

DOES TRADE FOLLOW THE FLAG?
TURKEY'S RELATIONS WITH ISRAEL AND EGYPT

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ABSTRACT

DOES TRADE FOLLOW THE FLAG? TURKEY'S RELATIONS WITH ISRAEL AND EGYPT

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This thesis aims to analyze the interaction between bilateral political and economic relations. The main question is whether there is a relationship between bilateral political relations and economic relations and if so, what is the scope of the relationship. In this thesis, this question will be analyzed using the case of Turkey and two of her neighbors in the Middle East: Israel and Egypt.

A correlation analysis is done between the chart of political relations through the years and three different variables – total trade volume, foreign direct investment and number of tourists – to understand the scope of the interaction. In these analyses, due to the differences between the Israeli and Egyptian economies, three major factors; liberalism, degrees of institutionalization and potential trade, and their effects on the correlation between politics and economics is analyzed. In addition, statistical analyses are used to further understand the big picture.

The study consists of four chapters. In the first chapter, the theoretical framework is presented and the phases of the study are scrutinized. In the second chapter, Turkey's bilateral political and economic relations with Israel are analyzed. In the third chapter Turkey's relations – both political and economic – with Egypt are similarly analyzed. In the last chapter, the main arguments of the thesis are put forth based on the data and analysis described in chapters 2 and 3.

Keywords: International Trade, Politics, Bilateral Relations, Liberalism

ÖZ

TİCARET BAYRAĞI TAKİP EDİYOR MU? TÜRKİYE’NİN İSRAİL VE MİSİR İLE İLİŞKİLERİ

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Yüksek Lisans, Ortadoğu Çalışmaları Bölümü

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Bu tezde ikili politik ilişkiler ile ekonomik ilişkiler arasındaki etkileşim incelenmektedir. Tezin üzerinde durduğu esas soru, ikili politik ilişkilerle ekonomik ilişkiler arasında bir bağ olup olmadığı, eğer bir bağ var ise bu bağın kapsamıdır. Tezde bu soru Türkiye ve onun Ortadoğu’dan komşuları İsrail ve Mısır açısından incelenmiştir.

Etkileşimin kapsamını anlamak amacıyla politik ilişkiler, üç farklı değişken ile –toplam ticaret hacmi, doğrudan dış yatırımlar ve turist sayıları- korelasyon analizine tabi tutulmuştur. Bu analizlerde, İsrail ve Mısır ekonomileri arasındaki farklar sayesinde, liberalizm, kurumsallaşma ve potansiyel ticaretin politika ve ekonominin etkileşimi üzerine etkileri de belirtilmiştir. Büyük resmi anlamak amacıyla, istatistiksel analizlere ek olarak kişisel tecrübeler de kullanılmıştır.

Bu doğrultuda çalışma 4 farklı bölümden oluşmuştur. Birinci bölümde teorik altyapı ve çalışmanın kapsamı açıklanmış, ikinci bölümde Türkiye’nin İsrail’le olan politik ve ekonomik ilişkileri incelenmiştir. Bir önceki bölüme benzer olarak üçüncü bölümde de Türkiye’nin Mısır’la olan politik ve ekonomik ilişkileri incelenmiştir. Son bölümde ise tezi esas argümanları ortaya konmuş elde edilen sonuçlar paylaşılmıştır.

Anahtar Kelimeler: Uluslararası Ticaret, İkili İlişkiler, Politika, Liberalizm

To My Parents, My Wife and My Sister

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CHAPTER I

INTRODUCTION

In the last decade, there has been dramatic deterioration in Turkey's political relations with two Middle Eastern states, namely Israel and Egypt. The impact of the problems in political relations on the quality of bilateral economic relations has become a significant part of the public debate. While it has been reported that despite the change in political stance, Turkey continued and even improved her economic relations with Israel, in the case of Egypt, there has been an emphasis on the negative impact of the problematic political relationship on economic relations. This thesis aims to analyze the relationship between political and economic relations in Turkey's dealings with Israel and Egypt and to determine whether there is a historical pattern. The emphasis will be on the last decade, as the thesis will specifically analyze the impact of deteriorating political relations on the economic realm.

Israel is chosen because, in terms of the subject of this thesis, Turkish-Israeli relations are the best and most unprecedented example. Contrary to some of their neighbors, neither Turkey nor Israel has any economic dependence on the other. Using countries without economic dependencies is important because they can hide possible changes in economic relations. If there is an economic dependence that is independent of political relations, countries may sustain economic relations or adjust political relations in consideration of that dependence. Choosing countries neither of which is dependent on the other is important to getting a better understanding of the relations between political and economic relations, and Turkish-Israeli economic relations are a good example in this regard.

Furthermore, Turkey and Israel have a long history of relations characterized by ups and downs. In a more stable environment, it is harder to see the correlation between the political and the economic; the fluctuations in the relationship between Turkey and Israel make it possible to better see the nature of the relationship.

There is, similarly, no relationship of economic dependence between Turkey and Egypt. Despite the fact that Egypt is a gas producer, Turkey does not import gas or its derivatives from Egypt. In fact, Egypt uses its gas resources for its own self-sufficiency. Since economic dependence is an anomaly that prevents correct results in correlation analysis, Israel and Egypt were chosen as the best options for this research. Where there is economic dependence, a country might try to maintain good relations with the country to which she exports, or despite bad political relations, a country might continue to export goods out of necessity; thus, where there is dependence, politics may have no effect on trade.

Israel and Egypt are in some ways different, and their differences will allow testing the hypothesis that is the subject of this thesis. The Egyptian government has a more dominant presence in its economy than the government of Israel. While liberal economies are relatively protected from fluctuations in bilateral relations, a state-controlled capitalism-style economy is more sensitive to them. Governments in the second type of system can control economic relations and thus manipulate them in accordance with political relations. In addition, economies of this kind do not involve a large number of influential businesspeople inclined to intervene in government decisions. In liberal economies, each sector and group of businesses are potential beneficiaries. They try to affect government decisions to increase their profits. Thus if an economy is less liberal and more state controlled it means that there are fewer groups of potential beneficiaries; therefore, those limited groups of potential beneficiaries will have less influence on government than their counterparts in liberal economies.

There are also other differences between Israel and Egypt in terms of relations with Turkey. Israel's relations with Turkey have more clarity—they are more black and white, with fewer grey areas. However, due to their common history, Egyptian and Turkish relations are different in a deep sense. There are no clear ups and downs. Sometimes the two countries look like allies but, in fact, each country sees the other as a competitor. On the hand, as was the case between 2013 and 2015, even when relations sharply deteriorate, both countries are committed to maintaining tight trade relations.¹ This situation has some similarities to Turkish-Israeli relations, but it is important to note that in the latter case, there signs that show the path of relations are more consistent. By comparison, the course of Turkey's relations with Egypt are hard to determine; there are lots of grey areas and artificial good and bad gestures.

There are also some similarities between the Israel and Egypt's economic relations with Turkey. Turkey has bilateral free trade agreements with both. These agreements build trust and stability between countries in the area of economic relations.

This thesis identifies three indicators for analyzing how changes in political relations affect changes in economic relations. The first is the total trade volume between subject countries. In this analysis, the ways that changes in political relations result in changes in total trade volume will be considered, and a correlation analysis will be done to demonstrate the relationship between the two. In other words, the results will show if worsening political relations affect economic relations in the same direction, or if economic relations follow an independent path.

The second indicator used to analyze the effects of changes in political relations is total foreign direct investments (FDIs). FDIs are long-term commitments and building a factory in another country has risks. FDIs need more political stability than short-term investments. While stock investments can easily leave a country under negative political

¹ <http://www.dailynewsegypt.com/2013/11/24/egyptian-turkish-businessremains-stable-amid-diplomatic-row-analysts/> date of access: 25.12.2015

conditions, FDIs cannot. A negative political environment thus more significantly affects foreign direct investments, either by preventing start-ups or it because of its impact on existing projects. Such an environment may affect the profitability of an investment and lead to an investor pulling out.

The third and final indicator is total tourist numbers. Tourists can easily change their minds about visiting a place if political relations change. While positive political relations can create a positive environment and increase tourist numbers, worsening political relations might lead to a decrease in tourist numbers by affecting public opinion about the countries in question. Moreover, tourism is open to government interventions. Institutions like the World Trade Organization (WTO) protect trade and make it stable, and free trade agreements improve this stability; however, there are no equivalent international organizations to govern tourism, nor agreements to institutionalize it. Thus, tourism is more easily affected and can be used as leverage when political relations deteriorate.

Using the three indicators above, the possible effects of shifts in political relations on economic relations will be analyzed.

In the second chapter, Turkish-Israeli political and economic relations will be analyzed. First, the history of political relations between the two countries from the foundation of the State of Israel to the end of 2015 will be examined, and the ups and downs in relations will be charted. Next, an overview of economic relations between the two countries will be given. In this part, important changes, economic agreements, and the scope of the economic relations will be examined; in addition, a correlations analysis will be undertaken with the aim of understanding how bilateral political relations affect bilateral economic relations between Turkey and Israel. As stated above, three indicators will be analyzed: total trade volume, foreign direct investments and number of tourists. This chapter will also touch on public debate in Turkey about Turkish-Israeli economic relations and will test some of the arguments that are used in those debates.

The focus of the third chapter will be Turkish-Egyptian relations. Here again, the history of the political relations between the two countries will be summarized, then breaking points and breakthroughs will be identified. Subsequently, an overview of Turkish-Egyptian economic relations will be provided. As in the previous chapter, economic agreements and the extent of economic relations will be discussed. Next, a correlations analysis will be done using the same three indicators: total trade volume between Turkey and Egypt, foreign direct investments and number of tourists. In this analysis, changes in political relations will be matched with changes in these indicators and in such a way, the relationship between political and economic relations between Turkey and Egypt will be analyzed.

As mentioned above, a correlation analysis will be used to determine whether there is a connection between the political and trade relations of the sample countries. Correlation analysis measures the relationship between two different variables, one bound and the other independent. Basic correlation analysis is the most commonly used method in scientific research. It measures the level of relation by predicating deviation from the average. Correlation coefficient signs the way of variables and the level of interaction. Correlation analysis measures whether there is an interaction between variables, whether that interaction is weak or strong, and whether the members of the survey group move in the same or in opposite directions. Hence, it is the most suitable type of analysis given the subject of this thesis. It will also be briefly explained below why other types of analysis were rejected.

The first alternative type of the analysis is logistic regression analysis. Logistic regression is preferred if the bound variable is qualitative data. Since both of sets of data in this thesis are quantitative, logistic regression analysis is not suitable. Another type of analysis is factor analysis, which is used if there are a large number of variables. Factor analysis degrades the interaction between many variables to a basic aspect and summarizes this interaction. Since there are not a large number of variables in our data set, factor analysis

was not chosen. Finally, there is regression analysis, which investigates the average interaction between two or more variables via a mathematical function. The level and the nature of interaction is explained by correlation analysis; therefore, rather than regression analysis, again correlation analysis is more suitable for this thesis's data set.

However, for a robust correlation analysis, there should be two different data sets that match. While there are statistics for total trade volume, FDIs and tourist numbers, the other variable of the equation is not a statistical one but rather relates to politics. To overcome this issue, ups and downs in political relations are represented by "1s" and "0s, with "1" standing for years that experienced a breakthrough and the "0" for years when there was a breakdown. In such a way, it is possible to match a non-statistical variable with a statistical one. Of course there are no crystal clear blacks and whites in political relations and hence, in reality, there should be a range between 0 and 1. However, since it is almost impossible to objectively grade political relations, in order to simplify the method the choice was made to use only two values at opposite ends of the scale.

On the other hand, in order to understand what statistics cannot elucidate, for both chapters interviews with businessmen were conducted. This exercise was aimed at getting a better view of what is really going on between the countries in question. The interviews are important to understanding non-tariff barriers, such as bureaucratic impediments, and to fully covering all political factors that can affect trade. Personal experiences are one of the best ways to understand these non-measurable effects, and the accounts of people that do business in the countries involved have contributed much to this thesis.

Another important source of information about unquantifiable impediments to trade is the media. Businesspeople and others who suffer due to political tensions complain about the losses that they experience and the media covers these complaints as a means of illustrating the state of political relations between countries.

1.1.Literature Review

To get a better understanding of the thesis subject “Correlation between political and trade relation of Turkey and her neighbors” a literature search was necessary. In the course of this search, the theoretical foundation of the subject was established. Since understanding an issue first requires a theoretical base and then empirical evidence, the thesis began with a literature search on the issues it discusses. There are three important international relations theories that are relevant to the subject of this thesis. As a first step, these theories will be identified and the literature about them evaluated in order to provide a framework for understanding the arguments in this thesis. Realism, Institutionalism and Liberalism are among the most prominent principal theories in the field of international relations.

According to Anne-Marie Slaughter, ‘realists’ define the international system in terms of anarchy, the lack of a central authority. In this system, all states are presumed sovereign and there is no structure to order relations between them. They are bound only by force or by their own consent.² According to realists, in this anarchic international environment, state power is the main and only variable of interest. State power is important because it is essential to the capacity of states to defend themselves and to survive. Realists define power of this kind in a variety of ways, including military, economic, and diplomatic.

Realist theory is based on four assumptions: first, each state’s main aim is survival, thus invasion is the main threat it faces; second, states are rational actors, and thus they will act as best they can; third, all states build a military capacity and no state can know what is its neighbor’s intent; and fourth, international relations is a story of Great Powers, states that build significant economic and military capacity.³

² Slaughter Anne-Marie, *International Relations, Principal Theories*, Max Planck Encyclopedia of Public International Law, Oxford Universtiy Press,2011

³ Ibid.

Thus hegemony is the best strategy for a state to follow and if a state builds a hegemony over another state, it has the potential to extend that hegemony into different areas; for instance, a military hegemony could lead to diplomatic hegemony over the same country, or a diplomatic hegemony could bring with it economic hegemony. Therefore, in terms of the focus of this thesis, according to the realist theory, positive political relations could bring positive economic relations and vice versa. Colonialism is a good example in terms of the side effects of political hegemony; states that built a colonial order by means of their military, political and diplomatic superiority also benefited from economic developments.

‘Institutionalism’ shares some of the realist assumptions. Like realists, institutionalists also suggest that the international system is anarchic, that states are self-interested and that their aim is to survive. However, institutionalists believe that cooperation between states is possible.⁴ Unlike realists, they suggest that institutions can overcome the uncertainty that undermines cooperation.⁵ In terms of the focus of this thesis, institutionalism proposes that, for example, institutions like trade unions, free trade agreements, and customs unions may affect decisions and behaviors of states.

The main claim of ‘Liberalism’ is that national characteristics of individual states matter for their relations.⁶ According to liberalism, each state has its own aim and thus it differs from realism, which supposes that every state has only one (and the same) aim – survival. Contrary to realists, liberals argue that liberal states are more inclined to peace and compared with other systems, democratic liberal states are less likely to be involved in wars.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

According to liberalism, individuals and private groups – not states – are the fundamental actors in world politics, and states represent the concerns of those they serve. Finally, states' behavior is determined by the configuration of these preferences.⁷ Therefore, according to the liberal view, states are configurations of individuals and interest groups, who enforce their interests in the international system through the state.

Consequently, liberalism supposes that concerns of interest groups and private citizens can affect the decisions of states. In terms of the focus of this thesis, according to the theory of liberalism, economic relations can diverge from political or diplomatic relations. Moreover, economic interests can shape international relations, and thus diplomatic relations can be shaped by the economic interests of private groups.

A review of the literature on these three international relations theories as they relate to this thesis – realism, institutionalism and liberalism – follows below.

The subject of the relationship between political and trade relations started to attract attention in the 1980s, before which there was no serious study on the issue. Brian M. Pollins is one of the pioneers in this area. He wrote his first article on the issue in 1989, titled “Conflict, Cooperation and Commerce: The effect of international political interactions on bilateral trade flows”.⁸ In this article, Pollins suggested there is a correlation between bilateral trade and political relations and supported his claim with empirical evidence. His second article emerged in the same year, expanding on the first, with an attempt to answer the question, “Does trade still follow the flag?”⁹ Pollins examines the issue from two different perspectives – realism and liberalism. He wonders,

⁷ Ibid.

⁸ Brian M. Pollins, *Conflict, Cooperation, and Commerce: The Effect of International Political Interactions on Bilateral Trade Flows*, American Journal of Political Science Vol. 33, No. 3 (Aug., 1989)

⁹ Brian M. Pollins, *Does Trade Still Follow the Flag?*, The American Political Science Review Vol. 83, No. 2 (Jun., 1989)

from the realist point of view, how political power affects economic relations. On the other side, by keeping social actors and private groups and their effects on trade decisions in mind, Pollins tries also to understand the issue from a liberal perspective.

Pollins' articles are important to this thesis because he tries to understand the relationship between politics and trade. What is more, rather than asking how trade affects politics, as mainstream writers do, he wonders how politics affects trade. By taking this approach, he became a pioneer on the issue. Pollins says that "trade flows are affected by the decisions of social actors at every level, from individuals to interest groups to nation states." He argues that economic agents follow a common logic and thus a simple model can be offered on the issue. Pollins emphasizes that, among other things, supply security is crucial for importers and exporters. Since conflicts and tensions risk supply chains and threaten supply security, political stability between countries is vital for economic agents.

In sum, Pollins identifies the factors that affect import decisions as follows:

- I) Purposive attempts by the importer to exert influence over the exporter by manipulation of economic ties
- II) The general foreign policy orientation or political alignment of the importer vis-à-vis the exporter
- III) The recent status of relations; that is, the climate of friendliness or hostility that exists between exporter and importer

Pollins gives examples of cases where trade is affected by political tensions. He notes that Egypt's political realignment in 1973 was followed by a radical reorientation of its trade ties in ensuing years. Similarly US-Iranian economic ties were shredded by the reorientation of Iran's foreign policy following the 1979 revolution. He also argues that British-Argentina trade plummeted following the Falklands conflict. Pollins concludes that "trade may be affected significantly by international political alignment and conflict,

even though the state may not be employing trade ties as an instrument of political influence.”

In sum, based on his empirical statistics, Pollins concludes that “empirical estimations of this model support the hypothesis that weighted cooperation sent, my indicator of bilateral cooperation and conflict, is positively associated with levels of bilateral trade.”¹⁰ However, he also emphasizes that “the responsiveness of bilateral economic exchange to changing political conditions may vary, say, between great powers and small states, between oil exporters and those highly depended upon them or between allies and those in an opposing bloc.”¹¹

Since 11 September 2001, with the emergence of new political conflicts, economists have begun to think more on the issue. In 2007, Scott L. Kastner wrote his article, “When do Conflicting Political Relations Affect International Trade?”¹² Like Pollins, Kastner accepts that there is a relationship between political and economic relations, but he also considers the influence of domestic interest groups in the matter. Therefore, Kastner looks at the issue from a liberal perspective. He is concerned with the influence of interest groups and tries to understand, during politically challenging times, how those groups affect international trade decisions.

Kastner argues that “at least to some extent, trade trends follow the flag”, which reflects a popular saying on the issue. However, he also adds that the extent to which international political relations affect trade clearly varies from case to case. Kastner focuses on this issue and looks for the reasons, deciding that the degree of correlation is related to domestic politics within the states involved. He argues that when economic interests are

¹⁰ Ibid p.757

¹¹ Ibid. P.757

¹² Scott L. Kastner, *When Do Conflicting Political Relations Affect International Trade?*, Journal of Conflict Resolution August 2007 vol. 51 no. 4

weak, conflicts in the sphere of political relations have a greater impact on trade. Stronger economies mean political relations have less effect on international trade, which also means strong economies can decrease negative effects of political relations on international trade. Kastner's main point, therefore, is that states with common interests have better trade relations and more resistance to the negative effects of political tensions than states with clashing interests.

In 2002, Quan Li and David Sacko found that the possibility of future military clashes is associated with reduced trade flows in their article, "The (ir)relevance of militarized interstate disputes for international trade".¹³ Li and Sacko observe that even the possibility of a military clash can hinder international trade. Another to support this idea is Andrew Long in his article "Does trade follow peace? Postwar bilateral trade and expectations for recurrent conflict". He argues that an expectation of war between states decreases trade.¹⁴

Another recent article on the issue was published by W. Henisz, E. Mansfield and M. Glinow in 2010. It is an evaluation of the relevant literature and covers various subtopics. The article considers the effect of terrorism on trade, but that matter is outside the scope of this thesis.¹⁵ According to the authors, trade and conflict have double-sided effects. They argue that because conflict can disrupt economic relations and international business and thereby jeopardize gains from trade, these actors have an incentive to lobby the government to avoid new disputes and keep active ones from escalating. Also in this

¹³ Quan Li and David Sacko, *The (Ir)Relevance of Militarized Interstate Disputes for International Trade*, *International Studies Quarterly* Vol. 46, No. 1 (Mar., 2002)

¹⁴ Andrew Long, *Does Trade Follow Peace? Postwar Bilateral Trade and Expectations of Recurrent Conflict*

¹⁵ W. Henisz, E. Mansfield and M. Glinow, *Conflict, security, and political risk: International business in challenging times*, *Journal of International Business Studies* 41(5):759-764 · June 2010

article, the authors agree with Pollins' notion that "states with common benefits trade more and state with opposite benefits trade less".¹⁶

However, even though they generally agree with Pollins' argument, the authors also emphasize examples where countries sustained their trade relations even when they were at war. On the same lines, Barbieri and Levy noted that "six days after Pearl Harbor, a U.S. presidential edict created legislation for the granting of licensing arrangements for trading with the enemy, and there are countless examples of U.S. firms doing business in strategic goods with Nazi Germany".¹⁷ However, since the U.S. was a latecomer to WWII, it was not abnormal for the U.S. and Nazi Germany to trade, since they were not enemies.

Nevertheless, the authors emphasize that wars significantly reduce international trade between combatants and throughout the global system. They note that, despite anecdotal reports by managers that political risk was among their paramount concerns in identifying investment targets and strong theoretical expectations that higher risk or uncertainty should increase the hurdle rates of return and thereby reduce the number of profitable investments in a given country.

In the article, it is also mentioned that, parallel to the literature on trade, conflict, and security, another strand of research has examined the role of dyadic political relations on investment flows. Nigh shows that the degree of conflict or cooperation characterizing the relationship between the United States and potential host countries influenced the magnitude of outward FDI from the United States to those countries.

In sum, despite the fact that there are some instances where trade is not affected by political conflict, most empirical evidence shows that there is a correlation between trade

¹⁶ Ibid.

¹⁷ Scheider, Barbieri, Gleditsch, *Globalization and Armed Conflict*, Rowman&Littlefield, P.296

and political relations and that trade does follow the flag. According to these studies there are several reasons this occurs, but the most important among them is supply chain security. Since stability and foreseeability are important for firms, they believe political conflict might interrupt trade relations and thus lead to market loss; therefore, they prefer to trade with countries with whom there are good political relations.

In the light of these theoretical frameworks, this thesis will make some arguments about how they apply to the economies of Turkey, Israel and Egypt. Depending on the relative strengths of each factor, differences should become apparent in terms of the correlation between political and economic relations.

The first factor is the effect of liberalism. As mentioned above, in liberal economies, private agents make decisions and government intervention in the economy is limited. This system emphasizes the concept of the free market and laissez-faire policies, with the government's role limited to providing support services.¹⁸ In the context of this thesis, the Israeli, Egyptian and Turkish economies have different levels of liberalism; hence, it is possible to observe how liberalism affects the possible influence of political relations on economy.

The second factor is the impact of institutionalization and free trade agreements. Turkey has free trade agreements with both Israel and Egypt. These agreements have brought predictability and stability in bilateral economic relations and, consequently, trade between Turkey and both countries has become more steady and less open to intervention. Here, the importance of the free trade agreements should be emphasized further. When Turkey became a part of the European Customs Union, she agreed to sign agreements with the third countries with whom Europe had free trade agreements. In this context, Turkey and Israel instituted a free trade agreement in 1996. In 2004, the European Union

¹⁸ <http://lexicon.ft.com/Term?term=liberal-economics> date of access: 01.03.2016

signed a free trade agreement with Egypt,¹⁹ and the following year, to meet her obligations, Turkey also signed a free trade agreement with Egypt.²⁰ These intra-national agreements are a facet of international law. Free trade agreements are enacted by the approval of national parliaments and thus they can only be abolished with those parliaments' approval. Hence, free trade agreements make international trade more institutionalized and make government intervention less likely. In addition, free trade agreements make it possible to find new markets in collocutor countries, upgrading previous trade relations to a new phase.

The third factor is the possible effects of political tensions on potential trade. Political relations might have an effect on total trade volume, but another important question is how they can affect the potential? If a more positive political environment might potentially have a growth effect on trade, might political tensions have a regressive effect? Despite the fact that this question necessitates more complex investigation and further statistical work, the personal experience of businesspeople will be used to discuss the possible effects of politics on potential trade.

Along with trade, tourism is an important indicator in terms of understanding the effects of political relations on international economic relations. Tourism is a branch of the economy that is relatively open to intervention. Governments declare warnings about visiting other countries and make announcements as to whether countries are safe to visit. Citizens usually follow those warnings and make decisions about their holidays accordingly. Consequently, governments tend to use those statements as a tool to prevent their citizens from visiting other countries if there are political tensions between them. Statistical analysis of tourist numbers will address two possible issues: first, if tourism is

¹⁹ <http://www.ekonomi.gov.tr/portal/content/conn/UCM/uuid/dDocName:EK-158832> date of access: 01.03.2016

²⁰ <http://www.ekonomi.gov.tr/portal/content/conn/UCM/path/Contribution%20Folders/web/D%C4%B1%C5%9F%20%C4%B0li%C5%9Fkiler/Serbest%20Ticaret%20Anla%C5%9Fmalar%C4%B1/ekler/sta%20tablo.pdf?lve> date of access: 01.03.2016

more open to government intervention than international trade and second, how the absence of agreements and supranational institutions (institutionalization) affects tourism.

In relation to the first factor – the effect of liberalism –, differences between the Israeli and Egyptian economies will be analyzed. To this end, the difference in the structures of the Israeli and Egyptian economies will be detailed briefly.

In this thesis, three factors will be tested:

First is the question “Does trade follow the flag?” Taking a realist viewpoint, economic relations should follow political relations; thus, positive political relations should bring increase in economic relations and negative political relations should cause a decline in bilateral economic relations.

Second is the matter of the effect of liberalism. Taking a liberal viewpoint, more liberal states are less affected by political tensions. In a liberal state, it is expected that interest groups affect government decisions; therefore, fewer political tension should be expected, because those interest groups benefit from international trade. If political tensions do rise, it is supposed that interest groups will nevertheless continue their relations. Consequently, the liberal view argues that, in a liberal state, bilateral economic relations will go on regardless of political tensions.

The last factor that will be analyzed is the effects of international institutions. As explained above, from an institutionalist perspective, regardless of political tensions, international institutions that regulate international trade between states will contribute to sustaining bilateral trade. Thus if there are institutions regulating international trade between states, bilateral economic relations should be expected to continue regardless of political relations.

CHAPTER II

TURKISH-ISRAELI RELATIONS

2.1. A Brief History of Turkish-Israeli Political Relations

Turkey has had a long history with the geographical region where the state of Israel is located, but the Turkish Republic's political relations with Israel started with the foundation of the state of Israel. Despite the fact that Turkey's attitude towards the creation of Israel was initially ambiguous and Turkey was opposed to the 1947 UN Palestine Partition Plan, Ankara recognized Israel as a state in 1949.²¹ It was the first Muslim country to do so.

“Turkey's policy towards the Middle East during the 45 years of the Cold War was marked by a certain degree of aloofness, non-intervention in intra-regional affairs, and strict neutrality in regional conflicts.”²²

Turkey did not want to upset her Arab friends in the region by building strong relations with the state of Israel, especially as a Muslim country; however, facing the threat of Soviet incursions, Turkey was willing to side with the western bloc in recognizing Israel. Hence, Turkey was trying to follow a balanced policy. This approach led to the relationship with Israel becoming sensitive to Arab-Israeli relations and pegged to them.²³

²¹ Ofra Bengio, *The Turkish Israeli Relations*, Palgrave MacMillian, page: 74

²² Ibid, page: 20

²³ İlker Aytürk, *The Coming of an Ice Age? Turkish-Israeli, Relations Since 2002*, Turkish Studies, Vol.12,No:4, December 2011, page 675

Furthermore, it resulted in Turkey building relations with Israel during the 1950s, but at the same time keeping them secret.

Israel in turn has always been open to building good relations with Turkey, the only non-Arab, democratic Muslim country. Israel's first Prime Minister David Ben-Gurion was committed to this relationship, as a means of trying to escape the immediate ring of Arab hostility around Israel.²⁴

Turkish-Israeli relations can be divided into two periods. The first is the period between the 1950s and the 1990s, which can be identified a time in which relations were not made public. During this period, Turkey tried to hide improvements in her relations with Israel, instead intentionally giving the impression that relations were unexceptional. This was especially true during the 1950s. The second phase began in the 1990s and continued till 2008; this can be called the period of publicly open relations. In this period, thanks to improvements in the wider region – such as peace talks between the Arabs and Israelis – Turkey did not feel any necessity to hide the nature of her relations with Israel.

