Parliamentary Assembly
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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Doc. 427
15 October 1955

Economic situation in Turkey (Report No. 2)

Report
Committee on Economic Affairs and Development

Contents **CONTENTS**

PART 1

ECONOMIC DEVELOPMENT IN TURKEY : ANALYSIS OF THE BASIC PROBLEMS — CHOICE OR A POLICY - 2

Expansion policy - 3

The Financing of expansion. - 5

Effects of economic expansion on foreign trade - 6

Factors which have led to the impasse. - 7

CONCLUSION - 8

PART II

Chapter 1. — AGRICULTURAL PRODUCTION. . 11

Chapter 2. — INDUSTRIAL PRODUCTION. . . 16

Chapter 3. — MINERAL RESOURCES 19

Chapter 4. — PUBLIC WORKS AND TRANSPORT 20

APPENDIX : Statistical Tables 24

1.

1. The members of the Working Party of the Committee on Economic Questions who took part in the study tour of Turkey are the following: M. Federspiel (Denmark), Chairman; M. Cerulli Irelli (Italy); M. Droulia (Greece); M. Etc (Turkey); M. Kapteijn (Netherlands); M. Kalbitzer (Federal Republic of Germany); Secretary : M. Jaechia (Secretarial- General). The present report of the Working-Party was originally drafted in French.

2. PART I

Economic developments in Turkey Analysis of the basic problems Choice of a policy

Although Turkey is classified as an under-developed country, by comparison with her Western European partners, the observer analysing the present economic situation in Turkey will find that the problems with which the Turkish economy is faced are in certain respects different from those of the other under-developed areas of Southern Europe.

In the rejjort made by the Working Party on Greece it was noted that the out-of-date equipment of industry and agriculture, the excessive costs of production and the need to increase the living standards of'the population, made it urgently necessary to put into operation a plan for economic expansion.

Turkey, on the other hand, is not only passing through a phase of rapid economic expansion, but is faced with the dilemma of either continuing on this path, with all the risks it entails, or of calling a halt and entirely reviewing its economic policy.

The development of the Turkish economy since 1950 has, in fact, been exceptional. In four years Turkish national income has increased by 35 %, foreign trade by 60 % and agricultural production, with which some 80 % of the population is concerned, by 50 %. The disequilibrium in the balance of payments, however, amounted in 1954 to more than 200 million dollars. Domestic prices are continually rising; the Turkish pound is very weak on the free market, where it is valued at a third of the official exchange rate.

It would appear that the Government had conducted an expansionist policy, in anticipation of the necessary funds being made available from outside sources. This policy produced very good results up to 1952, during a period in which the world situation was favourable to agricultural products; but when the recession appeared in the raw materials markets, the Government chose to continue its expansionist policy. The results of this divergence between falling world prices and the expansionist policy pursued inside the country were an increasing pressure on the internal price level and the accumulation of an external deficit.

It is necessary therefore to analyse the present evolution in the economic situation in Turkey and to set out the observations which suggested themselves to the members of the Working Party as a result of their study of the situation and the discussions which they held in Turkey during their visit in April, 1955.

With regard to the Government's policy for the future, there is no official document, such as was available in the case of Greece (Ten-year Plan), from which the Working Party could obtain precise data for appreciating the effects of this policy. Though the Working Party was informed of a number of development targets fixed by the Turkish Government, it was not informed of any OA'erall development plan, and it would appear that no such plan has been officially formulated.

Expansion policy

As wc have just said, agriculture is the main occupation of 80 % of the Turkish population; it is only natural that it should be the progress accomplished in this sector of national economy which is the most striking.

From 1949 to 1954 agricultural production increased by 50 %. During the first few years this increase was due in great part to the absolutely exceptional weather conditions. But they were also largely the result of the increase in the area under cultivation, to mechanisation and to the provision of more agricultural loans. The increase in the area under cultivation was mainly due to the measures taken by the Government to ensure farmers a high price for their corn, through the operations of the Land Products Office (To-prak). The development of the road network, to which the Government devoted large investments, also contributed indirectly to the increased cultivation and better productivity.

This policy of agricultural expansion was fully in keeping with the recommendations made to Turkey by the O. E. E. C. when it first joined that organisation. If there is to be an international division of labour, it would appear that it is by developing its agriculture that Turkey can obtain the " greatest comparative advantage ". In terms of comparative costs Turkey is in a better position than any other member of the European community in respect of cereals, cotton, etc. Turkey was therefore enjoined to increase its production in this field and in that of raw materials, by exporting its surplus production to the countries of Western Europe and so enabling them to reduce their purchases in the dollar zone. In return, Turkey would give preference to the OEEC countries in its purchases of capital equipment and consunrption goods. The Turkish Government agreed to apply the system of trade liberalisation advocated by 0. E. E. C.

Agricultural expansion was accompanied by expansion in all the other sectors of Turkish economy; orders for cars, tractors, machines and mechanical equipment" of all kinds were placed abroad and were encouraged by generous credit conditions and by the liberalisation measures mentioned above.

In industry and in the mines, the State alone, from 1950 to 1953, invested more than 2000 million Turkish pounds (present value).

The general increase in income which accompanied this economic expansion led to spending by large parts of the population which were formerly more or less self-sulficing. Thus the sale of cereals alone produced for farmers in 1953 an income of 500 million Turkish pounds as compared with 150 million in 1950. Consumption

of food products formerly considered as luxuries, like milk, meat and fruit, rose steeply, as did their prices. The demand for manufactured consumption goods and for equipment followed this trend. The inevitable result of this process in an underdeveloped economy was a sudden expansion of internal markets for importers. Their income increased with the increased activity in the towns and in foreign trade. Between the end of 1952 and the end of 1953 wholesale prices rose by 6 % and by another 6 % between the end of 1953 and July 1954. These rises naturally led to an accumulation of speculative stocks, and matters went from bad to worse.

The financing of expansion

During this period, the banks freely satisfied the demand for loans. This encouraged new departures and the spirit of enterprise in all sectors, but it also led to speculative importing; many speculators anticipated rising prices and shrinking demand following inevitable restrictive measures; they therefore placed a large number of orders abroad, which was made possible for them by the availability of credit.

The ratio between the liquid reserves in the banks and their deposits has been constantly falling in recent years. There has been an increasing tendency for savings to be put into current accounts, which commercial banks could not use to finance investments. Thus a large part of the development was financed by recourse to budgetary credits, to advances from the State bank. The rate of monetary expansion reached 30 % per annum in 1953-1954.

It may be said that economic expansion became too great for the. hanking and budgetary structure. The State had no control over this expansion : the Central Bank does not rediscount commercial slocks, so that a policy of varying the bank rate could not have been applied. Even an " open market " policy would have been inedequate, since to all intents and purposes there are no capital markets.

Not only was the State practically without any means of controlling currency; it was also weak in its budgetary action. According to the International Monetary Fund, the deficit of the State budget and of the 13 related budgets amounted in 1952 to 394 million Turkish pounds and in 1953 to 516 million Turkish pounds. The military budget, moreover, accounts for more than half of current expenditure. With regard to receipts, while revenue from direct taxation remained steady, the large tax exemptions enjoyed by agriculture have the opposite effect, as does the constant increase in the national debt.

Effects of economic expansion on foreign trade

As a result of the expansion described above, there was a marked increase in exports (80% between 1948 and 1952), particularly noticeable in cereals and cotton. But during the same period imports also increased and at a really vertiginous rate (about 200 %). The result was a marked disequilibrium of the balance of trade and the balance of payments, such that the Government found itself obliged in September, 1952 to bring the liberalisation system to an end.

But, even after this step was taken, the situation continued to grow worse. The main effect of the increase in domestic prices was the rapid growth of the external deficit; so far as balance of trade was concerned, from $ 193 million in 1952, after a slight fall in 1953 ($ 137 million), to an estimated more than §> 200 million in 1954. To this deficit in the trade balance must be added invisible expenditure and amortisation of debts. They are all covered partially by American aid and by loans from the International Bank and the International Monetary Fund, and partially by movements of capital, in the broad sense of the term, among which an important part has been played by arrears in transfers.

At the more limited European level, the situation is almost as serious vis-à-vis the European Payments Union. Turkey's balance of payments in respect of the EPU zone showeda defici t for the first half of 1954 of 57 million Units of Account. In June, 1954 the organisation decided to increase Turkey's quota from 50 to 60 millions Units of Account while Turkey's net cumulative deficit amounted at that time to 308 million Units of Account. This had its effect on the orientation of Turkey's foreign trade. Accumulated deficits with E. P. U. are payable in gold when they exceed the quota. Turkey, therefore, no longer has any reason from the exchange point of view to prefer European goods to dollar or other goods. This fact and the difficulties experienced in finding markets for its goods in Europe recently led the Turkish authorities to conclude a series of bilateral agreements with non-member countries of E. P. U. (Spain, Poland, Yugoslavia and Brazil), which permit Turkey to sell Turkish goods at higher prices but at the same time entail higher prices for the purchase of foreign goods.

Factors which have led to the impasse

As we have seen, exports have not kept pace with the increase in imports. Without analysing in detail the complex problems which arc at the basis of this phenomenon, it suffices to give a brief account of the factors which have tended to discourage exports and stimulate imports.

(1) Exports : The disequilibrium between domestic prices and international prices. The prices of raw materials and of agricultural products rose steeply after the Korean war but from 1951 onwards flattened out and fell steadily. In Turkey, while the prices of certain products, like wool and cotton, followed world trends, the prices of cereals, and particularly of wheat, increased instead of decreasing— which put the country in a very bad position on the export market.

Another factor was that some Turkish agricultural products are ill-adapted lo world demands. While the prices of certain cereals arc fixed by the Government, those of other agricultural products find their own level according to the laws of supply and demand. Production structure is naturally influenced by the relations between those prices. Abroad the prices of the various agricultural products fluctuate according to demand, while in Turkey their prices remain unchanged or fluctuate in a different way. Thus, production, and consequently possibilities for exporting, have not yet adapted themselves to external conditions.

(2) Imports. First, there is the increase in the marginal propensity to import, which in under-developed countries is the natural consequence of the exceptionally high rate of increase in incomes (7 % a year on the average) and of investments.

In addition, the maintenance of agricultural prices has certainly given the agricultural community considerable purchasing power, which has exercised an influence on imports both in purchases of equipment and of consumer goods.

Finally, the new Government investments, plus private investments, increased direct as well as indirect imports.

Since the marginal propensity normally tends to increase—as has just been said—in countries which are in process of development, and since this increase endangers the balance of payments, such countries have an interest in maintaining control over imports. In Turkey, the period of rapid expansion coincided with the liberalisation of trade. When measures were taken to suspend the liberalisation process there was already a tendency for the deficit to become chronic.

Conclusion

From the conversations which the Working Party had at Ankara with members of the Turkish Government and with members of the Turkish Parliament, it appears that the Turkish Government regards itself bound in present circumstances to continue the policy of economic expansion, while at the same time taking the necessary measures to check all the economic risks which this may involve, particularly the inflationary pressures—which can hardly be avoided during the, period of économie expansion.

It has been emphasized from Turkish sources that the stage at which the Turkish economy now finds itself in many respects resembles the situation in the United States in the middle of the XlXth century and of other overseas countries in the corresponding stage of development.

The Turkish Government realises that there is no possibility of achieving economic expansion except by meeting a deficit in the balance of payments either by investment of foreign capital or by extensive long-term credits. The major problem, therefore, is how to make conditions sufficiently attractive to induce foreign capital to flow into Turkey and to secure the necessary credits.

During its visit to Turkey the Working Party was acquainted with a number of the targets set by the Turkish authorities, such as the building up of supplies of electrical power, improvements of the transport systems, creation of new industries and the exploitation of the rich mineral resources of the country. Further, a clear appreciation was given of the policy of increasing the purchasing power of the Turkish agricultural community not only through the activities of the Toprak office in guaranteeing minimum prices but also by control of investments to improve the exploitation of the land.

The Working Party, however, did not hear of any overall plan of economic development. The reason for this may be that the Turkish economy, and hence the flow of investments from internal sources, is largely dependent on the highly fluctuating revenue from the agricultural production.

In one respect the problem of Turkey differs from that of tho other under-developed areas of Europe; there is not in Turkey any problem of an excess population, although in certain sectors there may be under-employment due to lack of investments. The high birth-rate indicates that there will be in coming years a need for an acceleration of investments if the desirable steady rise in the standard of living is to be maintained.

The Working Party was also impressed with the need to import technical skill to accompany investments, particularly in the industrial and commercial sectors. The standard of education is still backward in a large number of the village communities, school facilities are not yet available, and the percentage of the population which is unable to read and write is considerable. There is in Turkey a pronounced need to develop and build up a middle class of clerks, foremen, mechanics, skilled labourers, etc. to fill out the ordinary functions of an advancing community.

The Working Party was impressed with, the efforts made by the Turkish Government in technical training in agriculture, fisheries and industry. The existing establishments in this country are, however, far from adequate to meet the urgent needs of advanced training. The desirability of increased activities in the educational field is obvious.

The development of private industrial enterprises is encouraged by the present Government, which has embarked from the outset on a policy of transition from State-owned industry to private enterprise. However, in cases where private initiative fails to fulfil constructive tasks within the industrial targets set by the Government, the latter will normally be prepared to set up the enterprise required, but with an independent management. In certain cases the Government will make the necessary investments on equal terms with private investors. It was the impression of the Working Party that many of the existing works were of high technical quality, and it was noted that Marshall Aid has contributed considerably to the development of the industrial community; but the industrial works in operation (though serving as pioneer projects) were far from adequate to meet even internal demand.

The problem facing the Turkish Government is one of stabilising the internal financial situation and the balance of payments to the extent necessary to create the confidence required to attract foreign investments from Government or private sources on terms which do not unduly burden the economy in the period of expansion, and to establish conditions in which private deposits will be available for long-term investment.

In the light of the foreign payments situation the question of the international value of the Turkish pound will, naturally, have to enter into the considerations of the Government.

Finally, il. is essential that foreign countries, and in particular the member countries of the Council of Europe, should be interested in Turkey's development and should thus help to ensure that there is foreign capital available. The law of 20th January, 1954, which guaranteed foreign investments, and which, in accordance with declarations by the Turkish Finance Minister in parliament, resulted, up to the beginning of this year, in 105 foreign firms investing 232 million Turkish Pounds in Turkey, is an example of the positive policy which the Government could pursue in this respect in the international field. Insofar as the Turkish Government, in addition to the measures already adopted, takes the necessary steps to improve the economic position of the country, Turkey would, as a result of international co-operation, be ensured the foreign capital indispensable to the economic development of the country.

3. PART II

3.1. Chapiter 1

Agricultural production

A gricultural resources

Agriculture occupies a preponderant place in Turkey. It provides the livelihood of 80 % of the population and accounts for more than half of the national income.

The lack of technical knowledge, the low use of fertilisers, the age-old methods of crop rotation, make agriculture closely dependent on natural conditions. A great part of the country consists of mountains and plateaux; rainfall is often insufficient and irregular and methods of irrigation rather primitive. In addition, there is a very marked contrast between the fertile valleys of the Aegean, the vast plateau of Central Anatolia growing wheat only and the mountains of Eastern Anatolia. The Working Party, which traversed the regions of the Aegean from Balikeshir to Smyrna and the plateau of Anatolia from Ankara to Eskisehir and Ankara to Konya, were able to observe the striking differences between the regions.

The differences are responsible for the great diversity of crops. Cereals are prodominant, wheat of many varieties, barley, maize, grown in the warm regions of the Black Sea and poor cereals, like rye and millet. Industrial crops, beet, tobacco and cotton are being constantly developed. Turkish fruit easily holds its own against that of the Mediterranean littoral.

In view of the importance of agriculture in the Turkish economy, and the considerable difference between the urban and the rural standard of living, an increase in agricultural productivity would seem to be a basic condition for economic development. Such, in any case, is the opinion of the Government, whose policy has led to a notable expansion of agricultural production in the last few years. This policy has had three main features: agrarian reform, increased use of technical processes and a policy of agricultural credit.

Agrarian Reform

The agrarian reform law, which came into force at the beginning of 1946, has as its main object the distribution of uncultivated State lands to farmers, métayers and agricultural workers, as well as refugees without land.

The distribution of land has been greatly increased since 1950. Recipients must start to pay the value of the land of which they acquire ownership after six years, completing payment in twenty equal annual instalments free of interest. The aim of this vast scheme, which applies particularly to State property (private estates are only expropriated if they exceed an area of 500 hectares), is to bring about the disappearance of an agricultural proletariat of more than 5 million peasants.

In the first ten years that this law has been in force important results have been obtained. The table below, drawn up by the Turkish Ministry of Agriculture, gives the essential data on the amount of land distributed, its value and the number of families which have benefited from the distribution between the years 1946 and 1954.

Distribution of Land as a resuit of the Agrarian Reform Law

Years	Number of Families acquiring land	Amount distributed dönün (1,000 m«)	Pasture and meadow land made available to villages	Value of laud distributed
1946	461	15.852	00	00
1947	1.807	57.967	00	272.751
1948	6.403	292.151	00	1.244.177
1949	10.186	468.307	00	2.G30.315
1950	19.137	843.001	422,190	7.391.648
1951	31.414	1.015.909	1.674.311	5.610.301
1952	42.889	1.851.116	1.205.491-	13.463.618
1953	41.574	2.258.533	1.193.228	17.394.103
1954	44.859	2.539.820	1.090.719	19.907.969
Total .	198.730	9.943.376	5.045.945	67.914.882

Modernisation of Agriculture

It would seem to be easier in Turkey than in the other countries of southern Europe to increase agricultural productivity without the need for large-scale investment. It would be easy, it seems, to replace the traditional method of alternating cereal crops and fallow by a more rational and more intensive system of crop rotation; this change could be made by irrigation work and particularly by more extensive use of fertilisers. At present fertilisers are, in fact, employed less than in other countries of southern Europe, the price being too high for the majority of farmers.

Modernisation naturally implies increased mechanisation. Thanks to the excellent years 1952-1953, which produced an appreciable rise in agricultural incomes, many peasants have in recent years been able to acquire tractors and machines (the number of tractors increased from 10,000 in 1950 to about 35,000 in 1953). Agriculture has benefited from this mechanisation; in particular, the area of land under cultivation has been increased and costs have been reduced.

Finally, the modernisation of agriculture presupposes the spread of the necessary technical knowledge among farmers. Despite the Government's efforts there is still an immense amount of work to he done in this matter. According to the figures quoted by the Finance Ministry in connection with the 1955 budget, agricultural courses for farmers, of which there were 103 in 1950, were increased to 989 in 1954. The Committee of Experts for Southern Europe set up by the Economic Commission for Europe gave particular attention to this problem in connection with measures to be taken in co-operation with the other countries of Southern Europe.

Agricultural Credit

To finance improvements, farmers have recourse to a State credit institute, the Agricultural Bank. This Bank gives short-term and long-term loans; repayments go to increasing the Bank's capital.

As in Greece, however, the loans given by the Agricultural Bank are quite inadequate to the needs of the farmers. They serve essentially to ensure survival until the harvest is gathered, but are not sufficient for the investment which can alone increase output and improve crops. Farmers also receive loans from commercial banks or other occasional money-lenders. The Government's p olicy, however, is that farmers should be able to obtain all they want from the Agricultural Bank.

Mention should also be made of the farmer's credit Co-operatives, which are encouraged by the Government. They have hundreds of thousands of members and possess considerable capital.

Achievements

The Government's policy, which we have just outlined, has produced appreciable results, even if allowance is made for the fact that in the years 1952-1953 it was favoured by exceptionally good weather conditions.

The production of cereals increased from 7 million tons in 1950 to 12.3 million tons in 1952, and to 14.3 million tons in 1953 (to fall sharply in 1954 to 9.5). Beet production which was 621,000 tons in 1946, reached 1.1 million tons in 1952. Cotton production rose from 78,000 tons in 1950 to 165,000 tons in 1952, of which 70,000 were exported. The area under cultivation increased from 9.5 million hectares in 1950 to 12.8 in 1954. Production per head of population increased from 371 kilos in 1950 to 600 kilos in 1953.

This progress had a direct influence on the standard of living of the peasants, whose annual income increased (100 in 1939) to 102 in 1949, to 124 in 1952 and to 128 in 1953. This improvement is important for the internal economic balance of Turkey. It should not, however be regarded as a maximum. It is essential that efforts should be pursued—and the Government is convinced of this—to reduce still further the gap between the standard of living in the country and that in the towns.

Area under cultivation and agricultural production[1] (1946-1954)

YEAR	AREA UNDER CULTIVATION IN THOUSANDS OF HECTARES					PRODUCTION IN THOUSANDS OF TONS				
	Cereals	Leguminous Plants	Cotton	Other Industrial Plants	Total	Cereals	Leguminous Plants	Cotton	Other Industrial Plants	Total
1946/50. . .	7.735,0	396,5	300,9	442,1	8.874,5	7.069,5	330,0	78,3	1.040,7	9.118,5
1950	8.244,2	426,8	448,5	464,9	9.584,4	7.763,9	381,7	118,0	2.022,9	10.286,5
1951	8.807,4	418,3	641,8	451,2	10.316,0	10.672,0	411,0	150,0	2.746,4	13.986,4
1952	9.868,0	435,6	675,0	483,1	11,461,7	12.242,0	478,1	105,0	2.717,7	15.602,8
1953	11.077,2	457,8	604,7	547,9	12.687,6	14.343,9	501,5	139,0	2.985,3	17.969,7
1954[2]	11.293,3	460,5	581,8	525,9	12,861,5	9.598,2	419,2	142,0	2.956,0	13.115,4

1. Source : Memorandum by Finance Ministry introducing the budget for 1955.
2. Provisional figures.

3.2. CHAPTER 2

Industrial production

Iron and Steel Industry

As a result of a credit agreement made between Great Britain and Turkey in 1936, an iron and steel industry has been created near the coal basin at Karabuk run by an English metallurgical group. At the present time the company is operating a coking plant (with a yearly output of more than 300,000 tons), two blast-furnaces, a foundry of which the output in 1933 was nearly 200,000 tons, as well as a tubeworks and a factory manufacturing sulphuric acid and superphosphates. All the iron, coal, lime and manganese mineral needed for the iron and steel industry are mined in the country. It is expected that the capacity of the iron and steel industry will rise to 600,000 tons for the coking plants, 320,000 tons for the blastfurnaces, 250,000 tons for the foundries and 200,000 tons for the rolling mills.

The Textile Industry

The Turkish textile industry has been encouraged by the five-year plans. With the help of experts from abroad, the Siimer Bank has built and modernised several factories for processing cotton and wool.

As opposed to the iron and steel industry, which is completely nationalised, the textile industry is partly in public and partly in private hands. The State controls about 60 % of the production of wool and only 35 % of that of cotton.

The weaving of carpets is a traditional Turkish industry. It is carried on throughout the country particularly in the Aeg ean area. Factory sites have been chosen to make the fullest possible use of national resources of raw materials.

The Cellulose and Paper Industries

Since 1936 the cellulose and paper industries have been making regular progress keeping up with the work of re-afforestation which has been carried out throughout the country.

The two factories at Izmit produce a series of products ranging from cigarette-paper to cardboard. Rayon and cellophane factories are in course of completion at Gem-lik. Paper and cardboard output, which has doubled between 1951 and 1953 (46,000 tons in 1953), is making steady headway.

Factories making cigarettes are wholly controlled by the State by means of a central organisation called the Directorate-General of Monopolies. The members of the Working Party visited one of the most modern and important national factories in the course of their stay at Istanbul1.[3]

The Cement Industry

Cement and concrete have a fundamental role to play in a country in which public works and building arc developing apace. In 1948 Turkey had six cement-works producing 327,000 tons of cement. In 1952 production reached a level of 436,000 tons. At the end of this year work will start at the big Smyrna factory and this, together with the improvements in and extensions to other major factories in the country, will give Turkey an estimated output of 1 million tons. A company founded in September, 1953 intends to set up 38 new factories in different parts of the country. It has undertaken to build 15 factories in the very near future. When this first part of the programme has been completed, the annual production of cement should exceed 2 million tons.

The manufacture of bricks and tiles is also in full swing. Until the last few years, bricks and tiles were manufactured in a large number of small workshops, each employing a score or two of workers and using tho traditional methods of manufacture. In the course of the last few years a certain number of large factories using completely mechanised production methods have been built in different parts of the country. The members of the Working Party visited a factory at Eskizchir which possesses very up-to-date equipment. This plant has an annual production of 14 million bricks. A plan for extending its workshops will raise output to 18 million bricks in the course of next year[4]

Chemical Industry

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3. See Account of visit lo Turkey (Doc. AS/EG (G) 33).

A chemical industry is being created in Turkey to serve the needs of agriculture and industry. The intention is to manufacture part of the fertilisers needed by agriculture and the basic chemical products required by industry (sulphuric acid, chlorine, caustic soda). However, little progress has so far been made in this sector.

Food Industries

Sugar is the main food industry and has an essential part to play in raising the agricultural and industrial standard of the country. The production of sugar has risen from 137,000 tons in 1950 to 163,000 tons in 1952 and now probably exceeds 200,000 tons. The members of the Working Party visited the State sugar factory at Eskizehir, which has been fully re-equipped in the course of the past few years and which is one of the most important in the country[5]

Because of the high quality and variety of its fruit and vegetables and the abundant supply of fish, Turkey is in a position to expand the preserved-food industry on a large scale. The National Office for Meat and Fish, a State organisation with its headquarters at Ankara and branches in the main centres of population of the country, co-ordinates the efforts being made to stimulate production of meat and fish. At Istanbul the members of the Working Party visited modern refrigerating plants for fish as also the Institute of Fisheries, which co-ordinates the whole fishing-industry, with a view to ensuring a better use of the products of Turkish waters and so changing and improving the national diet.

3.3. CHAPTER 3

Mineral resources

Coal

Turkey possesses the only important coal-field of the Near East. It is situated along the Black Sea: the principal mining centre is at Zonguldak.

The coal deposit extends for 200 km. and its probable reserves are estimated at 700 million tons.

Survey work is going on in other parts of Turkey, especially at Kozlu, and new shafts have been sunk with a view to raising production and meeting the growing needs of the Turkish economy. These new efforts are not being made solely with the intention of increasing production, but are also aimed at ensuring greater safety in mining operations and lower costs. The production of coal which in 1938 stood at 2.5 million tons rose in 1952 to 4.8 million tons. Turkey has begun to export coal.

It should be noticed that there has also been a rapid improvement in the production of brown coals (lignites): this stood at 76,000 tons in 1938 and had risen to 1,373,000 tons by 1952.

Iron

The mining of iron ore was started in 1938 by the Etibank; the output of these mines is, however, insufficient to meet the needs of industry. The production of iron ore, which by 1939 had reached some hundreds of thousands of tons, consistently fell away until 1951. The Etibank then made a new effort: new equipment has been put in with the result that production has again risen. Progress is, however, still fairly slow, and there undoubtedly seem to be considerable opportunities for development here.

Copper and Chrome

There appear to be large copper deposits in Turkey. At the present time work is going on in two large mining centres in the Bortcha and Elazig regions

Turkey is the most important producer of chrome in the world. The output of this important mineral was doubled between 1949 and 1952 and last year reached 805,000 tons. In 1952 exports amounted to 700,000 tons giving Turkey the first place in the world as an exporter of chrome.

Petroleum

4. See account of visit to Turkey.
5. See account of visit to Turkey.

Although the Turkish Mining Institute devotes more than a quarter of its financial resources to prospecting for petrol, the survey work undertaken has not yet led to any very significant results (20,000 tons in 1953). A bill to authorise prospecting for oilfields by foreign comjjanies became law on the 6th March, 1954.

3.4. CHAPTER 4

Public works and transport

The problem of communications assumes fundamental importance in a country which is in course of development and whose centres of population are Arery far apart. The development of communications represents is, moreover, an important stage on the way to the country's economic integration. Extensions to the road-system enable use to be made of resources which have not yet been exploited.

Since the end of the Second World War, which held up previous plans, the Turkish Government has drawn up and in part carried out a certain number of mostly long-term transport programmes for the development of railways, roads and harbour installations. In agreement with the American Mission for Aid to Turkey, the Turkish Minister of j Public Works drew up in 1948 a 9-year road-building programme in 3 3-year stages. This programme envisages the building, re-building, improvement and maintenance of a national system of all-season roads. Total length will be 24,000 km. and the cost about one and a half thousand million Turkish pounds. By building new roads and converting tracks into all-season roads, Turkey has in the course of these last few years been able to extend its road system by more than 5,000 km. The members of the Working Party have travelled over some of the more important of the country's newly repaired roads. They went by car from îstànbul to Ankara covering several hundreds of kilometres of this very important arterial • road which is not yet completely ready. Some of the members of the Working Party went by car from Ankara to Konya by the new road which links the Turkish capital to this important agricultural centre. They travelled on the roads from Ankara to Eskiz-ehir, from Eskizchir to Bursa and from Bali-kesir to Smyrna. Everywhere they went they saw how important the road problem was and what efforts were being made to improve the network. In the course of a conversation which the Turkish Minister of Transport at Ankara had with members of the Party, the Minister laid special Stress on the seriousness of the road problem. He disclosed[6]that, of the 22,000 km. of roads in existence, only 5,000 could be kept in good condition in the coming years by normal maintenance work: the rest of the system would have to be completely remade, which presents a financial problem difficult to solve from domestic financial resources alone. Thanks to the road-development programme carried out in recent years, the average cost of transport, the Minister affirmed, had fallen by 50 %; which has had very important and favourable effects on prices as a whole.

Railways

At the time when the Turkish railways were built by private firms from abroad, technical processes had not yet reached the high levels of the present time, and there was a tendency on the part of the engineers to avoid difficult construction work such as tunnels and bridges. This explains why a large number of places which are important from the economic standpoint are not directly linked with one another and also why the principal railway lines, such as that from Ankara to Istanbul and from Ankara to Konya, follow circuitous routes.

It is even more important to remember that the railway system was planned with strategic rather than economic ends in view. This fact was particularly obvious with regard to the early railway development works undertaken under the Republic during the period which ended with the outbreak of the second world war. Moreover, when economic factors became of first importance, the main aim behind the building of railway lines was to encourage the growth of the. country's heavy industries, particularly the iron and steel industries, which are both.owned and operated by the State and which for the most part were set up under, the first five-year plan begun in 1934. The coal and cement industries have likewise benefited from these railway development works, particularly in the early days. The needs of agriculture in the matter of '. transport were therefore somewhat neglected in the first railway building programmes and they constitute at the moment one of the most important problems in the organisation of communications in Turkey.

In attempting to assess the difficulties which the Turkish State Railways are facing today, account should also be taken of the fact that the maintenance and replacement of the permanent way and its equipment have been seriously neglected. (This was especially so during the latter years of private ownership, which came to

6. See account of visit to Turkey.

an end in 1934-35). : This had the effect that, until the re-organisation which took place after the second world war and which is still going on, the maintenance and replacement rates were somewhat below the normal standards of modern technology.

The Ministry of Public Works drew Up in 1947 a 15-year plan for the building, of branch railway lines of a total length of 2,300 km. It is estimated that this scheme will cost 800 million Turkish pounds. Important extensions have been made to the country's main lines too. Amongst these should be mentioned the building of a new section of the Elazig-Mus-Tatvan line, which provides a particularly interesting. example of the new trends in railway building in Turkey. The main purpose of this new line is to open up to trade a rich agricultural district. The members of the Working Party visited at Eskizehir an important workshop for the repair and maintenance of railway equipment.

Harbours

Sea-transport, must play an important part in a country. with a coast-line of 7,126 km. In 1948 Turkey began a huge programme of harbour development to increase the capacity of the harbours and their efficiency. Part of the proposed capital expenditure, which amounts to 218 million Turkish pounds, has already been spent. Work on the ports of Trabzon, Istanbul and Iskanderoun was finished by early 1953.

The Ministry of Public Works is responsible for drawing up plans for inspecting harbour development and for financing it; the harbours are operated by the State Railways and the Maritime Bank. The Minister of Public Works told the members of the Working Party of current plans for the re-equipping of the harbours of Smyrna, Mersin and Sam-soun (the whole of this work has been assigned to a German firm).

The Minister of Public Works drew the attention of the members of the Working Party to the problem of developing the transport system and to the difficult question of the allocation of more capital to public works in the interest of the economic development of the country. lie emphasised the fact that the present territorial limits of the Turkish Republic correspond to what was formerly the central part of the. Ottoman Empire. That Empire used once to extend to the Balkans, Iraq and Syria, and it was especially in its peripheral regions of the Empire that the former Central Government had important public works carried out and developed the means of communication. The Anatolian plateau was neglected, and the Government is now faced with the problem of filling this vacuum in the centre of the country.

International co-operation in the development of Turkish transport, which might take the practical form of financial and technical assistance, would bring valuable support to the efforts of the Turkish Government for the general economic development of the country.

3.5. A SERIES OF STATISTICAL TABLES RELATING TO THE ECONOMIC SITUATION

Table 1 - FIGURES ILLUSTRATING ECONOMIC PROGRESS IN TTURKEY Index: 1929 = 100

	TOTAL			PER HEAD		
	1938	1948	1952	1938	1948	1952
Revenu national réel...	143	174	231	118	123	149
Production totale de l'industrie [7]	180	259	335'	149	183	216
Production de la grande industrie [8]	252	400	538	208	283	347
Production agricole.	133	144	193	110	102	124

7. Y compris les mines et les services publics.
8. Y compris les mines et les services publics.

Table 2 - DISTRIBUTION OF THE WORKING POPULATION OF TURKEY ACCORDING TO OCCUPATIONS

	IN THOUSANDS			PERCENTAGE Distribution	
	1927	1935	1950	1927	1950
Agriculture, fisheries and forests	5.579	6.479	8.200	85,0	79,6
Manufacturing industries and public services	241	559	600	3,7	5,8
19	Mines	19	50	0,3	0,5
Others[9]	723	883	1.450	11,0	14,1
TOTAL working population	6.562	7.940	10.300[10]	100	100

Table 3 - UTILISATION or ARABLE LAND IN TURKEY In millions of hectares

	1934	1051	1952
Cereals	5,9	8,8	9,9
Unploughed land	3,7	5,0	5,6
Other purposes	1,1	2,0	2,1
TOTAL arable land.	10,7	15,8	17,6

Table 4 - AGRICULTURAL INVESTMENTS IN TURKEY In millions of Turkish pounds and in percentages

	MILLIONS OF Turkish pounds		EN PERCENTAGE
	1052	1053	1953
Live stock[11]	109	119	36
Mechanisation	103	100	31
Increases in land under cultivation. . .	32	16	5
Buildings...	29	21	6
Minor irrigation works[12]	9	6	2
Other investments	70	65	20
TOTAL	352	327	100

Table 5 - TURKISH INDUSTRIAL PRODUCTION BY SECTORS In percentages of total industrial production[13]

	1938	1048	1050	1952
State undertakings...	18	30	30	29
Major private undertakings	31	25	26	28
Minor private undertakings	34	28	27	20

9. Including the armed forces.
10. This figure differs considerably from that publisheh in No. S of the series of Statistical Digests of the Turkish Central Office of Statistics because of the correction made to take account of women and children in employment.
11. Including improvement of pasture-land
12. Expenditure on mnjor irrigation projects is regarded as apart of tho Public Works programme and is not included in the above table.

	1938	1048	1050	1952
Domestic and rural industries..	17	17	17	17
TOTAL	100	100	100	100
Index of industrial production...	100	141	158	170

Table 6 -INCREASES IN GROSS NATIONAL PRODUCT IN TURKEY BY SECTORS .. In millions of Turkish pounds in terms of 1949 prices

	GROSS total national product 1952 (in millions of T. £)	AVERAGE annual increase between 1948 and 1952 (in millions of T. i)	TOTAL increase between 1948 and 1952 as a percentage
Agriculture...	5.800	366	57
Mines	126	9	1
Manufacturing industries	1.071	59	9
Bulding	518	63	10
Other sectors...	3.213	147	23
TOTAL	10.728	644	100

Table 7- ESTIMATED DISTRIBUTION BY SECTOR OF GROSS INVESTMENT IN CAPITAL GOODS IN TURKEY In percentages

	ANNUAL AVERAGE 1933-1940	1952
National and municipal[14]	40	26
Industrial[15]	23	27
Agricultural	11	24
Housing	25	16
Vehicles	1	7
TOTAL of the above	100	100

13. The percentages are based on the value of production in terms of uniform 194S prices.
14. Including rail transport and road-building.
15. Including rail transport and road-building.

Table 8 -FIGURES ILLUSTRATING REGIONAL DIFFERENCES IN TURKEY

REGION[16]	RADIO-SETS per 10.000 inhabitants in 1951		MOTOR vehicles per 10.000 inhabitants in 1951	PERCENTAGE of personsable to read and write in 1950[17]	DENSITY of population per square km.
	Villages[18]	Towns[19]			
Western Anatolia Thrace..	134	822	28	49,6	44
Central Anatolia..	34	655	17	35,0	23
Mediterranean region	33	416	20	29,2	25
Black Sea..	19	535	10	25,4	44
Eastern Anatolia	9	283	6	21,3	18

(a) See diagram S.

(b) Including smaller administrative districts.

(c) Including the " districts ".

(d) Calculate d on the basis of persons aged 7 years and above.

16. See diagram 8.
17. Calculate d on the basis of persons aged 7 years and above.
18. Including smaller administrative districts.
19. Including the " districts ".