

# A SURVEY OF ECONOMIC POLICY IN THE TURCO-GERMAN TRADE DURING WORLD WAR II

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Turkey won a great diplomatic victory by remaining a neutral power until the closing stages of the second World War. Indeed it was a great achievement, for to push Turkey into war pressure was brought to bear upon her both by the Allies and the Axis. But the Turks had their own policy and steered a middle course. Nevertheless the war did have a bearing effect on Turkey's economy. It paralysed her efforts for development and imperatively directed her resources to the building up of armed forces for the safeguard of her territory and sovereignty. With no heavy industry sufficient to produce the necessary armaments in modern warfare, Turkey was dependent on their importation in return for which she offered agricultural commodities. But what gave Turkey an important position was her supplies of chrome which made Britain and Germany the exigent bidders in the purchasing of this raw material essential for war industry. Especially in the case of Germany the demand for chrome was more exacting. Among the other European powers with whom Germany traded Turkey was the best supplier of chrome not to count Russia. For, whilst the Russo-German friendship continued, economic differences between the two countries did also prevail. As for Britain, she was more interested in the cutting off of chrome supply from Turkey to Germany than purchasing this commodity for its great use. Turkey made in fact a bargain with her chrome for the exportation of her agricultural produce and the importation of heavy armaments. So the economic policy in the Turco-German trade during the war period must be viewed in such a perspective.

Almost a decade before the outbreak of the war Germany had gained an economic foothold in Turkey. After the treaty of Lausanne (1923) emotional hostility towards the victorious Versailles powers had not diminished, this share of sentiments with Germany and the Turkish aversion to foreign investment and enterprise, particularly of west European nature worked to the advantage of the defeated

ally. The Turks employed numerous German professors, experts and construction firms<sup>1</sup>. Besides Germany's exports from Turkey rose from 13 % to 43 % in 1929-38 and Turkish imports from 15 % to 47 % during the same period<sup>2</sup>. War clouds, however, eclipsed the normal trend of trade relations between Germany and Turkey. For some time past the Turks were suspicious of Italian motives in the Mediterranean. And Hitler's apparent backing of Mussolini alienated the Turkish feelings from the old ally. The German Turkish agreements on the exchange of goods and payments (25 July 1938) terminated in July 1939. The agreements provided that the two governments were going to decide in May 1939 whether or not to extend their commitments. The Turks were perhaps first sincere in willing to negotiate in autumn due to the seasonal character of their products<sup>3</sup>. But upon the signing of the Russo-German pact on August 23, 1939 Turkey refused definitely to renew the agreement and put all the trade with Germany on a compensation basis. This brought trade to a standstill, only limited amount continued through the Czech clearing<sup>4</sup>.

Subsequently the Turkish Foreign Minister Saracoğlu's mission to Moscow in September with the intent to strengthen the old Russo-Turkish agreement of non-aggression did not bear any fruit. But this quickened the *rapprochement* between Turkey and the Allies, namely Britain and France. Accordingly an agreement was signed on October 19, 1939. There was good reason to believe that these developments would bring Turkey's economy into the sphere of Britain and France. Saracoğlu had in fact stated to the correspondent of *Paris Soir* quite frankly that he wanted to turn away from the German economy by intensifying economic relations with the Allies. In so doing he expected to rid Turkey of the "clearing system" and to return to what he called to normal trade relations<sup>5</sup>.

<sup>1</sup> G. Lenczowski, *The Middle East in World Affairs*, (New York 1952) p. 139.

<sup>2</sup> C. E. Black and E. C. Helmreich, *Twentieth Century Europe*, (New York, 1950), p. 587.

<sup>3</sup> Unsigned memorandum of the Economic Policy Department, 7 Nov. 1939 Doc. 391. *Documents on German Foreign Policy* (Washington D. C., 1954) Vol. VII, p. 453.

<sup>4</sup> W. N. Medlicott, *Economic Blockade* (London, 1952), Vol. I, p. 271.

<sup>5</sup> Unsigned Memo. of German Econ. Policy Dept., 7 Nov 1939, Doc. 391. *Documents on German Foreign Policy*, Vol. VII, 454.

Though Saracoğlu's motives were favourable to the Allies, the Turkish national economy could ill afford losing immediately the German market. Germany had been buying large quantities of agricultural products on whose sale Turkey's rural population depended. These products were mostly non-standardised and therefore could not be sold in the world-market. So Germany alone made it possible for Turkey to expand her production. In return Germany had delivered to Turkey a great number of industrial products whose parts could only be obtained from the *Reich*. Hence Turkey would have been no doubt disappointed in her expectations to supply her industrial needs from Britain and France by selling her agricultural products in these countries. Even if Britain, by political promptings, were to buy from the Turkish market, this could have lasted temporarily. For she had to give prime consideration to the interest of her dominions. So if Turkey had severed her connections with Germany, the Turkish producer, much to his sorrow, would see that the best customer, namely Germany, had turned to other markets.

Events in September 1939 had already signalled this danger. After the Turkish refusal to renew the trade agreements with Germany the growers felt anxious for their surplus commodities. And if the Allies were not able to find a market for them, exports to Germany would forcibly be resumed. Knatchbull-Hugessen, the British ambassador in Ankara, warned London that many commodities were awaiting shipment and the situation was becoming critical. For the growers could not obtain advances to harvest their crops. And since the chief British interest lay in preventing the sale of chrome to Germany, this could only be achieved in the purchase of Turkish products in large quantities. The British Ministry of Food considered buying 11 000 tons of sultanas, possibly 5 000 to 9 000 tons figs<sup>6</sup>. But this was only a portion of the Turkish supplies for export.

Thus the Turks were faced with an awkward situation in their foreign trade. The Germans also felt that the deterioration of economic relations with Turkey was equally awkward for themselves. Given the fact that the German pacts with Italy and Russia had invoked Turkish suspicions, the starting point in the economic disagreement was Hitler's decision of May 14, 1939 whereby no heavy war material

<sup>6</sup> W. N. Medlicott, *Economic Blockade*, I, 272.

would be delivered to Turkey.<sup>7</sup> Hitler feared somehow that the Turks would use these weapons against Germany.<sup>8</sup> Accordingly the non-delivery of Skoda guns and sixty *Messerschmid* planes together with an evasive answer given to this effect caused indignation in Turkey. Despite this ill feeling the German objective in August 1939 was to obtain the extension of the trade agreement on condition that the war materials contract was released. And to obtain this by pressure the issuance of import licences for Turkish seasonal products was stopped.<sup>9</sup>

Nevertheless Germany badly needed chrome for her war industry so much as the Turks needed an extensive market for their exports. But the latter made a clear distinction between chrome deliveries and other deliveries. Chrome was to be delivered only in exchange for war material and other deliveries on the open balance. The Germans in their talks during September and October insisted on not negotiating without chrome. And yet this attitude indicated clearly their interest in chrome both to the Turks and the British. The Reich's Ministry of Economics believed that by holding back they could compel the Turks to yield. Von Papen, the German ambassador in Ankara corrected this erroneous view.<sup>10</sup> Let alone the war material, even the cutting out of spare parts could have had little effect on Turkey. First, Britain and France could make the war material available that was destined for Poland. Secondly for a basically agricultural country like Turkey industry was not of primary importance. The factories might shut down if cut off from the necessary spare parts, but the British could supply some of them. Eventually the Germans were convinced that by not delivering military equipment not only should they get any chrome but throw the Turkish economy into the arms of the Allies. Besides cotton, tobacco and olive oil were of great interest to Germany. In case the *Reich* refused to deliver military equipment there was also the possibility of their export to Britain. The Germans then softened their policy and decided to deliver military equipment

<sup>7</sup> Unsigned Memo. of. Economic Policy Dept. 7 Nov 1939, Doc. 391 *Doc. on German Foreign Policy*, VII, 452.

<sup>8</sup> F. von Papen. *Memoirs* (Translated by B. Connell, London, 1952) p. 488.

<sup>9</sup> Unsigned Memo. 7 Nov 1939, 453.

<sup>10</sup> Papen to Wiehl, 21 Feb. 1940, Doc. 625. *Docum. on German Foreign Policy*, VIII, 790-1.

of secondary importance provided Turkey was prepared to make concession on chrome. The Germans hoped to get 80,000 tons per year, this was the import from October 1938 to 1939, or else an indispensable minimum of 60,000 tons.<sup>11</sup> Whereas Memnemencioğlu, the Turkish General Secretary of the Foreign Ministry, had not referred to more than 30,000 for the ensuing year, and he soon withdrew this tacit offer. And thanks to the German X ray supplies and medical goods, due to the earthquake in Erzincan, the chrome export to Germany in the year ending 1940 presented a maximum of 104,156 tons.<sup>12</sup>

Upon the Turkish agreement with the Allies on October 19, 1939, the British initiated negotiations for ceasing the exports to Germany. The Turks were agreeable provided Britain guaranteed not less than 200,000 tons of chrome per year. In addition Turkey put forward the purchase of tobacco worth 8-10 T. L., 10-15 thousand tons of hazelnuts and 10,000 tons of figs. The British Ministry of Food was prepared to accept these terms but the Turks raised the chromium price. This was not well received in London. Besides there was no hope that the Allies could completely replace Germany as a market for Turkish goods unless they risked sinking them into the sea. Turkey, on the other hand, due to her agreement of October 1939, was under the moral obligation not to supply vital commodities to Germany. Saracoğlu told Knathbull-Hugessen on December 9 that Turkey was prepared to cut her economic relations with Germany provided the Allies supplied armaments and factory equipment<sup>13</sup>. But the situation in January 1940 showed clearly that Britain bound by her war economy was neither in a position to supply all the material that Turkey needed nor to take all the exports which would have normally gone to Germany. Apparently the British could not supply more than 5% of what the Turks had actually wanted<sup>14</sup>.

So Turkey found the German overtures suitable and in accordance with an agreement in March 1940 the *Reich* supplied spare parts for guns, aeroplanes, motorvehicles, wireless stations and accessories for ships that were of German make. In return Germany received

<sup>11</sup> Wiehl to Papen, 5 Oct. 1939, *Documents*, *ibid*, 257

<sup>12</sup> See: *Annuaire Statistique* (Ankara, 1946), vol XV, p. 380.

<sup>13</sup> W. N. Medlicott, *Economic Blockade*, I, 274.

<sup>14</sup> W. N. Medlicott, *Economic Blockade*, p. 277.

5.2 million sterling worth skins, tanning material, hamp, olive oil and mohair. The British, however, to effect a rupture in the Turco-German trade remained in the competition. It was due to the dried fruit agreement of autumn 1939 (worth 2 million sterling) that the Turkish exports of raisins and figs surpassed the exports to Germany<sup>15</sup>. Evidently this device was too impotent to bring Turkey into a war trade agreement with Britain. Moreover Turkey was also interested in the sale of her tobacco, olive oil and cotton. Both Britain and Germany found the cotton prices too high. But Germany was the better buyer of tobacco and olive oil. Britain did not buy a pound of Turkish cotton in between 1940-4, but 1318 tons in 1942, 1580 in 1943 and 3325 tons in 1944 were exported to Germany<sup>16</sup>.

In the irksome question of chrome Turkey kept faith to her diplomatic commitments even at the cost of a great profit from Germany. In accordance with the October 1939 agreement chrome exports to Germany were ceased and they remained so until 1943. But the chrome negotiations between Turkey and the Allies was not a happy story. A preliminary agreement was signed on January 8, 1940. It was to last two years and to be extended for another year with or without the option of two parties. The Turks, however, showed their available chromium supplies as 50,000 tons, though the annual production, if necessary, could easily exceed 200,000 tons. The Allies were, in fact, reluctant to buy that total supply on the price offered by the Turks. First it was a condition of the agreement that the price to be paid for chrome should be at the London metal exchange rate, 75 shillings per ton. When the Turks increased the price the French were disposed for 105 shillings a ton provided 90,000 tons were supplied<sup>17</sup>. Then the collapse of France still complicated the matters and negotiations on price between Turkey and Britain dragged on to the end of 1941. From 1940 to the end of 1942 no chrome was exported to Britain. United States of America, however, received that commodity in ever increasing amounts<sup>18</sup>. Eventually Britain received a supply of 25,973 tons in 1943.

<sup>15</sup> See: *Annuaire Statistique*, vol XV, 372.

<sup>16</sup> *Ibid*, 381.

<sup>17</sup> W. N. Medlicott, *op. cit.*, p. 605

<sup>18</sup> 72, 929 tons in 1940, 86, 208 tons in 1941, 116, 848 tons in 1942. See: *Annuaire Statistique*, vol XV, 380.

Needless to say the Turkish deliveries of chrome were also a matter of diplomatic necessity. The German offensive to Russia in June 1941 had allayed the Turkish fears of a joint Russo-German operation in the Black Sea. Saracoğlu frankly expressed his impression to Papen, "Ce n'est pas une guerre, c'est une croisade"<sup>19</sup>. Consequently a trade agreement was signed between Germany and Turkey on October 9, 1941 with 90,000 tons chrome a year against deliveries of war material. Even though the Germans enjoyed their finest hour of the war, Turkey abided by her commitments to Britain. Deliveries to Germany were going to be effective only after the expiration of the chrome agreement with Britain, in other words from 1943 onwards. So the Turkish *rapprochement* with Germany was intended as not to prejudice the British interests. On the other hand the German demand for chrome had presented a critical prospect for 1942, particularly in the manufacture of gunsteel. For this reason Clodius, the associate head of the Reich's economic Ministry appealed for an earlier supply. The Turks turned a deaf ear to these overtures. On the night the talks ended a British pressman called on the band at Karpiç restaurant to play "Chrome sweet Chrome". The band did so and continued with the tune "I can't give you anything but love baby"<sup>20</sup>.

Although the Turkish chrome was denied to Germany in 1942, Britain could not stop the delivery in 1943. The Turks, in fact, gained their golden opportunity to press for war materials both from the Allies and from the Germans. Saracoğlu told the British that they they could buy any amount out of the 90,000 tons which was promised to the Reich<sup>21</sup>. So the British faced some disadvantages in the Turco-German chrome agreement for they had expected a reduced price in a purchasing contract on low grade ore. The Ministry of Supplies had no wish to buy at the very high price prevailing, but by May 1943 they were prepared to do so in order to prevent the supplies falling into the German hands<sup>22</sup>. 13,564 tons in 1943 and 56,649 tons in 1944 were sent to Germany. Thus she did not receive the total amount of 90,000 tons per annum. For the German defeats and the con-

<sup>19</sup> F. von Papen, *Memoirs*, p. 479.

<sup>20</sup> Knatchbull-Hugessen, *Diplomat in Peace and War*, (London 1949), p. 172.

<sup>21</sup> W. N. Medlicott, *Economic Blockade*, (London, 1958), Vol. II, p. 240.

<sup>22</sup> W. N. Medlicott, *Economic Blockade*, (London, 1958), Vol. II, p. 241.

sequent delays in the deliveries of war material led Turkey to exercise a neutrality in favour of the Allies. And the chrome exports to Germany came to standstill on April 1944, a prelude to the break off of relations on August 2, 1944.

By the end of Spring 1944 Germany was losing her battles, in these circumstances continuation of trade relations with Germany would have injured Turkey's position in its wake. Especially the Russian attitude after the victory at Stalingrad had clearly revealed this danger. Thus no longer was neutrality a necessary asset for Turkey and she did not hesitate to come into the economic sphere of the Allies. Nevertheless neither Britain nor Germany had attained their end in this invisible trade war waged over Turkey, all due credit, in fact, went to the Turkish diplomacy in the second World War.

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