According to Bengio,

The effect of all these contradictory interests, inhibitions, fears and pressures was that relations between Turkey and Israel up to the 1990s developed along two tracks: a secret strategic track, which, when it existed, was quite intense and intimate, and a public track, which for most of the period was generally low key and unimpressive. However, the Gulf crisis of 1990 and its aftermath eroded this duality and little by little the two tracks drew together and by 1996, they had openly converged.²⁵

²⁴ Efraim Inbar, *The Turkish Israeli Entente*, King's College London, Page: 3

²⁵ Ofra Bengio, *The Turkish Israeli Relations*, Palgrave MacMillian, page: 3

In fact, after recognizing Israel, Turkey kept her relations with Israel discreet. Turkey did not want to act contrary to the Arab and Muslim world, having been accused during her efforts to build the Baghdad Pact in 1955 by Arab countries who opposed it of being a tool of western and Israeli interests.²⁶ In 1956, with the Suez war between Israel and Egypt, relations between Turkey and Israel started to turn to negative from neutral. Turkey recalled her ambassador and one month later Israel retaliated in kind.²⁷

Since Israel was trying to escape the immediate ring of Arab hostility around her, good relations with Turkey were in her interests. After the initial downgrading of relations with Turkey, Israel therefore started to look for new ways to build better relations. This move was Ben-Gurion's 'peripheral strategy initiative', aimed at forming alliances with non-Arab countries on its periphery. With the support of the United States, Ben-Gurion tried to achieve a new balance of power against the Arab countries in the region.²⁸

In the year 1958, Turkey's relations with some Arab countries deteriorated and the Baghdad Pact lost its importance. The fall of the monarchy in Iraq in July triggered a change in Turkey's outlook, as did the Nasserite pan-Arab tide. This represented a chance for Israel to win Turkey over to her side. In the same year, Ben-Gurion paid a secret visit to Turkey and talked about a periphery alliance between Israel, Turkey and the United States. Subsequently, a series of clandestine meetings were held between officials of the two countries.²⁹

In the end, a secret alliance was brokered between Turkey and Israel. It was kept quiet because despite the change in relations with some Arab countries, Turkey still wanted to

²⁶ Prof. Dr. Fahir Armağanoglu, *20.Yüzyılın Siyasi Tarihi*, Timaş Yayınları, page:251

²⁷ Ibid, page: 37,39

²⁸ Ofra Bengio, *The Turkish Israeli Relations*, Palgrave MacMillian, page: 40

²⁹ Ibid, page: 42

avoid bad relations overall.³⁰ The agreement was not a full military alliance, but it had some important components like military aid, change of intelligence, economic matters and diplomatic issues. The agreement is important to the subject of this thesis because, according to Bengio, it was aimed at industrial development in Turkey and increasing trade between the two countries. Bengio further claims that, “It is said that the agreement included scientific cooperation that aimed at the export of Israeli military equipment to Turkey”.³¹ This was a secret moment of improvement in Turkish-Israeli relations.

In June 1967, when the Six-Day War started between Israel and three of her Arab neighbors, Turkey sided with the Arab world and supported them in the UN and on other international platforms. In 1973, another war broke out between Israel and her neighbors and Turkey again sided with the Arab countries, slowing economic and cultural exchanges with Israel to a trickle.³²

The 1970s brought a different path to Turkish-Israeli relations, which were downgraded during those years. There were several factors involved, but two had especially serious effects. The first was Turkey’s Cyprus operations. Turkey needed and expected Arab support in the dispute with Greece, and according to Bengio, “aware of the Turkey’s vulnerability, the Arab countries began pressuring Ankara on the issue of its relations with Israel, making their support on the Cyprus issue conditional upon Turkey’s severing ties with Israel.”³³ The second reason was economic. During the 1970s, the world experienced an oil crisis. A hike in oil prices and the large amounts of money accumulating in Arab countries turned Turkey’s face toward them again. The oil revenues of Arab countries made them an appealing market for Turkey. Moreover, the construction

³⁰ Ibid, page: 44

³¹ Ibid, page:48

³² Ibid, page:8

³³ Ibid, page:8

boom that was taking place in the region was a chance for Turkey to overcome its economic crisis of the time.³⁴

The 1980s saw both ups and downs in Turkish-Israeli relations. When Israel adopted the Jerusalem Law in 1980 and declared the city the united and undivided capital of the state of Israel, Turkey-Israel relations again deteriorated. Turkey decided to downgrade the level of diplomatic relations at that time, sending a diplomat of the rank of only second secretary. At the same time, the Iran-Iraq war erupted, leading to another hike in oil prices, and this may also have affected Turkey's relationship with Israel.³⁵ In the second half of the 1980s, however, things started to change. Decreasing oil prices made room for Turkey to maneuver in Middle East policies.³⁶ At the same time, Turkey's relations with Iraq and Syria worsened because of differences over the use of water from the Euphrates and Tigris Rivers. Another source of problems was the PKK, since at the time, Turkey suspected Syria and to a lesser extent Iran of supporting the separatist terrorist group.³⁷ Deteriorating relations with her Arab neighbors and Iran directed Turkey to her old friend Israel. Ankara appointed a seasoned senior diplomat to Israel and Israel responded in kind. In 1986, reciprocal senior-level political visits started again. Meetings that had stopped with the deterioration of relations started again, and in 1987, Turkey and Israel re-embarked on their once routine meetings at the United Nations General Assembly in New York.³⁸

³⁴ Meliha Altunışık, *Turkish – Israeli Rapprochement in the Post-Cold War Era*, Middle Eastern Studies, Vol36, page:172-191

³⁵ Efraim Inbar, *The Turkish Israeli Entente*, King's College London, page:8

³⁶ Ibid, page:8

³⁷ Meliha Altunışık, *Turkish – Israeli Rapprochement in the Post-Cold War Era*, Middle Eastern Studies, page:172-191

³⁸ Efraim Inbar, *The Turkish Israeli Entente*, King's College London, page:8

In the 1990s there was a huge change and breakthrough in Turkish-Israeli relations. The end of the Cold War and the eruption of the Gulf War changed the paradigms in Turkey's policy towards the Middle East. As mentioned, Turkey had tried to stand with the Western Bloc against the threat from the Soviet Union; thus, her main priority was western countries and Europe. She applied to be a member of the European Community and in every aspect showed her alignment with the Western Bloc, especially the United States. In these circumstances, the Middle East became a second priority for Turkey and neutrality and non-interventionism was the main policy. With the end of the Cold War, Turkish politicians were increasingly concerned that the Western Bloc would no longer need Turkey in the region and thus her strategic importance would be diminished. Turkey therefore looked for new opportunities to remind the West of her value in the region. The Gulf War was her chance.

President George Bush talked about a "new world order" he claimed would bring peace and democracy to the Middle East.³⁹ Turkey's Prime Minister Turgut Özal saw the Gulf War as the beginning of a new era in the Middle East and considered that Turkey had to be on the winning side in order to influence post war developments.⁴⁰ Indeed, at the time, almost every leader had a vision for the Middle East: George Bush's was a new world order; Turgut Özal's, the New Turkic World; Saddam Hussein's, the New Arab Order; and Shimon Peres's, the New Middle East.⁴¹

Turgut Özal made the decision that Turkey should take on a greater burden in Middle Eastern affairs. Turkey again sided with United States in the Gulf War, not taking part

³⁹ Ofra Bengio, *The Turkish Israeli Relations*, Palgrave MacMillian, page:167

⁴⁰ Meliha Altunışık, *Turkish – Israeli Rapprochement in the Post-Cold War Era*, Middle Eastern Studies, page:173

⁴¹ Ofra Bengio, *The Turkish Israeli Relations*, Palgrave MacMillian, page:167

actively, but providing a base for the United States and becoming a logistical partner. In the words of Altunışık:

Later, the Arab-Israeli peace process that started after the Gulf War further increased the possibility of a new and active Turkish role in the Middle East by relieving Turkey from the burden of trying to strike a balance between two sides. The aura of co-operation that emerged in the region after the initiation of the peace process created hopes on the part of Turkey that there could be new opportunities involving regional co-operative schemes in political, economic and security fields.⁴²

This is the face that Turkey turned to the Middle East. However, the new order brought new chances for Israel too. The collapse of the Soviet Union and the Turkic countries' resulting independence was one such opportunity. As somewhat democratic and secular countries, like Turkey, they represented potential new allies for Israel in the neighborhood. Furthermore, they were potential partners for new trade agreements on agriculture, military relations, and construction. Since the Israelis thought of Turkey as a big brother and model for the Turkic countries, for Israel good relations with Turkey meant good relations with those countries too.⁴³

Bengio synthesizes the factors mentioned above in the following terms: The end of the Cold War meant the loss of a protector, the Soviet Union, for the Arab countries. In addition, the world lost a superpower and became unipolar thus disappearance of a superpower could no longer limit other regional powers. She writes:

The 1991 Gulf War brought to the surface the severe divisions among the Arab states, thus affecting negatively the balance of power between them and

⁴² Meliha Altunışık, *Turkish – Israeli Rapprochement in the Post-Cold War Era*, Middle Eastern Studies, page:173

⁴³ Efraim Inbar, *The Turkish Israeli Entente*, King's College London, page:16

their non-Arab neighbors. Finally, George Bush's newly proclaimed New World Order and the Arab-Israeli Peace Process legitimized, as it were, the encroachment of non-Arab players on the Arabs' sphere of influence.⁴⁴

The Arabs' loss appeared to be Turkey's gain. The end of the Cold War and the collapse of the Soviet Union removed an immediate and persistent security threat for Turkey, and opened up new horizons in Central Asia and the Balkans. The Gulf War reinstated Turkey's importance in the eyes of the West and laid open northern Iraq to Turkish incursions, or at least placed it within its sphere of influence. In Arab perceptions, the New World Order assigned Turkey the role of the region's policemen, while the Arab-Israeli peace process removed the last obstacles to Turkey's relations with Israel."⁴⁵

Hence the golden age of Turkish-Israeli relations – the 1990s – started. But it should be noticed that this period was an uncharacteristic era of rapprochement between Israel and its Arab neighbors.⁴⁶ The 1991 Madrid Conference and the 1993 Oslo Talks were instrumental in good relations and publicly showcased Turkey–Israel ties.

For both sides, this was a new era in their relationship. Yet despite all factors being in Turkey's favor, at the beginning of this new period, Turkey was still reluctant to publicly announce its close relations with Israel. Thus between the immediate aftermath of the Gulf War and the mid-1990s, Turkey concealed her thaw in her political relations with Israel, focusing instead on economic, technical and cultural ties. After the mid-1990s,

⁴⁴ Ofra Bengio, *The Turkish Israeli Relations*, Palgrave MacMillian, page:167

⁴⁵ *Ibid*, page: 138-139

⁴⁶ İlker Aytürk, *The Coming of an Ice Age? Turkish-Israeli, Relations Since 2002*, *Turkish Studies*, Vol.12,No:4, December 2011, page 675

however, the situation changed, and military and security matters became the focus of relations.⁴⁷

In 1991, Turkey upgraded her diplomatic relations with Israel to ambassadorial level. Again, Israel answered in kind, and thus the basis for sound relations became even stronger. The 1990s saw high-level visits between Turkey and Israel. In January 1994, the Israeli President Ezer Weizman visited Turkey and, in exchange, in November of the same year, the Turkish Prime Minister Tansu Çiller visited Israel – this was a special event, for it was the first time a Turkish Prime Minister had done so.⁴⁸

The visits were also important in terms of new agreements; several were signed between two countries. In the 1990s, Israel was developing technological prowess and, especially since she had experienced many wars with Arab countries, her military industry was advanced. On the other side, Turkey was having problems with her Arab neighbors and realized that NATO would not always provide help in difficulties of that kind.⁴⁹ Turkey was aware that western countries would think of it as an intra-regional issue and would be hesitant to help Turkey militarily. In addition, the United States and European countries were reluctant to sell arms to Turkey, since they accused her of breaching human rights. Israel, on the other hand, was offering the same technology in arms sales without conditions.⁵⁰

⁴⁷ M. Altunışık, *Turkish – Israeli Rapprochement in the Post-Cold War Era*, Middle Eastern Studies, page:173

⁴⁸ M. Altunışık, *Turkish – Israeli Rapprochement in the Post-Cold War Era*, Middle Eastern Studies, page:177

⁴⁹ Efraim Inbar, *The Turkish Israeli Entente*, King's College London, page:11

⁵⁰ M. Altunışık, *Turkish – Israeli Rapprochement in the Post-Cold War Era*, Middle Eastern Studies, page:180

Turkey's problematic neighbors – Iraq with an ambiguous future and Kurdish problems in her north, Iran accused of providing shelter for the PKK, and Syria also accused of supporting the PKK and having problems with Turkey over water issues – led Turkey to follow a security-oriented foreign policy.⁵¹ Accordingly, Turkey wanted to buy arms from Israel and arms sales became the most important aspect of Turkish-Israeli relations at this time. Once Turkey had abstained from military agreements with Israel, but now it became Israel's leading arms buyer. This was a significant sign of the changing political environment. During her 1994 visit, Tansu Çiller signed an important agreement that would allow the Israeli military industry to modernize Turkish jets.⁵² Turkey also announced a huge military modernization program that would span 25 years and cost almost \$150 billion.⁵³

In 1996, Turkey signed a free trade agreement with Israel, as well as a second agreement involving defense industries. There were some critics in the ruling party, Refah (the Welfare Party), but under conditions that cover Turkey, military elites will not allow the government to act against sound relations. On the contrary, great steps were made during the rule of Refah Party,⁵⁴ despite the fact that the expectations were opposite. Given that the Refah Party built its world view on Islamic roots and was against strong ties with Israel, the improvement in relations with Israel during its rule was surprising.

The agreements in 1990s were different from previous times. In the past, Turkish-Israeli agreements were mainly focused on security and defense issues, but the agreements signed in the 1990s were more far-reaching. As mentioned above, in the 1990s Turkey and Israel signed a free trade agreement, as well as an agreement designed to mutually

⁵¹ Ibid, page:181

⁵² Ibid, page:178

⁵³ Ibid, page:180

⁵⁴ Ibid, page: 183

increase tourist numbers.⁵⁵ Another agreement was about increasing and facilitating investment, and agreements on cultural issues were also signed. Both governments decided to establish courses in their universities to teach about each other. Israel also proposed joint ventures on agricultural projects, so that each country could benefit from the experience of the other in agricultural matters.⁵⁶

Those agreements were complemented by others on security, military and defense issues. In February 1996, the Military Training Co-operation agreement was signed, covering the exchange of information in military training, port visits and exchange between military archives. A second agreement on security issues was signed in August 1996, with provisions for technology transfer and the training of technicians and researchers. This agreement met Turkey's needs on military technologies and made it possible to upgrade her weapons. It was also about intelligence sharing and organizing regular meetings to evaluate regional threats. In 1997, Turkey and Israel made an agreement to upgrade Turkey's F5 planes. Moreover, Turkey decided to buy short range missiles from Israel and an agreement was also reached over the production know-how for those missiles.⁵⁷

Partnership on security issues did not finish there. In 1998, Turkey and Israel decided to undertake a joint naval operation called "Reliant Mermaid" and added the United States to this exercise. Regardless of the fact that the joint operation made neighboring countries very angry with Turkey and Israel, it was a demonstration of deepening strategic alignment.⁵⁸

At the beginning of the 2000s close relations with Israel continued, but during this decade, many of the factors underpinning good Turkish-Israeli relations started to disappear one

⁵⁵ Ibid, page: 186

⁵⁶ Ibid, page:186

⁵⁷ Ibid, page: 187

⁵⁸ Ibid, page:187

by one.⁵⁹ In May 2000, Turkey decided to upgrade her tanks and gave the job to Israeli Military Industries (IMI). In 2001, the decision was made to buy unmanned aircrafts from Israel. American Congress's negative attitude towards selling Turkey unmanned aircrafts made Turkey's decision to use Israeli companies even clearer.⁶⁰ Meanwhile, Israel also benefited from close relations with Turkey. In 2001, the two countries signed an agreement that meant Turkey would, each year for 10 years, sell Israel 50 million cubic meters of water from the Manavgat River.⁶¹ It should be noted, however, that despite this agreement, the sale never materialized. Joint military exercises also continued in the 2000s. In 2001, Turkey and Israel conducted an exercise that included surface maneuvers and an air component.⁶²

But in 2002, the political scene experienced a change. That year, the Islamist-oriented Justice and Development Party (Ak Party) became the only ruling party in Turkey.⁶³ At first, westerners were anxious about a change in Turkey's political and cultural orientation towards the west and towards Israel; however, it became clear that, in the Ak Party's first term those expectations were wrong, since the new government set clear rules on matters such as joining European Union and being irrevocably a part of western world. During this time, Turkey became a mediator in peace talks between Israel and Syria. In 2005,

⁵⁹ İlker Aytürk, *The Coming of an Ice Age? Turkish-Israeli, Relations Since 2002*, Turkish Studies, Vol.12,No:4, December 2011, page 676

⁶⁰ Efraim Inbar, *The Turkish Israeli Entente*, King's College London, page:23,24

⁶¹ Ibid, page:19

⁶² Ibid, page:21

⁶³ *The Missed Opportunity in Israeli Turkish Trade Relations*, <http://knowledge.wharton.upenn.edu/article/missed-opportunity-israeli-turkish-trade-relations/> date of Access: 15.03.2015

Prime Minister Recep Tayyip Erdoğan visited Israel and, in exchange, in 2007 Shimon Peres became the first Israeli President to address the Turkish Parliament.⁶⁴

During the first half of the 2000s, the Ak Party took a pragmatic stance towards relations with Israel, but some major changes led Turkish-Israeli relations to worsen in the second half of the decade. These changes were the failure of Camp David Talks, Israeli Prime Minister Ariel Sharon's visit to Haram and thus the eruption of the second intifada, Palestinian leader Yasser Arafat's imprisonment in his government compound, and Israeli operations against Palestinian civilians.⁶⁵

In terms of Ak Party, things started to change again in 2006, with the Israel-Lebanon war. Turkish leaders began to criticize Israel for using disproportionate force. Things got progressively worse. In 2007, the Ak Party won a victory with an increased majority, becoming once again the only ruling party in Turkey. This enabled them to get the upper hand over the bureaucratic and diplomatic elites in Turkey and thus, they became less restricted in terms of implementing policy reflecting their own ideology.

However, the main factor in changing Turkey's stance was Israel's operations in Gaza in December 2008–January 2009, which attracted public criticism in Turkey. Prime Minister Erdoğan warned Israel for using disproportionate force and called upon her to immediately end the operation. Furthermore, in exchange for some harsh criticism of Jews and of Israel in two Turkish TV series — one on Turkish state TV, TRT – Israel responded with the so-called low-seat crisis.⁶⁶ When Turkish ambassador Oğuz Çelikkol

⁶⁴ <http://www.salom.com.tr/newsdetails.asp?id=66339> date of access: 19.04.2015

⁶⁵ İlker Aytürk, *The Coming of an Ice Age? Turkish-Israeli, Relations Since 2002*, *Turkish Studies*, Vol.12,No:4, December 2011, page 676

⁶⁶ İlker Aytürk, *The Coming of an Ice Age? Turkish-Israeli, Relations Since 2002*, *Turkish Studies*, Vol.12,No:4, December 2011, page 679

visited the Israeli Deputy Foreign Minister Dany Ayalon, he seated the ambassador on a lower seat and refused to shake his hand in front of the cameras.⁶⁷

The main rupture occurred in 2010, with the Mavi Marmara incident, in which Israel intercepted a Turkish civilian flotilla carrying aid to Gaza in international waters, killing nine Turkish citizens. In all the history of the Turkish Republic, this was the first time that Turkish civilians had been killed by foreign troops.⁶⁸ Subsequently, Erdoğan became increasingly outspoken against Israel, accusing it of engaging in state terrorism. He would go on to repeat this accusation several times.⁶⁹ Turkey recalled her ambassador and suspended diplomatic relations with Israel until she was willing to apologize, pay compensation and abolish the Gaza blockade. In response, Israel likewise recalled her ambassador. In 2013, despite Israel apologizing to Turkey, since she did not pay compensation and did not abolish the Gaza blockade, relations between the two countries did not recover.⁷⁰ Instead, Israel's operations against Gaza in 2012 and 2014 led to a harsh reaction in Turkey. In each case, Turkish officials criticized Israel and accused her of engaging in state terrorism. Therefore, from 2007, just after the visit of Shimon Peres, relations got worse and remained very tense until the end of 2015.

2.2. Background of Turkish-Israeli Economic Relations

Most articles that refer to Turkish-Israeli relations claim that in contrast to worsening political relations, economic relations between the two countries have continued to develop strongly. This is also an argument that is used by opposition parties to criticize the Ak Party government. Since this thesis aims to examine scientifically the correlation

⁶⁷ Ibid, page 679

⁶⁸ Ibid, page 679

⁶⁹ <http://www.ntv.com.tr/arsiv/id/25398951/>, <http://bianet.org/bianet/dunya/122398-erdogan-israil-saldirisi-devlet-teroru>, date of access: 19.03.2015

⁷⁰ <http://www.hurriyet.com.tr/gundem/22876115.asp> date of access: 19.04.2015

between economic and political relations rather than discussing those ideas in theory, the arguments will be tested below. Nevertheless, before testing the correlation between economic and political relations, some points that affect those correlations should be mentioned.

After the 1980s, the economies of both Turkey and Israel became more open and liberal, and less state controlled. Both states experienced reduced influence over the economy and, hence, correlations between the economy and politics decreased in both countries. This point was mentioned in an announcement by the Turkish Prime Minister's Office of Public Diplomacy which addressed the issue of the discrepancy between an increasing volume of trade with Israel and the state of political relations by announcing that this stemmed from trade by private firms under free market conditions. Furthermore, the office stressed that the government made no contribution to trade with Israel via formal contracts (as mentioned above).

This is an important point in terms of correlation between the economy and politics, since in free market economies, it is difficult to intervene in markets and prevent trade. In addition, Turkey and Israel are members of the World Trade Organization (WTO) and therefore cannot apply trade-preventing barriers without risking investigation by the WTO.

Liberal economies are difficult to manipulate in response to political issues, but there are some non-tariff barriers where there is room for governments to maneuver to intervene in free trade. Those barriers are also subject to WTO investigation, but there are loopholes. Bureaucratic impediments and cancelled contracts are examples of non-tariff barriers. Some Turkish businesspeople complain of Israel's non-tariff barriers.⁷¹ In such a way, even in free market economies, governments get a chance to intervene in the economy

⁷¹ <http://www.takvim.com.tr/dunya/2011/06/01/israilde-turk-isci-krizi> date of access: 11.10.2015

and manipulate it politically. Such barriers to free trade are hard to discern, but in the next chapter, where correlations will be examined, a few examples will be given.

However, there is another area of economic activity which is easily manipulated and truly reflects the effects of politics: tourism. Especially when it comes to Israeli citizens, who are very sensitive to security issues, government declarations about travel safety are a good way to use tourism as an economic tool. Tourism relations between Turkey and Israel will also be examined in detail in the next chapter.

2.3. Correlation Between Political and Economic Relations of Turkey and Israel

Keeping in mind the abovementioned points, to determine if there is a correlation between economic and political relations between Turkey and Israel, a chart will be generated. In this chart, political ups and downs will be plotted chronologically and compared with trade statistics over the same period.

Certain variables must be kept in mind when interpreting the results. As stated in the previous chapter, one of these is the effect of liberalization on the economies of both countries. Unlike the third country examined in the thesis – Egypt – Israel experienced liberalization and globalization extensively, and became a part of world economics.⁷² Thus, like Turkey's, Israel's economy, or economic actors, became more resistant to government interventions. This effect led to reduced correlation and may distort the data. For this reason, keeping liberalization in mind, as well as the period when it started to affect the example countries' economies, will lead to a better level of understanding in this thesis.

⁷² Nadal Halevi, *A Brief Economic History of Modern Israel*, Hebrew University, <https://eh.net/encyclopedia/a-brief-economic-history-of-modern-israel/> date of access: 01.03.2016

Another important variable is tourism. Since public opinion is more easily affected than the business environment, changes in tourism revenue and numbers of people that visit each country are valuable data in the context of this thesis.

Finally, it is necessary to add that economic relations between Turkey and Israel is a popular domestic political issue, especially in times of political crisis. At such times, especially when Israel attacks Palestine, ruling parties generally declare that the government in every respect downgrades relations with Israel. In contrast, opposition parties claim that the ruling party is telling lies and the relationship with Israel continues at full throttle.⁷³ The government's claim is also the subject of questions in the parliament.⁷⁴ In response, the Turkish Prime Minister's Office of Public Diplomacy announced that due to the blockade of the Gaza Strip, goods for trade with Palestine had to travel via Israel, and thus the trade volume with Israel falsely seems to have increased. It was also declared that the government makes no contribution to trade with Israel via formal contracts.⁷⁵ This is another important claim that must be kept in mind when examining the correlations – and it is one that could be checked via trade statistics and is therefore testable.

In this chapter on Turkish-Israeli relations, all those variables are kept in mind, and thus the quality of the analysis is maximized. In addition, via tourism statistics another indicator will be presented to the reader and the main claims of the thesis will be tested again.

⁷³ http://www.chp.org.tr/wp-content/uploads/2014/07/18_Temmuz_2014.pdf, date of access: 02.04.2015

⁷⁴ http://www.tbmm.gov.tr/develop/owa/yazili_soru_sd.onerge_bilgileri?kanunlar_sira_no=161920
http://www.tbmm.gov.tr/develop/owa/yazili_soru_sd.onerge_bilgileri?kanunlar_sira_no=162601 date of Access: 01.04.2015

⁷⁵ <http://kdk.gov.tr/haber/turkiye-israil-iliskilerine-iliskin-bilgi-notu/468> date of access: 01.04.2015

In order to understand the big picture and minimize disruptive points, three different data sets will be used. The first relates to total trade volume between Turkey and Israel. Since Turkish Statistics Organizations provide data from 1964, Turkish-Israeli political relations will be compared with economic data from that year onwards. The second data set is the number of Israeli tourists that visit Turkey. These statistics begin after 1996; therefore, this data will be compared with political relations from 1996. The final data set relates to Foreign Direct Investment, which is provided for the period 2001–2012 by the United Nations Conference on Trade and Development (UNCTAD).

Since statistical data will be used, political relations between the two countries must be converted to numbers. Thus, as mentioned in the introduction, periods with positive relations will be converted to “1”s and years that experienced negative relations between the two countries will be converted to “0”s. The chart below (Table 1) shows the relations between Israel and Turkey in numbers. As stated earlier, political relations are surveyed from 1964 onwards, because Turkish statistical organizations provide data only after that year.

Table 1: Political Relations Surveyed After Year 1964

| | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-----------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Year | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 |
| Relations | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 |
| Year | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Relations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Before making a comparison with trade, tourism and investment statistics, it is necessary to explain the criteria for rating specific years as “1”s or “0”s. The reasons for rating

certain years as positive or negative are explained below. Most years are defined according to specific incidents that took place, but the ratings for years not associated with specific incidents will be explained in terms of a spillover effect in political conditions. The incidents involved will be only briefly mentioned, since they have been examined above in detail.

During the 1950s, Turkey and Israel started to build relations but chose to keep them secret. The years 1964–1965 and 1966 saw good relations between the two countries thanks to the secret intelligence alliance. But in 1967 the Six-Day War erupted and relations cooled. This atmosphere prevailed for three years and the following years also saw negative relations due to the oil crisis that started in 1970. Just like other oil-dependent countries, Turkey became short of foreign currency and Arab countries had dollars due to oil price hikes. Also during those years, Turkey's Cyprus problem saw it search for the support of Arab countries in the international arena. Thus, for those three years, relations with Israel were negative. In 1973, the second oil crisis erupted and the Yom Kippur War started between Israel, Egypt, Iraq and Syria. Due to those ongoing unfavorable conditions, relations between Israel and Turkey continued poorly.

In 1980, Israel declared Jerusalem its capital and this led to a negative reaction from Muslim countries. Turkey joined this group in objecting to this development. The following years did not see any change, and Turkish-Israeli relations remained cold until 1985. In 1985, decreasing oil prices gave Turkey space and reduced her dependence on Arab financial sources. In the next year, Turkey had problems with some Arab countries, such as Syria and Iraq, over issues to do with water and the PKK. Those problems also led to Turkey building new relations with Israel. In 1987, Turkey and Israel started meeting at the UN and thereafter, they initiated a return to low-level diplomatic relations. Hence, Turkish and Israeli relations flourished again after the mid-80s and for this reason, this period has been given a value of "1".

The 1990s witnessed positive relations between the two countries on an unprecedented scale. At the beginning of the decade, the Cold War ended. Thereafter, Turkey and Israel both needed new allies and thus they became closer. In 1991, the start of the Madrid peace talks between Israel and the Arabs made it easier for Turkey to communicate with Israel. This process solidified with the Oslo Peace Talks in 1993 and culminated with the signing of the Declaration of Principles on Interim Self-Government Arrangements. In 1994, Israeli President Ezer Weitzman and Foreign Minister Shimon Peres visited Turkey, and Turkey and Israel signed several important agreements on a wide range of topics from technology to military and water issues. In 1996, the two countries signed a free trade agreement and this was followed by joint military exercises in the following years. In this manner, relations continued positively until 2006 and thus they are rated “1”s for the purposes of statistical analysis.

