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AN ANALYSIS OF THE TURKISH AGRICULTURAL SECTOR:
LONG-TERM SUSTAINABILITY QUESTION IN THE POST-2000 ERA

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An Analysis of the Turkish Agricultural Sector: Long-Term Sustainability
Question in the Post-2000 Era

Türkiye’de Tarım Sektörü Üzerine Bir İnceleme: 2000 Yılı Sonrası Dönemde
Uzun Vadeli Sürdürülebilirlik Sorunsalı

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ABBREVIATIONS and ACRONYMS

ACP	The Alternative Crop Program, Alternatif Ürün Programı (AÜP)
AKP	Adalet ve Kalkınma Partisi, Justice and Development Party
AMS	Aggregate Measurement of Support, Toplam Destek Ölçümü
AP	Adalet Partisi, Justice Party
ARIP	Agricultural Reform Implementation Project, Tarım Reformu Uygulama Projesi (TRUP)
AoA	WTO's Agreement on Agriculture, DTÖ Tarım Anlaşması
ASCUs	Agricultural Sales Cooperatives and their Unions, Tarım Satış Kooperatifleri ve Birlikleri
CAP	Common Agricultural Policy, Ortak Tarım Politikası
CHP	Cumhuriyet Halk Partisi, Republican People's Party
CSE	Consumer Support Estimates, Tüketici Destek Tahmini
CMO	Common Organization of Markets, Ortak Piyasa Düzenleri
ÇATAK	Çevresel Amaçlı Tarım Alanlarının Korunması Environmentally Based Land Utilization Sub-component
DP	Demokrat Parti, Democratic Party
DISS	Direct Income Support System, Doğrudan Gelir Desteği Sistemi
EBK	Meat and Fish Institution, Et ve Balık Kurumu
ESK	Meat and Milk Institution, Et ve Süt Kurumu
ERL	Economic Reform Loan, Ekonomik Reform Kredisi
EU	European Union, Avrupa Birliği
EC	European Commission, Avrupa Komisyonu
FAO	Food and Agriculture Organization, BM Gıda ve Tarım Örgütü
FTA	Free Trade Agreements, Serbest Ticaret Anlaşması
GATT	General Agreement on Tariffs and Trade, Gümrük Tarifleri ve Ticaret Genel Anlaşması
IMF	International Monetary Fund, Uluslararası Para Fonu
IRFO	Institutional Reinforcement of Farmers Organizations,

	Çiftçi Örgütlerinin Kurumsal Güçlendirilmesi
LC	Land Consolidation, Arazi Toplulaştırması
MARA	Ministry of Agriculture and Rural Affairs, Tarım ve Köy İşleri Bakanlığı
OECD	Organization for Economic Co-operation and Development Ekonomik İş Birliği ve Kalkınma Örgütü
PAPs	Processed Agricultural Products, İşlenmiş Tarım Ürünleri
SEE	State Economic Enterprise, Kamu İktisadi Teşebbüsü (KİT)
SBA	Stand-By Arrangement, Stand-By Düzenlemesi
SGM	Special Safeguard Mechanism, Özel Korunma Mekanizması
SMP	Staff-Monitored Program, Yakın İzleme Programı
SP	Special Products, Özel Ürünler
TEKEL	Tütün, Tütün Mamulleri, Tuz ve Alkol İşletmeleri Enterprise of Tobacco, Tobacco Products, Salt and Alcoholic Beverages
TMO	Turkish Grain Board, Toprak Mahsulleri Ofisi
TNC	Transnational CompaniesUlus-Ötesi Şirketler
TSEP	Transition to Strong Economy Program Güçlü Ekonomiye Geçiş Programı
TŞFAŞ	Türk Şeker Fabrikaları Anonim Şirketi, Turkish Sugar Industry (sugar factories)
USIAD	United States Agency for International Development Amerika Birleşik Devletleri Uluslararası Kalkınma Ajansı
VBPIP	Village Based Participatory Investments Programs Köy Bazlı Katılımcı Yatırım Programı (KBKYP)
WB	World Bank, Dünya Bankası
WTO	World Trade Organization, Dünya Ticaret Örgütü

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ABSTRACT

The Agricultural production that had been under strict control in the state in Turkey until 1980, has passed through a gradual structural transformation which was completed with the twin reform package that was enforced by the International Monetary Fund (IMF) and the World Bank (WB) in the early 2000s. The reform package propelled by the IMF and WB contained a series of policies in the name of streamlining the economy in accordance with the free-market conditions and pointed out the 'state' as the scapegoat of malfunctioning agriculture. Thus, the role of the state and its parastatal institutions in agricultural production were abolished vigorously during the following decade while the subsidies that had been used to sustain the welfare of rural masses were minimized at the expense of creating impoverishment and unemployment. Obviously, the alteration towards export-oriented liberal policies accompanied by the haphazardly taken governmental decisions to maintain legitimacy in 1990s, drifted Turkey into successive economic crises and ultimately compelled the country to sign the IMF/WB loan agreements, in exchange for losing its sovereignty in strategy-making decisions within major sectors including agriculture. However, in order to provide a complete understanding on the nature of agrarian transformation in Turkey the international capitalization process of agriculture, on behalf of US-dominated transnational companies (TNCs), needs to be evaluated. Moreover, the requirements of the European Union (EU) alignment and the pledges that were given to the WTO (World Trade Organization) in the Doha Round talks needs to be examined. This thesis aims to present an analysis on the post-2000 agricultural transformation and capitalization in Turkey that was imposed via neoliberal reforms and international agreements. It contends that the present agricultural support policies of Turkey are far from being either protectionist or viable in real terms and incapable of providing long-term sustainability in terms of national food-security, rural development and economic improvement concerning the multilateral dependencies of the country.

ÖZET

Türkiye’de 1980 yılına kadar devletin sıkı kontrolüne tabi olan tarımsal üretim takip eden yıllarda kademeli olarak yapısal bir dönüşüm geçirmiş, liberalleşme yönünde gerçekleşen bu dönüşüm 2000’li yılların başında Uluslararası Para Fonu (IMF) ve Dünya Bankası (WB) tarafından dayatılan ikiz reform paketi ile tamamlanmıştır. IMF ve DB menşeli reform paketi ekonomiyi daha verimli hale getirme iddiasıyla Türkiye’yi serbest piyasa koşullarına uyumlandırma yolunda bir dizi tedbir içermekte, *devleti* ise diğer alanlarda olduğu gibi tarımda da aksaklıkların birincil sorumlusu ilan etmekteydi. Takip eden on yıl içinde süregelen destekleme politikaları, kırsal alanda fakirleşme ve işsizlik pahasına, asgari seviyelere indirilmiş, devlet ve kamusal kuruluşlar tarım üretimi alanında beklenmedik bir hızla hükümsüz kılınmıştır. İhracat odaklı liberal politikalar yönünde gerçekleşen eksen kayması, 1990’larda hükümetlerin kendi meşruiyetlerini korumak namına aldıkları gelişigüzel kararlarla bir araya gelince Türkiye’nin art arda gelen ekonomik krizlere sürüklendiği ve nihai olarak ülkenin kendi lokomotif sektörlerinde strateji geliştirme özerkliğini kaybetmek pahasına bahsi geçen IMF/DB kredi sözleşmelerini imzalamaya mecbur kaldığı açıkça görülmektedir. Bununla birlikte, tarımsal dönüşümün doğasını tam anlamıyla kavrayabilmek için -ağırlıklı Amerika bazlı- ulus-ötesi şirketler yararına gerçekleşen küresel sermayelendirme sürecinin değerlendirilmesi gerekmektedir. Ayrıca, Avrupa Birliği (EU) uyum koşulları ile Uruguay ve Doha müzakereleri kapsamında Dünya Ticaret Örgütü’ne (DTÖ) verilmiş olan taahhütler önem arz etmektedir. Bu tez, 2000’li yılların başından itibaren, Türkiye’de tarım alanında yapısal bir dönüşüme sebep olan neoliberal reformları ve uluslararası anlaşmaların bağlayıcı niteliklerini inceleyerek, yerini küresel sermayeye bırakmak suretiyle geri çekilen devletin, korumacı politikalarına dair bir inceleme sunmayı hedeflemektedir. Mevcut destekleme politikalarının, ülkenin çok taraflı tabiiyetleri göz önünde bulundurulduğunda, ulusal gıda güvenliği, kırsal gelişme ve ekonomik ilerleme bağlamında uzun vadeli sürdürülebilirlik sağlamaktan ve gerçek anlamda korumacılıktan ve tutarlılıktan uzak olduklarını ileri sürmektedir.

CHAPTER I: INTRODUCTION

This study aims to analyze the transformation of '*agricultural protectionism in Turkey*' particularly focusing on the course of events that took place through the first two decades of 21st century. The country's search for sustaining financial stability and being articulated to the global realm of economy and politics through liberal measures in the late 1990s led to a series of agreements and sanctions resulting in the increasing agricultural inefficiency. The IMF, WTO and WB, the torch carrier trivet of the liberal discourse that promises a better world through the removal of all restrictions appeared to be the main actors in the first decade of the millennium. The transformation that had been enforced through the 're-structuring' policies via Stand-By Arrangements (SBAs) carried Turkish agriculture from its malfunctioning state towards a non-functioning deadlock.

These policies have been accompanied not only by the obligations of the country in line with *Acquis Communautaire* but also by the sanctions imposed within the framework of the Customs Union, that was established in January 1996, between Turkey and the European Commission (EC), in order to complete the 'final phase' of the Ankara Agreement. Although Turkey has not acquired membership status yet -preserving its perpetual candidacy-, it has been obliged to adopt the Union's policies asymmetrically. Thus, the EU has also been a major binding actor since the late 1990s in terms of domestic strategies and the foreign trade policies related to agricultural products.

During the eight rounds of multilateral negotiations between the Geneva Round of 1947 till the end of the Uruguay Round in December 1993, free-trade issues concerning agricultural products remained just like 'a white elephant in the room'. In general, the General Agreement on Tariffs and Trade (GATT) neither referred a privileged status nor recommended discriminative provisions for agriculture. On the contrary, it was stated in the agreement text that the agricultural products, like

any other groups of products, should have been subject to general principles - MFN, reciprocity, transparency, tariff binding and reduction- that the institution had determined to provide free-trade. However, the text contained some exceptional articles as well which left space for protectionist measures on agriculture creating a paradoxical situation within the general discourse. In view of the historical circumstances that led GATT to be established and the strategic priority of the sector in the aftermath of WWII, this duality is not that surprising.

The difficulties to negotiate and to regulate agricultural trade led the Uruguay Round to last nearly eight years after it was launched by the Punta del Este Ministerial Declaration in 1986. Even though UR concluded with the Agreement on Agriculture and the general emphasis to liberalize agricultural trade was solidified, the answer to the essential question remained blurred and unanswered: what are the factors that propel the developing and the least developing countries to abandon or minimize the protectionist measures on agriculture, i.e. subsidies, quotas, tariffs etc. while these products still constitute a significant portion of their economy?

No matter what UR did unfold, the international capital was anxious to take further steps towards the liberalization of agricultural trade from now on. Finally, *Pandora's Box* was opened in November 2001, by the Doha Ministerial Declaration and agricultural issues were on the table during lingering negotiations between the member states. The detailed explanation on the containment of these negotiations, the reasons that caused the DR to remain unresolved after a series of delays, and the stance that Turkey adopted will be given in Chapter IV.

Turning back to the main issue, WTO alleged the necessity to eliminate the nation-state driven barriers on agricultural trade at the very beginning of 21st century and the long-lasting negotiations continued for more than a decade with cessations on account of disagreements about *modalities*. Just at the dawn of free-trade negotiations, Turkey had already signed the agreement of the IMF/ WB twin reform

package which aimed -and achieved- to destroy all the protectionist barriers and restrictions over Turkish agriculture besides many other areas, thus, the country attended the Round *prima facie* with few barriers to bargain with and had limited power to negotiate because of its ties to the EU.

The last two decades proved that the breaking down of statist barriers on agriculture is not that simple. The DR is generally thought of as an international failure and so-called acquisitions of the multilateral negotiations seem to be useless, except that they displayed inelasticity of national priorities in the face of global sanctions. Now at the onset of the third decade, the food security issue is ramified with new discussions on the sustainability of food systems, concerns on climate change, land degradation and biodiversity loss even in the public sphere thanks to the new media and civil initiatives. Increasing public awareness intensified the criticism against hybrid seeds, Genetically Modified Organisms (GMO) and usage of the chemical accelerators. Accordingly, the states' agricultural self-sufficiency became a prevailing question. How can states optimize their protectionist measures on agriculture in order to guarantee their domestic food supply and to sustain the income levels of rural workers whilst causing minimum damage to free-trade relations and maximizing profits in a world where free-trade of agricultural products are still subject to power politics instead of goodwill?

A comparative answer to the abovementioned question is beyond the scope of this thesis but worth examining in future studies. As a matter of fact, this study will specifically focus on the Turkish case and will evolve out of the assumption that if Turkey does not adopt a well-constructed, long-term agricultural policy -not only in quantitative terms but also in terms of their modalities- the country will *not* be able to sustain its national interests in agriculture. Moreover, even if such a long-term strategy is embraced, the implementation of protectionist tools will be tough. This thesis aims to bring insight into focusing on the contradictions of implying protectionist policies in the Turkish agriculture in between the neoliberal discourse of supranational organizations and the upcoming sanctions brought by new age

sustainable agriculture trends. Obviously, Turkey needs a long-term agricultural plan and even if the circumstances compel the country to cling onto the protectionism, would these policies be either applicable or sustainable? Is it really possible for Turkey to adopt any kind of further state- interventionist policy in order to keep pace with the new age agricultural discourse concerning the country's obligations to supranational organizations? While the country is still criticized for being over protective, is it really capable of taking its previous steps backwards, for instance, in order to weaken the power of multi-national seed companies and support the ancestry seeds instead? What kind of contradictory aspects would arise if the country attempts to achieve a sustainable agricultural model while it is subordinated by the impulsive international sanctions in the name of free trade, fair competition, abandonment of protectionism etc.?

It would be appropriate to note what is intended by 'sustainability' through the text since the concept has become a holistic notion in time with the lack of unanimity in terms of definition. In the environmental sense, 'sustainable agriculture' can be described under six main headlines: alternative agriculture, low-input sustainable agriculture, ecological / eco-biological /socio-ecological agriculture, regenerative / permaculture agriculture, biodynamic agriculture, organic agriculture (Christen, Squires, Lal, & Hudson, 2010). Despite minor differentiations, less dependency on agro-chemical and external inputs, recycling of manure and crops -thus, decreasing the production costs- and most crucially the protection of environment and human health as whole are the *sine qua non* characteristics to be counted. However, the concept of sustainability is grasped by the international institutions enthusiastically through the capitalization of agriculture, as it created new opportunities for more sanctions to be impose and for new markets to be penetrated. The necessity to target and perform sustainability in agriculture has been presented in a positive light in conformity with neoliberal policies and imposed onto the domestic agendas of the states. However, in Turkey, for instance, the applicability and the content of sustainable agriculture is questionable considering the pressures on protectionist policies and the high penetration of agro-business companies like Cargill and

Monsanto, which are known for their non-environmental products. Meanwhile, the European Commission declared an integrated sustainability target -within the Common Agriculture Policy- which is founded upon ‘social sustainability’, ‘economic sustainability’, ‘environmental sustainability’. Despite the EU being a strong advocate of the sustainability discourse, its attitude towards Turkey is rather uneven and hypocritical as the EU was a supporter of the pressure tactics on Turkey to eliminate the isoglucose quota completely -while its production was limited to under 3 percent in the Union- which concluded victoriously on behalf of Cargill’s corn-syrup sweetener production, instead of local sugar beet producers (Aydın, 2010).

Thus, the definition of ‘sustainability’ and its journey through ‘local solutions to global problems’ mutated towards all-inclusive policy discourse which is blurred and manipulated by the Justice and Development Party (*Adalet ve Kalkınma Partisi*, AKP hereafter) government itself. It seems to be just another instrument that serves as a profit maximizing tool for massive companies in agro-business, rather than handling either protective measures for the environment and human health or precautions to minimize income inequality through rural development; but smartly veiled under an environmental curtain. Furthermore, it constitutes a fruitful means of expression for the maintenance of the government’s domestic and international legitimacy. However, this thesis intends to utilize the term in a benign manner on behalf of environmental and social development. Hence, the question on the current protectionist policies in Turkey and their sustainability refers to the following: Do they have a positive impact on rural income levels? Do they ensure the economic conditions to provide ‘re-production’ and guarantee the agricultural capacity to maintain on behalf of society in general -including the environmental concerns- instead of privileged groups and companies?

Beyond illustrating a critical analysis on the capitalization of agriculture in Turkey on behalf of TNCs in agrobusiness through the past two decades, the abovementioned incoherency will be questioned as a subject matter. The scope of

this thesis is to analyze the last twenty years of Turkish agriculture profoundly, in order to provide a comprehensive understanding on the country's current initiatives and efficiency (or inefficiency) of protectionist policies considering their functionality through the long-term targets. The scope is deliberately limited within the borders of agricultural protectionism in Turkey, since it would be a fruitful focal point to provide an insight into the international political economy of agriculture, especially in terms of resolving the behavior of leading actors, TNCs and supranational organizations that serves for embedded neoliberal policies.

1.1 Literature Review

A study on the sustainability of protectionist policies closely related with critical works that have been focused on the transformative impacts of capitalism on the rural development. The Marxist literature that focused on agriculture dates back to the second half of the 19th century. The classical Marxist interpretation is shaped by the orthodoxy assuming that the foundation of socialism is preconditioned by capitalist development in all areas of the economy, including agriculture. The pre-capitalist form of rural relations was also expected to transform *ex mero motu* in the face of capitalist industrialization. The empirical absence of such a dissolution in rural relations propelled the first theorists to focus on the '*Agricultural Question*'. Their main objective was to resolve the development of capitalism: its structural features and impacts on the agricultural production as well as the transformation of rural relations (Chayanov, 1966; Kautsky, 1899; Lenin, 1998; Marx, 1997, 2007).

The classical works influenced the contemporary authors who question the domination of capital over agriculture, the destruction of traditional agrarian relations and the genuine features of agrarian capitalization. The academic literature in 1970s and 1980s accumulated thanks to the variable perspectives that focus on the mode of capital penetration into the countryside and the shape of its domination (Bernstein, 1977, 2010), the identification of *rurality* as a mode of production and the *articulation* of capitalism onto the rurality in a manner of dominating the

practices (Amin, 1978, 2012, 2017, 2018; Vergopoulos, 1978) and the approaches that suggest the possible survival of small-commodity production collaterally as a particularity of capitalism itself (Mann & Dickinson, 1978).

The topics related to agriculture have always been a fruitful field for academic studies in Turkey as well since the problematic aspects of the issue have never reached a conclusion. Regarding the various depths of the subject, it has been attractive not only for economists, but also political scientists and sociologists. On the other hand, the scope of the agricultural literature has often flourished closely alongside political and international developments. Thus, even if the collected works of the 1960s and 1970s are in conformity with the international publications in terms of timeline, they can be subject to criticism in terms of their empirical and theoretical shortcomings by some authors (Aydın, 2018, p. 82).

In line with the scope of this thesis, Boratav's numerous pioneering publications, not only on the history of state protectionism and the political economy of Turkish agricultural structure (Boratav, 1981, 2006, 2019), but also the collective analyses on IMF/WB reforms that he contributed to (Bağımsız Sosyal Bilimciler, 2006; Boratav, 2013a, 2013c, 2013b) are *sine qua non* enlightening guidelines. The retrospective interrogations regarding the rural structures of the late Ottoman and Republican periods (Akşit, 1998; Aruoba, 1988; İslamoğlu & Keyder, 1977; Kazgan, 2013; Keyder, 1983, 1988; Köymen, 2007; Pamuk, 1988b, 1988a; Toprak, 1988), modes of state interventionism on agriculture (Boratav, 2006; Önder, 2019; Tekeli & İlkin, 1988) and the dualities that are embedded beneath Turkish modernity (Mardin, 1973) provides a broad understanding about the path of Turkey towards neoliberal transformation in the post-2000 period.

As 1980 has been the inception of a gradual liberalization which concluded with structural change *en masse* in the 2000s, the content of Turkish social sciences' literature shifted towards the critiques of injected policies into system and their impact on politics, economics and society. From now on, a coherent analysis on

contemporary sustainability of the protective measures in Turkey needs to explicated the impact of IMF/WB structural reforms on the ability of state interventionism (Boratav, 2013b; Öniş, 2009; Öniş & Şenses, 2009a; Oyan, 2013), the implications of Turkey's alignment with the EU on agricultural support policies (Çakmak & Akder, 2005; Çakmak & Kasnakoğlu, 2001; Kasnakoğlu & Çakmak, 2000; Koç, 2004), the restrictive reflections of the WTO on Turkish agriculture and Turkey's positioning in between developed and developing countries (Akman, 2012; Akman & Yaman, 2008; G. Yılmaz, 2018). The comparative empirical perspectives that present inquiries on the protective modes of the EU and Turkey (Yılmaz, 2013, 2017) and the sustainability of current agricultural policies (Akder, 2007) constitute primary and valuable resources. While the course of events created dichotomies between domestic realities and international sanctions, the subject necessitates a multidisciplinary perspective as well, which would include the role of TNCs on the political economy of Turkish agriculture (Aydın, 2010, 2018).

For a study on the agricultural protectionist policies and their validities in Turkey, an analysis that overviews the official documents and correspondence which was exchanged between the international institutions that dominate the structural transformations and the Turkish government would be helpful. Hence, Agreement on IMF's Staff-Monitored Program (SMP), Stand-By Arrangements, the letters of intent in addition to WB Loan Agreements will be taken as the point of origin. The domestic resources such as reports prepared by the Ministry of Agriculture (or its departments), the Turkish Statistic Institution, the State Planning Organization and the texts of published law enforcements will provide further acknowledgement. The recent TÜSİAD report (Çakmak & Veziroğlu, 2020) will foster the research by giving a glimpse into the private sector's approach on the sustainability of current agricultural policies and future expectations of capital.

TEPAV's detailed report on the process of the Doha negotiations, edited by Akman and Yaman et al. presents another illuminative resource (2008). In his further researches, Akman (2012) proposes that the stance which Turkey had attributed to

itself as a ‘middle- power’ actor between the developed and developing countries in the WTO negotiations might end up with its avoidance by ‘*the country’s own choice*’, while he also notes that Turkey should realize the economic transformation towards export-oriented production of medium-high technology sectors in order to achieve long-term competitiveness.

Ultimately, the OECD’s Product Support Estimate (PSE) and Consumer Support Estimates (CSE) is one of the most applied measures in the literature which provides the values to compare the level of protectiveness in countries. The data can be employed in examination of the fiscal burden and the distribution of the policy costs between the producers and the consumers (Çakmak & Kasnakoğlu, 1998) while it provides a solid basis for comparative analysis between the agricultural protectionisms of countries (Yılmaz, 2013, 2017). Thus, it will be used in the relative chapters in order to substantiate the argument.

1.2 Structure of the Thesis and its Methodology

The subject matter of the thesis and a brief summary of the points to be included in this research is explained in the Introductory Part. Chapter I is completed with the literature review that underlines the eminent academic studies on the issue and the section that illustrates the structure of the text body.

Chapter II presents the way the Turkish Republic had approached agricultural protectionism before the 2000s in the historical context. The retrospect is held in three separate periods. The first section focuses on the late Ottoman and early Republican periods which covers the intensive statist policies between 1930 and 1945. In Section 2.2 the course of Turkish agricultural policies that spanned over the period from post-WWII to the 1980s was evaluated. As the 24 January 1980 Decisions, led to the beginning of a new era in Turkey and the first profound step towards liberalism, the period between 1980 and 2000 is analyzed in Section 2.3. While the history of the policies and domestic circumstances would provide a

background for contemporary evaluations, the chapter is concluded with insights on the Turkish alignment with the EU regarding agricultural support policies. The Common Agricultural Policy (CAP) and the reforms it passed through will be evaluated to figure out and to highlight the facts that coincide and conflict with aspects of Turkish agriculture.

Chapter III focuses on the frameworks of IMF and WB loan agreements for the purpose of combing out their effects on agricultural protectionist policies. The sanctions and the complementary reform packages that had been imposed through the agreements which pushed forward the country into neoliberal articulation and led the dissolution of the state's interventionist tools with an unexpected speed is reviewed in detail. In Section 3.1 the Staff-Monitor Program of 1998, 17th and 18th Stand-by Arrangements are evaluated. Meanwhile, the projections of domestic and international political dynamics that have shaped the post-2000s is interpreted as and when relevance throughout the chapter. The auspices of the WB on the neoliberal transformation of the Turkish economy is evaluated in Section 3.2 focusing on the Agricultural Reform Implementation Project (ARIP). The chapter concludes with insights on the impact of the IMF/WB-led program on Turkish agriculture and rural labor.

The emergence of the WTO as a binding actor in multinational trade and its supervisory position on the market distortive protectionist implementations is examined in Chapter IV. The evaluations in Section 4.2 focus to provide an understanding of Turkey's position in the Doha Round as a developing country which is also a candidate state for EU membership. The complementary quantitative examinations are referred within the chapters and the appendices in order to present an enhanced illustration. At that point the official data provided by governmental and international institutions, i.e. OECD, FAO, are going to be addressed in addition to the studies mentioned above in the literature review.

The findings of the previous chapters and the paradoxical aspects on the issue is discussed in the Conclusion, in which prospect for further research is noted. Attempting to answer the questions that were asked in the introductory part, the sustainability of current agricultural support policies in Turkey and the initiative of the country to apply further ones will be commented on in light of neoliberal regulation enforcements of supranational institutions that are explained in the previous chapters.



CHAPTER II: A RETROSPECT OF AGRICULTURAL PROTECTIONISM IN TURKEY

This chapter aims to present the historical determinants of the long-lasting Turkish *vexata quaestio*: agriculture. Inevitably an analysis of the post-2000s agricultural transformation requires a review on the historical dynamics. A comprehensive understanding can only be provided by the identification of the historically rooted problems with respect to the economic structure, the intra-rural relations that is embedded in the countryside and the state's approach towards the issue. Therefore, in this chapter, the statist policies of 1930s and 1940s that corresponded with the Kemalist mindset of the *ruralism* and national solidarity will be discussed. The period will be evaluated with a consideration of the Ottoman legacy regarding the agricultural structure that was inherited by the Turkish Republic. The statist policies that were employed specifically between 1931 and 1945 by the Republican People's Party (*Cumhuriyet Halk Partisi*¹, CHP hereafter) who ruled the country within a single-party system until 1950, constitutes a particular cruciality in the course of agricultural protectionism in Turkey, due to its impact on the political economy of the rurality and the dynamics of agricultural policymaking in the following periods. Secondly, the evolution of the agricultural protectionism in the multi-party system until 1980 will be reviewed. The period comprises the reflections of developmentalist policies on the agriculture which were fueled by the foreign capital, through policies akin to the *Marshall Aid* and WB funds; thus, an insight into the period will further the interpretation of the liberal articulation in the post-1980 period and its rural impacts. Afterwards, the agricultural policies of 1980s and 1990s will be analyzed within the framework of the severe policy shift in 1980 on behalf of liberalism as the period signifies a preparatory stage for the post-2000 structural transformation. The last focal point of the chapter will be a

¹ The party was founded by Atatürk in September, 1923, one month before the Republic was established. Its foundation name was *Halk Fırkası* which was changed to *Cumhuriyet Halk Fırkası* in 1924 and *Cumhuriyet Halk Partisi* in 1935.

historical account of the interaction between Turkey and the EU regarding the agricultural reforms that both sides have been through. The review aims to demonstrate the realities that holds Turkey back from a coherent harmonization to *aquis* in terms of agriculture.

2.1 The Imperial Heritage and the Statist *Ruralism* in the 1930s and 1940s

In the early 19th century, the locally closed type of agricultural production in the rural areas which had mostly remained at the level of subsistence farming was typical of the Ottoman Empire. By the second half of the century a hardly noticeable, slight movement began towards a price sensitive open market consciousness accompanied with monetary concerns, in order to merge with the international market structure. The absence of a domestic market sustained as the fundamental problem to overcome, as a result of foreign trade becoming the dominant variable that determined the economic policies in the late 19th century. Thus, Ottoman agriculture was limited within the borders of the close production fields scattered in an unrelated manner over a wide basin until *fin-de-siècle* with its inherent features that is reminiscent of the Marxist categorization on the Asiatic mode of production (İslamoğlu & Keyder, 1977; Toprak, 1988).

The financial bottlenecks, the increasing poverty in rural areas, the challenges against central authority by the local land lords and the uprising waves of nationalism amongst the non-Muslim groups propelled the Empire towards taking reformative steps in the mid-19th century (Berkes, 1998, p. 51). Thus, the modernization attempts of the state that had remained as slight movements in the 18th century, attained a meaningful legal base in 1839 with the declaration of *Tanzimat* reforms and jogtrotted until the Empire's fall. The Ottoman reforms were lacking a proper economic policy which understood and confronted the economic doctrine on which European modernization had been built upon. However, it is still possible to speak about traces of an initiation for statist implementations in the name

of economic modernization in conformity with a *laissez-faire* regime which could have gone further ‘under more favorable conditions’ (Berkes, 1998, p. 134).

On the other hand, the abolishment of the military *timar* in 1839 and thereafter, the absence of a well-functioning control system strengthened the position of intermediary actors between the state authority and rural labor. Thus, towards the end of the century the structure of rural production was shaped upon the confrontation between the peasants with small and medium sized holdings vis-à-vis the merchants, brokers, small bourgeoisie and the *agas* – notable local personalities and landlords- as well as their entangled relations with the state’s bureaucrats (Timur, 1993, pp. 14–15). This eclectic structure simultaneously enabled central Ottoman bureaucracy to preserve greater control over the agricultural production during the last two decades of the 1800s, relative to other economic areas in the face of international rivalry as the foreign capital could hardly penetrate into the rural areas. As it oscillated in response to foreign demand, the central government maintained its legitimacy in the provinces while from time to time keeping the fiscal base by protecting the small and medium-sized landowners against the landlords (Pamuk, 1988b).

There are two opposing arguments regarding the imperial protectionism on the small agricultural producer (Köymen, 2007, pp. 65–67). For instance, Pamuk points out the seizure of vast lands in the Balkans and Anatolia that had been controlled by the local notables and their redistribution amongst local peasants in the reign of Mahmud II (Pamuk, 2018, p. 93). Keyder states (2014, pp. 27–28) that whenever the central authority was strong enough, the Ottoman Empire had supported the independence of the small peasant, thus, the *ayans* could not ascend as a feudal class. This perspective relates to the Empire’s continuous protection on small landholder peasants with the absence of a bourgeoisie which would have possibly realized the capital accumulation that had been needed for industrialization in the Republican era.

On the contrary, Yerasimos (Yerasimos, 1975, as cited in Baydar et al., 1999) remarks that *The Ottoman Land Code of 1858* was an important step in transforming the *Mirie* lands - that used to belong to the state treasury- to private property while it favored the existence of large holdings. He underlines the state's ignorance with respect to the relation between the landlord and the tenant worker which was vulnerable to abuse and its attention on the small peasant remained at the level of tax collection only. The official cause for the law enforcement in 1858 was to bridge the juridical gap that had emerged after the *de facto* abolition of the timar system in 1939 (Yerasimos, 2007, p. 104). However, it was essentially aimed at creating a consensus between the central bureaucracy and the landowners in order to tax the land for the maximization of the Treasury revenues. Thus, the new regulation comprised of internal contradictions which were vulnerable to being affected by the relations between the large landowners and the bureaucrats as it also carried an encouraging in its nature to paving the way in deforming the function of bureaucracy. According to Yerasimos, the attempt to reinforce private property was accompanied by the state's increasing tendency to harden its control via differentiating methods. Therefore, the articles of the law that appeared to have been declared on behalf of the small landowners' benefit were practically eliminated by the other articles of the law, which actually accelerated the concentration of land property volume that was held by large landowners. On the other hand, the relation between the aga and the agricultural producer resembled a semi-feudal relationship and it signified an affair of political authority in nature (Timur, 1993, p. 14) that continued to be a fundamental feature of the rural social formation in the early years of the Republic. This was a barrier to the agricultural interventionism of the state (Ahmad, 2011).

Another determinant of agriculture in the Ottoman Empire is highlighted by Emrence (2011), who points out the intra-empire framework. Accordingly, the rural development was structured upon uneven regionalities that led distinctive but parallel modernizations within the same imperial territory. He identifies three separate trajectories with three different histories of modernization: The Coast, the

Interior and the Frontier. He notes that all other approaches have achieved little and have only provided a limited understanding on the Ottoman Empire's course to modernity, thus, the internal conflicts of the early Republic as these analyses either look through the state-centric approach or via the identification of single events. The sharp contrast between the imperial regions provide insights on the conditions that shaped the rural economy of the early Republican era. For instance, in the second half of the 19th century, capitalist agricultural production exhibited higher dependency on exportation to Europe along the coastal regions where the non-Muslim population used to inhabit more densely. Due to their higher exposure to Europe compared to the rural inhabitants of inner Anatolia, the large landholding non-Muslims tended to adopt the new agricultural technologies more frequently (Köymen, 1999, pp. 5–6). The socio-economic diversity of the regions would also provide an understanding on the reactions that arose in society -especially in the Southeastern Anatolia region – against the interventionist policies of the newborn Republic.

Despite the frustration that was caused by its construction in the Anglo-Ottoman diplomatic relations, the completion of Anatolian-Baghdad Railway also had a significantly positive impact on the level of development. It was a breaking point in stimulating the domestic economy and gaining capacity to reshape the policies in a more holistic way by integrating the regions along which the railway passed (Bilgin, 2004). However, the flourishing of the economy within the interior remained limited only to the vicinity of the railway; thus, the uneven destiny of the regions remained unchanged (Köymen, 1999). Later, the expropriation of the current railways and the construction of new ones with the national capital became one of the main policies in the single party programs (Boratav, 2006, p. 83).

For an understanding of retrospective formations that shaped agricultural liberalization in Turkey from the 1980s onwards, the class struggles that were embedded into the Ottoman-Republican transition and the single party period cannot be left out of scope. However, the critical inquiries of the liberal

transformation in Turkey comprising of a hegemonic line of arguments which centralize the *strong state* tradition is claimed to be inherited by the Republic from the Empire. They abide their argument upon the retrospective discrepancy between the state and the other formations within the society. Despite the variations, the bottom line that is addressed to explicate the problematic areas of Turkish politics and economics in these perspectives has been the state-society duality: the state has generally been perceived as a source of repression that dominates and attempts to reform the society, which is positioned as a stagnant entity (Dinler, 2003, p. 17). This perception leads to an annotation that receives neoliberalism as a given factor which led to a change ‘within the state that developed against state by the hand of state itself’ (Dinler, 2003, p. 30). The interpretation of the state as an independently behaving, hegemonic entity which is isolated from the rest remains blind to the struggles between the classes; thus, these arguments contain an inability to explain the liberal transformation of the 1980s. However, as this line of argument has prevailed long both within academic studies and the political discourses in Turkey, an overview regarding the agricultural structure would be worthwhile.

The core of these state-centered approaches is closely related to Weberian classification that typifies the Ottoman Empire as a type of authority which legitimizes its existence upon tradition and divinity but it differentiates from the European feudal structure. The Empire is quoted to be ‘an extreme case of patrimonialism’ that is denominated as *sultanism* which relies on the arbitrary power of the ruler whose discretion is the primary condition and characterized with a clear apartheid between military and civil strata (Weber, as cited in İnalçık, 1992, p. 49). Within this context, apart from being a feudal lord or eastern type ruler, the patrimonial power dominates and regulates the social and economic relations. In contradiction with the *class order* which is determined by economic interests, the immanent status groups within the patrimonialism are assessed by power and domination. Meanwhile, the individuals or the organized groups may attain consecrated positions accompanied by economic advantages in the *estate-type domination*; i.e. the western fief and the landholding military aristocracy in

feudalism. On the contrary to the uniqueness of the sultan's discretion, the hereditary fiefs and seigneurial powers of the estate-type patrimonialism may limit the lord's command. For instance, the *sipahis* who held the *timar* lands and constituted the main privileged group due to their military service were still among the *kuls* of the sultan as his absolute subjects (İnalçık, 1992, pp. 51–53). The economic activity was also regulated by the patrimonial ruler to reproduce its hegemony. The arbitrary nature of the ruler and his officials were only restricted by the patrimonial goals regarding the continuous contentment and the economic ability of the society to support the ruler where the society, *reaya* in Ottoman, was perceived to be an exclusively political entity instead of an economical one. The sultan's regulatory power is clearly disclosed in the agrarian economy in which a systemic policy of protection on the small-scale landholder farmers and tenants was implemented against exploitation (İnalçık, 1992, p. 60-61).

A similar argument akin to the state-society duality of the patrimonialism analysis is the *center-periphery duality* that ascribes a determining role to the successive confrontations that had appeared between the Western forces of periphery -the feudal nobility, burghers and industrial labor- and the Leviathan type of state in the 17th century. These confrontations that led to conflicts between different power groups, i.e. the state and the church, nation builders and localists, owners and non-owners of the means of production, culminated in mutual and ongoing compromises which paved the path towards modernization. The periphery integrated to the polity via the recognition of autonomies and political identifications through *de jure* social contracts thanks to these compromises. Thus, the Leviathan state and the Western nation-state were more coherent compared to the Ottoman Empire and the Turkish Republic where distance between the center and the periphery was '*the most important social cleavage underlying Turkish politics*' along the century of modernization. (Mardin, 1973, p. 170). The various center-periphery approaches compromise on a dual structure which is built upon the political/ruling elite group at the center and the rest in the periphery that is stagnant under rule from the center. Mardin's comments regarding the CHP period's protectionist policies on peasantry

clarifies the center-periphery approach's point of view. The Kemalist reformers are identified as the political elites that constitute the center of the young Republic who failed to 'establish contact with the rural masses' due to lack of notion in identifying themselves with the peasantry (Mardin, 1973, p. 183).

Yalman (2002) opposes the classical narrative about Turkey that is built upon the contradiction between the center and the periphery. He underlines the significance of an understanding grabbing the early statist policies as an extension of the attempts to build national development, which can hardly be interpreted as an act of state authority to reproduce itself. Moreover, he notes that 1930s protectionism contents a particularity in Turkey. The awareness and increasing consciousness of both the *comprador* bourgeoisie and the rural masses to perceive their role in the course of development was set as a condition of the economic development by the center itself (Yalman, 2002, p. 10). Thus, Yalman suggests a Gramscian perspective that refers to the ruling elites of the Republic of the 1930s by attributing a *historical bloc* that acts as a transformative catalyst, moving conjointly with the other groups in the society instead of defying them. In contrast to the center-periphery approach that positions the state as a counter front to class formation that remains blind to the relationship between the center and the bourgeoisie that is supported by the ruling elite per se in Turkey, Yalman notes that during the étatism of the 1930s and 1940s the state was compromising with the bourgeoisie and the rural class as it needed to develop a coherent state in which the class struggles were minimized through policies that complement its cultural hegemony and in doing so, it flourished the path towards liberalism instead of disrupting it (Yalman, 2002, pp. 3–5).

The Kemalist reformers truly attributed themselves the role of creating the class formation. Once the national struggle resulted in victory, the next goal was to build a modern state that united all the social groups under national solidarity. The emphasis was commonly on raising the state to the level of Western civilization through a liberal and democratic structure in which the sovereignty of the *people* was guaranteed by law. More specifically, these references to Western values were

referring to the establishment of a ‘capitalist therefore democratic’ order (Ahmad, 2008, p. 176).

The fundamental problem was the absence of the classes which were required for a capitalist order. It was not possible to speak about an autonomous merchant class nor the bourgeoisie (Keyder, 2014, pp. 106–107), or a working class in the absence of the industry (Ahmad, 2008, p. 181). Therefore, the state was going to support the formation of these classes but in a manner by which it rejected the class struggle at the development stage (Ahmad, 2008, p. 212). This denial of class struggle was embedded in the philosophy of the Kemalist mindset: the victory of national struggle was a result of the people’s solidarity and now the people were expected to unite around a common economic and political objective which would strengthen national sovereignty. The Kemalist idealization of society was a joint accumulation of people (*halk*) without the classes and the privileges, who were blended homogeneously within the identity of the ‘Turk’ in contrast to heterogeneity that had embodied the Ottoman *millet* system (Karaömerlioğlu, 2006, p. 44).

The Economic Congress of 1923 illustrates a clear depiction of this idea of solidarity in terms of the economy. At the end of 1922, the Ministry of Economics announced that a congress on the economic issues were to be held in İzmir, just before the Lausanne peace treaty talks. The counties were invited to participate in the Congress with representatives of *the farmers, merchants, manufacturers and workers*. In accordance with the Ministry of Economy’s call, each delegation was required to include three farmers out of eight delegates (Boratav, 2006, p. 39). The desired composition of the committees demonstrates that the Congress strived to create a platform where the representation of all the social classes would be proportionate to the population at large.

The ruling class of the national struggle was predominantly composed of Anatolian notable personalities and the Ottoman *intelligentsia* assembling the elite educated figures with those from a military and/or small bourgeoisie background (Timur,

1993, p. 42). Considering the fact that İstanbul was under occupation, the Republic was not founded yet and it was the eve of an extremely important treaty, the Assembly of Ankara was anxious to receiving all the support it could get from the different layers of society. The large landowners and merchant class appeared to attend the Congress in an organized willingness (Boratav, 2006, p. 40). Thus, the Congress fulfilled its purpose, at least partially: gathering the ruling leaders and the dominant economic power holders together and building a network between them.

At the end of the Congress, the political elites of the bureaucracy, the mercantile bourgeoisie and the landowners seemed to reach a consensus at least on a few fundamental principles. The emphasis on the sovereignty of national economy and the priority of structuring a strong industry was repeated. The conclusive decisions were pro-liberal, albeit comprising of eclectic incentives. The foreign capital and investment were welcomed as long as the conditions did not contradict with national sovereignty. Being against imperialist exploitations did *not* mean being totally against foreign capital (Timur, 1993, p. 42). Moreover, there was no possibility to realize any of these industrial improvements without foreign capital. However, the delegates of the worker class election seemed to be prearranged in order not to contradict with the liberal tendency of the coalition (Boratav, 2006, p. 40). While the prevailing idea was *'the necessity of owning a strong, stable and independent industrial economy for enhancing Turkey up to its targeted level of civilization'* (Ahmad, 2011, p. 115), the Congress was a demonstration of unity to the domestic cliques as well as the international realm just before the Lausanne Treaty.

The participation of the landlords in the Congress instead of the ordinary peasants as the representatives of the rural areas signifies the agrarian question which was going to be a political blind spot that would prevail during the single-party regime. It was the landlords who supported the national struggle, not in a very willing way though. Therefore, they became a part of the so-called national solidarity afterwards. The peasants, on the other hand, were tired of the successive wars and

disappointed due to the political turmoil of the previous decades; thus, they did not embrace the national struggle and remained generally passive. Their reluctance continued after the war as well. Despite their distress with the pressures of notables and landlords, the state was perceived as the authority to blame. (Ahmad, 2008, pp. 208–210). Hence, the inability of Kemalist reformers to mobilize the peasantry in the national struggle continued all along the single-party regime and the discrepancy in between was escalated through CHP's further attempts to permeate in the countryside after 1931, through instruments such as People's Houses (*Halkevleri*) as the content of these policies remained 'elitist, from top to bottom, bureaucratic, anti-liberal and anti-democratic' (Karaömerlioğlu, 2006, pp. 48–49).

The abolition of the tithe (*Âşar* or *Öşür*) in 1925 which had been a serious burden on the farmers since the Ottoman period, can be counted as the highlight of the 1920s. In reality, the decision was contradictory with the state's economic target: capital accumulation was needed for industrialization and agriculture was the only sector which would have provided an accumulation transfer. The abrogation of the law was decided in the İzmir Congress due to the persistent assertions of the landlords, albeit in a contradictory stance. However, it was not possible to execute the decision until it become compulsory due to the rebellions in the South Eastern region. The *Ashar* was finally abolished in 1925 in order to reach a compromise with these landlords (Önder, 2019, p. 493).

Oscillating between the diplomatic isolation, except the ties with the Soviet Union, the ongoing border consolidations, the modernization reforms, the efforts to provide coherency in the nationalization agenda in the face of Kurdish rebellions, the issues regarding population exchange with Greece, the 1920s had been a decade of havoc for the newborn Republic both economically and politically (Emrence, 2000, p. 31). The worldwide decline in the foodstuff prices at the end of the 1920s echoed devastatingly in the Turkish agriculture of the 1930s. Following the Great Depression of 1929, not only the grain' prices but also the prices of the valuable commodities that Turkey exported i.e. tobacco, grapes, nuts, cotton, figs, declined

dramatically due to the instability in global markets. Thus, the internal and the external trade terms turned against the agricultural production simultaneously (Pamuk, 1988a, p. 92).

The economic structure of Anatolia was still akin to the late Ottoman period in which the main economic activity was commercial agriculture and trade, while the coastal regions were continuing to specialize on the cash crops to meet the international demands, Central Anatolia was getting more interactive with the domestic buyers (Emrence, 2000, p. 32). The global crisis directly pressured the peasantry incomes reducing it, while the burden of land tax and the livestock tax remained constant. As the prices of manufactured goods did not decline as much as the agricultural commodity prices, the purchasing power of the countryside diminished immediately. Insufficiency of the credit distribution by the Agricultural Bank compelled the poor peasants to borrow usury capital with high interest rates first and then to sell their lands either to the merchants they were supplying to or the town merchants from whom they bought the manufactured goods (Emrence, 2000, p. 34).

Eventually, the devastation in the countryside enforced the CHP to include the étatist interventionism officially into its party program in the name of development under state *protectionism*. The 1930s was the inception of the direct and indirect state intervention in the economy which aimed to create a system with capacity to ‘*re-produce*’ itself. The main principles underlying the agricultural policies in the protectionist period was overlapping with the foundation principles of the Republic: populism and scientific positivism. The principle of populism was influenced by the ‘*narodnik*’ movement which was focusing on the improvement of peasants’ livelihood in an environment where small scale property ownership was significant. The major objective was to transform the peasant into a small producer as the constituent of a three-legged agricultural target: the provision of national food supply, the provision of raw materials to compensate industrial requirement, capital

accumulation by increasing the exportation of agricultural products that were the factors needed to develop the industry (Tekeli & İlkin, 1988).

The étatism was included in the CHP's agenda in 1931 and it was constitutionalized by 1937. However, the state was in a position where it felt it was crucial to emphasize its actual intentions to business circles in order to legitimize its pro-interventionist policy shift: it was a transitional time where these policies were not aimed to be long term nor permanent, instead it was an economic policy aimed at constructing the structure in its advancement towards capitalist integration. On the other hand, the business circles were not wrong to be alarmed since there occurred factions within the bureaucracy which tended to defend the state's dominance over the economy and these intentions became apparent in the Congress of 1935. Hence, the party was forced to take precautions in order to prove its loyalty to liberal capitalism. Firstly, Celal Bayar who is known for his commitment to liberal economic values, was appointed as the Minister of Economy in 1933 and thereafter, became the Prime Minister in 1937. Secondly, the *Kadro*, which was the semi-official, left-wing journal under control of İsmet İnönü, was closed (Ahmad, 2011, pp. 214–216). The journal was essentially an advocate of intensive statist policies particularly in the heavy industrial branches and these ideas provoked the suspicions of the liberal opponents. In any case, the 1930s and 1940s had direct impact on the current conformation of capitalism in the country (Boratav, 2006, p. 25). Through the 1930s and 1940s, the state undertook a contracting role to sow the fundamental fields of the Turkish economy -not only to develop the domestic industry, but also to construct the infrastructure of transportation, communication and energy- and thereafter, the state's power over the economy continued for decades through massive state enterprises and interventions in circumstances under which the private sector had been too inadequate to handle the investments.

By July 1932, a law on wheat protection was legislated to purchase the excess stocks of wheat in order to balance the grain prices and to organize the sales to domestic and international markets. The policy was enlarged in time to cover

several other commodities. The state was determining the floor prices, realizing the purchase through its parastatal institutions -State Economic Enterprises (SEEs) and the Agricultural Sales Cooperatives and their Unions (ASCUs)- and fueling the system via the Agricultural Bank's liquidity (Yılmaz, 2013). It is commonly emphasized that the source of primitive capital accumulation was the agricultural surplus during the 1930s and 1940s. Thus, the rural population became the leverage for the funds which were transferred to fuel the industrial investments. The fundamental steps were taken to form the agricultural enterprises and cooperatives. Despite the attempts of the government to lighten its interventionist policies at the beginning of World War II, the requirement for nutrition and to meet the needs of the military in addition to the increasing rate of population, forced the state to retake some interventionist precautions (Oral, Sarıbal, & Şengül, 2013).

In the midst of World War II, the government's intention was mostly to deal with the budget deficit by imposing a tax and appeasing the reactions to the *Wealth Tax* of 1942 instead of agricultural protectionism. Hence, the *Land Crop Tax*, the first tithe -direct tax-of the Republic since the abolition of Ashar, was introduced by Law No. 4429 in 1943 and remained in effect until 1946. Since the small producers were in undated with the obligations brought by the crop tax, the large landowners earned high profits via direct wholesales to the state. The attempt to balance the state's budget at the expense of heavy burdens on small landowners led to the frustration of relations between the single party government and the rural regions (Çomaklı, Koç, & Yıldırım, 2012). This susceptibility became one of the motives that accelerated the transition towards multi-party pluralism. The Wealth Tax of 1942 had been perceived as unjust due to its social enclosure because it particularly targeted the non-Muslim population. Thus, the Land Crop Tax was imposed in order to distribute the burden of tax collection in a more even-handed way. However, it drew criticism because of its deficiency in proportionality. Instead of taxing the rural bourgeoisie who enriched themselves in the past two decades without any tax obligations, it was applied to agricultural landowners as a whole (Boratav, 2006, p. 345-346).

Other precautionary policies were held as well during the years of World War II which had been legitimized by the CHP with the Law of National Prevention on January 18, 1940. While the law granted the government an extensive power of economic intervention, the interventionist policies of 1940-1945 had far reaching consequences for the party in terms of losing the consent of its voters in the rural regions (Pamuk, 1988a, p. 107). For instance, a new implementation was entered into force in February, 1941. The grain producers were compelled to sell their products to Turkish Grain Board (Toprak Mahsulleri Ofisi, TMO) at a determined price even lower than half of the market price. It was more like a confiscation in its nature, instead of fair purchase. However, the policy remained far from being successful since both the small producers and the large landholders attempted to obscure the true amounts of produce and tried to lower the portion that they owed to the state by bribing the local commissioners. The system functioned on behalf of the landlords as they were able to hide their products more sufficiently and sell them in the black-market with higher prices while the small producers could only afford their own livelihood with the remainder of their produce (Pamuk, 1988a, p. 102).

The policy of rurality (*köycülük*) was the predominant discourse that accompanied the interventionist policies regarding the countryside. The *village institutes* (*köy enstitüleri*) which were established in 1940 and abolished in 1946 is a solid example on the implementations of the discourse that became subject to long-lasting discussions in the 1950s and 1960s. CHP's discourse of rurality was dominantly a glorification of rural life. This praise aimed at keeping the rural population stagnant under the solidarity idea of Kemalism. Any possible clash between the classes were perceived to be a major threat. Thus, the rural population was going to be educated through the institutes in their local environment and they would not have the intention to migrate to urban centers, in other words, the stagnancy of the countryside was going to be kept through creating an elite rural class vis-à-vis the urban elite. However, these institutes became the focus of accusations: they were accused of being undemocratic due to the tendency to enclose the rural population

to rural regions and of being pro-socialist despite their contrary intentions towards creating national consciousness (Karaömerlioğlu, 2006, pp. 107–116).

At the end of WWII, the disparity between the rurality and the single-party was deepened not only economically but also politically. Moreover, the interventionist measures that were taken to create a class of bourgeoisie began to be criticized by the bourgeoisie itself. Therefore, the reforms and state interventions that were realized ‘despite the people, for the people’ (Karaömerlioğlu, 2006, p. 49) and the steps taken ‘for the bourgeoisie in spite of itself’ (Ahmad, 2008, p. 206) backfired on the CHP itself. The statist policies of the 1930s and 1940s constituted a fruitful source of populist discourse for the Democratic Party (*Demokrat Parti*, DP hereafter) in 1950 just like it did for the Justice Party (*Adalet Partisi*, AP hereafter) during the 60s and later the AKP in 2002. Thus, for the first time in Republican history a party other than the CHP was outvoted victoriously and *officially* in the General Elections of 1950 that they had participated in, as the voice of aggrieved masses.

On the other hand, just before the General Election of 1946, CHP brought forward a draft bill which offered to provide land to landless peasants and to those who only had small plots. Besides appearing to be an introductory step for land reform, the proposal was actually perceived as a radical departure from the liberal economic target that had been set initially by the single party government and caused intense disputes in the parliament. The significance of this maneuver in terms of agricultural capitalization will be discussed in the following section.

2.2 Post-WWII Developmentalism with Foreign Capital

A remarkable development in the last five years of the CHP government was the ratification of the Law for Providing Land to Landless Farmers in 1945 which had been subject to long discussions within the party. The disagreement led to a faction and prepared a ground for an opposition group of deputies to establish the

Democratic Party. Moreover, as it was the sole solid attempt of a land reform in Republican history, it was frequently referred back to in the 1960s and 1970s within the Turkish leftist discourse (Koçak, 2010, p. 284). The traditional left-wing Kemalists, commonly explicated the Law as a radical reformative step to improve the economic conditions of small and poor peasants in order to strengthen their status against the dominant, feudal-like landlords and perceived the action as a belated solidification of the party's true populist intentions, which had been hindered due to internal oppositions (Karaömerlioğlu, 1998; Koçak, 2010).

Karaömerlioğlu (2006) suggests a per contra account on the perception of the Law as a reformative attempt that carried intentions to strengthen the rural population as a class. He states that the incentive beneath this legislation was not *reformative*, but it was rather *conservative* (Karaömerlioğlu, 1998, 2006, p. 143). The landless farmer stratum carried the risk of transforming into proletariats in the long-run. Thus, the essential target was to keep the peasants in their villages and to bring them into the fault of the regime, especially the Kurdish people, by satisfying their appetite on property ownership while hampering any kind of leftist movements.

Karaömerlioğlu exemplifies CHP's state of mind with the article about the *Farmer's Hearth* -the article was cancelled before the law proposal- which was essentially envisaged to block any kind of migration to the urban centers. Accordingly, he notes that the Law enforcement resembles Nazi Germany's *Erbhof law*. Peasants, he explains, had always been the best anchor to strengthen the state through *conservative nationalism*. Thus, instead of containing benign motivations to grant confidence to the peasantry in the class struggle, the Law was aimed to prevent any kind of class struggle that might rise up in the rural areas. Through the donation of land, the government was sought to tie the peasants to the land and to solidify their identification in terms of their commitment to the national state. Regarding the international political circumstances in the 1940s, the small landowner conservative peasant was considered to be the most efficacious buffer within the society against the threatening waves of communism as their common

virtue was conservatism. After the Article on Farmer's Hearth was cancelled, the 17th Article was added to the government's law proposal which led to further discussions and was cancelled as well before its ratification. The Article had supported the sharecroppers and the tenants owning the land that they had cultivated. Karaömerlioğlu suggests that the land reform was striving to tie the destiny of the poor and middle-class farmers to the destiny of the Kemalist regime, while the landlords were going to become the scapegoat instead of the state (Karaömerlioğlu, 1998, 2006, pp. 135–150).

Koçak (2010, pp. 291–292) also underlines that the law was aimed at keeping the peasant in a stagnant order. The reform was going to lead an increase in agricultural produce thus, the rural masses were going to be stabilized with higher incomes within the Kemalist regime. Especially the 17th Article was an annihilation of the consensus with the government and the landlords. However, any possible mobilization in the rural population was related to the abidance of the state and it was worth sacrificing the consensus to keep the maintenance of the regime. Ultimately, such stabilization was on behalf of the landlords. On the other hand, the Farmer's Hearth was projecting the dominance of self-sufficient small-farms in the countryside. Economically, it was contradictory to the party's capitalist intentions. Keyder and Pamuk indicate that the need of the poor peasant *was not land* in the 1940s, but the cattle to work on the land. In other words, '*they were not poor due to the lack of land. Instead, they did not own land because they were poor.*' (as cited in Karaömerlioğlu, 1998). Thus, the Law was a reformative step but it was an ideological and political one instead of economical; as it closed the doors to agricultural capitalism in a manner that compelled the peasant to state protectionism eventually, and contradicted with the Republic's economic policy which had been founded upon the imminent transition towards the capitalist stage (Keyder and Pamuk, as cited in Karaömerlioğlu, 1998; Koçak, 2010, p. 292; Karaömerlioğlu, 2006).

Focusing on the post-war period, Keyder (1988) asserts an analysis on agricultural development in Turkey through a formational perspective. Initially, the rural population and the goods mobilized increasingly, thus, the rural areas integrated into urban centers. According to Keyder, the integration between the rural production and the national economy brought along a rapid course of a commodification process through which both the labor and the goods -that are produced and consumed- became commodified. In this regard, he attributes importance to the 1950s' technological improvements with respect to their effect on transitioning to small commodity production. Then, he remarks on the small commodity production appears when an enterprise depending on the household labor operates *in an economic environment in which the commodity relations* were completely widespread. Another pre-condition of small commodity production is based on property rights. It is underlined that the small commodity producer has to own the means of production, including the territory and the labor. Otherwise, he would remain as a simple peasant.

Keyder (1988, p. 171) indicates that the *agricultural capitalism* appears only if the peasantry formation is *transformed*, thus, it would be in vain to expect a transition towards agricultural capitalism once the small-commodity production is settled. The prevalence of the commodity relations can dissolve the peasantry in two separate directions. In the first scenario, the peasants may lose their means of production under circumstances in which the property rights are controlled by the large landholder, with or without state intervention. If the peasantry transformed into the form of small commodity producers who own their own land -whose labor force cannot be controlled by the capitalist- it could possibly mean that the gates of transition into agricultural capitalism would be closed forever. In the second scenario, if political decisions or class struggles cause the property rights to become widespread the small commodity production would settle. The Law for Providing Land to Landless Farmers and the policies of the 1950s were in conformity with the second scenario.

Düzgün, on the other hand, presents a critique of *Sonderweg* paradigm and the approach that explains the single party regime's interventionist policies with Sonderweg paradigm because of its ignorance on geopolitical multi-linearity in the development of late capitalisms. Sonderweg paradigm suggests that the state should attribute the role of the rise of capitalism where the economy is abides to peasant-based agrarianism, while a strong bourgeoisie does not exist. However, Düzgün states that to tag the Kemalist étatism (1920 -1940) within the same category of "state capitalism" -together with the German and Italian experiences- would be misleading, since the Kemalist regime's interventionist policies did not even exhibit an attribute to transform the production relations in accordance with capitalist market conditions. He points the Sonderweg paradigm's tendency to deduct the class relations into *a priori* abstraction derived from the original advance capitalist modes of production and to ascribe all the weight on the industrial bourgeoisie and middling farmers within the discussion of capitalist development. Accordingly, this manner not only obscures the specificity of the late capitalisms but also shadows the alternative paths of modernity. Kemalist statist policy making was a consolidation of étatism, nationalism, secularism and populism through institutional education, Turkification, secularization and militarization. This alternative project of modernization created a base for 'social reproduction' instead of capitalist market relations (Düzgün, 2017).

At the end of WWII, the Turkish private sector was still too weak to attribute huge investments and required further capital accumulation. However, the political circumstances added to public discontent that had arisen out of statist agenda propelled the CHP to loosen its statist policies and to encourage the private sector (Boratav, 2019, p. 110), but it was not adequate in convincing the electorate. Although its reputation is stained with unfair pressures and collusions, the General Election of 1946 has been a milestone for the Turkish parliamentary system in its path towards democracy. The transition to the multi-party system started by the election in 1946, concluded with the victory of the Democratic Party in the 1950 election.

Agriculture was the top priority of DP's party program as it had built its general discourse upon the promise to increase the welfare of excluded masses and touted for the votes of the rural population who were tired of post-WWII's economic turmoil and the secularist pressure of CHP. DP placed importance to agricultural development but not in a manner of investing into long-term sustainability. Instead, the party was aiming to achieve development as soon as possible and it did exactly that. Agricultural production incremented rapidly between 1951 and 1954 due to: the enlargement of cultivation areas, the climate conditions, the improvement in mechanization and transportation (Ahmad, 1992, p. 173). The agricultural production level increased miraculously leading to increases in agricultural exportation, thus, the DP government enjoyed the heyday of its rule until 1956. (Ahmad, 1992, p. 177).

Despite the Law of Landless Farmers being ratified in 1945, Menderes did not intend to damage his consensus with large-sized landholders, on the contrary, the landlords were supported by extravagant loans (Ahmad, 1992, p. 178); thus the implementation of the law was diluted. Even if a large amount of land was distributed to the small farmers, most of the land belonged to the Treasury which had been used for animal husbandry (Ahmad, 1992, pp. 173–175). Meanwhile, the government supported its land distribution policy with an allocation of loans to the peasants without a planned educational scheme; hence, the agricultural loans were spent elsewhere and not on production (Ahmad, 1992, p. 179).

The distribution of lands in reality increased the social injustice instead of alleviating it. As Ahmad (1992, p. 175) cites Yaşar Kemal's quote: 'once the aga was used to giving the land and the peasant was putting in his labor, now the government was giving the land and the aga was supplying the tractor'. In other word, the small peasant was still dependent on the landlords. The so-called mechanization reform was also not encouraging the production: the landlord was already gaining high rates of profits out of his large lands while the increase in

tractors was equivalent to a decline in the need for the sharecropper (Ahmad, 1992, p. 176). In general, the reflections of DP's developmental policies were an increasing wealth accumulation by landlords which was accompanied by the deterioration of small landholder's income. In 1952, all the land was cultivated, but as it was not feasible to use tractors on the small plots of land, most of the small farmers were compelled either to become agricultural laborers in the larger farms or to migrate to urban centers (Ahmad, 1992, p. 177).

Despite the absence of a decline in GNP, the contraction of foreign trade in 1954 signifies a relative inward closure. The portion of consumption goods within the total importations declined to below 10% while it was over 20% before 1954. This reduction was followed by the product shortages and the black-market activities which enforced the DP to increase the public investments. On the contrary to its pre-election promises and the IMF's standard liberalization recommendations, the party was compelled to take shelter in state interventionism. The continuous increase in budget deficit enforced the government to enact limitations and restrictions on the foreign trade regime which was going to shape the policies of the following decades. The populist substitution policies to alleviate the rural regions led to further inflationary consequences leading to signing a SBA with the IMF in 1961 (Boratav, 2019, pp. 120–122).

Sunar (1985) indicates that DP has been the first spokesman of the populist period that lasted until the end of the 1970s. He notes despite that the CHP had a claim of being populist, the party was actually authoritarian in a manner of excluding the masses instead of encouraging their political participation. While there was a discrepancy between the secular and westernized political elites and the eastern-minded masses, CHP abided its legitimacy upon a consensus that was composed of landlords and local notables, instead of social mobilization and support (Sunar, 1985, p. 2079). Meanwhile, DP's populism was framed and restricted with the existence of a secular civil/military bureaucratic intelligentsia stratum that prevented the party to mobilize the people with religion, *Islam*. Therefore, instead

of a radical ideological shift the patronage relations were employed. The populist policy of the party realized upon two aspects. First, the étatism (*devletçilik*) and the populism (*halkçılık*) principles of the Republic were re-interpreted. The state was going to be a *medium* that encouraged the private sector instead of being *the guardian* as it was in the single-party period. Secondly, the discrepancy between the state and society was going to be minimalized which required moderating the principles of nationalism and secularism. This kind of populism could only be maintained with a broad-based economic development which was managed by state protectionism, i.e. increasing the number of SEEs and substitutions, after 1953. Especially, AP who won the elections in 1961 inherited the patronage system that was introduced by DP into Turkish politics (Sunar, 1985, pp. 2082–2085).

After the first coup d'état of the Turkish Republic in 1960, the modernization and capitalization of agriculture became repeatedly glorified by the 5-year development plans between 1963 and 1980. The shortage of lands for reclamation shifted the policies from extensive farming towards intensive farming, which would ensure increasing production by the usage of '*modern machinery, modern chemicals, artificial fertilizers, improved seeds, cheap credits, crop and input subsidies.*' However, the agricultural supports were allocated unfairly in favor of large landholders who had easier access to the resources, thus, these supports actually accelerated the inequality within the countryside instead of improving the conditions for the agricultural laborer in a persistent way (Aydın, 2010). The populist policies oriented towards the rural regions clearly made contributions to the capitalization of agriculture and to the erosion of traditional agricultural relations (Aydın, 2010; Keyder, 1983). The increasing profits were appealing for the landlords with easier access to credits and mechanization. The return of landlords to the countryside led their tenants and sharecroppers to be expelled out of the lands, propelled the unemployed rural laborers to migrate towards urban areas and initiated proletarianization in the countryside (Aydın, 2010).

Aydin (2018, p. 124) points out that the 1960s and 1970s corresponds to the 'Second Food Regime' which prevailed globally between 1947 and the end of the 1970s. The Second Food Regime acquired its shape in conformity with ascending American supremacy in the post-WWII period. The U.S. accumulated an excessive amount of agricultural food through intensive subsidization accompanied by technological improvement and utilized this accumulation in domestic politics towards the low-income stratum. Simultaneously, through the implementation of *export subsidies*, the excess products of American agriculture were distributed internationally at knock-off prices (lower than natural market prices), in other words leading to *dumping*. The free trade had constituted the roots of the first regime led by British hegemony, alternatively the U.S. was structuring its own regime on '*managed agriculture within the Free World*' (Friedmann, 2005, p. 129).

Therefore, the aids and the funds that had been distributed to developing countries, i.e. Marshall Aid, had served as an international tool for U.S. policies: besides being an extension of American attempts to keep the worldwide food markets under its control, these aids and supports were also consolidating the bonds between the U.S. and its allies in the Cold War period, through increasing the agricultural dependency. While Europe did not allow the importation of these low-priced agricultural products, the under developed and developing economies which were focused in improving their domestic industry in the first place, greeted the cheap products and favorable funds eagerly; thus, despite their agricultural self-sufficiency before the WWII, these countries neglected the agricultural development in the post-war period and the process of deagrarianization was accelerated. On the other hand, the existence of Cold War threats compelled the U.S. to support the developmentalist route towards industrialization in developing countries, even though it was not the most favorable choice (Aydin, 2018, p. 125).

The US-led agricultural policies worked to the credit of the Turkish governments who benefited from the abovementioned developments to complement their populist discourses. The AP had also employed the support instruments such as

government buying with high floor prices and cheap input substitutions (Demirel, 2017, p. 574). Actually, the general approach towards the agriculture until 1980 was identified in the personality of Süleyman Demirel who appeared as a significant figure throughout the period. He was born in the countryside as the son of a farmer, with a state educational background and graduated from university: he was neither close to the political elite circles of CHP nor a member of a notable family like the previous prime minister, Menderes. He frequently used his origins in his populist discourse as he embraced modernity but neither refused the importance of religion and traditionalism nor his rural background. Thus, his rise was proof for the low-income masses with similar backgrounds that modernity could be harmonized with the tradition and that a peasant could move up to a higher class, even to the level of prime minister (Bora, T., as cited in Demirel, 2005, p. 552). While Menderes still symbolized the center despite his opposition to CHP's elitism, who decided the destiny of the periphery, Demirel was like the periphery itself just like a solidification of the Republican ideals for the rural population who migrated to urban centers.

While the economic policies that were implemented by the AP and Demirel were in line with developmental ones, the infrastructure projects and investments, especially in the rural regions, were glorified in the party's discourse and prioritized in their implementation. While urbanization was encouraged, public spending was oriented towards the infrastructure investments to 'civilize' both the urban and the rural regions (Demirel, 2017, p. 534). Until 1980, the Land Reform discussions were brought back into the agenda by the militaristic transition governments after the interventions of 1960, 1971 and 1980. However, the discussion never led to a structural reform on behalf of the low income rural producer (Köymen, 1999, p. 58).

As the Constitution of 1961 had provided a relative democratic relaxation in Turkey, the 1960s were the years that leftist movements ascended through the establishment of the Worker's Party of Turkey, mobilization of students with

National Democratic Revolution etc. As one of the main discussions of the Left was the role of the rural population in revolution, the countryside and the policies to awaken the rural masses was under focus. Thus, the role that Demirel had attributed to himself especially during the 1960s, as the ‘the father of the farmers’ but with religious/nationalist values in addition suited his background very well. Although this attribution could not be compromised with the Left, it was practical and necessary within the political competition. Thus, he benefited the protectionist measures to his advantage, in accordance with the internal and international conjuncture (Komşuoğlu, 2008).

To summarize, the agricultural policies in Turkey have changed in conformity with the shifts in economic policies hitherto the foundation of the Republic. The 1920s were relatively liberal years which were followed by the statist policies of the 1930s. In the 1930s the predominant target was to develop industry. During the WWII period the state interventions to agricultural prices increased. The long-lasting interventionist period brought the liberal policies back in the 1950s during which agriculture was the primary area that was supported. In the 1960s, the economic policy shifted to the prioritization of industry but the agricultural supports continued. The 1970s was a turn back to liberal policies accompanied by stabilization programs and export-oriented strategies which radically accelerated in 1980 and lasted until the 1990s (Köymen, 1999, p. 3).

After deriving the relative benefits out of conjunctive policies in favor of the U.S. for three and a half decades, Turkey which had already been dealing with the chronic balance of payment problems within the ISI model, reached an economic bottleneck in the face of soaring oil prices in the dawn of the 1980s. The high unemployment and inflation rates led to social unrest and political turmoil that forced the country to shift its policy towards widening its integration with international markets. The economic decisions of 24 January 1980 accompanied by the financial stability receipts of the IMF and WB were the milestones of new

policies targeting ‘*the price liberalization and strengthening agricultural capital over labor.*’(Oral et al., 2013, p. 76)

2.3 1980s Onwards: The Foregleam of Neoliberal Restructuring

Turkey drifted into a deepening economic crisis through 1978-1979 with deficits in the fiscal budget and the balance of payments. This was the crisis of the inward-oriented capital accumulation strategies and the ISI model, which led to high rates of unemployment and inflation. The crisis brought in radical reforms and stabilization plans associated with IMF, WB and OECD (Öniş, 2010, p. 52). The 24 January 1980 Decisions, the so-called shock treatment program, was a milestone that signifies a fundamental shift in the Turkish economic policy towards an export-oriented model and liberal policies. The military coup of 12 September 1980 was the second shock in 1980 which provided a shield over the liberal steps against the social unrest via militaristic pressure. Thus, 1980 has been commemorated as the most important breaking point through the course of capital accumulation in Turkey and a strike to the inherent balances of socio-political structure (Sönmez, 2013, p. 20).

The policies that were implemented until the end of the 1980s was predominantly export promoting and wage-suppressive. However, the increase in exportation slowed down and the protests forced the government to increase the wages in the late 1980s. The Turkish state and the capitalist classes perceived the financial liberalization as an opportunity to stabilize the economy. Thereafter, in 1989 the convertibility of the Turkish Lira was accepted and the direct exchange transaction controls on the Turkish Lira were liberalized (Ercan & Oğuz, 2007, p. 175). The liberalization of capital markets was followed by a series of economic turmoil in the 1990s leading to the first major crisis of the neoliberal period in 1994 which was followed by an IMF program (Öniş, 2010, p. 52).

The 24 January 1980 Decisions required implementation of devaluation at a high rate on the Turkish Lira, the elimination of SEEs wage rises and price controls. The military administration played a predominant role in the implementation of the policies that deteriorated the conditions of labor markets on behalf of capital, by keeping the labor force reactions under control: the union activities were suspended, the directors of the Confederation of Progressive Trade Unions of Turkey (*Türkiye Devrimci İşçi Sendikaları Konfederasyonu* DİSK hereafter) faced trials. The military administration intervened with the wage determination methods, added anti-labor Articles into the Constitution of 1982 and demonstrated several attempts to take the labor markets under control through judicatory and institutional methods (Sönmez, 2013, p. 21). Through all these arrangements, the military regime followed the recommendations of The Union of Chambers and Commodity Exchanges of Turkey (*Türkiye Odalar ve Borsalar Birliği*, hereafter TOBB) and Turkish Confederation of Employer Associations (*Türkiye İşveren Sendikaları Konfederasyonu*, hereafter TİSK) lobbies, while Confederation of Turkish Trade Unions (hereafter, Türk-İş) resisted at a minimum level. The anti-labor policies comprised not only of the workers but also attacked the civil servant wages, the retirement gratuities and severance allowances (Boratav, 2019, p. 167).

In conformity with the liberal discourse, the interventionist manner of the Turkish State had been accused of being the scapegoat of the chronic economic problems, hence, the efforts to replace the state's role with private capital was initiated. Therefore, the 1980s and 1990s were marked with the attempts to cut-off monopolistic investments in agriculture, to minimize the price subsidies and direct state purchases. The military administration was followed by the ANAP government which ratified the decree law no. 233 in 1984. The Law of 1984 triggered the privatization course of SEEs under the recommendations of foreign consultancy companies. The most extensive plan was presented by the American Morgan Guaranty Bank under the name of Privatization Master Plan which was juxtaposing a priority list of SEEs. Although there have been changes in the order of the list, almost all of the determined SEEs were eventually sold sooner or later

(Oral, 2012, p. 300). Hence, as it will be explained in Chapter III, TEKEL's long-lasting privatization journey began. Between 1986 and 1991, the ban on cigarette importation including American tobacco and the state monopoly on tobacco was abolished, the domestic and international companies were granted permissions to produce tobacco products. Besides, the state monopoly on tea was abolished: thereafter, the domestic and foreign companies were permitted to buy, to manufacture and sell tea (Oral, 2012, pp. 300–302).

The abolition of state control on seed prices were completed with the conditions that were imposed with the loan agreement of 1984 (Oral, 2012, p. 303). The key objectives that the government had promised to keep in the following decade were presented clearly in both the Statement of Sector Policy prepared by the government and in the agreement on the Agricultural Sector Adjustment Loan with WB in 1985:

“...(i) reduce producer subsidization while maintaining adequate incentives; (ii) deepen and expand the input distribution, marketing and credit channels; (iii) rationalize public investment with primary focus on irrigation, the key to intensification; (iv) strengthen the agricultural research, extension, protection and disease control services; (v) reduce the role of parastatals to the provision of essential services, and improve their efficiency; (vi) strengthen management, planning and policy analysis in the sector.”(The World Bank, 1985, p. 4)

As mentioned under the Input Pricing section of the agreement “...seed prices were deregulated in 1984 as part of a successful attempt to encourage imports and to promote joint venture seed companies in the private sector.” (The World Bank, 1985, p. 8) Thus, by the structural reforms of the 1980s the gates were opened wide to welcome the *qualified* seeds, supplied by the multinational giant companies which produce and monopolize the chemical ingredients globally.

Özar and Ercan (2004, p. 194) state that the military intervention could not be coincidental as the late 1970s were the years in which the social opposition, that

had been held by the organized labor force, accelerated and became equipped against the capital groups to some level. As a result, the pressure on organized labor and the arrangements between 1980-1989 were structuring a new shape of labor-capital relations (Ercan & Oğuz, 2007, p. 194). They emphasize that the structural adjustment programs abide to mainstream theories of the economics and these theories accept the instability of labor market in a given structure as an incompatibility. The deteriorated indicators in Turkey, like the high rates of unemployment, over-employment in agriculture, insufficiency of women's participation in professional life, the usage of child labor as cheap labor demonstrates that Turkey is not incompatible with the global markets, rather it is adjusted accordingly (Özar & Ercan, 2004, p. 207).

Until the 1980s the income level of small agricultural producers was attempted to be given protection through input supports, farmer's credits and output price subsidies in order to minimize the possible damages out of developing market relations in rural areas and the acceleration of the capitalist mode of agriculture (Oral et al., 2013). The main underlying cause of these supports was to control the proletarian progress in the rural regions and to postpone migration to urban areas. However, from the 1980s onwards the welfare conditions of small-scale agricultural producers and the landless peasants were not on the agenda any more (Aydm, 2010, p. 152). While Turkey hinged onto the international markets through export-oriented foreign trade during the 1980s, the content of articulation shifted to capital markets in the 1990s. The agricultural supports tended to be instable in 1990s but were also employed more on behalf of the small producers due to the frequency of elections.

The agricultural support system was discussed during this decade among bureaucrats of the economy. The mindset of the post-2000 transformation was formed within the 1994-1999 period and strengthened by the 7th Development Plan (Oyan, 2004, p. 52). On the other hand, the EU has also been another actor which has shifted its agricultural policy towards a more market-oriented path in the same

decade. However, as it will be seen in the next section, EU's method of reducing the protectionist measures differed from those of Turkey, leaving the agricultural incompatibility between the sides unchanged.

2.4 Does European Agricultural Sustainability Really Enclose Turkey?

The EU was the largest export market (42.4% of total exports) and the import provider (32.3% of total imports) for Turkey in 2019 (European Commission, 2020, p. 8), while Turkey was the 5th largest trading partner of the EU. Turkey's economic partnership with the EU, including the topics on agriculture, are based on the Ankara Agreement of 1963 which was signed between Turkey and the European Economic Community (EEC), the Additional Protocol of 1970 and the Association Council Decisions (1/80, 1/95, 1/98). The details of the trade relations were framed within the Protocol of 1970 which became effective in 1973. The tariffs and the quotas on trade exchange were abolished in line with the timetable that was determined in the Protocol (World Bank Group, 2014, p. i). However, the agricultural products were left out of the free circulation list.

Accordingly, further precautionary arrangements were going to take place in order to align the Turkish agricultural standards with the Union's conditions for membership candidacy until the end of the estimated transition period. Meanwhile, trade of agricultural products was going to be subject to the *preferential regime*. The context of the preferential regime was enlarged with the Council Decision 1/80 on the development of the Association (Council of the European Communities, 1992, pp. 327–346) and the Union committed to eliminate the fixed customs duties gradually on Turkish agricultural imports until January 1, 1987. The promise was kept but the abolished taxes were replaced with new measures of anti-dumping and quantity restrictions (T.C. Tarım ve Köyişleri Bakanlığı Dış İlişkiler ve AB Koordinasyon Dairesi Başkanlığı, 2009, p. 21).

By virtue of the relative stability in the international realm and the westernization tendencies in Turkish politics, the EU and Turkey were in mutual harmonization during the 1950s and 1960s. However, the oil crisis, increasing competition in global trade and growing U.S. hegemony over the western alliance changed balances. The uniformity between US and EU was distorted. While the EU chose the strategy to enlarge itself to the north and the Mediterranean coast, Turkey tended to diverge from the EU harmonization since European markets were over-competitive for Turkish business cycles (Eralp, 2009, p. 152). The relations were suspended by the EU due to the *coup d'état* of 12 September 1980 and restarted when Turgut Özal applied for full membership in 1987, before the transition period that had been determined within the context of the Ankara Agreement was completed. This premature application was not enthusiastically welcomed by the EU due to its ongoing Single European Act and the Single European Market revisions; it caused mutual resentment and further alienation (Eralp, 2009, p. 155).

The economic aspects shaped the EU-Turkey relations during the 1980s and 1990s instead of political ones. The EC-Turkey Customs Union was the final phase of the Ankara Association Agreement. Its ultimate scope and the content were determined in 1995 and it has been implemented since 1 July 1996. The agreement of 1995 was in accordance with the Additional Protocol of 1970, thus, the CU was initiated to regulate the free circulation of goods *excluding agricultural products*. The EU decided to maintain the conditions about agricultural products on the basis of Turkish agriculture's structural inconformity with the Union's criteria. Hence, the Processed Agricultural Products (PAPs) were included in the CU product list, but the implementation of preferential regime on agricultural goods was left unchanged (T.C. Tarım ve Köyişleri Bakanlığı Dış İlişkiler ve AB Koordinasyon Dairesi Başkanlığı, 2009, p. 22).

In December 1997, Turkey was not included amongst the candidate countries for the next enlargement that was announced in the EU Summit of Luxemburg. The content of preferential regime on agricultural products was broadened instead with

‘Council decision 98/223/EC’² that entered into force by February, 1998. Hereafter, Turkey also granted preferential market access to some EU products in addition to the unilateral trade preferences that were granted by the Union until 1997. Turkey’s candidacy was recognized officially at the Helsinki Summit³ and agriculture has become one of the emphasized topics in the following councils which may require long-lasting transitional periods, specific arrangements or permanent protective clauses⁴.

The negotiations are still going through mutual progression. However, Turkey seems to be far from fulfilling the European conditions in the agriculture sector in the near future. In order to limit the subject within the scope of this thesis, the historical evolution of CAP and its distinctiveness from Turkish agricultural policies will be assessed. A review on the EU’s stance towards agricultural protectionism would provide a better understanding on both the role that was attributed by the Union itself as a second anchor beside the IMF during the structural reforms and the duality of Turkey’s position, especially in WTO negotiations which will be explained in Chapter IV.

The EU’s emphasis on agriculture goes back to Paul-Henri Spaak’s report that was presented to the member states of the European Coal and Steel Community in 1956.

² ‘Decision No 1/98 of the EC-Turkey Association Council of 25 February 1998 on the trade regime for agricultural products - Protocol 1 concerning the preferential regime applicable to the importation into the Community of agricultural products originating in Turkey - Protocol 2 concerning the preferential regime applicable to the importation into Turkey of agricultural products originating in the Community - Protocol 3 on rules of origin - Joint declaration concerning the Republic of San Marino - Joint Declaration’ (1998) *Official Journal of the European Communities* L86, p. 1-38.

³ European Council. (1999). *Presidency Conclusions, European Council, Helsinki, 10 and 11 December 1999*. European Council. Accessed in 20 June 2020. Retrieved from https://www.europarl.europa.eu/summits/hel1_en.htm

⁴ European Council. (2004). *Presidency Conclusions, European Council, Brussels, 16 and 17 December 2004*. Council of the European Union. Accessed in 20 June 2020. Retrieved from: https://www.ab.gov.tr/files/_files/Zirve_Bildirileri/PresConc_17122004.pdf

The report⁵ determined the cornerstones of a regional common market based on a customs union in which the protective measures that obstruct free trade among the member states would be eliminated gradually. The exclusion of agriculture was presumed to be *inconceivable*. The food shortages and the economic havoc of the post-WWII period compelled the leading European countries to undertake agriculture as a fundamental problem with urgency. The primary purpose was to increase agricultural production as soon as plausible.

The EC continued to implement agricultural support policies in an intense manner during the 1970s and 1980s. Thus, the agricultural production target was achieved at such a level that the EC became the leading exporter of agricultural products globally. Those decades, as mentioned before, were the years that U.S. was pursuing an aggressive agricultural policy to gain hegemony over the world markets, thus, the EU's high rates of agricultural exports were directly damaging U.S. profits. Hence, the U.S.'s insistence to include the agricultural products in the free trade negotiations in GATT started (Yılmaz, 2013, p. 197). Although the EC continued its support policies pertinaciously, by the mid-1980s the overproduction and heavy costs of protectionist policies became chronic problems which suppressed the Union's international competitiveness. In 1992, the EC started to take reform steps -prudently though- to reduce the budgetary burden of protectionist agricultural policies, which led to unnecessary excess production. This maneuver towards a more liberal approach was also triggered by the intentions to create mobility in the upcoming GATT negotiations: the Uruguay Round.

Ever since the establishment of CAP in 1962, the 1992 reform -that was determined with *MacSharry decisions*- was the first turning point as the system of protection through prices was replaced with a system of *compensatory* income support

⁵ Intergovernmental Committee on European Integration. (1956). *The Brussels Report on General Common Market (Spaak's Report)*. Luxembourg: The High Authority of the European Community for Coal and Steel. Accessed in 15 May 2020.
Retrieved from: http://aei.pitt.edu/995/1/Spaak_report.pdf

(Çakmak & Kasnakoglu, 2001, p. 3). In other words, the income loss that was going to appear out of the reduction in guaranteed prices determined by the EC, was going to be compensated by direct aids per hectare for the arable crops and headage payments for the categories of livestock production. This type of interventionism is in line with WTO's policies up to some level and enforced in Turkey as well in the first half of the 2000s through the structural reform period. The supports which aim at halting the *overproduction*, i.e. direct payments under production limiting programs, are included in Blue Box measures. Essentially, if a support distorts trade at the level of the Amber Box category, but compels the farmers to reduce the production to a specified limit at the same time, it is included within *the Blue Box* (World Trade Organization, 2015, p. 21). Thus, direct payments are perceived as distortive as the price subsidies, however, the countries are allowed to impose them depending on their potential to minimize the income distortions that would possibly arise in the transition periods. Although WTO does not enforce any upper limits on Blue Box spending, they are perceived to be *temporary* within a holistic intervention elimination program and expected to be reduced ultimately.

Thereafter, the Luxembourg European Council declared the objectives of the new reforms in 1997. The emphasis of *Agenda 2000* was on spreading the multifunctionality, sustainability and competitiveness all over the continent which can be evaluated as an attempt to get in line with WTO regulations. The frame of the new reform was clarified in the 1999 Berlin Compromise: EU prices were going to be aligned with world prices, environmental cross-compliances set as a condition to Member States for granting aid. Additionally, the new rural development policy, so-called 'second pillar of the CAP', that had been announced in the Cork Conference of 1996, was reinforced. The EC was stepping towards a structural reform in agriculture⁶ and the nature of the reforms was reflecting the EC's tendency to transform CAP in a manner of increasing the independence of Member

⁶ European Parliament. (2020). *The Common Agricultural Policy – Instruments and Reforms*. [Fact Sheet] Accessed in 12 May 2020.

Retrieved from: https://www.europarl.europa.eu/ftu/pdf/en/FTU_3.2.3.pdf

States in policy making (Çakmak & Kasnakoğlu, 2001). It was an attempt to redistribute the responsibility and budgetary burden of agricultural sustainability by all means among individual states.

The EC continued its reforms in the following years: The Midterm Review in June 2003, the 2009 Health Check and the 2013 Reform. With the reform package that was announced in 2003, the decoupled aids were introduced. ‘Decoupling’ refers to the unbinding of agricultural supports from current production levels and product prices in the WTO jargon. As these types of supports are usually introduced during the regional and environmental development programs, they are categorized in the *Green Box* subsidies which have the minimum market distorting impact⁷. Moreover, twenty-one separate, product-specific Common Market Organizations (CMO) were now codified under a single CMO with the Council Regulation (EU) No 1234/2007⁸. As a vital feature of CAP’s first pillar, these organizations had served as a kind of control mechanism that aimed at maintaining the market stabilization, protection of farmers’ welfare at an acceptable level and the enhancement of agricultural outcome. The price guarantees, that used to be supplied by the CMOs, were gradually diminished and shifted towards direct aids. A single payment scheme was established by which most of the direct aid payments were decoupled from production (Massot, 2020).

A conspicuous feature, that is embedded in the reformative steps, is the emphasis on *cross-compliance modulation*. The EC pledged to pay the *single farm payments* to the producers as long as the series of criteria concerning the environment and public health of European citizens were fulfilled. Later in the 2009 Health Check, a relative flexibility on the public intervention and supply controls was announced

⁷ WTO. (2020). *Domestic support in agriculture: The boxes*. Accessed in: 11 May 2020
Retrieved from: https://www.wto.org/english/tratop_e/agric_e/agboxes_e.htm

⁸ ‘Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organization of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation)’ (2007) *Official Journal of the European Union* L299 1-149. Accessed in: 22 May 2020
Retrieved from <https://eur-lex.europa.eu/eli/reg/2007/1234/oj>

in order to ameliorate the impairments in producers' living standards arising from previous reforms. Although the EC reform period seems to have had ups and downs in terms of policies, the course of progression actually demonstrates that at every step that is taken towards liberal policies, the EC takes possible further reactions into account that may arise either from the producers due to income distortions or from EU-citizens due to possible increases in agricultural prices and continue its liberalization in a precautious manner. The environmental and the sanitary cause strengthen the EC's hand in the transition period as it is a legitimate excuse to explain the distortions in producer's income and consumer's expenditure.

Turkey, as reviewed in the previous sections, has frequently in its history, employed market price support, input subsidies, supply controls via intervention buying with determined prices. The EU had also utilized price support policies intensively in the first periods of the CAP. To reiterate, this policy comprises serious deteriorative impacts on free trade and stands in the Amber Box of WTO since determination of ceiling or base price has direct distortions on the natural evolution of market prices while it encourages over production. Distinctively, *exports subsidies* were used to be one of the CAP's main policy tools whereas in Turkey export subsidies have been highly limited. In the 1980s and 1990s, the annual cost of export subsidies was approximately one-third of the total CAP budget⁹.

When the domestic prices for a commodity were higher than the world market prices, in order to give away the oversupply of production, the EC was paying an export refund as compensation to the producer/trader to export his products instead of selling it to the internal market. Hence, the EU gained higher shares in world markets, pulled the global prices down and caused the local farmers in the developing countries to face unfair competition. Meanwhile, in Turkey, the export levies were implemented in the 1960s on high value products such as angora wool,

⁹ Matthews, A. (2015, November 25). The EU has finally agreed to eliminate export subsidies... three cheers! [Blog post]. Accessed in 15 May 2020. Retrieved <http://capreform.eu/the-eu-has-finally-agreed-to-eliminate-export-subsidies-three-cheers/>

dried fruit and nuts to increase revenues. They are still utilized at a very limited scale (Yılmaz, 2013, p. 202).

In the post-2000 period the EU introduced deficiency (premium) payments for sixteen commodities and a quota for sugar. While deficiency payments are in the Blue Box with decoupled payments, the first one comprehends higher risk to increase the overproduction compared to the latter. The limitation of sugar production was a direct market distorting policy (Red Box) which used to be implemented by Europe on the milk sector since 1984 and has been gradually replaced by decoupled payments (Yılmaz, 2013, p. 209). Although Turkey has also implemented the direct payment policy (Green Box) within the ARIP in the 2000s, it solely remained as a compensation for a limited period instead of being part of a sustainable agricultural program.

The dairy sector, particularly ‘milk’ has been one of the highly supported sectors in the EC’s history. Since 1992 it has been subject to reforms put in place to address the supports which were given. However, this sector is still exposed to interventions in order to compensate the income distortions of the liberal transition. The discrepancy between the European and Turkish milk markets would be an illustrative example to demonstrate the difficulties beyond the harmonization of Turkish agriculture to European standards, especially after the 2009 Health Check.

The milk shortage turned into product surplus in the 1970s as a result of the EC’s protective policies in the dairy sector. The oversupply reached such a scale that contemporary critiques are still referring to the European ‘milk lakes’ or ‘butter mountains’ of the 1970s during the times that dairy production lead to high public spending on behalf of dairy producers, i.e. Belgium’s intervention in 2015¹⁰. The

¹⁰ Livingstone, E. (2018, January 29). Europe’s hidden milk lake threatens fragile market. *Politico*. Accessed in 15 May 2020. Retrieved from <https://www.politico.eu/article/europeshidden-milk-price-lake-threatens-fragile-market-eu-commission>

EU produced 18.6% of total milk in the world in 2018¹¹ and it is still the largest milk exporter in the world. Thus, the milk constitutes a significant portion of production in terms of production value (Çakmak & Kasnakoğlu, 2001). Although the EC has been changing the content of its interventionist policies since the 1980s, several mechanisms to protect the sector against increased market disturbances are still in use.

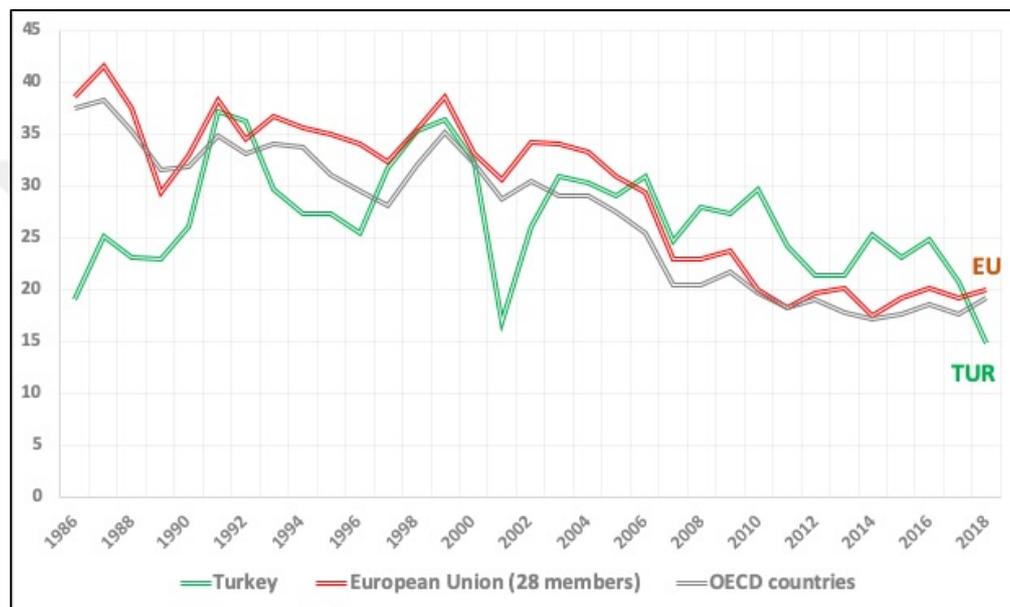
The EC introduced ‘milk quotas’ in 1984 due to budgetary concerns and the reforms continued since then until the quotas were phased-out in 2015 (Yılmaz, 2017, p. 17). As the implementation of quotas on production effectively eliminated the product surpluses by mid-1990s, the EC extended the precautionary policy in three steps. The quotas on milk production were extended until 2000 within the framework of 1992 reforms, thereafter the reforms that had been planned to be introduced in The Agenda 2000 were postponed, the quotas were increased and initially extended until 2003, then until 2015. Despite the abolition of quotas, the pre-eliminated export funds that had been ended in 2007 were reintroduced. The reforms enabled the EU to shift its policies towards less market distorting policies in conformity with its commitment to the WTO. However, it continues to protect the farmers through other supports that do not cause an intervention to output and input directly (Yılmaz, 2013, p. 214).

Meanwhile, in Turkey milk has only been supported with livestock premium payments since 1987 with a declining rate in recent years and there is neither public intervention nor a public storage mechanism. The school milk application was implemented from 2001 to 2003, and started again later in 2010 by the National Milk Council over pilot cities. The application was beneficial in terms of contributing to the nutrition quality and habits of children, consuming the oversupply while harmonizing with EU standards. Turkey has the right to carry out

¹¹ Source: EUROSTAT 2018.

the prices which consumers are exposed to are 20% higher than the market prices. For ease of evaluation the measure will be shown in percentages on the chart. A comparison of the EU's and Turkey's agricultural support levels is demonstrated in Figure 2.1.

Figure 2.1 Producer Support Estimate: EU, Turkey and OECD (1986-2018)



Data Source: OECD Statistics of Agricultural Support¹⁵

The figure reflects the level of protectionist measures in the EU is of a higher percentage compared to Turkey until 2006. In 2006, the suppressive effects of CAP reforms can be observed as the EU levels fall below Turkey's support levels, but it remains slightly over the OECD averages. Meanwhile, the agricultural supports fluctuate in Turkey more steeply than the EU from 1986 to 2003 as the economy was exposed to the effects of liberalization policies. While Turkish protectionism remains lower than OECD average until 2003 in general, there appears to be two exceptional periods: 1991-1992 (due to the General Election in 1991) and 1997-2000. To summarize, the EU's overall protectionism seems to be in a slowly

¹⁵ The data table that includes the agricultural support estimates can be found in Appendix I.

decremental trend which remains steady around 18%-20% after 2011, but still slightly over OECD average. The support level in Turkey reaches its peak in 1992 (34.36%) and 1999 (36.43%) then falls down sharply to 16.87% in 2001 due to the structural reform. After 2001, the support level starts to climb due to DIS payments within ARIP. As the AKP government pursued a policy change around 2003, the portion of direct payments were reduced within the total agricultural support expenditures and protectionist measures turned into an increasing trend until it passed over the OECD average in 2003. After it surmounted the EU's protectionism level in 2006, it continued with ups and downs, never falling to a lower level than either the EU or OECD until 2017. In 2016, the agricultural support that is attained by the farmers seems to decline sharply again, while EU remains slightly over the OECD level.

The EU's expectation of Turkey is to harmonize with CAP reforms in conformity with the WTO regulations. However, the structural developments of the EU and Turkey in the past are completely different. Turkey has still a developing country status in WTO and its agricultural sector needs fundamental change and reforms in terms of infrastructure, training, research, re-parcelling, drainage etc. (Çakmak & Veziroğlu, 2020) Thus, the main incompatibility between the EU and Turkey is that EU, having a developed agricultural structure, that is in ongoing transition towards a more market-oriented system expects Turkey to by-pass the development periods that the member states of the Union experienced in the past. ARIP was a project - which will be explained in the next chapter- that was compliant with both EU and the WTO due to its inclusion of the direct payments system. However, Akder (2007) emphasizes that these kind of policies are *predatory* instead of *productive* in the case of Turkey as they do not make contributions to market-orientation of the rural regions. He underlines that Turkey should prefer policies which would lead to sustainable change instead of policies that introduce 'preservation of the sustainable agricultural landscapes' (Akder, 2007, p. 530).

The next chapter will be focusing on IMF/WB twin reform package which eventually compelled the agriculture sector into a rapid transformation. The course of events will be illuminating our understanding of how Turkish agriculture's liberalization experience differs from the EU's gradual reduction of protectionist policies towards a market-oriented system.



CHAPTER III: IMF'S STAND-BY ARRANGEMENTS AND WB PATENTED STRUCTURAL REFORMS IN THE EARLY 2000s

3.1 Restructuring the Economy: 17th & 18th Stand-By Agreements

At the end of the 1990s, the long-lasting fellowship between IMF and Turkey attained a new facet with the inclusion of WB's macroeconomic structural reforms into the equation. Turkey's interaction with WB goes back to 1940s, during which the Bank had an incremental interest to transfer funds into developing countries and the country had accepted the first WB funding in 1950 for the Grain Storage Project. While the policies were more or less developmental contributions to technical deficiencies at the beginning, the pressure for a liberal change in conformity with the path towards a more market-oriented agriculture gradually increased from 1980 onwards. However, the Bank did not hold the power to enforce the impositions for a complete transformation on its own. Thus, it was after 2000 that the WB patented liberation reforms which were infused among the required conditions of the lending agreements that was offered by IMF. Once the 17th SBA was confirmed between IMF and Turkey, WB also became one of the major actors that determined the destiny of Turkish economy in the path towards the capitalist realm.

The Turkish government signed a Staff-Monitoring Program agreement in July 1998 and the 17th Stand-By Agreement (SBA) on December 22, 1999 with IMF. The agreement sealed the deal for lending Turkey a loan of 15,038,400k SDRs which was going to be accompanied by a 3-year adjustment program. As the Turkish economy experienced two speculative attacks in November, 2000 and February, 2001 respectively, an extension package of lending was confirmed. Thus, Turkey gained the opportunity to lend a supplementary reserve of 7.5 billion USD by the agreement signed on December 21, 2000. However, the turmoil of two crises in 3 months did not stabilize quickly. The existing policies implied through the structural adjustment program seemed to fail; thus, the government requested to strengthen the program by adopting policies which would have been a better fit for

the circumstances of the crisis. By May 3, 2001 Turkey's Transition Program to Strong Economy was announced. In the following years two more structural adjustment programs and lending agreements were signed covering the periods of 2002-2005 and 2005-2008. A detailed chronology of the developments which directly or indirectly affected the agricultural reforms and the table of loans can be found below in Appendix II.

IMF had portrayed the memorandum of 1998 as an agreement which '*describes the policies that Turkey is implementing in the framework of a staff-monitored program*', and accordingly defined the program as '*an informal and flexible instrument for dialogue between the IMF staff and a member on its economic policies*'. This agreement was not as binding as an agreement of SBA since it was '*not supported by the use of the Fund's financial resources; nor is it subject to the endorsement of the Executive Board*' of the institution. (The Undersecretariat of Treasury, 1998) According to the commentary report that was published by *Bağımsız Sosyal Bilimciler (BSB) İktisat Grubu* in June 2006, the Memorandum of Economic Policies of 1998 between IMF and Turkish authorities, Güneş Taner, the Minister of State for Economic Affairs and Gazi Erçel, the Governor of Central Bank of Turkey was designated to be a breaking point for the following decade's economic policies which ultimately led to structural deformation (Bağımsız Sosyal Bilimciler, 2006).

The IMF program's legitimacy stamped from the political turmoil of late the 1990s as well as the economic facts. Obviously, the political and economic instability have mutual effects on each other and Turkish politics was at the edge of a deadlock at that time. The Welfare Party with the broad Islamist views gained 21.4% of the total votes (Motherland Party 19.6%, True Path Party 19.2%, Democratic Left People's Party 14.6%, CHP 10.7%) in the General Elections of 1995¹⁶. As the

¹⁶ Yüksek Seçim Kurulu Başkanlığı. (1996, January 3). 24.12.1995 Pazar Günü Yapılan XX. Dönem Milletvekili Genel Seçimi Sonuçlarına İlişkin Duyuru. *T.C. Resmi Gazete*. No 22512. Accessed in 15 June 2020. Retrieved from: https://www.resmigazete.gov.tr/arsiv/22512_1.pdf

tendency towards increasing Islamist policies had always created frictions in Turkey, the following four years until the General Election of 1999, was plastered with political ups and downs with unsuccessful coalition attempts. One of these major political shocks was the so-called '*Post-Modern Coup*' of 28 February 1997 which ultimately collapsed the coalition that was led by the Welfare Party. Thus, a minority coalition which could hardly have been established signed the memorandum within an oscillating political situation.

The targets that were listed in the memorandum were generally composed of standard policies which aimed to cure fiscal, monetary and inflationary areas by monetary and fiscal instruments. However, within '*the Economic Policies Declaration*' the 55th Turkish government promised to make some changes that necessitated a fundamental political shift in five economic areas, including the agriculture. The 5th Article was focusing on '*...the planned reduction in inflation...*' through achievement of five steps including '*...a shift in the management of key variables such as public sector wages and agricultural support prices...*' (The Undersecretariat of Treasury, 1998, p. 2). The government announced that hereafter, these two major variables were going to be increased according to *targeted* inflation without regarding the past rates.

Subsequently, in the 10th Article the budgetary precautions to '*... restrain primary outlays to ensure the attainment of the targeted improvement in the primary surplus...*' were listed. While the government underlined that the supplementary budget would not take place in 1998, the '*...tight controls on agricultural subsidies...*' were also indicated. The aforementioned '*...major shift in policy...*', dealing with the agricultural subsidies - which were '*...now being adjusted in line with the targeted reduction in inflation...*' - were re-emphasized in the 11th Article and detailed by projected figures. Three fundamental products, that have long been

subject to protectionist policies were on the government's promise list: *wheat, tea and tobacco*¹⁷ (The Undersecretariat of Treasury, 1998, p. 3).

The 16th Article of the Memorandum was describing the actions to be taken for a stronger banking system. The call for increasing the banks' capital adequacy and the reduction of open foreign exchange positions were again somehow getting tangled with the agricultural loans supplied to the farmers via the Agricultural Bank. The government was declaring the policies in a fashion that accepts the IMF's criticism on protectionist policies, since the previous deductions that had been made by the Agricultural Bank on the average rates charged on agricultural credits, were recalled to attention: in July 1998 only 5 points of curbing on interest rates was going to be allowed and thereafter, they were going to be left untouched in order to equalize the cost of funds on agricultural loans with the average cost of funds to the bank.

Later in the Intent Letter of 1999, the government was going to promise the gradual abolishing of the credit subventions that had been supplied to farmers via the Agricultural Bank and HalkBank as one of the five principles. The total cost of subsidies on agricultural loans was planned to be reduced by half in one year: the credit subventions of 1999, that corresponded to 1.2% of the expected GNP, were intended to be reduced to the level of 0.6% in 2000. Seven months later, in the second report review, the government was declaring that the subventions on the agricultural loans that had been sustained by the state-owned banks were *eliminated*. Obviously, this elimination did not realize without any social costs but the government seemed to find consolation in Article 22. '*As the credit interest rates -including the agricultural loans- declined sharply thanks to the enhancement in the macroeconomic conditions,*' the government remarked, '*the effects were alleviated*' (T.C. Başbakanlık Hazine Müsteşarlığı, 2000b).

¹⁷ The rate of increase in subsidies on wheat, tea and tobacco were limited by the projected inflation rate of 1998. Thus, the increase rates of subsidies remained at the level of 60% for wheat, 64% for tea, 71% for tobacco.

Throughout the long-lasting historic ties of Turkey and IMF, the Letter of 1998 took its place as a signal rocket that led to expurgation of the past economic and social accumulation. It is followed by the collapse of the Cabinet due to the accusations that were oriented for rigging the Türkbank bidding in January, 1999¹⁸. After the elections held in April a new coalition with a different combination of parties but with similar complexities and weaknesses was established. The Turkish Undersecretariat of Treasury issued a Letter of Intent on December 9, 1999 which contained complementary articles on the prescribed reforms in agriculture. The 40th and 41st Articles were particularly related to agricultural protectionism. (The Undersecretariat of Treasury, 1999).

Throughout the 40th Article, the actual governmental supports on agriculture were accused of being *ineffective* in terms of being a high cost strategy for backing up the low-income farmers. According to the Treasury, owing to those implementations the agricultural price estimations used to be misleading, thus, they were both causing the resource allocation system to be malfunctional and the provision of benefits for the large landowning farmers instead of the low-income ones. The multipartite structure of decision making on the agricultural area -the heavy bureaucratic load dispersed in between the ministries and the public offices- was condemned to determine the inconsistency in policies (The Undersecretariat of Treasury, 1999, p. 10).

The average cost of agricultural protectionism for the late 1990s was calculated as three percent of the GNP, while pointing to the severity of this burden on the tax payers' shoulders. The Letter of December, 1999 announced a medium-term economic program to abolish the long-standing methods of support implementations phase by phase and replacing them with the Direct Income

¹⁸ Özkök, E. (2013, December 26). 'Karanlık' Dönemin Medya Bilançosu. *Hürriyet*. Accessed in: 22 June 2020. Retrieved from: <https://www.hurriyet.com.tr/karanlik-donemin-medya-bilancosu-25444097>

Support System (DISS) that was aimed at the low-income farmers explicitly. It was also proclaimed that the payment system was going to be on trial through a pilot implementation starting by the harvest of 2000 and thereafter, depending on the outcomes of the application, the system was to be completed in 2002 by a country-wide generalization in 2001. Meanwhile, DISS was going to be accompanied and audited by a second system, the Farmer Registration System, which was expected to be completed in 2001. Although the outset of the direct payment system seemed applicable in 1999 as the band-aid for low-income Turkish farmers, the reality was not so.

Accordingly, only the farmers with small land holdings up to a maximum 20 ha were granted for payment at the beginning, thus, it caused the large plots of land to be divided among family members in order to benefit from the payments. Thus, it caused more land fragmentation. Initially, the farmers with *very small* landholdings were paid lump-sums granting a higher level of subsidy, however the implementation was abolished later. Additionally, the upper limit for eligibility was increased from 20 ha to 50 ha. Hence, the portion that was paid to large farms increased as the payments were made per unit of land. As the system was set on land ownership, a significant number of small landowners could not achieve registration for direct payments due to high documentation costs which was caused by complexities in heredity procedures and the lack of a cadaster (Akder, 2007, p. 528). Thereby, the claims of the Treasury oriented by IMF that was claiming the contributions of the system to low-income farmers were miscarried.

In the 41st Article of the 1999 Letter (The Undersecretariat of Treasury, 1999, p. 11), the government was highlighting the necessity to '*rationalize*' its own agricultural policies through five principles to be followed. These principles were clarifying the upcoming transformation: the adjustments on governmental buying-in prices of wheat, the limitations of intervention on sugar price estimations, the liberalization steps towards granting solidarity to the parastatal state units, gradual abolishment of the agricultural credit subventions, last but not least, the keeping the

input subsidies -such as fertilizers etc.- *nominally* constant in 2000 and 2001. The Letter of Intent which was presented to IMF by the Turkish government on December 9, 1999 was concluded with an agreement of SBA on December 22, 1999. Therefore, the dissolution of the system began synchronously.

As ASCUs came under the scope of the Letter of 1999: a draft law, which aimed to grant autonomy to ASCUs, was promised to be accepted in the Parliament until March, 2000. The law was regarding the liberalization of ASCUs and was conditioned by IMF as a *structural benchmark*. 410 trillion Turkish Liras were allocated to cover the costs of transformation. The government presented periodical letters of intent after the SBA's confirmation in order to update IMF about the *structural benchmark* achievements and to request the completion of phases. Each document included a review of the general economic state besides the government's repetitive assertions about its decisive commitment to agricultural liberalization reforms. By March 10, 2000 (T.C. Başbakanlık Hazine Müsteşarlığı, 2000a) the government explicated the precautions that were going to be held with respect to its macroeconomic liabilities due to the SBA of December, 1999 (Article 9) and the enactment of a law that grants an autonomous status to ASCUs was promised *again* (T.C. Başbakanlık Hazine Müsteşarlığı, 2000a). The government's efforts to sweep away its protectionist tendencies in agriculture can be observed clearly through the review reports. Three articles -out of thirty- were reserved for 'Agricultural Policies' in the second letter in which the government juxtaposed the benchmarks that had been achieved during the previous six months.

While the report announced 'the good news' about the approval of the law¹⁹ that granted autonomy to the ASCUs by the Parliament (Article 23), it was specifically

¹⁹ The Law was approved in 1 June 2001 and is commonly criticized, both academically and popularly, of being dictated by the World Bank and it has been literally a benchmark step towards agricultural liberalization in Turkey.

declaring the further steps to be taken about TEKEL²⁰ (Article 24): the enactment of three brand new laws was *en route*. The first law was aimed at *departmental decomposition*. The unit that was responsible for support purchases was going to be separated from the commercial departments and a new system based on negotiation was going to be established. Within the forthcoming negotiation system, the protectionist policies continued to exist rather sparingly. The purchasing division was still capable of buying the unsold tobacco. However, the support price could only be at least 15% lower than the negotiated price of the equivalent -quality- product. The second law related to dissolution of TEKEL's long-lasting monopoly over the alcoholic beverage production. By the projected law, the government was planning to welcome private companies to the sector. Finally, the production plants of alcoholic beverages, salt and tobacco products were taken into the scope of privatization via the third law that had been mentioned in the 24th Article. It is also highlighted that the sale of those commercial assets was going to be completed by the end of 2002.

The privatization of TEKEL and sugar factories were two forthcoming conditionalities of the IMF/WB agenda on which the institutions insisted continuously and put pressure on the Turkish government. Thus, TEKEL and the sugar factories are two specific examples for not only how the IMF/WB reforms liquidated the institutional and economic accumulation of the Republic at giveaway prices but also the Turkish governments' haphazard stance on far-reaching social consequences of the policies. The government remained loyal to its abovementioned statements and transferred TEKEL to The Directorate of Privatization Administration (Özelleştirme İdaresi Başkanlığı) in approximately seven months by the decision made by the High Council for Privatization

²⁰ The literal meaning of the word 'tekel' is 'monopoly' in Turkish while the capitalized TEKEL stands for the Directorate of Tobacco, Tobacco Products, Salt and Alcohol Enterprise which is a parastatal monopolistic company. The company was nationalized in 1925 and thereafter, operated as the sole manufacturer and distributor of tobacco and alcoholic beverages in Turkey until 2000s.

(Özelleştirme Yüksek Kurulu) on the 1st of February, 2001. The process was envisaged to be completed in three years at most.

The unsettling economic turmoil concluded with two accelerating speculative crises in December, 2000 (T.C. Başbakanlık Hazine Müsteşarlığı, 2000c) and February, 2001 and brought the shift towards a floating exchange rate regime accompanied by Kemal Derviş and his Transition to Strong Economy Program (TSEP) on May 15, 2001. This renewed program was a continuation of ongoing SBA with some supplementary policies to be held in order to keep the structural reforms in line with the program. An important fact is that Kemal Derviş was an officer at the World Bank before he was invited to become a minister of the coalition government to deal with the economic problems. He was not elected, rather he was commissioned. While the politicians were unwilling to take the responsibility for the reforms, Derviş enacted them as soon as he was appointed the Minister of Economy on March 3, 2001²¹ and the reforms were dubbed as the *Turkish Government's* agricultural reform program in the WB's reports (Akder, 2007, p. 526).

After the interruption, the reforms speeded up. As IMF had persistently insisted on the enactment of Tobacco Law from the beginning and it was set as a pre-condition for the 8th review's completion (T.C. Başbakanlık Hazine Müsteşarlığı, 2001b), the approval of the Tobacco Law that was strongly urging the private initiatives into the sector was published officially²², just a few days before the report's release. It was also mentioned in the document that the government was ready to initiate the privatization of the factories (both tobacco and sugar) within the context of WB supported structural reforms (T.C. Başbakanlık Hazine Müsteşarlığı, 2001b). *'In consistency with our commitments to World Bank under Economic Reform Loan,'*

²¹ T.C. Cumhurbaşkanlığı (2001, March 3). Devlet Bakanlığına, Kemal Derviş'in Atanmasına Dair Tezkere. *T.C. Resmi Gazete* No 24335. Accessed in 14 June 2020.

Retrieved from: <https://www.resmigazete.gov.tr/eskiler/2001/03/20010303.htm#1>

²² Tütün Yasası Kabul Edildi. (2001, June 20). *Hürriyet*. Accessed in 20 May 2020.

Retrieved from: <https://www.hurriyet.com.tr/ekonomi/tutun-yasasi-kabul-edildi-39249808s>

added the government in the 9th Review dated 31 July 2001, ‘*the plans of privatization will be completed until the end of 2001.*’ (T.C. Başbakanlık Hazine Müsteşarlığı, 2001c, p. 7)

Derviş and Serdengeçti²³ mentioned the existence of the social reactions against the reforms by themselves in the report that was released in November 2001 (T.C. Başbakanlık Hazine Müsteşarlığı, 2001a). ‘*The comprehensive reform package,*’ as mentioned specifically under the 2nd Article, ‘*normally caused internal conflicts in the country by its nature.*’ (T.C. Başbakanlık Hazine Müsteşarlığı, 2001a, p. 1). The government emphasized that the reform period and the provision of stability had been severe and extensive. The structural benchmarks including the agricultural subsidy prices, and the ongoing privatization process in the fundamental sectors had led to arguments in public opinion, endangering the time schedule of financial recovery from time to time. However, the government seemed to be in a state of mind that perceived these outcomes to be predictable due to *the nature of the policies*, thus, continued the report by pronouncing its satisfaction about the September 2001’s statistics. Accordingly, despite *the social unrest*, the inflation rate had declined, the current account deficit had turned into a surplus, government domestic debt security interests demonstrated a downward tendency and the other merits of the program were juxtaposed. The report was just another declaration that showed how the social welfare system can easily be sacrificed on behalf of financial stability in a neoliberal route.

Meanwhile, approval of the Tobacco Law was still on the government’s agenda as Ahmet Necdet Sezer, the President of Republic in charge, interposed his veto on the preliminary draft of the law²⁴ that had been accepted on the 20th of June, 2001

²³ Süreyya Serdengeçti served as the President of Central Bank of Republic of Turkey between 14 March 2001 and 14 March 2006.

²⁴ Cumhurbaşkanı Sezer Tütün Yasası’nı veto etti. (2001, July 6). *Milliyet*. Accessed in 20 June 2020. Retrieved from: <https://www.milliyet.com.tr/gundem/cumhurbaskani-sezer-tutun-yasasini-veto-etti-372393>

and sent it back to the parliament. According to Article 27, the abovementioned draft was expected to be re-approved by the Parliament by January, 2002. Apparently, despite the cessation due to legislative discussions, The Directorate of Privatization Administration was forging ahead on its plans in order to complete the privatization of TEKEL and TŞFAŞ (Turkish Sugar Industry).

Ultimately, TEKEL's monopoly on the production and distribution of alcoholic beverages came to an end by the law that was enacted on the 6th of January, 2001. After 136 years of state control, the private companies were welcomed to operate in the sector and allowed to determine their own prices as long as they were capable of producing and importing at least one million liters per year. The approval of the Tobacco Law on January 3, 2002 loosened the restrictions and led to the liberal dissolution in domestic tobacco. The alcoholic beverage division was sold to Mey İçki for 292 million USD by tender offer in 5 November 2003. Just three years later, in 2006 Mey İçki sold 92% of its stocks to American Texas Pacific Group (TPG) for 810 million USD (Oral, 2013, p. 301). Later in 2011 the giant company of alcoholic beverages, Diageo bought Mey İçki for 2.1 billion USD²⁵. In other words, despite having once been one of the most protected Turkish monopolies, TEKEL was not only privatized so hastily, its property was traded away for a very low price by the government.

Meanwhile, TEKEL's cigarette brands and factories were also sold to another TNC, British American Tobacco, via an auction on February 22, 2008²⁶. The privatization of the TEKEL Tobacco led to the redeployment of 10,000 workers due to the sale of *twelve factories*. The government's offer was the transfer of workers for eleven

²⁵ Ersoy, E. (2011, August 24). Diageo's Raki Sales to Fall After \$2.1 Billion Mey Purchase. *Bloomberg*. Accessed in 17 February 2020
Retrieved from: <https://www.bloomberg.com/news/articles/2011-08-24/diageo-s-raki-sales-to-fall-after-2-1-billion-mey-purchase-2->

²⁶ Gokoluk, S., & Jones, D. (2008, February 22). BAT wins Turkish Tekel auction with \$1.7 billion aid. *Reuters*. Accessed in: 17 February 2020
Retrieved from: <https://www.reuters.com/article/us-tek-el-winner-idUSL2285950720080222>

months to the other sectors with security losses within the 4/C status and the offer led to the most widespread ‘tools-down’ strike in February, 2010²⁷ that took place in Turkey since 1980.

The completion of TEKEL’s privatization (Alcoholic Beverage in 2004 and the Tobacco in 2008) was only one of the many massive privatizations that exemplifies the painful transition towards a neoliberal market economy in Turkey. YEMSAN (Turkish Fodder Industry) was at the top of the priority list and had been privatized earlier between 1993-1995. The dairy industry became dominated with six joint ventures following the privatization of TSEK (Turkish Dairy Products Industry) between 1993 and 1998. These joint ventures are partnerships of local companies with huge TNCs like Danone and Nestlé (Aydın, 2010, p. 170). Reiterating that one of the excuses that was proposed by the EU later in 2006 for explaining the inconformity between the Turkish and European milk sectors was *the absence of an intervention system to the market*, it would be appropriate to claim that the reforms were a bunch of policies that were designed to hastily put the agricultural production sectors under the service of international capital.

After a process of vulgar privatization between 1995 and 2000, The Meat and Fish Institution (*Et ve Balık Kurumu*, hereafter EBK) was re-established by the government in following years depending on the need of society. This fact illustrates the way SEEs had been sacrificed despite the actual requirements of the country. EBK had been founded to fulfill the need for improving national livestock breeding -purchasing, butchering and processing meat- by law in 1952 and operated until it was taken into the context of privatization in the 1990s. Out of the thirty - five enterprises eighteen were sold, five of them were transferred to official institutions without any payment in return and three of them were closed. However, the institution restored its status and was taken out of the privatization process by

²⁷ Ceviz, S. (2017, May 19). Tekel Direnişi: ‘Gemileri yaktık, geri dönüş yok’. *Evrensel*. Accessed in 22 June 2020. Retrieved from: <https://www.evrensel.net/haber/320222/tekel-direnisi-gemileri-yaktik-geri-donus-yok>

the law of 2005. It was renamed The Meat and Milk Institution (*Et ve Süt Kurumu*, ESK) by the law of 2013 that included the dairy section into the operations as well and linked the institution to the Ministry of Agriculture and Forestry²⁸.

Meanwhile, the mutual supports between IMF and EU through determination of restructuring policies was noteworthy. The EU's approval of IMF's crises management policies and WB's reform package was mentioned several times in the Accession Partnership negotiations, as the EU perceived this course of liberal restructuring as a catalyst for Turkey to fulfill the Copenhagen criteria and a complementary change for alignment with EU's economic policies. In exchange for EU's backing, WB was pointing at the EU as an anchor for reform and macroeconomic stability (Yalman & Göksel, 2017). As of the 1999 Helsinki Summit, on the route towards Turkey's candidacy recognition, EU behaved as a transformative actor which was more effective in terms of the political and the institutional reforms as IMF was already proactively dealing with the economic reforms. Interestingly, EU-driven reforms were also monitored closely and reported periodically by the international rating agencies and banks. These market participants were not directly interested in the political harmony within the country but a general perception on the necessity of EU-driven reforms was created: if the political arena was to be reformed in line with EU criteria, the economic confidence for investment in Turkey would have been stronger after the liberal restructuring. Thus, EU and IMF appeared as two anchors of the transition period (Öniş & Bakır, 2007, p. 155).

On the other hand, the structural reforms fulfilled the inflation targeting, increased the independency of the Central Bank by law, broadened its ability to pursue control on monetary policy and strengthened the structure of the Turkish banking system.

²⁸ Bakanlar Kurulu. (2013, April 27). Et ve Balık Kurumu Genel Müdürlüğünün Et ve Süt Kurumu Genel Müdürlüğü adıyla yeniden teşkilatlandırılmasına ilişkin ekli karar. *T.C. Resmi Gazete*. No 2013/4553. Accessed in 15 May 2020.
Retrieved from: <https://www.resmigazete.gov.tr/eskiler/2013/04/20130427-30.htm>

However, the neoliberal transition reforms had been claimed to accelerate the capital accumulation due to the integration of global markets in Turkey and other countries. Instead, the result was a decline. The share of gross fixed capital formation in GDP fell to an average of 22% between 1995-2001 while it was 24% between 1989 and 1994. The downward move continued and the value declined to 20% between 2002 and 2007. It diminished at a much steeper rate in the public sector compared to the private sector. The situation indicates that the policies were focused on ‘the withdrawal of the state from economic activity’ but ignored that the public and the private investments had mutual complementarities. The replacement of subsidies with direct payments mostly contributed to larger farms’ revenues, small farmers were propelled to unemployment in urban areas or to informal jobs (Öniş & Şenses, 2009b).

In the context of globalization and the center-periphery relations beneath the neoliberalism, Yeldan (2001) reminds us that the state had positioned itself as a regulatory entity over the Turkish economy from the 1980s-onwards rather than an executor of productive policies or an investor. It intervened in the economy actively through several policies in order to sustain the surplus accumulation on behalf of the capitalist segment, attributing a leading role to structure the redistribution of social income by regulations. Hence, the IMF/WB programs cannot be evaluated solely as a financial stabilization reform package, it is rather a program which targets to open the national equity to the global sphere where capital can attain profits speculatively. Otherwise, the program could have recommended a radical reform package regarding tax and/or the expenditure system as a permanent panacea to the macroeconomic balances rather than acquiring revenue by privatizing of SEEs. In this sense, the restructuring program of the early 2000s is a continuation of the 1980s onwards in the Turkish economic liberalization, which have been shaped in line with neoliberal destruction that compelled the peripheral countries into dependency on central countries of capitalism (Yeldan, 2002).

To summarize, the structural reforms had transformative effects on Turkey from top to bottom. It was the solidification of a long-lasting project that began in the 1970s. Since the 1980s world agriculture has been shifting under the rule of the private capital of TNCs. As did the WB's. Although IMF seems to play the leading role in Turkish reforms as the organ of financial enforcement, the control over agriculture transferred from the state to international capital by the market-oriented recommendations of WB. These recommendations were used as pre-conditions in the SBAs, enforced by IMF, WB compensated the destructive impacts of the transition and led to change in Turkish agriculture from seed to supermarket shelf.

3.2 WB's Economic Reform Loan (ERL), ARIP and AKP

On March 8, 1968 the head of U.S. Agency for International Development (USIAD) William S. Gaud spoke the phrase "Green Revolution"²⁹ for the first time publicly and substantiated the ongoing process. The Agency was appreciating the achievements that had been driven in developing countries in the past five years in the name of a "*more intensive, more productive*" agriculture addressing Pakistan, India, the Philippines and unsurprisingly Turkey as these countries had multiplied their harvests due to 'new high-yielding wheat seeds' and was continuing to increase their plantations. Gaud defined the development as the gospels of a new revolution but "*...not a violet Red Revolution like that of the Soviets, nor is it a White Revolution like that of the Shah of Iran.*" It was the Green Revolution which was veiled under the benign intentions to help the world to solve the food problem. Originally, it was a declaration of how U.S. had developed agricultural technology by the help of the Rockefeller Foundation all through the post-WWII period, then injected the high-yield seeds (of wheat, rice, maize etc.), fertilizers and the other complementary inputs into those countries under the name of aid and how it found opportunity to experiment these new technologies overseas while it gained

²⁹ Gaud, W. S. (1968). *The green revolution: Accomplishments and apprehensions*. No. REP-11061. CIMMYT. Accessed in 15 May 2020
Retrieved from: <http://www.agbioworld.org/biotech-info/topics/borlaug/borlaug-green.html>

supremacy over these economies. The Green Revolution has been an American project with far-reaching and long-lasting consequences to hegemonize world agriculture targeting an ultimate worldwide agro-capitalization. The first phase, overlapping with the Second Food Regime, necessitated state involvement in developing countries to spread the policies. Thus, the active role of state was also encouraged by WB in the 1960s and the 1970s for the provision of inputs and distribution of credits. The needs of ISI economies and the World Bank policies were consistent with each other until the 1980s: the developing countries sustained the stability in the rural areas by populist support implementations, while the Bank could infuse its policies to dissolve the traditional agriculture relations by strengthening the market orientation of small-scale producers (Aydin, 2010, p. 154).

After the failure of ISI model, WB acted even more dominantly through Turkey's neoliberal transition period hitherto the privatization attempts of the 1980s. Accordingly, the auspices of the institution had been enforcing on the ratification of the privatization law of 1986 (Law 3291) and subsequently the amendment in 1994. Thus, the Law of ASCUs (no. 4572) that was enacted on the 16th of June 2000 by the recommendation of IMF can also be evaluated as a continuity of WB's liberal intentions on Turkey as the law enforced the privatization of the state-owned enterprises and the unions that acted as agents of government in production, distribution, purchasing and sales to grant an autonomous status. Thus, it gave a quick start to the privatization process for the giant parastatal enterprises.

As an extension of TSEP, the government had forged ahead the WB driven Agricultural Reform Implementation Project. Accordingly, the indirect agricultural supports were claimed to distort the free-market conditions and they were replaced with the DISS in 2001 (Yavuz, 2005, pp. 49–51). Although WB itself anticipated the possibility of short-term political and social backlashes to the program, the Bank was perceiving these reactions as acceptable since it was a transition period. WB clearly stated that ARIP was the mechanism to compensate the losses of the

producers which would stem from the state's withdrawal and the method carries the long-term agricultural sustainability if it can be *well-managed* through the transition. The success of the outcomes was directly connected to the government's loyalty on the implementation of the policies and its efficiency in public information campaigns about the promises of the program (The World Bank, 2001, pp. 36–37).

The fundamental claim was to orient the resources towards the low-income farmers more efficiently. Thus, a considerable completion of national farmers' registration system in one year, which would provide a healthier database for the further payments was promised by the government. Additionally, the orientation of the farmers towards *alternative products* and restructuring the ASCUs were the main components of the program; thus, a total amount of 600 million USD were allocated to The Alternative Crop Program (ACP), Land Consolidation (LC), Village Based Participatory Investments Programs (VBPIP), Institutional Reinforcement of Farmers Organizations (IRFO), Environmentally Based Land Utilization Sub-component (ÇATAK) (Tan, Kumuk, Savran, & Everest, 2010). Hence, the proportion that was reserved for direct income support payments among all other supports increased gradually at first -2001 onwards- until it peaked to 83% of total agricultural supports in 2003 but then as an outcome of the ill-natured functioning, they were renounced gradually until its final implementation in 2008³⁰.

The seven years of implementation which came out of the IMF and WB's benign targets to increase the welfare of the poor farmers in order to improve the social inequalities does not appear to be achieved. While the farmers were stalled by the appeal of cash payments, all the production encouraging subsidies were uprooted. In the meantime, the payments helped the market save time for reinforcing dominance over agriculture. In contradiction with the enticements of IMF and WB,

³⁰ The portion of Direct Income Support payments increased to 79% of the total amount of agricultural supports in 2002, which peaked in 2003 and began to decline in 2004 to 69%. It was 45% in 2005, 56% in 2006, 29% in 2007, 32% in 2008 (Oyan, 2013, p. 124).

the poorest were those that benefited the least from the property/land range-based, constant payments, naturally, as they owned either small plots or nothing at all (Oyan, 2013).

The government was forced to supplement the defects of the program with alternative subsidy mechanisms such as bounties and input supports. However, the change in the system was non-reversible with compensations. While in three years, between 2003 and 2006 the country became a net importer of agricultural goods, the mentality of the agricultural workers shifted from *'being productive'* towards *'being dependent'* (Bağımsız Sosyal Bilimciler, 2006). For instance, according to calculations declared by the Turkish Ministry of Agriculture and Rural Affairs, the large landowners (owning more than 100 ha) were paid 51% of the total income support although they constituted solely 17% of the registered farmers. The rest of the amount was distributed amongst 83% of the farmers who owned small lands. Throughout this unbalanced payment method, the wealthy became wealthier as landlords with large fields benefited from the program approximately 3.5 times more compared to the farmers who were actually in need of support (Bağımsız Sosyal Bilimciler, 2006; Oyan, 2013).

It is hard to evaluate ARIP as a package of 'productive' policies. The large farms hold a small portion of land in Turkey; however, they realize the cultivation on a higher portion of irrigated lands leading to higher yields and quality compared to small farms, creating more value from production. Even so, they had benefited from the direct payments at a wider range compared to low-income small landholder farms. Thus, for a permanent sustainable change, Turkey needed to balance the productive supports that would have encouraged production with higher values and the distributional supports. Meanwhile as the burden of the policies had been reflected on the low-income consumers at a higher rate, the source of support had to be readjusted in order to contribute to income equality (Çakmak, 2003).

In line with WTO restrictions that recommends the elimination of subsidies that distort production decisions, Direct Income Support was a decoupled instrument which was planned to be replaced with all other subsidies. However, the outset of the program changed in time. In 2002, the newly elected party, the AKP declared its loyalty to the economic reforms. However, with the concerns of political legitimacy the government started to add new supplementary subsidies from 2003 onwards. As it was expected, the government could not gain public support for ARIP whilst there was an occurrence of a resistance within the bureaucracy as well as oppositions which arose amongst the farm lobbies. The general suppression on the agricultural supports led to common discontent among the farmers³¹.

As DISS was requiring a simplification in agricultural policies, it naturally had a restrictive effect on policy on the making facility of the Ministry of Agriculture and Rural Affairs (MARA) which brought a disassociation between the Treasury with respect to reform policies leading to ‘Agricultural Strategy 2006-2010’(Akder, 2007, p. 527). By the new strategy a minimum level for the agricultural subsidies was set and it was strengthened by ‘the Agriculture Law of 2006³². While the decision was declaring that the total budget of supports could not be lower than one percent of the GDP, an upper limit was not defined and the number of subsidies increased rapidly in the following years of the reforms. As the loosening effects of political incentives added onto the nature of the reforms, the project did not achieve a major shift from ‘predatory’ policies -that redistributes wealth from one interest group to another- towards the ‘productive’ ones that would flourish rural development. Although the policies were also in conformity with the EU alignment, they were far from restructuring the agriculture by magnifying the innovation and entrepreneurship. Thus, it became apparent at the end of the ARIP, a strong strategy

³¹ Karabacak, N. (2001, 17 April). Ziraatçılar, Derviş Programını yutmadı. *Evrensel*. Accessed in: 1 June 2020

Retrieved from: <https://www.evrensel.net/haber/124306/ziraatcilar-dervis-programini-yutmadi>

³² The Agriculture Law no.5448 was published in *Official Gazette* on 18.04.2006.

necessitated careful calculations and policies built upon the confrontation of domestic needs apart from foreign interests (Akder, 2007, p. 530).

The AKP government has been continuing its uninterrupted rule since the general election which was held on 3rd November 2002. Although the implementation of ARIP was diluted by supplementary agricultural supports, the party did not depart from the neoliberal policies and actually they have carried them further through the kind of policies that can be perceived as the rise of *authoritarian populism* beckoned by Islamism (Gürel, Küçük, & Taş, 2019, p. 4). Although there occurred a fall in the party's urban votes according to the municipal election results of 2019, AKP has attained a persistent support from the rural regions during its time in power. While the rural regions do not seem to associate the unpopular IMF/WB reforms of the early 2000s with the government as they were realized by the coalition, the AKP compensates the loss of producers by increasing subsidies, expanding social assistance and investing in infrastructure projects (Gürel et al., 2019, p. 2).

Accompanied by a mixed discourse based on nationalism, Islamism, neo-Ottomanism and developmentalism, AKP has been arranging its policies on behalf of capital while alleviating the rural regions with temporary solutions (Gürel et al., 2019, p. 2). Ercan and Oğuz (2015, pp. 122–123) state that the dissolution of peasantry has been encouraged by the Turkish State from 2000 onwards, which created a mass of low-cost labor force and opened new circuits for capital. The peasants with landholdings could benefit from the compensation payments of DISS partially and it compelled the peasants to leave their lands and to migrate into the cities; thus, the volume of the urban working class enlarged rapidly (from 49.58% in 2002 to 56% in 2010). They conclude that the class structure has been transformed in Turkey in the post-2000 period as it never did before.

The transformation in sugar beet and sugar production areas demonstrates AKP's neoliberal conciliation with the TNCs at the expense of the rural society clearly.

The Turkish sugar industry was already one of the priorities on the IMF/WB's agenda in the structural adjustment program. Besides it was one of the most protected markets as countries often tend to protect the producers due to the vitality of the commodity for nutrition and the volatility of the global prices due to oversupply. Thus, by the Law of Sugar (no. 4634)³³ in 2001, the ceiling production quota system via contract farming was introduced in order to stabilize the oversupply, while government control was withdrawn leaving the determination of prices to direct negotiations between the producers and the buyers (TMMOB Ziraat Mühendisleri Odası, 2018). Meanwhile, a giant multinational company, Cargill (Aydın, 2010, pp. 166–168) which initiated a partnership with Yaşar Holding in 1986 and accessed to seed business in Turkey. The company established a sweetcorn factory in Bursa Orhangazi which became highly controversial and led to political debates between 1997 and 2000. In addition to the illegality of the sweetcorn factory in that area, the company was rendering the sugar farmers dependent on its seeds while deteriorating the income levels of producers with its production of glucose and fructose. Ultimately, a law decree³⁴ was ratified in 2005 that changed the status of the land that Cargill's factory was built on from the agricultural area to Private Industrial Land. Cargill was also successful in enforcing the government to increase the production quotas on starch and sweeteners and in reducing the import tax on maize from 130% to 35% in 2007 and to 20% in 2008 due to the inadequate production of maize³⁵ in Turkey. Cargill's interaction with the government has been subject to critics on the US impact on Turkish economy in addition to the corruptive effects of international capital in Turkish politics³⁶.

³³ The Sugar Beet Law no.4634 that had been ratified on 04th of April 2001, was published in *Official Gazette* on 19th of April 2001.

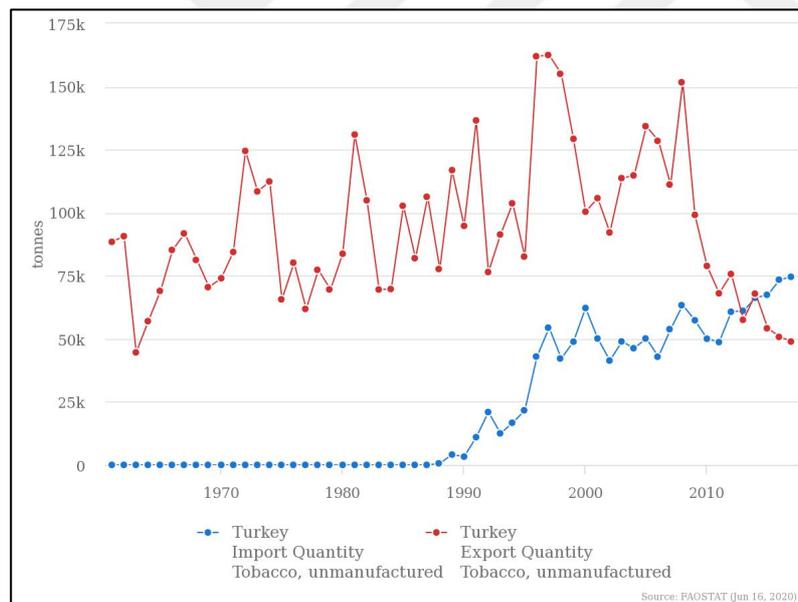
³⁴ The Council of Ministry decision no: 2005/8944 legitimized Cargill's land for the construction of the sweetcorn factory on 5th of July, 2005.

³⁵ Maize is a cheaper ingredient than sugar beet that is used in production of starches and sweeteners.

³⁶ Yalçın, S. (2014, November 13). Erdoğan'ın Büyük Günahı. *Sözcü*. Accessed in: 1 May 2020. Retrieved from: <https://www.sozcu.com.tr/2014/yazarlar/soner-yalcin/erdoganin-buyuk-gunahi-646336/>

As it was already mentioned in the previous chapters another product which was highly affected throughout the reforms was tobacco. After the abolishment of government buying on tobacco in 2002, the *contract farming* model started to be implemented. The concept of contract farming has been one of the outcomes that arose from the IMF/WB reforms which solidifies how the rural structure shifted on behalf of private capital. The number of tobacco farmers fell by 86% in the following fifteen years: while it was 405,000 in 2002, it is declared to be 56,000 in 2018 as the deal prices that are offered by the contractors do not encourage production and the unorganized producers cannot achieve to put any pressure on the contractor firms to increase prices.

Figure 3.1 The Quantity of Exports and Imports - Tobacco (1986-2018)



Data Source: FAOSTAT

Hence, production declined by 48% between 2002 and 2018 due to a drastic fall in the tobacco harvest. Ultimately, Turkey became a net importer of tobacco for the

first time in its history (Tütün Eksperleri Derneği, 2018). The change in the import and export balance can be seen in Figure 3.1.³⁷

To summarize, the structural adjustment program has been the continuation of the liberalization policies that were begun to be forced by the IMF/WB especially since the 1980s. However, in the post-2000 period the transformation has been more vulgar as the political turmoil and economic instability provided a suitable environment for the elimination of the state's role within the economy. Moreover, AKP has behaved as a complementary actor in the post-reform period which followed the neoliberal path with mediating its populist policies on rural regions in order to guarantee its legitimacy. Together with the period between 1980 and 2000, the post-2000s depict a long-lasting transfer of agricultural capital accumulation from the state to the private sector and a permanent change of the state's relations with the rural class. In this context, Turkey participated in the WTO's Doha negotiations with minimized level of agricultural support instruments although it is still a developing country. The position of the country in the WTO will be discussed in the next chapter.

³⁷ The change in harvested areas and producer numbers are given in related figures in Appendix III.

CHAPTER IV:
**TOWARDS AGRICULTURAL ANTI-PROTECTIONISM: WTO and
TURKEY**

4.1 WTO's Agriculture Agreement

The policies that are implemented by the states to protect their national economies and to maximize the trade surplus has been a long-lasting discussion since Adam Smith came up with his *laissez-faire* suggestion as a reaction to the protectionist measures of 18th century British mercantilism (Ünay & Dilek, 2018, p. 9). The principles of neoclassical liberalism that uphold the possibility of increasing national wealth through more sophisticated international relations aiming at widespread division of labor among states rather than the unidimensional mercantilist policies prevailed after the *Cobden-Chevalier Treaty* (of free trade) of 1860 between France and the protagonist of 19th century trade liberalism, the British Empire. The golden age of international free trade was interrupted by the Great Depression in Europe between 1860-1873 and reached an end just before World War I (Arslan & Sönmez, 2019, pp. 1758–1759).

Thereafter, the international trade policies oscillated between the contemporary versions of mercantilism and neoclassical policies: the havoc of WWI and The Great Depression brought the protectionist walls back until the end of WWII, then the relative liberalization between 1944-1970 accompanied by the Keynesian policies turned back to protectionism once more with the OPEC crisis and the global stagflation. After the wave of neoliberalism from 1980 onwards, a new wave of protectionism has been ascending since 2008 (Arslan & Sönmez, 2019, p. 1761; Ünay & Dilek, 2018, p. 17).

The General Agreement on Tariffs and Trade was also signed just after a protectionist period. The aftermath of WWII enlightened the international realm on how catastrophically such a conflict may end and the liberal claim reappeared in a

manner that urged the world to institutionalize the peace through international economic cooperation. The Bretton Woods Agreement of 1944 led to the foundation of institutional organizations, such as IMF and WB, aimed at the constitution of a new monetary system through which a new world order was going to be set by supporting the developmental efforts of its participatory countries. The prevailing U.S.-led discourse was that the beggar-thy-neighbor policies of the 1930s had brought the havoc on and the correlation between a stable economic system and the continuous peace was obvious (Narlikar, 2003, p. 34). Hence not only the sustainability of the international liquidity and the financial confidence was provided for, but also the *liberalization of international trade* was required.

In an effort to establish a global economic system that is monitored and stabilized through multilateral mediation by multilateral institutions, twenty-three countries opened the negotiations on the framework of international tariff concessions and the rules. The provisional list of rules, the GATT, was signed by twenty-three original signatories in October 1947, and later by fifty-three countries in January 1948, and established the basis for the multilateral trade system until it was institutionalized under WTO in 1995 (Narlikar, 2003, p. 35). After the approval of GATT, eight rounds³⁸ of negotiations were held to improve the rules and principles that ordered international trade until the Uruguay Round was finalized with an agreement.

It is important to understand the facilities and abilities of WTO correctly. It is not an organization whose purpose is to inquire about solutions for world problems as a whole. Instead, in its essence it is a *tool* that provides a platform/forum for negotiations to solve the disputes for the avoidance of protectionism. The

³⁸ Eight rounds of tariff negotiations were held between the establishment of GATT in 1947 and the WTO in 1994: Geneva (1947), Annecy (1949), Torquay (1950-51), Geneva (1956), Geneva/ Dillon Round (1960-61), the Kennedy Round (1964-67), the Tokyo Round (1973-79) and the Uruguay Round (1986-94). Afterwards Doha Round was launched with 4th Ministerial Conference in November 2001 and has been continuing with interruptions.

organization attributes a primary importance to the elimination of market distortions that deteriorates the international free- trade conditions since it dubs those distortive policies as one of the reasons beneath WWI and WWII. It supports the liberalization of world markets however, it does not hold the authority to dictate the rules and decisions which are taken by *consensus* among the participants (Pulat, 2003).

The trade liberty of agricultural products was one of the discussion topics in GATT from the beginning that was attributed much importance but also approached reluctantly due to the high susceptibility of the countries. The XVI. Article of GATT had provided elasticity for the export subsidies on agricultural products as long as the states did not benefit from unfair gains out of these interventions (Luppi, 2004). This elasticity was essentially due to the protection of U.S.-agricultural policies which included a vast amount of interventionist tools. The multilateral negotiations on agriculture did not start properly until the exporter countries, the Cairns Group³⁹, demanded the developing countries to cut their domestic subsidies and tariffs (Chorev, 2017). The negotiations could only just reach an agreement after the long run of the Uruguay Round which started in 1986 and finalized in 1995. The WTO's Agreement on Agriculture (AoA) was signed in Marrakesh on the 15th of April, 1994 and enacted in 1995.

The AoA is basically a declaration of 'general rules and commitments' which bind the participatory members of the negotiations. The Agreement is built upon 'three pillars': market access, domestic support and export competition (World Trade Organization, 2015, p. 10). The signatory member states of WTO are expected to minimize, or eliminate if possible, all kinds of restrictions that have market distortive effects on international trade. These protective instruments are

³⁹ Group of countries in WTO rounds which defended the liberalization of any trade subsidies on agriculture. The Cairns Group: Argentina, Australia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Peru, the Philippines, South Africa, Thailand, Uruguay, Vietnam and the Ukraine as an observer.

categorized according to their degrees of distortion. The first pillar is regarding ‘market access’ that contents the elimination of non-tariff restrictions which are commonly handled by the countries to protect their domestic productions. The objective of the pillar is to convert all the quantitative restrictions and implementations -such as quotas and floor prices- into a tariffs rate implementation, so as to enable the restrictions on trade to become more transparent and accountable. However, it is also underlined that the tariff rates can only be implied within boundaries that is allowed by WTO, thus, the countries would not be able to increase them arbitrarily in order to suppress importation. According to Article 4, the rules are binding and the countries are expected to phase in the restrictions adhering to time schedules that is determined within the agreement (World Trade Organization, 2015, pp. 18–19).

The second pillar covers farmer’s benefits, in other words, the domestic supports. The Green Box (World Trade Organization, 2015, pp. 19–21) covers ‘the government-funded agricultural research and training’ policies which are perceived to be harmless in terms of natural market conditions. Whereas, for instance, the government purchases at a predetermined/guaranteed price are in the Amber Box and are labelled as being trade-distorting support (World Trade Organization, 2015, p. 19).

The third pillar requires the governments -or their agencies- of the signatory countries to cut down ‘the direct subsidies, including payment-in kind’ that they pay to agricultural export producers, ‘the subsidies to reduce the costs of marketing exports of agricultural products’ and ‘the internal transport and freight charges on export shipments’ (World Trade Organization, 2015, pp. 26–28). To reiterate, the Blue Box supports -which include the quotas to eliminate overproduction- are also perceived in the same category with Amber Box supports due their commensurate level of market distortion. However, they are allowed to be employed if the country is in a reformative transition towards a more market-oriented model (World Trade Organization, 2015, p. 21).

The 'Export Subsidy Commitments' that are listed under Article 9 of the AoA has been one of the most emphasized topics in WTO negotiations that followed the establishment of the agreement. Accordingly, the signatory countries declared their commitment to reduce the export subsidies that are contingent upon export performance. Thus, if a member country had employed any kind of export subsidy that was identified as being harmful for free-trade, it would be obliged to reduce both the budget transfers and the number of products that are enlisted as being supported (World Trade Organization, 1995, pp. 77–78). However, the percentage of reduction and the calendar was estimated separately for the developed and the developing countries. Developing countries were obliged to cut off their subsidy transfers by 24% and the number of products by 14% between the years 1995-2004. All the member countries indicated their list of items that were going to be subject to export subsidization and bound themselves under the commitment of not making any further additions. Accordingly, Turkey committed to reduce its 157 million USD average subsidy that coincided with the base period of 1986-1990 to 98 million USD until the end of the estimated period and to limit the list of products under sixteen categories, including forty-four items. The WTO's principle to reduce the export-subsidies were aimed at a final elimination and this intention was especially repeatedly pronounced during the Doha Round and the following Ministerial Conferences until market-distortive export subsidies were decided to be abolished completely in the 10th Ministerial Conference of Nairobi in 2015 (Parilti, 2019, pp. 1887–1888).

In general, UR has been majorly a series of debates between the United States and its allies, the Cairns Group and the countries which are traditionally protective i.e. the EU in particular, but also Norway, Japan, Switzerland and South Korea (Chorev, 2017, p. 41). The concept of 'decoupled income support' was introduced which provides payments to producers that are independent from the volume of production (World Trade Organization, 2015, p. 89). The general framework was to eliminate Amber Box measures and to replace them with the Green Box measures

that promotes the decoupled payments in order to carry international trade to a more market-oriented level. While the Cairns Group insisted U.S. to eliminate its protective measures, U.S. declared its intention to minimize producer supports only if the countries with higher tariffs and support levels agree to a cut higher than the ones with lower protection levels. Meanwhile, EU opposed both the abolishment of export subsidies and the U.S.'s offer of levelling (World Trade Organization, 2015, p. 41). The first solid progress that covered the agricultural issues in the history of WTO negotiations continued with Doha Round that commenced in 2001 which will be touched upon in the next section in terms of Turkey's position during the Round as an EU membership candidate and a developing country.

4.2 Doha Round and Turkey

Turkey is one of the signatories of GATT since 1994 and classified among the developing countries in WTO according to its economic indicators which is akin to Third World middle powers, i.e. Latin America and South Africa. However, due to her candidacy for EU membership, Turkey attributed a distinguishing stance in the Doha Round amongst the other developing countries (Yılmaz, 2018, p. 241). During the negotiations prior to the Cancún Ministerial Conference in 2003 which ended without a consensus, a group of developing countries united in opposing the pressures from developed countries on lowering the degree of tariff protections for better access to markets. The developing countries resisted the pressures persistently and tended to maintain their tariff protections up to some level which would enable them to gain customs revenues that they required for public expenditure and to gain time for the development of their industries (Pulat, 2003, p. 3).

Turkey's average custom tariffs for manufactured goods were already lower than some of these developing countries. While Turkey was exposed to unfair competition due to the provision of easier market access to those developing countries, the country was obliged to pay higher tariffs in return. Thus, the interests

of Turkey and the developing country group did not match in terms of tariff reductions. Any such reductions would have been to the benefit of the country as well as opening new markets (Pulat, 2003, p. 5).

When the Doha Round started Turkey was just in the midst of her neoliberal restructuring and Turkey's stance in agricultural trade negotiations was generally precautionary in Doha, in conformity with the developing countries as this tendency can also be observed in developed economies, like those of the EU and the U.S. as well. Within the context of IMF-led structural reform, Turkey's agriculture support level was significantly lower compared to developed countries during the Doha Round. As the elimination of export subsidies and domestic supports would have been on behalf of Turkey, the country's views were in line with the Cairns Group and the G-20 instead of the EU. Thus, the interests of Turkey and EU was in exact conformity regarding EU's intention to eliminate the export subsidies in 2013 (Akman, 2012, p. 160).

Turkey also supported the G-33 countries and opposed the members which suggested a reduction on the 10% level of *de minimis*⁴⁰ (Akman, 2012, p. 159). On the other hand, it stood by EU in its rejection of tariff cut proposals on agricultural products as tariffs are important for both Turkey and EU in order to protect their domestic productions. However, the country gave support to both G-33 countries regarding 'the reduced and/or zero cut options for special products (SP) and special safeguard mechanisms (SGM)' as well as 'a simple linear formula imposed on developing countries a maximum of only two-thirds of those tariff cuts made by developed countries' in order to emphasize its developing country status (Akman, 2012, p. 159).

⁴⁰ Despite its trade distorting nature, all the countries are allowed to implement *de minimis* support. The developed countries are allowed to provide supports at five percent of production value while the developing countries are allowed to provide support at 10% of production value at most (World Trade Organization, 2015, p. 21).

One problematic aspect has been the Free Trade Agreements (FTAs) which the EU engaged with the third parties. Through these agreements, the third parties gained market access to Turkey due to the Customs Union with the EU, however, the opportunity was not mutual (Pulat, 2003, p. 9). These FTAs comprised the risk to lose its market share in EU and damage its trade with the third parties. Although EU was free to choose its trading partners, the long-term needs and priority of Turkey was ignored (Akman, 2012, p. 152). The EU is Turkey's largest export partner, however, most of its other export partners were not WTO members during the negotiations, i.e. the Russian Federation, Syria, Iran etc. Thus, the accession process of these countries to the multilateral trading system was crucial for Turkey's position (Akman, 2012, p. 147).

Akder (2007, p. 518) notes that the Undersecretary for Foreign Trade dealt with the UR without consulting with the domestic interest groups and he criticizes the commitments that Turkey agreed on. Accordingly, the commitments were significantly inconsistent since they reflected a mixture of Ministry of Agriculture's agrarianism and the Undersecretary of Foreign Trade's mercantilism. He also points out that Turkey used Equivalent Measure of Support instead of AMS for its calculations to determine domestic supports. Turkey's value of its domestic support exceeds the 10% level of the de minimis when they are calculated with AMS and actually de minimis is not an advantage to Turkey especially regarding the EU accession (2007, p. 519). On the other hand, forty-four products and product groups were bounded to export subsidies. While Turkey limited its own flexibility by choosing detailed product groups contrary to the requirements, the country is a net importer in most of the selected products on the export subsidy list. Additionally, Turkey set high *ceiling bindings* for market access, especially for wheat (180%) and for instance in 2006, a ceiling binding of 130% was imposed. As the gap between the binding commitment and the actual tariff is too narrow, Turkey lost its flexibility in the Doha Round (Akder, 2007, p. 519).

While the Doha Round halted in 2007 due to disagreement among the member states and attempts to revive the Doha continues, the tendencies towards protectionism are increasing. While the first wave of the trade liberalization had taken place under the hegemony of the British Empire, the second wave was commanded by its heir, the United States. Obviously, when national economies are perceived to be threatened in the face of global instability, the states choose to increase their protectionist measures. Especially, the governments of Trump and Theresa May have been taking precautionary steps against the ascendancy of China as an economic power. They employ incentives to re-stipulate their national manufacturing sectors aimed at the reclamation of the competitive advantage that was granted to East Asian countries, due to their provision of cheap production opportunities in line with neoliberal trade policies (Ünay & Dilek, 2018, p. 17).

CONCLUSION

In the early 2000s, Turkish economy adhered to IMF's structural adjustment program that was accompanied by a series of economic reforms in the guidance of WB recommendations. The program targeted a rapid privatization process in order to liberalize all the state dominated sectors, including agriculture and forced the country to eliminate the agricultural subsidies that had targeted price and production stability. This thesis is aiming at inquiring into the sustainability of current agricultural protectionist policies in the aftermath of the structural transformation that Turkey passed through.

A historical account of Turkish State's protectionist stance is presented in Chapter I with two main objectives. First of all, the retrospect approach has been beneficial to provide an understanding on the economic motives that lied beneath the Turkish State's intensive interventionist behavior, particularly until the state's economic philosophy shifted towards minimization of protectionist policies in 1980s. Secondly, the historic path of agricultural supports provided insights into understanding the underlying class-related fault lines that led to its contemporary shape after the structural adoption to neoliberalism in early 2000s. At the stage of transition from late Ottoman period to the Republican era, the State and the dominant social groups had reached to a consensus on liberal economic values. However, in the absence of a strong bourgeoisie, the state was compelled to construct the infrastructure in order to provide the sufficient conditions until the private sector was empowered enough to undertake the responsibility to operate in a market-oriented economy. The analysis demonstrated that the approach of the state to agriculture in the single party period has remained at the level of protecting the continuation of capital accumulation for the survival of the economy. Although the CHP's étatism had intentions to develop the conditions of rurality, these policies were prioritizing the political and ideological aspects rather than a persistent improvement in the rural areas. Thus, the Turkish State demonstrated a tendency to protect the peasantry in the face of market conditions by employing interventionist

tools, however, a *persistent* alleviation of the small landholder (or landless) agricultural worker's life standards with a *long-term plan* does not appear to be achieved.

In the post-WWII years, the auspices of international institutions and their funds initiated to become more noticeable regarding their encouragement of the agricultural mechanization in the DP period. The multi-party period had also been the inception of populism in politics which directly affected the nature of the agricultural supports. The wide but inefficient usage of supportive instruments in the agricultural area led to the enlargement of public expenditure which was going to lead to economic bottlenecks that would be a determining factor in the following decades. Meanwhile, the absence of a holistic reform that would contribute to rurality prevailed and even the inequality increased as the developmental policies accompanied by populist supports strengthened the landlords with large lands instead of the ones in need. While the necessity of a reform to enrich the small agricultural producer has remained on the political agenda of successive governments and the leftist circles through the following decades until the 1980s, the solutions were commonly sheltering in temporary substitutions. Overall, the state's tendency to be in cooperation with the large landholders instead of taking a fundamental step to improve the welfare of agricultural working class appears to remain unchanged throughout the decades following the 1950s. Additionally, from the very beginning of the Republic until the 2000s, the protectionist measures are dominantly supplied specific to the product and aiming at production encouragement. However, the ongoing and gradually increase in migration from rural regions to urban centers appears as a fact that demonstrates the deterioration of life standards for the small-land holder and landless peasants.

With the decisions of 24 January 1980, a reform that is concerned with the welfare of agricultural producers was not on the agenda any longer. On the contrary, the planned reform was an eventual elimination of the state's role completely. The 1980s has been the inception of liberal transition period through which not only the

low-income agricultural producer but also the workforce in general were abandoned to the mercy of private capital with minimized legal securities. Thus, even if the economic strategy shifted from import-substitution to the export-oriented model the political perception towards agriculture has not changed and band-aid support policies, particularly due to frequent elections, were continued. However, a drastic change has occurred in the nature of agricultural supports, especially between the years 2000 and 2005. Following the IMF/WB structural adjustment program, the protectionist measures that were decoupled from the price and production was employed to compensate for the destructive effects of neoliberal transition and to bridle the social discontent that occurred after the abolition of massive state enterprises.

The macroeconomic program that was enforced by IMF and advised by the World Bank at the eve of 2000s triggered a rapid course of privatization that eliminated most of the state's interventionist tools. The program of ARIP which was introduced to compensate for the losses resulted with failure in terms of both implementation and the contribution to the rural population. The promises of ARIP would have been still questionable even if it had been achieved to completion in conformity with the WB recommendations. The restrictions on the cultivation and the enforcement of shift towards high-value products propelled most of the producers towards alternative employment options or unregistered production if not to contract farming. The 'Alternative Crop Program' and contract farming accelerated the dominance of private capital on the system as the farmers did not have much bargaining power over the offered prices. Overall, WB-led program operated as a transition program to translocate the agricultural surplus from state to market agents, i.e. Cargill, causing further deterioration in rural welfare.

One critical question to be answered in respect to the state's fundamental objective on agricultural policies should be: agricultural sustainability for whom? In Turkey, the protectionist policies are still imposed with a significant budget in comparison to the OECD countries; however, they tend to confront the needs of free-market

forces rather than being a panacea for the chronic deficiencies of the rural economy. Considering the fact that the rural regions contain the major vote potential for the government, the protectionist policies apparently provide political sustainability for the AKP government in order to maintain its legitimacy by supporting the rural regions with continuous concessions even if it offers temporary solutions.

On the other hand, Keyder (Keyder & Yenal, 2018, pp. 209–211) annotates the Agricultural Law of 2006, which was ratified by AKP government, as a shift from extremist neoliberal policies imposed by the enforcement of IMF/WB. The ARIP program was abandoned in 2008 and the government has been implementing agricultural supports incrementally accompanied by ‘The Production and Support Model of Agricultural Basin’. He underlines that there occurred an increase in population and contribution to agricultural workforce in the rural areas during the following 5-years after 2007 which signifies the increase in subsidies triggered a reverse migration to rural areas. However, it is questionable if the supportive policies will actually be sustainable in the long-run in terms of rural welfare since the increasing unemployment and high costs of living in the urban centers appears to be a major cause for the return to rural regions. On the other hand, not all the farmers can benefit the protectionist measures as a selected number and type of crops which are declared annually by the Ministry of Agriculture are supported.

Throughout the analysis, it has been clarified that EU can become a second anchor in the imposition of neoliberal policies as it actively supported the IMF program. Despite the agricultural harmonization requirements of the Union comprising of useful features for Turkey and both sides have a long history of protectionist policies, the structural differences between privies of the Accession Partnership should be recognized. The EU has a tradition of organized farmer unions; thus, the agricultural producers may become a pressure group over policy-making. The CAP has been passing through reforms since 1992 in order to transform its system into a more market-oriented mode. However, contrary to Turkey’s experience, EU’s

primary objective seems to provide a balanced transition to rural labor by the ongoing optimization of policies between the maintenance of rural incomes and the commitments to WTO. While the Health Check reforms have brought new obligations onto Turkey, the Union's expectations that are ascribed to the country seem unjust as there is a gap between EU's budget transfers for harmonization and its expectations. Additionally, Turkey still accommodates a high percentage rural population, its accession to the Union would obviously create balance shifting outcomes. Thus, beside the deficiencies of Turkish agriculture, the factors dependent upon EU's own policies stand beyond the harmonization. The FDAs that EU signed with third parties in the Doha negotiations, at the expense of creating challenges which Turkey may face, exemplifies the EU's dualities.

Clearly, Turkish agriculture has a long list of structural deficiencies which have overtime become increasingly more chronic: the fragmented landholding and the scattered settlement in rural areas, the quality reducing effects of dry agriculture practices due to a limited irrigation infrastructure and the inefficient use of natural resources (soil, sun, water), the migration of the young rural population to urban centers due to unappealing life standards and the corresponding increase in percentage of elderly settlers in the countryside, low educational skills being common place, especially financial literacy leading to difficulties in transferring the know-how to producers, the shortcomings of agricultural cooperatives and associations, with respect to economic, political and cultural reasons, the inadequacy of calculations regarding the impact of support policies, the existence of too many intermediaries through an extended supply chain that leads to post-harvest inadequacies in product storage and packaging, low investment capability of the sector, the incompetency of R&D investments as well as skeptical attitudes against new technologies, the price dependency on foreign markets with respect to compulsory input importations (like fuel, some ingredients of fertilizers) and corresponding high costs; and so the list carries on (Çakmak & Veziroğlu, 2020).

The IMF and WB reforms in early 2000s encouraged Turkish economy to penetrate the global realm as a liberalized market. However, the recommendations were far from offering solutions for the long-term social consequences of the transformation. Throughout the neoliberal discourse of globalization, the involvement of WTO appears to become incremental whereas the it was used to embrace a relatively passive stance until the Uruguay Round. While the WTO negotiations provided a chance for developing countries to change the decision-making process on obligations as long as they can act together, the intra-central disputes amongst the developed countries seem to conduct the progress. Thus, it is questionable if the free-trade opportunities are actually advantageous in terms of agricultural products for the developing countries considering that WTO also brought other obligations particularly in the free-trade of technological products including the low-cost seeds that has started to be developed as an extension of Green Revolution which pushes the developing countries automatically to a disadvantageous position. In this respect, the opportunities and disadvantages that WTO bestows for developing countries, as Turkey, can be subject to further analysis.

The IMF/WB program, WTO obligations and the EU sanctions appears to serve as complementary components for each other through the Turkish agricultural capitalization in the post-2000 period. Above all the technical deficiencies, the current protectionist policies do not seem to be sustainable since they are far from solving the fundamental problems of the rural class and providing contribution the agricultural worker to gain a class consciousness to negotiate for its own good in the face of free-market conditions, besides, they leave the rural worker indefensible in the face of political exploitation in the name of legitimacy and the destruction that has been created by neoliberal policies.

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APPENDIX I

Table I.1 Producer Support Estimate: EU, Turkey and OECD (1986-2018)

	Turkey	European Union (28 members)	OECD countries
1986	19,02	38,58	37,50
1987	25,06	41,58	38,23
1988	23,12	37,44	35,22
1989	22,97	29,32	31,47
1990	26,12	32,88	31,82
1991	37,24	38,30	34,80
1992	36,26	34,46	33,16
1993	29,67	36,71	34,04
1994	27,29	35,65	33,66
1995	27,35	34,96	31,02
1996	25,50	34,05	29,58
1997	31,62	32,34	28,08
1998	35,21	35,41	31,95
1999	36,43	38,50	35,07
2000	32,38	33,14	32,19
2001	16,87	30,59	28,73
2002	26,03	34,19	30,42
2003	30,91	34,08	29,04
2004	30,34	33,20	29,04
2005	29,02	30,91	27,47
2006	30,97	29,31	25,46
2007	24,64	22,90	20,52
2008	27,99	22,90	20,42
2009	27,32	23,71	21,65
2010	29,67	20,05	19,74
2011	24,17	18,26	18,32
2012	21,41	19,64	18,97
2013	21,31	20,21	17,84
2014	25,23	17,52	17,10
2015	23,08	19,24	17,62
2016	24,86	20,10	18,57
2017	20,79	19,12	17,70
2018	14,80	20,03	19,22

APPENDIX II

Table II.1 Chronology of Turkey & IMF Dialogue, 1998-2005

Date	Developments
Jun 26, 1998	A Letter of Intent with the attachment of the Memorandum of Economic Policies were presented to IMF.
Jul, 1998	Staff-monitored program was signed including the Memorandum of Economic Policies which also contained promises for agricultural reforms.
Apr 18, 1999	Early elections were held in Turkey. Afterwards the new government declared its commitment to a staff-monitored program.
Jul 2, 1999	Another agreement was signed with IMF and the decisions that had been listed in the Memorandum of Economic Policies were put into action.
Aug 17, 1999	A catastrophic earthquake occurred in Turkey.
Dec 9, 1999	A Letter of Intent was presented to IMF. By the letter the government demanded to constitute a lending agreement that span over 3 years (2000-2002).
Dec 22, 1999	The confirmation of the 17th Stand-By Arrangement between IMF and Turkey.
Mar 10, 2000	Turkish government presented a Letter of Intent to IMF for the completion of the first review.
Jun 22, 2000	Turkish government presented a Letter of Intent to IMF for the completion of the second review.
Dec 18, 2000	Another Letter of Intent was presented to IMF after the first speculative attack to the system in November, 2000. The government demanded access to supplementary reserves in addition to the completion of the reviews on the third and fourth phases.
Dec 21, 2000	A supplementary agreement that provided Turkey access to additional reserves of IMF was confirmed.
Jan 30, 2001	Turkish government presented a Letter of Intent to IMF for the completion of the fifth review on the Stand-by Arrangement.
Feb 16, 2001	Second speculative attack on the Turkish economy.
Feb 22, 2001	Transition to the floating exchange rate regime.
May 3, 2001	The Turkish government demanded a review of the policies implemented within the Stand-By Arrangement program of 2000-2002. A Letter of Intent was presented to IMF in order to strengthen the policies, reschedule the payments due to the provision of support to the Transition to the Strong Economy Program.

May 15, 2001	Turkey's Transition Program to the Strong Economy, prepared by Kemal Derviş, was declared. The completion of the 6th and 7th reviews of the Stand-By Arrangement.
Jun 26, 2001	The first update for the Letter of Intent dated 3 May 2001. The government demanded the completion of the 8th review of the Stand-By Arrangement.
July 31, 2001	The second update for the Letter of Intent dated May 3, 2001. The government demanded the completion of the 9th review of the Stand-By Arrangement.
Nov 20, 2001	Turkish government presented a Letter of Intent to IMF for the completion of the 10th review of the Stand-By Arrangement.
Jan 18, 2002	The government presented a Letter of Intent in order to cancel the remaining part of the 17th Stand-by Agreement and offered to sign a new agreement covering 2002-2004 instead.
Feb 4, 2002	The confirmation of the 18th Stand-By Arrangement between IMF and Turkey. The agreement covered the period between February, 2002 and February, 2005.
Apr 26, 2005	After the completion of the 18th agreement, the government presented a Letter of Intent for a new agreement.
May 11, 2005	The confirmation of the 19th Stand-By Arrangement between IMF and Turkey. The agreement covered the period between May, 2005 and May, 2008.
May 14, 2003	Turkey paid back the last installment of the 19th Stand-By Arrangement and the country's debt has finally come to an end.

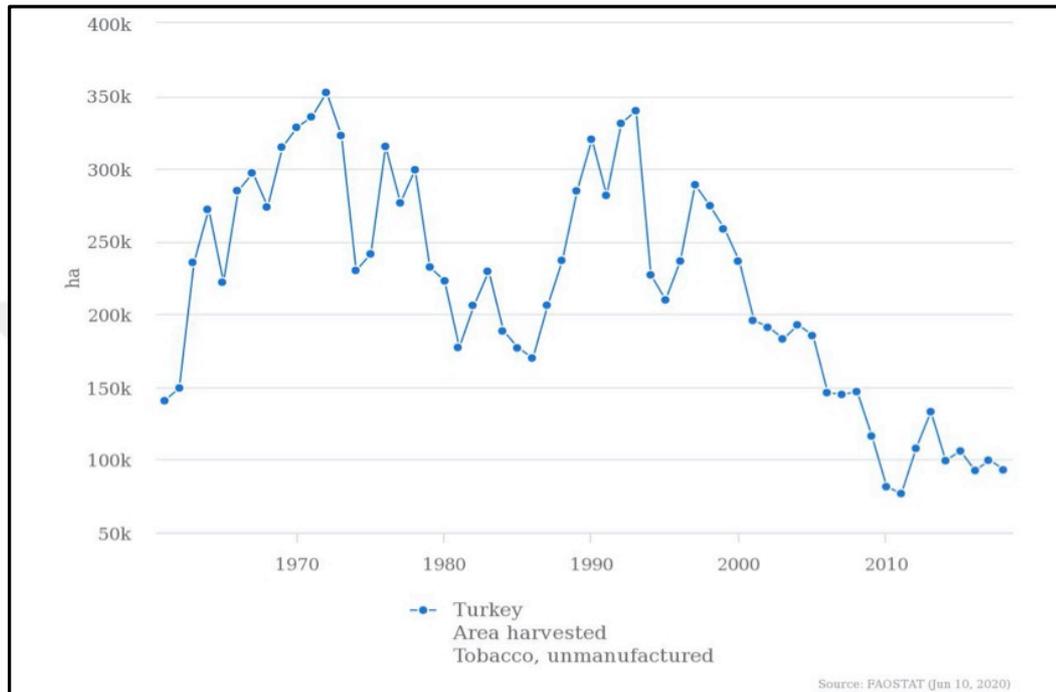
Table II.2 Loan Agreements between IMF and Turkey: 1998-2008

Facility	Date of Arrangement	Date of Expiry	Amount Agreed in SDRs (in thousands)	Amount Agreed in dollars (in thousands)
Standby Agreement	May 11, 2005	May 10, 2008	6.662.040	\$10.000.000
Standby Agreement	Feb 04, 2002	Feb 03, 2005	12.821.200	\$16.000.000
Standby Agreement	Dec 22, 1999	Feb 04, 2002	15.038.400	\$19.000.000
Standby Agreement for Supplemental Reserve Facility	Dec 21, 2000	Dec 20, 2001	5.784.000	\$7.500.000

Data Source: <https://www.imf.org/> [available on December 15, 2019]

APPENDIX III

Figure III.1 Total Area Harvested – Tobacco (1961 – 2017)



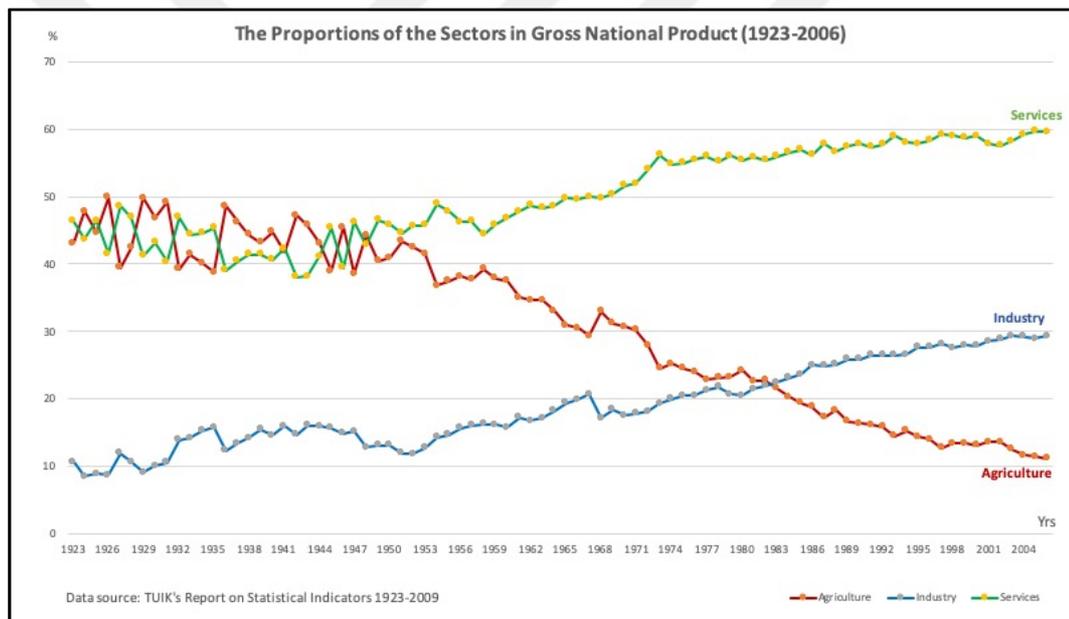
Data Source: FAOSTAT

Figure III.1 demonstrates the change in the tobacco harvest in terms of sown lands. The sharp fluctuations due to the changes in policies and technological improvements can be observed until the end of the 1990s. However, between the late 1990s and the year 2010, there occurs a sharp decline reflecting the impact of privatization.

APPENDIX IV

According to TÜİK's statistics on sectoral allocation of GNP, sectors of the industrial production and services have been continuing to develop gradually starting in 1923 up until the mid-2000s in Turkey. Until 1947, the share of services and the agriculture flow are both at equivalent levels of around 40%; thereafter a breakdown realizes. While the share of services in GNP goes up steadily, the share of agriculture turns downward, and continues to decline up to the present.

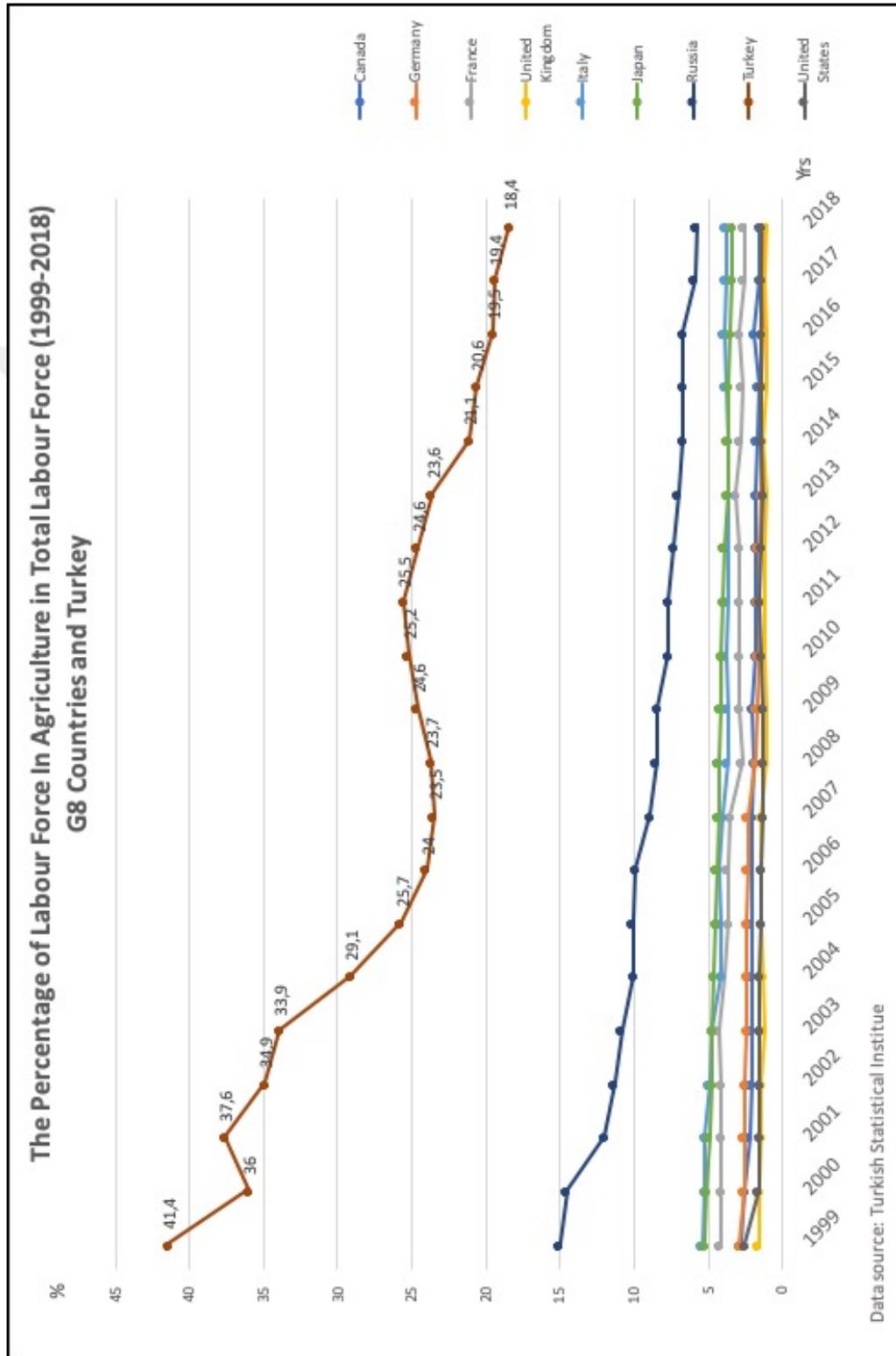
Figure IV.1 The Proportions of the Sectors in GNP (1923-2006)



Data source: TÜİK's Report on Statistical Indicators 1923-2009

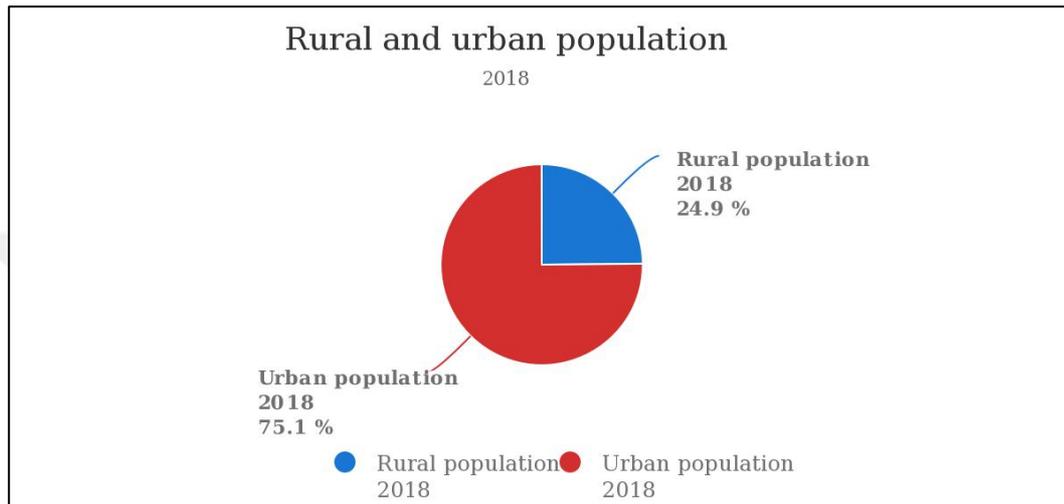
By 1983, the proportion of industrial and agricultural production was equalized. Afterwards, as the share of agricultural production continued on its descent, the difference gets wider. Considering the high proportion of rural labor, the falling proportion of agriculture signifies the probable deterioration of income for farmers.

Figure IV.2 The Percentage of the Agricultural Labor Force in the Total Labor Force between 1999-2018



A sharp shift in agricultural labor force can be observed in Figure IV.II after 1999. The DISS and the other implications of the reform package seems to have been effective temporarily in the following years of the early 2000s.

Figure IV.3 The Rural and Urban Population in Turkey, 2018



Data Source: FAOSTAT

Nevertheless, with an overall observation, while 41.4% of the labor force had been employed in agriculture in 1999, the rate ended up falling as far as down to 18.4% in 2018. Moreover, even after such a decline, the Turkish economy seems to host a significantly higher portion of an agricultural labor force compared to G8 countries.