

RUSSOTÜRK: SOVİET FOREIGN INVESTMENT AND THE SOCIAL HISTORY OF THE EARLY TURKISH REPUBLIC

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Abstract

The purpose of this article is to introduce and examine the story of Russotürk, which was established as a venture capital company that was established in 1924 with the collaboration of the Soviet Union and Turkey in Istanbul. Russotürk helped the Soviet Union during the 1920s to overcome the obstacles that were put on export goods in the foreign trade of the Russians as it was a joint-stock company. One of the most important tasks undertaken by the company is to promote and increase the export of Soviet goods in the Middle East and Balkan countries such as Turkey, Egypt, Syria, Palestine, and Greece, in which the Soviet Trade Representatives were not allowed to operate. Russotürk, which was trying to attract the attention of the Turkish bourgeoisie, could not prevent the company, with which they were dealing joint business Karadeniz firm, to become partners with White Russians. Thus, the White Russians were effective in the foreign trade of the Soviets until Russotürk was liquidated. Selling Soviet export goods below the average world prices and issuing import licenses in return are among the most criticized issues that the company encountered. Russotürk constantly competed with Arcos and other Soviet economic institutions. The most obvious indication of this competitive situation was the sales of the Soviet agricultural tools in the Turkish market. The founding officials of Russotürk, which had eventful and nontrivial establishment and closure, were tried in the Soviet courts. Russotürk completed its duty and ended its existence when 1927 trade agreement was signed among the Soviet Union and Turkey.

Keywords: Soviet Union, Turkey, foreign trade, Arcos, Russotürk, White Russians.



RUSSOTÜRK: SOVİYET YATIRIMI VE ERKEN CUMHURİYET TÜRKİYE'SİNİN SOSYAL TARİHİ

Öz

Bu makalenin amacı 1924 yılında İstanbul'da Sovyetler Birliği ve Türkiye ortak sermayesiyle kurulan Russotürk şirketini incelemektir. Russotürk Sovyetler Birliğinin 1920'ler boyunca dış ticaretinde ihraç mallarının önüne konulan engelleri aşmasında bir anonim şirket olmasından dolayı yardımcı oldu. Sovyet Ticaret Temsilciliklerinin açılmasına müsaade edilmeyen

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Türkiye, Mısır, Suriye, Filistin, Yunanistan gibi Orta Doğu ve Balkan ülkelerinde Sovyet mallarının ihracatının artırılması ve tanıtılması en önemli göreviydi. Diğer yandan Türkiye burjuvazisinin yatırımlarına ilgisini çekmeye çalışan Russotürk ortak iş yaptığı Karadeniz şirketine Beyaz Rusların ortak olmasına engel olamadı. Böylelikle Beyaz Ruslar Russotürk kapanana kadar Sovyetlerin dış ticaretinde böylelikle etkili oldular. Sovyet ihraç mallarının dünya fiyatlarının altında satılması ve karşılığında ithalat lisanslarının verilmesi Russotürk'ü en çok eleştiri aldığı konuların başında geldi. Russotürk sürekli olarak Arcos ve diğer Sovyet ekonomik kurumları ile rekabete girdi. Bu rekabetin en belirgin örneği Sovyet tarım aletlerinin Türkiye pazarlarındaki satışlarıdır. Şirketin kurulması gibi kapanması da olaylı oldu, Russotürk'ün kurucu görevlileri Sovyet mahkemelerinde yargılandılar. Russotürk 1927 ticaret anlaşması imzalandığında vazifesini tamamladı ve varlığına son verdi.

Anahtar Kelimeler: Sovyetler Birliği, Türkiye, dış ticaret, Arcos, Russotürk, Beyaz Ruslar.



РУССОТУРК: СОВЕТСКИЕ ЗАРУБЕЖНЫЕ ИНВЕСТИЦИИ И СОЦИАЛЬНАЯ ИСТОРИЯ РАННЕЙ ТУРЕЦКОЙ РЕСПУБЛИКИ

Аннотация

Данная статья посвящена истории “Руссотурк” — русско-турецкой компании венчурного капитала, основанной в 1924 году в Стамбуле. “Руссотурк”, как акционерное общество, помогало Советскому Союзу в 1920-х годах преодолеть экспортные ограничения во внешней торговле. Одной из важнейших задач, решаемых компанией, являлось продвижение советских товаров и увеличение их экспорта в страны Ближнего Востока и Балкан (Турция, Египет, Сирия, Палестина и Греция), в которые не допускались работать советские торговые представители. “Руссотурк”, которая стремилась привлечь внимание турецкой буржуазии и вела дела с черноморскими фирмами, не могла помешать русским белоэмигрантам стать ее партнерами. Таким образом белоэмигранты приносили пользу внешней торговле Советского Союза, пока “Руссотурк” не была ликвидирована. Продажа советских экспортных товаров по ценам ниже средних мировых и выдача взамен лицензий на импорт — одна из проблем, за которую компания подвергалась наибольшей критике. “Руссотурк” постоянно конкурировала с “Аркосом” и другими советскими экономическими институтами. Самым наглядным примером этой конкурентной ситуации были продажи советских сельскохозяйственных орудий на турецком рынке. Основатели “Руссотурк” предстали перед советским судом. Заккрытие компании стало таким же знаменательным событием, как и ее создание. Компания “Руссотурк” выполнила свой долг и прекратила существование в 1927 году, когда было подписано торговое соглашение между Советским Союзом и Турцией.

Ключевые слова: Советский Союз, Турция, международная торговля, Руссотурк, Аркос, белоэмигранты.



Introduction

The literature, which was written on the relations of Turkey and the Soviet Union in the interwar period, is generally constructed on Soviet aid occurred during the Turkish War of Independence, the relations between the Bolsheviks and Kemalists, loans received from the Soviet Union in the 1930s, and issues within the framework of the Montreux agreement. To the best of our knowledge, there is no article or book-length study on the economic relations of the two countries from the viewpoint of the trade institutions of the Soviet Union, which foreign trade was dominated by the state institutions that carried out export and import operations in Turkey. The Russotürk company, which is analyzed within the article, that the Soviets tried to establish as a joint-stock company along with Turkish capital, has been mentioned merely as a name of an ordinary company and no further information is provided in Russian, English and even in Turkish literature. For this reason, this article claims to make a unique contribution to the literature. Thus, new data and claims have been gathered in terms of economic history apart from the mentioned political narrative. In the study, mainly the Russian Federation State Archives (GARF) and the Russian State Economic Archive (RGAE) documents were used. Although documents related to Russotürk are generally found in the RGAE archive, the company is frequently mentioned in the Arcos reports sent to Moscow, and the utilization of the GARF archive enriched the content of the study. In the article, the establishment, partnership structure and the transactions realized with Russotürk will be explained as a first step. After the trade disputes and rivalries discussed among other Soviet institutions in Turkey, the agricultural equipment sales of Russotürk in the Middle East and Turkey will be elaborated. Moreover the reasons for and methods of the closure of Russotürk will be given. Finally, the article will reach its aim by explaining why a joint-stock company with the capital of the Soviet Union is needed in Turkey under the conditions of the NEP, and under what circumstances it has completed its mission.

Although the political relations between Turkey and the Soviet Union in the 1920s were ongoing at a high-level diplomacy and partnership, the level of trade was underdeveloped.¹ Between 1924 and 1929, the USSR's share in Turkey's imports was 4%, whereas, the share of exports amounted to 3%. Considering that these shares were 7% in imports and 4% in exports during the Empire periods of the two countries, it turns out that these rates are quite low.² First of all, it would not be a meaningful inference to argue that the economic relations of the countries were negligible by putting forward the percentage of foreign trade figures between them built with great difficulties after the troublesome end of the two Empires. Above all, the production capacity of the two countries, remaining after a major destruction, is not the same. After the catastrophic wars in the two countries, they continued to fight for the freedom of their people on their territory. Moreover, there was a drastic change in the foreign trade regime of the Soviets, after the state was founded. Claiming that the economic relations of the two countries were insignificant does not mean that a sustainable foreign trade relationship was not

¹ Yahya Tezel, *Cumhuriyet Döneminin İktisadi Tarihi* (İstanbul: Tarih Vakfı Yurt Yayınları,1994), 166.

² Tezel, *Cumhuriyet Döneminin İktisadi Tarihi*, 166.

tried to be established in the background. Moreover, it is obviously a matter of debate how much the percentages should be in order for them to be 'very important'. For example, the foreign trade carried out with the Soviets in that period, also includes Turkey's gas oil trade, which ensured the illumination of many buildings. In this context, in order to declare that these foreign trade relations were not very important, at least, it is necessary to know how much effort the institutions of the two countries endeavored.

Although private entrepreneurship and merchants were allowed during the NEP³ period, the state's monopoly on foreign trade from the first years of the World War continued in the Soviet Union. The Soviets aimed to protect domestic production from foreign competition by maintaining the state's monopoly on foreign trade. The bureaucrats of the Soviet Union thought that due to the state's planning, management, and control of foreign trade, it was possible to engage in trade relations with other countries without having a trade agreement or specifying customs tariffs with them. This situation enabled import and export to be carried out from a single source. For the system to function properly, Soviet Trade Representatives should have been recognized by the corresponding country, where they would be established. While state monopoly continued throughout the NEP period on foreign trade, state institutions and cooperatives were given more freedom in accordance with the spirit of the era and were allowed to act on their own.⁴ If the sold merchandise is manufactured by NKVT's⁵ own staff, the profits made were deposited to NKVT funds. If the merchandise is produced by institutions operating within a commercial representative, then a sales commission to the commercial representative is provided.⁶ Joint-stock companies, on the other hand, are either assigned for the purchase and sale of pre-defined goods in a certain place or for the purchase and sale of a certain good. Commissions taken by joint-stock companies were determined by NKVT and commission rates changed according to the conditions. Russotürk, too, received commission per transaction for its export and import operations in Turkey in line with NKVT's instructions.

The Soviet Union established the joint-stock company Arcos as a monopoly in June 1920 in order to manage its foreign trade with the United Kingdom according to its own trade laws.⁷ Soviet goods could be exported to British markets only through Arcos. This Company in the United Kingdom was appointed as a substitute for the Soviet Trade Representation in order to import all kinds of products necessitated by the Soviets and to export all kinds of transit goods to be sold from Soviets to the other countries.⁸ Later, Arcos' offices were opened in Africa, Australia and Istanbul.⁹ At the beginning of the

³ Novaya Ekonomicheskaya Politika, New Economic Program, Means the state-controlled free market and capitalism implemented between 1921 and 1928 for the economic recovery of the Soviets. Foreign trade remained in the hands of the state as a monopoly.

⁴ Aleksandr Baykov, *Soviet Foreign Trade* (Princeton: Princeton University Press, 1946), 10-11.

⁵ Narodniy Komissariat Vneshniy Torgovli (The People's Commissariat for Foreign Trade).

⁶ Baykov, *Soviet Foreign Trade*, 10-11.

⁷ In the archive document, the English-Russian Russian Cooperative Union was written for the explanation of the company. Edward H. Carr marks the opening date of Arkos' London office as of October 1920. For details, see: Edward H. Carr, *Bolşevik Devrimi 1917-1923*, Cilt 3, çev. Tuncay Birkan (İstanbul: Metis Yayınları, 2004), 268.

⁸ GARF, F. 374, Op. 28, D. 1145, p.1.

⁹ Goldstein et. al., *Entsiklopediya Sovetskovo İmporta, İzdatelstvo Narkomtorga SSSR i RSFSR*, (Moskva: 1929), 88.

1920s, there were no official Soviet institutions within the Soviet trade institutions, except Arcos, which could carry out import and export operations through the port of Istanbul. Trade institutions exporting important Soviet goods such as the Grain Export Authority, the Petroleum Syndicate, and the Plastics Union have benefited from Arcos' legal umbrella for many years. The reasons for this were the non-admission of the opening of the Soviet Trade Representative in Turkey by the Turkish government and Arcos being a joint-stock company engaged in import and export operations. Therefore, employees of other Soviet trading institutions had been included in the Soviet records as Arcos employees.¹⁰ Arcos continued to work as a trade representative of the Soviet Union until the signing of the trade agreement between Turkey and the Soviet Union in 1927.

The Soviet Union established joint-stock companies abroad in order to maintain foreign trade relations more efficiently while implementing the NEP within the country. The corporations established by the Soviet Union in Turkey were Russotürk and Arcos. The Arcos joint-stock company, which initiated its operations in Istanbul, was established solely with the capital of the Foreign Trade Ministry of the People.¹¹ Although the exact date of its establishment is not included in the Soviet documents, it is understood from the documents sent to Moscow that Russotürk started its activities in 1924. The contribution of the Turkish capital was particularly expected to the establishment of Russotürk. According to the commercial laws of the Soviet Union, the share of the Soviet capital was obliged to be at least 51% in joint-stock companies established by the Soviet Union abroad. However, Russotürk been bestowed a privilege on as an exception and the share capital of Turkish bourgeoisie was asked to be at least 75%. Joint-stock companies and the government trade agencies and representatives have been the two main structures directing foreign trade throughout the NEP period. On the other hand, a great weight of the enacted sector was felt in imports.¹² Even during the NEP period, Soviet foreign trade was carried out under the control of Soviet cooperatives and Soviet trade organizations under NKVT. Despite this advantageous situation, it did not attract the attention of the Istanbul bourgeoisie sufficient enough when Russotürk was established. In fact, the number of traders who wanted to put capital in Istanbul was so low that NKVT agreed to transfer the cement sales to the Istanbul bourgeoisie that allowed making high profits, in exchange for the import license of the cement sales, which seemed like a remittance.

Foreigners were allowed to take up to 49% of the capital of a company.¹³ While establishing Russotürk, Soviet trade experts planned to attract the attention of high-income traders of Turkey, especially in Istanbul. For this reason, the establishment purpose of the Russotürk was to increase the Soviet export goods to Turkey, as well as to take place in the Turkish market and especially in the business network with large capital. In addition, Russotürk's aim was not only to market Soviet products in the Turkish market

¹⁰ GARF, F. 374, Op. 28, D. 1143, p. 4.

¹¹ Hereafter: NKVT

¹² Baykov, *Soviet Foreign Trade*, 13.

¹³ Yahya Tezel, "*1923-1928 Dönemi Türkiye'nin Dış İktisadi İlişkileri*", Atatürk Döneminin Ekonomik ve Toplumsal Sorunları (İstanbul: İYİTM Mezunları Derneği Yayınları, 1977), 220.

but also to spread Soviet trade relations to the Near East countries (Egypt, Syria, and Palestine) and the Balkans.

Russotürk provided the continuation of the foreign trade between the two countries in the situations where Arcos, the main trade association of the Soviet Union in Turkey, could not handle all by itself and has served as a backup to Soviet economic institutions in order to avoid legal problems. Despite all this, the relations of Arcos and Russotürk were similar to the competition between two rival companies in the Turkish markets, where free-market conditions were applied. The attempt to put Soviet goods on the markets under separate companies unnecessarily dropped the prices of Soviet export products. The competition of two different joint-stock companies, which sold the same products under the same brand and which was linked to NKVT as an institutional structure, was relentless. The reason for this was that those appointed to both institutions come from the bureaucracy of the Soviet Union. Therefore, the commercial efficiency that the Soviet Union desired to achieve could not be established. Moreover, in order to be efficient in foreign trade in Turkey, it was necessary to establish a trade network with strong capital. It took a long time to establish the trade networks and gain the necessary trust. Russotürk employees from the Soviets did not have much experience in foreign markets.

The evacuation of people identified as White Russians began in February 1920, when the White Army was defeated by the Red Army.¹⁴ The first stop of the ships coming from the opposite shore of the Black Sea was Istanbul. Those who were subordinate to the aristocratic and bourgeois had already left Soviet Ukraine in 1919.¹⁵ General Wrangel, who was at the head of the White Army, said that the White Russians who came to Istanbul with the last evacuation in November 1920 were at least 135,000 people, at a meeting that he attended as the guest of Istanbul University. Istanbul welcomed 167,000 White Russians together with the arrivals in 1919. Although the majority of them were sent to other places, French, American, and British aid organizations mainly met the shelter and food needs of those who stayed in Istanbul.¹⁶ White Russians consisted of different nationalities such as Kalmykian, Tatar, Georgian, Jewish, Ukrainian, Russian and Armenian.¹⁷ As long as the White Russians stayed in Istanbul, they were in a difficult situation. Many turned to charities in order to pursue a living. General Wrangel, realizing the situation early, divided his army into three parts when the army consisting of White Russians arrived in Istanbul. The soldiers under the command of General Kutepov were placed in Gallipoli, the soldiers of the Don Cossacks under the command of General Abromov were placed in the French military camps in Çatalca, Çilingir, Sancaktepe, and Kabakça. General Fostikov and the soldiers under his command were sent to Lemnos Island.¹⁸ Among the White Russians, it was the non-wealthy civilians who stayed in Istanbul who had the hardest times. However, the wealthy ones adapted to the situation

¹⁴ Pınar Üre, "Remnants of Empires: Russian Refugees and Citizenship Regime in Turkey, 1923-1938", *Middle Eastern Studies*, 56: 2 (2019): 208.

¹⁵ Ali Karakaya, *İstanbul İşgal Altında* (İstanbul: İnkılap Yayınevi, 2016), 265.

¹⁶ Karakaya, *İstanbul İşgal Altında*, 267.

¹⁷ Bilge Criss, *İstanbul İşgal Altında 1918-1923* (İstanbul: İletişim Yayınları, 1993), 51.

¹⁸ Üre, "Remnants of Empires", 208.

in a big city like Istanbul and established their own trade networks. Among them were the White Russians who did business with Russotürk.

Despite all the blocking efforts, the White Russians, which the Soviet economic specialists have wanted to stay and keep away from since the beginning of the commercial relations, have established business with Russotürk by founding two companies named The Anadolu and Karadeniz in partnership with Turkish capitalists. It was not only the White Russians who were organized in and around the Karadeniz Company. Several famous Turkish parliamentarians and bureaucrats of their time also took part in this company.¹⁹ Soviet specialists did not object to this situation nor raised their voices because they thought that the business of the company would be smoother and more hassle-free.

Contrary to the expectations of Soviet Foreign Trade Ministry, Russotürk was an insufficient institution in terms of financing from its establishment until its closure. White Russians, bureaucrats, traders, parliamentarians and other partners of the company looked for an easy way to make a vast amount of profit. Therefore, they constantly sold the goods that were ordered from the Soviet Union to Turkey and other markets under the widely accepted world prices. What matters to them was the import license that they would receive against the export of Soviet merchandise. Once Soviet import licenses were obtained, merchants had the right to sell to the Soviets as much as they exported or pre-ordered imports. High profits were made possible by the import licenses, and by the sale of some imported goods to Soviet institutions or ports. Therefore, the expectation that foreign exchange inflow to the country would increase as a result of NKVT's sale of Soviet goods through the joint-stock companies to be established abroad, could not be realized. Russotürk, which enhanced its trade relationship with Arcos and Transcaucasia Trade Organization²⁰, has been continuously complained to NKVT by both institutions. This caused great losses due to the fact that it constantly sold Soviet goods at low prices in the market.

1) The Economy, Factors of Production and the Foreign Trade after the Revolution

After the October Revolution, it was not easy to get out of the chaos that turmoil the Soviet Union through to the civil war that lasted until 1921. Years of wars have decimated Russia's population. Agriculture and industrial production suffered greatly. In both production areas, the supply rates have decreased drastically. Lands and almost all industries were nationalized with the application of War Communism. In the first eight months of the revolution, the economic forces of the feudal residues in agriculture and the bourgeoisie were broken. Lands were formally expropriated and divided into numerous small businesses. Banning trade was not as simple as in theory. The ultimate goal was to

¹⁹ The board of the Karadeniz Company consists of the following names; Yusuf Ziya Bey- Professor at the University and member of the Naval Court, Fethibey, Yunus Nadi Bey - Deputy of Istanbul and the publisher of Cumhuriyet Newspaper, Galip Kemal Bey- worked as ambassadors in Moscow, Vienna, and Stockholm, Halim Sabit Bey - Faculty Professor at Istanbul University, Cafer Bey, Haydar Bey - Deputy of Van , Reşit Saffet Bey - Member of the Lausanne Negotiations, Mehmet DevletBey, MahmutCelal Bey- Deputy of İzmir and manager of İş Bank, Nuri Aziz Bey- Bank of Industry and Mines Manager.(GARF, F. P374, Op. 28, D. 2291, p. 47.)

²⁰ Hereafter: TTO

seize the surplus produce from the peasants. They wanted to put an end to the monetary system. Product distributions with the ration card were sought to be expanded throughout the country.²¹

Despite all the measures of the government taken during the years of War Communism, the economy did not improve. Production almost stopped. In 1920, agricultural production was only half of the pre-war year. Production in heavy industry decreased sevenfold. Machinery production was only 7% of what it was before the war. While the amount of steel produced per capita in 1913 was 20 kilograms, it decreased to 1.5 kilograms after the war, while the cotton fabric produced per person was 19 meters, after the war, it decreased to 0.77 meters. Freight on the railways was only 27.8% of 1913. This deep crisis in production caused the product-money balance to deteriorate. The budget in 1921 produced a deficit of 1.8 billion rubles. The budget deficit, which was met by issuing money, was causing inflation. Monthly inflation in the country was 1200-1800%.²²

In War Communism, small-scale production was replaced by large-scale production. It was thought that planning would solve all problems while putting an end to the monetary form of distribution. Fixed prices were tried to be applied to core goods and services. Only large-scale industry was able to respond to the efforts to centralize the economy. The peasants, who make up 80% of the country, resisted the practices in agriculture. Support for the revolution was limited only to the proletariat.²³ Peasants could not get good prices for their products during the years of War Communism. The products of the peasants remained well below the prices of consumer goods due to high inflation. The villagers, who could not get the price they wanted, turned to the black market. The harsh reaction of the Soviet government to the black market did not change anything. A serious food crisis in the market followed up succeedingly.²⁴

In Russia, peasants were more populated than the working class. The peasants' support for socialism was necessary, according to Lenin. The demands of the peasants and the workers were not the same.²⁵ The practices of war communism deepened the segregation between the two. The aim of the soon-to-be-implemented the NEP was to secure a stable economic alliance between the peasants and the working class. Thus, regular commodity exchange would be established.²⁶ The Soviet government aimed to gain foreign currency by seizing and exporting surplus agricultural products. The resulting foreign exchange would increase employment rates in the country. New factories were to be built. The plans in theory did not actually pay off. The peasants did not want to give up the surplus product they had. Soon after, there was no product anymore, it became very difficult to feed the cities, let alone provide foreign currency to

²¹ Alec Nove, *An Economic History of the SSSR 1917-1991* (England: PenguinBooks, 1992), 68.

²² Y. M. Samohin, *Ekonomiçeskaya İstoriya Rossii* (Moskva: GUVŞE, 2001), 196.

²³ Edward H. Carr, *Lenin'den Stalin'e Rus Devrimi 1917-1919*, çev. Levent Cinemre (İstanbul: Yordam Yayınları, 2010), 83.

²⁴ Nove, *An Economic History*, 48.

²⁵ Vladimir Lenin, *Sosyalizme Geçiş Döneminde Ekonomi Devrim Yazıları 3*, çev: Ferit Burak Aydar (İstanbul Agora Kitaplığı, 2010), 155.

²⁶ Lenin, *Sosyalizme Geçiş Döneminde*, 225.

the country. It was necessary to establish institutions that would ensure the flow of products between the countryside and the city.²⁷

1921 was a difficult year for the Soviet people. The state had difficulty in meeting the expenses of the industry that it expropriated. Salaries began to be paid in cash. Ration card practices were set aside. In order to protest the difficult conditions of the people, the sailors at the Kronstadt naval base revolted in 1921 during the 10th Party Congress.²⁸ With the decisions taken in the congress, the confiscation of food products was ended. According to the plan, NEP would activate the hidden forces and invisible hand of the market. Thus, peasants were allowed to have more than they could consume. Food products would flow from the countryside to the city, and manufactured products and consumer goods would flow from the cities to the countryside.²⁹

In 1921 and 1922, the waned stocks of the factories and the shortage of cash in the hands of the trusts were added to the times of famine caused by the hail in parts of the country that was considered granaries. The trusts, which put their products on the market with minimal profits in order to meet their financing needs, made sales close to their cost. Sales at cost lowered employment rates. An army of the unemployed formed in the cities.³⁰ Government employment fell from 5.7 million in 1921 to 1.1 million in 1924 due to budgetary constraints.³¹ When price controls disappeared with the application of NEP, there was high inflation in the market. The demand of the cities for food products flowing from the countryside outstripped the demand of the peasants for industrial products. The desire to meet the financing needs by scaling down the stocks of the industry reduced the prices of industrial products almost to their cost. Thus, in 1922, the country faced a major employment crisis.³²

For the first time after the revolution, the peasants had the right to freely sell their surplus in the markets. While the industrial product stocks were diminishing, in the autumn of 1922, there were developments in the prices to the detriment of the industry.³³ The policies of NEP towards agriculture left the industrial sector abandoned. In order for the larger industrial entities to revive, it was necessary for the smaller industrial businesses to rise up first. But many years have passed without good news for the larger industry. While NEP increased the demand for consumer goods, the balances in the industrial sector deteriorated.³⁴ While NEP re-established the market economy, it placed the interdependence between the different elements of the economy on the well-known principles of the capitalist order. The direct intervention of the state in heavy industry was against the new rules. The conflict that would determine the fate of the industry and

²⁷ Alan Ball, *The Cambridge History of Russia Volume 3*, ed. Ronald Grigor Suny (England: Cambridge University Press, 2006), 181.

²⁸ Nove, *An Economic History*, 79-82.

²⁹ Cathirine Evtuhov and Richard Sitites, *1800'den İtibaren Rusya Tarihi Halklar, Efsaneler, Olaylar, Güçler* (İstanbul: Tarih Vakfı Yurt Yayınları, 2018), 354.

³⁰ Nove, *An Economic History*, 83.

³¹ Samohin, *Ekonomiçeskaya İstoriya Rossii*, 207.

³² Carr, *Lenin'den Stalin'e*, 109.

³³ Carr, *Bolşevik Devrimi*, 268.

³⁴ Carr, *Bolşevik Devrimi*, 270-282.

the direction of production; would be in the areas of commercial and financial policy.³⁵

With the NEP, factories were deprived of credit, raw materials, and consumer products. The infrastructure left over from the revolution was quite worn out and needed to be renovated. While the factories were in this state, the only way to meet urgent financing needs was to quickly scale down the products in stock. In the NEP period, as in War Communism, the industry in the hands of the state was not managed from a single hand. Due to the urgent financing needs of the enterprises, there was great competition and there was a significant decrease in the prices of industrial products.³⁶

In the Scissors Crisis, the government forced trusts to cut their costs and prices. In the domestic market, the government persisted in price control. Pressures created product shortages in the markets in mid-1925.³⁷ The Scissors Crisis restored control over the price of consumer goods. Controls over the price of mass consumer goods have increased. The government now determined the maximum market prices for products such as salt, sugar, and kerosene.³⁸ The reduction of the prices of the products of the Trusts and Syndicates was achieved in three ways. First of all, the loans provided to these institutions by the state bank were cut. Thus, a way to diminish the stocks would be sought. Secondly, selling above the determined price is prohibited. Third, although not frequently applied, the import of some products, with domestic high prices, was allowed, and the Trusts had to reduce prices within the country.³⁹ The price control mechanisms implemented during the Scissor Crisis were effective in solving the crisis.⁴⁰ The problems experienced after 1925 increased gradually with the product shortage crisis in the domestic market. The peasants wanted to sell their surplus products to merchants rather than the state.⁴¹

Several restrictions were removed for merchants through the application of the NEP. They were given the right to open accounts in banks and accretion of their savings. Thus, merchants found the opportunity to use credit. Every citizen had the right to open a workshop. What was produced in these workshops could be bought and sold in the markets. The NEP also recognized the right of private individuals to lease some state factories and produce. However, foreign trade and heavy industry production were forbidden to private entrepreneurs.⁴² The economy of the Soviet Union tried to overcome the difficulties that it experienced in the early 1920s by declaring the NEP within the country. But the country was in need of foreign currency. Imported goods that required foreign exchange would be used especially for industrial goods. The Soviet Union's state monopoly of foreign trade was disturbing the capitalist countries. Many countries, including Turkey, did not allow the Soviet Union to open a Trade Representative in their country for a long time. The Soviet Union, on the other hand, tried to overcome this

³⁵ Carr, *Bolşevik Devrimi*, 287.

³⁶ Carr, *Bolşevik Devrimi*, 283-284.

³⁷ Nove, *An Economic History*, 137.

³⁸ Carr, *Lenin'den Stalin'e*, 115.

³⁹ Maurice Dobb, *Soviet Economic Development Since 1917* (England: International Publishers, 1968), 172.

⁴⁰ Carr, *Lenin'den Stalin'e*, 117.

⁴¹ Nove, *An Economic History*, 146.

⁴² Alan Ball, *Russia's Last Capitalists-The Nepmen 1921-1929* (England: University of California Press, 1987), 21-43.

situation by establishing various joint-stock companies, one of which was Russotürk. The purpose of Russotürk was to provide import goods for domestic production while finding new markets for Soviet export goods.

2) Establishment of Russotürk

During the 1920s, Turkey's economy had a deficit in its foreign trade. These deficits were met by short-term capital movements and foreign capital investments. Short-term capital inflow caused the increase of the utilized bank loans. These loans, which were generally used by the trade sector, were beneficial for those dealing with import and export operations. This segment of businessmen, who used low interest rates, also financed foreign trade. In this period, 500 million Turkish liras were invested in 94 companies controlled by foreign capital. The year 1927 was the year when the inflow of foreign capital was declined to a minimum. Some companies have been liquidated or went abroad.⁴³ Unlike this context, Russotürk was terminated after the end of the NEP policies in the Soviet Union.

Soviet scholars also support the claims of the establishment of corporations in the Soviet-Turkish partnership to increase foreign trade volume with the Soviet Union. In fact, according to certain Soviet scholars, the increase in terms of foreign trade volume between the two countries was achieved in this way.⁴⁴ In reality, the only company established in the Soviet-Turkish partnership was Russotürk. Arcos played the biggest role in the development of foreign trade volume and Turkish capital was not eager to be a partner of this company.

In the Soviet Union in the mid-1920s, the Ministry of Foreign Trade and the Ministry of Internal Trade were united under the name of the People's Trade Ministry. From then on, it was thought that the volume of imports and exports would increase thanks to the Soviet joint-stock companies established abroad to increase foreign trade.⁴⁵ The first joint-stock companies established by the Soviet Union were Rusavstorg and Ratao, which were founded in 1923. Austrian capital played a key role in both companies. These companies imported industrial goods to the Soviet Union and exported consumer goods. On the other hand, Russotürk aimed to export Soviet Union goods such as agricultural equipment, coal, cement, sugar, caustic soda, and lumber products to Anatolian markets. Other markets that Russotürk was responsible for were Near East countries such as Greece, Egypt, Palestine, and Syria. The share of companies such as Russotürk in the exports of the Soviets has increased four-fold in rubles over the period from their first establishment to 1927. The terms of foreign trade, which was negative in the early days, started to create surplus later.⁴⁶

Between 1920 and 1930, 201 Turkish joint-stock companies were established in Turkey. Foreigners have participated as founders, shareholders, and managers in 66 of

⁴³ Gülten Kazgan, "Türkiye Ekonomisinde 1927-1935 Depresyonu, Kapital Birikimi ve Örgütlemeler", Atatürk Dönemi Ekonomik ve Toplumsal Sorunları (İstanbul: İYİTM Mezunları Derneği Yayınları, 1977), 237-240.

⁴⁴ A. Şemsutdinov, Y. A. Bagirov, *Bir Karagün Dostluğu Kurtuluş Savaşı Yıllarında Türkiye-Sovyetler Birliği İlişkileri*, çev. A. Hasanoğlu (İstanbul: Bilim Yayınları, 1979), 251.

⁴⁵ Baykov, Baykov, *Soviet Foreign Trade*, 74.

⁴⁶ Goldstein et al., *Entsiklopediya Sovetskovo İmporta*, 4.

these companies.⁴⁷ Joint-stock companies established between 1920-1922 showed a decline in terms of number and paid-in capital, while the period between 1923 and 1926 was the most intense in terms of number and paid-in capital.⁴⁸ Investments made in Turkey reached 6.5 million Turkish liras in 1926, 8 million Turkish liras in 1928, and 12 million Turkish liras in 1929.⁴⁹ The total capital of joint-stock companies established between 1920 and 1930 with the contribution of foreign capital is 31,500,000 Turkish Liras.⁵⁰ Most of the foreign investments were made in the mining and manufacturing sectors, 33% in trading companies, banks and privileged areas in foreign trade. It is understood from the distribution of shares in companies established with foreign capital that domestic partners did not have much monetary importance, but rather, they contribute to facilitating the relationship with the bureaucracy. Typically, foreigners own more than 90% of shares, while a single Turkish partner had a nominal amount of shares.⁵¹ Only one-third of the capital transferred to this area belonged to the institutions where foreign capital was a partner. In the 1920s, foreign investment generally kept a representative office in Turkey.⁵² According to some authors in the 1920s, foreign trade business was not a profitable area. Therefore, foreign capital was being reluctant to invest in this area.⁵³ One of the foreign joint-stock companies established was Russotürk, which NKVT was trying to establish in partnership with the Istanbul bourgeoisie.

The idea of establishing Russotürk first emerged in the ongoing trade agreement negotiations with Turkey in 1923. In the letters of Chicherin⁵⁴ dated 29 September and 1 October 1923, Fethi Bey was authorized to the establishment of Russotürk. After that, a protocol was signed between Krasin, Litvinov, Mehmet Fethi Bayraş and Abdurrahman Şafi Efendi. It was seen that Fethi Bey did not meet the conditions of the agreement within a certain period of time, and the cancellation of the protocol was considered, but it was later given up.⁵⁵

Russotürk was established in 1924 in order to develop economic relations and to gain political influence in Turkey by the Soviet Union. Fethi Bey was appointed by the Ministry of Commerce for the purpose of establishing communication between the Turkish political and capital circles. However, as became known later, it was understood that the person known as Fethi Bey was not a financial expert, a certain Bayraşev, a Tatar, who operated a buffet at the train station in the city of Kazan in the Soviet Union. Kvirkeleya (First responsible manager of Russotürk) and Fethi Bey went to Turkey together at the end of 1924. Fethi Bey insisted on finding a credit around 3 to 5 million rubles from a capital provider in Turkey. But his attempts were unproductive in Turkey. Thus, the establishment of Russotürk was compromised. On the other hand, Kvirkeleya

⁴⁷ Gündüz Ökçün, *1920-1930 Yılları Arasında Kurulan Türk Anonim Şirketlerinde Yabancı Sermaye* (Ankara: AÜSBFY, 1973), 117.

⁴⁸ Ökçün, *1920-1930 Yılları Arasında*, 116.

⁴⁹ Ökçün, *1920-1930 Yılları Arasında*, 117.

⁵⁰ Ökçün, *1920-1930 Yılları Arasında*, 116.

⁵¹ Ökçün, *1920-1930 Yılları Arasında*, 81.

⁵² Ökçün, *1920-1930 Yılları Arasında*, 81.

⁵³ Hamit Tahsin ve Remzi Saka, *Sermaye Hareketi* (İstanbul: Amedi Matbaası, 1930), 60-84.

⁵⁴ Hirst, "Georgiy Çiçerin, Sovyet Dış Politikası ve Türk İhtilali", *Toplumsal Tarih*, 298 (2018), 56-62.

⁵⁵ GARF, F. P374, Op. 28, D. 2291, p. 45.

wanted to prevent the endangerment of the establishment of Russotürk. Meanwhile, a number of Turks close to Fethi Bey, who did not have enough capital, showed up. Behind the Turkish business circle around Fethi Bey was the White Russians. (Moldavskiy, a former banker from Hari-Odessa, Vadyeev, etc.). In this case, Kvirkeliya proposed a 30,000-ton cement trade operation. Yuryev, the manager of Arcos, opposed the conclusion of this agreement. However, Kvirkeliya achieved to persuade the Soviet trade ministry including Yuryev and ensured the signing of the agreement.⁵⁶

3) The Structure of Partnership in Russotürk

According to the agreement between Fethi Bey and NKVT, the founding capital of Russotürk was determined as 400,000 rubles, and furthermore, it was agreed that 75% of this would be provided by Turkish capital (Karadeniz Company). The remaining 25% would be provided by the Ministry of Foreign Trade.⁵⁷ However, when the Turkish side struggled to find its share of capital, the Soviet Union decided to meet this amount through cement exports.

On November 17, 1924, on behalf of Russotürk, Vissarion Melhisedekoviç Kvirkeliya and TTO signed an agreement to sell cement to Turkish markets and to Greece and Egypt via Turkey. According to the agreement, Russotürk would purchase 30,000 tons of cement from the Novorussement factory of the Soviet Union, at a cost of 21 rubles and 70 kopecks, to be paid at the Novorossiysk port. Cement loaded from the factory was to be placed in barrels and it was agreed to be 50 kilograms each. It was decided to load the first thousand tons of batch from the port of Novorossiysk on January 10, 1925. Shipments would be 4,000 tons in February 1925, 5,000 tons in March 1925, 6,000 tons in April, 6,000 tons in May, and 6,000 tons in June. Russotürk would pay 50% of the product price in cash, and the rest would be paid in agreed and signed deeds. The payments accepted as promissory notes have been accepted by Russotürk to be deposited in the Istanbul branch of the Soviet Foreign Trade Bank within three months.⁵⁸

The only reason for the cement trade operation was the unwillingness of Istanbul bourgeoisie to invest capital in Russotürk Company. This option had to be used to prevent Russotürk from closing down. The agreement for cement export was signed between Russotürk and Karadeniz Company on 25 January 1925. According to the agreement, the Karadeniz Company would sell 30,000 tons of cement, which had the SIF price as 726,000 rubles and the FOB price as 651,000 rubles. An import license was issued to the Karadeniz Company through the price of 325,000 rubles to sell goods to the Soviets. The income generated by the importation to the Soviet Union, which would be carried out by Russotürk, would be shared between Russotürk and Karadeniz companies. With the additional protocol signed on August 1, the revenue of 250,000 rubles from cement sales was paid for the capital of Russotürk, and it was written in the loss section of the Ministry of Foreign Trade as 217,000 rubles.⁵⁹

⁵⁶ GARF, F. P374, Op. 28, D. 2111, p. 311-314.

⁵⁷ GARF, F. P374, Op. 28, D. 2111, p. 311-314.

⁵⁸ GARF, F. 374, Op. 1, D. 1878, p. 116-120.

⁵⁹ GARF, F. P374, Op. 28, D. 2111, p. 319-320.

In late 1924, Soviet trade experts knew from the beginning that the cement export agreement, which was made in the name of attracting the attention of the Turkish bourgeoisie capital, which could buy shares from Russotürk, with a total amount of 650,000 rubles, would end in financial loss. It was foreseen that 350.000 rubles of this amount would be financial loss and this loss would be covered by the import licenses to take goods to the Soviet Union. Thus, 10,000 tons of cement would be given to Russotürk free of charge. Profit to be derived from the sales of cement in the Turkish market would be used to meet the 250.000-rubles part, which must have been paid by the shareholders who would be partners to Russotürk, and thereby, their debt would be regarded as closed. Moreover, 100,000 rubles of this amount would be displayed as guaranteed by several banks. Thus, increasing the confidence in the Soviet company, it is thought that trade and finance circles in Turkey who wanted to do business with it, would expand. Then, it is planned that, in time, other Soviet goods to be exported by Russotürk would set an example for the markets of Egypt, Syria, Palestine, Greece and other Balkan countries. Later on, it was considered to expand the list of Russotürk's export goods with semi-processed and full-processed products such as silk cocoons, caviar, carpets, and timber.⁶⁰ At that time, Egypt, Syria, and Palestine were under the strict control of anti-Soviet France and Britain.⁶¹ Despite all these good intentions, the cement operation did not end up a complete success. The Istanbul bourgeoisie was not as eager as expected to become a partner in a company that it would be a capitalist without putting capital on.

When Kvirkeleya was in Moscow for a number of transactions (Sent by Yuryev, the manager of Arcos), NKVT warned him that Turks should pay their shares from their own capital within Russotürk shares. Kvirkeleya, on the other hand, did not report this to the corresponding counterpart and allowed the application of the cement agreement in the exact same way. As a result, the Turkish side made huge profits from cement sales. However, the Soviet side lost 642,000 rubles from cement sales.⁶²

An agreement was signed between Kvirkeleya and Karadeniz Company on November 14, 1925, for the sale of all export goods of Russotürk to be carried out by the Karadeniz Company.⁶³ In this way, Russotürk undertook the responsibility of closing the losses of the Karadeniz Company. The sale of export goods over the Karadeniz Company prevented price control initiatives. Thus, great financial losses occurred.⁶⁴ 200,000 Turkish Lira loan was extended from the Turkish-Iranian Bank (A bank to which the White Russians also transferred capital) to Russotürk through the Karadeniz Company.⁶⁵

Export operations of 30,000 tons of Soviet cement started in 1925. Some of the cement was sold for Samsun-Sivas railway construction with a price of 16 Lira per ton. Another part was sent to Greece with a price of 21 Lira per ton. In addition, sales were carried out in Mersin and Izmir ports, also. The cargo ships, in which the cement is being

⁶⁰ RGAE, F. 413, Op. 2, D. 2042, p. 70-75.

⁶¹ Carr, *Lenin'den Stalin'e*, 169.

⁶² GARF, F. P374, Op. 28, D. 2111, p. 311-314.

⁶³ GARF, F. P374, Op. 28, D. 2290, p. 36.

⁶⁴ GARF, F. P374, Op. 28, D. 2295, p. 2.

⁶⁵ GARF, F. P374, Op. 28, D. 2295, p. 3.

carried, sent to Russotürk by Novorussement were kept waiting out in the Turkish territorial waters for a long time without allowing them to unload. This situation caused price fluctuations in the cement market while Russotürk could not benefit from it. Meanwhile, Novorussement decided not to send the entire 30,000 tons to Russotürk and determined to carry out sales operations through Turkey Arcos. The amount sent was 25,075 tons. Meanwhile, rumors have emerged among local businessmen in Turkey that the Soviets did not know how to deal with business trades due to the lack of organization in cement exports.⁶⁶ Koten, the trade export of Arcos, reported in the year's accounts to NKVT that 26,000 tons of cement was sold by Russotürk in Greece and Turkey.⁶⁷ In addition, Russotürk sold 3,864 tons of cement for the Samsun-Sivas railway construction, 23,610 tons to the Karadeniz Company, 2,030 tons to Egypt via the trader named Boton, and 530 tons to Greece through the trader named Pandaki. The cement was sold at a loss.⁶⁸ Russotürk used warehouses in Kuru Çeşme for coal and warehouses in Sarayburnu for cement.⁶⁹

In the 1920s, the Soviet Union organized the cement sales in Turkey by dividing the operations into three regions as follows; the Black Sea, Istanbul and Ankara line railways, and the Aegean region. Agreements have been signed in order to create a monopoly of Soviet cement in the territories of local traders. The aim here was to get rid of the shipping costs of cement transportation that would occur throughout the regions.⁷⁰ Although the sales transactions for the marketing of cement may seem to be controlled by Russotürk, in reality, the cheaper cement sales were carried out in order to create the core capital of the Karadeniz Company, which was established in partnership of the Turkish bourgeoisie and the state officials.

In some export goods sold by Russotürk, such as fur, there are many brokers who intervened in the trade. Five brokers, namely, Russotürk, Karadeniz, British Istern, Belyaev, and Grish-Vilenkin can be mentioned as the most significant of them. Therefore, prices of some Soviet products have increased.⁷¹

4) The Partnership Activities Between Russotürk and Karadeniz Company

In the spring of 1925, Fethi Bey requested and obtained the necessary official documents from Kvirkeleya in Moscow that he could be the sole managing authority for all transactions of Russotürk. Meanwhile, Fethi Bey became both the director of Russotürk and a shareholder in the Karadeniz Company. Fethi Bey was claimed to have mixed with some frauds after this move. First, it was reflected in the reports that corruption was performed in the sales of a large number of fish products owned by Arcos. The sale of these products were made from Arcos to Russotürk at real prices. Fethi Bey gave promissory notes for the goods, sold the fish, which he bought at Russotürk as the company's managing director, to the Karadeniz Company, while the Karadeniz Company

⁶⁶ RGAE, F. 413, Op. 11, D. 177, p. 58.

⁶⁷ GARF, F. 374, Op. 1, D. 1878, p. 143-144.

⁶⁸ GARF, F. P374, Op. 28, D. 2292, p. 99-147.

⁶⁹ GARF, F. P374, Op. 28, D. 2290, p.1.

⁷⁰ Bilgiç, "Soviet Cement Export to Turkey in the Early Republican Period", *HÜTAD* 32 (2020): 39-58.

⁷¹ GARF, F. P374, Op. 28, D. 2295, p. 79.

received loans from banks by providing the goods as guarantee. However, all of the fish products were already ruined. From this transaction only, Russotürk lost 200,000 rubles. On the other hand, FethiBey requested that 800,000 puds of coal, that are owned by Arcos and are not yet available for sales, to be sold to Russotürk. Because of this transaction, Russotürk suffered a loss of 1,166,000 rubles.⁷²

In the 1924-1925 fiscal year, fish products amounting to 280,000 Soviet rubles were exported to Turkey. 47.57% of this export was presented to the markets through Russotürk. On the other hand, TTO sold caviar to Russotürk amounting to 217,191 Liras. Russotürk, on the other hand, sold fish and its by-products directly to the Karadeniz Company. Therefore, the profits from the sales of fish and their products remained in the possession of the company called Karadeniz. On the other hand, the Karadeniz Company sold these products, which might have been profitable for them, below the market price. While caviar was placed on the markets below its cost, some of them were destroyed by the Karadeniz Company because of being spoiled. According to the records of Arcos, 218,171 Liras of loss occurred in the total sales of fish and products to Russotürk during the accounting year. Trade experts of the Soviet Union in Istanbul were warned by NKVT because of these financial losses. Because the Soviet trade specialists in Turkey did not anticipate Russotürk selling goods through Karadeniz Company at a loss for the company.⁷³ The main purpose of Russotürk and Karadeniz companies was to import products by providing high profit rates to the Soviets thanks to the import certificates they will receive in exchange for the sale of Soviet goods.

Russotürk executives indicated that the sale of products at low prices to the Karadeniz Company or other companies was due to the company's cash needs. The loss occurred from the sale of exported goods in Turkey would be met by the high-profit margins of the imported products. Although sales opportunities for Soviet products seemed more profitable by NKVT in Greece, Egypt, Bulgaria, and Palestine, Arcos hesitated to sell in these countries due to the absence of Soviet trading institutions in these countries, except for Greece⁷⁴, thus causing a loss of 223,000 rubles. For the supply of the goods, Arcos was preferred to Russotürk, because the sales of these products were more effortless.⁷⁵

Since the executives of Russotürk were away from the supervision of Arcos, they have made all commercial purchases and sales through the Karadeniz Company. Although Russotürk had an obligation to notify Arcos executives, they did not mostly report the sales of Soviet products to Arcos. The best example of this situation is anthracite export. On the other hand, carpet sales were made by paying a 40% commission annually through Anadolu Company. If the carpet trade was financed not by the Anatolian company, but through the Istanbul branch of the Soviet Bank, only 12% interest had to be paid. On the

⁷² GARF, F. P374, Op. 28, D. 2111, p. 311-314.

⁷³ GARF, F. 374, Op. 28, D. 1873, p. 73-73ob.

⁷⁴ Trade Agency in Greece was established in the 1924-1925 accounting year. Its trade volume was 62,500 rubles the year it was opened, 63,300 rubles the following year, and 336,100 rubles in the 1926-1927 fiscal year. For details see: J. Goldstein, *Entsiklopediya Sovetskovo İmporta*, 89.

⁷⁵ GARF, F. 374, Op. 28, D. 1873, p. 74-74ob.

other hand, Arcos has never undertaken a mediation role between Russotürk and other Soviet economic institutions. This situation caused competition between the two institutions to struggle against each other in the sale of agricultural equipment and to decrease the prices by 15-20%. This competition among the two Soviet companies has resulted in no profit from the sale of Soviet agricultural equipment.⁷⁶

One of the most important motivations for pushing Russotürk to collaborate with the Karadeniz Company was that the Soviet economic institutions in Turkey thought they could easily take control of a company established in this way. It was considered that the import and export of the products requested by the Soviet Union through the Karadeniz Company could be easily carried out. The purpose of the establishment of Karadeniz Company was to find shareholders in Turkey in order to help Russotürk, and furthermore, keep the White Russian capital (Moldavskiy, Hari, Ratner, Vadyayev, and Shamshin) away from the work of the Soviets. However, things did not go as planned, and Moldavskiy, one of the White Russian refugees, became both a partner and a manager of the Karadeniz Company. Firstly, he found the money that the Karadeniz Company needed, and then played an important role in the purchases and sales of the Karadeniz Company with Russotürk.⁷⁷

The Turks, who are partners in the Karadeniz Company, assumed a role hiding the names of the White Russian capital owners. Giving partnership status to those coming from Turkish bureaucracy and political circles during the rapprochement efforts of Russotürk did not help in resolving certain issues on behalf of Russotürk. Turkish partners took a passive attitude in the import and export operations of the Karadeniz Company. Soviet trading institutions provided the Karadeniz Company with sufficient capital and technical equipment. In this case, it was understood that the White Russians misused this situation and benefited from the opportunities provided by the Soviet Union. White Russians indirectly became shareholders in Russotürk, although their desire was to be kept away from the import and export transactions between the Soviet Union and Turkey.⁷⁸

Yuryev, the manager of Arcos, did not find profitable and violently opposed the anthracite and coal sales agreement signed between Russotürk and Karadeniz Company. In order to compensate for the damages arising from the sales of coal and anthracite, the Karadeniz Company and Russotürk obtained an import license for half the amount of coal and anthracite dispatches. Thus, they recovered 75% of the damage. However, the financial losses from the sales of coal and anthracite were so great that the financing resources of the Karadeniz Company were not enough to cover this loss. Only 25% of the imported coal was paid with the loans taken by the Karadeniz Company.⁷⁹

The Soviet coal sold in Turkey was 33% cheaper than that of British coal, 25% of the Greek market, and 40% of the Egyptian market in 1925. 54,870 tons of the Soviet coal exported on March 17, 1925, was sold through the Karadeniz Company and 43,980 tons

⁷⁶ GARF, F. 374, Op. 28, D. 1873, p. 65.

⁷⁷ RGAE, F. 413, Op. 2, D. 2044, p. unclear.

⁷⁸ RGAE, F. 413, Op. 2, D. 2044, p. unclear.

⁷⁹ RGAE, F. 413, Op. 2, D. 2044, p. unclear.

were sold through Russotürk. Its total cost is 2,032,149 rubles. All of them were sold with an amount of 1,233,109 rubles. The damage was 799,640 rubles. Due to the higher quality of British coal, this price policy was applied in order to compete in the market. Karadeniz Company received 5% commission from these sales.⁸⁰ It has been observed that the Soviet coal was not being purchased in the Near East markets by claiming its poor quality. Therefore, the price of one metric ton of coal decreased from 6 shillings to 3 shillings.⁸¹ Since coal sales coincided with the British coal strikes, Russotürk's profit rates were thought to increase but resulted in a loss.⁸²

The amount left for the Karadeniz Company to close its debts, which was caused by the sales of anthracite and coal, was 300,000 rubles. Therefore, the financing of the Karadeniz Company was up to Russotürk. On the other hand, Russotürk applied to the Turkish-Iranian bank⁸³, where a group of White Russian entrepreneurs, who were partners of the Karadeniz Company, were also partners. White Russian Moldavskiy was among and the main supporter of these businessmen. Russotürk operated as a company that solely handled paperwork among all these transactions. The Karadeniz Company, on the other hand, performed the purchase and sale transactions without any effort and made a profit without putting any capital.⁸⁴ Not surprisingly, the attempts of the Soviet economic experts to create a trading network through the bourgeoisie in Turkey were disrupted.

The reputation of the Karadeniz Company was higher than Russotürk's in the Turkish market. Thanks to its recognition, it had the opportunity to find loans more easily and with lower interest rates from the banks. The management of Russotürk constantly claimed that they were receiving political support due to the Karadeniz Company's connections. However, Arcos experts' reports stated that they did not observe such political support. In fact, the Karadeniz Company has been reported to have no warehouses in Istanbul, as it was claimed by Russotürk. The fact that Russotürk had such a relationship with the Karadeniz Company also damaged Arcos's reputation.⁸⁵

Being aware of the developments in the Karadeniz Company, NKVT sent an expert named Derimoglu to Istanbul. The instruction given to Derimoglu was to take back all the goods supplied by Russotürk to Karadeniz Company and to completely put an end to the commercial relations between the two companies, completely. It was considered that if these were succeeded, then Russotürk would be able to establish a proper credit network in the Turkish market and increase its business exponentially. Afterward, the connections of Russotürk with Arcos would be strengthened and the export from the Soviets would eventually increase.⁸⁶ Derimoglu worked in Russotürk for about a year but could not fulfill

⁸⁰ GARF, F. P374, Op. 28, D. 2111, p. 320-321.

⁸¹ GARF, F. P374, Op. 28, D. 2290, p. 15.

⁸² GARF, F. P374, Op. 28, D. 2112, p. 187.

⁸³ It was founded on 3 July 1921 with the will of the last Sultan Vahdettin. It was recognized by the Ankara government on 9 December 1923. Could not convene its general assembly until 1926. See: Gündüz Ökçün, *1920-1930 Yılları Arasında*, 61.

⁸⁴ RGAE, F. 413, Op. 2, D. 2044, p. unclear.

⁸⁵ RGAE, F. 413, Op. 2, D. 2044, p. unclear.

⁸⁶ RGAE, F. 413, Op. 2, D. 2044, p. unclear.

what was expected of him.

5) The Conflicts and Competition Between Two Soviet Economic Institution in Turkey

Soviet Union Ministry of Foreign Trade officials were very uncomfortable with the fact that Russotürk sold the goods imported from the Soviets far below their production costs and market prices. Because, according to them, lowering the prices more than necessary reduced the rate of foreign currency inflow to the country. Therefore, the expected effect from the sales, even if at a loss, could not be achieved. On the other hand, the image of the Russotürk Company was shaken due to several facts, such as late arrival of the cargo ships, late unloading of the incoming goods, the incompatibility of the imported products with the ordered goods, failure to meet the numbers on the dispatch document several times, and the use of high-interest loans from the banks. These issues left a bad impression of Russotürk among merchants in Turkey. The merchants, whose trust was weakened, made small volume purchases from Russotürk. Obtaining import licenses for goods to be imported from Turkey by means of Russotürk brought a lot of speculation. Taking all these into consideration, the Soviet bureaucracy thought that Russotürk caused more harm than good to the Soviet Union's exports and underlined that Russotürk could not create any kind of Soviet influence in the Turkish market.⁸⁷ Nevertheless, it would not be accurate to claim that Russotürk had been completely unsuccessful. Because above all, reports on Russotürk were prepared by Soviet trade experts, who were employed in Arcos. Given that the two institutions compete against each other in the import and export of some products, it was inevitable that the institutions would argue some negative judgments about each other.

According to the Soviet trade experts, the reason for the establishment of Russotürk was to export Soviet goods to the Near East and to help develop political relations in this context. These trade transactions were very important for the Soviet Union, which had a hard time in its import and export operations. In the period between the two world wars, Soviet products were exported through Istanbul to the Near East geography such as Syria, Egypt, and Palestine. The dominance of countries such as England and France in this geography made it necessary for the Soviet Union to organize foreign trade through Istanbul with Arcos and Russotürk. NKVT, then, decided to prohibit the export of certain products through Russotürk in order to prevent sales causing losses. Therefore, diversification of Russotürk's list of export products became crucial.⁸⁸ In this context, the fact that Russotürk had financial losses in its early times or did not obtain high-profit rates from imports contrary to the expectations, did not disturb the bureaucrats in NKVT. The important thing was the establishment of trade networks to keep the foreign trade of the Soviet Union running.

The hope for the experience gained by Russotürk would be important for future sales of the Soviet export goods in the Turkish markets. It was essential that some of the import licenses to be issued for the goods, which would cause financial losses, to be issued

⁸⁷ RGAE, F. 413, Op. 11, D. 177, p. 68.

⁸⁸ RGAE, F. 413, Op. 2, D. 2044, p. unclear.

through Russotürk so that NKVT could easily control and dictate what needs to be done. Moreover, it was not reasonable to organize the trade of the Mediterranean Region around the Soviet Trade Agencies, as the number of Agencies was limited. It was considered more efficient and easy to continue the Soviet foreign trade through Russotürk. In this region, trade experts expressed that the commercial competition between the Soviet trade institutions was unnecessary and it was more crucial to encounter the British trade initiatives.⁸⁹

In the 1920s, The Soviet Union was one of the most important competitors of the British in the sales of coal in the Mediterranean basin. Competition between the two countries caused coal prices to drop in the Egyptian and Greek markets. In this competition, it was not considered proper for the Soviets to participate in the competition with many institutions, and it was decided to carry out the works through a single company. The Soviet trade experts, who advocated that sales to the loss be carried out only through a single company, supported the idea that the sales of Russotürk in the coming years should definitely be under the control of NKVT. Moreover, while the effects of the White Russians interfering with Russotürk over the Karadeniz were desire, it was decided to retain Reşit Saffet Bey within the company by giving him broader authoritative powers. On the other hand, Generals⁹⁰ were allowed to keep some shares, and it was even suggested to increase their share. Without the contributions of the Karadeniz Company, Russotürk could meet its financing needs due to its good relations with the Dutch Bank.⁹¹ In other words, joint operations with the Karadeniz Company did not always bother Soviet trade experts. The possibilities of the Karadeniz Company to be able to find loans with lower interest rates from foreign banks were an indication of this.

Kvirkeliya stated in his reports that it was a handicap when he was not in Istanbul and that some employees who benefited from his absence made mistakes in the purchase and carried out sales of many goods and caused substantial losses. Kvirkeliya insistently underlined that the financial damages that might have occurred from the coal sales are predicted and it was promised that these losses would be covered by Arcos due to the order of NKVT. He said that after the return of Kvirkeliya to Istanbul, the approval of the coal that was tried to be sold to the Karadeniz Company was given by Arcos. If there were a profit obtained from this transaction, it was decided that NKVT and Karadeniz companies would share the profit equally. However, in the agreement signed by Arcos, the share of NKVT is 25% and the share of the Karadeniz Company is 75%. With an amount equal to 50% of the cost of the sold goods, an import license was requested by Russotürk from the ministry. On the other hand, if the amount of the import licenses mentioned were not given in time, Russotürk would cover the loss of the Karadeniz Company at the rate that was not given, at the rate of the nominal equivalent. NKVT did not issue the promised import licenses to the relevant company when its time arrived. Arcos did not allow the Karadeniz Company to sell coal to Italy and its colonies in any way. Arcos suppressed Russotürk on some issues and has prevented some commercial

⁸⁹ RGAEF, 413, Op. 2, D. 2044, p. unclear.

⁹⁰ In the Soviet trade expert report there is no mention about names of these generals.

⁹¹ RGAE, F. 413, Op. 2, D. 2044, p. unclear.

transactions from taking place quickly, profitably and accurately. Moreover, Arcos put pressure to transfer the fish and its byproducts, which were kept in Istanbul warehouses for a long time and the company could not sell, to Russotürk. On the other hand, when Kvirkeleya returned to Istanbul, he learned about the rumors that Russotürk would be closed down among the merchants of Istanbul. Turkish traders, who thought that the supply of coal, cement, and other Soviet goods would increase by means of Arcos when Russotürk was closed, also considered that the import licenses to be given in return would scale up. Later, the coal left in the possession of the Karadeniz Company was transferred to Russotürk.⁹² Despite the conflicts between the institutions and the negative reports prepared, Russotürk would not be closed down until after the 1927 trade agreement.

Russotürk also served as an advertising tool for the recognition of Soviet coal, cement and caustic soda in foreign markets. On the other hand, many sales made by Russotürk to a lower price than the global trends allowed local traders to make great profits. Some Soviet products were exported in large batches, and this led to a decrease in the prices of these goods in the markets.⁹³ Caustic soda sales are the best example of this situation.

Russotürk brought caustic soda from the Soviet Union in order to market in the countries located in the Near East and Mediterranean basin. The arrival of the first party of caustic soda in Istanbul coincided with the return of the Arcos director Yuryev from the Soviets. On the other hand, with Yuryev's return to Istanbul, competition with Russotürk started. For example, Yuryev certainly did not want the sale of soda to be made through Russotürk. Arcos trade experts did their best to prevent the sale of caustic soda to Piraeus and Egypt. Because of these attempts, the caustic soda was kept in the port of Istanbul and therefore the cost of Russotürk increased in this way. With the arrival of the first party of the caustic soda in Istanbul, Arcos made a proposal to Russotürk to purchase the total amount of soda with the guarantee of the Soviet Foreign Trade Bank. Russotürk, on the other hand, made an agreement with Turk-Iran and Safra Bank for the sale of the caustic soda.⁹⁴

Russotürk made an agreement with the Ukrainian Trade Authority and the Chemical Coal Authority in 1924 to export the caustic soda. Ukrainian Trade Organization stated that Turkey's annual needs of caustic soda were 7000-8000 tons annually until 1923. In 1923, it was only 1,121 tons. The institution warned Russotürk that they would lose in this trade transaction. Russotürk, who did not pay attention to the warnings, gave bank guarantees for the order of 8.000 tons. Russotürk wanted to purchase the soda exported to Turkey for 13 pounds per bag, which was 50 kilograms each. However, Arcos was insisting for the price to be 16 pounds. In addition, Arcos entered into an argument with Russotürk that sales to Greece would cause financial losses if it were less than 300 tons. Moreover, the French and British were the ones who dominated the caustic soda market after the war. Russotürk, on the other hand, requested that the sales monopoly of

⁹² RGAE, F. 413, Op. 2, D. 2044, p. 89-102.

⁹³ RGAE, F. 413, Op. 11, D. 177, p. 66-67.

⁹⁴ RGAE, F. 413, Op. 2, D. 2044, p. 89-102.

this product be given to them in Egypt, Palestine, Greece, Romania, Serbia, and Bulgaria, with the supply extended to six months. In fact, Russotürk kept the order rate high by knowing that the caustic soda sales would cause serious losses and relied on import licenses to be received in return.⁹⁵

In April, Russotürk contacted Arcos and they agreed that the soda sales would not be made to the Karadeniz Company. But Russotürk, who had the opportunity to have Yuryev in Moscow, convinced NKVT to sell coal and caustic soda to the Karadeniz Company. Meanwhile, two ships named Elburus and Fedon transported to the ports of Thessaloniki and Piraeus, respectively, 700 and 403 tons of caustic soda. Russotürk did not pay the debt amounting to 1,500 pounds from these two supplies to the Soviet Trade Fleet for a long time. In addition, the goods were kept in warehouses for a long time without knowing which price they should be sold.⁹⁶

In 1925, after negotiations with Karadeniz Company, Russotürk agreed about selling grain products. Rumors revolving around the Istanbul markets in the same year indicated that only Russotürk would sell Russian grains. Russotürk wanted to sell in large amounts, therefore placing large orders, and later on, considering to meet the loss with the import licenses it will receive in return. Soviet institutions were aware that grain sales would occur not only in Turkey, but also in Greece, Egypt, and Eastern Europe, and hence reduce the exports volume of the Soviet Union. Since the Karadeniz Company was not a directly related company like Russotürk, an intervention would not be in question after the sale is realized. Therefore, the sales transaction for the grains have been prevented.⁹⁷The organization responsible for the sale of the Soviet grain in Turkey was the Grain Export Association, benefiting from the legal umbrella of Arcos. Russotürk's grain sales or transit grain exports to other countries did not go beyond speculation.

6) The Sales of Russotürk in Middle East Markets

Russotürk, in accordance with the purpose of its establishment, realized export activities -for example, sugar exports- not only to Turkey, but also to Egypt, Syria, Palestine, and Greece markets. In 1926, the Soviet Union exported 1,150 tons of sugar amounting to 20,306 pounds to Turkey, this figure rose to 241,321 pounds and 16 520 tons in 1927. The share of Russotürk rose to 25% in all sugar imports to Turkey. In 1927, Arcos exported 6,453 tons of sugar, worth 94,301 pounds to Egypt. In 1926, Russotürk's sales in the scattered sugar market of Egypt were 8,550 tons. In 1927, the total export volume of the Soviet sugar to Turkey and surrounding countries was 27,773 metric tons, while it was 9,700 metric tons to the same countries in 1926.⁹⁸

Between 1924 and 1927, Russotürk's efforts to sell Soviet coal did not exceed 2,000 tons per month. In the 1926-1927 fiscal year, 22,000 tons of coal were exported, but only 17,000 tons were sold. At least 300,000 tons of coal have been sold annually in the Istanbul market, 6% of which was Soviet coal. The goal of selling 25,000 tons was set in

⁹⁵ RGAE, F. 413, Op. 2, D. 2044, p. 13-27.

⁹⁶ RGAE, F. 413, Op. 2, D. 2044, p. 13-27.

⁹⁷ RGAE, F. 413, Op. 2, D. 2042, p. 217-218.

⁹⁸ GARF, F. P374, Op. 28, D. 3230, p. 242-252.

the 1927-1928 fiscal year. It was increased to 35,000 tons for 1929. In the Egyptian market with an annual consumption of 2,000,000 tons, Soviet trading institutions informed that there is no export operation in reports. However, Russotürk sold coal to Egypt through Istanbul during this period. It is reflected in the reports of Soviet experts that Russotürk could not handle this job properly.⁹⁹

7) The Export of Soviet Agricultural Equipment to Turkey by Russotürk

The reason for the sale of considerable numbers of agricultural equipment in Turkey, which were manufactured in Russia, until the First World War years was that the Tatars who immigrated from Russia were accustomed to using Russian agricultural tools. After the war in the years, exports of Soviet-made agricultural equipment to Turkey started in 1924-1925 with an insignificant sale of 452 pounds. In the 1925-1926 fiscal year, the Ukrainian State Trading Corporation was responsible for the sale of agricultural equipment but export operations were carried out by Arcos. After a while, Russotürk got also involved in the export of agricultural equipment.¹⁰⁰

Soviet exports of agricultural equipment to Turkey were not presented separately within the data obtained from the statistical sources. Different figures in different sources are provided only under the group of products made of metals and together with electrical appliances. The sales of electrical appliances such as lamps etc. from the Soviet Union to Turkey did not occur until the end of the 1920s, the mentioned figures in the statistics should have been the agricultural equipment. On the other hand, in the Soviet archives, different figures are also demonstrated among the documents of institutions such as Arcos, Trade Representative, and Russotürk. The main point here is not trying to figure out what the numbers resemble but understanding how the Soviet institutions and the bureaucrats within these institutions perceived the Turkish agricultural markets, how they established their trade sales network, and how they kept their relations with the other Soviet institutions and the Ministry of Trade. However, if a rough estimate is made, the following figures are obtained;

Table 1. Soviet Agricultural Equipment Sales in Turkey in the 1920s (Turkish Lira)

YEAR	WHOLESALES	RETAIL	TOTAL
1924		4.930	4.930
1925	173.845	5.672	179.517
1926	215.900	23.888	239.788
1927	46.241	69.084	115.325

(Source: GARF, F. P374, Op. 28, D. 3230, p. 242-252)

⁹⁹ GARF, F. P374, Op. 28, D. 2811, p. 30-34.

¹⁰⁰ GARF, F. P374, Op. 28, D. 2811, p. 30-34.

8) The Closing Down of Russotürk

The total export amount of Russotürk between July 1924 and December 1926 was 8,412,198 rubles. The total imports between 1 July 1926 and 15 December 1926 amounted to 2,039,000 rubles. In fact, the actual reason why Russotürk could not contribute sufficiently to Soviet exports was that the variety of Soviet export products was limited. Products such as coal, cocoon, cement, caustic soda covered 80% of Russotürk's export products.¹⁰¹

It was stated in the Soviet statistical sources that Russotürk did not perform any import transactions in the 1923-1924 fiscal year, whereas it exported products amounting to 100,000 rubles. In the next fiscal year, the company imported 900,000 rubles worth of products in exchange for exports amounted to 5,400,000 rubles. In the 1925-1926 fiscal year, export volume carried out by Russotürk fell to 3,100,000 rubles. On the other hand, amount of imports doubled and amounted to 1,800,000 rubles. One of the reasons that are effective in this increase was the authorization given to the institution to import without licenses. In the 1926-1927 fiscal year, in which Russotürk would cease its operations, its exports have amounted to 4,300,000 rubles and its imports were 1,600,000 rubles.¹⁰² When Russotürk was liquidated after the trade agreement signed in 1927, the Soviet Commercial Representation took over the places of Arcos and Russotürk.¹⁰³

During the liquidation of Russotürk, Lander, who was an employee of Arcos, and Kvirkeleya were sued by NKVT. In the report prepared against Kvirkeleya, the court was asked to hold a closed session in order not to cause a diplomatic problem. It is stated that care should be taken not to attract the attention of the Turkish authorities. It was emphasized that, in order to stay away from political troubles, those who were accused should be judged on economic errors only.¹⁰⁴

Kvirkeleya stated in his defense at the court that the goal of the establishment of the Russotürk Company was to partially cover the financial capital that was needed by Turkey after the war. Because there were no trade agreements between the Soviet Union and Turkey, the Trade Representation failed to fulfill the assigned tasks legally. The Trade Representation was not able to establish links with capital and markets that were essential for the Soviets. That was why the Soviets had a hard time supplying the products to the Turkish market that they wanted to export. On the other hand, the European capital continued to affect the young Turkish Republic. Performing barter transactions on products, however, did not attract Turkish merchants, and later on, discounts on certain goods allowed Soviet merchandise to enter the Turkish markets. Meanwhile, product lists, that were prepared to be exported by Russotürk, did not attract the buyers in Turkey.¹⁰⁵

Kvirkeleya stated in his interrogation at the court that no information was kept from the Ministry of Trade in any way and that they were informed before the signing of all the

¹⁰¹ GARF, F. P374, Op. 28, D. 2295, p. 5.

¹⁰² Goldstein et al., *Entsiklopediya Sovetskovo İmporta*, 94.

¹⁰³ GARF, F. P374, Op. 28, D. 3230, p. 242-252.

¹⁰⁴ GARF, F. P374, Op. 28, D. 2111, p. 311-314.

¹⁰⁵ GARF, F. P374, Op. 28, D. 2111, p. 319.

agreements.¹⁰⁶ Kvirkeliya attributed the low price of cement sales to the tough competition of Italian companies. Stating that he was asked to the Ministry for import licenses, he reminded that the right to license the Karadeniz Company was granted through the 1927 agreement.¹⁰⁷ He stated that Arcos claimed the success in obtaining import licenses of profitable products, but accused the Karadeniz Company and Russotürk in sales such as cement transactions that ended in losses.¹⁰⁸ Turkey signed a trade agreement with the USSR in March 1927. As a result of the agreement, Turkey guaranteed the export of 7.5 million dollars of Turkish origin products to the Soviets every year. In return, the USSR allowed the Turkish government to recognize the Soviet Trade Representative with diplomatic immunity. In addition, the opening of offices to work under the Trade Representative Office in Turkey's provinces such as Erzurum, Konya, Ankara, Istanbul, and Kars was made official with the agreement. The recognition of the Soviet Trade Representative by the Turkish government rendered the survival of Soviet joint-stock companies such as Russoturk and Arcos meaningless.

Karahan, in his letter to NKVT dated February 28, 1927, underlined that it was decided to the Russotürk's establishment because of the difficulties experienced with Turkey. According to Karahan, Russotürk played an important role in correcting the relations. However, with the signing of the trade agreement, the task of Russotürk would be terminated.¹⁰⁹ In his letter dated March 13, 1927, Karahan asked the Ministry of Foreign Affairs not to close down Russotürk anytime soon. Because it was requested to carry out the Soviet exports to Syria, Palestine, Egypt, and other Arab countries through this company. The activities of Arcos would be terminated in a short time. Karahan stated that Russotürk may be needed by its legal infrastructure since there are French and British companies in the Syrian and Egyptian markets.¹¹⁰ Despite all of these, the end of the NEP period, and signing the 1927 trade agreement with Turkey, authorizing the Soviet Union to establish a Trade Representative in Turkey, led to the closure of Russotürk.

Conclusion

Russotürk was among of the joint-stock companies established abroad that the Soviet Union tried to use effectively in its foreign trade during the NEP period. In 1927, the company was liquidated due to the decision taken by the Soviet Union after NEP was terminated, while being independent from the economic circumstances in Turkey. The reason for this decision was the trade agreements signed with Turkey in the same year, which accepted the Soviet trade organizations to be formed in accordance with the foreign trade state monopoly. Moreover, Arcos has transformed into the Trade Representative of the Soviet Union in Turkey. The institution, whose main purpose was to attract the capital support of the Istanbul bourgeoisie, suffered financial difficulties throughout its existence. Even the operations such as the sale of cement that were organized in order for the Istanbul bourgeoisie to invest did not achieve to provide the capital flow to the institution.

¹⁰⁶ GARF, F. P374, Op. 28, D. 2151, p. 4.

¹⁰⁷ GARF, F. P374, Op. 28, D. 2151, p. 6.

¹⁰⁸ GARF, F. P374, Op. 28, D. 2151, p. 6.

¹⁰⁹ GARF, F. P374, Op. 28, D. 2295, p. 17.

¹¹⁰ GARF, F. P374, Op. 28, D. 2295, p. 19.

Despite being warned several times by the Soviet Union Foreign Trade Ministry, the White Russians who settled in Istanbul have been instrumental in almost every sale of Russotürk through the Karadeniz Company. The most used aspect of Russotürk by the Istanbul bourgeoisie is that the import license that must be obtained to send products to the Soviets could be easily provided by the institution. Sales of Soviet agricultural equipment continued until the mid-1930s after Russotürk liquidated. Russotürk was among the institutions which provided the exports of agricultural equipment from the Soviet Union to Turkey. However, contrary to the expectations, the Soviet institutions entered into a tough and unnecessary competition with each other and reduced the prices of their own products without the intervention of other competitors. The biggest benefit of Russotürk to the Soviet foreign trade was that it facilitated the exports of the Soviet products through Istanbul to the Near East markets such as Egypt, Syria, and Palestine without the pressure from the western countries. After the 1927 trade agreement was signed, the institution was no longer needed. The primary instruction of Moscow was to reduce the number of employees to a minimum and then to close down the institution.



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