During the 2006 Lebanon War, relations were greatly tested, but did not reach crisis point because the war was declared against Hezbollah directly rather than against Palestine, about which the Turkish public and government are more sensitive. In 2007, Israeli President Shimon Peres visited Turkey and addressed the Turkish Parliament. Therefore, both 2006 and 2007 are rated as positive, despite some problems.

However, in 2008, things started to change again. Israel’s war with Gaza led to criticism among the Turkish public and protests were held across the country.⁷⁶ Prime Minister Erdoğan accused Israel of state terrorism and harshly urged Israel to end the war.⁷⁷ In 2009, Prime Minister Erdoğan met with Israeli President Shimon Peres at a Davos Debate

⁷⁶ <http://www.hurriyet.com.tr/diyarbakir-ve-siirtte-israili-protesto-10678233> date of access: 20.03.2016

⁷⁷ <http://www.ntv.com.tr/turkiye/erdogan-israil-bir-teror-devletidir,-s2l0MaQXEidyGeZhcabJg> date of Access:11.10.2015

over Gaza. After strained talks, the so-called one-minute incident occurred, and this also contributed to worsening relations.⁷⁸

In 2010, relations collapsed altogether because of the Mavi Marmara incident, described above. Despite Israel's apology in 2013, relations did not improve until 2016. Therefore, the period between 2008 and 2016 is rated as negative and given the value "0".

2.4. Correlation Analysis of Turkish-Israeli Political and Economic Relations

To match the political relations table, presented above, with trade volume, a correlation analysis has been used. In terms of Turkey-Israel trade relations, three different analyses are done: the first covers the period between 1969 and 2015; the second, between 1990 and 2015; and the third, between 2000 and 2015.

The reason for three different correlation analyses is to identify the effect of liberalism. As mentioned in the first chapter, if liberalism has a hindering effect on governmental interventions, then the correlation between political relations and trade should in turn be weaker. Since both Turkey and Israel became progressively more liberal economies, a decreasing correlation is expected over the same period. Both economies started to liberalize from the 1980s on, the pace of liberalization increasing in the 1990s and 2000s. In this latter period, both economies became more global, more open and more liberalized.

Here it is beneficial to detail liberation process of Israeli economy. The Israeli economy's liberalization process started in 1960 in response to excessive government intervention.⁷⁹ The process gained pace in 1985, although it was still very gradual. Free trade agreements were signed with the European Economic Community in 1975 and with the USA in 1985.

⁷⁸ <http://news.bbc.co.uk/2/hi/business/davos/7859417.stm> date of access: 11.10.2015

⁷⁹ Nadal Halevi, *A Brief Economic History of Modern Israel*, Hebrew University, <https://eh.net/encyclopedia/a-brief-economic-history-of-modern-israel/> date of access: 01.03.2016

Throughout the 1980s and the 1990s, Israel adopted additional liberalization measures and as a result, “in monetary policy, in domestic capital markets, and in various instruments of governmental interference in economic activity... the role of government in the economy was considerably decreased.”⁸⁰ Thus, Israel became a liberal economy in terms of today’s economic understanding.

The graphs below show the liberalization paths of both Israel and Egypt from 1995 to 2016. The change in the degree of liberalization of both countries can be seen through the years. Israel became increasingly liberal from 2004 to 2016. Furthermore, there is an average increase between 1995 and 2002. The only period of decrease was experienced between 2002 and 2004, and was compensated for after 2004.

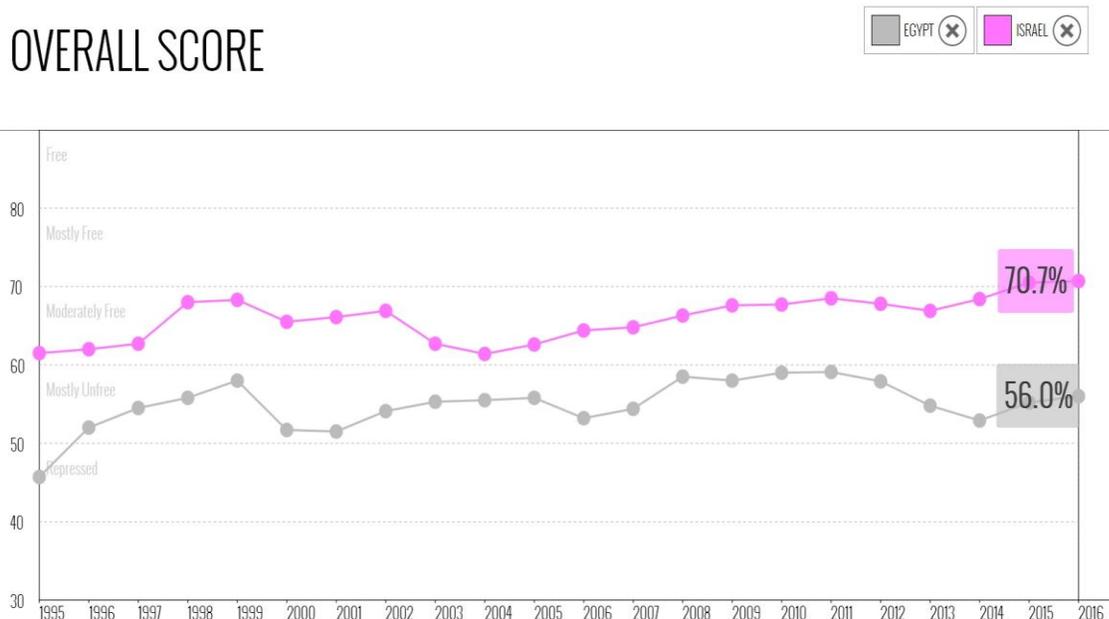


Figure 1 : Liberalization path of Israel and Egypt

(Source: www.heritage.com, index of economic freedom)

⁸⁰ Ibid.

The chart below shows details of liberalization indicators for Israel. In 2016, Israel is rated as one of the ‘mostly free’ countries of the world. Its world rank is 35th and in terms of market openness and regulatory efficiency, Israel scores high. Its overall score is 70.7 out of 100 on the scale of economic freedom.



Figure 2: Liberalization indicators for Israel

(Source: www.heritage.com)

The three graphs below show the total trade volume of Turkey and Israel. The graph is presented in three parts because the total trade numbers in 1969 were very small when compared with the 2000s, and therefore needed to be presented at a different scale to be readable.

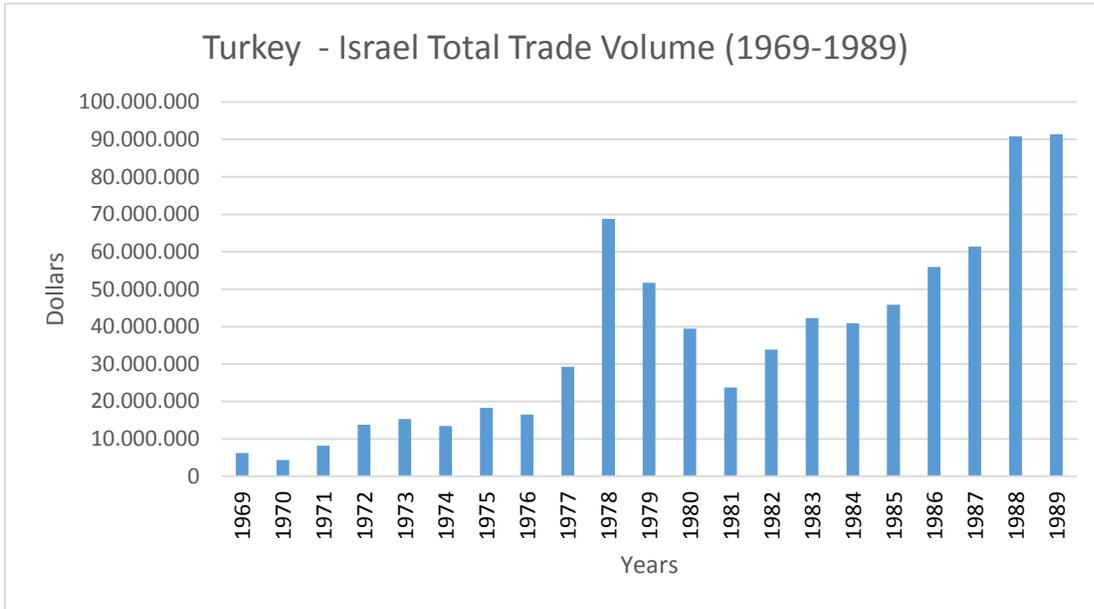


Figure 3: The Total Trade Volume of Turkey and Israel (1969-1989)

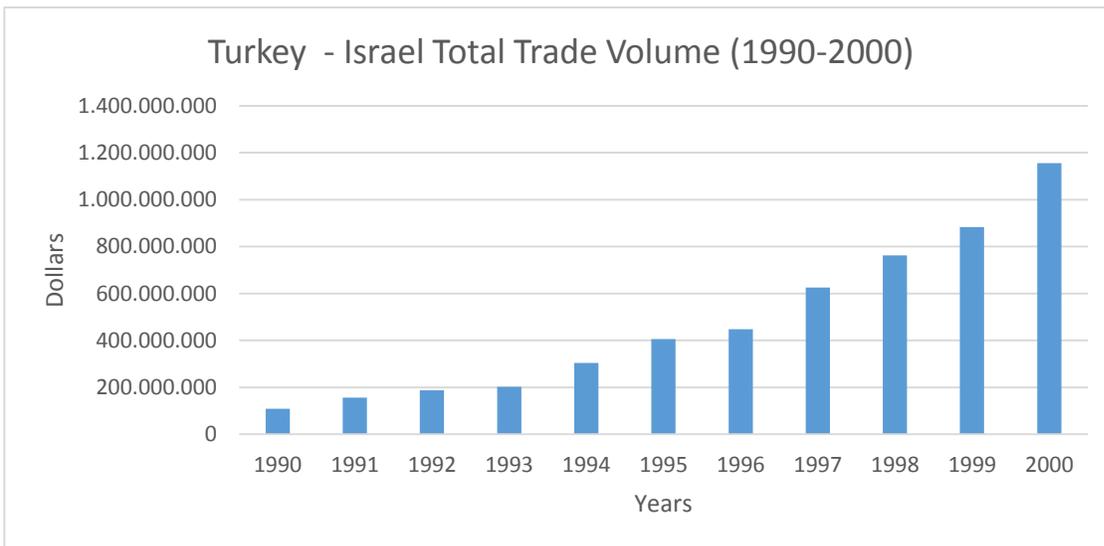


Figure 4: The Total Trade Volume of Turkey and Israel (1990-2000)



Figure 5: The Total Trade Volume of Turkey and Israel (2001-2015)

The first correlation chart presented below (Table 2) is related to the first graph as a whole, which covers the period between 1969 and 2015. Before interpreting the results, it should be explained that “1” is the absolute value in terms of correlation analysis, showing absolute correlation between variables, while “0” means no correlation. Values of more than +0.5 or less than -0.5 mean strong positive or negative correlation, where values between 0 and ± 0.5 mean weak positive or negative correlation. Here, the result of the correlation analysis is -0.298, meaning that there is a weak opposite correlation between political relations and trade volume. This also shows that despite negative relations in the political sphere, trade volume increases. Nevertheless, in terms of statistical analysis, since the correlation is so weak, it is insignificant.

Table 2: Correlation Chart Between Political Relations And Total Trade Volume (1969-2015)

| | | Correlations | |
|--------------------|---------------------|--------------|--------------------|
| | | Relations | Total Trade Volume |
| Relation | Pearson Correlation | 1 | -,298* |
| | Sig. (2-tailed) | | ,044 |
| | N | 47 | 46 |
| Total Trade Volume | Pearson Correlation | -,298* | 1 |
| | Sig. (2-tailed) | ,044 | |
| | N | 46 | 46 |

The second correlations chart presented here (Table 3) covers the period between 1990 and 2015. Here the correlation gets stronger, reaching -0.852 , which means there is a strong opposite correlation between the political and trade relations of Turkey and Israel. In contrast to the period between 1964 and 2015, the correlation between 1990 and 2015 is strong and this shows that in that period, regardless of political crises, trade volume between Turkey and Israel increases.

Table 3: Correlation Chart between Political Relations and Total Trade Volume (1990-2015)

| Correlations | | | |
|--------------------|---------------------|-----------|--------------------|
| | | Relations | Total Trade Volume |
| Relations | Pearson Correlation | 1 | -,852** |
| | Sig. (2-tailed) | | ,000 |
| | N | 16 | 16 |
| Total Trade Volume | Pearson Correlation | -,852** | 1 |
| | Sig. (2-tailed) | ,000 | |
| | N | 26 | 26 |

The last correlation analysis covers the period between 2000 and 2015 (Table 4). Here, the result of the correlation analysis is -0.830, meaning that despite negative relations on the political side, trade volume increases. It is worth noting that the degree of correlation decreases in comparison with the results of the analysis for the period 1990–2015 (Table 3), from 0.852 to 0.830, but the change is very small and therefore not significant.

Table 4: Correlation Chart between Political Relations and Total Trade Volume (2000-2015)

| Correlations | | | |
|--------------------|---------------------|-----------|--------------------|
| | | RELATIONS | TOTAL TRADE VOLUME |
| RELATIONS | Pearson Correlation | 1 | -,830** |
| | Sig. (2-tailed) | | ,000 |
| | N | 16 | 16 |
| TOTAL TRADE VOLUME | Pearson Correlation | -,830** | 1 |
| | Sig. (2-tailed) | ,000 | |
| | N | 16 | 16 |

Up to this point, statistics have been used to explain the extent of correlation between political and economic relations. However, as was mentioned in the introduction, to get a better understanding, personal experiences should be taken into account. Descriptions of those experiences can fill in the gaps that cannot be understood through numbers.

In this sphere, potential numbers are more important than actual ones to getting the best view of what is happening in Turkish-Jewish relations: the trade volume between Turkey and Israel could have been much more than it is today.⁸¹ Governments can intervene against liberal economies' agents to a degree, but those agents will continue to strive to get what is profitable. Therefore, despite turmoil in political relations, the trade volumes of these countries continue to increase.⁸² Nevertheless, governments can also play a leading role in uncovering potential fields of trade, or creating obstacles against them, even in liberal economies; in such a way, possible future profits are affected.

In one example related to Turkish-Israeli relations, a possible energy trade could not be realized due to the current political crisis between Turkey and Israel.⁸³ It is known that Israel discovered important gas resources on the Mediterranean coast, and to make those finds profitable, Israel needs customers and new routes.⁸⁴ Among the options, Turkey is the best, thanks to her consumer potential and her borders with both the European Union and Asia. If relations between Turkey and Israel were better, they would cooperate on the

⁸¹ An interview with Alon Liel, 20.05.2015, Alon Liel is a person with unique experiences over Turkish-Israeli relations. He would be the best option to understand those non-measurable effects since he was a diplomat in Turkey, a Jewish businessman that doing business in Turkey and also a lecturer in Tel Aviv University. Mr. Liel's doctoral dissertation is on "The dependence of imported energy and its impact on Turkey's foreign policy.

⁸² An interview with Alon Liel, 20.05.2015

⁸³ An interview with Alon Liel, 20.05.2015

⁸⁴ N.Sachs, T.Boersma, *The Energy Island: Israel deals with its Natural Gas Discoveries*, Policy Paper, N.35, February 2015, Brookings Institute.

gas deal, and thus trade volumes between the two countries would be higher.⁸⁵ Another important caption is government contracts. Political crises prevents Turkey and Israel from signing government contracts.⁸⁶ As mentioned above, the 1990s witnessed abundant examples of government contracts of this kind being made between Turkey and Israel, especially in the military field. Again in this area, if there were no tension between Turkey and Israel, trade volume between them would be much higher.⁸⁷

In addition, there are examples of bureaucratic impediments. Before the political crisis between Turkey and Israel, a Turkish construction group had 8,000 workers with working visas. But after tensions increased, Israel cancelled many of those visas, and by the end of the 2015, only 1,200 workers with working visas remained.⁸⁸

There is also an example from the Turkish side of the relationship. Political tensions may be expressed violently against citizens of the other country; for this reason, some of Alon Liel's –an Israeli businessman and retired diplomat- friends that do business in Turkey asked him if visiting Turkey is safe. Tensions may thus hinder trade to some extent through channels such as informal discussions between friends and colleagues.⁸⁹

Consequently, potential trade volume is impeded by political tensions, and the latest developments – an official initiative to reach an agreement between Turkey and Israel to end political tensions and form a partnership on the gas issue – demonstrate the correctness of this proposition.

⁸⁵ An interview with Alon Liel, 20.05.2015

⁸⁶ An interview with Alon Liel, 20.05.2015

⁸⁷ An interview with Alon Liel, 20.05.2015

⁸⁸ An interview with Alon Liel, 20.05.2015

⁸⁹ An interview with Alon Liel, 20.05.2015

In addition to personal experiences, to understand the official view, it is beneficial to have a look at views of trade attachés. To understand how political tension between Israel and Turkey has affected trade relations and to determine whether any Turkish company applied to the attaché to solve business problems caused by political tensions, the experiences of Turkey's trade attaché were sought.

Turkish companies mostly apply to the attaché to solve business disputes, such as imbursement problems or issues of products not complying with contracts, rather than problems originating from political tensions.⁹⁰ The attaché emphasized that, thanks to the free trade agreement between Turkey and Israel, bureaucratic impediments have been removed, and there are trade standards; in addition, an agreement has decreased most customs tariffs almost to zero.

The attaché stated that political tensions between Turkey and Israel did not affect trade relations at all; on the contrary, trade relations between the two countries are constantly improving, regardless of tensions.⁹¹ On the other hand, the attaché emphasizes the same point as is mentioned above: the effect on potential. The attaché admits that political tensions have affected defense agreements between Turkey and Israel and, therefore, today there is no defense agreement between the two countries, as opposed to the situation in the past.⁹²

On the basis of these personal experiences and official views, it emerges that tensions in political relations between Turkey and Israel have not directly affected economic relations. A free trade agreement brought institutionalization to economic relations and made them more resilient to political tensions. On the other hand, due to those political

⁹⁰ An interview via mail with Turkey's trade attaché of Israel, Tel Aviv. 09.03.2015

⁹¹ An interview via mail with Turkey's trade attaché of Israel, Tel Aviv. 09.03.2015

⁹² An interview via mail with Turkey's trade attaché of Israel, Tel Aviv. 09.03.2015

tensions, both countries missed opportunities to increase the potential of economic relations.

Reports in the media might provide further clues about possible direct effects on trade. One example is about the visa problem mentioned above. On a web site named “Kamu Gündemi” (Public Agenda), a news story “Visa obstacle for Turkish Workers in Israel” appears.⁹³ It is reported that the Israeli Government did not extend the visas of Yılmazlar Construction’s workers at the end of November 2015 and decided instead to deport them. The same issue was mentioned in other national newspapers. In these news stories, the political side of the issue is also mentioned, and it is stated that Israel’s political stance will be a huge problem for the Turkish company.⁹⁴ Yılmazlar Construction is one of Turkey’s biggest companies and has operated in Israel for many years. According to the company’s web site, the firm constructed many buildings across Israel over its 22 years there.

News reports also show that political tensions between Turkey and Israel have affected trade between Turkey and Palestine, which is in a tough situation.⁹⁵ Since the beginning of the crisis, trade between Turkey and Palestine must pass through Israeli customs, and according to the news, Turkish-Palestinian trade suffers because of the political tensions.

Overall, it appears that political tensions have affected potential trade numbers. In regard to current trade, however, although there is some possibility of direct government interventions and bureaucratic impediments to trade, it seems that these are exceptions and that trade is mainly under the protection of institutionalized agreements.

⁹³ <https://www.kamugundemi.com/haber-62778-israildeki-turk-iscilerine-vize-engeli.html> date of access: 21.12.2015

⁹⁴ <http://www.milliyet.com.tr/israil-turk-iscilerin-ulkeye-girisini-istanbul-yerelhaber-1005178/> date of access: 21.12.2015

⁹⁵ <http://www.dw.com/tr/ikili-ticarette-gazze-krizi/a-17798360> date of access: 21.12.2015

2.5. Bilateral Foreign Direct Investments (FDI) of Turkey and Israel

Foreign Direct Investment (FDI) is another important indicator of the correlation between political and trade relations. To achieve a good understanding of why FDI this is the case, it is important first to understand the definition of FDI. According to the Investopedia, FDI is:

An investment made by a company or entity based in one country, into a company or entity based in another country. Foreign direct investments differ substantially from indirect investments such as portfolio flows, wherein overseas institutions invest in equities listed on a nation's stock exchange.⁹⁶

Hence, FDI is different from short-term stock investment, which is cited as 'hot money'. Since FDI is a long-term investment and entails certain risks – for example, when building a factory in another country – it is more dependent on political stability than short-term investments. While stock investments can easily leave a country when negative conditions arise, this is not the case for FDI.

A negative political environment is more inclined to affect foreign direct investments than a positive one. This occurs in two ways: First, the negative environment affects decisions to make FDIs in the first place – a possible investor may change their mind due to risks that stem from the negative political environment. Second, a negative political environment may affect existing FDIs by undermining the profitability of the investment, leading the investor to pull out.

On the other side, investment promotion and protection agreements are an important element of attracting foreign direct investment to a country. Turkey and Israel signed an agreement of this kind in March 1996, and in September 1998 it came into force. This

⁹⁶ <http://www.investopedia.com/terms/f/fdi.asp> date of access: 10.01.2016

agreement was a source of trust. It does not have a disruptive effect on the analysis here, since it was approved before our sample years.⁹⁷

Turkish-Israeli FDI flow reflects the general trend of those countries' political relations with few exceptions. Per annum foreign direct investments from Israel to Turkey are considerably larger than those from Turkey to Israel; in fact, in most years, Turkey's FDI in Israel is negligible. In Table 5 below, foreign direct investments from Israel to Turkey and vice versa are listed for each year from 2001 to 2012. Since it is the most up-to-date and comprehensive, the data of UNCTAD (the United Nations Conference on Trade and Development) is used.

There are some possible explanations for this trend, related to the reasons for the decrease in FDI. First, in the year 2001 Turkey experienced a serious economic crisis, and, in fact, during first half of the 2000s, there was a worldwide economic recession. With the beginning of the new millennium, the European Union fell into recession. For two years, 2000 and 2001, the European Union countries struggled with economic problems and then, in 2002 and 2003, the United States of America began to experience recession as well. Thus, all across the world, the economic outlook was not favorable for foreign direct investments, even if Turkey's economic outlook was worse than the global average.

Second, 2003 was the year that the Ak Party, an Islamic-oriented party, became the ruling party in Turkey. This may have led to reluctance on the part of Israeli businesspeople to deal with Turkey, because during the '90s they had been afraid of the stance of the Refah Party – the former party of the Ak Party founders – towards Israel. Hence, they might have been wary of the Ak Party, and have followed a wait-and-see policy instead of immediately continuing investments. A potentially negative stance toward Israeli businesspeople and investments might have decreased possible profits for Israeli foreign direct investments.

⁹⁷ <https://www.deik.org.tr/Contents/FileAction/3184> date of access: 22.12.2015

Table 5: Direct Investments Between Turkey and Israel

| Region / economy | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | |
|------------------|------|------|------|------|------|------|------|------|------|------|------|------|----|
| Israel to Turkey | | 29 | 4 | - | 1 | -1 | 8 | 77 | 110 | 58 | - | - | 10 |
| Turkey to Israel | | - | - | - | - | - | - | - | 1 | - | 1 | 4 | - |

(Million Dollars)

The political relations chart of Turkey and Israel continues positive till 2008. When we look at the foreign direct investments of Israel in Turkey from 2005, the trend matches the political relations chart. In 2006, 2007 and 2008, Israel's foreign direct investments in Turkey increase, but with the deterioration of political relations, it starts to decrease over the following years (2009–2011) until it reaches zero. Despite a small increase in 2012 (\$10 million), foreign direct investments follow the flag.

Table 6: Political Relations Chart

| Year | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-----------|------|------|------|------|------|------|------|------|------|------|------|
| Relations | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 |

But before relating changes in foreign direct investments with changes in political relations, as for the first half of the decade, the economic situation should be examined. In 2008, the world experienced a serious economic downturn, called a great recession. This event continues to affect the world economy to some extent even now, in 2016.⁹⁸

⁹⁸ <http://lexicon.ft.com/Term?term=recession> date of access: 22.12.2015

Thus, regardless of the fact that the change in foreign direct investments after 2005 matches the change in political relations, the economic downturn might be the real explanation for the decrease in the former. For this reason, it is not possible to say that the only reason for the change in foreign direct investments of Israel in Turkey is the change in political relations between the two countries.

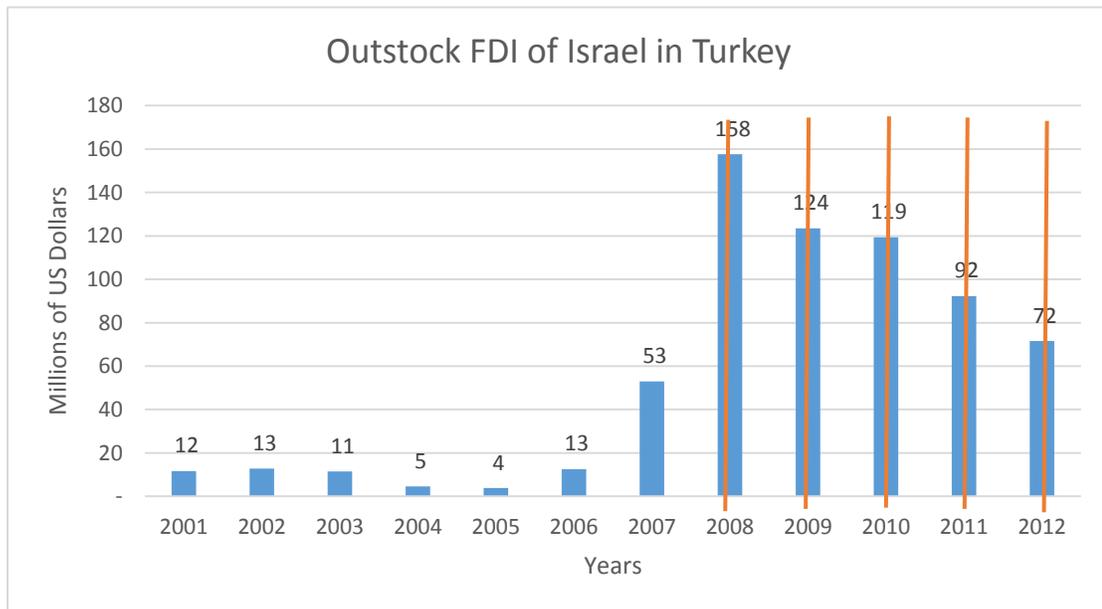


Figure 6: Outstock FDI Israel in Turkey

In this graph (Figure 6), the red lines show the years that political relations between Turkey and Israel deteriorated. From the political relations chart (Table 6), it can be seen that the years 2005, 2006 and 2007 experienced positive political relations. It can therefore be said that from 2005 to 2012, the change in foreign direct investments of Israel in Turkey corresponds with the direction of change in political relations. On the other

hand, it should also be noted that foreign direct investments before 2005 do not correspond with the political relations chart.

In addition, the decrease in foreign direct investments coincides with the worldwide economic downturn that occurred from 2001–2008. Therefore, the decrease in foreign direct investments might be related either to the change in political relations or to change in the wider economic outlook. Since foreign direct investments are an economic issue, it is not possible to evaluate them separately from economic outlook.

To be sure, as to whether it was the wider economic situation or political relations with Turkey that had a greater effect over the change in Israeli FDIs in Turkey, we can check the pattern of Israel’s foreign direct investments in the rest of the world. If there is a dichotomy between Israeli FDIs worldwide and those in Turkey, it will be possible to say that the situation was specific to Turkey; on the other hand, if there is no divergence, it will be possible to claim that the change was connected with the more general economic outlook.

To this end, a table and a graph related to total Israeli FDIs in the period are presented here, and the trend in the graph will be compared with that of Israeli FDIs in Turkey.

