

## The Impact of Soviet Union's Five-Year Plans on Türkiye's First Five-Year Industrial Plan within the Context of Turkish-Russian Economic Relations

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### Türk-Rus Ekonomik İlişkileri Bağlamında Sovyetler Birliği'nin Beş Yıllık Planlarının Türkiye'nin Birinci Beş Yıllık Sanayi Planına Etkisi

#### Abstract

The Bolshevik Revolution marked a pivotal shift in Turkish-Russian relations, ending longstanding conflicts and fostering political and economic cooperation. Notably, economic ties flourished, benefitting Türkiye significantly. Emulating the Soviet Union's Five-Year Plan, Russian experts devised an industrialisation plan for Türkiye, focusing on agriculture and underground resources. The plan's execution, aided by Soviet loans, machinery, and expert labour, saw the establishment of Soviet-style facilities in Anatolia from the 1930s onwards. The transfer of Soviet expertise and technology played a crucial role in Türkiye's industrialisation, showcasing the substantial impact of the Soviet five-year plans on Turkish industry post-1928.

**Keywords** : Türkiye-Soviet Union Relations, Industrialization of Türkiye, First Five-Year Industrial Plan, Soviet Union Industry, Bolshevik Revolution.

**JEL Classification Codes** : N14, L52, P31.

#### Öz

Bolşevik Devrimi, Türk-Rus ilişkilerinde önemli bir değişimi işaret etti, uzun süredir devam eden çatışmalara son verdi ve siyasi ile ekonomik işbirliğini teşvik etti. Özellikle ekonomik bağlantılar, Türkiye'ye önemli ölçüde fayda sağladı. Sovyetler Birliği'nin Beş Yıllık Planı'nı taklit ederek, Rus uzmanlar Türkiye için tarım ve yeraltı kaynaklarına odaklanan bir endüstrileşme planı geliştirdiler. Planın uygulanması, Sovyet kredileri, makine ve uzman işgücü ile desteklendi ve 1930'lardan itibaren Anadolu'da Sovyet tarzı tesislerin kurulmasına yol açtı. Sovyet uzmanlığının ve teknolojisinin transferi, Türkiye'nin sanayileşmesinde önemli bir rol oynadı ve 1928 sonrası Sovyet beş yıllık planlarının Türk endüstrisi üzerindeki etkisini önemli ölçüde gösterdi.

**Anahtar Sözcükler** : Türkiye-Sovyetler Birliği İlişkileri, Türkiye'nin Sanayileşmesi, Birinci Beş Yıllık Sanayi Planı, Sovyetler Birliği Sanayisi, Bolşevik Devrimi.

## 1. Introduction

The issue of dominance over the Eastern European region has been a long-standing dynamic that significantly influenced Turkish-Russian relations. Throughout a historical process spanning four centuries, these relations were predominantly marked by conflicts and disagreements. Notably, the Russian Empire's military strengthening and the Ottoman Empire's concurrent weakening resulted in wars that often favoured the Russians. This state of affairs persisted until the early 20<sup>th</sup> century. However, the success of both the Russian Revolution (specifically the formation of the Russian Soviet Federative Socialist Republic from 1917 to 1922) and the Turkish Revolution brought an end to these long-standing conflicts. The establishment of Türkiye and the Russian Soviet Federative Socialist Republic in the early 1920s and their adoption of peaceful policies facilitated cooperation. Initially limited to military and political relations, the interactions between these two countries evolved into a broader spectrum with Türkiye's adoption of state-led economic policies during its industrialisation process. This transformation elucidates the historical evolution of Turkish-Russian relations, expanding beyond military and political dimensions to include economic and trade relationships. Türkiye's inclination towards the Soviet model and the invitation of Soviet experts were primarily influenced by the positive relations between the two nations. During the Greco-Turkish War, Soviet Russia supported the Ankara government, reinforcing a bond further strengthened by a subsequent friendship agreement. This history of cooperation, including the invitation of experts, gave Türkiye the confidence to seek Soviet support for economic and technical expertise without the ideological reservations that often concerned Western countries. This shift marks a significant departure from historical competition over control of the Eastern European region towards a more cooperative approach.

The Soviet Union adopted two fundamental approaches to transition fully into socialist practices. The first approach aimed to nationalise production elements held by the private sector, while the second sought to maximise production elements by establishing major state enterprises through five-year economic plans. Both approaches were rapidly implemented. Especially in the 1930s, the five-year economic plans yielded significant success in the economic growth of Soviet Russia. The Gümrü (Treaty of Alexandropol), Moscow, and Kars Treaties played a crucial role by determining present-day Türkiye's eastern border and strengthening the new government's hand against the occupying forces in Ankara. The more positive aspect of these relations during the National Struggle was the significant amount of arms and financial assistance provided by the Soviet Union to Ankara. These aids contributed to the success of the national struggle and accelerated the development of Turkish-Russian relations. These relations continued positively with the signing of the Soviet Union-Türkiye Friendship and Neutrality Treaty in 1925. Another point that united the two countries towards common goals is their economic objectives. The significant contribution of the economic programs implemented in both countries played a crucial role in sustaining the friendship until the end of World War II. These achievements became a cornerstone in developing relations between the Soviet Union and Türkiye. Since 1923, Türkiye has tried to boost industrialisation by promoting the private sector and

attracting foreign investment, but with limited success. Influential Turkish policymakers like İsmet İnönü, Celal Bayar, and Fahri Rıfki Atay, inspired by their observations of the Soviet Union's successful five-year economic plans during their visits, played critical roles in implementing similar strategies in Türkiye. This led to the adoption of statism, integrating a structured and centralised economic approach into Türkiye's policies and fostering various forms of cooperation between the two countries. Positive relations marked 1930 to 1939 and hold substantial historical significance. The analysis also traces the background of the Russian economy before the Soviet plans, highlighting the industrial and infrastructural challenges that justified these comprehensive economic strategies. This historical context provides insights into the motivations behind the Soviet Union's economic policies and their subsequent examination in the study, focusing on their economic, social, and political impacts, mainly through Russian sources from that era.

In the second phase, the research delved into the economic development of Türkiye following its establishment, with a specific focus on the reasons behind Türkiye's transition to a statist economic policy. This exploration aimed to shed light on Türkiye's economic transformation and the motivations behind state intervention. Subsequently, the study thoroughly examined the influence of the five-year economic plans implemented in the Soviet Union on the formulation of Türkiye's First Five-Year Industrial Plan. The roles played by experts from the Soviet Union in the creation and execution of these plans in Türkiye were elucidated based on contemporary sources.

In the concluding section of the research, the contributions and impacts of this period on the Turkish economy were emphasised. This analysis underscored the historical significance of this era by evaluating the economic and political consequences of cooperation between the Soviet Union and Türkiye. This research provides insights into how economic relations between the two countries have evolved historically, expanding beyond military and political dimensions into broader economic and trade partnerships. It highlights a transition from historical competition for control over the Eastern European region to a more cooperative approach.

## **2. Economic Challenges in the Russian Empire Before World War I: Industrialization, Peasant Reforms, and Socioeconomic Strains**

Before World War I, the Russian Empire's economy was marked by significant challenges that hindered its development and laid the groundwork for future upheavals. Despite some progress, the empire struggled with serious industrialisation issues, particularly in the railway sector, which was crucial for economic expansion but plagued by inefficiencies and corruption. Furthermore, the Peasant Reform, aimed at resolving the agrarian crisis by redistributing land, failed to alleviate the acute land shortage and intensified socioeconomic tensions within rural communities. These unresolved issues stifled economic growth and contributed to widespread dissatisfaction, leading to revolutionary sentiments and a profound transformation in the sociopolitical landscape. This critical examination of the pre-war economy reveals the deep-seated problems that paved

the way for the radical economic policies following the October Revolution and the eventual degradation of the empire as a political entity.

Russia had become significantly powerful in various aspects of Europe just before the outbreak of the World War. The primary source of this power was its vast and rich underground resources and a strong army. Additionally, the country was experiencing continuous development in its industrial sector. The same situation applied to economic indicators and production. Thanks to successful policies, Russia also gained influence in agriculture and animal husbandry. The support provided to landowners and rural inhabitants through the 1861 Russian Peasant Reform led to increased agricultural production. Between 1870 and 1900, agrarian areas expanded by 20.5%, arable land increased by 40.5%, and the number of livestock rose by 9.5% (Georgievich & Sergey, 2019: 111). Significant progress was made in the production and export of grain products. In 1911, 53.4% of all grain was exported (Georgievich & Sergey, 2019: 41). During this period, alongside the United States, the Russian Empire became one of the leading countries in grain production and faced no issues in this sector (Bca1, 1828). Russia's vast agricultural lands accounted for approximately a quarter of global wheat production. The same situation applies to dairy products (Vasilievich, 2006: 116). Russia's status as an exporter of dairy products at the beginning of the 20<sup>th</sup> century, when such products were considered luxuries, made the country a strategic power in animal production.

In the late 19<sup>th</sup> century, Russia's position in industry displayed a structure quite distinct from agricultural developments. Despite numerous industrial enterprises in Russian territories, they were not comparable to the industries of the United States and the United Kingdom. The Russian industrial sector of the 19<sup>th</sup> century primarily consisted of small-scale enterprises employing fewer than 100 individuals (Vasilievich, 2006: 117). However, the impact of the 1861 Peasant Reform on the development of Russian industry is a complex and multifaceted issue. While the reform aimed to modernise the agricultural sector and stimulate economic growth by emancipating the serfs and providing them with land, its outcomes were not unequivocally positive. The reform led to significant social and economic disruptions and the intended boost to industrial development was offset by ongoing challenges in agricultural productivity and rural economic conditions. This complexity highlights the need for a nuanced understanding of the role of reform within the broader context of Russia's industrialisation efforts. By the early 20<sup>th</sup> century, approximately 70% of industrial enterprises had become large-scale establishments (Anfimov & Korelin, 1995: 55).

Another factor contributing to industrial development was the railway system. Similar to its impact in England, railways played a significant role in fostering industrial growth in Russia. Particularly after 1880, railway lines were constructed throughout most of the empire (Searight, 1992: 171). The opening of the 10,000-kilometer-long Trans-Siberian Railway facilitated the transportation of Siberian minerals to industrial zones. The expansion of railways and the displacement of craft enterprises by large-scale industrial establishments marked a new phase for Russian industry. With state support, industrialisation experienced

a significant boost (Gregory & Sailors, 1976: 837 ). Despite this surge, Russia had several deficiencies in industrial infrastructure and finance compared to European states (Gregory & Sailors, 1976: 838). Nevertheless, due to its vast territories and underground resources, the Russian Empire ranked among the top five countries in global industrial production before the outbreak of war (Grossman, 1973: 490). Furthermore, industrial development during the First World War was primarily driven by the exigencies of the conflict. The war necessitated a significant ramp-up in production, particularly in sectors related to armaments and military supplies, which catalysed further industrial expansion. However, this growth was primarily focused on meeting the immediate needs of the war effort, which influenced the nature and direction of industrial activities during this period. (Bolotin, 2001: 107). The Russian Empire occupied a prominent position among the world's leading countries in both agricultural and industrial production.

### **3. Industrialization Policies After the October Revolution**

Following the October Revolution of 1917, all institutions in the Russian Soviet Federative Socialist Republic (RSFSR) were negatively affected due to the ensuing civil war and the lingering impacts of the First World War and foreign interventions. The combined pressures of internal conflict and external interference exacerbated the challenges faced by the new Soviet government, leading to widespread institutional disruption and societal upheaval. Production in mining operations ceased, many industrial facilities closed down, and there was a decline in agricultural and livestock production (Simonov, 2017: 22-23). This unfavourable situation resulted in significant economic challenges between 1917 and 1922 while the civil war was ongoing. (Pryatula, 2023) With the end of the Civil War, a period of recovery began (Feldman, 2014: 207-208). Immediately after gaining power, prominent figures such as Lenin, Trotsky, and other Bolshevik leaders initiated efforts to transform the Soviet Union by establishing a robust industrial base and a strong military. Their leadership was instrumental in directing the nation's resources towards achieving these strategic objectives. The promises made to the people during the revolutionary process were ambitious. However, fulfilling these promises required substantial financial resources and a workforce (Feldman, 2014: 208).

In 1921, key Soviet leaders, including Vladimir Lenin, who was instrumental in this initiative, directed economic policies that established a system known as the 'New Economic Policy' (NEP). This policy encompassed a series of laws and regulations designed to stimulate economic recovery by reintroducing limited market mechanisms within the socialist framework. Accordingly, a series of decisions were made to reshape the country's agriculture and industry. Changes were made to the tax system to involve peasants more actively in production. Policies aimed at improving the welfare of workers and peasants, considering them as the main factors of the economy, were formulated. Instead of complete state control in all areas of public enterprise, a mixed system was established. Small enterprises (employing up to 20 workers) could remain under private ownership (Carr, 1990: 58). Collaborations between foreign enterprises and state-owned industries were permitted. Only large-scale enterprises were nationalised. These policies were designed for a smooth

transition to a socialist economy. Until 1928, the Soviet government avoided radical economic policies (Kamalova, 2008: 71).

#### **4. Five-Year Plan for 1928-1932**

From 1921 to 1928, the Russian Soviet Federative Socialist Republic (RSFSR), which later became a part of the newly formed Soviet Union, successfully implemented a mixed economy. This approach was characterised by state control and market-oriented reforms under the New Economic Policy (NEP). While predominantly allowing private enterprises in agriculture, retail, services, food, and light industries, heavy industry, transportation, banks, wholesale, and international trade were under state control. Between 1921 and 1928, public investments remained limited as the focus shifted towards nationalising existing private-sector institutions. This period they marked a significant transition under the New Economic Policy (NEP), balancing limited state investment with strategic steps toward consolidating economic control through nationalisation. During this period, there was a greater emphasis on steps toward nationalisation of existing private-sector institutions. Despite positive economic trends following the civil war, it became necessary to take more radical steps for the political ideology to be accepted by the people. The rapid establishment of large industrial enterprises and creating a powerful army capable of competing with European states would serve as significant propaganda tools for the regime's continuity. It would be inconceivable for the Soviet people to struggle with unemployment and insufficient basic food items while European states were utilising the wealth of the industrial revolution to improve the welfare of their populations.

By 1928, the industrial output of raw materials had reached 3.5 million tons of pig iron, 4.3 million tons of steel, and 3.2 million tons of rolled products (Zelinskii, 1979: 279). These figures indicated that the Soviet Union was not fully utilising its resources. Increasing production and resolving the issue of raw materials were among the primary challenges to be overcome for industrial development (Kamalova, 2008: 71-72). Due to these reasons, the authorities changed their existing economic policies in the second half of the 1920s, transitioning towards planned economic policies with future-oriented goals.

The new economic policy implemented before the 1929 Crisis was called the "Five-Year Plan". According to this plan, the state aimed to maximise its military and economic power rapidly. The first five-year plan, which spanned from October 1, 1928, to October 1, 1933, was announced at the XVI All-Union Conference of the All-Union Communist Party (Bolsheviks) in April 1929. It was subsequently approved by the V All-Union Congress of Soviets of the USSR in May 1929 and implemented soon after that. In line with this, investments in line with the political, organisational, and ideological characteristics of the October Revolution were implemented across all aspects of the economy (Ordick, 1939: 148). The goal was to increase industrial production as much as possible by utilising new technologies.

Technical inadequacies emerged as the primary obstacles while preparing a plan aligned with the goals. Although work began promptly, specific problems were encountered. During the project formation phase, it was understood that the expert workforce in the Soviet Union would be insufficient to achieve the objectives (Melnikova-Raich, 2010: 59-60). To address this issue, Soviet leaders made a radical decision and reached an agreement with the American company Amtorg Trading Corporation. Amtorg, officially established by the Soviet Union in New York as a joint-stock company, was formed by merging two previous commercial Soviet entities and included Soviet capital participation<sup>1</sup>. According to this agreement, renowned industrial architect Albert Kahn was designated to design the industrial cities in the Soviet Union. Kahn was among the respected figures of the time who had significantly contributed to Ford's global automotive dominance. Between 1929 and 1932, Amtorg and Kahn designed around 500 industrial enterprises in the Soviet Union (Melnikova-Raich, 2010: 62-63). Many foreign experts provided services in various fields during this period. The designed enterprises later transformed their surroundings into industrial cities (Melnikova-Raich, 2010: 73).

The success of establishing these enterprises directly contributed to the reduction of unemployment (Kessler, 2001: 78). The holistic design of factory buildings, residential units for workers' families, schools, healthcare institutions, and social facilities accelerated labour migration from rural areas to the regions where factories were established. Kahn played a significant role in the campus-like design of factories. This design approach was continued to develop future factories in the USSR. While implementing the initial plans, American and Russian workers collaborated in the construction and subsequent operation of the factories (Kleisinger, 2018: 68-74). These efforts yielded quick results, and rapid development was observed in various industry sectors. Establishing numerous enterprises in Soviet cities like Leningrad brought about a need for more workers. As a result, the population in the regions where industrial enterprises were established rapidly increased (Kessler, 2003: 77).

**Table: 1**  
**Change in Some Industrial Products in the First Five-Year Plan Period**

Industry Branch	The 1928 Year	The 1932 Year
Electricity (billion kWh)	5,0	13,5
Radio receivers (thousand)	3,0	29
Automobile (thousand)	0,84	23,9
Tractor (thousand units)	1,3	48,9
Knitwear (million pieces)	8,3	39
Cement (million tons)	1,8	3,5
Machine Tools (thousand pieces)	2,0	19,7
Resins and plastics (thousand tons)	0,2	2,8

Source: *Центральное статистическое управление, 1968: 46.*

The first plan not only included industry but also aimed to increase production in agriculture. The inclusion of tractors and technical equipment in the plan had a positive

<sup>1</sup> *Amtorg Trading Corporation was not just any American company but a Soviet entity registered in New York, designed to facilitate Soviet trade with the United States. It served as a critical channel for the USSR to acquire industrial technology and expertise from the West during a time when direct commercial relations between the two countries were limited.*

impact on agricultural products. As a result, the Soviet industry reached the capacity to produce all kinds of equipment necessary for agricultural production. However, due to misguided agricultural policies, some regions of the Soviet Union experienced severe famine between 1932 and 1933 (Kulchitsky, 2018: 52, 66). The rapid collectivisation of agriculture and erroneous grain procurement policies led to this artificial scarcity. Additionally, these misguided agricultural policies triggered food inflation in cities. Particularly noteworthy is the importation of certain farm products during the Famine (Teğın, 2022). The famine overshadowed the success of the First Plan, which occurred during industrial development.

During the implementation process of the first plan, economic cooperation with Germany was increased to overcome the capital shortage. Commercial relations with Germany significantly financed new businesses during this period (Teğın, 2022). The products of the enterprises established within the scope of the first plan in the Soviet Union had a significant share in recovering the collapsed German economy after The First World War. The Soviet Union continued to export industrial products to Germany until the Second World War. As a result of the successful implementation of the five-year plans in the USSR, the country achieved industrialisation, collectivisation of agriculture, and cultural revolution (Советская Энциклопедия, 1953: 231).

## **5. The Second Five-Year Plan for 1933-1937**

The rapid acceleration of industrialisation in Soviet Russia was a significant factor in formulating and implementing a new five-year plan. The experiences gained from the First Plan served as the foundation for developing the new plan. Unlike in the previous period, the plan's design was executed solely by Russian engineers and experts, highlighting a significant shift towards domestic expertise and self-reliance in technical fields. This difference led to setting higher goals for the plan, which were as follows ("Коммунистическая Партия Об Итогах Первой И Задачах Второй Пятилеток" Communist Party About the Results of the First and Objectives of the Second Five-Year Plans, 2023):

- Increasing the efficiency and quantity of means of production,
- Accelerating collectivisation,
- Increasing the value of money and reducing inflation,
- Renewing technical equipment in all fields,
- Sourcing all skilled labour, such as mechanical engineering, from national resources,
- Increasing coal production for iron production,
- Increasing the number of power plants,
- Increasing the number of metallurgical facilities,
- Expanding the chemical industry,
- Mechanization in the food industry.

In addition to these goals, the Second Plan emphasised the construction of railways, dams, and water transportation channels to support agricultural and industrial production. The work on implementing the plan began immediately after its acceptance at the 17<sup>th</sup> Congress of the All-Union Communist Party of the Bolsheviks (Feldman, 2021: 127).

The Second Five-Year Plan followed a more successful trajectory in achieving its goals, building upon the experiences gained from the first five-year plan. During this period, the Soviet Union established large factories and installed numerous power plants.

**Table: 2**  
**Change in Some Industrial Products in the Second Five-Year Plan Period**

Industry Branch	1932	1937
Electricity (billion kWh)	13,5	36,2
Radio receivers (thousand)	29,3	200
Automobile (thousand)	23,9	200
Tractor (thousand units)	48,9	51
Knitwear (million pieces)	39	157
Cement (million tons)	3,5	5,5
Machine Tools (thousand pieces)	19,7	48,5
Resins and plastics (thousand tons)	2,8	8,6

Source: *Центральное статистическое управление, 1968: 46.*

Thanks to mechanisation, industrial production has reached a higher level of agricultural output. Furthermore, reducing issues related to collectivisation in agriculture and implementing supportive policies have positively impacted production. The increase in the production of products such as meat, milk, wheat, and cotton has significantly contributed to accessible and affordable access to food products for the population following the period of scarcity experienced by the Soviet Union.

## **6. The Influence of the First and Second Five-Year Plans on Turkish-Soviet Relations**

The First Five-Year Plan was introduced in 1928 and focused on increasing industrial production, particularly in heavy industries such as steel and machinery. It also aimed to improve transportation and communication infrastructure and modernise agriculture (Simonov, 2017: 22-23; Dobb, 1953). The set targets within the plan were achieved mainly with industrial production growing at an average rate of 14.5% per year (World Bank, 2023). The Second Five-Year Plan was launched in 1933, building upon the successes of the first plan. It continued to focus on increasing the production of consumer goods and expanding heavy industry. The plan also aimed to improve industrial workers' productivity and working conditions. During the Second Five-Year Plan, industrial production in the Soviet Union remarkably increased. Strong growth was mainly observed in heavy industry, with rapid steel, coal, and other essential goods production increases. The Soviet Union rapidly transformed into a significant industrial power with a modernised economy. The dynamics of the Soviet Union's industry underwent substantial changes due to the first two plans. The efficient allocation of financial and labour resources to the sector reduced production costs. Technological advancements led to a significant increase in production rates. Migration

from rural to urban areas contributed to the numerical growth of skilled labour. External policy played an essential role in shaping the second plan. Hitler's rise to power and his anti-socialist rhetoric led to a shift towards greater emphasis on military industry. However, the Second Plan's effects had more positive economic implications. The increased agricultural production in the late 1930s and reduced monetary supply issues helped decrease inflation (Ofer, 1987: 1793-1794). Moreover, the long-standing rationing system for essential food distribution was discontinued. By 1937, a balance in foreign trade was achieved, and the ruble gained value. Consequently, the second plan resulted in outcomes closer to the targeted objectives. Numerous researchers have described the planned decade as when the Soviet Union underwent industrialisation.

However, alongside their successes, the plans also had failures (Furniss, 1933: 630-631). Despite the vast agricultural and livestock potential across the extensive territories of the Soviet Union, there were still issues with ensuring the entire population's access to basic food supplies during the planned period. The introduction of a ration card system for optimal food distribution during World War the Bolsheviks continued after the revolution. The ration card system caused problems during the transition to socialist practices in agriculture and livestock. The initial period of the First Plan saw significant investment growth but a decline in agricultural production, leading to substantial inflation (Davies & Khlevnyuk, 1999: 557-558). In the early 1930s, food inflation and budget deficits increased, and famine began in regions such as the Middle Volga, North Caucasus, Ural Mountains, Volga, South Urals, and Western Siberia. Unplanned collectivisation efforts in agriculture and livestock resulted in decreased production. The decline in production led to famine, budget deficits, and inflation. Workers' wages fell below the minimum living standards in cities, making it more challenging to achieve production goals in the industry.

## **7. Industrialization Thought of Türkiye After 1923**

Anatolia, which constituted the main territorial structure of the Ottoman Empire, became a cheap and high-quality raw material market for European industry in the 19<sup>th</sup> century. Raw materials were transported to European enterprises through primarily foreign companies and transformed into finished goods there. The Ottoman Empire created an economy dependent on imports by purchasing final products whose raw materials were supplied from its territories. Furthermore, the scarcity of industrial production facilities led to an increase in the current account deficit. To cover the current account deficit, constant borrowing was pursued, resulting in the Ottoman economy becoming unable to repay its debts in the second half of the 19<sup>th</sup> century.

After the establishment of Türkiye in 1923, key policymakers such as Mustafa Kemal Atatürk and İsmet İnönü, along with their economic advisors, immediately initiated efforts to increase the number of industrial enterprises. These efforts were part of a broader strategy to modernise and industrialise the nation's economy. The urgency to put the factors of production into operation arose for the establishment of new enterprises. However, the limited capital and technical infrastructure made it impossible to establish new enterprises.

After the cumulative economic setbacks following the First World War and subsequent conflicts, including the Greco-Turkish War - which, despite ending in a victory for Türkiye, left significant economic challenges - starting industrial production from scratch proved highly challenging. The nation faced the arduous task of rebuilding its economy amidst the widespread devastation. Significant difficulties in the infrastructure resources constituted the factors of production, including capital, labour, land, and entrepreneurship. Türkiye had to start from scratch the industrialisation process that European countries had begun two hundred years ago. The goals were ambitious, but there was neither sufficient capital accumulation nor an expert workforce within the country to achieve them.

Upon its establishment, Türkiye aimed to realise sociocultural revolutions and pursue an economic policy focused on avoiding current account deficits, producing industrial goods domestically, and attracting foreign investors. In line with this mindset, extensive privileges were granted to attract foreign investors to the country (Ökçün, 1997: 137). Although tax exemptions, land allocations, and infrastructure provisions were favourable, foreign investment did not reach the desired level. Only a limited number of industrial enterprises could become operational in the first decade of the Republic. As a natural consequence, the current account deficit continued in Türkiye, just like in the Ottoman Empire.

**Table: 3**  
**Current Account Deficit in Türkiye (1923-1929) (000.- TL)**

	Imports	Export	Deficit / Excess	Percentage %
1923	145.076	84.819	- 60.257	- 73
1924	193.892	159.100	- 34.792	- 22
1925	241.141	192.049	- 49.092	- 26
1926	234.323	186.123	- 48.200	- 26
1927	211.194	158.268	- 52.926	- 33
1928	224.008	173.907	- 50.101	- 29
1929	255.576	154.892	- 100,684	- 65

Source: TÜİK, 2013: 437.

It was well known that closing the current account deficit would not be possible without increasing the number of industrial enterprises. Between 1923 and 1930, 201 enterprises were established within the country's borders. Out of these, 66 were established with foreign capital. Most foreign capital enterprises were established through capital partnerships between Turkish entrepreneurs and public enterprises. However, the production volume of these enterprises could not reach a significant level in the country (TÜİK, 2013: 115).

## 8. Searching for New Policy in the Economy

The Great Depression of 1929 hurt the Turkish economy as it affected countries worldwide. The significant decline in industrial production worldwide was reflected in prices, causing many products to plummet in the black market or become excessively expensive. In the early 1930s, goods' unavailability or high prices disrupted export and import balances. During a period when industrial production held significant importance, the economic crisis led to the initiation of new economic searchings in Türkiye, as it did in

many other countries. Due to the problems experienced in production during this period, policymakers expedited efforts towards alternative policies aside from foreign capital support. As a result, the idea of the state assuming a managerial role in the economic sphere emerged. This idea was not exclusive to Türkiye but became the key to salvation for nearly every country affected by the crisis, emphasising the need for state intervention in the economy.

**Table: 4**  
**Current Account Deficit in Türkiye (1930-1933) (000.- TL)**

	Imports	Export	Deficit / Excess	Percentage %
1930	147.425	151.325	+ 3.900	+2
1931	126.462	127.076	+ 614	+1
1932	85.915	101.221	+ 15.306	+17
1933	74.851	96.388	+21.537	+29

Source: TÜİK, 2013: 437.

The effects of the 1929 economic crisis were immediately reflected in the export and import sectors. Despite its population and production factors, Türkiye experienced significant decreases in export and import categories. During the crisis period, many industrialised countries also opted to reduce imports. It can be said that the statist policies implemented by capitalist countries such as the United States and the United Kingdom, as well as the planned industrialisation efforts in the Soviet Union, influenced the policymakers in Türkiye. Planned development and statism practices were extensively discussed during the 3<sup>rd</sup> Grand Congress of the Republican People's Party, which governed Türkiye. Initiatives to establish state-funded industrial enterprises in a planned manner became the main policy of the Turkish economy. In contrast to the economic policies implemented in the years following the establishment of the Republic, the state institutions would be involved in every stage of production (Boratav, 2006: 23).

Soviet Russia trips provided the executive leadership with valuable insights for the continued implementation of the principle of statism. The production figures resulting from the Soviet Union's implementation of the First Five-Year Plan greatly influenced Türkiye's administrative structure. Fahri Rifkî (Atay) visited the Planning Department during his trip to Soviet Russia in September 1930. He extensively documented his observations at the Planning Department in his book "Yeni Rusya" (New Russia). The allocation of a significant budget ranging from 86 billion to 100 billion rubles by the Soviet Russian government for the plans greatly impressed Fahri Rifkî (Atay) (Rifkî, 1931: 141).

**Table: 5**  
**Five Years Targets**

	Five Years Ago	Five Years Later
Electricity (kW)	5.000.000.000	35.000.000.000
Oil (Tons)	11.000.000	40.000.000
Coal (Tons)	34.000.000	110.000.000
Metal (Tone)	3.500.000	17.000.000
Train Line (Km)	79.000	100.000
Cement (Barrel)	15.000.000	85.000.000

Source: Rifkî, 1931: 141.

While the Soviet Union's plans appeared impressive, their immediate success did not translate into positive outcomes for the population. Despite record-breaking production growth, the Soviet people faced long queues and ration cards for essential goods, and misguided agricultural policies led to famines (Davies & Khlevnyuk, 1999: 557-558). In contrast, the Republic regime in Türkiye, with its transformative goals similar to the Bolshevik Revolution, faced the challenge of sustaining the regime without creating a welfare society. This unique situation deeply affected the Anatolian people (Çavdar, 2003: 225).

In the early months of 1931, Mustafa Kemal embarked on nationwide trips, directly engaging with the public. Economic issues such as unemployment and cost of living became the main focus of these trips (Yıldırım, 2021: 206). Immediately after the nationwide trips, Mustafa Kemal dissolved the parliament upon his return to Ankara. It was evident that the people's trust in the leadership that established the country was diminishing daily due to economic problems. Mustafa Kemal clearly expressed this situation in a statement to the press (Cumhuriyet, 1931: 1): "...when our nation's trust in us is once again manifested as inspiration and a source of strength in all our endeavours, it will be seen once again how unshakable the foundation we rely on to pursue our national ideal is..." The leadership's recognition of the economic challenges and their commitment to address them was crucial for ensuring the regime's continuity. In line with this thinking, the leadership shaping the economic sphere intensified their work on the policy of statism.

## 9. Planned Industrialization Studies

Türkiye's founding leadership has always supported the establishment of industrial enterprises through state intervention. In both Türkiye and the USSR, key political figures have played a crucial role in shaping the economy. Despite limited state resources, these leaders have implemented various forms of support, including financial grants, land allocation, and infrastructure development, benefitting domestic and foreign entrepreneurs. During 1923-1930, although many large-scale enterprises were seen as private initiatives, they still required support from different state enterprises to operate. However, many of the planned industrial enterprises could not be established. The inadequacy of state-supported businesses accelerated the efforts of the economic decision-makers to make the new statism policy more planned. The cadre movement, which holds an important place in Türkiye's political ideology, and Vedat Nedim's statement in the first issue of the cadre magazine highlighted that the ideology of statism differs significantly from the systems implemented in other parts of the World (Nedim, 1932: 8): "...like our other revolutionary elements, our economic revolution will also be an original work. The post-war economy has three major issues. 1- Establishing a communist economic system instead of the capitalist economic system... Russia is working on this. 2- Establishing a capitalist economic system... This is what the League of Nations is striving for. 3- Creating an independent national economy instead of a colonial economy... This is what the Republic of Türkiye is considering." The term "independent national economy" in these words refers to the statism practice desired to be implemented in the country. The 1930 March Report prepared by the Ali Economy

Council, established to shape economic life during the crisis (Tezel, 2002: 293), laid the foundation for planned statism practices (Cumhuriyet, 1930: 1-4).

During this period, significant financial investment was required to implement planned statism practices systematically. The repayment of Ottoman debts and the economic crisis posed the biggest obstacles to making planned investments. Economic policymakers greatly influenced by the successes of Soviet Russia shaped the economic sphere. However, even starting small-scale planned industrialisation efforts proved highly challenging for the Turkish government. The idea of overcoming technological infrastructure and financial problems led to transforming Turkish-Russian relations from a political partnership to an economic one. The Turkish struggle for independence immediately took steps to transform the political partnership into an economic one. The most significant challenge in this partnership was the regime implemented in Soviet Russia. During this period, the United States and European countries considered the Bolsheviks the most critical threat. For this reason, while maintaining friendly relations with the Soviet Union, the Turkish government also tried to strengthen economic and political ties with European countries and America.

It was unthinkable for Türkiye, which sought to maintain good relations with Western countries and shape its entire economy based on Soviet plans. Therefore, it was decided to adopt a balanced economic policy, just as in politics. Guiding Türkiye's economic life, policymakers did not reduce their joint ventures with capitalist countries, just as in the early 1920s. In 1930, borrowing \$10 million from the United States and granting the match monopoly to an American company, followed by the visit of Soviet Foreign Minister M. Litvinov the following year, were indications of the balance policy (Sükan, 2014).

Türkiye's economic policies, shaped by statism practices from its establishment, have been subject to various methods to be transformed into a planned structure (Boratav, 2006: 26). Türkiye faced two options: the first option was the statism practices implemented by America and some capitalist European countries aiming to minimise the effects of the economic crisis. The second option was the planned statism practices implemented by the Soviet Union. The limited scope of statism practices in capitalist countries, which consisted only of efforts to alleviate the effects of the crisis, would not be sufficient for Türkiye. The statism policies implemented in the Soviet Union, on the other hand, were shaped to liquidate the private sector completely. Additionally, although the first and Second Five-Year Plans implemented in the Soviet Union were successful, they led to the liquidation of the private sector, thus creating significant drawbacks if these policies were to be implemented in Türkiye. The abandonment of foreign capital and private sector support while establishing new state enterprises shaped the ideology of statism in Türkiye.

Before officially starting planned statism practices, influential figures in the economic sphere systematically wrote articles praising statism practices in publications close to the government, such as *Ulus Gazetesi*, *Cumhuriyet Gazetesi*, and *Kadro Dergisi*. These articles also highlighted the success of planned development efforts in the Soviet Union. The first phase of planned industrialisation was to secure financial support for

establishing enterprises. In this regard, a large delegation led by Prime Minister İsmet Pasha organised a trip to the Soviet Union on April 25, 1932 (Akşam, 1932a: 1-2). The trip's primary purpose was to find financial support for the implementation of statism practices in Türkiye. Furthermore, various economic partnerships were explored during the trip. The spring of 1932 was the final year of the First Five-Year Plan and the beginning of preparations for the Second Five-Year Plan in the Soviet Union. During this process, İsmet Pasha's visit gained even more significance. Soviet Russian officials warmly welcomed the Turkish delegation, demonstrating significant interest in fostering closer economic and cultural ties. This sentiment was prominently featured in major publications like *İzvestiya* and *Pravda*, which extensively covered the visit, emphasising its importance as a milestone in strengthening the friendly relations between the two countries. The Turkish officials' visit in 1932 captured widespread attention from the Russian public, highlighted as a key event in bilateral relations and discussed across multiple articles (Akşam, 1932b: 2, 5). At the end of the trip, a credit agreement worth 16 million Turkish Liras was reached (Cumhuriyet, 1932a: 1). The amount of 8 million would be interest-free and paid back within 20 years, not in monetary form but in textile machinery (Asım, 1932: 1-2). The total credit was determined as 2,565 textile machines (Bca2, 1934). By designating the credit in the form of textile machinery, it was determined which sectors the planned statism policies would primarily focus on.

Immediately after his trip to Soviet Russia, Prime Minister İsmet Pasha travelled to Italy on May 22, 1932, for another credit agreement. As a result of the trip, a credit agreement was reached with Italy, and significant steps were taken towards economic cooperation (Cumhuriyet, 1932b: 1, 4). Italy had the highest number of state enterprises after the Soviet Union (Knight, 2003: 65). Therefore, İsmet Pasha's inspections and credit support in Italy were part of a pre-planned policy. The loans that Türkiye obtained from the Soviet Union and Italy during this period played a significant role in pursuing a moderate foreign policy strategy before World War II.

Financial problems were resolved, and the architects of Türkiye's economic life immediately began concrete efforts to transform statism practices into industrial policies in the summer of 1932. In this direction, Russian experts were invited to the country. A team of experts consisting of Professor M. Orloff, M. Nikolo Kovaleski, M. Arkadiyegolini, and M. Serj Masarin arrived in Türkiye on August 12, 1932 (Milliyet, 1932: 1, 6). Each expert played a significant role in the Soviet First Five-Year Plans. Professor Orloff, a senior economic planner; M. Nikolo Kovaleski, an industrial strategist; M. Arkadiyegolini, a noted engineer, and M. Serj Masarin, an expert in agricultural reforms, were actively involved in shaping Soviet economic policies (Cumhuriyet, 1932c: 1, 2). The team visited every region in Anatolia where cotton was grown. However, this trip aimed to identify the factories that would be established for the textile industry; extensive inspections were also conducted for the development of the chemical and iron industries (Tekeli & İlkin, 2009: 162.). Even though this trip aimed to determine the factories for the textile industry, the only negative point reflected in the press was that local cotton was more than ten times less efficient than American cotton. The experts stated that rapid improvement could quickly address this issue

(Cumhuriyet, 1932d: 1, 6). To solve this problem, the Cotton Improvement Station was established in later years, and spinning machines, agricultural tools, and cotton seeds were imported from the United States. In November, the Russian experts dedicated a significant part of their completed reports to the textile industry (Bca3, 1934). Professor Orloff, who headed the delegation, made some requests to Minister of Economy Mahmut Celal (Bayar) before returning to Moscow to ensure the prompt establishment and operation of the factories in Kayseri and Nazilli. These requests can be summarised as follows (Tekeli & İlkin, 2009: 163):

- Opening an office for the establishment and operation of the factories,
- Training the managers of the factories in Moscow,
- Providing materials for the rapid completion of the construction of the factories,
- Planning the energy needs of the factories,
- Bringing expert technicians from the USSR to ensure the efficient operation of the factories.

From the end of 1932, while the USSR was implementing the Second Five-Year Plan, preliminary factory feasibility studies started in Türkiye to create a new plan. Minister of Economy Celal Bayar wanted to consult American (Bca4, 1933) and German (Cumhuriyet, 1933: 1) experts in addition to Russian experts. Before the First Five-Year Industrial Plan was created, an American economist, Walker D. Hines, and his team were asked to prepare a report. After Hines' death, Dr. Kammerer continued preparing the report (Bca5, 1934). However, due to the prolonged completion of the final report, it did not significantly impact the First Industrial Plan (İnan, 1972: 62, 67).

The factories in Kayseri and Nazilli, which represent the beginning of Türkiye's planned industrialisation process, were designed by the Turkishstroy company established under the Ministry of the Soviet Union. This company was responsible for the design of the factories and the infrastructure construction necessary for their operation (Kamalov, 2011: 228). The materials required for the construction were procured through this company (Bca6, 1936). Another company task was to provide the necessary experts for the construction. In addition, senior staff training in the factories was entirely carried out in the Soviet Union. Russian experts' experience was utilised in the established factories in the following years.

## **10. First Five-Year Industry Plan**

Türkiye's First Five-Year Industrial Plan's conceptual framework can be traced back to the Ottoman Empire. However, opening industrial enterprises could not be implemented due to wars and internal political issues. After the proclamation of the Republic, a more favourable environment was created for the state to establish industrial enterprises. In this regard, significant investments were made, and laws were prepared. However, the social revolutions that affected daily life led to less emphasis on the economic structure by the country's administration. This situation changed after the 1929 Economic Crisis and

significant revolutions. Industrialisation was identified as the primary goal of the governing elites, and more severe steps were taken (Tekeli & İlkin, 2009: 179). In the mid-1930s, Türkiye's industrialisation proceeded in a complex structure. In addition to supporting domestic and foreign entrepreneurs, efforts were made to establish state-owned factories whenever an opportunity arose. This unplanned structure continued until the beginning of the 1930s. The success of the Soviet Union's five-year plans, initiated in 1928, inspired the architects of Türkiye's economic life. Through their reports, Professor M. Orloff and his team significantly contributed to forming Türkiye's first industrial plan.

The financial institutionalisation was completed first in the formation of the plan. The establishment of Sümerbank on June 3, 1933, was the first stage in implementing the industrial plan. The bank's task was to provide financial support to state-owned industrial enterprises. Additionally, the management of previously established state-owned enterprises would be carried out through Sümerbank. The other tasks of the bank were as follows:

- To prepare studies and projects for industrial enterprises to be established with state capital, apart from private sector enterprises, and to establish and manage them,
- To provide all kinds of financial support to state-owned industrial enterprises,
- To open schools to train specialised labour for state-owned factories and to send students for education to foreign schools,
- To provide credit to state-owned industrial enterprises,
- To make investments for the development of national industry.

Thus, Sümerbank became a vital institution for the First Five-Year Industrial Plan. Starting in 1934, a budget of 6 million Turkish Liras was allocated annually for investments in enterprises through Sümerbank to support them (Sanayi Tesisat ve İşletme ve Vekalet Teşkilatına İlaveler Hakkında Raporlar Birinci Kanunu, 1935: 8).

The industrial program identified five main sectors: Textiles, Mining, Cellulose, Ceramics, and Chemicals (Sanayi Tesisat ve İşletme ve Vekalet Teşkilatına İlaveler Hakkında Raporlar Birinci Kanunu, 1935: 11). In addition to these main sectors, a separate category was created for essential food products such as sugar. The textile industry formed the main structure of the plan. This sector also formed the main structure of the work carried out by Professor M. Orloff's Russian team. Textile machinery from the Soviet Union was operated in the Kayseri and Nazilli factories. The establishment of these two factories before the plan indicated the importance given to the textile industry by those who shaped the economic structure.

**Table: 6**  
**The Influence of the Soviet Union on Businesses Established under the First Five-Year Industrialization Plan**

Business Name	Status	Soviet Union Influence
Bakirkoy Cloth Factory	factory in operation	According to the reports of the Russian experts, it was renewed on 13 August 1934 with machines bought from Europe.
Malatya Cloth and Yarn Factory	It is in the process of being established.	The establishment phase was carried out with the Soviet Union's technical and economic assistance (Karabulut & Karabulut, 2016: 75).
Kayseri Cotton Factory	factory in operation	The Soviet Union conducted the project by furnishing and training the employees.
Nazilli Press Factory	factory in operation	The Soviet Union carried out the project by furnishing and training the employees.
Eregli Cloth Factory	factory in operation	Russian experts determined the location of the establishment.
Hemp Industry	factory in operation	There is no opinion stated in the reports of the Russian experts Sanayi Tesisat ve Vekalet Teşkilatına İlaveler Hakkında Raporlar Birinci Kanunu, 1935: 32, 33)
Bursa Merino Factory	factory in operation	-
Karabuk Iron and Steel Factories	It is in the process of being established.	The reports prepared by the incoming experts from the Soviet Union influenced its establishment.
Izmit First Paper Factory	factory in operation	-
Izmit Cellulose Factory	It is in the process of being established.	-
Gemlik Rayon Factory	factory in operation	The reports prepared by experts from the Soviet Union were influential in its establishment.
Hami Match Factory	It is in the process of being established.	-
Superphosphate Factory	It is in the process of being established.	The reports prepared by experts from the Soviet Union were influential in its establishment.
Chlorine Factory	It is in the process of being established.	The reports of Prof. Yachkovitch, a renowned economic planning and industrial development expert, influenced its establishment.
Porcelain Factory	was discontinued	-
Rose Oil Factory	factory in operation	-
Keçiborlu Sulfur Factory	factory in operation	The reports of Prof. Yachkovitch are influential in its establishment.
Zonguldak Anthracite Factory	factory in operation	The reports of Prof. Yachkovitch are influential in its establishment.
Sponge Making Company	factory in operation	-

Source: İnan, 1972: 18, 19.

As observed in the table above, it is evident that there was apparent direct or indirect collaboration with the Soviet Union in the enterprises before and following the implementation of the First Five-Year Industrial Plan. However, this process ended with the deterioration of political relations after World War II.

### **11. Evaluating the Long-Term Impact of Historical Economic Plans on Contemporary Türkiye-Russia Relations**

The Montreux Conference of 1936 and the Soviet Union's request for changes in the status of the Straits in 1939 have had a detrimental impact on the relations between Türkiye and the Soviet Union. With the outbreak of World War II, the relationship between Türkiye and the Soviet Union took an even more unfavourable course. During this period, Türkiye pursued a policy of neutrality, while the Soviet Union sided with Germany by signing the Molotov-Ribbentrop Pact. In 1941, following the termination of the German-Soviet Non-Aggression Pact, Germany launched the Barbarossa Operation against the Soviet Union. This event led to the Soviet Union's aligning itself with the Allies. As a result of these processes, the Soviet Union came to view Türkiye as an ally against Germany.

As the war ended, the Soviet Union-Türkiye Friendship and Neutrality Treaty, signed in 1925 and renewed in 1935, was not renewed by the Soviet Union. The advent of the Cold War brought about renewed tensions between the two countries due to ideological and strategic differences. During this period, Türkiye tended to align itself with the Western bloc

against the Soviet threat and, in 1952, became a member of NATO, further exacerbating tensions with the Soviet Union. Throughout the Cold War, relations between the two nations remained limited in scope.

With the conclusion of the Cold War, a positive trajectory emerged in their relations. The dissolution of the Soviet Union in 1991 resulted in the emergence of the Russian Federation, which increased cooperation and economic ties between Türkiye and the Russian Federation. Since the beginning of the 21st century, except for the incident involving the downing of a Russian aircraft in 2015, relations have generally followed a positive course.

During this period, planned industrial cooperation, akin to the 1930s, ceased to exist between the two nations, and the principle of statism succumbed to capitalist economic models. Many enterprises established during this era in Türkiye became largely inactive for various reasons. Contemporary relations have predominantly centred around energy investments. Projects such as the Russia-Türkiye Natural Gas Pipeline (Western Line) and the Blue Stream Gas Pipeline hold significant places in the bilateral relationship. Additionally, substantial investments like the Akkuyu Nuclear Power Plant epitomise collaboration in the energy sector. Türkiye heavily relies on Russia to meet a significant portion of its energy needs.

Moreover, the bilateral trade volume between the two nations has reached exceedingly high. Economic cooperation continues to deepen over time. The trade volume and energy collaboration constitute the bedrock of the relationship. Looking forward, there is anticipation for the exploration of cooperation in broader sectors and an increase in trade volume. Nevertheless, it is imperative to consider political and economic challenges; concerted efforts must be made to overcome these challenges, lest the relationship between the two nations regress into a period of decline.

## **12. Conclusion**

Turkish-Russian relations were mainly unfavourable throughout history until the Bolshevik Revolution of 1917. The establishment of the Soviet Union and the national struggle initiated by Mustafa Kemal Pasha brought the relations to a different point. The formation of Türkiye challenged the existing imperialist understanding, while the establishment of the Soviet Union questioned the capitalist system. This framework led to a convergence between the two states. Relations between the Soviet Union and Türkiye began immediately after the assembly's opening in Ankara and continued as friendly relations until the end of World War II. During the Turkish War of Independence, numerous political and military agreements were made between the USSR and Türkiye.

The successful implementation of the five-year plan in Soviet Russia, commencing in 1928, captivated the interest of Türkiye. Consequently, the Ankara government actively sought to enhance and expand its economic engagements with the Soviet Union. Delegations

from Türkiye visited the Soviet Union to study the First Five-Year Plan and its effects starting from the early 1930s. The impressions from these visits were extensively covered in books and newspaper columns in Türkiye. The success of the Soviet Union in increasing industrial production influenced the decision-makers in the Turkish economy. Ankara quickly initiated efforts to promote economic cooperation with Moscow. The Soviet Union welcomed closer economic ties and supported Türkiye in the form of credit, including the grant of industrial machinery. Moreover, Soviet experts were sent to Anatolia to assist in preparing Türkiye's industrial plans. After months of trips, Russian experts submitted comprehensive industrial plans in written form to the government. These plans formed the main structure of Türkiye's first industrial plan. Additionally, joint companies were established to construct factories, and numerous Russian experts came to Anatolia as a workforce. As a result, Türkiye succeeded in putting many industrial enterprises into operation, with significant influence from the Soviet Union. Furthermore, the plans implemented in both countries served as successful examples of state intervention worldwide. The Soviet plans were a more comprehensive example than Türkiye's plan's narrower scope. As a result of these plans, production spread throughout the countries, and imports decreased. In conclusion, the increase of output directed towards industry during a period affected by the effects of the global economic crisis strengthened the political position of the Ankara government.

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