-centered culture, increase the mobility of labor.

Finally, the Marshall Plan has been of great value and service in procuring control chemicals and insecticides in fighting plant diseases and pests, and in providing hybrid corn, fodder, and grass seeds with the object of growing new varieties.
The role of the government in the agricultural development was also significant. The introduction of new techniques in cultivation, fertilizers, rotation, farm subsidies stimulated the agricultural production.

1. Direct Aid

A total of $47,182,000 were allotted for agricultural sector since the ERP operations up to the end of 1951. The distribution of this total among the fiscal years is as follows:3

<table>
<thead>
<tr>
<th>Years</th>
<th>Appropriations (in Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948-49</td>
<td>$22,148,000</td>
</tr>
<tr>
<td>1949-50</td>
<td>$14,626,000</td>
</tr>
<tr>
<td>1950-51</td>
<td>$10,406,000</td>
</tr>
</tbody>
</table>

A close examination would show that almost the entire amount of the direct aid was used for the orders of agricultural equipment from the United States. So it can easily be noticed that the direct aid was directed entirely to the mechanization aspect of the agricultural development.

The nature of the Marshall Plan Aid extended to agriculture can better be understood if the aid is observed according to the amount of agricultural implements as well as the amount in dollars. Such an observation would show

---

3 Marshall Plan in Turkey, op. cit., #9, p. 50.
us that tractors and tractor ploughs are the highest in amount, compared with the other equipment imported, 7440 and 9714 respectively by the end of 1951. The reason why ploughs exceed the tractors is the non-availability of ploughs of European origin. Drills, disk-harrows, cultivators, trailers, pulverizers are on the top of imported machinery and implements list under the Marshall Plan extended to agriculture.

2. Indirect Aid

As much as $1,141,000 was utilized on agriculture from the drawing rights of the fiscal year 1949-50. Fertilizers, tractors and other agricultural implements were imported from Great Britain, Germany and Belgium.

3. Technical Assistance

Ten experts were invited and arrived in Turkey from the United States by the end of 1951. Four of them completed their surveys carried out on the growth of hybrid corn, development of cotton growing, field cultivation and fodder. They returned to their countries after submitting their reports on their subjects.

Forty-three members of the Ministry of Agriculture of Turkey were sent to the United States on a visiting tour financed through the technical assistance, with the object of broadening their knowledge and experience, by the end of 1951. The group comprised of thirty-one agronomists, seven veterin-
arians, and five foresters.

Under a third type of technical assistance Turkey received hybrid corn and miscellaneous grass seeds from the United States. According to the results obtained from experiments conducted on the Seed Development Stations a minimum twenty-five per cent increase can be attained in Turkey's corn yield using only hybrid corn. Eleven tons of hybrid corn were imported from the United States for this purpose. 12,946 kilograms of various grass seeds, and 132 kilograms of nitrogen were also imported from the States, by the end of 1951.

4. Counterpart Funds

The ECA had originally agreed to release 43,300,000 TL. from the counterpart funds. This total was, later on, reduced to 24,300,000 TL. To carry out the original 48 thousand TL. program, Turkish Government decided to cover the difference from the State Budget. This project involved land development and agricultural credit, drinking water and irrigation, agricultural research and schools of agriculture, and propagation of agriculture.

Besides this, 15,339,097 TL. were released in two allotments from counterpart funds for the Agricultural Bank of Turkey to help farmers buy agricultural machinery and fuel oil imported.

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4 Ibid., p. 53.
After 1952

Following is a description of the direct aid given to the Agriculture sector of the economy, under the MSA and FOA Administrations:

Table 3 (b)

<table>
<thead>
<tr>
<th>Years</th>
<th>Appropriations (in dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951-52</td>
<td>6,900,000</td>
</tr>
<tr>
<td>1952-53</td>
<td>6,730,000</td>
</tr>
<tr>
<td>1953-54</td>
<td>9,517,000</td>
</tr>
</tbody>
</table>

With the direct aid earmarked for agriculture, equipment was ordered from the United States. Again tractors, self-propelled combines, spare parts, tractors and vehicles occupied the top of import list.

As much as $1,000,000 was allotted for agriculture under the indirect aid, special resources of 1952-53.

5. Agricultural Development

Even though the Marshall Plan Aid started by 1949, the positive effects of the tractors and agricultural machinery could show itself by the fall of 1949. The reason was preparation of necessary funds for placing orders and shipment of this equipment required some time. However, the development observed on Turkey's agricultural produce should not solely be attributed to this aid. There are some other important factors in this development such as free
imports of agricultural machinery and implements from countries other than the OECD countries, favourable sale prices of agricultural produce, which encouraged farmers to grow more crops, and favourable natural conditions.

In recent years increase in agricultural yields is particularly noticeable in coarse grains and cotton trends.

The coarse grain growing area and the coarse grain yield in Turkey increased as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Area (in hectares)</th>
<th>Yield (in tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1949</td>
<td>7,509,000</td>
<td>5,376,570</td>
</tr>
<tr>
<td>1950</td>
<td>7,790,100</td>
<td>7,713,900</td>
</tr>
<tr>
<td>1951</td>
<td>8,804,000</td>
<td>10,679,000</td>
</tr>
<tr>
<td>1952</td>
<td>9,682,000</td>
<td>12,291,000</td>
</tr>
<tr>
<td>1953</td>
<td>11,000,000</td>
<td>14,300,000</td>
</tr>
<tr>
<td>1954</td>
<td></td>
<td>9,624,000</td>
</tr>
</tbody>
</table>

As seen in table, 1953 production was a record which was never attained in previous years. The annual increase was about 16 per cent, in comparison with 1950 it was 54 per cent. The unusual drought of 1954 dropped the production to somewhere below the 1951 level.

This progress made in cereals can be noticed in any other produce also. In 1950, 719,686 hectares of land were under cultivation with cash crops. This increased to 1,139,900 hectares in 1953.

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5Ibid., #9, p. 55; #21, p. 11.
The increase in the production of different crops was from 605,000 tons in 1950 to 1,000,000 tons in 1953 in potatoes; from 855,000 tons in 1950 to 1,230,000 tons in 1953 in sugar beet; from 118,000 tons in 1950 to 140,000 tons in 1953 in cotton.

Due to the unusual drought in 1954, the cereal production showed 33 per cent decrease, compared with the highest production in 1953. The highest decrease in the cereal production of 1954 was noticed especially in wheat, rye, and barley; the percentage of decrease being 90, 39 and 37 respectively. Corn and rice production went up compared with the yields of 1953. The rate of increase was 17 and one per cent respectively.

The Turkey's Public Roads recovery program started in 1946, with the set up of a "Service Chief-Engineering Office" at the Roads and Bridge Department of the Ministry of Public Works. Along with road building activities, permanent maintenance of roads began with the purpose of prolonging the life of the roads and opening those so giving way.

In 1946 usable roads in Turkey were about 15,000 kilometers in length and were of very different types. The same year in a cabinet decree, a nine year program was achieved regarding a 25,000 kilometers of "State Highway Network System" which was going to be of primary importance from the economic, social, and military point of view.

Under the Marshall Plan aid, a rapid recovery of Turkish Public Roads was witnessed. In 1949, 860 kilometers
C. Public Works

We will study the Public Works in Turkey since the Marshall Plan Aid started, under five headings. These are: Public Roads, Water Works, Electrification surveys, Railroad Building, and Airfield construction. Again we will divide the period under our study into two; one through the end of Marshall Plan, the other after the Marshall Plan officially ended through up to date.

1. Public Roads:

The Turkey's Public Roads recovery program started in 1946, with the set up of a "Service Chief-Engineering Office" at the Roads and Bridges Department of the Ministry of Public Works. Along with road building activities, permanent maintenance of roads began with the purpose of prolonging the life of the roads and opening those not giving way.

In 1946 usable roads in Turkey were about 13,000 kilometers in length and were of very different types. The same year in a Cabinet decree, a nine year program was schemed regarding a 23,000 kilometers of "State Highways Network System" which was going to be of primary importance from the economic, social, and military point of views.

Under the Marshall Plan Aid, a rapid recovery of Turkish Public Roads was witnessed. In 1949, 860 kilometers
of roads and 980 meters of bridges were built. The 15,424 kilometers of roads serviced and maintained regularly on the State Highways Network System.

A total of 920 kilometers of roads and 1,100 meters of bridges were built in 1950, and the length of roads under regular maintenance rose to 18,365 kilometers.

Finally, under the 1951 program, 1,400 kilometers of road and 4,000 meters of bridges were constructed. Length of roads maintained permanently in 1951 totaled 20,900 kilometers.

A total of 18,700 kilometers of the State Highways Network System gave way all the year around in 1951 as against 16,400 kilometers of 1949. The number of motor vehicles in Turkey was 23,740 in 1949. This figure aggregated to 29,118 in 1950, and 35,000 in 1951.

The volume of inland transport was naturally increased due to the increase in the number of motor vehicles. Accordingly the daily average to kilometer figure was 2,500,000 in 1950 and 3,000,000 in 1951 as against the 1,600,000 of 1949.

It would not be fair to figure out the benefits observed on the general economic life of Turkey, depending on only these figures. However, it would be proper to go over the freight charges constituting the basis of these gains. The decrease in the average charges of freight transported on these roads showed a decline of fifty per cent.

On the other hand, it was estimated that 206,000,000
TL. was saved through the development of roads and highways in travelling time, repairs, fuel oil, tires, and prevention of accident, between the years of 1949 and 1950.

a. Direct Aid:

A total of $18,500,000 was allotted to the Public Roads Administration under the Marshall Plan, through ECA channels, which includes three years from 1949 to 1951. The following table is a summary of where this allotment was used:

<table>
<thead>
<tr>
<th>Commodity</th>
<th>1948-49</th>
<th>1949-50</th>
<th>1950-51</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of equipment</td>
<td>3,400,000</td>
<td>7,260,000</td>
<td>3,700,000</td>
<td>14,360,000</td>
</tr>
<tr>
<td>Ocean freight</td>
<td>900,000</td>
<td>1,240,000</td>
<td>300,000</td>
<td>2,440,000</td>
</tr>
<tr>
<td>Technical services</td>
<td>700,000</td>
<td>500,000</td>
<td>500,000</td>
<td>1,700,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,000,000</td>
<td>9,000,000</td>
<td>4,500,000</td>
<td>18,500,000</td>
</tr>
</tbody>
</table>

(in dollars)

Among the types of machinery and equipment shipped from the United States, the ones which had the highest value in total amount of dollars were, building and mining machinery, motor vehicles and spares, all types of tractors, and rubber and rubber products. They amounted to more than fifty per cent of the total.

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6 Ibid., #9, p. 61.
7 Ibid., p. 62.
b. Indirect Aid:

As much as $251,000 were extended to the Public Roads Administration under the Drawing Rights for the year 1949-50. With this aid came bitumen from Great Britain, for $114,600; $4,500 laboratory equipment and twenty asphalt cars were purchased from Germany for $126,900. All this equipment and supplies were received in Turkey during 1950.

c. Technical Assistance:

Thirty-seven civil engineers and one economist of the Public Roads Administration were sent to the United States to broaden their knowledge and experience during this three year period.

d. Road Building:

Under the first construction project of the State Highways Network System, a total of 6395 kilometers for the Road Building Program was set up with the purpose of construction, development and maintenance of the most important Public Roads. The following table is a comparison of the situation between the beginning of the program and after the development work up to the end of 1951:

---

3 Ibid., p. 65.
Table 6

<table>
<thead>
<tr>
<th>Description</th>
<th>1948</th>
<th>1951</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stabilized roads</td>
<td>-</td>
<td>1138</td>
<td>+1138</td>
</tr>
<tr>
<td>Asphalt, concrete or stone-paved roads</td>
<td>89</td>
<td>855</td>
<td>+ 766</td>
</tr>
<tr>
<td>Good macadam roads</td>
<td>2695</td>
<td>2667</td>
<td>- 28</td>
</tr>
<tr>
<td>Poor macadam roads</td>
<td>1765</td>
<td>841</td>
<td>- 924</td>
</tr>
<tr>
<td>Earth levelled roads, with bridges</td>
<td>668</td>
<td>73</td>
<td>- 595</td>
</tr>
<tr>
<td>Earth levelled roads</td>
<td>293</td>
<td>221</td>
<td>- 72</td>
</tr>
<tr>
<td>Cart roads</td>
<td>885</td>
<td>600</td>
<td>- 285</td>
</tr>
<tr>
<td>Total</td>
<td>6395</td>
<td>6395</td>
<td>--</td>
</tr>
</tbody>
</table>

(in kilometers)

e. Counterpart funds:

As much as 36,997,378 TL. was provided from the counterpart funds during this first three year period of the Marshall Plan Aid.

i.- According to an agreement made between the Turkish General Secretary's Office of the Organization for International Economic Cooperation and the ECA, it was decided that 35,677,378 TL. representing the balance of 82,677,378 TL. Road Building Administration be met from the counterpart funds.

ii.- Afterwards, in accordance with the terms of another agreement in December of 1950, 1,320,000 TL. was released for developing certain sections of the Iskenderun-Erzurum highway.
After 1952

Direct aid: Direct aid still continued to Public Roads under the MSA and FOA Administrations. The actual aid extended to Public Roads under the ECA, MSA, and the first year of FOA, from the very beginning of the program, at successive stages has been briefly illustrated in the following table:

Table 7

<table>
<thead>
<tr>
<th>Period</th>
<th>Value of material (in dollars)</th>
<th>Technical service (in dollars)</th>
<th>Freight (in dollars)</th>
<th>Total (in dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948-49</td>
<td>3,400,000</td>
<td>700,000</td>
<td>900,000</td>
<td>5,000,000</td>
</tr>
<tr>
<td>1949-50</td>
<td>7,260,000</td>
<td>500,000</td>
<td>1,240,000</td>
<td>9,000,000</td>
</tr>
<tr>
<td>1950-51</td>
<td>3,700,000</td>
<td>500,000</td>
<td>300,000</td>
<td>4,500,000</td>
</tr>
<tr>
<td>1951-52</td>
<td>2,655,000</td>
<td>369,000</td>
<td>345,000</td>
<td>3,369,000</td>
</tr>
<tr>
<td>1952-53</td>
<td>2,655,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1953-54</td>
<td></td>
<td></td>
<td></td>
<td>5,700,000</td>
</tr>
</tbody>
</table>

(in dollars)

Equipment and supplies ordered through utilization of $32,856,000 allocated to Public Roads since the beginning of Marshall Plan Operations in Turkey to the end of 1953-54 period, are mainly: motor vehicles, construction machinery, electrical instruments, iron and steel equipment and supplies, and machine tools.