Table 7: Israeli FDI to Turkey

| Years | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Israel (Million USD) | 3.335 | 688 | 981 | 2.110 | 4.541 | 2.946 | 15.438 | 8.605 |
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| | 7.210 | 1.751 | 8.010 | 9.166 | 3.258 | 4.671 | 3.975 | |

(Source: UNCTAD)

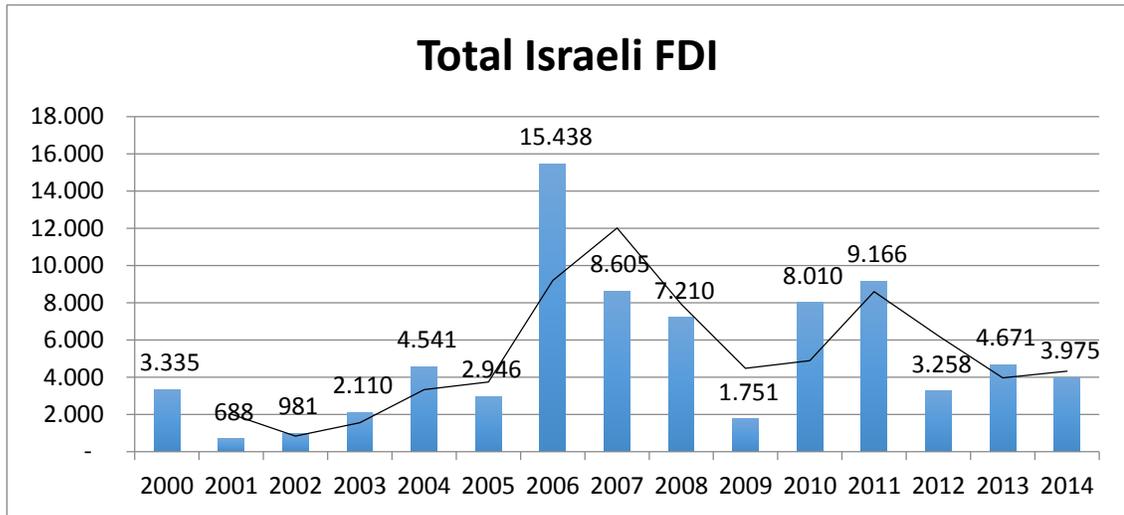


Figure 7: Total Israeli FDI

Contrary to Israeli FDIs in Turkey, Israeli FDIs worldwide increase between 2001 and 2005. As stated above, Israeli FDIs to Turkey decrease until 2006, increase between 2006 and 2009, then decrease again from 2008 until 2012. But as it can be seen above, between 2006 and 2009, contrary to the flows to Turkey, Israeli FDIs worldwide decrease, and again contrary to the Turkish situation, Israeli FDIs increase from 2009 - 2012.

Thus, the trend of Israeli foreign direct investments worldwide is opposite to that of Israeli foreign direct investments in Turkey. Therefore, it is possible to deduce that changes in Israeli FDI in Turkey is more connected with Israel's relationship with Turkey than the overall economic outlook.

To fully understand the relationship between politics and FDIs, it is useful to add a correlation analysis. The following table (Table 8) shows this correlation analysis, over the period between 2001 and 2012. The analysis examines the political relationship between Turkey and Israel and foreign direct investments by Israel in Turkey in the same period.

Table 8: Correlation Chart between Political Relations and FDI (2000-2015)

| | | Correlations | |
|-----------|---------------------|---------------------|-------|
| | | Relations | FDI |
| Relations | Pearson Correlation | 1 | -,259 |
| | Sig. (2-tailed) | | ,417 |
| | N | 15 | 12 |
| FDI | Pearson Correlation | -,259 | 1 |
| | Sig. (2-tailed) | ,417 | |
| | N | 12 | 12 |

The result of the analysis is a value of -0.259 ; that is, a weak opposite correlation between political relations and Israel's foreign direct investments in Turkey. This means that despite negative political relations, Israel continues its direct investments to Turkey. But in terms of statistical analysis, the correlation between political relations and bilateral FDI is so weak and as to be negligible.

Once more, in addition to statistics, it is important to bring in personal and official views about economic relations to get a better understanding. Both Alon Liel and Turkey's trade attaché to Israel state that, due to bad political relations, the two countries avoided signing government contracts. In terms of FDI, such government contracts are important. In the past, Turkish-Israeli contracts were usually based on military technology agreements, and the greatest part of the decrease in FDIs might be related to agreements of that kind not being renewed. Government contracts also come with positive side effects like know-how transfers, and production in the buyer's country. For this reason, those unrealized contracts may be also have prevented possible foreign direct investments between

countries; however, since it is not possible to measure something that did not occur, no certain judgment can be made on this matter.

2.6. Analysis of Tourism Statistics

As stated previously, tourism is another indicator of relations, one that is susceptible to government influence. Official statements and travel warnings can easily affect people's travel choices and, furthermore, increasing political tensions may lead to a greater perception of threat and thus discourage potential visitors.

It is well known that Israel's perception of threat levels is low and the country is careful about possible dangers to her citizens inside and outside of Israel. To give an example, because Turkey did not allow Israeli agents to carry guns in Turkish airports, Israel's official state airline El Al cancelled its flights to Turkey (Israel uses armed undercover agents to prevent possible threats to its flights).⁹⁹

Israel has made several official statements warning her citizens not to travel to Turkey. The most recent was in March 2015, due to forthcoming Jewish holidays. Israel made an official statement and declared 40 countries dangerous destinations for citizens of Israel. The statement emphasized that in those countries, on Jewish religious holidays attacks against Jewish people increase and therefore it was strongly advised to not to go there. Turkey was among the countries listed.¹⁰⁰ According to news reports, the statement was made by the Israeli Fight Against Terrorism Office.

Before that, in July 2014, the Israeli Ministry of Foreign Affairs made a statement warning citizens not to go to Turkey unless travel was essential. This time the reason was the Turkish people's reactions against Israel's "defensive line" operation in Gaza. Furthermore, the Ministry warned Israeli citizens to be careful and to stay away from the

⁹⁹ <http://news.bbc.co.uk/2/hi/americas/2097352.stm> date of access: 20.12.2015

¹⁰⁰ <http://www.milliyet.com.tr/o-ulkeden-turkiye-uyarisi/dunya/detay/2033474/default.htm> date of access: 20.12.2015

protests against Israel.¹⁰¹ A few days prior, Israel had also declared that she would decrease her diplomatic presence in Turkey to a minimum level.¹⁰²

In March 2013, before the Passover holiday, Israel made another statement to warn against non-essential travel to Turkey. In this case, the reason was planned attacks against Jews and citizens of Israel by two terrorist groups. In this statement, countries were listed according to level of threat and Turkey appeared in the ‘ongoing potential threat’ group.¹⁰³

Israel also issued statements in March 2012 – when, again before the Passover holiday, the Israeli Fight Against Terrorism Office warned Israeli citizens not to go to Turkey¹⁰⁴ – and February 2011, when Israel closed her embassy in Turkey due to threats and warned her citizens of risks when they traveled to Turkey.¹⁰⁵

Table 9 shows the number of Israeli tourists to Turkey across the years, based on statistics from the Turkish Ministry of Culture and Tourism. According to the Ministry, the number of Israeli tourists who visited Turkey was 312,304 in 2000. This number hovered around 300,000 until 2005, when it began to increase. In 2005, the number of tourists who came from Israel to Turkey increased by almost 30 per cent when compared with the previous year, reaching almost 400,000. The increase continued until 2008, when numbers reached their peak, then began to decrease again. Record low levels were witnessed in 2011, but

¹⁰¹ <http://www.turkiyegazetesi.com.tr/dunya/172464.aspx> date of access: 20.12.2015

¹⁰² <http://www.aljazeera.com.tr/haber/israilden-turkiyeye-seyahat-uyarisi> date of access: 20.12.2015

¹⁰³ <http://www.hurriyet.com.tr/israilden-hamursuz-bayrami-oncesi-turkiye-uyarisi-22758432> date of access: 20.12.2015

¹⁰⁴ <http://www.radikal.com.tr/dunya/israilden-vatandaslarina-turkiyeye-gitmeyin-uyarisi-1081743/> date of access: 20.12.2015

¹⁰⁵ http://www.ntv.com.tr/dunya/israil-turkiye-elciliklerini-kapatti,hc_KJziQ2Eqd7F2AIGKetQ date of access: 20.12.2015

after that year, numbers of tourists began to increase again. At the end of the 2015, the number of Israeli tourists had reached 224,568.

Table 9: Israeli tourists that visited Turkey

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Israel | 312 304 | 310 604 | 270 263 | 321 152 | 299 172 | 393 943 | 362 501 | 511 435 |
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| | 558 183 | 311 582 | 109 559 | 79 140 | 83 740 | 164 917 | 188 608 | 224 568 |

Below, the numbers are shown in a graph and crisis years for political relations are added. Red lines show the years that political relations were highly strained. The dashed line shows the general trend in the number of Israeli tourists visiting Turkey.

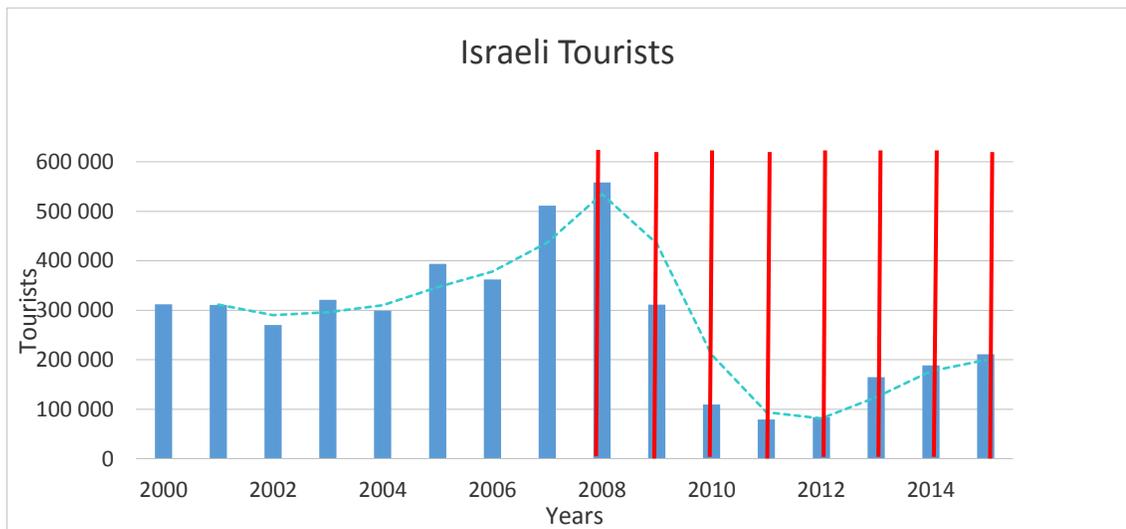


Figure 8: Israeli tourists that visited Turkey

Despite some fluctuations between 2000 and 2008, the general trend is an increase until 2008; that is, there are slight decreases in the years 2002, 2004 and 2006, but the trend between 2000 and 2008 is positive overall.

In 2008, the number of Israeli tourists who visited Turkey exceeded 500,000, reaching 558,185 people – the highest number of Israeli tourists to visit Turkey in any year. After 2008, the numbers started to decrease. The trend turned negative after 2008 and continued negative until 2013. The lowest numbers were recorded in 2011, while from 2013 onwards, the number of Israeli tourists started to increase slightly.

When the trends in tourist numbers are compared with the political relations chart, despite the slight decreases in 2002, 2004 and 2006, the general trend between 2000 and 2008 corresponds with positive political relations. During these eight years, the number of Israeli tourists visiting Turkey increased, reaching its apex in 2008, the year that political relations started to shatter. Here it is important to mention that, Turkish-Israeli political relations experienced its worst days through the end of the year 2008. Since summer is the peak season for Israeli tourists that visit Turkey, the number of Israeli tourists are high in 2008, despite the worsening relations at the end of the 2008.

After record high levels in 2008, due to a crisis in political relations, tourist numbers then decreased until 2011. Thus, it is possible to notice another correspondence between tourist numbers and political relations. However, after 2011, in contrast to the continuing negative political environment, tourist numbers began to increase again. It should also be noted that between 2012 and 2015, the Israeli government made official statements to warn citizens against going to Turkey. Nevertheless, the increase after 2011 is minor and despite the fact that the number of tourists doubles over four years, the total numbers are small when compared with 2008 and before. The potential number of Israeli tourists in 2015 will not reach half of the record total in 2008, nor even the same number as 15 years earlier in 2000: in 2000, 312,304 Israeli tourists visited Turkey while in 2015, the number is reach to 224,568.

Hence, it is possible to infer that tourists do follow the flag and that numbers are affected by the quality of political relations. In the years when there is a positive political environment, the number of tourists from Israel significantly increases and the trend continues in a positive direction; on the other hand, political crises affect Israeli tourist numbers by causing a noticeable decline. Especially in the year 2010, when the Mavi Marmara incident occurred, and the following year, 2011, unprecedented decreases were experienced and numbers hit their lowest levels, reinforcing the idea that political relations affect tourism.

Here it should be stated that, those decreases could be a part of reactions of Israeli officials since tour packages in Israel are made at workplace by trade unions and labor committees. Therefore, those holiday reservations cancellations could be a policy maneuver of Israeli officials in addition to decision of Israeli individuals.¹⁰⁶

The results of the correlation analysis appear below (Table 10). The result is +0.375, which means there is a correlation between Turkey-Israel political relations and the number of Israeli tourists visiting Turkey. However, +0.375 does not represent a strong correlation. As stated before, 1 is absolute value, which means there is a definite correlation between variables, 0 means there is no correlation, values more than 0.5 show a strong correlation, and values less than 0.5 represent a weak correlation. Thus, the result of the correlation analysis for tourism and political relations shows a weak positive correlation. This means that if political relations between Turkey and Israel get worse, fewer Israeli tourists visit Turkey, while, on the other hand, when political relations between Turkey and Israel improve, more Israeli tourists visit Turkey.

¹⁰⁶Aytürk İlker, *Between Crises and Cooperation: The Future of Turkish – Israeli Relations*, Insight Turkey, Vol.11, No:9, 2009, Page:57-74

Table 10: Correlation Chart between Political Relations and Number of Tourists (2000-2015)

| | | Relations | Number of Tourists |
|--------------------|---------------------|-----------|--------------------|
| Relations | Pearson Correlation | 1 | ,375 |
| | Sig. (2-tailed) | | ,114 |
| | N | 20 | 19 |
| Number of Tourists | Pearson Correlation | ,375 | 1 |
| | Sig. (2-tailed) | ,114 | |
| | N | 19 | 19 |

Again, these are just statistics related to visible and measurable effects, and it is important to get the big picture through personal experiences and media reports.

As mentioned above, the concerns of businesspeople was reflected in the Israeli friends of Alon Liel who do business in Turkey asking him about whether it is safe to travel there.¹⁰⁷ In turn, this may reflect concern among Israeli citizens more generally.

There are important clues in the media about possible effects on tourism of tensions in political relations. The first relates to the El Al crisis between Turkey and Israel. In 2007, El Al halted its flights to Turkey, as mentioned above, due to the issue of agents carrying guns. Israel wanted her agents, who protect El Al flights, to carry guns when flying to Turkey, but Turkish authorities did not allow it and El Al subsequently halted all flights

¹⁰⁷ An interview with Alon Liel, 20.05.2015

to Turkey.¹⁰⁸ El Al CEO Eliezer Shkedy in turn complained about Turkish Airlines flights to Israel and wrote a letter to Israeli PM Netanyahu requesting that they should cease, saying, “If we don’t fly to Turkey, Turkish Airlines should not fly to Israel”.¹⁰⁹ In July 2014 the Israel Airports Institution halted direct flights to Turkey and would not review the situation before 2015.¹¹⁰

Another issue concerns Israel treatment of Turkish passengers and businesspeople at Israeli airports. During this period, there were many news reports about the Israel’s harsh and humiliating stance towards Turkish passengers. Many businesspeople and tourists complained about the attitude of officials at Ben Gurion airport.¹¹¹ Hours-long interrogations and the strip searching of passengers are mentioned. The newspapers link this stance with the publication of the UN’s Mavi Marmara report, which to some extent supported Turkish claims.¹¹²

Further examples of Israel’s negative stance towards Turkish citizens were reported. One group was detained for six hours and interrogated individually. After the six hours had passed, Israel deported the Turks and prohibited their re-entry to Israel for 10 years.¹¹³ Turkey retaliated and İstanbul Atatürk Airport’s administrative and vice governor of İstanbul explained the interrogation of Israeli citizens in terms of the reciprocity principal

¹⁰⁸ <http://www.cnnturk.com/2004/dunya/06/25/el.al.turkiye.seferlerini.niye.durdurdu/16121.0/> date of access: 21.12.2015

¹⁰⁹ <http://www.biletall.com/Biz-ucamiyorsak-Turkler-de-Israile-ucmasin/499/Haber> date of access: 21.12.2015

¹¹⁰ <http://www.dw.com/tr/ikili-ticarette-gazze-krizi/a-17798360> date of access: 21.12.2015

¹¹¹ <http://www.haberturk.com/dunya/haber/666154-tel-aviv-havaalaninda-turk-kafilesine-eziyet> date of access: 21.12.2015

¹¹² <http://www.milliyet.com.tr/israil-istanbul-hatti-arama-gerginligi/gundem/gundemdetay/06.09.2011/1434983/default.htm> date of access: 21.12.2015

¹¹³ <http://www.hurriyet.com.tr/israilin-sinir-disi-ettigi-isimler-yasadiklarini-anlatti-29383102> date of access: 21.12.2015

of international relations. Even the headline is “We did the same as what Israel did to Turkish passengers”.¹¹⁴

Finally, the Turkish Ministry of Foreign Affairs released a notice advising Turkish passengers visiting Israel to patiently answer questions that might be asked by airport security officers. Turkish passengers were also advised to obey the security rules that were implemented in the airport.¹¹⁵

These personal experiences and news stories show that tensions in political relations might have had an effect on tourist numbers in Turkey and Israel, or may at least have affected potential tourist numbers.

2.7. Aid Explanation to Increasing Trade Volume

One of the explanations for the opposite correlation between Turkey-Israel political and trade relations involves Turkey’s aid to Gaza. As stated above, the Turkish Prime Minister’s Office of Public Diplomacy made an announcement declaring that due to the embargo against Palestine, trade with Palestine must go through Israel, and thus trade volume with Israel appeared to increase.

To see if this is a reasonable claim, we will look at Turkey’s aid to Gaza. In July 2013, Israel started a war against Gaza, in which thousands of Palestinians lost their lives and Gaza witnessed mass destruction. In October 2014, a group of countries gathered in Cairo, Egypt to determine ways of relieving Gaza’s wounds.¹¹⁶ At this conference, millions of dollars were promised, but those promises were not kept, at least by the first half of 2015.

¹¹⁴ <http://www.hurriyet.com.tr/israil-turk-yolculara-nasil-davrandiyisa-aynisini-yaptik-18652401> date of access: 21.12.2015.

¹¹⁵ <http://www.mfa.gov.tr/israil-seyahat.tr.mfa> date of access: 21.12.2015

¹¹⁶ <http://www.irinnews.org/report/101132/only-five-percent-of-pledged-aid-reaches-gaza> date of access: 10.11.2015

In 2015, the World Bank declared that only five per cent of the aid pledged had reached Gaza.¹¹⁷

Turkey had pledged \$200 million of aid to Gaza; however, as stated above, just like other countries, by the first half of 2015, Turkey had sent only \$520,000. When compared with the total Turkish-Israeli trade volume of almost \$6 billion, \$520,000 would not have changed the main trend of correlation. Even if Turkey had sent all the money promised – that is, \$200 million –it would not have been enough to explain the opposite correlation, since \$200 million is still a negligible amount in comparison to the total trade volume between Turkey and Israel.

Before ending this section, it should be explained why Turkey's promises to Gaza in 2014 have been chosen as an example. It was 2013 when Gaza was devastated, motivating countries to pledge large amounts of money. Therefore, 2014 was to be the year that Turkey sent her largest amount of aid to Gaza, and for this reason, the numbers from 2014 are used. But as it stated, even in the year where the figures are greatest, Turkey's aid to Gaza would not explain the opposite correlation between Turkish-Israeli political and trade relations.

In terms of the three factors mentioned at the end of the first chapter, Turkish-Israeli relations produce meaningful results. According to the numbers, the first factor – realist perspective – is not valid. Turkish-Israeli economic relations show that bilateral trade between Turkey and Israel does not follow the flag. Trade volumes that increase despite political crises show that other perspectives are more revealing when it comes to explaining Turkish-Israeli relations.

¹¹⁷http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/05/22/090224b082eb7780/3_0/Rendered/PDF/Economic0monit0oc0liaison0committee.pdf date of access: 10.11.2015

Liberal and institutionalist views are more useful for understanding Turkish-Israeli relations. As stated above, institutions like free trade agreements and world trade organizations are binding factors for both Turkey and Israel. As a result, even when political relations worsen, there is compulsion to sustain bilateral trade relations.

On the other hand, both Turkey and Israel are liberal economies; thus, both economies involve many interest groups. Those groups affect the decisions of the state, since both countries are liberal democracies. Groups that benefit from trade between Turkey and Israel would be influential in sustaining bilateral trade. Therefore, despite political tensions, both countries continued to trade.

Nevertheless, it is important to emphasize that the realist perspective is good for explaining tourist numbers between Turkey and Israel. Statistics show that increasing political tension between Turkey and Israel might lead to a decrease in Israeli tourist numbers visiting Turkey. Therefore, in terms at least of tourism between Turkey and Israel, it is possible to say that tourism does follow the flag.

CHAPTER III

TURKISH – EGYPTIAN RELATIONS

3.1. A Brief History of Turkish-Egyptian Political Relations

Just as in the case of Israel, Turkey has a long history with the geographical region where Egypt is located. The perception of common history has influenced relations between the two countries. At the outset, re-examining this perception and past experiences will be beneficial to understanding the background of today's relations.

Turkey's experience of Egypt's geography began with the Ottoman Empire's conquest of the Mamluks in 1517.¹¹⁸ The Ottoman Empire subsequently managed this land for centuries, until in the 19th century, Napoléon's invasion of Egypt started a different phase. The Ottoman Empire charged an army, whose vice commander in chief was Mehmet Ali Paşa, with saving Egypt from Napoléon. Mehmet Ali Paşa succeeded, but this changed things for the Ottomans.¹¹⁹

Mehmet Ali Paşa was an Albanian officer who worked for the Ottoman Army. He was a talented and ambitious man, who thought that the Ottoman Empire owed its success against Napoléon to him – and ultimately decided to take that victory back. He rebelled against the Ottoman governor in Egypt and with the endorsement of the Ottoman Sultan, took his place and became the new governor of Egypt.¹²⁰

¹¹⁸ https://tr.wikipedia.org/wiki/Ridaniye_Muharebesi date of access:10.11.2015

¹¹⁹ A. Goldschmidt Jr., L.Davidson, *Kısa Ortadoğu Tarihi*, Doruk, p. 230

¹²⁰ Ibid, p.231

Mehmet Ali Paşa was a reformist and due to him, Egypt – as part of the Ottoman Empire – experienced a breakthrough. According to Goldschmidt Jr., he was the first non-western leader to realize the importance of industrialization,¹²¹ but this led to conflict between Mehmet Ali and the Sultan. Taking advantage of industrialization's positive effect on his army, Mehmet Ali revolted against the Ottoman Empire and made Egypt an autonomous state.¹²²

This development led to continuous conflict between the Ottoman Empire and Egypt. Despite Egypt being an autonomous part of the Ottoman Empire, it in fact became a competitor, and this feeling has affected relations between the countries in the region up until today.

The collapse of the Ottoman Empire and the foundation of the Republic of Turkey saw in a new period of relations with Egypt. Of course relations between the two countries were not isolated from their past experiences and the involvement of third countries; Egypt was a protectorate of Great Britain and the Turkish Republic was fighting against the British in the Turkish War of Independence.

Besides past experiences, common history and different choices in the international arena affected Turkey-Egypt relations deeply. In every sense Turkey and Egypt have common features: both have important geographical advantages – Turkey has two sea straits, the Dardanelles and the Bosphorus, while Egypt has the Suez Canal – and both countries attribute great importance to those advantages. In addition, both countries have powerful nationalist movements, which shaped their futures along with independence movements. Moreover, Turkey feels herself a big brother to other Turkic countries and Egypt feels and behaves like the big brother of other Arab countries. Another important feature the countries share is their Muslim population – while the other features mentioned here have

¹²¹ Ibid, p.231

¹²² Ibid, p. 231

different focal points for each country, the latter creates an intersecting area when it comes to leadership in the Muslim world. All these similarities and differences created both an implicit competition in relations and a brotherly tone in discourse.

In the first decades of the Turkish Republic, Turkish leaders followed a western-oriented policy, and thus were not interested in the old lands of the Ottoman Empire. During that time, Egypt was outside of Turkey's foreign policy interest areas. There were also some other factors that worsened both sides' perceptions of each other.

Before and after independence, Arab nationalists agitated against the Ottomans as colonizers and claimed that they were responsible for the Arabs' backwardness. On the other side, Turkish leaders felt betrayed by the Arab-British alliance.¹²³ They also complained that the Arabs betrayed the Ottoman Empire – and thus the Turkish people – despite the Ottoman Empire having sacrificed many things, even lands, to help the Arabs. Just as with other features mentioned above, these negative perceptions affected relations for years, and the historical negative memories were kept alive through schoolbooks and cultural representations.¹²⁴

In 1925, the Republic of Turkey and Egypt under the British protectorate had their first crisis. The King of Egypt, Fuad I, kept Ottoman ambassador Muhiddin Paşa waiting for a long period – as a gesture to emphasize that Egypt was no more a part of the Ottoman Empire and was, rather, an independent state – and did not receive him. Muhiddin Paşa protested this treatment; he declared that he had another appointment and thus left the palace. When King Fuad heard this, he was frustrated, and a diplomatic crisis between the two countries resulted.¹²⁵

¹²³ M. Altunışık, *Turkey: Arab Perspectives*, Foreign Policy Analysis Series 11, TESEV, p.7

¹²⁴ Ibid, p.7

¹²⁵ O. Şahin, *Türkiye – Mısır İlişkilerinin Tarihi*, page:2 <http://www.dunyabulteni.net/yazar/osman-sahin/19221/turkiye-misir-iliskilerinin-tarihi> date of access: 10.11.2015

The second crisis happened in 1932 and this time the roles were reversed. On the 9th anniversary of the Turkish Presidency, President Mustafa Kemal Atatürk hosted a reception at the Ankara Palas. Egypt's Ambassador, Abdülmelik Hamza, attended this reception in his uniform and wearing a fez. Atatürk whispered to the ambassador to take off his fez as a waiter stood by to take it. The ambassador left his fez and left the reception in a fury.¹²⁶ To understand why Atatürk reacted in such a way to a hat, it should be noted that this incident happened soon after the Turkish revolution when the Turkish public had witnessed some bad incidents, such as the execution of people who objected to the revolution.¹²⁷

This crisis caused huge fury among the Egyptian public, some even requesting an end to diplomatic relations with Turkey;¹²⁸ however, thanks to pressure from the English Commissar, the Egyptians were persuaded not to take further action and the case was closed. Nevertheless, its effect was felt for years.

During the first decades of the Republic of Turkey, Atatürk and his followers kept their distance from the Arab countries, because they thought that close relations and cultural interaction with them could endanger the newborn republic, and might even end in the revival of the caliphate. For this reason, relations with Arab countries were limited, even in the area of trade. During the lifetime of Atatürk, he did not allow a trade agreement with Egypt, and Turkish-Egyptian trade relations continued with this *modus vivendi*.¹²⁹

Turkish and Egyptian diplomatic relations began at the level of *chargé d'affaires*, then in 1948, they were raised to ambassadorial level. But those close relations which brought

¹²⁶ *Ibid.*

¹²⁷ *Ibid.*,

¹²⁸ *Ibid.*

¹²⁹ *Ibid.*

the family of Mehmet Ali Paşa and the Turkish Embassy in Cairo together raised the ire of the Free Officers, who overthrew the Egyptian monarchy in 1952.¹³⁰

The following years did not bring about too much change. During the cold war, Turkey sided with the western bloc, while Arab countries like Egypt and Syria preferred to take the Soviets' side. Since Turkey perceived the Soviets as a possible threat, the Arabs became a part of that perception. On the other hand, Turkey's alliance with the west and recognition of the state of Israel reinforced the Arab narrative of Turkey as a stooge of the USA.¹³¹

As mentioned above, the cold war era's first crisis involving Turkey and Egypt – as well as other Arab states – was Turkey's recognition of the state of Israel. In the face of the danger of Soviet invasion, Turkey sought western countries' support, and as a result, followed western-oriented foreign policy. Recognition of the state of Israel was an outcome of this, but the decision caused great fury among the Arab countries. Their attitude is more understandable when it is considered that these countries had instigated a war against the foundation of Israel, and that Israel – with western support – had defeated five of them. Furthermore, Turkey was a member of the reconciliation commission launched by the United Nations.¹³²

In subsequent years, this perception continued, reinforced by Turkey's involvement in the establishment of the Baghdad Pact in 1955.¹³³ With the support of the USA, Turkey

¹³⁰ <https://www.middleeastmonitor.com/20140130-an-overview-of-turkish-egyptian-relations/> date of Access:20.03.2016

¹³¹ O. Şahin, *Türkiye – Mısır İlişkilerinin Tarihi*, page:7

¹³² M. Küçükvatan, *Soğuk Savaşın Türk Dış Politikasına Etkileri ve 1957 Türkiye-Suriye Bunaimı*, ÇTTAD, XI/23, (2011/Güz), p. 76

¹³³ M. Altunışık, *Turkey: Arab Perspectives*, Foreign Policy Analysis Series 11, TESEV, p.7

initiated the pact, which aimed to limit Soviet expansion.¹³⁴ In the beginning, the Baghdad Pact was a bilateral agreement between Turkey and Pakistan, then England, Iran, and Iraq joined. To create a buffer against the Soviets and to prevent them from reaching the Mediterranean Sea, Turkey realized that the pact needed more Arab countries. As a result, Turkish Prime Minister Adnan Menderes decided to convince Egypt to join and visited Cairo. But the answer was a definite no; in addition, Egypt encouraged Syria and Lebanon to decline.¹³⁵

Egypt perceived the Baghdad Pact as a threat and instead initiated an Arab common military defense organization with Syria and Saudi Arabia. They declared that Iraq would not be accepted as a member.¹³⁶ Every new move in the region further increased the tension between Egypt and Turkey.

