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Soviet Bloc and Western Support for Economic  
Development in Turkey

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## I. Introduction

Since the death of Stalin in 1953, the Soviet Union has been pressing for a rapprochement with Turkey. The Soviet bid for improved relations began in the Spring of 1953 with an official renunciation of territorial claims to three of Turkey's eastern provinces. The Soviet Union also withdrew a 1945 demand for base rights on the Turkish Straits. Following these diplomatic overtures, the USSR joined the European Satellites in launching a program in late 1953 to expand economic relations with Turkey. Since that time, the Soviet Bloc has been engaged in a concerted effort to increase economic ties with Turkey with a view to penetrating the Turkish market and undermining the Western position in this strategic area.

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II. Summary and Conclusions

A significant expansion in Turkey's trade with the Soviet Bloc has occurred since 1953. Trade with the Bloc reached a peak in 1955 and represented 20 percent of total Turkish trade in that year. In 1956 Bloc trade experienced a general decline and accounted for 17 percent of Turkish trade. During the first quarter of 1957 Turkish trade with the Bloc continued at the same level as in the previous year.

Pursuant to its objective of increased trade, the Bloc has implemented a variety of promotional techniques which have made an impact on the Turkish market. In the late summer of 1956 six Bloc countries participated in the Izmir International Fair and made a generally favorable showing. Intensified advertising of Bloc goods, especially noticeable last year, has served to give Bloc products increased prominence in Turkey. The conclusion of trade agreements between Turkey and seven Bloc countries also has contributed to the expansion of economic relations over the past few years.

To date, Turkey has accepted capital credits totalling about \$15.9 million from the Bloc. Of this sum, \$10 million represents the amount recently extended by the Soviet Union for a glass factory. Although the contract for the factory has been signed, the Turkish Foreign Ministry has not yet given its approval for the project. In 1955 Czechoslovakia extended an eight-year credit of \$5.0 million for railroad coaches 1/ and a five-year <sup>80.7 million</sup> credit for a textile mill 2/. A \$0.2 million credit for machinery for a vegetable oil plant was accepted from Hungary in 1956. 3/ It is estimated that the European Satellites have secured contracts valued at about \$18.2 million for the construction of industrial installations and the provision of

auxiliary machinery and equipment. In spite of a profusion of offers from the USSR none of the previous offers have been accepted. It now appears likely, however, that the contract for the construction of a \$10-\$14 million glass factory recently signed will be implemented and that a credit will be extended for the project. 4/ Turkey has received credit offers from the Bloc, primarily from the USSR, amounting to slightly over \$200 million.

Free World countries, particularly the United States, Great Britain, and West Germany, continue to be the major trading partners for Turkey as well as the primary sources of outside capital for Turkey's economic development. United States assistance to Turkey under governmental aid programs, totalling more than \$1 billion since 1948 5/, has made a vital contribution to Turkey's ability to carry out its ambitious development plans while building a defense establishment commensurate with its position in the Western defense structure. In addition, private investments, credits, and loans from a variety of Western sources--the United States, the OEEC countries, the IBRD, and the Export-Import Bank--have contributed significantly to Turkey's economic expansion and industrial development. Certainly they have enhanced Turkey's ability to maintain the rapid rate of economic development in evidence since 1950.

III. Development of the Bloc Economic Offensive

The Bloc economic offensive in Turkey began to gain momentum in 1953 when Rumanian, Czechoslovakian, Hungarian, and Polish trade delegations first made their presence known on the Turkish scene. 6/ This was only the beginning, however, of a well-organized Bloc offensive which became increasingly evident in the latter part of 1954. The first signs of a concentrated Bloc effort were noticeable at the 1954 Izmir International Fair. 7/ Prior to this event, the Bloc countries had sent numerous trade delegations to Turkey which spent considerable time and effort traveling about Turkey trying to win the confidence of local businessmen. 8/ That they met with some success is evident in the fact that while total Turkish foreign trade in 1954 declined from the previous year, the absolute and relative value of trade with the Bloc increased and reached the highest level recorded up to that time.

Table 1

Turkish Trade with the Bloc, in Value and as a Percentage of Total Trade 1953 - 56

	1954		1953		Values in million \$US			
	Value	Percent of Total	Value	Percent of Total	1954 Value	1954 Percent of Total	1955 Value	1955 Percent of Total
Imports	59.3	14.5	29.4	5.5	44.9	9.4	91.3	18.3
Exports	59.9	19.8	29.2	17.4	55.1	16.5	68.6	21.8
TOTAL	119.2	16.7	58.6	16.0	100.0	12.0	159.9	19.7

A noteworthy aspect of the economic offensive is that the Bloc has not engaged in dumping its surpluses on the Turkish market as many Turkish merchants had feared. In one instance, Russia sold cotton textiles at a very low price but this practice did not recur. 9/ On the contrary, Bloc

commercial personnel watch fluctuations in the Turkish market very carefully and charge high prices for goods in great demand. 10/ The Bloc seldom sells at prices below KFU\* prices and more commonly asks 5 to 10 percent above KFU prices for goods in fair demand and 15 to 35 percent above KFU prices on goods in brisk demand (such as construction materials and electrical equipment). 11/ *To some extent, however, high Bloc prices are offset by the high prices of Turkish exports.*

Intensification of the Soviet Bloc's economic offensive in Turkey during 1954 coincided with a period of critical foreign exchange shortage which was endangering the development program established by the Turkish government. A shortage of raw materials and spare parts caused delays in the construction of some projects under way and a few proposed projects were postponed because of the scarcity of foreign exchange. 12/ Pressure to increase trade with the Bloc countries had been present in Turkey since 1952 when the foreign exchange shortage began to be felt. Turkey had been successful in securing continuity in the flow of capital goods needed for her investment program by obtaining medium-term credit from various European countries. 13/ For consumer goods, however, Turkey had to turn to countries which were willing to exchange against high-priced Turkish exports. 14/ These countries were mainly ones with which trade was carried on through bilateral agreements; prominent among them were the European Satellites and the Soviet Union. Turkish industrialists had been seeking to increase Turkish-Bloc trade because Western foreign exchange was scarce and also because imports from the Bloc were permitted to go almost wholly into the private sector while a large share of imports from the West were pre-empted by the state. 15/

\* European Payments Union

During 1954, Turkey continued to make increased purchases of consumer goods from the Soviet Bloc. The EPU countries, formerly the source of such goods, curtailed shipments to Turkey because of her commercial arrears to them. 16/ Thus the trend toward bilateralism in Turkish foreign trade and the increase in Turkish trade with the Soviet Bloc have been direct consequences of Turkey's foreign exchange shortage. The Bloc countries have been in a position to capitalize upon this situation since they are willing to buy high-priced Turkish goods and are able to provide a wide range of goods which Turkey needs.

The Turkish government, however, appreciates the dangers involved in an expansion of economic relations with the Soviet Bloc. In mid-1954, it announced its determination to take steps to reorient trade toward the dollar and EPU areas. Effective implementation of this policy was not forthcoming, however, and trade with the Bloc in 1955 reached the highest absolute and relative level recorded up to that time. In that year, trade with the Bloc represented 20 percent of total Turkish trade. In mid-1955, Turkey again announced its intention to reorient trade toward the West and met with a greater measure of success as subsequent trade data show.

Turkish merchants feel that the Soviet Bloc products, with the exception of Czech goods, are of inferior quality with low durability and poor appearance. 17/ However, as long as they have difficulty in disposing of their high-priced products in Western markets and in securing foreign exchange with which to purchase goods from the West, they have little choice but to handle Bloc products.

#### IV. Bloc Trade Promotional Activities

The Bloc has engaged in a variety of activities specifically designed to expand economic relations and facilitate penetration of the Turkish market. The conclusion of trade agreements, participation in the trade fairs at Izmir, intensified advertising of Bloc goods, and the establishment of permanent commercial representation have been the main promotional techniques utilized by the Bloc in its trade offensive in Turkey.

##### A. Trade Agreements

Turkey currently has trade agreements with Bulgaria, Czechoslovakia, Hungary, Poland, Rumania, and the USSR. A non-governmental trade accord is in force with East Germany since the latter is not officially recognized by Turkey. The significance of Turkey's trade agreements with Bloc countries was enhanced by the shift in Turkish commercial policy in late 1952 and 1953 when the post-war trade liberalization program was abandoned and encouragement was given to trade under bilateral agreements. 18/ The conclusion of trade agreements with Rumania and East Germany in 1954, the first in the post-war period, led to the establishment of closer commercial ties with the Bloc and an increase in trade especially with those two Satellites. 19/

##### 1. Bulgaria

Prior to 1955, Turkish trade with Bulgaria had been carried on under a barter agreement 20/. Negotiations in 1955, instigated by the Bulgarians 21/ resulted in the conclusion of a trade and payments agreement which provided for the exchange of Turkish agricultural products against Bulgarian manufactured goods to the amount of \$2.5 million on each side. 22/ The credit limit was set at \$250,000, although the Bulgarians had offered a higher credit during the negotiations. 23/ Turkish-Bulgarian trade in 1955 exceeded the amount envisaged, however, and a protocol was signed in December 1956 which raised the value of trade to \$4 million each way annually 24/ and increased the credit limit to \$500,000 for one year. 25/

Bulgaria sought a larger  
refused. 25/

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types of goods but the Turks

2. Czechoslovakia

In 1956, Turkey and Czechoslovakia signed a protocol to their 1949 trade agreement which raised the swing credit from \$3 million to \$3.7 million. 27/ Czech exports include machinery, textiles, and iron and steel products in exchange for Turkish tobacco, cotton and other agricultural products. The value of the exchange is not known. A tobacco protocol, signed in 1950, provides for the delivery of Czech consumer goods to offset Turkish tobacco exports. 28/ This protocol has been renewed annually and runs concurrently with the trade agreement.

3. Hungary

Trade with Hungary is conducted under an agreement signed in 1949 and renewed annually since that time. The agreement provides for a swing credit of \$2 million. 29/ Principal commodities exchanged under the agreement are Hungarian machinery and textiles and Turkish cotton and fruits. The agreement provides for \$10 million in total trade. In fact, however, Turkish-Hungarian trade has consistently exceeded this amount.

4. Poland

Turkey's trade with Poland is conducted under a trade and payments agreement concluded in 1948 and renewed annually thereafter. 30/ The estimated value of trade which it provides for each way is \$13 million. 31/ A protocol signed in 1953 raised the swing limit to \$2 million, an increase of \$1.5 million over the original amount. 32/ Turkey exports fruit, tobacco, and non-ferrous metals to Poland in return for chemicals, textiles, and machinery.

5. Rumania

The first postwar formal trade agreement with Rumania was signed in 1954. 33/ Thereafter, trade between these two countries increased sharply, but still remains at a fairly low level. It does not seem likely, therefore, that trade in the foreseeable future will reach the figure of \$13.2 million each way as envisaged in the agreement. 34/

6. USSR

Trade between Turkey and the USSR is conducted under an agreement signed in 1937. 35/ The value has not been very large, however. The cumulative value of trade both ways for the years 1951-1954 was less than \$15 million.

7. East Germany

The development of trade between Turkey and East Germany is a significant part of the development of Turkish-Bloc trade in general. Since Turkey does not recognize the East German Government, trade is conducted under a non-governmental clearing arrangement. The first agreement- signed in 1954, provided for a trading margin of \$2.5 million and for trade each way amounting to \$26.3 million. 36/ In 1955, this agreement was replaced by another accord under which the value of trade each way dropped to \$26.1 million. 37/ A protocol signed in mid-1956 extended the agreement to June 1957. 38/

B. Bloc Advertising

One facet of the Bloc trade offensive has been intensified advertising of Bloc goods and an increase in the number of Turkish merchants handling them. (See Appendix I for list) It appears that Turkish firms seldom advertise their Bloc goods in the local press. Bloc trade delegations or their commercial attaches generally perform this function. 39/

The first Soviet Bloc advertisement to appear in a local newspaper occurred in January 1954. 40/ This advertisement, designed to eulogize the industrial development of Rumania, was well timed to coincide with negotiations for a Turkish-Rumanian trade agreement (signed in February 1954). During the period, July-September 1955, after a silence of almost a year and a half, the Bloc countries succeeded in publishing impressive pictorial advertisements in two of Turkey's largest daily newspapers, Hurriyet and Ceshturkisi. 41/ Displays of Bloc goods in local shops increased during this period as part of a build-up to the Izmir Fair in that year. Not all of the items advertised were to be found on the Turkish market, but the publicity served its purpose as propaganda for the economic capabilities of the Bloc.

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The Bloc's advertising campaign noticeably intensified in connection with the 1956 Izmir Fair and continued thereafter, although on a smaller scale. Czech advertising has been particularly effective and voluminous. 42/ Advertisements for Russian, Rumanian and East German merchandise have appeared in the Istanbul press from time to time during the past few months. The first ads for Bulgarian goods appeared in several Istanbul newspapers between 31 December 1956 and 2 January 1957. 43/

C. Participation in Izmir International Trade Fairs

Six Iron Curtain countries participated in the 25th International Trade Fair held in Izmir from August 20 to September 20, 1956. The Soviet Union, which had been absent from the 1955 fair, returned in 1956 to participate, along with five Satellites—Bulgaria, Czechoslovakia, Hungary, Poland and Rumania. 44/ The same five Satellites had also been represented at the 1955 Izmir Fair. The Soviet and Czechoslovak pavilions at the 1956 Fair were outstanding among all exhibits in respect to size and appearance as well as display content. Both exhibits featured large amounts of consumer goods and heavy machine tools. (See Appendix II) 45/

Czechoslovakia and Hungary did not participate in the 1957 Izmir Fair. This move by Hungary is not too surprising in view of the economic difficulties suffered as a consequence of events in the Fall of 1956. Czechoslovakia's decision, however, is quite unexpected since her previous exhibits have been so impressive and well received. However, Poland, Rumania, Bulgaria and the USSR did participate in the 1957 Fair.

Bloc countries have placed considerable emphasis on effective participation in the Izmir Fairs since 1954. The opportunities for expanded trade with

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Turkey described earlier, gave added importance to Bloc exhibits. On this the Bloc countries were quick to capitalize. The variety and quantity of Bloc goods on display at the Fair have been expressly designed to convince Turkish businessmen that the Communist countries are fully capable of providing Turkey with all types of goods. The expansion of trade in recent years offers an indication that Bloc efforts in this direction have met with some success.

A number of Bloc countries are in a position to take full advantage of the opportunities presented by the Fair since they are not restrained by the factors which have tended to dampen the enthusiasm of Western exhibitors. At the 1955 Fair, Western exhibits were curtailed by small foreign exchange allocations; and by the failure of Turkey to pay for their 1954 displays sold after the Fair. 46/ Moreover, Western firms had doubts as to the economic advantages to be gained from participating in view of Turkey's foreign exchange position. Consequently, many Western firms did not appear at the 1955 Fair, nor did the United States Government participate. The Bloc countries, however, were not discouraged by this situation; rather, they seized the opportunity to dominate the 1955 Fair. 47/

In 1956, the Turkish government announced that it would make available special foreign exchange allocations in order to increase the incentive to Western exhibitors. In spite of these good intentions, foreign exchange allocations were sufficient to cover only a small part of the cost of the items displayed. 48/ Payments to British and French exhibitors under the allocations made for the 1954 and 1955 Fairs are still pending. As of January 1957 it was not certain when payments under the allocations for the

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1956 Fair will be made. 49/ Bloc countries sold their goods exhibited in 1956 up to their foreign exchange allocation, which totaled 3.5 million Turkish Lira (\$1.2 million) out of the 12.8 million Turkish Lira for all countries. Nevertheless, most of their exhibits were shipped back because their value exceeded the allocations. 50/

It is evident, therefore, that from the standpoint of the Western countries, the prestige and propaganda value of effective participation in the Izmir Fair may, for the present, outweigh the commercial advantages to be gained. This will continue to be the case until the Turkish economic picture improves. It may be that some form of government support will be necessary for a more effectual showing by Western firms at the Izmir Fair. In any case, it should be recognized that the propaganda and prestige value of participation in the Fair could be lost by default. Moreover, the potential for expansion of Western trade with Turkey does exist but requires an improvement in Turkey's economic situation in addition to the continued alignment of Turkey with the West. There is every reason to believe that these two conditions will be fulfilled.

#### D. Bloc Commercial Representation

As the Bloc economic offensive in Turkey has developed, commercial representation has been given an increasingly important role and a more permanent status. The USSR and some of the Satellites maintain commercial representatives who are attached to their embassies in Ankara. Soviet representatives have also been reported in Kars and Istanbul. Czechoslovakia and Rumania reportedly opened new and larger commercial offices in Istanbul after the 1955 Izmir Fair. 51/

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Mixed trade commissions have been set up under the trade agreements between Turkey and certain of the Satellites--Bulgaria, Czechoslovakia and Rumania. Although these groups meet infrequently to review fulfillment of the trade agreements, their existence is on a permanent basis and their role has been enhanced by the importance which Bloc countries attach to trade relations with Turkey. An exchange of unofficial trade delegations occurs under the non-governmental trade accord between Turkey and East Germany. In addition, East Germany maintains a field office of its Chamber of Foreign Trade in Istanbul. 52/ Various other Bloc commercial groups appear in Turkey from time to time, generally on specific purchasing missions.

V. Foreign Trade

A. Trade with the Bloc

During 1956, Turkish trade with the Soviet Bloc declined absolutely and relatively compared with 1955 but still remained at a significant level. (See Appendix III) Trade with the Bloc dropped to \$119.2 million in 1956 and represented 16.7 percent of total Turkish trade as compared with \$159.9 million in 1955 which was 19.7 percent of Turkey's trade in that year. To some extent this decline reflected a general decline in Turkey's foreign trade in 1956. Total trade was valued at \$712.3 million in 1956, down some 12 percent from the previous year.

The reduction in trade with the Soviet Bloc, however, was relative as well as absolute. Turkey's total imports declined by 18 percent in 1956. Imports from the Bloc, however, declined by 35 percent. Turkish exports to the world fell by 3 percent from the 1955 level while exports to the Bloc declined by 12 percent. The relative decline in Turkish-Bloc trade lends credence to a report that Turkey is deliberately curtailing trade with the

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Iron Curtain countries because it is convinced that such trade is not economical for the country. 51/ In fact, Turkey has been paying above world market prices for imports from the Bloc. Current regulations permit the Office for Control of Import Goods' Prices to approve prices which are 15 percent above world market prices for goods from outside the dollar and EPU areas. Some local importers claim that differentials up to 25 percent actually exist. 52/ Turkey has bought from the Bloc at these high prices, however, because her weak foreign exchange position has frequently prevented her from obtaining certain goods in the West and also because her export prices are considerably above the world market.

Turkey's total trade showed a deficit of \$102.3 million in 1956 as compared with \$124.3 million in 1955. Trade with the Bloc, however, was nearly in balance. During the first quarter of 1957, Turkish trade with the Bloc showed a slight excess of exports over imports and was at about the same level as during the same period in the previous year.

Czechoslovakia, East Germany, and Poland maintained their position as Turkey's primary trading partners within the Soviet orbit in 1956, as they had done in the previous year. The bulk of Turkish-Bloc trade is with the European Satellites and is rooted in a pre-war traditional pattern which is likely to persist. Trade with Communist China is insignificant. The pattern of Turkey's foreign trade continues to be characterized by an exchange of Turkish agricultural products for manufactured goods and equipment. Turkey's main exports are cotton, tobacco, and wheat. (See Appendix VII)

The most important Turkish export to the Bloc during the first half of 1956 was tobacco, the bulk of which was American-grade. 53/ Other significant commodities exported by Turkey to the Bloc during this period were wheat, oil cakes, and other agricultural commodities. 54/ These products

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probably could have been marketed outside the Bloc if their price had been more competitive. 57/

There has been a significant rise in tobacco exports to the Bloc since 1943<sup>1953</sup>, especially of American-grade tobacco. 58/ Although accurate estimates of re-exports are not available, it is believed that a large portion of Bloc imports of Turkish tobacco are re-exported to the United States. The Izmir Tobacco Merchants Association estimated that in 1956 some 7 to 8 million kilograms were exported to the United States via third countries. A large part of this came from Bloc countries. 59/

Bloc purchases of Turkish tobacco, almost entirely made by the Satellites totaled 14,633 tons from January through August 1956. 60/ The rising price of American-grade tobacco has tended to discourage direct purchases by United States companies. Although the price is high, the Bloc countries can re-export it at a discount because of the high prices Turkey pays for Bloc merchandise under the clearing agreements and because of the value they attach to the acquisition of dollar exchange. United States officials have suggested to the Turkish Government that reduced export licensing of American-grade tobacco to the Iron Curtain countries and more attractive terms for the American companies would alleviate this situation. No action has yet been taken in this direction. A report of 8 February 1957 indicates that the Bloc countries are again in the market for large quantities of high-grade Turkish tobacco far in excess of their own apparent needs. 61/ The problem, therefore, threatens to be a continuing one.

Major Turkish imports from the Bloc include cement, (61 percent came from the Bloc in 1955); cotton fabrics (64 percent in 1955); textile machinery (24 percent in 1955) and various manufactured goods. (See Appendix IV) A significant development in the pattern of Turkish imports from the

Bloc has been the rise in imports of machinery and equipment. It is in their role as suppliers of capital goods that the Bloc countries are making their most significant contribution to Turkey's economic development. During the first half of 1956, 40 percent of Turkey's imports of textile machinery came from the Bloc, primarily from East Germany. In the same period, Czechoslovakia was the source of 44 percent of Turkey's imports of railroad cars. However, the Bloc supplied less than 10 percent of Turkey's imports of agricultural machinery and equipment during this period.

B. Trade with the West

Turkey's trade with the Free World during 1956 had a total value of \$593 million and accounted for 83 percent of total Turkish foreign trade.

In 1955 trade with the West represented 80 percent of Turkish trade. The United States, Germany and Great Britain are Turkey's major trading partners in the Free World.

Table 2

Value of Turkish Trade with Major Trading Partners in West 62/  
(Million \$US)

	<u>Exports</u>		<u>Imports</u>	
	<u>1956</u>	<u>1955</u>	<u>1956</u>	<u>1955</u>
US	59.9	48.6	85.8	111.3
UK	23.3	23.3	33.4	39.0
France	16.2	22.2	19.2	29.9
West Germany	50.7	49.1	96.0	87.4
Italy	30.6	25.3	26.2	18.1

Turkey's primary exports to the West are cotton, wheat and tobacco. The United States, which buys the major portion of Turkish tobacco, purchased 30 percent of Turkey's tobacco exports in 1955. France, Turkey's best market for cotton, bought 32 percent of Turkish cotton exports in 1955. Italy, the best customer among Western countries for Turkish wheat in 1955, purchased 50 percent of Turkey's exports of that item. (See Appendix <sup>viii</sup> ¶)

The West supplies Turkey with nearly all of its petroleum products. In 1955, about one-third of Turkish petroleum imports came from the United States. West Germany, the United States and Great Britain are Turkey's main

sources of supply for agricultural machinery and transportation and industrial equipment.

Western countries have been supplying Turkey with goods to a far greater value than Turkish exports to them could cover. West Germany and Great Britain have been moving farther in this direction than the other European countries. A large part of the excess of Turkey's imports from both countries is represented by deliveries under supplier credits, such as services and equipment for cement factories and sugar plants from West Germany and the construction of the Hirfanli Dam, grain silos, and other projects by British firms. 63/

A large part of Turkey's trade deficit with the West is represented by defaults on Turkish payments of supplier credit installments and the creation of new commercial arrears in excess of payments of old ones. 64/ Turkey's commercial arrears to its major trading partners in the West were unofficially estimated to be \$195 million as of 1 January 1957, 65/ with West Germany the largest creditor at \$72 million. Arrears to the United States now total about \$26.3 million, including \$24.5 million to US oil companies, \$1 million to movie firms, and \$750,000 to commercial companies. 66/

Turkey has agreements concerning arrears with many European countries\* which provide that proceeds from certain Turkish exports to them will be used toward the payment of Turkish arrears. 67/ The latest

\* Austria, Belgium, West Germany, Denmark, France, Holland, Italy, Sweden, United Kingdom, Switzerland

development in these arrangements occurred in February 1957 with the signing of a protocol to the agreement with the United Kingdom. Under the protocol, the Central Bank of Turkey will pay into a special account for the liquidation of arrears, 20 percent of the sterling earnings derived from exports to the United Kingdom for all except a few exports, such as wheat, copper, and chrome. Fifty percent of proceeds from exports of these commodities will be paid into the account. Turkey agreed to pay a minimum of 2.5 million pounds sterling toward the liquidation of £ 18 million of commercial debts outstanding as of February 1957. The agreement enables Turkey to stretch out payments over a period of years as the government has long desired to do.

West Germany, Turkey's largest creditor, has agreed to an arrangement by which approximately \$176 million worth of ammunition will be made by Turkey for export to West Germany over a three year period. One-half of the proceeds of the transaction are to go to West German holders of Turkish arrears. 68/ It is expected that this measure will be successful in liquidating Turkey's commercial debt to West Germany.

## VI. Economic Development in Turkey

### A. Introduction

Since the establishment of the Turkish Republic, Turkey has been intent upon the full development of her resources and the establishment of a modern, industrialized state. This comparatively long tradition of economic development, the considerable economic potential of Turkey, its

niche in the defense structure of the Free World, and the substantial economic expansion achieved thus far give Turkey a fairly unique position among the underdeveloped countries of the world. The fact remains, however, that, in spite of its noteworthy progress, Turkey is experiencing internal strains and stresses which threaten her stability and economic viability. Turkey's ambitious investment program has stimulated internal inflation, accumulated arrears to Free World suppliers, and resulted in a significant rise in the cost of living. The government of Turkey, despite its awareness of these conditions, has indicated its determination to maintain the rapid pace of development on which it believes its political future depends.

It is with this general picture in mind that the machinations of the Soviet Bloc vis-a-vis Turkey must be analyzed in order to arrive at a realistic appraisal of the nature and impact of current Bloc economic activities in Turkey as well as a projection of the extent to which Bloc objectives in Turkey are likely to be achieved. It is not suggested that Turkey's ties with the West are tenuous. Turkey has been a cooperative and dependable member of the Western Alliance since 1947 and has devoted a significant portion of its resources to support its defense establishment. Whatever vulnerabilities to Bloc penetration might develop in Turkey, they are likely to occur as repercussions of its preoccupation with rapid economic development. It is in the economic sphere that the Bloc has concentrated its activities in Turkey. The current level of direct Bloc participation

in Turkish economic development is not large and, beyond an expansion of trade, is confined to the construction of a few industrial plants. The persistence of economic dislocations unchecked by stabilization measures, the drying up of Western sources of credit, continued difficulty in marketing high-priced exports in the West, and a host of other conditions could well create a situation in which the Bloc might find its task of penetration greatly facilitated. It has already been noted that the confluence of these conditions has led to an expansion of Turkish trade with the Bloc in recent years. Any significant Bloc participation in the development of the Turkish economy poses a potential threat to Turkey and to the United States. For this reason, therefore, a close look at the economic development of Turkey and its resultant strains on the Turkish economy is necessary for an evaluation of the current Turkish position and the effect of present and future Bloc economic activities in Turkey.

B. Economic Development Program

The economic development of Turkey has been carried out under successive five-year plans which began in the 1930's. These broad programs indicated the emphasis of investment expenditures by the government and aimed primarily at rapid industrialization. The guidelines of the present effort were derived from the broad outlines of an economic development program enunciated in 1950 when the present Menderes government came to power and extended in 1954 for another five years. The main points of this

program include: 69/

1. emphasizing agricultural development
2. accelerating capital investment
3. affording security conducive to private enterprise development
4. encouraging the import of foreign capital
5. reducing administrative overhead

The stress on agriculture under this program represents a significant shift in emphasis in Turkish development policy. Prior to 1950, the government had concentrated on industrial development and had neglected the agricultural sector. A mission from the World Bank, which visited Turkey in 1950, severely criticized this aspect of the government's program. 70/

C. Financing Development

The notable expansion in physical output achieved by Turkey since 1950 has been sustained primarily by the Turkish government. In the absence of large private savings, limited by the low level of income, the chief source of investment capital has been governmental revenues. To facilitate a rapid expansion of production, the Turkish government has pursued policies of easy credit to agriculture and industry and has adopted a program of price supports for the principal agricultural staples. Liberal use of private and public credit, both domestic and foreign, has also been utilized. Large assistance from the United States has played a crucial role in enabling Turkey to carry on its development effort and, at the same time, sustain a defense effort necessitated by the strategic position which Turkey occupies

in the Free World defense framework.

Moreover, much of the aid received from the United States has directly contributed to Turkey's economic development through support for development projects allied to Turkish defenses, such as port facilities, the development and modernization of mines, electric power facilities, and other industrial and agricultural projects.

In spite of the resultant strains on the national economy, Turkey continues to devote a substantial portion of her financial resources to accelerated economic development. The Turkish budget for Fiscal Year 1957 (which began 1 March 1957), the largest in Turkish history, provides a total investment outlay for economic development of 1,311 million TL (\$468 million) which is about 33 percent above the level approved for FY 1956. For the third successive year, budget-expenditures for economic development will exceed those for national defense which previously topped the list. The following table provides a breakdown of budget expenditures for selected years (in millions TL). TL

Table 3

Turkish Budget Expenditures for Selected Years

	<u>FY 1957</u> (allocations)	<u>FY 1956</u>	<u>FY 1954</u>	<u>FY 1950</u>
National Defense	1,047	873	658	521
Economic Development	1,311	993	614	329
General Administration	586	541	361	223
Education	557	501	304	197
Social Welfare	246	235	176	132
Debt Service	157	138	140	99
Health	192	164	126	61
Total expenditures	4,096	3,445	2,379	1,562

A further breakdown of expenditures for economic development (in millions TL) follows.

Table 4

Expenditures for Economic Development

	<u>FY 57</u> (preliminary)	<u>FY 56</u>
Transportation and Communication	563.5	482.5
Agriculture	517.9	350.4
Public Works	161.5	103.4
Industry, Mining, Power	67.6	56.7

The total financial operations of the state economic enterprises, which have a degree of autonomy and fall outside the national budget, bulk as large in the economy as the national budget itself. Many of these enterprises are directly concerned with economic development projects.

D. Achievements

Under this broad development program Turkey has made remarkable strides since 1950. Gross National Product increased by about 40 percent between 1950 and 1955. 73/

Table 5

Gross National Product  
(at constant 1948 prices, Millions TL)

1950	10,400
1951	11,988
1952	13,023
1953	14,467
1954	13,145*
1955	14,350*

\* Provisional estimates.

Dramatic gains in Turkish production have been registered since 1950 as the following table indicates.

Table 6

Production Index of Major Sectors (1948 = 100) 74/

	<u>1954</u>	<u>1953</u>	<u>1952</u>	<u>1951</u>	<u>1950</u>
Agriculture	110	137	125	117	97
General Industry	151	142	129	119	110
Mining	200	200	182	153	123
Manufacturing	143	135	123	115	108
Public Utilities	266	183	154	132	118
Construction	254	282	204	169	162
Transportation and Communication	209	171	161	131	120

Although advances have been registered in every major sector, the expansion of social overhead facilities--the transportation and communications network and public utilities in general--has been particularly impressive. The development of these facilities is very vital to the long-range balanced growth of the Turkish economy and will provide the base necessary for the continued industrialization of Turkey.

1. Agriculture

Of special note have been the advances in agriculture in which approximately 80 percent of the Turkish labor force is employed. Agriculture continues to be the mainstay of the Turkish economy and its major foreign exchange earner. Cereal growing, to which more than three-fourths of the tilled land is devoted, is the basic Turkish agricultural activity.

Mechanization of agriculture is progressing, and the government's program includes increased use of fertilizers, improved and expanded irrigation facilities, and improved farming methods.

Total agricultural output since 1950 has expanded significantly. Output of key crops grew at a more rapid rate between 1950 and 1953. Production of wheat increased from 3.8 million metric tons in 1950 to 8 million metric tons in 1953. (See Appendix <sup>V</sup>VI) Three successive years of poor weather conditions, however, have kept Turkish cereal production below the 1953 peak. The current critical Turkish wheat situation, aggravated by drought conditions early in the year has necessitated substantial emergency shipments of wheat from the United States and Italy.

## 2. Transportation and Public Works

Inland transportation and port facilities have been greatly improved and expanded under Turkey's development program. Of particular importance has been the road building program. All-weather roads and highways in Turkey now total 20,500 miles compared with 10,851 in 1950. 75/ Further development of transportation, storage, and handling facilities is important in eliminating impediments to the development of larger domestic markets. Turkey has also made large investments in irrigation installations, dams, power plants, and other public works vital to a balanced development of the country. Since these sectors do not attract private capital investment, the burden of their financing has fallen primarily on the government.

3. Mining and Industry

Substantial gains have also been made in the mining and manufacturing industries. Overall production in 1954 was about 50 percent higher than in 1948. Production of certain major industrial commodities has increased markedly. (See Appendix VII) Cement production, for example, has more than doubled since 1948. Recent official estimates place cement production capacity by the end of 1957 at 2 million tons.

In rate of growth, as well as production, textile manufacturing is the most important industry in Turkey. 76/ Private enterprise operates the bulk of Turkey's textile plants but state enterprises also have a considerable share in the industry. Production in state-owned cotton textile enterprises increased from 101 million meters in 1950 to 150 million meters in 1956. 77/ Output by privately owned enterprises increased from 51 million meters in 1950 to 230 million meters in 1954. 78/ Production will continue to expand as many textile factories currently under construction are brought into operation.

Turkey has made a determined effort to diversify its industrial base and currently operating industries include, inter alia, food processing, lumber, cellulose, chemicals, pharmaceuticals, rubber, metalworking, machinery, and leather. Special emphasis has been placed on the establishment of sugar refineries and cement plants with a view to making Turkish production sufficient for the country's needs, thereby saving foreign exchange. Since 1950 11 cement

factories have been put into operation, 79/ and 11 sugar plants have been constructed during the past three years. 80/

By 1954, participation by private enterprise in Turkish industrial development had increased significantly, especially in the food processing industry and in the rubber and construction materials industries. Foreign capital participates to some extent in the food and chemical industries. In addition, important American investments have been made in the field of machinery production.

Turkish industrial production has been somewhat handicapped by the chronic foreign exchange shortage which has interrupted the flow of imports of essential spare parts and raw materials. A poorly coordinated allocation system for scarce materials has compounded the difficulties facing Turkish industry. 81/ In several instances this situation has forced many plants to operate at less than capacity and a few concerns have had to suspend operations temporarily. 82/ This condition tends to discourage private enterprise in Turkey, foreign as well as domestic.

Turkey has substantial reserves of coal, lignite, chrome, iron, and copper. Its coal and lignite deposits and the availability of water power provide Turkey with an abundance of the primary sources of electrical energy which augurs well for Turkey's future economic development. Turkish mineral production has increased greatly since 1948. (See Appendix VI~~II~~) Private enterprise has been taking a greater part in the development of Turkey's

mineral resources, although operations of state enterprises still account for the major portion of total production in this field.

E. Role of the Government

In view of the fact that Turkey's economic development began under a policy of statism adopted in the 1930's, it is not surprising that the Turkish government continues to participate actively in the life of the country and particularly in its economic development. Over a period of years the government has established a large number of state enterprises which operate in nearly every sector of the economy.

One group of government institutions, established under a law passed in 1938, is free from the law of public accountability and their budgets are not subject to debate in the Grand National Assembly. The Sumer Bank, Eti Bank, Agricultural Bank, Office of Soil Products (Toprak), Railways, and the Telephone-Telegraph Administration are the more important enterprises in this category. 83/ The government holds a controlling interest in a second group of state economic enterprises which includes such organizations as the Airways, Cement Industry, Turkish Sugar Factories Corporation, and others. In addition, there are various other state enterprises with primarily economic functions such as the Directorate of Highways, Waterworks, and others.

The Sumer Bank and the Eti Bank, two of the more important government enterprises whose role in Turkey's economic development is substantial, merit

special attention. The Sumer Bank, established in 1933, is authorized to engage in any industrial activity in addition to performing normal banking functions. The impact of this institution on Turkey's economic expansion can be seen from the fact that in 1952 it was estimated that the Bank's industrial establishments produced 53 percent of the nation's cotton yarn, 64 percent of its cotton textiles, 44 percent of the output of wool yarn, 69 percent of the woolen textiles production, and, in 1954, 26 percent of the country's cement. 84/

The Eti Bank, established in 1935, is authorized by law to buy and sell mineral ores and any materials related to mines, to operate mines, to erect and operate electric power plants, and to buy and sell electrical equipment and establish factories for its manufacture. In addition it is authorized to carry on normal banking function. It is estimated that the Eti Bank's establishments produce all of the nation's bituminous coal, copper and sulfur; 70-75 percent of its lignite; 25-30 percent of the country's chrome ore, and 70 percent of the iron ore output. 85/

It is evident that the Turkish government has been and continues to be the primary force in Turkey's economic development. This situation has a salutary effect in that as long as the Turkish Government refuses to countenance aid offers from the USSR, the chance of significant participation by the Soviet Union in the industrialization of Turkey is not very great. While it is doubtful that comparable economic progress would have occurred

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in the absence of state enterprises, they have been a mixed blessing to Turkey. The report of the World Bank pointed out that these enterprises operate quite independently of each other with the results that adequate coordination of investment is not achieved and consequently resources are not used most efficiently. Moreover, it is quite possible for marginal ventures initiated by these organizations to be continued indefinitely, supported by public funds.

F. The Role of Private Capital

By 1950, the policy of statism was losing popular support and pressure developed to establish a wider role for private enterprise, a role also recommended by the World Bank mission. When the new government came to power in 1950, it pledged itself to encourage private investment and to provide the security necessary for its expansion. Since that time, it has taken steps to implement this policy with the result that the scope of private enterprise in Turkey has expanded significantly, although it is still overshadowed by the widespread activities of the state economic enterprises.

A law passed in 1954 abolished all advantages previously accorded to state mining enterprises and placed them on an equal basis with private enterprise. While this development has provided some encouragement to private industry in the mining field, state enterprises still remain the dominant producers. In terms of the long range economic development of

Turkey the increased flow of private capital into industrial undertakings has been a significant and promising development.

The privately owned Industrial Development Bank, established in 1950 under the auspices of the Turkish government and the IBRD, has made a significant contribution to the expansion of private industrial enterprise in Turkey. By the end of 1955, some 310 loans had been approved by the Bank for a total of 155 million TL. 86/ Loans have been made for the following types of enterprises, arranged in order on the basis of volume of loans made—textiles, ceramics, food, chemicals, and metal goods. 87/ While the role of private enterprise has increased, its present influence should not be exaggerated.

G. Effects of the Development Program

Basically, the economic and financial difficulties that have confronted Turkey over the past few years result from an excess of internal demand in relation to available goods and services. The policies of liberal credit to agriculture and industry, high agricultural price supports, and large public expenditures have created a rise in money incomes which has not been matched by a corresponding increase in domestic output. In each year since 1952, the money supply and bank credit have risen by 20 percent or more, as against an average yearly rise over the period of 5 to 6 percent in the total output of goods and services. 88/ Central Bank credits in February 1957 were about 4.2 billion Turkish lira, nearly 1 billion TL above

the amount a year earlier. 89/

Internally, one of the most serious effects of this situation has been a sharp rise in prices. The cost of living index for Istanbul in January 1957 was 157 (1948-100) which was 8 points above the figure a year earlier. The wholesale price index for January 1957 was about 24 points higher than for the same month in the previous year. As noted earlier, Turkey's domestic economic problems have been associated with a critical foreign exchange shortage and a difficult external payments position.

H. Attempts at Stabilization

In January, 1956, the Turkish Prime Minister announced the government's intention to take the following steps in order to put the economy on a sound footing:

1. restrict new investments to those which will positively and rapidly improve the balance of payments position;
2. attain a balanced budget;
3. cut off state economic enterprises from credit resources of the Central Bank;
4. establish an economic priority schedule for imports. 90/

In place of restrictive monetary and fiscal policies, the government has relied on direct controls such as import licensing controls, taxes on foreign exchange, and direct price controls. Cumbersome licensing and exchange controls have operated to curb imports somewhat, but these are stop-gap measures and do not attack Turkey's economic problems at their origin. The import foreign exchange tax, a new revenue measure incorporated in the 1957 budget, may have a salutary effect on the economy in that the revenues brought in by it will help cover the public sector deficit and thereby reduce the amount of new purchasing power to be created by the Central Bank. In view of the proposed high level of spending under the new budget and the increases in investment expenditures, it was wise to obtain some of the additional funds needed by taxation rather than through the creation of new money. The measure is, in a sense, a means of limited and partial devaluation in that it will bring the price of imports more nearly into line with their real value, but it will not improve the export

picture. Moreover, it is expected to push domestic prices up and thereby add to inflationary pressures. This too is a stop-gap measure, and it is likely that the government will have to attack the exchange rate problem in a more fundamental manner.

In mid-1956, amendments to the basic National Protection Law were adopted in an attempt to check inflation. These amendments were addressed principally to price control, margin of profit allowances and increased penalties under the basic law which gives the Government broad regulatory controls over the economy. Although the initial impact of this legislation was impressive, a series of modifications and adjustments has had the effect of nullifying its effectiveness, and the current outlook is for continued inflation.

As the foregoing discussion has indicated, the period since 1950 has been one of impressive economic growth for Turkey. The economic expansion achieved, however, has had attendant costs in the form of internal inflationary pressures as well as serious external payments difficulties. These tendencies, if unchecked, will serve to discourage foreign capital and act as real deterrents to further economic development. It is generally agreed that the remedy for Turkey's economic ills lies partially, at least, in the implementation of a stabilization program which will provide the

breathing spell necessary for a period of controlled growth during which current economic dislocations can be dealt with. In the past the government has not implemented such a program. The prospects for government action along these lines are not good at the present time. The government has staked its political future on rapid economic development, and, with elections approaching in the fall, it is unlikely that it will come to grips with Turkey's economic difficulties and adopt stabilization measures at the present time.

## VII. Western Support for Economic Development

### A. Climate for Foreign Investment

The Turkish political and economic climate is basically favorable to foreign investment. In view of Turkey's substantial agricultural and mineral resources and industrial potential, the country offers a number and variety of investment opportunities. At the present time, private foreign capital is somewhat inhibited by Turkey's economic and financial difficulties, particularly the foreign exchange shortage and inflationary pressures in the economy.

The Government has made it a point of policy to attract private foreign capital to Turkey to assist in carrying out the country's ambitious development program. Among the measures designed to improve the legal climate for foreign capital have been the Foreign Investment Encouragement Laws and the Petroleum and Mining Laws.

Under the Law for the Encouragement of Private Investment, approved

in 1954, all rights, immunities, and facilities granted to domestic capital enterprises were made available, on equal terms, to foreign capital and enterprises engaged in the same fields. 91/ In addition, it provided for the unlimited transfer of all profits. 92/

In 1954 a law dealing with the development of Turkey's petroleum resources was enacted which opened the way for foreign oil companies to prospect for oil in Turkey and to exploit it, subject to governmental approval. By the end of March 1956, a total of 141 exploration licenses had been issued to 12 companies, including American, Dutch, English, West German, and Turkish firms. 93/ Turkey does not grant general tariff or trade concessions to new industries, but an exception was made in the petroleum law for the duty-free import of all equipment needed by the oil companies for their operations. 94/

According to present Turkish mining law, minerals may be explored and exploited only by Turkish citizens or by companies that are formed according to Turkish regulations. The law does not stipulate, however, that the capital used to finance mining operations must be of Turkish origin nor does it prohibit foreign companies from working in the mining fields as <sup>lessees</sup> leases or contractors. 95/

In January 1957, another step was taken in the government's program to attract foreign capital, especially United States capital. This consisted

of an expropriation and confiscation Guaranty Agreement between the United States and Turkey which makes it possible for the IOA to guarantee United States investors against loss by reason of expropriation. 96/ An agreement reached in 1951 guarantees currency convertibility. 97/

B. Foreign Investment

With the passage of the new Foreign Investment Law in 1954, private foreign capital exhibited renewed interest in Turkey. From mid-1954 to early 1956, approximately 150 foreign investment proposals (involving more than \$35.7 million) had been approved by Turkey. 98/ By early 1956, a number of foreign firms, primarily American, West German and Italian, had made investments in Turkey in such fields as chemicals, farm equipment, truck assembly, cement, and textiles. 99/ Although United States private investment in Turkey is not very large, a number of American firms are quite active in Turkey. The American Tobacco Company, General Electric, Minneapolis-Moline, and certain oil companies are among the United States firms operating in Turkey.

A few Turkish development projects have been started by credits extended by Western European firms. British and French interests have participated in Turkish hydroelectric and irrigation projects. In addition, some projects involving the expansion of sugar and cement facilities in Turkey have been partially financed by British, French and West German

credits. 100/

Although completely accurate figures on foreign investments in Turkey during the past five years are not available, the total was probably considerably below the amount desired by Turkey. Turkey's inability to attract an adequate supply of private foreign capital is probably due in large part to the foreign exchange pinch and the general dislocations within the Turkish economy. The long-run outlook for foreign investment, however, will probably improve as stability and balanced growth is restored to the Turkish economy.

C. United States Assistance

Turkey did not possess sufficient military and financial resources to effectively counter the threat of Communist expansion posed in the early post-war period. The United States responded to this situation by providing aid to Turkey as part of the Greek-Turkish Aid Program initiated in 1948. Since that time, the United States has engaged in a broad program of assistance to Turkey. Total obligations for all types of aid have been approximately \$1.6 billion, 101/ since 1948. Expenditures during this period totaled \$1.2 billion. 102/

Total United States military assistance to Turkey through FY 1956 amounted to \$1.1 billion in obligations, 103/ of which \$159 million 104/ was provided under the Greek-Turkish Aid Program. Of the amount obligated, approximately \$836 million has been expended. 105/

The military assistance program proposed for FY 1958 provides for \$144.5 million. 106/ Slightly more than half of this sum is for maintenance of forces. The remainder is for force improvements. Military aid involves assistance furnished in the form of equipment, supplies, and services furnished directly to the Turkish military forces. United States military assistance, together with aid received from other NATO countries, has enabled Turkey to develop and maintain a more adequate defense establishment than it would have been capable of supporting alone.

United States non-military aid to Turkey cumulative through FY 1956 has amounted to \$410 million in actual expenditures. 107/ FY 1957 expenditures will probably add \$100 million to this total. 108/ Under the proposed FY 1958 program, Turkey will receive \$81 million in non-military aid, \$75 million of which is earmarked for defense support and \$6 million for technical cooperation. 109/ United States defense support to Turkey is designed to insure the flow of material essential to a continued defense effort. Under this program, Turkey receives raw materials, basic industrial commodities, machinery, and spare parts. In the past, aid for the development of vital basic facilities, such as hydroelectric projects, has been extended through defense support funds. In FY 1958, however, no defense support funds are proposed for these projects on the assumption that any financing required to continue them can be met from other sources. 110/

Included under defense support is the technical cooperation program

by which the United States provides training for Turkish personnel. Expenditures under this program totaled \$9 million through FY 1956. 111/ Expenditures under Public Law 480 for surplus wheat and dairy products shipped to Turkey amounted to \$11 million through September 1956. 112/

The magnitude of United States assistance to Turkey underlines the continuing interest of the United States in the ability of Turkey to maintain a defense establishment commensurate with her role in the Western defense system and to develop the kind of healthy economic base on which her total effort depends. United States assistance to Turkey during the past ten years has been a crucial factor in strengthening Turkey's resistance to Communist pressure.

It will be noted that United States aid has not involved substantial direct support for Turkey's economic development except in the case of high priority projects clearly designed to contribute to the nation's defense effort. The primary objective of United States aid thus far has been to ensure that the Turkish economy could function at a level necessary to maintain the defense effort. The long-range program worked out by the US Operating Mission envisages two phases in United States aid to Turkey:

1. Until the Turkish government is prepared to deal effectively with its fundamental economic problems, United States aid will be directed to supplying critical import needs, essentially industrial raw materials and spare parts, and contributing to the completion of high priority development projects already underway.
2. Once proper stabilization measures are taken and have an

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opportunity to take effect, the USOM foresees a shift in emphasis for aid from essentially a holding operation to United States support for a carefully planned economic development program. 113/

D. Export-Import Bank Loans

Total authorized credits extended to Turkey by the Export-Import Bank through June 30, 1956, amounted to \$53 million. Actual disbursements totaled \$35 million by that date. Most of these funds were used for the purchase of industrial equipment.

E. World Bank Assistance

The World Bank has authorized loans to Turkey in the amount of \$58 million since 1950. Of this amount, 18 million went to the Industrial Development Bank for foreign exchange. These funds were, in turn, loaned to private industrial concerns to cover project requirements of imports of machinery and equipment. Other programs utilizing World Bank financing include port development, expansion of electric power facilities, and the construction of grain storage facilities. (See Appendix IX)

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VIII. Soviet Bloc Support for Economic Development

The objective of Bloc economic activities in Turkey extends beyond an expansion of trade to active participation in Turkey's economic development. The Bloc has repeatedly offered to provide machinery and to construct industrial installations in Turkey and in some cases has offered favorable credit terms for these projects. In their effort to secure contracts, Bloc countries sometimes have offered equipment at prices below the world market and, in at least one instance, a subsidy was granted to enable the fulfillment of a contract by a Bloc agency.

In connection with a glass factory to be built in Turkey by the Soviet Union, a recent report indicated that the Soviet Union quoted prices for the equipment said to be 10 percent below the world market level. 114/ No confirmation of this information has been received, however. In another instance, the USSR was said to have offered heavy construction equipment to a Turkish firm at about one-third of its value. 115/ Komplex, the Hungarian state agency for export of industrial installations, received a subsidy from the Hungarian National Bank for the construction of a flour mill in Turkey. 116/

So far, the USSR is the only Bloc country which has offered large-scale, government-to-government economic aid to Turkey. On many occasions the Soviet Union had announced its willingness to extend such assistance. According to one report, President Bayar was approached with a Soviet offer to clear up all of Turkey's financial difficulties in return for benevolent neutrality. 117/ In 1956 the Soviet Commercial Attache was said to have indicated that the USSR was willing to be more generous with economic aid

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for Turkey than it had been with India or Afghanistan. It has been the policy of the Turkish government, however, to reject all such offers from the USSR. Moreover, Russian approaches to private enterprise have also been rebuffed, although it now seems likely that a recent Soviet offer for the construction of a glass factory will be accepted.

The government of Turkey does not seem to take the same negative attitude toward short-term limited and specific credit offers from the European Satellites as it does toward the more general overtures of the USSR. In view of this, it is not surprising that the European Satellites thus far have spearheaded this aspect of the Bloc economic offensive in Turkey. They have advanced a profusion of offers to construct installations in Turkey and have been successful in securing a number of contracts.\*

To date the Satellites have extended credits totaling \$5.9 million to Turkey. The largest known credit was extended by Czechoslovakia in 1955 for the purchase by the Turkish State Railways of \$5 million worth of passenger railway coaches on an eight-year credit. 119/ Czechoslovakia has also granted a five-year credit of \$0.7 million, presumably to a private firm, for a textile mill in Istanbul. 120/ In 1956, a credit of \$0.2 million was extended by Hungary for machinery to equip a vegetable oil plant, also in Istanbul. 121/ It is estimated that the European Satellites have secured contracts valued at about \$18.2 million for the construction of industrial installations and the provision of machinery and equipment. (See Appendix X) Turkey has received credit offers from the Bloc, primarily from the USSR, amounting to slightly over \$200 million.

A number of contracts signed between Turkish firms and the Satellites

\* These are detailed in Appendix X.

may involve credits although conclusive information in these cases is not available. The present status of these dealings with individual Bloc countries is treated below.

A. Czechoslovakia

In 1955, a contract was signed between Technoexport and a Turkish company under which Czechoslovakia would provide complete equipment for a large cotton thread mill to cost \$1.2 million. Delivery of the equipment, to be assembled under Czech supervision, was scheduled for 1955 and 1956. 122/ During 1956, Turkey was reportedly receiving complete equipment for a brick factory from Czechoslovakia. 123/ Credit negotiations between Czechoslovakia and Turkish firms in progress at the end of June 1956 included a \$0.4 to \$0.7 million credit for a wire and rolling mill 124/, a \$0.7 million credit for a ceramics factory 125/, and hydroelectric plants totaling about \$2.8 million for the Iller Bank on a seven to eight-year credit. 126/ A transaction involving \$1.4 million worth of diesel engines on a three-year credit appears to have been finalized in 1956. 127/

The Municipal Transit System of Istanbul is believed to have signed an agreement with Czechoslovakia for 200 Skoda buses to be delivered in 1957. 128/ This follows on a purchase of 100 buses in 1956, reportedly the first postwar sale of Bloc buses to a Turkish government agency. Payment for the first purchase was to be made through the Czech-Turkish bilateral agreement. 129/ It is possible, therefore, that payment for the additional buses will be through this arrangement also.

Recently, the Czech commercial attache in Turkey announced that an agreement had been reached whereby the Czechs will establish a large ceramics factory, to cost 4.5 million Turkish Lira (\$1.6 million), in Canakkale, located in northwestern Turkey. In addition, according to the attache,

Czechoslovakia will build a diesel motor factory in Turkey and will provide equipment for enlarging the facilities of the Sumerbank's shoe factory in the Beykoz district. 130/ If these plans materialize, it is likely that Czech technicians will be present in Turkey to work on the projects.

B. East Germany

In 1955, East German engineers were reported to be constructing a tractor hall and water tower 131/ and a cement plant 132/ in Turkey. In addition, it was reported that a flax and woolspinning mill was being set up in Istanbul by an East German team in 1955. 133/

East Germany has been particularly active in supplying Turkey with textile equipment. In 1954 a Turkish firm purchased a complete cotton spinning mill from East Germany. 134/ Negotiations were under way in 1955 for the procurement of \$0.9 million worth of spinning mill equipment. 135/ It was reported recently that textile machinery of East German origin had been installed or was going to be installed in mills at Manisa, Bergama, Antalya, Balakesir and Denizili. 136/ It appears quite possible that the 1955 negotiations concerned some of this equipment and that the transaction has been finalized.

In 1956, East Germany reportedly contracted for the construction of three textile factories in Turkey. Total cost of these installations is estimated at \$4.5 million. 137/ In 1957, deliveries, presumably under this transaction, amounting to \$3.0 million are planned. 138/ Payment for the factories reportedly will be in dollar currencies or through barter compensation, probably in tobacco. 139/ Another cotton mill is scheduled for shipment in 1958. 140/ Information on these transactions is fragmentary, but these three factories appear to be in addition to the equipment mentioned above.

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Other transactions in which East Germany is involved include a porcelain factory, for which a tender was submitted in 1956 141/, and an electrical materials plant which was still in the discussion stage at the end of 1955. 142/ Reportedly, East Germany is exporting to Turkey complete installations for a plate glass factory 143/ and has prepared tenders for a malt factory, a foundry for a tractor factory, and a plant making tins for preserving meat. 144/

C. Hungary

Hungary was awarded a contract in 1955 to build a flour mill valued at \$1.8 million. 145/ A credit was probably extended for this project at details are not available. In March 1956, Hungary extended a supplier's credit to a Turkish firm for \$208,000 worth of machinery for a margarine plant. The equipment has been reported delivered by the end of July 1956. 146/ In addition, a contract to supply complete equipment for an electric power plant, being financed by the state-owned Iller Bank, was awarded to Hungary in 1956. 147/ The cost of the equipment is estimated at \$1 million 148/, and a credit was probably involved in the transaction.

D. Poland

No contracts are known to have been concluded with Poland. A Polish offer in 1956 to supply a complete \$2 million foundry on an interest-free basis to the Minneapolis-Moline Tractor Factory in Ankara was refused. 149/ In the same year, Poland offered a \$6 million credit to a group of Turkish businessmen for a complete foundry. 150/ A consortium of Turkish firms was organized to operate the foundry and provide approximately TL 12 million of the capital required. The consortium originally consisted of the firms

Mehmet Kavala and Transturk Ltd. which have been involved in East-West trade previously. Some government enterprises, originally involved in the negotiations, withdrew from the scheme, ostensibly because of their reluctance to assume additional financial commitments. 151/ The two private companies have subsequently been seeking bank financing to fill the gap. 152/ An official of Cekop, the Polish state agency exporting complete industrial equipment, is reported to have disclosed in late 1956 that negotiations were still in progress for the metal works and that the entire installation would cost approximately \$12 million. 153/

E. USSR

In addition to general offers of large-scale economic aid, the USSR has made several offers to construct specific projects in Turkey. In 1955 a proposal was made to construct three spinning mills on long-term credit.

154/ In the same year, the USSR engaged in discussions concerning the erection of a flour mill with an estimated cost of \$3.5 million, a macaroni factory to cost \$20,000, and a brick factory valued at \$1.6 million. 155/ None of these proposals was accepted.

In 1956, the Istanbul press reported that the USSR was prepared to make various types of investments in Turkey. Specifically, the Soviet Union offered to build a \$50 million oil refinery on a twenty-year credit at low interest. 156/ A long-term credit of \$100 million to finance the construction of a steel mill reportedly also had been offered by the USSR. 157/ During the last half of 1956 the Soviet Union offered a private firm in Istanbul a TL 1.5 million (\$.5 million) three-year credit to buy machinery for a plant for the manufacture of small motors for water pumps. 158/ Representatives of the firm indicated to US officials that they did not want

to deal with the Russians but would feel compelled to unless a better offer from American firms was forthcoming. 159/

The USSR approached officials of the state-owned Eti Bank in November 1956 with an offer of credits up to \$200 million for the construction of installations in Turkey. 160/ The Bank has not replied to this offer which is the largest advanced by the Soviet Union to date. It is quite possible that the steel mill offered previously was one project envisaged in this offer.

The Soviet practice of by-passing the Foreign Ministry has caused officials to issue instructions that all Soviet offers must be brought to the attention of the government. 163/

It seems that the new Soviet approach is not ill-conceived. A report that the Soviet commercial attaché made an offer of assistance to Turkey reached the press and caused a minor sensation in Istanbul. 164/ That publication of Soviet aid offers might have some effect on Turkish public opinion, in view of Turkey's economic straits, cannot be discounted. One Turkish official has indicated to American representatives in Turkey that "the United States need have no fear as to the official Turkish reception of Soviet overtures but that if the Soviets decided to publicize such offers he was afraid that Turkish public opinion might cause the government some difficulty." 165/ Thus far, however, no serious development along these lines has occurred

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In June 1957, a delegation from the Is Bank, ~~Turkey~~ <sup>Turkey's</sup> main industrial bank, went to Moscow to discuss Soviet commercial offers. As a result of the talks a contract was signed for Soviet construction of a glass factory, and agreement in principle was reached on construction of a caustic soda factory. Both factories are to be supplied on a credit basis with repayment in goods over a ten to fifteen year period. 166/ If, as appears likely, the contract is approved by the Turkish Foreign Office, it will be the first Soviet contract in Turkey in the post-war period. The Turkish Prime Minister has assured American officials that this development does not presage any fundamental change in Turkish-Soviet relations and that Turkey is not disposed to accept Russian economic aid. 167/ It appears, however, that the Prime Minister, who is seeking re-election in the fall, wants to avoid a record of constant refusals to the USSR and that while large-scale Soviet aid will not be accepted, specific Soviet offers to private industry may be given more serious consideration than they have been accorded in the past.

The last instance of Soviet economic assistance to Turkey occurred in 1934 when Turkey borrowed \$8 million from the USSR, which was used for the purchase of factory installations and other equipment in various countries. The final installment on that loan is due in 1959. 168/

#### IX. Outlook

At the present time, the multifarious activities of the Soviet Bloc in Turkey appear to be based primarily on two considerations: preservation of good relations on the diplomatic level; and full exploitation of economic techniques to gain a better position in Turkey. The ultimate Bloc objective is penetration of Turkey to the point where it has a lever to be used for the

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eventual detachment of Turkey from the Western alliance. Despite a sizeable expansion in Turkish-Bloc trade since 1953 and Turkey's acceptance of a few credits from some of the European Satellites, it seems correct to say that thus far Bloc economic penetration of Turkey has not reached a point where the Bloc has any substantial control over Turkey's economic development nor can it exert any appreciable influence on Turkey's orientation.

Turkey is firmly committed to the West but it is also determined to effect the industrialization and diversification of its economy as rapidly as possible. As long as Turkey's economic difficulties force trade into bilateral channels, the Bloc, especially the European Satellites, will probably continue to account for a significant share of Turkish trade. However, external support for Turkish economic development will probably continue to come primarily from the West as it has in the past. Turkey is not disposed to accept large-scale, long-term economic aid from the USSR although it is entirely possible that it will continue to accept limited credits for specific projects from the European Satellites. Moreover, recent information indicates that Turkish officials may take a more favorable position on Soviet offers to private industry. However, unless Western support for Turkey's economic development is severely curtailed and unless the Turkish economic situation markedly deteriorates, Turkey is not likely to abandon its Western orientation and significantly expand economic relations with the Bloc.

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Appendix II

bloc Goods Displayed at 1956 Izmir Fair

<u>Country</u>	<u>Goods or Organization</u>
Soviet Union	Lathes, drills, textile machinery, textiles, cameras, electric motors, pharmaceuticals, power pumps, radios, automotive items and agricultural equipment.
Czechoslovakia	Automobiles, motorcycles, electrical equipment, textiles, textile machinery, food products, glass and chinaware, jewelry and lathes.  Czech Foreign Trade organization whose products were publicized at the Fair were Strojexport, Glassexport, Technoexport, Centretex, Pragoexport, Ligna, Ferromet, Koospol, Kovo and Motekov.
Bulgaria	Auto tires, electric meters, lathes, electric motors, rugs, textiles, radios, wire, and steel pipe.
Hungary	Major Hungarian trading organizations represented: Matrimpex, Komplex, Elektroimpex, Technoimpex and Artex. Items shown: lathes, drill, auto engines, telephons switchboard and equipment, sewing machines, generators, glassware and textiles.
Poland	Major Polish trading organisations represented: Metal-export, Varimax, Minax and Motoimport. Goods: electric motors, chinaware, glassware, textiles, lathes, minerals, pile driver and heavy industry drill.
Rumania	Major trading organizations: Industrialexport, Chimimport, Petrolexport, Metalimport, Romtram, Technoimport. Few consumer goods exhibited--electric motors, generators, lathes, drills, textiles, cement were major items displayed.

Source: Stats, Izmir. Desp #10, 30 Jan 57, Secret with Unclassified and Official Use Only Sections.

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Appendix III

Turkish Trade with the Soviet Bloc

(000 \$US)

	<u>Total Trade</u>	<u>Total Bloc</u>	<u>Percent of Total</u>	<u>Bulg.</u>	<u>Czech.</u>	<u>E.G.</u>	<u>Hunk.</u>	<u>Poland</u>	<u>Romania</u>	<u>USSR</u>	<u>China</u>
<u>1951</u>											
Imports	402,037	19,953	5.0	1,220	10,190	-	7,764	716	10	2	51
Exports	314,044	24,661	7.9	1,433	12,011	-	6,964	1,756	446	2,051	-
Total	716,081	44,614	6.2	2,653	22,201	-	14,728	2,472	456	2,053	51
<u>1952</u>											
Imports	555,853	20,614	3.7	1,344	9,412	551	7,467	975	862	-	3
Exports	362,895	20,320	5.6	1,678	6,101	1,134	7,194	1,090	672	2,368	83
Total	918,748	40,934	4.5	3,022	15,513	1,685	14,661	2,065	1,534	2,368	86
<u>1953</u>											
Imports	532,571	29,452	5.5	4,374	13,685	1,471	7,474	2,282	162	-	4
Exports	396,014	29,266	7.4	5,084	10,171	1,415	7,528	2,371	310	2,387	4
Total	928,585	58,718	6.3	9,458	23,856	2,886	15,002	4,653	472	2,387	4
<u>1954</u>											
Imports	478,306	45,480	9.5	3,366	13,714	5,339	6,927	8,366	4,343	3,415	10
Exports	334,888	55,128	16.5	3,123	12,773	8,061	4,839	14,025	16,229	6,178	10
Total	813,194	100,608	12.4	6,489	26,487	13,400	11,766	23,291	10,572	8,593	10

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(000 \$US)

	Total Trade	Total Bilce	Percent of Total	Bulfr.	Czech.	E.G.	Hung.	Poland	Romania	USSR	China
<u>1955</u>											
Imports	497,600	91,300	18.3	4,000	24,400	14,700	12,600	19,200	8,100	8,300	-
Exports	313,300	68,600	21.9	2,900	20,700	12,200	9,400	14,000	4,200	5,200	-
Total	810,900	159,900	19.7	6,900	45,100	26,900	22,000	33,200	12,300	13,500	-
<u>1956</u>											
Imports	407,451	59,386	14.6	2,035	19,819	13,927	5,785	7,928	4,678	5,214	-
Exports	304,963	59,933	19.7	2,000	16,962	15,534	6,678	9,463	2,714	6,571	11
Total	712,414	119,319	16.7	4,035	36,781	29,461	12,463	17,391	7,392	11,785	11

Appendix IV

Production of Major Agricultural Commodities

(1,000 metric tons)

	1948	1949	1950	1951	1952	1953	1954	1955	1956
Cereals	9,042	5,340	7,764	10,679	12,242	14,344	9,624	12,433	11,964
Wheat	4,867	2,517	3,872	5,560	6,447	8,000	4,900	6,900	5,500
Barley	2,168	1,247	2,047	2,700	3,189	3,640	2,100	2,985	2,500
Cotton	58	104	118	150	165	139	142	157	165
Sugar Beets	726	818	835	1,363	1,069	1,170	1,200	1,736	2,000
Tobacco	83	91	93	89	89	100	102	120	116

Source: USOM, Turkey. Turkish Economic Statistics, 19 Feb 57.

Appendix V

Production of Major Industrial Commodities  
(1,000 metric tons)

	1948	1950	1951	1952	1953	1954	1955	1956
Pig Iron	100	110	155	196	215	195	202	220
Crude Steel	102	91	135	153	162	165	165	193
Cement	34.2	388	396	459	531	703	817	794 a/
Sugar	118	137	186	163	174	178	255	276
Cotton yarn	28.9	30.1	30.0	35.4	33.2	40.7	N.A.	N.A.
Government	14.1	16.6	17.8	18.7	20	22	26	24 b/
Private	14.8	13.5	12.2	16.7	13.2	18.7	N.A.	N.A.
Wool yarn	7.4	7.5	7.7	9.4	9.8	9.7	N.A.	N.A.
Government	4.1	4.5	4.1	4.3	4.3	4.9	4.3	3.1 b/
Private	3.3	3.0	3.6	5.3	5.5	4.8	N.A.	N.A.
Cotton cloth	N.A.	130	150	182	N.A.	N.A.	N.A.	N.A.
Government e/	96	101	107	116	118	133	145	N.A.
Private g/	N.A.	29	43	66	N.A.	N.A.	N.A.	138 b/

a/ Production for 10 months.  
b/ Production in 11 months.  
c/ In 1,000,000 meters.

Source: USOM, Turkey. Turkish Economic Statistics, 19 Feb 57.

Appendix VI

Production of Major Minerals  
(in 1,000 metric tons)

	1948	1950	1951	1952	1953	1954	1955
<b>Boiled Fuels</b>							
Coal (smokeless)	2,669	2,832	2,988	3,010	3,664	3,692	3,499
Lignite (bituminous)	680	767	751	765	943	1,065	1,060
<b>Blister Copper</b>	11	12	18	23	24	22	24
<b>Chromite</b>							
Ballbank	99	166	165	183	184	133	173
Blairsville	187	256	454	624	729	429	476
<b>Iron Ore</b>							
Ballbank	185	221	220	363	313	432	529
Blairsville	7	23	6	120	164	154	245
<b>Sulphur</b>	2.6	6.0	7.4	8.4	9.8	10.0	11.5
<b>Vanadium</b>	8.3	40	51	82	90	50	50

Sources: State, Auburn. Dep #216, Turkish Economic Statistics, August 1956, 12 Oct 55, Unpublished.

Appendix VII

Turkish Commodity Trade with the Bloc - Major Imports

Exports	1953		Billion US \$ Jan-June 1954	
	Total World	Total Bloc	Total World	Total Bloc
		Bloc Percent of Total		Bloc Percent of Total
<b>Tobacco (weight)</b>	83.9	27.6	72.3	36.2
Poland	24.5		26.2	
East Germany	10.3		10.3	
Czech	8.0		8.3	
Hungary	4.8		6.9	
	1.2		0.6	
<b>Wool</b>	9.1	29.7	17.6	12.6
East Germany	2.7		2.2	
	1.8		0.9	
<b>Wheat</b>	12.5	8.0	0.5	12.2
Hungary	1.0		0.06	
Romania	0.5		0.06	
	0.5		0.06	
<b>Grain</b>	45.7	19.2		
Czech	6.7			
Hungary	3.4			
Poland	2.2			
	2.1			
<b>Manufactures excl. Iron Concentration</b>	0.9	12.4		
Czech	0.1			
	0.1			
<b>Polish</b>	0.63	0.63		
Poland	0.63		0.63	

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Appendix

Turkish Commodity Trade with the Bloc - Major Imports

Million US \$

	1955		Jan-June 1956	
	Total World	Bloc Percent of Total	Total World	Bloc Percent of Total
<b>Imports</b>				
<b>Cotton fabrics</b>	21.0	64.3	1.8	37.1
Czech	13.5		0.68	
Hungary	3.6		0.1	
Poland	3.4		0.2	
USSR	3.1		0.1	
East Germany	2.1		0.1	
East Germany	1.0			
<b>Cement</b>	18.5	61.4	2.9	57.7
Poland	11.3		1.6	
Rumania	4.0		0.1	
Hungary	3.6		0.4	
USSR	1.5		0.9	
USSR	1.2		0.1	
<b>Textile machinery</b>	14.7	24.1	7.8	40.3
East Germany	3.5		3.1	
East Germany	2.5		2.5	
<b>Railroad vehicles</b>			8.2	44.4
Czech			3.6	
Czech			3.6	
<b>Agricultural machinery</b>			1.2	10.2
Agricultural machinery			0.1	

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Appendix VIII

Turkish Commodity Trade with the West - 1955

000 \$US

<u>Exports</u>	<u>Value</u>	<u>Percent of Total</u>
Tobacco (unmfg)	88,994	
US	26,750	30
West Germany	10,143	11
Italy	5,506	6
UK	5,384	6
Cotton	45,750	
France	14,861	32
West Germany	6,999	15
Italy	4,414	10
Wheat	12,513	
Italy	6,678	53
Israel	3,575	29

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Appendix V.

Turkish Commodity Trade with the West - 1955

000 \$US

<u>Imports</u>	<u>Value</u>	<u>Percent of Total</u>
Petroleum products	42,205	
US	15,638	37
Saudi Arabia	15,097	36
UK	7,076	17
Cotton fabrics	21,049	
West Germany	2,232	11
Spain	2,473	17
Agricultural machinery	5,985	
US	3,630	60
West Germany	953	16
Metalworking machinery	11,991	
US	2,339	20
UK	2,716	23
West Germany	3,802	32
Electrical machinery	30,231	
US	2,165	7
UK	2,130	7
West Germany	11,563	38
France	2,089	7
Railroad vehicles	3,831	
France	2,736	71
Machinery (other)	67,650	
US	14,130	21
UK	6,354	9
West Germany	20,918	31
Power equipment	7,344	
West Germany	4,027	55
US	765	10
UK	528	7

Source: UN Commodity Trade Statistics Jan-Dec 1955.

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~~APPENDIX~~

World Bank Loans to Turkey (FUS)

<u>Program</u>	<u>Date of Loan Agreement</u>	<u>Original Maturities</u>	<u>Principal Amount</u>	<u>Cancellations</u>	<u>Principal Amount Disbursed</u>	<u>Undisbursed Balance of Loan</u>
1. Construction of grain storage facilities	7 Jul 1950	1954-1968	3,900,000		2,912,755	987,245
2. Port development	7 Jul 1950	1956-1975	12,500,000		9,023,658	3,476,342
3. Port development	26 Feb 1954	1956-1975	3,800,000			3,800,000
4. Electric power development (Seyhan Project)	18 Jun 1952	1957-1977	25,200,000	2,356,000	15,039,352	7,804,648
5. Industrial Development Bank (Loan for foreign exch.)	19 Oct 1950	1957-1965	9,000,000		6,503,129	2,496,871
6. Industrial Development Bank (Loan for foreign exch.)	10 Sep 1953	1958-1978	<u>9,000,000</u>		<u>1,078,178</u>	<u>7,921,822</u>
TOTALS			60,400,000	2,356,000	34,557,072	26,486,938

Sources: International Bank for Reconstruction and Development, 10th Annual Report, 1954-1955, Appendixes, p. 18.

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Appendix I

Sino-Soviet Bloc Economic Assistance to Turkey  
(Contracts and Offers)

Millions US \$

Bloc Country	Year	Project	Details	Contract	Offer
Czechoslovakia	1955	Cotton thread mill 1/	Delivery of equipment in 1955, 1956; supervision by Czech experts.	\$1.2	
		Textile mill 2/	Located in Istanbul, five-year credit	0.7 (credit)	
		150 Railroad passenger coaches 3/	Bought by Turkish State Railways on 8 year credit. Delivery had been completed by mid-1956		
	1956	Garamios factory 5/ Wire and rolling mill 6/ Hydroelectric plants 7/	Credit negotiations under way in mid-1956	5.0 (credit)	\$0.7 \$0.7 2.8
		Skoda diesel engines 8/	Terms—one-third on delivery and balance at end of one year. 9/	1.2	
		Brick factory 10/ 100 Skoda buses 11/	Transaction is within trade agreement, delivered in Fall 1956	N.A. N.A.	
	1957	Geranias factory 12/	To be built in Canakkale, cost 4.5 million lire	1.6	
		Diesel motor factory 13/		N.A.	
		Equipment for enlarging shoe factory 14/	Sumar Bank is shoe factory in Beykoz District.	N.A.	

Million US \$

Country	Year	Project	Details	Contract	Offer
Czechoslovakia	1957	200 Skoda buses	May be within trade agreement as was 1956 purchase of 100 buses	N.A.	
<u>Total Czech:</u>					
				\$9.7	
				\$2.7	
					\$4.7
East Germany	1955	Tractor hall and water tower 16/ Flax and wool spinning mill 17/ Cement plant 18/ Cotton spinning mill 19/ Spinning mill equipment 20/ Electrical materials plant 21/	Reportedly purchased in 1954 Possibly contracted for by 1956 Still under consideration at end of 1955	N.A. N.A. N.A. N.A. 0.9 0.1	
	1956	Porcelain factory 22/ Plate glass factory installations 23/ Three textile factories 24/	Tender drawn up in Nov 1956; capacity four tons per day Annual production capacity is 20,000 square meters Contracted for in 1956, worth 18 million rubles. Payment either in dollars or through barter compensation, mainly tobacco. Deliveries planned for 1957 worth \$12 million rubles	N.A. N.A. 4.5	

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Million US \$

<u> bloc Country</u>	<u> Year</u>	<u> Project</u>	<u> Details</u>	<u> Contract</u>	<u> Offer</u>
<u>Total East German Contracts</u>					
Hungary	1956	Power plant 26/ Machinery for a vegetable oil plant 27/ Four mill 28/	15,000 KW hydroelectric plant at Tizdere Equipment delivered by end of July 1956. Terms 20% down, 30% on delivery and 10% each Jan and August Construction reportedly completed by August 1956. 29/	1.0	0.2 (credit)
<u>Total Hungarian: Contracts Credits</u>					
Poland	1956	Foundry 30/ Foundry 31/	Located at Izmir, 22,500 ton capacity. Terms reportedly fixed at 20% on delivery, 10% per year Offer on interest-free basis to Minneapolis-Moline in Turkey	\$2.0 0.2	6.0 2.0
<u>Total Polish offers</u>					
USSR	1955	Equipment for 3 spinning mills 32/	Offer to supply on long-term credit, payment over 30 years in cotton thread	0.0	8.0
	1956	Oil refinery 33/	Twenty-year credit at low interest		50.0

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Million US \$

Bloc Country	Year	Project	Contract	Offer
USSR	1956	Steel mill 34/		100.0
		Flour mill 35/		N.A.
		Macaroni factory 35/		N.A.
		Brick factory 35/		N.A.
		Industrial installations 36/		
		Machinery for diesel water pump plant 37/		200.0
		Glass factory 38/		0.5
		Caustic soda factory 39/		
<u>Total Soviet Contracts Offers</u>			10-14	N.A.
<u>Estimated Minimum Total Bloc Contracts</u>				200.5
<u>Estimated Minimum Total Bloc Credits</u>				\$18.2
<u>Estimated Minimum Total Bloc Offers</u>				\$15.9
* USSR offer of \$50 million oil refinery and \$100 million steel mill considered to fall under \$200 million offer of installations.				\$213.2*

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