9Ibid., #22, p. 12.
bb. **Indirect aid:**

Turkish Public Roads Administration received $1,113,000 from the Special Resources Fund of the fiscal year 1952-53. Purchases were made from Europe with this aid.

c. **Technical assistance:**

Fifteen civil engineers were sent to the United States under the technical assistance program of USA during the fiscal year of 1952-53. All of them came back after they finished their studies, during the period under study.

dd. **Road works:**

Construction, maintenance, repair work, continued on the Turkish roads and highways.

In 1952, construction of 260 kilometers of road was completed, and 415 kilometers of road was asphalt paved.

In 1953, 20,856 kilometers of road in length was maintained. 322 kilometers of road was constructed, 682 kilometers of bituminous surfacing was completed, 578 kilometers of road was repaired. During the same year such work as grading road stabilization and bitumen paving were conducted on 1916 kilometers in total.

In 1954, 20,307 kilometers of roads were maintained by the use of equipment received through the Marshall Plan. 966 kilometers of roads were built in trust, 3,854 kilometers were repaired, and 473 kilometers paved with asphalt.

2. **Water Works**
The Water Works Department received a total of
$410,000 under the Direct Aid, $1,060,000 from the Drawing Rights, and $25,000 under the Technical Assistance for 1949-50.

a. Direct Aid:
The machinery and equipment purchased and shipped by the United States Public Roads Administration for and on behalf of the Turkish Waterworks Department were within the limits of $410,000 mentioned above. Vehicles such as trucks, jeeps, and trailers and injection machines were made available at different branches of the Water Works Department.

b. Indirect Aid:
Equipment and supplies were brought to Turkey from England and Germany under the Drawing Rights, and were given to the Water Works Department for 1949-50. The work was started under fourteen different projects in different parts of the country, under the Direct and Indirect Aids.

The expected results of these projects were: the drainage of land, control from floods, and irrigation of some important areas. In turn agricultural productivity would rise, and various crops requiring much water would be raised, through irrigation. An estimated 74,537,000 TL, gain per year, in the national income of the country was expected.
Technical Assistance:

With given $25,000 as technical assistance, various water works projects were studied by invited American expert engineers.

On the other hand, a project which involved the study of possibilities and means of flood control, reclamation irrigation and prevention of erosion and development of hydro-electric power in the Meric Basin, which constitutes the border line between Turkey and Greece, was started with the cooperation of the two countries involved and with an American consulting-engineering firm.

After 1952

The attention on the water works of Turkey increased during the MSA and FOA Administrations. It was the emphasis of the Turkish government also to bring drinking water to every village in Turkey.

Direct aid:

As much as $500,000 was earmarked for the State Water Works Department under the MSA direct aid of the fiscal year 1952-53. This amount was used to buy trailers, water tanks, and deep-well water pumps for securing drinking water for villages.

A total of $256,000 allotted to the State Water Works Department in 1953-54, with which three sets of rotary type drilling rigs, trailers, water tanks were purchased.
This material was used at the service of Diyarbakir region, and under American drillers supervision in ground water research operation.

bb. Indirect aid:

As much as $868,510 and 633,000 were allotted to the Water works, from the special resources of 1952-53 and 1951-52 respectively. Trailers, bulldozers, scrapers, excavators, were purchased from Germany and Italy with these allocations.

cc. Technical assistance:

During the period under study several specialists came to Turkey and made different surveys. Among those there were several consulting engineers, geologist, drillers, and underground work specialist. Four specialists conducted surveys on the development projects of river basins in Turkey.

Thirty Turkish trainees were sent to the United States through the NREA technical assistance. In addition to them two civil engineers were sent to study in the field of dams, and two others in the field of underground work.

The contracts were finished with the "Harza Engineering Company" on the Meric River Development Project, and actual work was started.

dd. Counterpart funds:

As much as 2,100,000 TL, released from 1952-53 counterpart funds was spent on Konya-Urfa-Mardin-Ceylanpınar
Water Research Project undertaken by the "German Water Development Corporation" as contractor.

The estimated cost of the project was 3,000,000 TL, and remaining 900,000 TL was spent from the Turkish National Budget.

3. Electrification Surveys:

The Electrification Survey Administration studied on Turkey's natural resources to find out the hydro-electric power sources suitable for developing electric power. In these studies and surveys, development projects of several important river basins were drawn out.

A total of $60,000 was received under the Direct Aid, to cover the expenses of these surveys, in 1950-51 period.

With $159,000 made available under the Technical Assistance, a development project was worked out on flood prevention, irrigation and power development of the Buyuk Menderes Basin, in Western Anatolia. The projects on several other rivers were carried out during the same time.

At the same time, four civil engineers were sent to the United States, and two experts were invited from the same country.

After 1952

During the fiscal year 1951-52, $60,000 was allocated
for the electrification surveys, from the Direct Aid, with which two rigs were purchased from the United States.

Technical assistance:

Two specialists were sent to Turkey by FOA Administration to study in the field of "Improvement of Present Power Facilities and Short Term Planning of the Electrical Systems of Turkey". As much as $70,000 allotted for this work from the Technical Assistance funds of 1953-54.

Five civil engineers were sent to the United States planning building and management, of dams and hydro-electric works in the Bureau of Reclamation.

4. Railroad Building

A total of $3,500,000 was extended from the drawing rights of 1949-50 for the procurement of steel bridges, switchings, feeding and water equipment required for railroad building.

With this aid some 200 kilometers of railroad construction was carried out through the period which our studies involves.

Equipment placed on order with west Germany through $3,500,000 was made available under the drawing rights of 1949-50 period, and arrived in Turkey by June 1952.

5. Airfields

The Ministry of Public Works is in charge of building
and operating the airfields of Turkey.

The 65,000,000 TL. construction project started toward the expansion of three major airfields according to the International Air Communications standards.

An allotment aggregating to $801,000 was secured under the Direct Aid for the fiscal year of 1950-51.

For the use in the construction of airfields through the utilization of $803,000 allotted under the Direct Aid of 1951-52, as much as $450,000 was earmarked for the same purpose for the fiscal year of 1951-52. For the year 1952-53 the Direct Aid extended for the airfield construction amounted to $315,000.

With this aid construction and expansion work in Izmir, Adana, Yesilkoy (Istanbul), Esenboga (Ankara), Afyon, Diyarbakir, airfields were completed.

A total of $50,000 was allocated under the Indirect Aid for the Directorate of Airfields Construction section, for the fiscal year 1952-53.

Two Civil Aviation experts came to Turkey in September 1952, and worked on radio and electronic installations, charging of the railroad equipment and supplies.
the State Railways for the 1950-51 program. For the year 1952-53 State Railways received $6,831,000 under the Appropriation aid, with which equipment and supplies were ordered.

D. **Communications**

1. **State Railways**

   The aid given under the Marshall Plan for State Railways was used according to the objects of increasing the volume of transports of the railroads, and of purchasing the equipment and supplies required in carrying out the general recovery program of Turkey.

   a. **Direct Aid**

   A total of $300,000 was allotted to the State Railways under the direct aid for 1950-51, for the purchase of locomotive spares, drainages, bulldozers and tractors.

   b. **Indirect Aid**

   The State Railways received a total of $11,752,000 in form of Drawing Rights in 1949-50. In addition to this, $1,360,000 was given to Turkey from the Initial Position Credit in 1951. Both of the aids were used for the purchasing of the railroad equipment and supplies.

   **After 1952**

   During the period under study, previous orders made from the United States and Europe were entirely received.

   A total of $326,450 direct aid was allocated to
the State Railways for the 1952-53 program. For the year 1952-53 State Railways received £6,427,500 under the indirect aid, with which equipment and supplies were ordered from Europe.

2. State Seaways:

As much as £649,000 were allotted to the State Seaways from the 1949-50 Direct Aid. In form of Indirect Aid, the State Seaways received £6,951,000 in form of drawing rights in 1949-50, and £4,500,000 in form of the initial position credit in 1950-51.

The grand total of this aid was used for the purchase of ships, crafts, and equipment.

Equipment and supplies placed on order in European countries through utilization of £1,600,000 allotted to the Maritime Bank of Turkey, under special resources of the MSA program for 1952-53.

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Storage and Mining Operations—The Abdulkadir Basin

This is an extensive coal basin situated on the coast of the Black Sea, northeast of Turkey. It has been estimated that there is a coal reserve of 160 million tons within the boundaries of the explored area, and an estimation was made...
E. Exploitation

ETIBANK

The Eti Bank is the only institution in Turkey which is authorized to buy and sell mineral ores, operate mines and quarries, erect and operate electric power plants, and establish or cooperate with other organizations—either Turkish or foreign—for the purpose of carrying on these functions. It is owned and operated by the State.

To get a better picture of what has been done in the field of exploitation after the Marshall Plan aid started, first we should take a look at the investment program of the Eti Bank, briefly.

1. Investment Program

The Investment Program approved by the Cabinet's decree and undertaken by the Eti Bank can be studied under two headings: mines and power supply.

a. Mining Operations:

Eregli Coal Mining Operations--The Zonguldak Basin:

This is an extensive coal basin situated on the coast of the Black Sea, northwest of Turkey. It has been estimated that there is a coal reserve of 720 million tons within the boundaries of the explored area. And an estimation was made
for a billion tons of extractable coal in areas where surveys were conducted.

The project designed a long time ago for the development of Zonguldak Coal Basin was put into operation through the aid furnished by the United States Aid. The project aimed at two goals: (1) increase of production, (2) reduction of production costs by increasing output.

Western Lignite Mining Operations: This state-owned concern operates three major coal mines, Tunçbilek, Soma and Dagiğimasi lignite mines, in Western Anatolia. The coal reserves of these basins were estimated 55 million tons, 25 million tons, and 4,700,000 respectively. The increase in production was witnessed during the period under the Marshall Plan Aid. The yearly saleable production increased from 680,000 tons in 1948, to 880,000 tons in 1952.

Diyarbakır Iron Ore Mines: These mines cover an area of 500 hectares, and have an estimated 39.3 million tons of ore reserves. A steady increase has been witnessed in yearly production through the period it has been operated since 1939.

Eastern Chrome Mining Operations: These are one of the finest quality chrome mines. A total of 1,357,454 tons of chrome was produced since 1936 up to 1952. The ore reserves were estimated some 850,000.
Copper Mining Operations: The copper mines of Turkey are located in central and northeastern part of the country and were known since 2000 BC and exploited in various periods of history. Two major mines have been operated by the Eti Bank since 1935 and an approximate 20,000 tons annual production was attained.

Keciordu Sulphur Mining Operations: This sulphur mine is located in the southwest of Turkey and has an estimated 600,000 tons of ore containing an average of sixty per cent sulphur.

b. Power

Catalca-i-Istanbul Power Transmission Line: The line expected to enter into operation in September, 1952, was being built with the object of transmitting cheap power supply to two of the major cities of Turkey, to Istanbul and Izmit. The project was started with the objectives of: help to promote and develop industry by supplying cheap power supply, contribute to saving 130,000 tons of coal per year consumed by the powerhouses of Istanbul and Izmit, supply in a short time, electric power required by the surrounding area and by the naval facilities and plants at Celeuk.

Sariyer Dam Hydro Electric Power Plant: Sakarya River flows through the northwestern region of Turkey, which is the most developed and most densely populated area of the country.
A survey was carried out for a long time with the object of generating power supply, providing irrigation, flood control and navigation for the above area. Finally Sariyer, 120 kilometers west of Ankara, was chosen as the first place to build a dam and Electrification Surveys Administration had started surveys on the Sariyer project in July, 1943, and had ended in January, 1949.

After due consideration the ECA accepted and approved the project as worthy of financing and consented to extend a total of $29,000,000. On the other hand the Eti Bank concluded a contract with an American consulting engineering firm, and the project was scheduled for completion on April, 1955.

Sariyer was one of the seven dam projects to be built on the same Sakarya River. It was planned to develop 410 million kilowatt hours a year. At the completion of this plant and Sakarya River development project, the power supply was expected to increase 1.5 and three fold respectively.