Another source of tension was the Suez War. Egypt was trying to get free of the English protectorate, whose last vestige was the Suez Canal. Despite other political rights that were granted to the Egyptians, the English did not leave the Suez Canal. Egypt knew that without the strategic benefits and financial revenues of the Suez Canal, it would not be possible to be completely independent. Consequently, the Egyptian leader, Gamal Abdel Nasser, decided to nationalize the Canal. Another important incentive for doing so was Egypt's new dam project. To finance it, Egypt had knocked on the doors of the United States and Great Britain, but they had refused due to Egypt's close relations with Soviets.¹³⁷

¹³⁴ M. Küçükvatan, *Soğuk Savaşın Türk Dış Politikasına Etkileri ve 1957 Türkiye-Suriye Bunalımı*, ÇTTAD, XI/23, (2011/Güz),p. 77

¹³⁵ Ibid, p.78

¹³⁶ Ibid. P.78

¹³⁷ Ibid. P. 79

Despite all opposition, Egypt declared that they had nationalized the Suez Canal. This led to fury among the western countries and Israel. A coalition consisting of England, France and Israel started a war against Egypt. Furthermore, a conference was convened to decide how the Suez Canal would be used. Twenty-two western and western-oriented countries participated; one of them was Turkey.¹³⁸

Egypt opposed this conference and claimed that she would use the Suez Canal in accordance with the 1888 İstanbul agreement. The Soviets supported Egypt's opposition to the conference, and Egypt viewed the conference as a hostile act. Thus, relations between Egypt and Turkey worsened again.¹³⁹

All these developments brought Turkey and Egypt to opposite sides of the cold war. Both actors voluntarily accepted their cold war roles and this elevated the tension between them. In 1956, despite Turkish Prime Minister Adnan Menderes' positive declarations on Arab countries, Egypt accused Turkey of massing her troops along the Syrian border, while, in exchange, Turkey charged Egypt with receiving military aid from the Soviets.¹⁴⁰ The tension grew still further when Syria complained about Turkey's moves in the United Nations and Egypt sent troops to Syria in accordance with the mutual defense agreement between the two countries.¹⁴¹ This situation brought Turkey and Egypt to the edge of war.

Bad relations between Egypt and Turkey continued for a few years more, but in 1958, Egypt and Syria decided to merge, declaring that they had formed the United Arab

¹³⁸ Ibid. P.79

¹³⁹ Ibid. P.80

¹⁴⁰ Ibid. P. 80

¹⁴¹ Ibid p. 86

Republic. Turkey used this chance to normalize relations by announcing that the United Arab Republic was recognized by Republic of Turkey.¹⁴²

Turkish Prime Minister Adnan Menderes tried to follow a different path from his predecessors and wanted to build close relations with Arab countries. Nevertheless, that same year another crisis emerged between Turkey and Egypt. Adnan Menderes appointed Turkish Ambassador Oğuz Gökmen to convey his good faith and greetings to Egypt's President Abdel Nasser, wanting the latter to notice that Turkey and Egypt were part of the same family and noble members of the Islamic World.¹⁴³

This initiative was welcomed warmly in Egypt. Abdel Nasser personally received the Turkish committee and accepted the invitation of the Turkish Ambassador for the Egyptian Trade Minister to attend a trade fair in Turkey. In return, the Egypt Trade Minister visited Turkey and the Turkish President Celal Bayar received the minister and his wife. But during this reception Bayar harshly criticized Egypt and accused them of betraying Turks – that is, the Ottoman Empire.¹⁴⁴ Despite Adnan Menderes's initiatives, it seems that Celal Bayar did not want close relations with the Arab world, since as already mentioned, Kemalists were wary of Arab influence and thought that it might end new acquisitions by the republic.¹⁴⁵

The deterioration of relations continued in the 1960s, after Turkey welcomed the separation of Egypt from Syria in 1961.¹⁴⁶ Until 1970, while Nasser ruled, Turkey and

¹⁴² Ibid p. 87

¹⁴³ O. Şahin, *Türkiye – Mısır İlişkilerinin Tarihi*

¹⁴⁴ Ibid.

¹⁴⁵ Ibid.

¹⁴⁶ <https://www.middleeastmonitor.com/20140130-an-overview-of-turkish-egyptian-relations/> date of Access:20.03.2016

Egypt experienced their most problematic relations. This period witnessed serious crises between the two countries.¹⁴⁷

After Gamal Abdel Nasser, Anwar Sadat took over the rule of Egypt. With Sadat, Egypt's foreign policy experienced a reorientation. While Abdel Nasser took the side of the Soviet bloc, Sadat chose to follow a liberal and western-oriented policy.¹⁴⁸ He visited Israel, with whom Abdel Nasser had a war, and in 1978 signed the Camp David agreement, according to which Egypt recognized the state of Israel. In exchange, Egypt took back the Sinai Peninsula, which she had lost during the Six-Day War.¹⁴⁹

This policy change led to different reactions across the Middle East. The Arab League expelled Egypt from membership. Other Arab states kept their distance from Egypt. Meanwhile, the Camp David agreement and Egypt's policy change also affected relations with Turkey, but in a positive way.¹⁵⁰ From 1980 onwards, Arab interests in Turkey started to increase again.¹⁵¹ The Islamic revolution in Iran raised a perception of threat among Turkey and the Arab countries; the withdrawal of Egypt from regional politics added to this interest.¹⁵²

On the Turkish side, in 1983 Turgut Özal's Anavatan Party became the ruling party in Turkey. Turgut Özal was known as a liberal. Different from his statist Kemalist predecessors, he was keen to build close relations with the Turkic and Arab countries.

¹⁴⁷ M.Akgün, S.Gündoğar, *Mısır-Türkiye İlişkilerinde Daha İyi Bir Geleceğe Doğru*, TESEV, <http://tesev.org.tr/wp-content/uploads/2015/11/M%C4%B1s%C4%B1r-Turkiye-İlişkilerinde-Daha-İyi-Bir-Gelecege-Dogru.pdf>, date of access: 20.03.2016

¹⁴⁸ Ibid.

¹⁴⁹ Ibid.

¹⁵⁰ Ibid.

¹⁵¹ M. Altunışık, *Turkey: Arab Perspectives*, Foreign Policy Analysis Series 11, TESEV, p.7

¹⁵² Ibid. P.8

Thus, Arab interest in Turkey increased, and there was an influx of Arab students and tourists into Turkey.¹⁵³ Therefore, the 1980s witnessed calm relations between Turkey and Egypt when compared with the 1970s.

The 1990s were years when Turkey had tense relations with the Arab countries. As mentioned above, problems over water with Iraq and Syria, and over those countries' support for the Kurdish terrorist group PKK, led Turkey to harshly criticize them. Besides, Turkey's lack of interest in the Arab World and her close relations with Israel during the 1990s influenced relations. The tense relations also affected other Arab countries' dealings with Turkey. Therefore, during the 1990s, the relationship between Turkey and Egypt was not problematic, but neither was it good.¹⁵⁴

Despite the tense situation between Turkey and other Arab countries, the Turkish Prime Minister at the time, Necmettin Erbakan, tried to improve relations with Egypt.¹⁵⁵ However, Erbakan sought to initiate connections with Egypt through the Muslim Brotherhood in advance. This initiative greatly disturbed Hosni Mubarak, the Egyptian president, but Erbakan managed to control relations and find a way forward.¹⁵⁶ In 1996, he visited Egypt, and during that visit he sought to build an Islamic economic organization, inviting Egypt to be a member. Egypt agreed and in 1997, the Group of Eight countries held its first summit in İstanbul.¹⁵⁷

¹⁵³ Ibid. P.8

¹⁵⁴ Ibid. P.8

¹⁵⁵ <https://www.middleeastmonitor.com/20140130-an-overview-of-turkish-egyptian-relations/> date of Access:20.03.2016

¹⁵⁶ Nikolaos Raptopoulos, *Rediscovering its Arab Neighbours? The AKP imprint on Turkish Foreign Policy in the Middle East*, Les Cahiers du RMES, Juillet, 2004

¹⁵⁷ <https://www.middleeastmonitor.com/20140130-an-overview-of-turkish-egyptian-relations/> date of Access:20.03.2016

Little changed during the 2000s. Despite the positive developments that will now be mentioned, the relationship kept its same course. In 2003, the Ak Party became the ruling party in Turkey and was eager to improve relations with the Arab world. Meanwhile, in 2000, the Arab-Israeli peace process had collapsed, and the second intifada blew up in Palestine. Arab countries had intra problems. In 2003, the USA invaded Iraq and failed there, and afterwards left Iraq without determining its future.¹⁵⁸ All those things created a power vacuum in the region and Turkey, under the ruling Ak Party, tried to fill it.

Under these conditions, in 2003 the Turkish parliament refused the USA military permission to use Turkish soil as a base from which to invade Iraq and did not support the US invasion. This decision increased Turkish popularity among the Arab countries.

During the first half of the 2000s, along with Turkey, Iran tried to fill the vacuum in the region. Iran attempted to build a Shiite crescent and become leader of the countries involved. This effort alarmed other Arab nations. In 2004 King Abdullah of Jordan warned against the Shiite crescent, and in 2006 Egyptian president Hosni Mubarak said that “Shiites are always loyal to Iran, not to the countries where they live”.¹⁵⁹ In these new circumstances, Turkey considered itself an important balancing actor, as a strong Sunni country.

From 2004 onwards, Turkish and Egyptian presidents, prime ministers and ministers paid official visits to each other. Between 2004 and 2010, Egyptian president Hosni Mubarak visited Turkey twice.¹⁶⁰ As mentioned above, on the one hand Egypt wanted Turkey as a friend, but on the other, they perceived Turkey as a competitor. Thus Egypt did not allow

¹⁵⁸ M. Altunışık, *Turkey: Arab Perspectives*, Foreign Policy Analysis Series 11, TESEV, P.10

¹⁵⁹ Ibid, P.13

¹⁶⁰ M.Akgün, S.Gündoğar, *Mısır-Türkiye İlişkilerinde Daha İyi Bir Geleceğe Doğru*, TESEV

such close relations as to allow Turkey to replace it as big brother among Arab countries. In summary, in these years, relations were not wonderful but they were trouble-free.

In July 2005, Egypt and the Cyprus signed an agreement to search for oil and natural gas in Mediterranean Sea.¹⁶¹ This agreement meant an incursion into the territorial waters of the Turkish Republic of Northern Cyprus, which was harshly criticized by Turkey. Egypt responded to Turkey's criticism by postponing the agreement.¹⁶²

In the past few years, things have started to change. The previously trouble-free but not entirely favorable relationship entered a new phase. In 2011, the Arab Spring spilled over into Egypt and Hosni Mubarak's 30-year presidency came to an end. In January 2011, Egyptian citizens gathered around Tahrir Square and protested against Mubarak, calling on him to step down. During these protests, Turkish Prime Minister Recep Tayyip Erdoğan was the first leader to call upon Mubarak not to oppose to the will of the Egyptian citizens.¹⁶³

Mubarak left the presidency in February 2011 and after elections, Muhammed Morsi became the fifth president of Egypt. This change opened a new and golden era in relations between Turkey and Egypt. Turkish president Abdullah Gül paid the first official visit to Egypt, and Turkey fully supported the newly elected president Morsi. After Gül's trip, Turkey's and Egypt's ministers visited each other, and in September 2011, Turkish Prime Minister Recep Tayyip Erdoğan traveled to Egypt. Crowds in the streets welcomed him. These mutual visits were a sign of the golden age in relations.¹⁶⁴

¹⁶¹ C.Yılmaz, Mısır'da iktidar değişiminin Ortadoğu politikası ve Mısır-Türkiye ilişkilerine etkisi, Ortadoğu Analiz, Kasım 12.

¹⁶² Ibid.

¹⁶³ M.Akgün, S.Gündoğar, *Mısır-Türkiye İlişkilerinde Daha İyi Bir Geleceğe Doğru*, TESEV

¹⁶⁴ Ibid.

During the presidency of Morsi, Turkey explicitly supported him. In September 2012, Morsi paid a visit to Turkey and attended the Ak Parti's congress. During his speech, he thanked Turkey for her support for the Tahrir revolution.¹⁶⁵

But things started to change again with new uprisings in Egypt. In 2013, people who did not find what they expected from the new president started to gather again in Tahrir Square. Clashes occurred over a period of months between supporters and opponents of Morsi. Finally, in July 2013, Morsi was toppled by a military intervention.¹⁶⁶

Turkey was the harshest critic of events, President Erdoğan even going so far as to say that "Morsi is still the president of Egypt, not Sisi", the general who became ruler after the intervention.¹⁶⁷ Thus, relations between Turkey and Egypt took an opposite turn. Egypt was offended by the pronouncements of Turkish officials and declared the Turkish ambassador persona non grata. In exchange, Turkey called for the Egyptian ambassador to leave the country.¹⁶⁸

In the face of these negative developments, Turkey hardened her stance and widened the fronts of political debate. Some international platforms and bilateral government talks witnessed Turkey's criticism of Egypt. In July 2014, PM Erdoğan condemned Egypt's mediation in Gaza, stating that Egypt's government was illegitimate and Sisi himself a tyrant, who therefore could not be relied upon to negotiate a ceasefire.¹⁶⁹ After the Turkish PM's speech, Hamas rejected Egypt's mediation and Foreign Affairs Minister Sameh

¹⁶⁵ Ibid.

¹⁶⁶ M.Özkan, *Türkiye-Mısır ilişkilerinde 'Soğuk Barış' ve Ötesi*

¹⁶⁷ <http://www.sabah.com.tr/webtv/dunya/cumhurbaskani-erdogan-misirin-cumhurbaskani-sisi-degildir-yine-mursidir> date of access: 17.12.2015

¹⁶⁸ <http://www.hurriyet.com.tr/turkiye-de-misir-buyukelcisini-istenmeyen-adam-ilan-etti-25190674> date of access: 17.12.2015

¹⁶⁹ <http://www.madamasr.com/news/egypt-and-turkey-trade-accusations-over-gaza> date of access: 17.12.2015

Shoukry of Egypt said that Turkey, Hamas and Qatar were trying to sabotage Egypt's role in the region.¹⁷⁰

President Erdoğan's harsh criticism and rejection of the presidency of Sisi continued over the following months. His reproaches drew reactions from the Egyptian public and government. In September 2014, President Erdoğan made a speech at the United Nations General Assembly and criticizing both the UN and Sisi. Erdoğan argued:

The United Nations as well as the democratic countries have done nothing but watch the events, such as the overthrow of the elected president of Egypt and the killings of thousands of innocent people who want to defend their choice. And the person who carried out this coup is being legitimized. Those objecting to the murders in Iraq and Syria and the murder of democracy in Egypt are subjected to certain unfair and groundless accusations, and almost immediately accused of supporting terrorism.¹⁷¹

This strong condemnation on an international platform led to rage in Egypt, and this time the Egypt United Arab Emirates (UAE) joined in as well. Egypt decried Erdoğan's remarks as "lies" and, in addition, the Foreign Affairs Ministry stated that the Turkish president was in no position to "give lessons" on democracy to others. The UAE supported Egypt by reproaching the Turkish President, in a statement, "for his irresponsible remarks", and warning that his speech was an intervention against Egyptian sovereignty.¹⁷²

¹⁷⁰ Ibid.

¹⁷¹ <http://www.madamasr.com/news/egypt-turkey-uae-ensnarled-spat-over-erdogans-anti-sisi-speech>
date of access: 17.12.2015

¹⁷² Ibid.

President Erdoğan remained standing and refused to take a seat at the same table as Sisi during a lunch hosted by UN president Ban Ki-Moon.¹⁷³ Nothing has changed since, and by the beginning of 2016, Turkey and Egypt had still not tried to fix the situation. Diplomatic relations remained at the level of chargé d'affaires. When asked, Erdoğan stated that reconsideration of relations with Egypt was conditional upon the release of president Morsi and the revocation of the death sentences passed against Muslim Brotherhood supporters.¹⁷⁴

As it is said in a Turkish proverb, Turkish president Erdoğan hit two birds with one stone when he claimed that Israel was involved in the anti-Morsi coup in Egypt. Erdoğan claimed to have evidence proving the Jewish state's involvement in the removal of Mohammad Morsi from power.¹⁷⁵

3.2. Background of Turkish-Egyptian Economic Relations

Turkish-Egyptian economic relations followed political relations almost exactly, with the exception of the final period – after the 2013 military intervention. During the early years of the Turkish Republic, the founders did not want close relations with Egypt, because they were afraid that people's interactions with the Arab world might lead to losing the new republic's gains.¹⁷⁶

¹⁷³ <http://www.haberturk.com/gundem/haber/993970-erdogandan-bmde-rest> date of access:17.12.2015

¹⁷⁴ <http://www.madamasr.com/sections/year-grey-zones-egypt%E2%80%99s-foreign-friends-and-foes> date of Access:20.03.2016

¹⁷⁵ <http://www.timesofisrael.com/erdogan-accuses-israel-of-engineering-egyptian-coup/> date of Access:20.03.2016

¹⁷⁶ O. Şahin, *Türkiye – Mısır İlişkilerinin Tarihi*,

During the 1920s and 1930s Turkey did not want a trade agreement with Egypt, was it common at that time on the other side Egypt was a protectorate of United Kingdom thus they sustained their economic relations with 6 months modus vivendi.¹⁷⁷

In the 1960s, Turkey and Egypt were members of different blocs: Turkey sided with the west and Egypt with the Soviets. Besides this, Turkey's stance on the Suez crisis and problems with Syria antagonized these countries, and thus it was not possible to talk about decent economic relations.

As mentioned above, during Mubarak's term as president, there was a rivalry between Turkey and Egypt. Mubarak took issue with Turkey's Ak Party-led activism in the Middle East, which he saw as coming at the expense of Egypt's influence in the region, as well as its intervention in Egypt's internal politics.¹⁷⁸ But economics surpassed these concerns. From 2002 to 2013, total trade volume between Turkey and Egypt rose from \$301 million to \$5 billion.¹⁷⁹

In December 2005, Turkey and Egypt signed a free trade agreement that clearly boosted their trade volumes.¹⁸⁰ Between 2004 and 2010, Hosni Mubarak visited Turkey twice, and during those visits, the two countries signed agreements to improve trade relations. Throughout these years, Turkey was trying to increase her trade volume with Arab and African countries and Egypt was a necessary port on the way. In April 2011, the Syrian Arab Spring turned into a civil war. This situation prevented Turkey from reaching Arab and African countries via Syria. Since it became dangerous to deliver goods in trucks

¹⁷⁷ O. Şahin, *Türkiye – Mısır İlişkilerinin Tarihi*,

<http://www.dunyabulteni.net/yazar/osman-sahin/19221/turkiye-misir-iliskilerinin-tarihi> date of access: 10.11.2015

¹⁷⁸ Soner Cagaptay, Marc Sievers, *Turkey and Egypt's Great Game in the Middle East*, Foreign Affairs

¹⁷⁹ Ibid.

¹⁸⁰ M.Akgün, S.Gündoğar, *Mısır-Türkiye İlişkilerinde Daha İyi Bir Geleceğe Doğru*, TESEV

across Syria, Turkey started to search for alternative routes to reach those new markets. Egypt was the next best option.

Another important improvement for Turkish and Egyptian trade relations occurred in 2011. When Mubarak left the presidency and was replaced by Morsi, a new era began for Turkish-Egyptian trade relations. Turkey explicitly supported Morsi in terms of both politics and trade, signing new trade agreements with Egypt and making a credit contract to give Egypt \$2 billion.¹⁸¹

Meanwhile, as mentioned above, Turkey was looking for new trade routes to reach new markets. On this issue, Egypt helped Turkey and both countries signed a new agreement to deliver Turkish trucks to Arab and African countries via Egypt with roll-on/roll-off (Ro-Ro) ships. Thus, Turkey was able to bypass Syria and continue to reach Arabian and African markets via Egypt.¹⁸²

In 2011, Turkey and Egypt made another important deal. Wheat prices became a problem for the Egyptian regime, but thanks to the solid relations between the two countries, Turkey was able to help Egypt to find a solution. Turkish ambassador Hüseyin Avni Botsalı offered to support a special port for the import of wheat from Kazakhstan and to share Turkey's past experience on this critical issue.¹⁸³

However, as mentioned in connection with political relations, with the intervention in 2013, Turkish-Egyptian relations went into a new phase. Negative political relations affected trade relations to some extent, but despite the tensions, it seems that both countries realized that degrading trade relations would be beneficial to neither of them.

¹⁸¹ Ibid.

¹⁸² F.Ferhavi, *Türkiye-Mısır: İkili İlişkilerden Bölgeselliğe*, Analist, Kasım 2012

¹⁸³ Ibid.

Neither moved to cancel the free trade agreement signed in 2005, nor the roll-on/roll-off ships agreement.¹⁸⁴

In 2014, Egypt's President Sisi revived Mubarak's gas plans for the Mediterranean and held a three-way summit with Cyprus and Greece to promote a deal to supply natural gas from the underwater fields between Cyprus and Egypt. This was a move that directly sought to challenge Turkish power in the Mediterranean.¹⁸⁵

Nevertheless, even the Egyptian Minister of Industry and Trade declared that Egypt had no intention of canceling the trade agreement between Turkey and Egypt, stating that political and trade relations should be handled independently of each other.¹⁸⁶ Despite some examples such as not extending the roll-on/roll-off ships agreement, which ended in April 2015, the two countries continue to try to keep their economic relations at a static level.¹⁸⁷

Both countries have good reason to sustain trade relations independently from political relations. On Turkey's side, markets were lost during the Arab Spring, especially due to the internal conflicts in Iraq and Syria. Trade routes were lost as well. Thus, losing another important market and route would be too costly for Turkey.

On the Egyptian side, the Egyptian Arab Spring cost Egypt dearly. With the military intervention, Egypt experienced a fiscal breakdown and needed more foreign aid. In those conditions, downgrading trade relations with Turkey would have meant the loss of almost

¹⁸⁴ M.Akgün, S.Gündoğar, *Mısır-Türkiye İlişkilerinde Daha İyi Bir Geleceğe Doğru*, TESEV

¹⁸⁵ Soner Cagaptay, Marc Sievers, *Turkey and Egypt's Great Game in the Middle East*, Foreign Affairs

¹⁸⁶ Ibid.

¹⁸⁷ <http://www.al-monitor.com/pulse/tr/originals/2015/11/turkey-egypt-rabia-statuettes-crushes-hopes.html#> date of access: 22.12.2015

\$5 billion dollars of trade volume and the withdrawal of 260 Turkish companies that do business in Egypt.¹⁸⁸

Therefore, despite political tension between Turkey and Egypt, it seems that both countries are inclined to separate their political and trade relations. In the next part, a chart of political relations will be given and the correlation between the political and economic relations of Turkey and Egypt will be examined.

3.3. Correlation Between Political and Economic Relations of Turkey and Egypt

Just as in the Turkish-Israeli case, keeping in mind the arguments mentioned above, a chart will be generated to reveal the extent of correlation between political and economic relations. In the chart, political ups and downs will be plotted chronologically and the points compared with trade statistics. Again, to get a better and more comprehensive understanding, three different datasets will be used. The first dataset is the trade volume of both countries; these data will be compared with the chart of political relations between Turkey and Egypt. The second dataset is foreign direct investment (FDI) between Turkey and Egypt. The final dataset concerns tourism and tourist volume between Turkey and Egypt.

Before discussing the political relations chart, the difference between Turkey-Israel and Turkey-Egypt relations should be explained. In contrast to Turkish-Israeli relations, relations between Turkey and Egypt are more blurred. There is no clear evidence to identify a period's political relations as entirely good or entirely bad. Furthermore, there have been no decisive breakthroughs or crises through the decades. Until the 2000s, the signs are too weak to decide resolutely. In addition, as stated above, despite their implicit competition for the leadership of the Middle East, neither Turkey nor Egypt hesitates to talk about their close relations and common history.

¹⁸⁸ M.Akgün, S.Gündoğar, *Mısır-Türkiye İlişkilerinde Daha İyi Bir Geleceğe Doğru*, TESEV

Therefore, the chart of Turkish-Egyptian political relations will begin in 2004. It will span the years from 2004 to 2016 and political relations will be compared to trade volume, FDI and tourism data.

Just as in the case of Israel, political relations with Turkey will be represented numerically; thus, years with positive relations will be converted to “1s” and years that experienced negative relations will be converted to “0s”. Before presenting the chart, the reasons for the values given to each year – positive or negative – will be explained. After 2004, most years have specific incidents that define them; those reasons will be discussed and then a symbol of “1” or “0” given. As before, events will be described only briefly, since they are examined in detail above.

The year 2004 might be considered the real beginning of close relations between Turkey and Egypt. In previous years, relations were neither good nor bad; they were, at least, not problematic and both countries were satisfied to continue along the same route. But especially after the Ak Party came to power in Turkey, things began to change. The Ak Party was more inclined to ameliorate Turkey’s relations with Arab and Muslim world. Furthermore, under the Ak Party Turkey was increasingly determined to improve her trade relations with those countries and to reach new markets.

In addition, Turkey’s refusal to allow the USA to use Turkish soil to invade Iraq attracted sympathy from Arab countries.¹⁸⁹ After a six-year interval, to build close relations, Egyptian President Hosni Mubarak paid several visits to Turkey – in 2004, 2007 and twice in 2009.¹⁹⁰ In 2004, Mubarak was accompanied on his visit to Turkey by the Egyptian Oil and Trade Minister. Many economic opportunities were put on the table.¹⁹¹

¹⁸⁹ M. Altunışık, *Turkey: Arab Perspectives*, Foreign Policy Analysis Series 11, TESEV, p.7

¹⁹⁰K.Aksu, *Turkey-EU Relations, Power, Politics and the Future*, Cambridge Scholars Publishing, 2013, p.97

¹⁹¹ <http://www.dw.com/tr/m%C4%B1s%C4%B1r-devlet-ba%C5%9Fkan%C4%B1-m%C3%BCbarek-ankarada/a-2527060> date of access: 10.11.2015

The 2004 visit may have had additional significance; Hosni Mubarak would not have come to Turkey for no reason. In 2003, the US invasion of Iraq changed the balance of power in the Middle East. The US toppled Saddam – a member of the Sunni minority – and ever since, the Shias have dominated the parliament and elected Shia prime ministers.¹⁹² Along with other changes, this led to Iran becoming dominant in the region; from Iran to Yemen, a Shia crescent started to accumulate power. This development worried Sunni countries in the Middle East and convinced them to build closer relations between themselves to counteract what they perceived as rising Shia power.¹⁹³ Thus, Hosni Mubarak’s visit to Turkey and the subsequent close relations and agreements may be evaluated from the Sunni-Shia aspect.

In 2005, despite the political crisis that occurred over the gas deal between Egypt and Cyprus, the free trade agreement between Turkey and Egypt was signed.¹⁹⁴ In 2006, Hosni Mubarak criticized Iran and the Shiites and emphasized the importance of the Sunni world.¹⁹⁵ Thus, despite some minor crises and no really strong gestures, relations for the years between 2003 and 2010 will be judged positive and symbolized by a value of “1”. Although there are no clear signs for the years 2007, 2008 and 2009, those years will also be symbolized by “1” on the basis of the spillover effect.

In 2010, the Arab Spring erupted in Tunisia and in 2011, it spread to Egypt.¹⁹⁶ Turkey’s stance was to support the Arab Spring, and Prime Minister Recep Tayyip Erdoğan was the first political leader to call upon Hosni Mubarak to listen to the voices of the

¹⁹² <https://www.foreignaffairs.com/articles/iran/2006-07-01/when-shiites-rise> date of access: 01.03.2016

¹⁹³ http://www.cfr.org/peace-conflict-and-human-rights/sunni-shia-divide/p33176#!/?cid=otr-marketing_url-sunni_shia_infoguide date of access: 01.03.2016

¹⁹⁴ M.Akgün, S.Gündoğar, *Mısır-Türkiye İlişkilerinde Daha İyi Bir Geleceğe Doğru*, TESEV

¹⁹⁵ Ibid.

¹⁹⁶ https://tr.wikipedia.org/wiki/Arap_Bahar%C4%B1 date of access: 15.11.2015

citizens.¹⁹⁷ In the first half of 2011, Turkey's political relations with Egypt might be called problematic, but with the elections and Morsi's presidency they turned positive.

