The Modernisation (Europeanisation) Process of the Turkish Commercial Law from 1850 to the Present

Introduction

It is seen that the regulations related to commercial law have been examined in Turkish law history books under two headings: regulations before the modernisation efforts and regulations after the modernisation efforts. Considering that the modernisation efforts in the field of law started in the first half of the 19th century, it is accepted that the efforts to create a modern Turkish legal system have a history of more than 200 years. Commercial law also took its share from these efforts. As a matter of fact, Kanunname-i Ticaret (1850), which the Ottoman Empire implemented with the effect of the Europeanisation process, gained importance as the first modern commercial code of Turkish law. Modern commercial law efforts were continued after the establishment of the Republic of Turkey in 1923. The Code of Commerce numbered 865, enacted in 1926, was the first commercial code of the young republic and is always one of the significant symbols of the modernisation movement of Turkey under the leadership of Mustafa Kemal Atatürk. The Turkish Code of Commerce numbered 6762 was adopted in 1956 with the remarkable and appreciable contributions of Ord. Prof. Dr. Ernst Hirsch, a German-Turkish lawyer who escaped from the German Nazi administration at the beginning of the 1930s. Finally, the Turkish Code of Commerce numbered 6102 has taken place in Turkish law as a result of Turkey’s European Union accession process.
In this study, 170 years of the modernisation process of the Turkish commercial law is going be examined in two parts, devoted to periods before and after the Republic of Turkey. In the first part, the codification movements conducted before 1923, especially Kanunname-i Ticaret, will be examined. The second part will be allocated to the analysis of commercial codes of the Republic of Turkey as sub-headings. In this way, the motivation resources of the modernisation process of Turkish commercial law of 170 years, which can be expressed as Westernisation or Europeanisation, can be determined. As a matter of fact, the aim of this study is to carry out chronological research on the causes and consequences of modernisation efforts carried out in the field of Turkish commercial law. In this way, it is intended to present a unique examination that concerns both the history of law and the commercial law disciplines from the perspective of comparative law to the readers and researchers.

**Modernisation process in the period of pre-Republic of Turkey**

**Modernisation movements in the field of law in the Ottoman Empire**

Although not systematic, the first modernisation efforts in the field of law in the Ottoman Empire were based on the Sened-i İttifak (Charter of Alliance) (1808). The Sened-i İttifak, which limited the state power of the Sultan and is accepted as the first constitutional regulation, was signed between the Sultan and the Rumelian and the Anatolian Ayans. Grand Vizier Alemdar Mustafa Pasha played an important role in preparing and signing the Sened-i İttifak.

The first concrete appearance of the modernisation or Westernisation movement in the field of law in the Ottoman Empire was the Tanzimat Fermanı (Tanzimat Edict) in 1839. The contribution of Mustafa Reşid Pasha, Minister of Foreign Affairs, had great importance in the preparation of the Tanzimat Fermanı which was in effect at the time of Sultan Abdulmecid. With the Tanzimat Fermanı, all citizens’ lives and goods were guaranteed without any discrimination. The principle of the rule of law was validated for the first time by accepting openness in the proceedings in the jurisdiction. The principles of justice in taxation and protection of private property were promised by the Sultan for the first time with that edict.

Another phase of the modernisation process in the field of law in the Ottoman Empire was the Islahat Fermanı (Reform Edict) in 1856. The Islahat
Fermanı was prepared by Grand Vizier Mehmet Emin Ali Pasha in the reign of Sultan Abdulmecid. The purpose of the edict was to gain the validity of the new institutions with new rights to prevent the collapse of the Empire. A number of privileges were granted to the non-Muslim minorities of the Ottoman Empire by the Islahat Fermanı. Thus, it was aimed to reduce the effects of the French Revolution and nationalist movements.

The most important stage of modernisation in the field of law in the Ottoman Empire was definitely the Kanun-i Esasi (The Basic Codex) dated 1876. Kanun-i Esasi, which is considered as the first modern Turkish constitution, was enacted by the Sultan Abdulhamid II and became the constitution of constitutional monarchy in 1876. Kanun-i Esasi was abolished by the Sultan Abdulhamid II in 1878. Nevertheless, in 1908, it was put into force again by the declaration of 2nd Constitutional Monarchy. The Kanun-i Esasi remained in effect until the first Constitution of the newly established Turkish State in 1921.

The codification efforts in the field of commercial law in the Ottoman Empire

Kanunname-i Ticaret (Codex of Commerce) dated 1850

The first and most important reflection of the modernisation process in the field of law to the field of commercial law was Kanunname-i Ticaret (Codex of Commerce) dated 1850.1 Kanunname-i Ticaret was the first Turkish commercial code, but it is not original. This is because it is the translation of relevant sections of the French Commercial Code (Code de Commerce) dated 1807. In 1850, the 1st and 3rd sections of the French Commercial Code were translated, and Kanunname-i Ticaret became effective. In the period after 1850, the first annex dated 1860 on the establishment of the commercial courts, then the second annex dated 1905 on the provisions of the bankruptcy, and finally the third annex dated 1906 on insurance affairs were adopted; the Kanunname-i Ticaret was postponed to be completed as a full concept in 1906, that is, in 56 years.2

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Other codifications related to commercial law

Kanunname-i Ticaret gained importance as a codification involving the relevant provisions of commercial law. Before the establishment of the Republic of Turkey, the codification efforts related to both maritime law and commercial litigation had also been carried out and these codes had come into force. The first of these codes was the Regulation on the Procedural Reasoning Trade, which was adopted in 1862. In this regulation, procedural rules to be followed in the courts where commercial cases were issued were regulated. Another code was related to maritime trade law and was enacted as the Kanunname-i Hümayunu Ticareti Bahriyye (Codex of Maritime Trade Law) in 1864. Finally, the code I want to point out was a special code on the checks. The Checks Code of 1914 gained importance as a special codification adopted in the last period of the Ottoman Empire.

The characteristics of modernisation efforts conducted before the Republic of Turkey

Admittedly, the commercial law codification efforts before the Republic of Turkey lacked systematicness although these efforts served a purpose as to form modern commercial law legislation. In addition to that, they did not have original academic value. The modernisation efforts in commercial law were special and typical results of the Europeanisation process in the law which was performed through the external pressures from European dominating states. The reasons for this were the view in this period that the codification work was a part of modernisation and the perception that the aim of modernisation could be realised by adopting the translation of French law norms, which had gained value since the beginning of the 19th century in Europe, into Turkish law. This perception was tolerable under the conditions of that day. Nevertheless, the aforementioned perception prevented the creation of an original commercial law system which would both assimilate the universal values and address the Turkish society structure.

4 S. Arkan: Ticari İşletme Hukuku..., p. 6.
The new Turkish State, which was established with the inauguration of the Turkish Grand National Assembly on 23rd of April 1920, declared the Republic on 29th of October 1923 after winning the war of independence. Reforms which were effective in all social fields in Turkey, followed by the proclamation of the Republic, were carried out. Among these reforms, the Turkish legal reform also played an important role. The codifications related to commercial law were also included in the Turkish law reform which was carried out under the leadership of Mustafa Kemal Atatürk. In addition to that, the dynamic structure of commercial law has led to the renewal and repetition of codifications, and until today three basic commercial codes have been adopted and entered into force in the Republic period.

**Code of Commerce numbered 865 and dated 1926**

After the declaration of the Republic, a number of commissions were formed in order to improve the codes in force or to carry out efforts on the implementation of a new code if necessary. Minister of Justice Mahmut Esat Bozkurt was appointed as the head of these commissions. One of these commissions was assigned to the preparation of the Commercial Code. On 30th of January 1926, the commission submitted the draft code to the Turkish Grand National Assembly. On 26th of May 1926, Turkish Grand National Assembly (TGNA) enacted Code of Commerce as numbered 865, and that code came into force on 4th of October 1926 as the first commercial code of the young Turkish Republic.

The Code of Commerce numbered 865, which was prepared by the sacred founders of the young Republic, consisted of 2 books and 1484 articles. The first book (chapter) was composed of general provisions, trade companies, commercial bills, and trade payables while the second book (chapter) was devoted to maritime trade. Despite the appreciable efforts with good faith, the Code was a compilation of chapters and regulations. It was the whole of the rules

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5 *Official Gazette*, dated 26.06.1926, numbered 406.
taken from different legal systems, and due to this feature it lacked a certain specific system. Because of the short limited time of preparation, there were too many translation errors. It was also incompatible with the Turkish Civil Code and the Turkish Code of Obligations, which entered into force in the same period. In spite of all these disadvantages, the Code of Commerce numbered 865 should be accepted as a code that deserves appreciation and respect according to the conditions of that period because it separated the rules of commercial law from the Ottoman Code of Civil Law and managed to create a secular commercial law.\footnote{S. Arkan: \textit{Ticari İşletme Hukuku...}, p. 7; A.N. Berzek: \textit{Ticaret Hukukunun Genel İlkeleri...}, p. 5.}

\textbf{Turkish Code of Commerce numbered 6762 and dated 1956}

Code of Commerce numbered 865 was the first commercial code of the Republic of Turkey and will always get the respect it deserves with this feature. However, due to the handicaps I have pointed out and — especially — the inadequacies caused by the global crisis (particularly the crisis of the 1930s), the need for a new commercial code had started to be expressed. Therefore, Mustafa Kemal Atatürk first demanded the start of a new commercial code in 1937, but because of his death in 1938 and the Second World War, which began in 1939, efforts for a new commercial code were interrupted.\footnote{S. Arkan: \textit{Ticari İşletme Hukuku...}, p. 7; H. Domaniç, E. Ulusoy: \textit{Ticaret Hukukunun Genel Esasları...}, pp. 3, 4; M. Bahtiyar: \textit{Ticari İşletme Hukuku...}, p. 11; R. Poroy, H. Yasaman: \textit{Ticari İşletme Hukuku...}, p. 20.}

Meanwhile, it should be mentioned that the migration of scientists from Germany to Turkey occurred in the 1930s. About 30 German Jewish scientists fleeing Nazi persecution in Germany had taken refuge to Turkey and one of the great scientists was a valuable and respected commercial lawyer: Ord. Professor Dr. Ernst Hirsch. Ernst Hirsch worked first in Istanbul and then in Ankara Law Faculties. He provided important contributions to the development of modern legal education in Turkey. One of these contributions was the preparation of the Turkish Commercial Code numbered 6762. As a matter of fact, the commission formed in 1945 for the preparation of new commercial code was headed by Hirsch.\footnote{E. Hirsch (F. Suphi): \textit{Amlalarım}. [My Memories.] Ankara 1997, p. 245.} In preparing the draft, the Commission was inspired by the most successful codifications of the day, such as the Swiss Code of Obligations and the German Commercial Code. The draft prepared by the Commission was submitted to the TGNA as a Government Draft in 1951. After the review of the sub-committees in the Turkish Grand National Assembly, the draft was
accepted as Turkish Code of Commerce numbered 6762\textsuperscript{11} (TCC) on 29th of June 1956. The TCC entered into force on 1st of January 1957.\textsuperscript{12}

The TCC numbered 6762 was composed of 1475 articles. Apart from the beginning and final provisions, it contained 5 different books (chapters). These books (chapters) were, respectively, Commercial Business, Commercial Companies, Negotiable Instruments, Maritime Trade, and Insurance books.\textsuperscript{13} The TCC numbered 6762 was regulated by adhering to the modern system and accepting the concept of commercial enterprise as the concept of focus. The code met the needs of the application and practice for a long time without any amendments. Therefore, it has been accepted as a successful codification framework. Despite this success, several amendments were made in the TCC numbered 6762 in 1995, 2003, and finally in 2004.\textsuperscript{14}

**Turkish Code of Commerce numbered 6102 and dated 2011**

**Preparatory works and entry into force**

The European Union (European Economic Community) adventure of Turkey, which began by signing the Ankara Agreement in 1961, reached an important point by getting the status of candidate country at last in Helsinki Summit in December of 1996. As a result of being a candidate country for the Union, it was envisaged as a liability for Turkey to make the legal system compatible with the European Union legislation.\textsuperscript{15} For this reason, several commissions were formed for the renewal of the fundamental codes in the Turkish legal system. In terms of commercial law, first, two opinions were put forward in order to prepare a new commercial code or to amend the existing code. The first of these views gained the upper hand, and a commission was created by the Ministry of Justice at the end of 1999 to prepare a new commercial code and to repeal the TCC numbered 6762. Academics, representatives from High Court (Yargıtay), Ministry, Turkey Bar Association, Notary Association, and Capital Markets Board of Turkey took part in this commission. The commission began its work in 2000 and worked for 5 years. The commission completed its work by writing the draft text in 2005, and the draft was sent to the TGNA. A sub-

\textsuperscript{11} Official Gazette, dated 09.07.1956, numbered 9353.
\textsuperscript{13} C. Cihangiroğlu: *Ticari İşletme Hukuku*..., p. 7.
\textsuperscript{14} F. Bilgili, E. Demirkapı: *Ticaret Hukuku Bilgisi*..., p. 6; İ. Kayar: *Ticaret Hukuku*..., p. 45.
\textsuperscript{15} R. Poroy, H. Yasaman: *Ticari İşletme Hukuku*..., pp. 21—22.
commission was formed to examine the draft, and the sub-committee completed its works on 14th of June 2006 and submitted it to the Justice Commission of the Parliament. The Justice Commission sent the draft to the General Assembly of the Parliament, and it was expected to be discussed at the General Assembly. The draft was first discussed at the General Assembly of the TGNA on 27th of December 2008,\textsuperscript{16} but it could not be completed. This pause period lasted about 2 years and the draft began to be discussed at the General Assembly of the Parliament at last in January 2011. The negotiations were completed by enacting the code on 13th of January 2011 as numbered 6102.\textsuperscript{17} The Turkish Code of Commerce (TCC) included 1535 articles, with the exception of provisional provisions. The Code was published in the \textit{Official Gazette} on 14th of February 2011. The date for the entry into force was determined as 1st of July 2012.\textsuperscript{18}

This postponement period was envisaged for the actors of commercial life to adapt to the new commercial law regime introduced by the new code before the code entered into effect, since the code included mandatory provisions in order for the principles such as independent auditing, transparency, and corporate governance to be valid. Even the legislator envisaged prison sentences for the implementation of these principles. However, the government adopted a populist approach. Political power took into account loud objections of the mentioned actors and especially Turkey Union of Chambers and Commodity Exchanges, and lead to significant amendments affecting nearly 100 articles by the Code numbered 6335 before the Code (TCC 6102) entered into force. Before the Code numbered 6335,\textsuperscript{19} an amendment concerning the checks was carried out by the Code numbered 6273.\textsuperscript{20} For this reason, the new TCC numbered 6102 had been changed twice even before its entry into force and had already become obsolete before it came into force in a tragi-comic way.

\textbf{The process of TCC numbered 6102 to today}

When the TCC entered into force on 1st of July 2012, it caused a great disappointment in academic circles due to the Code numbered 6335 because, unfortunately, there was a big difference between the moments when the code frameworks started and when the code entered into force. In short, the point where the legislator came was too far from the expectation. It was removed from the target which had been pointed out at the time the need for a new


\textsuperscript{17} \textit{Official Gazette}, dated 14.02.2011, numbered 27846.

\textsuperscript{18} S. Arkan: \textit{Ticari İşletme Hukuku...}, p. 10; M. Çeker: \textit{Ticaret Hukuku...}, p. 13.

\textsuperscript{19} \textit{Official Gazette}, dated 30.06.2012, numbered 28339.

\textsuperscript{20} \textit{Official Gazette}, dated 03.02.2012, numbered 28093.
code was declared. However, the disappointments continued after the entry into force of the TCC numbered 6102, for the code has been changed 16 times from the entry into force on 1st of July 2012 to the present (5th February 2019). With these changes, the principles that we can call the elephant legs of the TCC numbered 6102 have been shaken. Approximately 250 of the 1535 articles have been directly or indirectly affected by these amendments. It cannot be accepted as a successful codification of a 6.5-year code, which has been modified 2 times before the entry into force and 16 times after its entry into force. As a matter of fact, since it has used such an unsuccessful law making technique, it is not possible to characterise the TCC numbered 6102 as commercial law reform. In addition, the fact that these changes were carried out with a populist approach in order to respond to daily needs and complaints — and not as a result of academic reviews and criticisms — further reinforced the failure of the codification effort. In the light of all these explanations, considering the expectation and the result of the TCC numbered 6102, the concept of frustration or disappointment can be accepted as the concept that expresses the situation best.

*The evaluation of the TCC reform (?) numbered 6102*

The TCC numbered 6102 includes changes and innovations that may be considered significant compared to the TCC numbered 6762. These changes are particularly seen in corporate law and commercial enterprise law. In addition, a new chapter was added to TCC. Transportation law was regulated in a separate chapter by the Code numbered 6102 for the first time. There are several significant innovations related to the commercial companies. Validating the independent auditing, regulating the obligation of the internet page of the companies, allowing the general assembly meetings to be held in electronic environment, removing the principle of ultra-vires, recognising the validity to single joint stock companies and limited liability companies, or adopting the division of trade companies and the group of companies can be considered as reforms provided by the TCC numbered 6102.21

On the other hand, in terms of the content, TCC has inappropriate provisions as well. Despite the fact that the concept of the pre-established company was regulated, the legal nature and the legal regime to be applied of that company were left unclear. The implementation of the principle of steel corset in both the joint-stock company and the limited company were legalised. TCC included both the acquired rights and non-repealable rights together. These provisions can be considered as the samples for the inappropriate provisions of the TCC numbered 6102.

It is necessary to admit that the commercial law reform carried out by the Turkish Code of Commerce numbered 6102 was unfortunately not successful. There are several reasons for this failure. First of all, we need to emphasise the mistake of insistence on making this codification by a completely new code instead of making changes in the repealed TCC numbered 6762, which resulted in a loss of both time and labour. Other reasons for the failure are that despite all kinds of good faith efforts in the code, the Government followed a populist approach and realised the changes that can be considered as the reversal by the updates in TCC as a response of the persistent resistance of the actors of the commercial life. For example, in the case of the original version of the code published in the *Official Gazette*, for the limited liability companies’ establishment, it was necessary to pay the full amount of cash capital shares before the establishment. This obligation was partially removed by the Amending Code numbered 6335, and it was considered necessary and sufficient to pay at least 1/4 of the cash capital share amounts before the establishment. As a result of the amendment made in TCC by the Article 25 of the Code numbered 7099 on 15th of February 2018, the condition for the payment of the cash capital share amounts at a certain rate before the establishment for the establishment of the limited companies was completely removed. Such a law-making technique was inconclusive and unsuccessful due to taking into account the daily objections and complaints of the actors of commercial life and carrying out changes in TCC which is a basic code, without making academic researches and finding consensus.

The general characteristics of commercial codes in the period of the Turkish Republic

The reform movements in Turkish law have had a single common purpose since 1839: modernisation. This aim was sometimes to bring the Turkish legal system to the level of the western countries and sometimes to ensure compliance with the legal systems of the western countries. However, in a more concrete way, the modernisation of Turkish law has emerged as Europeanisation. This situation is acceptable for the case of Turkish commercial law. Considering the status of a European Union candidate country was determinant for the preparation of TCC, which has been the final stage of the modernisation process of Turkish commercial law, Europeanisation purpose has always been the main motivation source of the modernisation process of Turkish commercial law. It is accepted that modern Turkish commercial law is a discipline of law fed by the dynamics of the European Union. For this reason, Turkish

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\[22\] Ibid., pp. 19—20.
commercial law has been an integral part of the continental European law system for more than 150 years, despite all the disappointments experienced in the codification works.

**Conclusion**

Turkish commercial law has a special importance as an integral part of the modernisation process of whole Turkish law since the Kanunname-i Ticaret in 1850. The process had started with the same interpretation of the French *Code de Commerce*, and continued with the Code of Commerce dated 1926 after the establishment of the Turkish Republic by a few devoted lawyers. Perhaps the most brilliant production of this long process is the Turkish Code of Commerce numbered 6762 and dated 1956. In the conditions of the past years, TCC, which came into force with the valuable contributions of Ord. Professor Dr. Ernst Hirsch, was implemented for a long time without any change. However, TCC was the victim of Turkey’s never-ending dream of the European Union membership and repealed by the TCC numbered 6102. The TCC numbered 6102 remained far from expectations and caused disappointment due to reasons arising from practice and populist approaches, despite efforts with good faith. The process of modernisation of Turkish commercial law will continue without any doubt. This process is nothing but the process of achieving the level of leading civilisations, as Mustafa Kemal Atatürk pointed out, even if it appears to be Europeanising only with a false perception.

**References**

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**Keywords:** Turkish commercial law, Turkish law reform, Ottoman commercial law, Ernst Hirsch, Mustafa Kemal Atatürk

**Summary:** The modernisation of Turkish commercial law is a process which has been continuing for 170 years and constitutes an important part of the modernisation process of the Turkish law system. The modernisation process of the Turkish commercial law which started in 1850 by Kanunname-i Ticaret (Codex of Commerce) has continued after the establishment of the Republic of Turkey in 1923, by Code of Commerce numbered 865 in 1926, Turkish Code of Commerce numbered 6762 in 1956, and lastly Turkish Code of Commerce numbered 6102 in 2011. This long
process has just one clear purpose: modernisation. Although this process can only be perceived as being Westernised or Europeanised, this perception is incorrect. In fact, at the core of this process, the aim is to rise to the level of developed civilisations and to adapt to the developed modern legal systems.