



TURKISH AIRLINES

An International Strategic Instrument for Turkey

Julien LEBEL

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Cover: ISTANBUL, TURKEY - CIRCA 2017: Aerial view of Turkish Airlines Boeing 747 Commercial Passenger Aircraft Flying High Up in the Sky Above the Clouds.

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Executive Summary

Turkey has undergone significant transformations since the Justice and Development Party (AKP) came to power in 2002, as illustrated by the notable growth of its airline industry. Turkish Airlines (THY) is the main company based in the country, and has dramatically extended its network of destinations in the past 15 years. It benefits from the support of the national authorities, who consider the carrier as a strategic instrument in consolidating Turkey's influence internationally and in building solid cooperation with foreign States in different fields. Meanwhile, the opening of a new airport in Istanbul at the end of 2018 emphasises the ambition displayed by the government to make the country a major global hub, competing with airport hubs in Western Europe, and especially in certain Gulf States.

Résumé

La Turquie connaît d'importantes transformations depuis l'arrivée du parti de la Justice et du Développement (AKP) au pouvoir en 2002, à l'image de la croissance notable de son secteur aérien. Principale compagnie aérienne basée dans le pays, Turkish Airlines a étendu de façon spectaculaire son réseau de destinations au cours des quinze dernières années. Elle bénéficie d'un appui des autorités nationales, qui considèrent le transporteur comme un outil stratégique pour consolider l'influence de la Turquie sur la scène internationale et construire des coopérations solides avec des États tiers dans différents domaines. Parallèlement, l'inauguration d'un nouvel aéroport à Istanbul fin 2018 rappelle l'ambition affichée par le gouvernement de faire du pays un *hub* d'envergure mondiale, en concurrence avec les plateformes aéroportuaires d'Europe de l'Ouest, et surtout celles de certains émirats du Golfe.

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Introduction

The press conference organised by the management of Turkish Airlines in Mexico City on 22 August 2019 once again allowed the company to highlight its dynamic expansion. Following Bali and Pointe Noire in July, several representatives of the airline made the trip to the Mexican capital to celebrate the inauguration of a new link, connecting Istanbul to Mexico City and Cancun. The Mexican ambassador to Turkey, Bernardo Córdova Tello, used the occasion to highlight the excellent diplomatic relations between the two countries and explain how strengthening bilateral cooperation would be facilitated with this new route operated by Turkish Airlines.

It was not by coincidence that the influential Foreign Economic Relations Board of Turkey (DEİK) organised a seminar on trade and investment between the two countries in Mexico City the next day. This was attended by economic actors and official Turkish and Mexican representatives. The meeting was fruitful, as the media announced the resumption of negotiations between Turkey and Mexico on the conclusion of a free trade agreement a few days later.¹ The arrival of Turkish Airlines in Mexico and in Cancun thus constituted a highly symbolic step, linked perfectly to the diplomatic agenda of the Turkish authorities, who were seeking to deepen their cooperation with their Mexican counterparts.

The expansion of Turkish Airlines (commonly called by its ICAO code THY in Turkey) thus supports Turkish diplomacy. But the airline is also at the heart of the strategies devised by the Turkish government to meet its ambitions in developing tourism and national exports, and to ensure the sustainability of international investments in Turkey. The growth of the company is moreover accompanying the wishes of Turkish President Recep Tayyip Erdoğan to strengthen his power at the head of the country. THY's expansion is participating in the pursuit of large development projects to redraw the territory of Turkey, and to ensure its international visibility, as illustrated by the new Istanbul airport, inaugurated at the end of 2018.

However, the Turkish airline industry – with THY at its forefront – remains much subject to the upheavals that the country has experienced, and in particular the tensions affecting diplomatic relations between

1. "Turkey, Mexico Begin Free Trade Deal Talks: Trade Body", *Hürriyet*, 28 August 2019, available at: www.hurriyetdailynews.com.

Turkey and certain third countries. Turkey's domestic instability in recent years has also contributed to weakening plans by the national authorities of making Turkey a real diplomatic power, both regionally and internationally. In this context, Turkish Airlines has demonstrated a certain resilience which results above all from the unfailing support of the government.

This study seeks to explore the dynamics of Turkish Airlines' expansion over the past 15 years, and to analyse how the company's strategy is linked to the AKP government's agenda, both internationally and domestically. While the country faces real political and economic challenges, the sustainability of Turkish Airlines' development model also deserves examination. Furthermore, it is appropriate to look at the prospects for the development of air traffic within Turkey, following the inauguration of Istanbul's new airport which, once fully completed, should be capable of welcoming up to 200 million passengers annually, according to its promoters.

Turkish Airlines as a Strategic Instrument of the Government

A dominant player in the Turkish aviation sector and one of the world's main carriers

Liberalisation of the sector has been accompanied by a strengthening of Turkish Airlines' position nationally

Founded in 1933, Turkish Airlines long remained a second-tier airline, while Turkey experienced periods of high instability. The carrier's activities were mainly concentrated in its national market until the 2000s, and it was only in 2008 that significantly more passengers travelled on international than on domestic flights.

Indeed, the airline company experienced a major boom shortly after the AKP came to power. The party has clearly shown its intention of giving Turkey a major place internationally, while endowing the country with a dynamic and attractive economy for foreign investors. As of 2003, the new government implemented reforms aimed at liberalising the airline sector, in order to stimulate the opening of additional routes across the country and to encourage the expansion of several carriers. Yet while the number of air travellers has increased significantly,² Turkish Airlines has also had to take into account the activities of other Turkish companies, such as Pegasus Airlines,³ Onur

2. According to data published by the Turkish Institute of Statistics, the number of passengers travelling on domestic routes increased twelve-fold to 112 million between 2003 and 2018, while the number of international travellers leaving or arriving in Turkey quadrupled to almost 100 million.

3. Pegasus Airlines was created in the early 1990s, and positioned itself as a low-cost carrier 10 years later. It runs a fleet of 83 short and medium-haul aircraft. This makes it Turkey's second company after Turkish Airlines.

Air,⁴ and Atlas Jet.⁵ These companies have taken advantage especially of lower airport taxes to increase their revenues and expand their fleets.⁶

It was in this context and in response to the expansion of competing companies that Turkish Airlines took the decision to create AnadoluJet in 2008, a low-cost subsidiary operating almost exclusively on domestic routes.⁷ Meanwhile, Turkish Airlines improved the connections between its domestic network and its international routes, contributing to making Istanbul an airport hub. Such a strategy was pursued by many “flag carriers” at the same time.⁸ It allowed the Turkish carrier to maintain its dominant position in the national air sector, and THY operates many more planes than other Turkish companies: in 2012, for example the company had a fleet of 186 aircraft, compared to only 40 for Pegasus.⁹ In the same year, the company’s international flights also recorded more than 40% of passengers taking connecting flights, compared to only 20% in 2006.¹⁰ Turkish Airlines has therefore followed an ambitious development plan, relying on transit traffic. This has facilitated higher passenger load rates and higher revenues,¹¹ while THY has also counted particularly on the strength of Turkey’s domestic market of 80 million inhabitants.

In 2018, the number of passengers arriving at Turkish airports crossed the symbolic 200 million threshold, while Turkish Airlines carried a record number of 75 million passengers that year. The company is therefore an essential player in the dynamic growth of air traffic that has characterised

4. This is a low-cost company which currently runs about 30 aircraft. Apart from some regular routes, Onur Air offers charter flights.

5. The company was renamed Atlas Global as of 2015 and has a fleet of 18 single-aisle aircraft. Its future is especially uncertain, as the carrier has significant financial problems, which led it to cut services for a month, at the end of 2019. The company’s directors have notably pointed to problems in Turkey’s tourism sector following the attempted coup in 2016, as well as fluctuations in the Turkish lira. The company also suffers from competition from Turkish Airlines on nearly all of its routes.

6. A. Acar, S. Karabulak, “Competition Between Full Service Network Carriers and Low Cost Carriers in the Turkish Airline Market”, *Procedia - Social and Behavioral Sciences*, Vol. 207, 2015, p. 642-651.

7. In January 2020, Turkish Airlines announced it was transferring international flights operating out of Istanbul’s second airport (Sabiha Gökçen) to its subsidiary AnadoluJet. This concerns about 30 routes to Europe and the Middle East.

8. This concerns airline companies which concentrate their activities in their national home base with which they have a clear national link (the name of the carrier and/or other symbols with a national reference), even when such firms may have been partially or fully privatised.

9. A. Acar, S. Karabulak, “Competition Between Full Service Network Carriers and Low Cost Carriers in the Turkish Airline Market”, *op. cit.*

10. “Turkish Airlines: Narrowing the Strategic Gulf”, CAPA Centre for Aviation, 4 June 2013, available at: www.centreforaviation.com.

11. Between 2010 and 2018, annual earnings of the company rose from \$5.4 billion to \$12.8 billion: see <https://investor.turkishairlines.com>.

Turkey for more than 15 years. Internationally, THY has gone up to the top of different rankings, reaching for example 14th position in terms of passenger-kilometres flown in 2016, outperforming Singapore Airlines, yet remaining a little behind Qatar Airways. The carrier's development model is deemed to have been a success by analysts, who have emphasised its various strengths and relatively low operating costs.¹² Yet, reforms to staff status carried out in the late 2000s have caused internal tensions and have maintained a certain pay gap with the salary standards of the flag companies based in Western Europe.¹³

An efficient fleet and the rapid expansion of THY's network of international destinations

Turkish Airlines has a fleet of more than 350 aircraft.¹⁴ This far surpasses the number of aircraft operated by competing carriers such as Air France, Lufthansa, Qatar Airways, or Emirates Airline. But THY stands out by operating a relatively limited number of wide-body aircraft (less than a hundred).¹⁵ Examination of aircraft ordered by Turkish Airlines indicates that this trend will be further strengthened as the carrier will mainly acquire Boeing 737 MAX¹⁶ and Airbus A321neo planes in the next few years. Turkish Airlines in fact favours maintaining a recent and efficient fleet. In doing so, the company relies on various export credit agencies accompanying its aircraft orders, like the Export-Import Bank of the United States (EXIM) when purchasing aircraft manufactured by Boeing. In addition, THY does not hesitate in developing relatively complex and innovative financing schemes, by crossing the services of different banking institutions and by diversifying the currencies of its funding sources (dollar, euro and yen).¹⁷ This strategy allows it to benefit from attractive interest rates.

12. For example, "Turkish Airlines SWOT: More Growth for the Istanbul Superconnector", CAPA Centre for Aviation, 22 November 2018, available at: <https://centreforaviation.com>; as well as M. Dursun, J. F. O'Connell, Z. Lei and D. Warnock-Smith, "The Transformation of a Legacy Carrier – a Case Study of Turkish Airlines", *Journal of Air Transport Management*, Vol. 40, 2014, p. 106-118.

13. From 2003 to 2013, Turkish Airlines for example doubled the ratio between the number of passengers transported and employees in the company.

14. Including 36 aircraft run by the AnadoluJet subsidiary.

15. These are Boeing 777s and 787s (under delivery), as well as Airbus A330s. Airbus is also set to deliver A350s, thus renewing part of Turkish Airlines' long-haul fleet.

16. The immobilisation of Boeing 737 MAX planes since spring 2019 has not been without consequences for the activities of Turkish Airlines: the company was indeed forced to adjust its operations, with less frequent flights to certain destinations, or even a suspension of all flights, for lack of replacement aircraft in its fleet.

17. See <https://investor.turkishairlines.com>.

Most of Turkish Airlines single-aisle aircraft are already capable of operating non-stop flights of approximately six hours without a stop-over.¹⁸ This range covers routes from Istanbul to the whole of the Europe, Central Asia, the Middle East, as well as a large part of Africa. Using such planes on these routes has important advantages as it allows limiting expenses: kerosene consumption is less than for wide-body aircraft, while higher load factors are facilitated on routes where the number of travellers remains limited.¹⁹ Conversely, as the Gulf Companies operate primarily – or solely in the case of Emirates Airline – wide-body planes, they have less flexibility than Turkish Airlines in servicing their networks. It should be noted, however, that Qatar Airways and Emirates Airline also operate very long-haul routes requiring aircraft with greater flight ranges.

However, it should be noted that THY follows a strategy relatively similar to that of the Gulf companies, maintaining a certain balance between Airbus and Boeing in equipping its fleet. Turkish Airlines applies this approach both to short and medium-haul aircraft, as well as to long-haul planes: the company finalised its first order of 50 Boeing 737 MAX aircraft in 2013, while signing a contract with Airbus the same year for a relatively similar number of A321neo planes. Then in March 2018, the company signed two firm orders for 50 wide-body aircraft within a few days, comprising 25 Boeing 787s and 25 Airbus A350s.²⁰ This illustrated once again its strategy of balancing orders between the two aircraft manufacturers, which Turkish Airlines does not hesitate to put into competition.