Turkish President Abdullah Gül visited Egypt with a big entourage and, in exchange, Egyptian officials paid visits to Turkey. In addition, PM Erdoğan visited Egypt and Egyptian president Morsi attended Turkey's ruling Ak Party's congress.¹⁹⁸ During these presidential visits, important trade agreements were signed and Turkey promised US \$2 billion in credit to Egypt. Egypt became an alternative route for Turkish trucks carrying imports to the Middle East that could no longer pass through Syria.¹⁹⁹ Therefore, the years between 2011 and 2013, the years of Morsi's presidency, could be called the golden age of Turkish-Egyptian political relations. Accordingly, those years will be symbolized with "1s".

The years between 2013 and 2015 saw a total reverse. As mentioned in the political relations section, with the military intervention and toppling of President Morsi, Turkey harshly criticized Egypt, declaring that Turkey did not recognize Sisi as president.²⁰⁰ Egypt reacted by declaring the Turkish ambassador persona non grata; in exchange, Turkey did the same to his Egyptian counterpart.²⁰¹

Before the ambassador was recalled, Turkish government officials announced that they would suspend some of the 27 agreements that had been finalized with Egypt during the

¹⁹⁷ M.Akgün, S.Gündoğar, *Mısır-Türkiye İlişkilerinde Daha İyi Bir Geleceğe Doğru*, TESEV

¹⁹⁸ Ibid.

¹⁹⁹ Ibid.

²⁰⁰ <http://www.sabah.com.tr/webtv/dunya/cumhurbaskani-erdogan-misirin-cumhurbaskani-sisi-degildir-yine-mursidir> date of access: 17.12.2015

²⁰¹ <http://www.hurriyet.com.tr/turkiye-de-misir-buyukelcisini-istenmeyen-adam-ilan-etti-25190674> date of access: 17.12.2015

rule of Mohamed Morsi.²⁰² However, Turkey did not implement this decision and those agreements were enacted after the time of Morsi's rule.

The following years did not change anything in the field of political relations between the two countries, and therefore it is straightforward to call the years between 2013 and 2015 negative years for political relations and, accordingly, give them a value of 0 in the political relations chart.

As a result, with some doubt about the year 2011, the political relations chart for Turkey and Egypt will appear as follows:

Table 11: Political Relations Chart for Turkey and Egypt

| | | | | | | |
|------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Year | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Relations | 1 | 1 | 1 | 1 | 1 | 1 |
| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Relations | 1 | 1 | 1 | 0 | 0 | 0 |

3.4. Correlation Analysis of Turkish-Egyptian Political and Economic Relations:

In this section, the chart of political relations between Turkey and Egypt will be compared with total trade volumes of those countries. Before discussing the results, it is beneficial to explain some aspects of the analysis.

²⁰² <http://www.madamasr.com/news/turkey-penalizes-egypt-suspending-morsi-era-agreements> date of access: 17.12.2015

Before analysis, it is beneficial to mention a briefly, how Egyptian economy liberalized. Egypt followed a different path from Israel. With the Egyptian Revolution of 1952 and Nasser's rule, Egypt focused on abolishing the constitutional monarchy and freeing up the wealth that it controlled. Nevertheless, during the rule of Nasser little changed, as a few privileged people continued to control the country's wealth, even if this time they were not members of the monarchy.²⁰³ In the 1960s, the economy of Egypt became a form of state capitalism; that is, semi-populist, developmental nationalism²⁰⁴ During this period, consumption and investments were channeled through the state, and thus the state became not only the super capitalist, but also the provider of first resort.²⁰⁵

After 1974, Sadat followed an *infitah* policy, which was aimed at a radical break with the state capitalist past.²⁰⁶ Brave decisions were made and despite strong opposition, important steps were taken. However, *infitah* did not change things drastically, it simply transferred economic power from the state to a group of bourgeoisie. It was a different political-economic strategy of the same ruling class.²⁰⁷ When Mubarak came into power, he positioned Egypt somewhere between the socialist economic rigidity of Nasser and the free economy of Sadat.²⁰⁸ Mubarak halted *infitah* policies to some extent, a free economy

²⁰³ Mark Cooper, *Egyptian State Capitalism in Crisis: Economic Policies and Political Interests, 1967–1971*, *International Journal of Middle East Studies* 10(4), pp. 481–516

²⁰⁴ *Ibid.*

²⁰⁵ *Ibid.*

²⁰⁶ <https://libcom.org/library/state-capitalism-egypt-critique-patrick-clawson-clive-bradley> date of access: 01.03.2016

²⁰⁷ *Ibid.*

²⁰⁸ Davut Ateş, *Economic Liberalization And Changes In Fundamentalism: The Case of Egypt*, *Middle East Policy*, Winter 2005, page: 137

was delayed, and the government stated that economic reforms might be realized gradually.²⁰⁹

In the beginning of the 1990s, international institutions and countries including the USA compelled Mubarak to speed up liberalization.²¹⁰ Thus, liberal policies gained pace in the forms of privatization and a more liberal arena for free entrepreneurship.²¹¹ Despite all incentives, Egypt did not fully complete the transition to liberalism, and the state still has a strong influence over the economy, especially while the Egyptian military continues to control important sectors of the economy.²¹²

Between 1995 and 1999, there is a strong liberalization of the Egyptian economy, but after 1999 there is a strong decrease in economic freedom that is not compensated for until 2008. After 2011, Egypt became a less liberal economy.

It is important to state that Egypt has never been liberalized to the same extent as Israel. Between 1995 and 2016, Egypt managed to rise from among the ‘repressed’ countries to be one of the ‘mostly unfree’ countries in terms of its economy. Meanwhile, in the same period, Israel was always a member of the ‘moderately free’ economies and after 2015, it is listed among the ‘mostly free’ economies.

Egypt performs well below Israel about liberalization indicators. It is listed among ‘mostly unfree’ economies and its rank in the world is 125. It should be noticed that Egypt has poor results in the areas of property rights, financial freedom and freedom from

²⁰⁹ Ibid.

²¹⁰ Bessma Momani, *Promoting Economic Liberalization in Egypt: From U.S. Foreign Aid to Trade and Investment*, Middle East Review of International Affairs, Vol. 7, No. 3 page:88

²¹¹ Davut Ateş, *Economic Liberalization And Changes In Fundamentalism: The Case of Egypt*, Middle East Policy, Winter 2005, page: 137

²¹² <http://www.dw.com/tr/m%C4%B1s%C4%B1r-ordusu-zenginle%C5%9Fti/a-17611704> date of access: 01.03.2016

corruption, but scores high in terms of fiscal and business freedoms. Egypt's overall score is 56 out of 100.

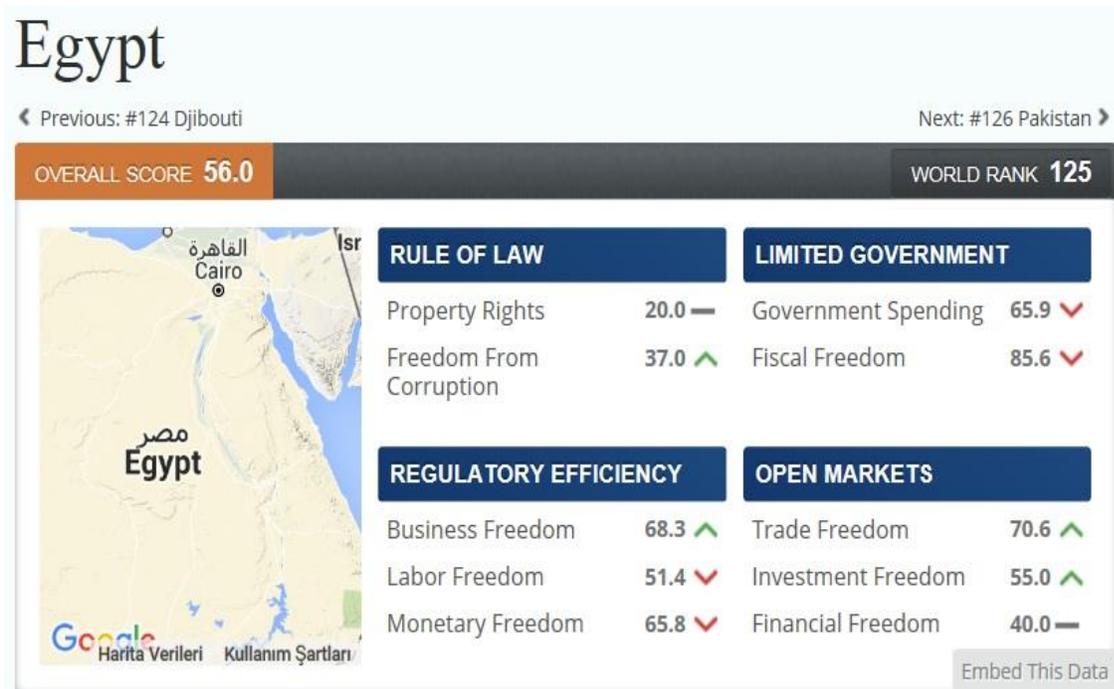


Figure 9: Liberalization indicators for Israel

To complete the statistical analysis in regard to Egypt, correlation analysis will be used again. As previously explained, other types of analyses are not suitable for comparing the political relations chart with total trade volume.

Correlation analysis will be used to see if there is an association between the political and trade relations of Turkey and Egypt. As was emphasized in the previous chapter, a correlation analysis measures the relationship between two different variables; one is bound and the other is independent. In terms of scientific analysis, basic correlation analysis is the most commonly used type of analysis. Because it aims to explain

interaction between variables, it can show whether there is a relationship and, if so, the nature of that relationship.

Here again, logistic regression analysis will not be used because it is only preferred if the bound variable is qualitative data. Since both datasets here are quantitative, this type of analysis is not suitable. Furthermore, regression analysis investigates the average interaction between two or more variables via a mathematical function. Since here there is only one variable, regression analysis is not useful. Factor analysis is used where there are huge numbers of variables, and as the dataset here is quite limited, factor analysis is not suitable either.

Unlike the political relations chart for Turkey and Israel, the Turkey-Egypt version is limited. As mentioned, political relations between Turkey and Egypt are different from those between Turkey and Israel. Because there are no certain signs for positive or negative relations, it is hard to symbolize years with 1s and 0s until 2004. After 2004 and especially from 2012–2013 onwards, the situation resembles Turkey's relations with Israel; the grey areas disappear and political relations between Turkey and Egypt became more black and white. Therefore, from that point on, they are easier to categorize using the system of "1s" and "0s". Rather than taking a risk and symbolizing political years with statistically wrong numbers, it is better to use a limited number of variables. To be sure whether our limited source of variable data is reliable, a test of normality was done. According to the analysis, with %95 confidence, data disperses properly.

Table 12: Correlation Chart between Political Relations and Total Trade Volume (2004-2015)

| | | Correlations | |
|--------------------|---------------------|--------------|--------------------|
| | | Relation | Total Trade Volume |
| RELATION | Pearson Correlation | 1 | -,570 |
| | Sig. (2-tailed) | | ,053 |
| | N | 12 | 12 |
| TOTAL TRADE VOLUME | Pearson Correlation | -,570 | 1 |
| | Sig. (2-tailed) | ,053 | |
| | N | 12 | 12 |

The correlation chart that has been prepared to analyze the correlation between political relations and total trade volume of Turkey and Egypt covers the period between 2004 and 2015. Before interpreting the results, it is necessary to mention again that 1 is the absolute value in terms of correlation analysis: 1 shows absolute correlation between variables and 0 means no correlation. Values of more or less than ± 0.5 mean strong correlation, where values between 0 and 0.5 mean weak correlation. Here, the result of the correlation analysis is -0.570, which means that there is a moderately strong opposite correlation between political relations and trade volume of Turkey and Egypt. This indicates that despite negative relations in the political sphere, trade volume increases.

Here there is a difference between Turkish-Egyptian relations and Turkish-Israeli relations; the table below shows the correlation analysis for the political relations and total trade volume of Turkey and Israel. According to this analysis, the result is -0.830, which means that there is a very strong opposite correlation between political relations and total trade volume of Turkey and Israel. The degree of difference might stem from

the distinction between the structures of the Egyptian and Israeli economies. This matter will be considered in more detail in the discussion below.

Table 13: Correlation Chart between Political Relations and Total Trade Volume (2000-2015)

| | | Correlations | |
|--------------------|---------------------|---------------------|--------------------|
| | | RELATIONS | TOTAL TRADE VOLUME |
| RELATIONS | Pearson Correlation | 1 | -,830** |
| | Sig. (2-tailed) | | ,000 |
| | N | 16 | 16 |
| TOTAL TRADE VOLUME | Pearson Correlation | -,830** | 1 |
| | Sig. (2-tailed) | ,000 | |
| | N | 16 | 16 |

Other important information to support the statistics is in declarations made by officials and businesspeople of both countries. They frequently emphasize that economic relations should be evaluated separately from political relations. For instance, Adel Lamie, the head of the Egyptian-Turkish business council, expressed hope that the dismissal of Morsi would not affect the countries' economic relationship, since the owners of the Turkish companies operating in Egypt represented the private and not the public sector. "We have a problem with the Turkish government, not the Turkish people," he said. He also stressed the importance of separating political tensions from economic ties.²¹³

²¹³ <http://www.dailynewsegypt.com/2013/11/24/egyptian-turkish-businessremains-stable-amid-diplomatic-row-analysts/> date of access: 25.12.2015

The media also quoted the words of Yasser Gaber, the media representative for the Ministry of Industry and Foreign Trade of Egypt, who said: “No official statements were issued from the ministry on the trade ties between us and Turkey. Aside from the diplomatic downgrading, the Turkish side has not issued any additional statements on the economic relationship with Egypt. There are no updates on how the trade between Egypt and Turkey will be affected.”²¹⁴ Thus it seems that even the Ministry did not expect a downgrade in trade relations in parallel with political relations.²¹⁵ Keeping economic relations isolated from political ones was seen as crucial for both countries. To achieve this and to reassure Turkish businesspeople, Münir Fahri Abdunnur, Minister of Industry and Foreign Trade of Egypt, made a declaration promising Turkish businesspeople they would not be affected by adverse political relations.²¹⁶

Furthermore, the Daily News Egypt quoted Zeki Ekinici, the honorary chairman of the Egyptian Turkish Businessmen’s Association, as saying the association was looking forward to creating and expanding investment opportunities away from internal political affairs.²¹⁷

Thus, both parties wanted to separate economic relations from political relations – the state and the private sector alike aimed to protect and keep economic relations stable.

Up to this point, statistics have provided part of the big picture in Turkish-Egyptian relations. But to get the full story, personal experiences and news reports should be taken into account. To understand non-tariff barriers, bureaucratic impediments and all the

²¹⁴ Ibid.

²¹⁵ Ibid.

²¹⁶ Ali Hussein Bakeer, “*Future of Turkish-Egyptian Ties After Military Coup*”, Al Jazeera, <http://studies.aljazeera.net/en/reports/2013/12/20131217113236236557.htm> date of access: 21.12.2015

²¹⁷ <http://www.dailynewsegypt.com/2013/11/24/egyptian-turkish-businessremains-stable-amid-diplomatic-row-analysts/> date of access: 25.12.2015

political factors that can affect trade, the personal experiences of businesspeople in their dealings with other countries should be taken into account.

Due to the political transitions that Egypt experienced, there were some disruptions in the Egyptian bureaucracy. Deceleration was experienced in every part of life in Egypt and among others, Turks doing business with Egypt were affected. These circumstances were not specific to Turkish businesspeople and therefore do not represent a particular stance toward them.²¹⁸

There are two examples which can illustrate whether Turkey suffered any loss from the political transition in Egypt. Before Sisi's term, Turkish businessmen had a Turkish desk in the Ministry of Industry and Trade of Egypt, where they could apply if they encountered any problems while doing business in Egypt. After political relations got tense, this desk was abolished. Nevertheless, this was not a disadvantage as such to Turkish businessmen in comparison to the people of other trading countries. Because the desk had been a form of positive discrimination, provided only for Turks, they lost this advantage, but this situation did not cause any disadvantage; it just put Turkish businessmen on an equal footing with other countries' businessmen.²¹⁹

The second example is the failure to extend the Ro-Ro agreement between Turkey and Egypt. This decision will not cost Turkish exporters too much, as they will find alternative ways to reach Saudi Arabia and other parts of Africa. If there is demand, supply will find a way, and this non-extension of the agreement is no absolute hindrance to Turkish

²¹⁸ An interview with Zuhail Mansfield 11.06.2015, Zuhail Mansfield does business across the world and Egypt too. Besides Mansfield was the previous president of Turkish Egyptian Business Council, in Foreign Economic Relations Board of Turkey. In addition, she was the vice president of Turkish-African Executive Board in Foreign Economic Relations Board of Turkey. She was the president during the political transition process of Egypt. She was on duty during three different political terms of Egypt; Mubarak Term, Morsi Term and Sisi Term. Therefore, she also had a chance to observe the change in the behavior towards Turkish Businessmen.

²¹⁹ An interview with Zuhail Mansfield 11.06.2015

exporters.²²⁰ Turkish businessmen who do business abroad seek advantages. They can also be too quick to take offence, and, to interpret any negative change in the trading partner's policies as a stance against Turkish businessmen.²²¹ After the military intervention, just like other parts of the Egyptian bureaucracy, customs decelerated too. Turkish businessmen read this as a stance against them. Although every foreign businessman was affected by this situation, Turkish businessmen took it personally.²²²

Consequently, both sides have strived to separate trade relations and political relations. Their efforts have had results, and despite two important regime changes and a tense political atmospheres, trade relations have not been affected in a negative way and have managed to stay on track.²²³

There are also important clues in the media as to what is really going on. The main story in the news about Turkish-Egyptian economic relations is the non-extension of the Ro-Ro agreement. Hardship and a rise in the costs of the exporters of Turkey were mentioned as consequences. Web sites and newspapers noted that with the turmoil in Syria, Turkish carrying agents started to use the Egypt route with roll-on/roll-off ships, thanks to the agreement that was signed during the presidency of Morsi. However, when president Sisi decided not to extend the agreement, the newspapers stated that the average cost for Turkish carrier agents and exporters would rise by approximately \$1000 per truck.²²⁴

Another article deals with the cancellation of trade agreements: "The Federation of Egyptian Chambers of Commerce (FEDCOC) suspended all its dealings with Turkey to

²²⁰ An interview with Zuhail Mansfield 11.06.2015

²²¹ An interview with Zuhail Mansfield 11.06.2015

²²² An interview with Zuhail Mansfield 11.06.2015

²²³ An interview with Zuhail Mansfield 11.06.2015

²²⁴ <http://www.haberler.com/misir-turkiye-gerginligi-ihracatci-ve-7134271-haberi/> date of access: 25.12.2015

protest what it described as Turkish Prime Minister Recep Tayyip Erdogan's 'insults' against the grand imam of Egypt's Al-Azhar University."²²⁵

Deutsche Welle's Turkish service released an article about Turkish-Israeli trade relations that also included an example related to Turkish-Egyptian trade relations. According to this report, the president of exporters of Istanbul chemical materials and products, Murat Akyüz, claimed that Egyptian customs kept Turkish goods waiting for 15 days for customs clearance, causing huge costs for Turkish exporters.²²⁶

Newspapers published stories about halts in production by foreign companies in Egypt after the 2013 military intervention. Among other multinational companies such as Toyota, Suzuki, Electrolux and Shell, the Turkish conglomerate Yıldız Holding suspended production. Chairman Murat Ülker explained the decision by tweeting: "We have decided to suspend our production activities in Egypt both to comply with the curfew order and to protect our employees"²²⁷

In a report published by Daily News Egypt, the halt to a common stock market project between Turkey and Egypt was described. According to the report, the Egyptian and Turkish governments were trying to build a link between the Egyptian stock market and Borsa Istanbul, and a memorandum of understanding had even been signed to develop a shared framework for the two markets. However, after the military intervention and

²²⁵ <http://www.worldbulletin.net/haber/116308/businessmen-concerned-over-egypt-turkey-ties> date of access: 25.12.2015

²²⁶ <http://www.dw.com/tr/ikili-ticarette-gazze-krizi/a-17798360> date of access: 21.12.2015

²²⁷ <http://www.hurriyetdailynews.com/Default.aspx?pageID=238&nID=52637&NewsCatID=345> date of access: 25.12.2015

deterioration of political relations, the project was not cancelled but indefinitely postponed.²²⁸

3.5. Bilateral Foreign Direct Investments (FDI) of Turkey and Egypt:

Here again, Turkey’s economic relations with Egypt will be analyzed in terms of foreign direct investments. As stated before, a complex approach to how political relations affect trade relations should include the analysis of bilateral foreign direct investment.

Turkey and Egypt signed an investment promotion and protection agreement in October 1996, which came into force in Turkey in July 2002. Therefore, for almost our entire sample period (2001–2012) foreign direct investment comes under this investment promotion and protection agreement. Thus, investors who thought to invest or actually invested in Turkey or Egypt were sure about their legal rights.

Table 14: Direct Investments from Egypt

| Region / economy | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Egypt to Turkey | 0 | -10 | 5 | -5 | -6 | -1 | -3 | 0 | 0 | 0 | 0 | 1 | |
| Turkey to Egypt | 0 | 0 | 0 | 0 | 0 | 3 | 17 | 37 | 56 | 18 | 22 | 27 | 36* |

(Source:UNCTAD *2013 Turkish FDI data’s source is OECD) **Million dollars

As can be seen in the table, in regard to foreign direct investment, the main problem is lack of data. Just as in the case of Israel, the source of the FDI data is UNCTAD. First, it should be mentioned that UNCTAD does not provide figures for Egypt’s FDI outflow to

²²⁸ <http://www.dailynewsegypt.com/2013/11/24/egyptian-turkish-businessremains-stable-amid-diplomatic-row-analysts/> date of access: 25.12.2015

Turkey. For this information and to determine how Egyptian FDI outflow fluctuated, the change in the Egyptian FDI stock in Turkey is used.

UNCTAD provides bilateral FDI data for Turkey, but only for a limited period, between 2001 and 2012. The latest data belongs to 2012. Because of the importance of the years after 2012 for Turkish-Egyptian political relations, FDI data after 2012 is crucial. So the OECD's Turkish FDI data is added to the table. Because Egypt is not a member of the OECD, the organization does not keep Egypt's bilateral FDI data. Thus, it was not possible to add data about how many dollars Egypt invested in Turkey in 2013.

The table shows each country's foreign direct investment in the other. Egypt's foreign direct investments in Turkey are relatively small. But Turkish foreign direct investments in Egypt show an important increase after 2005, the year that the free trade agreement between Turkey and Egypt was signed. From 2005 till 2010 there are no Egyptian foreign direct investments in Turkey. Turkish foreign direct investment increases from 2006 to 2010, witnessing its highest level in 2009 with US \$56 million. After a slump in 2010 to \$18 million, investment rose again to \$36 million in 2013. From 2011 to 2013, investments increased each year. On the other side, Egyptian foreign direct investments to Turkey could be seen as minus just because it is derived from the change in the Egypt's FDI stock in Turkey. Egypt's foreign direct investments in Turkey decreased from 2003 till 2008 and between 2008 and 2011 stayed steady. In 2012, there is only a \$1 million increase and no data is available for 2013.

In our chart for Turkey and Egypt, political relations between 2004 and 2013 are positive and symbolized by 1. After 2013, relations deteriorate and thus are symbolized by 0. When the political relations chart is compared with the change in foreign direct investments, the trends in Turkish foreign direct investments in Egypt match the trends in the political relations chart. From 2005 to 2013, Turkish FDIs to Egypt increased each year except for 2012. Thus, a positive political environment appears to affect Turkish FDI in Egypt positively. However, since data is not available after 2013, the years that Turkey

and Egypt experienced negative political relations, it is not possible to say definitively whether there is a correlation between political relations and foreign direct investments or not. The increase may have occurred due to other factors.

In addition, because the dataset is not comprehensive and Egypt’s foreign direct investment to Turkey is derived, a correlation analysis would be meaningless and dubious. Thus a correlation analysis will not be undertaken for Turkish-Egyptian foreign direct investment. But the increase in Turkish FDI from 2005 to 2013 might portend a correlation between political relations and foreign direct investments by Turkey and Egypt.

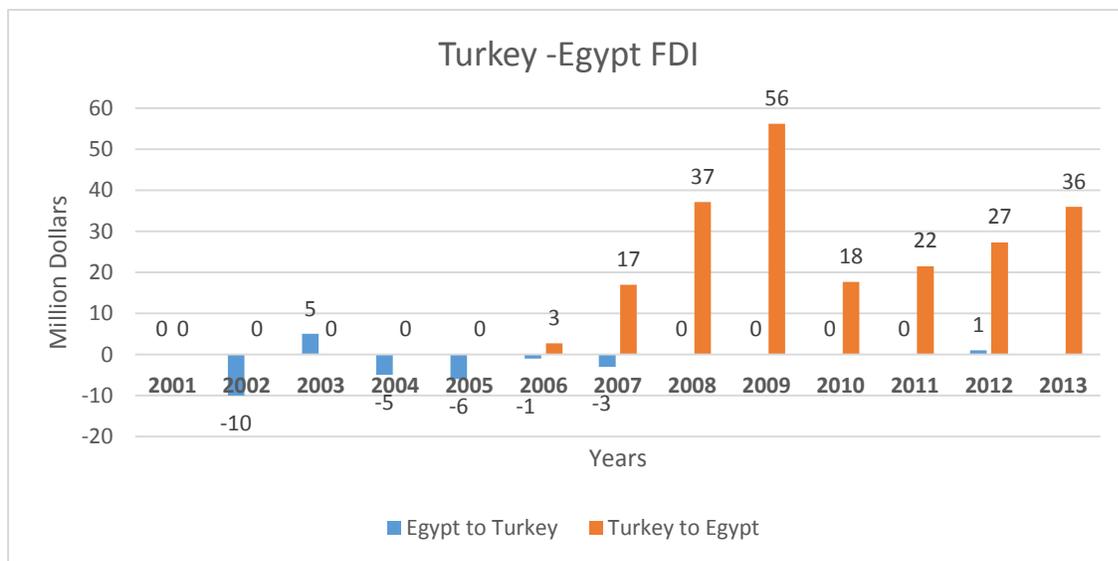


Figure 10: Turkey to Egypt FDI

A correlations analysis could not be done because there is no foreign direct investment data for the years 2014 and 2015. Those years are vital to such an analysis because, between 2004 and 2013, political relations are positive and thus symbolized by 1, but in the period when political relations turned negative, after 2012, data for foreign direct

investments are limited. Doing an analysis between only positive political relations and foreign direct investments would not produce a meaningful result. Hence, no correlation analysis has been done for political relations and foreign direct investments between Turkey and Egypt.

However, to supply the missing information, personal experiences are again a valuable source of information. Despite Egypt's political transition, the Egyptians remained aware of the importance of foreign direct investments. Hence, they refrained from disturbing foreign businessmen in Egypt, or their own investments in Turkey. Foreign direct investments are particularly important for the Egyptians since they found themselves in an economic crisis with the emergence of the Arab Spring.²²⁹

In an economic environment where Egypt has experienced a fall in tourist numbers, it is important to create a stable economic environment to attract foreign direct investments. Because those investments are the source of employment and thanks to the exports, they did. They are also the source of the foreign currency that is so precious to Egypt.

3.6. Analysis of Tourism Statistics

As mentioned previously, tourism is an area that can relatively easily be affected by governments. Contrary to trade, there are no binding contracts or long-term agreements to sustain tourism. In addition, as compared with foreign direct investments, government intervention in tourism can lead to sudden changes. For this reason, moving to affect tourism is governments' number one and quickest tool to punish another country. If a country has a considerable number of citizens who visit the other country, tourism is a handy weapon. It is easy to affect people's travel decisions by means of official or media statements. Tourism is an important source of income for countries like Turkey and Egypt. So this type of intervention has important results in both cases.

²²⁹ An interview with Zuhair Mansfield 11.06.2015

Since interventions in tourism cause immediate results, in terms of this thesis' subject – the relationship between political and trade relations – tourism is a useful indicator. In another aspect, tourism is an economic activity and has an important place in governments' budgets.

Unlike Turkey and Israel, Turkey and Egypt do not have close relations in the area of tourism. Despite the fact that Israel and Turkey have the same climate, visitors from Israel come to see Turkey. Fewer Egyptians visit Turkey than Israelis. As mentioned, the similar climate might be an explanation for this; however, increasing sympathy for Turkey among Arab countries and the increasing popularity of Turkish TV series may have attracted the attention of more Egyptians to Turkey after 2002.

Table 15: Egyptian tourists that visited Turkey

| Nation | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Egypt | 31 772 | 22 396 | 21 583 | 30 556 | 34 454 | 43 149 | 42 686 | 52 946 |
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| | 57 994 | 66 912 | 61 560 | 79 665 | 112 025 | 107 437 | 108 762 | 197 982 |

Comparing Egyptian and Israeli tourist numbers, 2011 was the year that the fewest Israelis visited Turkey, the number being 79,140, but this number is still higher than the annual average of Egyptian tourists visiting Turkey and is almost equivalent to the highest point in Egyptian tourist numbers, in 2012.

