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### TURKEY AS AN ALLY

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## TURKEY AS AN ALLY

### THE PROBLEM

To estimate the present situation and probable developments in Turkey over the next few years, with particular reference to Turkey's strengths and weaknesses as a member of the Western alliance.

### CONCLUSIONS

1. Since 1947, Turkey has been a stable and dependable member of the Western alliance and has made considerable progress in developing its economy and strengthening its military establishment. Nevertheless, its ambitious pursuit of both economic development and military preparedness simultaneously has produced serious economic and political strains which will probably last for some time to come. (*Paras. 8-11*)

2. The government has announced a stabilization program and in this connection will probably take steps to check inflation and improve its international payments position, which will require a reduction in the rate of recent investment. It will probably need additional US assistance incident to its stabilization program and particularly in meeting its most pressing financial obligations. Over the longer run, if approximately the recent rate of investment is to be resumed and carried out with some degree of economic stability, continuation of substantial amounts of foreign aid will be required as well as

currency devaluation and the introduction internally of austerity measures. (*Paras. 34-38*)

3. We consider it highly unlikely that any major threat to the stability of the Turkish governmental structure will arise, at least within the next few years. The Democrat Party will probably retain control of the government at least up to the 1958 elections, but will probably suffer some loss of strength and may even feel compelled to drop Prime Minister Menderes. Over the longer run, economic development will increasingly change traditional patterns of Turkish rural life and create new political and social as well as economic strains. (*Paras. 20-27*)

4. These political and economic difficulties will not weaken Turkey's basic anti-Soviet orientation. The Turks will continue to regard the US as a necessary ally and will almost certainly continue to cooperate with the US on major international issues. However, irritations and tensions in the US-Turkish relationship will be recurrent. Turkey will be dissatisfied with levels of US aid and will

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seek increased US support for the Baghdad Pact. Moreover, strains are likely to arise in connection with the implementation of any program for the stabilization of the Turkish economy. (*Paras. 57, 62-64*)

5. Trade with the Bloc has increased significantly since 1950, and now accounts for 20 to 25 percent of Turkey's foreign trade, as compared to seven to eight percent in 1950. If the stabilization program is successful, Turkish goods may again become competitive in Western markets and the Turks may attempt to reverse the trend of growing trade with the Bloc. However, unless the Free World is prepared to purchase Turkey's agricultural surpluses, there will be little chance of such a policy being successful. Moreover, the Turkish government's preoccupation with rapid economic development might even induce the Turks to accept some Soviet aid, though they would almost certainly not do so at the risk of losing US financial support. (*Para. 39*)

6. During the past year relations with Greece have been marred by continuing sharp differences over Cyprus. In time the Turks may reconcile themselves to Cypriot self-determination, provided the rights of the Turkish minority are fully guaranteed, and UK or NATO control of military bases on the island is maintained. (*Paras. 50, 58, 61*)

7. Despite Turkey's military progress over the past few years, its forces are still only partially equipped and trained. Turkish ability to undertake sustained combat operations would be completely dependent on outside logistic support. Turkey would probably attempt to maintain its present military establishment despite a cutback in US military aid. In view of the great emphasis which both the Turkish government and the Turkish people have placed on the military establishment, a major reduction in US military aid would have a profoundly disillusioning effect. (*Paras. 40-46, 49*)

## DISCUSSION

### I. INTRODUCTION

8. Since 1947, Turkey has been a stable and dependable member of the Western alliance. It has been an uncompromising opponent of Soviet expansionism, an enthusiastic supporter of NATO preparedness goals, and has worked closely with the US. It has allocated a substantial proportion of its resources to the support of its defense establishment, and with US assistance has made considerable progress in building up and modernizing its armed forces. It has placed primary emphasis on its ties with NATO and the US, but it also took the lead in the establishment of the Balkan Alliance and has worked energetically to set up a Middle East regional defense grouping.

9. Turkey has made notable progress toward political and economic development since World War II. In 1950 the virtual dictatorship of the Ataturk-Inonu era ended without noticeable loss of stability. Free elections were held for the first time since the founding of the republic and when the opposition Democrat Party won an overwhelming victory, an orderly transfer of power took place. With US technical and economic aid, the process of economic development has reached a point where dynamic economic growth finally is beginning to take place. Since 1950 national income has been growing at a rate which for the first time is beginning to provide significant funds for investment. Peasant education and construction of roads to the more

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remote villages are also beginning to have profound social effects.

10. Nevertheless, Turkey is still a poor and underdeveloped agricultural country. Although political awareness in the villages is slowly increasing, political activities are still dominated by a small, educated elite; and the majority of the population generally looks to the government for instruction and guidance. Despite free elections, the government is still authoritarian in tone, with the Democrats using much the same sort of legal devices to curb the opposition as did their predecessors. The extent of the September 1955 anti-Greek riots in Istanbul and Izmir reflected the economic dissatisfaction of certain elements of the urban population, as well as their prejudices against minority groups.<sup>1</sup>

11. Although the Turkish government's increasingly active diplomacy has scored successes in helping to win Pakistani, Iraqi, and Iranian adherence to the "northern tier" concept, it has not tended to smooth relations with Yugoslavia and Greece, and has resulted in difficulties with many of the Arab states. More importantly, the government's insistence on forcing the pace of economic development has caused serious economic strains within the country and has resulted in serious disagreements with the US, the IBRD, and the OEEC which have advocated a more prudent course. It has also contributed to strains within the ruling Democrat Party.

<sup>1</sup> Christian minorities, historically a great problem in Turkey, are no longer of major importance. There are some 300,000 Christians, of whom 130,000 are Greeks and 60,000 Armenians. There are about 76,000 Jews. The majority of the Christian and Jewish minorities live in the Istanbul area. There is no legal discrimination against members of the non-Moslem minority group. The Kurds, who number about two million in Turkey, constitute an ethnic and linguistic, though not a religious minority. Living in isolated areas of eastern and southeastern Turkey, the Kurds have not been effectively integrated into the Turkish body politic. There is also a large element — perhaps over four million — of tribal and seminomadic groups who are suspect of having secret Shia Moslem sympathies and whose peculiar customs lead the majority of uneducated Sunni Moslem villagers to regard them with suspicion.

## II. POLITICAL SITUATION AND PROSPECTS

12. Turkey is politically dominated by the Democrat Party, an offshoot of the once all-powerful Republican People's Party (RPP). The Democrats swept Turkey's first free parliamentary elections in 1950 and increased their majority in 1954. They hold 471 of the 541 seats in parliament and thus can pass legislation or even amend the constitution (which requires a two-thirds vote) without effective opposition.

13. Actual political power has been concentrated in the hands of Prime Minister Adnan Menderes and a small group of close advisors. Menderes is a forceful leader who sometimes uses ruthless methods. He heads the Democrat Party organization and has been personally responsible for the formulation of most governmental policy and supporting legislation. He has made full use of his control over the highly centralized administrative apparatus of the state, with its capabilities for reward and punishment, to keep his followers in line and the opposition off balance. The President of the Republic, Celal Bayar, has left active control of the party and governmental affairs to Menderes. Bayar was one of the founders of the Democrat Party; he participates actively in Turkish diplomatic maneuvers, maintains close contact with Menderes and other party leaders, and exercises considerable influence on the government. Nevertheless, he has been content as head of state to play the part of an elder statesman.

14. Thus far the Democrat Party has retained a high degree of popular support. While Menderes' program of headlong economic development has begun to cause difficulties for most of the urban population, it has been of direct benefit to many others and has been especially welcome in the predominant rural sector of the economy, which has flourished under a system of high guaranteed prices for agricultural products and freedom from taxes on agricultural income. Turkey's increased prestige in world affairs has probably also enhanced the popularity of the Democrat Party.

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15. Under these circumstances the opposition RPP has had little success in making a comeback. Although it polled 35 percent of the vote in 1954 and has two widely respected leaders in ex-President of the Republic Ismet Inonu and Kasim Gulek, the energetic secretary-general of the RPP, the party has failed to develop a positive program with which to challenge Menderes. It still suffers from the legacy of popular mistrust built up over 27 years of arbitrary rule. It has also been handicapped by its small representation in parliament (30 seats) and by the government's use of a severe press control law<sup>2</sup> and other legal devices to curb criticism.

16. Lesser opposition parties have also fared poorly. The Republican National Party, a basically conservative group long suspected as the vehicle of orthodox Moslem sentiment for a modification of the government's anti-religious attitude, holds only five parliamentary seats. The Peasant Party, whose platform tends to ape that of the Democrat Party, has none. Communism has never made significant headway in Turkey in the face of the basic popular suspicion of all things Russian and the government's strong security controls. Although the Turkish Communist Party has been outlawed, some limited Communist activity presumably goes on. The government's claim that the recent Istanbul and Izmir riots were instigated by the Communists is probably greatly exaggerated.

17. Although the opposition has not improved its position in recent months, that of the Democrat Party and of Menderes in particular has suffered a decline. The government's harsh methods of silencing its critics have evoked protests from the more liberal and politically sophisticated, and the criticism which these methods have aroused in the US and other Western countries has created doubts about Menderes' prestige abroad. The government has been charged with financial

<sup>2</sup> The press law, which authorizes legal action against anyone who directly or indirectly criticizes the government or its ministers, is notable for its provision that the truth of the statements involved does not constitute an admissible defense.

irresponsibility and poor tactics in dealing with the US. In mid-1955 it succeeded in obtaining only \$30 million of additional US aid instead of the \$300 million US loan it had been counting on to check the accelerating inflation and overcome Turkey's worsening international payments position. Its inept handling of the September 1955 riots on the Cyprus issue was another blow to the government's prestige. It failed to order prompt intervention by the armed forces while demonstrations, probably initially authorized by the government, developed into widespread violence and looting. Moreover, Menderes' economic policies have produced inflationary strains which have created growing dissatisfaction, particularly among the urban population. Within the Democrat Party itself resentment has begun to appear over Menderes' arbitrary methods and over alleged financial profiteering by the then Deputy Prime Minister Zorlu and other favored officials.

18. The strains within the Democrat Party first came into the open at the party's October 1955 National Congress, when some of the more liberal elements raised demands for a revision of the harsh press law and indicated a general dissatisfaction with Menderes' high-handed methods. The immediate crisis was promptly resolved when Menderes expelled nine dissident deputies from the party, including the widely respected Fevzi Lutfi Karaosmanoglu and two other former cabinet ministers. Although an additional 10 deputies resigned in protest, Menderes was re-elected party president by an overwhelming majority.

19. A new and more serious crisis arose in late November. A caucus of Democrat deputies subjected the government to a barrage of criticism for financial mismanagement and irregularities. Menderes squeaked through with a narrow vote of "personal" confidence, but was forced to drop Zorlu and other key targets of criticism from the cabinet and to promise a more effective attack on the rising cost of living and other problems of economic management. On this basis, a reconstituted cabinet, pledged to undertake a tightening up of economic and financial policies, was

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overwhelmingly approved by parliament in December 1955. Shortly thereafter, however, the deputies who had withdrawn from the Democrat Party — now totalling 29 — united to organize the Freedom Party. This group, which charges the government with forsaking pledges of constitutional and political reform, includes some fairly prominent Democrat Party figures, though to date it has not attracted a following of a size and nature to represent a real threat to the Democrats.

### Probable Developments

20. The immediate outlook is for a period of considerable political uncertainty because of the deterioration in Menderes' personal position, the incipient challenge to his party, and the politically unpalatable measures which will be necessary to check the current inflation. Despite the press law which will continue to dampen opposition criticism, at least through its present expiration date in March 1956, attacks on the government will be heightened. The economic crisis with its attendant political repercussions has been a severe blow to Prime Minister Menderes' prestige even within his own party. Moreover, many party members having publicly rebuked a leader so conspicuously intolerant of criticism, may feel they must continue to oppose Menderes for the sake of their own political survival.

21. Menderes remains a forceful political leader who still towers over his potential rivals and who will probably make energetic efforts to re-establish a firm political position. Should he succeed in extricating the government from its acute economic and financial difficulties, it is unlikely that his leadership would be seriously threatened, at least during the next year or two. On the other hand, the temerity of the Democrat deputies in directly challenging his position indicates a depth of feeling which will not easily be assuaged and probably marks a turning point in intraparty affairs. Under these circumstances, Menderes' survival will depend on his ability to convince his party and the elite in the country that he is still in effective control of the situation and that he will take the steps necessary to stave off economic crisis, assure continuing

US support, and re-establish party harmony. If he does not take these steps, the Democrats would probably feel compelled to drop him lest they incur large-scale defections from their parliamentary strength. In such an event, President Bayar would probably assume a more active role in the government, though he appears unlikely to take over direct control himself.

22. The outlook for the Democrat Party over the next year or two is somewhat more favorable. Despite its current difficulties, it still has a commanding parliamentary position and its popular acceptance and support in the countryside has only begun to decline. Its effectiveness as a going political organization will probably tend to discourage further significant defections from its parliamentary delegation. Moreover, it will probably continue to have the prestige and influence of the president behind it. Although it is possible that the Democrats might split over the question of Menderes' future or the management of economic affairs, we believe it more likely that the party will remain united and retain control of the government at least up to the national elections of 1958.

23. Nevertheless, the basic trend appears to be toward a loosening of the Democrat Party's present grip on the country. Economic discontent, in particular, will probably continue to provide the opposition with opportunities for exploitation no matter what course the government follows. The present dislocation cannot be overcome quickly and any comprehensive corrective measures will antagonize some elements of the population. While the government may try to keep the opposition in check through further resort to authoritarian curbs, there will probably be increasing public and parliamentary resistance to the use of repressive measures. For example, Gulek and other RPP spokesmen are said to have deliberately courted legal action against themselves in order to dramatize the free speech issue.

24. A potential threat to the Democrat Party's position is posed by the newly formed Freedom Party. Should the Democrat Party's present leadership fail to satisfy rank-and-file de-

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mands, sizable defections to the Freedom Party may take place. There are unconfirmed and probably much exaggerated reports that the Freedom Party can already count on the support of 170 deputies. To date, however, there is little firm information showing a marked swing to its side.

25. Underlying social strains may also have an adverse effect on the government in power. The violence of the September 1955 riots in Istanbul demonstrated the depth of social, economic, and religious antagonism towards the large and relatively well-to-do minorities in that city. Throughout the country there appears to be deep seated resentment of the inferior status accorded Islam under the Turkish Republic, even though both major parties remain firmly opposed to the injection of religion into politics. The Democrats have sought to ease the situation by removing previous curbs on the public practice of Islam. Since 1950, for example, the government has allowed the call to prayer to be given in Arabic, permitted a number of the devout to make the pilgrimage to Mecca, and even subsidized a number of small preacher schools. Nevertheless, some further revival of conservative or even fanatical religious sentiment appears possible.

26. Over the longer run additional stresses are likely to arise, since increasing industrialization, urbanization, and the spread of a money economy to the further reaches of the countryside are increasingly changing traditional patterns of Turkish life. Within the cities, the labor movement, which is growing in size but so far has lacked experienced and determined leaders, is likely to make strong efforts to throw off the mantle of governmental supervision and establish the right to use strikes and other western collective bargaining techniques. In time, the Communists may have some success in exploiting unrest among various elements of the urban population.

27. We consider it highly unlikely, however, that any major threat to the stability of the Turkish governmental structure will arise, at least within the next few years. Despite the presence of some concentrated minority

groups, Turkey has a generally homogeneous population with a marked sense of national unity. Semiauthoritarian patterns of government are accepted as normal both by the bureaucracy and the masses of the people and would probably continue to be followed even in the event of greater political activity. The army, which represents the ultimate guardian of internal stability, has not been involved in politics and will probably continue to be a reliable and effective instrument of control. The armed forces did not intervene promptly in the September 1955 riots, probably because of the absence of adequate orders. This was a source of embarrassment and concern to the government. It has been followed by a shake-up in army, gendarmerie, and police commands, together with the imposition of martial law for six months. Such a failure is unlikely to recur.

### III. ECONOMIC CONDITIONS AND PROSPECTS

28. Turkey is beginning to emerge from the economic stagnation which developed under the Ottomans. Despite Turkey's prewar efforts to build up state industries and the intensive programs for economic development which have been undertaken in recent years, the standard of living — while substantially higher than that of most other Middle Eastern countries — is still one of the lowest of any of the Western European countries. (The per capita gross national product in 1954 was \$200, compared with \$395 for Italy and \$200 for Greece.) Lack of an adequate system of secondary roads to supplement the overburdened rail network isolates much of the countryside from the urban money economy and tends to perpetuate the dependence of much of the population on primitive agriculture or herding. Until the postwar period, the economy was largely self-contained. However, while over the past decade the relation between exports and GNP has remained fairly constant at about seven percent, the increasing dependence of the economy on imports is evidenced by a rise from 3.5 percent of GNP in 1946 to nine percent in 1953. Tobacco, minerals, dried fruits and, more recently, grains and cotton have been sizable exports.

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29. Turkey has been engaged in a program of economic development since the 1930's. In the period before World War II it took the form largely of industrialization undertaken by the government. Since 1950, the government, while proceeding with industrial development, shifted emphasis to the rural sector. Gross capital investment in four years rose from an estimated 1,100 million of Turkish lira<sup>3</sup> (\$392 million) in 1950 to 2,600 million Turkish lira (\$920 million) in 1953. In 1950 and subsequent years the private sector accounted for perhaps as much as one-half of the total investment. The rate of gross investment to the estimated gross national product in the four years was respectively 11 percent, 12 percent, 14 percent, and 15 percent. From the very outset the investment drive was made possible by the adoption of a liberal credit and financial policy that had potentially inflationary consequences. This was particularly true in the case of the agricultural development. Credit on liberal terms was made available to farmers for the purchase of tractors, seeds, etc. A price support program assuring markets at profitable prices for the expanding agricultural production meant increasing amounts of deficit financing in order to cover the losses of TOPRAK, the government purchasing agency. Such losses increased as world market prices for grain fell in the post-Korean period without a corresponding fall in support prices.

30. Taking advantage of the approximately \$600 million in various forms of US technical and economic aid made available through FY 1955, the Turkish government has initiated extensive rural and industrial development activities. A large-scale road building program has the dual purpose of opening up the hinterland and improving military communi-

cations. New lands have been opened up to large-scale cultivation, notably in cotton. Mechanization of agriculture has been considerably accelerated during this period, as illustrated by the fact that by 1955 there were 42,000 tractors in the country, as against only 1,000 in 1948. Turkey has also, however, made important gains industrially, namely in improved coal and other mining operations, added electric power facilities, and expanded and improved railway, airport and port facilities, as well as modernized communications services. Iron and steel, metal working, cement, building materials, and chemical industries have been established or expanded. Light industries, however, still predominate, among which food processing and textile manufacturing are the most important. While industrial activity has been increased and diversified in recent years, manufacturing still plays a comparatively small role in Turkey.

31. These activities have resulted in substantial productive gains. As Table I indicates, GNP rose in the four year period 1950 through 1953 by approximately 40 percent. GNP declined in 1954 due to that year's severe crop failure, but still represented a rise of 30 percent over the 1948 level. While firm estimates of 1955 GNP are not yet available, indications are that production has resumed its upward trend. The most notable gains have been in agriculture. In particular, grain production, which totalled 7.7 million tons in 1950 (or slightly higher than the prewar average) rose to 14.8 million tons — or nearly double that amount — in the bumper year 1953, thus making Turkey for the first time

TABLE I  
ESTIMATED GROSS NATIONAL PRODUCT  
Constant (1948) Prices

	Turkish Lira (millions of)	Dollars* (millions of)	Per Capita	
			Turkish Lira	Dollars*
1950	10,400	3,714	496	177
1951	11,988	4,279	556	202
1952	13,023	4,651	588	210
1953	14,467	5,167	635	227
1954	13,100	4,679	559	200

\* See footnote to paragraph 29.

<sup>3</sup> Throughout this estimate conversions have been made at the official rate of exchange, which is 2.8 Turkish lira to the dollar. The free market rate in the past year has fluctuated between seven and ten lira per dollar. While the latter rates cannot be regarded as adequately reflecting purchasing power within the country, it should be noted that dollar amounts derived from conversion of lira are necessarily substantially overstated.

a substantial grain exporter. Although the poor 1954 wheat crop failed to meet even domestic needs, the 1955 crop — while somewhat better — did not provide a surplus for export.

32. Despite and in some considerable measure because of these achievements, some major problems have arisen:

a. The government faces serious balance of payments difficulties. Even a relatively modest development program would have generated requirements for capital equipment, petroleum products, and other items from abroad which could not have been met out of current annual foreign exchange earnings. However, the Turks have embarked on a very ambitious and poorly planned program and, even though much of the imports required for their investment program have been met through US grant aid, they have allowed their foreign obligations to pile up at a far higher rate than their repayment capabilities would justify. This has been particularly true because a considerable portion of investment has been financed through short-term foreign borrowing. A large part of these debts will be falling due this year and the next. In 1956 existing obligations including arrears call for repayments of about \$172 million and in 1957 of about \$144 million. With its gold reserves already almost entirely pledged and its uncommitted foreign exchange holdings negligible, the resources for meeting these obligations are not in sight.

b. Serious inflationary strains have arisen. Heavy development expenditures, coupled with the maintenance of a large defense establishment, have created inflationary pressures on the economy which the government has not only been reluctant to deal with but has actually stimulated through its farm price support and easy credit policies. The situation was aggravated in 1954, when the rate of investment was maintained despite a major crop shortfall, thus contributing to a forced reduction in the importation of needed industrial raw materials, spare parts, and petroleum. Since 1953, the urban cost of living has risen by about 25 percent without substantial increases in wages and salaries

TABLE II  
 Turkish Balance of Payments  
 (In millions of TL)\*

	July 1, 1952	July 1, 1953	July 1, 1954
	June 30, 1953	June 30, 1954	June 30, 1955
<b>Operations on Current</b>			
<u>Account</u>			
Imports	1,495	1,483	1,333
Exports	1,083	990	906
	—412	—493	—427
Invisibles, net	—10	—28.4	—42
Other	..	+8.8	+72
Current balance	—422	—512.6	—396
<b>Operations on Capital</b>			
<u>Account</u>			
Capital movements			
(private)	—26.6	+24.9	+155
Public debt repayment	—18.8	—83.3	—93
IBRD	+17.5	+38.2	+38
ICA (FOA)	+209.4	+126.8	+163
Export-import	+2.1	+2.2	..
Supplier credits	+26.0	+80.8	..
IMF credit		+56	..
Arrears	+104.9	+384.1	..
Other	+110	—52.0	+179**
Net errors & omissions	—2.5	—55.1	—46
	+422	+512.6	+396

\* See footnote to paragraph 29.

\*\* Principally credits under trade agreements.

except for certain categories of skilled labor, and even the relatively better situated rural population has begun to grumble over shortages and high prices for such necessities as sugar, nails, and spare parts for farm equipment. The government's refusal to devalue the lira and its maintenance of high agricultural price supports have also tended to price Turkish products out of the world market, thus adding to Turkey's balance of payments difficulties. Turkey's growing resort to bilateral trade with the Bloc, which now accounts for about 20 to 25 percent of Turkey's total foreign trade, as compared to seven to eight percent in 1950, represents an effort to get around this problem. It is proving costly in terms of quality of goods received and possibly also with respect to price.

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TABLE III

Turkish Foreign Debt — February 1956

	Total	
	Millions of dollars*	Millions of Turkish lira***
Government long term debt	509	1,424
Government short term debt	141**	394
Supplier credit		
(a) public sector	205	574
(b) private sector	53	147
Commercial credit		
Debts to oil companies	49	137
Arrears	130	365
<b>TOTAL</b>	<b>1,087</b>	<b>3,041</b>

Schedule of Payments Required Under Terms of Existing Foreign Indebtedness

	1956		1957		1958		1959		1960	
	Mil \$	Mil TL	Mil \$	Mil TL	Mil \$	Mil TL	Mil \$	Mil TL	Mil \$	Mil TL
Government long term debt	41	116	38	106	35	97	36	101	34	94
Government short term debt	..	..	..	..	..	..	..	..	..	..
Supplier credit										
(a) private	23	65	16	44	9	26	3	7	1	4
(b) public	41	115	49	137	40	113	35	97	24	68
Commercial credit										
Debts to oil companies	14	40	..	..	..	..	..	..	..	..
Arrears	53	149	41	116	18	50	18	50	..	..
<b>TOTAL</b>	<b>172</b>	<b>485</b>	<b>144</b>	<b>403</b>	<b>102</b>	<b>286</b>	<b>92</b>	<b>255</b>	<b>59</b>	<b>166</b>

\* These foreign debts, while stated in dollars, represent sterling, franc and other foreign obligations as well as dollar indebtedness.

\*\* There is no present scheduling of repayment to foreign banks of these debts, most of which (\$114 million) is secured by gold, leaving only about \$30 million of Turkish gold holdings uncommitted.

\*\*\* The lira value of this debt is understated, since it is arrived at on the basis of the official exchange rate of 2.8 TL=\$1.00. See footnote to paragraph 29.

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c. Finally, there has been considerable waste and poor coordination in the program. Projects have been scheduled, sometimes for political reasons, without due regard for their place in the over-all development of the economy and without proper anticipation of bottlenecks. There has been much diversion of capital to inventory speculation and to relatively unproductive building construction. In some instances the Turks have made heavier initial investments than were immediately necessary, apparently in order to obtain additional leverage in aid negotiations with the US.

33. Until recently Turkey paid little attention to the increasing concern voiced by the US, the IBRD, the OEEC, and various other interested parties and advisers. Menderes, partially under the influence of former Deputy Prime Minister Zorlu, seems to have believed that his economic troubles were temporary ones which would disappear if the country obtained, as he anticipated, large additional amounts of assistance from the US and held on long enough for the various investment schemes to pay off. He was almost certainly convinced that in the last analysis the US would feel compelled to provide whatever emergency financial support its ally Turkey needed.

34. The events of recent months, however, have forced Menderes to shift to a more realistic approach to his economic problems. During the fall of 1955 the government tightened import controls, raised the bank rate on loans, and paid off some commercial debts. Moreover, following the shake-up in the government's economic high command which took place as the result of the December 1955 cabinet crisis, the new Minister of Finance has come forward with a program,<sup>4</sup> which if carried out would provide a substantial measure

<sup>4</sup>The proposed measures include: (a) confining new investment activity largely to completion of projects presently under way; (b) limiting further financing of state enterprises through the Central Bank; (c) limiting agricultural credit to present levels and controlling other bank credit; (d) instituting a priority schedule on imports; and (e) balancing the government budget.

of stabilization for some months. Menderes has now publicly endorsed this program, and has reassured the Randall mission, which visited Turkey in February 1956 under joint Turkish-US sponsorship, that he is determined to follow through with it.

### The Economic Outlook

35. We believe that Turkey's long-range economic prospects are fundamentally good. The country possesses sufficient undeveloped land, fuel, and mineral resources to support a substantially greater population than its present 24 million. Its leadership is energetic. Production has already begun to increase at a rate which not only exceeds that of population growth, but is yielding a moderate surplus available for investment.

36. Nevertheless, continuing economic development will be a long-drawn-out process requiring a higher sustained rate of imports, over a period of years, than Turkey will be able to pay for from its current foreign exchange earnings. Although Turkey may be able to finance some portion of its future import requirements through long-term loans from non-US sources, the rate of development will be greatly slowed without continued substantial US grant or loan aid. Both the stability of the Turkish economy and its credit worthiness will be adversely affected by its vulnerability to crop failure and its dependence on a very small number of products for the bulk of its export earnings.

37. Incident to such development there will be internal problems to be faced as well. Increasing population, and demand for improvement in the standard of living on the part of the populace, as well as the defense burden, will be competing with the development program for the limited available domestic resources. The success of the development program over the longer run will require some limitation on the rate of increase in the standard of living of the people.

38. Turkey's immediate economic and financial difficulties are likely to present a continuing threat of instability over the months to come. Turkish leaders now appear sufficiently concerned to move toward putting their

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TABLE IV

TURKISH GOVERNMENT BUDGET\*

	1953-1954		1954-1955		1955-1956 (Est.)	
	Millions of TL	Millions of dollars**	Millions of TL	Millions of dollars**	Millions of TL	Millions of dollars**
<u>Revenues</u>						
Taxes	2,005	716	2,274	812	2,912	1,040
Self-financing government economic enterprises	116	41	109	38	268	96
<b>Total revenues</b>	<b>2,121</b>	<b>757</b>	<b>2,383</b>	<b>850</b>	<b>3,180</b>	<b>1,136</b>
<u>Expenditures</u>						
Capital outlay (including state enterprises)	852	305	1,009	360	1,660	592
Current expenditures	1,018	364	1,283	458	1,424	509
Defense, including counterpart funds	718	256	827	295	931	333
<b>Total expenditures</b>	<b>2,588</b>	<b>925</b>	<b>3,119</b>	<b>1,113</b>	<b>4,015</b>	<b>1,434</b>
<u>Total Deficit</u>	<u>467</u>	<u>168</u>	<u>736</u>	<u>263</u>	<u>835</u>	<u>298</u>
Less counterpart funds	131	47	206	74	200	71
<b>Deficit after counterpart</b>	<b>336</b>	<b>121</b>	<b>530</b>	<b>189</b>	<b>635</b>	<b>227</b>
Defense expenditures as percentage of total budget expenditures	28%	...	27%	...	23%	...
Defense expenditures as percentage of GNP	4.3%	...	4.4%	...	4.5%	...

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\*\* See footnote to paragraph 29.

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economic and financial affairs in order. If the US is prepared to assist in meeting Turkey's most pressing foreign exchange obligations, the Turks can probably make progress toward establishing their economy on a sounder basis. However, even the present stabilization program is likely to engender resistances which may make the government reluctant to follow through with the requisite firmness. Sooner or later, the government will also have to face up to the need to devalue its currency if the stabilization process is to be effectively carried out. Moreover, increasing taxation will be needed so as to check inflationary trends and mobilize funds for the internal component of the government's investment program.

39. Turkey will continue to be susceptible to Soviet economic offers, particularly if a reduction in US aid appears to be in prospect. With its credit exhausted and most of its products priced too high to compete in Western markets, Turkey has already turned increasingly to barter deals with the Bloc. Imports from the Bloc have risen from eight percent of the total in 1950 to 19.6 percent in the first half of 1955, and export percentages have similarly risen from seven percent to 26.5 percent in the same period. If the stabilization program is successful and Turkish goods again become competitive in Western markets, the Turks, who are probably skeptical of extensive dealings with the Bloc, may attempt to reverse the current trend. On the other hand, the increasing availability within the Bloc of manufactured goods for export, and the fact that Turkish wheat and cotton may be difficult to dispose of in Western markets, might make trade between Turkey and the Bloc mutually advantageous and attractive. The Turkish government's preoccupation with rapid economic development and its need for imported materials to carry the program out might even induce the Turks to accept some Soviet aid, though they would almost certainly not do so at the risk of losing US financial support.

#### IV. MILITARY AFFAIRS

40. Turkey continues to lay great stress on the development and maintenance of strong

military defenses. Virtually all of its military establishment of approximately half a million men is committed to NATO. Much of the cost for the training and equipment, as well as some of the cost of supporting these forces, has been borne by the US. US economic aid has also indirectly contributed to the maintenance of Turkey's armed forces. However, the Turks have themselves assumed an extremely heavy defense burden. Over the last five years defense expenditures have accounted for roughly 43 percent of the government budget — approximately 28 percent in direct appropriations to the defense establishment and another 15 percent in various forms of indirect support, such as construction of roads and facilities. Current defense expenditures represent about 4.5 percent of estimated GNP.

41. The composition of the Turkish armed forces is as follows:

a. The *Turkish Army*, with a personnel strength of about 430,000, consists of three field armies and eight corps. Major units include 13 infantry divisions, 3 mountain divisions, 3 cavalry divisions, 1 armored division, and 4 armored brigades. Under the Turkish system, all men undergo military training and are members of the reserve up to age 46, thus giving Turkey a mobilization capability of an additional 800,000 men. However, equipment for reserves is largely lacking. The 40,000-man Gendarmerie and the 10,000 Customs Guards are also given basic army training.

b. The *Turkish Air Force* consists of approximately 30,000 officers and men equipped with about 400 mission aircraft, including 260 jet fighter bombers and 70 jet fighter interceptors. Most of the aircraft are committed to NATO and are organized into 14 fighter bomber squadrons, 1 fighter interceptor squadron, and 1 reconnaissance squadron. Four additional squadrons of about 40 transport mission aircraft are not assigned to NATO.

c. The *Turkish Navy*, whose personnel strength is expected to be raised from 24,000 to 33,000, possesses 1 old battleship, 10 de-

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stroyers, 12 submarines, 8 subchasers, 39 minelayers and minesweepers, plus auxiliary vessels and service craft.

42. The Turkish soldier is deeply patriotic, well-disciplined, and physically tough. Moreover, the extensive re-equipment and training programs undertaken under US supervision have resulted in transforming the poorly equipped and poorly organized military establishment of 1947, with its ignorance of modern tactics and techniques, into a considerably more up-to-date fighting force.

43. Much, however, still remains to be done. Even NATO-assigned tactical units in the army are on the average only slightly over 50 percent equipped, and Turkey remains dependent on outside aid for most logistical support. Though the ground forces are increasingly effective, they continue to be hindered by such factors as a rigidly centralized and bureaucratic higher staff control, some lack of individual initiative on the part of junior officers and noncoms, and inadequate unit and combined arms training. Another fundamental difficulty, which is being faced, is that of developing and retaining sufficient numbers of competent junior officers, NCO's, and technicians.

44. The air force has shown a very slow increase in combat readiness and effectiveness over the past two years and is still only partially trained. Under present aid programs the 16 NATO committed squadrons will, by 1958, be sufficiently equipped and trained to constitute a combat ready force. Ten major airfields including three international civil fields now exist, six of which are to be brought up to SHAPE standards by the end of 1956. About eight additional NATO airfields are planned. As yet, Turkish air defense capabilities are very inadequate because of an extremely weak air control and warning radar net; additionally Turkey lacks an adequately trained jet interceptor fighter force.

45. The Turkish Navy is the least effective among those of the Mediterranean NATO powers. Though it is a regular participant in NATO exercises, none of its units has been definitely assigned to NATO forces. It is incapable of denying access to the Straits to

Soviet naval forces in time of war, and could probably carry out no more than minor harassing action against Soviet amphibious landings on the Black Sea coast. However, its seven ex-US submarines, given adequate logistical support, could harass Soviet supply lines in the Black Sea.

46. At present, Turkey could probably hold its position in Thrace and the Straits indefinitely against an attack by Bulgaria alone. However, unless promptly reinforced it would soon lose this area to a determined Soviet-Satellite attack. Without allied reinforcements, Turkey could do no more than delay a major Soviet land offensive from the east. Turkey's ability to shift defensive forces from one front to another or to engage in or support offensive moves is limited by lack of transport equipment in the field army and by the limited size and the high vulnerability of its internal rail and road network. Turkey is almost entirely incapable of providing its own ammunition, fuel, and materiel replacement requirements. In all cases, the ability of the Turks to undertake effective and sustained combat operations would be contingent on substantial outside logistic support.

#### Future Developments

47. The future of the Turkish armed forces will depend primarily on the extent of US support. Turkish leaders, with general popular approval, are anxious to complete the modernization of the present Turkish military establishment, and would probably be willing to undertake a further expansion if the additional equipment and direct forces support could be made available. However, the Turks are already overextended militarily in terms of their economic capabilities and, despite Turkey's potential for economic development, they will probably continue to be so for an indefinite period. Turkey will be unable to defray the cost of acquiring additional equipment, and probably would not be able to meet even replacement and maintenance costs by itself.

48. A continuation of substantial US military aid would result in a slow but steady increase in Turkish military capabilities. However,

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maintenance of these capabilities after existing equipment deficiencies were overcome would still require substantial continuing support, in view of Turkey's probable inability to foot the bill. Turkey has indicated its willingness to contribute forces to the defense of the Zagros Mountain line in Iran. Since virtually all of Turkey's forces are committed to the defense of its own territory under NATO plans, however, it is highly unlikely that forces could be made available for employment outside Turkish territory without an expansion of Turkey's present troop strength.

49. Turkey would probably attempt to maintain its present inadequately equipped military establishment despite a cutback in US military aid. However, the Turks would probably be unable to do so unless direct forces support were continued. A cutback in economic assistance would be likely to induce the Turkish government to make some military reductions rather than cut back on the economic development program. In view of the great emphasis which both the Turkish government and the Turkish people have placed on the military establishment, a major reduction in US military aid would have a profoundly disillusioning effect.

## V. FOREIGN AFFAIRS

50. Turkish foreign policy is marked by a fierce determination to preserve Turkey's territorial integrity and independence, a strong belief in the efficacy of firmness backed by strength in international affairs, and a growing sense of self-confidence and pride in Turkey's achievements. The Turks consider themselves Europeans rather than Middle Easterners and remain basically contemptuous of their weak and relatively backward neighbors in Iran and the Arab states. Although Turkey has sought to remain on good terms with Greece, some vestiges of past Greek-Turkish animosity existed even before the recent flare-up of Greek-Turkish feelings over Cyprus.

51. During the earlier years of the republic, Turkey sought to avoid involvement in international power politics, while attempting to

build up economic self-sufficiency. It formed early ties with the then equally new and generally ostracized Soviet government in Russia, and maintained close economic relations with the USSR up through the 1930's. Turkey remained neutral for most of World War II, and only entered the war in 1945 so as to become eligible for UN membership.

52. Following World War II, however, the basic direction of Turkish foreign policy shifted drastically to strong support of collective security, both in and out of the UN. Confronted once again with the threat of Russian expansionism, which for more than 300 years has posed a recurrent danger to Turkey's position in the Straits and Anatolia, the Turks have since concentrated on building up alliances in the West. Their initial preoccupation was with solidifying their relationship with the US, and with being accepted as a NATO partner. Although Turkey went along with the ill-fated Middle East Command proposals, it initially showed little real interest in Middle East defense problems. Having achieved the basic goal of NATO membership in 1952, Turkey has since felt free to take an increasingly active role in regional affairs. It made strenuous efforts to draw Yugoslavia into a firm defensive alliance with itself and Greece under the Balkan Pact of 1953 and the subsequent Bled Agreement of 1954. More recently, Turkey has conducted an energetic diplomatic offensive on behalf of the plan for a Middle East defense grouping.

53. These moves, together with such steps as Turkey's decision to contribute forces to the Korean campaign, probably reflected a desire to demonstrate Turkey's solidarity with the US and its other Western allies, and thereby to strengthen Turkey's claims to continued US military and economic aid. The Turkish-Pakistani Pact of 1954, under which the "northern tier" scheme first began to take form, was undertaken in direct response to US suggestions.

54. However, Turkey has followed through with these policies with an energy which also appears to reflect an increasing sense of its importance and responsibility as a world power and its growing concern for Turkey's

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regional interests and prestige. The vigorous and skillful diplomacy of Premier Menderes and President Bayar played an important role in Iraq's decision to sign the Baghdad Pact in 1955 and in Iran's subsequent decision to adhere. Similar tactics have been applied, thus far unsuccessfully, to Jordan, Lebanon, and Syria. Although Turkey is one of the few Middle East states to recognize Israel, it has recently acted more coolly in its relations with that country in order to improve its standing in the Arab world. Turkish diplomacy and propaganda have attacked Egypt and Saudi Arabia for their opposition to the Baghdad Pact. In its efforts to influence the situation in Syria, Turkey has backed up its strong diplomatic pressures with a certain amount of saber-rattling. Although the Turks do not appear to have seriously considered armed intervention in Syria, they have displayed continuing interest in the possibility of a coup by antileftist and anti-Egyptian elements.

55. These echoes of the Ottoman tradition in Turkey's recent Middle East diplomacy have roused some fears, which thus far appear to be unfounded, among the Arabs that Turkey has irridentist ambitions. While Turkey's new involvement in Middle Eastern affairs may in time generate an interest in reasserting Turkish political leadership over the Arab states, there is no indication of a desire to expand Turkish territory to include non-Turkish peoples.

56. Turkey, during the past year, has opposed Cypriot and Greek demands for the union of Cyprus with Greece, sometimes with such vigor as to obstruct British offers to compromise the issues. Turkey's opposition is based on a desire to protect the Turkish minority (constituting about 18 percent of the island's population and supported by a vociferous pressure group on the mainland), as well as on the conviction that Cyprus' strategic location requires that it be kept in safer hands than those of the Greeks. While demands for the return of Cyprus to Turkey have appeared frequently in the Turkish press, Turkey has demonstrated no real desire to annex the island and would be content with a continuation of UK control there.

## Future Developments

57. The main lines of Turkish foreign policy will probably remain substantially unchanged for the foreseeable future, regardless of internal political developments. Conciliatory gestures by the USSR, of which the most notable was the withdrawal in 1953 of claims to the Straits and to Turkey's eastern provinces of Kars and Ardahan, have not dissipated Turkey's underlying conviction that Russian expansionism is a primary and enduring threat to its territorial integrity and security. Recent Soviet overtures aimed at improving relations with Turkey have been politely but firmly rebuffed. The Bloc will probably continue its efforts to develop closer relations with Turkey. However, even if there should be a prolonged drift toward a de-emphasis of military alliances and of sharp divisions between the Soviet Bloc and the West, Turkey will probably continue to be a strong advocate of military preparedness against the Bloc and will continue to look to NATO — and in the last analysis to the US — as a source of support. The Turks would almost certainly react firmly to any renewal of Soviet pressures against them.

58. Although the Turks have presumably given up hope, at least for the present, of obtaining effective military cooperation from Yugoslavia, they will probably go along with Greek efforts to keep the framework of the Balkan Alliance intact. In any event, Turkey will make sincere, if not always adroit, efforts to heal the breach with Greece which was brought about by the Istanbul and Izmir riots. Turkey was deeply disturbed by the recent refusal of the Greeks to participate in NATO-scheduled joint military exercises and has taken a number of steps to placate Greece. Although the pattern of Greek-Turkish relations so carefully built up over the last 30 years has been severely shaken as a result of the riots, both governments now appear desirous of restoring a greater measure of cooperation.

59. Turkey will almost certainly continue its efforts to combat anti-Western, pro-Communist influences in the Middle East, most specifically through support of the Baghdad

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Pact. The Turks are concerned about the possibility of Soviet political, economic, and eventual military penetration of the area. In any event, Turkey is too deeply committed to the "northern tier" concept to withdraw gracefully without loss of prestige. The Turks are likely to remain particularly concerned about Syria and may make further efforts, alone or in cooperation with Iraq, to promote the fall of the present government.

60. The ultimate extent of Turkish efforts in the Middle East, however, will depend largely on the attitude of the US, whose diplomatic and military support Turkey recognizes as vital. Turkey will probably put strong pressure on the US to give greater support to the Baghdad Pact. It may deliberately undertake a more forward policy of its own in the hope of forcing the US's hand. Should substantially greater US support not be forthcoming, however, it is likely that Turkey would eventually give up active efforts to promote the pact organization.

61. Turkey's relations with its European allies are likely to be subject to various political and economic strains over the next few years. Turkish inflexibility will probably continue to contribute to the inherent difficulties in the Cyprus problem, though the Turks may eventually be persuaded to accept Cypriot self-determination on the basis of special provision for the rights of the Turkish ethnic minority and continued UK or NATO control of military bases on the island.

#### Turkish Relations With the US

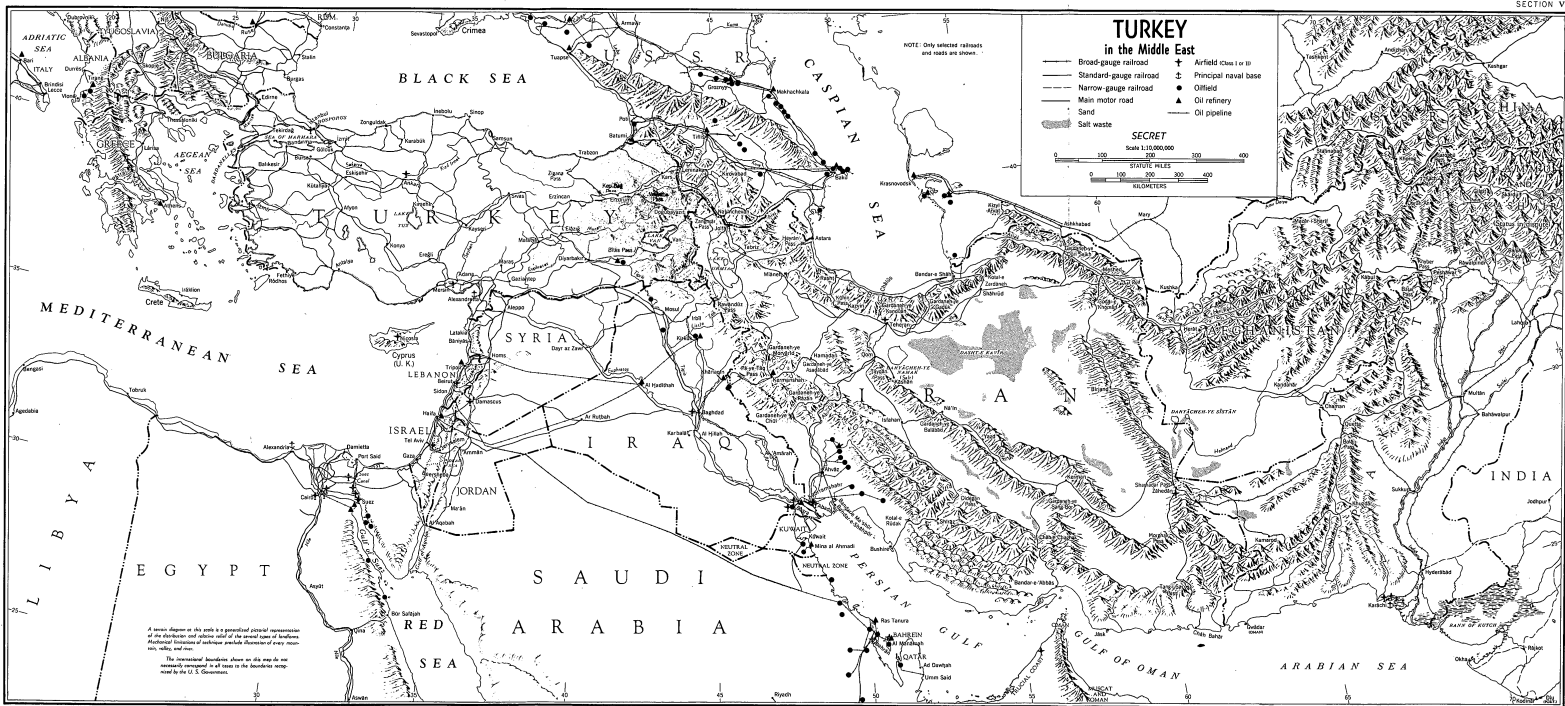
62. The main incentives to Turkish cooperation with the US will probably remain for the foreseeable future. Turkey will continue to

regard the US as a necessary ally against the threat of Soviet-Communist expansionism and will wish to support the US in its efforts to maintain a strong free world position. Barring a drastic shift in US attitudes and policies toward Turkey, the Turks will also value the friendship of the US because of their dependence on the US for further military and economic aid.

63. Nevertheless, relations between the US and Turkey are likely to be somewhat less close and harmonious than in the past. Turkey entered into its postwar partnership with the US with a considerable degree of enthusiasm and, in fact, still works closely and cordially with the US on most foreign and defense policy matters. However, with the passage of time and the progressive growth of Turkey's pride in its accomplishments and confidence in its own judgments, various tensions have begun to arise.

64. Although US-Turkish friction will probably abate as a result of Turkey's recent moves to stabilize its economy, Turkish captiousness and irritability toward the US are not likely to be reduced for an extended period. The Turks, who have exerted themselves to expand the Baghdad Pact, will feel let down unless the US gives more support to the Pact, and further differences may arise over the Cyprus issue. Although the Turks may prove willing to accept a program of more orderly and rational development, disagreement regarding the level of aid will continue. Nevertheless, the mutual interests linking Turkey and the US are sufficiently important virtually to insure continued cooperation on major international issues.

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