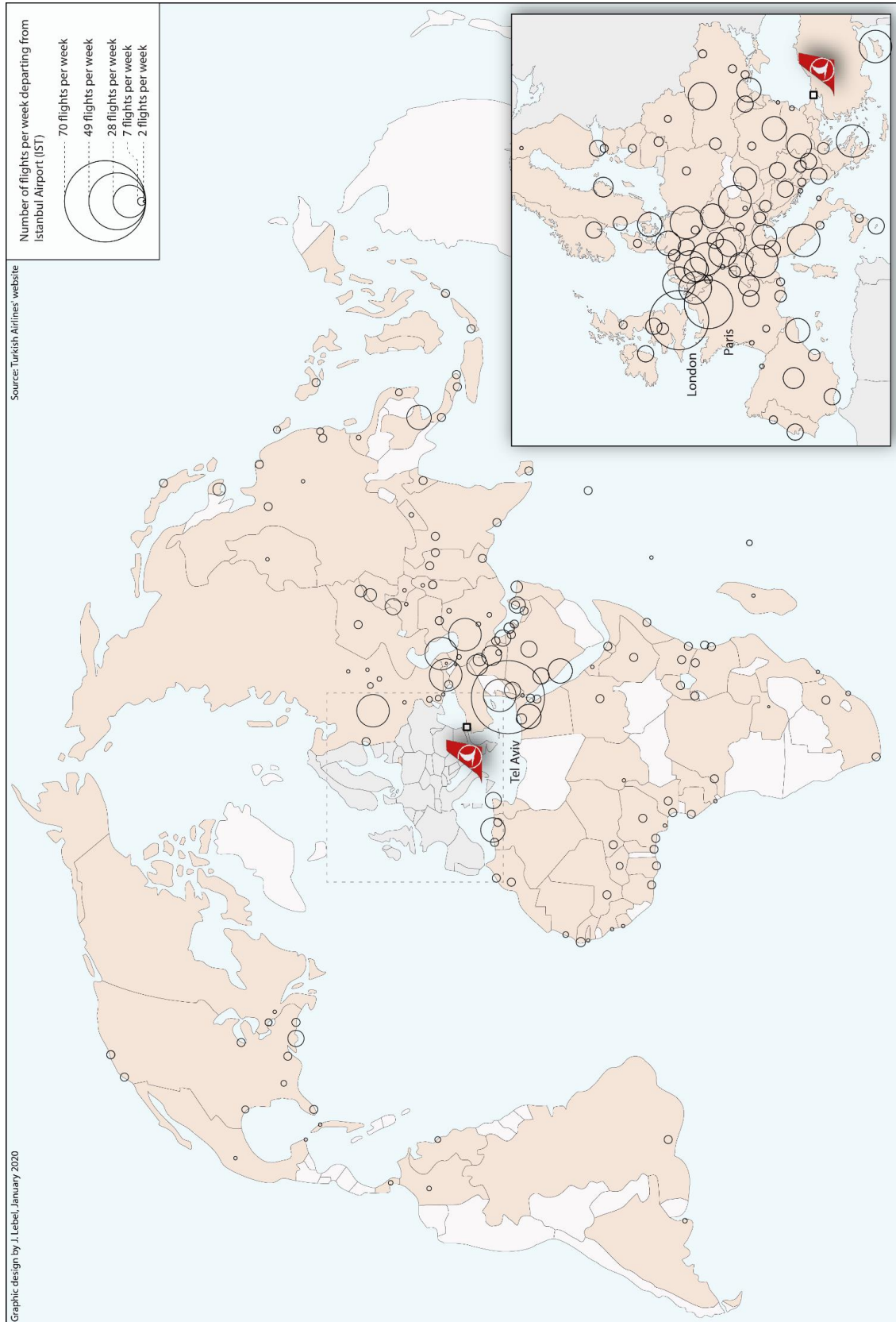
To become one of the main global carriers, Turkish Airlines has developed its activities by almost continuously adding new destinations to its international network. Figure 1 shows the company's destinations in January 2020, and the firm's strong anchoring in the European continent stands out, both for the number of airports served and flights. The company also operates numerous flights to the Middle East, as well as connections to the majority of countries in South and East Asia, and in Africa. With the exception of the United States, the THY's network in the Americas, however, is less extensive, even if the carrier has inaugurated several destinations in this region in recent years.

18. This concerns the Boeing 737 and the Airbus A320 family. The various models of these planes have between 120 and 200 seats.

19. By contrast, THY may choose to increase flights with lower-capacity planes on routes with high demand. This is notably the case for large European capitals with several turnarounds provided by THY every day. This is a good sales argument with business travellers, who are an important source of earnings for "flag" airlines.

20. The various orders mentioned here have been revised several times, either to confirm options, to add planes or to substitute certain models with others.

Figure 1: Map of the Network Operated by Turkish Airlines out of Istanbul (IST) in January 2020



Although Turkish Airlines cannot claim to provide flights to all continents – as do Qatar Airways and Emirates Airline – it is regularly presented as being the airline that serves the most countries in the world, a statistic THY often puts forward in its communication campaigns. Indeed, Turkish Airlines' network experienced very dynamic growth between 2008 and 2016, as the carrier inaugurated more than a hundred international destinations, particularly in Africa, Europe and the Middle East. THY is far ahead of airlines based in the Gulf or in China, which are also renowned for their significant expansion: Emirates Airline added more than 40 destinations to its network, while Air China launched connections to nearly 30 new international destinations in the same period. However, since 2016, the Turkish carrier's growth has been less marked, even if a dozen new destinations have been added to its international network.

Turkish Airlines has also established itself as a significant player in transporting cargo. This activity accounted for more than 15% of its earnings in 2018, compared to only 6% 10 years earlier.²¹ Shipped cargo and mail/package tonnage by the company increased sevenfold from 2008 to 2018,²² and seven new international ports of call were announced at the end of 2017 for its cargo network. In addition to the 24 aircraft operated by Turkish Cargo, which are exclusively dedicated to this activity, THY provides a large part of freight transport on its regular commercial flights, taking advantage of its connections to multiple countries, and so combining its passenger and cargo activities. This strategy is favoured particularly in Africa and even in Central Asia. These are regions in which Turkish businesses are very active, though tourist flows remain limited.

In addition to Turkish Cargo for freight and AnadoluJet for low-cost domestic and regional routes, other companies complete the range of Turkish Airlines' activities. These include, for example, Turkish Technic, which provides aircraft maintenance. Furthermore, Turkish Airlines has also partnered with the Austrian catering company Do & Co, to create Turkish Do & Co, in which THY owns 50%.

An internationally-renowned company which is also subject to criticism

The Turkish company has thus become a key player in the global aviation sector and has built up a certain reputation. Many travellers extol the quality of its services, which has allowed Turkish Airlines to obtain rewards from some organisations evaluating airlines on the basis of customer

21. According to information published by the company, see: <https://investor.turkishairlines.com>.

22. According to statistics published by the company, see: <https://investor.turkishairlines.com>.

satisfaction, such as the renowned Skytrax rankings.²³ The latter, for example, declared Turkish Airlines to be “the best airline in Europe” for six years running. However, various disturbances have impacted the services of THY, such as the suspension of air traffic during the attempted military coup in July 2016, or even the transfer of commercial flights to the new airport in Istanbul. These have highlighted the difficulties THY has in effectively managing unexpected events affecting its passengers, whose numbers have increased sharply over the past 15 years. Visibly embarrassed by losing its title as “best company in Europe” to Lufthansa in 2017, the Turkish carrier announced its withdrawal from Skytrax audits in 2018. Yet, the company has not hesitated to highlight the various prizes awarded by Skytrax in its large international communication campaigns in recent years.

The efficient development strategy carried out so far by Turkish Airlines makes it a major competitor for many carriers based in other regions and also operating long-haul routes. This is particularly the case for several European companies, but also for Gulf companies whose model is almost exclusively based on transit traffic, and has obvious similarities with Turkish Airlines. But there are also notable differences: THY has a real local market, and does not benefit from large subsidies generated in the oil and gas sector which support some of its competitors in the Gulf.

The inauguration of the new airport located northwest of Istanbul is an essential step for Turkish Airlines to pursue its expansion strategy. Conversely, the saturation of traffic at Atatürk Airport has long been an obstacle to the development of competing companies which have encountered difficulties in obtaining slots adapted to their needs. Many airlines have in any case found themselves forced to revise their services given the continuous development of Turkish Airlines; the Turkish companies Pegasus Airlines and Onur Air benefiting moreover from solid positions in the low-cost segment, especially between Turkey and Europe. Faced with such heightened competition, complicated by various external events that have affected the evolution of passenger flows, certain European companies have decided to reduce their flights to Istanbul, along the lines of Air France and KLM, which each suspended a daily rotation of flights from Paris and Amsterdam respectively, at the end of 2016. Similarly, Alitalia, Iberia and Swiss suspended all flights to Istanbul the same year, and have not yet announced any resumption of their services.

23. Skytrax also provides consulting services and is sometimes criticised for its close links to certain airlines.

Moreover, Lufthansa decided unilaterally to end its partnership with Turkish Airlines in late 2013. It illustrated concerns over the strong growth of the Turkish company. The two carriers had previously cooperated for a long time: in particular, Turkish Airlines and Lufthansa had created the SunExpress company in 1989, to develop charter flights between Germany and Turkey.²⁴ Yet, the continuous opening of routes by THY between Turkey and Europe led Lufthansa to take its distance. In fact, the German carrier criticised its Turkish counterpart especially for capturing an increasing share of transit traffic to Asia and Africa from different European cities.²⁵ As a result, passenger flows travelling via Istanbul have increased at the expense of Lufthansa's hubs in Frankfurt and Munich.

However, Turkish Airlines retains code-sharing agreements with many of the other members of the Star Alliance which it joined in 2008.²⁶ This grouping currently has 26 member companies, making it larger than Skyteam and Oneworld. By joining this alliance, THY has been able to develop contacts with numerous partners, giving it access to different strategic regions. Agreements with Singapore Airlines and Thai Airways may be mentioned especially, allowing THY to market tickets to Australia and New Zealand, two countries which are in fact not served by Turkish Airlines planes. In the meantime, partnerships concluded with Avianca and Copa Airlines have provided wider access to South America, where the Turkish Airlines network is still underdeveloped. In return, the Turkish company can provide opportunities to its partners by signing code-sharing agreements for numerous domestic and international connections, especially to Europe and the Middle East, but also to destinations that are not, or only little-served by other large companies (e.g. certain regions in Africa and Central Asia).

The AKP reviews THY's organisation

Two waves of privatisation and ambitious objectives...

The AKP has seen air transport as a strategic instrument since coming to power in 2002, in order to carry out its twofold objective of developing Turkey and promoting Turkey's international influence. Nationwide, this

24. SunExpress today provides charter flights and regular medium-haul flights to and from various tourism destinations, especially in Turkey and North Africa. The company's shares are held equally by Lufthansa and Turkish Airlines.

25. Turkish Airlines presently flies to 11 airports in Germany, the European country it flies to most.

26. This alliance was founded by Lufthansa in 1997.

has been particularly reflected in the expansion of Turkey's airport network, and new domestic connections to strengthen ties with the country's political and economic centres, respectively Ankara and Istanbul.²⁷ At the same time, Turkish Airlines' development strategy has been gradually aligned with the interests of the Turkish government.

The latter began with a first partial privatisation of the company in 2004, reducing its equity stake to 75%. Two years later, a second privatisation plan reduced its shares to 49%. These operations were part of the new government's programme to resume privatisations, managed by a newly-created, special administration attached to the Prime Minister's office.²⁸ Three-quarters of revenues from all privatisations between 1986 and 2015 were actually collected in the years from 2002 to 2010,²⁹ with the stated objective of "minimising the State's engagement in commercial and industrial activities", and using the funds thus collected for "major infrastructure projects".³⁰ The legal framework of the privatisation programme, however, guarantees the government a certain control over the activities of Turkish Airlines, as the State is ensured "privileged shares in strategic sectors" in all circumstances.

In fact, the organisation of THY's shareholding splits the company into two groups (A and C), and gives special status to the State: while Group A is made up of almost all of shareholders, Group C is the share held by the Privatisation Administration.³¹ This distinction allows the Turkish authorities to benefit from specific provisions that apply only to Group C, as set out in the statutes of the company. The State has a representative among the nine members of the Board of Directors and its agreement is necessary to carry out certain strategic operations, including:

- Modifying the company's statutes (and so any change concerning the prerogatives of Group C, in other words the State);
- Increasing the company's capital;
- Any transaction whose value exceeds the threshold of 5% of the financial assets available to the company;
- The merger or liquidation of the business;

27. It should be noted that THY and AnadoluJet service nearly all Turkish airports open to commercial traffic.

28. Since the abolition of the post of Prime Minister in 2018, the Privatisation Administration has been attached to the Ministry of Finance.

29. A. Insel, *La Nouvelle Turquie d'Erdoğan*, Paris: La Découverte, 2015.

30. According to information published on the website of the Privatisations Administration, retrieved September 2015.

31. See the statutes of the company, available at: <https://investor.turkishairlines.com>.

- And above all, any decision relating to the closure of lines or a “notable” cut in flight frequencies.

The objectives of the company’s activities are set out in Article 3 of the statutes. They are ambitious and fully coincide with the will of the Turkish government to strengthen the position and visibility of Turkey internationally. Thus, the extension of the long-haul network is part of these ambitions, while the firm is to preserve its major role in Turkey’s domestic market, along with the promotion of the image of the company abroad, and the wish to make Istanbul a world-class air transport hub.

At the same time, by actively supporting the signing of air traffic agreements with numerous third countries, the Turkish government has allowed Turkish Airlines to acquire numerous traffic rights to a large number of international airports. In 2003, Turkey only had 81 such bilateral agreements. By 2012, the number had risen to 143,³² and then to 169 in 2017.³³ Growth across the planet has been continuous.

...which have nevertheless led to a consolidation of ties with the government

Despite the partial privatisation measures, the government remains very involved in the activities of Turkish Airlines. The profile of the members of the company’s Board of Director illustrates the close links to the AKP.³⁴ Mehmet İlker Aycı, the current Chairman of the Board of Directors and the Executive Committee of Turkish Airlines, had previously been an advisor to Mr Erdoğan when he was mayor of Istanbul between 1994 and 1998. Similarly, Temel Kotil, CEO until 2016, had also worked in Istanbul’s metropolitan government: he then pursued his career in the United States, after the “post-modern coup” in 1997 which led to the resignation of Prime Minister Necmettin Erbakan, the mentor of Erdoğan, and to the dissolution of Erbakan’s political party, *Refah Partisi* (the Prosperity Party). T. Kotil subsequently returned to Turkey in 2003 as vice-president of the Turkish Airlines’ technical department. Other profiles confirm this proximity of THY executives and the national authorities: thus, Arda Ermut, member of the Board of Directors and of the Executive Board, began his career in 2005 as an advisor in the offices of the Prime Minister, a post held by Erdoğan at the time. He currently chairs Turkey’s Investment Bureau, an organisation attached to the President’s offices

32. M. Dursun, J. F. O’Connell, Z. Lei and D. Warnock-Smith, “The Transformation of a Legacy Carrier – a Case Study of Turkish Airlines”, *op. cit.*

33. See the website of Turkey’s Directorate General of Civil Aviation: <http://web.shgm.gov.tr/en>.

34. See <http://investor.turkishairlines.com>.

which is responsible for promoting Turkey with international investors. He also sits on the Board of Directors of Turkey's sovereign wealth fund, created by the government in 2016.

In a context of heightened political tensions, the resignation of Temel Kotil in October 2016 coincided with the renewed control by the AKP government of a number of companies and public bodies. This was reflected in particular by strong pressure against those suspected of having links with the Gülenist movement, or who more generally did not show sufficient support for the measures taken by the authorities. In addition, tensions within Turkish Airlines' management had already been reported, suggesting an inevitable reorganisation in which the AKP did not fail to intervene. The appointment of Bilal Ekşi as CEO has once again illustrated the close links between the carrier and the Turkish government. He in fact occupied the post of Director General of Turkish Civil Aviation from 2011. This organisation is notably responsible for negotiating traffic rights with third States, which Turkish Airlines has greatly benefited from, in order to extend its international network to date.

