

**IBN HALDUN UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
MASTER OF SCIENCE IN AIR TRASPORT MANAGEMENT**

**MASTER THESIS**

**THE EFFECT OF ECONOMIC AND POLITICAL RELATIONS  
ON TURKISH AIRLINES' ROUTE DECISIONS**

**ANIL BURAK ÖZEN**

**THESIS SUPERVISOR: ASST. PROF. NİHAT GÜMÜŞ**

**ISTANBUL, 2020**

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DECISIONS**

by

**ANIL BURAK ÖZEN**

**A thesis submitted to the School of Graduate Studies in partial  
fulfillment of the requirements for the degree of Master of Science in  
Air Transport Management**

**THESIS SUPERVISOR: ASST. PROF. NİHAT GÜMÜŞ**

**ISTANBUL, 2020**

## APPROVAL PAGE

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Science in Air Transport Management.

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This is to confirm that this thesis complies with all the standards set by the School of Graduate Studies of Ibn Haldun University.

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ÖZ

## İKTİSADİ VE SİYASİ İLİŞKİLERİN TÜRK HAVA YOLLARI'NIN ROTA KARARLARINA ETKİSİ

Yazar: Özen, Anıl Burak

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Bu tez araştırmasının amacı; Türk Hava Yolları'nın kamu diplomasisinin bir parçası, bir diğer deyişle yumuşak güç olarak, stratejik kararları ve faaliyetleri hakkında net bir anlayış ortaya koymaktır. 1980'lerden bu yana, Türk Hava Yolları Türk dış politikasına önemli katkılarda bulunmuştur. Şirket, genellikle bir kamu diplomasisi aracı olarak kullanılmış olup; bu durum, Afrika'ya Açılım Politikasının ilan edilmesinden sonra önemli ölçüde artmıştır. Bu çalışmanın amacı, Türk makamları ile özel sektörün aldığı ekonomik ve siyasi kararlar ile Türk Hava Yolları'nın stratejik kararları arasındaki ilişkiyi incelemektir. Böyle bir ilişkinin olup olmadığını ortaya koymak amacı ile; Kolombiya, Letonya, Sri Lanka, Tanzanya, Kamerun, Mali, Madagaskar, Çad ve Gana olmak üzere 9 ülkenin veri analizi gerçekleştirilmiştir. Bulgular, trafik verileri ile dış ticaret verileri arasında pozitif bir korelasyon olduğunu göstermektedir. Söz konusu analize, detaylı yolcu verileri, uçuşlardan elde edilen gelir ve ülke sayılarının artırılmasıyla daha kesin ve anlamlı bir sonuca ulaşılabilir. Seçilen ülkelerde büyükelçiliklerin açılmasından sonra hem trafik verilerinde hem de ihracat seviyesinde önemli ölçüde bir artış gerçekleşmiş olup, bu eylemler TİKA ve DEİK gibi diğer yumuşak güç unsurlarıyla desteklenmiştir.

**Anahtar Kelimeler:** Havayolları, Hava Yolları Stratejisi, Dış Politika; Kamu Diplomasisi, Yumuşak Güç; Uluslararası İlişkiler

## ABSTRACT

### THE EFFECT OF ECONOMIC AND POLITICAL RELATIONS ON TURKISH AIRLINES' ROUTE DECISIONS

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This thesis research aims to put a clear understanding on strategic decisions and activities of Turkish Airlines as a part of the public diplomacy, in other words, soft power. Since the 1980s, Turkish Airlines made an important contribution to Turkish foreign policy. The company has often been used as a tool of public diplomacy. This situation increased significantly after the declaration of the Africa Opening Policy. The objective of this study is to investigate the relationship between economic and political decisions made by Turkish authorities and the private sector and the strategic decisions of Turkish Airlines. For this purpose, an analysis of data considering 9 countries which are Colombia, Latvia, Sri Lanka, Tanzania, Cameroon, Mali, Madagascar, Chad and Ghana, is conducted to figure out whether there is such a relationship. The findings suggest that, there is a positive correlation between traffic numbers and foreign trade. However, a significant result can be obtained by adding revenue per flight, detailed passenger number and increase in the sample countries. Both values, traffic numbers and export level increased significantly after the opening of the embassy in the chosen countries, these actions were supported by other means of soft power such as TIKA and DEIK.

**Keywords:** Airlines; Airlines' Strategy; Foreign Policy; Public Diplomacy; Soft Power; International Relations.

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I would like to dedicate my thesis to my beloved nephew Tristan Evren Ozen.

I hope my thesis brings a different perspective and contribution to the aviation industry and future students who want to study air transport management.

Anıl Burak Özen

Istanbul, 2020

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## LIST OF ABBREVIATIONS

AA	Anadolu Agency
AEA	Association of European Airlines
AFAD	Disaster and Emergency Management Presidency
ANDI	National Business Association of Colombia
AU	African Union
BEAC	Banque des Etats de l’Afrique Centrale
CAPA	Center for Aviation
CEMAC	Central African Countries Bank
CEO	Chief Executive Officer
CIP	Commercial Important Person
DEIK	Foreign Economic Relations Board of Turkey
EAC	East African Community
ECOWAS	Economic Community of West African States
ER	Extended Range
FDI	Foreign Direct Investments
FDN	Colombian Public Investments Agency
FFCIM	Fédération des Chambre de Commerce et d’Industrie de Madagascar
GDP	Gross Domestic Product
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
IMF	International Monetary Fund
KEK	Mixed Economy Commission
LCC	Low Cost Carriers
NATO	North Atlantic Treaty Organization
THY	Turkish Airlines
TIKA	Turkish Cooperation and Coordination Agency
TOKI	Mass Housing Development Administration

TRT	Turkish Radio and Television Corporation
UAE	United Arab Emirates
UNCTAD	United Nations Trade and Development
USA	United States of America
VIP	Very Important Person
VAT	Value Added Tax
WAEMU	West African Economic and Monetary Union



# CHAPTER I

## INTRODUCTION

The main research question of this thesis study is to understand whether the strategic actions taken by the Turkish Airlines can be regarded as a tool of soft power under the title of the public diplomacy or as it is recently called as the brand diplomacy. Turkish Airlines has been contributing to Turkish foreign policy. Especially, during the 1980s, Turgut Ozal, the eighth president of Republic of Turkey, made impressive investments to the development and boosting of Turkish Airlines. The main aim of this was to use the national airline to develop and support new foreign relations. Turgut Ozal's main target was to establish durable relations with Turkic states, which gained their independence after the collapse of the Soviet Union. Through the use of the airline, Ozal aimed to regenerate the Silk Road and establish important trade relations with new independent Turkic States. After 2002, the new government followed almost the same policy in terms of using the national airline as a tool of public diplomacy. Beside Asian Turkic countries, the government focused on reviving relations with the Middle East and Africa. To succeed in this, they revised the Africa opening plan coordinated in 1998 and put together a new plan in the 2000s. There was a significant rise in the number of the Turkish embassies situated in Africa, and additionally Turkish Airlines started operating to new destinations, through this Africa-opening policy. An empirical analysis has been conducted to investigate this relationship between Turkish Airlines' decisions to determine new routes and Turkish economic and foreign diplomacy. For this purpose, in this research, passengers and traffic data has been analyzed together with the foreign trade data between Turkey and nine countries namely, Colombia, Latvia, Sri Lanka, Tanzania, Cameroon, Mali, Madagascar, Chad and Ghana for the time period before and after the Turkish Government opened up embassies in these countries. According to the descriptive analysis, data showed that there is a remarkable relation between foreign policy, foreign trade and the opening up of the destinations to various places, especially in Africa. To give a better understanding of this process, detailed research was carrying out on the chosen

countries in terms of foreign trade and their economic capabilities. Despite challenges in the global economy, foreign trade between Turkey and the countries selected for this study has been a rising trend. Information obtained from the Turkish Republic Trade Ministry, reflects the importance of these countries in terms of trade and the economy. Some important and strategical business moves made by previous administrators have been examined and its effect on company development has been studied. Especially, by means of the strategy which was pursued during Cem Kozlu's administration, the company transformed itself from a state minded perspective to a business minded one, and that new perspective provided important income to the company. Another method that has been used is to observe diplomatic intervention, meetings, and some press conferences done by high authorities.

Turkish Airlines, as it is the national and flag carrier airline company, also has the title of the first airline founded in Turkey. Turkish Airlines gained a lot of experience and became a pioneer of many various developments in the Turkish aviation industry. This experience in the industry brought some opportunity such as dominating almost half of the aviation industry in the market. This superiority in the market is supported by being the leader in carrying cargo by air and being a member of Star Alliance, which provides additional and distant markets. Turkish Airlines caught big opportunities during times of economic crises. During these aforementioned crises Turkish Airlines had succeeded to growth and had passed its European rivals. THY has also an effective power in terms of advertisement which created a global influence. Advertisement agreements made by a famous football club and by Hollywood actors are proof of that global influence. As a developing economy, Turkey is one of the countries which has big economic potential in the international market. In comparison with other countries in Europe, Turkey is the leading country in terms of population and has approximately 82 million citizens. This large population consists of a high market potential in the airline industry. Another important advantage of Turkish Airlines is to use Istanbul as a hub. In other words, Turkish Airlines provides connection via its large number of flights and extensive network. Istanbul is also a city which has strategic importance. Its geographic location is particularly important and provides many other benefits to Turkish Airlines. Besides that, Istanbul is near to Asia, Europe and Africa and acts as a bridge between those three continents. Now Turkish Airlines has 322 destinations

and most of these are operated by narrow bodied aircraft, which are operationally efficient. Through its variety of frequencies and its hub which is geographically well situated, it attracts a remarkable number of passengers. For instance, through its network to Africa, Turkish Airlines is also an airline which operates more routes than any other airline in the region moreover Istanbul is preferred by passengers as a transfer point due to its geographical proximity. Another issue that strengthens the hand of Turkish Airlines is fleet structure, in other words, planes are young on average (CAPA, 2018).



## **CHAPTER II**

### **LITERATURE REVIEW ON ECONOMIC DIMENSIONS OF FOREIGN POLICY**

Economic relations have become an important part of foreign policy due to the developments in the field of transportation and communication, with those developments another way of diplomacy occurred, so called “brand diplomacy”. By way of brand diplomacy, national interests and culture can be presentable to other nations. One of the most important indicators of the strategical location of a country is if their airports are available to other countries and can be used as a transfer point. In addition to that, if a valuable airline provides most of the routes to a particular country, it can increase its own state economic and political potential. As a part of the soft power Turkish Airlines has an important contribution to make in the presentation of Turkey and the increase capacity of the passenger traffic (Oztermiyeci, Yılmaz & Kılıcoglu, 2018). Turkish Airlines uses Istanbul as a hub and provides many different destinations with its wide network connections, and moreover its strength in its position in the market through making code share agreements and being a Star Alliance member. Because of all these promotional reasons, Turkish Airlines makes Istanbul an attractive center for investors. There are several reasons why investors choose Turkey, first of all geographically Istanbul has a market which is available and open to development. Istanbul is situated near to important industry centers in the Marmara region. There are also a lot of important finance centers and it has a reliable service industry. Another reason for investors is regulations done by governments provide convenience for foreign investors. Another policy taken by governments is to provide incentive credits and support taxes for investors and producers. The growing, developing, and consistent Turkish economy is also another reason why foreign investor choose Turkey. Developed logistic systems such as highways, railroads, docks and airports are important reason for producers and investors choice. In terms of operational cost there are various local companies which conduct their operations in the area of logistic (Darby, 2008).

## **2.1. Emerging concept: Brand diplomacy**

In the service industry, the most vital movement for a company is to conduct its branding strategy successfully. A successful branding term has a lot of meaning for a customer, such as an intended product, quality, and meeting expectations. Countries can also be a brand through their companies. One of the best examples of this is Singapore and Singapore Airlines. Thanks to Singapore Airlines, the Singapore government conducted very well their country's introduction to the entire world. It is vital for a brand to stick on the people's mind for its reputation. Therefore, most of the airline companies want to be unique among their rivals by giving the customers a chance to have better services. By this way, they aim to be the pioneer of the airline industry and increase their brand values. It is not enough to make advertisements of the brand; it is also important to maintain sustainability of the brand according to the development in the industry. Especially in the airline industry, companies must differentiate themselves from among the others. For example, they need to make advertisement contracts with famous people, and make different sales campaigns or provide different services for their customer. The airlines which proved themselves in the local market and expand their operation to the international market must follow those strategies. That is the point of the Singapore Airline how they became a successful airline in the global airline industry. They successfully presented their country to the world and boosted the Singapore tourism industry. One of the strategies of Turkish Airlines is similar to the one Singapore Airlines applied. Another example of using airlines as a foreign policy tool is Pan Am. Pan American World Airways, established in 1927, was led by Juan Trippe, who was a great American nationalist. Pan Am was not an official national airline but through its business success abroad, it carried American values outside the country's border. During the Second World War, Pan Am was used in certain areas to frustrate Germany policies, which was governed by the Nazi party. Germany aimed to extend its Nazi propaganda in South America and to succeed in that plan they tried to intervene in the Colombian government. To stop this intervention, Pan Am bought Colombian airline and signed a co-ownership agreement. Through this strategic move followed by the American government and the Pan Am administration the airline was provided with an important market in Latin America. Another example of the using airlines as a foreign policy tool is Imperial

Airways, founded in 1920 by the British Government, most of its routes, which were their colonial lands, were operated far away from motherland. Through the airline, Britain gained an important superiority among other colonial powers, they strength their ties with other commonwealth countries via the airline. This rivalry among colonial powers reached its peak when Dutch KLM airlines was founded and started to operate a route between India and Australia. Another former colonial country, France, used Air France to keep ties with its former colonial countries. Still today, Air France is one of the powerful companies in the African markets. Malaysia is also another country which uses its airline successfully to promote its reputation in the international relations area. Malaysia is situated in a geographical area far away from rest of the world. It is somewhat isolated; half of Malaysia has a land connection and the rest is on an island. Because of that geographical challenge, the Malaysian government gave great importance to the development of the flag carrier airline. Even after the completion of its privatization process, Malaysian Airlines has still operated to some destinations to promote the country's reputation rather than to make a profit (Selçuk, 2012).

Brand diplomacy has great impact on the promotion of the image of the country abroad, to state in other word globalized brands has become an ambassador of their country. Those globalized brands can make easy and effective contacts with people where classical diplomatic ways congest and cannot go further. Another important feature of those universally recognized brands around the world is to impose a country's lifestyle where it is established. For instance, Coca Cola or Levi's impose and introduce an American lifestyle to their customer (Öztermiyeci, 2018). Companies which display an immense business performance and become a well-known brand present also a vision of prosperous understanding of business management. To have a high reputation in terms of high trade income and service quality for a state, it depends on the companies owned by that state which have become successful in the same items mentioned. That reputation gained through successful business institutions makes the country concerned a center of attraction for foreign investors. That successful business management helps to create soft power of that country and also helps to implement brand diplomacy. Companies and institution which become and maintained a successful rising trend in business enter to the definition of Soft Power defined by

Joseph Nye. Thus, having the capability to manage a brand successfully is one of the criteria of Soft Power. (Öztürk, 2012)

As a diplomatic brand, Turkish Airlines, played a vital role in 1960s. Growing economies in Europe made an immense investment and showed tremendous development in the heavy industry and construction industry. That situation in these two industries created a labor shortage in some European countries such as Germany, Belgium, Netherlands and Denmark. Various destinations started to operate in 1970s towards Germany in the cities of Köln, Dusseldorf, Stuttgart, Hamburg, Hannover, Nurnberg and Berlin. (Bilkay, 2015) Tourism has an immense effect on a developing state image in the international arena. Tourism can be used as an advertisement tools by states. With the change of the image of a country on positive trend, even if there is no idea of that country's product because of the positive image developed through brand diplomacy this product can affect people's purchase decisions. It is stated that developing countries have limited foreign trade activities and therefore they have a relatively low level of market presence in the global context. As a result of this situation, it is seen that developing countries do not have much space in the minds of potential customers because of having less chance to take place in the media compared to developed countries (İnaç & Yacan, 2018).

Brand diplomacy was a tool of international relations used among British companies. They defined this term as nation branding, which is way of promoting a brand as well as using it as a tool to also promote national interest in the international community. According to this definition, brand diplomacy happens when a private institution has the ability or the power to effect state interest toward a positive trend. Brand diplomacy's main target is to conduct the people's ideas on their own benefit to maintain an advantage. There is no doubt that, important companies in a country have great impact on countries soft power and on recognition beyond its borders (Tepeciklioğlu, 2019).

## **2.2. Emerging concept: Public diplomacy**

Public diplomacy is part of soft power. Soft power spreads from hard power instruments, which are military and economic sanctions. In other word it is the ability to gain allies without using any aggression and attract allies with their own will. Nye put Japan at the top of his list because Japan is a country which uses soft power tools successfully. For instance, Japan is the number one country which has most of the patents in the world. Moreover, Japan Airlines is one the best airlines in the world. To get benefit from soft power, public diplomacy might be an effective way. According to Joseph Nye, who is the developer of this term, countries must use persistently public diplomacy in foreign relations to increase the level of recognition of that country abroad. So, a country which uses tools of public diplomacy can easily affect and influence public opinion. The audience targeted by public diplomacy tools is often unaware of the intended effect. Soft power and public diplomacy can influence ideas regarding a country's name, culture, values, and foreign policy.

There are several ways to contribute to foreign relations, one of them is public diplomacy. According to Nye, soft power is the ability to get an advantage on country's international interest via admiration, attractiveness, shaping preferences. Another view of Joseph Nye, states that there are three different sources of power which are military power, economic power, and soft power. Within soft power, state strategy should be used to create admiration and the ability to create an agenda. The tools to use such a strategy should be moral values, culture and institutions. Finally, government policies should be public diplomacy, bilateral or multilateral relations. Soft power strategy started to be used especially in the era of Cold War to gain superiority against communism. Since that time, states started to use public diplomacy in their foreign relations to make a positive image and this became a different way to explain their thoughts to the rest of the world. Public diplomacy, contains various tactics such as education, health, sport events, art, literature, tourism etc. As the new era, defined as the information era, spread state ideology via those instruments made it easy for governments to pursue this approach. Sustainability of international relations has become more and more complex due to the fact that governments seek to solve problems with public diplomacy and invest on that issue. Another important feature of the public diplomacy is that government policy is not the only approach.

Instead, humanitarian institution, non-governmental organizations, and international companies can also be used (Arslan, 2015).

In order to protect a country's interests, a country can follow some policies like economic and military policies. Using these approaches usually has a direct impact on the reputation of a country (Öztermiyeci, 2018).