In 2000, 31,772 Egyptian tourists visited Turkey. The number of visitors decreased over the next two years to 21,583, the lowest point. After 2002, the numbers increased until 2010, reaching 66,912 tourists in 2009. There was a small decrease in 2010, after which numbers increased again for two years. In 2012, the number of Egyptian tourists who visited Turkey exceeded the 100,000 level, reaching 112,025. In the following year,

tourist numbers declined, and 2014 witnessed a slight increase. In 2015, the number exceeded 100,000 but was expected to reach the previous year's total in the best-case scenario.

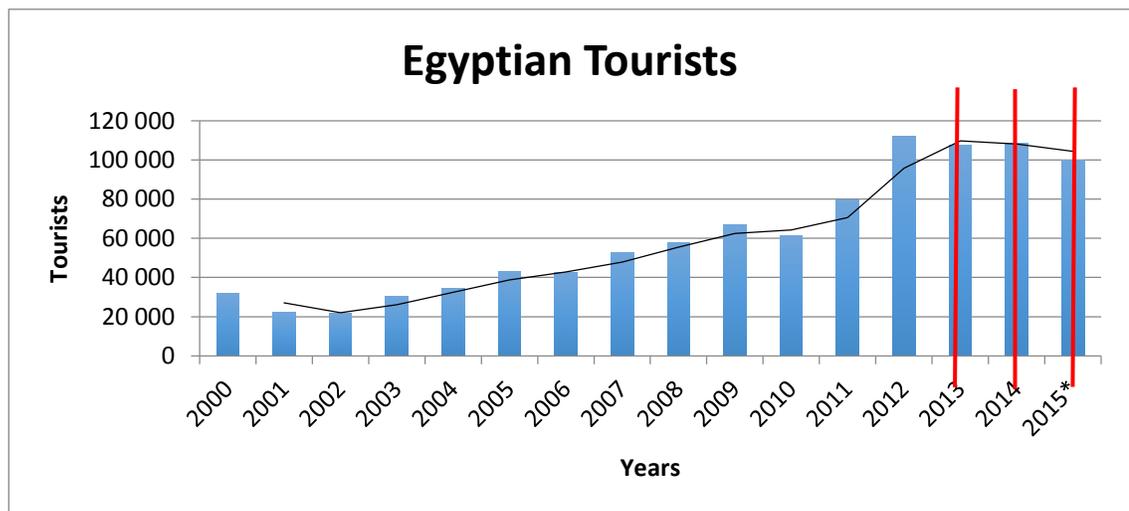


Figure 11: Egyptian tourists that visited Turkey

The above graph shows the number of Egyptian tourists that visited Turkey. The last three years, marked with red lines, are the years in which the political relations of Turkey and Egypt grew worse. The black line shows the trend analysis.

Between 2004 and 2013, a sharp increase in the number of Egyptian tourists is obvious, 2010 aside. With 2013, a decrease started, and despite a slight increase in 2014, 2015 is still under the 2013 levels. Although the 2015 number is not final and may change, the trend after 2013 has turned negative. In addition, the increase in 2014 when compared with 2013 is less than %1. This increase is negligible when compared with the increases between 2004 and 2013. During that period the average increase in the number of

Egyptian tourists that visited Turkey is %16.7 per annum, while after 2013, the average increase drops to %3.6.

Thus, in the last three years, the number of Egyptian tourists visiting Turkey decreased when compared with the previous decade. However, two things should be noted in this regard: first, despite the decrease in the average growth rate, in the last three years the number of tourists increased overall; and second, it should be taken into account that in 2013 Egypt experienced a serious economic crisis. Therefore, the decrease in Egyptian tourist numbers might be partly for economic reasons.

Table 16: Correlation Chart between Political Relations and Total Trade Volume (2004-2013)

| | | Correlations | |
|-----------|---------------------|---------------------|----------|
| | | RELATIONS | TOURISTS |
| RELATIONS | Pearson Correlation | 1 | -,704* |
| | Sig. (2-tailed) | | ,011 |
| | N | 12 | 12 |
| TOURISTS | Pearson Correlation | -,704* | 1 |
| | Sig. (2-tailed) | ,011 | |
| | N | 12 | 12 |

Above are the results of correlation analysis of the number of Egyptian tourists who visited Turkey and political relations between Turkey and Egypt. The result of the analysis is -0.704, which means there is a strong opposite correlation between political relations and Egyptian tourists visiting Turkey. Therefore, despite political tensions between Turkey and Egypt, Egyptian tourists have not been affected by these tensions.

In terms of Turkish-Egyptian relations, to understand the three main factors identified in the first chapter, it is best to evaluate each one separately. From the realist point of view, analysis shows that Turkish-Egyptian bilateral trade relations are not affected by political tensions. Despite rising political tensions, total trade volume between Turkey and Egypt increased. So again, for Turkish-Egyptian trade relations, trade does not follow the flag.

From the liberal point of view, mentioned above are declarations from politicians and businessmen on both sides aimed at preventing governments from letting political crises spill over into trade relations. Both countries are liberal economies, but Turkey is more liberal than Egypt. It is obvious that all interest groups within both countries contributed to the continuation of trade, and even helped to increase total bilateral trade volume, despite political tensions. Thus, liberalism might be an explanation for increasing trade volume despite tense political relations between Turkey and Egypt.

In addition, Turkey and Egypt are both members of the World Trade Organization. They are also parties to a free trade agreement that is part of an agreement made by the European Union. Therefore, the institutionalist view might be another explanation for increasing trade volume despite political tensions. Institutions and agreements prevent countries from changing their free trade rules in the aftermath of political tensions. Even if countries want to adjust their trade rules according to a new political scene, the institutions prevent them from hindering trade. Therefore, in contrast with worsening political relations, trade relations continue positively and total trade volume increases.

Finally, it is important to understand tourist numbers between Turkey and Egypt. According to analysis and statistics, tourist flows between Turkey and Egypt did not decrease despite political tensions. So, contrary to the situation with Turkish-Israeli tourist numbers, realism is not the correct point of view to explain Turkish-Egyptian tourist flows. Therefore, in terms of Turkish-Egyptian relations, tourism does not follow the flag.

CHAPTER IV

CONCLUSION

According to recently developing literature, a correlation between political relations and trade volume is a possible scenario. Pollins, a pioneering author on the issue, examined how politics affects trade relations and suggested that political relations are important in terms of sustaining supply chain security. Exporters care about their supply chain and political disorders endanger their client portfolio via disturbances in that supply chain. Exporters prefer to take their trade to another country rather than stay in the country with which their own country has political tensions.

In his articles, Pollins also made empirical studies to support his claim that politics affects trade. But a point should be noted about Pollins' work; his article covers the late 1980s and his empirical study deals with the early 1980s.²³⁰ In addition, Pollins gives examples of countries whose trade relations were affected by their political relations. He observes that Egypt's political realignment in 1973 was followed by a radical reorientation of its trade ties in ensuing years; that US-Iranian economic ties were shredded by the reorientation of Iran's foreign policy following the 1979 revolution; and that British-Argentinian trade plummeted following the Falklands conflict.

However, all those examples belong to late '70s and early '80s, a period in which those economies were not liberalized as they are today. In addition, globalization started in the early '80s, and thus those economies were not yet globalized. These examples are from a period when economies were more open to state intervention. After economies became more liberalized and globalized, states lost their leverage to intervene in economies, and

²³⁰ Brian M. Pollins, *Conflict, Cooperation, and Commerce: The Effect of International Political Interactions on Bilateral Trade Flows*, American Journal of Political Science Vol. 33, No. 3 (Aug., 1989)

economies became more resistant to state interventions. Hence, Pollins' examples are not sound under today's economic conditions.

In addition, Pollins himself states that the degree of the relation between politics and trade depends on the countries chosen as examples and the situation might differ from case to case. For this reason, it is not possible to posit a general rule as if there is always a relation between politics and trade. In fact, there are examples to the contrary, in which states continue their trade relations despite being at war or close to it. As stated in the introduction, Barbieri and Levy noted that "six days after Pearl Harbor, a U.S. presidential edict created legislation for the granting of licensing arrangements for trading with the enemy, and there are countless examples of U.S. firms doing business in strategic goods with Nazi Germany." Therefore, it is possible to say that, in today's economic structure, Pollins' empirical study is obsolete.

The theoretical side of the issue has been outlined above. There were two important criticisms of the theoretical perspectives; one is that every case and every country's relations have different outcomes, so it is not possible to propose a common result; the other is that the empirical examples are obsolete and cover the period before globalism.

To compensate for those deficiencies and obtain a new result, it is important to examine the results of the empirical study of this thesis' example countries. As stated above, several correlation analyses have been done for Turkish-Israeli relations, examining the relationship between the political and the economic relations of Turkey and Israel. The results of these analyses show that, by the time, trade relations have become less relevant to political relations.

The first analysis covers the period from 1969 to 2015. This period also covers the era of pre-globalization and intersects with the time frame of Pollins' study. The result is -0.298, which means there is a weak opposite correlation between political relations and the trade volume of Turkey and Israel. But this correlation is so weak as to be negligible. The study

in this thesis diverges from Pollins' in that its examples also cover the period after globalism. So the difference in the extent of the period studied might explain the negative correlation.

Another two analyses support the idea above. A second correlation analysis covers the term between 1990 and 2015. The result of the analysis is -0.852, which means a strong opposite correlation between political relations and trade volume. This shows that even if political relations got worse, trade volume increased in a strong manner.

The difference between the two analyses is the time covered, which leads to an important change in the results of the analyses. While the first analysis showed a weak (negligible) opposite correlation, the second shows a strong opposite correlation. This means that with the effect of globalization and liberalism, trade became more and more immune to political relations. Thus, contrary to Pollins' study, trade no longer follows the flag – or, since we should note that every country is a different case, it can be said at least that Turkish-Israeli trade does not follow the flag.

The same analysis was conducted for Turkish-Egyptian relations. According to the analysis that covers the period between 2004 and 2015, there is an opposite correlation between political relations and the trade volume of Turkey. The result of the analysis is -0.570, which shows a moderately strong correlation.

The analysis for Turkish-Egyptian relations supports the findings for Turkish-Israeli relations and fortifies the idea that trade does not follow the flag. In the first chapter of this thesis it is observed that the Israeli and Egyptian economies are different in terms of liberalism: while Israel has a globalized liberal economy, Egypt's economy is a kind of state capitalism. The difference in the correlation analyses for the Israeli and Egyptian economies over the same period shows that liberal economies are less affected by political relations. This result supports the above-mentioned idea about the effect of liberalism.

Additionally, it is noted that besides the trade volume of countries, changes in levels of foreign direct investments and tourism and their connection with political relations are important and may suggest how political relations affect economic relations.

Foreign direct investment is an important indicator of the correlation between political and economic relations. The definition of foreign direct investment itself explains why it is a useful indicator:

“A foreign direct investment (FDI) is an investment made by a company or entity based in one country, into a company or entity based in another country. Foreign direct investments differ substantially from indirect investments such as portfolio flows, wherein overseas institutions invest in equities listed on a nation's stock exchange.”²³¹

Hence, FDI is different from short-term stock investment, which is cited as ‘hot money’. Since FDI is a long-term investment and building a facility in another country has risks, FDI needs political stability. While stock investments can easily leave a country in negative conditions, the same is not possible for FDI.

When compared with a positive political environment, a negative political environment is more inclined to affect foreign direct investments. Negative political environments affect FDIs in two ways: first they influence decision-making in respect of FDIs – a potential investor may change his or her mind due to risks that stem from the environment; second, negative political environments affect existing FDIs, perhaps undermining the profitability of the investment and leading to the investor pulling out.

An analysis of Turkey-Egypt FDIs and their relationship with political relations could not be undertaken due to insufficient data for the years 2014 and 2015. Those years are essential to a logical analysis because Turkish-Egyptian political relations turned negative

²³¹ <http://www.investopedia.com/terms/f/fdi.asp> date of access: 10.01.2016

in 2013. Since in the previous years the political relations were positive, it is not plausible to analyze Turkish-Egyptian foreign direct investments and political relations.

However, an analysis of Turkish-Israeli foreign direct investments and their relationship with politics gives an indication. This analysis covers the period between 2000 and 2015 and focuses on the relationship between political relations and foreign direct investments between Turkey and Israel. The result of the correlations analysis is -0.259, portending a weak (negligible) opposite relation between political relations and foreign direct investments of Turkey and Israel.

The results mean that negative political relations between Turkey and Israel hardly affect foreign direct investments between the countries. However, it should be emphasized that, when compared with the correlation analysis that covers the same period for Turkish-Israeli trade volume, foreign direct investments are less indifferent to political relations. While the result of the correlations analysis on trade volume was -0.830 for the period 2000–2015, in the same period, the result of the correlation analysis on foreign direct investments is -0.259. Hence, it can be deduced that, when compared with trade relations, foreign direct investments are more sensitive to politics.

Finally, correlation analysis on total tourist numbers and political relations produces different results for Egypt and Israel. The result of the correlation analysis between political tensions and total tourist numbers for Turkey and Egypt is -0.704, which means there is a strong opposite correlation between politics and total tourist numbers; that is, despite negative political relations total tourist numbers between Turkey and Egypt increase.

Further in support of the results of the analysis, after 2013, when Turkish-Egyptian relations deteriorated, despite these worsening relations the number of Egyptian tourists visiting Turkey increased. But it should be noted that this increase was very small when compared with the period before 2013. Thus, it could be said that, despite the fact that

political relations affect total tourist numbers, this effect is limited and so small as to be negligible.

On the Turkish-Israeli side, the results of the correlation analysis for total tourist numbers and political relations is +0.375, which means that there is a positive relation, in the same direction, between politics and total tourist numbers. This means that Israeli tourists who want to visit Turkey care about political relations with Turkey and make decisions according to the quality of those relations. If relations are bad, they prefer not to travel to Turkey.

The difference between Egyptian and Israeli tourists might be explained in terms of a difference in the perception of threat. It is well known that state of Israel cares for its citizens in terms of terrorist attacks more than any other country in the world. Furthermore, for Israeli tourists, the different religion in Turkey might represent a threat that does not affect Muslim Egyptian tourists.

In the first chapter, it is asserted that liberalism can alleviate the possible effects of politics on economics. All the statistical analyses and comparisons between Israel and Egypt in this thesis, as well as the comparison Turkish-Israeli total trade volume in different periods, supports this idea. In other words, more liberal economies are more resilient to political interventions.

On the other hand, free trade agreements between governments constitute a form of institutionalization that prevents governments from easily intervening in economics and international trade. The statements of both the Turkish trade attaché to Israel and businessman Alon Liel emphasized that thanks to free trade agreements, international trade between Turkey and Israel remains on track. The effect of harsh political statements on economics was limited and confined to the political arena.

Free trade agreements between Turkey and Israel and Turkey and Egypt are a part of the Customs Union that was built between Turkey and the European Union. As stated

previously, when Turkey became a part of this Customs Union, she also had to sign free trade agreements with third-party countries, which had free trade agreements with the European Union. As part of this obligation, Turkey signed free trade agreements with both Israel and Egypt in different years.

These free trade agreements are a part of international law, enacted by the approval of parliaments. Hence, it is a long and complicated process to cancel such an agreement. On the other hand, since free trade agreements are protected by international law, they are a source of trust for businessmen. These hard-to-amend agreements signal to businessmen that there will not be any change in bilateral trade in the near to medium term. Therefore, free trade agreements are a crucial part of institutionalization and institutionalization is an important factor for businessmen to continue trade even during political crises. According to the statistics, as well as the statements of businessmen and the attaché, free trade agreements and, in this way, institutionalization impede the effects of politics on economics.

Finally, the effect of political relations on potential trade is also crucial. The economic potential of both the Turkish-Israeli and Turkish-Egyptian relationships is affected by tense political relations. The Turkish Prime Minister's Office of Public Diplomacy itself declared that, due to tense political relations, the Republic of Turkey avoided government contracts with Israel. Therefore, the Turkish government makes no contribution to trade with Israel via formal contracts.²³² This situation reveals a missing part of bilateral trade – what would be possible if relations were better. In a positive political environment, Turkey and Israel would sign government contracts and thus bilateral trade levels would be much higher. Moreover, as emphasized in the second chapter, in terms of government contracts, past Turkish-Israeli economic relations provide plentiful examples, especially in the area of military agreements.

²³² <http://kdk.gov.tr/haber/turkiye-israil-iliskilerine-iliskin-bilgi-notu/468> date of access: 01.04.2015

Worsening relations also negatively affected potential energy agreements between Turkey and Israel. Turkey is the best partner for Israel in terms of taking her natural gas to international markets and, furthermore, sectors like energy need governmental decisions and leadership to grow their potential. During tense political times, these governmental roles were absent and thus Turkey and Israel could not make trade agreements; this also affected the potential of Turkish-Israeli economic relations.²³³

A similar situation exists for Turkish-Egyptian economic relations, too. It is known that across the Mediterranean, there are abundant gas resources. Egypt and Cyprus are trying to explore those resources and take them to international markets. As stated, sometimes they even use their explorations as leverage in tense political relations with Turkey. But due to Turkey's lack of consent, Egypt and Cyprus cannot explore and utilize those resources.

As has been seen, negative political relations do more harm to potential than existing trade, since current trade is protected by institutionalized structures like free trade agreements. While politics cannot easily intervene in current trade, it has a crucial effect on potential trade. To fully understand how potential trade is affected, in the future, a detailed statistical analysis should be done.

A similar effect, but on a different scale, applies to foreign direct investments and tourism. As noted, political relations do not affect foreign direct investments to the same extent as tourism, but when compared with total trade, it is obvious that FDI decisions are more affected by politics than trade decisions.

Finally, tourism is the most open sector discussed in this thesis. In the Egyptian case, politics have only a slight (negligible) effect on Egyptian tourists that want to visit

²³³ An interview with Alon Liel, 20.05.2015

Turkey. On the other hand, it is obvious that political relations between Turkey and Israel have a significant effect on Israeli tourists who are considering visiting Turkey.

But to understand whether this results valid for other countries, it is important to evaluate each case differently. As Pollins stated; “the responsiveness of bilateral economic exchange to changing political conditions may vary, say, between great powers and small states, between oil exporters and those highly depended upon them or between allies and those in an opposing bloc”²³⁴

Nevertheless, it should be stated that, increasing effect of liberalism and binding rules of supranational institutions weaken the possible effect of politics on bilateral economic relations. Therefore, with the increasing effect of globalism and liberalism, after 1980’s politics witnessed decreasing effects on economic relations.

As a last word, at the end of the year 2015, Turkish-Russian political relations took a harshly negative turn, due to Turkey’s downing of a Russian warplane on the Syrian border.²³⁵ After this crisis, Russia made critical decisions on trade and tourism with Turkey. Russia prohibited the importation of certain agricultural items from Turkey;²³⁶ in terms of the Turkish economy, agricultural exports to Russia are important. Furthermore, Russian tourists are crucial – the biggest group among the tourists who visit Turkey. Russia also made governmental decisions to prevent tourist visits to Turkey.²³⁷

²³⁴ Brian M. Pollins, *Does Trade Still Follow the Flag?*, *The American Political Science Review* Vol. 83, No. 2 (Jun., 1989)

²³⁵ <http://www.bbc.com/news/world-middle-east-34912581> date of access: 01.03.2016

²³⁶ <http://bigstory.ap.org/article/342df6cff6b94bf9bd9d4999561f5271/russia-holding-turkish-goods-border-relations-sour> date of access: 01.03.2016

²³⁷ <http://www.wsj.com/articles/russian-prime-minister-says-relations-with-turkey-nato-are-damaged-1448439816> date of access: 01.03.2016

Since Russia's economy is more subject to state control than Israel's or even Egypt's, and Russia is not a party to some of the international trade agreements discussed here, a similar analysis of Turkish-Russian relations could produce different results. Such an analysis, which will be done after Turkish-Russian relations stabilize, would make an important contribution to the literature on this topic.

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An interview via mail with Turkey’s trade attaché of Israel, Tel Aviv. 09.03.2015

An interview with Alon Liel, 20.05.2015, Alon Liel is a person with unique experiences over Turkish-Israeli relations. He would be the best option to understand those non-measurable effects since he was a diplomat in Turkey, a Jewish businessman that doing business in Turkey and also a lecturer in Tel Aviv University. Mr. Liel’s doctoral dissertation is on “The dependence of imported energy and its impact on Turkey’s foreign policy.

An interview with Zuhail Mansfield 11.06.2015, Zuhail Mansfield does business across the world and Egypt too. Besides Mansfield was the previous president of Turkish Egyptian Business Council, in Foreign Economic Relations Board of Turkey. In addition, she was the vice president of Turkish-African Executive Board in Foreign Economic Relations Board of Turkey. She was the president during the political transition process of Egypt. She was on duty during three different political terms of Egypt; Mubarak Term, Morsi Term and Sisi Term. Therefore, she also had a chance to observe the change in the behavior towards Turkish Businessmen.

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Translated by writer-, since CV is not up to date, it is beneficial to mention that, Zuhall Mansfield was previous president of Turkish-Egyptian Business Council and now president of Turkish-Australian Business Council of Foreign Economic Relations Board of Turkey.

APPENDICES

APPENDIX A

TURKISH SUMMARY- TÜRKÇE ÖZET

Bu çalışmada ülkeler arasındaki siyasi ilişkilerin, ikili ticari ilişkilerini nasıl etkilediği, ticaret, doğrudan yatırımlar ve turist sayıları üzerinden istatistiki analizlerle ve medya ve kişisel deneyimler üzerinden incelemesi yapılmaktadır. Tezde siyasi ilişkiler ile ticari ilişkiler arasındaki korelasyon, Türkiye'nin İsrail ve Mısır ile ikili ilişkileri üzerinden incelenerek, bu örnek analizler üzerinden genele dair bir çıkarımda bulunulmuştur. Çalışmada, siyasi ilişkilerin ekonomik ilişkiler üzerindeki etkisi incelenirken, liberalleşme ve kurumsallığın bu ilişki üzerine etkisi incelenmiş ve potansiyel üzerindeki etkiler değerlendirilmiştir.

Çalışmada istatistiki analizlerin yanında, olumsuz siyasi ilişkilerin ekonomik ilişkiler üzerinde neden olduğu tarife dışı/görünmeyen/bürokratik engelleri tespit edebilmek amacıyla medya analizinden ve bölgede iş yapan iş insanlarının tecrübelerinden de yararlanılmıştır. Türkiye – İsrail ilişkileri için daha önce Türkiye'de diplomatlık yapmış, bölgede ticari ilişkileri olan ve halen İsrail'de akademisyenlik yapan Alon Liel ile görüşülmüştür. Diğer taraftan Türkiye – Mısır ilişkileri konusunda Dış Ekonomik İlişkiler Kurulu (DEİK) Türk-Mısır İş Konseyi Başkanlığını yapmış, bölgede önemli ticari yatırımları olan Zuhal Mansfield'in görüşlerinden yararlanılmıştır.

Siyasi ilişkiler ile ekonomik ilişkiler arasındaki korelasyonu anlamak amacıyla yapılan istatistiki çalışmalarda ülkelerin ikili siyasi ilişkileri iyi ve kötü anlamında sırasıyla 1 ve 0'lar ile ifade edilmiştir. Bunu yapmadaki amaç korelasyon analizi yapabilmek için, siyasi

ilişkileri sayısal olarak ifade edebilmektedir. Bu nedenle iki ülkenin ilişkilerinin iyi olduğu yıllar 1, kötü olduğu yıllar ise 0 ile ifade edilmiştir. Şüphesiz ikili ilişkileri iyi ve kötü, 1 ve 0 olarak ifade etmek bazı zorluklar içermektedir. Her yıl tamamıyla iyi veya kötü olmayabilir. Bu nedenle, istatistiksel çalışmayı kolaylaştırmak amacıyla basitleştirme uygulanmış, o yılın genelinde hakim olan durum dikkate alınmıştır. Ayrıca ilişkilerin seyri açısından net gösterge olmayan yıllar, taşma etkisi dikkate alınarak önceki yıllarda dikkate alınarak değerlendirilmiştir.

Sayısal olarak ifade edilen siyasi ilişkiler, korelasyon analizi yapmak amacıyla daha sonra iki ülke arasındaki toplam ticaret hacmi, doğrudan yatırımlar ve turist sayıları ile karşılaştırılmıştır. Analizlerin kapsadığı dönemler belirlenirken, liberalizmin ve kurumsallığın etkisini görmek amacıyla Türkiye – İsrail ticaret hacminde daha geniş bir dönem incelenmiştir.

Türkiye – Mısır ilişkilerinde, liberalizmin ve kurumsallığın etkisinin daha sınırlı olması ve Türkiye – İsrail ilişkileri ile kıyaslandığında Türkiye – Mısır siyasi ilişkilerinin daha statik/belirsiz olması nedeniyle daha dar bir dönem dikkate alınmıştır. Doğrudan yatırımlar ve turizm sayıları konusunda da karşılıklı rakamların olmaması veya ihmal edilebilir düzeyde olması nedeni ile, toplam sayılar yerine istatistiki analizde daha çok anlam ifade edecek tek yönlü (bir ülkeden diğerine) sayılar dikkate alınmıştır.

Tezin birinci bölümünde çalışmanın kapsamı hakkında detaylar belirtilmiş ve konu üzerine literatür incelemesi yapılmıştır. İkinci bölümde Türkiye – İsrail ilişkileri incelenmiş, siyasi ilişkiler ile ekonomik ilişkiler arasındaki korelasyonu incelemek amacıyla analiz yapılmıştır. Ayrıca medya analizi ve mülakatlarla konunun sayılarla ölçülemeyen boyutu anlaşılmaya çalışılmıştır. Üçüncü bölümde bu kez Türkiye – Mısır ilişkileri ele alınmış, benzer bir korelasyon analizi burada da yapılmıştır. Yine aynı şekilde medya analizi ve mülakat Türkiye – Mısır ilişkileri için de yapılmıştır. Dördüncü ve son bölümde analiz sonuçları derlenmiş, elde edilen veriler ışığında siyasi ve ekonomik ilişkiler arasındaki korelasyon değerlendirilmiştir.

İlk bölüm olan girişte İsrail ve Mısır'ın neden seçildiği açıklanmıştır. Ortadoğu ülkeleri genel olarak enerji ihraç eden ülkeler konumundadır. Tezin konusunu oluşturulan korelasyon analizi için ise enerji bağımlılığı gibi konular siyasi ilişkilerin ekonomik ilişkiler üzerindeki etkisi tam olarak anlaşılmasını etkileyen anomalilerdir. Bu gibi ekonomik bağımlılıklar değişen siyasi ilişkilere rağmen kolayca değiştirilememektedir. Öncelikle, Türkiye ile İsrail ve Mısır arasında ekonomik bağımlılık oluşturacak bir husus olmaması dolayısıyla tercih edilmiştir. Bunun yanında, İsrail ve Mısır ekonomik anlamda farklı liberallik ve kurumsallık seviyelerine sahip olmaları nedeni ile, bu etkenlerin ilişkiler üzerine etkilerini test etme anlamında da olumlu bir fırsat sağlamıştır.

Birinci bölümün ilk ve tek kısmında literatür taramasına yer verilmiştir. Literatürde gelen olarak ekonomik ilişkilerin siyasi ilişkileri nasıl etkilediği üzerine değerlendirmeler yapılırken, 1980'lerde Brian M. Pollins siyasi ilişkilerin ekonomik ilişkiler üzerine etkilerini ele almıştır. Uluslararası ilişkiler teorisi anlamında liberal bir bakış açısına sahip olan Pollins ampirik çalışmalar yaparak siyasi ilişkilerin ekonomik ilişkileri nasıl etkilediğini test etmeye çalışmıştır. Pollins'e göre ticaretin bayrağı takip etmesi, siyasi ilişkileri iyi olan ülkelerin ticaret hacimlerinin de yüksek olması gereklidir. Tam tersi şekilde olumsuz siyasi ilişkiler de ticaret hacmini olumsuz etkileyecektir.

Pollins'in yaptığı ampirik araştırmalara göre siyasi ilişkiler ile ekonomik ilişkiler arasında pozitif bir korelasyon vardır. Dolayısıyla ticaret bayrağı takip etmektedir. Bununla birlikte Pollins'in vurguladığı önemli bir husus, bu korelasyonun analiz için seçilen ülkelere göre, ülkelerin büyüklüğü ve küçüklüğüne göre, ekonomik bağımlılıklara göre değişeceğidir. Dolayısıyla Pollins genel bir çıkarım yapsa da, en doğru sonucun spesifik analiz sonucu elde edileceğini belirtir.

Literatürde önemli bir yeri olan Scott L. Kastner ise bayrağın bir dereceye kadar ticareti takip ettiğini belirtir. Kastner'e göre iç politika uyarınca ortak çıkarı olan devletler daha fazla ticaret yapmaya eğilimlidirler ve siyasi gerilimlerin yarattığı negatif etkilere daha fazla dayanıklıdırlar. Yine literatürde Quan Li, David Sacko, E. Mansfield benzer görüşler

ifade ederek genel olarak siyasi ilişkilerin ekonomik ilişkiler üzerinde etkili olduğunu vurgularlar.