2. The ECA Aid and Operations

a. Direct Aid

The following is a summary of the aids extended to the Eti Bank from the Direct Aid under the Marshall Plan, up to December 31, 1951, since the ECA operations:

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10 Source: Ibid., #9, p. 101.
### Table 8

<table>
<thead>
<tr>
<th>Subjects</th>
<th>Allotment</th>
<th>Amendment</th>
<th>Final Stage</th>
<th>Utilized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ereghi Coal Mining Operations</td>
<td>12,944,000</td>
<td>902,000</td>
<td>12,103,000</td>
<td>11,318,555</td>
</tr>
<tr>
<td>Western Lignite Mining Operations</td>
<td>2,060,000</td>
<td>66,000</td>
<td>2,319,000</td>
<td>2,136,512</td>
</tr>
<tr>
<td>Divrigi Iron Ore Mines</td>
<td>926,000</td>
<td>68,000</td>
<td>1,505,000</td>
<td>1,003,943</td>
</tr>
<tr>
<td>Power Project</td>
<td>10,832,000</td>
<td>66,000</td>
<td>10,898,000</td>
<td>9,223,377</td>
</tr>
<tr>
<td>Surveys and Control</td>
<td>2,529,000</td>
<td>355,000</td>
<td>1,974,000</td>
<td>1,962,899</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2,985,000</td>
<td>112,000</td>
<td>3,097,000</td>
<td>2,949,811</td>
</tr>
<tr>
<td>Freight</td>
<td>612,000</td>
<td>945,000</td>
<td>1,757,000</td>
<td>1,693,000</td>
</tr>
<tr>
<td>Cumulative Total</td>
<td>32,883,000</td>
<td>---</td>
<td>32,975,000</td>
<td>30,295,082</td>
</tr>
</tbody>
</table>

(in dollars)

### Table 9

<table>
<thead>
<tr>
<th>Project</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ereghi Coal Mining Operations</td>
<td>9,437,932.00</td>
</tr>
<tr>
<td>Western Lignite Mining Operations</td>
<td>1,901,644.31</td>
</tr>
<tr>
<td>Divrigi Iron Ore Mines</td>
<td>780,151.57</td>
</tr>
<tr>
<td>Freight</td>
<td>200,000.00</td>
</tr>
<tr>
<td>Operational equipment</td>
<td>349,357.37</td>
</tr>
<tr>
<td>Pitprops</td>
<td>184,057.76</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>12,853,143.10</td>
</tr>
</tbody>
</table>

---

bb. **Initial Position Credit**: The Eti Bank was allotted $16,905,000 from the initial position credit of the fiscal year 1950-51, which allotment was disposed of as follows:

<table>
<thead>
<tr>
<th>Project</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ereğli Coal Mining Operations</td>
<td>7,364,090.48</td>
</tr>
<tr>
<td>Western Lignite Mining Operations</td>
<td>248,060.29</td>
</tr>
<tr>
<td>Keciborlu Sulphur Mines</td>
<td>445,290.83</td>
</tr>
<tr>
<td>Catalagzi Power House</td>
<td>3,627,558.40</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>16,905,000.00</strong></td>
</tr>
</tbody>
</table>

c. **Technical Assistance**

A group of consisting thirteen mining engineers and technicians were sent to the United States, with a $33,000 allotment from 1950 technical assistance. Several American experts visited Turkey, and submitted their reports to Eti Bank on different projects.

d. **Counterpart Funds**

According to the Agreement of February, 1951, 30,169,000 TL, was released from the counterpart funds to finance miscellaneous projects of Eti Bank. By the middle of the same year another 12,183,000 TL, were released for the same purpose.

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3. A Summary of Work Executed

a. Erecli Collieries:

Port of Zonguldak: The contract regarding the reconstruction of the port of Zonguldak was signed in June, 1949, with a Dutch firm. The ECA extended $3,960,000 to correspond the expenses of the construction through this period.

Electro-mechanization equipment: $6,482,521.16 value of electro-mechanization equipment was ordered from the United States and Europe.

Gallery opening at -300 level: $5,366,000 were spent on orders for the necessary machinery and equipment for this work.

Zonguldak and Catalagzi washeries: Orders on plants and machinery required for these washeries were placed with a British firm, in accordance with the contract entered into on force in October, 1950. The projects were completed on the washeries, general drawings and layout drawings were received and checked. The excavation work was started.

Kandilli-Armutceuk aerial trolley system, Aşa-Karadon transfer stations, Kozlu Mines extraction units, projects were started with some eight others, during the same period of time.

b. Western Lignite Mines:

Soma Powerhouse expansion: The cooling tower equipment and supplies were received and foundation work duly
completed. An erector was received from Germany and steel construction work was in progress.

Tunçbilek powerhouse expansion: Foundation preparations of the cooling tower were completed and building of the steel framework was going on.

Work on different projects was started, and necessary equipment and supplies were received in most of them. Some of these projects were: Tunçbilek-Degirmisaz power transmission line, Soma aerial trolley system spares, and Degirmisaz washery.

c. Divriği Iron Ore Mining Operations:

Two 750 kVA powerhouses for the Divriği Mines were placed on order with Germany. Some of this equipment was received and construction was started.

Equipment for the Divriği aerial trolley system was received from Germany.

d. Power:

Catalağzi-Istanbul power transmission line: Seventy per cent of the equipment was received, and seventy-eight per cent of the erection work was completed. Concrete work and structural steel erection was going on in several transformer stations.

Sarıyer dam and power house: Specifications were prepared and sent to several firms for inquiry and then orders were made. Afterwards, Eti Bank commenced the
excavation work and the excavation continued to the desired depth. A bridge was built on Sakarya river, the temporary building of the powerhouse was completed, and topographic work related to the transmission line to be installed in connection with the Sarıyer powerhouse was accomplished in most sections.

From 1952 on

**Exploitations:**

**ETİBANK**

1. **The USA and FOA Aides:**
   a. **Direct Aid:**

   The direct aid extended to ETİBANK and the allotments of the funds available under these aids to several exploitations by March 31, 1955, are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>USA Accumulated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Supply</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Sarıyer</td>
<td>3,500,000</td>
</tr>
<tr>
<td>italian-Roman</td>
<td>20,000</td>
</tr>
<tr>
<td>Aerial Power Transmission</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>USA Accumulated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>3,500,000</td>
</tr>
<tr>
<td>Gazi-Ankara Schist</td>
<td>300,000</td>
</tr>
<tr>
<td>production operations</td>
<td>4,992,000</td>
</tr>
</tbody>
</table>

---

13 Source: Ibid., #22, p. 19.
### Table 11

<table>
<thead>
<tr>
<th>Description</th>
<th>Funds Allotted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eregli Coal Mining Operations</td>
<td>15,934,000</td>
</tr>
<tr>
<td>Western Lignite Mining Operations</td>
<td>2,492,000</td>
</tr>
<tr>
<td>Divrigi Iron Ore Mining</td>
<td>926,000</td>
</tr>
<tr>
<td>Ergani Copper Mining Operations</td>
<td>22,000</td>
</tr>
<tr>
<td>Murgul Copper Mining Operations</td>
<td>76,000</td>
</tr>
<tr>
<td>Keciborlu Sulphur Mining Operations</td>
<td>230,000</td>
</tr>
<tr>
<td>Eastern Chrome Mining Operations</td>
<td>12,000</td>
</tr>
<tr>
<td>Power Supply Projects</td>
<td>16,443,000</td>
</tr>
<tr>
<td>Surveys and Control</td>
<td>3,379,000</td>
</tr>
<tr>
<td>Freight</td>
<td>312,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44,115,000</strong></td>
</tr>
</tbody>
</table>

b. Indirect Aid:

The appropriations of $4,511,733 worth indirect aid of the fiscal year of 1952-53, are as follows:

### Table 12

<table>
<thead>
<tr>
<th>Description</th>
<th>Funds appropriated</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Power Supply</td>
<td></td>
</tr>
<tr>
<td>Sarıyer</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Bursa-Eskisehir Aerial Power Transmission</td>
<td>20,000</td>
</tr>
<tr>
<td>2. Mining</td>
<td></td>
</tr>
<tr>
<td>Eregli Coal Mining Operation</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Operational Equipment and supply</td>
<td>571,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,591,000</strong></td>
</tr>
</tbody>
</table>

---

2. Eti Bank Activities:

A very brief summary of the work performed by the Eti Bank will be given here because of the limited space in our paper for this purpose.

Erecli Coal Mines:
The construction of Port of Zonguldak continued during the period under our studies. The electro-mechanization equipment installed in different regions of the coal mines. Construction of the 300 surface tunnel was finished. Zonguldak and Catalagzi Washerries completed.

Keciborlu Flotation Plant was completed.

Western Lignite Enterprise:
Besiktepe and Tunobilek Washerries completed. The expansion of Soma and Tunobilek Power Plant was finished.

Diyrici Iron Ore Mining:
The complete electric power installations and transformer stations were completed. The erection of the aerial system was finished.

Electric Power:
Sariyer Dam and Power Plant construction continued (The construction of the dam which is expected to have a vital importance in the economic development of Turkey was completed in 1956). Goleuk hydro-electric Power Plant was finished. The erection of Adapazari-Eskisehir-Bursa transmission line and transformer stations, and Unraniye Transformer station was completed during the same period.
5. **Production:**

Average monthly production of various exploitations by the beginning of 1955, are as follows: 15

![Table 13](image)

<table>
<thead>
<tr>
<th>Description</th>
<th>Production (in tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td></td>
</tr>
<tr>
<td>Run-of-the-mine</td>
<td>500,940</td>
</tr>
<tr>
<td>Saleable</td>
<td>320,646</td>
</tr>
<tr>
<td>Western Lignite Mines</td>
<td></td>
</tr>
<tr>
<td>Run-of-the-mine</td>
<td>140,082</td>
</tr>
<tr>
<td>Saleable</td>
<td>99,355</td>
</tr>
<tr>
<td>Iron Ore</td>
<td>14,543</td>
</tr>
<tr>
<td>Eastern Chrome Mines</td>
<td></td>
</tr>
<tr>
<td>Lumpy</td>
<td>7,400</td>
</tr>
<tr>
<td>Poor grade</td>
<td>282</td>
</tr>
<tr>
<td>Ergani Copper</td>
<td>1,536</td>
</tr>
<tr>
<td>Murgul Copper</td>
<td>43</td>
</tr>
<tr>
<td>Reciborlu Sulphur</td>
<td>1,951</td>
</tr>
</tbody>
</table>

**Exploitations**

**Sumerbank**

The principal industrial projects which Sumerbank was endeavoring to carry out since 1945 were related to heavy industry, textile, cellulose, machinery, chemical, ceramic industries. Under the ECA Administration allotments were made for the Coke and Sintering Plants.

Under the indirect aid, $1,680,000 were made available from the drawing rights of 1949-50, and $1,680,000 from the initial position credit of the year 1950-51.

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15 Source: Ibid., #22, p. 35.
Exploitations
MINING RESEARCH AND EXPLORATION INSTITUTE

Even though surveys on oil date back to 1887 in Turkey, no significant results were achieved. The Turkish Mining and Exploration Institute was established in 1935, with the purpose of doing research and exploration on the mineral resources of Turkey as well as oil.

The existing oil producing structures of Turkey are centered in Ramandag and Garzan, the southeast part of the country. The production raised steadily during the Marshall Plan Aid years, from 11,000 tons in 1949 to 19,000 tons in 1951. The existing oil refinery at Batman built in 1948, with a capacity of 200 tons per day, processing part of the oil produced in Batman.

With the purpose of developing oil production and accelerating operations of the Mining Research and Exploitation Institute in this direction, it was suggested that the Institute receive aid under the Marshall Plan, and to this end $795,000 were allotted from the direct aid of the fiscal year 1950-51.

From 1952 on

Direct aid continued during the period under study, to the Mining Research and Exploration Institute. With this aid equipment received to be used in the oil fields where drilling work was performed, crude oil was pumped out and
refined at the pilot plant refinery at Batman. A 1/100 scale map of Turkey was made, with 1,000,000 TL released from the Counterpart funds of 1953.

**MECHANICAL AND CHEMICAL INDUSTRIES ADMINISTRATION**

Under the direct and indirect aid, machinery, equipment and supplies were ordered from the United States and Europe for the Mechanical and Chemical Industries Administration.

**F. Public Health**

**MALARIA CONTROL**

1. **Direct Aid**

The mal effects of malaria on the economic development of Turkey were very obvious. Malaria stricken men were kept away from their works a minimum of two weeks a year, thousands of liras were spent annually on medicine and control chemicals to fight with malaria. Furthermore, the economic loss was increased by the non-satisfactory yield of various agricultural products, particularly due to the restrictions imposed on rice cultivation on account of malaria.

In order to eliminate these adverse effects of malaria on the public health and the national economy of Turkey, positive results were obtained since 1925 from malaria control conducted in several areas.
The ECA funds were utilized to fight with malaria from the beginning of Marshall Plan Aid. As much as $351,000 and $1,355,000 were allotted from the direct aid of 1949-50 and 1950-51 respectively for the purchase of control chemicals to be used in malaria control.

The number of malaria-stricken men dropped to 1,071,000 in 1951, from 1,300,000 in 1949. No malaria epidemics broke out during the same time.

ANKARA HOSPITAL AND NURSE TRAINING SCHOOL

A total of 1,000,000 was released from the counterpart funds of 1951, with the object of finishing the construction of Nurse Training School, and to increase the number of beds in Turkish hospitals.

A total of $240,000 was made available from the drawing rights of the fiscal year 1949-50. Equipment necessary for the expansion of these activities was ordered from Germany with this amount.

At the same time, $495,000 was extended in the form of Initial Position Credit for 1950-51. For this reason,

3. Technical Assistance

Two American experts were brought to Turkey through the $15,000 allocation from the Technical Assistance. They remained in Turkey about a year and submitted their reports on their return.
G. State Monopolies

SALT WORKS

Considering the rise in world salt consumption it was thought proper to expand the existing saltworks in Turkey. Expansion work of the saltworks started in 1949-50 under a four year plan, and project prepared aiming the increased production in two existing plants; Camalti saltworks in Izmir, and Yavsan Saltworks in Kochisar.

A total of 1,500,000 TL. allocated from the Turkish Budget for this project in the fiscal years of 1950 and 1951.

1. Indirect Aid

A total of $340,000 was made available from the Drawing Rights of the fiscal year 1949-50. Equipment necessary for the expansion of these saltworks was ordered from Germany with this amount.

At the same time $495,000 was extended in the form of Initial Position Credit for 1950-51, for this sector.

2. Technical Assistance

Two American experts were brought to Turkey through the $10,000 allocation from the Technical Assistance. They remained in Turkey about a year and submitted their reports on their return.
3. **Counterpart Funds**

In July, 1951, 403,500 TL. was released from the Counterpart funds to help to complete execution of the road building project thereby connecting the State highways network to the Camalty and Yavsan saltworks which were undergoing expansion.

H. **Economy and Commerce**

CONSUMER GOODS

1. **Wheat**

Turkey imported wheat and flour through Office for Soil Products, with the funds made available under the Direct Aid of 1949-50. The quantity and cost of these imports are shown below:

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Quantity (tona)</th>
<th>Cost (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>127,706</td>
<td>12,217,305</td>
</tr>
<tr>
<td>Flour</td>
<td>14,905</td>
<td>1,654,240</td>
</tr>
</tbody>
</table>

However, Turkey became a bread grains exporting country in 1951. Following is the table of bread grains exported:

---


Table 15

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Sold in 1951 (in tons)</th>
<th>Delivered in 1951 (in tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>63,000</td>
<td>21,788</td>
</tr>
<tr>
<td>Barley</td>
<td>214,000</td>
<td>102,661</td>
</tr>
<tr>
<td>Rye</td>
<td>65,000</td>
<td>25,468</td>
</tr>
<tr>
<td>Corn</td>
<td>5,360</td>
<td>5,360</td>
</tr>
<tr>
<td>Oat</td>
<td>9,948</td>
<td>9,948</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>353,034</strong></td>
<td><strong>165,225</strong></td>
</tr>
</tbody>
</table>

2. Petroleum

The Turkish Petroleum Office was allotted $2,950,000 from the Direct Aid of 1948-49. This amount was used for the importation of petroleum products, mainly automobile gasoline, kerosene, and diesel oil.

3. Market Requirements

Part of the Direct Aid was made available to import certain commodities which is of paramount importance for the Turkish home market, as these commodities could not be imported from the United States due to the dollar shortage prevailing in Turkey.

For the fiscal year 1949-50, $4,750,000 Procurement Authorizations were allotted to the Ministry of Economy, from the Direct Aid. 1950-51 allocations aggregated to $9,714,000. Mentioned amounts were used for the importation of some scarce consumer goods, such as; trucks and jeeps, vehicle spares, medicine, etc.
From 1952 on

As much as $5,748,000 and $11,171,000 allocated under 1952-53 and 1953-54 years programs from the direct aid for the market requirements. With these allocations, trucks and truck spares, truck tires, raw material for antibiotic medicinals, machinery for Public Roads contractor and Water Works contractors were imported from the United States.

A total of $600,000 earmarked for purchasing tires and $1,000,000 for petroleum under Indirect Aid (Special Resources). Purchases were made from the European countries.

4. Grain Silos

For the year 1951-52, $2,500,000 was allocated for the purchase of head house equipment and steel silo supplies from the Direct Aid. Under the direct aid of 1952-53 $8,480 was allotted for the same purpose, under the FOA Administration.

From the Indirect Aid of 1952-53 equipment ordered from the European countries.

Economy and Commerce

MEAT AND FISH INDUSTRY

The allottments earmarked by the ECA to help create a meat and fish industry in Turkey was channeled by the Office for Soil Products.
1. Direct Aid

A total of $1,555,000 received from the direct aid of 1949-50 was used for orders on the meat and fish industry equipment.

2. Indirect Aid

A total of $6,100,000 was provided to the Office for Soil Products, from the drawing rights of 1949-50. Meat and fish industry equipment orders were made in various European countries, and two-thirds of the equipment was received in Turkey. Construction of several cold storage plants were about to complete and studies and surveys on the Meat Combine and the Ice Plant proposed to be built in two big cities, were completed.

3. Technical Assistance

Three experts were brought to Turkey from the United States to train the personnel required for the proposed plants.

From 1952 on

A total of $75,000 was made available to the Meat and Fish Industry by the FOA (NSA) under the 1952-53 Direct Aid. The 1953-54 direct aid amounted to $400,000.

A cod liver oil and fish powder plant was established in Trabzon with $250,000 allocated from the Indirect Aid of 1952-53.
Six experts on meat packing industry came to Turkey. Again another fisheries technician of FOA visited Turkey. Expenses paid through the technical assistance under MSA and FOA respectively.

4. Plants and Facilities

The aid given to the Meat and Fish Industries was used in building meat packing plants and cold storage plants for the fish.

Meat packing plants were erected in: Ankara, Konya, Erzurum, Zeytinburnu (Istanbul). Cold storage plants were built in: Beşiktaş (Istanbul), Haydarpaşa (Istanbul), İskenderun, Kayseri, Eregli, Zonguldak, Sinop, Samsun.

Table I

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct Aid (in Million YTL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>2,750,000</td>
</tr>
<tr>
<td>1951-52</td>
<td>2,150,000</td>
</tr>
</tbody>
</table>

2. Indirect Aid

As much as $ 2,000,000 were allowed under the direct aid for 1951-52. For procuring certain strategic materials, $ 1,500,000 was spent on the expenses of the Administration.
I. Miscellaneous Subjects

3. National Defense Requirements

Counterpart funds reserved in the Central Bank of Turkey were released for the defense purposes of Turkey. Starting from the year 1950-51, part of the national defense requirements of Turkey were met by the direct aid under MSA. With this aid, fuel, equipment and supplies were received by the Turkish Army. On the other hand, the necessary equipment for the Administration of Mechanical and Chemical Industries through the direct aid that Ministry of National Defense of Turkey received.

Following is the distribution of the direct aid received through the years:

Table 16

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Fund Appropriated</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>$13,822,000</td>
</tr>
<tr>
<td>1952-53</td>
<td>$12,000,000</td>
</tr>
<tr>
<td>1953-54</td>
<td>$30,000,000</td>
</tr>
</tbody>
</table>

2. Indirect Aid

As much as $2,000,000 were allotted under the direct aid for 1951-52 for procuring certain strategic materials. $1,500,000 was spent on the expenses of the Administration

Source: Ibid., #21, p. 8.
of Mechanical and Chemical Industries from 1952-53 indirect aid.

3. Counterpart Funds

Counterpart funds reserved in the Central Bank of Turkey were partly released for the defense purposes of Turkey after the agreements with the aid authorities in Washington D.C. (MSA and PPA). By mid 1955, this amounted to 496,300,000 TL, out of a total 743,900,000 released.

There are four other major items which can be studied under the miscellaneous subjects. These are Immigrants, Hilton Hotel, Statistical Machine and Mapping Equipment.

In the winter of 1950, the Turkish Minority in Bulgaria was forced to emigrate in masses to Turkey. The settlement and furnishing land and equipment to the emigrants required the release of some amount from the counterpart funds. The settlement was completed in a time which could be considered as quite short.

A 300-room modern hotel was decided to be built in Istanbul. To cover the dollar part of the fees to be paid to the associate architectural group, direct aid was extended to the Hilton Hotel construction.

Statistical machines and mapping equipment was received under the Marshall Plan by the related directorates.
J. Summary and Conclusion

The aid received under the Marshall Plan was used in different sectors of the Turkish economy. However, the direction of the aid was first toward national survival, and second, a larger commercial sector, thereby increasing income as much to support defense as to increase welfare.

Private enterprise has been the main characteristic of the western capitalistic economic development. As we have already shown the situation in Turkey in our descriptive chapter about Turkish economy, such a dominating private sector was non-existent in Turkey. The state was thought to be the best entrepreneur. With the change of the political power in 1950, the new government declared its interest in the development of this sector. Nevertheless, the share of the private enterprise in the Marshall Plan Aid is very little compared with "Agriculture", "Public Works", or "Exploitation". The most important step was the establishment of the Turkish Industrial Development Bank in 1951. It indicates that the role attributed to the private sector in the economic development is rather insignificant compared with the role of the government. A very recent trend in this field is that the government transferred the ownership of some state enterprises to some private or semi-private
hands. The recent transfer of State Maritime Lines and State Air Lines is a good example of this trend. This may be the future of all government-owned enterprises.

Turkey is predominantly an agricultural country. Eighty per cent of the population is engaged in agricultural activities. It is difficult to understand how economic development can be attained unless the productivity and wealth of this sector are raised, particularly if the labor supply for industry is to be drawn from this sector of the economy. Unfortunately, the Turkish Governments did not put the necessary emphasis on this sector and agriculture remained in a backward situation for years.

With the Marshall Plan Aid, a new movement started toward the mechanization of agriculture which was thought to be the main drawback of Turkish agriculture, besides the lack of technical knowledge in the same field. About twenty per cent of the direct aid received under the Marshall Plan was invested in agriculture every year. With this money, tractors and agricultural implements were imported and new chemicals and new types of seeds were introduced. Easier credit opportunities were created for the farmers.

The investments made in two other fields, "Public Works" and "Exploitation", will definitely help the agricultural development which we will discuss in turn.

The agricultural production of Turkey reached some record peaks in a very short period of time. This proves the
unexploited potentialities of Turkish agriculture.

More emphasis should be put on education. The level of literacy is still discouragingly low especially among the villagers. Unless the level of literacy is raised, the Turkish development program can never attain its present goals.

A considerably large amount of money has been invested in the Public Works projects of Turkey under the Marshall Plan Aid. The necessity of a better highway system for Turkey was seen long before the Marshall Plan. But, due to the extraordinary expenses of the war, the Turkish Government was able to start a new highway program only in 1945. Under the instruction of American highway engineers, and with heavy road building equipment, several miles of new highways were built and maintained. The positive effects of these on the Turkish economy and on the field of agriculture is quite obvious. A better road system will provide better marketing conditions for the Turkish farmers. At the same time contact among the scattered and isolated villages with progressive towns and cities will be increased. This, in turn, will promote the exchange of new ideas, and social change will be seen in these parts of the country. In other words it will weaken the self-sufficient village sector of the economy. Again, it will increase the mobility of labor.

The activities of the Water Works Department are directed toward the drainage of land, flood control, and the irrigation of some important areas. This will raise the
productivity of land, and will add new fields for cultivation purposes. One of the most important activities of the Water Works Department is to bring healthy drinking water to every village of Turkey.

The largest share of the Marshall Plan Aid is utilized in "exploitation". Between 25 and 30 per cent of the aid was used by Eti Bank for the exploitation purposes. The program of Eti Bank was divided into two parts: mining and power. Turkey has considerable rich coal, lignite, iron, and chrome mines. But the production and the production costs were very unsatisfactory. Very promising steps were taken in these fields. Production was increased and the production cost fell. These mines supply the essential raw materials and fuel for the Turkish industry. At the same time some of them are of great export value, such as chrome.

Power projects have multi-purposes in the economic growth of Turkey. They will supply the cheap power for industrial purposes, will contribute to savings of coal, will help the electrification of surrounding areas, will help control the big rivers which give big damages to the agricultural production, and will provide irrigation and navigation to an extent.

The rest of the aid was toward fields of public health, state monopolies, economy and commerce, national defense and others.

The main goal in the field of Public Health was to fight malaria. This disease was thought to be one of the
causes of low productivity in agriculture, dropping the
amount of available labor.

Under the section of economy and commerce, we have
shown that a new fish and meat industry was established.
And the necessary market requirements were imported, such
as wheat and petroleum products.

After this brief review of what was done in Turkey
with the Marshall Plan Aid, we can show the Turkish econ-
omic development program under the Marshall Plan.

Turkey has been given assistance which enabled her
to reach an economic position in which she can survive after
the aid is cut. Fortunately Turkey has plenty of natural
resources and raw material to attain this goal. What she
needs to import is capital and technical knowledge.

Turkey will put the emphasis on the fields which
are vital for the goals explained above, and which will
create an advantageous position for her under the rule of
geographic division of labor.

An attempt must be made toward a rapid agricultural
development which has been neglected for a long time. The
raised productivity and wealth in this field will mean
economic growth of the country, since eighty per cent of
the population is engaged in agriculture. At the same time
agricultural products are the exclusive source of exports
of Turkey.
Necessary environment and resources should be created and advanced for the industrial development before an industrial development program is started. Electric power will be the main source of energy in this development for economical purposes.

The capitalistic sector should be promoted at the expense of the self-sufficient village economy. Technical education and better transportation conditions are the prerequisites for this change. Better transportation facilities will help create a market economy in place of a self-sufficient economy, and will increase the mobility of labor.