## **CHAPTER III**

### **THE OVERLAP BETWEEN THE STRATEGY OF TURKISH AIRLINES AND TURKISH FOREIGN POLICY**

A healthy explanation can be given by examining Turkish Airlines' corporate vision and mission. Turkish Airlines established business on its core values such as honesty and fair dealing, customer satisfaction, show respect to individuals, innovation, which is an important part of core values in our era to boost its effect in the market, team work, leadership, productivity, confidentiality and open door policy. In official web site of Turkish Airlines, the mission of the company is to become a leading airline company in Europe with a variety of a global networks. Besides that, Turkish Airlines also illustrates its difference with its premium service quality., Additionally, it provides all this high-quality service while maintaining flight safety, and its identity as flag carrier of the Republic of Turkey in the civil air transportation industry. Other important points pointed out with the vision of Turkish Airlines; it is another way of understanding the company's development strategy. The vision of Turkish Airlines is constituted with eight different point which are catching a positive trend on growing in the airline industry. Turkish Airlines also aims to maintain flight safety on a high level and maintain crashes/accidents at zero. With its inflight products and catering services, Turkish Airlines aims to be at the top level in the aviation industry. The company also aims to equalize its unit cost with the low-cost carriers in the industry to compete with them effectively and diminish their effects in the market. Another important vision is to get benefit from opportunities brought by being member of the Star Alliance. The company also aims to create trustworthy investment opportunities for all shareholders (Turkish Airlines, n.d.).

As a growing and developing brand, Turkish Airlines continue its rise in the aviation industry. The most important opportunity for Turkish Airlines is the geopolitical location of Istanbul, the hub of THY. Approximately 50 destinations operated from

Istanbul are within a 3-hour flight distance. Turkish Airlines has an advantage of capacity against LCC to operate in Turkey. owing to the long-haul aircrafts, Turkish Airlines protect its capacity advantage against LCC. Close relations with the government also create an opportunity for Turkish Airlines. The international agreements done in terms of removal visas cause an increase in the number of the passenger. In 2018, it succeeded in placing its brand name in the top 20 best airlines in the world. Another opportunity Turkish Airlines got recently is the construction of the new Istanbul Airport. As Turkish Airlines operates mostly based on the hub system, attracting transit passengers is vital for its operations. So, with the construction of the new airport, Turkish Airlines aims to increase its passenger number in the following years. Due to the geographical proximity Turkish Airlines can use its fleet effectively especially in the European and African destinations. Turkish Cargo is another growing sector of Turkish Airlines. In 2017, income obtained from cargo flights was approximately %12; this number increased to %35 in 2018. Low cost carriers are always a threat for network airlines. To overcome this Turkish Airlines signed an agreement with another network carrier under the threat of emerging low-cost carriers in Europe, Lufthansa. According to this agreement, a new airline named Sun Express was founded under both administrations of the two airlines, which are Turkish Airlines and Lufthansa. Sun Express executed a joint operation with Anadolu Jet in domestic flights to compete with low cost carriers. Being a member of Star Alliance is creating another opportunity to create new destinations via making codeshare agreements with members companies (CAPA, 2018).

The opening plan for Africa was designed in 1988 and led mostly by Ministry of Trade. The aim was to increase trade volume by signing economic and technical cooperation (TET) contracts. Turkey became a non-regional member of the African Development Bank in 2013. With the fund provided from this partnership, which is the main investment point of Turkey, the focus is mainly on infrastructure, health, agriculture, and humanitarian movements. In 2003, on the 1998 a plan was designated; the plan was expanded, and the strategy became to establish strong ties with each African country. By means of that expanded plan, Turkey's trade volume between African countries boosted between 2003 and 2012 to 2,232 billion dollars, before that the value was 454 million dollars. To complete the economic goals in Africa, beside ministries, Turkey also put The Turkish International Cooperation and Development

Agency (TİKA) in action to assist and act quickly in region. Another strategic move followed by the Turkish government was to sign agreements in the area of transportation which aim to carry entrepreneurs and their goods easily and rapidly. Due to the fact that, Turkish Airlines opened some important routes which are, Libreville/Gabon (2013), Doula/Cameron (2012), Accra/Ghana (2010), Darussalam/Tanzania (2010) (İpek, 2014). In 1983, when Ozal's government came into the power, they aimed to enlarge the free-market economy mentality as a policy because that government strongly supported the Africa policy. In 1998, the government defined its detailed road map, in the terms of politics, commercial interests, and culture. African countries have a big amount of demand due to the high quality of Turkish products when compared with Chinese products, they are also sold at a low price compared to European products (Rudincova, 2014) 2014).

Opening policy towards Africa followed by Turkey also has an economic goal which is finding new markets for business, creating new opportunities and economic environment. During a high-ranking visit to Africa, entrepreneurs and important businessmen accompanied politicians in their group for the purpose of the signing a new trade/economic agreement. As a result of these developments, trade volume has been increased, even if it was lower than expected level; Turkish investments showed important developments (Tepeciklioğlu, 2019).

In international relations studies, there are ways to imply states' policies to other independent states, like using armed forces or financial enforcement. The more you have military capability or economic capability the more your persuasion and policy implementation increases. In foreign policy, these kinds of policies are usually followed by governments who have a 'realistic' view. They can take more aggressive decision and policies due to this doctrine. On the other hand, governments who have liberal doctrine generally use soft power tools in order to create a positive image not only on governments but also on the people. According to Joseph Samuel Nye, who is an expert on international relations especially in the area of soft power, Governments use soft power rather than using military or economic sanctions. The use of soft power like cultural products, tourism, education via non-state actors may be more effective and cost effective to create and a successful intervention on states' politics and diplomacy. Before reaching foreign policy targets, a change of the

nation's image through soft power can create a favorable profile in the targeted states and may be a lever in the foreign business. Most of the economies adopt a liberal school in their economies, because of that soft power levers such as non-governmental organizations, big technology-based companies or entertainment industries become more effective rather than armed forces (Anaz & Akman, 2017).

Another issue, and the primary tool for a state to reach a national target is hard power. For a long time, there was not another option to reach national targets in the foreign policy. Until World War II, hard power was the determinant factor to impose foreign policy interests. To determine a strong country the main data was the numbers in the army, such as number of soldiers, tanks, fighter aircrafts. However, various developments in international relations directed states to abandon hard power tools such as military power and economic sanctions. Due to the negative effects on civilians, the international community strongly opposed and as a result states put away the use of hard powers tools and searched for other reasonable ways. This search to influence others' policies without using hard power led to exploring ways of using soft power. The United States is one of the first countries which used soft power tools such as voice of US, movies, and other global policies. Using public diplomacy tools had reached its peak level during the Cold War era. Within this context, public diplomacy was used to establish and enlarge soft power ability. Especially development in informational and communication technology helped the development of public diplomacy. Through that way creation of an influence on a country and public opinion can easily be directed (Telci, 2015).

States realized that emerged technology between the years 1920 and 1930, airplanes, must be used effectively in order to maintain a sustainable and quick development in some areas especially such as economy and international trade. They understood these two concepts can be upgraded and supported by airlines. Founding a flag carrier/national airline must draw a positive image in international arena in terms of flight safety and business performance. Because of this governments must be certain to operate and support financially its flag carrier airlines in the aviation market (Doganis, 2006). There was always a close relation between airlines and politics due to the sovereignty rights of the states above their land in other words lands in the skies. Even if airlines became more independent from the government because of the

liberalism effects, relations continue especially in the arrangement of increasing production capacity via airports. Owning a flag carrier airline for a state is providing some benefits in the field of national defense and reducing the unemployment rate in the economy. Carrying the flag all around the world is one of the ways to show the state power. Another role of the flag carrier airlines is to be expected to work for public interests in terms of carrying goods and promoting international trade. Beside public interests, flag carrier airlines provide benefits in foreign relations. For instance, the Moscow-Havana destination operated by Aeroflot, the Russian flag carrier airline, was a perfect example of a destination opened during the Cold War to show relations between two countries. The rising effect of liberalism in recent years diminished political effects on national flag carrier airlines; however foreign affairs and national interests might erase economic concern of airline companies. Another proof of the close relations between politics and national flag carrier airlines is to be the target of terrorist attacks. Passenger aircrafts are always an easy target for terrorists. For instance, ASALA which was a terrorist organization active in 1970s targeted Turkish Airline several times. Another examples of terrorist attacks targeting Turkish Airlines was the kidnapping of two pilots by armed assailants that happened in Somalia to Turkish Airlines employees. The most sensational terrorist attacks for the airline industry was 9/11 attacks that happened in New York and targeted the World Trade Center. The attacks were organized by Al-qaida using civil aircrafts. That terrorist attack changed the balance in Asia and the Middle East and caused an endless chaos (Selçuk, 2015). Another example of the contribution of the airline to foreign policy is the development of the foreign relations between Turkey and Poland. Due to the remarkable development presented in the aviation industry a committee from Poland civil aviation came to Turkey to sign an agreement for an operating scheduled flight between Poland and Turkey. In the 1950s, development in foreign relations due to the airline continued. Kemal Satır, who was the minister of transport in 1949, pointed out that due to significant development in aviation most of the foreign airlines contracted with Turkey to operate new scheduled flights.

### **3.1. A Brief History of Turkish Airline Industry and Strategic Orientation of Turkish Airlines:**

Due to the geographic features of Turkey, such as having high mountains, transportation has always been a challenge. To overcome this problem, governments relied on developing highways and railroads; however, it was not enough. Besides developing technology and economies, the need for an airline became obligatory. The main reason for the establishment of the State Airlines Administration is to make a durable connection between strategic cities which are important in terms of military and finance. Some other aims of the State Airlines Administration were to support the air force via its infrastructure, to train pilots, to keep pilots who retire from the air force and use them to develop and boost Turkish aviation, to make Turkish people familiar with aviation, and the most important reason was to operate flights abroad in order to develop and maintain good economic and diplomatic relations (Yurtoğlu, 2016). Before the establishment of the State Airlines Administration, flights were operated by foreign companies such as Franco-Roumaine, Luft Hansa, Aero Espresso Italiana. The first inbound flight to Istanbul was operated by Franco-Roumaine in 1922, later it will be named “Air France”. After the foundation of the Turkish Republic, Aero Espresso Italiana, which is an airline owned by Italia, operated routes to the destinations like Ankara-Istanbul-Izmir. Due to all these foreign interventions to the airline industry in Turkey, during the economic congress held in 1930, in Izmir, the Turkish government’s main aim was to nationalize the economy because of the negative experiences suffered in the past. Most of the economist in the Turkish government thought, airlines must be nationalized like railroads. They were extremely focused and decisive in the creation of an airline that would not use foreign investment. They also aimed to make it economically efficient (Yalçınkaya, 2019). Turkish Airlines was founded in 1933 under the administration of Ministry of Defense with the name of “The State Airlines Administration”. At the beginning, the airline had only 5 aircraft each with a 19-seat capacity. Institutionalization process continued after the establishment of the company as shown as in the table 3.1 Legal Status of Turkish Airlines. In 1935, with the law numbered 2744 enacted shown in the table 3.1, the airline affiliated to Ministry of Public Works and in 1938 got a new name; “The State Airlines General Directorate” and its administration was affiliated to the Ministry of Transport. Airlines businesses which were operated by foreigners, including Aero

Espresso and Air France were bought by the government respectively in 1936 and 1937. Its first international operation started on 1947 from Ankara to Athens with a stopover in Istanbul. As stated in the table 3.1, with the law numbered 6613 enacted in 1955, the State Airlines General Directorate became Turkish Airlines. To promote its cooperation on technical, commercial, business and economic issues Turkish Airlines joined IATA in 1956. Turkish Airlines also joined Star Alliance in 2008, to promote its traffic capacity and route diversity with codeshare agreements (Türk Hava Yolları, 2020).

**Table 3.1. Legal Status of Turkish Airlines (1933-2006)**

Date	Name of the regulation	Situation
20.05.1933	Law numbered 2186 on the Organization of the State Enterprise Administration of Airlines	The State Airlines Administration was founded under the administration of Ministry of Defense
30.05.1935	Law No. 2744	Linked to the Ministry of Public Works
3.06.1938	State Airlines General Directorate Organization Law No. 3424	Reorganization under the name of State Airlines General Directorate
27.05.1939	Law No. 3613	Linked to the Ministry of Transport
27.06.1945	Law numbered 4770 on the duties and establishment of the Ministry of Transport	Reorganization under the name of General Directorate of State Airlines
21.05.1955	Law No. 6623	Foundation of THY AO
9.11.1984	Decree Law No.233 on some public institutions and organizations	Being part of the public economic organization
22.08.1990	Cabinet Decision number 90/822	Participation among the state economic institutions to be privatize under the Law No.3291 and privatization of THY by 1.18%
27.11.1994	Law No. 406 on the Regulation of Privatization Practices and amendments to some decree laws	Linked to the Prime Ministry Privatization Administration and becoming an Economic Organization
5.12.1996	Approval of the Prime Ministry Privatization Administration	THY A.O main charter changed
5.07.2002	Resolution of the Capital Markets Board numbered 33/953	THY A.O Approval of Articles of Association Amendment by Capital Markets Board
8.11.2002	Approval of Prime Ministry Privatization Administration numbered 1006	Approval of THY A.O Articles of Association by Privatization Administration
12.2004	Second privatization initiative of the Prime Ministry Privatization Administration	The portion of THY A.O capital corresponding to 23 % is off
05.2006	Third privatization initiative of the Prime Ministry Privatization Administration	The portion of THYAO's capital corresponding to 28.75% was offered to the public, and THY lost its public identity and the public share in THY capital was reduced to 49.12%, although it was a privileged share.

**Source: (Yalçinkaya, 2019)**

The 1980s was a new era for governments and they began to use a new method to create financial resources. This method was privatization. As shown in table 3.1 Legal Status of Turkish Airlines (1933-2006), it can be observed that, after 1980 various privatization regulations and laws enacted. Most of the governments in Europe planned to privatize transportation tools, especially airlines. This trend was led by conservative governments and came into force in the United Kingdom. This move transformed airline companies into income driven entities that also started to show more attention to passengers in order to increase customer numbers and make passengers into loyal customers. Via privatization governments also aimed to increase and use airlines more profitably. Through privatization airline companies can increase their incomes and revenues. This increase in liquidity might help companies to develop their fleets and increase their destinations. In privatized airlines the decision-making process is also an advantage, instead of a high level of bureaucracy in the decision-making process a board can work quickly and effectively. Another support to this privatization policy came when the Soviet Union collapsed. European countries, especially those located in the central Europe, which were under the influence of the Soviet Union, realized the inefficiency of the economic policy followed by the Soviet Union (Doganis, 2006). In 1989, the international debt of Turkey was at a high level and to solve that problem, the Turkish government decided to use privatization to create financial resources to overcome the international debt. The following year, 1990, as shown as in the table 3.1, the first privatization process started for Turkish Airlines, %1.55 of its total shares were made for public offering. In 2002, liberalization actions were boosted by the new government to put an end to the debt to the International Monetary Fund (IMF). Unfortunately, the 9/11 terrorist attacks happened in New York to the World Trade Center and this event slowed down this privatization process in airline industry.

The Republic of Turkey has a national target for 2023 which is the anniversary of the foundation of the Republic of Turkey. In parallel with the vision of 2023, Turkish Airlines has a similar target for the foundation anniversary. Until the end of 2023, Turkish Airlines aims to enlarge its fleet with technologically developed and fuel-efficient aircrafts. The opening of the new airport in Istanbul, Istanbul Airport, doubled the capacity of the potential passenger served. The new airport will give a boost to passenger traffic and carry Turkish Airlines to the top with the best airlines in the

world. That dramatic enlargement will surely have a profitable effect on Turkish Airlines, beside which it will also provide new opportunities for investments and investors to make profitable investments in Turkey.

Any country which develops its civil aviation will also show a remarkable development in other areas of industry including tourism, the economy and in socio-cultural areas such as world wide famous organizations. For this reason, government is committed to support the development of civil aviation. A good policy for competition will develop the aviation industry in a positive trend. The aviation industry is one of the most sensitive markets in the business world. On the other hand, profitability in the airline sector is a long-term process and most airline companies boost their profits during specific periods. Another point is the aviation industry is easily impacted by crisis and technological developments. Since the 2000s, various business and economic developments have affected the industry significantly. This impact can be seen in such developments as liberal measures taken in the aviation industry including, global alliances, increasing demand on low cost airlines, and privatization of national airlines. To overcome all these developments, airline companies must develop new strategies to survive in the business. Additionally, due to these developments, Turkish Airlines management and Turkish Republic government took joint actions such as privatization. In 1990, Turkish Airlines listed the companies and institution which will be privatized and in the same year %1,55 of Turkish Airlines was privatized, the process continued in 2004 and %23 of the company was privatized as shown as in the table 3.1. The government still holds %49,12 of the stock and the rest which is %50,88 is in transaction in Istanbul Stock Exchange Market (Gökırmak, 2014).

The Turkish Republic, under the governance of the Motherland Party led by Turgut Ozal, aimed at a liberal view in the economy. Prime Minister Turgut Ozal saw Turkish Airlines as an important tool of diplomacy; He wanted to transform that flag carrier airline and had a vision of it being an international business oriented, and profitable institution. Transformation started first from the management staff. Most of the managers, until 1980s, were public servant originated and most of them were far from oriented to the institutional model that Ozal desired. Because of that, Ozal appointed Cem Kozlu to make the airline management have a more private sector minded view. This privatization strategy was followed strongly by the Justice and Development

Party when they came to power in 2002. The main aim of this process is to make Turkish Airlines have management that will not be affected by bureaucratic process and instead create a management that is able to take rapid action (Yalçınkaya, 2019).

Turkish Airlines continued the transformation process in the 1980s. During these years they marked a perfect upward acceleration. As a national airline, Turkish Airlines' activities have been affected by Turkish foreign policy many times. In the 1980s, for example, Turkish Airlines was used as an important foreign policy tool towards opening up to new countries, also Turkey established new relations with countries that got their independence after the Cold War. Turkish Airlines' network diversity enlarges each year, for instance in Africa, in the beginning of the 2000s, Turkish Airlines had flights only to Northern African countries, but the latest number of African destinations is 60 in 39 countries. Turkish Airlines' growth strategy is parallel to Turkey's African policy; it is to ensure the creation of strong ties between Turkey and African nations and make Turkey a hub or crossroad for African people to other parts of the world. Another important feature of Turkish Airlines is to be an airline which flies to Africa more than any other airline. This diversity in the destination and network attracts businessman to make investments. Temel Kotil, former CEO of Turkish Airlines, explained that Turkish Airlines' Africa strategy is a long-term project which aims at high income and profits. The first destinations offered in Africa were operated by aircrafts which had 160 passenger capacity. and these made a lot of profits according to Kotil. A different approach made by Bilal Ekşi, deputy chairman and CEO of Turkish Airlines, was to increase the number of destinations in Africa , and this is related to the government opening policy towards Africa. Another point made by Ekşi is, Africa will be an important market in the coming years for the aviation industry (Tepeciklioğlu, 2019). However, in 9/11 attacks in New-York affected the airline industry dramatically, due the fact that 2000 and 2001 was a tough year, airlines faced serious financial problems. Nevertheless, Turkish Airlines joined the Star Alliance in 2008 and got four stars from SKYTRAX (an international audit organization).

Due to the increasing effects of globalization, aviation has been transformed into an industry which can show instant reaction in every crisis or to a development in the global economy. Because of this, it is become crucial for an airline to avoid the

negative effects of globalization. Turkish Airlines has suffered from some of these global crises, one of them was the Gulf Crisis when war broke out after the invasion of Kuwait by Iraq. Following this action, the USA organized a military intervention called Desert Storm. This growing tension in the Middle East damaged demand and created additional costs for the aviation industry, like increases in the cost of fuel and insurance. The Gulf Crisis was not the only event that happened in the 1990s, war also broke out in Europe. Kosovo was another event that negatively affected not only Turkish Airlines' demand but almost the whole aviation industry. Another necessity for cooperation with other airlines is to have a non-stop network through agreements. Joining an alliance to enlarge an airline's network, avoid crisis and diminish its effects to a minimum level becomes inevitable for all airlines (Gerede, 2002).

There are several types of alliances in the aviation industry such as those based on market orientation and tactical alliances. Mostly airlines prefer to be part of a market-oriented alliance because the airlines might be operating the same schedule and can engage in something known as code share agreements. The target of those types of airlines is to increase traffic volume and to boost market dominance. It is also a perfect tool to struggle with low cost airlines which are big threats in the market for network airlines. In those type of alliances, airlines follow strategies such as applying frequent flyer programs to attract more passengers and to maintain existing passengers, in other words, loyal passengers. Members of alliances are benefiting from the enabling of ticket sales in other markets in which other members of the alliance do not operate. This also creates a variety of destinations and scheduling which has the result of attracting more passengers (Polley, 1999). Becoming part of an alliance in the airline industry is important, and most of time it can be life saving for airline companies. The first attempt to establishment an alliance was seen in 1997 in Asia. Important economies in Asia, also called tigers economies, faced crisis to overcome incoming economic crises airlines decided to gather into an alliance. The following year, in 1998, the same attempt to rally under an alliance was seen in European airline companies. They were also suffering from the dramatic increase in fuel prices that happened in 1999. The alliance formation reached its peak level in 2001 due to the terrorist attacks in New York. Many airline executives understood the importance of forming an alliance to survive in 2003, Turkish Airlines was not an international player; they were carrying only ethnic and touristic passengers. The first step of the

new administration team was to enlarge the fleet with 59 new aircraft and with that the idea was that new destinations would come along. In 2006, in only a four-month period, 24 new destinations started to run. Turkish airlines growth rate was four times bigger than its European competitors (Genç, 2016). The new government established by the Justice and Development Party followed a liberalization strategy in some industries, the aviation industry was one of them. With the new entrants to the market, Turkish Airlines faced new players and threats in the market which was dominated before by Turkish Airlines. Although a large part of the market was lost, Turkish Airlines nevertheless succeeded to increase its passenger numbers significantly. The conditions that caused enlargement happened after liberalization, while the emergence of new players created new demand from passengers. Turkish Airlines focused not only on flight operations, it managed and organized various other activities which supported the aviation industry such as ground operations, education, and technical support. With all these services Turkish Airlines served not only the passengers but also the other players in the aviation industry (Özsoy, 2010). Despite liberalization, developing and growing a fleet became a challenge for newly emerging companies that wanted to enter the market. Because of the lack of experience, most of the new players in the industry could not overcome in order to support their capital, and thus they went bankrupt. Another challenge for new players was the lack ability to train staff, especially pilots and maintenance. All those negative reasons caused the new entrants to stop their operation in a short time, and that created an immense advantage for Turkish Airlines to boost its situation in the market newly liberalized by the government (Bilkay, 2015). Turkish Airlines followed some cost-based strategies in Africa. For instance, most of the European Airline operated their flights with wide body while on the other hand Turkish Airlines operated with narrow bodies. Turkish Airlines also showed their differences in terms of comfort. For instance, instead of putting 180 seats to a narrow body they put 150 seats and opened the distance between two rows. Those aircraft also have inflight entertainment systems. Each seat in the aircraft has its own personal screen on the back of the seat that can provide various movies, music, and games. The vital point of operating a narrow body is its cost of operation. Operating a wide body is more costly than a narrow body in terms of fuel efficiency, crew costs, and cost per passenger (Topçu, 2019).

One of the important strategies followed by Turkish Airlines is to be focused on its own special feature which is flight operations. Turkish Airlines decided to give up operating side services such as catering, technical support, and ground services. Those service units were separated from the company and became autonomous companies which provide services not only to Turkish Airlines but also to other companies. That separation of services helped Turkish Airlines to get those services for less cost. These separation strategies of services followed by Turkish Airlines created the opportunity to focus on flight operations and thus an increasing trend had been caught in service quality provided to passengers (Özsoy, 2010). Another policy of Turkish Airlines is to make Turkish Technic a company and to provide technical service and support to other companies, which makes additional and substantial income for the company. To enhance in-flight products, Turkish Airlines established a joined cooperation with Do&Co and created Turkish Do&Co. Through this successful catering company Turkish Airlines succeeded in presenting Turkish cuisine to the entire world. On the other hand, Do&Co provides catering services to other airlines. To compete in the domestic market against low cost airlines, Turkish Airlines makes Ankara as a domestic hub and established Anadolu Jet in 2008. In the same year Turkish Airlines became Star Alliance member. To provide efficiency and profitability on the ground services, Turkish Airlines established Turkish Ground Services with the cooperation of the HAVAŞ in 2009. Also, in the same year THY-Opet was established to provide aircraft fuel. Turkish Airlines aimed to make Istanbul a transfer hub. The most strategic movement of Turkish Airlines is to establish Anadolu Jet in 2008. After the liberalization movement in the aviation industry, up and coming players especially low-cost carriers, threatened Turkish Airlines market share and as a matter of course passenger number. Under these circumstances protecting existing market share and regaining the lost market share is the main objective. Because of these reasons Turkish Airlines established Anadolu Jet which is an airline based on price performance rather than quality of the service. Through Anadolu Jet, Turkish Airlines aims to regain its market share lost in the domestic destinations. Another reason of establishing Anadolu Jet is to make domestic destinations more effective and profitable. The geographic location of Ankara is also another advantage. Transformation of Ankara to a hub for domestic flights increases the variety of destinations provided by Turkish Airlines. Transferred passengers are able to reach different international destinations from Istanbul and able to reach different domestic destinations from Ankara. Another

reason for operating from Ankara has to do with the Turkish Airlines flag carrier feature. Because a national flag carrier airline must operate from the capital of the country. The location of Ankara also renders it possible to use the fleet effectively due to the proximity to the other big cities such as Antalya, Adana, Trabzon. Esenboğa Airport is also highly effective in terms of transfer passengers. Its architectural structure is suitable for passengers catching their transfer flights. This situation also provides effectiveness in scheduling flights, and thus increases profitability of the destinations. Turkish Airlines made a successful analysis of the market and determined that passengers who travel from Ankara to other parts of Turkey are usually preferring to pay low cost instead of getting a high quality of service. They intend to travel to one point to another paying a low cost. Due to this reason, Turkish Airlines removed services such as CIP and VIP which appeal to the passengers with high income (Özsoy, 2010).

Another strategic movement of Turkish Airlines is to grow its cargo operation and make it a different company, called Turkish Cargo. Turkish Cargo established a network which includes 322 destinations which include 90 direct flights. With the opening of the Istanbul Airport Turkish Cargo increased its cargo capacity with its new facility which allows up to 4-million-tons of cargo with the capacity of 300.000 m<sup>2</sup>. Turkish Cargo aims to grow gradually and is expected to be one of the top five air cargo carriers in 2023, which is called Turkey 2023 vision (Turkish Cargo, n.d.). Cargo flights operated by Turkish Cargo operate according to the amount or potential amount of the cargo. The company aimed to increase utilization of the planes via a flexible schedule. Destinations can be arranged according to the cargo demand at that region. Turkish Cargo also has a great proportion of the Turkish air cargo industry which is 57%, amount of 19.7% of cargo had been carried. Turkish Cargo is the freight carrier which has a tremendous growth rate among the members of AEA (Association of European Airlines) (Sagnak & Gunergin, 2014).

Unfortunately, at the beginning of the 90s the name “Turkish” evoked a negative sense. After the 2000s, Turkish Airlines played an important role towards the reconstruction of the Turkey’s image abroad. In addition to these investments, Turkish Airlines promoted its name value with successful advertisement deals with famous

people and football clubs like Kevin Costner, Barcelona, Manchester United beside that Lionel Messi and Kobe Bryant. These kinds of advertisements boosted the name of the Turkish Airlines all around world. All those investments made for recognition of Turkish Airlines and showed also a modern image of Turkey to the world. With the products and services provided by Turkish Airlines, they created a discrepancy in the industry. With the successful promotion and advertisement policies, company recognizability started to spread around the world (Genç, 2016). When companies branding movement upgrades to another level, the concept of location branding, state branding and nation branding comes with it. With nation and location branding the aim is to promote state features to other countries like touristic places or investments opportunities. But, on the other hand nation branding is a wider concept than the two others; it is a more detailed concept for the purpose of boosting the image of a nation in the international arena (Köksoy, 2016).

### **3.2. Development of Turkish Airlines' Fleet:**

A successful fleet planning strategy is an important issue for airline companies. Fleet planning helps an airline company to reach its target. It is vital to decide what type of aircraft to use and what its capacity will be; it is also vital to determine future production capacity. An unplanned fleet runs the risk of leading to greater costs for a company.

In 1935, an important development was observed in the Turkish aviation industry. Government conducted various projects to develop infrastructure of the airports with the aim of modernizing them. Following the completion of this modernization and infrastructure project, the first scheduled air operation and systematic carriage of passengers and cargo was started between Ankara-Istanbul on May 25, 1936. This strategic movement was supported by buying new aircrafts which provided increased seat capacity to 64 per plane. In 1939, a new domestic destination started to operate, Izmir and Adana. However, this well-designed operation was interrupted by adverse weather conditions. The support given by government to the aviation industry in Turkey can be significantly seen. On a meeting held due to the opening of the parliament on 1 November 1936, Mustafa Kemal Atatürk highlighted on the

importance of sustainability of the aviation industry under certain circumstances such as safety. Celal Bayar, who was the prime minister at the time, pointed out that traveling by air is as safe as traveling by rail. Although even with the outbreak of World War II in Europe, Turkey continued to invest in the aviation industry. Between the years 1939-1940 airports located in Istanbul, Izmir, and Ankara had been modernized with the spending of 1.500.000 Turkish Lira. The government aimed to create a rapid way of travel inside the country, especially for businessman. Ismet Inonu, the second president of the republic, pointed out to the target which aim the prevalence of the destinations all around Turkey. To carry through this target Turkish Airlines bought 6 new aircraft which were the D-Havilland Domini model. Through this purchase, the number of the aircraft in the fleet reached 14 with a capacity of 100 seats each. The following year, the company added 5 more aircraft. The model was Junkers-52, with this last purchase the capacity reached 185 seats. With this increase in the fleet and capacity, Turkish Airlines was able to open new domestic destinations including, Sivas, Afyon, Diyarbakır, Gaziantep, Şanlıurfa. In 1946, a massive aircraft purchase had been executed. Three aircraft were purchased from the United States of America, each with a capacity to take 20 passengers. Another of 20 aircraft had been bought from Egypt. Recep Peker, who was the minister of transport in 1946, restated the importance of the operation of the airports at all times of the year. In other words, they should not be affected by negative seasonal events. The year 1946 was a milestone for Turkish Airlines, fleet growth continued gradually. Purchasing aircraft from USA continued, 30 DC-3 aircraft with the capacity of 28 passengers and 3 C-47 aircraft had been bought. With the last purchase the fleet seat capacity had reached 845 and fleet size had grown to 52 aircraft. In same year, Turkish Airlines became largest airline company in the Middle East with its fleet and ability to conduct operation. In 1950, a new perception occurred by the coming to the power of the Democrat Party under the leadership of Adnan Menderes. The new economic vision of the Democrat Party was liberalism. The most important activity of the new government in aviation was to organize a meeting in Turkey with the participation of ICAO (International Civil Aviation Organization) (Yurtoğlu, 2016).

There are many reasons for countries to show importance to the national flag carrier airline. Airlines are seen as part of a nation's reputation in international arena and a necessity for a nation state. According to William O'Connor, a strong national airline

contributes to the self-reliance of states. Since 1933, Turkish Airlines' foundation, the company has been seen as a step to reach to the level of a contemporary civilization. Due to the good relation developed between Soviet Union and Turkey, the Soviet Union decided to give a plane to Turkish Airlines as a gift for 10<sup>th</sup> year anniversary of the foundation of the Republic of Turkey. Turkish Airlines continued to expand its fleet and capacity in the following years. For 20.000 USD dollar, Turkish Airlines bought planes used by the United States Air Force. With this purchase, Turkish Airline transformed into the biggest airline operating in the Middle East region. Fleet enlargement was affected by liberalization and private sector policy generated by the Democrat Party that came to the power in 1950. In the 1960s, Turkish Airlines developed its fleet with the planes equipped with jet engines. Due to the privatization of Turkish Airlines, a British company called British Overseas Airways Corporation became a partner of Turkish Airlines by buying %6,5 and they agreed on the purchase of the aircraft called Vickers Viscount. A big agreement was signed in 2004 between Turkish Airlines and Airbus, one of the biggest aircraft producers, to purchase 36 aircraft. On the other hand, Boeing claimed that the agreement had a political side which is a part of the policy to become a member of European Union (Selçuk, 2015). Another aim of enlarging the fleet is to increase productivity. Turkish Airlines gained a bargaining advantage and succeeded in purchasing many new aircraft with the acceleration of its market share after a successful fleet planning. As shown in the table 3.2 Turkish Airlines Fleet Type and Number, Turkish Airlines established an efficient fleet, include also cargo aircrafts, with a number of 361 airplane. Maintaining, on minimum level, the number of flight staff, cabin crews and pilots, is another way of the increasing productivity of the fleet. Thus, revenue from passengers who traveled per kilometer is increasing while staff numbers stays on minimum level. Turkish Airlines achieved also to use its pilots and cabin crews effectively in its large fleet. Increase in the number of the aircraft per employee is another reason for high productivity (Özsoy, 2010).

**Table 3.2: Turkish Airlines Fleet Type and Numbers**

<b>TYPE OF PASSENGER PLANE</b>	<b>NUMBER OF PLANE</b>
<b>B777-300ER</b>	<b>33</b>
<b>B787-9</b>	<b>11</b>
<b>A330-300</b>	<b>40</b>
<b>A330-200</b>	<b>18</b>
<b>B737-9 MAX</b>	<b>1</b>
<b>B737-900ER</b>	<b>15</b>
<b>B737-8 MAX</b>	<b>11</b>
<b>B737-800</b>	<b>102</b>
<b>B737-700</b>	<b>1</b>
<b>A321 NEO</b>	<b>15</b>
<b>A321-200</b>	<b>68</b>
<b>A320-200</b>	<b>15</b>
<b>A319-100</b>	<b>6</b>
<b>TYPE OF CARGO PLANE</b>	<b>NUMBER OF PLANE</b>
<b>B777F</b>	<b>8</b>
<b>B747-400F</b>	<b>4</b>
<b>A330-200F</b>	<b>10</b>
<b>A310-300F</b>	<b>2</b>
<b>A300-600F</b>	<b>1</b>
<b>TOTAL</b>	<b>361</b>

Source: (Türk Hava Yolları, 2019)

### **3.3. Development of Public Diplomacy in Turkey:**

In Turgut Ozal era, the eighth president of Republic of Turkey, public diplomacy focused on new institutions, and became an active player in international organizations, cultural diplomacy and education diplomacy. Ozal's main vision was to show the importance of regional investments and projects. Turgut Ozal thought a Turkish civilization who is closed to the outworld and the deals only with personal problems will not provide any national benefit. In those years, the number of the routes operated by Turkish Airlines increased dramatically. The aim was to make Turkey more integrated with other states. During the pro- Ozal government, Turkish foreign policy was unable to create successful maneuver in the international relations owing to the fact that Turgut Ozal put a new definition for this period which is passive policy.

To break that view, Ozal focused on playing an active role in foreign policy. To support that policy, government supported Turkish Airlines to get new aircraft which would be able to operate long haul flights such as to Japan, China, and the United States of America. The first Far East flights started operation in the 1990s. New destinations were established with the newly independent Turkic States, and those routes provided an immense effect to develop diplomatic relations to improve relations. Turgut Ozal aimed to establish a kind of connection between the Western Countries and Turkish speaking countries, which are former Soviet Union States. In Asia, he wanted to construct that connection over Istanbul instead of Moscow, Russia. Ozal put his plan action immediately, and after his visit to former Soviet Union members like Azerbaijan, Turkish Airline started its first flight to Baku in 1991 and followed that by other destinations towards Turkic States. This strategy transformed Istanbul to a bridge between the world and Central Asia. This policy also helped to boost their economy. The attractiveness of Turkey for investors has been increased also. Turgut Ozal also was interested in the Silk Road and because of that he encouraged Turkish Airlines to improve its capacity and new destinations. Turgut Ozal's strategy on Turkish Airlines improved public diplomacy and created important opportunities (Arslan, 2015). Due to Turkey's strategic geographic location, most of the states see Turkey as a strategic ally, like during or after Cold War era. Turkey is a bridge between Western countries and Eastern countries. Despite all, Turkey preferred to establish close ties with Western liberalized and developed economies, and showed its will to be close by joining certain international organization led by major western countries, like NATO, and the Council of Europe. Nevertheless, Turkey did not cut the connection with the East, which has an enormous market and protected its cultural ties with Eastern developing countries (Anaz & Akman, 2017).

Turkey's foreign policy approach in terms of public diplomacy, not only as a state-owned interest but also humanitarian policies were followed. In the example of Somalia, during the crisis, Turkey was the first countries that helped and opened an embassy. Turkey did not intervene only as a government but also with its institutions like TIKA, Kızılay, TOKI and AFAD. To fulfill all these diplomatic targets, a state needs to run a powerful airline such as Turkish Airlines (Davutoğlu, 2013).

According to the governments, foreign policy cannot be managed only by diplomats; they will also consider some institutions as an alternative tool. As a first step they established TİKA (Turkish Cooperation and Coordination Agency) in 1992 and in the 2000's this trend continued with Turkish Airlines and TRT as supporting institutions. As mentioned before, Turkish Cooperation and Coordination Agency (TIKA) is one of the public diplomacies moves of Turkey in Africa. Turkish Cooperation and Coordination Agency has 21 coordination offices on the continent. Through these offices African businessman get the benefit of Turkish businessmen thus a rising sustainable development can be achieved. Turkish Airlines has a big role in this development. Through a variety of destination in Africa, Turkish Airlines reinforces communication and transportation between businessmen. With the help of those institutions Turkey's relations with other countries has started to develop as well as the introduction of Turkey in the world has been dramatically increased. The main objective of Turkish Airlines while climbing to the top was to be an airline which flies to most of the points in the world. While doing this aim, it started to fly to the countries unheard before as well as new embassies opened in these countries. In other words, Turkish Airlines employees became the first ambassadors in those countries. Turkish Airlines is mostly interested in Africa. In addition, the government announced an African year to promote relations with African nations. Turkish Airlines promoted Turkey's recognition to the countries where it flies. With the activities coordinated in countries where Turkish Airlines have destinations and interaction with the people in those countries Turkey's image has been boosted. In other words, the name Turkish Airlines evokes Turkey in people's minds (Genç, 2016). Coordinatorship of Public Diplomacy (Now its policy followed by The Republic of Turkey Directorate of Communications) determined Turkish Airlines as a one of the important foreign policy pioneers. It plays an important role during foreign policy construction, especially in Africa. When Turkish Airlines open a new destination to the different regions in different countries, it become as a complementary development in the construction of foreign policy. As a soft power tool in international relations, Turkish Airlines, plays an important role in Turkish Foreign policy development, especially in Africa. The rising number of the destinations flown by Turkish Airlines, makes Turkey more visible and increases recognition level on the Africa continent. The Directorate of Communication aims to re-shape Turkey's reputation in international era; besides that it has the role of setting up the founding principles of Turkish foreign policy.

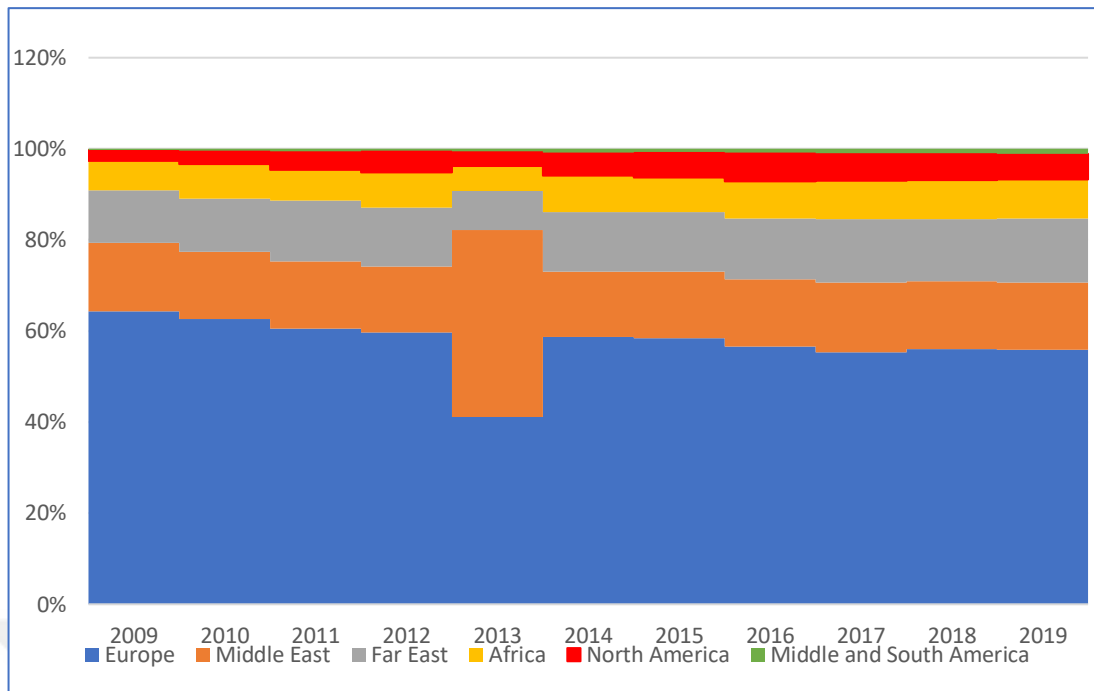
Recent developments in world politics create a new understanding in terms of using hard power, according to the new idea using hard power become more and more costly for countries. Countries started to search for new alternatives, such as soft power. This new perspective in Turkish foreign affairs enables Turkey to act and react to the events quickly. This new strategy applied by Turkish foreign policy authorities can be effective especially in North Africa, the Middle East, and the Balkans. The Turkish government transformed its foreign affairs from a situation of an immobile and defensive mentality to a mentality which aims to bring balance to the region via maintaining peace and prosperity in the region. The Turkish government usually wanted to be in a position such as peacemaking and peacekeeper role. Transformation policies have happened in recent years in the field of democratization and liberalization that have helped Turkey to follow this foreign policy. Besides peacekeeping and peacemaking operations, Turkish soft power tools are also supported by other items such as TV shows exported to the countries in the Middle East, and these have boosted the popularity of Turkey and resulted in a dramatic increase in the numbers of tourists. As well as a rising air traffic volume operated by Turkish Airlines, Turkish Airlines has helped to raise the reputation of Turkey in the region (Köse, 2014).

## **CHAPTER IV**

### **EMPIRICAL ANALYSIS OF THE RELATIONSHIP BETWEEN TURKISH ECONOMIC FOREIGN POLICY AND ROUTE DECISION**

#### **4.1. Methodology and Data of the Study**

To give a clear understanding of the various data such as traffic data and foreign trade data; it has been organized and shown on the figures (figures 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9 and 4.10) to see effects of route decision on foreign trade. A quantitative description is also examined via figures (figures 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9 and 4.10) with air traffic and export data. 9 different destination from 319 destination have been chosen which are Latvia, Cameroon, Ghana, Tanzania, Chad, Madagascar, Colombia, Sri Lanka and Mali. In figure 4.1, regional development of the passenger traffic in years had been observed. According to the figure 4.1, a gradual increase in some regions observed especially in Africa and Middle and South America routes. To specify this increase in traffic values, an observation made one the effects of foreign policy on the route decision of Turkish Airlines and on foreign trade, the opening date of the embassies and other diplomatic meetings and press conferences done by diplomatic authorities effects had been examined during the operation of those 9 routes.



**Figure 4.1: Annual Passenger Ratio for Regions**

## 4.2. Analysis of Countries

### 4.2.1. Tanzania

The Turkish embassy in Tanzania, Darussalam opened in 1979 and closed in 1985 due to the economic crisis, but in 2009 embassy was re-opened and bilateral relations gained momentum. As shown in the table 4.1 in 2018, trade volume reached a peak with values to 225 million dollars for export and 41 million US dollars for import. In same year, as shown as in figure 4.2 air traffic started to rise dramatically. Turkish exports to Tanzania fermented nurture, construction materials, pasta and wheats and imported goods from Tanzania are tobacco, coffee, cashew nut. According to the Tanzania government data, Turkish companies made investment on energy production, natural gas production, mining, education, and the health industry, and those are valued at 324,74 million dollars and created employment opportunities for 3456 people.

Tanzania is in the eastern part of the Africa with a population of 56 million. The Tanzanian economy mainly depends on agriculture, mining, especially ore mining and

tourism. Beside that the service sector is another industry in Tanzania which is gradually growing, and it is half of the gross domestic product. From the middle of the 1980s, the Tanzanian government applied various regulations in economy, politics and social life; thus, at the end an important comeback has been provided in the market. Another important visible development in those years is the rise of liberalization in all areas for instance the number of the employers in the public service has been decreased due to the privatization process as a result public expenditure. Tanzania has an economy which showed a significant performance among other Sub-Saharan countries in recent years and caught an increased trend. In last 10-years, the Tanzanian economy has grown approximately %6.3 per year in the industry and service sector. Thanks to the stability and order maintained in the country due to the right policies, the number of the foreign direct investments has increased and because of the stability maintained in the exchange rates. Due to the high demand from the Far East, some mining products, and the mining industry has been growing and this has become an important export item for the Tanzanian economy. Besides that, tourism industry is another important income after the mining exportation.

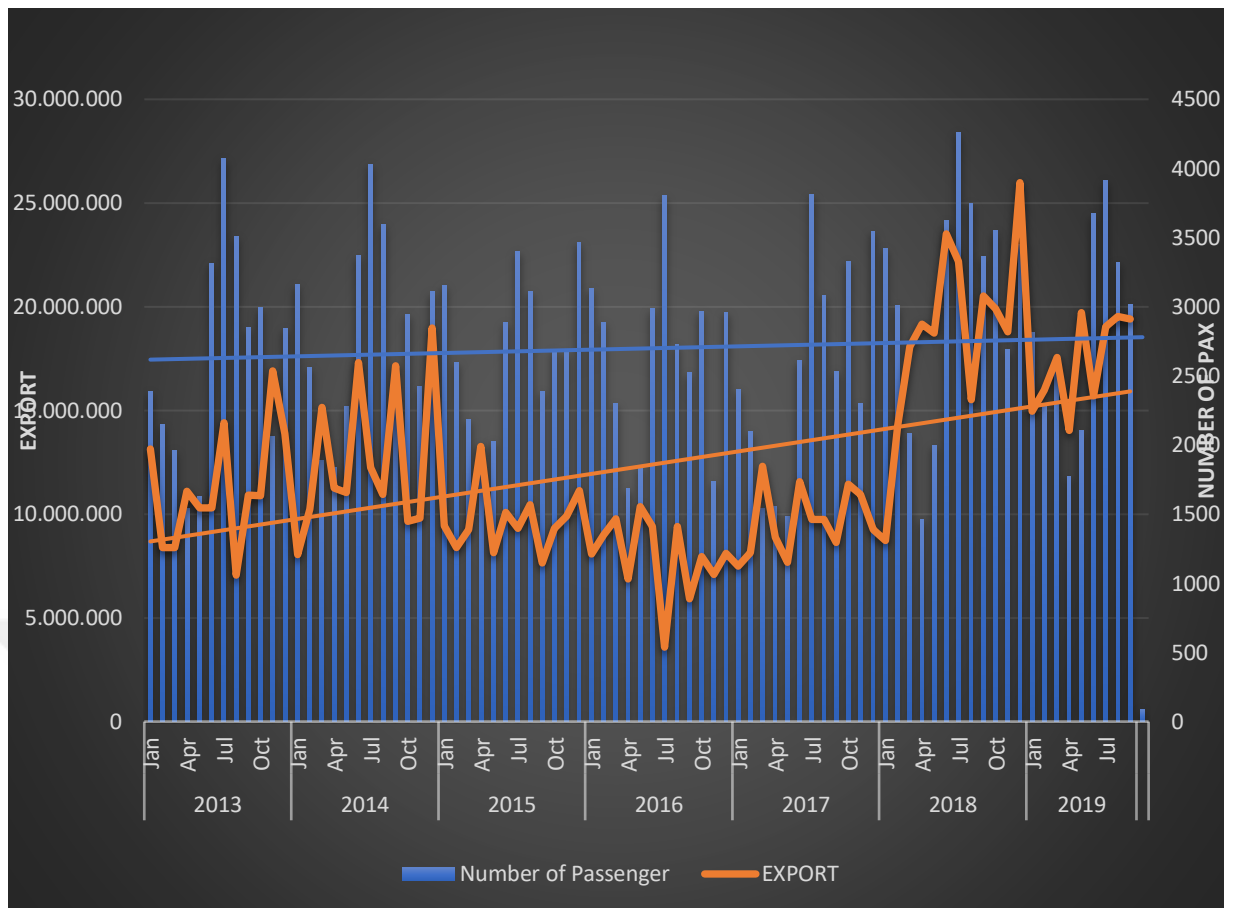
National income is expected to increase by 7% between 2019-2023. National income is expected to increase by %6 per year. Due to this expected increase in national income and developing economy, the government expect new foreign direct investors on the area of infrastructure. Moreover, constructions of the harbor, docks and new destinations opened by Air Tanzania aim to attract foreign direct investment in the hope of gaining momentum in the growing tourism sector. Tanzania is also a member of the East African Community (EAC) established in 2000 by the membership of Tanzania, Kenya, Uganda, Ruanda, Burundi and South Sudan. This international governmental organization aims to integrate member states economically, socially, and politically. For that purpose, EAC member states passed the custom union in 2005 and in 2010 a common market had been established. All member states in the organization aim to maintain order, peace, and stability both politically and economically. In the following years organizations aim to create a federation. Growing the economy expected to attract investors in Tanzania. Due to investment made to natural gas, the level of the gross domestic product is expected to increase by %6.5. Moreover, foreign direct investments done in industries such as trade, tourism and finance ensure growth in the economy by %6 between the years 2019-2023.

Construction, mining, and the service industries are expected to be pioneers in economic growth. Construction of the infrastructure is expected to lead the construction industry in the country. According to the values shown in the table 4.1 and in figure 4.2 foreign trade between Tanzania and Turkey has a rising trend. Increase in foreign trade started to develop can be observed from table 4.1 after 2010 when the Turkish embassy opened in Tanzania in 2010. Due to the gradual increase both in air traffic values and foreign trade values shown in figure 4.2 correlation between two values resulted 0,20 (Ministry of Trade, 2019). President of the Tanzania Investment Center, Clifford Tandari, calls for Turkish investors to do profitable investments for the African continent and other countries. Tandari argues that, Tanzania has geographic precedence and serves as a bridge on the continent. Another benefit of Tanzania is to be one of the free trade zones in Africa. Another important point mentioned by Tandari is, Tanzania is a perfect spot for investors who want to invest in industry and agriculture (Anadolu Ajansı, 2018).

**Table 4.1: Annual Development Turkey – Tanzania Foreign**

<b>Annual Development Turkey – Tanzania Foreign Trade (1000\$)</b>				
<b>YEARS</b>	<b>EXPORT</b>	<b>IMPORT</b>	<b>VOLUME</b>	<b>BALANCE</b>
<b>2000</b>	4.633	1.833	6.466	2.800
<b>2001</b>	2.803	772	3.575	2.031
<b>2002</b>	3.839	3.829	7.668	10
<b>2003</b>	5.995	4.820	10.815	1.175
<b>2004</b>	7.496	10.876	18.371	-3.380
<b>2005</b>	23.019	10.032	33.052	12.987
<b>2006</b>	27.360	16.035	43.395	11.325
<b>2007</b>	30.216	11.953	42.169	18.263
<b>2008</b>	52.636	14.033	66.670	38.603
<b>2009</b>	55.281	11.078	66.359	44.204
<b>2010</b>	89.319	14.332	103.651	74.987
<b>2011</b>	170.780	21.788	192.568	148.992
<b>2012</b>	130.426	26.022	156.448	104.404
<b>2013</b>	140.859	43.069	183.928	97.790
<b>2014</b>	151.855	19.986	106.841	66.869
<b>2015</b>	116.380	34.564	150.944	81.816
<b>2016</b>	95.547	23.094	118.641	72.453
<b>2017</b>	115.827	48.737	164.564	67.090
<b>2018</b>	225.363	41.053	266.416	184.310
<b>2018 (Jan-Aug)</b>	140.181	21.620	161.801	118.561
<b>2019 (Jan-Aug)</b>	133.826	20.558	154.384	113.268

**Source: Trade (Ministry of Trade, 2019)**



Correlation between export and number of passengers: 0,20

**Figure 4.2: Tanzania Pax Traffic & Foreign Trade**

#### 4.2.2. Cameroon

In March 2013 relations between Cameroon and Turkey have been increased wisely with the opening of the Turkish embassy ; following that Turkish Airlines flights started. Diplomatic relations in March continued significantly in March 2013 with the visit of the president of Cameroon, Paul Biya. It was the first visit to Turkey at the presidential level. Especially the numbers of visitors have been increased significantly due to the expo organized in the field of education, health, tourism, and trade. Various bilateral agreements have been signed in recent years which boosted diplomatic relations. Due to the successful public diplomacy, public opinion in Cameroon has reacted positively toward Turkey. Air traffic to Turkey has been increased significantly due to the expo organized in education, health, tourism, and trade since relations were started. These positive developments can be observed from figure 4.3.

and table 4.2. Cameroon's 2035 vision which is to be an emerging economy, attracted most of the Turkish investor to building and improvement infrastructure projects. The Cameroon government's main objective is to be a logistic center with developed ports and transportation infrastructure. Due to the credit financed by Turkish Eximbank, construction of a stadium with the capacity of 50,000 people finished in the end of 2019. Turkey also supports Cameroon's health, nourishment, education, science industry via the Turkish Cooperation and Coordination Agency (TIKA) (Ministry of Foreign Affairs, n.d.). Various bilateral diplomatic agreements have been signed between the two countries in terms of, economy, trade and technical agreements, agreement about the protection of investment and investment incentives.

Sub-Saharan countries have a big potential, through economic reforms they continue to grow economically and expand their markets. Cameroon is one of those countries which show remarkable economic developments beside increased foreign relations with the Republic of Turkey. Cameroon's gross domestic product (GDP) is around 23 billion US dollars at current prices. The purchasing power parity indicates that the per capita income of Cameroon is around 2000 US dollars. Agricultural activities provide the livelihood of approximately 70 % of the population. The main goal of the agricultural production in Cameroon is to meet the basic food need in the country as well as to generate export income. Cameroon produces agricultural products such as cocoa, coffee, cotton, banana, and rubber for exportation purposes. Aluminum production is the most important industrial activity in the country. It is produced by a public-private partnership namely Alucam. The public investments made in transportation infrastructure, agriculture, health and education boost the growth in the construction industry. When it comes to the services sector, the telecommunications and the transportation services come forth as the most important activities. Mining in Cameroon is another important economic activity. There is a rapid increase of exploration, operation, and production activities of international mining companies in the fields of bauxite, cobalt, iron ore, gold, oil and natural gas along with oil as the primary product. Economic policy in Cameroon is based on the medium-term growth and the employment strategies. These policies aim to increase the verities of the economy other than petroleum. They also aim to obtain financial sustainability in the country. Other aims of these economic policies are boosting the economic growth, generating more job opportunities, and reducing poverty. In order to achieve these

goals, the government works towards increasing the investments in infrastructure, helping the private sector by improving their access to financing resources, as well as increasing the investments in education, health and human resources. Central African Countries Bank (Banque des Etats de l'Afrique Centrale -BEAC), a regional central bank, is the institution that determines and implements the monetary policies for Cameroon. Controlling the inflation and maintaining the indexation of CFA franc to the euro is the main goal of the monetary policy. The bank being independent ensures that the monetary policy is determined, carried out and maintained away from political effects. Because the CFA franc is indexed to euro, it is the change between dollar and the euro that determines the value of CFA franc against the dollar. Like Gabon, Cameroon is also a member of CEMAC (Central African Countries Bank – Banque des Etats de L'Afrique Centrale (BEAC) and the same mission is applied in Cameroon which is the institution that determines and implements the monetary policies for Cameroon. Controlling inflation and maintaining the indexation of CFA franc to the euro is the main goal of the monetary policy. The bank being independent ensures that the monetary policy is determined, carried out and maintained away from political effects. Because the CFA franc is indexed to the euro, it is the change between dollar and the euro that determines the value of CFA franc against the dollar. The money transfers to be made outside of the CEMAC zone must be declared and that includes loans from local companies that are abroad. They are also subjected to certain control measures in order to obtain some statistics. If a transfer exceeds 5 million CFA francs, the transfer must be made through a bank, under the Central African Countries Bank's authorization. When an import is taking place, all the required documents must be presented to the authorities in order to receive foreign exchange payments, it is usually equal to 100 million CFA francs or more. Any direct foreign investments that is over 100 million CFA francs must be reported to the Ministry of Finance, before the investment procedure takes place. The foreign workers, working within the CEMAC zone, can apply to the authorities regularly in order to transfer some of their earnings out of the CEMAC zone. A foreign employee can transfer up to 20 % of their net salary outside of CEMAC. Employees with families or dependents outside of the CEMAC zone can transfer up to 50 % of their net salary outside of CEMAC. The primary goal of CEMAC is to provide the member countries with a single common market, where free movement of goods, services, capital and people are possible. In order to achieve this goal, the member countries decided to switch to a single currency,

which is the CFA franc. This currency is fixed to euro and 1 euro = 655.96 CFA francs as of January 1, 1999.

The trade relation expectations, however, have not been achieved within the union due to various reasons. The level of imports that are achieved within the region is only at 2 % and exports are at 1 %. One important reason why these expectations have not been achieved is that the member countries lack the economic structure to complement each other, which effects the development of trade negatively within the union. Other reasons are the member countries not having the ability to integrate amongst themselves, unprofessional and arbitrary practices that are taking place at the customs and the opposition and the resistance of local authorities against the common economic structure and formation. All these facts effect the circulation of goods, services and people negatively. The imports within the union are subjected to common customs tariffs implemented by CEMAC. These customs tariffs are implemented in 4 different categories. Customs tax is applied to 5 % of the basic necessities such as medicine, fertilizer, machinery, tractors and wheat, 10 % is applied to second category products, 20 % to intermediates such as malt, processed rubber, 30 % is applied to consumer goods such as food, cosmetics, beverages and electrical appliances. The African Union (AU), has 55 member countries and it was established in 2002. The structure and the targets of the union is based on the European Union. The general meetings are held twice a year, and this is also where the important decisions are taken. The headquarters are located in Addis Ababa, the capital of Ethiopia. It is the common foreign tariff of the Central African Economic and Monetary Union (CEMAC) that determines the foreign trade policy of Cameroon. The common external tariff that is implemented by CEMAC is higher compared to the other sub-Saharan African countries. When it comes to food safety, Cameroon is one of the few countries that create policies on this issue. Cameroon also provides the agricultural sector with protection by implementing high tariffs.

During the food crisis in 2008, the government of Cameroon adjusted and decreased the custom rates for food items such as rice and wheat flour and banned the customs duties for fuel. The imported products with reduced or removed customs duties were also banned from getting exported. In some cases, Cameroon reduces the customs duties of certain equipment and machinery that are needed for oil production because

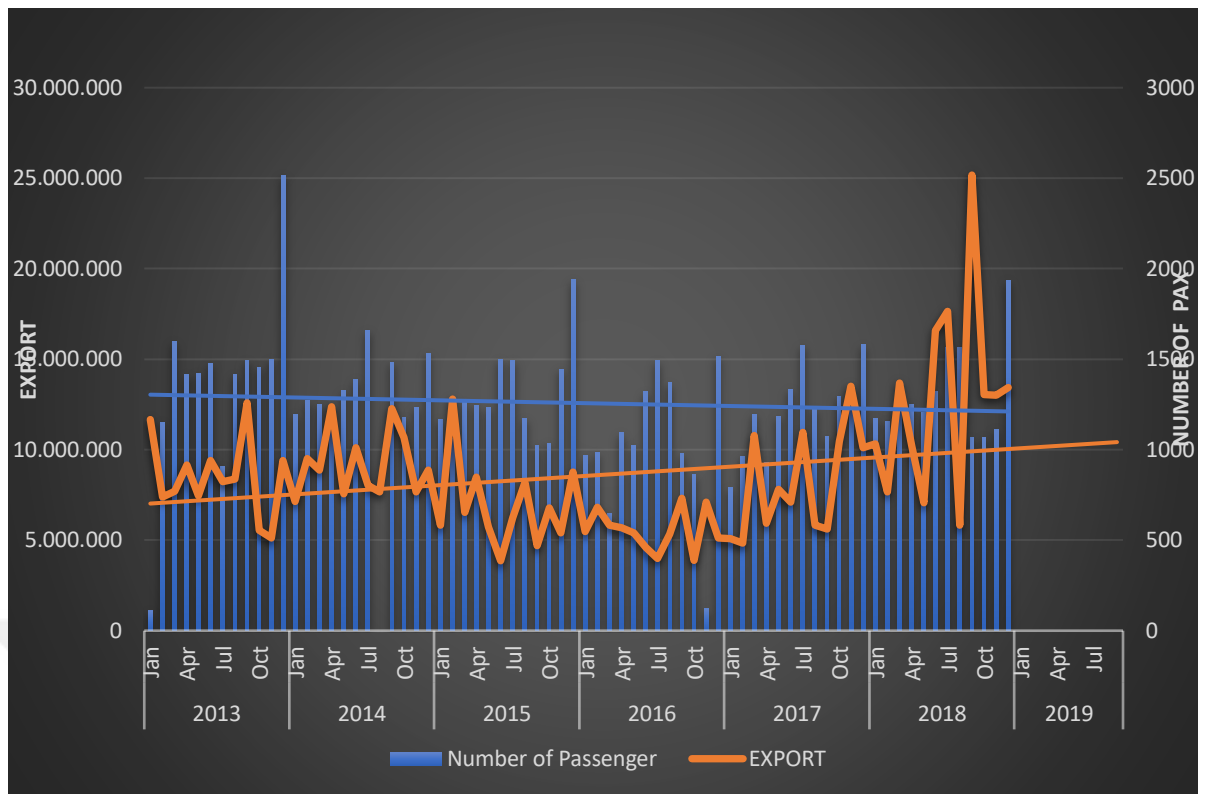
Cameroon is an oil exporting country. Cameroon wants to sign an Economic Partnership Agreement with regional formations such as the European Union, Africa, Caribbean and the Pacific. The negotiations in order to establish economic partnership agreements are continuing between the CEMAC countries and other regional formations. Once the negotiations are over and in force the European Union grant duty-free and quota-free access to European markets, in return they expect the CEMAC countries to open 80 % of their markets in a 15-year transition period. The CEMAC countries however want to extend the transition period to 20 years and only open 60 % of their markets. Amongst all the CEMAC countries it is Cameroon that signed a temporary agreement with the European Union on January 15th, 2009. These negotiations did not succeed, and the temporary agreement did not come in force as it was expected to come in force by January 2010, due to the failure of economic partnership agreement negotiations failed on regional basis. Because Cameroon is a member of CEMAC, it applies common customs tax rates determined by CEMAC in its imports. There are four different categories that are determined for the common external tariff rates. These tariffs have already been mentioned earlier under the general economic situation title. Besides these tariffs, the trade within CEMAC is exempted from customs tax since January 1998, and it is only subjected to VAT. The VAT rate is 17.25 % and an additional tax rate of 10 % is deducted from this rate, therefore it comes up to 19.25 %. The VAT rate that is applied to the exported goods is zero. Basic necessity goods or certain compulsory goods are exempted from VAT as well. Cameroon is one of the Central African countries that makes deficits in its foreign trade. The increase of exports and imports can be seen regularly until 2015. The decrease in exports and imports can be observed in 2015 and 2016 but it started increasing again in the following years. Crude oil and petroleum oils, coca, timber, gold, banana, unprocessed aluminum, cotton and rubber can be named as the major export products from Cameroon. Major imported products can be named as crude oil and petroleum oils, brass, telephone equipment, fish, medicine, wheat, iron and steel construction and equipment, used clothing, insulated cables and wires, trucks, automobiles, pesticides, cement, aluminum oxide, shoes, electric motors and generators and automatic data processing machines. Portugal, Spain, India, the Netherlands, Norway and the USA are the major recipients of Cameroon's crude oil exports. The US market is the primary client for the processed petroleum products. In case of cocoa and cocoa products, the Netherlands is the primary client. Cameroon

exports mostly to countries such as China, Italy, France, UAE, the Netherlands, India, Spain, Belgium and the USA. Most of the imports come from countries such as China, France, Belgium, Nigeria, Italy, the US, Thailand, the Netherlands, India, and Turkey. The trade relations between Turkey and Cameroon can be classified as at low levels. Since 2008, Turkey has been providing Cameroon with higher trade surplus. From 2011 to 2014, Turkey exported over \$ 100 million worth of goods to Cameroon and these values and its effects on foreign trade can be observed in the table 4.2. due to the improving economic and political relations between two country a positive correlation between traffic values and export value which is 0,10 detected. All the other exports that were under \$ 100 million, increased to \$ 154 million in 2018 as shown as in table 4.2, the effects of this rise in export and on air traffic values can be also observed in figure 4.3. The average imports from Turkey in Cameroon, have been around \$ 45- 55 million. Turkey’s major exported products to Cameroon can be named as iron, steel construction and construction parts, cement, iron-steel profiles, insulated cables and wires, pasta, iron-steel wire rod, plastic pipe, yeast, plastic packaging materials, iron-steel liquefied gases or gases containers, furniture, aluminum construction and construction parts, cigarettes, foundry shops, scarves, carpet air conditioners, and iron steel stove, stove, etc. Imports from Cameroon to Turkey are very few. These products are namely cocoa, wood and wood products, cotton, and rubber. (Ministry of Trade, 2019).

**Table 4.2: Annual Development Turkey – Cameroon Foreign Trade**

Annual Development Turkey – Cameroon Foreign Trade (1000\$)				
YEARS	EXPORT	IMPORT	VOLUME	BALANCE
2008	32.535	25.117	57.652	7.419
2009	50.261	21.162	71.423	29.099
2010	48.613	39.911	88.524	8.702
2011	105.486	47.720	153.205	57.766
2012	115.651	30.172	145.823	85.479
2013	102.016	45.280	147.296	56.736
2014	110.730	40.428	151.158	70.302
2015	83.322	35.313	118.635	48.009
2016	66.553	45.284	111.837	21.269
2017	97.965	53.864	151.829	44.101
2018	153.755	46.981	200.736	106.774

**Source: (Ministry of Trade, 2019)**



Correlation between export and number of passengers: 0,10

**Figure 4.3: Cameroon Pax Traffic & Foreign Trade**

### 4.2.3. Ghana

In 1958 bilateral relations were established between Ghana and Turkey after its independence declaration in 1957. Turkey's first embassy was established in 1964; however, due to the economic crisis in 1981, it was shut down. In 2010 due to the African opened-up policy the embassy re-opened. Following opening of the embassy in 2010 an appreciable development in foreign trade values seen as shown as in the table 4.3. The following year, 2011, foreign relations were boosted by a diplomatic visit done by 11<sup>th</sup> president, Abdullah Gül, and a counter visit done by the president of Ghana in 2013, John Dramani Mahama. Another visit was done by the Turkish president accompanied by 150 businessmen. There are still 150 Turkish companies making their business in Ghana in fields such as energy and construction. As stated in the table 4.3 Turkey-Ghana foreign trade, in 2010, the trade volume between Turkey and Ghana was 290 million dollars, in the following years 2011 and 2012 it has risen. As shown as in table 4.3. in 2016, it reached to its peak level which is approximately

478,9 million dollars, same values can be observed in figure 4.4 which shows also export and air traffic values. Since 2018, Turkey's exports to Ghana is 275,1 million dollars and import is 79,3 million dollars. As shown in the table 4.3 annual development Turkey – Ghana foreign trade after 2018, the trade volume between Turkey and Ghana is 354,4 million dollars. Turkey's primary products in export are, construction materials such as cement, iron, wire, there are also fertilizer and petroleum. Imported goods from Ghana are cacao products, soybean, cotton, and gold. Ghana is another point of humanitarian aid done by Turkish Cooperation and Coordination Agency (TİKA). Turkish airlines started its operation in 2010. Despite the uptrend in export and air traffic values as shown as in figure 4.4, correlation between these two values resulted negative, which is -0,12. (Ministry of Foreign Affairs, n.d.).

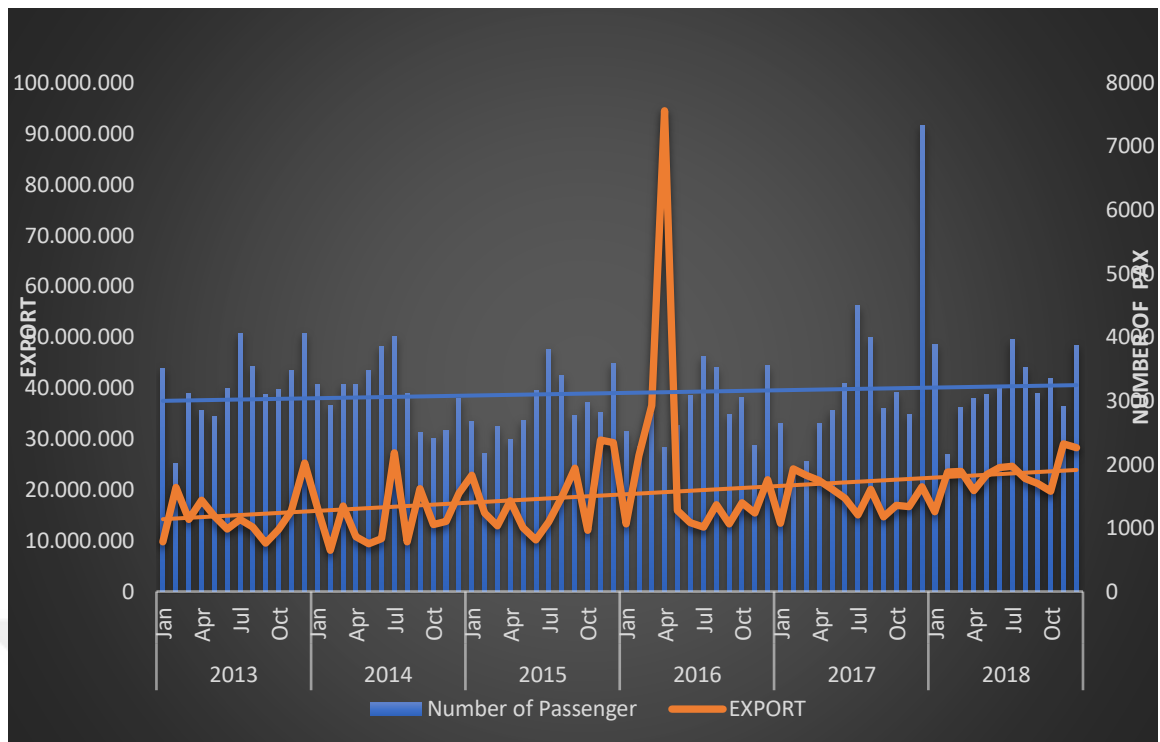
As a foreign direct investment, Ghana, showed an important development in recent years. Especially after 2000, Ghana gained acceleration in economic growth. Kofi Annan, who was one of the former United Nations General Secretary, had an immense effect on the opening and development of Ghana in international relations and foreign economic development. In 2017, the gross domestic product of Ghana was 59 billion US dollar and rose to 65,2 billion US dollar in 2018. The effect of the agricultural industry on gross domestic product has decreased gradually in recent years from %35 to %19. Besides that, the service sector has %56 proportion and followed by industry %25, and within this proportion mining and oil production has a value of %10. In 2018, oil production increased significantly, and its proportion in the gross domestic product (GDP) rose. This gradual increase is expected to continue rising in coming years. Another important point for Ghana's growing economy is agriculture. Agriculture has an important place in the economy due to high production of cacao. Most of the workforce in Ghana is working in the agriculture sector which is %55 of the population. Cacao is one of the important export goods after ore. However, due to the lack of technology, Ghana is faced with some difficulties in creating diversity in agricultural products. There have been positive developments in petroleum production and service sector increase expectations on growth in the economy in the coming years. In the years ahead, there is expectations on the development of construction and the communication sectors. In 2011, oil export started and according to the specialists there are still undiscovered oil sources. In West Africa, after Nigeria, Ghana is the

second country which attracts foreign investments. Ghana is also an increasing graphic in foreign direct investment, in 2000 it was 166 million US dollars. In 2015 it continued to increase gradually and reached 3,2 billion US dollars. In terms of investment area, mining and energy industries are pioneers. In recent years, petroleum investments have increased dramatically. As happened in many other African countries, Ghana has a deficit in foreign trade, only in 2018 has it started to have a surplus in foreign trade. In 1997, a new oil-well was discovered and after that it started to produce over 2 million barrels of oil in a year and have 200 hundred thousand barrels daily production. The economic relationship between Turkey and Ghana gained momentum after the opening of the Turkish Embassy in 2011. As shown in the figure 4.4 a gradual increase in both air traffic values and export values has been observed. To support and maintain the sustainability of this economic relationship, Turkish Airlines started its operation in Ghana in 2010. As shown as in table 4.3 annual development Turkey- Ghana foreign trade in 2010, Turkey's export value was 96,5 million US dollars till 2016 when the value gradually increased and reached its maximum level which is 180 million US dollars, this development process in foreign trade and air traffic can be observed also in figure 4.4. According to the information taken from the Turkish Statistical Institute, the primary products exported to Ghana are construction materials like cement, iron and other materials, following by nourishment products which are pasta and its derivatives, electrical accumulator and transformers. From the same source the primary products imported to Turkey are cacao, ore and aluminum waste and scraps (Ministry of Trade, 2019).

**Table 4.3: Annual Development Turkey – Ghana Foreign Trade**

<b>Annual Development Turkey – Ghana Foreign Trade (1000\$)</b>				
<b>YEARS</b>	<b>EXPORT</b>	<b>IMPORT</b>	<b>VOLUME</b>	<b>BALANCE</b>
<b>2000</b>	12.796	27.958	40.754	-15.162
<b>2001</b>	17.736	35.578	53.314	-17.842
<b>2002</b>	22.658	39.224	61.882	-16.566
<b>2003</b>	36.867	95.208	132.075	-58.341
<b>2004</b>	31.779	80.601	112.380	-48.822
<b>2005</b>	31.601	73.207	104.809	-41.606
<b>2006</b>	32.965	57.468	90.434	-24.502
<b>2007</b>	84.126	41.060	125.187	43.065
<b>2008</b>	100.386	46.453	146.839	53.933
<b>2009</b>	72.851	102.095	174.946	-29.244
<b>2010</b>	96.477	194.358	290.835	-97.881
<b>2011</b>	220.442	292.273	512.715	-71.831
<b>2012</b>	223.502	303.476	526.978	-79.974
<b>2013</b>	180.112	202.209	382.321	-22.097
<b>2014</b>	175.355	157.925	333.279	17.430
<b>2015</b>	230.603	168.907	399.510	61.696
<b>2016</b>	298.475	180.478	478.953	117.996
<b>2017</b>	224.520	128.019	352.539	96.501
<b>2018</b>	273,734	79,3	353,034	194,434

**Source: (Ministry of Trade, 2019)**



Correlation between export and number of passengers: -0,12

**Figure 4.4: Ghana Pax Traffic & Foreign Trade**

#### 4.2.4. Latvia

In 1940, following the decision of the Latvian government to become part of the Soviet and the Soviet Union's annexation of Latvia, Turkey defined its relation on de jure level. Latvia declared its independence in 1918 after that it was occupied by Nazis, and in 1944 until 1990 it was a part of the Soviet Union under the name of the Latvian Soviet Socialist Republic. After acquiring independence Latvia continued its integration to the international arena. In 2004, Latvia became a NATO member, and in 2014 membership to the Eurozone had been accepted. After the collapse of the Soviet Union, both countries signed bilateral agreements in 1994 to promote the peace and friendship era. In addition, Latvia is supporting Turkey's membership process to the European Union. Visits at presidential level started in 2014, with the visit of the Andris Berzins, president of Latvia in 2014. Turkey also carried out a diplomatic visit at the presidential level in 2014. Bilateral diplomatic relations continued in the following years with the visit of minister of foreign affairs of Latvia, Edgars Rinkevics in 2016. A Crucial visit was organized in 2011 with the diplomatic visit of the head of parliament at that period, Mehmet Ali Şahin, and a counter diplomatic visit was

organized by the head of the parliament of Latvia in 2018 by Inara Murniece. Turkey's trade volume with Latvia in 2017 reached to 269 million dollars; in the following year, 2019, it rose to 290 million dollars. Of that volume, 125 million dollars is Turkey's import, 165 million dollars is export. Turkish Airlines is one of the registered companies in Latvia, other Turkish companies are TAV and HAVAŞ. Turkey is on the top of the list as a touristic country in Latvia. In 2018, 65.868 Latvian tourists visited Turkey (Ministry of Foreign Affairs, 2020).

Diplomatic relations between the two countries has been pointed out by the Latvian Ministry of Foreign Affairs. According to a press conference done by the Latvia Ministry of Foreign Affairs, it stated that Turkey is an important strategic partner. The Ministry also remarked on the important bilateral international agreements between the two countries such as cultural, education, defense agreements (Dünya, 2016).

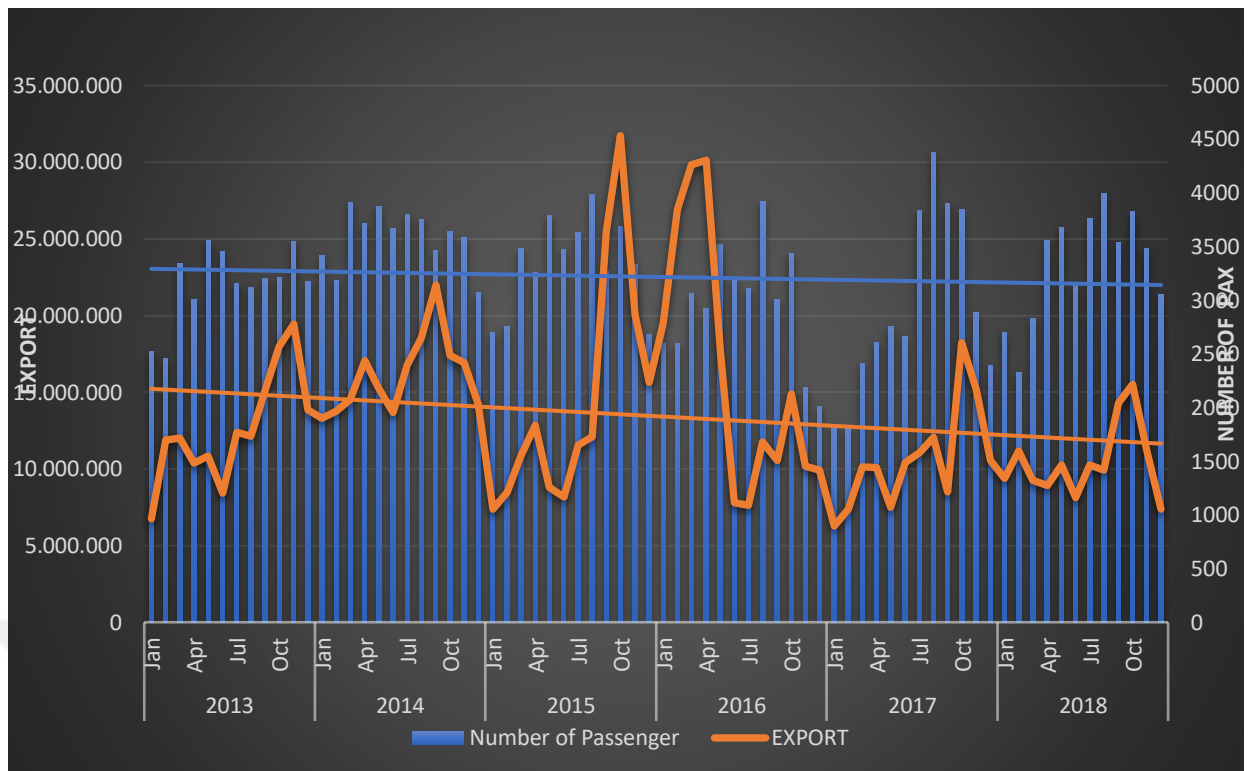
With these bilateral agreements between Turkey and Latvia Turkish Airlines also has become interested in Latvia. In 2005, the Turkish embassy started its activity, and in 2006 Turkish Airlines started its scheduled flights. Relations between the two countries developed via the membership of Latvia to NATO. Following their independence, the economic system in the country changed to a market economy and the private sector started to dominate in the economy. The gross domestic product of Latvia increased gradually in 2018 and 2019 and values are 36 billion US dollar in 2018 and 38.6 billion US dollar in 2019. Economic growth continues gradually in 2017 %4.5 and for the following years 2018 and 2019, it was %3,9 and %3,5. With tax reform set to evolve in the years between 2017 – 2021 fiscal policies are expected to be regulated. Becoming a member of the European Union in 2004 brought a lot of benefits for the Latvian economy. Latvia became a center of attraction for most of the foreign investors. Those investors saw the opportunities given by the European Union and invested in industries such as construction, tourism, real estate, finance, and education. In 2016 the value of the foreign direct investment was 244 billion US dollar; that number increased gradually in the following years which were respectively 858 billion dollar and 933 billion dollars. The Latvian government allowed for foreign investors to be a part of a company or directly own it. Latvia is applying a strict open market policy. Since 2004, being part of the European Union, Latvia must follow a common custom tariff in European Union. Another reason that is an attraction for

investors is that Latvia has the lowest tax rates in the EU. Despite being a little country in terms of land Latvia has big potential especially in information technology, financial tools, and tourism. Moreover, the forestry and construction industry are still developing. Besides those developing industries the Latvian government provides opportunities for foreign investors who want to invest in those industries. There are important opportunities for Turkish investors in the industries such as jewelry production, clothing, cable and wires productions and construction materials. There are 51 Turkish companies which made serious investments in Latvia. Most of these investments are in tourism, restaurant, and education industries. On March 3, 2010, the construction of the electricity center in Riga GAMA and Latvenergo signed an agreement. There are also Latvian investors in Turkey, numbered as 17 investors. They made most of their investments in the tourism and restaurant sectors. Due to these investments remarkable development in foreign trade and air traffic observed in figure 4.5 Latvia pax traffic and foreign trade also in table 4.4 annual development Turkey-Latvia foreign trade developed gradually in years. Besides, downward trend in export values as shown as in figure 4.5, there are positive correlation between traffic values and export values which is 0,20 recently. Despite the fluctuations in export values shown in the figure 4.5 and table 4.4 Latvia is one of the preferable country for investors. Another opportunity for foreign investors to enter the market is through the franchising method. Using the franchising method in the Latvian market has increased significantly recent years (Ministry of Trade, 2018).

**Table 4.4: Annual Development Turkey – Latvia Foreign Trade**

<b>Annual Development Turkey – Latvia Foreign Trade (1000\$)</b>				
<b>YEARS</b>	<b>EXPORT</b>	<b>IMPORT</b>	<b>VOLUME</b>	<b>BALANCE</b>
2007	105.390	36.311	141.701	69.080
2008	104.295	24.579	128.874	79.716
2009	65.005	50.465	115.470	14.540
2010	65.958	71.360	137.318	-5.402
2011	115.955	129.787	245.742	-13.832
2012	127.367	160.296	287.663	-32.929
2013	151.176	172.461	323.637	-21.285
2014	193.298	167.813	361.111	25.484
2015	173.090	122.832	295.923	50.258
2016	196.893	202.022	398.915	-5.129
2017	127.540	141.081	268.621	-13.541
2017 / (1-4)	33.946	31.061	65.007	2.885
2018 / (1-4)	38.749	58.887	97.637	-20.138

**Source: (Ministry of Trade, 2019)**



Correlation between export and number of passengers: 0,20

**Figure 4.5: Latvia Pax Traffic & Foreign Trade**

#### 4.2.5. Sri Lanka

According to a report published by IMF (International Monetary Fund), in the 2000s the population of the Far East will be approximately 3,5 billion people. Mentioned in the report is also the fact that the Far East economy will contribute to the rise of the world trade with an amount of %50. The Far East region is now one of the three largest economic and commercial centers in the world, along with the USA and the EU. Asia, which will host 55% of the world's population, will produce 44% of the gross national product at global level, 25% of the world trade will be made with Asian countries. Due to the reason of interest of big economies such as USA and EU countries, besides that Turkey has an agreement with the Custom Union, Turkey expects to use this opportunity. From this perspective, Sri Lanka is an important and strategic geopolitical location. As a geographic location Sri Lanka is situated in a region which has important sea lanes. Diplomatic relations between Sri Lanka and Turkey started on February 4, 1948, after getting independence. The Turkish embassy in New Delhi, India, was accredited to Sri Lanka until 2013 when the first Turkish embassy opened in Colombo. After the opening of the embassy, remarkable development have been

observed both in export and air traffic values in figure 4.6. Relations between Turkey and Sri Lanka boosted after the natural disaster, tsunami, happened. The prime minister of the period, Recep Tayyip Erdogan, visited countries which suffered from tsunami in 2005. The first presidential visit by Sri Lanka's president, Rajapaksa happened in 2008. A special minister on the duty of the urban planning and water supply, Rauff Hakeem, had been assigned to improve relations between Turkey and Sri Lanka (Ministry of Foreign Affairs, n.d.).

Sri Lanka is one of the most liberal countries in South Asia, but foreign trade policy is mostly based on import which causes a trade deficit. Due to this reason, taxes on foreign trade have been increased by an amount of %25 after 2000. Following the year, 2002, tariffs have been applied on many products which did not have tariffs before. For example, tariffs have been applied on goods which are used and exportable goods, such as textile materials, silk etc. and other goods which support economic development like technological materials, communication tools and agricultural materials. Three major agreements on the avoidance of double taxation have been signed and put it in force. The first of these was signed on 26.08.1988 which was Trade Agreements. In August 2002, a second agreement was signed, which was for cooperation on economic and technical issues. The last agreement signed in 2008, which includes agreements on air transportation between the two countries. According to the data obtained from Ministry of Trade, Turkey has an export amount of 80 million US dollars. Sri Lanka's ration in Turkey's export is %0,07. Turkey's main export products are textile, carbonate, ammonium and automobile accessories. According to the EIU (Economic Intelligence Unit) foreign direct investment made on Sri Lanka reached at 1 billion US dollars. Due to this dramatic increase in foreign investment, the government decided to increase FDI level at 15 billion dollars. Investors prefer to invest on tourism, communication, and the textile industry. In recent years, the FDI started to focus on food, petrochemistry and rubber industry (Ministry of Trade, 2017).

Economic relations between Sri Lanka and Turkey get support from DEIK (Dış Ekonomik İlişkiler Kurulu). DEIK is an institution which aims to develop the Turkish private sector, foreign trade, and other foreign direct investments. The first relations established by DEIK was organized on January 21, 2013, an acquaintance meeting

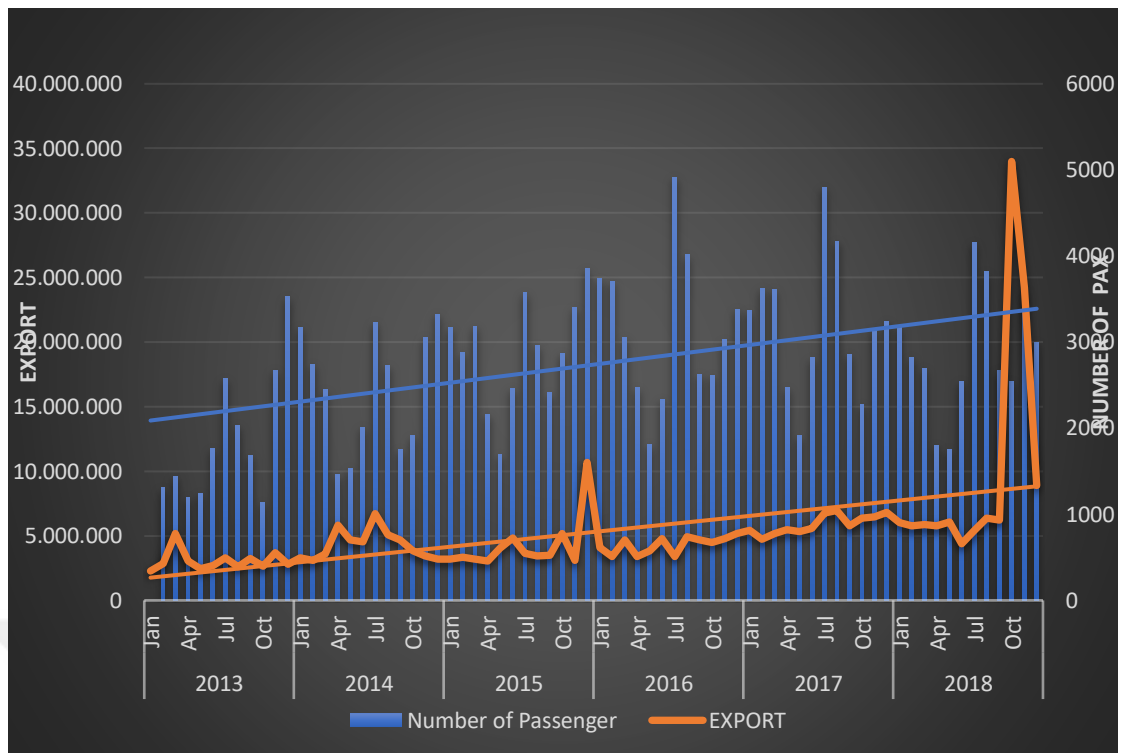
was held in Ankara with the participation of the ambassador of Turkey in Colombo, Mr. Iskender Okyay and ambassador of Sri Lanka, Mr. Wijeratne Bharati. Other participants were businessmen and companies who have investments in Sri Lanka and the other nearest countries such as India, Bangladesh, and Pakistan. Hence, export and air traffic started to develop gradually in following years as shown as in figure 4.6. According to DEIK, Sri Lanka is a country which has a population of over 20 million and 120 million US Dollar GDP. Especially after 2009, separatist terrorist organizations that had done immense damage to the country stopped almost all their activities in Sri Lanka. After this, the economy showed tremendous economic development and political stability that has since been maintained in the country. At the meeting, investors asked questions to the ambassadors about expectations, problems, remarks on market opportunities in Sri Lanka. On 5-6 August 2014, a summit was held called “2014 Sri Lanka Economy Summit” in Colombo. The summit aimed to inform investors about some different issues including, national vision, importance of the rise of international trade in Asia, an economic opportunity for Sri Lanka, promotion of Sri Lankan, and banking policies. The government in Sri Lanka shows great importance to foreign direct investments to provide important profit and income. To support this policy a forum was organized on March 8-10, 2016, by the Sri Lanka Export Development Board to attract new investors. The forum provided some opportunities to some sector, especially textile, agriculture, infrastructure, education, and information technologies. In order to improve economic relations between the two countries, DEIK and The Sri Lanka Business Council continued their activities in 2016. This relationship has been supported by signing a cooperation agreement with the Ceylon Chamber of Commerce on May 8-11, 2016. Another important mission carried by DEIK is to canalize and inform investors. Economic and diplomatic relations between Sri Lanka and Turkey continued in 2018. And on June 19-22, 2018, the embassy of Sri Lanka in Ankara called for a meeting in the capital city, Colombo, to discuss “Investment in Sri Lanka and job opportunities.” The meeting had been organized under the motto of ‘Cooperation for Welfare’ and the meeting provided an opportunity for dialoguing between businesses. For instance, the institution directed investors to enter a bid to provide technical support to Litra Gas, a company in the gas industry and work under the Ministry of Public Enterprises Development. As a result of this diplomatic and economic relations in 2018, a dramatic development observed in table 4.5 and in figure 4.6 in the trade and air traffic values.

With the start of the Turkish Airlines flight and opening of the embassy in Colombo, both export and air traffic values gradually and showed a rising trend and positive correlation, which is 0,14 as shown as in figure 4.6. Recently a meeting was held on 3 September 2019 with the ambassador of Sri Lanka to discuss trade development between Sri Lanka and Turkey (DEIK, n.d.). Besides that, the Mixed Economy Commission (KEK- Karma Ekonomik Komisyonu) was held in Ankara on November 10-11. This commission held meetings every year in one of the capital cities of the parties. Especially economic and trade relations with countries which are under a totalitarian regime or developing countries were carried out by this commission. Foreign direct investment done by Turkey is coordinate by the Turkish Cooperation and Coordination Agency (TIKA). An amount of 3 million US dollar investment was done by Turkey to housing projects. Between 2013-2017 17 projects had been done by TIKA. The results of these investments can be observed in the figure 4.6 and a significant development can be seen in foreign trade in table 4.5. In 2018, a dam project had been conducted with the cooperation of the “Child Rehabilitation Center”, which is an active civil society in Sri Lanka. This project aims to provide water sources to an area of 8100 acres of land (Ministry of Foreign Affairs, n.d.).

**Table 4.5: Annual Development Turkey – Sri Lanka Foreign Trade**

<b>Annual Development Turkey – Sri Lanka Foreign Trade (1000\$)</b>				
<b>YEARS</b>	<b>EXPORT</b>	<b>IMPORT</b>	<b>VOLUME</b>	<b>BALANCE</b>
<b>2015</b>	51	88	139	-37
<b>2016</b>	52	105	157	-54
<b>2017</b>	71	114	185	-43
<b>2018</b>	119	101	220	19
<b>2019</b>	84	101	186	-17

**Source: (Ministry of Foreign Affairs, n.d.)**



Correlation between export and number of passengers: 0,14

**Figure 4.6: Sri Lanka Pax Traffic & Foreign Trade**

#### 4.2.6. Colombia

Colombia is one of the important countries in South America due to its features such as being the fourth country in terms of acreage, the third country in terms of population which is approximately 50 million, and the fourth country with its GDP. Colombia is one of the prominent countries in the production of the petroleum, coal, and various valuable mines. Besides that, Colombia is also an important producer of coffee. Turkey's diplomatic relation with Colombia started in 1959, relations gain acceleration in 2010 and 2011 with the opening of embassies. After that date, remarkable development had been observed in foreign trade as shown as in the table 4.6 annual development Turkey-Colombia Trade. The Colombia president in 2011, Juan Manuel Santos, visited Turkey and became the first to visit at the presidential level. President of the Republic of Turkey, Recep Tayyip Erdogan visited Colombia on February 9-10, 2015. Following the visit done by president, Turkish Airlines started its scheduled flights to Bogota, and TIKA and Anadolu Agency opened their offices in Bogota. After 2015, upward trend continued in foreign trade values shown in the

figure 4.7 Colombia air traffic and foreign trade. During the visit of Recep Tayyip Erdogan, various bilateral agreements were signed such as economic cooperation agreement, cooperation on defense industry agreement, and the agreement on agricultural cooperation. To support friendly relations between the two countries, the Turkey Friendship Group was established in 2015 in the Colombian Senate. A gradual increase observed in figure 4.7 both values on air traffic and export values. A remarkable development on foreign trade also observed in table 4.6. In 2017 another diplomatic visit done by the ministry of foreign affairs, Maria Angela Holguin, on 29 September 2017. Colombia is an important trade partner with its rising economy and infrastructure needs. The economy of Colombia depends mainly on the income maintain from petroleum and mining. According to the report published in 2019 by the World Bank, Colombia ranked 67<sup>th</sup> out of 190 countries in the list of ease of business in Latin America (Ministry of Foreign Affairs, n.d.).

Colombian economy had been affected negatively from the dramatic decrease of oil world oil prices. In 2018, Colombia is ranked at 27<sup>th</sup> in the list of countries which attract foreign direct investments with an amount of 11 billion US dollars. Between the years 2016-2018, foreign direct investments in Colombia reached 64 billion US dollars and ranked as the 32<sup>nd</sup> country in terms of attracting foreign direct investments. The Colombian government's main aim is to strengthen 16 important industries with the cooperation of public and private sector. To achieve this target 3 important ministries, work together which are trade, industry, and tourism. Another aim of strengthen 16 important industries is to create global industries and increase employment. Colombia is a great economy which includes various opportunities for Turkey. There is a demand on the areas of infrastructure. The amount of exported goods to Colombia in 2019 was 249 million US dollars, there was an increase of %3 from previous year. Colombia is ranked at 86<sup>th</sup> of countries that Turkey exports to. Priority export items of Turkey to Colombia are iron, cement, rock, salt, mechanical tools, electrical tools, plastic and finished goods, cotton etc. To increase the effectiveness of foreign trade between the two countries, an agreement was signed and put in force on August 31, 2018, to avoid double taxation. Trade relations between two countries depends on the trade agreement called cooperation agreement, which was signed on May 17, 2006 (Ministry of Trade, 2020).

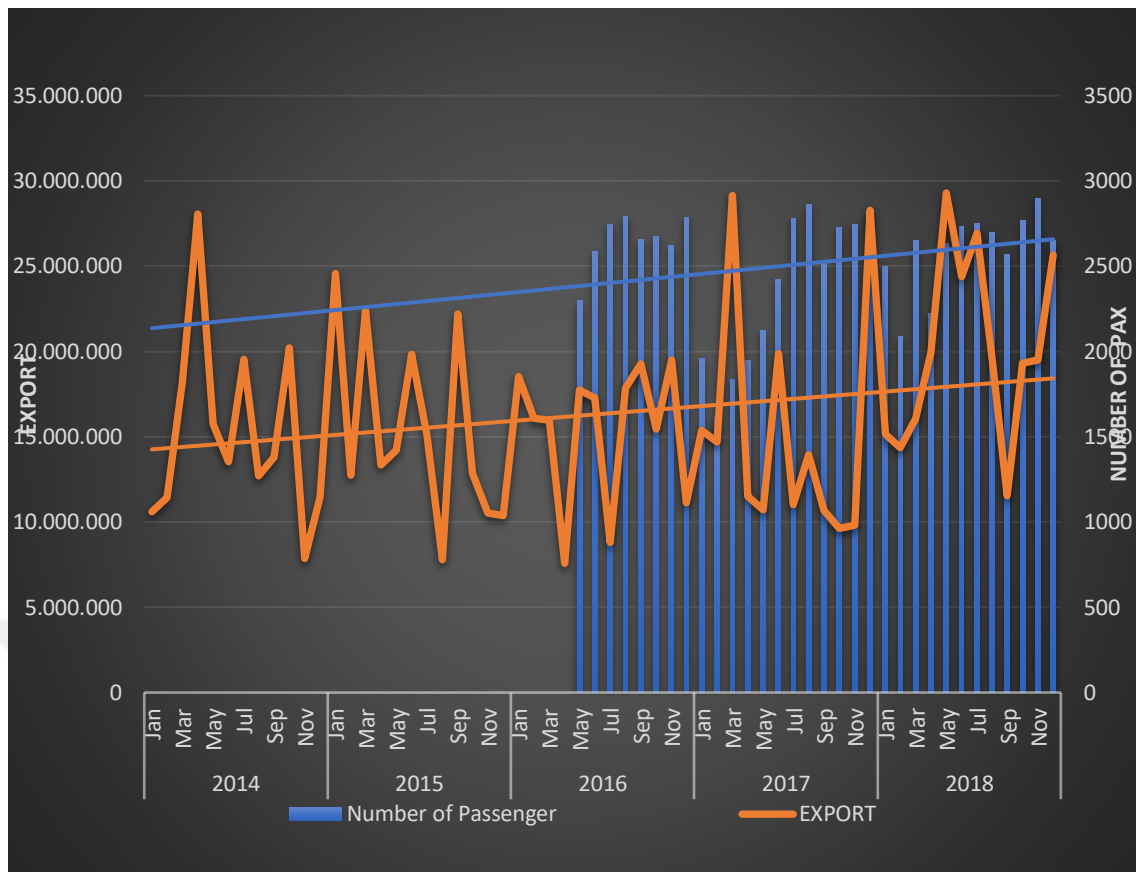
Various attempts have been taken by DEIK to develop economic relation between Turkey and Colombia. A meeting was organized in Bogota, on March 15, 2010, with Bogota Trade Chamber in order to meet with Colombian businessman. In the following year, on March 13, 2011, potential business opportunities were discussed, and a decision given to start on the negotiation about Free Trade Agreement Economic Council on March 14, 2011. The meeting continued on August 11, 2011, with the participation of Colombia Tourism, Foreign Investment and Export Promotion Agency and the Turkish representative from DEIK. As shown as in the figure 4.7 Colombia air traffic and foreign trade and also shown values in the table 4.6 annual development Turkey- Colombia pax traffic a gradual increase can be observed. Negotiations continued and further developed the free trade agreements. Another point of the meeting was that the parties pointed out the importance of the opening of the Colombia embassy in Ankara. Important steps had been taken on 2011 between Colombia and Turkey. A business council was established in 2012 with the coordination of DEIK and the Colombia Business Council. On September 5, 2012, the Foreign Investment and Export Promotion Agency visited Turkey and a meeting activity was organized with the participation of representatives from Colombia, Chile, and Mexico. Another aim of this meeting was to meet businessman who are members of the Turkish-Colombian Business Council. On March 19, 2013, a meeting was held with the organization TOBB about the development of the strategy in Colombia with participation of Ministry of Foreign Affairs, Ministry of Economy, Ministry of Trade, Ministry of Culture and Tourism and Turkish Airlines. This relationship was supported with the diplomatic visit of the presidents. Juan Manuel Santos, president of Colombia, visited Turkey in 2011 and Recep Tayyip Erdogan, president of Republic of Turkey, visited Colombia on February 10, 2015. During the visit of Recep Tayyip Erdogan, important trade agreements were signed between DEIK and ANDI (National Business Association of Colombia). President Erdogan stated important points such as the volume of the foreign trade between two countries is not at an intended level which at that time was 1.4 billion US dollar in 2015. After 2015, as seen in the table 4.6 and figure 4.8 a gradual development had been observed in foreign trade and air traffic values. President Erdogan also aimed to increase the trade volume to 5 billion US dollar in 2023. Erdogan also cited that the geographical distance between the two countries is not an obstacle to the development of relations between the two countries. President Juan Manuel Santos also cited some important points. President Santos

mentioned, for example, about the growing economic trend of Turkey and Colombia, and its great potential. In order to boost this potential, economic and political relations between the two countries should be supported and developed. Businessman committee who is working with DEIK joined to the first flight of Turkish Airlines operated to Bogota in May 2016. The committee established important ties with the Colombian Public Investment Agency (FDN) (DEIK, n.d.). The following year, 5-12 March 2017, a committee assembled by DEIK organized an important meeting in the capital city, Bogota, and Medellin. The Foreign Economic Relations Board aimed to create new investment opportunities and increase the market share. DEIK focused especially on construction, infrastructure, rail roads, roads, docks and airline industries. As shown in the figure 4.7, correlation between air traffic values and foreign trade values is positive which is 0,05. It is the lowest values among selected countries due to the flights of Turkish Airlines came after opening of embassies.

**Table 4.6: Annual Development Turkey – Colombia Trade**

<b>Annual Development Turkey – Colombia Foreign Trade (1000\$)</b>				
<b>YEARS</b>	<b>EXPORT</b>	<b>IMPORT</b>	<b>VOLUME</b>	<b>BALANCE</b>
<b>2010</b>	52.863	296.766	349.629	-243.903
<b>2011</b>	111.367	678.255	789.623	-566.888
<b>2012</b>	152.131	814.147	966.277	-662.016
<b>2013</b>	124.632	674.665	799.297	-550.034
<b>2014</b>	183.111	1.182.516	1.365.626	-999.406
<b>2015</b>	185.914	1.063.972	1.308.677	-936.848
<b>2016</b>	183.111	1.182.516	1.365.626	-999.406
<b>2017</b>	184.675	1.610.652	1.795.327	-1.425.977
<b>2018</b>	241.542	1.888.539	2.130.081	-1.646.997
<b>2019</b>	248.719	1.462.828	1.711.547	-1.214.109

**Source: (Ministry of Trade, 2020)**



Correlation between export and number of passengers: 0,05

**Figure 4.7: Colombia Pax Traffic & Foreign Trade**

#### 4.2.7. Mali

Relations between Turkey and Mali are at an advance level. Relations were consolidated with the diplomatic visit of the president of Mali, Speaker of Parliament and Malian ministers. The first Turkish diplomatic visit at presidential level organized on March 2, 2018. During this visit 8 agreements were signed. The Embassy of Turkey in Bamako opened on February 1, 2010, and on February 5, the Turkish ambassador started the mission with the presentation of a confidential letter to the president of Mali. On June 9, 2014, Mali opened an embassy in Ankara and presented a confidential letter to the president of Turkey. Economic relations between Turkey and Mali showed significant development as shown as in the table 4.7 and in the figure 4.8, trade volume was at a level of 5 million US dollars in 2003 and continued to rise

during the period and reached to 57 million US dollars in 2019. Turkey-Mali relations is mainly based on humanitarian aid and development. Under these circumstances, with the coordination of TIKA, various projects have been implemented, and many other are planned for the future. Turkish Airlines started its scheduled flights on May 2015, which it was a milestone in terms of trade and economic relations between two countries (Ministry of Foreign Affairs, n.d.).

Since 1992, Mali, has applied to various economic programs in order to liberalize its economy and to get rid of its macroeconomic instability; thus, an environment of development might be created for a sustainable economic development. Still, despite this effort on economic development, Mali is still one of the poorest countries in the world. Mali's GDP in 2017 was at 15,4 billion US dollars. In 2018 the GDP increased to 17,4 billion US dollars. GDP per capita is situated on an extremely low level which is 813 US dollars. Mali is the one 10 poorest country in the world with the lowest GDP per capita. Mali gets financial support from some international organizations such as the World Bank and the International Monetary Fund. Moreover, the World Bank gives financial support on some projects in the field of education, health, power generation and to the development of water resources. Agriculture and fishery industry have an important ration in the Mali economy, on the other hand heavy industry is situated at a low level. Cotton and gold production provide important income to the Mali economy; besides, that exported oil also has an important place in the economy. Fluctuations in these three important products shows its effect on the Mali economy. The Malian government gives full support to foreign direct investments. According to the agreements done with the World Bank and the IMF, foreign investors have the same right as local investors. To overcome poverty, the government follows a strategy to support the private sector and foreign investments. In order to the reduce trade barriers and form a common market policy, Mali joined the Economic Community of West African States (ECOWAS) and West African Economic and Monetary Union (WAEMU). The aim of these international organizations is to maintain a sustainable development, economic grow and development in region. The government of Mali made an important regulation in 2005. New regulations published in 2005, putted criteria on employment. Same regulation has matters which promote the use of raw materials produced in domestic markets. Foreign investors might have full ownership of the business. Moreover, investors can own Malian businesses and

establish cooperation with domestic businesses. There is no limitation on taking e income and capital obtained abroad. In order to prevent the revenues obtained from investments from going abroad, the government makes incentive to maintain these revenues in Mali. For instance, businesses which use domestic raw materials become exempted from taxes. Economic relations between Turkey and Mali takes place at extremely low levels. Turkey's foreign trade gives a surplus in favor of Turkey. Turkey's trade volume increased by %126 in 2016 compared to the previous year. Turkey's main product exported are mainly ammunicions and military equipment, nourishments, and furniture (Ministry of Trade, 2018).

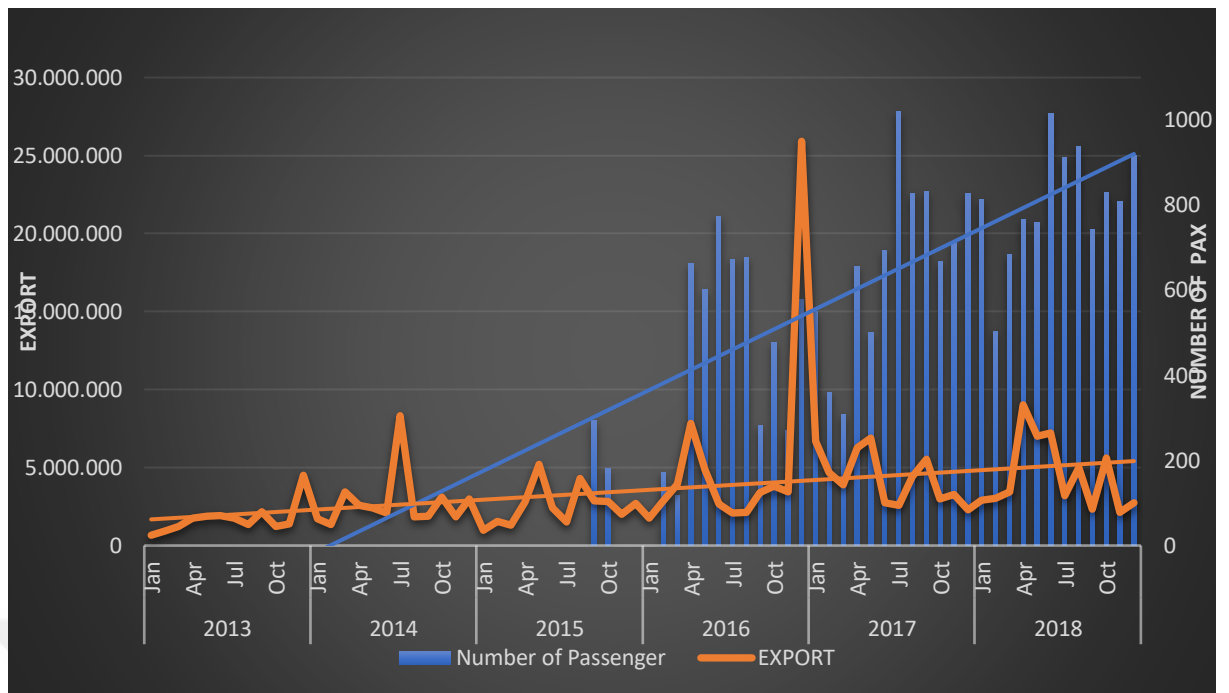
Trade agreements done under the coordination of DEIK, helped the development of the foreign trade between Mali and Turkey. A council has been established called DEIK/Turkey-Mali Business Council. The aim of this council is to develop business relations between the two countries to improve economic relations with Turkey, Mali and the African economy. Another task of the council is to organize a business forum; coordination of businessmen between two the countries and evaluate business opportunities. On February 15, 2015, a correspondence agreement was signed for the aim of the establishment of the Turkey-Mali Business Council. A Meeting was held in Ankara with the participation of ministers and businessman. During the meeting the president of the Mali, Ibrahim Ebubekir Kitta, attracted attention to the energy deficit in Mali and advised Malian businessmen take the role model of Turkish businessmen. The Minister of Development of the period, Cevdet Yılmaz, mentioned about the fact that historical relations with Mali started with the Ottoman Empire. Mr. Yılmaz also mentioned, that despite the instability in the region foreign trade had been developed between two countries significantly. Turkey intends to ensure commercial relations with a legal infrastructure. The Minister of Investment and the Private Sector of Mali, Mamadou Gaoussou Diarra, gave information about the industries which are available to invest in, which are agriculture, cattle dealing, fishing industry, transportation, health, energy, water production and mining industries. He also emphasized on the market which has an amount of volume 300 million US dollars. In same years, 13 October, an investment, and trade conference were held in Istanbul with participation of the ambassador of Mali, Birahim Soumare, Minister of The Incentives of Investments and Private Sectors and businessman from Turkey- Mali business council. The aim of this conference was to consolidate decisions taken in

business council organized in February 2015. Due to these economic and political relations, at the end of the 2016 a dramatic increase started and continued to January 2017 as shown as in the figure 4.8. As stated in the figure 4.8 despite the start of the flights and starting date of the embassy a positive correlation has been detected 0,02. On April 19-21, 2018, the first international industry fair was organized with the participation of trade chambers from Turkey, and also with the participation of the Minister of Trade, Bulent Tufenkci and committees from the Ministry of Economy and the Ministry of Trade. DEIK directed Turkish investors to make investments in industries such as power generation; there is a great amount of power deficit in Mali. Besides this investment, investments in agriculture and nourishment industries also has big potential. To complete the power deficit in Mali, Turkish investors can evaluate their investment to build dam. There are only three hydroelectric dams in Mali, and there are two big rivers which have potential to produce a high amount of energy. To reduce poverty in the country, Mali receives various financial help from the World Bank and the IMF. To overcome this, international institutions give support to projects such as education, health, city planning, and power generation. Due to this support, an investment opportunity for Turkish business might be created (DEIK, 2015).

**Table 4.7: Annual Development Turkey – Mali Trade**

<b>Annual Development Turkey – Mali Foreign Trade (1000\$)</b>				
<b>YEARS</b>	<b>EXPORT</b>	<b>IMPORT</b>	<b>VOLUME</b>	<b>BALANCE</b>
<b>1995</b>	4.373	891.838	5.264.588	3.480.912
<b>2000</b>	2.200	1.953.248	4.153.522	247.026
<b>2005</b>	10.000	2.887.267	12.887.311	7.112.777
<b>2006</b>	7.668	1.331.764	8.998.799	6.335.271
<b>2007</b>	12.140	2.173.656	14.313.558	9.966.246
<b>2008</b>	8.949	802.571	9.750.928	8.145.786
<b>2009</b>	8.869.744	898.483	7.971.261	9.768.227
<b>2010</b>	9.925.390	1.397.249	11.322.639	8.528.141
<b>2011</b>	18.084.421	2.840.918	20.925.339	15.243.503
<b>2012</b>	19.283.211	2.095.311	21.378.522	17.187.900
<b>2013</b>	20.751.240	454.125	20.297.115	20.205.365
<b>2014</b>	33.547.604	9.586.592	43.134.196	23.961.012
<b>2015</b>	30.383.086	2.258.513	32.671.599	28.154.573
<b>2016</b>	64.744.752	9.128.419	73.873.171	55.616.333
<b>2017</b>	52.203.802	29.940.908	82.144.710	22.262.894
<b>2017 (January- September)</b>	43.649.794	18.573.130	62.222.924	25.076.664
<b>2018 (January- September)</b>	44.338.065	19.948.039	64.286.104	24.390.026

**Source: (Ministry of Trade, 2018)**



Correlation between export and number of passengers: 0,02

**Figure 4.8: Mali Pax Traffic & Foreign Trade**

#### 4.2.8. Madagascar

As a result of the Africa opening policy, Turkey intends to develop economic and politics relations with Madagascar. The Turkish Embassy in Antananarivo was opened on 21 April 2010. Recep Tayyip Erdogan, President of Turkey, had a conversation with the president of Madagascar, Hery Rajaonarimampianina, on May 23-24, 2016, during the World Humanitarian Summit organized in Istanbul. The Following year, 24-25 January 2017, a diplomatic visit was organized with the participation of Recep Tayyip Erdogan and Minister of Economy, Minister of Energy and Natural Resources, members of parliament and 150 businesses from DEIK. The trade volume between the two country was at 84,6 million US dollars in 2018 as shown as in the table 4.8 annual development Turkey- Madagascar trade, following that the value was at 76,5 million US dollars. The economy of Madagascar depends on foreign aid. By means of these revenues obtained from aid, the government has been able to make investments. Madagascar's main income is agriculture which has a proportion at an amount of %70, this industry also contains mostly exported goods. Besides that, mining also another important industry is followed by the textile industry and the tourism industry. According to the UN humanitarian development index, Madagascar ranked at 162nd

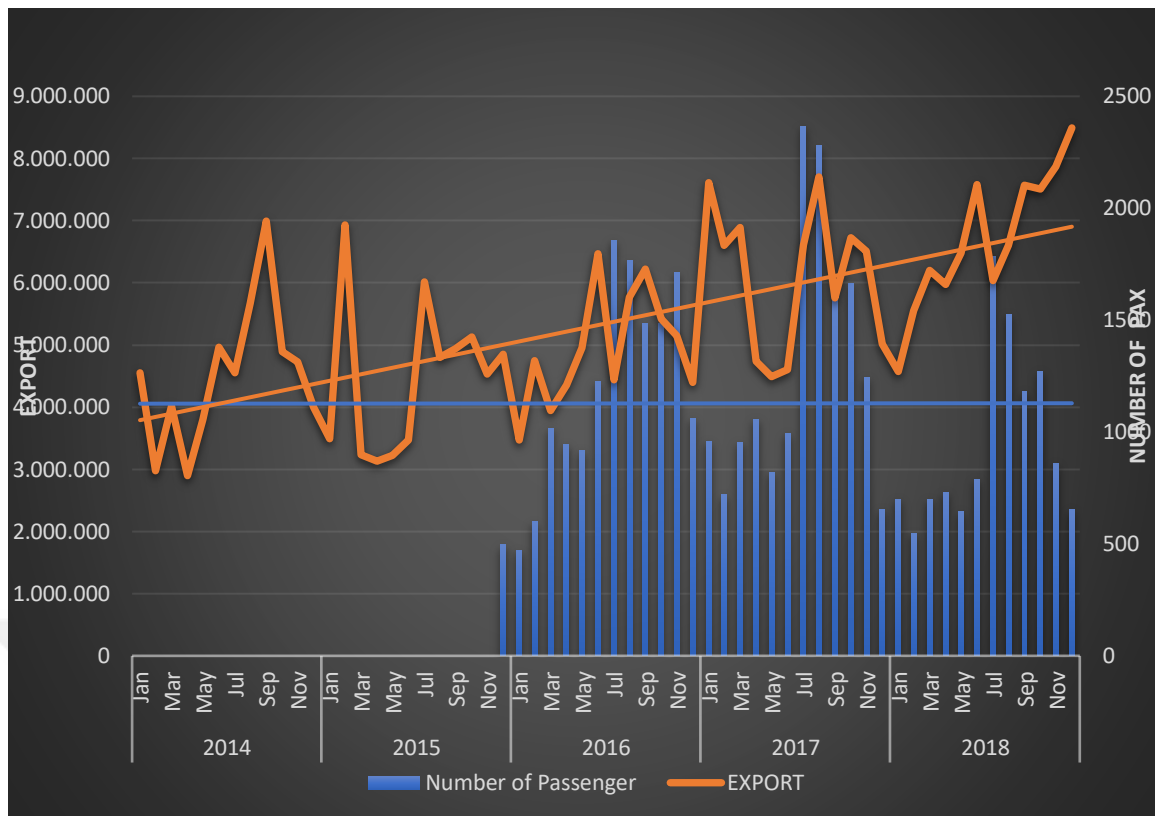
out of 189 countries. Madagascar export value was 2,6 billion US dollars in 2019. Exported goods are coffee, tea, spices, textile products, fishing products and other mining materials. According to the report published by United Nations Trade and Development (UNCTAD), Madagascar is one of the countries situated in East Africa which has attracted the most foreign direct investments. Foreign investments carried out in the free zone are exempted from taxes, and for 15 years are also exempted from income taxes. Another requirement to enter the market in Madagascar is that all investments must be done with foreign currency. Foreign investors can't own properties in Madagascar; instead, properties are available to rent for 20 or 50 years. Besides that, the maximum time for owning a property is 99 years. Most of the foreign investors are from Canada, Japan, South Korea, and France, which mostly work in the mining industries. Since 2001, Turkey's foreign trade with Madagascar has a surplus and between 2001 and 2019 Turkey's export reached 71 million US dollars and import is at 5,2 million US dollars as stated in the table 4.8 annual development Turkey-Madagascar trade. (Ministry of Trade, 2020).

DEIK also took important steps in order to boost the economic and trade relations between Madagascar and Turkey. Because of that, on April 15, 2016 Turkey-Madagascar business was established with an agreement signed by DEIK and FFCIM (Fédération des Chambre de Commerce et d'Industrie de Madagascar). Remarkable development has been spotted after 2016 in foreign trade and in air traffic as shown as in the table 4.8 and figure 4.9. Following years an uptrend continued following with gradual increase both on export and air traffic values as shown as in the figure 4.9. The former ambassador of Turkey in Antananarivo, Volkan Türk Vural, also emphasized the availability of rich resources. He also argued that Turkish businessmen's knowledge about Madagascar is limited. However, this disadvantage can be reversed with the development of the region. Although political instability and crisis happened in 2010, Turkey succeeded to open an embassy in Antananarivo. This act was supported by the start of flights operated by Turkish Airlines. TIKA is also another player in the country which helped the development of Madagascar. These actions taken by Turkey resulted to develop foreign economic relations as stated in the table 4.8. The figure 4.9 showed the gradual development in foreign trade and air traffic. As a result of these economic and political developments a positive correlation obtained which is 0,20.

**Table 4.8: Annual Development Turkey – Madagascar Trade**

<b>Annual Development Turkey – Madagascar Foreign Trade (1000\$)</b>				
<b>YEARS</b>	<b>EXPORT</b>	<b>IMPORT</b>	<b>VOLUME</b>	<b>BALANCE</b>
<b>2001</b>	2.768	202	297	2.566
<b>2002</b>	4.116	148	4.264	3.968
<b>2003</b>	5.419	172	591	5.247
<b>2004</b>	11.787	1.444	13.231	10.343
<b>2005</b>	9.354	109	9.463	9.245
<b>2006</b>	8.963	1.120	10.083	7.843
<b>2007</b>	10.607	1.276	11.883	9.331
<b>2008</b>	22.268	1.659	23.927	20.609
<b>2009</b>	19.296	2.552	21.848	16.744
<b>2010</b>	26.978	1.915	28.893	25.063
<b>2011</b>	51.213	2.413	53.626	48.800
<b>2012</b>	56.821	2.145	58.966	24.676
<b>2013</b>	59.613	4.417	64.030	55.195
<b>2014</b>	54.066	6.214	60.280	47.852
<b>2015</b>	53.739	5.833	59.572	47.906
<b>2016</b>	59.338	4.876	64.214	54.462
<b>2017</b>	73.245	5.833	59.579	47.913
<b>2018</b>	80.437	4.165	84.602	76.272
<b>2019</b>	71.330	5.215	76.545	66.115

**Source: (Ministry of Trade, 2020)**



Correlation between export and number of passengers: 0,20

**Figure 4.9: Madagascar Pax Traffic & Foreign Trade**

#### 4.2.9. Chad

Relations between Turkey and Chad have a historical background. Turkey recognized Chad's independence on August 11, 1960; diplomatic relations were established on November 29, 1969. On March 1, 2013, the Turkish embassy in N'Djamena opened, and Chad opened its embassy in Ankara on December 10, 2013. These developments boosted relations between the two countries. The president at the period, Kalzeube Payimi Deubet, made a diplomatic visit on December 15-18, 2014. During this visit various bilateral agreements were signed. In 2016 a remarkable development was observed. For instance, the Turkey-Africa Economy and Business Forum was organized in Istanbul. During this organization, Recep Tayyip Erdogan and the president of Chad had a meeting. The Following year, on December 26, 2017, President Erdogan gave a visit to N'Djamena, during his visits seven bilateral agreements were signed. Besides that, 100 businessmen who accompanied the

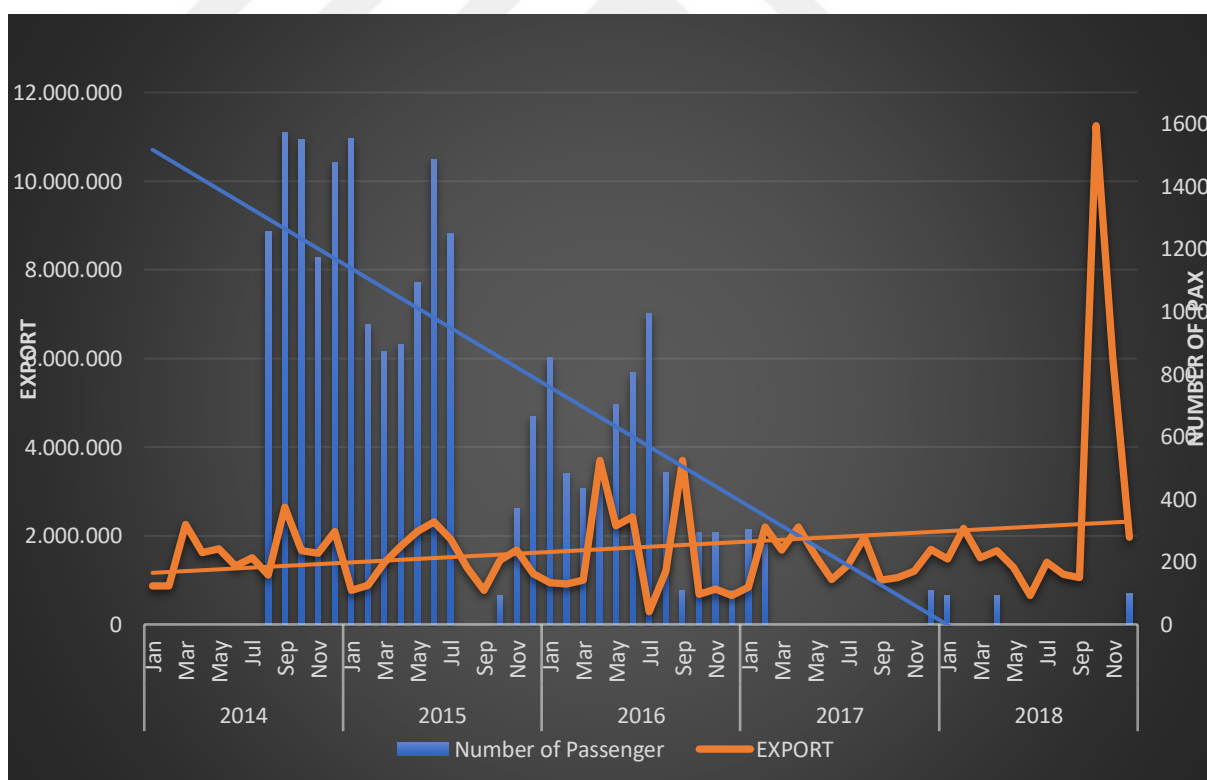
president organized the Turkey-Chad Business Forum. In addition to these developments, on December 12, 2013, Turkish Airlines started N'Djamena flights and on January 1, 2015, TIKA opened its office in Chad. After that year a gradual development in foreign trade observed as shown as in the table 4.9 and figure 4.10. (Ministry of Foreign Affairs, n.d).

The economy of Chad depends mainly on oil production. However, because of the fluctuations in oil prices and instability in the region Chad is one of the poorest countries in the World. To overcome those risks, government should increase the amount of investments on infrastructure, education, and health. On the other hand, oil export may have contributed to the development of GDP. Besides that, the World Bank finances agricultural projects and public projects to help to diminish poverty and to increase economic growth. Chad also is a member of CEMAC; monetary policy must be regulated according to the directive of CEMAC. In the domestic market, payments must be done in cash; credit card or checks are not acceptable. Public finance and the legal system in the country is not trustworthy. Because of this, Chad ranked at 182<sup>nd</sup> of 190 country in the list of ease of business. Economic and trade relation with Turkey are situated at a low level; however, since 2011 export level increased significantly as shown as in the table 4.9 annual development Turkey- Chad trade and figure 4.10. Due to the global crisis in 2015-2016 export levels of Turkey decreased as stated in the table 4.9 annual development Turkey- Chad trade, the same reaction can be observed also in export and air traffic values in the figure 4.10. The main exported goods to Chad from Turkey are wheat flour, iron, and nourishments products. Despite fluctuation on air traffic values in time due to the operational reasons there is a positive correlation between air traffic values and export values which is 0,04 as shown as in the figure 4.10. (Ministry of Trade, 2020).

**Table 4.9: Annual Development Turkey – Chad Trade**

Annual Development Turkey – Chad Foreign Trade (1000\$)				
YEARS	EXPORT	IMPORT	VOLUME	BALANCE
2010	3.323	113	3.436	3.210
2011	5.855	29	5.884	5.825
2012	9.739	9.662	19.401	77
2013	12.769	11.436	24.205	1.333
2014	19.273	16.820	36.093	2.453
2015	17.453	19.097	39.073	-4.166
2016	18.533	23.657	42.190	-5.125
2017	17.734	27.342	45.079	-9.607
2018	31.567	26.271	57.838	5.296
2019	40.328	35.333	75.661	4.995

Source: (Ministry of Trade, 2020)



Correlation between export and number of passengers: 0,04

**Figure 4.10: Chad Pax Traffic & Foreign Trade**

### **4.3. Limitations and Implications for Further Research:**

The results obtained from analysis made under some limitations. This study put a descriptive relation between air traffic, foreign economic and political relations however it is not significant statically. Relations between this concept is obvious but due to the limitations on the data, it was unable to get a significant and determined results from analyzes. To be able to obtain an ultimate result various data such as monthly revenue per flight and conducting a regression analyzes might give specific results. Due to the confidential reasons, revenue data couldn't obtain and used in the analyzes.

The selected countries were chosen based on the opening dates of the routes and the establishment dates of new economic and diplomatic relations. Another obstacle that I face during my research was to unable to distinguish passengers if they are transit passenger or not. To reach this information, a detailed data needed which show destinations of each passenger and revenues obtained from these flights. With a detailed data which contain revenue obtained, exact passenger numbers and daily or monthly foreign trade values a detailed analyzes might be conducted to reach a specific result. Another implications for further research is to increase the number of the countries, group them according to the embassy opening dates, and examine the relationship between political and economic relations and the dates of airline route operations.

## **CHAPTER V**

### **CONCLUSION**

In this research, the connection between foreign economic and political relations and the strategies of the national flag carrier is studied. The study begins with determining brand diplomacy and public diplomacy concepts. Especially in recent years, using hard power as a tool of foreign policy brings economical burdens to countries. The use of soft power tools is also a cheap way to make a positive contribution to the reputation of the country in the international arena. Various examples have been given from the world in terms of the use of soft power tools like brand and public diplomacy. For instance, the activities of Singapore Airlines are the examples given in terms of brand diplomacy. Singapore Airlines made an important contribution to the reputation and the recognition of Singapore. Using famous people and football teams by airlines is also another way to introduce company as well as the country to the world.

Development of the public diplomacy in Turkey is also another point of the research. Public diplomacy started to be used by Turgut Ozal governments. President Ozal was aware of the power of airlines as tool of soft power. Because of that, he intended to give support to the growth of Turkish Airlines. To achieve this Cem Kozlu was appointed as a CEO to Turkish Airlines to bring a business view. This strategical move showed its effects and Turkish Airlines started to growth significantly. The same strategy was followed by Ozal and continued in the period of Justice and Development Party. The government decided to make an opening plan for Africa in order to increase its market share in Africa.

With the descriptive analyzes done, it showed that there is a remarkable tie between foreign policy and the airline industry. Descriptive analyze results showed that there are affirmative outcomes which shows clearly that a flag carrier airline helped the development of the foreign trade with the selected countries. However, with a regression analyze with using revenue and detailed passenger numbers a significant

result can be obtained. Research showed clearly, as a tool of soft power, airlines can contribute to the state foreign trade and relations. Another outcome obtained from this research is that the government decided to start diplomatic relations and followed that with a scheduled flight to the countries in question, these actions affect foreign trade in a positive way. Another point of the research was that embassies in nine countries opened after the 2010s, and there seems to be a positive correlation between the opening date of embassies, start of scheduled flights, and exports values.

Research was done with selection of nine different countries which are Tanzania, Latvia, Ghana, Chad, Madagascar, Colombia, Mali, Sri Lanka, and Cameroon. The expectation from the research is to determine the influence of the foreign policy and traffic numbers. Especially on countries selected in the Africa continent, to show us the effect of the opening policy towards Africa that started after the 2010s. With the embassies activated in relevant years, beside foreign trade, Turkish Airlines passenger traffic showed a significant rise over the years.

This research put a clear understanding on the relations between foreign policy and route decision policy of the flag carrier airlines. Another conclusion of the research, airlines routes support foreign policy and foreign trade of the country. In addition, being a national flag carrier provides advantages for a country in foreign diplomacy. The analysis done might be detailed; however, during the research phases some restrictions have been encountered such as difficulties collecting some data due to confidential and financial reasons.

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2013 – 2018, Turkish Airlines, Flight Attendant

Jan – Feb 2012, Turkish Competition Authority, Intern

Jun – Jul 2010, Center for Middle Eastern Studies, Intern