Ancak burada önemli olan belirtilen yazarlar arasında yalnızca Pollins'in savlarının ampirik deneylere dayanmasıdır. Diğer yazarlar konuya daha çok kuramsal olarak yaklaşmaktadırlar. Pollins'in yaklaşımı açısından önemli olan unsur ise söz konusu ampirik çalışmanın 1980'lerde yapılmış olmasıdır. Bu durum ekonomilerin günümüzden daha az liberal olması nedeni ile önem taşımaktadır. Günümüz ekonomileri daha liberal olması nedeniyle, ekonomik ilişkiler üzerindeki devlet müdahalesi için daha az alan kalmaktadır. Dolayısıyla Pollins'in ampirik çalışmaları günümüz için tekrarlırsa siyasi ilişkiler ile ekonomik ilişkiler arasındaki korelasyon günümüz liberal ekonomileri nedeniyle daha zayıf çıkacaktır ya da bir korelasyondan söz edilemeyecektir.

İkinci bölümde, Türkiye İsrail ilişkileri ele alınmaktadır. Öncelikle Türkiye – İsrail ilişkileri İsrail'in kuruluşundan bugüne değerlendirilmiştir. Türkiye – İsrail siyasi ilişkilerinde Arap devletlerinin ağırlığı daima hissedilmiştir. Türkiye Müslüman bir devlet olarak ve zaman zaman siyasi ve ekonomik çeşitli nedenlerle Arap devletlerini yanında tutma ihtiyacı hissetmiş, bu nedenle de İsrail ile olan ilişkilerini ya gizli tutmuş ya da ilişkileri düşük seviyede tutmuştur.

Türkiye İsrail'i resmi olarak tanıyan ilk Müslüman ülkedir. İsrail'in çevre stratejisi – periphery strategy- kapsamında, kendisini çevreleyen düşman Arap devletlere karşı bölgede Arap olmayan ülkelerle –Türkiye, İran- ittifak kurmaya çalışmıştır. Aynı dönemde Sovyet baskısı karşısında yalnız kalmak istemeyen ve Batı bloğu ile ilişkilerini geliştirmek isteyen Türkiye de İsrail ile ilişkilerini geliştirmek konusunda gönüllü olmuş, ancak belirtilen nedenlerden ötürü bu ilişkileri açık şekilde yürütmemiştir.

Bu nedenle Türkiye İsrail ilişkileri ikiye ayrılabilir. 1950-1990 yılları arasındaki dönemde ilişkiler arka planda yürütülmüş, 1990 sonrası dönemde ise kamuoyuna açık şekilde devam ettirilmiştir.

1950-55 yılları arasında Türk ve İsrail Devletleri birbirlerini tanımakla ve aralarında bağ kurmaya çalışmakla geçirmişlerdir. 1955 yılında Bağdat Paktının kurulmaya çalışılması ve Arap devletlerinin Türkiye'nin girişimleri dolayısıyla onu Batının oyuncuğu olarak görmesi bu sürece katkıda bulunmuştur. İşler 1956'daki Süveyş Savaşı ile değişmiş, Türkiye ve İsrail ilişkilerin seviyesini düşürerek karşılıklı olarak büyükelçilerini geri çekmiştir.

1958'e gelindiğinde Arap devletlerinin yönetimlerinde yaşanan değişiklikler, Bağdat Paktının önemini yitirmesi ve Türkiye'nin bazı Arap devletleri ile yaşadığı sorunlar Ben Gurion'un çevre stratejisi kapsamında Türkiye ve İsrail'in yaklaşması ile sonuçlanmıştır. ABD tarafından desteklenen girişim sayesinde Türkiye ve İsrail arasında askeri yardım, istihbarat paylaşımı, ekonomik ve diplomatik konuları içeren gizli anlaşmalar yapılmıştır.

1967'ye gelindiğinde 6 Gün Savaşları nedeni ile Türkiye İsrail ilişkileri yeniden bozulmuştur. Kötü ilişkilere 1973'de gerçekleşen Yom Kippur savaşı da katkıda bulunmuştur. Ayrıca bu dönemde yaşanan ekonomik kriz ve petrol fiyatlarındaki artış Türkiye'yi Arap ülkelerine yakınlaştırırken, İsrail ile olan seviyesini korumaya yöneltmiştir.

1980'lere gelindiğinde ilişkiler çeşitli gerilimler ve iyileşmelere şahit olmuştur. 1980 yılında İsrail'in Kudüs'ü başkent ilan etmesi ile ilişkiler daha da gerilmiş, İsrail ile olan diplomatik ilişkilerini ikinci katip seviyesine indirmiştir. Ancak 1980'lerin ikinci yarısında ortaya çıkan gelişmeler, Türkiye ve İsrail'e ilişkilerini geliştirmek için manevra alanları açmıştır. Özellikle Türkiye'nin komşu Arap devletler ile yaşadığı PKK ve su sorunları Türkiye'yi İsrail'e yakınlaştırmıştır.

1990'lı yıllar Türkiye – İsrail ilişkilerinde bir dönüm noktasıdır. Filistin-İsrail arasındaki barış görüşmelerinin verdiği rahatlıkla İsrail ve Türkiye rahat ilişkiler geliştirmiştir.

1990'ların ilk yarısında daha çok ekonomik, kültürel ve turizm odaklı olan ilişkiler ikinci yarısı ile birlikte askeri ve istihbari nitelikler kazanmıştır.

Her alanda işbirliği içeren iyi ilişkiler 2008 yılına kadar devam etmiştir. 2006 yılındaki Lübnan İsrail savaşına rağmen devam eden iyi ilişkiler 2008 yılındaki Gazze operasyonu ile sarsılmış, 2009 yılında Başbakan Tayyip Erdoğan ve Shimon Peres arasında Davos Dünya Ekonomik Formunda yaşanan tartışma ile daha da gerilmiştir. 2010 yılında yaşanan ve 9 Türk vatandaşının uluslararası sularda İsrail askerleri tarafından öldürülmesi ile sonuçlanan Mavi Marmara olayı ile ilişkiler tamamen kopmuştur.

Türkiye'nin ilişkilerin normale dönmesi için özür, tazminat ve Gazze'ye uygulanan ablukanın kaldırılması şartı sonrası 2013 yılında İsrail'in özrü dilemesine rağmen, diğer şartları yerine getirmemesi nedeniyle 2016 yılına kadar ilişki kurulmamış, söz konusu taleplerin de 2016 yılında tamamlanması ile Türkiye – İsrail siyasi ilişkileri yeniden filizlenmeye başlamıştır.

Türkiye – İsrail ekonomik ilişkilerinin arka planına bakıldığında; 1980'den sonra hem Türk hem de İsrail ekonomileri liberalleşmeye başlamıştır. Her iki ekonomi de serbest piyasa koşullarının hakim olduğu, uluslararası kuruluşlara üye ekonomilerdir. Her iki ülke de Dünya Ticaret Örgütü (DTÖ) üyesi olması nedeni ile örgüt kuralları uyarınca hükümetlerinin ticaret üzerindeki bazı kısıtlama haklarından vazgeçmişlerdir.

Bununla birlikte Gümrük Birliği anlaşması uyarınca 1996 yılında Türkiye ve İsrail arasında serbest ticaret anlaşması imzalanmıştır. Ayrıca iki ülke arasında karşılıklı yatırımların korunması anlaşması bulunmaktadır.

Türkiye ile İsrail arasındaki ekonomik ilişkiler son yıllarda kamuoyunda sıkça gündeme gelmiştir. Muhalefet iktidarı popülizm yapmakla, ilişkileri dondurduğunu iddia etmesine rağmen ticari ilişkileri artırarak devam ettirmekle suçlamıştır. Yapılan korelasyon analizleri söz konusu iddianın test edilmesi açısından önemli sonuçlar vermiştir.

Korelasyon analizlerinden önce Bařbakanlık Kamu Diplomasisi Biriminin konuya iliřkin yaptığı aıklamada devlet olarak hibir szleřme imzalanmadığı, ortak ekonomik giriřimlerde bulunulmadığı ve sz konusu ticaret hacminin zel sektr iřlemlerinden kaynaklandığı, liberal ekonomilerde devletin zel sektrn iřlemlerine mdahale edemediğini belirtmiřtir.

Trkiye – İsrail arasındaki siyasi iliřkilerin ekonomik iliřkileri nasıl etkilediğini anlamak zere 3 farklı konuda korelasyon analizi yapılmıřtır. Toplam ticaret hacmi, dođrudan yatırımlar ve turist sayıları ile politik iliřkiler tablosu analize tabi tutulmuřtur. İlk olarak hem veri kaynağının Mısır'a gre daha fazla olması hem de İsrail'in Mısır'dan daha liberal bir ekonomiye sahip olması nedeni ile, toplam ticaret hacmi ile siyasi iliřkiler arasındaki korelasyon 3 farklı dnem iin incelenmiřtir. Korelasyon analizinde 0 iki deđiřken arasında hibir korelasyon olmadığı, pozitif deđerler pozitif korelasyon olduđu negatif deđerler ise negatif korelasyon olduđunu ifade eder. $+0.5$ ve zeri deđerler ise korelasyonun gl olduđunu, $+0.5$ altındaki deđerler ise iki deđiřken arasındaki korelasyonun zayıf olduđunu ifade eder.

1969 – 2015 dnemindeki toplam ticaret hacmi ile siyasi iliřkiler korelasyon analizine tabi tutulduđunda sonu -0.298 olmaktadır. Bu sonuca gre belirtilen dnemde siyasi iliřkiler ile ticaret hacmi arasında ters ynl bir iliřki vardır. Bu da ktleřen siyasi iliřkilere rađmen ticaret hacminin arttıđını gstermektedir. Aynı analiz iki lke ekonomilerinin daha liberal olduđu 1990- 2015 yılları arası dneme uygulandıđında ok kuvvetli negatif bir korelasyon ortaya ıkmaktadır. Bu dnem iin ortaya ıkan rakam -0.852 'dir. Sz konusu rakam ekonomilerin daha liberal hale gelmesi ve bu dnemde ticareti dzenleyen kuruluřlara ye olmaları, serbest ticaret anlařmaları ve karřılıklı yatırımları koruma anlařmaları nedeni ile devletlerin ekonomi zerindeki manevra alanının daraldığını gstermektedir.

Aynı analiz 2000-2015 yılları için yapıldığında alınan sonuç -0.830'dur. Buna göre söz konusu dönemde de kötüleşen siyasi ilişkilere rağmen toplam ticaret hacmi güçlü bir şekilde artmıştır.

Yukarıdaki rakamlar bize liberal ekonomi ortamında devletin ticari ilişkiler üzerine etkisinin azaldığını, kötüleşen siyasi ilişkilere rağmen ticaret erbabının ilişkilerini devam ettirdiğini göstermektedir.

Benzer korelasyon analizi 2001-2012 döneminde İsrail'den Türkiye'ye yapılan doğrudan yatırımlar ile aynı dönemdeki siyasi ilişkiler için yapıldığında sonuç -0.259 olmuştur. Söz konusu sonuç tezin savları ile tutarlıdır. Belirtilen dönemde her iki ülkenin doğrudan yatırımları, yatırımların korunması anlaşması ile koruma altındadır. Ancak ticari işlemler ile kıyaslandığında doğrudan yatırımlar daha uzun dönemli yatırımlardır ve dolayısıyla daha stabil siyasi bir ortam aramaktadır. Bu nedenle, söz konusu sonuç siyasi ilişkilerin kötüleşmesine rağmen doğrudan yatırımların arttığını ancak söz konusu korelasyonun toplam ticaret hacmindeki gibi kuvvetli değil zayıf olduğunu ifade eder. Bu da doğrudan yatırımların daha stabil bir siyasi ortam aradığının göstergesidir.

Türkiye – İsrail ilişkilerinde son olarak siyasi ilişkiler ile turist sayıları arasındaki korelasyona bakıldığında bu sefer toplam ticaret hacmi ve doğrudan yatırımlardan farklı bir sonuç ortaya çıkmaktadır. Bilindiği gibi İsrail vatandaşlarının güvenliğine aşırı önem gösteren, yurtdışında yaşayan ve seyahat eden vatandaşları için sürekli uyarılar yayımlayan bir devlettir. Söz konusu uyarıların vatandaşların kararları üzerinde etkili olduğu ve vatandaşlarının seyahat planları yaparken siyasi ilişkileri de göz önünde bulundurduğunu Türkiye'yi ziyaret eden İsrail vatandaşlarının sayısı ile siyasi ilişkiler ile korelasyon analizinin sonucundan anlaşılmaktadır. Analize göre siyasi ilişkiler ve Türkiye'yi ziyaret eden İsrail vatandaşı turist sayısı arasında 0.375 değerinde pozitif neredeyse kuvvetli bir korelasyon vardır. Dolayısıyla, kötüleşen siyasi ilişkiler İsrail'den Türkiye'ye gelen turist sayısında azalışa neden olmaktadır.

İstatistiki rakamların yanında medya incelemesi yapıldığında ikili ilişkilerin gerildiği dönemlerde ülkelerin birbirlerine tarife dışı engeller uygulamaya çalıştığı görülmüştür. Örnek vermek gerekirse iki ülke de diğer ülkenin vatandaşlarına havalimanlarında zorluk çıkarma, bekletme gibi uygulamalar yapmıştır. Diğer taraftan İsrail’de faaliyet gösteren Türk firmasının Türk vatandaşı çalışanlarının vizelerini gereksiz yere iptal etmek gibi önlemlerin politik kararlar olduğu değerlendirilmiştir.

Son olarak İsrail’deki Türk Dış Ticaret Ataşeliği ile yapılan görüşmelerde serbest ticaret anlaşması ve DTÖ üyeliği sayesinde devletlerin ticarete müdahale etmediği belirtilmiştir. Ancak 2009 ve sonrası yaşanan olaylar nedeni ile Türkiye ile İsrail arasında devletlerin imzaladığı ekonomik bir anlaşma olmadığı yahut bir kamu ihalesi bulunmadığı ticaretin tamamıyla özel sektör tarafından yürütüldüğü belirtilmiştir. Ataşeliğin açıklaması gerilen siyasi ilişkilerin mevcut ticari ilişkileri etkilemediği ancak potansiyel ilişkiler üzerinde önemli bir etkisinin olduğunu belirtmek açısından önemlidir.

Diğer taraftan Alon Liel de siyasi ilişkilerin potansiyel üzerine etkilerine dikkat çekmiş, mevcut ticari ilişkilere boyutu önemsiz ufak müdahaleler olsa da, kötü ilişkilerin potansiyel ticareti önemli derecede etkilediğini belirtmiş ve ilişkiler iyi olsaydı toplam ticaret hacminin çok daha fazla olacağını tahmin ettiğini belirtmiştir.

Üçüncü bölümde, Türkiye – Mısır ilişkileri için de benzer bir yaklaşım izlenmiştir. Toplam ticaret hacmi, doğrudan yatırımlar ve Türkiye’yi ziyaret eden Mısır vatandaşlarının sayısı ile siyasi ilişkiler korelasyon analizine tabi tutulmuş, istatistiksel çalışma da medya analizi ve bölge tecrübesi olan kişilerin deneyimleri ile desteklenmiştir.

Bir önceki bölümden farklı olarak, istatistiksel analizde daha dar bir dönem kullanılmıştır. Bunun nedeni Türkiye – Mısır ilişkilerinin uzun bir dönem boyunca rekabetçi bir havada olmasına rağmen, iyi ve dostane gibi yansıtılması ancak son dönemde siyasi ilişkileri 1 ve 0 olarak net bir şekilde sınıflandırmanın mümkün olmasıdır. Ayrıca Mısır ekonomisinin yapısı dolayısıyla temin edilebilen veriler çok eskiye uzanmamaktadır.

Bölümde ilk olarak Türkiye – Mısır siyasi ilişkileri ele alınmıştır. Türkiye'nin hem coğrafi hem de siyasi olarak ilişkileri çok eskiye dayanmaktadır. Coğrafya ile ilk etkileşim 1517 yılında Osmanlı'nın Memlûkleri fethetmesi ve Mısır coğrafyasını ele geçirmesi ile başlar.

Napolyon tarafından işgale uğrayan Mısır'ı işgalden kurtarmak amacıyla görevlendirilen Mehmet Ali Paşa'nın başarılı olması ile ilişkiler yeni bir seviyeye taşınmıştır. Daha önce Osmanlı buyruğunda olan bölge Mehmet Ali Paşa'nın yönetiminde fiilen Osmanlı siyasi sınırları içerisinde ancak Osmanlı Devleti'ne rakip hale gelmiştir.

Osmanlı'nın çöküşü ve Türkiye Cumhuriyeti devletinin kurulması ile ilişkiler yeni bir boyut kazanmıştır. Bu yeni dönemde ilişkiler geçmiş tecrübelerin ve üçüncü ülkelerin etkisinden muaf kalamamıştır.

Türkiye Cumhuriyeti'nin ilk yıllarında kurucular batı yanlısı bir politika izlemiştir. Dolayısıyla Mısır Türkiye'nin ilgi alanı dışında kalmıştır. Bunun yanında, Mısır'da Arap milliyetçilerinin Osmanlı'yı ve dolayısıyla Türkleri kolonici olarak yansıtmaları ve Arapların mevcut geriliğinin sebebi olarak Türkleri göstermesi, aynı zamanda Türklerin Arapların kendilerine ihanet ettiğini düşünmesi dolayısıyla ilişkiler olumsuz etkilenmiştir.

Türkiye ve Mısır arasında maslahatgüzarlık seviyesinde yürütülen diplomatik ilişkiler ilk olarak 1948 yılında büyükelçilik düzeyine çıkarılmıştır. Soğuk savaş süresince ilişkiler soğuk kalmış, Türkiye batı bloğu ile yaklaşırken, Mısır Sovyetler Birliğine daha yakın bir tavır takınmıştır. İsrail'in Türkiye tarafından devlet olarak tanınması bu dönemde Türkiye ile Mısır arasında ciddi bir krize neden olmuştur. Türkiye'nin Bağdat Paktının kurulmasına yönelik çabaları, Mısır tarafından Türkiye'nin Batının Truva atlığını yaptığı şeklinde yorumlanmıştır.

Söz konusu gelişmelerin tamamı ve Mısır'ın Sovyetler cephesinde yer alması bu dönemde iki ülkenin arasındaki gergin siyasi ilişkilere katkıda bulunmuştur. Süveyş Savaşı bu gerginliği daha da üst seviyeye taşımış, Mısır tarafından tanınmayan ve batılı devletlerden oluşan Süveyş Kanalı'nın nasıl kullanılacağını tespit etmek üzere kurulan komisyona

Türkiye'nin üye olması gerilimi tırmandırmıştır. Yine bu dönemde Türkiye'nin Suriye ile sorun yaşaması, Mısır'ın Suriye ile askeri anlaşma yaparak bu soruna müdahil olması ilişkileri kopma noktasına getirmiştir.

1958 yılına gelindiğinde Mısır ve Suriye birleşerek Birleşik Arap Cumhuriyeti'ni kurduklarını ilan etmesi ve Türkiye'nin bu devleti tanıması Mısır'da olumlu karşılanmıştır. Bu dönemde Türkiye Başbakanı Adnan Menderes'in Arap dünyası ile ilişkileri geliştirme çabaları da olumlu katkıda bulunmuştur.

Mısır'da Enver Sedat ile yaşanan politika değişimleri ve Türkiye'de Arap dünyası ile sıcak ilişkiler kurmayı hedefleyen Turgut Özal'ın Başbakan olması 1980'ler iki ülke arasında daha sıcak ilişkilerin oluşmasına katkıda bulunmuştur. Ancak 1990'lara gelindiğinde Türkiye'nin PKK ve su konusunda Arap dünyası ile sorun yaşaması ilişkileri yeniden germiş, bu dönemde Mısır ile ilişkiler ne iyi ne de kötü olmuştur.

2000'lı yıllar da ilişkilerde ciddi bir değişim getirmedir. Birbiriyle yakın olmak isteyen ancak bölgedeki hedefleri dolayısıyla aynı zamanda rakip olan iki ülkede Mısır kamuoyu, Türkiye'nin 2003 yılında ABD'nin tezkere talebini reddetmesi ile Türkiye'ye daha sempati ile bakmaya başladı. 2003'te başlayan Irak'ın işgali ile bölgede oluşan güç vakumu hızla İran tarafından doldurulmaya başlanınca, Türkiye ve Mısır'ın Şiiliğin etki alanını genişletmesi nedeni ile ortak tehdit algısında bir artış oldu. Bu durum Mısır ve Türkiye'yi daha da yakınlaştırdı. Sıcak ilişkiler sayesinde bu dönemde karşılıklı ziyaretler oldu ve çeşitli anlaşmalar imzalandı. Bu anlaşmalardan birisi de 2005 yılında imzalanan serbest ticaret anlaşmasıydı.

2010 yılında Tunus'ta başlayan Arap Baharı 2011 yılında Hüsnü Mübarek iktidarına karşı Mısır'a ulaştı. Başbakan Recep Tayyip Erdoğan Hüsnü Mübarek'i halkının sesini dinlemeye çağıran ilk lider oldu. Olaylar sonrası Hüsnü Mübarek'in iktidardan indirilmesi ve yerine Mursi'nin seçilmesi ile Türkiye Mısır ilişkileri altın dönemini yaşamaya başladı.

Cumhurbaşkanı Abdullah Gül, Mısır'ı ziyaret etti, karşılığında Mısır'lı yetkililerde Türkiye'ye ziyarette bulundu. Bu dönemde önemli ticari anlaşmalara imza atıldı. Türkiye Mısır'a 2 Milyar Dolarlık kredi açarken, Mısır, Suriye ve Irak'taki savaş nedeni ile Arap yarımadasına ulaşmakta zorluk yaşayan Türk Ro-Ro'larına kapılarını açtı.

2013 yılına gelindiğinde, en iyi dönemini yaşayan ilişkiler birden en kötü dönemini yaşamaya başladı. Mısır'da halkın yeniden sokaklara çıkması ve Mursi'nin askeri müdahale ile devrilmesiyle Türkiye Mısır'daki duruma çok sert tepki gösterdi. Başbakan Erdoğan Mursi'yi halen Cumhurbaşkanı kabul ettiklerini, kendisini devirerek yerine gelen General Sisi'yi kabul etmediklerini belirtti. Karşılıklı sert açıklamalar üzerine önce Mısır sonra Türkiye Büyükelçilerini geri çekti.

Takip eden yıllarda da gerginlikler devam etti, hatta uluslararası arenaya taşındı. Türkiye Birleşmiş Milletler toplantılarında Mısır'ı sert şekilde eleştirdi ve tepki koydu. Türkiye'nin açıklamalarına karşı 3. Ülkeler de tartışmaya dahil oldu. Örneğin Birleşik Arap Emirlikleri Dışişleri Bakanı Türkiye'nin diğerlerine demokrasi dersi verecek durumda olmadığını ifade ederek Mısır'a destek oldu. 2016 yılı sonlarına gelindiğinde iki ülkede ilişkileri ısıtma konusunda açıklamalar yaptı, ancak halen ilişkilerin tam olarak rayına oturduğunu ifade etmek mümkün değildir.

Türkiye- İsrail ilişkileri için yapılan korelasyon analizi Türkiye – Mısır ilişkileri için de yapıldığında benzer ancak nüanslar içeren bir sonuçla karşılaşılmaktadır. Çalışmada Türkiye – Mısır ilişkileri için 2004-2015 yıllarını kapsayan bir siyasi ilişkiler tablosu oluşturulmuştur. Söz konusu dönem, aynı dönemdeki toplam ticaret hacmi, Türkiye'den Mısır'a yapılan doğrudan yatırımlar ve Mısır'dan Türkiye'ye gelen Mısır vatandaşı kişilerin sayıları ile analize tabi tutularak aralarındaki korelasyon ilişkisi değerlendirilmiştir.

2004-2015 yılları toplam ticaret hacmi ile siyasi ilişkiler arasındaki korelasyona bakıldığında; -0.570 sonucu elde edilmiştir. Söz konusu sonuç, kötüleşen siyasi ilişkilere

rağmen toplam ticaret hacminin artarak devam ettiğini göstermektedir. Bu sonucun bir diğer önemi, benzer bir dönem için Türkiye – İsrail için yapılan analizin sonucuna göre korelasyonun daha zayıf olmasıdır. Bu da liberalleşme ve kurumsallığın devletin müdahale alanını zayıflattığına dair iddianın doğruluğunu göstermektedir. Diğer taraftan her iki ülke siyasilerinin açıklamalarına bakıldığında, her iki ülkenin de kötüleşen siyasi ilişkilere rağmen ticari ilişkileri daha da ileriye taşımak konusunda oldukça gönüllü olduklarını göstermektedir. Medyaya bakıldığından hem iş insanlarının hem de siyasilerin bu yönde ifade hatta girişimleri olduğunu görmek mümkündür.

Mısır doğrudan yatırımlar konusunda yeterli veri sağlamaması ve siyasi ilişkilerde dönüşüm yaşanan yıllara dair verilerin temin edilememesi nedeniyle iki ülke arasında doğrudan yatırımlar için korelasyon analizi yapılamamıştır. Ancak, politikacılar, iş insanları ve medyada yer alan açıklamalara bakıldığında bu dönemde kötüleşen ilişkilerin yatırımları etkilememesi için iki ülkenin de elinden geleni yaptığı görülmektedir.

Son olarak, 2004- 2013 yıllarını kapsayan dönemde Mısır'dan Türkiye'ye gelen Mısır vatandaşlarının sayısı siyasi ilişkiler tablosu ile korelasyon analizine tabi tutulduğunda -0.704 sonucu alınmıştır. Buna göre kötüleşen siyasi ilişkilere rağmen turist sayısında artış olmuştur. Bu sonuç İsrail'den Türkiye'ye gelen turistlerin durumu ile karşılaştırıldığında farklı bir sonuç elde edilmektedir. Söz konusu farklılığın sebebi, İsrail'in turizm acenteleri üzerindeki etkinliği ve İsraili turistlerin güvenlik konusundaki algılamaları ile açıklamak mümkündür.

4. bölüm olan sonuç bölümünde ise önceki bölümlerde yapılan araştırma ve analizler sonucu ulaşılan fikir paylaşılmaktadır. Buna göre, günümüz dünyasında ekonomilerin liberalleşmesi ve uluslararası kuruluşlara üye olarak bir takım kurullarla kendilerini bağlaması sonucu devletin ekonomik ilişkiler üzerindeki manevra alanı daralmıştır.

Realist görüşün iddia ettiğinden farklı olarak liberal ve kurumsalcı görüşlerin öngördüğü gibi ticaret her zaman bayrağı takip etmemektedir. Devletler kötüleşen ilişkiler sonucu

yaptırımlar uygulamaya çalışsa da, yapabildikleri yalnız potansiyel üzerinde sonuç doğurmakta, mevcut ekonomik ilişkiler üzerinde etkileri sınırlı kalmaktadır. Korelasyon analizi sonuçlarına göre devletlerin en etkili olduğu olan kurumsallaşmanın nispeten daha sınırlı olduğu ve kişisel algıların önem taşıdığı turizm sektörüdür. Sonrasında uzun vadeli siyasi istikrarın önem arz ettiği doğrudan yatırımlar gelmekte, en sonda da devletlerin nispeten en az etkili olduğu sektör olarak uluslararası ticaret sektörü dikkat çekmektedir. Çünkü bu sektör uluslararası kuruluşlarca koruma altına alınmakla birlikte, devletten bağımsız olarak serbest ticaret anlaşmalarının yapılabildiği bir sektördür.

Nihai olarak bakıldığında günümüz ekonomilerinde ticaretin bayrağı takip etmesinin artık daha zor olduğu anlaşılmaktadır. Ancak Pollins'in de makalesinde belirttiği gibi konuya dair bir genelleme yapmaktan öte, konunun ikili ülke bazında incelenmesi daha faydalı olacaktır. Çünkü ülkelerin yapısı –küçük yada büyük bir ekonomiye sahip olmaları, aralarında ekonomik bağımlılık yaratacak ticari bir ilişkinin olup olmaması – gibi hususlar elde edilecek sonuçları da etkileyecektir.

APPENDIX B

TEZ FOTOKOPİSİ İZİN FORMU

ENSTİTÜ

Fen Bilimleri Enstitüsü

Sosyal Bilimler Enstitüsü

Uygulamalı Matematik Enstitüsü

Enformatik Enstitüsü

Deniz Bilimleri Enstitüsü

YAZARIN

Soyadı : USLU

Adı : Bekir Can

Bölümü : Orta Doğu Araştırmaları

TEZİN ADI (İngilizce) : Does Trade Follow The Flag? Turkey's Relations with Israel and Egypt

TEZİN TÜRÜ : **Yüksek Lisans**

Doktora

1. Tezimin tamamından kaynak gösterilmek şartıyla fotokopi alınabilir.

2. Tezimin içindekiler sayfası, özet, indeks sayfalarından ve/veya bir bölümünden kaynak gösterilmek şartıyla fotokopi alınabilir.

3. Tezimden bir bir (1) yıl süreyle fotokopi alınamaz.

TEZİN KÜTÜPHANEYE TESLİM TARİHİ: