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Turkic Connections: New Trade Opportunities for the Kalaçlar A.Ş Using Cultural and Trade Ties with Turkic States

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Introduction

The Company Kalaçlar is a family-owned business that is located in Ankara, Türkiye. The company was established by Doğan Kalaçlar in 1970 as collective company and in 2016 has incorporated into a joint-stock company with a 500,000 TL capital. The company operates in different fields related to thermal insulation and ceramic materials. Kalaçlar A.Ş is a medium-size company and it is documented to acquire profits in the past years, making company suitable for further growth and initiate export projects. This paper aims to provide information relevant to the company about Organization of Turkic States (OTS) members and observers and their cultural and trade ties with Türkiye to determine if the company can export its goods to these countries.

The reason this research is carried because there are currently no studies focusing on a company level case study to determine if the cultural and trade ties with OTS members and observers can be used by a company to conduct business in these countries. There are currently Turkish companies active in the target countries, but this information alone is not enough to explain if the business conducted there is same with the business conducted elsewhere in the world as the trade is internationalized and many companies conduct business on a global scale. This research focuses to determine if there are any clear advantages or advantages provided by these countries in the scope of cultural and trade ties with these countries. A research question is set to be answered in this scope and the question that this research aims to answer is “Can the company named Kalaçlar Endüstri Malzemeleri Ticaret ve Sanayi Anonim Şirketi, that specializes in ceramic sector, export its goods and services to Organization of Turkic States members and observers leveraging the cultural, historical, political and trade ties?” The research is carried out with two hypotheses in consideration. First being “There is a clear direction towards creating a business environment between OTS countries that provides advantages and privileges to its members that can be used by the company” and the second being “The company can use already existing bilateral agreements between Türkiye and the target countries to conduct business in advantageous terms”. There are several reasons the company “Kalaçlar” is chosen for this research.

First, the company’s financial structure is suitable for carrying trade activities in the target countries. Company’s financial structure makes it less reliant on the country specific problems that are further mentioned in the research.

Second, aside from the insulation materials that are used in the furnaces and therefore in more industrial applications, Kalaçlar also sells ceramic materials that are used in the artisans’ works. Cultural ties are researched under this topic to determine if the ceramic culture is something that Kalaçlar can use to export its goods or conduct business in these countries.

Third, the company is only active in its home country, and it is a medium-sized company without the infrastructural advantages of the larger companies which makes it a suitable choice to determine if the cultural and trade ties that are mentioned are accessible to small-size and medium-size companies.

The research focuses on several topics and these topics are grouped up under two chapters. In chapter two, the main focus is on providing information about the home country (Türkiye), historical ties with the Turkic states and Türkiye, political and cultural exchange between the Turkic states, and the trade ties of these countries. In political and cultural exchange and trade analysis section main concept followed is providing information about the initiatives taken by individual countries and by the OTS to determine if there is any significant tie between these countries that are unique to them that can be used by the company. The countries' future and development plans are mentioned and analysed in a way to find if the target country's future plans align with the vision of OTS and if they can be leveraged by the company.

Chapter three focuses on the company alone and in this chapter detailed information about the company is provided along with the analyses about FDI and e-commerce to target countries. The reason FDI and e-commerce is chosen is because those two options are considered and preferred by the company as a potential expansion to target countries. This chapter stands as a case study to demonstrate the use of the data collected and analysed in chapter two.

Chapter 1. The problem in its theoretical context

Various economic unions and organizations were formed between the countries to increase the trade and improve the ties between the countries. European Union and Eurasian Economic Union can be provided as examples. Members of these unions enjoy privileges provided by these unions to conduct trade in advantageous terms compared to non-member countries that want to conduct business in these countries. When observed, these trade unions formed such as European Union and Eurasian Economic Union are all regional. This research aims to find if the Organization of Turkic States provides any privileges or advantages to its members that can be used by the company named "Kalaçlar" to conduct business in these countries. The main focus is on trade and cultural ties to determine if in addition to already existing trade ties, the cultural ties between these countries can also be used as all the OTS countries are from Turkic origin. The reason OTS is chosen is because it serves an organization that aims to further deepen and widen the cooperation among the Turkic states within a multilateral framework that is based on common history, language, and culture. Turkic peoples historically spread through a wide geography and some of them are currently part of other countries such as China, Russia, and Iran. OTS countries are all sovereign and independent and active on the world stage on their own with the exception of Turkish Republic of Northern Cyprus (TRNC).

This research aims to analyse the cultural and trade connections between the OTS members and observers to determine if the company named “Kalaçlar” can expand into these countries. The data is analysed in a way to find out if there are any significant ties between these countries or any direction towards potential opportunities that can benefit the company.

1.1 Country background

Country background section provides information about Türkiye and its economic structure as well as its future goals. Nathanson & Brand (2011) provided information about the economic view of Türkiye. The document provides information about the Türkiye’s economic development and the crises it faced by providing economic figures. The document analyses the structural weaknesses, ease of doing business and corruption, labour market and income distribution in Türkiye. Given the date that the document written, information regarding the modern-day Türkiye is limited. Esen (2008) provides an empirical analysis of the relationship between financial deepening and economic growth in Türkiye. Quantitative methods such as Granger causality test and unit root tests were used during the research. Çelik et al (2023) analyses the minimum wage in Türkiye and provides information about the minimum wage’s development. Scope of the minimum wage in Türkiye is analysed and compared with the European Union countries and the reasons for its decline against the inflation argued.

1.2 Historical background

Historical analysis section’s main purpose is to provide background information on the Turkic states and some of the interactions that occurred before the collapse of the Soviet Union and the start of the diplomatic relations with the Turkic republics. Due to the Turkic peoples and Turkic states are spread through a vast geography with each have their unique history, analysing each country and their history is beyond this research’s goal. Nevertheless, there are resources that provide information about the history of the Turkic states and Turkic peoples. Golden (1992) provides information about the linguistics and cultural aspects of the Turkic peoples as well as the states they have established. Turkic peoples in the Asia are investigated depending on their region such as Central Asia or Eurasia and information about the states they have established along with their cultural aspects is provided. Rahmankulova (2015) provides information about the relations between the Ottomans and Turkic peoples in the Central Asia in the beginning of the 20th century. Cultural and diplomatic exchanges between the two sides before and after the World War I are provided along with the Turkic peoples’ support for the Turkish people during the World War I and Turkish War Independence.

Turkic people and Turkic countries spread through a vast geography, mainly being located in Central Asia. Although, these countries and people of these respective countries share the same roots when it comes to history and culture, diversions occurred throughout

the history because of several reasons such as politics, wars, and simply geographical locations. This resulted in separate development of culture and history in these countries. As mentioned before, since the Turkic people spread through a large area and some being part of other countries whether as autonomous regions or as minorities such as in Russian Federation and People's Republic of China, this paper will mainly focus on countries that are members or in observer status in the Organization of Turkic States.

Organization of Turkic States was formed on 3 October 2009 with the name The Cooperation Council of Turkic Speaking States. The name changed to Organization of Turkic States on 12 November 2021. According to Republic of Türkiye Ministry of Foreign Affairs, the aim of the organization is to further deepen and widen cooperation and solidarity among the Turkic States, within a multilateral framework based on common history, language, and culture of the Turkic World. As of 2024 the member states of the Organization of Turkic States consist of Republic of Azerbaijan, Republic of Kazakhstan, Kyrgyz Republic, Republic of Uzbekistan, and Republic of Türkiye. Observers consists of Hungary, Turkmenistan, and Turkish Republic of Northern Cyprus. In the light of the aim of the OTS, several steps were taken to improve and strengthen the relations between the Turkic states in cultural, economic, political, and diplomatic levels. Summits were made on the themes of economic and commercial cooperation, educational, scientific and cultural cooperation, transportation, tourism, media and information, youth and support, supporting the SMEs, green technologies and smart cities in the digital age and so on. Affiliate organisations such as Turkic Academy, International Turkic Culture and Heritage Foundation and International Organization of Turkic Culture (TURKSOY) were established after the summits to assist OTS and carry out activities in their relevant fields.

1.3 Trade analysis

For the Kalaçlar's expansion into the Turkic states, it is necessary to analyse the trade ties between the home country (Türkiye) and the target country as well as the target country's economic situation, the components of its economy and its future developments plans or strategy to determine if there is any direction that provides an opportunity for the company. It is necessary to provide the relevant information about the sectors so that their part in the country's future plans can be analysed. *Turkic States Economy* book provides detailed information about OTS countries with each section prepared by an author from that country. The book is prepared with the collaboration of various institutions from the Turkic world and provides information about the economic landscape in the mentioned countries. However, due to authors being different in each section, the way data presented, or the type of data presented may differ from section to section and not homogenous. Some authors provide more historical background information or background information in general while others provide less. *Report on Turkic Economies: Digital Trade and Investment 2023* also provides information about the OTS countries but focuses mainly on the digitalization of these countries. Nevertheless, the report provides background information about world

trade and the Turkic economies and the structure of these economies, although compared to *Turkic States Economy* to a lesser extent. *Trade and Investment Relations Among the Turkic Council Member States* analyses the trade between the OTS member states and provides detailed information about the economic structure of each country. Trade between the member states is analysed in-depth and in addition to other documents, information about each member state's trade with every other member state is provided. Çetinkaya & Demirel (2024) analyses the impact of OTS on the foreign trade of member states with gravity model and TOPSIS method.

1.4 Political and cultural exchange

Political and cultural exchange part mainly consists of the research on OTS the cultural exchanges occurred between its members as well as the steps taken to further improve the cultural and political ties. Purtaş (2017) analysed the cultural diplomacy initiatives made by the Turkic republics. Information about TURKSOY is provided and its activities are explained on country level to provide information about the cultural activities organized. Ezer (2019) focuses on the cultural diplomacy activities made by TURKSOY in a qualitative analysis way. Annual action plans of the TURKSOY, organization's website, records, articles, and news about the organization's achievements are included in the paper. Eren (2022) provides information about Turgut Özal, who was the President of Türkiye during and after the fall of Soviet Union, and his policies towards the newly established Turkic republics. Official websites of OTS and its affiliates also provide information about the history of the organizations as well as the documents relevant to the topic such as reports, summits, declarations etc.

Chapter 2. Research question and methodology

2.1 Research question

This research aims to analyse the cultural, historical, political and trade connections between the OTS countries in order to provide business solutions to a company named "Kalaçlar Endüstri Malzemeleri Ticaret ve Sanayi Anonim Şirketi". The research focuses on the connections with a perspective that can be used by the company to export its goods and services to the previously mentioned countries. OTS as an organization that is formed by the Turkic countries and therefor carries a Turkic identity is analysed to determine if there are any ties between its member states from their Turkic heritage that can be used by Kalaçlar. The question that this research aims to answer is "Can the company named Kalaçlar Endüstri Malzemeleri Ticaret ve Sanayi Anonim Şirketi, that specializes in ceramic sector, export its goods and services to Organization of Turkic States members and observers while leveraging the cultural, historical, political and trade ties?" Two hypotheses are set to support the research question. First being "There is a clear direction towards creating a business environment between OTS countries that provides advantages and privileges to its members

that can be used by the company” and the second being “The company can use already existing bilateral agreements between Türkiye and the target countries to conduct business in advantageous terms”.

First hypothesis is put with the purpose of determining if the OTS provides or planning to provide opportunities for the company that it can use to its advantage. This hypothesis focuses on the organizational level and aims to find if there is any direction towards that goal. This hypothesis is complemented with the second one that focuses on the bilateral trade relations between Türkiye and OTS countries. This hypothesis is put with the purpose to find if there are any agreements between the countries other than the ones done by the OTS that can be used by Kalaçlar. First hypothesis’ focus is on more general organizational level and the second hypothesis focuses on bilateral relations.

2.2 Methodology

During the research, resources from various sources were used to demonstrate the connection between the Turkic states and the company’s home country, Türkiye. The focus was mainly put on the OTS member states as they are the active participants, but observer states are also mentioned in the paper to provide information about the possible future members of the organization. OTS and its members and observers are chosen as the research countries is because of the OTS structure, purpose, and its Turkic identity. In trade analysis section a background information about the world economy is provided given the world has undergone several crises in the last five years that had major impacts on the countries and on the economies. Information about the Turkic states and their position in the current world economy is provided in order to demonstrate if they are feasible for the company to invest in. In country specific sections, background information about the country’s economic structure is given with their current economic situation. From there information about the countries’ future development plans are provided and analysed to determine which steps are planned to be taken by the countries. Finally, countries exports and imports are analysed with other countries and with Türkiye to demonstrate if there is any connection with the company’s field of expertise. Country analysis then concluded with the trade agreements signed between the two countries to demonstrate if there are any agreements that favours the trade between these two countries.

Political and cultural exchange part is provided to demonstrate the political steps taken to establish and strengthen the diplomatic and economic ties with Türkiye and Turkic states. Road to establishment of the OTS is provided to give information about the organization and its evolutions as well as its operations and affiliates. “The Turkic World Vision-2040” is introduced as the organizations future plan document and its contents are analysed in a way to find out if there are any goals that align with the company’s expansion into Turkic states. After the explanation of the OTS and The Turkic World Vision-2040, information about the OTS’s affiliates is provided to demonstrate the range of activities these organizations carry. Among them detailed information about the Turkic Culture and Heritage

Foundation, Turkic Academy, and The International Organization of Turkic Culture, TURKSOY, is provided to give background information those organizations which are responsible for the cultural and academic exchange between the Turkic states. Activities of these organizations are explained, and some examples are given to fill the cultural exchange part. Cultural diplomacy is explained and its importance for the Turkic states is emphasized along with some examples. Türkiye's cultural diplomacy activities are also provided to demonstrate the company's home country's position in the world stage. The activities then narrowed down to Türkiye and the Turkic states and finally to the ones that are organized by the OTS's affiliates.

In historical analysis section a brief background information about the Turkic people and some of the interactions occurred before the collapse of the Soviet Union. The reason this section is kept short is because the Turkic states in question have their own history separate from each other and analysing and providing accurate historical information about each of them is beyond the focus of the paper and compared to the other topics analysed in this paper, is less relevant for the company's export project. Nevertheless, some interactions occurred during the World War I and Turkish War of Independence is provided since these wars are the foundation of Republic of Türkiye.

In the country analysis section, economic situation of the Türkiye is provided. Main objective of this section is to provide the information about the company's home country as it can affect the company's export project. A PESTEL analysis is included, and the current economic situation of the country is explained along with the information relevant to the company and company's case study section is provided.

Case study section is dedicated to the company. Company's structure is explained as well as its products. Detailed information about their products is provided. Information about the company further complemented with a SWOT analysis to further analyse the company's capabilities and shortcomings. After the information about the company is provided, company's export plan is analysed. A brief information about the ceramic culture in the Turkic states is provided to prove its existence. Potential benefits of exports to these countries and why should the company consider these countries as new opportunities explained. After the relevant information is provided, then it is proceeded with the analysis of FDI and e-commerce options to these countries. In this section, the data analysed in two ways. First, the relevance of the data to the company. As Turkic states both have different economic structures, their goals and opportunities provided by them differ from each other. So, the data analysed in a way to find out the most suitable one for the company. Second, tied to the first point, data analysed in way to find if it correlates with the countries' future strategy or development plans. The reason for this approach was the sustainability of their programs and the opportunities provided in an economic view as well as the stability. After the relevant information is provided and justified, candidate countries are determined under these considerations. Finally, information about the challenges that the company can face is

provided. These challenges are both from the world and from the company. The research is concluded with the answer to the research question.

In all of these sections, data relevant to the countries and to the company is used. Economic data and graphs are used to demonstrate the economic data and to compare the countries. Documents about the countries' future plans are used to demonstrate the future steps that are planned to be taken by the relevant countries. The information provided by these documents are then used for the comparison of these countries to find the most suitable one as company's export destination. Providing information, comparison, selection of the countries and the justification of the choice is the main approach of this paper.

2.3 Country background

PESTEL analysis is carried out in this section of the paper to give a background information about the Kalaçlar's home country, Türkiye, and identify the elements that create the atmosphere around the company and its decision for expansion into Turkic states.

2.3.1 Political

The Republic of Türkiye was formally established on 29 October 1923. The country went through several reform plans to develop the economy and the social standards of its citizens as well as to establish the authority of the newly formed state after the Ottoman Empire. The country also had to heal its wounds from the First World War and the Turkish War of Independence. The reforms were successful in transitioning the country's economy into a relatively complex economic structure compared to the Ottoman Era economic structure that was mostly agricultural.

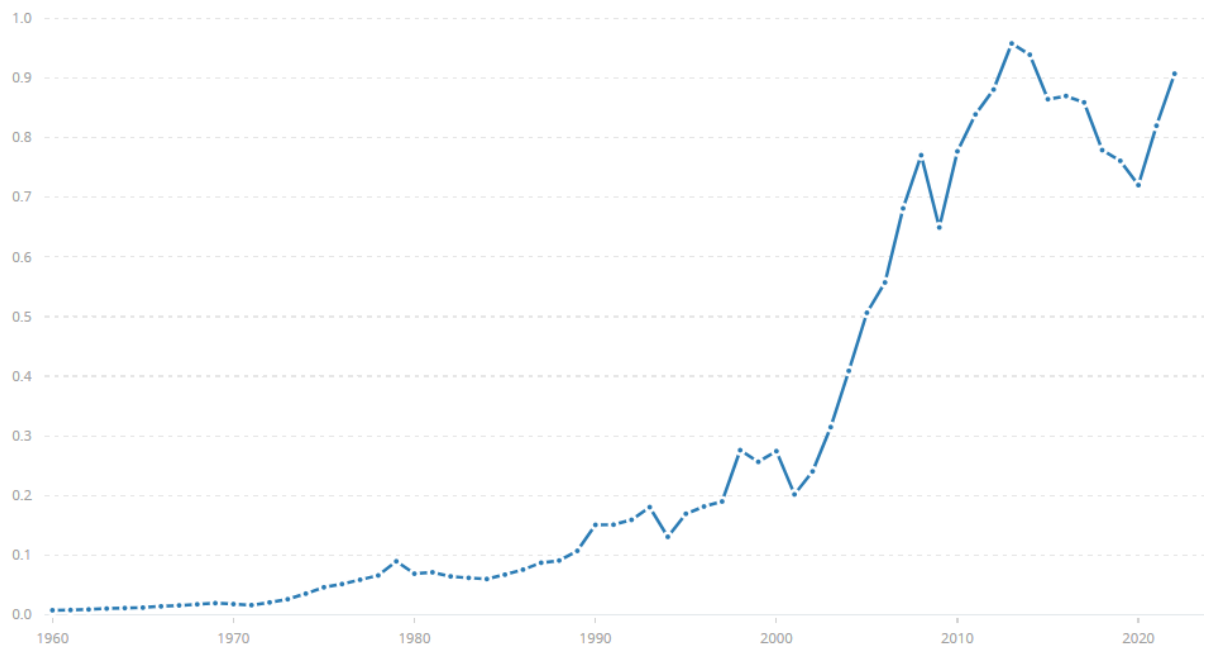
Since its establishment, Türkiye tried to follow a balanced and mostly neutral foreign policy. The country had diplomatic and economic ties with most of the world and tried to maintain its ties with its neighbors as neutral as possible, especially with the Soviet Union which was a superpower. Türkiye, despite its neutrality when it comes to economic and cultural viewpoint was more westward leaning than the east. This can be explained that prior to World War I, Europe was seen as more developed and more advanced both economically and socially. After the abolishment of the sultanate, in order to modernize the economy and social structure, the country took Europe as a role-model. As a result of this view Türkiye joined The North Atlantic Treaty Organization (NATO) 1952 to secure its border against the Soviet Union. On 31 July 1959 Türkiye applied for association with European Economic Community (EEC) and on 12 September 1963 Agreement Creating an Association between the Republic of Türkiye and the European Economic Community (the "Ankara Agreement") was signed. Türkiye also applied for full membership on 14 April 1987.

Türkiye has experienced changes in government structure over the past years with the adoption of more centralized Presidential system, in which the President of the ruling party and the government is also the President of Türkiye, without any prime minister in between. This resulted in the simplification of the government system and faster decision

making. A steady decline of the Turkish Lira against US dollars and Euro made imports costly and exporting more viable for the Turkish companies. Türkiye provides various incentives and support to companies that want to export other than the VAT refund. According to the Republic of Türkiye Ministry of Trade, small and medium-sized companies in Türkiye are not successful in e-commerce or e-trade because of several reasons. Some of these reasons are logistic costs, marketing costs, collection and payment methods, lack of knowledge, and knowledge of foreign language. In order to address some of these problems incentives and support are provided to companies. After a company completes the necessary paperwork for the application, the company can receive marketing, storage, e-export promotion support, and support for the rent of the storage abroad.

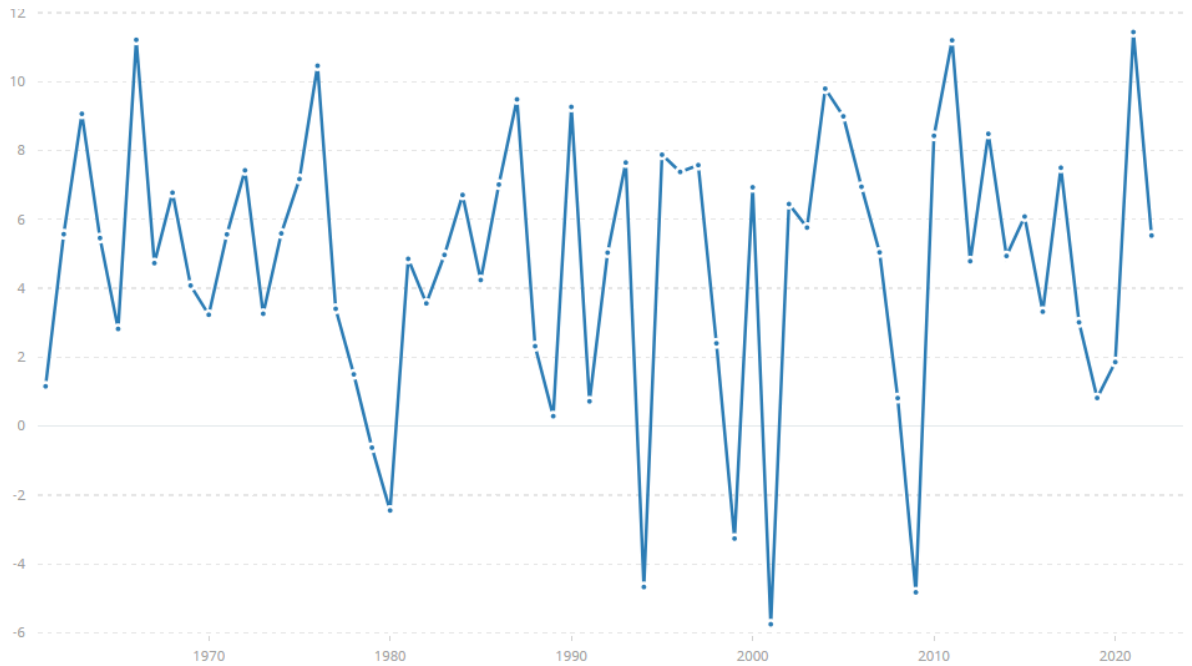
2.3.2 Economic

In 2022, Türkiye had a GDP of \$907.12 billion and had a GDP growth rate of 5.5% (The World Bank Open Data). Similar to other countries, Türkiye also experienced a decline in GDP and GDP growth during Covid in 2020 but quickly managed to recover in 2021. Earthquakes that happened in February 2023 at the southern and central Türkiye caused the destruction of several cities and around 13 million people in ten provinces were affected. The affected provinces contribute 9.3% of GDP and 8.5% of exports (Report on Turkic Economies 2023: Digital Trade and Investment, 2023). High government spending to reconstruct the devastated regions and to support the people who are affected by the earthquake shifted the growth drivers to fixed investments and government consumption. Construction and machinery-equipment investments, which increased after the earthquake also supported the growth in the last quarter of 2023 (Gürler et al., 2024). Turkish economy reached a 4.5% growth as a result, outperforming the expectations.



GDP (current US\$) – Türkiye

Source: GDP (current US\$)—Türkiye. (n.d.). The World Bank Open Data. Retrieved May 16, 2024, from <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=TR>



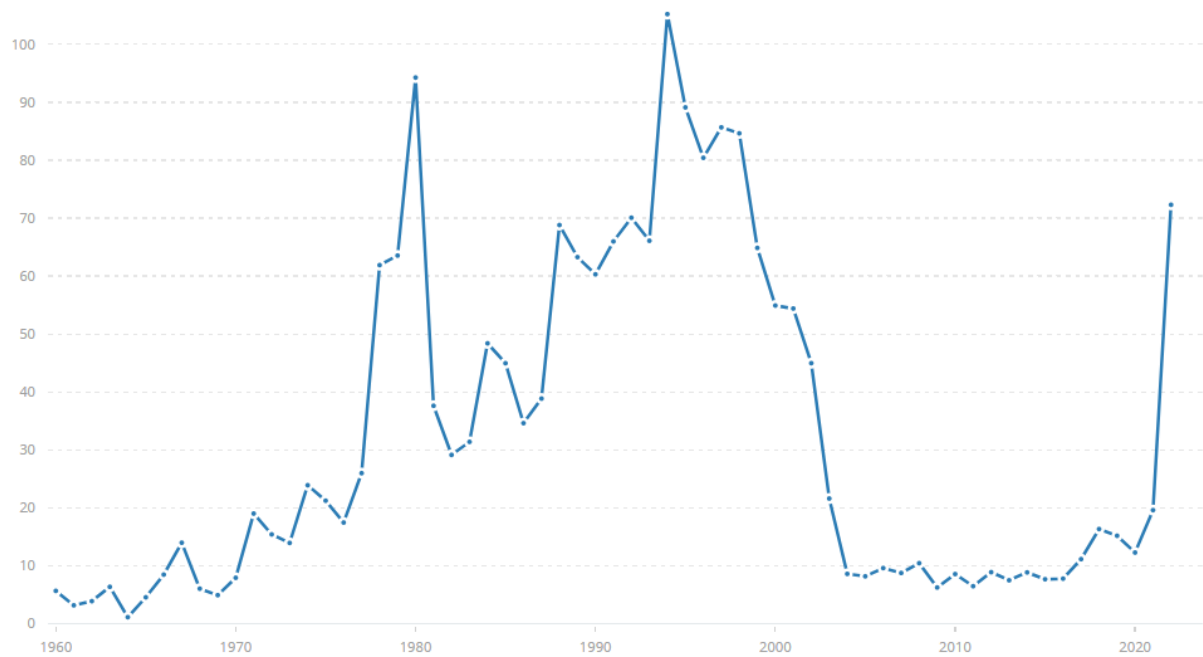
GDP growth (annual %) – Türkiye

Source: GDP growth (annual %)—Türkiye. (n.d.). The World Bank Open Data. Retrieved May 16, 2024, from <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=TR>

In 2022, 6% of total employment was in construction, 15.8% was in agriculture, 21.7% was in industry and 56.5% was in services sector (Labour Force Statistics, 2022, 2023). Services sector due to its ability to create an inflow of foreign currency, employment, and its added value, is an important part of Turkish economy. Service exports had a value of \$14 billion in 2002 and reached to \$67.2 billion 2019 but had a sharp reduction 43.1% in 2020 due to Covid but managed to recover swiftly after the pandemic and in 2021 reached to \$61.4 billion (Hizmet Ticaret İstatistikleri, 2023). When analysed in a sectoral point of view in 2022 Tourism sector took the first place with its \$41.4 billion value and its 47.5% share in service exports followed logistics sector with its 46.3% share (Hizmet Ticaret İstatistikleri, 2023). It is important to note that services sector covers a huge proportion of Turkish economy, and it is responsible for the employment of more than half of the total employment.

In 2021, Türkiye exported around \$225 billion and imported around \$271 billion (*Trade Summary for Turkey 2021*, n.d.). Germany and United States took the first and second as the country's top export and import partners with the share of 8.57% and 6.54% while China and Russia took the first and second place for Türkiye's import countries with the share of 11.88% and 10.67%.

Over the last years Turkish economy has been going through difficult times. Several reasons can be given both domestically and internationally. Domestically speaking, political turmoil within the country, questionable economic decisions by the government, high inflation and unemployment rates can be given as examples. Internationally, recent Covid Pandemic, Russian Invasion of Ukraine and tensions in the Middle East can be given as example.



Inflation, consumer prices (annual %) – Türkiye

Source: Inflation, consumer prices (annual %)—Türkiye. (n.d.). The World Bank Open Data. Retrieved May 16, 2024, from <https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=TR>

Recent high inflation rates in the country are putting a burden on the consumers and businesses as prices constantly change. A single person's monthly cost of living in Ankara was calculated as 21,189 Turkish Liras in February 2024 (*TÜRK-İŞ Şubat 2024 Açlık ve Yoksulluk Sınırı*, 2024) while the minimum wage is net 17,002.12 Turkish Liras. In 2022, the people who are receiving wages that are under the minimum wage are measured as 33.8% while people who earn 5% above or below the minimum wage measured as 37.5% (Çelik et al., 2023). The data shows that minimum wage has been standardized as considerable amount of people are working with minimum wage and can be said that it doesn't cover the cost of living. The minimum is being adjusted by the Turkish Government every six to twelve months however it doesn't compensate the inflation rate. High policy rate set by the Turkish Central Bank also making the borrowing difficult for businesses especially for the SME's as of March 2024 the policy rate of the central bank is 50%. Another point that is worth mentioning is the steady depreciation of the Turkish Lira. Depreciation of the Lira is tied to economic situation in Türkiye and in the world as well as to Government's monetary policy. Government planned to use the depreciated Turkish Lira to increase its exports and attract more investments. However, Türkiye's gap between its exports and imports are only widening despite the weakened Lira and many businesses and industries that import materials for their businesses are experiencing losses because of the depreciation of the Turkish Lira.

2.3.3 Social

Türkiye prepares for the future with the program named “Türkiye Yüzyılı (Century of Türkiye)”. Sustainability, be everlasting, and self-sufficiency are the three targets set by the program on the sustainability side and the program contains projects and initiatives that are in line with the targets and can contribute to the mentioned goals. The program is very comprehensive when it comes to the sectors and social groups it touches. Various steps are taken on other sides and will be taken in the fields of economics, administration, culture and living standards of the people as well as the foreign affairs of the country. Some of these initiatives are:

- Youth centres which assist the young people to spend their free time and direct them to social, cultural, artistic, scientific, and sportif activities while contributing to their development and preventing them from obtaining harmful habits. There are currently 420 youth centres in Türkiye, and they are providing services to young people without discrimination and with free of charge.
- Digital transformation in education which aims to digitalize education process and guide the students by providing them with supporting materials such as digital schoolbooks, explanation videos about the classes that are covered in the schools, and practice materials. The program also aims to eliminate the inequality of opportunity among students and allow each student to improve their skills and weak subjects.
- Vocational education and vocational education centers aim to train the required workforce by the companies in a relatively short time of 27 weeks. Under this objective vocational education centers are opened around the country and 30% of the minimum wage paid by businesses to 9th, 10th and 11th grade students enrolled in Vocational Training Centers, and 50% of the minimum wage paid to 12th grade students are paid to businesses as government incentives.
- Digital transformation regarding the finance and administration sector is also among the initiatives set by the country. Türkiye’s digital transformation regarding previously mentioned topics date as far as 1999 with the establishment of the internet tax office which allows taxpayers to conduct their operations without going to the tax office. The operations are conducted faster and more accurately. Most recent development under this objective is electronic preparation of expenditure, cash payment and receivable documents which allows the citizens and businesses to acquire these documents electronically via banks or electronic banking and these documents can queried and viewed through electronic banking services distribution channels.

These are a few of the projects and initiatives under the umbrella of the program that are either already achieved or being further developed.

Turkish Foreign Policy in the Century of Türkiye aims to strengthen regional peace and security, expand the institutional basis of Türkiye’s foreign relations, promote economic

development and prosperity in the region and influence the transformation of the global system (National Foreign Policy in the “Century of Türkiye” a Synopsis, n.d.). To expand its institutional basis, Türkiye aims to strengthen its strategic relations and establish new ones, such as ongoing contributions to NATO and its contributions to The Organization of Turkic States to establish new ties with the Turkic World.

2.3.4 Technology

Technologically speaking, Türkiye is taking steps forward to improve in digitalisation. Digitalisation includes number of steps taken in different sectors such as in finance, government, health, education etc. In Türkiye, e-government system is the most widely used system by the citizens. E-government system allows the citizens to have access to documents that are necessary for certain activities or applications or to have access to public services via online. E-government program opened to access for the citizens in 2008 and according to 2021, people’s satisfaction ratio from the e-government portal is measured 95%. E-government portal is also planned to be integrated with its Azerbaijani counterpart in the upcoming years. President of the Presidency of the Republic of Türkiye Digital Transformation Office, Ali Taha Koç, stated that the integration studies and works will start in the field of education and these studies and works will continue in different areas in the future (Türkiye – Azerbaycan e-Devlet Sistemleri Entegrasyonu için İlk Adım Atıldı, 2022). President Koç also stated that the services will not be provided only to citizens but also to business world.

E-commerce is also another point that should be considered and analysed in order to have a background information about Kalaçlar’s expansion into Turkic states. Although Türkiye’s e-commerce sector has made a rapid move recently, it has not reached a sufficient level in increasing the share of e-commerce in the total retail sector (Aslan & Manavgat, 2021). Aslan & Manavgat (2021) provides further information on the topic by providing statistics on internet access and purchases made online in Türkiye. According to data provided by the authors, compared to 2009, households who had internet access increased from 38.1% to 90.7% in 2020, and among these people, the people who made an online purchase increased from 4.5% to 36.5%. Given the numbers, it can be said that there is a considerable potential for e-commerce in Türkiye and combined with incentives provided by Republic of Türkiye Ministry of Trade for international activities, it is a field worth investing for the companies.

2.3.5 Environmental

On the environmental and sustainability side, Türkiye provides “Green Transformation Certificate in Industry” to businesses that produce their goods and conduct their business with the cleanest techniques in terms of environment, energy and resource efficiency. This certificate is provided to companies to make them benefit from funds for the environmental investments and make them compete on equal terms in exports. The project is in line with European Union’s Industrial Emissions Directive with the aim of turning Türkiye where there

is clean production and become one of the green developing countries. In addition to this, sustainability steps are supported with further digitalisation in other sectors.

2.3.6 Legal

In Türkiye there are legal rules that must be obeyed by every company without any exception. Those are in accounting, finance, and worker and employer rights. Those are standard rules such as every employee is equal when it comes to legal perspective and there is an hour limit on how much an employee can work in a week. The accounting data that is required by the Republic of Türkiye Ministry of Treasury and Finance must be provided to the ministry and being constantly supervised. Product quality is supervised and determined by Turkish Standards Institution (TSI) and the standards put by this institution must be obliged by every business in the Türkiye defined by law. TSI was established on 16 October 1954 and accepted as member to International Organization for Standardization (ISO) in 1955 and International Electrotechnical Commission (IEC) in 1956. The relevant ministry of the institution is the Ministry of Industry and Technology. Kalaçlar's products all comply with TSI standards.

2.4 Historical Analysis

Turkic peoples and their history date back more 2000 years ago to Central and Eastern Asia. Their origins have been a topic of much discussion by various historians and academicians. The Encyclopedia Britannica defines the Turkic peoples as followed:

Turkic peoples, any of various peoples whose members speak languages belonging to the Turkic family within the Altaic language group. They are historically and linguistically connected with the Tujue, the name given by the Chinese to the nomadic people who in the 6th century CE founded an empire stretching from what is now Mongolia and the northern frontier of China to the Black Sea. (The Editors of Encyclopaedia Britannica, 2024).

The first political entity that is formed by coalition of various tribes including the Turkic tribes is Xiongnu (3rd century BC–1st century AD). Although origins and the composition of the confederation is debatable, the confederation included Turkic speaking element has often been asserted but never conclusively established (Golden, 1992). After the Xiongnu Empire, Turkic peoples established various states and empires throughout the history, on a geography stretching from East Asia to Europe. Some of the examples of the states and empires are Huns, Göktürks, Seljuk Empire, and Kazakh Khanate.

The Turkic people who moved to Middle East and Anatolia eventually established the Anatolian Seljuk State and later the Ottoman Empire and the Republic of Türkiye. Although some interactions occurred during the Ottoman Empire period most of the diplomatic relations and idea of unity of the Turkic people formed after the collapse of the Soviet Union as the Turkic States in Central Asia gained their independence from the Soviet Union. One of the interactions that occurred in the Ottoman Era is one with Kyrgyz people as Kyrgyz soldiers

helped the Ottomans to capture Iznik and were martyred during the battle (Akıncı & Aichurok, 2020). Later on, Ottoman Sultan Orhan Gazi orders the construction of the Kyrgyz Mausoleum in 1331 in memory of the martyred Kyrgyz soldiers.

Some of the most considerable interactions between Türkiye and the people from the Turkic states before the collapse of the Soviet Union occurred during the World War I and Turkish War of Independence. Rahmankulova (2015) states that in the 20th century cultural relations between the Ottomans and Central Asia developed due to the efforts of intelligence. Students from Turkistan came to Istanbul to study and several organizations were formed to support the students and their lives. There is information in the archive documents that during the World War I, under the guidance of Turkistan intellectuals, the people showed material and moral support to the Ottoman Turks (Rahmankulova, 2015). After World War I and the defeat of the Ottomans, the country got invaded by the Allied forces. Author states in his work and provides examples that Allied invasion got protested by the people of Turkistan and later people gathered money for the Turkish War of Independence and sent the money through Moscow to Türkiye as at that time relations between Türkiye and Russia recovered.

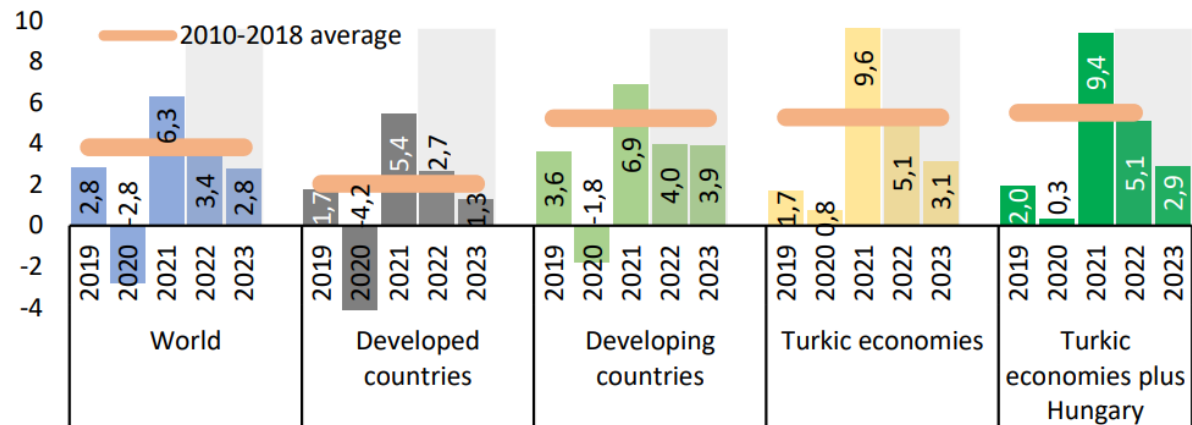
The reason examples are provided from this time period is that first, the time period is relatively close and second, both World War I and Turkish War of Independence have significant importance for the citizens of Türkiye as one results with an end of an empire and the other one results with the establishment of Republic of Türkiye. In both wars people and the country went through hardships in every aspect and these hardships are still remembered.

2.5 Trade analysis

2.5.1 World economy and current developments

Most Sustainable Development Goals are not satisfied or moving backwards in the year 2023 (The Sustainable Development Goals Report 2023: Special Edition, 2023). According to the data provided by World Bank Open Data (2023), it can be seen that the world economy grew slower before the outbreak with an annual GDP growth of 2.6%. This slow growth was tied to many factors such as the increase of protectionism, vulnerabilities in emerging markets and Brexit. With the emergence of the Covid-19 the world's real GDP growth reduced to -2.8% in 2020 (Report on Turkic Economies: Digital Trade and Investment 2023, 2023). Even though several years have passed since the pandemic and the efforts made to recover economies, the world economy is still pressured from mutually reinforcing shocks and interconnected crises, the most important one being Russian-Ukrainian war. The war caused chain reactions with food and energy prices that were already on the rise. These effects further complemented with persistent inflation, monetary tightening, geopolitical competition and its pressure on supply chains and mass migration along with climate crisis.

Figure I.1: Real GDP growth (percent change)



Source: IMF (2023a). World Economic Outlook database, April 2023 update.

Note: Shaded area indicates forecasts. Real GDP growth rates are computed as a weighted average, with the weights reflecting the relative importance of each country within the group's total GDP in PPP.

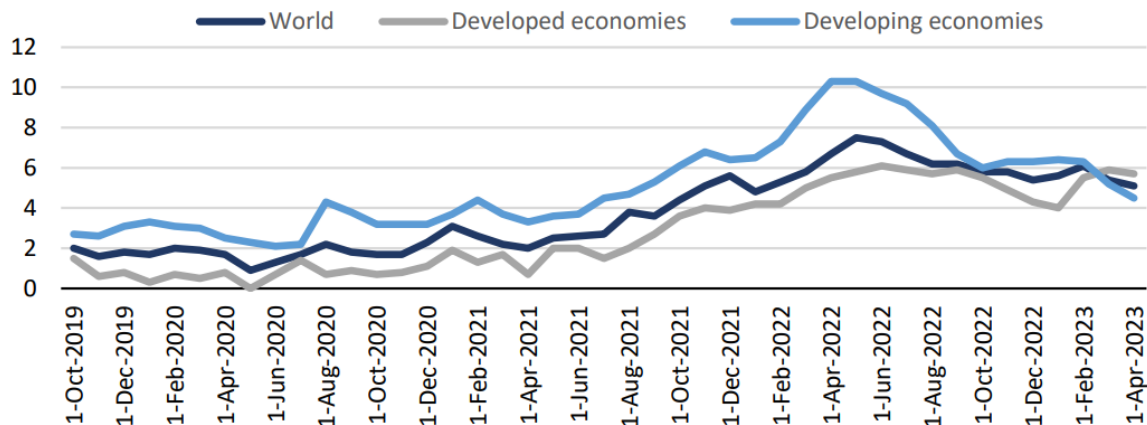
Real GDP growth (percent change)

Source: Report on Turkic Economies: Digital Trade and Investment 2023. (2023). Turkic Academy.
<https://turkicacademy.org/izdaniya/kniga/report-turkic-economies-digital-trade-and-investment-2023>

According to the data provided by Report on Turkic Economies 2023: Digital Trade and Investment (2023) which compiled the data from IMF, after the Covid-19 pandemic, the world economy has experienced a real GDP growth of 6.3% and the Turkic economies with Hungary excluded experienced a real GDP growth of 9.6 percent. However, this growth experienced in 2021 got quickly followed with a slower rate of 3.4% in the world economy and a 5.1% in the Turkic Economies with Hungary excluded. Global growth is projected to fall from an estimated 3.5% to 3% percent in 2023 and 2024 (World Economic Outlook Update Near-Term Resilience, Persistent Challenges, 2023). Global trade is also following similar path and doesn't meet the forecast set by the World Bank until 2025 (Global Economic prospects, January 2024).

Global headline consumer price inflation declined substantially in 2023 but remains above target in most inflation-targeting advanced economies and about half of inflation-targeting emerging market and developing economies (Global Economic Prospects, January 2024). Rise in food and energy prices contributed significantly to the inflation but even if these two inputs are removed it can be observed that prices are on the rise because of core inflation (Report on Turkic Economies: Digital Trade and Investment 2023, 2023)

Figure I.6: Core inflation (percent change)



Source: WB (2023).

Note: Core inflation is the change in prices of goods and services, except for those from the food and energy sectors.

Core Inflation (percent change)

Source: Report on Turkic Economies: Digital Trade and Investment 2023. (2023). Turkic Academy. <https://turkicacademy.org/izdaniya/kniga/report-turkic-economies-digital-trade-and-investment-2023>

Fluctuations that are caused by the recent events such as the conflict in the Middle East still remain although more stable. Production cuts by OPEC+ which were extended in November 2023, got compensated and mostly offset by strong output elsewhere such as Islamic Republic of Iran (Global Economic Prospects, January 2024).

Connecting to Compete 2023 Trade Logistics in an Uncertain Global Economy (2023) states that the recent supply chain crisis did not substantially change the pattern in the logistics performance index (LPI) scores in 2023 but deteriorations in the timeliness of components occurred. According to data provided by the report schedule reliability still remains relatively low around 40% and average delay for late arrivals is around seven days. This puts another layer of burden on global trade and makes it more costly and risky for the companies.

Monetary tightening along with the increase in protectionist policies further complemented to the reduction in global trade. Policy rate of a central bank is a rate that a central bank uses to implement its monetary policies and provides signals and information about its stance with its monetary policies in the future. An increase in policy rates would increase interest rates which results in an increase in cost of credit. This increase in cost of credit would make borrowing more costly and results in investments made by households and businesses. Report on Turkic Economies 2023: Digital Trade and Investment (2023) compiled data from BIS and according to the data provided by BIS, major world economies have increased their policy rates with main exceptions being China, Japan, and Türkiye.

2.5.2 Turkic economies and their macroeconomic structure

As the data provided by the Report on Turkic Economies 2023: Digital Trade and Investment (2023), given the economic context, Turkic economies had a steady growth and showed resilience. According to calculations based on the World Bank's GDP in constant 2015 prices data, the economic output of OTS economies has become 1.8 times higher in 2022 compared to 2010 and their share in the global GDP has increased to 2.8% in 2022 from 2.2% in 2010 (Report on Turkic Economies 2023: Digital Trade and Investment, 2023).

OTS member states have showed a remarkable growth recovery after Covid-19 pandemic as the average real GDP growth rate increased to 9.6% in 2021 from 0.8% in 2020, above average of 2010-2018 rate (Report on Turkic Economies 2023: Digital Trade and Investment, 2023). However, recent developments in the world after the pandemic affected the growth rates of OTS members and deceleration can be seen as the real GDP growth rate fell to 5.1% in the year 2022.

Report on Turkic Economies 2023: Digital Trade and Investment (2023) states that, in terms of economic development, it is worth mentioning that OTS economies display heterogeneous structure. These difference in economic developments is tied to different reasons such as geolocation of these countries, difference in institutions, reforms made, private sector activities and the performance of central banks. An example of this difference in development and variations can be seen in the GDP and GDP per capita values. In 2022, Türkiye took the first position in total GDP while it took the third position when it comes to the GDP per capita. Hungary took the first position in GDP per capita while Kazakhstan took the second. Nevertheless, a trend towards catching with EU-27 averages can be seen at the table from Report on Turkic Economies 2023: Digital Trade and Investment, provided below.

Table I.2: GDP and GDP per capita levels

	GDP at current prices (billion \$US)		GDP per capita (\$US)		Real GDP per capita, PPP, constant int. \$, as a percent of the EU-27 average	
	2021	2022	2021	2022	2000	2022
Azerbaijan	54.8	78.7	5408	7737	12%	32%
Kazakhstan	197.1	220.6	10374	11244	29%	56%
Kyrgyzstan	8.7	10.9	1306	1607	9%	11%
Türkiye	819.0	906.0	9661	10616	43%	72%
Uzbekistan	69.6	80.4	1993	2255	9%	18%
Hungary	182.3	178.8	18772	18463	56%	77%
TRNC	3.4	3.0	11129
Turkmenistan	64.4	78.0	7585	8665	13%	35%
OTS average	1399.3	1556.5	8138	8941	24%	53%

Source: World Bank, World Development Indicators; IMF (2023a). World Economic Outlook database, April 2023 update; Central Bank of the TRNC.

Note: Real GDP per capita values use the European Union's average GDP per capita as a basis of comparison at 100. The GDP per capita average of OTS economies is computed by dividing the total GDP of OTS economies by their entire population. The 2022 GDP value for TRNC is estimated.

GDP and GDP per capita levels

Source: *Report on Turkic Economies: Digital Trade and Investment 2023*. (2023). Turkic Academy.
<https://turkicacademy.org/izdaniya/kniga/report-turkic-economies-digital-trade-and-investment-2023>

Given the heterogeneity of the economic development levels of OTS countries combined with their different economic structures, it is necessary to provide information for each member state about their economic structure and reforms. Following section will provide information regarding the economic structure of these countries and their reform plans to further diversify their economies in order to integrate more with world and Turkic economies along with their trade relations with Republic of Türkiye.

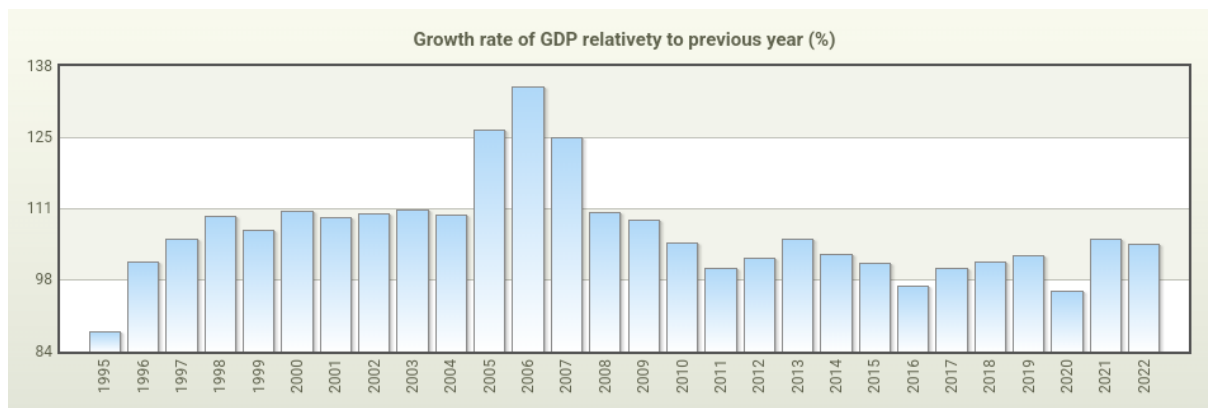
2.5.3 Republic of Azerbaijan

The Republic of Azerbaijan faced various economic, political, and social problems after gaining their independence with the collapse of Soviet Union. Wars that followed with influx of refugees that numbered around one million along with deteriorating relations with other Soviet Republics and its neighbour Armenia put a considerable amount of burden on Azerbaijan and its economy. After stabilization of the country, reforms were implemented to restore political stability and transition to market economy to establish and repair economic relations with other countries.

In order to transition into a market economy land reforms on large were made and state properties were privatized (Gasimli et al., 2023). These developments led to the formation of small and medium-size enterprises in the country that strengthen its steps towards market-based economy and laid a foundation for future developments.

In the early 21st century, Azerbaijan entered an era of software-based development (Gasimli et al., 2023). Portion of oil revenues were invested in the country's economy to boost the development of construction, services, public administration, defence, and social security sectors. However, all of these developments happened because of Azerbaijan's strong hydrocarbon industry and foundations. While Azerbaijan has integrated well into global energy markets, the same cannot be said for non-energy (Gasimli et al., 2023). International Energy Agency (IEA)(2021) states that oil and natural gas bring in around 90% of Azerbaijan's export revenues, and they finance around 60% of the government budget. Same report also mentions that oil and natural gas also supply 98% of primary energy and more than 90% of the country's electricity. Oil and, more recently, gas have been largely responsible for the remarkable rise in living standards in Azerbaijan since the late 1990s (IEA, 2021).

Heavy reliance on the oil and natural gas revenues is one of the reasons of the fluctuations in the Azerbaijan's economy as it can be reduction in oil prices often lead to a reduction of growth of GDP. Fluctuations between 2014-2016 caused serious damages to the growth of the economy including the exchange rate of the Azerbaijani manat against the US dollar which went through nearly twofold depreciation (Gasimli et al., 2023).



Growth rate of GDP relatively to previous year (%)

Source: Growth rate of GDP relatively to previous year (%). (n.d.). : The State Statistical Committee of the Republic of Azerbaijan. Retrieved August 5, 2024, from https://azstat.gov.az/statHtml/statHtml.do?orgId=994&tblId=DT_BA_006&vw_cd=MT_ATITLE&list_id=&sc

Crude Oil WTI



source: tradingeconomics.com

Crude Oil WTI (USD/Bbl)

Source: Crude Oil. (n.d.). Trading Economics. Retrieved August 5, 2024, from <https://tradingeconomics.com/commodity/crude-oil>

After the Covid-19 pandemic, Azerbaijan took steps to revitalize and reform its economy. Approval of the document named “Azerbaijan 2030: National Priorities for Socio-Economic Development” on February 2, 2021, can be considered a significant step for Azerbaijan’s economy. The document specifies five national priorities to be pursued in the new strategic stage which is defined from 2021 to 2030. The five national priorities to be followed are:

1. A steadily growing, competitive economy
2. A dynamic, inclusive society based on social justice
3. Areas of modern innovations and competitive human capital
4. The great return to the territories liberated from occupation
5. A clean environment and country of “green growth”

Economic growth is seen as one of the main factors affecting the life of the citizens of Azerbaijan. High level of income per capita is planned to be achieved via sustainable economic growth and creation of high-income jobs. The document acknowledges the need of diversification of Azerbaijani economy and reduction of its dependence on the oil sector. In order to achieve this, it is planned to strengthen the private sector. To make the small-medium-sized businesses to operate more efficiently, it is decided to create a business environment which accommodates transparent judicial system that prevents unfair

competition and tax and customs policies that stimulate entrepreneurial activity. The document also specifies the importance of the attraction of direct, foreign investment into the country especially in the infrastructural sector. Tied to the creation of a business environment, it is aimed to create an environment that protects national interest and ensures the enabling of an environment that allows competition with foreign investors.

Under these guidelines, Azerbaijan also increased its strategic currency reserves. In 2021, Azerbaijan increased its strategic currency reserves to \$53 billion, surpassing pre-pandemic and pre-war levels (Gasimli et al., 2023). The country aims to reduce its vulnerabilities from the external influences and revitalize the liberated territories along with making them contributing part of the Azerbaijan's economy with an increase in its strategic currency reserves.

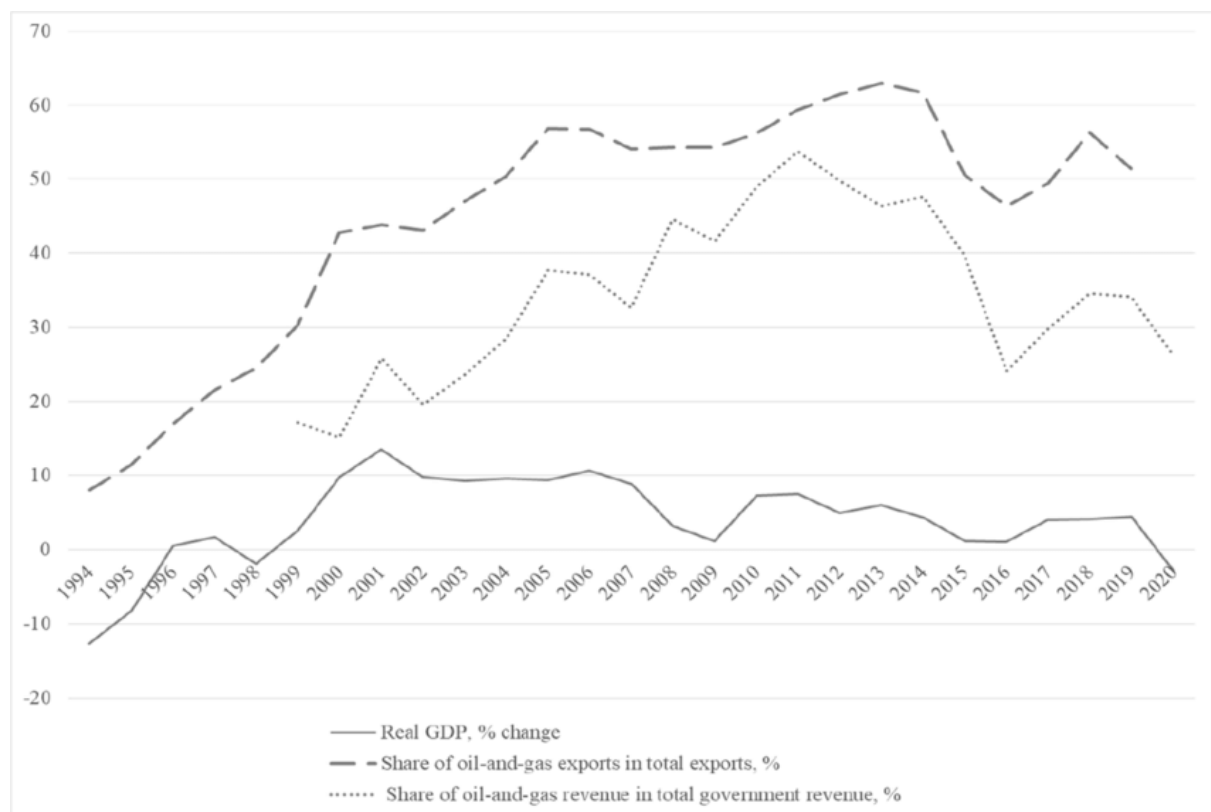
Regarding the trade between Azerbaijan and Türkiye, according to data provided by Republic of Türkiye Ministry of Trade in their Azerbaijan Presentation that is prepared by the trade consultants in 2021, Azerbaijan had a total export of \$22.2 billion and a total of \$11.7 billion worth of import. Top three export destinations were Italy with 41.6%, Türkiye with 12.7% and Russia with 4.2%. Top three import countries were Russia with 17.7%, Türkiye with 15.8% and China with 14%. Türkiye mainly exported medicines and pharmaceutical products with \$65.3 million of worth followed by \$38.1 million of cleaning products and \$37.4 million metal construction products while Azerbaijan mainly exported natural gas and petroleum-based products to Türkiye.

There are several trade agreements between Türkiye and Azerbaijan along with incentives provided to companies that satisfy certain conditions. Examples that can be given to the trade agreements between these countries are Agreement for the Avoidance of Double Taxation and Preferential Trade Agreement Between the Government of the Republic of Türkiye and the Government of the Republic of Azerbaijan. Incentives are provided to companies that are in possession of investment incentive certificate and those incentives include 50% exemption from the corporate tax, property tax exemption, VAT and tariff exemption for the machine and equipment that are imported to the country for seven years. Same exemptions also provided to companies that are located in the Industry and Technology Park in Türkiye, except for these companies there is full corporate tax exemption. Azerbaijan also established the Alat Free Economic Zone (AFEZ), which carries the privileges of an autonomous organization that is independent from any state organizations including the parliaments. AFEZ offers many advantages to companies such as VAT exemption, exemption from customs duties, no taxation for the employees as long as their personal income does not surpass 8000 manat along with the immunity of investors' property from nationalization and any restrictions on private ownership.

2.5.4 Republic of Kazakhstan

Kazakhstan proclaimed its state sovereignty on 16 December 1991 and similar to other Turkic states chose to follow a path of market model economy. In 2022, Kazakhstan had a GDP of \$225.3 billion and the GDP is projected to grow 4.5% in 2023 (World Bank Open Data, n.d.).

Similar to Azerbaijan, Kazakhstan's economy is also reliant on hydrocarbon industry but not as much as Azerbaijan's economy. In the year of 2020, oil and gas exports formed around 50% of the country's total exports (Atakhanova, 2021). In 2022, oil and gas accounted for 60% of goods and export and 40% of government tax revenues (Report on Turkic Economies 2023: Digital Trade and Investment, 2023). In 2018, in order to diversify its economy and achieve sustainable economic growth with the aim of improve living standards, the Republic of Kazakhstan Strategic Development Plan 2025 got approved.



Kazakhstan's GDP, oil-and-gas share in exports, and government revenue.

Source: Kazakhstan's oil boom, diversification strategies, and the service sector - Scientific Figure on ResearchGate. Available from: https://www.researchgate.net/figure/Kazakhstans-GDP-oil-and-gas-share-in-exports-and-government-revenue_fig1_352571236 [accessed 21 Mar, 2024]

Services and manufacturing sectors form the other part of the Kazakhstan's economy. Services sector accounted for 52.6% of the GDP and 66% of the total employment while manufacturing sector accounted for 13% of the GDP in 2022 (World Bank Open Data, n.d.).

In 2012, Kazakhstan's leadership agreed on a strategy named "Kazakhstan-2050 Strategy" to create a welfare society based on a strong state, a developed economy with universal labour opportunities, as well as to enter the top 30 most developed countries in the world. In order to achieve these goals, "Kazakhstan-2050 Strategy" provides the implementation of seven long-term priorities. These priorities are:

1. Economic policy of the new course – all around economic pragmatism based on the principles of profitability, return on investment and competitiveness.
2. Comprehensive support of entrepreneurship – leading force in the national economy.
3. New principles of social policy – social guarantees and personal responsibility.
4. Knowledge and professional skills are key landmarks of the modern education, training and retraining system.
5. Further strengthening of the statehood and development of the Kazakhstan democracy.
6. Consistent and predictable foreign policy is promotion of national interests and strengthening of regional and global security.
7. New Kazakhstan patriotism is basis for success of our multiethnic and multi-confessional society.

Under these priorities, Kazakhstan aims to reform its economic structure and create an economic environment for the sustainable growth of the country's economy. In his vision for the major directions of the Strategy Kazakhstan 2050 the president of Kazakhstan, N. Nazarbayev, in 2012, mentions about finding and defining new markets where Kazakhstan can participate as an equal business partner, creating a favourable investment climate, exploiting the benefits of international division of labour to attract foreign specialists to Kazakhstan to work.

Nazarbayev further mentions the simplification and minimization of tax reporting for the policy liberalization of the tax administration and on systemizing customs administration. It is planned to move into electronic online reporting for tax payments in the next five years and introduction of the practice of tax credits starting from 2020 to stimulate investment activities.

As mentioned before, Kazakhstan's economy is reliant on fuel and gas exports. Fluctuations on the price of these commodities directly affect Kazakhstan's economy. Nevertheless, as mentioned in the Decree of the President of Kazakhstan in 2012, Kazakhstan aims to further develop their oil, gas, and mineral industry to finance the development of other sectors. The reasoning behind this is that Kazakh government is aware of the potential that these resources offer to the country. They plan to excavate these resources and make a stock in order to prepare for the rainy days in the future and to mitigate the effects of fluctuations of the prices of these goods in the market.

Kazakhstan's main trading partners are Russia, China, and Italy. In 2021, Russia had a share of 23,9%, China 17,9% and Italy 9.5% in Kazakhstan's trade. For 2023 Russia and China's share dropped to 20% and 17.4% while Italy's share increasing to 12.1% (Foreign Trade Turnover of the Republic of Kazakhstan (January-August 2023), 2023). Türkiye had a share of 4,9% in 2023, an increase compared to 4% in 2021. This increase can be tied to deepening trade relations with Uzbekistan and Türkiye and resulted in the increase of the share OTS in Kazakhstan's trade turnover to 9.2% in 2021 from 4.9% in 2010 (Gasimli et al., 2023). Data provided by Republic of Türkiye Ministry of Trade in their Kazakhstan Presentation shows that Türkiye and Uzbekistan took the sixth and seventh position in Kazakhstan's exports in the first three months of 2023 and fifth and seventh in 2022. When it comes to the imports, Türkiye took the position of fifth in the year 2022 and the position sixth in the first three months of 2023. Türkiye mainly imported pharmaceutical products such as drugs followed by rugs and cotton-based clothes to Kazakhstan while Kazakhstan mainly exported petroleum and refined copper alloy along with raw zinc. Between 2018 and 2022, Turkish firms mainly invested in accommodation, transportation, food services, storage, and real estate.

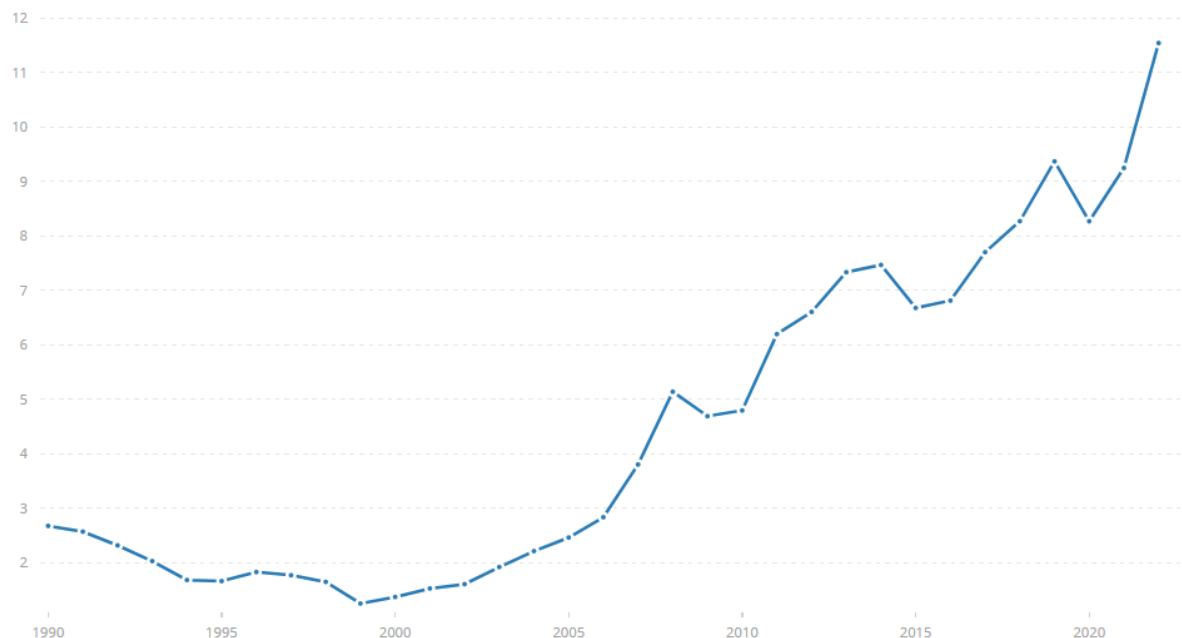
In the presentation, consultants state that Kazakhstan's location in the Central Asia serves as a great strength to country as it offers a considerable potential when it comes to the logistics. Over the last 5 years Kazakhstan invested around 35 billion dollars for the development of transportation structure (Satubaldina, 2022). President of Kazakhstan also stated in his decree in 2012 that country should invest more in the development of its transportation infrastructure and create joint ventures in the region and throughout the world by building ports and logistics hubs etc. Kazakhstan's investment in the construction of logistics hub in Xi'an, China as part of the China's Belt and Road Initiative can be given as example.

Some of the agreements concerning the trade between Türkiye and Kazakhstan are Trade and Economic Technical Cooperation Agreement, Agreement on Mutual Promotion and Protection of Investments, Double Taxation Avoidance Agreement, Long-Term Trade and Economic Cooperation Agreement, Memorandum of Understanding on the Establishment of a Joint Customs Committee between the Ministry of Customs and Trade of the Republic of Türkiye and the Ministry of Finance of the Republic of Kazakhstan.

2.5.5 Kyrgyz Republic

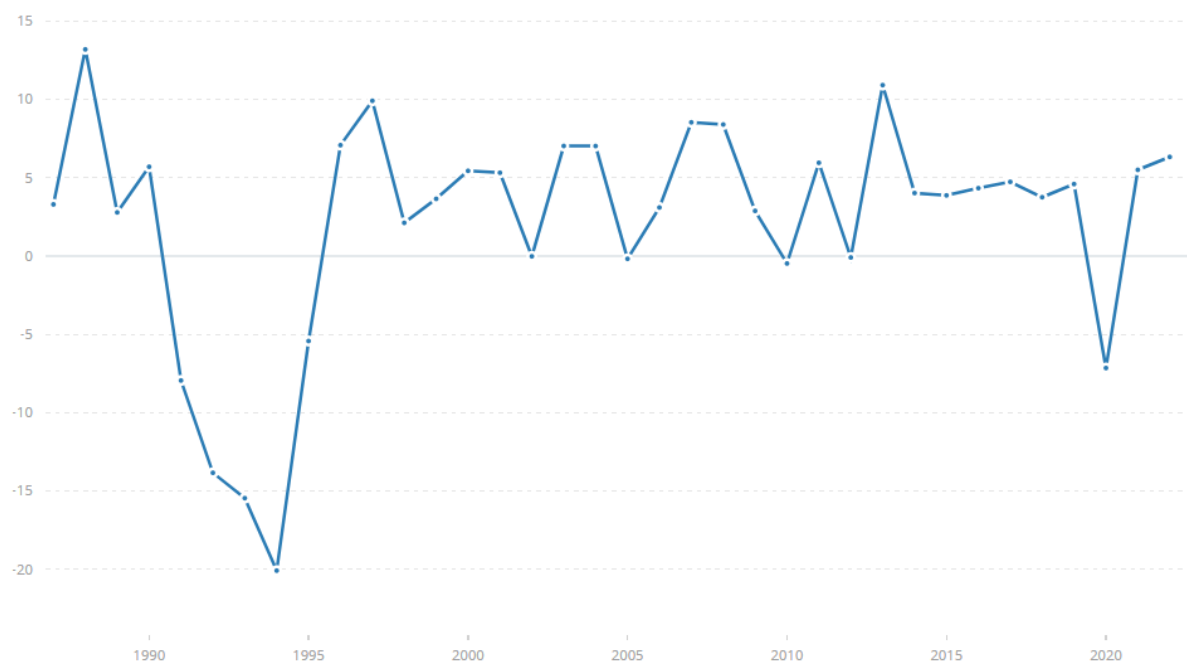
On 31 August 1991 Kyrgyzstan declared its independence from the USSR. Similar to other member states the country has experienced economic, social and political difficulties. The country's GDP and GDP has experienced a sharp decline, and it took couple of years to reach a possible growth rate. Positive growth rate in GDP was only managed to be achieved in 1996 and the country managed to reach back to its pre-independence GDP only in 2005. Nevertheless, the country is on track with increasing its GDP steadily and even though fluctuations occur in the growth rate, only serious negative values was recorded in 2020 and

it can be tied to pandemic and dominance of services sector on the Kyrgyz Economy. According to data provided by Statista in 2022 services sector had a share of 52.42% in Kyrgyzstan's GDP.



Kyrgyzstan GDP (current US\$)

Source: GDP (current US\$) Kyrgyz Republic. (n.d.). The World Bank Open Data. Retrieved May 19, 2024, from <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=KG>



Kyrgyzstan GDP growth rate in percentage.

Source: GDP growth (annual %)—Kyrgyz Republic. (n.d.). The World Bank Open Data. Retrieved May 19, 2024, from <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=KG>

According to consultancy presentation made by Bishkek Trade Consultancy for the Republic of Türkiye Ministry of Trade in 2023, consultant Hüseyin Koç and local expert Aygül Sayrakunova state that mining, textile, hydro energy along with tourism compose the important economic sectors of Kyrgyzstan. Country mainly exports petroleum, precious metals, and cotton.

Kyrgyzstan aims to develop and reform its social and economic structure along with its foreign policies under the National Development Strategy of the Kyrgyz Republic for 2018-2040 program. The program touches several topics and establishes a vision for each topic. Some of these topics are social development such as healthcare and quality system of education and science, language policy, improvement of investment climate and favourable investment environment. According to the report, economic development of the country will provide an opportunity to stabilize the fluctuations between urban and rural when it comes to standard of living. Employment and stable incomes are aimed to be achieved by the creation of small and medium-sized businesses. A high-quality production infrastructure is planned to be formed because of its necessity for balanced and diversified economic development and inclusiveness is perceived as the key feature of the economic growth. Importance of the digital transformation of the country is also mentioned in the program and Kyrgyzstan plans to achieve it with another program with the name of “Taza Koom”. Taza Koom is the National Digital Transformation Program of Kyrgyzstan which aims to achieve an open, transparent, and high-tech society in all levels of the country and its foreign relations. Public administration system is planned to be digitalized to increase efficiency and reduce corruption by minimizing human factor through automation of the administrative process. High technology and human capital are seen as a way to achieve the creation of new products and services that provide high added value and are in demand outside the country. Taza Koom is planned to accelerate the transition to digital economy which will create a state that is flexible and mobile that can quickly respond to modern challenges.

Consultancy presentation made by Bishkek Trade Consultancy for the Republic of Türkiye Ministry of Trade in 2023 shows that, according to data collected from the National Statistical Committee of the Kyrgyz Republic, in 2022, Kyrgyzstan imported good mainly from China and Russia as China takes the first position with its 42,3% share and Russia takes the second place with its 23.6% share. Third and fourth place is taken by Kazakhstan with its 7.8% share and Türkiye with its 5.1% share. Kyrgyzstan mainly imported machines and kiers from China while importing petroleum, iron, and steel from Russia. Imports from Türkiye include crochet, ready wear textiles, machines and kiers along with shoes, iron, steel, and medicines.

When it comes to the exports of Kyrgyzstan, the country exported most to Russia with a share of 44.1%, Kazakhstan with share of 20%, Uzbekistan with share of 10.8% and

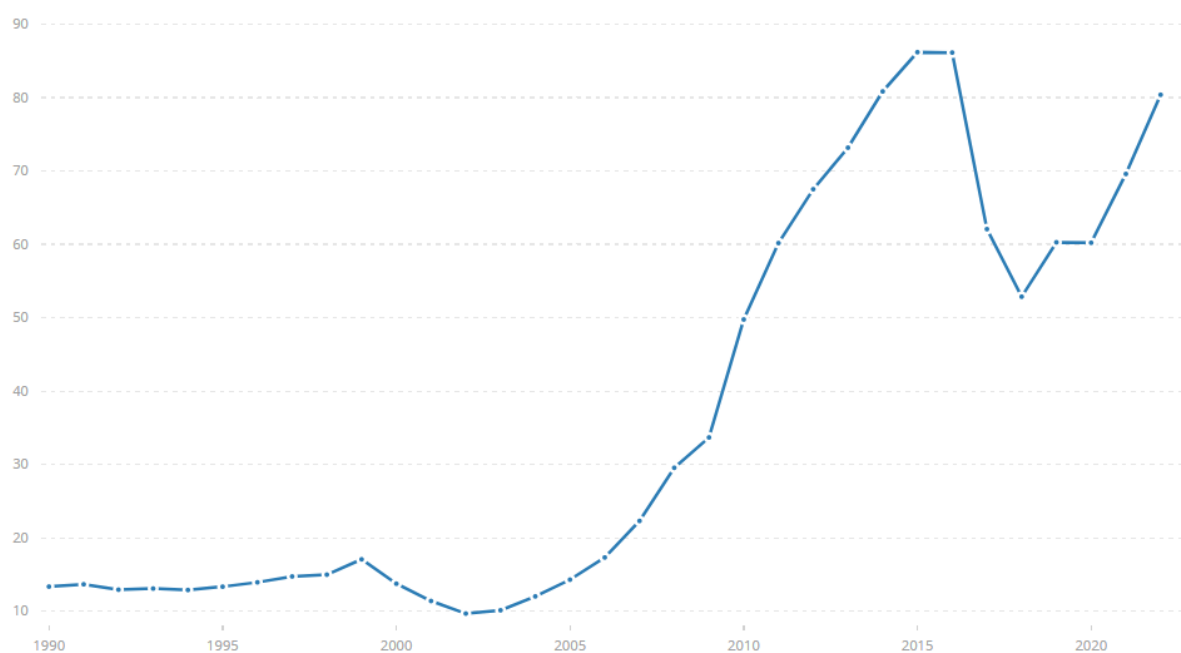
Türkiye with share of 6.4%. The country mainly exported cotton products, copper founding and scraps to Russia and exported precious metal ore and plastic products to China. Kyrgyzstan exported petroleum, cotton, and raw hide to Türkiye.

The presentation of the consultants highlights several sectors that offers potential. Some of these sectors are agricultural and industrial machines, construction materials, and insulation, refrigeration, and ventilation systems. Kyrgyzstan's membership to Eurasian Economic Union (EEU or EAEU) provides many opportunities for the country and investors as it provides access not only to Kyrgyz market but also to Russian and Chinese markets. Cultural and historical closeness to Türkiye along with the view on Turkish products as alternatives to cheap Chinese products and high quality and expensive European products provides many opportunities to Turkish investors.

Some of the agreements between Türkiye and Kyrgyzstan are Double Taxation Avoidance Agreement, Agreement on Mutual Promotion and Protection of Investments , Memorandum of Understanding on the Establishment of a Joint Customs Council between the Government of the Republic of Turkey and the Government of the Kyrgyz Republic and Joint Economic Commission 9th Term Protocol which covers wide range of topics and proposes action plans for collaboration and strengthening the relations between the two countries.

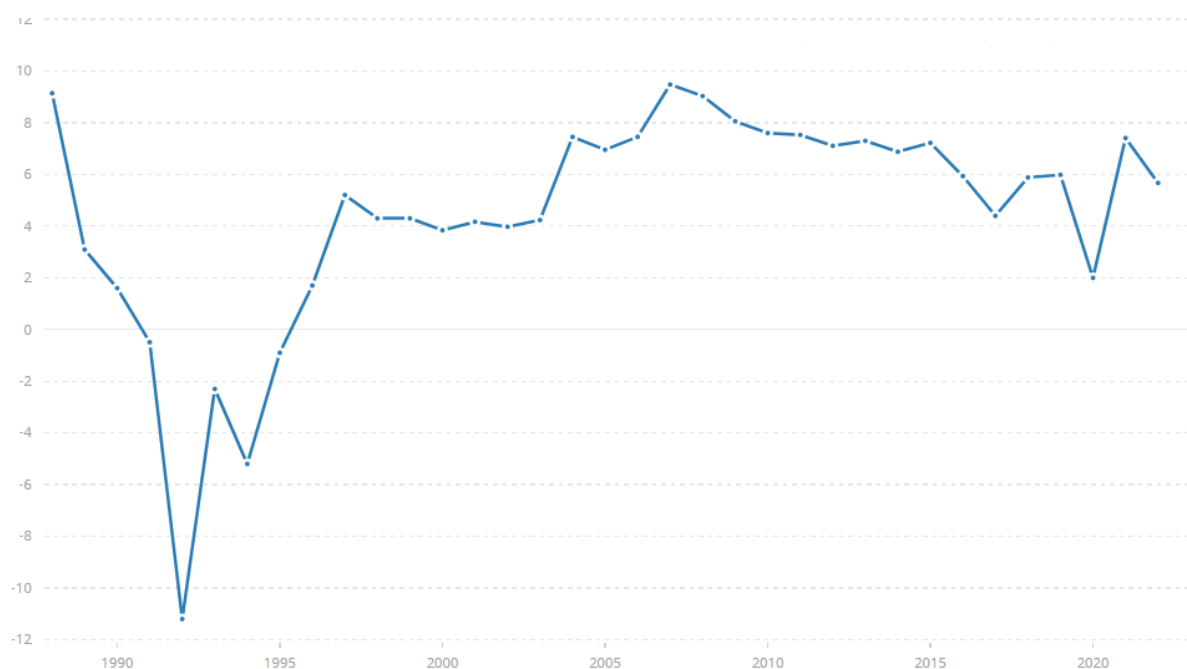
2.5.6 Republic of Uzbekistan

On 31 August 1991, Uzbekistan declared its independence from the Soviet Union. The country experienced negative GDP growth rate for years and managed to reach a positive growth rate in 1996. Despite the pandemic in 2020, the country experienced a growth of 2% and after the pandemic, in 2021 experienced a strong recovery with 7.4%. As can be seen, with the exception of 2017 and 2020, the GDP growth rate in Uzbekistan has always been higher than 5% and the slowdown in economic growth in 2017 is due to the initiated reforms to liberalize the economy which are mainly monetary policy and foreign trade activities (Gasimli et al., 2023). The reforms in 2017 were successful and resulted in with a GDP growth of 5.9% and 6% in the years of 2018 and 2019.



Uzbekistan GDP (current US\$)

Source: GDP (current US\$)—Uzbekistan. (n.d.). The World Bank Open Data. Retrieved May 19, 2024, from <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=UZ>



Uzbekistan GDP growth rate

Source: GDP growth (annual %) Uzbekistan. (n.d.). The World Bank Open Data. Retrieved May 19, 2024, from <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=UZ>

From 2010 to 2021, the structure of the country's economy has also changed significantly as compared to 2010, the share of industry in the GDP structure increased from 16.5% to 25.8%, construction from 4.8% to 6.2%, while the share of agriculture decreased from 26.9% to 25%, services from 39.9% to 35.7% (Gasimli et al., 2023).

The country went through several reform and development plans last completed one being the five-year development plan that took place between 2017 and 2021 which determined five priority areas that are; modernize the state governance, rule of law, economic development, improvement of social life and security, developing balanced and mutually beneficial with ethnic and religious tolerance based foreign policy practices (Özbekistan Genel Ekonomi Raporu 2022, 2022). In the economy area, liberalization and unification of the exchange rate, reduction of the import tariffs and improvement of the customs procedures, and the improvement of public and private sector partnership mechanisms are some of the important steps taken. After the implementation of the 2017-2021 plan, Uzbekistan initiated another five-year program in 2022 which will be completed in 2026 and plans to attract 120 billion dollars while 70 billion dollars being from foreign investors to the country (Özbekistan Genel Ekonomi Raporu 2022, 2022).

Aside from the five-year development plans, Uzbekistan also has a program named "Uzbekistan 2030 strategy". The program focuses on five points and those points are:

- Creating decent conditions for realizing the potential of every person
- Ensuring the welfare of the population through sustainable economic growth
- Conservation of water resources and environmental protection
- Ensuring the rule of law, organizing public administration oriented at service to the people
- Consistent continuation of the policy based on the principle of "A safe and peace-loving state"

According to the presentation prepared by the Development Strategy Center, the program covers a vast area such as education, science, health, welfare, employment etc. Under the guideline of "creating decent conditions for realizing the potential of every person", quality of the schools is planned to be increased and vocational training courses in all secondary educational institutions is planned. Youth enrolment rate in higher education is to be planned to reach 50%. The country aims to reduce the level of poverty two times in comparison to 2022 until 2026 and reduce it dramatically until 2030 (Tulyakov et al., 2023). Under the same objective it is also planned to provide vocational, entrepreneurial skills and foreign language training for 2 million citizens. Youth unemployment rate is planned to be reduced to 11% percent from 14% and 300 thousand young people are planned to be employed in the IT sector.

"Ensuring the welfare of the population through sustainable economic growth" part mainly focuses on the economic activities. It is aimed to increase the production necessary to

obtain highly profitable products such as copper by 3.5 times, gold by 1.5 times, and uranium by 3 times. \$100 billion foreign investments are planned to be attracted to the country with the utilization of \$250 billion investments. Export volume is aimed to be increased by two times, bringing it to \$45 billion, export volumes of finished and semi-finished products as part of exports by 3.3 times along with the creation of special economic zones together with 50 prestigious world brands. Tourism sector is also part of the program as there are also goals set to increase the foreign tourists and exports of tourism services.

Uzbekistan aims to further strengthen its foreign policy with the “consistent continuation of the policy based on the principle of “A safe and peace-loving state”” goal as good neighbourly relations is aimed to be developed with strategic partnerships. Development of cooperation with European countries, strengthening the legal foundations of multifaceted partnership and practical interaction is also among the goals of the country future foreign policy (Tulyakov et al., 2023).

Aside from the points mentioned, the country is also taking significant steps towards digitalization. The country is planning to improve its e-government system and make it accessible to all of its citizens as this system is more efficient both in time and resources as well in reducing corruption. As a result, as of January 2022, in Uzbekistan following the public administration reforms and digitalization of the sphere 56% public services provided through the portal of interactive public services (e-government portal) (Khakimov, 2022). By maintaining stable growth rates of it is planned to reach 4,000 US dollars GDP per capita and join the group of countries with “upper-middle income” by 2030 (Khakimov, 2022).

When it comes to the country’s exports and imports in 2022, country’s main trade partners are Russia, China, Kazakhstan, Türkiye, and South Korea (Özbekistan Genel Ekonomi Raporu 2022, 2022). The country’s main exports in 2022 are cotton yarn worth \$2.2 billion, transport sector worth \$1.7 billion, and food products with the worth of \$1.1 billion. Top five destinations for the country’s exports in 2022 were Russia with first place, China with second, Türkiye with third followed by Kazakhstan and Kyrgyzstan. Main imports of the country are cast iron worth of \$2.5 billion, special purpose machine and transportation equipment with the worth of \$2.1 billion, medical and pharmaceutical products worth \$1.6, and tourism sector under the services import worth of \$1.4 billion. Main import partners for the 2022 were in order are China, Russia, Kazakhstan, South Korea, and Türkiye.

Türkiye’s top five main exports to Uzbekistan in 2022 in order were boilers and machines, plastics and plastic products, electric machines and equipment, pharmaceutical products, and products used in dyeing (Türkiye-Özbekistan Dış Ticaret Raporu 2022, 2022). Although the position and volume wise last in the list, inorganic chemical exports to Uzbekistan from Türkiye are also worth mentioning as it has increased by 238% in 2022 compared to 2021. Top five imports of the Türkiye in 2022 from Uzbekistan are cotton and cotton yarn, copper and copper products, zinc and zinc products, plastics and plastic products, and precious and semiprecious gems (Türkiye-Özbekistan Dış Ticaret Raporu 2022, 2022). Taking the sixth

position in the list, metal ore, scoria and ash are also worth mentioning as it can be observed that it has increased by 7312% in 2022 compared to 2021.

Some of the agreement signed concerning the trade between Türkiye and Uzbekistan are Agreement on Mutual Administrative Assistance and Cooperation in Customs Matters, Trade and Economic Cooperation Agreement, Agreement on Mutual Promotion and Protection of Investments, Agreement for the Avoidance of Double Taxation.

2.5.7 Hungary, Turkish Republic of Northern Cyprus, and Turkmenistan

Observer states of the OTS consist of Hungary, Turkmenistan, and Turkish Republic of Northern Cyprus. Each has a different and unique country background when compared to other member states and compared to each other. Hungary's history as well as its economic and diplomatic relations are strongly tied to Europe because of its geolocation. Compared to other OTS countries, Hungary is more isolated from the other OTS countries in terms of geography. Turkmenistan on the other hand is closer to OTS countries when it comes to geography, but the country is more isolated from the world compared to others. Turkish Republic of Northern Cyprus is only recognised by Republic of Türkiye which makes it completely isolated from the world and heavily reliant Türkiye.

Starting with Hungary, the country had a GDP of \$177.34 billion in 2022 with an annual growth rate of 4.6%. According to presentation prepared by the Republic of Türkiye Budapest Trade Consultancy for the Republic of Türkiye Ministry of Trade, country's key economic sectors in 2021 were automotive, electric machinery, and pharmaceuticals products. €26 billion worth of production in automotive sector's 90% were exports and formed the 20% of Hungary's total exports in 2021 (Şengül, 2022). Electric machinery productions' 93% was for exports and pharmaceuticals were more than 80% were for export and the main destination for these exports was European Union.

Hungary main export destinations in 2021 in order are Germany, Italy, Romania, Slovakia, and Austria. Türkiye takes the 18th position in the list. Main import countries for the same year in order are Germany, China, Austria, Slovakia, and Poland. Türkiye takes the 22nd place in the list. Hungary mainly imported electric machinery and petroleum. Türkiye's top three exports to Hungary in 2021 consist of parts for motor land vehicles, bicycles and motorcycles, wares made with iron, steel, copper, nickel, and aluminium, and electric machinery and parts. Türkiye mainly imported parts for motor land vehicles, bicycles and motorcycles, electric machinery and parts, and Communication, voice recording and voice replay devices and tools from Hungary in 2021.

Considering the data provided, it can be seen that Hungary's trade ties are mainly with European Union countries and Türkiye lacks behind when it comes to trade. Nevertheless, there are certain mechanisms that Turkish companies and investors can use to trade with Hungary such as Hungarian Investment Promotion Agency (HIPA). HIPA supports the foreign investors with one-shop model and provides a wide range of services that are

free of charge along with incentives. Some of the incentives provided by HIPA are cash support (funded by EU funds and Hungarian Government), tax deduction, low interest loans, and support for starting business (Macaristan Yatırım Teşvikleri Hakkında, 2020). Turkish companies can use these incentives to increase their investments to Hungary. Aside from the incentives some of the most important trade agreements between Türkiye and Hungary are Economic Cooperation Agreement, and Agreement for the Avoidance of Double Taxation.

Turkish Republic of Northern Cyprus (TRNC) is only officially recognised by Republic of Türkiye. Country's GDP for 2022 was \$73.8 billion and from sectoral point of view biggest growth rate was recorded in tourism sector with a growth of 40.9% (KKTC Ülke Profili, 2023). In 2022 GDP composition trade and tourism sector had a share of 30.7%, agriculture sector had 6.6%, construction sector had 5.8%, and industry had 5.4% share. Tourism and education sectors are major sources of income. Only in certain branches of industry in the country production is available (KKTC Ülke Profili, 2023).

TRNC's exports are limited to the sanctions and its recognition in the world and therefore heavily relies on the trade with Türkiye. Country mainly exported citrus, halloumi, and scrap iron and steel in 2022 while imported mostly machinery and transportation tools, mineral fuels, and food and livestock. Countries that TRNC most exported its good in 2022 in order are Türkiye, United States of America, Republic of Cyprus, Iraq, and United Arab Emirates. TRNC imported most from Türkiye, China, Germany, England, and United States of America in 2022 in order.

Türkiye mainly exported Petroleum oils and bituminous oils derived from minerals, construction steel, and medicines to TRNC in 2022 while importing citrus fruits (fresh and dried), cheese, and iron.

The main purpose of TRNC investment policy is to accelerate economic development, increase competitiveness, mobilize potential resources, increase private enterprise to increase its effectiveness in the economy and to encourage foreign capital to invest in the country (KKTC Ülke Profili, 2023). To achieve the goals set country provides incentives to foreign investors who has incentive certificate such as investment allowances to the investments in the regions that require further development, customs duty and fund exemption for the machines and tools imported withing the scope of incentive certificate, and VAT exemption for the imported and domestic machine and tools within the scope of incentive certificate. Some of the trade agreements between Türkiye and TRNC are Trade and Economic Cooperation Agreement, T.R. Memorandum of Understanding on the Establishment of a Joint Customs Committee between the Ministry of Customs and Trade and the TRNC Ministry of Finance, and T.R. Memorandum of Understanding between the Ministry of Customs and Trade and the TRNC Ministry of Economy and Energy on the Development of Cooperation for Tradesmen and Craftsmen.

Turkmenistan had \$56.54 billion GDP in 2022 (World Bank Open Data, n.d.). The country is estimated to possess approximately 10 percent of the world's gas reserves,

ranking it as the fourth largest gas resource globally (Gasimli et al., 2023). Cotton and wheat cultivation play an important role in the country's economy as well as its mineral resources. In 2022, agriculture sector accounted for the 43.7% of the total employment in Turkmenistan (Hojanazarova, 2024). Industry became the main growth driver in 2023 as the industry expanded by 4.3% with gas production rising by 3% and expansion in industry also benefited from higher output of crude oil, oil products, chemicals, and electricity (Hojanazarova, 2024). Despite some increase in the private sector's share in certain segments of the economy, the public sector and state's role continue to dominate both the economy and the formal labour market in Turkmenistan (Gasimli et al., 2023). Foreign direct investment primarily focuses on the hydrocarbon sector (Gasimli et al., 2023).

Due to the lack of information and credibility of the information provided by Turkmenistan, information on its trade and partners are limited. Turkmenistan is also not the member of World Trade Organization. Petroleum and natural gas sector appear to be the main driver of economic growth and the country's main export. Most of the natural gas exports go to China (Turkmenistan- Country Commercial Guide, 2023). In 2022, Turkmenistan's largest import partners were Türkiye and EU, followed closely by Russia and the country's largest export partner after China is Türkiye (Turkmenistan- Country Commercial Guide, 2023).

Türkiye's main imports from Turkmenistan in 2020 were petroleum, textiles, and mineral and chemical fertilizers (Ticaret Müşavirlerimizle Elektronik Sohbet Toplantısı, 2020). Türkiye's main exports to Turkmenistan in 2020 consisted of wares made with iron, steel, copper, nickel, and aluminium, electric machinery and parts, and general machinery parts (Ticaret Müşavirlerimizle Elektronik Sohbet Toplantısı, 2020). Trade agreements between Türkiye and Turkmenistan consist of Agreement on Mutual Promotion and Protection of Investments, Double Taxation Avoidance Agreement, and Agreement on Trade and Economic Cooperation.

2.6 Political and cultural exchange

The political relations between Türkiye and the other Turkic states started mainly with the collapse of the Soviet Union. Collapse of the Soviet Union had vast geographical, political, and economical consequences throughout the world. With the collapse of the Soviet Union, the Turkic states that were part of the Union declared their independence and established their own nation states. Nevertheless, because of being part of the Soviet Union and previously Russian Empire for so long and because of the Russian influence on these countries for a long time, most of them experienced economic and political crises after declaring their independence. It is because of these fluctuations, these newly established states mainly focused on restoring economic and political stability and after that establishing themselves on the world stage. It can still be observed in some countries such as Azerbaijan, restoring their lost territories is among their top priorities.

Establishment of these new states provided new opportunities for trade and establishing new relations. Türkiye among many other countries seized this opportunity and established ties with these newly formed countries. However, because of their ethnic, cultural, historical ties, establishing relations with these countries had a different kind of importance for Türkiye as it was seen as a way to restore the relations with its kin. Turkish President of the time, Turgut Özal, tried to establish further relations with accordance to his foreign policy which aimed to improve its relations with its neighbours and with the world. Under this scope, Türkiye tried to establish relations with these countries to increase its influence and pose a role-model to them in terms of democracy and economy along with the attempts to reduce Russian and Iranian influence on these newly established countries (Eren, 2022). On November 9 November 1991, Türkiye became the first country in the world to recognize the Republic of Azerbaijan which declared its independence on 30 August 1991 and the diplomatic relations were established on 14 January 1992. Similar actions were taken with other Turkic states.

Türkiye steadily increased its relations with the Turkic states both economically, culturally, and politically throughout the years with multiple methods such as high-level visits, bilateral agreements, diplomatic exchanges, and the opening of embassies. The agreement between Republic of Türkiye and Republic of Kyrgyzstan named “Agreement on Eternal Friendship and Cooperation” which states that both sides will respect each other’s independence and sovereignty and will improve their cooperation can be provided as an example. Eventually, those bilateral agreements between Turkic states led to the establishment of an organization named “The Cooperation Council of Turkic Speaking States” or “Turkic Council” in short. On October 3, 2009, during the summit held in Nakhchivan, Türkiye, Azerbaijan, Kazakhstan, and Kyrgyzstan signed “the Nakhchivan Agreement” for the establishment of the Cooperation Council of Turkic Speaking States. The organization consists of the Council of Heads of States, the Council of Foreign Ministers, the Senior Official Committee, the Council of Elders and the Secretariat with headquarters in Istanbul. During the summit in 15-16 September 2010, the organization was officially established.

Member states of the Organization have adopted the purposes and principles of the United Nations Charter, as well as other universally recognized principles of international law. The basis of the cooperation consists of international norms regarding the maintenance of peace, security, and the development of good neighbourly relations. In the preface of the Nakhchivan Agreement member states confirmed their commitment to United Nations Charter and stated that the main purpose of the Organization is to deepen the cooperation among the Turkic States and to contribute to the regional and global peace and stability. Member states also have expressed their commitment to fundamental principles such as democracy, respect for the human rights, rule of law, and good governance. The main objectives and duties of the Organization set out in the Article 2 of the Nakhchivan Agreement are as follows:

- Strengthening mutual confidence, friendship, and good neighbourhood among the parties.
- Maintaining peace, strengthening security and confidence in the region and in the world as a whole.
- Search for common positions on foreign policy issues of mutual interest, including those in the framework of international organizations and at international fora.
- Coordination of actions to combat international terrorism and separatism, extremism, trafficking in human beings, drug trafficking, as well as the assistance to international policy on control over illicit traffic in narcotic drugs and psychotropic substances.
- Promotion of effective regional and bilateral cooperation in political, trade and economic law enforcement, environmental, cultural, scientific-technical, military-technical, educational, energy, transportation, credit and finance areas and other areas of common interest.
- Creation of favourable conditions for trade and investment, further simplification of customs and transit procedures aiming at facilitation of movement of goods, capital, services and technologies, and simplification of financial and banking operations.
- Aiming for the comprehensive and balanced economic growth, social and cultural development in the region through joint actions on the basis of equal partnership in order to steadily increase and improve the living conditions of the peoples of the Parties.
- Discussing the questions of ensuring rule of law and good governance and guarantying human rights and fundamental freedoms in accordance with generally recognized principles and norms of international law.
- Expansion of interaction in the field of science and technology, education, health, culture, sports, and tourism.
- Encouragement of interaction of the mass media and communication of the Parties in promoting, popularizing, and disseminating the great cultural historical heritage of the Turkic peoples.
- Discussing questions of exchange of legal information for the development of interaction and mutual legal assistance, and cooperation in various spheres of law.

After its establishment, the first summit meeting of the Turkic Council was held in Almaty, Kazakhstan on 20-21 October 2011 with the theme “Economic and Commercial Cooperation.” During the summit, participant states expressed their commitment about the further development of mutual benefits, relations and solidarity given the common historical, cultural, language and identity ties. The second summit that took place in Bishkek, Kyrgyzstan on 22-23 August 2012 under the topic of “Educational, Scientific and Cultural Cooperation”. The charter for the establishment of “The Turkic Culture and Heritage Foundation” was adopted during the summit. Kyrgyz side suggested to establishment of World Nomad Games as a mark of common history, tradition, language, and culture. Encouragements were also given to ministers of education of the countries for the

preparation of a common schoolbook for Turkic history. Further summits were made under different topics such as the third summit which focuses on transportation and the fourth one that focuses on tourism. Hungary joined the Turkic Council as an observer during the sixth summit. During the seventh summit with the theme of “Supporting SMEs” on 15 October 2019 in Baku, Uzbekistan joined the Turkic Council as a full member. At the eighth summit of the Turkic Council on 12 November 2021 in Istanbul, Türkiye, the name of the organization was changed to “Organization of Turkic States (OTS)” and Turkmenistan received observer status at the Organization. “The Turkic World Vision-2040”, which lays medium and long-term goals and task of the Organization, was accepted. Turkish Republic of Northern Cyprus joined the OTS as an observer at ninth summit.



Source: Jelican9. (2022). Organization of Turkic States (orthographic projection).
[https://commons.wikimedia.org/wiki/File:Organization_of_Turkic_States_\(orthographic_projection\).svg](https://commons.wikimedia.org/wiki/File:Organization_of_Turkic_States_(orthographic_projection).svg)

Member states are shown in green and observer states are shown in blue.

“The Turkic World Vision-2040”, is a set of goals set by OTS that are planned to be achieved by the year 2040. It aims to harness the existing cooperation to raise the political, economic, social, and cultural standards of the societies of the member states. It can already be seen that the already existing Turkic collaboration has been an added value for the member states. Increased presence of the Turkic states among OTS countries and joint projects such as TANAP, that transmits Azerbaijan’s natural gas to Georgia and Türkiye and from there to Europe. The project provides an added value to all participating countries along with Europe. The Turkic World Vision-2040 provides direction for individual and joint action by the member states. The vision sets directions for various sectors such as tourism, educational and cultural policies, political, economic cooperation. Tourism section mentions about creation of innovative tourism programs and projects to reveal the ancient and contemporary cultural heritage of the region. Tied to that, steps towards cultural exchange are also planned in the vision via organization of annual film festivals, music, and art events along with the promotion of common Turkic heritage of the greatest scientists, poets, and artists etc.

The Turkic World Vision-2040 sets direction in various fields and sectors and OTS is active on all parts of activities of the member states, whether it is political, economic, or cultural. Given the size of the organization and its vast operation field, other supporting institutions were formed in order to solve the problems more efficiently and provide better assistance and guidance in the relevant field. These related or affiliated institutions are:

- Turkic Academy
- Turkic Culture and Heritage Foundation
- The Turkic Investment Fund (TIF)
- Turkic Chamber of Commerce and Industry (TCCI)
- TURKPA (the Parliamentary Assembly of the Turkic Speaking Countries)
- TURKSOY (International Organization of Turkic Culture)

The Turkic Academy facilitates and encourages scientific and educational cooperation among Turkic countries and communities. The Turkic Academy was inaugurated on 25 May 2010 in Astana under the auspices of the Ministry of Education and Science of the Republic of Kazakhstan after the Kazakhstan’s proposal at the summit of Turkic Heads of State held in Nakhchivan, Azerbaijan, on 3 October 2009. The institution began working in 2022 as full-fledged international organization, receiving a budget and international staff from the Member States after the ratification of the Agreement on the Establishment of the Turkic Academy by the parliaments of Azerbaijan, Kazakhstan, Kyrgyzstan, and Türkiye in 2021. The institution conducts various studies on the economies and histories of the Turkic states and publishes books, articles, and journals.

Turkic Culture and Heritage Foundation was established at the initiative of the President of Azerbaijan with the supports of the Presidents of Kazakhstan, Kyrgyzstan, and Türkiye. On 11 September 2015 the first president of the organization and the organization started its

operation. The Turkic Culture and Heritage Foundation is dedicated to safeguarding, studying, and advancing Turkic Culture and heritage via financial support and initiatives. Its objectives include funding endeavours for the preservation, restoration, and promotion of Turkic cultural assets along with facilitating solutions for related scientific and technical challenges. Tied to this goal, the organization supports the training of specialists in the relevant fields. It also provides support for the publication of scholarly works and acts as a sponsor for various cultural events such as contests, festivals, and tournaments. Moreover, the organization also assists in reviving, supporting, and developing traditional craftsmanship and applied art in the territories of the Turkic people.

The International Organization of Turkic Culture, TURKSOY, acts like the UNESCO of the Turkic World and was established at the year 1993. Since the day of its establishment, the organization works to strengthen the solidarity and brotherhood between the Turkic peoples and to transmit the culture to the next generations and introduce it to the world. The organization conducts various activities such as Nevruz celebrations in various countries such as France and Balkan Countries and Turkic World Cultural Capital initiative which selects cities from the Turkic States as cultural capital. In 2012, Kazakhstan's capital, Astana was selected as first culture capital and in 2023, Azerbaijan's Shusha was selected as the cultural capital.



Cultural Capitals of the Turkic World until 2024

From: (Akhmetkali, 2023), designed by The Astana Times

Members of the OTS actively try to promote their country and culture to international communities as well as to OTS member states. Under this concept several steps are taken including cultural diplomacy. Cultural diplomacy relies on the actions that are based on the exchange of ideas, values and traditions that are part of culture or the identity of a nation or the people to establish and strengthen relations between the two parties. It is significantly more important in the current globalized world where intercultural exchanges occur on a daily basis and international trade and politics are parts of every country's agenda. Countries use cultural diplomacy to increase their soft power. This is also evident in the OTS member states such as Azerbaijan which is trying to increase its soft power via forming relations with EU via trade but also hosting international events such as hosting three Gymnastics World Cups in 2024. The Heydar Aliyev Foundation, which has been operating since 2004 has participated in the restoration of Strasbourg Cathedral. Azerbaijan has participated in many other events to improve its influence and have a place at the world stage while mitigating the damage taken because of its conflicts with Armenia. So, it can be said that cultural diplomacy not only ties countries together and fosters relations, but it can also be used by the countries to increase their legitimacy over certain topics and change public opinion.

Türkiye, as a part of its foreign policy, also engages in cultural diplomacy. Given its long history and its home to many distinct cultures and people, Türkiye has a lot of things it can use for cultural interactions. On 23 April 2021, at the Centennial of the Grand National Assembly of Türkiye (GNAT), Turkish missions around world organized events and celebrated the establishment of the National Assembly along with the 23 April National Sovereignty and Children's Day. Same year was also declared as the "Year of Independence March of Türkiye" by GNAT and the country's national anthem was performed with the traditional instruments of countries such as Madagascar and Japan. Same year was also designated by the President of Türkiye as the "Year of Yunus Emre and Turkish Language" because of 700th anniversary of the demise of Yunus Emre, poet and philosopher, one of the most important figures of the Turkish language and culture.

Türkiye also contributed to various other cultural activities around the world in 2021. On 20 September 2021 Turkish House in New York started its operations. Turkish House hosted 60th anniversary of The American Association of Crimean Turks. Academician Pınar Güzelgün Hangün exhibited her ceramic and glass art exhibition that features the civilizations in Anatolia named "Beyond Layers" in Turkish House in New York at the same year. In Kazan, Russian Federation, the exhibit of traditional clothes of the Ottomans were made with the name of "The Ottoman Caftans Through the Eyes of Modern Turkish Designers". Similar exhibition that focuses on the art, costumes, and the music of the Central Asia, Caucasus and the Middle East is organized by the Hong Kong University of Science and Technology with the collaborations of the Consulate General of Türkiye, Kazakhstan, and Iran.



A ceramic work by artist Pınar Güzelgün Hangün on display at the "Beyond Layers" exhibition in Turkish House, New York, the U.S., Nov. 25, 2021. (AA Photo)

Source: ANADOLU AGENCY. (2021, November 25). NYC Turkish House opens show on symbols of Anatolian civilizations. *Daily Sabah*. <https://www.dailysabah.com/arts/events/nyc-turkish-house-opens-show-on-symbols-of-anatolian-civilizations>

On 29 September 2021, The Turkish Film Days as part the 13th Tashkent International Film Festival was opened with the participation of Deputy Minister of Culture and Tourism Ahmet Misbah Demircan in Uzbekistan. It is recorded that during the event Turkish films attracted great interest from the Uzbek audience (Republic of Türkiye Ministry of Foreign Affairs, 2021). On 18 March 2021, Kazakh and Turkish patriotic songs were sung by Kazakh singers during the Martyrs Day event organized by the Turkish Consulate General in Aktau.

Türkiye also hosts International Turkish Language Olympiad every year to promote the Turkish language around the world and to award the learners of the language. Olympiad stands as the final stage of an entire process as students who are participating have to pass the tests organized in the schools of their home countries and meet certain standards with their proficiency in Turkish language. The students who pass the initial tests and meet the standards then proceed to the Olympiad where they participate in various activities such as introduction of their countries, singing, and reading poems all in Turkish. The Olympiad reached its peak participant countries in 2013 with 140 countries and in 2023 students from 29 countries participated (Uluslararası Türkçe Olimpiyatları Hakkımızda, n.d.).

Turkish Universities also accept and provide scholarship for the students who are from the Turkic States. After the collapse of the Soviet Union, Türkiye increased its

collaboration with the Turkic States in the field of education as well along with political and trade ties. Kyrgyz-Turkish Manas University in Kyrgyzstan and Ahmet Yesevi University in Kazakhstan are established with the partnership of Türkiye (Yalçinkaya & Beşirli, 2022). Similar to the steps taken after they gained their independence, many Turkic States tried to increase their presence in the world by establishing diplomatic ties. Education mobility was also among these attempts. As of 2021, Azerbaijan and Turkmenistan took the lead with the students coming to Türkiye to study among the Turkic states but it is also worth mentioning that for Turkish student that want to study abroad, no universities from the Turkic States take place in the top five destinations while Türkiye is positioned at the top for Azerbaijan when it comes to the students that went abroad for studying (Yalçinkaya & Beşirli, 2022). Although, limited to certain extend, student exchange and mobility programs are in position and scholars are provided for international students, but further steps need to be taken to increase the engagement between the Turkic States.

Aside from the cultural diplomacy activities initiated by the individual countries, there are also various activities and organizations organized by TURKSOY and other affiliated organizations of the OTS. One example of these activities is the recreation events that took place in Anev (Anav) for the celebration of the city's election as one of the Cultural Capitals of the Turkic World. During the event participants had the opportunity to view and participate in the recreation activities of the ancient Turkic people. Participants got invited to the field with a traditional welcoming ceremony. The blossoming of the trees, which symbolizes the revitalization of nature by Nevruz, the common holiday of the Turkish people, and all the stages of wheat from sprouting to its use, were portrayed by the officials filling the area, by preparing the soil, planting the seeds, shaping, processing, and grinding them in the mill to prepare bread and other products (Anev'in Nevruz Yaylasında kadim Türk tarihi canlandı, 2024). In 2023, The International Turkic Culture and Heritage Foundation published a book by the Manas scholar, famous poet Adil Jamil "The Manas Epic and the Turkic Epic Tradition" in Azerbaijani and Kyrgyz languages to promote the Turkic culture in the world (The International Turkic Culture and Heritage Foundation Has Signed Another Project in the Direction of Promoting Turkic Culture in the World, 2023). With Kyrgyz side's suggestion in 2012 and with Kyrgyzstan's initiative World Nomad Games were organized in 2014 with participation of numerous countries including the Turkic States such as Azerbaijan, Kazakhstan, Kyrgyzstan, Türkiye, and many other countries belonging to Turkic world and from around the world. During the games participants from participating countries competed in various Turkic sports such as horse riding, wrestling, and horseback wrestling. During the fourth games held in Iznik, Türkiye, in September 2022 more than 3000 athletes from 102 countries participated (Define, 2022). World Nomad Games are especially important for Kyrgyzstan as it is seen as a brand that will contribute to tourism development, attracting guests and increasing recognizability of the country in the global tourism market in the country's National Development Strategy.

OTS and affiliated organizations are actively involved in development and strengthening the ties between the Turkic states and the world as initiatives taken are taken in every level such as political, economic, social, cultural and sports activities. These initiatives are taken with the consideration of cultural closeness of the countries and shared cultural values. Some of the shared cultural values and activities among the Turkic states are pottery, weaving, calligraphy, metalwork, woodcarving, embroidery, music, painting and miniature art. Those activities show similarities between the Turkic states and practiced by all. Each country throughout the time developed their own styles when it comes to the motifs that decorate the artworks or the songs that tell stories about their home country.

Chapter 3. Case-study

3.1 Background context

In this section of the research, information regarding the company named Kalaçlar Endüstri Malzemeleri Ticaret ve Sanayi Anonim Şirketi or shortly referred as Kalaçlar will be provided in order to illustrate their potential export project to Turkic states. Information regarding the company's activities, production capabilities, structure, products, and services will be provided and explained thoroughly to determine if they can meet the demand of the Turkic states and if it is possible to create new products, services to satisfy the currently existing demand in the target countries.

3.2 Size, economic model, governance, and financial model

The Company Kalaçlar is a family-owned business that is located in Ankara, Türkiye. The company was established by Doğan Kalaçlar in 1970 as collective company and in 2016 has incorporated into a joint-stock company with 500,000 TL capital. All the capital has been paid. The company operates in different fields related to thermal insulation and ceramic materials. The company's business type includes workshop, distributor/wholesaler, exporter, and importer. Kalaçlar A.Ş is a medium-size company and it is documented to acquire profits in the past years, making company suitable for further growth and initiate export projects. The company and its managers have social contacts with their customers and use them to their advantage to further develop their company activities. These social and professional contacts reach as far as universities located in Türkiye and the professors who work in the universities. The company provides the students from these universities, mainly art students, with materials needed for their projects along with the technical assistance about the use of these materials. These contacts and networks allow the company to reach new customers and markets.

Company's governance model provides the company with many advantages. Since it is a family-owned company and only small portion of the family members contribute to the governance of the company, decision processes are simple and fast since it is most of the time decided by only one person. This simplicity in the governance enables the company to

react to crises quickly and allocate funds to new projects swiftly without any delay. However, lack of further management personnel and advisors also makes the company heavily reliant on its owner and his decisions. The company is currently working on hiring new personnel for the management and marketing department to solve these mentioned issues.

Company finances are very secure. As of 31 December 2023, the company's total asset is 35,650,213 TL. Almost all of the company's total assets consist of current assets which is around 97%.

The company keeps its deposits in Turkish Liras and foreign currency as of 31 December 2023, €153,251 worth of cash mixed with foreign currency and Turkish Liras is in the company's bank account (exchange rate €1=₺32.579).

The company collected its receivables in an average of 65 days in 2023.

Among the total assets, inventory has the highest percentage with a total of 74%. Due to high inflation, the company increased its inventory in order to protect itself from price increases.

When analysed, 58% of the inventory is from 2022 and before and the company's inventory turnover was 324 days in 2023. This excess inventory also generated storage costs for the company as in 2022, the company had to rent a new warehouse.

Fixed assets constitute 3% of total assets. Company's office is rented, and its fixed assets consist of office materials.

Current liabilities constitute 32% and owner's equity constitute 68% of total liabilities and the company has no long-term liabilities.

Total liabilities' 15% consists of accounts payable, and the company pays back its debts on average 60 days.

The company does not use bank loans.

The company has a strong capital structure. Attendance fee is paid to company partners. Profits were not distributed to partners, but remained within the company as retained earnings, which resulted in a strong capital structure.

When the income statement of the company analysed, the company has increased its sales by 50% in 2023 compared to 2022. But due to high inflation, the cost of sales also increased and as a result gross profit from sales decreased by 7% compared to 2022.

Staff wages transportation fees and rent expenses constitute respectively 40%, 20%, and 12% of marketing and general administrative expenses and an increase in these expenses due to high inflation also contributed to the company's gross profit for the period decline.

3.3 Products and services

Company has vast variety of products and services. Products include construction materials, thermal insulation products for households and industry such as thermal bricks for industrial ovens and furnaces, circuits and electronic parts for ovens and furnaces, metal products and wires for the thermal instruments and ceramic materials such as glaze and clay. Services include the technical assistance provided to customers about the use of the products, the set-up of the materials purchased by the customers and upgrading and modifying the already existing products of the customers.

3.3.1 Thermal insulation products

Kalaçlar buys and sells various thermal insulation products. These products are acquired by the company either domestically or by import. One of these products is heat and fire-resistant bricks called firebricks that are used in various applications such as industrial furnaces. Firebricks are specialized bricks that are designed to resist high degrees of temperature without any deformation or damage. Because of the firebrick's high heat resistance to extreme temperatures, it has many application fields. Firebricks are commonly used in fireplaces, furnaces, and ovens. Kalaçlar provides firebricks for all these applications but the most common applications that are requested from the company are industrial and bakery ovens and furnaces. These furnaces and ovens are used in various places such as for processing clay and for cooking in bakeries. Clay processing is used by artisans and university student to heat up and dry their clays. The company provides the customers with the firebricks that can be installed by themselves to their furnaces as in this case customers are businesses that produce or use industrial furnaces. Firebricks allow the heat to stay inside the oven and distributes it evenly which allows to reach high degrees of heat inside the oven to process clays or cook bakeries. The use of firebricks is accompanied by the use of refractory cement to stick the bricks or to lay the foundation of the furnace. Refractory cement is also purchased by the company from domestic producers. In Türkiye both bakery and ceramic art production is very popular and this results with high demand.

In addition to these applications, the firebricks provided by the company are also used in the furnaces to galvanize metals. The melted metals in these furnaces are used as coated ingredients in various industrial applications. One of the application fields that can be given as example is the use of the power distribution units that are used to distribute electricity. The power distribution towers used are coated with galvanized metals to prevent erosion and rust. Similar to this application galvanized coating ingredients are also used in the metal instruments that are used outdoors such as fences to prevent rust and erosion caused by the water and air.

Insulation bricks are another variant of the firebricks. The main difference between the insulation bricks and the firebricks is that insulation bricks prevent the thermal transmittance while the firebricks keep the heat inside. Another difference is that insulation bricks are not resistant to direct exposure with flames or blaze unlike firebricks that are

directly used in these environments such as inside the furnaces and ovens. Insulation bricks are used in melting process of the valuable metals such as gold, silver, and platinum and in addition to this, the furnaces or the devices that are built with these bricks are also used in the medical sector to provide sterilization to the tools used.

According to their customers' needs Kalaçlar provides them with solutions. According to company' data firebricks and insulation bricks are one of the most requested products and services. Firebricks and insulation bricks are both acquired domestically.

Another thermal insulation product that Kalaçlar sells is thermal fabrics. Similar to insulation bricks, thermal fabrics are used for heat insulation in ovens, cars and households. Thermal fabrics provided by the company are heat resistant and makes them ideal for insulating heat like insulation bricks. Compared to insulation bricks, thermal fabrics are lighter and more flexible, making them more mobile and ideal for uses in narrow spaces or transportation vehicles. It is mentioned by the company that these thermal fabrics can be used as heat resistant materials in the exhaust pipes of the transport vehicles. Same appliance can also be applied to households and construction but since the company is not in the construction business, they only provide the relevant construction companies with products. The company provides these construction companies with know-how and technical assistance, but the installation is done by the construction companies.

3.3.2 Circuits and electronic parts

Kalaçlar also provides their customers with electric circuits and electronic parts used in furnaces. As the furnaces operate under high degrees of heat, they require specialized parts including electronics. These parts include wires, resistance wires that are used to heat the oven and control module. As the electronic wires and resistance wires are the most frequently used, they also need additional maintenance and replacement. This maintenance and replacement services are also provided by the company to their customers. Retrieved products are later on either repaired, recycled or disposed by the company. Control modules that are sold by the company function as the brain of the furnace or the limiter. Using control modules customers can arrange the furnace to work in the way they want with specific programs and heat limitations. The programs are installed in these control modules and without them certain operations cannot be performed. Kalaçlar provides their customers with control modules along with providing the operational know-how. Similar to circuits and wires, the company also provides its customers with maintenance and replacement. In case of a malfunction, the company contacts with the producer of the control module and makes them either repair the product or provide the new one. Same steps are followed with the previously mentioned products. In addition to these services, the company also upgrades and modifies the currently existing control modules which are in possession of their customers. With the request of their customer, if the control module provides the standards along with the oven or furnace it is installed, the company can install new operation programs and increase the limiter of the control module. Operation programs allow the oven

to run different programs for different kind of products and the limiter allows the oven to reach higher degrees of heat.

3.3.3 Ceramic materials

Along with the thermal insulation products, ceramic materials form the main business of Kalaçlar. Ceramic materials that are sold by the company include clay, glaze, ceramic paint, and ceramic tools. The company has a long history in the ceramic industry and the products provided by the company and its expertise in the field is what sets the company truly aside in its field. Tools and ceramic clays are bought from other companies either via domestic market or import. Clays and tools are mainly provided to universities and students on daily basis and also sold on the company's webpage. Clay is the fundamental material for any ceramic products. These clays possess different properties such as drying temperatures depending on the place they are used. Every clay's drying temperature has various intervals between 1000-1200 degrees Celsius. The company acquires these clays from domestic producers and some clays are imported. Domestically acquired clays can satisfy every need of their customers' needs but some clays are imported to reduce costs and increase the diversity within the company inventory. The clay is mainly produced in the western part of Türkiye because of the soil properties and quality. The colour of these clays varies from red, light red and white depending on their region because of the soil properties. For example, the red colour in the clays comes from the iron oxide in the soil. These clays can be worked on by hand or with using machines. Various types of hand tools are used to shape the clay and these tools are mainly made of wood because of the clay that they operate on is soft and requires delicate materials. For the mass production of the same kind of products, for example mugs and plates, machines equipped with moulds are used.

What differs the company from its competitors is its ceramic paint and glaze production. The company custom produces these products by using company's trade secret recipe and therefore could be considered unique. Glaze and paint are important part of the ceramic production as they not only determine the products result aesthetically but also increases the longevity of the product during its use. After the drying process of the clay depending on its properties, it is prepared to get covered with glaze. Products that are ready get covered with different colours of glaze. Glazes with different colours are covered on the ceramics either via brush or dipping. The products that are coated with glaze are put back into the furnace for another drying process. This drying process takes approximately around 18-24 hours. The company provides various types of glazes and ceramic paint, each has unique application fields and satisfy the niche in the ceramic industry. As previously mentioned with the clays, as each clay type has different properties such as colour, soil compound and drying temperature, the glaze applied on these clays also vary depending on the clay and process type. The glaze produced by company is free from any chemicals such as heavy metals that can pose a threat to human health and complies with international standards and laws. Quality of these products made the company preferred by the professionals and students who are working in this field.

3.3.4 Company presence

The company's presence in the market also plays crucial role in their sales strategy. As mentioned before company's main connection to customers are via connections formed with intermediaries such as the university professors or business owners. These connections in the important parts of the clay and thermal products industry ensures a stable customer inflow to company. The company's experience in the sector with its know-how, the quality of the products sold by the company and post-sales support to customers makes the company a safe choice for the customers.

Customer satisfaction towards the company is very high. This high satisfaction has several reasons. First, the company is very attentive towards their customers. Staff in the company always provides honest information about the products and the quality and helps to customer to pick the right product for their needs. Honesty is perceived as one of the most important virtues in Turkish culture and the company approach to these virtues is acknowledged by its customers. Second, the company provides niche products for artisans and industries such as glaze and firebricks. These niche products sold by the company are not easily accessible to customers who has limited connections. The company' ties with the producers of these products and the company's own produced good provides the customers with the goods they need with reasonable prices. The company supplies their customers with medium to high quality products that are acquired either via domestic market or via import. This enables the customers to have access to products they need for their profession with relatively low prices and standard quality. Standard quality ensures a stability of the quality of the products which is crucial for the customers.

Internet and social media presence of the company is very limited and its effects on its new customers acquisition is also acknowledged by the company's management. The company has a webpage where the products can be sold via online, but the webpage provides very little amount of information about the products. As a result, the customers either have to contact with company via phone or to go to the company site. This limits the company's e-commerce capabilities and hinders its online sales. Share of online sales in the company's total revenue in 2023 was only 5.3%.

Another factor that effects the company's presence domestically and internationally is its lack of presence on social media. The company is present on only two social media platforms and their activeness on these platforms is very low. When it comes to the presence on social and cultural activities such as forums and culture days, the company is relatively active. The company actively follows and participates in these social events. The company attends to events organized at university campuses and sometimes opens booths to promote and sell their products. However, on international level, the company is not very active when it comes to the activities and events. The company is eager to expand its operations beyond Türkiye and previously made some sales to various countries such as North Cyprus and Azerbaijan several times. However, there are many other cultural events organized by the

Turkish government about cultural exchange especially with the Turkic states, but the company is not present in any of them.

3.3.5 Employee satisfaction

The company management puts huge importance on employee satisfaction and employees' working condition. The management maintains close relations with its employees and adjusts their wages according to market standards and according to the fluctuations in the inflation. The employees are also allowed to have additional paid breaks other than the ones provided by the law under certain circumstances. Since the company provides opportunities and capabilities above the market standards, the employee satisfaction is very high and this results with a low employee turnover.

3.4 SWOT analysis of Kalaçlar

Considering the information provided for the company, in this section a SWOT analysis is carried out to further analyse the company's strengths and weaknesses.

3.4.1 Strengths

Kalaçlar's first and most considerable strength is its financial strength. The company has a very secure and strong finances. As of 31 December 2023, the company's total asset is 35,650,213 TL. The company keeps its deposits in Turkish Liras and foreign currency as of 31 December 2023, €153,251 worth of cash mixed with foreign currency and Turkish Liras is in the company's bank account (exchange rate €1=₺32.579). This combined with the company the fact that the company has no bank loans makes the company's finances very secure and capable for carrying out expansion projects.

Kalaçlar's management structure is another strength of the company. Company's governance model provides the company with many advantages. Since it is a family-owned business and only a small portion of the family members contribute to the governance of the company, the management structure is simple and allows the decision-making process to be faster because most of the time decisions are made by one person. This simplicity in the governance enables the company to react to crises quickly and allocate funds to new projects swiftly without any delay.

Customers' ties and the customer loyalty is also an important strength of the company. Kalaçlar has vast number of connections with different kinds of customers. Universities, university personnel and students, artisans, and business owners constitute the company's customers. Customer loyalty and satisfaction is also very high.

3.4.2 Weaknesses

Main weakness of the company is its corporate structure. Although the simplicity of the management structure offers benefits, it also hinders the company at some points. First, there is no clear distinction between the management's activities and the employee's activities. Lack of personnel in the company causes the employees working in the company

to be responsible with multiple tasks. As a result, the management focuses more on the daily activities of the company like an employee rather than working on the management of the company. Second, since the decisions are made most of the time by one person, the company's future direction is decided by only one person. This results with company losing its identity and becoming a tool for the management to earn money.

Company's lack of personnel is its another weakness. The company's lack of personnel results with an increase in other employees' workload and causing them working in multiple areas rather than being specialized in one. This also hinders the company's possible expansion as it will bring additional workload that needs to be fulfilled.

Company's online presence is also presenting a weakness for the company. Kalaçlar has a webpage where some of the products can be purchased by the customers via online. However, the website provides little amount of information about the products, and this results in either customer's contacting the company by phone or email to receive more information about the products or directly coming to company site. Share of online sales in the company's total revenue in 2023 was only 5.3% and this limits the company not only to its home country but also to its city which is Ankara.

On the financial side, excess inventory and inventory turnover rate is another weakness of the company. When analysed, 58% of the inventory is from 2022 and before and the company's inventory turnover was 324 days in 2023. This also indicates that the company can't sell its inventory fast enough and creating value from it. The excess inventory of the company also generated storage costs for the company as in 2022, the company had to rent a new warehouse.

3.4.3 Opportunities

Activities carried out by the Organization of Turkic States and its affiliates provides opportunities for the company. The directions set by The Turkic World Vision-2040 provides individual and joint action by the member states and the tourism section mentions about creation of innovative tourism programs and projects to reveal the ancient and contemporary cultural heritage of the region. In accordance with that, steps towards cultural exchange are planned in the vision via organization of annual film festivals, music, and art events along with the promotion of common Turkic heritage of the greatest scientists, poets, and artists etc. Kalaçlar can see these events as new opportunities to promote its goods and ways to expand into Turkic states.

Aside from the OTS and its affiliates, Türkiye is also very active in terms of cultural diplomacy and cultural exchange with other countries. The company can use the bilateral relations of its home country with the other Turkic states to participate in the events organized.

Türkiye also has bilateral trade agreements with the Turkic states that provides advantages to the Turkish companies that want to conduct business in these countries.

Turkic states are also modernising their systems and applying future or reform plans to attract more investors. Trade with the target countries is tried to be more simplified and cost efficient for the investors and Kalaçlar can use these individual steps taken by the Turkic states to its advantage.

3.4.4 Threats

Current economic situation in the company's home country presents threats to the company and its plans for possible expansion. High inflation and policy rate in the country is increasing company's costs and in case of a crisis in the country, the company can be affected and might have to halt its expansion operations even though it has strong finances.

Current developments in the world also pose a threat for the company such as the war between Russia and Ukraine along with conflict in Middle East and the increase in energy prices.

3.5 International trade and benchmarking

In this section, Company's readiness for a potential export project will be analysed. Products and services that the company offers will be analysed depending on their readiness and relevance to the target countries along with the company's financial and structural capabilities.

3.5.1 Range of products ready for export

Thermal insulation products that the company offers can be exported without any constraints. Since the company acquires these products from domestic and foreign markets, the company will have to rearrange its logistics lines depending on the demand from the target countries since the products that will be exported will have to be acquired by the company first and then will have to send to the target country. Given that the company hasn't experienced any logistical problems so far in its home country, Türkiye, while conducting business with domestic customers, the company doesn't appear to have any problem in first part of the process.

Similar to insulation products, circuits and electronic parts that the company provides doesn't have any constraints and are ready for export.

Ceramic materials that the company provides on the other hand faces some limitations. While there doesn't seem to be any problems with the supply of clays the glaze and the ceramic paint on the other hand that the company produces face some supply limitations. Since the glaze and the ceramic are the only products that are produced by the company itself and the company is a SME, the production of the glaze and the paint is limited and may not satisfy the foreign markets in case of a sudden high demand or demand increase.

Products are labelled both in English and in Turkish and in case of absence in any of these languages, they can be quickly translated and labelled by the company to any of these two languages. For the target destinations, additional translation support can be acquired if needed either by domestic means or from the target country.

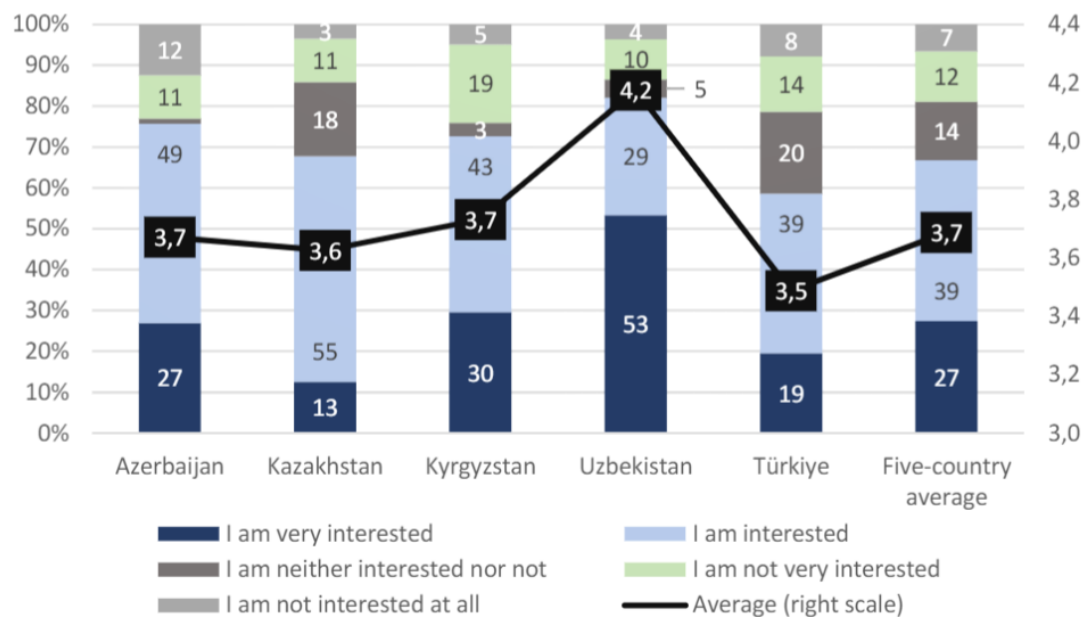
3.5.2 Legal status of the products in the target country.

All the products that the company provides meet the standards of the Türkiye and the European Union. The company also didn't face any difficulties in terms of the legal status of its products during its limited export to Azerbaijan and Northern Cyprus. The glaze that is produced by the company is free from heavy metals that can be hazardous to human health and complies with international standards.

3.5.3 Demand analysis

The target countries have shown interest in diversifying their economy and improving their tourism. The tourism improvement also includes the improvement of the culture tourism. Given the information, the company can use this interest in development of culture tourism to market and export its products. The ceramic and glaze paint produced by the company can be introduced to the target countries especially the ones that are located in the Central Asia to be used in their ceramic products. Turkic Barometer of 2023 provides information about how much people from the five Turkic states namely Azerbaijan, Kazakhstan, Kyrgyzstan, Uzbekistan, and Türkiye are aware from the developments in the other Turkic states along with other information. Responds to question "Are you interested in the developments in the Turkic states?" were 66% percent positive with a display of general interest in the progress of other Turkic states (Süleymanlı & Kılıç, 2023). When asked about the agreement with the statement "I am ready to buy products from other Turkic states, even if they are a little more expensive", the average disagreement rate is measured is 24% across five countries but at the regional level, 62% of the people who are older than 50 years old and 31% of the under 29 age group along with 58% of high-income group and 39% low-income group "strongly agree" or "agree" with the statement (Süleymanlı & Kılıç, 2023).

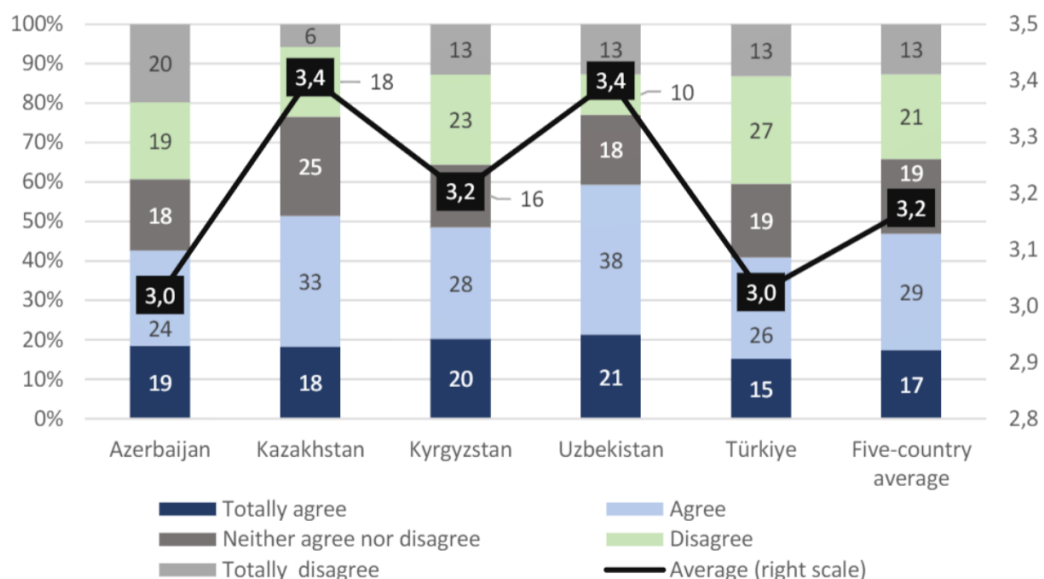
Graphic 15: Are you interested in the developments in the Turkic states? (Percentage and average)



Answers to question "Are you interested in the developments in the Turkics states?" (Percentage and average)

Source: Süleymanlı, E., & Kılıç, H. A. (2023). *Turkic Barometer 2023: Research on Identity and Culture Interaction in the Turkic States*. Turkic Academy. <https://turkicacademy.org/izdaniya/kniga/turkic-barometer-2023>

Graphic 23: Agreement with the statement: I am ready to buy products from other Turkic states, even if they are a little more expensive (Percentage and average)



Agreement with the statement: I am ready to buy products from other Turkic states, even if they are a little more expensive (Percentage and average)

Source: Süleymanlı, E., & Kılıç, H. A. (2023). *Turkic Barometer 2023: Research on Identity and Culture Interaction in the Turkic States*. Turkic Academy. <https://turkicacademy.org/izdaniya/kniga/turkic-barometer-2023>

The thermal fabrics that the company provides to its customers can be sold to construction companies that are active in the target countries for example in Kazakhstan there are significant number of active Turkish construction companies. It would provide the company a certain number of advantages at the first stage of its export project. First of all, since the demand for a specific product is hard to measure and to market, the company can sell these products to Turkish companies that are already conducting business in the target countries. This method guarantees a certain number of sales while eliminating variables that are caused by the limited information. The company will be safer to trade and can acquire data from the Turkish companies when it comes to demand and develop on the data provided by itself. Second, it also provides financial and bureaucratic ease since the business will be conducted between Turkish companies and will not need any additional legal or bureaucratic assistance or know-how.

3.5.4 Ceramic culture in Turkic states

Because of its relatively easy to access material, which is clay, ceramics had a part in every civilization. Ceramics because of its existence in almost every civilization, it shed light on the economic, political, and social development of the civilization it was part of. Each civilization that used ceramics contributed something from their culture to it that could be processing method, materials, motifs that are painted on the ceramics etc. Because of its production is reliant on the heavy and difficult to carry furnaces and the ceramics were relatively heavy and fragile, this art is relatively less developed in the nomadic societies (Erman, 2012). Only after the adoption of the Islam by Turks and their permanent settlements, we can see considerable developments in ceramics and pottery.

Anatolian Seljuks that existed in the 11th and 14th centuries, provided considerable amount of ceramic artwork in forms of tiles despite them mainly focusing on military feats. Tiles were used to decorate the mosques and palaces that were built. It is important to mention that when Turks captured Anatolia, they brought the ceramic culture of the Seljuk Empire which was influenced by the local ceramic cultures such as Abbasids but mainly from Persians.



Alâeddin Mosque in Konya

Source: Cambaz, M. (2019, December 26). Konya alâaddin camii mihrabı. Mustafa Cambaz. https://www.mustafacambaz.com/details.php?image_id=19759

After the collapse of the Seljuk State in Anatolia, approximately two centuries long Beylikler Era started. After Ottomans gained huge proportion of Anatolia in the 15th century, we can observe the development of Ottoman style ceramics and tiles (Erman, 2012). During this era, centre for the ceramics was moved to Iznik from Konya. Tree branches, flower and various animal patterns followed by geometric patterns are characteristic designs of the Iznik ceramics. As Ottoman Empire enters regression in 18th century, withdrawal of funds and orders from the State and Palace harmed the production and profitability of the workshops in Iznik resulting in first the closure of some workshops and finally the end of all ceramics and tiles production in Iznik.



Iznik Pottery

Source: Daderot. (2013, August 10). Iznik pottery. Wikipedia.

https://upload.wikimedia.org/wikipedia/commons/0/0d/Dish_with_saz_leaf_design%2C_Turkey%2C_Iznik%2C_c._1575%2C_underglaze-painted_stonepaste_-_Royal_Ontario_Museum_-_DSC04737.JPG

As the production in Iznik started to slowdown, workshops in the Kütahya gained more importance and influence. Erman (2012) states that main characteristics in design and in material sets the ceramics and tiles of the Kütahya aside from the ones produced in Iznik. Design is more simple and yellow is the predominant colour. The clay used in the ceramics and tiles is also white. At the end of the 19th because of the low activity in the regarding fields and reduction of the quality of production and materials caused the end of the of the Kütahya ceramics.

After the establishment of the Republic in 1923, priorities were given to the development of the industry countrywide, and ceramics was also included in that. At the time, ceramics was only perceived as a way of a decoration used by an Empire of the past.

No industrial production of the ceramic was inherited from the past (Erman, 2012). Artisans that were sent abroad to receive education in ceramics returned to Türkiye to teach and develop their own style. As time passed by, the number of ceramic workshops and majors increased in the country.

Similar to Türkiye, ceramic culture can also be found in other Turkic states. Ceramic works can be found in various forms such as decorative products, in bathroom decorations, and in structures such as mosques. Uzbekistan is especially famous for its ceramics as the ceramic arts in Uzbekistan inscribed in 2023 on the Representative List of the Intangible Cultural Heritage of Humanity (Ceramic Arts in Uzbekistan, n.d.). It is one of the oldest forms of applied art in the country and there are multiple schools and workshops that produce ceramic works unique to their style. Most famous of these crafts centres are Tashkent, Samarkand, Khorezm, Gijduvan and Rishtan (Ceramics in Uzbekistan, 2015). Blue, green, white, yellow, and brown colours are used in the ceramics. Colours and the materials used at the process of producing the ceramics differ from region to region. For example, in Khorezm for cover of the ceramics old ishkori glaze azure tones are used while in Samarkand, Tashkent, and Bukhara lead-glaze is used, resulting with reddish brown colours (Ceramics in Uzbekistan, 2015).



Uzbek Pottery

Source: Khamikov, A. (n.d.). *Ceramics. The Encyclopedia of Crafts in Asia Pacific Region (APR) Traditional Handmade Products*. Retrieved April 23, 2024, from <https://encyclocraftsapr.com/ceramics-9/>

Ceramics works can also be seen in the decorations of religious structures such as in mosques for the decorations of the walls etc in every Turkic state such as Juma Mosque of Shamakhi in Azerbaijan and Astana Grand Mosque in Kazakhstan.

3.5.5 Why should company consider Turkic states as a new opportunity?

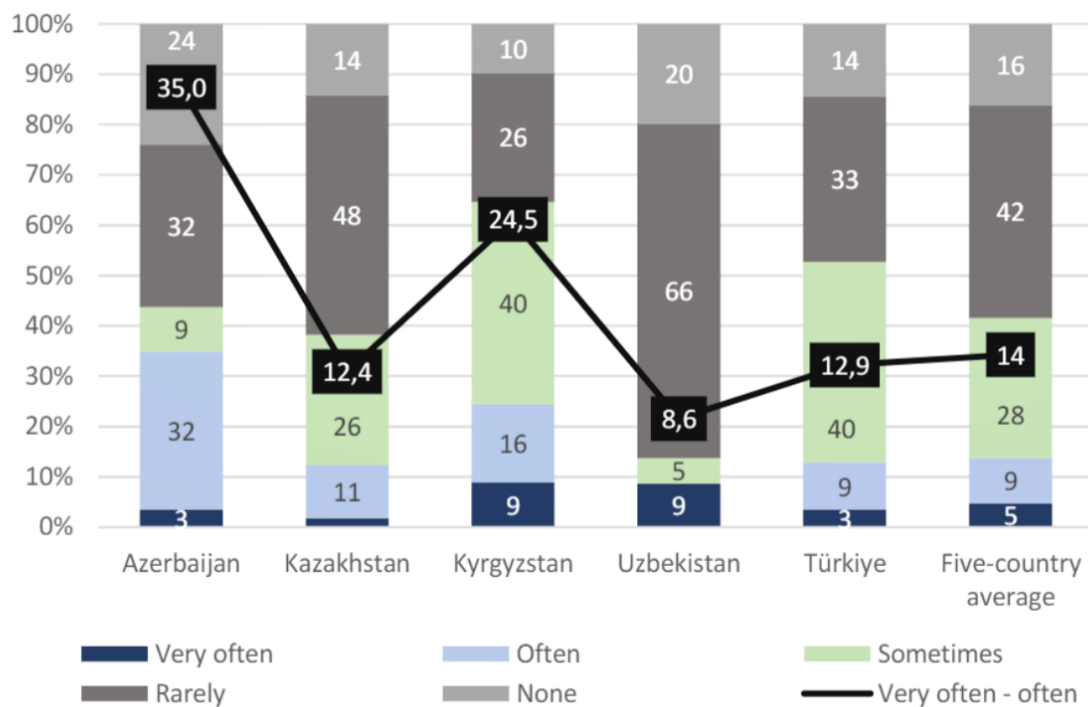
There are several reasons that the company should consider expanding into the Turkic economies. First of all, when investigated, it can be seen that majority of the Turkic states are planning to diversify and improve their economy such as Azerbaijan, Kazakhstan, and Kyrgyzstan. Excluding Hungary and Turkish Republic of Northern Cyprus, other members of the OTS are relatively young as independent and sovereign states in the world stage as they appeared only after the collapse of the Soviet Union. Existence of these countries as independent states goes back to creation of the Soviet Union and they were part of the Russian Empire. Nevertheless, their appearance on the modern age is relatively new. Because of their previous ties with the Soviet Union, many of them experienced political, economic, and social disturbances after declaring their independence. As a result, these countries are still working on improving, diversifying, and modernizing their economies. They are trying to adapt to the free-market economy and establish or re-establish their diplomatic relations with the rest of the world. Considering these factors, Türkiye can offer a strong starting point for these countries as the country already has an established infrastructure capable of conducting global trade and has diplomatic and economic ties with most of the world. Türkiye's geographical location also allows it to have access to European, North African, and Middle Eastern markets with relative ease which can be useful for the Turkic states that are located in Central-Asia as they won't have to go through Russia anymore to have access to the European Markets or through Iran for the Middle Eastern Markets.

As mentioned in the future plans of Kyrgyzstan and Kazakhstan which state that they will pursue diplomatic ties while putting their countries' interests first and not planning to take a side. Considering the diplomatic relations of Iran and Russia with the rest of the world both by economic and political, Türkiye can offer a middle ground. TANAP project can be given as example as the project enables the Azerbaijani natural gas to reach to Europe via Georgia and Türkiye. These kind of economic and diplomatic connections with as many countries as possible also strengthens the economies and independence of these countries as well as their reliance on specific countries. It is evident that Turkic states want to have a bigger part in world economics as they actively try to participate in initiatives such as China's Belt and Road initiative.

Given the cultural, historical, economic, and political ties, Türkiye can offer assistance to these countries in their path improve their economies and the living standards of their citizens. Aside from the diversification, countries such as Kazakhstan and Kyrgyzstan also aim to reduce the unemployment among its citizens and reduce the economic disparities. Türkiye can offer technical knowledge on establishment of workshops for the production of several products. Türkiye previously opened workshops throughout the nation to encourage people

to learn craftsmanship and to reduce unemployment. Main attendees of the program are mainly housewives and people who are interested in that craft or art. These programs empower housewives or women without any academic or professional education that don't have their income and allow them to contribute to the economy along with providing them financial independence. This approach strengthens the women's part on the social and economic scenes as well as their contribution to their family, thus improving the economic and social conditions of their family. Turkic Barometer of 2023 also indicates that in some countries such as Uzbekistan, Kazakhstan, and Türkiye many people who are surveyed are not participating in any sort of cultural or social activity (Süleymanlı & Kılıç, 2023). Aside from spending time on cultural activities, almost half of the respondents from Turkic States stated that they did not receive any special training in artistic fields other than the ones that are provided in the schools as compulsory. These kinds of workshops can be encouraged to direct these people to learn craftsmanship and art.

Graphic 8: How much time do you spend on cultural activities such as going to the cinema, concerts, and theater? (Percentage and



Answers to question "How much time do you spend on cultural activities such as going to the cinema, concerts, and theatre?" (Percentage and average)

Source: Süleymanlı, E., & Kılıç, H. A. (2023). *Turkic Barometer 2023: Research on Identity and Culture Interaction in the Turkic States*. Turkic Academy. <https://turkicacademy.org/izdaniya/kniga/turkic-barometer-2023>

Table 3: Participation in education in different artistic fields other than compulsory schooling (*Percentage*)

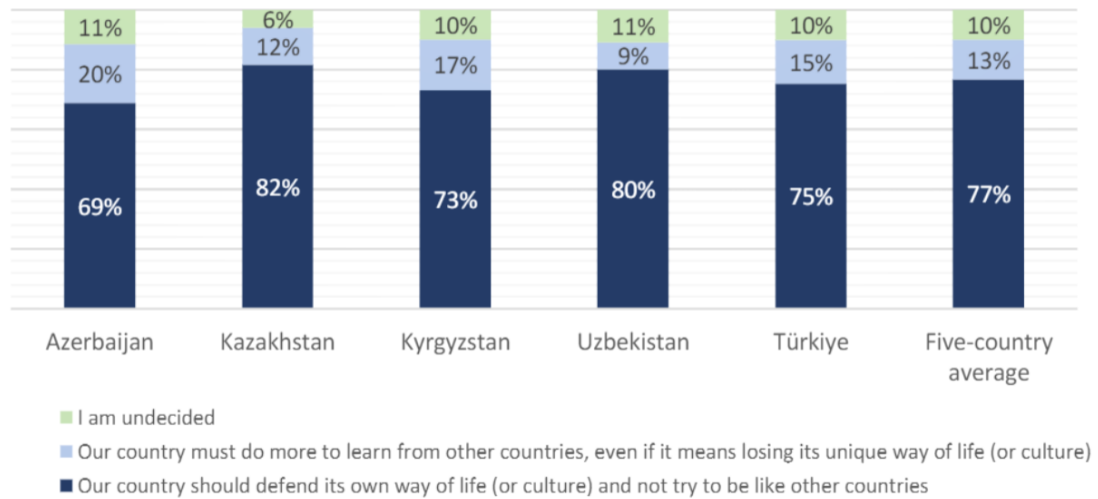
	Azerbaijan	Kazakhstan	Kyrgyzstan	Türkiye	Uzbekistan
Music	25	26	13	13	15
Dance	9	18	9	4	4
Painting	9	5	10	6	9
Photography	5	10	8	7	3
Writing	7	10	6	4	4
Theatre	2	4	3	4	3
Language	1	1	0	4	0
Sculpturing	3	2	4	0	0
Other	3	0	0	21	19
None	55	41	60	55	42

Table on participation in education in different artistic fields other than compulsory schooling (Percentage)

Source: Süleymanlı, E., & Kılıç, H. A. (2023). *Turkic Barometer 2023: Research on Identity and Culture Interaction in the Turkic States*. Turkic Academy. <https://turkicacademy.org/izdaniya/kniga/turkic-barometer-2023>

Products that are produced can be sold domestically or can be exported. Products that are produced with national and cultural motifs or by design unique to the country can also be used as part of culture tourism. As stated in the Turkic World Vision-2040, OTS countries aim to improve their tourism and try to diversify by adding new ways of tourism such as culture tourism. Products that are produced in these workshops can be sold to tourists and contribute to the country's economy as well as keeping the traditions of their country alive as Turkic Barometer of 2023 also states that respondents from the Turkic states value their culture and tradition and want to keep them (Süleymanlı & Kılıç, 2023). Teaching people traditional arts and craftsmanship can be beneficial in that regard. Already existing diplomacy channels between the OTS countries can be used to ask for guidance or advice in the relevant topics or the universities can be made part of the process by exchanging students and academic personnel that are active in the relevant field.

Graphic 7: Which of the following statements reflects your opinion more? (Percentage)



Answers to question “Which of the following statements reflects your opinion more?” (Percentage)

Source: Süleymanlı, E., & Kılıç, H. A. (2023). *Turkic Barometer 2023: Research on Identity and Culture Interaction in the Turkic States*. Turkic Academy. <https://turkicacademy.org/izdaniya/kniga/turkic-barometer-2023>

On the company side, Kalaçlar can use the already existing cultural and economic ties to export their goods to these countries and increase their profits while reducing their risks solely being reliant on the domestic market and customers. Existence of already established ties and institutions between Türkiye and Turkic states can ease the company’s export process as they can seek guidance from various institutions and can even benefit from economic incentives such tax reduction and exemption. Given the company’s deficiency in international stage and the simplicity of their webpage and online sales system, company can benefit from the guidance and incentives of these institutions and agreements to export its goods and services with relative ease and can improve their export infrastructure meanwhile in the process to expand to other countries in the future.

Kalaçlar can also use the already existing ceramic culture to export its goods. Ceramic is part of the Turkish culture for a long time and its appliances can be seen in multiple areas such as pottery. Kalaçlar can use this common ceramic culture to export its products to target countries. Communication can be established with local artisans and the company can participate or organize culture events to market its products. The company can use its connections with the people who are working in universities to form new connections with the universities and the students at these universities that are located in the target countries to advertise its products and to land its first step on expansion to these target countries. Company’s ties with the local universities and universities’ staff can be used to communicate with the universities in the Turkic states in order to participate in or to sponsor some of the events organized in the university campuses. For example, on March 29, 2024, the seminar and workshop on pottery art was organized for the students of Kyrgyz-Turkish Manas

University's Faculty of Fine Arts (Seminar on Pottery Art at KTMU, 2024). Kalaçlar can communicate with this kind of universities that have connections with Türkiye and ask to participate or sponsor these kinds of events.

Kalaçlar can also collaborate with the Turkish companies that are already active in these countries for a safer approach. As stated in the consultancy presentations of the several Turkic states, Turkish companies are already active in these countries. Kalaçlar can collaborate or form partnerships with these companies to enter the markets with lower risk. There are also trade consultants that have expertise in conducting business in the target countries and company can ask for their assistance.

3.5.6 FDI and e-commerce options for the company

Given the company's financial background and connections of Türkiye with the Turkic states, company can consider FDI or e-commerce to enter and invest in the markets of the Turkic states. The company's management also mentioned their interest in expanding into these markets and these two methods are their possible routes for expansion. In this section feasibility of the FDI and e-commerce will be analysed with the consideration of preparedness of the target countries and the company. As mentioned before, given the vast geography that the Turkic states are located and different economic and trade paths they have taken, feasibility to invest in these countries varies from which point of view the company observes the situation. The company can choose to enter Kyrgyz market given close cultural and historical relations along with ties with the ties of Türkiye with the universities such as Kyrgyz-Turkish Manas University. The company can choose to enter Kazakhstan because of its position as a logistical hub in Central Asia. But these two countries because of their geographical distance can also be difficult to enter. Uzbekistan can be considered by the company as there is a prominent ceramic culture in the country. The company can finally consider Azerbaijan as it is both geographically, diplomatically, and culturally close to Türkiye and company has past experience in the country.

From FDI point of view Turkic States Economy book of 2023 provides insights about the dynamics of FDI in the Turkic World using social network analysis and graph theory (Gasimli et al., 2023). The research concludes with the result that Azerbaijan, Kazakhstan and Kyrgyzstan are the main FDI hubs in the Turkic investment relations and Azerbaijan is the main FDI centre from the point of view of both inward and outward investments in the Turkic World (Gasimli et al., 2023).

In the consideration of the research's results, details of the FDIs made into these countries must be analysed in order to understand the structure of these investments. In case of Azerbaijan, the country experienced a negative FDI net inflows in 2021 and 2022 with the values -3.1% and -5.7% (World Bank). Payment of dividends in the extractive industries caused the FDI flows to turn negative (World Investment Report 2023, 2023). The most invested sectors in Azerbaijan are oil sectors (Bahçe & Mammadov, 2022). Nevertheless, Azerbaijan is taking steps to further diversify its economy and trying to attract FDIs.

According to Azerbaijani law, foreign investments receive comprehensive legal protection and safeguarded against nationalization or appropriation unless specific situations occur and foreign companies have option to operate in Azerbaijan without establishing a local entity by registering a representative branch office with tax authorities (Foreign Direct Investment (FDI) in Azerbaijan, 2024). Azerbaijan 2030: National Priorities for Socio-Economic Development program also mentions the importance of diversification of the economy and reducing the reliance on the oil sector. To conclude, even though the FDIs in Azerbaijan are mainly on oil sector, the country is trying to adjust its economic and legal system to diversify its economy and attract more FDIs while cutting the reliance on the oil sector and can be considered by the Kalaçlar as a possible investment direction.

Considering the FDIs in Kazakhstan, the situation is similar to Azerbaijan as it is reliant on the metal ore mining sector. According to Turkic States Economy book of 2023 there is a significant slowdown in FDI inflows for exploration activities and continuous growth of FDI in metal ore mining. The real share of manufacturing in the FDI structure also does not exceed 3% when the products of the metallurgical industry adjusted in consideration of Kazakhstan's metallurgy industry is almost 90-95% made up of primary processing products, and this industry can be attributed to the extractive sector (Gasimli et al., 2023). This means that the foreign investors to Kazakhstan are only interested in extractive sectors of the country. This approach aligns with the country's strategy for the 2050 as the oil and mining sectors are seen as the main sources to fund the Kazakhstan's economic diversification in the future and in order to prevent the effects from the fluctuations of prices of these goods in the market, the country aims to extract as much as it can in a short period of time. It is also worth noting that the country structure of FDI has also remained unchanged since 2010 with Netherlands, USA, Switzerland, China, Russia, and France accounting for more than 72% of investments (Gasimli et al., 2023). Considering this perspective, Kazakhstan differs from Azerbaijan as Kazakhstan's aim is to extract as many resources as possible. With the consideration of these, Kalaçlar should not invest in Kazakhstan at least in a foreseeable future because country's future plans in economy and current FDI plans do not align with the company's field of activity.

For Kyrgyzstan, the main flow of FDI is directed mostly to enterprises in manufacturing industries, mining operations and geological explorations (Gasimli et al., 2023). Manufacturing is mainly focused on the mining industry. Similar to Kazakhstan, the main target of the FDIs is mining sector and sectors that are connected with the mining sector. The correlation of foreign direct investment with the exports is associated with the mining industry and export of precious metals (Gasimli et al., 2023). This reliance on the mining sector also causes fluctuations in the FDI inflows as sharp decrease can be seen in after 2015 due to a decrease in direct investment in the Kumtor gold mine. National Development Strategy of the Kyrgyz Republic for 2018-2040 program mentions the formation of balanced and diversified economy and steps are planned to be taken to achieve this goal such as digitalization and formation of high-quality production along with improvement of

tourism sector. Considering the data on FDI and Kyrgyzstan's plan for future national development, Kalaçlar can consider Kyrgyzstan for FDI after Azerbaijan.

Another option for the company to enter the Turkic markets and currently in consideration of the company is e-commerce. Turkic states are increasing the attention given to the digitalization as it can be seen their future development plans. Digitalization is seen as tool and a process to attract foreign investors, create jobs, and diversify their economies. Given the circumstances each OTS member state has taken steps towards digitalization. Among them, Azerbaijan can be considered the most suitable choice for Kalaçlar. There are several reasons for this choice. First, the steps Azerbaijan take correlates with its plans to diversify its economy. Similar to Kazakhstan and Kyrgyzstan, Azerbaijan's economy is heavily reliant on natural resources mainly petroleum and natural gas. However, unlike Kazakhstan's strategy to focus on the extraction of these resources as fast as possible, Azerbaijan aims to diversify its economy with the income provided by the natural resources sector. Azerbaijan is also actively engaging in cultural diplomacy activities and establishing legal and economic frameworks to attract foreign investors while promoting the country such as the establishment of Alat Free Economic Zone (AFEZ).

Second, tied to the first reason, Azerbaijan has created digital platforms to ease the process of business establishment in the country such as the Digital Trade Hub (DTH). In early 2017, a presidential decree initiated the establishment of the Digital Trade Hub (DTH), which functions as a comprehensive e-trade and e-commerce portal under government guarantee (Report on Turkic Economies: Digital Trade and Investment 2023, 2023). DTH offers vast range of cross-border electronic services such as segmentation of business models, customs operations among collaborating DTH countries, online company registration, online banking facilities, e-residency and more. DTH allows the online company registration with virtual addresses, electronic signatures, tax declarations, file customs declarations, registration of new employees online (Become an e- or m-Resident, n.d.). DTH also offers fully digitalized Free Sales Certificate which confirms that some products such as food and cosmetics meet all the standards of the country which they are exported and are sold by the manufacturer on the domestic market (Free Sales Certificate, n.d.). This eases the process of obtaining certificates and establishing business in Azerbaijan without the need for physical interaction with the public authorities. Between 2018 and 2020, DTH empowered over 100 foreign nationals from 30 countries with virtual personal identification numbers and individual and business e-signature certificates, enabling them to access government and business e-services in Azerbaijan (Report on Turkic Economies: Digital Trade and Investment 2023, 2023).

In addition, in 2018, Azertelecom initiated the Trans-Caspian Fiber-Optic Line project, linking Azerbaijan to the global Internet network. This project, part of the Azerbaijan Digital Hub program, involves routes to Kazakhstan and Turkmenistan. The Trans Caspian Fiber-Optic cable line, facilitated through Azerbaijan, will contribute to the formation of a digital

telecommunications corridor between Europe and Asia, essentially a new “digital Silk Road” along the historical Silk Road, allowing Asian countries to obtain data traffic and content through Azerbaijan (Report on Turkic Economies: Digital Trade and Investment 2023, 2023). Azerbaijan aims to turn itself into a Regional Digital Centre between Asia and Europe.

Azerbaijan’s comprehensive approach to the digitalization and e-commerce differentiates it with the other Turkic states and makes Azerbaijan more attractive in terms of e-commerce for Kalaçlar. Digitalization in Kazakhstan, Uzbekistan and Kyrgyzstan stays behind the Azerbaijan’s development in the field when it comes to the usefulness for the company. Report on Turkic Economies: Digital Trade and Investment 2023 provides information regarding the digitalization and e-commerce developments in these countries. In the report it can be found that e-government initiatives are taken by all these countries and certain digitalization projects are planned to be made. However, compared to Azerbaijan they are either premature in development such as the case for Kyrgyzstan or they do not cover the area of operation of Kalaçlar which is the case for Kazakhstan. However, Uzbekistan can take the second place for possible e-commerce for the company after Azerbaijan. Although, not as comprehensive as Azerbaijan, significant steps are taken for the digitalization of the country and attracting foreign investments. To improve the regulation of electronic commerce, a new edition of the Law of the Republic of Uzbekistan, “On Electronic Commerce,” was adopted in September 2022 (LRU-792 from 29 September 2022) (Report on Turkic Economies: Digital Trade and Investment 2023, 2023). The law sets a direction for creating an environment that attracts foreign investments. Initiatives are taken to simplify the e-commerce in the country for its citizens and for foreigners. Aside from the legal steps taken, website named “Uzbekistan Trade Info” implemented by the Ministry of Investment, Industry and Trade of the Republic of Uzbekistan with main technical assistance of the International Trade Centre (ITC), funded by the European Union (EU) and additional technical support from United Nations Conference on Trade and Development (UNCTAD) (About Us, n.d.). The platform fully complies with the World Trade Organization Trade Facilitation Agreement and provides step-by-step guide on import, export and transit formalities in the country to ease the process of investment and conducting business in the country as well as providing information about the relevant topics. All of these initiatives mentioned makes Uzbekistan a second good choice for the company to conduct e-commerce.

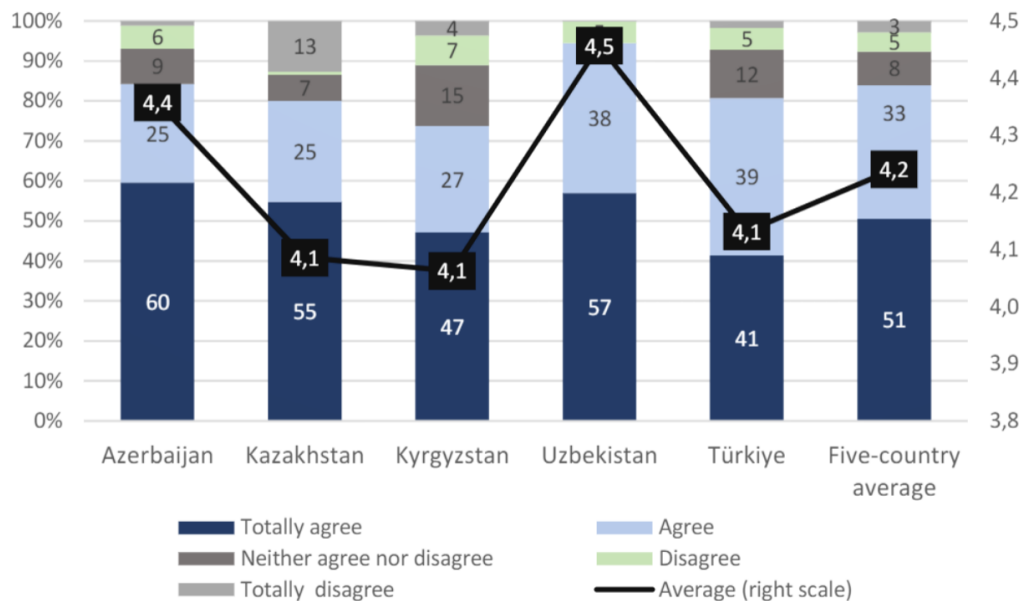
To conclude, given the developments in the digitalization and e-commerce in the Turkic states, Azerbaijan is the optimal choice for e-commerce for Kalaçlar. DTH eases the process of establishing a business in Azerbaijan without being located in the country and all the processes are digital. It also allows the company to have access to online banking services along with other services such as tax declarations etc. DTH is also further supported with the Trans-Caspian Fiber-Optic Line project that brings a vision to the program. Trans-Caspian Fiber-Optic Line project also makes Azerbaijan a suitable choice for further expansion into the other Turkic states if company chooses to as the program aims to turn Azerbaijan into a Regional Digital Centre. Uzbekistan stands as second option for the

company as country has taken significant steps towards digitalization and attracting foreign investment but takes the second place when compared to Azerbaijan with comprehensiveness and usefulness of the steps to the company.

3.5.7 Possible challenges for the company

As company plans to expand into the Turkic economies, there are several difficulties and challenges can be expected by the company. First of all, although in recent years significant steps are taken to improve and strengthen the relations between the Turkic states, an integration on a level to significantly ease the activities of the Turkic companies in other Turkic states is yet to be achieved. OTS summits clearly indicate an intention of further integration and strengthening of the ties and the results from the Turkic Barometer 2023 also shows the Turkic peoples' agreement on the topic but there are still inherent challenges are waiting to be solved.

Graphic 20: Agreement with the statement: Turkic states should harmonize their foreign policies and act together as a group when necessary (Percentage and average)

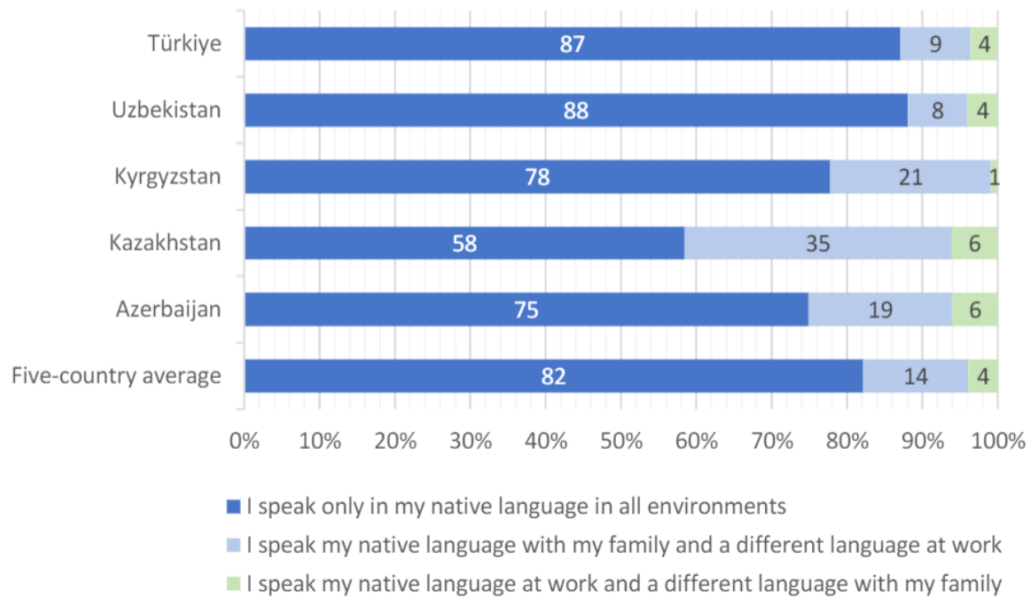


Agreement with the statement: Turkic states should harmonize their foreign policies and act together as a group when necessary (Percentage and average)

Source: Süleymanlı, E., & Kılıç, H. A. (2023). *Turkic Barometer 2023: Research on Identity and Culture Interaction in the Turkic States*. Turkic Academy. <https://turkicacademy.org/izdaniya/kniga/turkic-barometer-2023>

One of these challenges is the language. Although, the members of the OTS speak Turkic languages which is in the same language family, diversions in the languages occur thus making it difficult to use a single language for communication. On average, in five countries, 82% of all participants and 75% of the group under the age of 29 said that they only speak their native language in all environments (Süleymanlı & Kılıç, 2023).

Graphic 11: Do you speak a language other than your native language in your daily life? (Percentage)

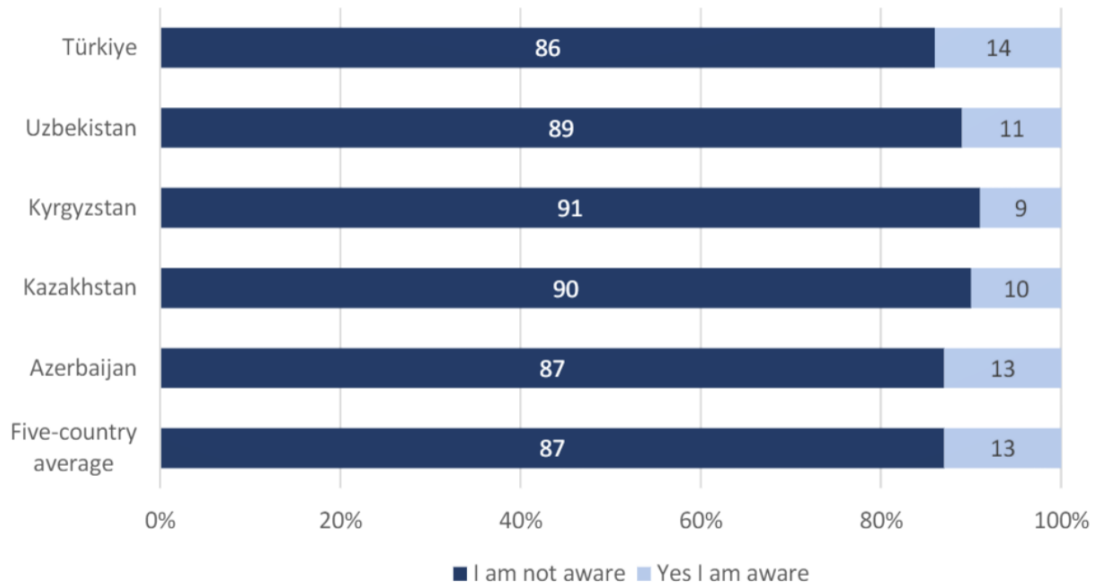


Answers to question “Do you speak a language other than your native language in your daily life?” (Percentage)

Source: Süleymanlı, E., & Kılıç, H. A. (2023). *Turkic Barometer 2023: Research on Identity and Culture Interaction in the Turkic States*. Turkic Academy. <https://turkicacademy.org/izdaniya/kniga/turkic-barometer-2023>

Although some steps are taken to further integrate the countries via culturally or on educational level such as the publishment of common Turkic history books and attempts to create a common Turkic alphabet, these steps are currently not enough. Because of the difference in the languages, the company will have to allocate resources on localization of its products. The company can use the help of trade consultants that are specialized in the trade with the Turkic states or can use the help of academic personnel along with the translators that are active in the relevant field. Another problem is that the peoples of the Turkic states lack awareness of the vision of the OTS and its members. More extensive promotion of the Vision-2040 document is needed in the Turkic states to increase the awareness.

Graphic 24: Are you aware of the document called Turkic World Vision-2040? (Percentage)



Answers to question “Are you aware of the document called Turkic World Vision-2040?” (Percentage)

Source: Süleymanlı, E., & Kılıç, H. A. (2023). *Turkic Barometer 2023: Research on Identity and Culture Interaction in the Turkic States*. Turkic Academy. <https://turkicacademy.org/izdaniya/kniga/turkic-barometer-2023>

Another difficulty that company can face is the bureaucracy. Although incentives are provided by Türkiye and other Turkic states, the company still needs go through bureaucratic processes both in its home country, Türkiye, and in the target countries. Potential export to these countries requires the company to fulfil certain standards in Türkiye such as reporting to Republic of Türkiye Ministry of Treasury and Finance about their financial activities related to export in order to receive VAT refund. These additional activities connect with the company’s problem of lack of personnel. Kalaçlar is in need of additional personnel to improve its current situation and an export project would require additional personnel to be in charge of the project and attend to the bureaucratic work required by the institutions.

In recent years company managed to open it online webpage where the products can be sold to customers in Türkiye. The website provides information about the ceramic products such as hand tools, clays, and the chemicals that are used in the ceramic production and these products can be purchased online by the customers. However, other more industrial products that are sold by the company are not available online such as firebricks and control modules and requires the customers to directly contact with the company. Although, the other products can be purchased online, the information provided for these products and their functions are limited. This results with customers to directly contact with company in order to get more information before their purchase. Customers who purchased products from the company before are continuing to purchase these products online since they already have the existing knowledge about qualifications of the products they are

purchasing. Company's already existing webpage for its online sales is not enough to provide services to international and Turkic customers as the webpage provides only limited information about limited products and currently is only in Turkish. The webpage needs to be translated into the languages of the target countries and additional information about the products must be added to clarify the qualifications of the products without the need of communicating with the company directly.

Another difficulty for the company is because of the geographic distance between Türkiye and some Turkic states. Aside from Azerbaijan and Turkish Republic of Northern Cyprus, other OTS members are significantly further away with no land or sea connection. This would make the investments and transportation of goods to these countries inherently more expensive.

Chapter 4. Findings

4.1 Data analysis

Given the data from historical, political, and cultural analysis, it can be concluded that there are connections between the Turkic states that can be used by the company. Türkiye's steps towards the Turkic states after their independence and connections formed afterwards can be given as examples to the commitment Türkiye has. Establishment of the Turkic Council and later the OTS are exemplifying the political steps taken for the direction of further collaborations between the countries. As it can be seen in the summits and in the declarations, OTS member countries are determined to improve the already existing ties in various fields. The summits indicate that further steps will be taken in the fields of education, tourism etc. The Turkic World Vision-2040 set by the member countries also stands as a document for the future plans and collaborations. The formation of the organizations such as the Turkic Academy, TURKSOY, and Turkic Culture and Heritage Foundation are all indications to further collaboration between the Turkic states in various fields. More research is conducted on the Turkic economies and more publications are being made in the relevant field. Preparation of a common Turkic history book can be given as example to standardize and educate the common Turkic history to future generations. Cultural events like World Nomad Games and Turkic World Capitals are also steps taken to improve the cultural ties as well as the promotion of these countries that are taking place in these activities. Aside from the activities organized by these organizations Turkic countries also share the same cultural values and activities such as pottery, weaving, calligraphy, metalwork, woodcarving, embroidery, music, painting, and miniature art.

Ceramic art and pottery are also practiced by the Turkic states. Some of the examples can be seen in the structures such as mosques and some countries such as Uzbekistan are famous in the world stage for their ceramics.

Aside from the cultural and political ties, Türkiye also has trade ties with the Turkic states. Türkiye takes the second position in terms of import with the Azerbaijan in 2021, fifth with Kazakhstan in 2022, fourth with Kyrgyzstan, and fifth with Uzbekistan. Given the data it can be said that Türkiye is an important and promising partner. But it is worth mentioning that the share of Türkiye is still relevantly low in these countries compared to Russia and China. However, as expressed in the future plans of these countries, diversification of the economy and trade is planned and under this assumption Türkiye can have a greater share. Bilateral agreements exist between these countries that Turkish companies can use and there are also institutions such as trade consultancies for these countries exist which the Turkish companies can ask for guidance regarding the topic. There is also a considerable interest towards the purchasing of goods from the other Turkic states among the Turkic people even if it costs a little more. Turkic people are also interested in the developments in the other Turkic states and agree on improving the ties between the Turkic states. Given this information, it can be said that future collaborations and strengthening of the ties in trade are possible.

Regarding the FDI and e-commerce, Turkic states are taking steps towards in these fields but each of them are following a different path and has different goals. Among the Turkic states, Azerbaijan seems the most attractive and convenient one for the company to invest in regards of FDI and e-commerce. Azerbaijan's approach to these fields aligns with its target to diversify its economy. The country is also providing legal protection to companies that are investing in the country to some extent and making the process of investment easier.

On the company side, the company has strong finances to engage in export activities. The company has huge capital and currency reserves. The company also has a large inventory that it needs to sell and has zero debt. Given the economic situation in Türkiye where there is high inflation and difficulty of borrowing and the borrowing costs, the company can use its financial structure to its advantage. It can sell the goods in its inventory to Turkic states to reduce its inventory costs and acquire more currency. In case of a need to borrow, the company can use its assets as collateral to borrow but given the company's strong currency reserves it doesn't appear to be necessary. On the other hand, the company is short on personnel and needs to hire more people. The management should also be readjusted to fit the company's formation. The website of the company is not sufficient to conduct online shopping for foreign country citizens as the site is only in Turkish and lacking explanations of the products. It is also evident in the share of online purchases in the total turnover which is very small. Nevertheless, the company can adjust its website and its system for export projects as it has the means to do so. The company can always use its strong financial structure to make the necessary investments to prepare itself.

4.2 Research question response

Given the data provided and analysed, the answer to the research question is yes. There is a clear direction towards more collaboration in the political, cultural, and trade among the OTS member states. Although further steps need to be taken by the member countries, organizations, and the company, trade is possible with these countries using the trade and cultural ties.

5. Conclusions

This study aimed to find any trade or cultural relations between the Turkic states that the company can use to its advantage to export its goods or conduct business in the relevant countries. In order to find the relevant ties, the topic is investigated in four analysis section which are historical, political and cultural exchange, trade, and country background. The aim was to find the relevant ties and to determine if there is any direction towards further strengthening the ties and therefor creating an environment which the company use as an opportunity. Countries that are members or the observers of the Organization of Turkic States are chosen to be analysed because of the Turkic identity of the OTS and Turkic people spread through a vast a geography.

Historical analysis section shows that a clear connection between the Turkic people in Central Asia and people of Republic of Türkiye. Turkic peoples' support for the Turkish people in World War I and Turkish War of Independence also shows the ties between these two groups in a relatively close time period which is 20th century.

In political and cultural exchange section steps taken by the several actors analysed. First analysis was on the OTS, history behind its establishment and the steps taken by the OTS. When analysed it can be seen that OTS has taken steps towards a more integrated environment between its members. During the first summit of the Turkic Council in 2011 with theme "Economic and Commercial Cooperation", participant states expressed their commitment about the further development of mutual benefits, relations and solidarity given the common historical, cultural, language and identity ties. At the second summit in 2012 charter for the establishment of "The Turkic Culture and Heritage Foundation" was adopted. Encouragements were also given to ministers of education of the countries for the preparation of a common schoolbook for Turkic history. Second analysis was on the OTS and its affiliates such as Turkic Academy, Turkic Culture and Heritage Foundation, and TURKSOY. Relevant information about these institutions is provided and some examples are provided for their activities. Third and fourth analyses were about cultural diplomacy initiatives taken by Türkiye and the individual Turkic states. When analysed it can be seen that there is a clear direction towards more integration and creating an environment that provides privileges and advantages to its members thus answering the hypothesis "There is a clear direction towards

creating a business environment between OTS countries that provides advantages and privileges to its members that can be used by the company” with an answer yes.

In trade analysis section, information about each member and observer state is provided combined with their future development plans such as “Azerbaijan 2030: National Priorities for Socio-Economic Development”, “Uzbekistan 2030 strategy” etc. Information about those countries’ economic structure and their trade ties are explained and analysed. Bilateral trade ties between the individual countries and Türkiye are analysed to find an answer to the second hypothesis “The company can use already existing bilateral agreements between Türkiye and the target countries to conduct business in advantageous terms”. This hypothesis is also answered with yes as it can be seen with Azerbaijan, Kazakhstan, Kyrgyzstan, and Uzbekistan there are agreements that focus on improving the trade between the two countries. Aside from the agreement incentives are also provided in some cases such as with Azerbaijan where 50% exemption from the corporate tax, property tax exemption, VAT and tariff exemption for the machine and equipment that are imported to the country for seven years is provided to companies that are in possession of investment incentive certificate.

The future plans of the Turkic states analysed in the paper are further analysed in the case study section to find if they align with the company’s goals. As a result of the analysis most suitable countries for the company to invest in are Azerbaijan, Uzbekistan, and Kyrgyzstan. Azerbaijan takes the first position both in FDI and e-commerce section while Kyrgyzstan takes the second position in FDI and Uzbekistan taking the second position in e-commerce. When thoroughly analysed and filtered down, Kalaçlar can choose Azerbaijan as a starting point as both the country’s future development plans and the steps taken in that direction align with the company’s interests.

As a result of the study, the answer to the research question is yes. There are clear connections in history, politics, culture, and trade between Türkiye and the target countries that the company can leverage. In the light of the findings of this paper, there are some recommendations can be made in the relevant topic. First of these recommendations is that peoples of the Turkic states should be more informed about the Turkic World Vision-2040. Goals and the achievements of the OTS should be communicated with the people and people should be made aware of the developments on the organizational scale. Second, more cultural activities should be organized to promote the collaboration between the Turkic states and their peoples. Aside from the already existing activities, film festivals culture days like events that include the direct contribution and the participation of the people and not just the organizations should be increased to further develop the ties between the Turkic peoples and increase the awareness on the common values. Third, although they share the same origin, language used by each Turkic states might not be interchangeable with each other leading a language barrier to be formed. Further efforts should be made to find the

common grounds in the language and standardize the parts that can be standardized such as using a common alphabet.

This research focused mainly on a company level and data is gathered and analysed in a way to fit the company's needs and goals. Research questions along with the hypotheses is answered in the light of the findings and recommendations are also provided.

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7. Graphs and Tables

Agreement with the statement: I am ready to buy products from other Turkic states, even if they are a little more expensive (Percentage and average) Source:

Süleymanlı, E., & Kılıç, H. A. (2023). Turkic Barometer 2023: Research on Identity and Culture Interaction in the Turkic States. Turkic Academy.

<https://turkicacademy.org/izdaniya/kniga/turkic-barometer-2023>

Agreement with the statement: Turkic states should harmonize their foreign policies and act together as a group when necessary (Percentage and average) Source:

Süleymanlı, E., & Kılıç, H. A. (2023). Turkic Barometer 2023: Research on Identity and Culture Interaction in the Turkic States. Turkic Academy.

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Answers to question “Are you aware of the document called Turkic World Vision-2040?” (Percentage) Source: Süleymanlı, E., & Kılıç, H. A. (2023). Turkic Barometer 2023: Research on Identity and Culture Interaction in the Turkic States. Turkic Academy. <https://turkicacademy.org/izdaniya/kniga/turkic-barometer-2023>

Answers to question “Are you interested in the developments in the Turkics states?” (Percentage and average) Source: Süleymanlı, E., & Kılıç, H. A. (2023). Turkic Barometer 2023: Research on Identity and Culture Interaction in the Turkic States. Turkic Academy. <https://turkicacademy.org/izdaniya/kniga/turkic-barometer-2023>

Answers to question “Do you speak a language other than your native language in your daily life?” (Percentage) Source: Süleymanlı, E., & Kılıç, H. A. (2023). Turkic Barometer 2023: Research on Identity and Culture Interaction in the Turkic States. Turkic Academy. <https://turkicacademy.org/izdaniya/kniga/turkic-barometer-2023>

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