

Araştırma Makalesi / Research Article

**1927 THE TRADE AGREEMENT
BETWEEN SOVIET UNION AND TURKEY:
A MILESTONE IN ECONOMIC RELATIONSHIP?***

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Abstract

This paper addresses the question of whether or not the trade agreement signed by Soviet Union and Turkey on March 11, 1927 was a milestone for fostering the foreign trade relations among the two countries. At that time Soviet laws included, the foreign trade administration must be monopolized by the state. However, in reality, it is difficult to push state monopolization on international trade especially when the commercial activities take place on foreign soil. Every independent state desires to protect the interests of its entrepreneurs and traders. However, when there is a structure like the Soviet Union that protects its foreign trade with state institutions that constitute a monopoly against entrepreneurs and traders, this requires a strong will to achieve. Another option is to ignore, avoid establishing trade relations, and deranging the settled system with the Soviet Union as the western countries did for a long time. In this context, the developing foreign trade relations among Turkey and the Soviet Union prospered due to goodwill and overpassing small problems by the bureaucrats of the two states until the second half of the 1920s. On the other hand, the struggles of the two countries to piece their economies up, brought new pursuits together. The Soviet Union started to give up running its foreign trade with joint-stock incorporations. Hence, abiding with the foreign trade monopoly, companies like Arkos and Russoturk will turn into Soviet Trade Agency. In the emerging conditions of the mid-1920s Turkey called on countries that had not yet signed a trade agreement with herself in order to initiate agreement negotiations. The Soviet Union, on the other hand, was willing to impose its trade institutions on other countries as the NEP was coming to end.

Keywords: *Soviet Union, Turkey, Foreign Trade, Trade Agreement, Soviet Trade Agency, Arcos, Soviet Trade Agency.*

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There is no study that would require the approval of the Ethical Committee in this article.

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SOVYETLER BİRLİĞİ-TÜRKİYE 1927 TİCARET ANLAŞMASI: EKONOMİK İLİŞKİLERDE BİR MİHENK TAŞI MIYDI?

Öz

Bu makalenin amacı 11 Mart 1927 tarihinde Sovyetler Birliği ve Türkiye arasında imzalanan ticaret anlaşmasının iki ülke arasında gerçekleşen dış ticaret ilişkilerinde bir dönüm noktası olup olmadığını göstermektir. Sovyet kanunlarına göre dış ticaret rejimi devletin tekelinde olmak zorundadır, ancak gerçekte dış ticarete devletin tekel uygulamasını özellikle ticaret diğer ülkelerin topraklarında gerçekleştiren kabul ettirmek zordur. Her bağımsız devlet kendi girişimcilerinin ve tüccarlarının çıkarlarını korumak ister. Ancak girişimciler ve tüccarların karşısında dış ticaretini tekel olarak devlet kurumları ile koruyan Sovyetler Birliği gibi bir yapı varken bunu yapmak güçlü bir irade ister. Diğer bir seçenek ise uzun yıllar Batılı ülkelerin yaptığı gibi Sovyetler Birliği'ni görmezden gelmek, ticaret ilişkileri kurmamak veya kurulu düzeni bozmaktır. Bu bağlamda Türkiye ile Sovyetler arasında gelişen dış ticaret ilişkileri 1920'lerin ikinci yarısına kadar her iki ülkenin bürokratlarının iyi niyetleri ve zaman zaman görmezden geldikleri durumlar neticesinde ilerlemiştir. Öte yandan her iki ülkenin savaş sonrasında ekonomilerini toparlamaya başlamaları yeni arayışları da beraberinde getirmiştir. Sovyetler Birliği anonim şirketlerle dış ticaretini yönetmekten 1920'li yılların ikinci yarısında vazgeçmektedir. Artık Arcos ve Russotürk gibi şirketler dış ticaret tekeline uygun olarak Ticaret Temsilciliklerine dönüşecektir. 1920'lerin ortasında dünyada yeni gelişen koşullar içinde Türkiye henüz kendisi ile ticaret anlaşması imzalamayan ülkelere anlaşma görüşmelerini başlatmak üzere çağrıda bulundu. Sovyetler Birliği ise NEP'in sonuna gelirken kendi ticaret kurumlarını diğer ülkelere kabul ettirme niyetindeydi.

Anahtar Kelimeler: Sovyetler Birliği, Türkiye, Dış Ticaret, Ticaret Anlaşması, Arcos, Sovyet Ticaret Temsilciliği.

1. Arcos- A Legal Umbrella for Soviet Foreign Trade Institutions in Turkey

Turkey and Soviet Russia already had trade relations well before the Moscow agreement signed on March 16, 1921, between the two countries. Turkish sailboats¹ were bringing their own merchandise to Soviet port cities located on the Black Sea shores and were selling them on the coastline cities like Odessa, Crimea. Turkish merchants, who brought goods with these ships, used to buy commodities such as soap and fabric on their way back to Turkey.² In

1 Ukraine and Crimea armed forces commander Frunze, who came to Turkey in November 1921, expressed in his memoirs that there were at least 20-30 sailing boats dealing with trade in Samsun region. While the sailing boats were exporting livestock and wheat from Samsun port, they were importing textiles, sugar, and petroleum derivatives. Most of the petroleum and its derivatives were illegally obtained from Batumi inside the canisters. For details, see Mihail V. Frunze, *Türkiye Anıları Kasım 1921-Ocak 1922*, Cem Yayınları, İstanbul, 1978.

2 RGAE, fon: 413, opis: 2, delo: 1686 p.3.

this way, the Soviet Union sold Turkey 5,500 tons of merchandise amounting to 2,300,000 rubles, while purchasing 2,200 tons of goods amounting to 1,300,000 rubles between January and September 1921.³

One of the main objectives of the Soviet diplomats after the Moscow Agreement was signed, was to endorse a trade agreement with Turkey as soon as possible. However, in a letter written by Krasin to Chicherin in August 1921, it was indicated that the atmosphere in Ankara did not develop towards signing a trade agreement with the Soviet Union.⁴The main obstacle to signing the trade agreement between the two countries was the state monopoly on the Soviet foreign trade regime. The Turkish side did not yet show a positive trend to sign of a trade agreement, which would mean recognizing the state monopoly on foreign trade because it would remind capitulations foreknown to be abject from the Ottoman Empire era.⁵

After the 1917 revolution, many countries increased the rate of blockade and embargo on the foreign trade of the Soviet Union during the 1920s. Soviet trade missions were not recognized in many countries.⁶While the state monopoly on foreign trade continued throughout the New Economic Program (NEP), state institutions and cooperatives were given more freedom and allowed to act on their own, in line with the spirit of the period.⁷There were two types of joint-stock companies that the Soviets established abroad during the NEP period in order to continue their foreign trade. The first one, like Arcos, is wholly funded by the Soviet Union, and the other, like Russotürk, is the company in which the capital groups in the countries, where the institution was selling the export products of the Soviets are established, were partners.⁸Arcos⁹was founded in London in June 1920.¹⁰Later, Arcos offices in Leningrad, Moscow, and Istanbul were opened.¹¹ In Istanbul Arcos office started its operations at the end of 1921. According to the company's 1922 report, there is no indication of a record of any

3 S. Bakulin, and D. Mushistin, *Vneşniya Torgovliya SSSR za 20 Let 1918-1937*, Mejdunoradnaya Kniga, Moskva, 1938, p.248.

4 RGAE, fon: 413, opis: 2, delo: 1686 p.5.

5 RGAE, fon: 413, opis: 2, delo: 1686 p.7-8.

6 Aleksandr Baykov, *Soviet Foreign Trade*, Princeton University Press, New York, 1946, p.46.

7 *ibid*, p.10-11.

8 Aleksandr Baykov, *The Development Of The Soviet Economic System*, Cambridge University Press, England, 1948, p.74.

9 In the archive document, the actual name of the company was written as the British-Russian Cooperative Union. Edward H. Carr notes the opening date of Arkos' London office as of October 1920. For details, see: Edward H. Carr, *Bolşevik Devrimi 1917-1923 Cilt 3*, Metis Yayınları, Çeviri: Tuncay Birkan, İstanbul, 2004, p.268.

10 GARF, fon: 374, opis: 28, delo: 1145 p.1.

11 GARF, fon: 374, opis: 28, delo: 1145 p.3-9.

accounts¹² in Turkey in 1921.¹³ Grain Export Association¹⁴, Petroleum Association, and institutions such as TTO¹⁵ have benefited from the legal umbrella of Arcos to carry out commercial activities in Turkey. Arcos, being a company with British partners, did not create a legal problem in Turkey. Due to the legal infrastructure, an operational Arcos office in Istanbul became quite important for the Soviets in terms of foreign trade with Turkey in 1922.¹⁶

During the armistice period in Istanbul, NKVT¹⁷ was organized under different names in order to keep exports and imports from interrupting. The purchase and sale of traded goods were carried out through various delegations. The Russian-Ukrainian Eastern Trade Organization, the Central Coal Union, the Crimean Foreign Trade Organization, the Odesa Foreign Trade Organization, the Petroleum Ministry, and the Trade Organization of the Caucasian Republics were functioning in a scattered manner and without any organization, even if they were spatially together. This situation continued similarly until September 1921.¹⁸ On 21 October 1921, Chicherin wrote a letter to the NKVT and urgently asked for a team of trade experts to be sent to Anatolia.¹⁹

The Soviet envoy Aralov²⁰ was tasked with eliminating the disorganization in Soviet trade and establishing the organization and coordination between the trade institutions. Appointed to this post in October 1921, Aralov was the first Soviet diplomat to be sent in charge of both the embassy and the Trade Mission of Soviet Union.²¹ Aralov stated that the initiation of negotiations on the signing of economic and trade agreements was among the objectives of his arrival in Turkey.²² With the arrival of Aralov to Turkey, offices²³ were established that were connected to NKVT, and in addition, eight Soviet trade experts were commissioned until the end of January 1922.²⁴ On the other hand, the Trade Delegation responsible for Soviet trade in Istanbul did not make any significant contribution to foreign trade transactions. The delegation did not carry out any

12 In the Soviet Statistical Documents, a fiscal year started from October of the present year to October of the following year. This application ended in 1929. An accounting year has been accepted as the period between January and December. See: Alec Nove, *An Economic History Of The USSR 1917-1991*, Penguin Books, England, 1992 p.83.

13 GARF, fon: 374, opis: 28, delo: 1143 p.4.

14 One of the Soviet trade institution that deals with grain export established in Istanbul.

15 Transcaucasia Trade Office

16 GARF, fon: 374, opis: 28, delo: 1143 p.4.

17 Soviet Foreign Trade Ministry

18 RGAE, fon: 413, opis: 2, delo: 1686 p.1-6.

19 RGAE, fon: 413, opis: 2, delo: 1686 p.1-6.

20 Semyon Ivanonvic Aralov

21 V. N. Koptevskiy, *Rossiya-Turtsiya Etapı Torgovo-Ekonomiçeskovo Satrudiniçestoa*, IV RAN, Moskva, 2003, p.69-70.

22 Bige S. Yavuz, "Türk Kurtuluş Savaşı Yıllarında Uluslar arası Rekabet Alanı Olarak Transkafkasya ve Türkiye'nin Ekonomik İlişkileri", *Yakın Dönem Türkiye Araştırmaları*, No:4, 2003, p.117.

23 These offices are in Trabzon, Samsun, İnebolu, Zonguldak and Mersin.

24 Yavuz, *ibid*, p.117.

export or import transaction, except for a few exchanges of petroleum and its derivatives for agricultural products.²⁵

When the Turkish side gained a decisive victory over the Greeks and the invading forces in Anatolia in September 1922, the country's attitude towards the Soviets began to shift slowly and the manifestations of this began to be felt on the Soviet trade institutions. According to the note given on 24 October 1922, the Turkish side requested the Soviet Foreign Trade Representation in Ankara to be closed.²⁶ The new government of Turkey stated unequivocally that companies or institutions dealing with trade, which were established through other countries, would be perceived as capitulation.²⁷ The first condition of the Turkish side was that the activities of the Soviet trade organizations in Turkey would have no connection with the diplomatic missions. Second, the Trade Representative was to be established under the Economy Ministry of Turkey, and in this context, they would solely be obliged to act in accordance with the laws in Turkey. In addition, negotiations for signing a trade agreement would begin on 28 October 1922.²⁸ Thus, on 6 November 1922, the Trade Representative that the Soviets have opened in Turkey was closed.²⁹

After the Trade Representation was closed, the Soviet side made some policy changes through the NKVT management and suggested the following to solve the problem. Mutual customs reductions should be agreed with the Turkish Government. It was considered that providing visas that would be issued to Turkish traders who would import merchandise from Turkey and the certificates to be granted to imported goods should be carried out via the Trade Representatives instead of the embassies. It was decided to reorganize the Trade Representation, starting from the Ankara and Istanbul offices.³⁰ During this period, the Turkish side did not allow Soviet goods to enter its ports for more than six months. The new Soviet ambassador Surits, that came after Aralov, who followed the developments closely, reported to Karahan that, in order to straighten the relations with Turkey, it should not be insisted on rights of the Trade Representative and its responsibilities and authorizations should be transferred to Arcos, provided that its control would be under NKVT.³¹ As the tensions between the two countries pursued due to a ban on the import of the Soviet merchandise to Turkish ports in June 1923, the situation softened in August of the same year and the Trade Representation in Ankara was reopened.³²

25 Koptevskiy, *ibid*, p.69-70.

26 RGAE, fon: 413, opis: 2, delo: 1686 p.109.

27 RGAE, fon: 413, opis: 2, delo: 1686 p.16.

28 RGAE, fon: 413, opis: 2, delo: 1686 p.18

29 RGAE, fon: 413, opis: 2, delo: 1686 p.19. In Aralov's letter to the Turkish Government, it was expressed that the gendarmerie arrived on 13 November to close the Representation. Koptevskiy states that the Trade Representation Office in Ankara was closed in the middle of 1922 after the trade agreement negotiations were interrupted. See: Koptevskiy, *A.g.e*, p.73.

30 RGAE, fon: 413, opis: 2, delo: 1686 p.23.

31 RGAE, fon: 413, opis: 2, delo: 1686 p.88-89.

32 Koptevskiy, *ibid*, p.73.

In the meeting held by the Soviet Trade Delegation on 3 March 1923, Istanbul was determined as the center of the Soviet trade operations.³³ In 1924, Pavel Anikiev was appointed as the first Arcos director. The job description of Anikiev was the directorate of Arcos and the Petroleum Union, as well as operating as the TTO representative.³⁴ Arcos Istanbul office continued to function as the Trade Representative of NKVT under the supervision of the Soviets until the trade agreement between Turkey and the Soviet Union was signed. The Ankara office, which was responsible for the Soviet trade operations in Anatolia, was closed.³⁵ Thus, Arcos became the only economic institution, which possesses the competence and legal rights to pursue foreign trade of the Soviets with Turkey.

2. The Activities of Arcos Until the Agreement

The total foreign trade of Arcos in Turkey in the 1922-1923 fiscal year amounted to 1,966,900 sterling, which equaled to 16,000,000 Turkish Lira. This figure included the costs of the Soviet goods sent in transit to other countries via Turkish territories. The export carried out by Arcos amounted to 936,800 sterling, while the import was 1,029,800 sterling. The total amount of purchases and sales realized in the Istanbul markets was 1,170,000 sterling. The total of the Soviet goods sent in transit via Istanbul was 796,000 sterling.³⁶ The volume of exports to Turkey for the fiscal year of 1922-1923 in Soviet statistical sources was 68.200 tons and the value was recorded as 22,400,000 rubles.³⁷ The shares of the Soviet Institutions in this trade were as follows; the share of the South East Branch of the State Trade Authority was 32%, the share of Azneft³⁸ and Grozneft³⁹ was 34%, the shares of the Crimean Trade Authority and the Soviet Central Trade Authority were 10% each and the share of the Ukrainian Trade Authority was 8%.⁴⁰

Soviet statistical sources indicate that the following goods constitute the majority of merchandise that were imported from Turkey in the 1921-1922 and 1922-1923 fiscal years; Valonia, orange, lemon, nuts, and live animals that were bought from Eastern Anatolia. Oil and its derivatives, wheat, sugar, cement, woven fabric, plastic products, and machine parts are among the important products that were exported.⁴¹ Although sugar, woven fabric, and

33 RGAE, fon: 413, opis: 2, delo: 1078 p.34-35.

34 Koptevskiy, *ibid*, p.73.

35 GARF, fon: 374, opis: 28, delo: 1110 p.1.

36 GARF, fon: 374, opis: 28, delo: 1143 p.5.

37 Bakulin and Mushistin, *ibid*, p.248.

38 It is the abbreviation of the Azeri Petroleum Corporation, which belonged to the Azerbaijan Soviet.

39 This is another institution named after Grozny and was one of the two oil production fields in the Soviet era, that exported oil and its derivatives.

40 GARF, fon: 374, opis: 28, delo: 1143 s.6.

41 Bakulin and Mushistin, *ibid*, p.248.

wheat are included in the list of export goods, the most remarkable exported commodity was cement with 2,408 tons. Mainly orange, lemon, nut, live animal, and dubitel⁴² were imported from Turkey and the total imports amounted to 15,200,000 rubles.⁴³

Due to the rupture of relations of Soviets with important European markets, the port of Istanbul became a transit product trading center for the Soviets in these years. Especially in 1922, when the manufacturing crisis was experienced, the Istanbul port was used to supply import goods. In addition, due to the political climate of the world, many of the Soviet export goods were sent to London via the Istanbul port.⁴⁴ Beginning from 1923, Istanbul started to lose its importance as a transit port for the Soviets and to become an important market for grain products. Compared to 1922, exports to Turkey advanced five times, while imports from Turkey decreased by seven times.⁴⁵

Due to tensions with, in connection with the closed Trade Representation Offices in Turkey, a large part of the Soviet goods were prohibited from entry to Turkish ports in the 1923-1924 fiscal year. On the other hand, the content of import and export goods in Russian ports on the Black Sea coast has changed. The amount and content of the goods imported by the Soviets from Istanbul markets were also changed. In 1923, the goods stocks that remained from 1921 and 1922 were depleted. Within this year, the imports of wool, tobacco, and leather, which were among the goods purchased from the markets in Turkey, were halted.⁴⁶ The trade volume in the 1923-1924 fiscal year fell by almost half compared to the previous fiscal year, reaching an amount of 1,097,000 sterling. These figures include goods shipped in transit to other countries' markets. Soviet exports to Turkey, excluding the volume of goods in transit, were 978,400 sterling. The trade volume has almost halved, but the number of transactions for tradable goods doubled. In other words, the traded goods were both diversified and the number of supplies increased. If the sales made by transit are not taken into account, the Soviet import rate fell seven times, and its exports doubled, compared to the figures for the fiscal year 1922-1923.⁴⁷ According to the Soviet sources, livestock is within the first ranks of the list of products that were imported from Turkey in the 1923-1924 fiscal year with a total amount of 902,000 rubles. Valonia ranks the first among the import products including nuts, orange, lemon, leather, and wool.⁴⁸ For the 1923-1924 fiscal year, the export rate of Arcos was almost six times the import rate. It also corresponds to 85% of

42 From now on it will be called Valonia within the text. It is referred to as "Valonia Oak" in the Statistical Yearbooks of Turkey. These materials are used in leather processing facilities.

43 Since the ruble gained value in the Soviet Union in 1936, it was multiplied by a factor of 4.38 given in the aforementioned book of statistics. For details see: Bakulin and Mushistin, *A.g.e.*, p.248.

44 GARF, fon: 374, opis: 28, delo: 1143 p.23-30.

45 GARF, fon: 374, opis: 28, delo: 1143 p.23-30.

46 GARF, fon: 374, opis: 28, delo: 1143 p.10.

47 GARF, fon: 374, opis: 28, delo: 1143 p.11.

48 Bakulin and Mushistin, *ibid.*, p.248.

the total terms of trade between the two countries. Grain and products constitute 92% of the total exports.⁴⁹

The foreign trade volume of the Soviet institutions, which were under the organization of Arcos, between Turkey and the Soviet Union amounted to a total of 8,981,710 pounds within the 1924-1925 fiscal year.⁵⁰ The Soviet sources indicate that petroleum and its derivatives products are in the first rank among the goods that were exported to Turkey during the 1924-1925 fiscal year, while wheat sales have fallen sharply compared to the previous year. Cement, sugar, and plastic products were other important Soviet export merchandise.⁵¹ In import operations, cotton was added to the tradable product list. Wool purchases have increased to 200 tons. While the purchase of livestock continued in Eastern Anatolia, valonia, orange, lemon, and dried nuts were imported from Western Anatolia.⁵² Arcos held the first position in the purchases made by the Soviet institutions in Turkey in the 1924-1925 fiscal year with a share of 45.9%. TTO made 33.3% and Russotürk 20.8% of the total Soviet purchases from Turkey in that year. The main content of the export goods consists of cereals, caviar, and products such as livestock, fish, and sunflower oil brought from Ukraine for Istanbul.⁵³ Half the sesame production in Turkey was purchased by the Soviets within the 1924-1925 fiscal year.⁵⁴ Moreover, Arcos started to sell matches, grains, and kerosene under its own brand in the Turkish markets this year.⁵⁵

The foreign trade that took place between Turkey and the Soviet Union within the 1925-1926 fiscal year was particularly of political importance before any other benefits. For the Soviet bureaucrats, consolidating their trade operations through political ties and developing relationships among the authorities were at the forefront of their agenda. As underlined by the Soviet authorities, it was not of great importance with which country from the West they deal in their foreign trade, but since the Turkish Government desired to create its own national bourgeoisie, the Soviet institutions were careful in choosing their customers.⁵⁶

The total exports of the Soviet Union to Turkey in the 1925-1926 fiscal year amounted to 6,967,672 sterling. The portion of this amount realized by Arcos was 2,905,882 Turkish lira. Arcos' share in total exports was 41.6%. The share of TTO is 10.9% and amounted to 750,164 Turkish Lira. The share of the Petroleum Union was realized as 28.8% with an amount of 1,987,249 Turkish Lira. The share of Russotürk was 19.6%, which amounted to 1,324,877 Turkish

49 GARF, fon: 374, opis: 28, delo: 1143 p.13.

50 RGAE, fon: 413, opis: 11, delo: 177 p.8-11.

51 Bakulin and Mushistin, *ibid*, p.248.

52 Bakulin and Mushistin, *ibid*, p.248.

53 RGAE, fon: 413, opis: 11, delo: 177 p.19-24.

54 RGAE, fon: 413, opis: 11, delo: 177 p.37.

55 GARF, fon: 374, opis: 28, delo: 1143 p.17.

56 GARF, fon: 374, opis: 1, delo: 1876 p.42.

Lira. Compared to other years, Russotürk's coal and cement sales and TTO's carpet and fur sales decreased. Sales of the Grain Products Export Corporation, a sub-unit of Arcos, decreased compared to 1924, reaching a share of 17.7% in total exports. While there was no sugar export in 1924, it constituted 48.8% of the total exports of the institution with 1.403.000 lira in 1925. Plastic shoe sales increased from 64,960 Turkish Lira to 174,934 Turkish Lira. Fish and its products decreased from 15.1% to 4.3%. After the establishment of state monopoly regarding the trade of matches, the export of this good in Turkey has dropped to zero.⁵⁷

3. Transcaucasia Trade Organization- An Imperial Trade Heritage with The Eastern Side of Turkey for Soviet Union

During the determination stage of the commercial goals of the Soviets in the region in the 1920s, Chicherin demonstrated the importance that he attached to Eastern Anatolia by expressing, "Whichever country has a geographic superiority, should also be superior in the trade". Therefore, TTO's activities in Turkey gained importance. The first aim of TTO was to proceed with the trade networks established with merchants in Kars and Erzurum by the Russian Empire. Another goal was not to lose the markets in Eastern Anatolia to products of Western origin. TTO, which was organized within the Istanbul Arcos office until the mid-1920s, played a leading role in the transit export of carpets produced in Central Asia and the Caucasus, using the Istanbul port. TTO tried to be effective in Western Anatolia in the early 1920s. Following the signing of the trade agreement, the only region where the institution was active was Eastern Anatolia. The Soviet Union started to import some of its livestock needs from Eastern Anatolia when its stocks began to decrease due to the difficulties encountered in its domestic markets. Thus, the main export goods of the region were large and small cattle that were sold to the Soviet Union. The center of TTO was in Tbilisi⁵⁸, but the organization also had offices in Germany, England, France, Turkey, Greece, and Iran.⁵⁹ TTO's Istanbul office was established in 1921⁶⁰ under the management of NKVT.⁶¹ Unlike other Soviet institutions operating in Istanbul, a supervising institution for the TTO office in Turkey was not defined. Therefore, TTO mostly conducted foreign trade transactions independent of Arcos.⁶²

57 GARF, fon: 374, opis: 1, delo: 1876 p.97.

58 Candan Badem, *Çarlık Döneminde Kars, Ardahan, Artvin 1878-1918*, Aras Yayıncılık, 2018, İstanbul, p.344.

59 Goldstein et. al., *Entsiklopediya Sovetskovo İmporta Tom Pervoy, İzdatelstvo Narkomtorga, Moskva,1929*, p.85.

60 In the document, the establishment date of the Istanbul office was provided as 1921, but in other sources, August 1922 is given as the establishment date of TTO. See: A. Şemsetdinov, Y. A. Bağirov, *Bir Karagün Dostluğu Kurtuluş Savaşı Yıllarında Türkiye-Sovyetler Birliği İlişkileri*, Çev: Hasanoğlu A., Bilim Yayınları, İstanbul, 1979.

61 The Caucasian Republics were later included in the Soviet Union.

62 GARF, fon: 374, opis: 28, delo: 1873 p.117.

The TTO exported Soviet goods amounting to 1,718,327 sterling in the 1924-1925 fiscal year while importing merchandise amounted to 514,452 sterling to the Soviet Union from Turkey. In the 1925-1926 fiscal year, the export of the organization was 691.924 Turkish Lira, while the import amounted to 368.277 Turkish Lira. The terms of foreign trade carried out by the institution within one year decreased by 47% compared to the previous year.⁶³ Carpets constitute a 50,6% share with a value of 868,870 Turkish Lira among the products exported to Turkey by TTO in the 1924-1925 fiscal year. Caviar held a 26.7% share in exports with a value of 459,637 Turkish Lira. Fur export held a 13.3% share with a value of 228,834 Turkish Lira. Tobacco held a 9.4% share with a value of 160,966 Turkish Lira. In the year 1925-1926, the share of the carpet was realized as 85.7% with a value of 592,851 Turkish Lira. Caviar had a share of 11.5% with a value of 78,915 Turkish Lira. Fur held a 2.6% share while apple had only 0.2%. Carpet sales decreased by 30%, fur sales by 60%, and caviar sales by 83% compared to the previous year. 17,756 pieces of carpet were exported to Turkey in 1924, whereas, a year later, that figure has fallen to 13,334 pieces.⁶⁴ Even at the beginning of the crisis years between 1925 and 1931, Soviet trade with the region fluctuated between 1,118,000 and 2,602,000 rubles. Only in 1924, it amounted to 175,000 rubles.⁶⁵

The Turkish merchants were given the right to import unlicensed goods conveyed by land such as olives, walnuts, sesame seeds, ready-made skin, butter, sausage, salami, dairy products, salt, and canned food from the eastern regions of Turkey beginning from 1925 until the signing of the agreement.⁶⁶ In addition, it was decided not to apply customs procedures for fresh fish products extracted from Çıldır Lake. Duty-free purchases of orange and lemon from Iğdır continued as before. After the trade agreement, cotton from Iğdır joined the list of products that were imported from Eastern Anatolia. On the other hand, Turkey's ambassador to Moscow applied relevant Soviet institutions for permission to transport the fresh fruits over the Coruh River up to Batumi. The Soviets, who attached significant importance to their trade with the eastern provinces of Turkey, approved this idea within the same year. Because the main objective was to prevent the economies of Artvin and Batumi from being separated from each other.⁶⁷

The trade operations of the Soviets with Turkey's eastern provinces were always closely monitored by the NKVT. On May 8, 1925, Chicherin communicated some warnings to the NKVT that the instructions given by

63 GARF, fon: 374, opis: 28, delo: 1873 p.117.

64 GARF, fon: 374, opis: 28, delo: 1873, p.118.

65 RGAE, fon: 413, opis: 12, delo: 1982 p.153-155.

66 Erdal Bilgiç, "A Different Way Of Trade With The Soviet Union In The Early Turkish Republican Period: Unlicensed Import Trade", *Cumhuriyet Tarihi Araştırmaları Dergisi*, Yıl:15, Sayı:29, 2019, p.247-284.

67 GARF, fon: 374, opis: 28, delo: 1072, p.147-152.

himself regarding the trade operations in Eastern Anatolia were not followed and asked the management of NKVT to review their trade policies. In his letters to Krasin, Chicherin stated that Western products gained the upper hand in some city markets, leave aside from the increase in Soviet trade in the region. Since the Soviets could not gain the upper hand in the region, although they had the advantage of the geographical proximity, which was the emphasis of Chicherin, he immediately ordered to be in contact with Surits, the Soviet's ambassador to Ankara, and take decisions to improve foreign trade.⁶⁸ In September 1926, it was decided in the meeting at the headquarters of NKVT that Arcos should have trade experts in Turkey's eastern provinces. At the same meeting, it was stated that the establishment of TTO's representative offices in Erzurum, Kars, Artvin, and Trabzon would have a positive effect on increasing the Soviet trade.⁶⁹

Between 1926 and 1929, there are no accounting records of TTO kept separately by Arcos and the Trade Representation. However, although the trade operations carried out with Eastern Anatolia is not specified separately in the statistical data of the two countries, it is known that especially live animals are traded in the region. Petroleum and its derivatives and sugar are among the most important Soviet exports to the region in exchange for importing livestock. The number of cattle exported to the Soviets was 9,000 in 1927. The number of ovine animals reached 24,000. In the next year, the number of ovine animals remained the same, while the number of bovine animals fell to 5,000. In 1929, the number of ovine animals, which increased to 36,000, was followed by 7,000 bovine animals.⁷⁰ In Soviet sources, on the other hand, the number of live animals that were imported was specified in tons, not in numbers. The 2,355 tons received in the 1926-1927 accounting year were recorded as 3,099 tons in the 1927-1928 accounting year. It is written that 2,351 tons of purchases have been made in the accounts from October to December 1928. In 1929, the total amount of livestock purchased was 6,081 tons.⁷¹

It is difficult to argue that the 1927 trade agreement had a negative or positive effect on TTO's endeavors. Erzurum was the only province in Eastern Anatolia where the Soviet Union was authorized to establish an office according to article 15 of the agreement. Nevertheless, the trade of Soviet products continued in provinces such as Artvin, Kars, and Iğdır. In addition, these cities were located in a geographically close to the Soviet customs points, and Kars had a railway connection with the Soviet Union. On the other hand, in Trabzon, where the Soviets gained the right to establish an office, discussions about the supervising institution continued between TTO and the Trade Representation. Trabzon office was connected to TTO for a certain period of time after the 1927

68 GARF, fon: 374, opis: 28, delo: 1101 p.97.

69 GARF, fon: 374, opis: 28, delo: 1102 p.1-2.

70 Statistical Yearbook of Turkey, 1937.

71 Bakulin and Mushistin, *ibid*, p.248.

agreement. First TTO and then Trade Representation sold textile, cement, sugar, plastic shoes and petroleum derivatives in their Trabzon office.⁷² According to the trade agreement signed in 1927, the Soviets had the right to establish a Trade Representation office in Kars, but this initiative was not used until 1934. Turkish local authorities were unwilling to have a TTO office in Kars. Therefore, the name of the Petroleum Union's office in Kars was changed to the Soviet Trade Representation Office.⁷³

Following the 1927 agreement, foreign trade between the two countries in Eastern Anatolia predominantly occurred in live animals, petroleum and its derivatives, sugar, and textile products. It is observed in the trade agreements of 1931 and 1937 that the Turkish side improved the terms of trade with the Soviet Union in her favor in Eastern Anatolia. Western Anatolia has provided consistently negative balance while the export of live animals, especially from eastern Anatolia helped to compensate for the foreign trade of Turkey with the Soviet Union. After the agreement, the crucial goal of TTO in Eastern Anatolia was to carry out regional trade through merchants with large capital.⁷⁴ After the agreement, the products imported by the Soviets from Eastern Anatolia were livestock, fur, and wool.⁷⁵ The institution mainly working through the Erzurum office sold the goods of Technology Export, Forest Products Export, Coal Export, Textile Export, and Mineral Substances Export Institutions in Eastern Anatolia.⁷⁶ Livestock purchases and sales of petroleum and its derivatives continued to be traded through barter transactions in Eastern Anatolia for a long time.⁷⁷ After the agreement, the main reason that led to the decrease in the trade of the Soviet Union with Eastern Anatolia is the completion of the Sivas-Erzurum railway.⁷⁸

4. Petroleum Syndicate- A Useful Tool for Soviet Union's Foreign Trade

The Soviet trade organization called the Petroleum Syndicate was established in July 1922 to trade oil and its derivatives in domestic and foreign markets.⁷⁹ The trade institutions of the Soviet Union began to sell their products consisting of oil and derivatives firstly through the established offices in Turkey.⁸⁰ The union's initial goal specified in the sale of petroleum and its

72 RGAE, fon: 413, opis: 12, delo: 230 p.29 and ob.

73 RGAE, fon: 413, opis: 12, delo: 1553 p.105-107.

74 RGAE, fon: 413, opis: 13, delo: 1412 p.3-7.

75 RGAE, fon: 413, opis: 13, delo: 356 p.1-13.

76 RGAE, fon: 413, opis: 13, delo: 566 p.1-24.

77 RGAE, fon: 413, opis: 13, delo: 566 p.1-24.

78 RGAE, fon: 413, opis: 12, delo: 1553 p.47-48.

79 A. K. Sokolov, *Sovetskiy Neftesindikats na Vnutrennim i Mejdunarodnim Rinkah v 1920-e Godah, Moskva, Ekonomiçeskaya İstoriya*, 2005, p.106-108.

80 Soviet petroleum and its derivatives, which were brought out of Samsun via the port of Batumi, were illegally sold in Turkey in the early 1920s. The main reason for this was that the Soviet Union had not yet established a state monopoly in oil trade. Frunze, 1978, p.29.

derivatives has been reaching the sales made by the Russian Empire during the Ottoman Empire era.⁸¹ It was decided that the Petroleum Union, to carry out the trade operations through the NKVT since it had many experienced employees.⁸² NKVT began to export products to Turkey at the end of 1922. It was thought that the most advantageous commodity that the Soviets could sell to Anatolia during this period was petroleum and its derivatives, and efforts were made to organize a trade infrastructure in places where demand was thought to be high. In order to cope with the foreign capital in the sales of petroleum and its byproducts and have a say again in the Turkish markets on behalf of the Soviet Union, kerosene sales stations were established in Trabzon, Samsun, Inebolu, and Mersin offices.⁸³ Soviet statistical data reveal that petroleum and its derivatives amounting to 31,000 rubles were sold in Turkey until September of 1921.⁸⁴ In 1922, 25% of the exports of the Soviet Union to Turkey, and 96.5% of the total petroleum and its derivatives exports was kerosene. The export of kerosene was realized as 9,294 tons. In addition, 340 tons of gasoline were sold.⁸⁵

In 1923, only 18,757 tons of kerosene was brought in about six months. Kerosene alone constituted 52% of the total export value of the Soviet Union to Turkey in that year. Its share in petroleum and its derivatives was 99.8%. In 1924, 16,931 tons of kerosene was sold to Turkey. It constituted 45% of total exports and 89% of the export of petroleum and its derivatives. In the same year, 2,875 tons of petroleum, 935 tons of machine oil and 508 tons of gasoline were imported by Turkey.⁸⁶ The total of petroleum and its derivatives that were exported to Turkey in 1923 was 73,100 tons. According to Turkey's statistics data in 1923, the total of petroleum and its derivatives that were imported to Turkey was 47,807 tones. 36,117 tons of this figure is kerosene.⁸⁷ Because in those years, electrification in Turkey was very limited and mostly kerosene was used in lighting.⁸⁸

The total Soviet petroleum and derivative products exports to Turkey in 1924 amounted to 21,250 tons. The union increased the amount and variety of products that it sold over time.⁸⁹ On the other hand, according to the statistical data of Turkey, the total exports of petroleum and its derivatives of the Soviets appeared to be 18,639 tons.⁹⁰ The total of 21,250 tons recorded in Arcos reports may be true because the Soviet statistics records indicate that the export volume

81 Bakulin and Mushistin, *ibid*, p.248.

82 RGAE, fon: 413, opis: 2, delo: 1553 p.56.

83 These offices are pronounced differently in many texts and are referred to as Representation or Arcos offices. In fact, the offices were comprised of small agencies established mainly to trade the Petroleum Union's goods.

84 Bakulin and Mushistin, *ibid*, p.248.

85 GARF, fon: 374, opis: 28, delo: 1052 p.21-35.

86 GARF, fon: 374, opis: 28, delo: 1052 p.21-35.

87 Kemal Lokman, *Türkiye Petrol Madenleri, Hakimiyeti Milliye Matbaası*, Ankara, 1933, p.77.

88 Bakulin and Mushistin, *ibid*, p.248.

89 GARF, fon: 374, opis: 28, delo: 1052 p.21-35.

90 Statistical Yearbook of Turkey, 1940-1941, DİE, Ankara, 1942.

to Turkey seemed to be 220,000 tons.⁹¹ Since all three figures are different from each other, the first deduction that can be made is that the figures of import made through the eastern border of Turkey via land or railroad were included in the statistical export data. The second assumption might be that the figures added to the Soviet statistics data included other regions that were connected to the Istanbul office and not only export figures related to Turkey. At the end of 1924, the Turkish market of petroleum and its derivatives have observed an increase in the sales of the Soviet Petroleum Syndicate. The Union seized 45% of the kerosene market and 95% of the fuel market in Turkey.⁹²

The share of the Petroleum Syndicate in the sales of the Turkish market realized as 40% in kerosene and 32% in gasoline. In 1926, the total Soviet petroleum and derivative products sold in Turkey were 32,000 tons. In 1926, Soviet gasoline had a 35% share, whereas, in 1927 this figure increased to 55%.⁹³ The reason for the decrease in sales was the need to sell the goods that remained in the hands of the monopoly from the previous year. In 1927, sales reached 103,000 tons with 39,000 tons of diesel supplied to bunkers. In 1927, the Petroleum Syndicate sold 25,300 tons of kerosene by itself. The Syndicate provided 16,400 tons of goods to the Turkish Petroleum monopoly and the Standard Oil Company.⁹⁴ The Soviet Union provided 84% of the total Turkish market needs, while the rest was met by the Romanians.⁹⁵ The Soviets finally got rid of the problems such as finding a distribution network in Turkey and building unloading ramps and storage areas through the agreement signed with the SOC on November 15, 1927. According to the agreement, the Petroleum Syndicate would continue to sell 40% of kerosene, 25% of diesel, and 35% of gasoline with its own means, and the rest would be given to the SOC that would be paid by the Union over the United States.⁹⁶

In the 1926-1927 fiscal year, the Soviet foreign trade data indicates that a total of petroleum and its derivatives sent to Turkey were 45,000 tons. In the 1927-1928 fiscal year, which was the following year that goods were provided to the Turkish Petroleum Monopoly, the export amount was 125,000 tons. The Soviets accepted regular calendar year as the fiscal year when the NEP period ended in 1929. The export of petroleum and its derivatives by the Soviets to Turkey and other countries over Turkey amounted to 46,100 tons from October 1928 to the end of December. The figures for 1929 show 177,000 tons for the exports.⁹⁷ Conflictingly, Turkey statistics provide different information about petroleum and its derivatives exported by the Soviet Union to Turkey. According to these figures, the total petroleum and derivatives purchased from the Soviets in 1926

91 Bakulin and Mushistin, *ibid*, p.248.

92 GARF, fon: 374, opis: 28, delo: 1052 p.21-35.

93 GARF, fon: P 374, opis: 28, delo: 3230 p.242-252.

94 Hereafter SOC.

95 GARF, fon: P 374, opis: 28, delo: 3230 p.242-252.

96 RGAE, fon: 413, opis: 12, delo: 274 p.129.

97 Bakulin and Mushistin, *ibid*, p.248.

were 35,374 tons. While gasoline was not included in the statistics of 1927, the amount of kerosene sold to the Turkish Petroleum Monopoly was approximately 28,090 tons. In 1928, the export of gasoline and other products was 46,892 tons. In 1929, the figures show a total of 6,029 tons.⁹⁸ Petroleum and its derivatives were never made subject to negotiation neither in the 1927 trade agreement, which was the main axis of trade between Turkey and the Soviet Union, nor during the discussions of 1931, 1934, and in 1937 trade agreements. Since the Soviet Union was the main supplier of the Turkish Petroleum Monopoly when the 1927 agreement was signed, no problems were experienced in the export of petroleum and its derivatives.

5. The Views of The Soviet Bureaucrats Before the Agreement Negotiations

Trade agreement negotiations began with Turkey's initiative. On January 5, 1925, when the director of Arkos Yuryev was in Ankara, he received a telegram from Istanbul. This telegram from the Ministry of Finance reported that the tariffs applied 5 times will be increased to 8 times starting from January 1 to goods from countries without a trade agreement with Turkey.⁹⁹ Thereupon, Yuryev asked the Finance Minister to ignore this situation for the time being and to offer a privilege to continue the application of the former customs rate of 5 times during the negotiations. Ali Cenani¹⁰⁰ stated that the situation had been notified to the relevant ministry and would be resolved as soon as possible. He added to his brief that the fastest and the easiest solution to the problem would be to sign a short-term trade agreement while the negotiations were underway. He explained that the Soviet goods would be included in the second category of goods in this way and that this should be done by the exchange of notes.¹⁰¹

On January 28, all trade-related Soviet institutions were instructed that it was crucial to promptly make a list of the most necessary products required by the Soviets and that imports would be cut with almost all countries due to the shortage of foreign exchange in the Soviet Union while trade negotiations were in progress. On the other hand, NKVT wanted the relevant institutions to be informed that there would be short-term import cuts in order not to discomfort the other countries. On January 30, Arkos asked for prohibition of importing cotton, valonei and valeksa that will be imported from Turkey (for merchants only), and requested that the Soviet Commercial Fleet not to bring any such goods.¹⁰²

98 Statistical Yearbook of Turkey, 1940-1941.

99 The customs tariffs, which are applied five times the tariff of 1916, have been increased to eight times the tariff of 1916 for the countries that have not signed the Lausanne Trade Agreement. In April 1927, these rates will be increased to 15 times by Law No. 1005. However, since almost all imports were made with Lausanne countries, the USA and the Soviets, this increase wasn't applied. See: Tezel, 1994, p.161.

100 Turkish Trade Minister.

101 GARF, fon: 374, opis: 1, delo: 1874, p.34-51.

102 GARF, fon: 374, opis: 1, delo: 1874, p.34-51.

On the other hand, while Yuryev was in Istanbul for the negotiations on the trade agreement, Deputy Ibragimov reported that this prohibition on the export goods from Turkey and the raise of the customs tariffs from 5 times to 8 times by Turkish officials would seriously diminish the trade amounts, and therefore, it was essential to take necessary measures to return to the old system as soon as possible through ministries. All this while, Soviet Foreign Affairs Ministry¹⁰³ established NKVT and indicated in its letters that banning the delivery of some goods bought from Turkey to Soviet Union would have adverse results. Moreover, they asked to be implied to the relevant authorities the possibility of lifting the import ban only for Turkey by the Soviet Union, if Turkey returned to its former 5 times customs rate. NKVT did not take this suggestion warmly. The deputy director of Arkos, Ibragimov, expressed his opinion that the same ban on all Turkish export goods, not only a group of goods, would react better.¹⁰⁴

Yuryev wrote that these actions would harm the Soviet-Turkish trade relations in response to the recommendations on the prohibition of goods from Turkey with its unexpected consequences. First of all, according to him, the mutual ban on imports and exports by the two countries would prevent the negotiations from continuing while negotiations for a trade agreement were in progress. Secondly, an immediate reaction from Turkey would be inevitable and the exports of Soviets, who were in shortage of foreign exchange, would definitely decrease. Yuryev's fear was that Soviet merchandise would fall into the eighth category. Furthermore, Yuryev was concerned that if the export volume of the Turkish side declined, Arkos and other Soviet institutions would be subjected to pressure from the Turkish side. It is stated in his letter that, as the pressure continues, it would be difficult to regain the trust of the merchants as a result of the breaking of the ties that are trying to be formed. Due to these reasons, Yuryev finds the prohibition on importing products from Turkey wrong. According to him, the reactions coming from political and commercial circles would not be able to be prevented.¹⁰⁵

Prior to the negotiations for the trade agreement, the Soviet side was aware of the fact that Turks wanted Asian customs rates to be applied to their merchandise brought over the sea. On the other hand, the Soviet side used Asian customs tariff rates in the trade with the eastern provinces of Turkey in order to be more effective in the regional commercial activities but did not seem very willing to provide these rates on the imports to be carried out by the sea. The best example of Asian type customs tariff rates on the land was the rates applied to Iran. For example, dry fruits being exported from Iran was applied as 12 rubles for 100 kilograms, while those brought from Turkey were taxed 72 rubles customs duties. Turkey, exporting dry fruits and nuts mainly through the

103 Hereafter NKVD

104 GARF, fon: 374, opis: 1, delo: 1874, p.34-51.

105 GARF, fon: 374, opis: 1, delo: 1874, p.34-51.

ports in western cities, would definitely bring to table during the preliminary negotiations of the trade agreement that Asian customs tariff rates should be applied to these goods exported by sea, in order to increase its exports to the Soviet Union. However, the warnings that the Director of Arcos made did not work and, on February 7, the number of goods which can be sent from Turkey to the Soviet Union has been reduced to three by orders from Moscow.¹⁰⁶

After the reduction of the number of products imported by the Soviet Union from Turkey, Soviet experts in Turkey, because of political reasons and trade agreement negotiations, asked for export permission of at least oranges, lemons, and such goods for a certain period of time from Turkey. Moscow, in its reply dated 8 February, said that it was not possible to grant this permission for the time being. Moreover, it was stated in the same reply that even if this permission was granted, it would be in exchange of a benefit from the Turkish side. The Soviets primarily asked for first-degree advantageous customs tariff rates or sales monopoly of petroleum and its derivatives for allowing the import of the Turkish goods. Turkish bureaucrats, who knew that the sale of export goods would be affected by this, warned Arcos director Yuryev and deputy director Ibragimov that the Soviets would eventually lose profits. For example, the threat of blocking the entry of 10,000 tons of cement to be sold in Turkey have been thrown out. On the other hand, the more important warning was given by underlining that the already troubled Arcos accounting records and its relations with the state would be damaged.¹⁰⁷

In the letter Chicherin wrote to the committee who would be present at the negotiations of the trade agreement, the first emphasis made was the customs tariffs rates. Chicherin highlighted especially that the goods arrived from the land gained much importance in the Asian-style customs applications and this practice falls short of its goal. According to him, European-style customs procedures applied to merchandise arriving through the Black Sea hinder the development of trade relations of Turkey with the Soviet Union. On the other hand, NKVT fiercely opposes the application of Asian-style customs tariffs to the goods imported from Turkey arriving through the Black Sea. Chicherin, defending that the Turkish economy is on the path of development and change after long years of war, clearly underlined in his letter that the shift of government attention to Western countries, even if it was required to pursue liberal policies, conflicted with Soviet Union interests. According to Chicherin, the first thing to do in order to resolve this is to sign the customs and trade agreement. On the other hand, Chicherin warned the delegation who would go to Turkey on maintaining the current customs situation and not to stop the trade regime that is already working more or less.¹⁰⁸

106 RGAE, fon: 413, opis: 2, delo: 2044, p.183.

107 GARF, fon: 374, opis: 1, delo: 1874, p.34-51.

108 RGAE, fon: 413, opis: 2, delo: 1925, p.5-8.

Another issue, which Chicherin wrote to the delegation sent from NKVT and indicated that its resolution was crucial, was the Artvin-origin transit trade through Batumi. According to the report written by the Soviet Consulate of Artvin, the forgotten routes used earlier started to revive, started to revive. These goods were transported not only to Batumi but also the other regions as well through the Caucasus. According to the Soviet Consulate of Artvin, tens of thousands of camels were presently in motion towards Iran through Trabzon and Erzurum provinces. In addition, the government of Turkey is in highway construction work for cars. Meanwhile, Chicherin explicitly emphasized that the Soviets should be in effort to improve and restore these roads in order not to lose the Soviet domination over the Caucasus. Furthermore, closing down the transit passages through Baku would not mean much for the Soviets once the construction of this road is complete. Turkey tried all alternatives to compel the Soviets into this situation, and therefore, got closer with the western capital.¹⁰⁹

Yuryev in his letter to Krasin dated November 5, 1925, indicated that the negotiations for the trade agreement should take place in Ankara. His explanation to this was, in a case of conflict that may arise during the negotiations, to be close to the Soviet Embassy and inform Moscow of the developments promptly. In the beginning of 1920s, when the first trade agreement among the two countries was intended, the negotiations were interrupted and ceased. Therefore, the Soviet side considered that it would make a good impression to have the negotiations where the Turkish side felt more comfortable. Yuryev, further remarked in his letter that it was the correct thing to apply the temporary customs tariff rates during the trade agreement negotiations, on the other hand, it was necessary that the main point of the negotiations should be the acceptance of the Soviet Trade Agency with full rights. Yuryev's view is that it would be beneficial for the Soviets to find a solution of these clauses until the customs tariff rates were determined. On the other hand, like Chicherin and Karahan, Yuryev agreed under no circumstances should be insisted on a substance that would remind the capitulations to the Turkish side. Yuryev's recommendation to the delegation for the negotiations was to go down to the rates given to Iran when the customs rates were discussed, and even to have a text that could be built on the Soviet-Italian commercial agreement.¹¹⁰

Yuryev, aware of the fact that the Soviet side would request diplomatic immunity for the staff of the Trade Agency during the trade agreement negotiations, suggested not to reveal this goal right away and said that it would be best to express it only after the Soviet side obtained what they wanted. On the other hand, according to Yuryev's opinion, the Turkish side would want to be followed a liberal customs policy for Turkish traders. Yuryev warned that an unconstrained right of transit may be requested for the transit of goods over Batumi stated that

109 RGAE, fon: 413, opis: 2, delo: 1925, p.5-8.

110 RGAE, fon: 413, opis: 2, delo: 2042, p.49-52.

they could insist on the same customs rates for the goods coming from the eastern provinces and for the goods of foreign origin which could be brought with them. In addition to these, he underlined that, in any case, it would be beneficial to work through a list and quotas in order to prevent the passage of goods that are not Turkish-origin and avoid all kinds of smuggling. At the end, whatever the suggestion of Yuryev was, the primary thing to do is to decide on the situation of the Trade Agency and how the trade regime would proceed.¹¹¹

Karahan indicated in his letter, dated November 16, 1925, that it was required to move along with the article no 20 of the agreement signed between Iran and the Soviets in 1921 related to the transit transport of the merchandise. However, it appeared that this article had not yet been implemented. Traders must use the Caucasus territory to trade between Tabriz and Trabzon. On the other hand, Turkey was discussing ways to collaborate with French and Polish to build a road on this route. Karahan specifically emphasized in his letter that, in the context of changing global trade relations and politics, closing down Soviet territory to Iran for the transit transport of goods was an unrealistic policy. According to Karahan, it was essential to allow transit transport of goods, without any delays, in order to advance the Soviet gains over Iran before the trade agreement with Turkey.¹¹²

On the other hand, Karahan stated emphatically in his letter that in exchange for lower tariffs to be applied to Turkey by the Soviet Union, the right to set up an office in Turkey by the Trade Representation and the Soviet trade bodies should be recognized. Karahan thought that during the trade agreement negotiations, applying lower customs tariff rates to 5 or 6 items that would be imported from Turkey would pave the way for the realization of the goals of the Soviet side.¹¹³

The product groups that would be transit transported, the right to transit passage of Turkish-origin goods through Batumi port was entitled according to the 2nd clause of the 1921 agreement. But, as Karahan emphasized in his letter, transit passage of the Turkish-origin goods through Batumi port was not yet been implemented, despite the clause in the agreement. It was considered that the allowing Turkish-origin products through the Batumi port before the new agreement negotiations would especially benefit the Iranian merchants. Moreover, NKVT especially wrote that the granting of rights of transit transport for straw and cotton that will be purchased from Turkey's Eastern provinces would be a gesture to the Turkish side. This means, they asked for directives to be given to Soviet institutions allowing the transit transport of Turkish merchandise through Soviet Union territory in order to be sold in Iran before the agreement negotiations.¹¹⁴

111 RGAE, fon: 413, opis: 2, delo: 2042, p.49-52.

112 GARF, fon: 374, opis: 28, delo: 1872, p.165-172.

113 GARF, fon: 374, opis: 28, delo: 1872, p.165-172.

114 GARF, fon: 374, opis: 28, delo: 1872, p.165-172.

Chicherin, in his letter dated 11 March 1925 written from NKVD to NKVT, highlighted that customs and trade agreement issues should not be confused during the trade agreement negotiations. To do so, the Ministry of Trade must first foresee and complete the relevant articles for the customs agreement. Chicherin proposed the withdrawal of the application of European customs tariff rates to Turkish origin products that would be imported via ports before the beginning of the trade agreement negotiations. On the other hand, the Ministry of Trade decided to inform the Turkish side that the negotiations should start after the study for customs rates completed.¹¹⁵

In the letter the Soviet Ambassador to Ankara, Surits¹¹⁶, composed to NKVD on 7 May 1925, stated that the government in Ankara was very uncomfortable with the British attitude due to the Mosul incident. Surits also stated that the Sheikh Said rebellion was perceived as a British provocation by the Ankara government. According to Surits, Ankara has tied its hopes to the French at first regarding this situation, but the French showed no interest to it. As Surits indicated, the government's expectations from the Soviet Union increased due to the fear of an economic crisis following the Mosul problem and the revolt that followed it. In the letter of the Ambassador it is described that Turkey has not developed a good relationship with any European country to be on intimate terms with, or at a level to produce policies with major European states. The relationships developed with other states remained insignificant because those would not have enough economic and political influence in Turkey's future. Considering all these developments, Surits' purpose in writing this letter was to tell the reason for Turkey's proximity to the Soviets shown just before the trade agreement negotiations started. This was the context in which the Soviets lured Turkey in order to rapprochement for themselves by unlicensed merchandise trade and increased the importance of foreign trade with regards to the Soviets to show that they can stand beside them against England and France.¹¹⁷ Turkey's neutrality and non-aggression treaty with the Soviet Union, signed on 17 December, a day after the United Nations' resolution of the Mosul trouble, is not a coincidence. As in the 1921 agreement, the 1925 agreement served the interests of both sides on the international podium. For the Soviet Union, this was a historical period in which the agreements served its solitude designed by the European states.¹¹⁸

115 RGAE, fon: 413, opis: 2, delo: 2042, p.33-34.

116 Former Soviet Ambassador to Afghanistan and Norway was sent for the embassy duties in Germany after Turkey. Turkish-Soviet relations reached its peak in this period. See: Mehmet Perinçek, *Atatürk'ün Sovyetlerle Görüşmeleri*, Kaynak Yayınları, İstanbul, 2005.

117 RGAE, fon: 413, opis: 2, delo: 2043, p.59-67.

118 Boris Potskhveriya, *Türk Rus İlişkilerinde 500. Yıl Sempozyumu 1491-1992*, TTK Yayınları, Ankara, 1999, p.192.

6. After The Trade Agreement

The trade agreement of 1927 enabled trade between the two countries more stable. The Soviet Union finally imposed its own trade institutions to Turkey through the signed trade agreement. The Trade Agency took over the duties of Arcos and Russoturk joint-stock companies. Although the TTO and the Petroleum Syndicate were independent economic institutions within the Soviet Union, because of the related articles of the agreement, they had to carry out their transactions under the Trade Agency in Turkey. Shortly after the trade agreement, because of the increase in imports from Turkey, the total trade also increased. The NEP era has come to an end in the Soviet Union in 1928. The First Industrialization Plan that was adopted in the same year, forced to make changes in the structure and organization of NKVT, especially in the content of the goods to be imported. Therefore, the content of the merchandise, which was negotiated between the two countries, also changed.

The total trade of the Soviets with Turkey amounted to 7,745,000 rubles in the 1926-1927 fiscal year. According to the previous fiscal year, the imports from Turkey was increased by 80% and amounted to 4,686,000 rubles. The share of exports in total trade decreased by 39.5%. Among Soviet exports, the share of the grain products increased by 18.3% and amounted to 621,000 rubles. In imports, cotton purchases increased from 985,000 rubles to 2,968,000 rubles compared to the previous year. The foreign trade balance of the Soviet Union in terms of trade with Turkey became negative while it was positive compared to the previous year.¹¹⁹What is meant here are the import and export transactions carried out by the Trade Agency on its own. According to the statistical data of the Soviet Union, the Soviets were positive in terms of total foreign trade in the aforementioned fiscal year.¹²⁰The total foreign trade volume of the Soviets with Turkey increased by 37% in 1927, and the reason for that was the increase in the cotton purchases. Cotton purchases were carried out by the Textile Import Agency and amounted to 1,526,160 US Dollars. The total purchase amount of other import goods was 883,288 US Dollars. The total purchase amount of all import products was 2,409,449 US Dollars. The purchases of goods subject to import increased by 81% compared to the previous year.¹²¹

During the 1927-1928 fiscal year, the exports from the Soviet Union to Turkey amounted to 7,328,000 US Dollars, while 2,948,000 US Dollars' worth of goods were imported. According to the reports prepared by the representative experts, the Soviet goods sold by Arcos during the 1926-1927 fiscal year amounted to 4,599,600 US Dollars. In the 1926-1927 fiscal year, Soviet products

119 RGAE, fon:7733, opis:4, delo:699, p.1-5.

120 Bakulin and Mushistin, *ibid*, p.248

121 RGAE, fon:7733, opis:4, delo:699, p.15-18.

only sold to Turkey account for 2,514,000 US Dollars, while the total of products sold to other countries over Turkey was 2,085,000 US Dollars. On the other hand, 4,407,000 US Dollars' worth of goods was sold to Turkey in the 1927-1928 fiscal year while 2,921,000 US Dollars' worth of goods was sold to other countries. In other words, while sales to other countries were 45.3% of the total Soviet exports in the 1926-1927 fiscal year, it realized as 40% in the 1927-1928 accounting year. When the transactions of the Petroleum Union and the Plastic Trust, which act autonomously in their trade operations, a share of 45.3% of total sales, which amounted to 5,300,000 US Dollars, was made to Turkey, while 54.7% was made to other Near East countries in the 1927-1928 fiscal year.¹²²

In the 1927-1928 fiscal year, the Soviets signed trade agreements not just with Turkey, but also with Iran and Afghanistan. Because of the rise of the planning economy in the Soviets and the acceleration of industrialization efforts in a socialist economy, bureaucrats wanted to change the direction and content of foreign trade with eastern countries. Therefore, the Soviets expected that the sales of goods produced by themselves, especially industrial goods, would increase in the eastern countries. The NKVT prepared various reports in order to ensure that the production of these countries whose economies are based on agriculture is increased and the Soviets undertook the task of fulfilling the technology supply in this context. According to the NKVT, Netto-balance should be the motto of foreign trade agreements and should be run through government agencies and trusts, not traders. It was stated that while restrictions on raw materials purchased from Eastern countries were lifted, consumer goods should be reduced.¹²³

After the Soviet Union ended NEP and started a new structure through the framework of the First Industrial Plan, the total trade volume between Turkey and the Soviet Union amounted to 11,317,000 US Dollars between the dates of July 4, 1928, and July 4, 1929, according to the data gathered from Trade Agency, Soviet customs, and the stock exchange. Imports from Turkey by the Soviet institutions amounted to 2,564,800 US Dollars, while the Turkish merchants had a turnover of 4,776,700 US Dollars. The total amounted to 7,341,500 US Dollars. Exports made by the Soviet institutions and Trade Agency amounted to 5,774,800 US Dollars. The total of the merchandise imported by the Turkish traders amounted to 435,000 US Dollars, while the total import volume of the country amounted to 6,209,800. US Dollars.¹²⁴

The two decisive words of the agreement signed with Turkey were 'quota' or 'compensated' trading method. It was a relieving move for Turkey in its foreign trade with the Soviet Union to include customs tariff discounts for the majority of products that would be sold as well as binding them to a specific

122 GARF, fon: P374, opis:28, delo:3230, p.242-252.

123 GARF, fon: P374, opis:28, delo:3881, p.5-8.

124 GARF, fon: P374, opis:28, delo:3881, p.14-17.

quota in the 1927 trade agreement. The compensated trading method was a move that maximized the commercial earnings of traders in Turkey. What was important for the Soviet Union in 1927 was that the Trade Agency was recognized by the Turkish government. The reports prepared by the Soviet experts after the signing of the trade agreement demonstrate that in 1927 it managed to expand the trade activities of the Agency Office to Ankara, Izmir, Mersin, and the Black Sea coastline. A separate office was established independently in the Mersin office for the Textile Import Authority¹²⁵ to carry out cotton purchases. Moreover, the Trade Agency could expand its operations to Palestine, Egypt, Romania, and Bulgaria through intermediaries.¹²⁶

Through trade agreement, Turkish merchants were allowed to export the goods proven to be Turkish origin to the Soviet territory without licensing them provided that they remained within a certain quota. Many reports have been written by the Soviet bureaucrats about the agreement. The observations of a Soviet expert are as follows; in order to obtain certificates, speculations began among merchants in Turkey that want to sell goods to the Soviets. As a result, traders who are not stable and reliable could obtain certificates. On the other hand, the merchants who obtained the certificates generally preferred to trade expensive products and bring the European origin goods into the Soviet Union as if they were Turkish origin. Moreover, Turkish merchants selling their goods in Soviet markets had the chance to reach up to 70% cash and foreign exchange in exchange for their goods.¹²⁷

According to another report, in 1927 and 1928, the Soviet Union-Turkey trade was concluded to the disadvantage of the Soviet Union. One of the main reasons for this is the import regime compensated in the trade agreement. In this system, generally a group of White Russians and employees use trade agreement articles under the name of Turkish merchants for their own interests. First of all, they bring goods by paying in advance and cash from the Soviet Union, they import the European goods to the Soviet markets with the import certificate they get from the Soviet Union in return and get permission from the Soviet authorities to import more merchandise. Export operations were carried out as follows; Trade Agency exports some Soviet goods to Turkey and sells, in return, Turkish traders were granted the certificates to export goods to the Soviet Union (these also include European goods), although a certain percentage of these goods were sold to state institutions, the majority of them find buyers in the Soviet market, then, merchants in exchange for cash, buy products from the Soviet Union that could be easily sold, such as corn and beans.¹²⁸

125 Later, it will be restructured as Industry Export Institution.

126 RGAE, fon:7733, opis:4, delo:699, p.15-18.

127 GARF, fon: P 374, opis: 28,delo: 3881, p.22-58.

128 GARF, fon: P 374, opis: 28,delo: 3881, p.1-4.

One of the best examples of compensated imports is the merchant De Kerzis's license to import 50,000 sterling (500,000 gold rubles) issued by the Soviet institutions. According to De Kersiz, 19,000 sterling portion of this agreement was used. 180,000 gold rubles is equal to 2,200,000 Chernovtsy in the Soviet Union. It is recorded as 2,800,000 Chernovtsy on the records of the Soviet Trade Agency. On the other hand, according to the agreement, that is, the license that the merchant deserves, the Soviets are obliged to give 27,700 tons of corn to De Kerzis. Corn's price per ton is 8 sterling in the world, and the Soviets are obliged to deliver a total of £ 221,600 to the Soviet merchant. This amount corresponds to this is 2,000,000 gold rubles. Through the negotiations, De Kerzis demand is reduced to 1,500,000 gold rubles. Similar to De Kerzis, there are 4 more deals with very large payoffs such as agreements with Fethi and Ali Fuat Bey. In addition, agreements signed with White Russian traders such as Moldavskiy, Lomonosov, Yakobishvili, Ratner, Lev and others, as well as the Turkish merchants would reveal new obligations.¹²⁹

Another example given by the Soviet experts in explaining compensated trade was that a merchant named Çalık Zade obtained licenses to export goods to the Soviets in exchange for seed and apple imports and sold 400,000 rubles of lemons with this license. However, since the Soviet state institutions were unable to deliver the goods in some way, they could deliver only 3,190 rubles worth of goods and gave up the remainders in order not to pay fines. The merchant thus avoids paying for unnecessary Soviet goods. The same trade event was done in the same way by Turkish traders over the deed (bonds) and institutions were again unable to deliver goods on time. On the other hand, since the merchants made huge profits from the imports they make to the Soviet Union, they ask a very cheap price in Turkey for the Soviet goods sold to them. Some goods were sold at 37% below the market price.¹³⁰

While the agreements signed with these traders harm the Soviet side, they were gaining close to 1000% profit since the goods they sell to the Soviets contain imported goods. Most of the agreements were signed between July and December of 1927. Even the Ministry of Foreign Trade was aware of the fact that these agreements harmed the Soviet Union, they did not choose the path to cancel these agreements in order to prevent deterioration of economic relations with Turkey. According to a Soviet expert, the merchants, mostly White Russians, who hold a large portion of the contracts of the compensated foreign trade regime that was signed on July 4, 1927¹³¹, between the Soviet Union and Turkey (actually effectuated) had extensive networks and contacts in the country. The merchants may sell their shares arising from the compensated trade right to

129 GARF, fon: P 374, opis: 28, delo: 3881, p.1-4.

130 GARF, fon: P374, opis: 28, delo: 3230, p.201.

131 The Soviet trade expert was mistaken. The trade agreement was signed in March, however Turkish parliament approved it on July 4.

other traders. According to the records of the Trade Agency, this amount was 3,000,000 rubles. Especially in 1928, sales of Turkish traders increased while the foreign trade of the Soviet Union and Turkey expanded. Total foreign trade volume reached 26,000,000 gold rubles.¹³²

The expert who wrote the report lists the things to be done as follows; first, the agreements that work on compensated import regime, and were against the Soviet benefits and provide large returns for White Russians in Turkey must be canceled. Agreements may be signed with new companies, which would operate in favor of the Soviet Union, which were again based on compensated trade. Also import transactions which would be held in Turkey, especially for consumer goods must be associated to a quota. Payments for the purchased products must be made in Turkish Lira, not above the average world prices. Payments must be made at FOB¹³³ prices in Turkish ports. There should be restrictions on the variety of goods imported from Turkey, while raw materials which will be especially useful for the development of the Soviet industry should be purchased. In order to compete with the products of other countries, appropriate prices should be assigned to the Soviet goods, and discounts should be applied if necessary. Most importantly, the amounts of foreign trade should be balanced. In order to increase trade, the powers and capital of the Soviet bank in Istanbul should be increased. The goods to be imported from Turkey must be assigned to a quota via the Turkish Lira. The raw materials and consumer goods to be imported must be specified as percentages within the foreign trade. No goods to be imported from Turkey should be above the average world prices. It was requested to shift all of the trade to Turkey instead of doing business on Soviet territory, and have FOB prices in Turkish Liras to take part in the agreements. Because the Soviet bureaucrats did not want Turkish merchants to engage in free trade on Soviet territory.¹³⁴

For 1927, a \$3,615,974 compensated import agreement was signed. \$1,949,442 of this was realized. However, the initially planned compensated import agreement was \$986,595. The total of the licensed goods was \$589,810.¹³⁵ The employees of the Istanbul branch of the Soviet Bank prepared a report on this situation. It was reported that a system in which the Agency could monitor and keep records of compensated imports could not be established. If such a department was established, calculating the value of compensated imports and how to issue import licenses should be determined as follows; firstly, the exact value and quantity of exports should be known. Market prices should be thoroughly investigated before import value of goods is determined. Costs, expenses and profits of traders who brought goods to the Soviets or sell

132 GARF, fon: P374, opis: 28,delo: 3881, p.1-4.

133 Free On Board

134 GARF, fon: P374, opis: 28,delo: 3881, p.1-4.

135 GARF, fon: P374, opis: 28,delo: 3230, p.105-109.

them to the Agency should be learned. The value of the Chervonets and the prices and costs of the goods purchased by the merchants for re-export should be determined.¹³⁶

There are reports of the positive aspects of the compensated trade as well as advocating that it was against the Soviets. According to a Soviet expert who prepared the report, the benefit of compensated imports to the Soviets was formulated as follows: First of all, merchants who buy second-order export goods of the Soviets increase the foreign currency entering the Soviet Union by paying them high prices. In this way, the recognition and sales of Soviet products in the Near Eastern countries is improving. Thus, new trade and merchant networks were developing in favor of the Soviet Union. On the other hand, the Agency and the institutions working under it did not have to make additional expenses in order to make imports because they got their jobs done through the merchants.¹³⁷ However, it was understood that it was important that the Soviet Union delivers the ordered products on time and in the required quantity. Because most traders used this weakness of the Soviets to gain large amounts of profit.

The Soviet expert continued to his report indicating that the compensated trade, which was 12.5% in 1926, rose to 29% in 1927. This method of trade, which was banned by the Soviet economic institutions in October 1927, both caused loss of foreign currency and led to a decrease in export profits. However, there are some difficulties in its elimination. However, the expert noted that the main problem was the inaccuracy of the chosen products (such as sugar, agricultural equipment, machinery, alcohol, coal and caustic soda) rather than the correct trading method with Turkey or other countries. On the other hand, import quotas that do not pertain to other countries, but because of the agreement signed with Turkey has created a problem for the Soviets as follows; Due to the increase in exports from the Soviet Union, that year or the next year, the Soviets were forced to buy goods that they did not need from Turkey because of the remaining liabilities. This meant an inevitable interruption of Soviet exports.¹³⁸

136 GARF, fon: P374, opis: 28,delo: 3230, p.105-109.

137 GARF, fon: P374, opis: 28,delo: 3230, p.105-109.

138 GARF, fon: P374, opis: 28,delo: 3230, p.242-252.

Conclusion

Through the signing of the 1927 trade agreement with the Soviet Union, the Soviet Union was able to establish trade institutions within Turkish territory, which would operate according to their own foreign trade laws. The Soviet Trade Agency established in Istanbul became responsible for the Soviet foreign trade previously organized by Arcos and Russotürk. In addition, with the agreement, the Soviet Union achieved diplomatic immunity for the Trade Agency and some of its employees. On the other hand, the interference of the White Russians in the Soviet Union's foreign trade was tried to be prevented through the trade agreement with Turkey but was not successful in the first place. This situation will be prevented with the termination of compensated imports. In regards to Turkish foreign affairs, the trade agreement enabled Turkey to have the support of the Soviet Union when the Mosul Problem became a current issue. Moreover, although the commercial conditions of the agreement are less powerful than those of the articles of the Treaty of Lausanne, it was important in terms of demonstrating to us how Turkish officials behaved and applied their policy when they sat at the negotiating table with a major country. Because two years after the 1927 trade agreement, many more trade agreements would be signed with several countries. In this regard, it can be stated that Turkey gained great experiences during trade agreement negotiations and can be said that Turkish officials could impose their will and requests on the Soviet Union. It can also be argued that Turkey prevented its foreign trade volume with the Soviet Union from falling below a certain threshold while guaranteeing a particular amount of export deals. In the light of the aforementioned, it can be said that both countries have benefited from this trade agreement.

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