The profile of other Board members may also be mentioned, where they have held positions in organisations promoting Turkish exports, a means for the success of the famous "Anatolian tigers", who were close to *Refah* in the 1990s, and then to the AKP.³⁵ Mehmet Büyükeksi, a former member of the THY's Board for several years, had served notably as chairman of the influential Turkish Exporters' Assembly (Türkiye İhracatçılar Meclisi, TIM), but has also served as member of the Board of Directors of the Export Credit Bank of Turkey (Türk Eximbank),³⁶ and then as vice-president and member of the Executive Committee of the Foreign Economic Relations Board of Turkey (Dış Ekonomik İlişkiler Kurulu, DEİK). This organisation actively participates in expanding the activities of Turkish entrepreneurs internationally, by creating forums for exchanges and cooperation in many countries. Orhan Birdal, who is still serving on the THY Board, has served as Vice-Chairman of the Turkish Civil Aviation Council in the powerful Union of Chambers and Commodity Exchanges of Turkey (Türkiye Odalar ve Borsalar Birliği, TOBB), an organisation that is very committed to the development of trade and business with third countries.

35. D. Yankaya, *La Nouvelle Bourgeoisie islamique*, Paris: PUF, 2013.

36. Türk Eximbank was created in the 1980s to support Turkey's export strategy implemented by the government of Turgut Özal.

The development of Turkish Airlines at the heart of a broader government strategy for Turkey's aerospace sector

Turkish authorities therefore consider THY as one of their best *soft power* tools to consolidate Turkish influence internationally.³⁷ Even if Turkish Airlines does not benefit from direct subsidies from the State, the latter remains attentive to its development and contributes especially to the development of infrastructures adapted to the growth objectives of the airline. While THY's development model, as detailed above, appears to be very effective, the remarkable expansion of the company is largely based on the support it receives from the Turkish government, notably during periods of instability.

It should also be noted that the government's involvement in the development of the company is part of a broader approach to support the expansion of the Turkish aerospace sector. In fact, the authorities have repeatedly shown their ambitions to make Turkey one of the world's leaders in this area, having indeed recognised industrial players involved in international projects, like Turkish Aerospace (TUSAŞ). This organisation is currently chaired by the former CEO of Turkish Airlines, Temel Kotil, again illustrating the connections existing between the various components of the Turkish aerospace and air transport industry.

While Turkey also has long-standing defence cooperation agreements with some Western partners, these agreements have been undermined by certain diplomatic choices by the government, such as the reception of a Russian missile defence system during summer 2019. The United States responded by excluding Turkey from the development of the F-35, a military aircraft designed by Lockheed Martin, and in which various Western countries are participating. However, the Turkish authorities want increasingly to establish the country as an ambitious and autonomous actor. It may be recalled for example that Mr Erdoğan signed a decree in December 2018 which relates to the creation of a national space agency to oversee various research activities in this field. The agency is accompanied by a project to build a space launch system which should allow Turkey to send satellites into space independently.³⁸

37. "Turkey Makes Best Use of Soft Power: Turkish FM", *Hürriyet*, 12 May 2018, available at: www.hurriyetailesnews.com.

38. "Turkey Formally Establishes Its National Space Agency", *Daily Sabah*, 13 December 2018, available at: www.dailysabah.com.

Interactions with national authorities intensify in periods of instability

A strategic interface between Turkey and other countries, endangered by regional instability

The strategic role of Turkish Airlines for the government is well illustrated in Figure 2, which shows the carrier's interface function between Turkey and the rest of the world, at different levels. The routes operated by THY allow Turkish political and economic actors to develop their networks and to extend their activities, thus strengthening the international position and reputation of the country. The growth of transit traffic through Istanbul also contributes to the emergence of its airport platform as a world-class hub.

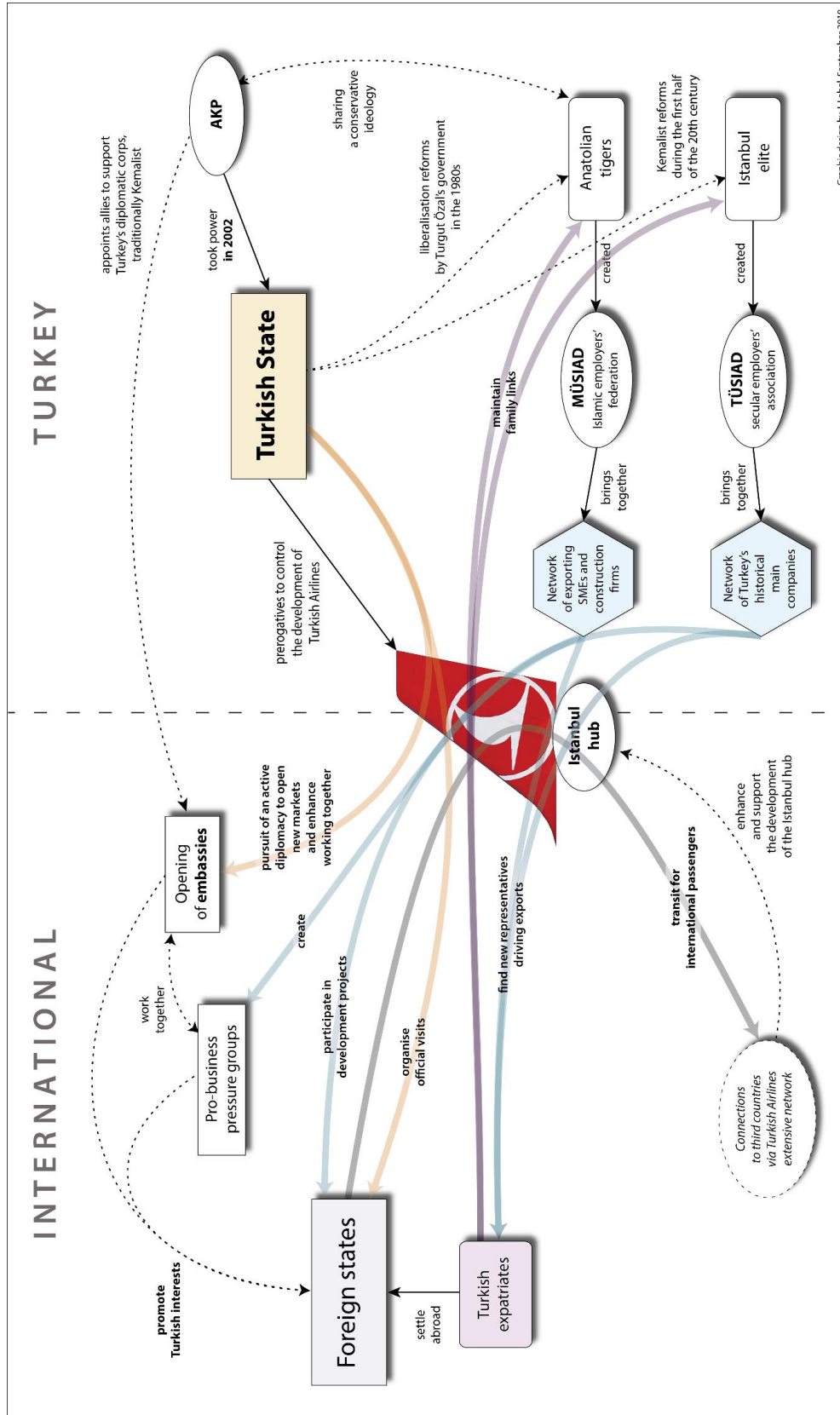
The development of the company has however been largely affected by the political uncertainties in recent years. The growing instability and economic deterioration led to a drop in the number of tourists across country in the summer of 2016, and more recently the withdrawal of some investors. These factors have led on several occasions to slowdowns in growth in the number of passengers using commercial flights on Turkish Airlines. While the company initially announced its ambition of transporting more than 72 million passengers in 2016,³⁹ it finally ended up carrying 62.8 million travellers, though this was a slight increase compared to 2015.⁴⁰ As the airline had greatly extended its services, this resulted in a drop in the overall flight load factor to less than 75%. Consequently, in the summer of 2016, the company announced a loss of US\$ 644 million for the first half of the year.⁴¹

39. "Turkish Airlines Targets 72.4 Mln Passengers, \$12 Bln Sales in 2016", *Hürriyet*, 12 January 2016, available at: www.hurriyetdailynews.com.

40. "Turkish Airlines Sees Rise in Passenger Numbers in 2016: Report", *Hürriyet*, 11 January 2017, available at: www.hurriyetdailynews.com.

41. Losses were limited to US\$77 million for the whole of 2016.

Figure 2: Turkish Airlines as an Interface between Turkey and the World



Graphic design by J. Lebel, September 2019

The various attacks committed by the Islamic State group, as well as radical Kurdish organisations, also directly threatened the activities of the carrier. The airline recorded waves of bomb alerts (anonymous calls, or notes found on board certain planes suggesting the presence of a bomb), leading to the diversion of the flights to carry out inspections.⁴² Although none of the checks resulted in the discovery of explosive devices on board any aircraft, the authorities and the management of Turkish Airlines have shown great vigilance in the face of threats, as a major disruption in the activities of the company could have greatly destabilised the Turkish government.

Accordingly, the management of Turkish Airlines was very discreet in the aftermath of the attack on a Daallo Airlines aircraft in early 2016, shortly after taking off from the airport of Mogadishu. A representative of this Dubai-based carrier revealed that a Turkish Airlines flight had initially been targeted. THY representatives in fact stated that their aircraft was unable to continue its flight to Somalia due to poor weather conditions,⁴³ and that they were forced to place passengers on the flight of another company between the Somali capital and Djibouti. It should be recalled here that Turkey plays an active role in Somalia, as Turkish authorities have developed broad-based cooperation with Somali's central government, which is struggling to maintain its authority in the face of the radical movements present in the territory, and which have already targeted Turkish interests in the past with major attacks, including the embassy in Mogadishu.

A front line actor in government communication following the July 2016 coup attempt

Turkish Airlines appears therefore well and truly as a separate instrument in the strategy pursued by the government in power to strengthen Turkey's international influence. The country experienced a phase of instability between 2015 and 2017, with a significant wave of terrorist attacks and an attempted military coup, which jeopardised its economic attractiveness. Turkish Airlines played a full role in the

42. The media related similar events in 2015 and 2016: see for example, "No Bomb Found on Diverted Turkish Airlines Flight From Texas", Reuters, 24 January 2016, available at: www.reuters.com.

43. D. Jorgic, "Somalia Plane Bomber Was Meant to Be on Turkish Flight: Airline Executive", Reuters, 8 February 2016, available at: <https://af.reuters.com>.

government's overall communication strategy, intended to restore Turkey's image, and to attract new investors.⁴⁴

As part of purges organised by the Turkish authorities in the aftermath of the failed coup in July 2016, several hundred Turkish Airlines employees were dismissed.⁴⁵ Turkish Airlines also wanted to emphasise in a press release published shortly after the events, the fact “necessary actions” had been taken against “FETÖ”,⁴⁶ the movement led by preacher Fethullah Gülen, a former AKP ally, whose activities had come “into conflict with the interests of [the] country and [the company]”. THY also ended its text by praising the Turks who mobilised against the instigators of the coup, before concluding that the company “would continue to fulfil its responsibilities in contributing to democracy”.⁴⁷ This echoed the rhetoric used by President Erdoğan and members of his government in their public pronouncements.

In August 2016, Turkish Airlines also announced its intention to rename eight planes with the names of the districts in Istanbul and Ankara that were the scene of popular uprisings in defence of the government a month earlier, during the coup. The company management said it wanted “to recognise the attitude that has protected the country's unity”, qualifying the opponents who sought to overthrow Tayyip Erdoğan as “traitors”.⁴⁸ Once again, THY supported the line of the authorities' discourses and symbolic decisions, intended to discredit all dissident.

As the coup attempt resulted in the removal of nearly 300 air force pilots, so Turkish Airlines' Chairman Mehmet İlker Aycı announced that many company pilots were ready to fill such vacancies. Even if a number of pilots hired by the airline had indeed previously served in the Turkish armed forces, the statement by THY's chairman was largely a symbol of support for the government. However, when faced with real difficulties following a lack of qualified military personnel, the government urgently published a decree in the summer of 2017 forcing former pilots to rejoin the armed forces in their previous positions,

44. See for example the 12 pages of advertisements published in an edition of the French daily *Le Monde* in October 2016, promoting Turkey, even though the country was suffering the disastrous consequences of a terrorist attack at Istanbul's Atatürk airport, as well as the coup attempt in July 2016.

45. J. Marcou, “Turquie : les lendemains complexes du coup d'État manqué”, Blog de l'OVIPO, 29 July 2016, available at: <https://ovipot.hypotheses.org>.

46. This acronym is used by the Turkish government to refer to the “Fethullah Gülen terrorist organisation”.

47. Press release published on the Internet site of Turkish Airlines, 25 July 2016.

48. “Turkish Airlines Names Jets After Coup Plot Resistance Sites”, *Hürriyet*, 16 August 2016, available at: www.hurriyetdailynews.com.

under threat of losing their license. Yet, rather than arousing a surge of “patriotism”, as described by the leaders of Turkish Airlines a few months before, the measure created a certain stir within the company.⁴⁹

Finally the publication of a new internal regulation for the carrier at the time should be pointed out, as it called on employees to be especially vigilant in their communications on social networks.⁵⁰ In a strongly polarising environment in Turkish society and the rapid degradation of the country’s image abroad, the authorities were careful to maintain the prestige of Turkish Airlines, which was fully involved in re-establishing Turkey’s international public opinion.

Internal tensions in the company and dynamic growth vulnerable to various factors

The Turkish company has encountered other difficulties too: it has experienced significant internal strains, particularly following the reforms affecting certain categories of personnel and carried out since the late 2000s. Work stoppages have disrupted the operations of the airline on several occasions, and the government replied in spring 2012 by amending a law prohibiting the organisation of strikes, in order to extend it to the aviation sector.⁵¹ The measure has aroused widespread protest among Turkish Airlines staff, who in turn were treated roughly by the management which dismissed 305 employees. The affair developed quite significantly, becoming a symbol of an increasingly brutal management style within the company and proving disastrous for the international image of Turkish Airlines. This ultimately led to the withdrawal of the measure a few months later. The dismissed employees were however reinstated only after further demonstrations, and long negotiations between the company management and employee representatives.⁵² These negotiations also related to the signing of new collective agreements in which wage increase limits, the rise in the number of passengers transported per employee, but also the tighter supervision of employees through various measures (such as the prohibition for the hostesses to wear lipstick) brought out further tensions.

49. L. Pitel, “Turkish Pilots Recalled to Plug Gaps in Depleted Air Force”, *Financial Times*, 15 September 2017, available at: www.ft.com.

50. “Turkish Airlines Warns Staff on Using Social Media”, *Hürriyet*, 14 June 2017, available at: www.hurriyetaidailynews.com.

51. “Law Banning Aviation Strikes Becomes Official”, *Hürriyet*, 4 June 2012, available at: www.hurriyetaidailynews.com.

52. See the communiqué of the International Transport Workers’ Federation, 13 September 2014, available at: www.itfglobal.org.

Turkish Airlines is therefore very vigilant over events that could jeopardise its development model and tarnish its reputation. To meet various challenges, beginning with a sharp drop in demand in 2016, the company took drastic measures like taking 30 aircraft out of service, suspending flights to 17 international destinations (some have not subsequently reopened),⁵³ as well as cutting sharply flight frequencies and/or capacities on different routes. Such actions appear to have been relatively effective according to the data provided by the carrier, which recorded encouraging results in 2017, transporting more than 68 million passengers, with a flight load factor of 79.1%.⁵⁴

The growth dynamics of the company remains vulnerable given the economic crisis currently affecting the country. Turkish Airlines again recorded losses amounting to US\$ 203 million in the first half of 2019, compared to four times less over the same period in the previous year. These poor results led the company to revise some of its annual targets at the end of August 2019, in particular the number of passengers carried, as projected passenger numbers were lowered from 80 million to 76 million. This would be a virtual stagnation compared to the previous year, during which 75.2 million travellers took a THY flights.⁵⁵

In recent years, the company has sought to increase the share of international transit traffic in its activities, to counter the fluctuating fortunes of Turkey's domestic market. This has resulted in the opening of new destinations known for their appeal to international tourists (Mauritius, Zanzibar, the Seychelles, and Bali). This strategy is aimed at capturing a greater number of travellers, yet risks leading to a sharp drop in revenue per passenger transported, as this type of traffic is relatively low-earning. Turkish Airlines thus seems to favour growth in the number of travellers it transports in order to display dynamic expansion, especially after moving to its new Istanbul airport.

53. T. Özbek, "Turkish Airlines Parks 30 Planes as Demand Decreases Amid Economic Slowdown, Security Concerns", *Hürriyet*, 7 November 2016, available at: www.hurriyetdailynews.com.

54. "Turkish Airlines' Net Profits Reached \$175 Mln in 2017", *Hürriyet*, 6 March 2018, available at: www.hurriyetdailynews.com.

55. "Turkish Airlines Revises 2019 Targets", *Hürriyet*, 5 September 2019, available at: www.hurriyetdailynews.com.

The Political and Economic Challenges Linked to the Exceptional Growth of Turkey's Airline Industry

The development of Turkey's airline network in support of exports

Turkish entrepreneurs are active internationally, but vulnerable to diplomatic tensions with certain countries

Exports are a motor of the Turkish economy. Since coming to power, the AKP has pursued an active diplomacy of opening up opportunities for entrepreneurs seeking to expand internationally, who are part of its electoral base. While the total value of Turkish exports reached a record of nearly \$170 billion in 2018, air transport – and especially routes operated by Turkish Airlines – have participated in developing trade with some foreign partners.

After the AKP came to power, the total value of Turkish exports increased notably, exceeding US\$130 billion in 2008, compared to less than US\$50 billion five years earlier. However, the economic crisis of 2008 impacted the European Union (EU) strongly. As the EU is Turkey's largest trading partner, this affected export sales brutally: the value of Turkish exports fell by more than US\$30 billion between 2008 and 2009. In the following decade, the effects of the Arab Spring and the weakening – and even crisis – in relations with other partners also had negative repercussions on Turkey's foreign trade.

According to official Turkish statistics, 10% of the value of total exports comes from air transport, though with strong variations from year to year.⁵⁶ These arise in particular from the regional context of the Middle East, as air transport is an alternative to land transport in the event of crises on the ground. But air transport is also a tool adapted to stimulate

56. According to data from the Turkish Statistical Institute, available at: www.turkstat.gov.tr.

the development of trade relations with far-off regions like South America. Air transport therefore participates fully in the dynamics of trade between Turkey and its various economic and commercial partners. Yet this makes it vulnerable to diplomatic upheavals which may affect cooperation with third States, such as Syria, Russia, or even Libya.

Figures 3a and 3b show the evolution of Turkish exports and the services operated by Turkish Airlines to a few key countries.

Turkish Airlines launched its services to Iraq following Tayyip Erdoğan's official visit to the country in 2008, and flight frequencies then rose in line with the increase in Turkish exports. The Prime Minister's visit enabled cooperation between the two states to be officialised to a certain degree, and Turkish Airlines only deployed its services after getting the green light from Turkey's diplomats. The inclusion of Najaf, a most holy site for Shi'ite Muslims, into the network of THY also followed shortly after the official visit of Mr Erdoğan to Iraq's Ayatollah Ali Al Sistani in March 2011. The airline was also an effective tool in strengthening the closer cooperation with Iraqi Kurdistan at the time, as the carrier set up links to Erbil, and then to Sulaymaniyah, from 2011. However, demands in the region for greater autonomy, which were confirmed by the organisation of an independence referendum in September 2017, marked the start of a deterioration in relations between the Iraqi Kurdish government and the Turkish authorities. Moreover, northern Iraqi airspace was also closed for several months on the orders of the central government in Baghdad. In the autumn of 2019, Turkish Airlines, however, was still servicing five Iraqi cities, from Istanbul and other Turkish airports.⁵⁷ This illustrates the importance and diversity of trade and business relationships between Turkey and the whole of Iraq.

57. The cities are Bagdad, Najaf, Basra, Erbil and Sulaymaniyah.

Figure 3a. Change in Turkish Exports and Flight Frequencies by Turkish Airlines to Iraq, Russia and Israel, 2002 to 2017

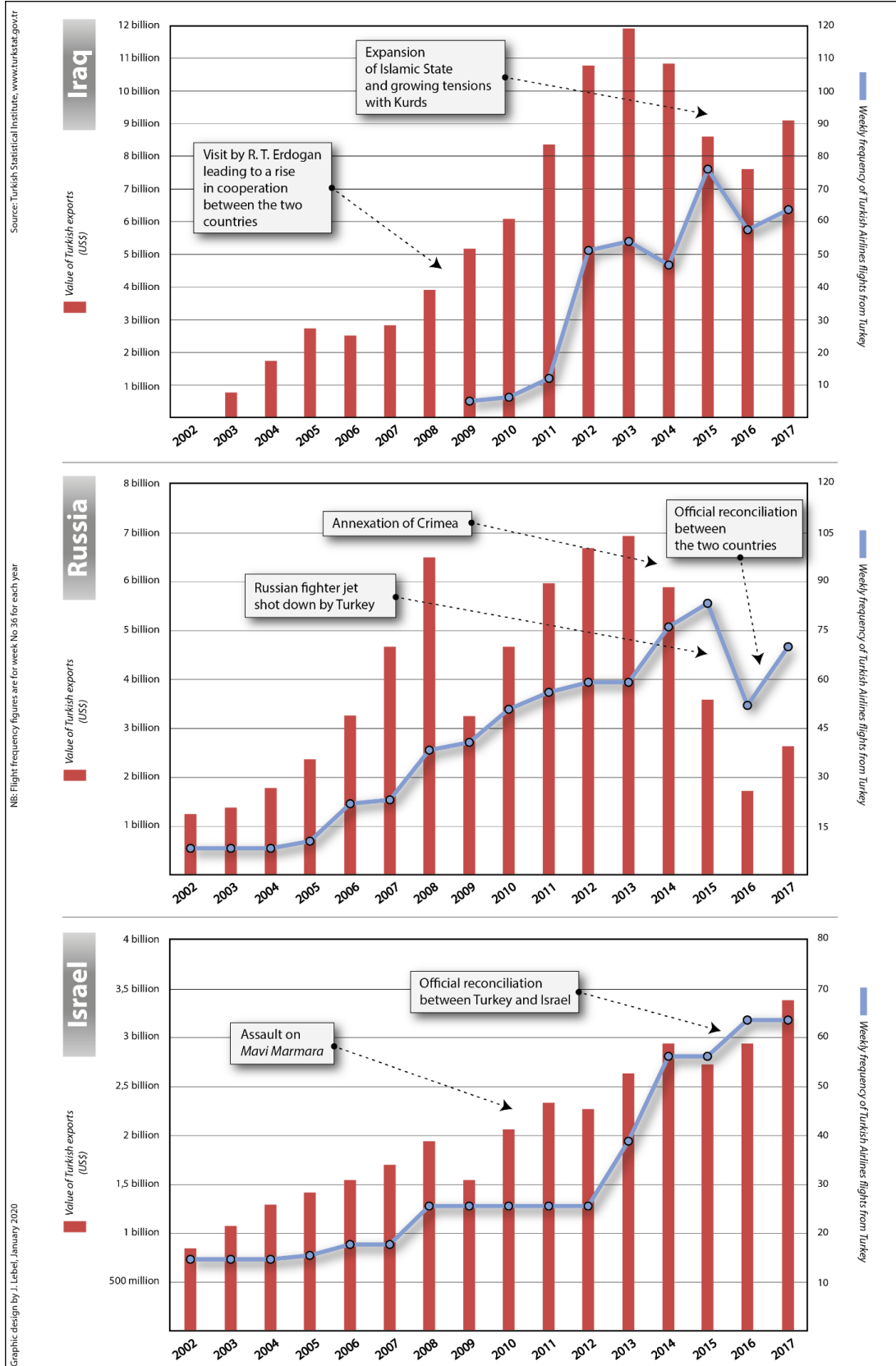
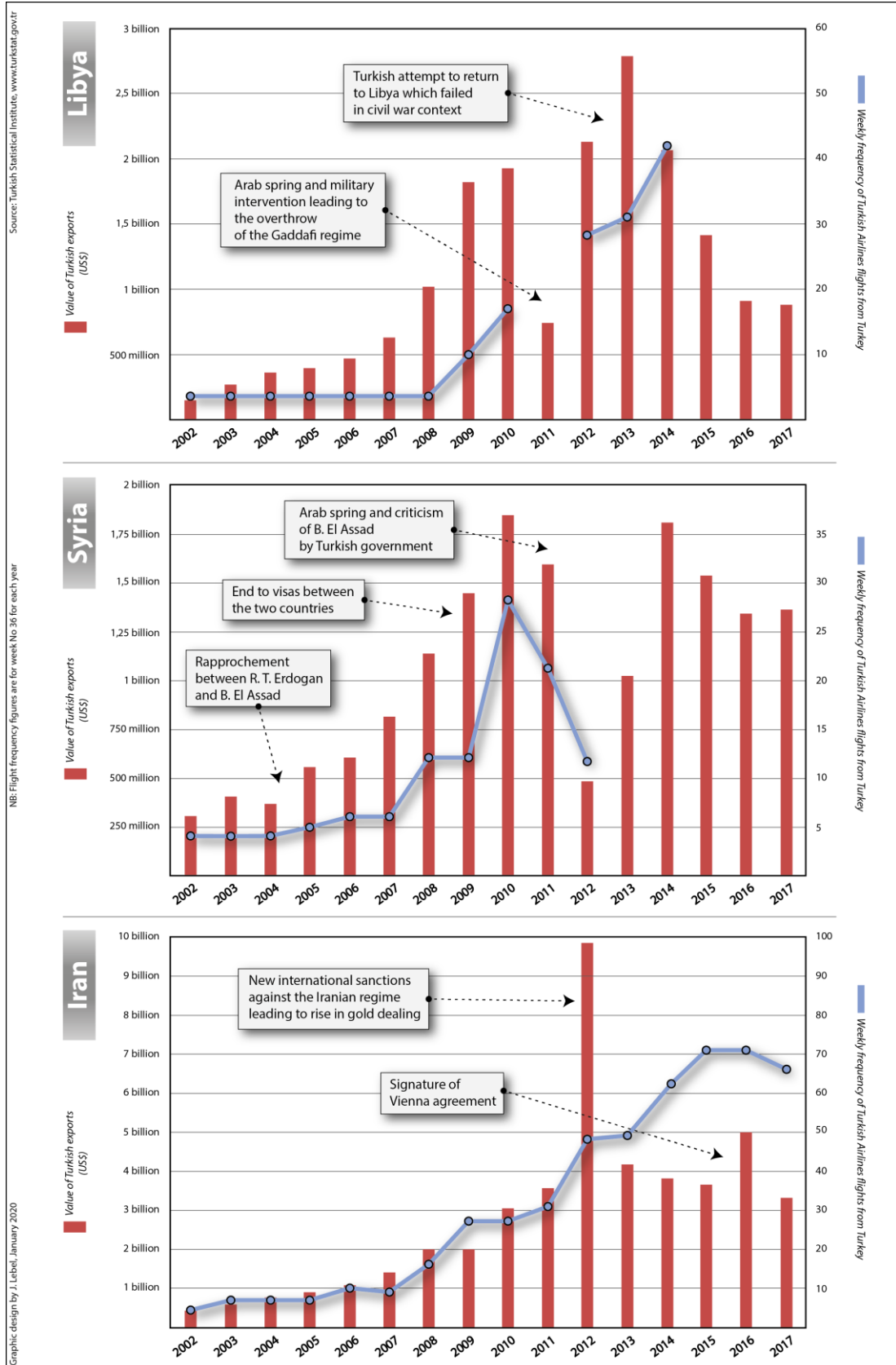


Figure 3b. Change in Turkish Exports and Flight Frequencies by Turkish Airlines to Libya, Syria and Iran, 2002 to 2017



- While diplomatic relations with Russia and Israel have experienced significant tensions, effects on exports and services by Turkish Airlines have not been identical in both cases. After a Turkish missile was fired at the Syrian border shooting down a Russian fighter plane in November 2015, Moscow did not hesitate to take drastic measures to put pressure on the Turkish economy. These included restrictions on Turkish imports, a freeze on charter flights between the two countries, and more generally the suspension of trips to Turkey by Russian tour operators. This inevitably resulted in a sharp decrease in exports, as well as a sharp drop in the flights operated by Turkish Airlines. The disastrous effects of this diplomatic crisis finally pushed Mr Erdoğan to initiate a process of reconciliation with Russia in August 2016, paving the way for an intensification of air links between the countries, as well as for a gradual lifting of the Russian embargo on many Turkish products.
- The consequences of diplomatic tensions between Turkey and Israel following the boarding of the Turkish ship *Mavi Marmara* (heading for Gaza) by Israeli forces were more limited, since the value of Turkish exports continued to increase after 2010.⁵⁸ For its part, Turkish Airlines first reacted cautiously: its services were limited to three daily flights until 2012, before increasing significantly to reach nine daily flights in 2016. This has made Tel Aviv among the best-served international destinations in the THY network. Numerous informal contacts have taken place between Turkey and Israel, prior to an official reconciliation which only occurred in 2016. In addition, it should be emphasised that Israel takes advantage of the THY network to benefit from good air connections via Istanbul to South and East Asia in particular, whereas direct services from Tel Aviv are mainly to Europe and North America.
- There are currently no direct commercial air links between Turkey, Libya and Syria. After the overthrow of Muammar Gaddafi in 2011, Turkish Airlines was quick to resume its services to Tripoli: it was one of the first international companies to resume flights to Libya.⁵⁹ This reflected a certain opportunism by the Turkish authorities who aspired to play a major role in the reconstruction of the country. Turkish

58. The *Mavi Marmara* led the so-called “Gaza Freedom Flotilla”, organised by a Turkish NGO, and aimed at transporting humanitarian aid to the Gaza strip. The ship was nevertheless stopped by the Israeli army on 31 May 2010, leading to a violent clash. The incident caused a significant worsening of diplomatic relations between Turkey and Israel, before the Israeli Prime Minister, Benjamin Netanyahu apologised in 2013 and committed to paying financial compensation to the families of Turkish victims.

59. D. Schmid (dir.), *La Turquie au Moyen-Orient*, Paris: CNRS éditions, 2011.

Airlines also opened connections to Benghazi, Misrata, and then Sebha, to allow Turkish entrepreneurs to benefit from direct flights to the whole country. However, strong Turkish support for the Islamist government in exile in Tobruk upset Turkish relations with the official government based in Tripoli; the only one recognized at the time by the international community. This forced Turkish Airlines to suspend all services in early 2015. Although recent developments in the eastern Mediterranean and the intervention of Turkey in the Libyan conflict (alongside the government of Tripoli) have changed the situation, no air links have been reinstated between the two countries.

- The ongoing conflict in Syria, which resulted in the breakdown of contacts with Bashar El Assad also led to the suspension of all services operated with the country by Turkish Airlines, in 2012. Moreover, Turkish exports to Syria fell sharply between 2010 and 2012, before registering a clear increase, probably due to the presence of many Syrian refugees on Turkish soil who maintain links with their country of origin, and the rise in informal trade across the land border.
- Iran is another interesting case of adjustments. The signature of the Vienna Agreement on Iranian nuclear activities in the summer of 2015 (the Joint Comprehensive Plan of Action, JCPOA) was initially seen by the Turkish government as an opportunity to enhance its relations with Iran, in particular by mobilising economic actors who were already present in the country, before the lifting of part of the international sanctions. The impressive network deployed by Turkish Airlines in Iran was then considered as a major asset.⁶⁰ Turkish foreign policy had also been quite cooperative with Iranian officials on nuclear issues, during the presidency of Mahmoud Ahmadinejad (2005-2013).⁶¹ Following Donald Trump's volte-face on the JCPOA, however, Iran's reintegration into the international community has remained hampered by the reimposition of American sanctions. Turkish exports to the country have grown little (their value was less in 2017 than in 2015).⁶² The slight decrease in flight frequencies by Turkish Airlines to Iran, recorded in 2017, also reflects a certain readjustment of the ambitions held by the various Turkish players.

60. Moreover, Turkish Airlines was the lead foreign carrier operating with Iran in terms of seats, in 2015: "Country Report: Iran", CAPA Centre for Aviation, 2015.

61. It should be noted that in 2010 Turkey and Brazil concluded an agreement with Iran on the nuclear issues. However, the text of this agreement was finally rejected by the UNO for not conforming to international treaties: see E. P. Dal (ed.), "La Nouvelle Politique extérieure turque entre le mythe européen et la nostalgie ottomane", *EurOrient*, N° 35-36, 2011.

62. The peak recorded in 2012 reflected the strong growth of gold exports to this country, as new international sanctions were implemented against the Iranian government. See A. Kandemir, "Turkey to Iran Gold Trade Wiped out by New U.S. Sanction", Reuters, 15 February 2013, available at: www.reuters.com.

A necessary diversification of outlets

Geopolitical tensions in the Middle East and North Africa have strongly called into question Turkey's policy of "zero problems with neighbours" and its regional soft power as advocated by Ahmet Davutoglu.⁶³ They have also had consequences on the strategy of Turkish Airlines. The carrier was in fact forced to readjust its network in the region while following developments in Turkish diplomacy. Even if there are real development opportunities and solid cooperation exists, regional instability and reversals weigh on the lasting integration of Turkey – and the expansion of Turkish Airlines – within this space.

In parallel, the authoritarian drift of the Turkish regime has aggravated its dialogue with the EU, while the pronouncements of some European leaders against Turkish accession to the EU had already led to a cooling of relations. The EU nevertheless remains Turkey's main economic partner, and above all an unavoidable outlet for its exports. That said, trade is increasing more clearly with other regions (the Middle East, Africa, South America and East Asia), illustrating a real desire to diversify outlets.

The consolidation and extension of Turkey's influence in other regions is necessary if the country is to maintain its ambitious objectives in terms of economic development and attractiveness. The Turkish government thus indicated in August 2019 that it has identified 17 countries on which it intends to focus its efforts to stimulate exports, notably including: Brazil, Chile, Ethiopia, Kenya, South Africa, China, Malaysia, and even Japan.⁶⁴ This is obviously a much-enlarged radius of action, in which air transport constitutes a suitable tool for developing contacts.

63. This close adviser to Mr Erdoğan was nominated Minister of Foreign Affairs in 2009, before becoming prime minister between 2014 and 2016. He has now distanced himself from the AKP, following numerous disagreements with the Turkish president.

64. "17 Countries Under Focus for Exports", *Hürriyet*, 29 August 2019, available at: www.hurriyetaidailynews.com.

Turkish Airlines' network in Africa: the example of a strategy mobilising all relevant actors

The rapid extension of destinations and the opening of multiple embassies...

Over the past decade, Africa has experienced a notable expansion of Turkish influence, both diplomatically and economically. This parallel development illustrates the strategic links between Turkish Airlines and the AKP government.

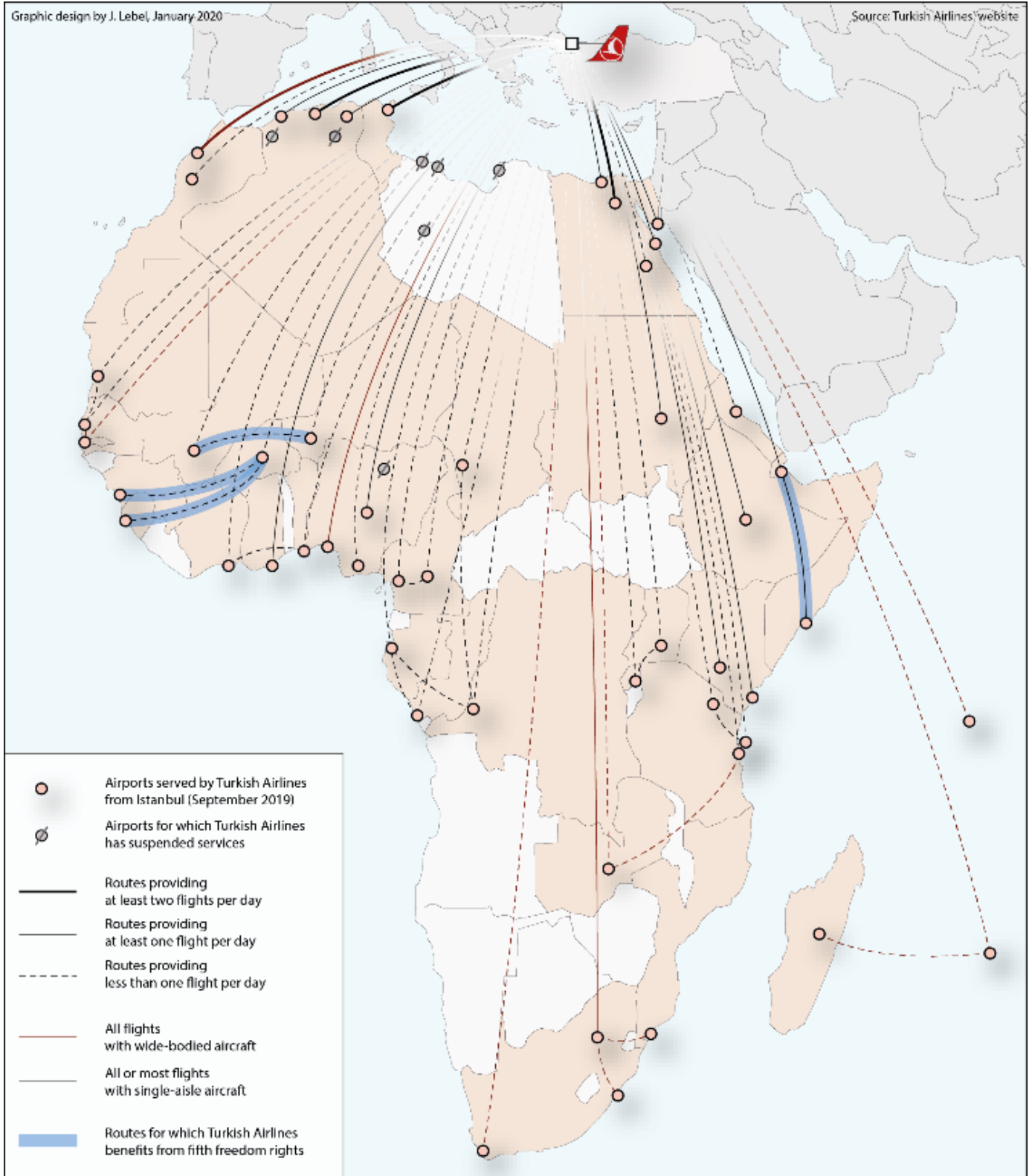
The implementation from 2005 onwards of an ambitious policy of opening up to Africa resulted in the inauguration of a significant number of Turkish embassies on the continent, accompanied by the launch of new air routes by Turkish Airlines.⁶⁵ In terms of business, the Turkish Confederation of Businessmen and Industrialists (TUSKON) had already organised events intended to promote Turkey-Africa economic relations back in 2006. TUSKON was an offshoot of the Fethullah Gülen movement that was very close to the AKP at the time, and well-established in Africa. It was then closed after the coup attempt in 2016.⁶⁶

Before the 2000s, Turkey had only seven embassies in sub-Saharan Africa. The political and economic crises that the country went through, particularly in the early 1980s, led the Turkish government to reduce its diplomatic representations in the context of budgetary restrictions, and Turkish Airlines did not continue to operate its few routes to the region, probably for lack of profitability.

65. It may be recalled, however, that Turkey's interest in the African continent existed before the AKP came to power as an "Action Plan for Africa" had been put in place since 1998, by the government of the time. But, this initiative was soon suspended due to a major earthquake in Turkey in 1999, followed by the economic crisis the country faced in 2000-2001.

66. E. Bacchi, "A Timeline of the Turkish Africa Policy", Blog de l'OVIPOT, 28 July 2015, available at: www.ovipot.hypotheses.org.

Figure 4: Map of Turkish Airline's Network in Africa, in 2019



The activism recently deployed by the AKP in Africa is therefore all the more evident: 27 embassies were inaugurated between 2009 and 2015, most often in waves, and following decrees adopted by Turkey's Council of Ministers and listing the countries concerned. At the same time, while it only served a few destinations in Africa on the eve of the AKP coming to power, THY provided services to 51 airports in 36 countries in the autumn of 2019 (Figure 4). This made it one of the most developed third-party companies on the continent. The strategy of the Turkish carrier, however, aims to limit risks while conquering new markets. Thus, Turkish Airlines operates a large share of its flights to Africa using single-aisle planes. This makes it possible to limit costs, while also using aircraft adapted to routes where demand may be relatively limited. Only geographically distant destinations (South Africa in particular) or with significant passenger flows (Casablanca and Lagos) are served by wide-body aircraft. At the same time, by opening services to new destinations, Turkish Airlines is integrating these into routes which already connect to other airports. The company can thus operate "triangular" connections by simply adding a service (Zanzibar with Kilimanjaro, or Libreville with Kinshasa), or even extending existing connections (Maputo and Durban beyond Johannesburg, or Conakry beyond Ouagadougou).

The strategy also allows THY to operate fifth freedom routes, when local authorities grant it such rights.⁶⁷ This improves earnings on certain routes, while strengthening the local presence of Turkish Airlines. That said, the company services many links with limited flight frequencies, and only a few destinations benefit from daily services: airports with higher frequencies are very few, including Algiers, Tunis, Casablanca and Cairo.

...coinciding with the activism of various Turkish actors in Africa

The inauguration of routes by Turkish Airlines corresponds quite clearly to the extension of Turkey's diplomatic network (Figure 5). In many cases, the opening of new destinations by the company has taken place after the setting up of an embassy in the country concerned; delegations of Turkish entrepreneurs can then draw on diplomatic support during their first visits to a country. When meetings seem fruitful and conducive to investment and business, opening up air links by THY is quickly discussed, often at the request of African delegations. They see this as an opportunity to open

67. According to the freedoms of the air defined by the Chicago Convention of 1944, the fifth freedom allows an airline to operate a flight between two third-party countries, when continuing a flight originating in its own country. Fifth freedom connections therefore imply passengers do not transit through the hub of the operating airline.

their country to the outside world, while perpetuating the presence of Turkish entrepreneurs whose projects are considered as promising and beneficial for local economies. The air connections offered by Turkish Airlines participate effectively in opening up some areas, especially where there is no locally-based airline, and provide a world-class network.

The policy of opening up to Africa, backed by the AKP, thus constitutes an acknowledged strategy bringing together different Turkish actors wishing to perpetuate their economic and political interests through an extended diplomatic and commercial presence. A memo by the International Crisis Group, dated October 2012, examines Turkey's engagement in Somalia. It mentions the role of Bilal Celik, head of an association affiliated with the humanitarian organisation Kimse Yok Mu. It too belonged to the Güleniste movement, and M. Celik at the same time acted as president of a "Turkish-Somalian association of businessmen" (SOMTURBAS), but also as the local representative of Turkish Airlines in Mogadishu.⁶⁸

Turkish foreign policy can also use other tools. The Turkish Cooperation and Coordination Agency (Türk İşbirliği ve Kalkınma Ajansı, TİKA) is part of Turkey's Ministry of Culture and Tourism.⁶⁹ It has the mission of promoting cultural, technical, economic and scientific cooperation with countries benefiting from a privileged relationship with Turkey.⁷⁰ In the past, its activities were directed more towards the Turkic republics of Central Asia, but their field has expanded with the evolution of the AKP's foreign policy. In Africa, in particular, the agency is responsible for coordinating development assistance, and preparing a more favourable reception of Turkey's new presence with local populations. The DEİK, whose mission is to facilitate contacts abroad for the Turkish private sector, is also much involved in the development of trade with third countries. It brings together many actors and employers' associations, notably the influential MÜSIAD and TÜSIAD,⁷¹ and sets up Country Business Councils abroad to promote bilateral economic relations between Turkey and other states. In Africa, this organisation has representative offices in most countries and benefits from the extension of the network of Turkish embassies to promote the development of trade, thanks especially to the opening of new routes by Turkish Airlines.

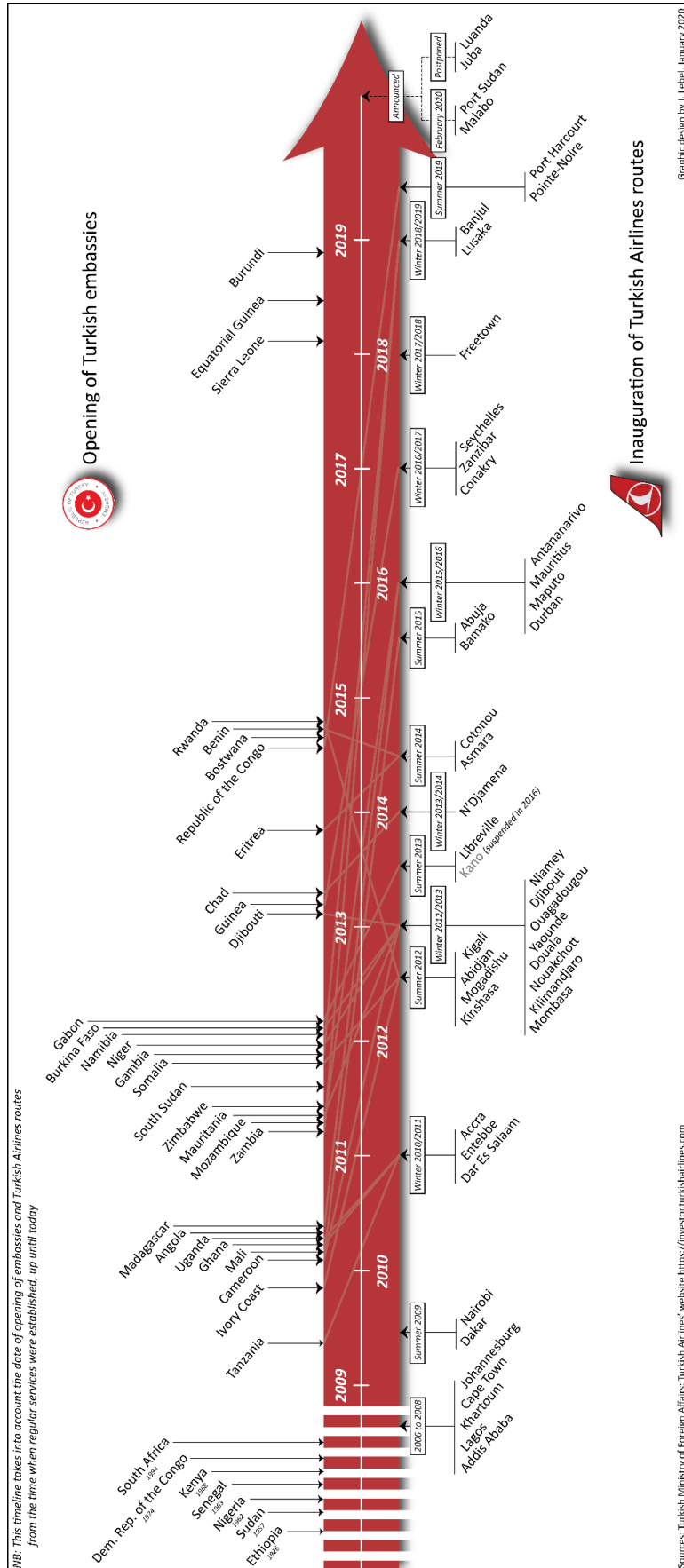
68. International Crisis Group, "Assessing Turkey's Role in Somalia", Policy Briefing N° 92, 8 October 2012, available at: www.crisisgroup.org.

69. The agency was overseen by the Prime Minister's offices until the post was cancelled in 2018.

70. S. de Tapia, *Migrations et diasporas turques*, Paris: Éditions Maisonneuve et Larose- IFEA, 2005.

71. See the organisation's website: www.deik.org.tr.

Figure 5: The Parallel Expansion of Turkey's Diplomatic Networks, and Air Linksto Sub-Saharan Africa by Turkish Airlines



This strategy deployed by the government to improve its presence and image internationally showed itself to be particularly effective in 2008, when 50 African countries gave their support to Turkey for obtaining a non-permanent seat on the UN Security Council.⁷² Turkey's diplomatic network now covers a large part of Africa, and less than a dozen countries do not host a Turkish embassy. However, the pace of opening new embassies has slowed since 2014, ending the trend begun in 2009. Turkish Airlines' expansion in Africa has encountered some difficulties for its part: the company has certainly added destinations to its network, but flight frequencies and capacities were reduced on many routes between 2016 and 2017.

In the meantime, the open confrontation between Fethullah Gülen and Tayyip Erdoğan began undermining the development of relations between Turkey and Africa. The AKP government accused the Muslim preacher, in exile in the United States, of having supported the attempted coup during the summer of 2016, and it broke completely with the Gülenist movement. This deprived it of considerable support on the African continent, weakening its projects in the region. The Turkish president has now finished convincing African governments to close facilities set up by Gülenist organisations, which had notably developed a wide network of schools across the continent. Maintaining cooperation with Turkey is a priority for many states in Africa: Somalia was thus the first country to cut links with Gülenist organisations, following Ankara's instructions issued the day after the failed coup.⁷³

Air links are seen as strategic to tourism

A key sector for the Turkish economy, but weakened by regional tensions

Tourism accounted for 12.5% of Turkey's GDP in 2016, making it a strategic sector for the economy.⁷⁴ Almost 40 million foreign visitors were hosted by the country in 2018, up by more than 20% compared to the previous year,⁷⁵ while Turkey has been among the top 10 global destinations for several

72. E. Bacchi, "A Timeline of the Turkish Africa Policy", *op. cit.*

73. R. Carlier, "En Afrique, Erdoğan veut la peau des écoles Gülen", *France24*, 10 October 2017, available at: www.france24.com.

74. World Travel & Tourism Council, "Travel & Tourism Economic Impact 2017 Turkey", 2017, p. 20, available at: www.wttc.org.

75. "Foreign Arrivals, Tourism Revenues in Turkey Rose Last Year", *Hürriyet*, 31 January 2019, available at: www.hurriyetaidailynews.com. Moreover the authorities aimed to welcome 52 million foreign visitors in 2019, an increase of 30% over 2018.

years. Air links play an obvious role in facilitating the arrival of travellers to Turkey, especially to its tourist areas. Europeans coming to Turkey make up a significant share of the total number of foreign visitors.⁷⁶

EU low-cost airlines and/or companies specialised in charter flights (Condor, Corendon Airlines, EasyJet, Enter Air, and TUI fly, etc.), as well as Turkish second-tier carriers (such as Pegasus and Onur Air) benefit from tourist flows to and from Turkey by operating numerous point-to-point services, especially during the summer.⁷⁷ Turkish companies can also rely on the traffic induced by the movements of the Turkish diaspora settled abroad, yet retaining links with Turkey. This results in the continuity of certain connections during winters, leaving from several cities in Turkish provinces.

However, the many tensions that Turkey has faced in recent years have greatly affected all tourism stakeholders in the country. In particular, a 40% drop in the number of international visitors was recorded between June 2015 and June 2016, reflecting the high vulnerability of the sector.⁷⁸ Repeated terrorist attacks in Turkey, affecting some cities such as Istanbul and Ankara, have discouraged many Europeans especially from visiting the country. Diplomatic difficulties with some states have also had a significant impact on the sector. The hotel industry of Antalya thus deplored a sharp decline in the number of Russian tourists during the summer of 2016.⁷⁹ The Russian-Turkish reconciliation that began in August the same year, after nine months of strong tensions, was a relief to many Turkish tourism professionals. The attempted coup in July 2016 also tarnished the image of Turkey with international tourists: between 2015 and 2016 the number of foreign visitors posted thus fell from 36.2 to 25.3 million, before starting to rise again in 2017 (32.4 million).

76. From January to November 2017, nearly 18 million European tourists stayed in Turkey, according to figures by the Turkish Ministry of Tourism.

77. A so-called point-to-point service is a direct flight connecting the airports of departure and arrival for passengers who therefore do not have to take a connecting flight during their journey. This differs from the hub-and-spoke model companies use to organise their networks, as they route passengers from different origins through the hub and on to their respective final destinations.

78. "Turkey Tourist Arrivals Plummet 40 Percent in June, Biggest Drop in 22 Years", *Hürriyet*, 28 July 2016, available at: www.hurriyetdailynews.com.

79. M. Cinar, "Antalya Sees 'Worst June' in Terms Of Foreign Arrivals With 98 Pct of Loss in Russian Tourists", *Hürriyet*, 20 June 2017, available at: www.hurriyetdailynews.com.

Strong government involvement to boost tourism

The difficulties of tourism naturally provoked a response by the Turkish government, which acted to limit losses and revitalise this flagship sector. The result was reflected in particular by the participation of Turkish delegations in international events aimed at promoting the country abroad, such as the famous ITB tourism fair in Berlin. The Turkish representatives who were present in March 2017 relegated political issues to the background, recalling that all tourists were the welcome in the country.⁸⁰

The government has also been more directly involved by implementing a system of subsidies to airlines operating flights to and from specific Turkish airports, as of 2015.⁸¹ While the measure initially applied only to flights from Russia,⁸² it was ultimately extended during the summer of 2016 to all flights serving five major airports of Turkey's tourist areas (Antalya, Alanya, Dalaman, Bodrum and Izmir). The following year, subsidies were extended to fourteen airports, providing direct aid from the Turkish government of a flat-rate US\$ 6,000 for each flight concerned.⁸³ The programme was led by the Ministry of Tourism, and accompanied the recovery of traffic in the second half of 2016. Above all, the measure allowed Turkish carriers to maintain operations of routes deemed strategic, in order to preserve the overall flow of tourists to Turkey.

At the same time, the government acted to stimulate passenger flows from new countries, in order to diversify the regions of origin of international visitors. Numerous route openings by Turkish Airlines in Ukraine supported the authorities' ambitions of developing alternative partnerships: the number of Ukrainian tourists visiting Turkey increased by nearly 50% between 2015 and 2016, according to managers responsible for Turkey's hospitality industry. The suspension of visas for travel with Ukraine in March 2017 also favoured the growth of tourism from this country.⁸⁴

80. "Turkish Tourism Players to German Travelers: 'Forget Politics, We Welcome You All'", *Hürriyet*, 9 March 2017, available at: www.hurriyetdailynews.com.

81. "Turkey Takes Measures for Tourism Season, Airlines to Receive Fuel Subsidies", *Daily Sabah*, 20 January 2016, available at: www.dailysabah.com.

82. "Turkey to Offer Fuel Subsidies for Flights to Bring Back Tourists", Reuters, 20 January 2016, available at: www.reuters.com.

83. M. Sheahan, P. Maushagen, "Turkey Hopes Discounts, Fuel Subsidies Can Reverse 30 Pct Tourism Plunge", Reuters, 9 March 2017, available at: www.reuters.com.

84. According to data from the Turkish Institute of Statistics, more than one million Ukrainians visited Turkey in 2016 (4.1% of all foreigners hosted), compared to only 700,000 in the previous year (1.9% of all foreigners hosted).

Other initiatives have been launched to promote Turkey as a tourist destination to third countries, such as China. Indeed the Chinese government declared 2018 to be the “Year of Tourism in Turkey”, as part of its Belt and Road Initiative (BRI).⁸⁵ Players in the Turkish tourism sector subsequently multiplied public relations campaigns to encourage the flow of travellers between the two states. Here however, Turkey is entering into competition with many third countries that are also focusing heavily on Chinese visitors.

Furthermore, at the end of 2018, the Turkish authorities announced their desire to create a tourism promotion agency, following the example of other countries which welcome many foreign visitors. Some government officials also recalled the importance of the routes operated by Turkish Airlines and the dynamics of the carrier’s expansion in facilitating passenger flows from new markets. The new agency has included among its leaders the Minister of Culture and Tourism, Mehmet Ersoy, as well as the CEO of Turkish Airlines, Bilal Ekşi.⁸⁶ As the Turkish economy was experiencing a serious crisis while the number of tourists had increased from 25 million in 2016 to almost 40 million in 2018, the authorities wanted to capitalise on earnings from this sector. According Mehmet Ersoy, Turkey was only in 14th place world tourism earnings.⁸⁷ Much margin for improvement therefore exists, especially by attracting more affluent visitors and/or by introducing new taxes.

By diversifying their partners, the Turkish authorities have sought to reduce the dependence of the Turkish tourism sector on some regions, such as Russia and the EU. This strategy seems to have been effective: for example, statistics show a growth in the number of tourists arriving from the Middle East. In 2018, the threshold of 4 million visitors from this region was crossed (an increase of 34% compared to 2017), and they now make up 11% of international visitors, in contrast to only 6% ten years earlier. This makes them one of the fastest-growing groups.⁸⁸ Conversely, the share of European tourists is in sharp decline, since they represented only 45% of foreigners hosted in 2018, compared to more than 60% in 2008.

85. “Turkey Eyes 1 Million Chinese Tourists in 2018”, *Hürriyet*, 10 August 2017, available at: www.hurriyetdailynews.com.

86. B. Çosan, “New Agency to Move Turkey High Up in Tourism League: Minister”, *Hürriyet*, 19 July 2019, available at: www.hurriyetdailynews.com.

87. In 2018, tourism generated nearly US\$30 billion in revenues for Turkey, and the government put forward a goal of reaching US\$38 billion in 2020, and US\$42 billion in 2021; S. Demirtas, “Turkey Vows to Attract 70 Million Tourists by 2023”, *Hürriyet*, 18 December 2018, available at: www.hurriyetdailynews.com.

88. The number of visitors from Saudi Arabia for example doubled between 2014 and 2018, with Turkey receiving nearly 750,000 persons from this country in 2018.

The New Istanbul Airport: Infrastructure Serving the Expansion of Turkish Airlines

Chasing symbols and global integration: “megaprojects” as part of a global hub strategy

Ambitious projects in transport and energy

The Turkish President has recalled on many occasions his ambition of making Turkey one of the top 10 world powers by 2023.⁸⁹ This date is an important symbol as it will be the centenary of the creation of the Turkish Republic by Mustafa Kemal Atatürk.⁹⁰ To achieve this objective, the former mayor of Istanbul intends to structure his economic and social policy through various development projects, which in turn are to consolidate the international prestige of Turkey.

Many projects have been launched since the AKP came to power. The appointment of Binali Yıldırım as Prime Minister in May 2016, before this office was dissolved in the summer of 2018, came to illustrate the central role of various “megaprojects” undertaken by the Turkish government. Mr Yıldırım is close to Tayyip Erdoğan. He held the post of Minister of Transport for most of the period from 2002 to 2016, and was therefore largely involved in major works relating to the construction of motorways (17,500 km), high-speed train lines (1,213 km) and airports (29 sites) throughout Turkey.⁹¹

The construction projects developed by the Turkish government have been characterised by their symbolic scope and extraordinary size. The new Istanbul airport has thus been presented as potentially becoming the most important in the world, capable of handling up to 200 million passengers when it reaches its maximum development. The proposed Çanakkale

89. A. Insel, *La Nouvelle Turquie d'Erdoğan*, op. cit.

90. Y. Morvan, S. Logie, *Istanbul 2023*, Paris: Éditions B2, 2014.

91. “Binali Yıldırım, a ‘Man of Projects’”, *Hürriyet*, 19 May 2016, available at: www.hurriyetailes.com.

bridge should also be mentioned. Its inauguration is scheduled for 2023, and it will be the longest suspension bridge in the world, with its main span stretching to exactly 2,023 meters. Tayyip Erdoğan has underlined the scope of the construction, destined to become a major transit route between Europe and Asia,⁹² and so enhancing Turkey's international role as a hub.

The ambitions also nurtured by the Turkish government concerning the country's integration into international oil and gas pipeline networks have resulted in the involvement of the authorities in various projects to position Turkey as an energy hub. However, the development of such infrastructures remains largely dependent on diplomatic relations with Turkey's neighbours. The deterioration of the relations between Tayyip Erdoğan and Vladimir Putin in the autumn of 2015, for example, led to the suspension of the Turkish Stream project. This is a gas pipeline connecting Russia to Turkey via the Black Sea, with the aim of supplying Europe while bypassing Ukraine. In October 2016, shortly after the official reconciliation between the two countries, the Russian president paid a remarkable visit to Turkey, during which the two heads of State undertook to cooperate more in the conflict in Syria. In parallel, the revival of the Turkish Stream gas pipeline (since renamed TurkStream) has been officialised.⁹³ Its inauguration in January 2020 was an opportunity for a new meeting in Istanbul between Messrs Erdoğan and Putin.

In the autumn of 2016, the Israeli Minister of Energy, Yuval Steinitz, made an official trip to Turkey, illustrating the desire of the two countries to develop energy cooperation, particularly concerning the export of gas to Europe via Turkey.⁹⁴ The Turkish and Israeli authorities had formalised the resumption of their diplomatic relations only a few months earlier. However, the signing of an agreement in January 2020 between Israel, Cyprus and Greece on the EastMed gas pipeline has upset Turkey's energy strategy in the Mediterranean.⁹⁵ Tensions have also emerged between Greece and Turkey over the delimitation of their Exclusive Economic Zones (EEZs) off the Libyan coast. In fact, Mr Erdoğan had not hesitated to sign a controversial agreement in November 2019 with the government of Tripoli

92. "Canakkale Bridge Opens New Era for Martyrs: President Erdoğan", *Hürriyet*, 18 March 2017, available at: www.hurriyetdailynews.com.

93. "Erdoğan, Putin Sign Agreement on Turkish Stream Gas Pipeline Project", *Daily Sabah*, 10 October 2016, available at: www.dailysabah.com.

94. "Israel, Turkey Discuss Energy Cooperation, Possible Natural Gas Pipeline", *Haaretz*, 13 October 2016, available at: www.haaretz.com.

95. A. Cohen, "Turkey-Libya Maritime Deal Upsets Mediterranean Energy Plan", *Forbes*, 8 January 2020, available at: www.forbes.com.

concerning the route of the maritime border between Turkey and Libya.⁹⁶ This manoeuvre is aimed to complicate the completion of any energy project deemed contrary to the interests of Turkey, such as the EastMed pipeline.

Major transformations in the Istanbul region

The numerous infrastructural projects that have been inaugurated or are ongoing in the metropolitan area of Istanbul and its vicinity also aim to enhance the attractiveness of Turkey. The city remains a major symbol because of its geographic location – between Europe and Asia – and its eminent history as the ancient capital of the Byzantine and then Ottoman Empires. The fact that Mr Erdoğan was mayor of Istanbul between 1994 and 1998 also explains his ongoing activism as president who is very engaged in various projects aimed at shaping the metropolis. The authorities have made Istanbul a showcase of Turkish modernity.⁹⁷

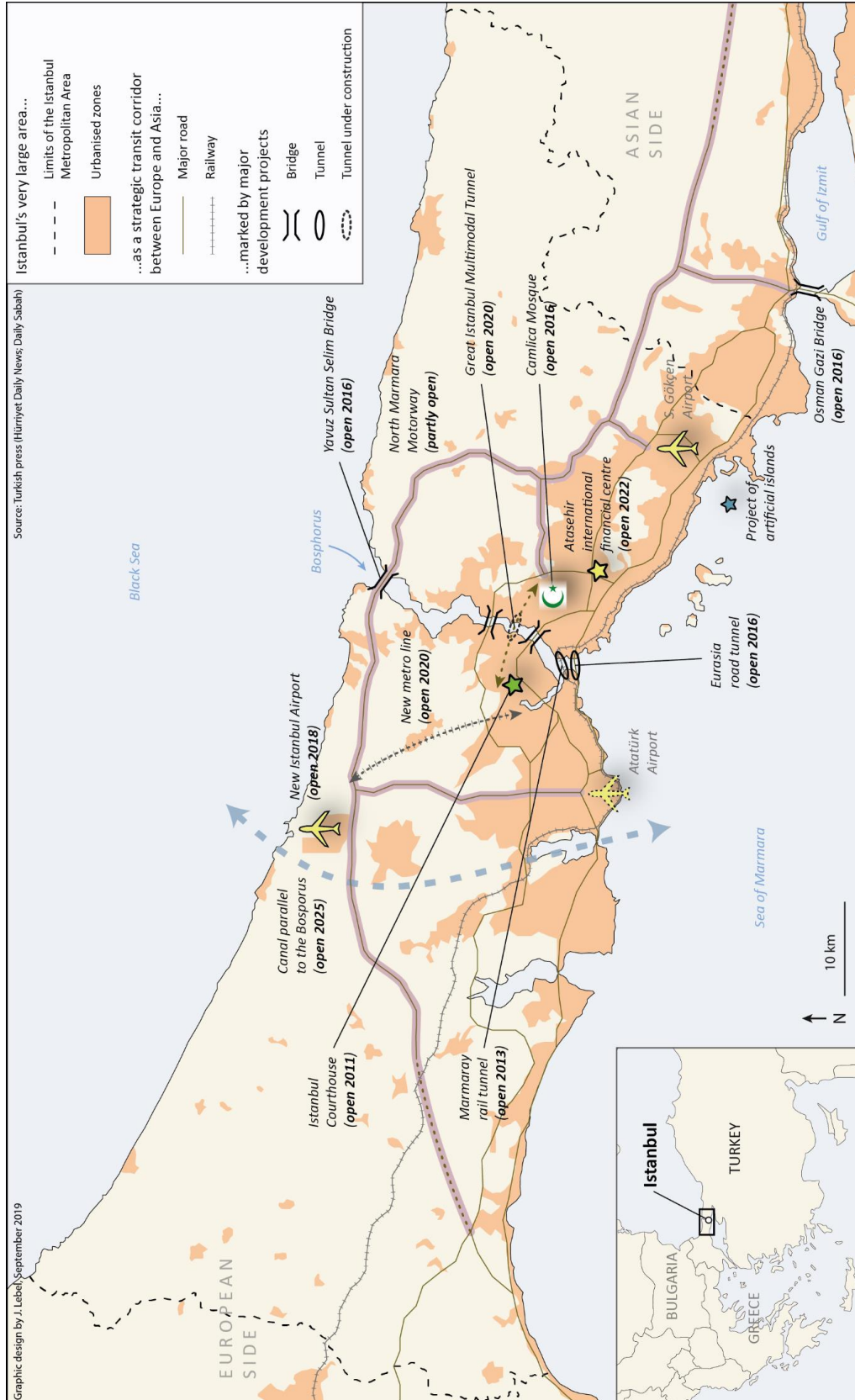
Figure 6 shows the different “megaprojects” that have been opened or that are being implemented within the metropolitan area of Istanbul and in its immediate vicinity. It can easily be seen how the city’s role as a hub is being emphasised, particularly through the construction of public works facilitating flows between the two banks of the Bosphorus with numerous bridges and tunnels.

The partial opening of the North Marmara highway, accompanied by the inauguration of a third bridge over the Bosphorus in 2016 have created an additional route for bypassing the city, thus helping relieve the congestion of the other passages between the two banks of the strait. This new motorway route is planned to extend both east and west, and will in time provide an efficient connection between the new airport located to the northwest of Istanbul and the Sabiha Gökçen airport on the Asian side.

96. U. N. Tasci, “Ankara: Turkey-Libya Deal in ‘Complete Accordance With International Law’”, TRT World, 4 December 2019, available at: www.trtworld.com.

97. Y. Morvan, “L’aménagement du grand Istanbul : entre ambition géopolitique mondiale et enjeux fonciers locaux. Le troisième pont sur le Bosphore”, *Hérodote*, Vol.°148, N° 1, 2013, p. 197-210, available at: www.cairn.info.

**Figure 6: Istanbul's "Megaprojects"
Aimed at Enhancing Its Position as a Global Hub**



The project of building a canal parallel to the Bosphorus (*Kanal İstanbul*) will provide an alternative waterway to the Bosphorus itself, the crossing of which is proving increasingly complex for many boats, particularly for military ships or those carrying hazardous substances. There are, however, many challenges in building this canal, and numerous observers doubt that the official schedule, of inauguration in 2023, can be kept.⁹⁸ In the face of criticisms, the authorities have transformed certain controversial elements to their advantage, proposing for example the creation of artificial islands from the material extracted during the digging phase of the infrastructure.⁹⁹

Beyond such vast transport and communication infrastructures, it is worth mentioning several impressive buildings that have been constructed recently, including: the Istanbul courthouse, inaugurated in 2011 on the European side of the city, and the largest today in Europe, as well as its complement inaugurated on the Asian side, touted as “the largest in the world”, or again the huge Çamlıca mosque, opened in 2016 on the Anatolia banks of the Bosphorus, underlining the present government’s support for Islam. Lastly, the creation of an international financial centre in the district of Ataşehir has been built to attract renowned financial institutions to Istanbul. The development of financial activities should contribute to the international visibility of Turkey, while facilitating the involvement of institutions in financing certain local projects.

Aside from this quest for attractiveness, the development of large infrastructural works helps support Turkey’s construction sector, the engine of its economic growth. The personal involvement of Mr Erdoğan reflects the strategic nature of these projects, with the Turkish president regularly carrying out media trips to the launching ceremonies or the inaugurations of new developments.

98. M. Sonmez, “Canal Istanbul: Still Hyped, Still ‘Crazy’”, *Al-Monitor*, 22 February 2017, available at: www.al-monitor.com.

99. “Three New Artificial Islands to Be Built off Istanbul’s Pendik District”, *Hürriyet*, 15 February 2017, available at: www.hurriyetdailynews.com.

Istanbul's new airport as the symbol of competition between Turkish Airlines and the Gulf carriers

A platform that aims to consolidate Istanbul's place as a global air hub

The construction of a third airport in the Istanbul metropolis is undeniably the biggest project among all the infrastructural projects described here, both in terms of surface area and cost. Its first phase was completed in less than four years, with an opening ceremony held in October 2018, and attended by several heads of state.¹⁰⁰ While Atatürk Airport still accepts cargo flights, Turkish Airlines and the other airlines that were operating commercial flights to and from Atatürk transferred all of their passenger transport activities to the new airport in April 2019.

The new airport is located to the northwest of Istanbul, and consists of a terminal and two pairs of two parallel runways, guaranteeing a certain fluidity in traffic management compared to Atatürk airport which had only three, shorter runways. Future announced extensions will give Istanbul Airport – its official name – a distinct advantage over existing facilities in the Gulf Emirates. Apart from the opening of an additional runway planned in 2020, aiming to complete the first phase of construction, further extensions are already planned in three stages, extending until 2028. Three new runways will thus be built, as well as a second terminal to accommodate more passengers. These developments will increase the airport's capacity to 200 million passengers annually, compared to 90 million currently. The Turkish authorities want to have a large infrastructure to overtake the Dubai hub, the main Middle Eastern airport which welcomed 89 million passengers in 2018, with only two parallel runways.¹⁰¹

100. It may be recalled here that the working conditions on the building site were the subject of significant criticism, particularly due to the deaths of several dozen employees, as well as the strong repression of strikes. U. Erdem, "55 Workers Died During Istanbul Airport's Construction: Minister", *Hürriyet*, 18 January 2019, available at: www.hurriyetdailynews.com.

101. Note that the authorities of the emirate opened a new airport currently concentrating cargo traffic in 2010, south of the city of Dubai. It has been indicated on several occasions that Emirates Airline would have to move its activities to this platform to benefit from a larger infrastructure. However, such a transfer seems uncertain, with the authorities currently favouring a revision of their development plan for the two airports of the emirate: "Emirates Airline to Remain at DXB for Next Decade Amid DWC Review", *Arabian Business*, 5 September 2019, available at: www.arabianbusiness.com.

The significant congestion of air traffic at Atatürk Airport, located on the European bank of the Bosphorus, was an obvious brake on the expansion of the number of incoming travellers. This prevented Turkish Airlines from maintaining its growth, in a context of increased competition with other companies operating from large hubs, such as Emirates Airline in Dubai, or Qatar Airways in Doha.¹⁰² THY had certainly developed flights leaving Istanbul's second airport, Sabiha Gökçen, located on the Asian side of the city. But this prevented it from concentrating its activities in a single hub, as the Gulf airlines do. The construction of a third airport therefore emerged as the solution suitable to ensure the attractiveness of Istanbul, drawing on the will of Mr Erdoğan to transform the metropolis, and to satisfy certain construction companies whose leaders remain close to the AKP. These include the Kalyon and Limak groups, and even the Torunlar group which has the largest portfolio of shopping centres in Turkey.

Numerous development projects implemented by the AKP since 2002 have used public-private partnership (PPP) financing. This has allowed the authorities to claim these infrastructural projects do not cost the Turkish taxpayer money. Such financing has certainly made it possible to reduce public debt, but this has been accompanied by a sharp rise in private debt, held especially by Gulf countries.¹⁰³ Furthermore, the government has not hesitated to redirect the missions of the Housing Development Administration of Turkey (Toplu Konut İdaresi Başkanlığı, TOKİ), whose initial function was to provide loans at reduced rates for housing construction. Today, it is attached to the Ministry of the Environment and Urbanisation, and implements expropriation procedures intended to free up the land concerned by development projects.¹⁰⁴

Only a limited circle of Turkish companies close to the government has been granted responsibility for the construction and operation of the facilities and public works decided by the authorities. For their part, the latter have significantly changed the laws concerning the attribution of public contracts in recent years.¹⁰⁵ In the case of the new Istanbul airport, the IGA consortium responsible for construction was created to measure in October 2013, and comprises actors with close ties to the

102. J. Lebel, "Emirates Airline, Etihad Airways and Qatar Airways: Global Airline Companies Promoting the International Position and Reputation of Dubai, Abu Dhabi and Qatar", *Études de l'Ifri*, Ifri, July 2019, available at: www.ifri.org.

103. Y. Morvan, S. Logie, *Istanbul 2023*, *op. cit.*

104. The Agency was founded in 1984. See *ibid.*

105. A. Insel, *La Nouvelle Turquie d'Erdoğan*, *op. cit.*

AKP government.¹⁰⁶ It may also be recalled that the Kalyon company, a consortium member, was involved in the transformation of the Gezi park in 2013 which led to strong protests.¹⁰⁷

From a protected natural area to the emergence of a strategic focal point in Istanbul's metropolitan area

Key development projects conducted by Turkey's executive are often accompanied by the launching of parallel projects, as land released by TOKI provides possibilities for undertaking large real estate projects. The new Istanbul Airport for example fits into a virtually-new city, in which shopping centres, residential districts as well as recreational facilities are planned.¹⁰⁸ It is also located in a zone that has become highly attractive because the North Marmara motorway (using the third bridge over the Bosphorus) runs through the region, while the projected new canal is set to enter the Black Sea just to west of the new airport. A metro line to Istanbul's city centre should also be inaugurated in the coming months.

Thus, the development of a world-class airport platform, in an area that was relatively unspoiled before the launch of works, constitutes an effective tool to stimulate the development of Istanbul and try to reduce congestion in certain more central districts. The AKP government has seen the immediate surroundings of the new airport as a space with great potential, to the detriment of environmental considerations, while the size of natural areas surrounding the Istanbul metropolis have greatly diminished over the past decade. Some specialists have also expressed their doubts about the relevance of the geographic location of the new airport platform: the area is in fact renowned for its persistent fog and strong winds, which could frequently disrupt air traffic.¹⁰⁹

The Turkish authorities have preferred to ignore these various arguments and support the launch of such large-scale projects. The imperative for Tayyip Erdoğan to complete major public works before the end of 2023 has been more important: change has had to be quick and visible to AKP voters, while the government has rewarded its networks of allies by assigning lucrative projects to businesses headed

106. See the associated website: www.igairport.com.

107. "Turkey Clashes: Why Are Gezi Park and Taksim Square so Important?", BBC, 7 June 2013, available at: www.bbc.com.

108. Northern Forests Defence (KOS), "The Third Airport Project. Vis-a-Vis Life, Nature, Environment, People and Law", March 2015, available at: <https://kuzeyormanlari.org>.

109. *Ibid.*

by long term supporters. This effectively extends Mr Erdoğan's influence from the time he was mayor (1994 to 1998), to since he has been head of state.

Contested projects: the prospects for the operation of the new airport and the future development of Turkish Airlines

New infrastructures crystallising tensions

The Turkish government's preferred PPP model for building large infrastructures is viewed with scepticism by many observers.¹¹⁰ The public authorities have indeed committed themselves to offsetting losses from companies holding infrastructure concessions, if they do not reach predefined thresholds of profitability. Now it seems that several facilities opened over the years have usage levels below those agreed with the State, including the Osmangazi bridge on the Gulf of Izmit, the Yavuz Sultan Selim bridge over the Bosphorus, and the Eurasia road tunnel. All three infrastructures recorded operating losses in 2017.¹¹¹

Moreover Turkey is experiencing a period of instability, with a protracted economic slowdown since the attempted coup in the summer of 2016. The government's ability to honour its commitments to guarantee the activities of these "megaprojects" therefore seems uncertain. In early 2017, a sovereign wealth fund was created, which currently includes assets gathered from nearly twenty major Turkish groups such as Ziraat Bankası, Borsa İstanbul, Türk Telecom, and above all Turkish Airlines.¹¹² This could be interpreted as an emergency reaction intended to ensure the financing of promised infrastructures, in particular the new airport as well as the project of the canal parallel to the Bosphorus.¹¹³ The fund was created by decree, as a tool made available to the Turkish government after the introduction of the state of emergency in 2016. At the same time, the executive now has assets whose supervision and control by external

110. M. Sonmez, "Could Megaprojects Spell Mega Trouble for Turkey's Economy?", *Al-Monitor*, 2 November 2016, available at: www.al-monitor.com.

111. M. Sonmez, "'Turkey's 'Megaprojects' off to Disappointing Start", *Al-Monitor*, 29 March 2017, available at: www.al-monitor.com.

112. According to the Sovereign Wealth Fund Institute, assets totalling about US\$40 billion are managed. It may also be recalled that Mr Erdoğan took charge of Turkey's sovereign fund in 2018, having dismissed the previous management which he deemed was not effective enough.

113. A. Zaman, "Ankara Shifts Public Assets to Sovereign Wealth Fund", *Al-Monitor*, 7 February 2017, available at: www.al-monitor.com.

authorities are almost non-existent.¹¹⁴ On reading the decree, it becomes clear that the Board of Directors, chaired by Tayyip Erdoğan, has many prerogatives to manage the fund according to its own wishes.¹¹⁵ Rather than being a real sovereign wealth fund as was announced by the authorities, it is instead a tool to gather the necessary resources for the construction of new infrastructural projects.¹¹⁶ Yet, by mobilising shares in Turkish companies, starting with Turkish Airlines which enjoys a certain attractiveness internationally, the authorities have taken the risk of jeopardising one of their best assets.

Apart from funding issues, the “megaprojects” are attracting some suspicion by part Turkey’s population. The protests in 2013 to preserve Gezi Park, in the centre of Istanbul, showed that public challenges are still possible over development projects which are carried out unilaterally by the government. The Gezi movement more generally denounced the growing authoritarianism of the Erdoğan regime. Although the Turkish president has strengthened his prerogatives and largely limited the margins of action of his opponents, criticisms remain regarding the undertaking of “megaprojects”. For example, the Defense of Northern Forests association (*Kuzey Ormanları Savunması*, KOS) has criticised the construction of the new Istanbul airport. This association was created in July 2013, shortly after the start of the Gezi protests.¹¹⁷

The growth of air traffic faces immediate challenges

The plans to extend the new airport also appear to be very ambitious and it is not certain that the traffic forecasts put forward by the State and the project’s promoters will be achieved easily. Forecasts prepared by the IGA consortium indicate that the number of travellers is expected to reach 350 million in 2023, with an annual growth rate of around 8%. Yet current trends do not support such optimism: 210 million passengers were registered in all Turkish airports in 2018, whereas previous analyses of traffic growth presented in September 2015 forecast an additional 30 million travellers.¹¹⁸

114. M. Sonmez, “Turkey’s Wealth Fund Is Less About Wealth and More About Debt”, *Al-Monitor*, 9 February 2017, available at: www.al-monitor.com.

115. See www.turkiyevarlikfonu.com.tr.

116. C. Sezer, “Turkish Wealth Fund More Akin to National Development Bank: S&P”, Reuters, 10 February 2017, available at: www.reuters.com.

117. See www.kuzeyormanlari.org.

118. Based on a document presenting the future airport and prepared by the IGA consortium in September 2015, available at: www.docdroid.net.

The forecasts therefore seem unrealistic. The General Directorate of State Airports Authority (*Devlet Hava Meydanları İşletmesi*, DHMI), a government agency, is also expecting a slight drop in traffic in 2019 with 207.5 million registered air passengers.¹¹⁹ However, it was expected that growth should be 1.7% in 2020 and 2.7% in 2021, though this is much less pronounced than before. The difference between the estimates submitted by IGA in 2015 and those put forward by the DHMI in 2019 could exceed 80 million passengers in 2021 and probably 100 million in 2023. Based on these data and considering that between 45% and 50% of the total number of travellers coming to Turkey pass through one of the two Istanbul airports, then flows should hardly reach 115 million passengers for the airports by 2023. This scenario is all the more plausible as the Turkish government is supporting the development of direct flights to Turkish seaside resorts from abroad, to welcome more tourists to the country. Thus, the growth in the number of travellers should above all take place in Turkey's provincial airports over the next few years, without necessarily implying transit through Istanbul.

Given the various challenges that Turkey faces today, it is actually difficult to provide reliable forecasts of the development of air traffic in the short and medium-term. The IGA consortium has had to face the fact that in its forecasts in 2015 it could not anticipate the consequences of the negative events of 2016 (increased terrorist attacks and the attempted coup) which have affected the evolution of the number of air passengers flying to Turkey (down 4% between 2015 and 2016). It should be recalled here that if the traffic goals set by the State are not reached for the new airport in Istanbul, then the Turkish authorities will be required to pay financial compensation to IGA, which is responsible for managing the airport for the next 25 years.¹²⁰

It is therefore legitimate to question the future of the Turkish air sector, in the light of the various geopolitical events which have weighed on traffic developments in recent years. While passenger flows at Turkish airports remain vulnerable to political and security upheavals, as shown in 2016, air traffic is also dependent on the functioning of flight corridors. These may be disrupted or even suspended in the event of problems. The Syrian conflict, instability in Iraq, as well as the uncertain reintegration of

119. See the 2018 annual report by the General Directorate of State Airports Authority (DHMI), available at: www.dhmi.gov.tr. It should be noted that in January 2020, DHMI presented results that were slightly better than expected, as 209 million passengers had been welcomed by Turkish airports in 2019, though this was marginally down from 2018 (210 million).

120. Certain sources indicate that the State's commitment is based on a threshold of 90 million travellers for the new airport: see P. Tremblay, "Is Erdoğan's Airport Dream Turning Into Nightmare?", *Al-Monitor*, 6 March 2019, available at: www.al-monitor.com.

Iran into the international community are all real challenges for the smooth and continuous operation of air services throughout the Middle East. This region however is a strategic airspace for Turkish Airlines flights to South and East Asia in particular.¹²¹

Finally, the Gulf companies remain real competitors, starting with Emirates Airline, which has some experience in operating a world-class hub. Qatar Airways too has large financial resources provided by the Qatari authorities, suggesting they can remain committed to developing a powerful carrier.

The future of Turkish Airlines appears therefore to be largely dependent both on political factors specific to Turkey and on the strategies pursued by other actors at the regional level. The AKP government does not seem ready to give up one of its best soft power instruments for the time being, even if it cannot be excluded that Turkish Airlines' strategy may be readjusted in the event of prolonged political and/or economic instability.¹²²

Such change could result above all from a redefinition of the Turkish government's international ambitions, but this should not lead to the disappearance of the carrier. Many observers agree there will be further expansion of air traffic to and from Turkey in the long term, while THY's place is firmly anchored in the national strategy of the Turkish government.¹²³ The creation of Air Albania in 2018, as part of a partnership between the Turkish and Albanian governments,¹²⁴ and more generally the endorsement by many States of the international air services operated by Turkish Airlines have underlined the attractiveness of this world-class company.

121. It should be noted that in contrast to many European and Asian companies, Turkish Airlines has decided to continue to fly over Iraq and Iran, as indeed the Gulf airlines have, and this despite the Iranian missile attack on the Boeing 737 of Ukraine International Airlines, shot down after take-off in Tehran on 8 January 2020. Although the Iranian authorities have stated this was due to human error, this tragic event underlines once again the vulnerability of commercial flights transiting over regions of tension and conflict, as is the case for several areas in the Middle East.

122. In spring 2019, rumours circulated that Qatar Airways could possibly take shareholdings in Turkish Airlines, as the Turkish and Qatar governments have enlarged cooperation in several areas in recent years. THY nevertheless hastened to rule out such a possibility: "Turkish Airlines Denies Reports of Stake Sale to Qatar Airways", *Daily Sabah*, 21 March 2019, available at: www.dailysabah.com.

123. The International Air Transport Association (IATA) considers, for example, that despite current challenges, the outlook for the development of air travel demand to and from Turkey remains positive in the long term: IATA, "How Worried Should We Be About Turkey", August 2018, available at: www.iata.org.

124. Turkish Airlines holds a 49% stake in the new company.

Conclusion

Turkish Airlines today operates a large network and is one of the world's main carriers. The company's expansion is based in particular on an efficient deployment and management strategy. But it is also based on growth in passenger flows recorded in and out of Turkey, as well as domestic travel, over the past 15 years.

That said, the close relationship between Turkish Airlines and the AKP government is essential to understanding the drivers of THY's expansion, which is seen as a success by some observers of the airline industry. Indeed, the Turkish authorities consider the carrier to be a strategic instrument, and this has led to an alignment of the development of Turkish Airlines with the interests of the government. This concerns especially the government's ambitions to promote Turkey further as a major tourist destination, to support exports by the "Anatolian tigers", and more generally to consolidate the country's place on the international stage. The extension of Turkish Airlines' network in Africa, in parallel with the opening of a large number of embassies and the activism of various Turkish economic players in the region illustrate the links between the development of the company and the diplomatic agenda of Turkey's authorities.

Turkey is experiencing a serious economic crisis and the AKP encountered a major setback in the 2019 municipal elections, marked especially by the emblematic defeat in Istanbul of Binali Yıldırım, the candidate supported by President Recep Tayyip Erdoğan and also the main architect of the AKP's transport policies. Moreover, Turkish Airlines is vulnerable to any upheaval that may affect the development of air traffic. This was observed in 2016 when Turkey suffered multiple terrorist attacks on its territory, while diplomatic relations between Turkey and some of its partners deteriorated. At the same time, regional instability and power rivalries in the Middle East pose serious threats to the exploitation of the commercial flights by THY, as indeed to many other companies, as they fly through a strategic air space that is in permanent tension, in order to reach South and East Asia in particular.

Thus, even if the long-term forecasts for traffic development in Turkey are positive, Turkish Airlines faces major challenges which could significantly affect its services in the coming years. Its proximity to the AKP

does constitute a certain guarantee for it to maintain its activities. The national authorities have every interest in ensuring the sustainability of the air links operated, as they are part of broader strategies aimed at consolidating Turkey's place internationally and promoting the Istanbul hub. These proactive strategies have worked well so far. But they also depend on power relationships which go far beyond the challenges facing the air transport sector. As an essential instrument of Turkish soft power, Turkish Airlines could see its performance impaired by a new hardening of the regime.



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