

Import Substitute Industrialization Experience of Türkiye in the Eyes of a State-Raised Planning Specialist (1960-1980)

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Abstract

During the second half of the 20th century, many countries in the world adopted import substitute industrialization policies to construct domestic industry. Turkish experience of ISI can neither be depicted as a disaster, nor the ultimate end was achieved with this policy. This article scrutinizes implementation of ISI policies in Türkiye between 1960-1980 in comparison with Asian and Latin American countries. Also, this article traces the implementation of ISI policies in the memoirs of Ertan Yülek who witnesses the overall process when he was serving as a specialist in industrial organizations during this period. Both the academic literature and eyewitnesses of Ertan Yülek indicate that ISI policies could be beneficial for the Turkish economy if political stability could be achieved.

Article History

Received June 21, 2023

Accepted July 5, 2023

Keywords

Import Substitution, Industrialization, Development, Economic Growth, Turkish Economic History

JEL Codes

N40, N43, N60

1. Introduction

“Our strategy should be based on indigenization and import substitution. The government must provide opportunities for domestic companies to participate in sectors in which the country continues to depend on imports.”

-Baba Kalyani

For countries, development has been a matter of concern for all countries. National desires to become achieve industrial development and thereby become an important factor in the global competitive market remained to be important. To achieve this end states developed various development models and policies. Import substitute industrialization (hereafter ISI), which has been implemented as an economic growth strategy, was a policy that was frequently preferred by developed and developing countries, especially after World War II. This policy was experienced by different countries in different ways and created different consequences. Therefore, to understand truly the anatomy of the policy, it is important to analyze ISI in comparison between countries that had

adopted this economic policy together with their economic output. This will allow us to discuss the weaknesses and strengths of ISI, and to create a projection for the future economics of the countries.

In this article, ISI will be examined in its historical and contemporary dimensions; specifically, the case of Türkiye will be scrutinized by handling the economic policies of the 1960s and 1970s., when the country officially adopted ISI. In the first part of the article, why and how ISI policies emerged in world history and the consequences of these policies in different countries will be discussed relying on the existing academic literature. In the following part, the Turkish experience of ISI policies will be examined historically; in the last part, the economic policy of Türkiye will be analyzed relying on a memoir of a state-raised industry specialist Ertan YÜLEK, namely “Ömürdür Gelir Geçer” (Yülek, 2015).

Numerical data analysis and econometric modeling are the conventional way of academic methods to analyse an

econometric policy. Still in the implementation of any adopted policy or strategy cannot be automatically implemented as coding machines. State institutions, political atmosphere, geography, and even individual attitudes had a role in shaping the economic policies of the states especially in developing states, where the institutions do not work properly. For this reason, we thought that the eyewitness of people in the field may reveal different aspects of ISI implementation in Türkiye that statistics do not show. Even though the memoirs we use only show the subjective views of the author, it still serves as complementary resource to understand time and economic policy.

2. Import Substitution: Theoretic Framework and The Experience of Different Nations

Import substitution is a strategy that indicates the production of imported goods inside the country, with domestic opportunities, by national firms that are owned by the state or backed by the state. Thanks to this policy, revitalization of the domestic economy and saving of foreign currency are tried to be achieved. In ISI the high customs duties imposed on imported products, domestic producers are trying to be protected from foreign competition. In this way, it is also aimed to reduce foreign dependency on the country's economy. In other words, import substitution is the production program of imported goods domestically within a plan and on a scale, to gradually reduce the volume of imports. (Kargül, 1976)

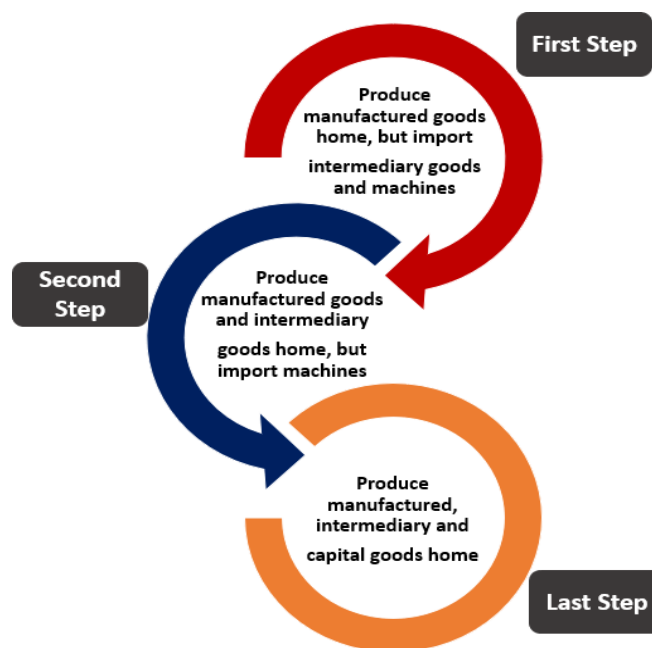
ISI policy is inspired by a wide range of economic approaches such as Keynesian, communitarian, and socialist economic thought, as well as dependency theory. (Thomas Perreault, 2005) Historically it traces back to the Great Depression (1929), however, it was widely implemented in the 20th century. Especially between 1930 and 1960, the consequences of World War II led many developing countries to adopt this policy to reach the level of developed countries. One of the main reasons for the preference for ISI policy in these years was the distrust for the uncontrolled functioning of markets and the high performance of the planned economy of the Soviet Union. (Eşkinat, 1997) The high level of industrialization in developed countries, made these states realize that the only way to develop their own countries was to achieve it with their domestic opportunities.

There are two important methodologies used for import substitution policies: infant industry agreement and protection of manufacturing industries. The terminology “infant industry” implies that domestic industries in a country should be protected by the state through measures such as customs barriers and incentives until they accomplish to reach the stage where they can compete with foreign industries. (List, 2007) That is to say; when a state imposes a high tax rate on an imported product, the cost of the mentioned product would

increase in the local market. This would lead people to buy the cheaper domestic product.

In the second method namely; “protection of manufacturing industries” the state tries to reduce the burden on infant industries by granting some privileges to them. With paying less tax, the production cost of the domestic industry is reduced, and thereby; its growth is expected to be faster. The state can also impose a quota on imports to ensure that the amount of domestic products in the market exceeds the amount of imported goods. As a result of such concessions, the investors are expected to be motivated to enter the market, which ultimately would facilitate product diversification and growth.

Figure 1. Stages of import substitution



The import-substitution industrialization strategy consisted of three stages. In the first step, countries implementing ISI can import intermediate goods and machinery for mass production. The country at this stage does not yet have the capacity to produce the needed intermediate goods and machinery. For countries that can move to the second stage, it should now be possible to produce intermediate goods. By producing these goods domestically, dependence on foreign economies will have decreased compared to the countries in the first stage. However, even at this stage, the actual machinery for production has not yet been produced inside the country. Foreign dependence on machinery remains to exist, and equipments that are needed for production. If the transition from the first to the second stage takes too long, crises based on foreign exchange shortages are more likely to emerge. In the third step, which is the last and most difficult to reach, countries now have the necessary materials at each

stage of production and have completely broken their dependence on foreign markets. Countries that are able to achieve this in all sectors would secure total economic independency and economic progress to a large extent. Problems in balance of payment, budget deficits, and foreign exchange reserve shortages are considered the most important obstacles for one country to reach the third stage.

Latin American, African, and East Asian countries are the pioneers of the implementation of ISI policies in world history. These countries, which are classified as the "developing" stage, aimed to jump up to the level of developed countries by adopting ISI. Japan appeared as one of the early implementers of this policy by providing extensive support to the firms, not only through subsidies; but also, by increasing the profitability of firms entering the competitive market. Tax reductions or low-interest loans were provided to industrialists and merchants by the state. Singapore, China, and the Republic of Korea are among the successful countries that have tried to catch up to the level of developed countries by establishing leading state institutions that would support ISI policy, such as the Singapore Economic Development Board and the Industrial Technology Research Institute of China.

In the post-1950 years, East Asian governments played a producer, investor, and regulatory role in the economy. They also used neutral incentives in domestic and foreign markets. In countries such as Indonesia and Thailand, government intervention was minimal at first, but inspired by their other Asian counterparts they also intervened in the economy and improve industrialization. Successful examples of Asian economies such as South Korea and Taiwan had high savings and high investment rates during the period of ISI. They have pursued stable fiscal and monetary policies, have been open to technology transfers, and therefore have been protected from economic volatility and inflation.

Looking closer at the case of South Korea's success, the Chaebol system had a major role in the economy. In the early 1960s, South Korea was a steadily developing country with a high inflation rate, price controls on essential goods, fiscal deficits, limited import policies to protect domestic manufacturers, overvalued exchange rate supported by quantitative restrictions on imports. (Akarsu, 2021) To overcome the country's economic difficulties, the South Korean government adopted a strict import substitution policy and developed a system called "Chaebol" where the state directly provided economic support to privileged companies. Chaebols were formed in a family-based business structure and the founding families determine the number of loans and investments to be taken under their management. Inspired by the zeitgeist of the 1960s, they preferred to invest in heavy and technological sectors which were considered essential for national economic development.

The government used to provide cheap credit to these companies on condition that they would be engaged in a

production sector that had the export potential. (Kang, 1996) Companies such as Samsung, Hyundai, and LG come to the fore as important outputs of this system. Even though South Korea was a poor country in terms of natural resources, it achieved to fulfill this gap by producing value-added products. Close to the years 1980s, South Korean companies opened up to the international market and created global brands. The example of Chaebols would later inspire other Asian countries and would be the label of the success story of ISI in Asia.

However, the same success story cannot be read in Latin America due to reduced competition which made local producers more complacent. Many Latin American countries adopted ISI policy before Asian countries during the 1940s. The devastating consequences of the Great Depression led these countries to develop import-oriented economic models. States in Latin America aftermath tried to increase their foreign exchange reserves, which had fallen and almost disappeared, by imposing import quotas. However, these policies at the end of the day did not work.

Looking closer at the economic history of Latin America would facilitate understanding the reasons for this policy failure. For one thing, it has much to do with population structure. Between 1930 and 1950, mortality rates decreased, stabilized, and sometimes increased due to the end of the war. The average annual rate of growth of the population rose from 2.2 percent from 1930-50 to 2.7 percent from 1950-70. (Thorp, 1998). It seems that the growth rate was unable to meet the rising population. The new industries are making an inadequate contribution to the solution of the unemployment problem. Moreover, expected development could not be achieved due to the lack of education of local industrialists in the country. (A.O.Hirschman, 1968) . In addition, market imperfections that stem from a lack of convenient infrastructure, institutions, and socio-political structures, unfavourable income distribution, budget deficits, and insufficient savings played a crucial role in this failure. Moreover, deficits in foreign exchange reserves, and big foreign debts (as seen in the case of Argentina) did not allow countries to implement ISI properly.

As a result, during and after the 1960s, Latin America's GDP growth rate lagged behind that of Asia. While many Asian countries such as South Korea, Singapore, Taiwan, and Hong Kong became developed countries, the same achievement could not be witnessed in Latin America. During this period, East Asia tried to inflate export through promotions, tax incentives to exporters, low trade barriers, less protectionism as well as fewer controls and regulations. Unlike Latin America, Asian countries also experienced a stable macroeconomic environment during this period. Their fiscal deficits were small and inflation rates did not fluctuate. Asian economies also avoided overvalued currencies and freedom for investment was more vivid compared to Latin America. The following table illustrates the difference in GDP between

Asian and Latin American countries in the period when both implemented ISI policies.

Table 1. Rate of growth

Country	GDP Per Capita (1960)	GDP Per Capita (1989)	The Growth of GDP (%)
South Korea	883	6.206	6,82
Taiwan	1.359	8.207	6,17
Ghana	873	815	-0,54
Senegal	1.017	1.082	0,16
Mozambique	1.128	756	-2,29
Brazil	1.745	4.138	3,58
Mexico	2.798	5.163	2,36
Argentina	3.294	3.608	0,63

Source: Dani Rodrik, „Understanding Economic Policy Reform” Journal of Economic Literature, March 1996 p:13

As seen in Table 1, the GDP per Capita ratio in South Korea and Taiwan, which are considered to be successful examples of ISI policies, have increased much more than the other countries in the table with 6.82% and 6.17% respectively. Latin American countries such as Brazil, Mexico and Argentina, which are cited as having unfavorable economic conditions and lack of policy stability, had GDP growth of less than 5% during the period under review. Based on factors such as population growth, consumption and investments that are effective in the growth of GDP, it would be difficult to conclude that the policy has contributed to these economies positively.

3. Türkiye's Experience of ISI Policies during 1960s and 1970s

Apart from Asian and American countries, states in Eastern Mediterranean also adopted the trending economic policy of the time. In this part of the world the consequences of the policies were neither disastrous as in Latin America; nor fabulous as in Far Asia. Türkiye constitutes a good example of this moderate implementation of ISI policies. As mentioned above, the role of the state in the economy, budget deficit, and foreign exchange reserves before the adaption of ISI had a decisive impact on the success or failure of the policy. Therefore, for a sound analysis, we are going to sketch out briefly the economic conditions of Türkiye before the 1960s.

The Republic of Türkiye to a large extent inherited its economic structure from the Ottoman Empire. During the Imperial period, there were significant attempts for establishing domestic industry however, because of wars, and financial and economic instabilities the Empire was unable to do so (Baycar:2021). After the proclamation of the Republic, the new regime attempted to continue the progress of creating

national industry and the new conditions were suitable to do that.

For this purpose, the Republican government enacted the Law on Promotion of Industry (Teşvik-i Sanayi Kanunu) to facilitate the establishment of new companies and workhouses. In the beginning, the state pursued liberal economic policies. However, during the Great Depression, the Turkish economy was hit considerably, and it was understood that the state intervention is inevitable. After the depression, state was directly involved in the economy by investing in critical sectors such as agriculture, banking, and textile production. Inspired by the successfully implemented 5 years plan in the USSR, the Turkish government drafted the first five-year industry plan in 1934. State-led industrialization leaps were taken in line with this plan; weaving factories in Kayseri, bottle-glass factories in Istanbul, paper mills in Izmir and, Etibank for mining activities were established.

The second five years plan coincided with the outburst of the Second World War and could not be implemented. During the war, almost no investment was made and the national income per capita at constant prices dropped by 22%. (Ünal, 2009). According to some estimations due to the general scarcity of consumer goods and the blockage of imports, the general price level increased 4-5 times between 1939 and 1944 (Keyder, 1983).

After the 1950s, as Democrat Party (hereafter DP) came into power, a democratic regime and values were introduced to Türkiye. Ideologically the new government presented itself as liberal and democratic. The liberalization in economic understanding leads policymakers promotive private initiatives. During the DP period agriculture let economic growth was accepted and in ten years, considerable economic growth was achieved in this sector. (Table 2) Close to the end of the 1950s, DP faced political and economic challenges. Especially in the second term of administration, the economy was not good at all primarily because of unfavorable climate conditions, bad harvest, and financial bottlenecks. Export of agricultural goods began to decline, and the DP sought foreign loans to develop the economy but had difficulty in finding the funding it wanted. To close the balance deficit in the economy, a stabilization program was proclaimed that would provide a loan of 359 million dollars (Kaynar, 2022).

Even though the government adopted liberalism in the economy, ironically in practice, the role of the state in the economy expanded. Restrictions on foreign trade remained until 1958. Under the DP's administration, the desired economic success could not be achieved. Moreover, close to the end of the 1950s, the economy became dependent on foreign influences due to the loans and debts it received. In the end, the DP governorship ended with a military coup in 1960. Even this program could not heal the economic problems which would lead to the military coup in 1960. The anti-democratic regime will rule Türkiye for several years.

Despite the adoption of a liberalization policy, the strong role of the state in the economy remained. Between, 1954 and 1962 initial steps were taken which can be considered a precursor of import substitution. Producing a national automobile was a symbolic attempt towards establishing a national industry. Even though the dream of having a national automobile failed, the policymakers did not give up the idea of creating a national industry. To this end, imports of certain products were curtailed or even banned altogether, while domestic producers were encouraged through cheap credit, tax immunities, cheap foreign exchange allocations, and other methods.

International politics had a big say in shaping the economic strategies of countries in this period. After the end of WWII, Türkiye became a member of the NATO alliance, and this choice did not only shape its political stance but also its economic structure. In the 1950s, the leading power of NATO; the USA suggested the planned economic model and import-substitution industrialization for developing countries. (Yıldız, 2020) In addition, global capitalists also lobbied many developing countries to convert their economic policy into ISI. (Sylvia Maxfield, 1990). The 1961 Constitution paved the way for the establishment of economic institutions which would lead ISI policies. Among these institutions, the State Planning Organization (Devlet Planlama Teşkilatı: hereafter SPO) comes to the fore as being responsible to centralize all investments in a scheduled program. The Office was also assigned to draft the 5-year development plan.

During the 1960s, the economic policy of Türkiye can be defined as a true ISI. Under the supervision of the SPO the planned economy and import substitution were implemented and eventually, the Turkish economy witnessed unprecedented economic growth compared to the previous years. Between 1960 and 1976, the share of manufacturing in GDP rose from 17.5% to 21.2%, while the share of agriculture fell from 36.5% to 27%. (Kaynar, 2022). The growth in the industrial sector remained modest in comparison because it needed to import intermediate goods and machinery equipment. Since the reserve of foreign currency in Türkiye was scarce, the existing money was allocated to industry. In those years Türkiye could only earn foreign currency from imported agricultural products.

The administration of the time also stimulated firms that wanted to produce a new industrial product could easily obtain the necessary approvals from Ankara. In addition, they gained protection in the domestic market as the government banned the import of that new product. The main goal of the statesmen of the time in implementing ISI policies was to achieve overall economic progress. Relying on the rising population and urbanization in Türkiye they believed that domestically produced goods could be sold in the domestic market.

The first years of the implementation of the ISI focused on the production of consumer goods. Türkiye targeted the

transition from non-durable consumer goods to durable consumer goods, (which was presented above as the second stage of ISI towards the end of the 1960s. Under conditions of a moderate shortage of foreign currency, a true process of import substitution was pursued relying on domestic savings. In this period a gradual increase in the share of domestic production over the total production was witnessed. (Pamuk, 1984)

Throughout the 1960s, a mixed economy was the prevailing model which introduced a new division of labor between the public and private sectors. The production of critical intermediate goods which required a large-scale investment such as iron&steel, petro-chemicals was undertaken by State Economic Enterprises (Kamu İktisadi Teşebbüsleri). These institutions which were established with a well-defined mission, use to manage the public resources.

The domestic market, protected by high tariffs and quotas, offered ample opportunities for domestic producers. The introduction of advanced technology, investments in infrastructure, and a rise in incomes, stimulated the entrepreneurs to produce radios, refrigerators, and other consumer durables. Between 1962 and 1977, there was no year in which the economy shrank, or per-capita income declined.

The abovementioned positive trend in Türkiye was overlapping with the development of the world economy in general. However, in some respects, Turkish economy diverted from the positive global atmosphere. The structure of industry could not be rescued from dependency of foreign exchange rates. Starting in the 1970s, export revenues started to decrease a balance of payments problems arose and the exchange rate of the Turkish lira against foreign currencies had to be adjusted. In 1973, Türkiye was caught unprepared for the oil crisis. Under these conditions normally savings are expected to increase. However, in Türkiye right the opposite happened, and the consumption level continued to rise. Thus, Türkiye had to deal with a growing external debt burden. The widening budget deficits coincided with the well-known oil crisis end up with a jump in the general price level in the domestic market.

The annual inflation rate reached up to 20 percent in the first half of the 1970s. due to the increase in foreign exchange expenditures. 1974 Cyprus Peace Operation and America's embargo exacerbated the situation and the budget deficit reached four and a half billion US dollars. (Sarıtunalı, 2021). In 1975, the government of Süleyman Demirel introduced a new application namely; Foreign Currency Convertible Deposits, which meant short-term borrowing at high interest rates and under extremely unfavorable conditions. By mid-1977, large amounts of short-term debt had accumulated, and the public sector had become no more able to repay foreign debts.

This period is also characterized by shortages of goods and energy, shortages, black markets and consumption queues. The inflation rate reach its zenith so 100%, an agricultural income of the farmers could not resist the rising inflation, income distribution deteriorated. With the words of Şevket Pamuk: “After 1977, there was a currency crisis, the industry entered a period of stagnation and; GDP , which had not been observed for a long time, fell for two consecutive years (Pamuk, 1984).

Both the characteristics of the Turkish economy and how ISI is implemented are considered for the mentioned depression. Newly established industries and investments were insufficient for the increasing population which is inclined to more from rural to urban areas. The required technological development which would be expected to enable industrial production at home with domestic opportunities could never reach to a sufficient level. That’s why the production machinery was imported from developed countries which resulted in a decrease in foreign exchange reserves. The economy remained to be vulnerable to fluctuations in foreign exchange and despite the big endeavour of the government domestic saving could never reach to an appreciable level. The scarcity of foreign currency ultimately ended up with a great economic crisis that lasted between 1978 and 1979.

Table 2. Average annual growth rate

	GDP	Agriculture	Manufacturing	Rate of Import in GDP	Rate of Manufacturing in GDP
1947-1953 Growth based on agriculture	8,7	11,5	6,5	9,3	8,8
1954-1962 depression and the return to import substitution	4	2,1	7,6	6	12
1963-1970 Rapid import substitution with scarce foreign exchange	6,4	2,6	10,4	6,8	16
1971-1977 foreign-funded industrialization with abundant foreign currency	7,2	4,3	10,1	10,9	16,8
1978-1979 Depression	1,3	2,8	-0,9	9,4	19,7

Source: State Institute of Statistics, National Income of Turkey (1948-1972): SIS, Statistical Yearbooks : Bulutay, Tezel and Yildirim (1974).

The military coup opened the gates for the ISI and the same gates were closed by the other military coups of the 1980s. As noted above the ISI experience of Türkiye was not a disaster at all, neither it was a miracle as in Asia. The statistical records support this deduction. As seen in Table2 the ratio of manufacturing in GDP rose more than two folds, while the rate of imports remained for a long time at around 6%.

4. Import Substitution Years in the Eyes of a State Planner Ertan Yülek

This part is devoted to scrutinizing the import substitution by directly touching on the life and experiences of Ertan Yülek, a figure who had a professional career in one state-owned enterprise Sümerbank and who served as general director of Incentive Implementation. In fact, during the ISI period state institutions played a schooling role and they graduated many specialists which would have a big role in shaping the economy of Türkiye in the next coming decades.

Two reasons come to the fore on why we chose the example of Ertan Yülek for that article: First; Yülek, being a manager in one of the big state enterprises, seems to be more likely to internalize the economic mindset of the state and thereby his memories would allow us to see the overall picture of Turkish ISI experience. Presumably, his statements have the potential to fulfil the gaps that are left out by the official statistics which are considered to be the only references applied by academics. In addition, his life reveals the success or failures of the actual implementation of ISI. Secondly; as Yülek actively took place in the transition to the liberal era during the 1980s, his experiences offer us the opportunity to make a comparison between the liberal and ISI periods. However, in this article, we are going to mention only the first two chapters of his life, which are related to import substitution.

Ertan Yülek graduated from one of the most prominent universities of the time that graduated distinguished politicians and engineers namely; Istanbul Technical University. He worked in Sümerbank and in the Ministry of Industry as the General Manager of Incentive Implementation (Teşvik Uygulama Genel Müdürlüğü). While serving as a state specialist, he carried out feasibility studies of many newly established factories and contributed to the development of new operating and cost methods. He successfully took part in areas such as the establishment of the first modern stores. After he completed his carrier in state sectors, he served in the private sector as general manager, coordinator, consultant, facility manager etc. During the first years of the 1980s, he worked as a deputy undersecretary of the State Planning Organization. He actively played a role in drafting the 5th-year development plans. Ertan Yülek, who played an important role in the establishment of many industrial facilities in Türkiye, reveals to us the post-1960 economic, political, and social circumstances in his memories; 'Ömürdür Gelir Geçer'. (Yülek, 2015)

Apart from mentioning specific episodes in his life, Yülek in his book points out his point of view on economic policies relying on his experiences. According to him the most important obstacle to the development of the Turkish economy during the 1960s and 1970s, was the scarcity of capital, and even more than that the existing scarce money could not be led to investments properly. One day when he was at Technical University, an American professor rise the following question to the class; “What is the most important shortage in Türkiye which does not allow the country to develop economically?”. All the students in the classroom answer it as “lack of capital”. The American professor shows the USA-made the luxury automobile in the street and said: “Well you have money so you are able to buy these cars.” And he added: “The problem is not about the scarcity of capital, it has much to do with lack of venture, misallocation of capital to the useless activities, and bad industrialization policy” (Yülek: p.128)

This dialogue profoundly influenced the economic views of Yülek. Accordingly, if he thought that Türkiye needs to be developed, more sources should be led directly to the industrialization. This view highly corresponded to the economic stance of a well-known politician Nacmettin Erbakan who supported the idea of a jump-start for heavy industrialization (ağır sanayi hamlesi) during the 1970s. Erbakan is generally presented, by some and unfairly, as the person who introduced political İslamism however, his most important contribution to Turkish politics was his program on the establishment of domestic industry. His views known as “milli görüş” not only defended the grasped rights of conservatives but also included the full independency of Turkish politics and economics. His views and programs would influence the next coming generation in politics and would seed the national and domestic industry of Türkiye during the 2010s. Ertan Yülek’s stance on industrialization was overlapping with Erbakan’s program.

The suggestion of Erbakan on industrialization (which is shared by Yülek also) was immediately to produce machines at home, that would produce industrial commodities. This approach corresponds to the third stage of ISI in later produced academic literature. He believed in the capacity of the human capital of Turks which (in his views) was enough to produce an engine. Engine production was considered the most important threshold for heavy industrialization.

The dream of producing Turkish-made engine Erbakan is traced back to his college years in Germany. He was uncomfortable to see that the Turkish industry relied on the machines imported abroad and that is why it could not progress as it is supposed to. To overcome this problem, he initiated the establishment of the first diesel engine factory called “Silver Engine”. The Silver engine was a very critical investment only for industry but also for agricultural improvement. Using the engine, the farmers were now able to

draw water from wells to irrigate their lands. In addition, this engine was able to meet the orders of the Directorate General of State Hydraulic Works and was exported to several countries in Africa and the Middle East in small numbers.

However, the partial success of the Silver Engine challenged the interest of the established machine market which consisted of the imported engine. The Silver Engine did not influence policymakers and that's why could not get state support. Presumably, because of this reason, Silver Engine began to lose and ultimately it shut down by transferring its shares to the Cooperative of Beetroot (Pancar Kooperatifi) and Sugar Factory (Seker Fabrikası). According to some, if the needed state support was given to this initiative, Türkiye could have been producing its own engines for tractors, automobiles, and even for ships.

After the military regime of 1960s, disappeared, Erbakan entered politics to put their ideas into practice. In the coalition government of Süleyman Demirel, he was the chairman of the economic board and responsible for the activities related to investments. While serving in this position, in line with constructing domestic industry understanding, many factories such as Tümosan, Taksan, Temsan, Testaş, Gerkoksan were established. Ertan Yülek commented on this process as follows; ‘There is a serious textile investment in Türkiye, but it cannot make textile machines. We import all textile machines and spare parts from abroad and pay huge money. In line with this point, it is inevitable to prepare projects to make textile machines’. (p.136)

Between 1960 and 1975, when Türkiye as a state policy completely embrace the ISI policies, the country was ruled by a series of coalitions mostly consisting of right wing political parties which were called the Nationalist Pact. In this period Erbakan’s conservative-religious party Milli Selamet (National Salvation) had the chance to take seats in the cabinets. The slogan of “heavy industry” became more vocal in Nationalist Pact coalitions. In this time period, individuals and institutions started to produce projects in order to obtain loans from the World Bank and the other international organizations, however a few of them were found feasible.

Right-wing bureaucrats who are going to play a crucial role in Turkish politics started investment campaigns all over the country but especially in Anatolian cities which were not considered for a long time. Çinkur, Bakırsan, İzmit Refinery are the first examples that come to mind in this context. These were not private initiatives at all, they were backed financially by the state. According to Yülek the main problem in the failure of these initiatives was the fact that the projects were proposed and conducted by uneducated and unprofessional people. As a result, these loans and incentives could be abused.

The world order in the 1960s, and 1970s was politically bipolar. Türkiye took the side of the liberal, democratic Western block where "market economy" was accepted as the

prevailing understanding. Still Türkiye did not challenge openly the Soviet and Socialist blocks. Even sometimes it intended to avail itself of the industrialization experiences of Socialist countries. Even some specialists did not hide their admiration for the Soviet Textile industry. USSR was keen to work with Türkiye for political causes. While Ertan Yülek served as manager in Sümerbank, the company intended to produce its own machine imitating plans and schematics of the Soviet machines. Soviet delegates who were keen on technology transfer visited Türkiye several times. However, at the end of the negotiations it was understood that Soviet technology was quite backward and the production cost of this technology was not appreciable to Turkish textiles.

Still, this attempt was not a failure at all. According to Ertan Yülek, the negotiations and joint work with Socialists enabled Turkish delegates to get a broad perspective. In the Soviet system, employment, social development and value-added production were the priorities of the economy. As opposed to their Western counterparts these priorities were considered more important than “profit”. Yülek gives an example as follows; “the state pays a woman sitting at home to weave carpets and sew. But it pays her a higher wage than the cost, so she earns money to survive by working. In this way, even though the state appears to be looser by giving her more money, it reduces the social burden by preventing the social benefits that she could demand from the state. (p.145)”

Between 1960 and 1980, cheap credit and input supply were granted to domestic producers. In addition quotas and high protection walls were established to protect them from the competition of foreign markets. In 1967, all these strategies began to be determined in accordance with a big investment plan and conducted a single institution namely; the Office of Investment and Export Development and Incentives (Yatırımları ve İhracatı Geliştirme ve Teşvik Bürosu) Abdullah Takım, 2018). By monopolizing the state supports the government intended to prevent the state from allocating capital to the unpromising projects of unqualified people.

In 1976, a bank was founded under the name of State Industry and Laborers’ Investment Bank Ltd. (Devlet Sanayi ve İşçi Yatırım Bankası A.Ş. -DESIYAB). The purpose of this bank was to provide interest-free loans to investors and organizations and to stimulate the economy. DESIYAB's investments were mainly in the form of financing multi-partner companies. Therefore, companies suddenly emerged all over Türkiye and investments multiplied. Ertan Yülek indicated that of almost half of the state supported projects were funded by DESIYAB. For him this was a good example of public-private collaboration.

In 1980, Türkiye’s democracy and thereby economic development march was interrupted once again by another military coup. After the 1980s, Türkiye just like many other countries in the world gave up ISI and adopted economic liberalism.

With ISI policies the ideal of establishing domestic industry wanted to be practiced during the 1960s and 1970s, under the circumstances of economic fragilities, social unrest, and political instabilities. During this period the state was governed by short-lived coalition governments. Unlike its many other counterparts, domestic industrialization attempts could not be supported by the state because of political fluctuations. Ertan Yülek believed in Erbakan’s program and consider it to be a true part to reach industrialization. However, the political fragmentation and power politics disabled Erbakan to become the way in which it takes place in academic literature “the developmental leader”. (Yülek and Akkemik:2022)

5. Conclusion

One of the most important problems facing developing countries in post-World War II period was to achieve economic growth and to maintain it sustainably. The economic history in the 20th century allows us to deduce that since developing countries were unable to adopt an export-oriented development strategy due to their limited foreign exchange reserves and insufficient export potential, they became more inclined to develop ISI strategies. State interventions and restrictions in domestic markets within the framework of import substitution industrialization policies also brought along measures taken against international markets.

Türkiye adopted ISI policies and implemented these policies within the course of twenty years. However, if not a complete disaster the ISI policies in Türkiye did not benefit the economy of the country primarily because of the unstable political atmosphere. Turkish newly established institutions were able to draft noteworthy investment programs and projects. However, many of the mentioned projects either failed or even could not be started.

Ertan Yülek’s memoirs illustrated the disappointments of the adaptation process of ISI policies in Türkiye. How he perceived the causes of the failure of establishing the Turkish domestic industry overlaps the explanation of the theoretical and empirical academic studies. There was no harmony between policymakers, institutions, and the other executive powers in developing economic policies. The fragmented political structure caused projects to be held by inadequate people.

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