

**REPUBLIC OF TURKEY  
SAKARYA UNIVERSITY  
GRADUATE SCHOOL OF BUSINESS**

**THE RELATIONSHIP BETWEEN BILATERAL OFFICAL  
DEVELOPMENT ASSISTANCE AND DONAR'S VOLUME OF  
EXPORT: CASE STDUY OF TURKEY**

**MASTER THESIS**

**Arab Dahir Hassan**

**Department : International Trade**

**Thesis Advisor: Assist. Prof. Dr. Esra Dil**

**MAY – 2019**

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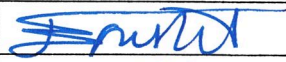


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Field of Science : International Trade

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## LIST OF ABBREVIATIONS

<b>ODA</b>	: Official Development Assistance
<b>UN</b>	: United Nations
<b>OECD</b>	: Organization for Economic Cooperation and Development
<b>IMF</b>	: International Monetary Fund
<b>AKP</b>	: Adelet ve Kalkinma Partisi
<b>USSR</b>	: Union of Soviet Socialist Republics
<b>UNDP</b>	: United Nations Development Program
<b>UNRRA</b>	: United Nations Relief and Rehabilitation Administration.
<b>GATT</b>	: General Agreement on Tariffs and Trade
<b>USA</b>	: United States of America
<b>DAC</b>	: Development Assistance Committee
<b>FDI</b>	: Foreign Direct Investment
<b>TIKA</b>	: Türk İşbirliđi ve Koordinasyon Ajansı
<b>PCO</b>	: Program Coordination Office
<b>NGO</b>	: Non-Governmental Organization
<b>AFAD</b>	: Afet ve Acil Durum
<b>NATO</b>	: North Atlantic Treaty Organization
<b>MENA</b>	: Middle East and North Africa
<b>GDP</b>	: Gross Domestic Product
<b>POLS</b>	: Pooled Ordinary Least Squares
<b>PPML</b>	: Poisson - Pseudo-Maximum Likelihood



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**Tezin Başlığı: İki Taraflı Resmi Kalkınma Yardımları ile Bağışçı Ülkenin İhracat Hacmi Arasındaki İlişki: Türkiye Örneđi.****Tezin Yazarı:** Arab Dahir Hassan **Danışman:** Dr. Öğr. Üyesi Esra Dil**Kabul Tarihi:** 06/05/2019**Sayfa Sayısı:** vii (Ön Kısım) + 85 (Tez) +2**Anabilim Dalı:** Uluslararası Ticaret**Bilim Dalı:** Uluslararası Ticaret

Bu araştırmanın amacı, Türkiye Cumhuriyeti Devleti'nin yapmakta olduđu kalkınma yardımlarının, yardımı alan ülkelere olan ihracatını nasıl etkilediđini araştırmaktır. Bu etkiyi test edebilmek için Uluslararası Ticarete Çekim Modeline başvurulmuştur. Bu bağlamda çalışma, Uluslararası Ticarete Çekim Modelini kullanarak, 2008-2017 yılları arasında yapılan Türk resmi kalkınma yardımlarının, Türkiye'ye ihracatı üzerindeki etkisini 65 alıcı ülke üzerinden incelemektedir.

Çalışmada; 1- OLS, 2- Sabit Etki, 3-Rastgele Etki ve 4- Türkiye resmi kalkınma yardımları ile alıcı ülkelerin ihracat hacmi arasındaki ilişkiyi tanımlamak üzere kullanılan PPML olmak üzere dört tahmin yöntemi uygulanmıştır.

Araştırma sonucunda, GSYİH, mesafe ve ortak dil deđişkenlerinin Geleneksel Çekim Modeli'nin genel varsayımlarıyla örtüştüđü görülmüştür. Bununla birlikte, Türkiye ve alıcı ülkelerin kişi başına düşen GSYH'sinin Türkiye'nin ihracat hacmini artırmada etkisinin daha az olduđu görülmüştür.

Araştırma bulguları, iki taraflı resmi kalkınma yardımının %1 oranında artmasının, Türk Cumhuriyeti Devleti'nin alıcı ülkelere ihracatında % 0,04 oranında bir artış sağladığını göstermiştir. Türk Cumhuriyeti Devleti'nin resmi kalkınma yardımının kısmen veya tamamen ihracata bađlı olduğunu gösteren bir kanıt bulunmamakla birlikte, bu ampirik sonuçlar resmi kalkınma yardımlarının Türkiye ihracatı için yeni pazarların keşfedilmesinin olumlu olacağını göstermektedir. Bu gerekçe ile, resmi

**AnahtarKelimeler:** İki taraflı resmi kalkınma yardımı, ihracat, Türkiye.

<b>Title of the Thesis: The Relationship Between Bilateral Official Development Assistance &amp; Donor's Volume of Export: Case Study of Turkey</b>	
<b>Author:</b> Arab Dahir Hassan	<b>Supervisor:</b> Assistant Prof. Esra Dil
<b>Date:</b> 06/05/2019	<b>No. of Pages:</b> vii (Pre. Text) + 85 (Thesis) + 2 (App.)
<b>Department:</b> International Trade	<b>Field of Science:</b> International Trade
<p>This thesis examines the effect of Turkish official development assistance on Turkey exports to 65 recipient countries over the time period 2008 to 2017 with an application of the gravity model of international trade. The study applied four estimations methods; OLS, fixed effect, random effect and PPML to identify the association between Turkish official development assistance and the volume of export to sample of recipients. The results illustrated that estimations of the GDPs, distance and common language are in line with the general assumptions of the traditional gravity model.</p> <p>However, the GDP per capita income of Turkey and recipient countries was found less significant impact on the volume of Turkey export. The main target of the study was to explore how the Turkish development aid effects its export to aid recipient countries. The results demonstrated that 1% increase of bilateral official development assistance creates by 0.04% increase on Turkish export to recipients. Although there is no evidence showing that Turkish official development assistance is partly or completely tied to export, these empirical results indicated official development assistance explore new markets for Turkish exports. Therefore, the study presumes that if official development assistance is partly tied to export it will soar the volume of exports to recipients much favorably.</p>	
<b>Keywords:</b> Bilateral official development assistance, export, Turkey.	

## INTRODUCTION

The concept of bilateral foreign aid as an effective foreign policy instrument came into being 1945 at the end of an unforgettable and terrified World War Two. In World War Two, the US became an indisputable global power, but its European allies impoverished and devastated extremely. The European powers experienced a very serious humanitarian situation and severe economic crises. There was an extreme shortage of foreign currency reserve to buy goods from the other world. The US provided numerous humanitarian aids however it was unable to alleviate war-devastated economies of Europe. The former Secretary of State George C. Marshall, previously well-known and respected for his wartime leadership as an American Army chief-of-staff, giving an inauguration address at Harvard University in 1947 suggested extensive foreign assistance to save the European devastating economies. The foreign aid program General Marshal suggested was formally named as the European Recovery Program ratified by the US Congress in 1948.

The Marshall Plan offered a significant amount of foreign aid to an impoverished Western Europe, halting a humanitarian catastrophe and helping long-term economic recovery (Jackson, 1979: 1043). The American policymakers believed that Western Europe was the most significant region in balancing power in post-world war two era, and saving this region was serving both national security and economic interest of USA (Leffler, 1988:278). By 1950 Europe revived economically and started to stand its feet again due to Marshal aid program. The dollar gap which devastated European economies was narrowed by the USA aid program, exports from Western Europe started to rise at an alarming rate except for Germany, and trade deficit contracted favorably. The Marshall program not only renovated Europe but regenerated a significant trilateral trade between the United States, Western Europe and their trading associates in the developing world (Rostow, 1997:207).

During the Cold War or battle of ideology between the West and Soviet Union, bilateral foreign aid became one of the most significant soft and diplomatic instruments used to influence nations. Both the two warring powers -the USA and Soviet-provided tremendous foreign aid to persuade their ideologies and attract developing countries. The USA has been fighting the world to adapt its democratic values based political system

and free market-oriented economic model, while the Soviet Union advocated non-democratic political system and command economic model. The USA granted billions of economic and military foreign aids to countries prone to Soviet Union expansion (Khadka, 2000: 77– 81). Turkey was one of the countries resisted the influence of the Soviet Union and USA policy makers were very appreciated with Turkey's commitment. President Truman campaigned to grant a significant amount of foreign assistance under the Marshal program to Turkey (Ulunian, 2003: 42). However, Kayaoğlu (2009:328) argued that Truman's government needed to promote the capacity of Turkish military forces to defend the USA interest in the region. Hence, the State Department offered significant amounts of military aid to Turkey to be stable and resistant to Soviet expansion to the region. This was facilitated Turkey to join North Atlantic Treaty Organization in 1952, and it was marked as the significant stage of the journey of Turkey to a closer friend of the west and reliable recipient of western foreign aid for developing countries.

Since then Turkey received a huge amount of official development assistance from western institutions such as OECD, World Bank and IMF, and bilateral foreign aid from individual western nations. Though political challenges which led to strong military intervention in the politics in the 1970s and 1980s hindered the economic development of the nation. The successive governments led by Turgut Özal from 1983-1989 as president and 1989-1993 as prime minister implemented fundamental economic policy reforms which ultimately resulted in favorable economic growth. In the foreign affairs, Turkey established a foreign policy designed to face opportunities and challenges from the Soviet Union dissolution and the globalization in 1990 (www.britannica.com,n.d.). The government designed a foreign aid program for newly independent Turk Republics to revive the historical and co-ethnicity ties with these countries. By this time Turkey gained the status of both foreign aid recipient and emergent foreign aid donor. However, from 1990 to 2000 Turkish foreign aid was passive and mainly concerned with trading partners, Turk Republics, and Balkans.

In 2002 when the Justice and Development Party (AKP) came to power foreign aid scope was redefined, instead of only Turk Republics and trading partners, the Muslim Ummah was assigned as the target beneficiary. AKP party government applied foreign aid and humanitarian diplomacy to reintegrate the Muslim World and attract more trading

partners. Hence, Turkish state agencies and non-state agencies with Turkish flag have been delivered humanitarian and developmental aid in all corners of the world; Americas, Africa, Asia, and Europe. The volume of official development assistance showed a dramatic jump within 13 years, in 2002 Turkish official development assistance was only 8 million but it reached 3.9 billion 2015 making Turkey the vastest ODA contributor in all OECD countries (TIKA,2015). The political dimensions and implications of this dramatic aid policy of Turkey have been discussing in the international politics forums and academia as well. However, this study strives to examine how the volume of Turkish export to recipient countries reflects the dramatic increase of bilateral official development assistance. Specifically, the study focuses to answer what kind of association exists between the bilateral Turkish ODA and the volume of export? which did not catch much scientific research attention in the literature.

### **Organization of the thesis**

This study is organized in four main parts including the introduction section. The first section provides basic terms and definitions and analytical review of the historical background of foreign aid. The categories of official development assistance, motivations behind it, and most importantly criticism towards official development assistance was also elaborated in this section. The second section portrays the summary of the empirical review for previous studies conducted on the association between official development assistance and the volume of export. The third section reveals a brief review of Turkish foreign aid policy evolution and different development it has undergone as a foreign policy tool. The fourth section is devoted to discussing methodology, model specification, empirical results, and interpretations. The final section is assigned for conclusions drawn from the empirical results and the policy recombination.

## **Objectives of the study**

This study aims to examine the causal relationship between Turkish official development assistance (ODA) and its volume of export to aid recipient countries. The core objectives of the study are summarized as follows;

- 1.To examine the association between the Turkish bilateral official development assistance and its volume of export.
- 2.To assess the developments of Turkish official development assistance as a foreign policy instrument.
- 3.To provide policy recommendations to concerned stakeholders.

## **Hypothesis of the study**

This study intends to test three main hypotheses;

- H1: traditional gravity model variables (GDP, distance, and common language) comply with their expected signs.
- H2: Turkish ODA increases Turkey exports to aid recipient countries.
- H3: Both GDP per capita of Turkey and recipients promote Turkey's exports to recipient countries.

## **Significance of the Study**

The research topic of the thesis is useful for certain significant reasons: first, it examines the nature of the relationship between official development assistance and Turkey's export to aid recipient countries. secondly, it explores whether foreign aid significantly contributes to Turkey's demand for the market for exports. The third provides an analytical review of Turkish foreign aid evolution as a foreign policy tool. The fourth it offers empirical results for policy recommendation and implications.

## **Motivations of the study**

The relationship between donor's bilateral foreign aid or bilateral official development assistance and its volume of export to aid recipient countries has been extensively



discussed in the literature. Many empirical studies revealed that there is a direct causal relationship between tied aid and export of the donor to recipient, but in the case of untied aid, this causal relationship is not always supposed to be direct. Official development assistance is an effective foreign policy instrument that countries use to improve their international image and influence nations to create bilateral trade and diplomatic relationships. Both traditional and emergent donors use official development assistance to promote their export to recipient countries. For instance, Kang (2014:1) investigated the causal relationship between South Korean Official development assistance and its export and revealed that there is a positive impact of ODA on Korean export. Similarly, Skärvall (2012:3) also found that Swedish foreign trade triggers as long as it grants more official development assistance to its trade partners.