Government will be the main entrepreneur during this development, but will let private enterprise replace it after the principles of the goal are attained.

\[\text{Source:}^{3}\text{.}\]


2. This.

CHAPTER VII

AN EVALUATION OF AMERICAN FOREIGN AID TO TURKEY

A. A Comparison and Summary of the General Aid

The American Foreign Aid to the world between the years of 1945 and 1954 came to a cumulative total of forty-seven billion. This amount is almost equal to the American aids during the Second World War, in form of Lend-Lease and UNRRA assistance.¹

Up to 1951, ninety-five per cent of the total aid was economic in character, and only five per cent was military assistance. This situation was changed with the outbreak of the Korean War and under the Mutual Security Program, America directed her capital toward the promoting of the national defenses of her friends. Military assistance once again rose to sixty-seven per cent in 1954, of the total aid.²

During this period, a higher percentage of the aid was in form of grants rather than loans. The following table shows this situation.³

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² Ibid.
³ Source: Ibid., p. 190.
Table 17
American Aids Between the Years 1945-1954
(in billion dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Aid</td>
<td>47</td>
<td>26</td>
<td>21</td>
</tr>
<tr>
<td>Grants</td>
<td>36</td>
<td>17</td>
<td>19</td>
</tr>
<tr>
<td>Loans</td>
<td>11</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Military Aid</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>1.3</td>
<td>11</td>
</tr>
<tr>
<td>To Europe</td>
<td>9</td>
<td>0.6</td>
<td>8.5</td>
</tr>
<tr>
<td>Economic Aid</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>To Europe</td>
<td>25</td>
<td>19</td>
<td>6</td>
</tr>
</tbody>
</table>

The amount of the aid made to Turkey up to June, 1955 was 1.6 billion dollars. One billion dollars was for the military assistance and $600 million was in form of economic assistance.  

We have the comparative figures of the economic aid extended to the European countries under the Marshall Plan. It indicates that Turkey's share, as far as the amount of the aid is concerned, was one of the lowest. The following table shows the share of Turkey in the Marshall Plan Aid:

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5. Source: Marshall Plan in Turkey, op.cit., #9, p.27.
Table 18
Percentage of Aids Received by Turkey in the Light of the Total Aid

<table>
<thead>
<tr>
<th>Years</th>
<th>Total Aid</th>
<th>Turkey's Share</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948-49</td>
<td>5,953,000,000</td>
<td>49,000,000</td>
<td>0.83</td>
</tr>
<tr>
<td>1949-50</td>
<td>3,510,200,000</td>
<td>130,000,000</td>
<td>3.7</td>
</tr>
<tr>
<td>1950-51</td>
<td>2,418,800,000</td>
<td>70,000,000</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Great Britain, France, Italy and Germany headed the OEEC countries according to how much they received under the Marshall Plan Aid.

In 1949, the American Aid to European countries averaged $18 for each person annually. The Netherlands was leading the countries with $45.62 per person. Turkey was at the bottom of the list with only 48 cents a person, but she also was receiving direct military aid from the United States. 6

The amount Turkey received from the Marshall Plan Aid increased almost three times and twice in the following years of 1949, but later on it decreased and made a total of $496,000,000 at the end of 1948-1954 period. This amounts to about one per cent of the total aid given to Europe during the same period under the Recovery Programs. 7

A closer look at the tables of the general trend in

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7 Suleyman Barla, op. cit., p. 192.
different types of aids and their distribution according to different years would show that the amount of the direct aid is larger than the indirect aid and the aid in form of grants is more than twice of the aid in form of loans. After the early years of the Marshall Plan, it has become the policy of the aid agencies to help Turkey in form of grants rather than credits. This was mainly due to the fact that the Marshall Plan Aid Authorities did not want to put much strain and a heavy burden upon the newly developing Turkish economy.

At the same time, different sectors of the Turkish economy have been benefited from the counterpart funds.  

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8 See Table 1 (a) (b) (c) (d), p. 103, 104.
9 See Table 2, p. 104.
B. A Ten-Year Appraisal of the Economic Development

We have already described the economic development of the Turkish Republic from its establishment in 1923 up to the Marshall Plan Aid years in Chapter II. We showed the achievements and the failures in the economic policy. In order to be fair and accurate in our judgment about this period of the Republic, we should all the time keep in mind that the conditions the Republic inherited from the Ottoman Empire could not be considered as generally available for an economic development. Whatever done was at the cost of a great sacrifice on the part of Turkish people, and under the vigorous and developmental leadership of its policy-makers. Besides, economic development was only one of the problems facing the country.

Since Turkey did not enter the Second World War, she found herself in more advantageous position compared with the belligerent European countries in post-war period. There was more opportunity in the foreign trade for Turkey. But the national defense expenses of Turkey was a real burden on the national economy and was hampering the economic development of Turkey.

The necessary stimulus came with the American aid. Turkey's prospects were excellent for an economic development
as far as resources and raw materials are concerned. America was going to supply the necessary capital and technical knowledge which Turkey needed most.

A new economic development program was designed for Turkey. We have discussed the details of this program and its application. In this chapter we are going to give an overall picture of this development. Since we have already given estimated progress both by Turkish and American centers in Chapter IV, we will have a good chance to measure the success of the Marshall Plan and the Turkish Government's economic program.

First we are going to report the economic situation of Turkey according to the years. This will show us the direction and the significance of the economic growth. This way we can see the factors of the development and their steadiness more clearly. Then we will discuss the development in different sectors of the economy depending on the available figures. After all we will discuss the economic policy and try to show its shortcomings as well as its success.

We would like to make one point clear that this development and our explanations should not be considered as the results of the Marshall Plan Aid. It is the result of Turkey's own national economic policy and investments as well as the American Aid.
1. Economic Development in Individual Years

1948: This is the first year of the Marshall Plan Aid in Turkey. It was a difficult year for Turkey. There was a trade deficit of 220,000,000 TL., a budget deficit of 120,000,000 TL., and a national debt of 2,037,000,000 TL.  

1949: It started as another difficult year for Turkey with a bad harvest and a record cost of living. The year ended with encouraging signs of revival of normal trade with other European countries including Germany.

The Turkish Government backed with Marshall Plan Aid and United States technical and financial advice prepared for further economic reforms in 1950. It was expected that ECA investments in the country's undeveloped agriculture and mineral wealth would begin to pay off the next year.

The biggest share of increase in the national budget went to the Ministry of Public Works for the construction of new roads, airports, railways, and harbors, a program that will increase Turkey's military as well as economic potentialities.

Supported by advice from the ECA and the World Bank experts, measures to give greater scope to private enterprise, domestic and foreign, were being considered by the National Assembly.

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11 Ibid., January 4, 1950, p. 5:1,3.
As a result of a bad harvest year, with the aid of special credits, wheat was imported from Canada and the United States.

12 Turkey's position was described as stronger both economically and politically than a year ago.

Special ECA credits enabled Turkey to import enough wheat from Canada and the United States to get through the winter of following the bad harvest year of 1949.

The most important long-range ECA project began in 1950. It was the hydro-electric plant on the Sakarya River, between Adapazari and Istanbul. The operation of a modern highway system seemed very satisfactory. From experts of the United States Bureau of Public Roads, Turkish engineers learned low-cost techniques for building and maintaining roads.

Turkey's own military expenses continued to absorb about one-third of the national budget.

This is the year when the new elections were held and the Democratic Party took the governmental power. The new Government declared its preference for private enterprise rather than state ownership. Also, it reduced the heavy excise tax on sugar. The new income tax was gradually coming into operation.

The cost of living dropped by ten per cent compared with a year ago, the wholesale price index was down by fifteen

12 Ibid., January 9, 1951, p. 315.
per cent. Turkey's currency strengthened in the free European market against both gold and the dollar. In the free market the dollar was worth 3.50 TL, as compared with the official rate of 2.80.

1951: It was a good business year in general, decidedly better than 1950. A rise in prosperity was expected in 1952.

Nevertheless some bottlenecks developed in 1951. After a distinct improvement between 1948-50, Turkey's general balance of current payments deteriorated again in 1951. In fact the deficit then rose to $114 million as compared with $62 million in 1950 and $80 million in 1948. The worsening of external deficit in 1951 was mainly due to increased imports. This increase was due to an increased rate of investment since 1950 and due to the increased incomes resulting from the good harvest of 1951.\(^\text{13}\)

Economic conditions in Turkey are determined by agricultural production rather than movements of stocks or the rate of investment, to a very large extent. Furthermore, as imports of goods and services account only for about ten per cent of the gross national product, the effect of trends in world prices is relatively small. This explains the relative stability of internal prices during the last two years, reinforced by increased production and imports.

The year of 1951 also marked the end of the ECA operations. This is the end of original Marshall Plan Aid at the same time. Even though the time to receive the fruits of the aid and investments did not arrive yet, the progress in the past would give an idea about the future.

Industrial production in the consumer goods sector expanded slowly during the past few years. On the other hand, basic industries developed quite rapidly. There was a record grain crop in 1951 with 10,693,000,000 tons. Turkey exported wheat this year when it had to import in 1950. A rise in agricultural production for twenty per cent indicated that the proposed expansion appeared quite feasible.

Inadequate internal transportation facilities and the shortage of suitable port installations seemed to be the main handicap of Turkey's marketing.

The per capita income of the rural population exceeded the pre-war level by twelve per cent in 1951. On the other hand, income in the urban population was still below its 1930 level. The average for the country as a whole only returned to the pre-war level in 1951. The Turkish per capita income was still one of the lowest among participating countries of OEEC.

Wholesale and retail trade was up about twenty per cent above the 1950 level, in 1951. In the free market the dollar was worth 4.52 TL, as against it was still 2.30 in the official market. 16

1952: Turkey enjoyed an economic boom this year, touched off by the Marshall Plan Aid. United States assistance to Turkey amounted to about $400,000,000 by this year. In the same period of time Turkey's gross national product increased almost three times this amount. Per capita income rose from $139 to $167 between the years 1943 and 1952, with a seven per cent annual climb, although the population increased at the rate of two per cent a year. A seventeen per cent increase in government revenues was noticed at the same time this year. 17

The emphasis of United States aid was on exportable grains and minerals and that was where the greatest gains were made. In 1949 Turkey had imported 120,000 tons of cereals; in 1952 Turkey had 2,000,000 tons available for export. The increase was attributed to mechanization and the addition of some 4,000,000 acres of former pastures to Turkey's 32,000,000 acres of arable land.

Turkey's export goal was 4,000,000 tons of cereal a year. With increasing mechanization—Turkey was importing

16 Europe--the Way Ahead, op. cit., p. 329.
1,000 tractors monthly at that time—and additional utilization of the 11,000,000 acres of farmable land still used for pasture, Turkey's aim seemed feasible. This season Turkey passed Argentina, which had a poor year, to become the Free World's fourth largest wheat producer.

Cotton production also set a record in 1952. There was an average fifteen per cent increase in the production of minerals over 1951.  

Industrial production was twelve per cent higher in 1952 than in 1951. The increase was mainly due to higher production of pig iron, steel, cement, paper and artificial silk.

No information was available on the trend of private consumption in recent years. Government consumption increased by thirteen per cent in 1952, absorbing twelve per cent of the gross national product.  

Information concerning the exact amount of capital investment was also inadequate. One estimation was that gross fixed capital investment amounted to roughly six billion TL, from 1948 to 1952, representing 11-12 per cent of the gross national product. Government investment amounted to 437 million liras in 1952, as compared with an average of 355 million TL from 1948 to 1951.

18 Ibid.
There was not any significant change noticed in the whole sale price index. The cost of living index rose by 7.2 per cent between June, 1951 and June, 1952.

In 1952 Turkey had an adverse trade balance of $193 million as compared with $86 million in 1951. The increase in deficit was due entirely to imports which increased by 38 per cent in value and 37 per cent in volume, whereas exports increased by 16 per cent in value and 22 per cent in volume. 20

1953: A ten per cent increase was seen in the physical output of goods and services. This was largely due to an excellent grain harvest and a large increase in tobacco production. Industrial and mineral production rose by ten per cent in 1953 with marked increases in iron ore, chrome, coal and lignite.

During 1953, wholesale prices rose by six per cent, and the cost of living by four per cent.

Turkey's foreign balance showed some improvement in 1953, but was still in substantial deficit. The volume of exports rose by over twenty per cent with higher sales of cereals. The volume of imports showed almost no reduction despite the continuation of quantitative restrictions, remaining sixty per cent above the 1950 level. The trade

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20 Ibid.
21 Ibid.
deficit amounted to $137 million as against $193 million in 1952.

1954: The difficulties of keeping up with the continuous economic expansion made themselves obvious especially this year. A bad harvest year accentuated these difficulties.

In early 1954 the internal financial situation seemed more strained than the previous years. The index of wholesale prices rose by about nine per cent over the last year. The cost of living index showed an eleven per cent increase.

The balance of trade deficit increased in 1954. In first nine months the trade deficit was $141 million, more than thirty per cent higher than in the same period of 1953. The value of imports fell five per cent while exports fell by twenty per cent.

1955: Turkey had to face more economic difficulties this year. There was an increase in the cost of living especially in the price of such items as rent, coal, and clothing. To offset this rise, there were increases by twelve per cent in wages in private business and industry, and forty per cent in the salaries of civilians, over 1953. The increases in wages and salaries stimulated inflation.

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Hoarding and black marketing increased. Among measures taken to stabilize the domestic market was an increase in the official rate of interest from three to 4.5 per cent. However, continuous and extensive credits to state enterprises diminished the effect of the interest rate rise.

There was a continued increase in production of cement, crude steel and pig iron. The output of coal was down slightly from the year before.

Turkey's long term debt at the end of 1955 was estimated at $3,000,000,000.

1956: Turkey's both exports and imports dropped sharply in volume and value, below those of the previous years, in 1956. The cost of living increased and the country's internal debt and consolidated national debt rose to new peaks.

Turkey bettered her economic position, even though there was a critical shortage of foreign exchange credits. There was a boom in cement production and the refining of sugar. There was a bad wheat harvest, but this was offset by a good harvest of tobacco, figs, hazel nuts and grapes. A low coal production was counter-balanced somewhat by increases in the production of lignite, chrome, iron and copper.

With the completion of two dams this year, a record of 134,200,000 kilowatt hours of electricity was produced in the first nine months compared with 121,000,000 kilowatt hours in the same period last year.

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hours produced in 1955. The Seyhan Dam completed at a cost of 159,400,000 TL. (\$ 56,885,500). It provides irrigation for 14,000 acres of farmland in the vicinity of Adana and sufficient electricity to serve a large area in south Turkey. The construction of Sariyer Dam between Eskisehir and Ankara was completed and it is operating at only one-third of its capacity and will ultimately produce 400,000,000 kilowatt hours of electricity a year.

The construction of a very important bridge across the Euphrates in eastern Turkey was completed after five years. It is the longest bridge in Turkey, measuring 729 meters. The highway between Ankara and Istanbul was virtually all paved, during the same year.

The cement and the sugar beet industries made important advances. For the first time the country did not import any cement since two new cement plants went into production, and two were enlarged, bringing the total output for the first nine months to 1,195,000 tons.

There was a surplus for export in the sugar beet industry. During 1956, 119,570 acres of land were cultivated for this purpose, producing 1,784,000 tons of beets, which yielded 275,000 tons of sugar.

There was a marked disturbance in the production of wheat so that Turkey had to purchase 550,000 tons of wheat to offset the drop in wheat production.

The cost of living index, based on 1948 as 100, rose
from 138 in 1955 to 149 in 1956. The country's public
internal debt rose from 2,555,108,006 TL. in 1955 to
3,022,956,000 after ten months of 1956. Turkey's floating
consolidated debt rose from 986,416,000 TL. in 1955 to
1,129,019,000 TL. in the first ten months of 1956.

2. Economic Growth

Agriculture: 25

Agricultural development has been thought to be the
prerequisite of Turkey's economic development. The Turkish
Government has some policies to accomplish this end. These
are mainly: to increase the acreage under cultivation, to
expand agricultural credits, to stabilize prices, to pro-
vide and augment the use of fertilizers, to mechanize agri-
culture and provide technical training, to build up irrigat-
ion facilities, and the like. 26

The current normal-weather increase production is
around 43 per cent over the 1948-54 period. An increase of
36 per cent derives from an expansion in area cultivated,
new roads, mechanization, favorable prices, education and
population increase. Improved practices, to which mechani-
ization also contributes, accounts for the remaining seven
per cent increase. 27

25 See Appendix, Table 5.
26 Turkey's Economic Growth, Department of Press and
27 Investment in Turkey, op. cit., p. 55.
Following is the supplementary statistic to show the growth in different sections of agriculture:

Table 19 (a)

<table>
<thead>
<tr>
<th>Years</th>
<th>Area of cultivation, in thousand hectares</th>
<th>Production, in thousand tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946-50</td>
<td>8,974.5</td>
<td>9,113.5</td>
</tr>
<tr>
<td>1950</td>
<td>9,584.4</td>
<td>10,786.5</td>
</tr>
<tr>
<td>1951</td>
<td>10,316.0</td>
<td>13,986.4</td>
</tr>
<tr>
<td>1952</td>
<td>11,461.7</td>
<td>15,602.8</td>
</tr>
<tr>
<td>1953</td>
<td>12,687.6</td>
<td>17,867.9</td>
</tr>
<tr>
<td>1954</td>
<td>12,361.5</td>
<td>13,105.4</td>
</tr>
</tbody>
</table>

Table 19 (b)

<table>
<thead>
<tr>
<th>Years</th>
<th>Agricultural Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1949</td>
<td>120,554,303</td>
</tr>
<tr>
<td>1950</td>
<td>147,422,128</td>
</tr>
<tr>
<td>1951</td>
<td>230,949,283</td>
</tr>
<tr>
<td>1952</td>
<td>381,308,971</td>
</tr>
<tr>
<td>1953</td>
<td>433,828,230</td>
</tr>
<tr>
<td>1954</td>
<td>473,886,203</td>
</tr>
</tbody>
</table>

Industry

The overall increase in industry between the years 1950 and 1954 is about fifty per cent. During the same period of time 2,190 new factories and producing plants were built or enlarged. Broadening of the consumer's market and new investments have quickened the pace of Turkey's industrial growth.

The Law for the Encouragement of Foreign Capital of 1951 has been fruitful in attracting new capital to Turkey.

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Up to 1955 some 105 foreign firms brought an aggregate foreign capital of $29,290,000 for operation in Turkey. Additional capital subscribed to these enterprises by Turkish principles added up to another $53,570,000.

The establishment of the Turkish Industrial Development Bank stimulated the industrial growth in the country. Capital loaned by the Bank from mid 1951 to late in 1954 amounted to $48,210,000. Capital subscribed by the beneficiaries of the loans themselves raised to some $143 million the investment made in new industrial installations.

Table 20
Provisional Index of Over-All Industrial Production

<table>
<thead>
<tr>
<th>Year</th>
<th>1948 (base)</th>
<th>1949</th>
<th>1950</th>
<th>1951</th>
<th>1952</th>
<th>1953</th>
<th>1954 (provisional 1st nine months)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100</td>
<td>113.5</td>
<td>114.7</td>
<td>118.4</td>
<td>133.1</td>
<td>146.8</td>
<td>151.0</td>
</tr>
</tbody>
</table>

Food Industry

The food industry of Turkey recorded important gains with the governmental and private efforts. A total of $107 million was allocated for the construction of eleven new sugar factories between the years 1948 and 1954. As a result production advanced from 137,000 tons in 1950 to 223,000 in 1954.

Grain storage capacity was increased from 411,000

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30 Ibid., p. 11.
31 Ibid., p. 12.
tons in 1950 to 992,000 in 1954. A total investment of £39,290,000 was made in this field during the same years.

A total of £15,360,000 was invested in four meat-packing plants and £5,360,000 allocated for twelve cold storage plants.

Table 21
Temporary Index of Production in Food Industry

<table>
<thead>
<tr>
<th></th>
<th>1948 (base)</th>
<th>1949</th>
<th>1950</th>
<th>1951</th>
<th>1952</th>
<th>1953 (provisional 1st nine months)</th>
<th>1954</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100</td>
<td>114.4</td>
<td>111.9</td>
<td>124.8</td>
<td>128.9</td>
<td>148.4</td>
<td>141.8</td>
</tr>
</tbody>
</table>

Table 22
Sugar Production

<table>
<thead>
<tr>
<th>Years</th>
<th>1950</th>
<th>1951</th>
<th>1952</th>
<th>1953</th>
<th>1954</th>
<th>1955-56 (est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>137,000</td>
<td>186,000</td>
<td>163,000</td>
<td>180,000</td>
<td>223,000</td>
<td>376,000</td>
</tr>
</tbody>
</table>

Manufacturing Industry

Textile and cement industries headed the development list in the manufacturing industry. The number of spindles in woolen and cotton mills increased from 300,000 in 1950 to

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32 Ibid., p. 17.
33 Ibid.
34 Ibid., p. 14.
to nearly 1,000,000 in 1954.

The construction of twenty-one new cement factories started during the same time. Paper production increased from 18,000 tons in 1950 to 50,000 in 1954 with the introduction of new installations. Rolling mill products went up from 78,000 to 137,000 tons and steel from 92,000 to 162,000 tons.

Table 23

Provisional Index for the Manufacturing Industry

<table>
<thead>
<tr>
<th>Year</th>
<th>1949 (base)</th>
<th>1950</th>
<th>1951</th>
<th>1952</th>
<th>1953</th>
<th>1954 (1st nine months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index</td>
<td>100</td>
<td>112.2</td>
<td>112.6</td>
<td>109.5</td>
<td>128.3</td>
<td>135.3</td>
</tr>
<tr>
<td>1954</td>
<td>161.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Miners

There was approximately forty per cent increase in mineral production between the years 1948 and 1954.

The production of copper, chrome, and iron ore was doubled, and manganese production was trebled.

The stimulants of this development are mainly; the new legislation encouraging private enterprise, the investment projects directed to modernization of existing equipment, greater mechanization, and rationalization of all processes from actual mining to shipping facilities. These mentioned changes have been accomplished mainly by the Marshall Plan Aid.

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35 Ibid., p. 15.
Table 24
Provisional Index of Mineral Production

<table>
<thead>
<tr>
<th>Year (base)</th>
<th>1948</th>
<th>1949</th>
<th>1950</th>
<th>1951</th>
<th>1952</th>
<th>1953</th>
<th>1954 (provisional last nine months)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100.0</td>
<td>115.1</td>
<td>122.0</td>
<td>127.2</td>
<td>145.3</td>
<td>174.1</td>
<td>140.2</td>
</tr>
</tbody>
</table>

Table 25
Mineral Production (1948-1953)

<table>
<thead>
<tr>
<th>Year</th>
<th>Copper</th>
<th>Iron Ore</th>
<th>Chromium</th>
<th>Sulphur</th>
<th>Coal</th>
<th>Limeite</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948</td>
<td>10979</td>
<td>191659</td>
<td>285725</td>
<td>2597</td>
<td>4022813</td>
<td>1010093</td>
</tr>
<tr>
<td>1949</td>
<td>11233</td>
<td>210948</td>
<td>451566</td>
<td>3095</td>
<td>4182705</td>
<td>1271936</td>
</tr>
<tr>
<td>1950</td>
<td>11700</td>
<td>253591</td>
<td>422529</td>
<td>6066</td>
<td>4360598</td>
<td>1214452</td>
</tr>
<tr>
<td>1951</td>
<td>17526</td>
<td>225310</td>
<td>602220</td>
<td>7390</td>
<td>4729589</td>
<td>1254815</td>
</tr>
<tr>
<td>1952</td>
<td>23330</td>
<td>481825</td>
<td>806911</td>
<td>8381</td>
<td>4846342</td>
<td>1387411</td>
</tr>
<tr>
<td>1953</td>
<td>24757</td>
<td>497079</td>
<td>912523</td>
<td>9775</td>
<td>5654467</td>
<td>1640583</td>
</tr>
</tbody>
</table>

Electric Power

In recent years, new steps were taken toward making use of the energy resources and electric power in Turkey, to provide necessary energy for the industrial development and agricultural expansion of Turkey. The construction of fifteen medium sized and five large hydro-electric power stations started beginning in 1950.

36 Ibid., p. 17.
37 Ibid., p. 19.
Table 26

Electric Power and Energy Production (KWH)

<table>
<thead>
<tr>
<th></th>
<th>1950</th>
<th>1954</th>
<th>1955/56</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>789,600,000</td>
<td>1,450,000,000</td>
<td>3,000,000,000 (est.)</td>
</tr>
</tbody>
</table>

Communications

With the financial and technical aid of the United States, the Turkish Government invested vast sums in new roads, ports and harbors, the merchant navy, and the railways.

The increased transportation facilities are expected to be of great help in the economic development of Turkey.

Table 27

Development of the Communications

<table>
<thead>
<tr>
<th></th>
<th>1950</th>
<th>1954</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roads (stabilized)</td>
<td>9,384 miles</td>
<td>16,775 miles</td>
</tr>
<tr>
<td>Budgetary Allocations</td>
<td>$19 million</td>
<td>$68 million</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>22,037</td>
<td>67,000</td>
</tr>
<tr>
<td>Ports and Harbors</td>
<td>11 ports, 19 piers costing $96 million under construction</td>
<td></td>
</tr>
<tr>
<td>Railroads</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passengers</td>
<td>53 Mil. Persons</td>
<td>62 Mil. persons</td>
</tr>
<tr>
<td>Freight</td>
<td>7.5 mil. tons</td>
<td>11.0 mil. tons</td>
</tr>
<tr>
<td>Merchant Marine</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tonnage</td>
<td>467,397</td>
<td>591,401</td>
</tr>
<tr>
<td>Airways</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passengers</td>
<td>86,000</td>
<td>184,000</td>
</tr>
</tbody>
</table>

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33 Ibid., p. 19.
39 Ibid., p. 20, 21.
Savings and Loans

An important increase in bank deposits came with business expansion and increased production. This increase in deposits was paralleled by a corresponding rise in the volume of bank loans and advances. The greater proportion of these loans was channeled into agriculture and industry.

Table 23

Bank Loans

Amounts loaned in commercial, agricultural, and industrial credits, and mortgages

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1949</td>
<td>$475,198,501</td>
</tr>
<tr>
<td>1950</td>
<td>557,311,400</td>
</tr>
<tr>
<td>1951</td>
<td>789,297,053</td>
</tr>
<tr>
<td>1952</td>
<td>1,105,157,903</td>
</tr>
<tr>
<td>1953</td>
<td>1,485,340,545</td>
</tr>
<tr>
<td>1954</td>
<td>1,633,515,374</td>
</tr>
</tbody>
</table>

Table 29

Bank Deposits

<table>
<thead>
<tr>
<th>Date</th>
<th>Savings</th>
<th>Other Deposits</th>
<th>Total Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1949</td>
<td>$165,953,705</td>
<td>$187,265,500</td>
<td>$353,224,205</td>
</tr>
<tr>
<td>1950</td>
<td>205,711,103</td>
<td>233,624,037</td>
<td>439,335,140</td>
</tr>
<tr>
<td>1951</td>
<td>263,720,293</td>
<td>351,692,280</td>
<td>615,412,573</td>
</tr>
<tr>
<td>1952</td>
<td>313,156,473</td>
<td>491,283,240</td>
<td>804,446,713</td>
</tr>
<tr>
<td>1953</td>
<td>411,246,233</td>
<td>645,732,140</td>
<td>1,056,978,373</td>
</tr>
<tr>
<td>1954</td>
<td>462,921,790</td>
<td>634,825,821</td>
<td>1,097,747,611</td>
</tr>
</tbody>
</table>

40 Ibid., p. 23.
41 Ibid.
Gross National Product

The gross national product of Turkey marked an average twenty per cent annual increase in between the years 1948 and 1954. The following table shows this increase:

Table 30

Gross National Product
At market prices in 1948—in million of dollars

<table>
<thead>
<tr>
<th>Year</th>
<th>1948</th>
<th>1949</th>
<th>1950</th>
<th>1951</th>
<th>1952</th>
<th>1953</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>697</td>
<td>3,288</td>
<td>3,147</td>
<td>3,528</td>
<td>4,304</td>
<td>5,075</td>
</tr>
</tbody>
</table>

The National Budget

The size of the Turkish National Budget has shown a steady growth, from 1,244 million liras in 1948 to 3,444 million liras for the fiscal year of 1956. The 1956 budget was the largest in the nation's history and amounted to about $1.2 billion at the official rate of exchange. Percentage of expenditures in ratio to over-all total of this year budget was: for economic development 28.8; national defense, 25.3; general administration, 15.7; education, 14.5; social welfare, 6.8; health, 4.9; and public debt, 4. The expected revenues for these expenditures were expected to come fifty-five per cent from indirect taxes, thirty per cent from direct taxes, and fifteen per cent from monopoly revenues and other sources.

42 Ibid., pp. 4-5.
43 Investment in Turkey, op. cit., p. 99.
From 1948 through 1953 the national budget of Turkey showed a deficit varying from fifty million to 250 million liras, annually. The 1954 budget was balanced. The 1955 budget gave a 152 million liras deficit.  

**Public Debt**

The public debt of the Republic of Turkey amounted to 3,523 million liras as of the end of 1955. This amount includes every kind of debt funded and floating, domestic and foreign. The comparable figure is 2,429 million liras for 1949.  

**International Trade**

There was a noticeable increase in the international trade figures of Turkey. Due to the recent expansion in agricultural production and minerals the export trade expanded to some extent. Still Turkey had an adverse trade balance every year studied.

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44 Ibid., p. 100.

45 These figures are according to the official statistics. During 1956 budget hearings, the Minister of Economy and Commerce announced that Turkey foreign debt amounted to 3,050 million liras ($1.1 billion), which is approximately three times the amount recorded in statistics. Ibid., p. 100

46 See value, volume, and the areas of Turkey's foreign trade in Appendix Tables VII and VIII.
5. A Criticism of the Recent Economic Policy of the Turkish Government

We have seen the yearly gains that Turkish economy recorded and the overall economic growth of Turkey. All this means is that Turkey has made investments in several fields and sooner or later this will pay off. We have already noticed that some of them have already added very significant gains to the economy of Turkey.

However, the current economic situation in Turkey is quite different than this happy picture indicates. The situation is well described in the very recent report submitted to the special committee to study the Foreign Aid Program. The report indicates that:

"...Turkey is now in a very difficult economic situation. The country suffers from a sizable disparity between internal and external prices. It lacks foreign exchange, has a combined internal and external debt valued at about $2 billion, and is seeing its credit with other nations shrink. Basically, Turkey is suffering today from too much economic development, too fast, with too little. One result of this overdevelopment is rising prices. Imports have had to be reduced somewhat because of the lack of foreign exchange, and this also adds to the inflationary trend. The currency is seriously overvalued."

The economic development policy of the government of Turkey has been criticized widely both by the opposition in Turkey and by the American specialists. This criticism

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48 Ibid., p. 25.
has been focused on several economic policies that the Turkish Government has been following.

One of these is the Government's credit policy. The Central Bank simultaneously liberalized its rediscount policy and authorized an almost two fold increase in its holdings of commercial paper in 1955. The amount of currency in circulation and the value of outstanding treasury bonds have increased.\textsuperscript{49} This is the main cause of so-called "excessive demand" in expanding economy.\textsuperscript{50}

The Turkish program has met some severe criticism too. The Government adopted a policy of bulk purchases of wheat and other grains at prices considerably in excess of those obtainable on the world market. Since the political power lies in the hands of the peasant population, the government could not change its decision.\textsuperscript{51}

One other main criticism was that the Turkish Government attempted to execute long term economic development projects with short or medium-term credits. The result was that Turkey was faced with heavy trade arrears and had to earmark up to thirty per cent of her export earnings to service foreign debt.\textsuperscript{52}


\textsuperscript{50} Sixth Report of the OEEC, \textit{op. cit.}, p. 164.

\textsuperscript{51} \textit{New York Times}, April 22, 1955, p. 4:5.

In summary, the cause of this economic strain was Turkey's being over ambitious, or as it is expressed in a Turkish proverb because she did not "stretch her legs according to her blanket". 53

The Turkish Government attempted some necessary measures to correct this embarrassing situation, but these did not help much. The Government declared that there would not be any more inflationary financing for the general budget and that state enterprises must meet operating accounts. Some effort has been made toward establishing wholesale and retail profit ceilings. 54

According to foreign experts, the Government has avoided taking the most necessary and effective steps to

53 In the economic theory, investment is an element of current production, current income, and current demand. At the same time, since investment adds to the stock of capital goods, it expands the productive capacity of a nation's economy. As an economic rule investment must rise from year to year in order to create the necessary demand for the expanding productivity. If it remains the same every year, then the demand cannot match supply of the goods. Even though a steady investment does not create new demands, it increases the productivity.

On the other hand, investment must not rise too rapidly. If it does, demand will grow more quickly than the capacity to produce. This creates the inflationary pressures. This is exactly what happened in Turkey.

See also World Economic Survey 1955, United Nations, Department of Economic and Social Affairs, New York, 1956, p. 7.

devaluate the Turkish lira. 55

The policy of the Government is to overcome the present crisis with the additional American assistance and Western European credits. According to the Government the investment projects will soon start paying off, which will end the difficulties.

The future prospects of Turkey are rather hopeful. The present situation is described as the "growing pains" by economic expert, Clarance Randall. He said, "Turkey's long-term prospects are excellent. Once she passes the current squeeze she will be on her way and it lies within her power in another generation to become a truly great nation." 56

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55 According to Norman Armour, the Government does not take this step only because she fears the coming elections of 1956. Actually a special rate is given to the tourists now, and this is perhaps the beginning of "back-door" devaluation. Ibid., p. 26.

C. Summary and Conclusions

Turkey is an underdeveloped country with rich and unexploited natural resources and raw materials. A very low standard of living, inadequate transportation and marketing facilities, a low level of literacy, and a heavy burden of national defense expenses seem to be principal obstacles of an economic development at the present time.

Eighty per cent of the population deals in agriculture, and live in scattered and isolated villages. The living conditions among this peasant population is quite backward according to the western standard. This village type of economy comprises the self-sufficient sector of the Turkish economy. The capitalistic sector is very insignificant compared to this self-sufficient sector.

This capitalistic sector ought to be expanded at the expense of the self-sufficient sector. To obtain this goal the main thing Turkey needs is the capital. The present circumstances do not permit the accumulation of this capital inside of the country. The United States decided to help Turkey and to provide this capital as well as the technical knowledge.

57 We have already explained and discussed the other necessities for this change from one sector to the other. Besides the capital accumulation, they were a higher level of literacy, change in culture, better transportation facilities, and the like.
The United States has helped Turkey since 1947, both militarily and economically. We have discussed the objectives of these programs and the interest of the United States in Turkey and in the development of the Turkish economy. As time passed, the objectives of the American assistance changed to some extent. The objectives of the military and the economic assistance of the United States at the present time are shown in the recent report given to the Special Committee to Study the Foreign Aid, by Norman Armour. 58

"Objectives of United States military assistance to Turkey are to assist Turkey in meeting its NATO commitments, provide internal security, deter Soviet aggression, and help Turkey in the defense of the Middle East.

...Non military aid to Turkey..., is aimed at helping Turkey obtain a stable and expanding economy, and thus help the military effort."

With the help of the Marshall Plan Aid, Turkey has invested a significant amount of money especially in the fields of exploration, agriculture, and transportation. Under exploration the productivity of the Turkish mines were raised with new constructions, new harbors, and new machinery. Important steps were taken toward the mechanization of agriculture and the expansion of technical knowledge in this field. Better highway systems and transportation have already been obtained partially, with the investment made in that field.

58 Norman Armour, op. cit., p. 31.
The country became self-supporting to some extent, in food except for tea, coffee, wheat, etc. However, the returns and profits of these capital investments will be obtained in the near future. It is still too early to receive full benefit out of these investments.

The present economic situation is quite a difficult one. Turkey's ambitions to develop with too little caused some serious crises in the Turkish economy. Turkish currency is overvalued and there is a severe shortage of foreign currency. The total of internal and external debts raised to a peak of two billion dollars. The policy of the Turkish Government to remedy this situation is to step up economic development, increase the domestic production, and thus reduce imports. This policy was criticized by the United States, and Turkey was discouraged to continue the building of new large-scale development projects. Turkey thought it should concentrate on the present projects and try to complete them. And the devaluation was suggested as the most effective means of correcting the present situation.

There are some other difficulties affecting the economic development of the country.\(^{59}\) The low level of

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\(^{59}\) As a matter of fact, this is not a peculiar case for Turkey. The post-war rate of development in the underdeveloped countries has not yet arrived the expected levels. While the increase in the per capita income was about 45 percent above the pre-war levels in the developed countries, the underdeveloped countries recorded only an average of five percent increase. Besides the factors we have discussed in different chapters, working against the development in the underdeveloped countries, there has been a more rapid population increase in these countries than in developed ones.

See also World Economic Survey, op. cit., pp. 5-12.
literacy and the inadequacy of the present Turkish educational system should be corrected. There is a great shortage of skilled man-power. The taxation system is quite inadequate. Heavy farm subsidies are a burden on the Government. Imports of raw materials and equipment are needed but there is not adequate funds to pay for them. Political and religious factors exist inhibiting the development. The over-centralization of the Government does not permit private capital to work very freely in the provinces. Among the backward conservative farmers group fatalism is difficult to overcome.

Under the American military assistance the Turkish Army was modernized with the new American arms and technical knowledge. Turkey has maintained an army of 400,000 during the aid years and is a stable and dependable element in the Middle East as a member of NATO. At the same time, these military programs have had an indirect effect on the economy through technical training, reducing illiteracy, building roads and airfields, giving employment and the like.

At this point we would like to discuss the question of whether the objectives of their two different types of assistance conflict with each other. Can Turkey fulfill present military objectives and at the same time achieve a stable and expanding economy?

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60 Ibid., p. 26.
This point was made clear in the report given by Richard Robinson. He criticized the emphasis placed by American policy makers and the administrators on the military development of Turkey. These attempts nearly excluded the economic and social development.  

On the other hand, Norman Armour defends the present situation in the following way:  

"...The Turks are absolutely determined to be as strong militarily as possible. They will make many sacrifices before they would substantially reduce their defense effort. If all United States aid were cut off to Turkey, the Turks would reduce their economic development before their military development."

At the present time, twenty-five per cent of the national budget is spent annually for national defense purposes. This certainly is an inhibiting factor to the economic development and the present economic stability. However, the indirect effect of these expenses cannot be denied in reducing the literacy, technical training, etc.

Here we agree with the opinion of Richard Robinson in the special significance of the American Aid to Turkey. He says:  

"If Turkey fails in her momentous undertaking of catching up with the West in terms of productivity, material wealth and social institution within the next

---

62 Norman Armour, op. cit., p. 28.
63 Richard Robinson, op. cit.
two or three generations it very likely means that all similar attempts by the other under-developed areas to accelerate their advance with the support and assistance of liberal West are destined to frustration. Turkey enjoys exceedingly favorable circumstances for development. If the United States cannot succeed here there is no chance for any other place."

We are of the opinion that the future will be more satisfactory than the present. Above everything the Turks have the spirit and belief in the future of the country. It is our hope that Turkey will soon overcome the present crisis, and will be on her way to a brighter future, in a more stable and friendly world.
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November 11, 1947, p. 1:9
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March 7, 1948, p. 1:5
March 21, 1948, p. 1:5:3
March 13, 1949, p. 4:3
March 21, 1949, p. 5:2
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March 13, 1955, p. 22:1
April 20, 1955, p. 32:8
April 22, 1955, p. 4:5
September 20, 1955, p. 41:1
January 4, 1956, p. 7:3
January 3, 1957, p. 58:6,7

_Yeni Ulus, (Turkish Newspaper), March 4, 1954, p.2._
Table XII: Percentage of Labour, by Sex, and Area 1927, 1935, 1945, 1950

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>1927</td>
<td>100.0</td>
<td>53.6</td>
<td>46.4</td>
<td>37.8</td>
<td>62.2</td>
</tr>
<tr>
<td>1935</td>
<td>100.0</td>
<td>54.6</td>
<td>45.4</td>
<td>36.7</td>
<td>63.3</td>
</tr>
<tr>
<td>1945</td>
<td>100.0</td>
<td>54.1</td>
<td>45.9</td>
<td>36.1</td>
<td>63.9</td>
</tr>
<tr>
<td>1950</td>
<td>100.0</td>
<td>52.4</td>
<td>47.6</td>
<td>34.6</td>
<td>65.4</td>
</tr>
</tbody>
</table>

*In place of 10,000 or more population. Includes all provincial capitals as well as other cities of 10,000 or more. *Consists of all provincial capitals and cities with a population of 5,000 or more.


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* Ibid., p.159.*
Table I: Population, by Census Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Males</th>
<th>Females</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Thousands of persons</td>
<td>Percent of total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1927</td>
<td>13,648</td>
<td>6,564</td>
<td>7,084</td>
<td>24.2%</td>
<td>75.8%</td>
</tr>
<tr>
<td>1935</td>
<td>16,158</td>
<td>7,937</td>
<td>8,221</td>
<td>23.5%</td>
<td>76.5%</td>
</tr>
<tr>
<td>1940</td>
<td>17,821</td>
<td>8,899</td>
<td>8,922</td>
<td>24.4%</td>
<td>75.6%</td>
</tr>
<tr>
<td>1945</td>
<td>18,790</td>
<td>9,447</td>
<td>9,343</td>
<td>24.9%</td>
<td>75.1%</td>
</tr>
<tr>
<td>1950</td>
<td>20,948</td>
<td>10,547</td>
<td>10,356</td>
<td>25.2%</td>
<td>74.8%</td>
</tr>
<tr>
<td>1955</td>
<td>24,113</td>
<td>(3)</td>
<td>(3)</td>
<td>28.5%</td>
<td>71.5%</td>
</tr>
</tbody>
</table>

*Includes 45,000 people not classified according to sex.
*Preliminary.
*Data not available.

Source: Central Statistical Office.

Table II: Percentage of Literacy, by Sex, and Area 1927, 1935, 1945, 1950

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Sex</th>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Women</td>
<td>Men</td>
</tr>
<tr>
<td>1927</td>
<td>10.6%</td>
<td>4.6%</td>
<td>17.4%</td>
</tr>
<tr>
<td>1935</td>
<td>20.4%</td>
<td>10.5%</td>
<td>31.0%</td>
</tr>
<tr>
<td>1945</td>
<td>30.2%</td>
<td>16.8%</td>
<td>43.7%</td>
</tr>
<tr>
<td>1950</td>
<td>34.6%</td>
<td>20.7%</td>
<td>48.4%</td>
</tr>
</tbody>
</table>

*In places of 10,000 or more population.
*Includes all Provincial capitals as well as other cities of 10,000 or over.
*Consists of all Provincial capitals and cities with a population of 5,000 or more.

Table III: Production of Major Crops, 1934-38 and 1948-55
(in thousands of metric tons)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Grain, total</td>
<td>6,803</td>
<td>9041</td>
<td>5130</td>
<td>7764</td>
<td>10679</td>
<td>12242</td>
<td>14582</td>
<td>9624</td>
<td>13092</td>
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<tr>
<td>Wheat</td>
<td>3,422</td>
<td>4867</td>
<td>2495</td>
<td>3872</td>
<td>5600</td>
<td>6447</td>
<td>8207</td>
<td>4900</td>
<td>6900</td>
</tr>
<tr>
<td>Barley</td>
<td>1,231</td>
<td>2167</td>
<td>1220</td>
<td>2047</td>
<td>2700</td>
<td>3189</td>
<td>3666</td>
<td>2400</td>
<td>2985</td>
</tr>
<tr>
<td>Rye</td>
<td>338</td>
<td>514</td>
<td>250</td>
<td>443</td>
<td>600</td>
<td>670</td>
<td>730</td>
<td>440</td>
<td>657</td>
</tr>
<tr>
<td>Oats</td>
<td>224</td>
<td>323</td>
<td>220</td>
<td>316</td>
<td>350</td>
<td>405</td>
<td>416</td>
<td>325</td>
<td>400</td>
</tr>
<tr>
<td>Corn</td>
<td>567</td>
<td>696</td>
<td>609</td>
<td>628</td>
<td>850</td>
<td>837</td>
<td>759</td>
<td>914</td>
<td>864</td>
</tr>
<tr>
<td>Rice</td>
<td>66</td>
<td>60</td>
<td>58</td>
<td>51</td>
<td>65</td>
<td>95</td>
<td>108</td>
<td>110</td>
<td>40</td>
</tr>
<tr>
<td>Tobacco</td>
<td>72</td>
<td>83</td>
<td>91</td>
<td>93</td>
<td>89</td>
<td>92</td>
<td>114</td>
<td>98</td>
<td>109</td>
</tr>
<tr>
<td>Potatoes</td>
<td>173</td>
<td>454</td>
<td>471</td>
<td>605</td>
<td>676</td>
<td>873</td>
<td>1029</td>
<td>1000</td>
<td>1050</td>
</tr>
<tr>
<td>Sugar beets</td>
<td>394</td>
<td>726</td>
<td>817</td>
<td>855</td>
<td>1363</td>
<td>1069</td>
<td>1170</td>
<td>1065</td>
<td>1771</td>
</tr>
<tr>
<td>Cotton</td>
<td>55</td>
<td>58</td>
<td>105</td>
<td>118</td>
<td>150</td>
<td>165</td>
<td>139</td>
<td>142</td>
<td>157</td>
</tr>
<tr>
<td>Lint</td>
<td>151</td>
<td>114</td>
<td>195</td>
<td>192</td>
<td>308</td>
<td>258</td>
<td>254</td>
<td>260</td>
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</table>

Provisional figures.

Sources.

Table IV: Price Indexes, 1938 and 1948-55
(1938=100)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost of living</th>
<th>Wholesale prices</th>
<th>Import price</th>
<th>Export price</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ankara</td>
<td>Istari</td>
<td>Ankara</td>
<td>Istari</td>
</tr>
<tr>
<td>1938</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
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<tr>
<td>1948</td>
<td>330</td>
<td>345</td>
<td>310</td>
<td>300</td>
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<td>1949</td>
<td>355</td>
<td>380</td>
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<td>(3)</td>
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<td>1950</td>
<td>340</td>
<td>361</td>
<td>325</td>
<td>(3)</td>
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<tr>
<td>1951</td>
<td>356</td>
<td>355</td>
<td>323</td>
<td>(3)</td>
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<td>1952</td>
<td>353</td>
<td>376</td>
<td>346</td>
<td>466</td>
</tr>
<tr>
<td>1953</td>
<td>370</td>
<td>389</td>
<td>366</td>
<td>497</td>
</tr>
<tr>
<td>1954</td>
<td>404</td>
<td>426</td>
<td>419</td>
<td>549</td>
</tr>
<tr>
<td>1955</td>
<td>463</td>
<td>(3)</td>
<td>465</td>
<td>594</td>
</tr>
</tbody>
</table>

Figures calculated by the Business Research Department, Ministry of Economy and Commerce.
Figures calculated by the Istanbul Chamber of Commerce.
Data not available.

Sources (5)

(3) Ibid., p. 155. (4) Ibid., p. 155. (5-6) Ibid., p. 163.
Table V: Turkish National Income at Constant Prices, 1938 and 1948-54
(At 1948 factor cost prices—in millions of Turkish liras)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry, &amp; fishing</td>
<td>40853</td>
<td>46914</td>
<td>36718</td>
<td>45512</td>
<td>54935</td>
<td>58483</td>
<td>64034</td>
<td>51690</td>
</tr>
<tr>
<td>Industry &amp; mining</td>
<td>6849</td>
<td>9263</td>
<td>9781</td>
<td>10141</td>
<td>10989</td>
<td>11905</td>
<td>13111</td>
<td>13957</td>
</tr>
<tr>
<td>Construction</td>
<td>3665</td>
<td>2803</td>
<td>3213</td>
<td>4547</td>
<td>4730</td>
<td>5704</td>
<td>7910</td>
<td>7108</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>8146</td>
<td>9606</td>
<td>7964</td>
<td>9520</td>
<td>11270</td>
<td>12036</td>
<td>13198</td>
<td>11248</td>
</tr>
<tr>
<td>Transportation &amp; communication</td>
<td>2956</td>
<td>4063</td>
<td>4928</td>
<td>4833</td>
<td>5329</td>
<td>6523</td>
<td>6965</td>
<td>8497</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>1005</td>
<td>1294</td>
<td>1441</td>
<td>1517</td>
<td>1697</td>
<td>1953</td>
<td>2291</td>
<td>2690</td>
</tr>
<tr>
<td>Private professions &amp; services</td>
<td>2672</td>
<td>3253</td>
<td>3373</td>
<td>3712</td>
<td>4231</td>
<td>4639</td>
<td>4830</td>
<td>4835</td>
</tr>
<tr>
<td>Ownership of dwellings</td>
<td>1659</td>
<td>2375</td>
<td>2461</td>
<td>2413</td>
<td>2575</td>
<td>2784</td>
<td>2995</td>
<td>3362</td>
</tr>
<tr>
<td>Government services</td>
<td>5847</td>
<td>8776</td>
<td>8574</td>
<td>8944</td>
<td>9431</td>
<td>10111</td>
<td>11598</td>
<td>11747</td>
</tr>
<tr>
<td>Total domestic income</td>
<td>73652</td>
<td>83347</td>
<td>78458</td>
<td>91189</td>
<td>105194</td>
<td>114188</td>
<td>126932</td>
<td>115138</td>
</tr>
<tr>
<td>Income from the world</td>
<td>-167</td>
<td>-200</td>
<td>-178</td>
<td>-206</td>
<td>-238</td>
<td>-253</td>
<td>-287</td>
<td>-261</td>
</tr>
<tr>
<td>National income</td>
<td>73485</td>
<td>88147</td>
<td>78280</td>
<td>90983</td>
<td>104956</td>
<td>113930</td>
<td>126645</td>
<td>114877</td>
</tr>
<tr>
<td>Depreciation act.</td>
<td>2599</td>
<td>3385</td>
<td>3373</td>
<td>3589</td>
<td>4011</td>
<td>4458</td>
<td>4849</td>
<td>5022</td>
</tr>
<tr>
<td>Gross nat. prod.</td>
<td>76084</td>
<td>91532</td>
<td>81653</td>
<td>94572</td>
<td>108967</td>
<td>118388</td>
<td>131494</td>
<td>119899</td>
</tr>
</tbody>
</table>
| Per capita gross. national prod.
2 | (3) | (3) | 382 | (3) | 487 | 514 | 556 | 490 |

1Provisional estimates.
2Anatolian News Agency, February 20, 1956, unofficial translation of 1956 budget address of Nedim Okmen, Minister of Finance.
3Not available.

### Table VI: Imports and Exports, by Area and by Percentage of Total Value, 1937 and 1950-54

<table>
<thead>
<tr>
<th>Area</th>
<th>Imports</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>15</td>
<td>24</td>
<td>13</td>
<td>9</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>OEEC countries and their currency areas</td>
<td>64</td>
<td>57</td>
<td>73</td>
<td>80</td>
<td>63</td>
<td>49</td>
</tr>
<tr>
<td>Eastern Europe and the U.S.S.R.</td>
<td>13</td>
<td>9</td>
<td>6</td>
<td>5</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Other</td>
<td>8</td>
<td>10</td>
<td>8</td>
<td>6</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Area</th>
<th>Exports</th>
<th></th>
<th></th>
<th></th>
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<td>North America</td>
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<td>17</td>
<td>23</td>
<td>16</td>
<td>20</td>
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<tr>
<td>OEEC countries and their currency areas</td>
<td>67</td>
<td>65</td>
<td>59</td>
<td>67</td>
<td>55</td>
<td>47</td>
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<tr>
<td>Eastern Europe and the U.S.S.R.</td>
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<td>9</td>
<td>9</td>
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<td>Other</td>
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<td>9</td>
<td>9</td>
<td>6</td>
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<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
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</table>

Includes Finland and Yugoslavia.

Sources: 1937-53, International Monetary Fund, Turkey—1954 Consultations, Staff Report and Recommendations, table 15 of unpublished report prepared by staff representatives for the 1954 consultations with Turkey, August 11, 1954; 1947, table XXVII.

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Ibid., p.165.
Table VII  Total Value of Imports and Exports, Balance of Trade and Tonnage of Trade, 1938 and 1948-55
(Value in millions of liras; quantity in thousands of metric tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
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<tr>
<td></td>
<td>Imports</td>
<td>Exports</td>
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<tr>
<td>1938</td>
<td>149.8</td>
<td>144.9</td>
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<td>1948</td>
<td>770.1</td>
<td>551.0</td>
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<tr>
<td>1949</td>
<td>812.6</td>
<td>693.9</td>
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<td>1950</td>
<td>799.3</td>
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<td>1954</td>
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<td>1955</td>
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1 Preliminary.
2 Not available.

Sources: