

## SOVIET CEMENT EXPORT TO TURKEY IN THE EARLY REPUBLICAN PERIOD\*

*Erdal BİLGİÇ\*\**

**Abstract:** This article displays the structure of the Soviet Union's cement sales to Turkey in the early Turkish Republican era. Import of cement, which had been one of the commodities in the foreign trade between the Ottoman and Russian Empires, descended to Turkey and the Soviet Union. During the imperial period foreign trade was conducted on the basis of free trade, however, as the Soviet Union monopolized foreign trade in the following period and she established various institutions within Turkey, it continued to be carried out through new state trade institutions. Arcos, Russoturk and the Transcaucasia Trade Organization were the most important ones among the institutions that imported cement to Turkey. The majority of the Soviet cement was sold through Arcos, while Egypt, Syria, Palestine and Greece were provisioned through Istanbul. Although, it seems like a market where big profits were made, the Soviet Union faced great difficulties in exporting cement to Turkey and suffered a loss. Turkey implied high tariff rates on cement import, in the second half of the 1920s, in order to protect its cement production. Moreover, cement import was only permitted by the Council of Ministers. In this regard, not only the organizational deficiencies of the institutions of the Soviet Union, but also the precautions that the Turkish governments influenced the cement trade between the two countries.

**Keywords:** Soviet Union, Arcos, Russoturk, Soviet Trade Agency, Turkey.

### **Erken Cumhuriyet Döneminde Sovyetler Birliği'nin Türkiye'ye Çimento İhracatı**

**Öz:** Bu makale Sovyetler Birliği'nin erken cumhuriyet döneminde Türkiye'deki çimento satışlarının organizasyonunu anlatmaktadır. Osmanlı ve Rus İmparatorlukları arasında dış ticarete konu olan mallar içinde yer alan çimentonun ithalatı Türkiye ve Sovyetler Birliği'ne miras kalmıştır. İmparatorluklar döneminde serbest ticaret esası üzerinden yürüyen dış ticaret, sonraki dönemde Sovyetler Birliği'nin dış ticareti devlet tekeline almasından dolayı Türkiye içerisinde Sovyetler Birliği'nin farklı kurumlarını oluşturmasıyla yeni devlet ticaret kurumlarının üzerinden yürütülerek devam etmiştir. Arcos, Russoturk ve Kafkaslar Üzerinden Ticaret Yapan Kurum, Sovyetler Birliği'nin Türkiye'ye çimento ithalatını gerçekleştiren önemli kurumlardandır. Sovyetlerin çimento satışlarının büyük bir çoğunluğu Arcos üzerinden gerçekleşirken, İstanbul üzerinden satış yapılan yerler arasında Mısır, Suriye, Filistin ve Yunanistan da olmuştur. Her ne kadar büyük karlar elde edilebilecek bir pazar gibi görünse de Türkiye'ye olan çimento ithalatında Sovyetler Birliği büyük zorluklarla karşılaşmış ve zarar etmiştir. 1920'lerin ikinci yarısından itibaren ise Türkiye kendi fabrikalarının üretimini korumak adına gümrük vergilerini yükseltmiştir.

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\*\* İktisat Tarihi Doktoru. erdalbilgic@yahoo.com, ORCID: 0000-0002-4788-4865.

Ayrıca çimento ithalatı, Bakanlar Kurulu'nun iznine bağlanmıştır. Bu bağlamda sadece Sovyetler Birliği'nin kendi kurumlarının organizasyon eksikleri değil, Türkiye hükümetlerinin aldığı önlemler de iki ülke arasındaki çimento ticaretine etki etmiştir.

**Anahtar kelimeler:** Sovyetler Birliği, Arcos, Russoturk, Sovyet Ticaret Temsilciliği, Türkiye.

## Introduction

This article aims to describe why and how the Soviet Union exported cement to Turkey during the interwar period. Cement production became especially important after the First World War and Civil War in the Soviet Union. The first goal of the Soviet factories was to satisfy local demand and then, in case there was any surplus, they would import it. On the other hand, the Turkish market seemed to be highly profitable for the cement business, because the country had experienced great destruction in the First World War and in the War of Independence. Considering these aspects, the Soviet trade organizations desired to benefit from profitable Turkish cement markets. However, it was not easy to start a cement trade because of the changes in the foreign trade structure in the Soviet Union. Moreover, the Soviet Union trade institutions in Istanbul extended their cement export business to Near Eastern markets such as Egypt, Syria, Palestine and Greece. Although nearly all import operations of the Soviet trade organizations in Istanbul resulted in a loss, these organizations continued to import cement because the Soviet Union needed foreign currency and there were not many goods to export. Furthermore, Turkey increased customs tariffs in the second half of the 1920s in order to protect its cement production. Then, the government announced that all cement import operations were obliged to have the permission of the Council of Ministers until the end of 1930s. In this article, the cement production in Turkey, inherited from the Ottoman Empire, will be analyzed. Then, the import figures of the Soviet cement will be demonstrated. The final chapter of the article will explain the organizational structure of cement imports by the Soviet trade institutions to Turkey during the interwar period.

### 1. Production of Cement in Turkey in the Early Period of Turkish Republic

Before the First World War, there were two cement factories in Turkey (GARF, fon:374, opis:1, delo:1878, pp. 1-18). The first one was named Arslan and it was established in 1910, and the second one was *Eskihisar Cement Company* established on 30 May 1911, to produce portland cement, hydraulic water, brick, tile, pipe, floor tile and the other materials which were needed for construction business (Dölen & Koraltürk, 2013, p. 28). Both factories benefited from the *Teşvik-i Sanayi* law (the law for the encouragement of industry) that provided them land free of charge, taxes or customs expenses (Sey, 2003, p. 21). The two factories produced 32,319 tons of cement in 1913. 585 tons of it was exported

and the rest was consumed domestically. On the other hand, in the same year, the whole cement consumption was 76,108 tons. 44,374 tons of it was imported. This amount was supplied especially by Europe and Russia. In 1913, the Ottoman Empire imported cement from the following countries; 9,908 tons from Germany, 9,426 tons from France, 7,000 tons from Belgium, 1,027 tons from Austria-Hungary and finally 1,551 tons from Russia. 50% of the imported cement was delivered to the Syrian region of the empire, while 12% of it to Izmir and 19% to Istanbul (GARF, fon:374, opis: 1, delo: 1878, pp. 1-18).

In 1914, in order to increase the production capacity, new furnaces were added to the inventory of both factories (Dölen & Koraltürk, 2013, pp. 42-43). New production capacity increased to 80,000 tons in 1915 (GARF, fon:374, opis: 1, delo: 1878, pp. 1-18). Due to the war conditions, in order to cater for the needs of the Ottoman Army, the government leased the factory *Arslan* and lieutenant colonel Şükrü Bey was appointed as the head of the factory. Until December 1918, the Ottoman Army used this factory for their top priority needs, but the machinery was damaged. Despite being used recklessly by the army, the cement factory managed to produce 32,000 tons of cement. The total production amount of the two factories increased to 34,500 tons in 1918. Moreover, in that year, the *Anatolian Railway Company* joined *Eskihisar Cement Factory* as a shareholder. Since cement forms one of the top cost items of railway construction, the head of the railway company aimed to reduce the costs of building railways, therefore invested in *Eskihisar Cement Factory* (Dölen & Koraltürk, 2013, p. 47). Just one year after the First World War, *Eskihisar Cement factory* went bankrupt and the two companies terminated their corporate existence and merged into one company (Dölen & Koraltürk, 2013, pp. 48-52). The new company announced its capital as 280,000 liras. In 1921, it increased to 367,500 liras and finally reached to 560,000 liras in 1929 (Ökçün, 1971, p. 5). The production of cement began to decrease in 1920. Until the factory stopped its production in October 1920, 16,100 tons of cement was produced in Turkey. In July 1923, the production lines in the factory began to operate again and, in that year, 11,447 tons of cement was produced (Dölen & Koraltürk, 2013, pp. 65-66).

After the Turkish Independence War, 21,616 tons of cement was produced in Turkey in 1923 (GARF, fon:374, delo:1878, pp. 1-18). The production increased to 24,500 tons and 7,600 tons were imported in 1924. The whole consumption reached to 31,100 tons (Dölen & Koraltürk, 2013, pp. 66-74). Turkey imported 16,913 tons of cement, 7,361 tons of which were imported from the Soviet Union in 1925. It shows that the Soviet trade organizations achieved to increase their cement export share from 3,4% to 43%. The other countries that exported cement to Turkey in 1925 were Italy (5,315 tons), France (1,632 tons), Romania (989 tons), Belgium (351 tons). Other than these countries, Turkey imported 679 tons of cement from several other countries. 37,3% of the imported cement was

dispatched to Istanbul, 29,3% to Izmir, 16,2% to Mersin, 10,6% to Samsun, and finally 5,4% to Trabzon in 1925 (GARF, fon:374, opis:1, delo:1878, pp. 1-18). Turkey raised its production to 42,800 tons in 1926. The imported amount of cement also increased to 55,400 tons. Thus, Turkey consumed 94,390 tons cement in 1926. Increasing cement demand resulted in revitalizing the *Eskihisar Factory*, and cement production restarted in September 1924. The managers of the factory ordered new equipment in order to double the production in 1927 (Dölen & Koraltürk, 2013, pp. 66-74).

With the new regime in Turkey after the Turkish Independence War, it was important to reconstruct the new capital, i.e. Ankara. The construction of new public buildings such as TBMM (Grand National Assembly of Turkey), ministries, schools, banks, and trade offices were indispensable. The construction of dozens of public offices, which were designed by local and foreign architectures together, required large amounts of cement (Sey, 2003, p. 33). On the other hand, the construction of new facilities in Istanbul, the reconstruction of Western Anatolia (Turan, 1999, pp. 114-186) (25,000 buildings in Izmir, 28,351 houses in Aydın, and 16,000 houses in Manisa were destroyed by the Greek army. Mosques, schools, and bathhouses, also took their shares from this destruction.), the construction of Sivas-Samsun railway paved the way for an increase in cement demand and consumption (Dölen & Koraltürk, 2013, pp. 65-66). A report presented in Lausanne Conference stated that the damage caused by the Greek Army was approximately 568 million liras (Tokgöz, 2004, s. 47). For this reason, Mustafa Kemal emphasized the importance of prosperity and transportation construction several times in his speeches between 1921 and 1922 (Ergin, 1977, p. 27). After the proclamation of the republic, over 3,500 buildings were constructed in Ankara (Ergin, 1977, p. 31). At that time, the Samsun-Sivas railway construction aimed to link the grain production areas to an important harbor city and to the new capital (Tezel, 1994, p. 234).

Keyder claims that cement factories are a means that provides a consolidation between periphery and world economy. He further adds that due to this reason, foreign capital invested in cement factories in the periphery. According to him, not only cement factories, but also flour plants provide high profits to foreign capital, so these factories were protected by high tariffs and customs regulations in the periphery. He emphasizes that there was only one cement factory in Turkey before the First World War, but this is not accurate since there were two factories. After the war, three cement factories in Istanbul and one in Ankara were established by foreign investors. Government protection and high demand brought about high profits to the owners of the cement factories and they gained 36% of their paid in capital as profit in 1927, and that rate increased to 39% in 1928 (Keyder, 1993, pp. 82-85).

Increasing profit rates in Turkey's cement market led to the investment of more foreign capital in the country. For example, in 1926, increasing demand for cement in Ankara attracted the attention of an international company called *Societe Industrielle des Ciments Orientaux*. This company leased *Ankara Çimentoları T.A.Ş.*, which had been established by the Municipality of Ankara and had a production capacity of 20,000 tons of cement annually. Then, *Societe Industrielle* raised the capital of the factory to 600,000 liras (Ökçün, 1971, pp. 82-85). *Ankara Çimento* factory produced under the management of its foreign partner until 1934. Due to the lack of managerial staff, the company partially closed some of its facilities in 1935. In 1938, it stopped all its operations in Turkey. Another cement factory, *Bakırköy Çimento Factory*, with 14,000 tons of production capacity, was built in Istanbul in 1926 (Dölen & Koraltürk, 2013, pp. 73-75).

The Turkish government was aware of these easy-to-gain high profits of the cement producing factories. With that in mind, a new law that prevented businesses from renewing work permits of their foreign employees was introduced in 1926. The Soviet trade organizations also had foreign employees on their payroll. They were laborers and officers who were tasked by the Soviet government and trade institutions. In spite of these troubles, no official document can be located in the Soviet archives demonstrating that the Soviet organizations faced inconveniences because of employing foreigners in their trade organizations which were located especially in Istanbul. The Turkish government gave permission only to the technical employees and engineers who were crucial to the factories to pursue their production. Despite all these challenges, cement production in Turkey reached 41,425 tons in 1926. One year later, production of cement dropped dramatically to 33,400 tons. In 1928, production rose and reached 43,599 tons. At the beginning of the Great Depression, Turkey's cement factories, namely *Arslan* and *Eskihisar*, produced 46,085 tons of cement. The whole production of Turkey reached 71,880 tons and 72,800 tons of cement was imported (Dölen & Koraltürk, 2013, pp. 73-75).

While there was no government protection on cement industry in Turkey before 1927, the Black Sea provinces covered their cement demand by importing Soviet cement. In the Mediterranean provinces of Turkey, Italian and French cement brands dominated the markets. Moreover, it was possible to find German and Romanian cement brands in several regions in Turkey. Cement was sold in packages of 50 kilos with a price of 110-120 piasters in Istanbul. In addition, one ton of imported cement cost 22-26 liras. In order to control this situation, the Turkish Government introduced the law of *Teşvik-i Sanayi*, which incurred high tariff rates on foreign cement import to the country. Hence, cement import dramatically reduced in 1927 (Salah, 1934, p. 155). On the other hand, cement prices in the Turkish markets were determined based on foreign cement market

prices despite the presence of the factories *Arslan* and *Eskihisar*. Beginning in the second half of the 1920s, just after the construction of *Zeytinburnu* and *Kartal* cement factories, the Turkish government tended to take actions and precautions in order to regulate the cement prices. However, before laws to form a sales union and to introduce government price restriction were enacted, the cement prices had reached their highest point (Dölen & Koraltürk, 2013, p. 88).

## 2. Soviet Cement Import to Turkey

The cement trade from the Russian Empire to the Ottoman Empire was inherited by their descendent states. If Turkey and the Soviet Union had not maintained the cement trade, the Soviet trade organizations could not have made any profit from cement sales. This study is going to focus on the main trade organization of the Soviet Union, i.e. *Arcos*, in Turkey until the 1927 trade agreement. Planning, organization and realization of cement export to the Turkish market is going to be examined<sup>1</sup>.

Considering the speculations about the Soviet Union, it can be inferred that the Soviet Union trade institutions began to trade cement with a high motivation and over-optimistic sales estimations. Soviet specialists desired a higher share among the cement suppliers of Turkey, which was in enormous need of cement to reconstruct its cities. Moreover, the Soviet Union trade organizations did not only supply their goods to Turkey. They also planned to spread and expand their market shares in the Near East and Balkans. To that end, Istanbul harbor was used as a transit harbor by the Soviet institutions for cement sales.

Although the Soviet Union trade organizations were expecting to gain high profits in the Turkish markets, they could not reach their planned values. Because the trade institutions of the Soviet Union started a competition with each other and they determined their selling strategies on the Turkish market separately. The main institution that manages the Soviet foreign trade with Turkey was a joint stock company called *Arcos*, which performed cement sales by signing monopoly trade agreements with merchants. Soviet trade specialists thought that signing monopoly agreements would enable them to create a trade network and to make accounting calculations more easily. However, in reality, there were many problems with the network of merchants, and hence the Soviet trade organizations could not achieve much success. In order to try another way of selling cement in Turkey, Soviet trade specialists leased a newly established cement factory in Manisa province, which belonged to an engineer named Saadettin Bey. By leasing the factory in Manisa, it was planned to finalize the production of the unfinished products of *Novorus Cement Factory*. After processing the cement, Soviet specialists planned to sell it in the Western Anatolian markets. From this

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<sup>1</sup> In this study, the export operation of 30,000 tons of cement in the 1924-1925 accounting year by Russoturk was excluded because it was a one-time sale.

aspect, leasing the factory in Manisa looks like a foreign direct investment inflow. Eventually, the conflicts and competition between the Soviet trade institutions caused the Soviet plans to end up with a high loss.

Another problem of the Soviet trade organizations dealing with cement sales in Turkey was that they could not avoid the incremental costs. Transporting cement from one place to another brought high additional costs. When an international transportation took place, additional costs could be equal to or higher than production costs. Moreover, the packing system in that era incurred high additional costs not only in Turkey, but also in the Soviet Union because of the lack of packing machinery.

Soviet Union cement began to be traded in Anatolia in 1921 between January and September with 91 tons. At that time, the civil war had ended in the Soviet Union. The trade networks began to function again and the factories were revitalized. It led to an increase in Soviet cement export to Turkey 2,408 tons in the 1921-1922 accounting year. The whole Soviet cement export was, 2,883 tons in that calendar year. In the accounting year of 1922-1923, almost all Soviet cement was exported to Turkey. In that accounting year, the Soviet trade organizations exported 2,899 tons of cement and 2,834 tons of it was sold in the Turkish markets. Soviet cement export dropped to 1,785 tons and the share of Turkey was 506 tons in the 1923-1924 accounting year. One accounting year later, 3,340 tons of Soviet cement was exported to Turkey. Besides, *Russoturk* exported 28,785 tons of cement to Turkey. Thus, *Arcos* and *Russoturk* became the two Soviet trade organizations that dealt with cement exports in Turkey. In that accounting year, the Soviet institutions sold 990 tons of cement to Palestine and 248 tons to Greece through Turkey. In the 1924-1925 period, nearly all Soviet cement was exported to Turkey, and from Turkey, much bigger quantities were re-exported to the Near East. In the following accounting year, *Arcos* exported 27,192 tons of cement to Turkey. In addition, the Soviet trade organizations succeeded in exporting 5,597 tons of cement to Egypt and Greece. That means in that year, 84% of the Soviet cement export took place in Turkey and in the Near East. In 1926-1927, the Soviet cement export to Turkey reached at its peak point. The export figures increased to 35,543 tons. Apart from that, 750 tons of cement were exported to Egypt, and 8,489 tons to Greece. In the next accounting period, exportation of cement from the Soviet Union to Turkey tended to decrease and only 15,375 tons were sold in the Turkish markets. The export share of Egypt rose to 4,300 tons. Furthermore, an additional of 16,720 tons of Soviet cement was exported in this year. Between October and December 1928, *Arcos* exported 1,136 tons of cement to Turkey. In the same period, Egypt imported 2,700 tons from the Soviet Union. The Soviet trade organizations accomplished to export 24,622 tons of cement to Turkey and 3,610 tons to Egypt in 1929 (Bakulin & Muşistin, 1938, p. 248).

The Soviet Union increased its cement production and export thanks to the First Five Year Industrial Plan in 1930. Increasing rates of production provided an export of 71,054 tons of cement. In that year, Turkey imported 17,391 tons from the Soviet Union. The export of cement to Palestine and Egypt fell dramatically to 220 tons. One year later, Turkey imported 9,365 tons of Soviet cement. Egypt imported approximately 1,900 tons of Soviet cement. It was the last year when the Soviet trade organizations sold cement to Egypt until the 1950s. From 1934 to 1940, except the year 1938, there was a conflict between the Soviet Union and Egypt. Thus, there were no trade activities between the two countries (Vneřtorgizdat, 1960, pp. 964-1114).

Turkey felt the consequences of the Great Depression in 1932. Soviet cement export to Turkey dropped to 534 tons. In addition, the Soviet trade institutions sold 500 tons to Palestine. Between 1933 and 1935, the Soviet trade organizations sold only 42 tons of cement to Turkey. In the other Near East markets, the Soviet Union could not sell any cement in 1933. However, in 1934 and 1935, with the immigration of Jews from Europe to Palestine, Soviet Union cement export boomed in the Near East markets. A third of Soviet Union's exports were sent to Palestine and Syria in 1934. In order to import Soviet cement to Egypt, Syria and Palestine, trade agreement arrangements were made with the Soviet Trade Agency<sup>2</sup> in Istanbul. The Trade Agency saw new opportunities in the Near East markets and Soviet cement export rose from 21,442 tons in 1934 to 39,438 tons in 1935. However, the Soviet trade organizations could not achieve to sustain cement export to Palestine and Syria. A couple of years later, Soviet cement export to these countries re-began in 1936. The Trade Agency sold 2,645 tons in Istanbul. Cement sales went up to 12,167 tons in 1937. After one year, Soviet trade specialists accomplished to export 17,980 tons of cement to Turkey. Imported cement from the Soviet Union Trade Agency was mainly used in the construction of Sivas-Erzurum railway (Vneřtorgizdat, 1960, pp. 964-1114).

### **3. Cement Sales Organizations of the Soviet Trade Institutions in Turkey**

The Soviet Union exported cement to Turkey through its three trade institutions until the 1927 trade agreement. The first one, *Arcos*, which was a joint stock company, was established by the Soviet trade specialists in Istanbul. *Arcos* office was established at the end of 1921 in Istanbul. At first, this office was one of the subsidiaries of *Arcos* London office. Then, as of 1 October 1924, Istanbul *Arcos* office began to function under the order of the Soviet Trade Ministry and separated all its active and passive accounts from *Arcos* London office. *Arcos* continued to organize the Soviet Union's import and export activities to Turkey until the 1927 trade agreement. All Soviet Union trade institutions functioned

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<sup>2</sup> *Arcos* became Soviet Trade Agency after the Trade Agreement that was signed between Turkey and the Soviet Union in 1927.



under the control and order of *Arcos* except *Russoturk* and *Transcaucasia Trade Organization*. Nevertheless, it does not mean that these two organizations were not controlled by *Arcos*. They annually gave their accounting reports to *Arcos*. *Russoturk* was shut down just after the 1927 trade agreement (GARF, fon:374, opis:28, delo:1110, p. 1). However, *Transcaucasia Trade Organization* controlled the Soviet import and export operations in the eastern Turkey under the control of the Soviet Trade Agency until 1936. Like other goods, *Arcos* organized import of cement to Turkey and transferred its operations to the Soviet Trade Agency, which was established to control all trade operations of the Soviet Union to Turkey. Thus, the cement trade between the two countries was managed by the Soviet Trade Agency until 1939.

The second trade organization of the Soviet Union was named as *Russoturk*. It was also a joint stock company. It was established by a Soviet Trade Ministry corporation together with some of the Istanbul bourgeois. *Russoturk* signed a contract with *Transcaucasia Trade Organization* in order to sell 30,000 tons of cement (GARF, fon:374, opis:1, delo:1878, pp. 116-120). The organization informed *Novorus Cement Factory* to dispatch its first cement output to Istanbul on 10 January 1925. However, *Novorus Factory* was able to load 25,075 tons of the order (RGAE, fon:413, opis:11, delo:177, p. 58). *Russoturk* was permitted by the authorities in Moscow to complete the cement import operation with loss. Thus, in order to get an import license from Turkey to Soviet Union, *Russoturk* sold 26,000 tons of cement in Turkish and Greek markets until 18 October 1925 with a loss of 350,000 rubles (GARF, fon:374, opis:1, delo:1878, pp. 143-144).

The third trade institution named *Transcaucasia Trade Organization* was responsible for the export and import operations in the eastern regions of Turkey. At first, it was not officially registered in Turkey. It originally functioned under the control of *Arcos*, and after the trade agreement, operated under the control of the *Soviet Trade Agency* in Istanbul. *Transcaucasia Trade Organization's* headquarters was in Tbilisi. It was controlled by and followed the orders of Tbilisi, but present edits annual trade reports to *Arcos*. The institution was responsible for export and import of Soviet goods not only in Turkey, and Iran etc., but also in the other countries of the world. The organization imported cement to the eastern regions of Turkey via the trade route of Batumi-Trabzon and Leninakan-Kars railway. Transportation costs almost doubled the price of cement, so Soviet cement was sold in these regions in small batches (GARF, fon:374, opis:28, delo:1102, pp. 4-4ob., 5-5ob.).

The officers of the *Soviet Trade Agency* knew that Turkey had an annual need of minimum 180,000 tons of cement supply in the 1920s. However, Turkish cement factories were able to produce only 120,000 tons of cement in a good quality year. This difference between the demand and supply was provided by the French, Czech, and Italian merchandise. Moreover, Greece-Soviet Union trade was under

the control of *Arcos* in that period and the Greece cement market needed to import approximately 300,000 tons since Greece did not have any factories to fulfill its demand. On the other hand, the Soviet trade specialists in Istanbul could have assumed the amount of demand in Egypt, but they had already begun to negotiate with Egyptian merchants (GARF, fon:374, opis:1, delo:1878, pp. 143-144.).

Until 1927, there was a high demand for cement in Turkey and production did not meet all the demand of the country. Thus, the Soviet trade specialists in *Arcos* thought that the company could divide Turkey into three regions in order to maximize Soviet cement export. It was decided that the Black Sea region would be the first region and Soviet cement could be sold in all the cities that were on the shore, from Batumi to the Bosphorus. Trabzon, Samsun, Sivas and Amasya were included in that region. The second region was planned to stretch from Istanbul to Ankara. The *Arcos* officers thought that the cities which were situated along the railway from Haydarpasha to Ankara train stations could be good choices in order to increase Soviet cement sales. Izmir was chosen as the third region. Soviet specialists preferred Izmir because if they could transport Soviet cement to Izmir harbor, then it would be easier to sell it to other closer cities such as Manisa, Mersin, Balıkesir, Konya, Adana and similarly to the islands on the Aegean Sea (GARF, fon:374, opis:1, delo:1878, pp. 1-18.).

### **3.1. Soviet Cement Sales in the Black Sea Region**

In the Black Sea region, *Arcos* signed a monopoly trade agreement with a well-known merchant named Sadık Zade. In the second region between Istanbul and Ankara, Soviet trade specialists preferred to work with a company named Stepanyan and Malkasyan. However, *Arcos* did not sign a monopoly trade agreement with this company. Stepanyan and Malkasyan agreed to sell Soviet cement with a low commission. In the third region, *Arcos* signed a lease agreement with the factory owner Saadettin Bey. However almost all of the Soviet cement trade operations ended with loss (GARF, fon:374, opis:1, delo:1878, pp. 1-18.).

In 1922, ambassador Aralov arrived in Samsun. He brought a few barrels of Soviet cement and in order to emphasize the importance of the trade relations between the Soviet Union and Turkey, he gave them as a gift to Samsun governorship. Although the ambassador and the Soviet trade organizations tried to improve Soviet cement export to Turkey, they did not achieve larger amounts in 1923 and 1924. This was because the produced cement in the Soviet Union was barely enough for the demand of the country itself. On the other hand, for a better export organization and to increase the supply to the Black Sea region, first step taken was to sign an agreement with Sadık Zade in 17 November 1925 (GARF, fon:374, opis:1, delo:1878, pp. 1-18). This was because Sadık Zade was one of the wealthiest merchants in the region. That is why *Arcos* chose him to

sign the monopoly agreement on cement sales. In 1927, Sadık Zade had 3 passenger liners and 4 cargo ships. The total cargo capacity of the ships was 7,799 tons (DİE, 1928). When Sadık Zade signed the agreement, he held the right to sell Soviet cement in Trabzon, Samsun, Kastamonu, Sinop and Zonguldak. In addition, Sadık Zade guaranteed to open warehouses and sales offices for cement business in Rize, Trabzon, Samsun, Sinop, Inebolu, Amasya and Zonguldak. Moreover, both parties agreed that in every warehouse, there had to be a minimum of 50 tons of cement with the Arcos trademark. Besides, Sadık Zade also guaranteed not to sell any other brands of cement. Arcos guaranteed to supply Sadık Zade 4,000 tons of cement in the first shipment and to supply a minimum of 350 tons every month (GARF, fon:374, opis:1, delo:1878, pp. 46-51).

Briefly after the monopoly agreement signed by Sadık Zade, he informed Arcos that French, and Romanian companies and the Turkish factory Arslan were sending their cargo ships filled with cement almost every day and their prices were lower than Soviet cement. Sadık Zade asked Arcos to reduce cement prices to 30 shilling per ton (GARF, fon:374, opis:1, delo:1878, p. 43). Sadık Zade also requested from Arcos that the first supply of cement had to be at least 1,600 tons and dispatched within barrels. Arcos guaranteed Sadık Zade to supply cement in barrels, but Sadık Zade did not send the barrels back after he got the first shipments. Dispatching cement in barrels increased the cost of cement business. For this reason, Soviet cement factories did not pack the cement in the next shipments (GARF, fon:374, opis:1, delo:1878, pp. 59-60). Later on, Sadık Zade did not return any of the barrels to Arcos, therefore the Soviet trade organization sued this merchant in Istanbul.

Although Arcos officers had great expectations from Sadık Zade, in progress of time, they realized that he had not opened any warehouses or sales offices in the Black Sea region. In addition, Soviet specialists observed that Soviet cement sales severely decreased in the region. Therefore, Arcos executives decided to change the terms of the agreement which had been signed with Sadık Zade. The merchant accepted to buy Soviet cement on a fixed price. Even though the monopoly agreement was abolished by Arcos, Sadık Zade carried on Soviet cement trade as the only merchant in the region. The price of cement that was sold to Sadık Zade was 37,7 shilling per ton on FOB basis from Novorossiysk harbor, whereas 45,5 shilling per ton on CIF basis on the Turkish harbors. Moreover, the Turkish Government put an additional tax burden of 7,5 liras per ton on cement import in order to protect domestic production. When the second agreement was signed with Sadık Zade, the price of cement per ton including tariffs was 27,24 liras on CIF terms in the Turkish harbors. When the prices were changed because of the protection law, Arcos sold 6,450 tons of Soviet cement to Sadık Zade for 23,13 liras between 27 February 1926 and 1 October 1926 (GARF, fon:374, opis:1, delo:1878, pp. 1-18).

According to *Arcos* annual reports, 700 tons of cement with CIF price and 2,300 tons of cements with FOB price from Novorossiysk harbor was sold to Sadık Zade. Moreover, Sadık Zade loaded 750 tons of cement to his cargo ship *Arslan*. Sadık Zade sold 2,000 tons of Soviet cement for railway construction until the end of 1926. On the other hand, on 25 November 1926, it was banned to load cement to Turkish vessels which were coming from the Russian shore of the Black Sea. In the meantime, Sadık Zade also tried to buy cement with his vessels and wrote a letter to *Arcos*. He asked for a permission to load his vessels. *Arcos* immediately mailed to the other Soviet trade organizations in Moscow to let him load the Soviet cement. Sadık Zade made 2% profit from all the transactions that he made with *Arcos* (GARF, fon:374, opis:1, delo:1878, pp. 82-90).

Sadık Zade was not the only merchant who sold cement in the Black Sea region. Although the Italian and French cement brands did not have the same quality as the Novorossiysk cement, there were many merchants that sold them in the region. However, they had lower prices compared to Sadık Zade. He immediately wrote a letter to *Arcos* and explained the situation asking for a discount in the cement prices. He mentioned in his letter that a cargo ship named *Pake*, which was filled with French cement, regularly anchored at the Black Sea harbors. Because of the Italian and French cement supply, the price of one barrel of cement decreased to 185 piaster in Trabzon and Giresun and to 170 piaster in Samsun. *Arcos* officers did not agree to make a discount on the cement prices. They were aware that Soviet cement had the advantage of proximity to the Black Sea region, so this helped to decrease the cost of cement that was exported to Turkey. Moreover, they estimated that the French and Italian firms would not be able to continue to give lower prices. In addition, *Arcos* officers believed that the consumers in the region had already got used to Soviet cement. Besides, *Arcos* executives knew that a good part of the imported cement was dedicated to the Sivas-Samsun railway construction, which needed lots of high-quality cement. Thus, Soviet trade specialists did not want to lose their share in cement sales in the Turkish markets, and did not avoid any competition with French cement. According to *Arcos* trade officers, the real competition was going on with the *Arslan factory*, and that competition caused a high loss in cement operations. Therefore, they did not agree to make any discount to Sadık Zade (GARF, fon:374, opis:1, delo:1878, pp. 82-90).

Transcaucasian State Trade Organization sold cement for 58,3 shilling on FOB basis at Novorossiysk harbor to the other Soviet institutions and to the merchants from other countries. When *Arcos* changed the conditions of the agreement that was signed with Sadık Zade, the Turkish merchant began to buy Soviet cement for 37,5 shilling per ton. The difference of 21,5 shilling meant that the loss of *Arcos* was high. *Arcos* sold Sadık Zade 6,450 tons of cement. Calculations show that the Soviet trade organization received 63,590 shilling for this transaction.

Besides, Sadık Zade did not return 112,875 cement barrels to *Arcos*. When the value of the barrels is added, the Soviet trade organizations lost 41,362 liras in selling cement to Sadık Zade. Soviet specialists recorded in *Arcos* documents that the total loss was equal to 60% of all cement sold to Sadık Zade. Moreover, *Arcos* finance department realized that the document which showed the number of barrels of cement that were sold to Sadık Zade and the accounting invoice that showed the total value of the trade were missing, therefore the exact transaction amount between *Arcos* and Sadık Zade cannot be accurately known. Consequently, the trade between *Arcos* and Sadık Zade resulted in a high loss. Hence, the Soviet trade institutions could not provide enough foreign currency when the country needed it the most (GARF, fon:374, opis:1, delo:1878, pp. 1-18). Although *Arcos* sued Sadık Zade for violating the terms of the agreement, the Soviet trade organizations continued to work with him until the 1930s. The underlying reason was his capital capacity and his trade network in the Black Sea region.

Soviet cement sales fell from 300,000 dollars to 172,000 dollars in 1926 (GARF, fon: P374, opis:28, delo:3230, pp. 242-252). Furthermore, Turkey and the Soviet Union signed a trade agreement and *Arcos* turned into *Soviet Trade Agency* in 1927. Despite what had happened between Sadık Zade and *Arcos* in the past, the Trade Agency in Istanbul prepared another monopoly agreement with the merchant in 26 November 1927. Meanwhile, *Soviet Trade Agency* agreed with another merchant in the Black Sea region, Kir Zade, while the agreement with Sadık Zade was still valid. In response to that, Sadık Zade demanded 244,000 rubles as compensation (GARF, fon: P374, opis:28, delo:3230, pp. 257-259). The Soviet trade organizations preferred to export cement to Turkey rather than to other countries because the price for cement was satisfying in Turkish markets. Moreover, Turkey was able to produce half of its own demand. Considering all these actions of the Trade Agency, the Trade Ministry of Public of Soviet Union accused Soviet trade specialists that they were not interested enough in the cement sales. In addition, Moscow gave an order to stop sales to the merchant Aragon, due to lack of confidence (GARF, fon:P374, opis:28, delo:3230, pp. 226-230).

### **3.2. Soviet Cement Sales in the Cities from Istanbul to Ankara**

When *Arcos* began to sell Soviet cement in the cities located on the Haydarpasha - Ankara railway line, the markets in these cities constituted 30% of the cement that was consumed in Turkey. On that route, the company Stepanyan and Markasyan, which sold *Arcos* cement, never signed a contract with the Soviet trade organization. Trade was completed through letters that *Arcos* and the company sent to each other. Stepanyan and Markasyan Company never had to place an order exceeding the amount of its demand. Thus, *Arcos* could not force them to buy cement in huge amounts that the company could not stock. On the

other hand, the company had to pay FOB prices with a discount of 2% of the total order value for Soviet cement if the ship was loaded by the company itself. If the company agreed to reload in Istanbul, there would be a 6% discount on the total price. In addition, if the company accepted the merchandise with their CIF prices, sales commission would be 3%. Moreover, *Arcos* accepted to stock, pay for transportation and the tariff costs in Istanbul. Stepanyan and Malkasyan guaranteed to pay costs of insurance and sales (GARF, fon: P374, opis:1, delo:1878, pp. 1-18).

*Arcos* began to work with Stepanyan and Malkasyan in 1925. In the same accounting year, 4,871 tons, and in 1926, 1,065 tons of Soviet cement were sold. Considering the costs of warehousing, insurance, loading, and unloading, the price of Soviet cement per ton was calculated to be 43,68 liras. The loss of *Arcos* in selling cement to Stepanyan and Malkasyan Company was about 20,000 liras in 1926 (GARF, fon: P374, opis:1, delo: 1878, pp. 1-18). This company sold 500 tons of Soviet cements to railway organizations in 1926. The company determined the price of cement per ton to be 23,75 liras in this operation (GARF, fon: P374, opis:1, delo:1878, p. 98).

The Turkish government increased the customs taxes in order to protect domestic production in 1926. High tariffs rates affected the order of 1,000 tons by Stepanyan and Markasyan. Because the tariff rates, which had increased fivefold before, increased eightfold. That meant that the company had to pay 1,200 piaster per ton instead of 750 piaster. When *Arcos* realized that the increase in the customs taxes endangered the Soviet cement trade, they considered unloading vessels at Derince harbor instead of Istanbul. Then, they thought about dispatching cement from Batumi to Samsun. However, *Novorus Cement Factory* did not accept to dispatch shipments neither to Derince nor to Samsun harbor. The factory informed *Arcos* that dispatching shipments directly to Istanbul harbor was more profitable than the other options (GARF, fon: P374, opis:1, delo:1878, pp. 149-155).

Gostorg gave the right of selling the products of *Novorus Cement Factory* with lower prices to the other Soviet trade organizations like Transcaucasian State Trade Organization. However, *Arcos* did not have the same right. Soviet trade specialists had to sell Soviet cement with the profit that had been determined in the plans. On the other hand, because of the shareholding structure of Russoturk, it is understood that there were no obligations to sell cement, at least with the limit prices (GARF, fon: P374, opis:1, delo:1878, pp. 53-55). In the beginning of the 1920s, there was no stock market that could determine cement prices, so *Arcos* determined the prices of cement based upon the prices of the *Arslan Factory*. Later on, many *Arcos* reports in the Soviet archives showed that the specialist who was responsible for tracking the cement prices in the market did not perform

his/her duty well. Therefore, Moscow gave warnings to *Arcos* to adjust the prices continuously (GARF, fon: P374, opis:1, delo:1878, pp. 56-57).

The Soviet trade specialist Yeremashvili mentioned in his report that the Turkish authorities asked *Arcos* to import 4,000 tons of Soviet cement in order to be used in the Sivas-Samsun railway construction. In addition, if the cement trade operation for the railway construction was accomplished, then it would lead to an opportunity to sell 20,000 tons of cement more (GARF, fon: P374, opis:1, delo:1878, pp. 56-57). That is why all Soviet trade specialists who were responsible for importing cement endeavored to have a smooth transaction and transportation of the merchandise. Because they thought that the cement trade business for railway construction could improve Soviet cement import to Turkey. Moreover, Yeremashvili emphasized in his report that Sadık Zade also tried to sell Soviet cement for railway construction. He achieved to sell 2,000 tons of Soviet cement (GARF, fon: P374, opis:1, delo:1878, pp. 69-69 ob). On the other hand, Yeremashvili succeeded to sign a contract with an Egyptian company named Botton to dispatch 2,500 tons of cement. In that period, he sold 1,550 tons of cement to a merchant from Izmir (GARF, fon: P374, opis:1, delo:1878, pp. 53-55).

*Arcos* signed an agreement with Süleyman Sırrı Bey from the Ministry of Public Works to sell 3,000 tons of cement in 1926. *Arcos*' offer was 44,5 shilling per ton (GARF, fon: P 374, opis:1, delo:1878, pp. 110-113). *Arcos* sold 750 tons of cement in Izmir to Neftesindikat and 200 tons to *Sanayi ve Maadin Bank* and *Uşak Sugar Factory* (GARF, fon:P 374, opis:1, delo:1878, pp. 121). In 1925, *Arcos* sold cement to the following merchants; 1,700 barrels to Ali Pasha, 150 tons to *Avedisyan and Ivraakis Corporation*, 15 tons to *Ankara Kantar Corporation*, 100 tons to *Paskvale Kolona Corporation*, 15 tons to Hanif Zade, 200 tons to Demirciyan, 200 tons to Değirmenciyan, 270 tons to Zaharidis Vlas, 20 tons to Ali Vafi, 15 tons to Ali Fuat, 120 barrels to Mehmet Kaptan, 5 tons to Rustem in Gelibolu, 10 tons to Molla Huseyin in Edremit, 100 tons to Somatsi in Izmir, 1,575 tons to Kerim Ali Zade in Izmir, 2,000 tons to Botton in Egypt, 15 tons to *Sanayi ve Maadin Bank*, and 100 tons to Skotboyna in Izmir. Moreover, *Transcaucasian State Trade Organization* sold 10 tons to Botton in Egypt, 75 tons to Ali Vafi, 350 tons to *Trakya Şeker Fabrikaları*, 60 tons to *Ziraat Türk Şirketi*, 306 tons to Hafız Zalak Kaptan, 200 tons to *Şeker Fabrikaları*, 50 tons to Kerim Zade (GARF, fon: P 374, opis:1, delo:1878, pp. 127-130). *Transcaucasian State Trade Organization* had a right to sell cement with a loss up to 100,000 rubles. Therefore, the organization had the chance to make most of its sales in lower prices (GARF, fon: P 374, opis:1, delo:1878, pp. 143-144).

After signing the trade agreement, cement import started to be controlled by *Mineral Export Organization* that was organized under *Soviet Trade Agency* in Turkey. After a trade institution in conformity with the Soviet trade constitution

that brought about a new organization in Soviet import and export operations was established, *Arcos* was transformed into *Soviet Trade Agency*. In addition, all of the Soviet joint stock companies in Turkey ceased to exist. *Russoturk* also ended its activities. Moreover, the *Soviet Trade Ministry* revoked permissions fits trade institutions to have loss from their trade operations. On the other hand, Turkey also revised some of its institutions that functioned in cement import. The government announced that cement import would be conducted under the permission of the Council of Ministers. New factories were established in Turkey, to which Soviet institutions planned to sell 6,000 tons, in 1929. Under these circumstances, *Mineral Export Organization* in Istanbul sold 4,200 tons of cement in the 1928-1929 accounting year (RGAE, fon:413, opis:12, delo:144, pp. 79-91). After 1931, cement sales of Soviet Trade Agency fell dramatically and depended on state enterprises.

*Sümerbank* applied to *Soviet Trade Agency* to import 15,000 tons of cements for its new factory construction in Nazilli in 1935. However, the Agency needed the permission from the government, because it was banned to import cement to Turkey without the permission of the Ministry of Trade. *Sümerbank* was inclined to import cement from the Soviet Union, because in the 1930s, the cement prices were high. Therefore, *Sümerbank* immediately received all necessary permissions. On the other hand, at the end of the year, the Ministry of Trade ordered additional 20,000 tons of cement from the Trade Agency for the Sivas-Erzurum railway construction. However, *Soviet Trade Agency* informed that it would not be possible to provide any cement until April 1936 because of the production conditions in the Soviet Union (RGAE, fon:413, opis:12, delo:1970, pp. 2-11).

In 1938, the Soviet trade institutions sold cement only in the Eastern Region of Turkey. Instead of 18,000 tons as determined in the plan, 18,100 tons were sold in that year. As in 1937, in 1938, all cement sales were made for the railway construction in Erzurum. After this transaction, Soviet Trade Agency did not achieve any sales because the railway construction finished in 1939 (RGAE, fon:413, opis:12, delo:2912, pp. 38-183).

The Near East markets were active for cement sales in 1935. For example, in Syria, 60,000 tons of cement was sold in a duration of nine months. In Aleppo, a cement factory produced 81,000 tons, but it was not enough to satisfy the domestic demand. Moreover, throughout the year, Moscow complained about that specialist in Istanbul who did not show any interest and make any contribution in sales (RGAE, fon:413, opis:12, delo:1970, pp. 19-24). *Soviet Trade Agency* in Istanbul were able to sell only 8,100 tons instead of 20,000 tons, as planned, in the Near East markets. That is why Moscow concluded that the performance of Soviet specialists was not satisfactory and they could not fulfill the trade goals. The Ministry of Trade also warned the Agency to choose



powerful, solid and trustable corporations in the markets (RGAE, fon:413, opis:12, delo:1552, pp. 23-24).

### **3.3. Soviet Cement Sales in the Aegean Region**

Yahya S. Tezel claims that there were many authors who asserted that there had been no foreign capital investment in Turkey in the Atatürk era because of the actions that the government took against foreign private capital<sup>3</sup>. However, contradicting with the claim of these authors, in the 1920s, there was an important foreign investment flow to Turkey. Foreign capital invested in joint-stock companies by using their Turkish partners. Ahmet Gündüz Ökçün was an economist who underlined that there was a significant foreign investment after the Turkish Independence War. He also argued that the Republican regime was not against foreign investment but was against capital which sought for a capitulation. He further added that those that did not seek any privilege from the government did not encounter any obstacles (Ökçün, 1971, p. 5). From 1923 to 1930, the share of foreign investment in the Turkish joint-stock companies was 43%. The share of foreign capital in the whole invested capital was 75%. As in other industries, the foreign capital share was also high in the cement industry in Turkey. Ökçün also claimed that except Istanbul, there were no foreign investment in the cement industry through establishment of a corporation (Tezel, 1994, p. 222).

In his book, Ökçün emphasized that foreign investment only existed in the cities Istanbul, Ankara, Izmir and Adana between 1920 and 1930. According to him, there was no foreign investment in any other provinces in Turkey (Ökçün, 1971, p. 116). However, the investors in the cement industry were not Europeans alone. The Soviet Union also invested in the Western Anatolia in order to make profits, and used the opportunity in the reconstruction of the region.

In order to sell cement, Arcos, which was one of the Soviet Union corporations in Turkey, chose Manisa in the Aegean region as a cement production center. The Soviet diplomat Prokofev, who was an officer in the Soviet Consulate in Izmir, discovered a factory in Manisa while traveling the region in order to write an economic report in 16 December 1924 (GARF, fon:374, opis:1, delo:1878, pp. 1-18). The Soviet diplomat thought that 60% of the facilities and houses in Manisa and Izmir were destroyed and therefore reconstruction of the region required tons of cement. Prokofev signed an agreement with the owner of the factory, Sadettin Bey, to produce concrete blocks, tiles, pipes, glasses and doors. The factory was built on twenty columns and had three machines. It was the latest factory that produced these types of merchandise. After dealing with Sadettin Bey 'engineers from Novorus Cement Factory came to the region so as to investigate and they

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<sup>3</sup> Taner Timur, Bernard Lewis, Kenan Bulutoğlu, Kemal Karpat etc. For details: Tezel, 1994, p. 218.

found out that the factory could produce cement cheaper than the Soviets'. On the other hand, the cement brands that were imported from other countries to the region had lower quality than the Soviet cement. Prokofev believed that the quantity of customers and sales could be higher than the other imported ones. The factory of Sadettin Bey was equipped with high quality German machinery and was suitable to process Soviet cement. This way, Arcos would be able to sell cement under its own trademark (RGAE, fon:413, opis:2, delo:2042, pp. 54-64). Sadettin Bey leased out his factory to Arcos with all its equipment. The Soviet trade organization agreed to pay Sadettin Bey 50 liras per month and to give 44% of its profit from the sales of cement. Furthermore, Arcos agreed to appoint Sadettin Bey as the manager of the facility with the salary of 250 liras (GARF, fon:374, opis:1, delo:1878, pp. 1-18).

When Prokofev signed an agreement with Sadettin Bey, the price of cement per ton increased to 72 liras. However, one month later, Italian cement arrived in the market and the price of cement began to decline dramatically. On the other hand, after Novorus Cement Factory's specialists returned, Arcos did not pay any attention to the Manisa factory. Executives from Arcos left Sadettin Bey alone and did not make any further investment. In addition, Soviet executives sent 2,000 barrels of cement to Izmir harbor. In the meantime, Arcos received loans from the Bank of Holland to finance its Manisa operation. Nevertheless, due to the lack of interest in the Manisa factory, the Soviet trade organizations could not sustain the cement production. All of the cement that was unloaded at the Izmir harbor stayed in the warehouse between 11 March 1925 and 30 April 1926. In the meantime, Arcos did not pay the loans to the Bank of Holland. Later on, the Bank appropriated 888 barrels of cement in exchange for the debt of Arcos (GARF, fon:374, opis:1, delo:1878, pp. 1- 18).

The factory in Manisa was able to process only 220 tons of cement. The engineer that was sent to Manisa to arrange the production operations probably stayed in Ankara. Because the Soviet Embassy was under construction and the engineer Shapashnikov was in charge of the worksite. Therefore, he could not pay attention to the production in the Manisa factory<sup>4</sup>. The Soviet specialists in Arcos decided to put an end to the investment in the Manisa factory on 14 July 1926. In order to compensate the inconveniences and to avoid a legal case in the future, the Soviet side paid Sadettin Bey 5,000 liras and all the loss was covered by Arcos (GARF, fon:374, opis:1, delo:1878, pp. 1- 18).

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<sup>4</sup> The Russian Embassy was opened on 19 April 1926 (Perinçek, 2005, p. 172).

## Conclusion

The trade organizations of the Soviet Union that imported Soviet cement to Turkey were in competition not only with other brands, but also with each other. The Soviet Union preferred to sell cement to Turkey because of its proximity to the country. However, the geographic proximity did not help the Soviet trade organizations to solve the problem of on-time supply and satisfying the demand. In addition, the transportation cost was one of the main costs within the import operations. Moreover, Soviet trade specialists could not establish a trade network in any regions of Turkey. The Soviet trade organizations tried to solve this problem by dividing Turkey into regions. They signed monopoly trade agreements with merchants in these regions. Leasing a cement factory in Manisa was another solution of the Soviet trade specialists. However, they could not deliver unprocessed cement to the factory and lost their chance to sell it in the Aegean region with high profits. Furthermore, this operation ended with the dissolution of *Arcos* in 1926. After signing the trade agreement in 1927, cement trade was organized by the *Soviet Trade Agency* until 1939. On the other hand, the Turkish government increased custom tariffs in the second half of the 1920s in order to protect its domestic cement production. After 1927, cement import was only permitted by the Council of Ministers. The Council gave permissions to import cement only for large construction projects of the government such as factories and railways. Consequently, it can be deduced that there was not a stable cement trade between the two countries for the following reasons: firstly, the Soviet Union could not establish the necessary institutions and secondly, the structural changes in Turkey affected the cement trade directly. Thus, most of the cement sales operations of the Soviet Union in Turkey resulted in failure.

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