



Turkish-Greek Rapprochement in the 1930s: The British Factor as a Third Party

*1930'larda Türk-Yunan Yakınlaşması: Üçüncü Taraf Olarak
İngiliz Faktörü*

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Abstract

The third party effect in international relations gained popularity in 1990s in the context of conflict resolution. However, the Turkish-Greek relations in the modern era have always been discussed in reference to a third party involvement and Britain has always prevailed over the other countries as the most prominent third party. This study searches for the British influence on the Turkish-Greek rapprochement in 1930s. The British factor influence is usually taken as a matter of Great Power dominance or the “provocateur of rivalries between the two nations” from the Turkish point of view or “cooperation of allies” from the Greek point of view. Whereas, this study focuses on a specific conjuncture in which Britain acted neither as a “provocateur” nor as an “ally” for any party. In reference to the historical sources, it is documented that from the late 1920s the British approach to the Turkish-Greek affairs was altered dramatically, parallel to the overarching systemic changes in the interwar period. Specifically, it is argued that the revision of British financial policy in response to the Great Depression and its retreat from the Eastern Mediterranean as a naval power directed Greece to change its foreign policy orientations with a sudden demarche and offer Turkey a peace settlement. Rather than attributing this rapprochement to the efforts of charismatic leaders, this study analyses the issue with a realist mind in reference to the British policies modified in parallel to the systemic changes during the interwar years.

Keywords: Rapprochement, Turkish-Greek Relations, Venizelos, Eastern Mediterranean

1930'larda Türk-Yunan Yakınlaşması: Üçüncü Taraf Olarak İngiliz Faktörü

Öz

Uluslararası ilişkilerde üçüncü taraf etkisi 1990'larda çatışma çözümü bağlamında popülerite kazanmıştır. Ancak, modern dönem Türk-Yunan ilişkileri daima bir üçüncü taraf etkisi üzerinden tartışılmıştır ve İngiltere diğer ülkeler arasında daima en önemli üçüncü taraf olarak öne plana çıkmıştır. Bu çalışma, İngiltere'nin 1930'lardaki Türk-Yunan yakınlaşmasına etkisini incelemektedir. İngiliz etkisi, Türk bakış açısından genellikle bir Büyük Güç baskısı ya da “iki millet arasındaki ihtilafların kışkırtıcısı” olarak algılanırken, Yunan bakış açısından “müttefiklerin işbirliği” olarak değerlendirilmiştir. Oysaki bu çalışma İngiltere'nin tarafların herhangi biri açısından “provokatör” ya da “müttefik” rolü üstlenmediği özel bir konjonktüre odaklanmaktadır. Tarihsel kaynaklara referansla, İngiltere'nin Türk-Yunan meselelerine yaklaşımının İki Savaş arası dönemde gerçekleşen kapsamlı dönüşümlere paralel olarak 1920'lerin sonlarından itibaren dramatik bir biçimde değiştiği ortaya konulmaktadır. Spesifik olarak, İngiltere'nin Büyük Buhrana yanıt olarak finansal politikalarını revize etmesinin ve bir deniz gücü olarak Doğu Akdeniz'den çekilmesinin Yunanistan'ın ani bir diplomatik girişimle dış politika yönünü değiştirerek Türkiye'ye barışçıl bir uzlaşma önermesine neden olduğu iddia edilmektedir. Bu çalışma, söz konusu yakınlaşma girişimini karizmatik liderlerin çabalarına bağlamaktan ziyade, konuyu gerçekçi bir bakış açısıyla iki savaş arası dönemde uluslararası sistemik unsurlara paralel olarak değişen İngiliz politikaları çerçevesinde analiz etmektedir.

Keywords: Yakınlaşma, Türk-Yunan İlişkileri, Venizelos, Doğu Akdeniz

Introduction

The role of third party emerged in the 1980s as a central concept in the study of conflicts and conflict resolution (Laue, 1990). Although the third party is usually taken as a mediator of peace between the conflicting parties at present, the “provocateur” third party was a well-known figure behind the bilateral conflicts in the past. On the one side, one of the conflicting parties regarded usually a superior power as a “provocateur,” on the other side; the other party relied on the same power and viewed it as a cooperation of allies for a “right cause”. The discussions on Turkish-Greek relations fitted well into this picture since the beginning of nineteenth century (Goldstein, 1989; Sonyel, 1993; Köylü, 2016; Eray, 2020). However, such a tripartite relation dominated by a superpower drove the bilateral relations into a situation of inertia. Resorting to a dominant actor either as an “ally” or as “provocateur” took away the dynamism of the bilateral relations and the capability of the conflicting parties to act on their own behalf. That means Turkey and Greece did not have an opportunity to see each other in their own lights almost all throughout their history, except a special period in 1930s, which is designated as the “rapprochement” period.

The late 1920s generated an usual atmosphere for the Turkish-Greek relations. Mainly because, the British party left the ground and the two newly established nation states of the Near East had to tackle with their own regional affairs by themselves. The inter war order was a special period of time that created delicate balances on the political and economic grounds. It was a time period when the Great Powers had to respond to the first and foremost global economic crisis of the modern era in 1929. On the political ground, the interwar conjuncture generated an international order that revisionist Italy and Germany tried hard to assume greater role and rule over the others. In such an international conjuncture, one could expect the revision of Turkish-Greek relations as well, parallel to the changing dynamics of the international order.

Turkish-Greek rapprochement in the 1930s is usually viewed as an outcome of the international political conjuncture. The regional threats posed by Italian expansionism has long been discussed in the related literature as the key factor laying the ground for the rapprochement of the two countries. Although the revisionist tendencies of the interwar period is an unchallengeable fact influencing the regional and bilateral relations, the effects of economic devastation in the same period has not been searched or debated thoroughly. Therefore, one of the key objectives of this study is to reveal the economic factors influencing the international order at this time period. Another objective is to move beyond the shallow foundations of the political explanations. It is suggested that the Venizelos administration in Greece was driven to Turkey not because of the Italian threat but for the reason that his administration could not counterbalance this threat with Britain.

In addition, it is argued that Greece could not retrieve support from Britain at that time on the economic ground either. In other words, the revision of the British financial and foreign policies laid the ground for Turkish-Greek rapprochement in the 1930s. Revealing the underlying political and economic factors behind this rapprochement helps to evaluate this issue on a more realistic ground without

underestimating the gentle approaches of the leaders of the two states. That means the role of actors are taken into account in reference to the systemic factors.

1. Turkish-Greek Rapprochement in the 1930s

When Venizelos came to power in Greece in 1928, one of his first foreign policy initiatives was to write a letter to Turkish Prime Minister İsmet İnönü. The pacifist discourse of this letter started a decade of rapprochement between the two countries. In this letter, Venizelos suggested to leave aside the enmities between the two nations. He renounced the *Megali İdea* policy and added that he believed that Turkey did not have either any expansionist intentions on Greece. Taking a step further, he offered to sign friendship, non-aggression and arbitration treaties (Şimşir, 2006). Although the letter was embellished with a friendly pacifist discourse, the regional security concern of Venizelos was comprehensible in between the lines.

Maintenance of peace is the ultimate objective and key criterion of success in diplomacy. However, it seems that the frankly pacifist language of Venizelos' letter promoted some romantic commentaries and overshadowed the facts. Therefore, the realistic motivations behind this diplomatic initiative has not been discussed thoroughly in the related literature so far. Although there are some works mentioning the Italian threat and the economic crisis in the country as the reasons behind this initiative of Venizelos, the issue is discussed usually in reference to the rise and fall of *Megali İdea* (Demirözü, 2008; Çakmak, 2008; Kalelioğlu, 2008). Neither the Italian threat nor the reasons behind the economic crisis in Greece are explained thoroughly. Furthermore, the discussions revolving around the rise and fall of *Megali İdea* brought Venizelos to the forefront as a political actor, since he had become identical with the *Megali İdea* policy. In other words, the career of Venizelos as a political leader and his diplomatic initiatives curtailed the systemic factors behind the Turkish-Greek rapprochement in the 1930s.

This study probes into the economic and geostrategic factors paving the way for the Turkish-Greek rapprochement. These factors are examined in the light of the historical records mostly taken from the League of Nations (LN) archives. The result of this research indicates to the role of Britain as an influential third party behind this bilateral rapprochement between Turkey and Greece. In other words, it is suggested that the sudden reverse in the financial policy of Britain and the changing foreign policy priorities of the country in the Eastern Mediterranean generated a direct effect on the Greek foreign policy and paved the way for the rapprochement in question. That means fascist Italy was considered as an imminent threat by Greece so as that the country could not receive financial and political support from Britain any longer.

In short, it is suggested that the changing British policies on the financial and political ground is the key motivating factor behind the Turkish-Greek rapprochement in 1930s. Although, it is a fact that the Turkish-Greek rapprochement did not come onto the agenda as a planned strategy of Britain, the changes in the British policies, specifically its approach to the Gold Standard System and its attitudes in the Eastern Mediterranean in the interwar period yielded influential impacts upon the Turkish-Greek relations as a third party. In that sense, British policies are discussed in this study as a third party effect.

1.1. The Treaties Signed between the Two Countries

Ankara Treaty signed between Turkey and Greece on 10 June 1930 was the first concrete outcome of this rapprochement initiative. This was a significant agreement in the sense that it resolved the questions unsettled in the Lausanne Treaty of 1923. Namely, the situation of the Greek population in İstanbul (*etabli*), the status of Greek Orthodox Patriarchate in İstanbul and indemnity questions were still pending, despite the Athens Treaty signed between the two countries in 1926 (Yıldırım, 2007). The Ankara Treaty finally settled these questions. This treaty can be regarded as the second building-bloc of the Turkish-Greek rapprochement after the above-mentioned letter of Venizelos. Indeed, this treaty was a further step to safeguard the peaceful sentiments between the two countries on a legal ground. However, the agreements following the Ankara Treaty got a higher strategic value for the maintenance of Turkish-Greek rapprochement in this period. It is argued that especially the neutrality and naval agreements constituted the final targets of Venizelos from the beginning. That means all previous initiatives were taken to this end.

After concluding the Ankara Treaty, Turkish Prime Minister invited Venizelos to Turkey. Venizelos paid an official visit to Turkey upon his request. Turkish Ambassador in Athens Enis Akaygen attended the national celebration of Greece in return as a diplomatic gesture (Çakmak, 2008, 95). Then, three additional treaties were signed as a sound outcome of these diplomatic gestures: The Friendship, Neutrality, Agreement and Arbitration Treaty, "The Protocol Related with Limitation of the Naval Forces", "Residence, Trade and Sailing Agreement" (Bölükbaşı, 2004, 37-38). The peaceful relations between the two countries were consolidated further with these treaties. However, it should be noted that when these treaties were signed Venizelos had lost the government. Although Venizelos' role in this rapprochement cannot be undermined, this fact indicates that he had responded indeed to an international systemic deadlock by initiating a peace process with Turkey. Otherwise, the treaties might not have been concluded by another party in government, which was a conservative party headed by Tsaldaris, challenging Venizelos on many grounds. Tsaldaris also paid a visit to Turkey shortly after he came to power and followed Venizelos' path including his diplomatic gestures (Çakmak, 2007).

On the other side, Venizelos' offer for peaceful resolution of the conflicts between the two countries was very well received in Turkey. Indeed, such a peaceful settlement of the problems with Greece was a precious opportunity for Turkey that was following a foreign policy at that time formulated by the famous aphorism of Atatürk that is "Peace in the country, peace in the world" (Gönlübol & Sarı, 1990). However, following the same approach, the peace discourse of the Turkish side should also be analyzed on a realistic ground far from an unfounded romanticism.

In fact, Turkey and Greece were subjected to similar threats in the interwar period. The interwar international order painted the two countries into the same corner on the political and the economic grounds. That was the key motivating force behind the rapprochement (Alım, 2020). Both countries responded to the regional politics and the international economic crisis in the interwar period rather than acting in the context of bilateralism. The below part delineates on these political and economic constraints.

2. British Finances and the Greek Economic Crisis

Although Venizelos administration did not come onto the agenda about the economic policies (Agriantoni, 2011), the historical sources indicate that the financial situation of the country was indeed unmanageable when he came to power. Venizelos got the overwhelming majority of the refugee votes and came to power in 1928. He had a disadvantage in the sense that the international economic conjuncture did not support his administration. He had to shoulder a heavy economic burden because of the outbreak of the Great Depression in 1929. There is a consensus on the idea that the Great Depression hitting the Greek economy was one of the reasons behind the fall of Venizelos' government in 1932 (Goldstein, 1993; Christodoulakis, 2001; Agriantoni, 2008).

The Great Depression of 1929-1930 was an international economic crisis affecting so many developed and developing countries at certain degrees. A recent comprehensive research on the effects of Great Depression in Greece demonstrates that this economic crisis had a rather mild impact on the profitability levels of the top 50 joint industrial stock companies of the country (Pepelasis et. al, 2018). Although, the adverse effects of the Great Depression cannot be denied, it does not explain the national economic crisis of the country by itself, since almost every national economy was affected from this crisis in its own ways. The League of Nations records present valuable information on this issue. These sources indicate that the Greek economic crisis in the late 1920s and the 1930s was closely related to depreciation of Greek drachma against the British sterling, which was the unavoidable result of a sudden change in the British financial policy. The sharp devaluation of drachma drove the country into an international debt crisis.

Indeed, the whole story had started with the international refugee funds that Greece utilized to finance its refugee settlement program after the defeat of the Greek Army in Asia Minor in 1922. After the conclusion of the Population Exchange Protocol as part of the Lausanne Treaty signed between Turkey and Greece in 1923, approximately one and a half million Anatolian Greeks had to move to Greece permanently. Having such a large refugee population to settle, the Greek government came under a heavy financial burden (Blanchard, 1925). Although the international society headed by the League of Nations at that time made generous grants to the meet the urgent needs of these refugees, the international credit offers for the Greek government followed soon. A Refugee Settlement Commission (RSC) was established under the LN for the supervision of this grand refugee settlement work in Greece and also to act as an international intermediary and guarantor for the Greek government to receive international loans for this refugee settlement program.

The Bank of England and Hambros Bank of were the key financiers of the Greek refugee settlement program. The LN archives obviously display the organic relations between the British bankers and the RSC in Greece. The RSC assumed the task of collecting the revenues from the agricultural lands distributed to the refugees and the specific sectoral production in the tobacco, match, and play cards industries, which were revived largely by the refugee labor (LNA, 29.9.1923). In the first year following the conclusion of Greek Loan Agreement in 1924, the international observing committees interpreted the financial state of the country

as satisfactory and even promising when the hardships of the refugee settlement issue was taken into account (LNA, 13.9.1924).

However, the future expectations of these international observers did not come true. In 1927, the Bank of England wrote to the RSC about its hesitations on the return of loans (LNA, 24.2.1927). Then, the Financial Committee of the LN offered to collect revenues instead of the RSC. Nevertheless, it is understood that the Greek Government avoided entering into this kind of an arrangement with the Committee. Because the Committee forced the Greek Government to increase the consumption taxes not only to extend the revenues but also to test the conformity of the Greek government to their policies (LNA, 24.2.1927). The Bank of England argued that the Greek government exploited the refugee settlement issue to find credits to bridge its national budget deficit and stabilize drachma. Mr. Norman speaking on behalf of the Bank of England wrote to the RSC Chairman Simpson:

“I am in complete agreement with all that you say about the importance and value of Refugee scheme, but I cannot think that it would not be proper to let the Greeks again have access to the London market without a prior settlement of the war debt. They are inclined to regard such a settlement as a bargaining counter, but I am convinced that they had far better settle “sans phrase”. For the time being, other financial considerations stand in the way of a new Refugee Loan, but I hope that we shall now begin to move towards a general settlement covering Refugees, Budget and currency stabilization, provided that the cost to them and to us is not too great.”

He added in another letter saying that “Refugee work, it seems to me can be nothing but a superstructure raised upon the monetary and budgetary stability” (LNA, 9.6.1927). The revenues assigned to pay back this refugee loan was not sufficient. In response to the low revenue returns. Then, the Minister of Agriculture Papanastassiou offered the establishment of Agricultural Bank to advance credit to the farmers in order to raise revenues. However, any interlocutor including the LN Financial Committee, RSC or the British bankers did not welcome this proposal of Papanastassiou. They regarded the proposal of Papanastassiou as a populist propaganda. The financiers refused Papanastassiou’s proposal and offered a second loan in response. Then, the Greek government signed a new loan agreement in 1927. Nevertheless, the cleavages between the Greek politics and the British financiers had come to surface (LNA, 5.6.1929). The Bank of England authorities revealed that the Greek politicians Kafandaris and Tsaldaris had been searching for alternative financiers. It came out they met with a Swedish group to receive a new loan (LNA, 22.6.1927).

When Venizelos came to power in 1928, the Refugee Loan had already turned to an unmanageable debt stock. A new loan agreement for 9 million sterling was already signed in 1927. One-third of this loan was earmarked for setting up foreign exchange reserves (Christodoulakis, 2013, 279). Additionally, Venizelos signed another agreement for 22 million sterling in 1928 for drainage and other anti-flood works to increase productivity in Macedonia. In 1932, he asked another loan for 50 million sterling from the members of the International Financial Commission, but it was not accepted (Agriantoni, 2008, 301).

The economic policy of Venizelos was based on the idea that “our country is not poor but unexploited” (Agriantoni, 2008, 286). His economic policy was quite in line with the mainstream international economic arguments serving to the ends of

creditor countries trying to absorb the monetary expansion of 1920s. Large sums were invested by the industrial countries in poorer parts of the world for the development of virgin lands and the exploitation of mining sources. The international credits were not only made cheaper but also readily available for the potential borrower countries. These international loans were not only offered for Greece but also for Austria, Hungary, Bulgaria, Estonia, Danzig, and almost all of these loans started in the form of refugee funds after the First World War (WWI) (Arndt, 2014; Almunia et. al, 2010).

2.1.The Interwar Economic Order and the Gold Standard

The First World War marked a turning point in the international capital markets. The United States emerged as a new creditor nation. The entry of the USA changed the financial position of the other lending European states along with the other factors related to the war situation. In the aftermath of the WWI, Germany turned to one of the biggest capital importers. French assets abroad were dramatically reduced by the repudiation of extensive Russian holdings (Fishlow, 1985, 384). Most European nations were experiencing a serious economic instability associated with exchange rate fluctuations. In response to this financial matter, the USA decided to adopt the Gold Standard in 1919. The European states also followed the same path and mobilized the League of Nations for this purpose. The Gold Exchange Standard (GES) was finally established at the Genoa Conference in 1922. Soon after, joining the GES system came to be viewed as a must, especially for the debtor peripheral countries to be able to get loans from the international financial markets (Bordo & Schwartz, 2009). According to the Genoa Conference in 1922, key currencies were to be enhanced by gold, while other currencies were to be strengthened by reserves composed of both key currencies and gold (Bowden & Collins, 1992, 120).

In such an environment, joining the Gold Standard was rightly seen by Greece as a precondition of accessing to the international loans to restore the national economy ruined by the refugee settlement question. During the settlement program, the Drachma was sharply depreciating against the UK sterling and the US dollar. Moreover, the issue of Greek solvency was receiving extensive negative coverage in the foreign press. Therefore, capital financing was crucial for economic recovery, but the domestic capacity could not meet the need due to the panic-stricken flights of wealth to foreign banks in Greece.

Inflation levels reached 80 percent per year and public debt exceeded 120 percent of GDP (Christodoulakis, 2013, 279). Then, joining to the GES system appeared as an unavoidable necessity for Greece. However, the international financial authorities were not still satisfied with this initiative of Greece. The Chairman of the RSC, the famous diplomat Henry Morgenthau reported on this issue in a literally way:

“We found after we settled down in Greece that, unfortunately, it was most difficult to secure the gold pills, because the Bank of England and particularly, the British Treasury were not convinced that these pills would not be used for illicit purposes-to prepare Greece for war or to improve her navy” (LNA, 25.8.1924).

Greece joined the gold standard in 1928; on the day, that the Bank of Greece was commenced and the drachma was de jure stabilized (Lazaretou, 2005, 212). To raise credibility, the Venizelos government sought first to advance relations with Britain,

which resulted in a kind of “sterling fetishism” (Christodoulakis, 2013, 281). The British support that Venizelos was seeking turned to an economic dependency (Fouskas & Dimoulas, 2013, 74). When the British administration decided to leave the GES system due to the Great Depression in 1930, the financial results were fatalistic for Greece. The debt load of Greece was multiplied dramatically because of the depreciation of drachma, which was tied to sterling. Participation to the GES system and the stabilization program fostered positive results in the Greek economy at first. A small surplus of 1.1 percent of GDP was recorded in the first 2 years of GES participation, but later it ceded back to an even higher deficit of - 7.8 percent of GDP in 1930-1931. The de jure stabilization program of Greece was hindered by the Great Depression wave of the 1929-30. While, Britain responded to the Great Depression by leaving the GES system and unsettled the interwar economic order, Greece did not follow the British way this time and tried to remain loyal to the just established stabilization program. Before 1928, Greece had the experience of high levels of inflation, monetary expansion, exchange rate crisis and political turmoil (Lazaretou, 2005, 276). When Britain’s exit from the GES system added to this scheme, it created a deathblow effect on the Greek economy. Thus, the Venizelos government had to leave the British way after 1930 and followed on its own by imposing de facto currency inconvertibility. However, it was too late to recover the national economy.

Britain was a long-established creditor of Greece since the independence of the country from the Ottoman administration. When, the refugee question raised in Greece, the British creditors were the first to offer loans as usual. The Bank of England and Hambros Bank stepped forward as the key creditors of refugee settlement in Greece (Rizou, 2018). The Bank of England was formally independent from the state until nationalization in 1946, but in reality, there had often been a close relationship with the government (Bowden & Collins, 1992). The Bank of England gained more prominence in the immediate aftermath of the WWI. Article 248 of the Versailles Treaty permitted the establishment of a new Anglo-Austrian and Anglo-Czech Bank under the aegis of the Bank of England (Eichengreen & Flandreau, 2012, 64). That means the Bank of England was one of the key actors of monetary diplomacy in the interwar period.

On the other side, the Hambros Bank was heavily indulged in the Greek affairs since the second half of the nineteenth century. Carl Joachim Hambros was known as the “King Maker” in Greece in 1881 (Wechsberg, 2014, 62). Therefore, it will not be wrong to say that Greece resorted to its traditional international creditors on the face of the refugee settlement question. However, Venizelos administration changed the long-established foreign policy orientation of Greece after the above-mentioned economic shock.

In a sense, Greece faced an asymmetric shock when the UK abandoned the GES system. This unilateral act of Britain tarnished its long-held image in Greece for being a strategic partner. The financial losses of Greece aggregated, as the Central Bank of Greece in the summer of 1931 had sold its entire stock of gold to the Bank of England.

Then the Government declared a five-year moratorium on foreign debts and requested a new loan of 12.5 million sterling to manage the debt stock. Nevertheless, the League of Nations rejected this request and the situation became untenable for

the Greek Government (Christodoulakis, 2013, 275-279). At this point, a radical change in the position of the Greek government was almost unavoidable.

As Keiger (2011) suggests financial issues can lead to new foreign policy formulations. It is argued that such a financial factor was in force when Venizelos government decided to approach Turkey for the final settlement of the questions remaining from the Lausanne Treaty. The evidences indicate that the Venizelos government had to sever ties with its old ally Britain and search for new allies in the region. In addition to these unmanageable economic problems, the regional politics was alarming.

3.Changing Balances in the Regional Politics

The above-mentioned economic shock was not the only reason behind Venizelos' departure from its long-term ally Britain. Regional security concerns in the Eastern Mediterranean and the Balkans was another critical factor leading Venizelos to approach Turkey. Emergence of Italy as an expansionist power in the region directed Venizelos to take measures. Italy had started propoganda in the old British colonies in the Eastern Mediterranean and the British naval power in the region was declining (Manuela, 2006, 107-109). British Foreign Secretary Sir Samuel Hoare noted that; "The country has been so weakened of recent years that we are in no position to take a strong line in the Mediterranean" (Pratt, 1975, 9). Therefore, Venizelos had to tackle with these regional problems on his own, without relying on the British power but trying to follow a balance policy among the Great Powers, as much as possible. Venizelos had to follow an appeasement policy towards Italy in the absence of the British support. As an outcome of this policy, Venizelos signed the Greco-Italian Agreement on 23 September 1928. In addition, he made another agreement with Yugoslavia to prevent its aspirations on the Aegean (Raditsa, 1965). Previously mentioned Turkish-Greek agreements can also be evaluated in the same vein, as a response to the changing regional balances triggered by Italy.

According to Svolopoulos, the Turkish-Greek rapprochement was an outcome of the Greek-Italian agreement. Furthermore, he argued that Italy intended to act as a guarantor of Turkish-Greek rapprochement. This rapprochement would secure the northern part of the Eastern Mediterranean for the Italian expansionism. (Svolopoulos, 2008). Svolopoulos (2008) added that Italy was extending its zone of influence at the expense of Britain. That means the British factor was more influential than the Italian expansionism. Because, if Greece could have met the Italian challenge by the British support, the Greek government would not need to search new allies in the region. Adapting to the changing balances in the region was extremely important for the smaller states, especially for the ones supporting the status-quo like Greece and Turkey.

On the Greek side, although the above-mentioned letter of Venizelos indicated a remarkable turn in the foreign policy of the country, it should be noted that Venizelos did not come to that point all of a sudden, but strongly resisted to the change at first. In fact, the diplomatic initiatives of Venizelos indicate that he tried every available means to maintain the British support, although the regional balances were shifting towards Italy at the expense of Britain (Marovich, 2017). After signing the agreement with Italy, Venizelos visited London and also Paris

explaining that the Greek-Italian treaty was not directed against anybody (Hatzivassiliou, 1998, 95).

Then, Venizelos took another step to regain the support of his old allies, especially Britain. He turned to the LN as an intermediary institution between Greece and Britain to ask the British support in the Eastern Mediterranean in an indirect way. On September 1929, Venizelos visited the General Secretary of the LN, Sir Eric Drummond and expressed his anxieties about the issue of naval balances on the Aegean. Venizelos asked Drummond whether the League could assist Greece in case of a Turkish naval action against the Greek islands. Drummond ensured Venizelos that his naval strategy was 'extremely wise'; and that the League Council was not going to permit Turkish action against a Greek island. However, Drummond added that he did not expect that Turks would attack Greece (Hatzivassiliou, 1998, 97-98). Shortly after Drummond's guarantees, Britain, the USA and Japan declared 'naval holiday' in 1930 for five years. Nevertheless, France and Italy did not join this naval disarmament program. As a result, both Athens and Ankara were forced to act together against the Italian threat (Hatzivassiliou, 1998, 102). "When the Treaty of Lausanne formalized British and Italian sovereignty on the insular settings. They sought to achieve through a combination of diplomacy – to ward off the political encroachments of Greece and Turkey" (Rappas, 2015, 479). Lausanne Treaty had sustained the power balances in the Eastern Mediterranean by consolidating the British position in Cyprus and the Italian position in the Dodecanese islands. However, the Italian aspirations in the region indicated that the status –quo created by the Lausanne Treaty was changing. The 1931 revolt in Cyprus came after the naval inactivity and the British influence declined further in the region. However, Venizelos was still striving to regenerate the British power on the Mediterranean to act together against Italy.

The Cyprus revolt in 1931 was another indication that Venizelos tried his best not to lose the British support. The Great Depression effects did not only devastate the British economy and pulled down the Greek economy at the same time, but also carried Cyprus along with it. Greek and Turkish Cypriots protested the budgetary measures introduced by the British Governor of Cyprus. The protests took the form of a violent revolt when the Cypriots burned down the Government House (Rappas, 2015: 481). Despite the *enosis* ideals, Venizelos tried to appease the British administration that this revolt on the Island cannot drive a wedge between Greece and Britain (Dalby, 2010, 181).

It should also be noted that Venizelos took this stance at the expense of critics from almost all the political factions in the country ranging from the nationalist hard liners and the communists (Kitromilides, 2006, 234-236).

3.1. The Naval Race in the Eastern Mediterranean

After playing the angles, Venizelos had to adapt to the new power relations in the Eastern Mediterranean and the Balkans. Especially, the escalation of naval race in the Eastern Mediterranean forced Venizelos to revise his foreign policy strategy and look for new allies in the region. Especially, Turkey's naval empowerment alarmed Greece. At that time, Turkey was modernizing its navy by the support of Italy. Turkish Foreign Minister Tevfik Rüştü Aras meet with Mussolini in 1928 and Mussolini offered naval arms to Turkey. Although the relations between Turkey and Italy after 1928 followed certain ebbs and flows, Turkey managed to enhance its

naval power by the Italian support (Barlas & Güvenç, 2002). In fact, Turkey intended to counterbalance the Soviet navy to protect the Straits from a potential aggression. For this reason, in 1927 Turkey decided to modernize the ship Yavuz, which was purchased from Germany and used in the WWI. Yavuz reappeared as a more powerful battleship than the famous Greek battleship Averoff, which had brought victory to Greece in the Balkan Wars 1912-1913 (Işın, 2009). Naval balances on the Aegean was shifting towards Turkey at the expense of Greece. This development created anxiety in Greece, although Turkish Foreign Ministry tried to assure Greece that this naval empowerment did not target Greece. Counterbalancing Yavuz with Greek ship Salamis came onto the Greek public agenda. Then, the naval expenditures started to increase in a spiral effect in both countries (Hatzivasilliou, 1998, 93-94).

According to Svolopoulos (2008), stopping the naval race between Turkey and Greece was the key motivation leading Venizelos to give up the Megali Idea policy. Because, Greece would not afford this race under the given economic conditions. As was noted before, the RSC Chairman Morgenthau paid attention to the naval expenditures of Greece as early as in 1924 and reminded the League that the refugee funds should not have been used for this purpose (LNA, 25.8.1924). In the following years, the Bank of England authorities also raised similar objections to the way that Greek Government spent the international loans. As was documented before, the key international creditors had openly expressed their intentions of not allowing the Greek Governments to get access to international credit markets, if the Greek governments would continue to manage their financial policies in the same way. It seems that the situation was untenable any longer, when Venizelos came to power. Because, he could only receive a project based loan by convincing the creditors for the profitable financial returns. This loan would be used to improve infrastructure in Macedonia. Although the project of Venizelos raised the expectations about the repayment of the loans by the increased revenues, infrastructural development projects could have taken longer time than Venizelos' term of office. However, the loan was released as a last chance. He would not be able to receive another fund.

Thus, the impossibility of financing a naval race with Turkey by the international loans was obvious, when Venizelos came to power. In fact, Venizelos was not the only Greek Premier suggesting an agreement to stop naval race between Turkey and Greece. Before the Venizelos' administration, Michalakopoulos had notified the British government about his intention to propose a naval agreement to Turkey. The British administration welcomed this suggestion, since they were already trying to convince Greece about not to purchase big ships but to concentrate on smaller vessels. Then, it seems that Venizelos followed Michalakopoulos' path indeed, when he came to power.

However, Venizelos applied to different diplomatic instruments. By his diplomacy of correspondence, Venizelos took the lead to maintain the naval parity with Turkey. Modernization of the navy would be very costly for Greece. For this reason, it would be wise to reserve the limited financial resources for the improvement of infrastructure in the country instead of waging another war. On the other hand, it should be underlined that "'arms race' was not only a source of financial difficulties, but also one of the actual causes of wars" (Hatzivasilliou, 1998, 107) Moreover, both countries had good reasons to transfer the money at hand to the productive activities rather than wasting it for another war (Erdem, 2013, 97-98). So that,

resolving the questions between the two countries, which could not be settled by the Lausanne Treaty appeared as a win-win policy option for both countries.

At that time, Turkey was also tackling with certain problems. The naval superiority of Turkey on the Aegean would not allow it to rule over the region. Above of all, Turkish naval superiority against Greece was dependent on Italy, which was an expansionist power in the end. In addition, Turkey was threatened by another naval power that was the Soviet Russia. When the Soviet battleship *Pariskaya Kommuna* appeared on the Black Sea coast on September 1930, Ankara felt that the threat was more imminent than expected. A prominent Turkish newspaper *Vakit* made it clear that this initiative of the Soviet navy was a response to the modernization of the Turkish battleship *Yavuz*. The newspaper attracted attention to the timing of the Soviet navy. The Soviet battleships entered to the Black Sea when the repair of *Yavuz* was complete. The same newspaper article noted that *Yavuz* was stronger than the Soviet dreadnoughts, however if the naval power balances on the Black Sea was disturbed, not only Greece but also other Mediterranean states would intervene (*Vakit*, 21.9.1930). French offer earlier in the same year to make a Mediterranean naval agreement in the framework of the League enhances this argument (Hatzivasilliou, 1998, 105). At that time, Turkey was not a member of the League. This French suggestion annoyed Turkey and raised international isolation anxieties about the Mediterranean question.

At the time, Turkey was not economically better off to be able to afford a new war. Like any other developing country, Turkey was also badly affected from the Great Depression (Türegün, 2016). Moreover, the country was having hard times concerning the foreign and domestic policies. The Government was trying to resolve the border questions with the Great Powers as a hard pressing foreign policy issue (Saygı, 2015), while tackling with the political oppositions in the domestic politics (Koçak, 2019). Consequently, the two states concluded the Turkish-Greek Economic Pact 10 June 1930, after the Venizelos government agreed to pay 425,000 sterling to Turkey. Resolving the unsettled financial questions of the Lausanne Treaty laid the ground for the agreement. Articles 8 and 9 of the Greek-Turkish Population Exchange Protocol stipulated the payment of an indemnity to refugees for the assets they left behind. The refugees to Greece, who were well represented in the Greek parliament, claimed that they should be paid for the assets they left in Turkey. Turkish side replied that since the Greek army devastated the country, no valuable Greek assets were left behind. They made a further claim that the Muslim exchangees moved to Turkey had to leave behind more valuable arable lands, namely the large farms, majority of which were held by the Muslims during the Ottoman period (Demirözü, 2008, 314).

As a result, the Venizelos government had to pay 425.000 sterling despite the critics of the refugees who carried Venizelos to power in the 1928 elections (Petropoulos, 1976, 153). This payment was a more disappointing development especially for the section of the Greek refugees who were having difficulties in retrieving their money deposited in the foreign banking institutions in Turkey (Yıldırım, 2007, 122-123). In addition, Venizelos government faced the harsh critics of General Pagkalos who accused Venizelos for retreating from the *Megali Idea* policy (Erdem, 2013, 97-98). As a result, the Turkish-Greek Economic Pact was largely viewed as a one-sided concession given to Turkey. However, as the above documented economic situation of Greece indicates, Venizelos must have been aware of the fact that preventing a

naval race with Turkey would be much less costly than paying this criticized amount of indemnity to Turkey.

3.2. The New Balances on the Balkans

The developments in the Balkan region were another factor bringing the two states to the same page at the beginning of the 1930s. Both Turkey and Greece supported the status-quo in the Balkans against the revisionist Italy and Germany (Türkeş, 1994). Although Venizelos objected to the conclusion of Balkan Pact at the final stage, he had supported this pact when he was in power. When the idea of a Balkan Pact came onto the agenda, Venizelos viewed it first as a further stage of saving Greece from the potential threats of Italy, Yugoslavia, Bulgaria and also Turkey. After losing the government, Venizelos changed his position dramatically and challenged the Pact by alleging that a neutrality position would better protect Greece from the potential aggressors. Whereas, he had strived to make Greek-Italian and Greek-Yugoslavian agreements when he was in power. Since Venizelos was in opposition in the Greek Parliament at that time, this rejection of Venizelos can be regarded as a domestic policy critique rather than a foreign policy concern. It should also be noted that Venizelos rejected the Balkan Pact in this latter stage despite the collaboration efforts of Yugoslavia, which was a state that Venizelos strived hard to come to terms when he was in power.

The King Alexander of Yugoslavia was an ardent supporter of the Balkan Pact. He viewed the Turkish-Greek alliance as an indispensable part of a joint Balkan position against the revisionist states. He took several initiatives to extend the Little Entente, the constitutive core of the Balkan Pact, to Turkey and Greece (Raditsa, 1965).

He visited Turkey in 1933 and got the warm support of Atatürk (Gökçen, 2016). Thus, the Turkish-Greek rapprochement was reinforced further by the attempts of the King of Yugoslavia despite the hesitations of Venizelos, who was regarded as the architect of Turkish-Greek rapprochement in 1930s. As was documented and analyzed in this study, Venizelos was neither the initiator nor the guardian of peace between Turkey and Greece, but he acted wisely and realistically and well responded to the systemic changes.

Conclusion

Turkish-Greek rapprochement in the 1930s is searched through the historical records in this study and the geopolitical factors giving way to this rapprochement is supported with international economic developments. The rapprochement issue at hand is usually taken as an achievement of a charismatic leader like Venizelos. However, this study emphasizes that Venizelos was neither the initiator nor the guardian of the Turkish-Greek rapprochement. Although his influence cannot be denied as a charismatic leader taking influential initiatives, the sources indicate that Venizelos government was not the only Greek government approaching Turkey to resolve unsettled questions by diplomacy. It is understood that the predecessor Mihalakopoulos government and the successor Tsaldaris government followed the same path. However, the diplomatic ways and means of Venizelos yielded result under the economic and political conjuncture of the international system. Therefore, concerning the rapprochement in 1930s between the two countries, this study challenges the discourses revolving around the political actors and underlines the role of systemic factors on the economic and political ground.

On the economic ground, it is revealed that one of the key motivations behind the Turkish-Greek rapprochement in 1930s was to rearrange the naval balances on the Aegean between the two countries, since the economic situation of both countries would not afford a naval race. At that time, the international debt problem of Greece reached unmanageable levels to finance such a naval race and the naval parity shifted towards Turkey at the expense of Greece. For this reason, the Greek side is rationally expected to take the first step for peaceful resolution. However, it does not mean that Turkey accepted this peaceful offer as a favor for Greece. Turkey was under so serious political and economic constraints at the same time that it would not be possible to reject this offer.

On the political ground, changing power balances on the Eastern Mediterranean forced the two countries to collaborate against the common enemy. Although the Italian threat was an undeniable factor in the Turkish-Greek rapprochement, it is emphasized that the British factor was still the key determinant. Because, If Greece could have retrieved support from the British administration, Italy would not pose a threat to Greece on the Aegean. Despite incessant efforts, Venizelos could not retrieve economic or political support from the British administration to meet the challenges on the Aegean. Then, he resorted to a peace settlement on the region with Turkey and the other countries on the Balkans. That means the presence of Britain was the most critical factor on the region. The temporary retreat of Britain from the region directed Greece into a foreign policy change in the late 1920s. Although the British administration did not make any special effort to bring the Turkish and Greek governments together on a peaceful setting, its policies yielded such a consequence this time.

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