This study examines the possible linkage between Turkish official development assistance (ODA) and export to 65 countries of Turkish aid recipients. Turkey is not a member of the Development Assistance Committee (DAC) but the recipient. However, Turkey has been providing official development assistance since in 1990 and reports to OECD. Turkey's official development assistance dramatically increased for the last two decades from 85 million in 2002 to 8.121 billion in 2017. Turkey was also ranked as the most generous donor in the OECD countries in 2015. However, almost all the studies conducted on Turkey's development and humanitarian aid has been studied on a political science perspective. Studies mostly made a conclusion that Turkey used development aid as an effective foreign policy tool. However, there is no empirical study devoted to examining the possible trade impacts of Turkish development assistance rather than political goodwill. Therefore, this study intends to fill this research gap and strives to provide an empirical result by analyzing the linkage between Turkish development assistance (ODA) and Turkish volume of export to recipient countries.

## **PART 1: THEORETICAL BACKGROUND & LITERATURE REVIEW**

The association between foreign assistance and bilateral trade flow between countries is complex and is not easy to model with only certain variables. The causal relation between aid and bilateral trade might be from aid to trade or from trade to aid depending on the nature of aid and its impact on recipient state. This area of research is too broad, and it has received significant scientific research attention in the literature. However, in this thesis, it will be examined only the causal relationship between donor's aid and its volume of export to the recipient country. Therefore, this chapter will be provided basic hints about the causal relationship from aid to export, and comprehensive historical development review of foreign aid after definition and basic terms.

### **1.1 Definitions and Basic Terms**

Foreign assistance or foreign aid is a concept with numerous different definitions. The one used within this study, also in the historical review part, is the most extensively used one in the literature offered by the Organization for Economic Cooperation and Development's (OECD) Development Assistance Committee (DAC), that was established in 1961 and monitors, assesses and coordinates the impact of development policies. It is the main platform for some of the chief donors of aid with presently 36 member countries including the United States. International organizations like the IMF, UNDP and World Bank also play a crucial role in international aid distribution and regulations.

Foreign assistance is characterized by the DAC as Official Development Assistance (ODA) and designated as a transfer from official institutions such as countries and their agencies to DAC-specified nations and to international institutions. According to the official definition in the OECD website the official development assistance (ODA) must meet the main basic requirements:

- Each flow must be administered with the promotion of the economic development and welfare of developing countries as its main objective;
- is concessional in nature and conveys a grant element of at least 25 percent (calculated at a rate of discount of 10 percent) (www.OECD, n.d.)

There are many other resources transfers from country to another which are not permissible to report as official development assistance include military aids, non-civilian nuclear energy, peacekeeping expenditures, and cultural programs of the donor. Official development assistance and foreign aid will be used interchangeably in this study.

### **1.1 Causal Relationships from Aid to Export**

The major objective of this paper is to test and examine the impact of Turkey's ODA on its volume of exports. Therefore, the various ways which foreign aid may affect trade need to be examined. The association between official development assistance and the export is complex since we know Turkish official development assistance is not tied to export. Therefore, in the untied foreign assistance it is not wise to conclude every dollar spent on aid generates some amount of return on export. We are assuming that untied official development assistance creates goodwill between the donor and recipient country, which intern facilitates bilateral trade between them. The causal relationship between ODA and export could be from ODA to export or vise verse. However, complying with the aim of the thesis, we are going to test the relationship from ODA to export.

#### **1.2.1 Direct links between aid and export of the donor**

The most viable direct association between foreign aid and export can be seen in the tied aid, where the provision of aid depends on goods and services purchased from the donor. This means that donors offer tied aid in the form of services and goods, thus the aid is directly boosting export of the donor to recipient. Direct links between aid export can also possible without an obvious aid tying arrangement. There are several ways a donor can efficiently tie aid, deliberately or unintentionally, without an official tying contract. A donor may opt to finance a certain development project that requires goods and materials which its own industries have a very strong competitive advantage (Lloyd et al.,1998: 4–5).

#### **1.2.2 Indirect links between aid and export of the donor**

Foreign assistance can also promote the donor's export to the recipient without any kind of tying arrangement and project selection. The aids given to recipient country may create

passion and goodwill among the citizens of the recipient towards the donor. Then this may lead citizens of the recipient state may feel thankful to buy goods and services from the donor nation. The recipient state may deliberately increase imports from the donor in order to sustain developmental aids from the donor (Wagner, 2003: 158–159). Foreign aid may also improve income capacities of citizens in the recipient country to be able to buy services and goods from the donor nation (Hühne, Meyer, & Nunnenkamp, 2014: 1276).

### **1.3 Brief Historical Review of Foreign Aid**

#### **1.3.1 Michael Barnett's Ages of Humanitarianism**

Political scientist Michael Barnett is one of the rare scholars contributed comprehensive analysis on the history of foreign aid. Barnett suggested three distinct historical timelines that could be referred to when the history of foreign aid is studied. His three ages of humanitarianism were; imperial humanitarianism which starts from the early nineteenth century through World War II; a neo-humanitarianism, from World War II through the end of the Cold War; and liberal humanitarianism, from the end of the Cold War to the present. These three ages of humanitarianism are distinguished and shaped by what he called forces of destruction, production, and compassion (Barnett,2011:34).

Imperial humanitarianism marks in between 1800-1945, in this period the main determinant factors of how much assistance an empire provides to other foreign counterpart was mainly co-religion, colonialism, and military alliance. When natural disaster (drought, famine, flood, and epidemic disease) struck certain communities, the main push force to help suffered communities was the religious moral force. Religious humanitarianism dominates earlier historical records of the foreign aid, it seems impossible to develop a historical lineage of foreign aid without evaluating its religious foundations.

**Table 1**

**Ages of Humanitarianism**

<b>Motives</b>	<b>1800-1945 imperial humanitarianism</b>	<b>1945-1989 Neo-humanitarianism</b>	<b>1989-present liberal Humanitarianism</b>
Destruction	Great power war & colonialism	Cold war & decolonization	Liberal peace
Production	Commerce	Development	Globalization
Compassion	Civilization	Sovereignty	Human rights

**Source:** Barnett, M. (2011). *Empire of humanity: A history of humanitarianism*. Cornell University Press, p.45.

Our study focuses on developments and evolutions of modern foreign aid, hence, review and analysis about the imperial era of foreign aid will not be provided. The rest of our review will be covered Neo-foreign aid era (1945-1989) and liberal foreign aid era (1989 to present time).

**1.3.1.1 Neo-foreign aid era (1945-1989)**

**1.3.1.1.1 The role of foreign aid during and after World War II**

The evolution of modern foreign aid efforts and prospects was not an overnight process, after centuries of progress with different challenges and opportunities, the concept of foreign aid transformed from military strategy to humanitarian mindset, and another geopolitical interest. Early examples of this transformation, 18 century Frederick the Great of Prussia launched programs aimed to help less well-off nations and his people were broad that they had a nation supporting allies. The early bilateral foreign aid and military cooperation include German-Turkish relations is one of the visible examples of foreign aid before 1945. Germany provided Turkey in 1914 military advisory, personnel and materials in the form of aid for being strategic alliance (Tumpener, 1960:147-149).

Foreign aid, as an indispensable chapter of U.S. overseas policy, started 1941 all through World War II have been changed with world political dynamics. In planning for the postwar world order, the United States anticipated that after a transitory period with

challenges, the international stability would step by step be restored, and long-term rebuilding programs would be funded through loans from the International Monetary Fund and World Bank (Ikenberry, 2005: 138–140). The U.S. foreign assistance was primarily in the form of emergency aid, but there was a great need for a central organization of global humanitarian relief. Therefore, the United States dedicated a massive amount of foreign aid to global humanitarian organizations, the United Nations Relief and Rehabilitation Administration (UNRRA) founded in 1943 to be the platform where governments contribute humanitarian and developmental assistance to war-devastated nations (Reinisch, 2011: 286–289).

#### **1.3.1.1.2 European Economic Recovery program (Marshall Plan)**

European Recovery Program or Marshall Plan (1948– 1951), U.S.- backed aid program planned to revive the economies of over 17 western and southern European nations to make stable conditions in which majority rule organizations could endure. The United States worried about the poverty, joblessness, and displacement of the post-World War II period, and strengthening of communist-affiliated parties Europe. The Secretary of State George C. Marshall in 1947 at Harvard University highlighted the possibility of a European self-improvement program to be financed by the United States (Bordo, 1993: 34). Based on the united arrangement for western European economic rebuilding displayed by a committee of 16 nations, the US Legislative ratified the establishment of the Marshall Plan, which came into force in 1948. The foreign assistance was first provided to practically all the European countries, including those under military occupation by the Soviet Union. The US offered 13 billion worth economic aid to Europe in order to recuperate industrial and agricultural production capacity, create financial stability, and promote trade. The program mainly targeted US close allies since 13 of the participated countries were NATO members (Miscamble, 1994: 483).

Although in the first time Soviet Union accession to the US aid was welcomed with certain conditions, as the Marshall himself indicated that US aid is not implemented against any ideology but against poverty, hunger and desperation (Bovard, 1986). However, the US-Soviet relations deteriorated due to ideological confrontations, this is led ultimately to suspend Soviet accession to the US European rebuilding program (Cromwell, 1982:247). The USA and the Soviet Union were one thing in common in

World War Two to fight and resist against Adolf Hitler, but there was no trust between the two parties. In the postwar period, there was a need for common world economic doctrine, and two main alternative ideologies were parallelly competing in the field. The United States was leading capitalist-imperialist ideology whose main objective was to be the only dominant system in the world, while Soviets were leading by Marxist-Leninist ideology that advocated world uprising and communist doctrine domination (Gay,1995).

This conflict of ideology brought that US foreign aid directed to alleviate the economies of capitalist and democratic western European countries and used as a foreign policy tool to reduce Soviets expansion and influence in Europe. Soviets were also worried that Americans use aid as a tool for penetration of Eastern, so Soviets implemented counter policies aimed to distant Eastern Europe from the American affiliated western Europe's influence (Holbik, 1968:335–338).

The Marshall Plan was not a simple aid program, but more complex and multipurpose foreign policy tool. The most obvious aim was to reconstruct Europe economically and politically, to create more cooperative European integration and tackle nationalistic competing ideologies that always lead to a bloody war. However, some revisionist and rethinker scholars argued that the Marshal Plan was nothing, but a mechanism designed to prevent the expansion of communism in both eastern and western Europe (Cox & Pipe, 2005:108-109).

The Marshall Plan was successfully managed and saved European free market economies from uncertainty, shortage of foreign reserve and lack of purchasing power (Kunz, 1997:167). Due to this historical achievement, General Marshall became the first military man ever awarded the Nobel Peace prize in 1953. Although the project coped with the devastating European economy, it accelerated ideological confrontations of the USA and Soviets and marked a new hostility and warfare what is lately called cold war.

#### **1.3.1.1.3 Foreign Aid during Cold War**

The US government during Truman president offered aid to Turkey and Greece for their resistant pressure from the Soviet Union (Truman, 1947:1-3). Later, with the escalation of the bloodless battle (cold war), U.S. foreign aid to Western Europe transformed from economic to more military assistance to members of North Atlantic Treaty Organization

officially known as NATO. At the same time, the growing needs of the underdeveloped nations led to President Truman's Point Four strategy.

The Point Four program was U.S. overseas aid task aimed at offering technological skills, knowledge, and equipment to countries in the underdeveloped world (JR& Haviland, 1958:690). The program additionally motivated the transfer of private investment capital to these nations. The name Point Four program is derived from the fourth point of the set of points in president Truman's 1949 inaugural speech (Erb, 1985:249). Authorities used Point Four to acquire support from nations not yet decided which part they can side with Soviet or US, from 1950 till 1953, Point Four aid was under the authority of Technical Cooperation Administration, a separate unit inside the Department of State. It was combined into the ordinary aid program During the administration of President Eisenhower (Gaddis, 1974:1-10).

In 1950s European economy showed signs of recovery demonstrating that Europe specifically Western Europe will no longer recipient of U.S foreign aid. However, the anxiety of communist expansion in the third world was increased and overshadowed U.S foreign policy agendas. For example, in a joint meeting of legislative, Truman stated that dictatorial regimes "spread and grow in the evil soil of poverty and trouble," and thus, U.S. support— is the only available option and argued that it was obligatory to pause the spread of communism. In the American interest point of view, The Third World's abundance of raw materials also contributed to its strategic importance. The US president's policy consultants endorsed in 1952 that the United States should look to the countries of Africa, the Middle East, Latin America, and southern and southeastern Asia for imports of natural resources and tied foreign aid programs that suit in exchange (Graber, 1958, 321:328).

It was Soviet's growing influence in the Mediterranean that resulted in the United States to declare the Truman Doctrine in 1947, which marking the onset of U.S Cold War foreign assistance. Extending an extraordinary peacetime foreign aid of \$650 million, the doctrine appealed that "it must be the foreign policy of the U.S. to support free societies who are struggling suppression by armed minorities or by outside interventions." It was the first time in the history that the United States had provided cash and technical advisers to prevent authoritarianism. This underlines the only applicable and efficient option to



prevent the threat of the expansion of communism was foreign aid. The U.S. officials planned foreign aid to create internal political stability, promoting general economic development, and building military strength of developing countries, as the best way to counter Soviet expansion (Lancaster,2000:74).

As the program progressed during the Cold War, aid recipients divided into two categories: front or countries neighboring with the communist bloc as well as those located in other strategic geographical areas like the Middle East and the Middle East, and strategically insignificant countries. For instance, Nepal and India due to their strategic location in South Asia and the potential risk to fall under the authority of communism received major share U.S foreign assistance in the 1950s. The main inspirations of U.S foreign aid to Nepal include helping Nepal to become modern and developing country, to prevent the threat of communism and communism affiliated nationalist parties, and promoting Nepal's western orientation (Khadka, 2000: 81).

The same perspective, India also received a lot of poverty eradication aid projects specifically rural development projects, India was not just an ally of the United States but was the gate of communism. Therefore, India not to follow the path of China, U.S provided foreign aid to prevent this threat (Clapp, 2013:530). Nations susceptible to communist ideology, and more serious areas like Latin America, foreign aid was often intended to support pro-American governments, through personnel and arms as well as economic assistance to alleviate internal dissatisfaction. It was assumed that foreign assistance would stop these nations from falling into the Soviet orbit.

#### **1.3.1.1.4 Era of Decolonization and The Role of Foreign Aid**

Decolonization characteristically refers to a shift in a society's political status from colony to self-governing state or self-determining nation. It can also denote to a shift from colonial status to full integration into the dominant political state such that it is no longer subsidiary to any other foreign power. Although decolonization has happened in many different places and times, normal usage of the term in modern history denotes the decolonization of European colonial powers in Asia, Africa, and Latin America. It is primarily associated with the fall of modern empires and the birth of nationalism in the Third World (Go, 2007:1).

In terms of historical time, the decolonization era was an era between 1945 and 1960s. There was no specific decolonization approach, some states achieved independence through peaceful manner, while others achieved after a long bloody struggle and hardships (www.history.state.gov, n.d.). After World War II, European colonizers faced two main problems to maintain their colonialism on the third world; they didn't have the wealth and political power needed to defeat distant revolts and they confronted opposition from the new superpowers, the U.S. and The Soviet Union, both of which had a critical stance against colonialism.

In other words, the decline of colonialism during the fifties resulted from the combination of three major trends: the mounting Soviet challenge to advanced countries, imperialist oppositions, and the liberation struggles inside colony countries (Alam, 1994:236-240). Those emerged as an independent state only a few of them managed to have stable political institutions immediately, while others were ruled by dictators or military commanders for a long time and experienced successive civil wars. Some of the European colonists accepted to sustain a relationship with their former colonies while others confronted militarily.

The era of decolonization was a critical timeline of modern world history. The formation of so many new states, some of which possessed strategic locations, others of which endowed significant natural resources, and most of which were extremely poor, changed the composition of the United Nations and contributed the dramatic changes of world order architecture after 1945 (Georghiou, 2018). In 1945 the United Nations (UN) consisted of 51 original members, in 1955 this number had risen to 76 member states, with only seven of which former colonies. However, in 1965 UN-membership has reached to 117 nations, most of these new countries being created through decolonization or anti-colonialism (Collins, 2015:2-3).

The decolonization was in a critical era because it co-occurred with the ideology battle (Cold War) between the United States and the Soviet Union, and with the early days of the new United Nations as well. As the Cold War tensions with the former Soviet Union dominated U.S. foreign policy in the late 1940s, the USA governments in this period worried that when the European powers lost their colonies, Soviet-funded communist parties might take over the power in the new nations. This might make possible to alter

the global balance of power in favor of the USSR and prevent western access to natural resources in these countries. Therefore, competition between superpowers had a dramatic impact on decolonization movements and the political and economic ideology the new countries will employ (Houbert, 1997:553–561).

The United States had a political goal to construct and dictate post second World War international order architecture to the other world. In 1944 United States and its allies held Bretton Wood conference to establish a post-war new global financial system. In Bretton Wood agreement the US dollar was recognized as the globally accepted currency by replacing gold standard and making America the only country with the legal authority to print dollar. The agreement also led to the birth of the World Bank, IMF, and GATT. All these US-backed organizations created the US to be the superpower of the global economy and the spread of capitalism ideology across the world. The United States to remain the leader of the world economy and spread its capitalistic ideology across the world, foreign aid was used as a foreign policy tool. One exemplary of this phenomenon is the implementation of the Marshall Plan, officially the European Recovery Program. The Soviet Union as a US-led market economy ideology counterpart, also implemented a pragmatic foreign policy and advocacy to prove the world that communism or command economy is the best choice for world economic ideology (Coffey, 1985: 242–243).

The United States was in favor of the idea of self-determination, creation of new autonomous states, and pressured UN to give platforms to anti-colonialism movements to display their nationalism agenda to the world. The International Monetary Fund (IMF) and the World Bank western allies affiliated financial institutions which the Soviet Union was not a member started to give financial expertise and financial support packages to newly independent states (C. N. Murphy & Augelli, 1993). In this period both competing powers US and Soviet Union used foreign aid as a foreign policy tool or a tactic to influence and acquire the hearts of nationalist movements and newly granted independent states (www.abc.net.au, 2013).

The USA had a more significant impact on developing countries than the Soviet Union because the USA was economically capable to provide different financial and technical assistance packages and with the support of its Western allies. Soviet leaders were also used influential political psychology tools to win the support of newly sovereign

countries, considering western as an imperialist that undermines the freedom of states (Enh, 2010:2310-2311). The ideology battle and competition between these two superpowers shadowed by the discourse of foreign aid during decolonization. Therefore, the foreign aid program implemented during this period was completely aimed to gain political and ideological support of the developing world.

On the other hand, when European colonizers granted sovereign independence to mostly African, Asian and Latin American countries, colonists were still keen to establish and endure a close relationship with their former colonies. While the military occupation and direct sovereign control over colonial states have been almost abolished, political influence, economic dominance, and cultural conditioning remained. The European colonizers considered colonial territories as an economic reservoir for the future. Since they ruled these areas for ages, colonizers knew potentials and significance of untapped resources in colonial territories. To sustain a long-lasting relationship with the newly self-governing countries and to have a stake in untapped economic prosperity, European colonists selected foreign assistance and political influence as the main tools of the game.

Therefore, countries such as Britain and France, and the other European Community sustained a comparatively high level of aid and investment, trade dominance, and the enormous flow of teachers, capitalists, statesmen, tourists, and technical assistant. All these were in a bid to assist former colonial governments to stand their feet and maintain close multifaceted ties with their former European colonizers. This was led to the accomplishment of the dream of Africa-Europe trade cooperation institutionalization, the Lome trade convention and cooperation was signed in 1975, between 37 African states, 9 European powers, and 9 Pacific, islands and Caribbean states (Zartman, 1976). The case of foundation of Commonwealth intergovernmental organizations in 1966 portrays how British empire committed to sustaining the relationship with its ex-colonials and how it shifted its military occupation over this territorial to more cooperation and trade-based relationship ([www.commonwealthofnations.org](http://www.commonwealthofnations.org), n.d.).

### **1.3.2. Foreign Aid After Cold war**

During the Cold War western foreign aid mainly US foreign assistance was based on to prevent what it called danger to US national security interest. US and European allies considered the Soviet Union as the main threat to their imperialistic world order interest,

and the USSR considers western allies leading the US as a visible threat ideologically and militarily as well. The whole philosophy of foreign aid during this era was a tool for ideological battle. The US offered tremendous humanitarian, development and military aid to least developed states and other strategic countries to protect them from Soviet influence. After the end of the Cold War, the US granted foreign aid packages as a part of peacemaking or peacekeeping tasks inside the Balkans, Northern Ireland, and some regions of Africa. Furthermore, foreign assistance has been used to promote smooth transitions to democracy and capitalism in former communist countries.

During the post-cold war era when the Soviet Union is defeated the paradigm of foreign aid shifted from strategic security concern to more humanitarian or democracy promotion. There are claims and counterclaims that US foreign aid transformed from anti-Soviet to democracy and good governance promotion (Lai, 2003). The fall of the Soviet Union led the volume of U.S. foreign assistance to decline drastically and foreign aid programs faced a profound crisis. A lot of critics have been heard from people in the politics, indicating that US foreign aid has failed to comply the US foreign policy objectives. This transitional period has offered a chance for businesspeople, among others, to advocate for the more traditional use of aid to create markets for U.S. products, an idea that resulted to sign the North American Free Trade Agreement (NAFTA) between the United States, Canada, and Mexico. Therefore, this paved the way to post-cold war US foreign aid re-assessment and reform its financial scope and targets ([www.americanforeignrelations.com](http://www.americanforeignrelations.com), n.d).

The end of the Cold War introduced new issues to the foreign aid agenda of the international aid donors. Questions concerning democracy and good governance and human rights were pronounced with mounting passion by the European Union and individual European countries. Nevertheless, both the European Union and other bilateral donors lacked efficiency and context-based implementation mechanisms of proposed ambitious principles. The role of non-governmental actors after the Cold War in the humanitarian and relief operations has been significantly increased in the developing world. These non-state actors got funds from the rich governments, public and philanthropic individuals with surplus funds. However, they were propagating the

policies of their government's such promotion of human rights, child rights, women rights and promotion of democratic standards(Scott & Carter, 2015).

International assistance can play effective role in democratization of developing countries and former communist affiliated states in several ways: (1) through technical support concentrating on electoral processes advancement, improving parliaments and judiciaries as an effective checks on executive power, and the development of civil society organizations, including media organizations ; (2) through putting conditions and standards to be evaluated and (3) developing education and promoting individual level of income, which empirical studies confirm is beneficial to democratization process. However, after all these efforts democracy is still in crisis in the vast majority of developing countries (Olsen, 1998:366-367).

Finally, the post-Cold War period supporting anti-communist nations turned less substantial for the United States and its European allies, improving democracy was raised as a criterion in foreign aid programs. Foreign assistance was offered to some states as an inducement for introducing democratic reforms and was suspended from others as a punishment for not implementing such reforms (Peterson & Scott, 2018). Post-cold War period foreign assistance was also signified promotion of principles of capitalism. Institutions such as the World Bank and IMF have conditioned foreign assistance recipients to implement free-market economic reforms, such as decreasing tariffs and elevation of privatization of the economy. Therefore, foreign assistance in this period has been applied as a tool for the propagation of capitalism.

### **1.3.2.1. Foreign aid as a counter terrorism policy**

Terrorism became the main visible threat to international security specifically after September 11, 2001. The 9/11 attack on New York Twin Towers was the greatest success terrorist groups ever achieved and it also sent a clear message about their logistic, intelligence, and networking capacity. Terror groups take advantage of weak institutional capacities or state vacuums of the third world (Campos & Gassebner, 2009: 1–5). Hence, they implement horrifying attacks in the third world country and plan international terror attacks at the same time. That is why terrorism is being referred to as the most visible threat to international security. The USA and European countries used foreign assistance

as a counter-terrorism instrument after the 9/11 attack (Bandyopadhyay et al., 2010: 424–425). Azam & Delacroix (2006:341) analyzed the relationship between the volume of foreign aid a least developing country received, and terror attacks experienced.

Their study revealed that the volume of foreign aid a country receives is positively associated with the number of terror attacks. The terrorist prone countries received significant amounts of foreign assistance in the form of security personal training, explosive detection instruments, and physical armies to prevent any kind of terror group penetration. There are contradicting studies about whether foreign aid the model worked in reducing terrorism in developing countries or not. However, Azam & Thelen (2010:254-255) argued that foreign assistance granted for the betterment in the education sector of the developing country has a significant impact in reducing terror attacks.

#### **1.4. The concept of official development assistance**

The official development assistance (ODA) term was first invented and used by the DAC of the Organization for Economic Co-operation and Development (OECD) for international measurement standard of foreign aid. The DAC has been used as a unit of measurement for resource flows to developing countries since 1961. The DAC gave its first definition for official development assistance (ODA) in 1969. This definition has been a subject to critical debate among DAC country members, the coverage of the official development assistance always remained subjective. Hence, the ODA definition was strengthened, and the scope of the definition was modified in 1972. ODA is the significant measure applied practically in all aid targets and evaluations of aid performance (www.oecda,” n.d.).

In a more detailed and simplified approach, official development assistance (ODA) is defined as the government assistance intended to improve the economic development and wellbeing of developing countries. Whether it distributed bilaterally or through an international development institution such as the United Nations or the World Bank, official development assistance in the form of grants, soft loans with a significant funding component, and technical assistance takes a significant share in eliminating poverty and laying the basis for maintainable growth. According to OECD official development assistance is a measure of donor’s effort to cope with developmental problems in the

developing countries. Official development assistance is the flow of resources from donor to recipient country include grants, loans (loans which satisfy the ODA criteria), and other resource transfers.

#### **1.4.1 The scope of official development assistance**

Since the birth of official development assistance, the Development Assistance Committee (DAC) in OECD has been regularly re-improved the ODA reporting rules and regulations to make sure the loyalty to the definition and the highest possible degree of consistency among donors. The scope or coverage of official development assistance (ODA) has been watchfully described in many fields, including:

**1.Military aid:** there are no military equipment or services reportable as ODA. Programs against terrorism are also excluded. However, the funds that the donor's security forces used to deliver humanitarian action in the recipient country is permissible.

**2.Peacekeeping:** most peacekeeping expenses are excluded in line with the exclusion of military expenditures. Nevertheless, some activities relevant to developmental purpose within peacekeeping operations are included.

**3.Nuclear energy:** nuclear energy constructed for civil purpose is eligible to report as ODA

**4.Cultural programs:** cultural programs intended to promote recipient's cultural capacities are permissible to report as ODA, but once-in-a-lifetime tours by donor country artists or sportsmen, and activities aimed to promote the donors' public image, are excepted.

#### **1.4.2 Categories of foreign aid**

Foreign aid is described as the voluntary transfer of funds from one nation to another nation, mainly developed country to a less developed country (Bjørnskov, 2014: 2–3). This resource transfers may include any type of capital follow to developing countries. A least developing country primarily lack a healthy industrial base and is always characterized by a negative Human Development Index. The foreign assistance to finance these problems could be in terms of grant or loan. The loan could be in either hard or soft. This division is based on the type of currency to be repaid the loan. If reimbursement of



the foreign assistance loan involves foreign money, then it is considered as a hard loan, while if it is in the form of the national currency, then it is said to be a soft loan. The World Bank mainly lends in hard loans, but the loans of its affiliated organizations are soft loans. There are three key sorts of foreign aid, as well as numerous sub-types. The first key sort of foreign assistance is a privately funded foreign direct investment (FDI) which comes from international firms. These are characteristically large capital holding foreign firms owned by non-residents of the recipient country. For instance, European companies may carry out FDI by purchasing a major share of the Kenyan company.

The second main form of foreign aid is what we ordinarily think of when we hear the word "foreign aid." These are official development approaches intended and backed by governments or non-governmental international organizations to cope with the complications linked with poverty. Humanitarian initiatives directed by nations are almost entirely done by rich nations which are also members of the Organization for Economic Co-operation and Development (OECD). The OECD countries offer between \$100 billion and \$150 billion in foreign assistance each year. Start from in 1962 to 2012, these countries reportedly donated a cumulative \$3.98 trillion as foreign aid, although these funds resulted in mixed outcomes.

The third significant form, foreign trade, is much important and much less practiced. According to different suggestion from various scholars' openness to foreign trade is the sole leading indicator for developmental progress among developing nations, conceivably open trade policies tend to go together with economic liberty and political steadiness. An outstanding indicator of this association can be understood from the 2016 Index of Economic Freedom produced by The Heritage Foundation. Therefore, allowing developing countries to access markets of developed countries and providing trade financing funds are the forms of aid for trade (Melo & Wagner, 2016: 1–5).

#### • **Bilateral Aid**

Bilateral aid is an aid provided by a nation directly to the government of another nation. It often occurs when the funds flow from a developed or developing country to a developing nation or a least developing country. Strategic and political interest, as well as humanitarian objectives, may determine the size and significance of bilateral aid

(Berthelemy, 2006:180). These aids are given to support in long-term projects to improve the democratic quality of the developing county, stability, economic growth and overall development in every aspect of life.

- **Tied Aid**

Tied Aid is a form of conditional foreign aid that should be consumed in the country offering the assistance (the donor state) or in several preferred nations. A developed country may offer a bilateral loan or grant a project aid to a developing country in a condition that goods and services needed to accomplish the project should be brought from the donor state. Tied aid is being criticized as discouraging the right to development of the recipient state. Tied foreign aid withdraws developing countries from full potentials of the longstanding development which untied aid may have offered with local procurement goods and services from the developing recipient state (Kim & Kim, 2016: 290).

- **Untied aid**

The United Aid is foreign assistance offered to develop a state that can be used to buy services and goods in almost all countries without condition. It is analogized with tied aid which requires that goods and services purchased with it can only be bought from the donor nation or from a certain specified group of countries (Chung, Eom, & Jung, 2016: 555).

- **Project and sectoral aid**

Project aid is a form of foreign assistance given for a certain objective e.g. building materials for a new hospital. Sometimes people misunderstand project to aid with program aid. However, program aid is assistance provided for the development of specific economic or social sector e.g. funding agricultural sector of the developing country or energy sector (Brech & Potrafke, 2014: 64–65).

- **Military Aid**

The military assistance is an aid which is designed to support a state or its people in the defense sector or to help a less developed country in sustaining command over its own territory. So many states obtain military assistance from politically alliance countries for anti-insurgency or anti-terrorism efforts. Military aid can be also offered to a rebellion to overthrow a certain government which the donor country considers ideologically or politically threat to its interest (Jadoon, 2018: 777–778). Therefore, military aid is never philanthropic.

- **Voluntary Aid**

This kind of foreign aid mainly is in the form of charity. For instance, (Doctors Without Borders) is an international philanthropic non-governmental NGO popular for its humanitarian programs in war-ravaged regions and developing states hit by endemic diseases (Sobocinska, 2017: 51–53).

- **Humanitarian Assistance**

Humanitarian aid is mainly logistics and material short term assistance provided either bilaterally or multilaterally. For instance, humanitarian assistance from developed nations devoted to the coastal regions in South Asia after a 9.1 magnitude earthquake caused a tsunami in the Indian Ocean, killing more than 200,000 people. Because it seems more essential and there is always great need for it than other types of assistance, humanitarian efforts obtain more privately funding than most other sorts of foreign assistance.

### **1.4.3. Channels of official development assistance: Multilateral vs Bilateral**

Foreign aid or especially official development assistance reaches developing countries through three main channels; bilateral, multilateral and multi-bi (third way). Providing foreign aid assistance bilaterally is an old as human history, however, multilateralism and multi-bi systems came to existence after World War Two. The international organizations spearheaded by mainly UN agencies such the International the Monetary Fund (IMF) and the World Bank accelerated multilateralism foreign aid order to alleviate poverty and improve economic growth in developing countries (Birchler, Limpach, & Michaelowa, 2016:428).

Donors contribute international developments efforts aimed to tackle global problems - poverty, natural disasters, and terrorism – through mainly multilateral and bilateral basis. However, donors keeping in mind their foreign policy interests, face critical choices about how they should distribute assistance do they directly offer aid to suffering country or do they contribute through international organizations and how could they persuade to their public appropriateness of such choices. The available options that donors must make are whether to assist developing countries bilaterally or multilaterally. Bilateral assistance is taken directly from donor countries to recipient countries. Multilateral aid is offered by donor states to multinational organizations while there is no role of donor country to manipulate the usage of the aid, and this type of aid is distributed by those international organizations, such as the World Bank and the various United Nations agencies (McLean, 2015:98).

In the following section, we are going to make an analytical comparison between bilateral and multilateral foreign aid channels. Gulrajani (2016:10-14) conducted a comprehensive literature review to reveal how donors face difficulties in choosing channels for foreign aid and the aid recipient country's satisfaction towards bilateral and multilateral foreign aid channeling. Gulrajani presented six scenarios to compare multilateralism and bilateralism, in this study we selected three of these scenarios to conduct analytical contrast on the foreign aid channels. The scenarios include;

1. Bilateral channels are susceptible to politicize than multilateral channels.
2. Aid recipient countries favor multilateral than bilateral foreign aid channels.
3. Multifaceted canals are more discriminating than bilateral channels.

### **Scenario 1. Bilateral channels are susceptible to politicize than multilateral channels**

According to (Verdier, 2008: 470–471) bilateral channels are assumed to be easily used as a tool for achieving certain vested interests and desire for political gain is often associated with this form of foreign aid, because donor has full anatomy to decide which partners deserve and in what sectors the aid to be financed. On the other hand, multilateral organizations are presumed to have a degree of independence from the donor countries

that control and contribute them, this limits political capture. Being consisting of different stakeholders with different perspective and interests allows international organizations to take objective decisions and minimizes any possibility to exploit foreign aid for the purpose of national interest (Minoiu & Reddy, 2010: 36–38).

There is an increasing body of empirical evidence supporting that bilateral channels are more exposed than multilateral channels to political influence with real consequences for development. Bilateral donor benefits seem to twist the aid allocation course in favor of strategic and political interests, as opposed to a country need or possibility for developmental impact (Nunnenkamp & Thiele, 2006: 1199). This can result to reduce or slow opportunities for economic prosperity in contrast with assistance offered through multilateral channels (Girord, 2008). As a matter of fact, when aid recipient countries are not strategically important to bilateral donor counties, evidence has been verified that these channels become more effective at minimizing infant mortality rate (Girod, 2012: 198–199).

### **Scenario 2. Aid recipient countries favor multilateral than bilateral foreign aid channels**

There has been claiming for ages that aid-receiving countries consider multilateral organizations more legitimate and reliable partners than their bilateral colleagues. In the postwar World War Two period, the multilateral system appeared to protect the compulsory interests of Western powers devastating newly self-determining states (Andreopoulos et al., 2011). Moreover, aid recipient countries remained to doubtful in bilateral aid channels considering as a new approach of neo-imperialism, even when such aid was offered without any restrictions or demands to be fulfilled. The real benefit of the UN was that it permitted the recipient's voices to consider in aid allocation decisions because developing countries were members of committees with the responsibility to allocate and disburse funding. A survey conducted by OECD reveals that this notion among aid recipients may still exist and some shreds of evidence suggested that multilateral donors do not impose restrictive conditionalities and signify international hegemonic interests (J. Murphy, 2007).

This survey questioned 40 aid-recipient representatives about their satisfaction with three main actors of development-assistance donors: Non- DAC bilateral donors, multilateral organizations and DAC bilateral donors. Generally, results show there was a notably more satisfaction with multilateral means than with bilateral. Multilateral donors are believed as more flexible and reactive and endowed of excellent policy expertise and technical skills with diverse national identities. Though DAC countries endure aid significantly, they are conceived as changeable, liable to decrease aid budgets and suddenly put an end relationship (Davies & Pickering, 2015: 7–9).

**Table 2**  
**Aid recipient satisfaction by type of donor (%)**

	Very satisfied	Satisfied	Neutral	Dissatisfied
Non-DAC	7	52	27	14
Multilateral	19	64	14	3
OECD-DAC	12	62	23	3

**source:** Davies, R., & Pickering, J. (2015). Making Development Co-operation Fit for the Future, p.29.

### **Scenario 3. Multilateral channels are more discriminating than bilateral channels**

Choosing aid recipients based on realistic criteria is extensively presumed to play a significant role in aid effectiveness. Effectiveness is assumed to be improved if aid is given to the lowest income nations (aiming essential development needs) and to non-corrupted countries (implementing aid as planned). Investigating the evidence base for the scenario that multilateral channels are more discriminating than bilateral channels proposes the need for greater distinction. There is a growing consent that bilateral donors show larger discrimination of recipients according to institutional eminence (good governance and democracy) while multilateral donors display greater focus on recipient need.

In a worldwide repeatedly referred study, Dollar & Levin (2006:234) argued that multilateral aid is more selective than bilateral aid in achieving countries with democracy and good governance. However, several studies have been disproved this claim. Nunnenkamp and Thiele (2006) proposed that the reaction of both bilateral and

multilateral donors to altering institutional and policy situations is weak, and assumptions that multilateral aid selectivity is greater are baseless. There is also a significant difference across the bilateral donor society. For instance, a study revealed that aid providers that are less dishonest themselves react to corruption in aid recipients with greater strictness (Schudel, 2008:523–524). Donor countries with limited colonial ties or with limited foreign trade interests are also assumed to be more selective on good governance basis in aid allocation procedure.

Generally, some studies revealed that bilateral donors are selective when it comes to governance criteria, hence aid contributions to democratic nations are greater than corresponding multilateral aid volume going to non-corrupt countries (Palagashvili & Williamson, 2015:27). Another research paper highlighted that output-oriented bilateral aid donor states are likely avoiding dealing with governments in poorly administrated nations and prefer non-state actors (Dietrich, 2011:125-126). Bilateral channels also inclined to screen their sectoral aid allocations based on good rule of law criteria. For instance, contrasted to multilateral, bilateral donors finance basic education only when recipient nations take tight measures against corruption. Putting such conditions is significantly associated with enhanced primary school enrolment (Christensen et al, 2011:2).

### **1.5. Motivations behind offering foreign aid**

Foreign assistance is not a new practice in the literature of foreign relations; however, it has been evolved and dynamic over time. Human being to assist each other when ones of them are in need is what most sacred religions stipulate to do. An ancient society used to help their co-religion and co-ethnic communities when natural disasters (drought, earthquake, and floods) occur and at the same time when wars break out. However, start from the beginning official foreign aid between countries there have been hot debates about the primary reasons behind foreign aid delivery. Is it a humane and self-sacrifice intended to improve the well-being of recipient inhabitants? Are aid contributors aim to exploit privileged historical links and improve their economic, geopolitical and strategic interests? Are they selecting to invest international cooperation to raise the production of universal public goods and to tackle threats which need global level actions? Are the intentions mainly commercial or security-related or is there an ethical and philanthropic

imperative? The answer to these questions depends on how one comprehends motivations behind foreign aid (Carbonnier, 2010).

The modern foreign aid commenced after World War two in 1945 when the United States as an undamaged winner deliberately committed to reconstructing the war-ravaged economies of its European allies. This was the first time in the history that a nation offers such a massive developmental and humanitarian aid to several foreign states. Does the objective behind US foreign aid effort to reconstruct Europe (Marshall Plan) was entirely philanthropic? absolute not there were long and short term economic and foreign policy targets behind it. Hogan (1982) argued that the US foreign aid program for European recovery was designed;

1. Cope with deteriorated humanitarian situation in Europe
2. To save European democratic states and prevent against Soviet expansion
3. To create markets for US surplus agricultural and industrial products and
4. Most importantly to establish a world order based on international cooperation led by US and its western associates.

The post-cold war foreign aid was entirely difficult to consider as humanitarian, this does not mean that it far from the humanitarian basis, but aid allocations are mainly subjected to economic, trade, and diplomatic and other viable interests. This was the onset of debate about why nations offer foreign aid, philanthropic versus foreign policy interest. Most of the nations in the world are involved in foreign aid, either as donors, recipients or even sometimes both. Countries practice foreign assistance as a tool for achieving national foreign policy ends. Foreign assistance can be used to punish a country economically or to weaken an unfavorable or ideologically hostile regime. In contrast to that, aid can be offered to encourage and reward a close alliance or obedient regime.

Donors have a free to decide which states will obtain foreign assistance, the quantity of aid offered, the time limit in which assistance is provided, and the type of aid channel distribution. The donor's interests and goals and the recipient's performance of governance decide the type or segment of foreign assistance. Countries can select between bilateral or multilateral approaches of distributing foreign assistance in order to achieve their interests. Though bilateral foreign aid allows the donor country to have



comprehensive control over the assistance, the practice of multilateral platforms is also preferable. Multilateral aid is cheaper in terms of costs of implementation and amount of aid donation it scatters liability, and it is often regarded as less politically biased. (Griffin & Enos, 1970:313) argued that it is not always true that the myth of foreign aid which says rich countries help poor countries.

This means that the donor and recipient relationship is not always a rich and poor relationship. There are poor countries (donors) which provide foreign aid to rich countries (recipient), donor's level of economic development is not an important factor but the wish to be an influential nation in the international arena is what makes the difference. (Maizels & Nissanke, 1984:880) underlined in their study that donor's foreign aid allocation decision is determined by three main factors;

1. Donor's security and political interest
2. Donor's trade and commercial interest and
3. Donor's investment interest.

Similarly, Alesina & Dollar (2000:34) emphasized that foreign aid efforts are determined by several important factors in donor's perspective such as strategic and political considerations, policy performance of the recipient nation and economic needs, most important colonial and political ties play a crucial role in aid allocation decisions.

#### **1.6. Donor differences: Traditional vs Emerging donors**

As the concept of foreign aid had evolved throughout history, the actors involved in it was also subject to change over time. There have been cases which recipient countries transformed into official donor e.g. South Korea. On the other hand, some countries gained the status of being both recipient and donor. As the aid recipient list almost remains constant, tremendous changes occurred on the donor list.

Though almost all high income and middle-income countries exercise some form of foreign aid, traditional and emerging are the main formal donors (Hurley, 2016:1-2). Traditional donors are founders of the Development Assistance Committee (DAC) in the OECD organization. Although the list of emerging donors is long, in this study emerging donors, we mean by countries not yet members of DAC but applies OECD foreign aid

reporting system. OECD defines countries include Hungary, Poland, Israel, the United Arab Emirates, Thailand, South Korea, Czech Republic, and Turkey, as the main emerging donors. These new donors - India, Kuwait, Saudi Arabia, China, Turkey, Brazil, and the United Arab Emirates – devoted near to €80 billion of official development assistance (ODA) and other official transfers to Africa in between 2003 and 2012. Only China as a nascent donor dedicated €11 billion of development assistance to Africa in 2012, interestingly this amount surpassed the amount of ODA from all European institutions.

The question which needs to be answered is how emerging donors are different from traditional donors? to find a clear understanding of this one needs to know basic characteristic differences among traditional donors and emerging donors. Traditional donors who are united in the DAC platform have several institutionalized characteristics in common;

- 1.They all have a common moral obligation to eliminate poverty and encourage global progress without undermining the interests of individual member countries. To support this obligation, donors agreed upon a definition of “official development assistance” that dismisses military and commercially motivated aid.

- 2.Traditional donors have in common the notion that development assistance needs to be shared and coordinated effort in order to improve aid effectiveness. After signing various conventions and forum discussions for describing sector importance and coordination of foreign assistance favorable results have been achieved through the arbitration by international agencies such as the UN and the World Bank.

- 3.In order to implement these values, traditional donors focus the importance of transparency and accountability of aid efforts, therefore, critical analysis and monitoring of mutual efforts can improve performance aid efficiency (Sato, Shiga, Kobayashi, & Kondoh, 2010).

On the other hand, emerging donors have been characterized as a non-cooperative among them (such as south model and Arab model) contrasted to traditional donors (Walz & Ramachandran, 2011: 3–4). However, emerging donors are more responsive, while it takes years to approve certain aid project for traditional donors, it takes a very short time

to respond to the need for emerging donors. There is a relationship based on equality in political prestige between emerging donors and aid recipients, there is no history of colonial mistreatment and policy conditions underlying loans and assistance.

On top of that, some scholars arguing that these new donors are a threat to the international development wisdom which originated from the west, such arguments show a sign of ideological battle among old donors and new donors. Specifically, China creates solidary based on interest with aid recipients which endangers the future of these countries (Six, 2009:1103). However Chinese officials foreign aid always advocates a model of cooperation with recipient countries based on;

1. Reciprocated support and close co-ordination
- 1.learning from each other and targeting mutual development.
2. Honesty, friendship and equivalence
3. Joint benefit, mutuality and shared prosperity

**Table 3**  
**some basic differences between Traditional donors and emerging donors.**

<b>Traditional donors</b>	<b>Emerging donors</b>
Common reporting standards and cooperation among donors	Lack of common reporting and coordination
They consider policy conditions (democracy and corruption) of recipient to qualify aid.	Emerging donors do not consider any policy conditions in aid allocation procedures.
They are less responsive to recipients needs	More responsive -it takes little time and procedure to deliver the aid are not complex.
There is no equality in governmental status -there is history of colonial exploitation with recipient countries	There is no colonial links with recipient county

**Drawn:** by the researcher.

### **1.7. The major criticism of foreign aid**

For the last 60 years, criticisms proposed against development assistance have been enforced by three basic schools of thought: neo-liberal, neo-Marxist, and populist. Nowadays the most vocal critiques of the foreign aid system are mainly based on these three basic schools of thought. According to neo-Marxist or the fundamentalist left, official development assistance (ODA) is above all a tool through which developed nations pursue to dominate poor nations. Teresa Hayter (1971) reveals in her book *Aid as imperialism* that assistance offered by the Organization for Economic Co-operation and Development (OECD) countries and the World Bank work first and foremost the interests of Western countries and their affiliated multinational companies. According to her arguments, ODA is a mechanism through which leaders of Western nations established to easily access and exploit the resources of developing nations. Other critical analysts in this school of thought raised that foreign assistance accelerated the dependence of poor countries on the developed Western countries (Charnoz and Severino 2007:38). In the period which followed Teresa Hayter's criticism against foreign aid and other dependency, theory scholars have frequently raised similar critics with slightly different arguments (Mosley, Harrigan and Toye, 1991). The rise of China as an emerging donor power has newly encouraged similar critiques to those Western aids in earlier days.

The populist critique came to existence at the late of the colonial era. In 1956 one of the first leading scholars of this school of thought, Raymond Cartier wrote three articles in the magazine *Paris Match* entitled "Beware: France is squandering its money!" In the articles, he discredited the luxurious French investments in Africa and blamed the colonies being the main source of France's economic downturns (Meimon 2007: 12). After decolonization, he condemned what he considered as "the rude and contestable use" of France's foreign assistance (Foubert, 1973:717). Populist's point of view argues it is better to dedicate taxpayers' money to national economic and social projects rather than losing money on unproductive assistance to dishonest leaders in distant countries. Nowadays populist political parties habitually raise such arguments, mainly when called upon to vote on international development cooperation budgets.

The neo-liberal criticism highlights the obstinate effects of aid. According to the point of view of this school of thought, official development assistance gives financial support to

immoral and non-democratic leaders. Moreover, foreign assistance distorts markets, prevents entrepreneurship and generates dependence on external resources. Peter Bauer (1971) argued that development assistance offered discourages for leaders of developing nations to adopt sound policies. Current scholars who criticize development assistance are mainly favor of neo-liberal thoughts (Easterly 2006; Moyo 2009) and often complement this with opinions from different schools of thought. For example, Zambian scholar Dambisa Moyo condemns the dependence of the recipients on the donor's aid and urges Africa to develop its own context-based policies and implement free market-friendly policies derived from neo-liberal thinking.

These days numerous non-governmental organizations involving in the field of international development cooperation have been playing a very crucial role in the critiques of foreign assistance, and even though they are normally among the most enthusiastic supporters of official development assistance (ODA). Since the 2002 Monterrey conference on development financing, there has been growing antagonism to the practice applied by member states of the OECD's Development Assistance Committee (DAC) whereby they contain in ODA data on expenses that do not contribute towards the struggle against poverty or to promote the well-being of populations in the recipient. According to a report published by Action Aid International (2005), two-thirds of official development assistance offered in 2003 was ghost aid as is described in the report.

Truly, 20% of assistance was devoted to unproductive technical cooperation whose exaggerated costs profited by main advisors from donor countries, whereas 14% of official development assistance spent on foreign debt repayments. For the organization, the later was slightly more than a journal entry in a bookkeeping exercise. Yet according to the OECD, official development assistance is always overstated by unnecessary transaction costs and costs of managing aid coordination. Lastly, the immense share of ODA is being utilized to invest the costs of accommodating asylum-seekers in developed countries amid the first 12 months of their stay.

## **PART 2: ANALITICAL REVIEW FOR RELATIONSHIP BETWEEN OFFICIAL DEVELOPMENT ASSISTANCE AND FOREIGN TRADE.**

### **2.1 Empirical Literature Review on the Impact of Aid on Exports**

In recent decades, comprehensive scientific research attention has been devoted to exploring the impacts of developmental foreign aid on the economic performance of the recipient countries and illustrated how aid can be used to improve exports from developing countries by using what is known 'aid for trade' principle (Morrissey, 2006: 78). On the other hand, there has been growing attention on examining the association between bilateral development aid and donor's revenue through export promotion. Although this is not the main motivation behind giving aid, however, it is a worthwhile research question which deserves to be examined in depth. The association between development assistance and export is complex and multidimensional because of donor's willingness to devote aid to developing country subjects to varied interests across the donor countries.

B. M. Arvin & Choudhry (1997a:17-18) implemented time-series analysis on Canadian aid data to 35 developing countries, the study investigated if untied aid inflow from Canada to developing countries increased Canada's volume of export to recipient country due to goodwill created by the aid in the recipient country. The study revealed different results in different regions with different income levels, and the results also varied with the type of relationship exists between Canada and the recipient country. M. Arvin, Cater, & Choudhry (2000b:315) also conducted causality analysis on untied foreign aid of Germany and its export to recipient countries. Similar results achieved as the above study concerned Canadian untied foreign aid and export, export and untied foreign aid association indicated different signs across the different recipient regions. However, preliminary results of a comprehensive theoretical and experimental analysis on tied aid indicated that tied do not necessarily lead export promotion from donor to recipient (Tajoli, 1999: 382–383).

Using the intertemporal maximizing model on seven OECD countries aid from 1972 to 1990 indicated that donor should maintain untied aid to enjoy goodwill in the recipient

country, and always adjust tied aid if the primary the motivation for giving aid is to promote export (Mak & Baum, 1997: 71–79). Similarly, Lloyd et al., (2000:108) endeavored to unveil whether foreign aid creates trade or not? His study analyzed a sample of four European donors and 26 African recipients and concluded that there is little empirical evidence showing that aid automatically causes trade between recipient and donor.

Literature extensively shows that there is a positive association between bilateral aid and donor's volume of export to recipient countries. At the beginning of the 1990s mostly, all countries adapted export promotion-oriented policies to utilize the waves of globalization and free trade environments. One policy almost all donors applied was tying 50% percent of their foreign bilateral assistance to export. Analysis of bilateral aid and exports of main donors suggested that an increase in aid was associated with a 133% increase of export volume to aid recipient (Wagner, 2003: 171). Zarin-Nejadan et al., (2008:1) investigated the nature of causality of bilateral foreign aid and export the case study of Switzerland. Their study interested to understand whether the relationship between bilateral aid and export is reversible from export to aid, nevertheless, this study did not reach any empirical evidence supporting the effect from export to aid.

Nowak- Lehmann et al., (2009a:334) also conducted time series analysis on German aid, estimations indicated that average return from each dollar spent on aid is in between 1.04 \$ to 1.50 \$. Conversely to the above-mentioned study, this study revealed that aid creates export improvements in the long run, but export does not necessarily lead aid, there is no vise verse relationship. Similar studies conducted on German aid discovered that return on aid from strategic recipients is higher, while aid given to some European countries reduces the export of Germany.

Bilateral official development assistance, assistance supposed to tackle the developmental issue in the developing country has been demonstrated in the literature that donors use it as an export promotion foreign policy instrument. Both developed countries and developing countries exercise this policy. The studies made on development assistance of Japan, Germany, Korea, and others have revealed a positive correlation between ODA and their volume of export to recipient countries Otor (2017), Martínez-Zarzoso et al.,

(2014a), and Martínez-Zarzoso et al. (2010b), Kang (2014), Martínez-Zarzoso et al., (2009c).

There is has been hot debate concerning about objectives donors give official development assistance, some arguments which heavily emphasized on philanthropical side of the ODA and counterarguments claimed that donors have a more national interest than philanthropy. There is no such a pure philographic foreign policy, but there is a foreign policy which serves the strategic interest of the donor (Hameiri & Scarpello, 2018: 146–150). The lack of coordination and existence of competition among donors could be taken as an effective indicator of a donor's interest behind the official development assistance. Some donors give development assistance for political and security reasons, while others are to create bilateral trade with recipient countries and there are some countries provide foreign assistance to improve their public image in the international forums.

It rarely happens donors unite their bilateral development assistance to solve a certain developmental problem in the developing countries. Thus, donors are not purely altruistic during aid allocation, but purely greedy and self-interest oriented. The market for export and political influence competition among the donors prevents closer coordination between donors (Fuchs, Nunnenkamp, & Öhler, 2015:282– 283). One example of donor interest differences is the US and China's foreign aid for Africa. Since China exercises bilateral trade promotion-oriented policies, it fundamentally increases the Chinese volume of export to Africa and imports from Africa. In contrast to this, US foreign aid for Africa leads to insignificant trade impacts, because US foreign policy towards Africa is not trading promotion oriented so far (Liu & Tang, 2018:47).

There are limited studies devoted to whether official development assistance encourages the export of the recipient country to donor countries. Do the aids given for developmental purposes induces developing country's production capacity and leads export from recipient to donor? though this question catches attention there is a limited discussion about it in the literature. Nowak-Lehmann et al., (2013b:506) using gravity model tried to examine the net effects of foreign assistance on the recipient country's export. The study analyzed a sample of 123 countries and found insignificant net effects of foreign aid on recipient export. The results of the study are in line with insignificant



macroeconomic level impacts of aid revealed by other previous studies and proposed that exporters based in recipient state do not make use of improved trade relations with donor countries. The impact of foreign assistance on export performance of recipient country in short term period always shows negative due to exchange rate appreciations. However, Bandyopadhyay et al., (2006:10) strived to examine the long-term relationship between foreign aid and export of the recipient country and found a positive relationship but not statistically significant.

Normal foreign or official development assistance does not encourage export promotion from the recipient to the donor as the previous studies in the literature shows, contrary to this positive impact of aid for trade on recipient export has been repeatedly shown in the literature. Cali & Te Velde (2011:725) examined whether aid for trade improves trade performance of recipient export or not. This study highlighted that aid for trade reduces trading costs, therefore, it improves overall trade. Moreover, the study exhibited a strong positive relationship between recipient export and aid for trade. Similar studies also found a positive association between aid for trade facilitation and recipient export rather than imports from a donor (Helble, Mann, & Wilson, 2012: 358).

In summary, the previous studies conducted on the association between official development assistance or foreign aid in general and donor's export to recipient countries mainly covered DAC countries and few non-DAC donors. The studies methodologically applied Gravity Model of international trade to examine the relationship between ODA and donor's volume of export to the recipient. Remarkably, almost all the studies reviewed in this paper came to the conclusion that there is a direct relationship between official development assistance and export. Not a single study concerning the relationship between Turkish official development assistance and export was found. Therefore, to fill this research gap is the main motivation behind this thesis.

## **2.2 Determinants of official development assistance allocation**

International assistance is generally categorized into two main divisions: Official Development Assistance (ODA) and Humanitarian Assistance, normally denoted to as emergency aid. ODA contains financial flows to developing countries intended at the elevation of their economic development and welfare. To be eligible for getting this sort of assistance -which is concessional and has a grant component of at least 25% - nations

must be categorized as potential beneficiaries by the DAC (Development Assistance Committee). The core objective of ODA is the elimination of poverty and its major sources, which infers significant participation of recipient countries in the planning and implementation of short- and long-term aid programs. On the other hand, humanitarian aid is intended to offer emergency assistance and pain relief to populations temporarily demanding support after natural disasters, technological calamities or conflicts, commonly known as "multifaceted emergencies". The basic principles governing humanitarian aid were to be mirrored in the reality that donor states consider emergency aid as political conditions free, while development assistance has usually been subjected to political conditions. Humanitarian assistance does not normally target nations or countries and their developmental agendas, but individuals, regardless of race, country or citizenship.

The significant question one needs to understand is what determines a country to provide its resources to a foreign country. Does the aid always go to most needed countries? does the foreign aid goes countries with favorable policy performance? the answer of these questions depends on to understand how donors take decisions towards foreign aid allocations. As we have identified two main categories of international aid; humanitarian aid and development assistance, their allocation determinants are different too. Though all sorts of foreign assistance are not free from political influence, humanitarian aid is mostly determined by moral and ethical factors rather than political ones. Citizens of donor countries provide charities or humanitarian aid due to the awareness of human right activists and media coverage. Countries which international media can access and reports its humanitarian difficulties receive more aid than those media accessibility is almost non-existence (Olsen, Carstensen, & Høyen, 2003: 110). However, the allocation of developmental aid which our study examines depends on more complex donor interests notably political and commercial interests.

The donor's allocation decision of development assistance to different countries is a controversial subject in the literature. The anticipation is that aid should go to the most vulnerable countries, but this is not always true. According to OECD data in 2016, only 19.8% of development assistance went to less developed nations. This was lower than 23.7% in 2015 and 26.9% in 2010. This means so many countries in Africa, Latin

America and Asia, especially Africa receiving less amount of aid than they did in 2010. Bilateral official development assistance to Africa remains to decline even though 34 of the nations on the continent are leading the list of left-behind countries. One reason that could be explained the decline of official development assistance to poor countries is that increase in costs financed to refugees in the donor countries.

The share of ODA on financing refugees in donor countries has risen sharply, it was 10.8 percent of total ODA in 2016, while it was 9.2 percent in 2015 and 4.7 percent in 2014 (“Debating the rules,” 2017). All these show that official development assistance allocation decisions of the donor do not follow the logic of vulnerable and poor country to be the maximum receiver. The lack of balance between need and actual distribution of official development assistance is not surprising, because generally, donors allocate aid based on three main criteria; self-interest, need and merit (Hoeffler & Outram, 2011:240–242).

### **2.2.1 Donor’s self-interest**

Donor’s interest is a very complex issue and it is difficult to specify. Donor’s interest for aiding developing country could be geopolitical, commercial and need for votes in the United Nations General Assembly meetings. Different donors have different levels of interest. Moreover, nature and level of interest change from government to government even within the same donor. For instance, the Obama administration and Trump administration exercised different foreign aid policies. One of the most visible indicators of association between donor’s self-interest and foreign assistance allocation can be understood in the voting distributions at the United Nations General Assembly, interests of donor surpass recipient’s need and merit. The donors award more foreign aid amount to countries vote for their favor and punish to those votes against them (Woo & Chung, 2018: 1003) and (Alexander & Rooney, 2019: 4–5). Donors most likely provide more official development assistance to trade partners over non-trade partners. Foreign aid allocations patterns reflect donor’s commercial interests (Cooray & Shahiduzzaman, 2004:1–11) and (Guillon & Mathonnat, 2019: 1–3).

Donors also allocate a proportion of their official development assistance to their affinities (culture, language, and ethnicity), and former colonies to sustain close political and trade relationship with them (Opršal, Harmáček, & Syrovátka, 2016:325). Macdonald

& Hoddinott (2004:295) analyzed determinants that affect Canadian official development assistance, their study highlighted that Commonwealth members and Francophonie countries receive a high proportion of Canadian developmental assistance than any other recipients.

### **2.2.2 Recipient need**

Donors provide aid to eradicate poverty in developing countries. However, this does not signify that the poorer the country the more foreign aid it receives. The ordinary person expects that foreign allocation and poverty level in recipient country are directly related to one another, nevertheless, technically poverty is only one of the determinants of development assistance, not the absolute factor (McGillivray & Clarke, 2018: 1073–1074). There has been a debate about biases of official development assistance, donors always favor middle-income countries because in return these countries can buy goods from the donor and impress foreign direct investment. Mee & Oh (2012:251) found that South Korean foreign aid inclined to middle-income countries which shows that aid is based on donor's economic interest.

However, Mak Arvin & Drewes (2001a:173) and Mak Arvin & Drewes, (1998b:773) analyzed foreign aid data of Germany and Canada respectively and found a negative association between foreign development assistance and population of the recipient, but not found any evidence supporting the existence of income bias. Although the data of official development assistance across the main donors are not showing an alarming income bias, strategic and geopolitical short and long interests always play a significant role in official development assistance allocations (Harrigan & Wang, 2011: 1281).

### **2.2.3 Recipient Merit**

There is a debate whether countries with good institutions and policies receive more aid than those lack such qualities. The post-cold war foreign aid order demonstrates that respect for universal human rights, democratic quality of institutions and rule of law became determinants of development assistance. However, whether democratic countries receive more than non-democratic corrupted countries remains controversial. Western countries leading the US has been advocating the promotion of democratic and human

right values and reward countries according to their merit. Notably, those claims work rarely in the real world (Knack, 2004: 262).

There is a conflict of interest between donor's values (human right and democracy) and economic and national interest. Sandlin (2018:358) argued when the recipient country is not contributing much to the US economic and national interest human right and democratic values are the deterministic factors of US foreign aid to the recipient country. However, when the recipient is a significant strategic alliance, security and economic interests outweigh over democratic and human right values in US foreign assistance allocations. Alesina & Weder (1999:19-20) also raised a question that whether corrupted countries receive less foreign assistance or not? Their results rejected the hypothesis of less corrupt states less foreign assistance but accepted the alternative hypothesis.

## **PART 3: TURKEY'S OFFICIAL DEVELOPMENT ASSISTANCE AND HUMANITARIAN DIPLOMACY**

### **3.1 Turkish official development assistance and foreign policy implications**

#### **3.1.1 Introduction**

This chapter provides a brief and analytical review of Turkish foreign aid and its historical track record. The first part of this chapter discusses Turkey's humanitarian diplomacy and its evolution. The second section briefly elaborates how Turkey applied foreign aid as a foreign policy instrument to make friends and influence countries. The third section is devoted to discuss Turkey's journey from an aid recipient country to the donor country. The fourth section presents Turkey's foreign policy approach to develop a fruitful bilateral relationship based on mutual interest and solidarity. The fifth and final section specifically makes depth analysis of Turkish official development assistance and its determinants. The determinants of Turkish official development assistance were discussed under the pre-AKP government and during the AKP era.

#### **3.2 Humanitarian diplomacy of Turkey**

Turkey is a comparatively new actor in the international forums for foreign aid. The first noteworthy development of Turkish foreign aid happened in the middle of 1980s when Turkey provided \$10 million in food assistance to drought-ravaged nations in Sub-Saharan Africa. The evolution of the national aid organization, the Turkish Cooperation and Coordination Agency (TIKA), is clear evidence to Turkey's nascent donor status and how assistance has been connected to foreign policy. The TIKA was instituted in 1992, in association with the Ministry of Foreign Affairs, to help the new Turkic republics that gained their sovereignty after the Soviet Union collapse in 1990. TIKA opened its first program coordination office (PCO) in Turkmenistan, to be supervised sixth other similar centers in that region. Shortly after TIKA's aid were inclined to the Balkans, a geographical zone undergoing an era of instability resulting in the fragmentation of Yugoslavia. Turkey's intervention in these countries was grounded on its political and economic interests, and the renovation of stability, as well as on a common cultural

identity and history. This common interest and identity have sustained to be a significant principle of Turkey's foreign assistance policy (Altunışık, 2014: 334– 335).

Since its foundation, TIKA went through several structural changes. In an attempt of making the agency more effective and well-organized, TIKA was shifted to under the Prime Ministry Office in 1999. However, in 2001 it was changed under the structure one of the state ministries due to coalition politics. Since the AKP came to power in 2002, TIKA's foreign aid activities have extended substantially. The aid coordination offices augmented from 12 in 2002 to 25 in 2011 and 33 in 2012. The volume of development assistance, in this period, soared from \$85 million in 2002 to \$1.3 billion in 2011 and dramatically to \$2.5 billion in 2012, dispersed among more than 100 recipient nations in all four continents regardless of faith and race. Despite Turkey's aid to international assistance are inadequately contrasted to those of OECD-DAC donors, it headed non-DAC countries in 2011 and 2012 (OECD, 2013). Therefore, in recent ages, Turkey has made the evolution from the rank of aid receiver country to that of a more active and influential donor.

TIKA's global exposure has extended significantly in the 2000s, where besides the Central Asian and Balkan nations, some nations in Africa, Middle East, and Asia have become the receivers of Turkey's humanitarian and development aid. A significant feature of Turkey's rise as a donor state is the propagation of actors involved in foreign assistance, both NGOs and states, in the 2000s. Among national players, the TIKA and foreign ministry play a crucial role in coordinating the technical and political features of foreign assistance. However, there are other state foundations that participated in the process by offering technical expertise or implementing certain aid projects. In addition to this some key ministries, including Development and Justice and interior participated aid mobilization programs. Another remarkable development is that Directorate of Emergency Management (AFAD) was put under the Prime Ministry management. Because of the propagation of aid actors, there was an increasing necessity to coordinate their different foreign assistance programs and create an effective system of reporting.

In the year 2005 through a Prime Ministerial decree, the foreign ministry was obligated to developing general policy decisions and made in charge for the political level planning and scrutiny of foreign assistance, whereas TIKA, which was under a State Ministry, was

made responsible for the technical coordination of Turkish development aid and reporting to the OECD. Regardless of these political and technical efforts, nevertheless, the foreign aid society in Turkey concerns that there are yet problems of coordination. Moreover, to complications of institutional coordination, Turkey's foreign assistance policy also faces challenges of measuring aid effectiveness.

### **3.3 Turkey's foreign assistance as Foreign Policy**

After the end of the Cold War Turkey's appearance as a new donor, the nation has been closely associated with its foreign policy ends. With immense fluctuations in the post-Soviet period, as well as in the Balkans, Turkey's foreign policy intended to take part stabilization and renovation of these regions, and to revive ties with territories which it had cultural, religious and historical denominators. In addition, in the early years, Turkey also considered itself as a messenger belt for spreading the Western norms – of which Turkey conceived as a part of modernizing new states. Hence, the purpose was to support the newly self-governing nations in their efforts to comply with the market economy as well as with new order politics, particularly with Western organizations like North Atlantic Treaty Organization (NATO) (Bayer & Keyman, 2012:84). This was meant sharing its expertise and experience in the fields of economics, security, and politics. The features of Turkey's foreign assistance improved as its aid efforts extended, reaching to the Middle East, which became significant Turkish foreign aid receiver in the 2000s. This was a policy which closely associated with political and strategic interests, and to Ankara's larger political goals in the region.

Turkey's rise as a donor in the Arab Nations, frankly, co-occurred with its growing political dynamic within the region. The Justice and Development Party known as AKP which has been ruling since 2002, listed the Middle East as one of the highest priority regions in its foreign policy objectives. Turkey's integration towards the Middle East extended especially in the second half of the 2000s, as Turkey–EU relations continued stagnant. The consequence has been a deeper engrossment with the Middle East than at any era of the republic's history. This cooperation has mostly taken place in terms of political and economic engagement, with the use of soft power. Turkey becomes an important arbitrator in some of the regional conflicts (e.g. Syria and Israel), which



resulted in advantageous bilateral trade relations and improved visa restrictions for many Arab Nations, for instance, Syrian case before 2011.

The overseas policy of the AKP government is essentially based on the ideas of Ahmet Davutođlu, who worked as Chief Advisor of the Prime Minister 2003–2009 and foreign minister 2009-2014. According to his standpoint, Turkey’s historical and cultural identity with the Muslim world puts a sense of responsibility to respond to issues in the region. Having a stake in the political progress of adjacent states is part of what Davutođlu has labeled as Turkey’s ‘strategic depth’ (2001), and its success and security are also associated to the wellbeing and peacefulness of the Middle East. Hence, the ruling party’s (AKP) foreign policy is perceived to link its material interests, including its ambitions for a leadership role in the region and the extension of its strategic and commercial interest. These ambitions have been directed through a discourse of ethical obligation, especially toward fellow Muslims and societies of the previous Ottoman geography. These reciprocally strengthening views have eventually served to improve Turkey’s interests (Fisher Onar, 2011). Humanitarian and development assistance as a foreign policy instrument had led to an environment of mutual understanding between Turkey and the Middle East, Africa and Far East Asia.

The new doctrine of Turkey’s foreign policy was straightly projected in the revolution of TIKA and its strategies. In an interview, Davutođlu summarized the significance of TIKA for his view of Turkey’s foreign affairs policy as strong and active organization was required in the wide historical and political geography in which Turkey works and TIKA fruitfully fills this gap. TIKA has provided a massive promotion to Turkish foreign policy. As Ipek (2013) contended, Davutođlu’s thoughts have resounded through TIKA at the management level and the whole foreign assistance community.

The vast proportion of TIKA’s development assistance primarily reached to partner countries. TIKA intends to offer sustainable humanitarian economic development aid as well as to comply with its projects aids with the United Nation’s Millennium Development Goals (MDGs). Another significant aim for TIKA is to provide capacity-building programs in recipient countries to develop their human resource capital. The demands and priorities of the recipients are considered very seriously during project development stages. While doing so, recipient nations are also anticipated and stimulated

to offer some contribution to the projects to be executed. This contribution could be cash or in kind and normally forms a very small portion of the project budget.

This method not only offers active involvement by the recipient state but also confirms possession of the project when it is accomplished and handed over. For this motive, projects are established to be maintainable, flexible and appropriate to the circumstances of recipient nations. Furthermore, while implementing such projects, TIKA gives significant considerations on the importance of keeping coordination with the global donor community to avoid repetitions and achieve efficiency. There are numerous approaches that TIKA employs for implementing missions and programs in recipient nations, such as offering capacity-building aid (human resources and institutional); transmitting professionals; contributing equipment; supporting infrastructure projects; funding construction/renovation activities and extending humanitarian assistance.

### **3.3.1 Turkey's Africa market entrance approach: Dramatic foreign aid model**

Turkey endeavored to open the doors of the African market using a dramatic foreign aid model, a model based on recipient's need and priorities, along with political and business summits. Turkey's attempt to open the door of Africa was firstly commenced with a historical meeting in Istanbul, held under the sponsorships of Turkish President Abdullah Gul. The first Africa-Turkey High-level meeting, under the theme of unity and Corporation for a mutual Future, was hosted in August 2008. Turkey under the AK Party government explored a novel vision to Turkey's Africa relationship and undoubtedly intends to fill the relations gap which occurred after approximately a century of negligence. To revive and the speedy up relationship between Turkey and Africa, the summit offered a platform to upsurge bilateral relations and seek for new approaches of improving relations. The Turkish President in a press briefing said that he "had bilateral discussions with the presidents of representatives of 42 states under the scope of the Africa-Turkey conference." Likewise, the two-sided meetings of Prime Minister Erdogan appear likely to provide motivation to emerging relations with Africa in the near future (Ozkan, 2008:1-2).

Turkey's approach towards Somalia has been the most noticeable evidence of Turkey-Africa dramatical growing relations. Turkey not only emphasized distributing emergency aid and other assistance to famine-affected people in Somalia. But it hosted regional and

international summits concerning Somali peacebuilding process, arbitrated among various parties, created a diplomatic center in Mogadishu and Hargeisa, offered technical assistance and capacity-building state personals. Turkey also assisted Somali governments in rebuilding infrastructure and engaged efforts to boost bilateral trade relations and development assistance (Sucuoglu & Stearns, 2016:7–8). There are several contributing factors which help Turkey to develop a friendly relationship with Africa;

- **The Clean State:** At a global level, the evolving Turkish story on Sub-Saharan Africa intends to display Turkey as a country without colonial motivation and stimulated by goodwill. The discourse is clean, apolitical and full of humanitarian wiles that clarify economic issues based on equal partnership with Africa. It intends to represent Turkey as a nation that is not only oriented with its own interest but also intended for the wellbeing of the African countries.

- **Humanitarianism:** Humanitarian views lie the center of the story. Turkey needs to convince the African people and politicians that its aim is humanitarian. In the meantime, not to be considered naive, Turkey works to strengthen its humanitarian agendas with verbal inferences, analogies and statements. Analytically, this description has two essentials: emphasizing Turkey's outgoingness and promoting Africa.

- **The balancing state theory:** On this notion, the Turkish foreign trade and manufacturing structure is complementary to those of the African countries. The word complementary is a term cautiously preferred to imply sharing or collaboration rather than the supremacy of one part. The Turkish government's complementary argument suggests that economic collaboration with Turkey is as beneficial to African economic wellbeing as well. The implicit notion can be inferred is that only complementary economies can be useful to the African economies (Bacik & Afacan, 2013:489–490).

This dramatic foreign aid policy of Turkey for Africa significantly increased both diplomatic relations and trade volume. Turkish diplomatic missions and commercial consulates are almost every country in Africa since 2009. The improving bilateral relations between Africa and Turkey is also reflected by the trade volume. Therefore, bilateral trade volume from 2009 to 2018 reached \$179 billion. The highest proportion of Turkey's Africa export goes to North African countries particularly Egypt which received

3.1 billion of Turkish export in 2018. Undoubtedly, the announcement of 2005 as the Africa year has given a substantial momentum to the commercial and diplomatic relations between Turkey and the African countries (www.dailysabah.com,2019).

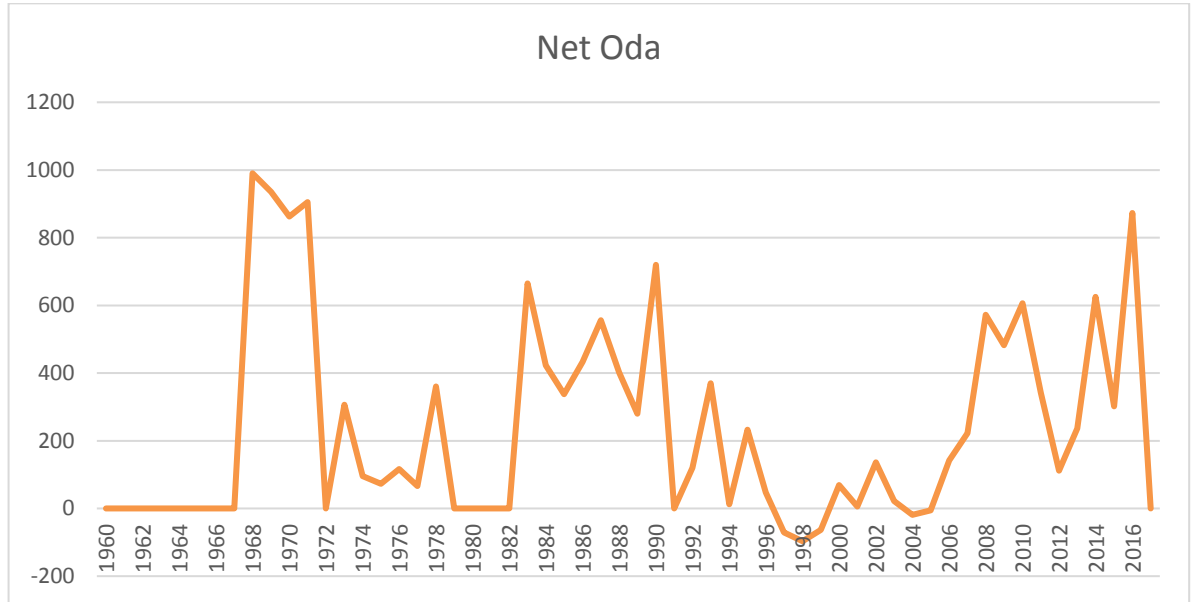
#### **3.4 Turkey's evolution from recipient to donor**

Turkey has been a foreign assistance recipient nation since the late 1940s. With the execution of the Marshall Plan, Turkey was provided development assistance along with Greece, stimulated by the foreign policy interests of the USA to assist the western alliance governments post World War Two. Turkey obtained millions of foreign assistances through the Marshall Plan, which resulted in a great deal to the economic development of Turkey in 1950 (Ozer, 2014: 427). The statistics offered by the US State Department shows that in an attempt of promoting Turkish economic development, the USA has lent and granted Turkey more than \$12.5 billion in economic assistance in 2005. In addition to the United States, Germany and Japan are the other main contributors to the improvement of Turkey's economic development performance.

The technical collaboration between Turkey and Japan commenced around 45 years under the program known as 'Acceptance of Trainees'. Japan International Cooperation Agency (JICA) accomplished its development work for Turkey in 1965, and its initial technical collaboration project with Turkey was implemented between 1973 and 1979. Though Japan's international cooperation agency office for Turkey was officially opened in Ankara in June 1995, in 2000 the total budget assigned for technical collaboration for Turkey reached nearly \$286 million (JICA Office for Turkey).

Germany began its technical collaboration with Turkey through the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in 1970 within the context of Turkish-German Technical Collaboration. Representing the German Federal Ministry for Economic Cooperation and Development, GIZ sponsored a varied range of projects in different segments of the Turkish economy amid the 1970s and 1980s. As the report of GIZ in 2003 suggested Germany had distributed 271 million of technical aid to Turkey. In addition to the bilateral donors, international donors have also donated to Turkey's economic development, remarkably, the United Nations Development Program (UNDP), Turkey received significant economic development stimulant aid from it. Over the years, the UNDP has contributed new ideas and programs, improved institutional capacity and

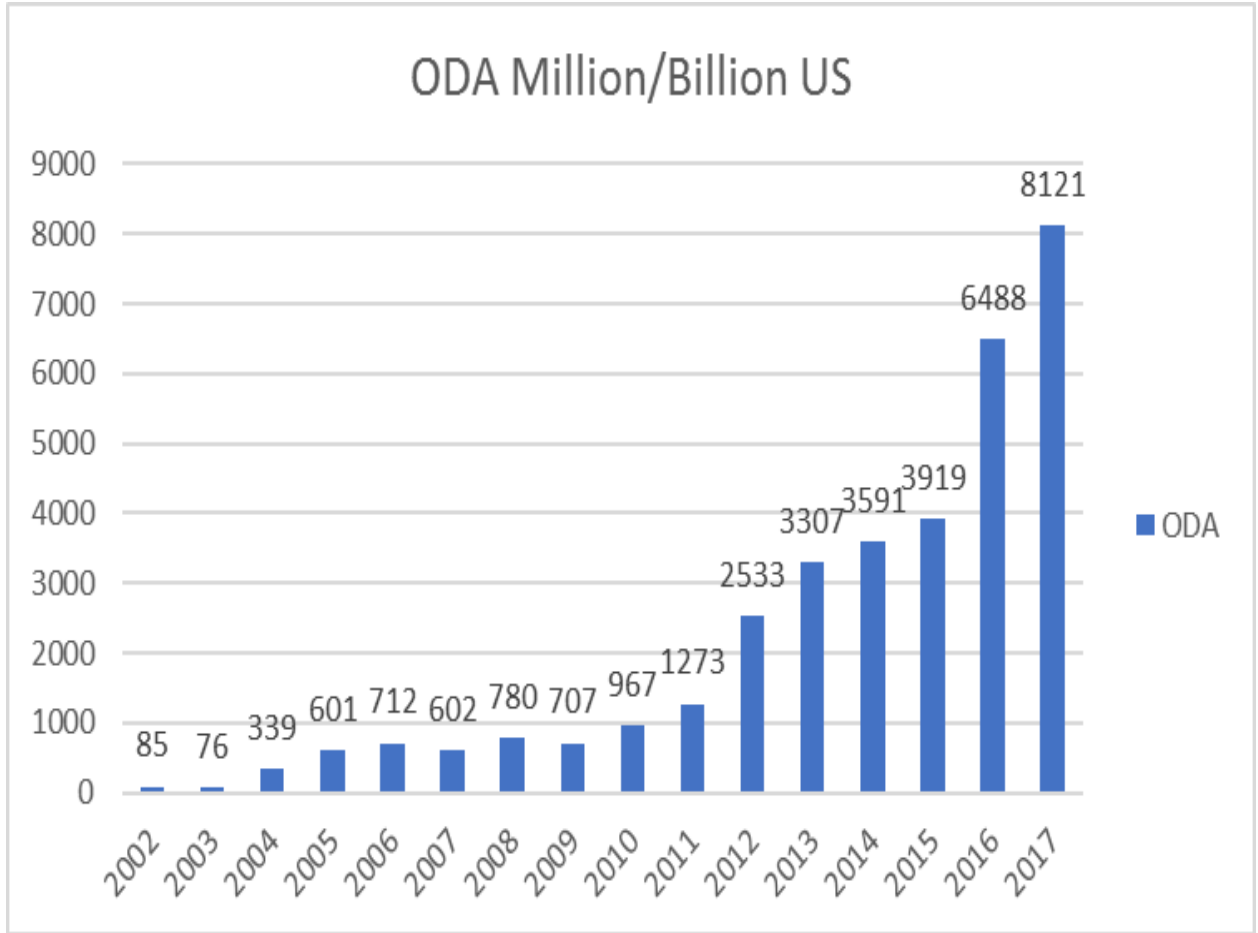
prospered in attaining an important and enduring human development results in different areas. Furthermore, in the year 2000 UNDP offered \$33.12 technical assistance to Turkey for the advancement of economic development contributing sectors (Fidan & Nurdun, 2008: 99–100).



**Graph 1.** Amount of ODA turkey received from 1960 to 2017

**Source:** OECD data set.

Though Turkey is on the DAC list as an aid recipient nation, it began its foreign aid activities in 1985 when it offered \$10 million worth aid package to the Sahel nations under the management of secretariat of State Planning Organization of Turkey. In 1996 Turkey has donated to the institutional capacity development assistance to Senegal, Somali, Sudan, Gambia, Guinea, Guinea Bissau, Mauritania. Nevertheless, considerable assistance to partner states got an incentive when TIKA was established in 1992. Though TIKA was firstly founded for the purpose of assisting transition economies in Central Asia, the Caucasus and the Balkans, start from 2003 TIKA started to expand its activities to the Middle East and North Africa (MENA) states and the African Union countries.



**Graph 2.** Turkish official development assistance 2002-2017.

**Source:** TIKA annual development reports.

As the above-elaborated curve shows Turkish official development assistance increased dramatically from 2002 to 2015. It also signifies the foreign aid policy of the ruling party (AKP). AKP government changed the volume and geographical coverage of the Turkish foreign aid. The early days of AKP government 2002 the volume of Turkish foreign aid was 85 million the following year 2003 it was only 76 million, there was a setback due to the economic crisis the country experienced in that period. At 2004 Turkey donated 339 million to developing countries, according to the prior year, there is a huge increment in the volume of foreign aid. Turkey used official development assistance to explore new diplomatic relations and to revive its historical ties with the mainly Muslim world. specifically, Turkish foreign aid agencies have been seen considerably in North Africa and East Africa. This shows the shift of Turkish foreign aid from co-ethnic centered to more global centric.

### **3.5 Bilateral Turkish official development assistance**

The last five decades have seen Turkey's development from an aid recipient country to an emergent donor country. Turkey's official development assistance currently exceeds the volume of ODA of Italy and is slightly behind France (TIKA,2017). Turkey's foreign assistance policy has gone through essential changes since the dissolution of the former Soviet Union. Due to these geopolitical changes, Turkey's bilateral aid has become an effective tool in proceeding Turkish foreign policy aims in recent years. Turkey's official development increased dramatically from 85 million in 2002 to 8.1 billion in 2017. According to OECD data Turkey was ranked 12th most generous donor and donated 0.45% of its GNP, while at 2015 it was ranked the most generous donor in the world and donated 0.37% of its GNP to the developing and least developing countries. The 2017 development annual report of TIKA also shows that Turkey's official development volume hits 8.121 billion US dollar (0.95% of GNP) and ranked 4th generous donor among OECD/DAC countries.

This fundamental increase of Turkish official development assistance has created diplomatic friendship and goodwill between Turkey and recipient countries in all the continents of the world. Because Turkish official development assistance emphasizes economic development driving sectors of the recipient nations include; provision of social services (education and health), budget supports, technical assistance and project and program aids related to infrastructure rehabilitation (TIKA,2016).

ODA is one of the most active soft power tools of Turkey's foreign policy. Moreover, as the AKP government pursues forward Turkey's participation in global and regional matters, ODA has employed as a diplomatic tool to ease such global participation. For example, following the collapse of the Taliban government, Turkey positioned Afghanistan as one of its foreign policy priorities. Complying with Turkish foreign policy's ends to the principle of creating a balance between freedom and security. Turkey preferred the rebuilding of this war-ravaged country, by providing the basic social services, awareness raising system of fundamental freedoms and rights, as well as supporting domestic stability. On the basis of these principles, Turkey dedicated hundreds of millions of USD to the renovation of Afghanistan at numerous international donor forums (Kulaklikaya & Nurdun, 2010:136).

In addition to that, Turkey advanced to the Horn of Africa to be part of the solution for regional challenges. Turkey's approach to Somalia was caught the attention of international media and academia as well. Turkish president accompanied with his foreign minister and family paid a historic official visit to Somalia in 2011. Turkey applied a dramatic foreign aid model to Somalia, providing food and nutrition to drought-ravaged families and Turkish humanitarian NGOs reached every corner of the country. Turkey also builds hospitals and gave scholarships to hundreds of students. As Akpınar (2013) argued Turkey's foreign aid policy on Somalia entailed the following;

1. Eradicating Somalia's global isolation
2. Offering intensive and complete humanitarian assistance
3. Upgrading the infrastructure through medium and long-term development projects
4. Assisting to restore peace and security in the country by backing up Somali national security agencies and the peace keeping forces from UN in Somalia.

### **3.5.1 Determinants of Bilateral Turkish development assistance**

As we have cited earlier in the above pages, Turkish official development assistance dates back in 1990 after the collapse of the former the Soviet Union. However, the motives behind the provision of Turkish foreign aid was changing with domestic politics. To understand what determines Turkish official development assistance, politics and objectives behind it one needs to review the pre-AKP governments and during AKP ruling party foreign aid policies (Kavakli, 2018:622).

#### **3.5.1.1 Pre-AKP party Turkish foreign aid policy**

Turkey was a strong ally of the Western World amid the Cold War and sustained its Western relationship after the Cold War. The collapse of the Soviet Union and the emergence of autonomous countries in the Caucasus and Central Asia gave Turkey an opportunity to become an influential regional power because Turkey had linguistic and ethnic ties with countries include; Azerbaijan, Uzbekistan, Turkmenistan Kirgizstan, and Kazakhstan. Turkey offered tremendous economic and humanitarian aid to these countries to shape their economic development models, political orientation, and external relations. In addition to that, Turkey presented it's market economy oriented and secular



political point of view as the best alternative to these countries after the post-communist world order (Onis, 2001:66).

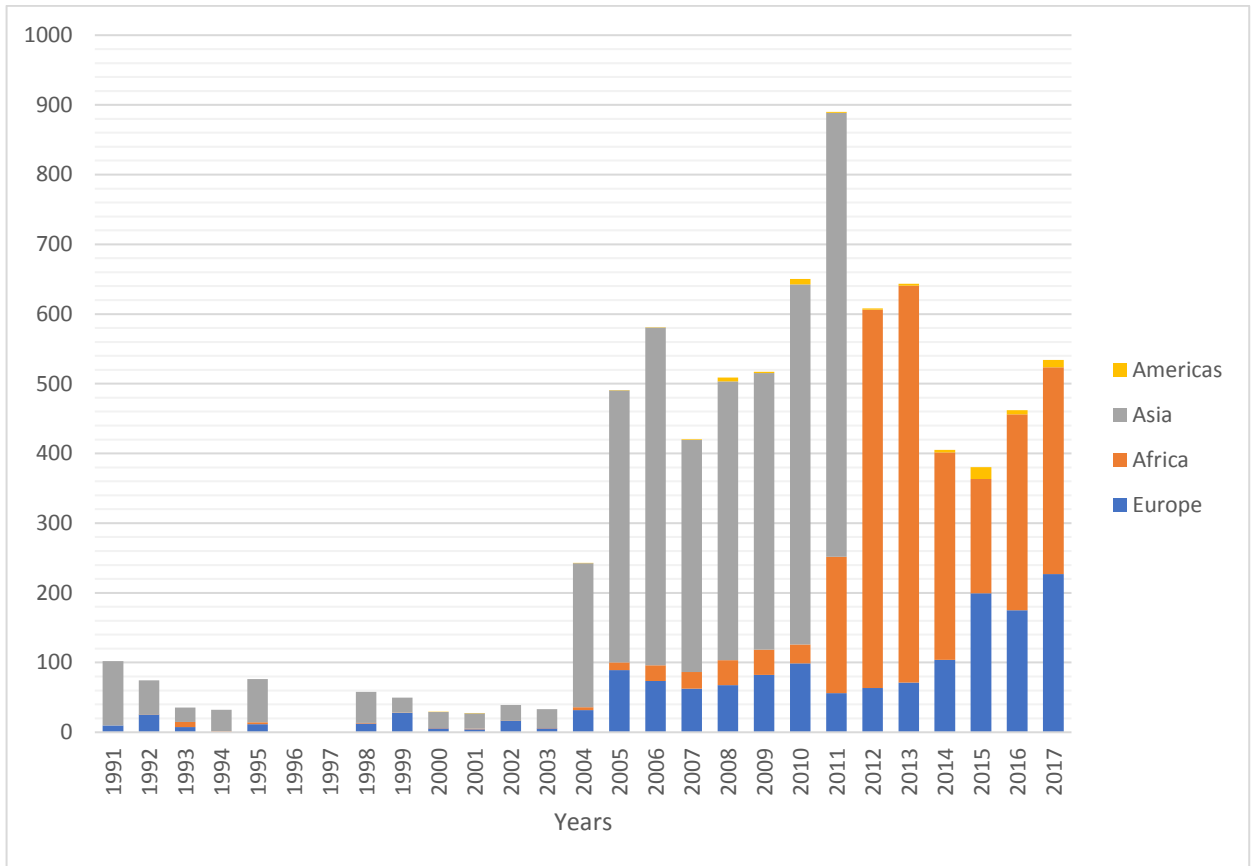
Therefore, Turkish foreign aid policy in between 1990 and 2002 was mainly determined by co-ethnicity. The foreign aid policy in this era was openly targeted to strengthen economic and political ties between Turkey and those former communist countries, of which Turkey shares with linguistic and historical ties.

### **3.5.1.2 During AKP Party foreign aid policy**

In 2002 Turkish politics faced a fundamental change. An uncompromising economic crisis in 2001 resulted in the nation's economy to shrink by almost 10 percent. The Turkish traditional party system breakdown in the 2002 election. The newly established AKP (Justice and Development Party) won most of the seats in the Parliament and successfully managed to create the first one-party led government in Turkey in more than 10 years (Carkoglu, 2002: 39–40). This new Islamists, liberal and nationalist party has made a dramatic change in Turkish foreign policy. One of the significant changes was redefining Turkey's allies, west and former Soviet Asian countries were not enough. Turkey designed a novel foreign policy tool what it called humanitarian diplomacy which allowed Turkey to be active in international forums and promoted its public image (Ozkan, 2018:565–566).

Davutoğlu (2013) the mastermind of AKP government's foreign policy indicated that humanitarian diplomacy has two objectives; first it serves the interest of Turkish nationals and facilitates their lives, and second, it demonstrates Turkey's humanistic attitude towards crises zones. Davutoğlu also argues that humanitarian diplomacy of Turkish foreign policy strives to find a durable solution for both regional and global crises. Turkey began to offer development aid to trade partners and humanitarian assistance to Muslim least developed countries.

The trade volume with the trade partners and the Muslim world increased dramatically due to this far reached effect of foreign policy. Therefore, Turkish foreign aid under the AKP administration is determined by a variety of factors including trade boosting interest, reviving of Turkey's historical ties and promoting Turkish public image in the international arena (Çelik & İşeri, 2016: 431).



**Graph 3: World Distribution**

**Source: OECD**

## **PART 4: METHODOLOGY AND ANALITICAL FRAMEWORK**

### **4.1 Methodology and Data analysis**

#### **4.1.2 Introduction**

This chapter will be discussed the type of scientific methodological approach this study employs. The first section of the chapter discusses the theoretical foundation of the gravity model which the study employed to examine bilateral trade flows between Turkey and a certain specified sample of countries. The second section gives depth insights about model specification, variables in the model and their expected behavior and signs. Data sources and explanations are also elaborated in this section. The third section demonstrates the main estimators of the gravity model and the process of estimation. Empirical results and interpretation and discussion will be summarized in this part as well. The fourth and final section of this chapter is devoted to discussing conclusions drawn from the empirical results, and policy implications and recommendations provided to both policy makers and academia.

#### **4.2 Theoretical background of the Gravity model of international trade**

The gravity model of trade is extensively applied in international economic specifically international trade studies. It was derived from the physics rule of gravity which states that force attraction between two objects depends on the masses(kg) of the two objects and distance between them. The usage of the gravity model in the international trade theory was first suggested by Tinbergen (1962), Pöyhönen (1963), Linnemann (1966), Deardorff (1984), Helpman and Krugman (1985), and Helpman (1987) to Anderson & Van Wincoop (2003).

Linnemann (1966) suggested kind of a gravity model based on a Walrasian, general equilibrium method. He described exports of country *i* to country *j* in terms of the interrelations of three variables: supply level of exports of country *i*, level of demand of imports from country *j*, and trade constraints. The first factor is directly related to the exporting country's income and can also be understood as a proxy for product diversity. The second variable is positively related to the importing country's level of income as well. However, the third variable is negatively associated with trade costs, transport costs, and tariffs. Bergstrand (1989) added per capita income to the gravity model, which is a

good measure of demand complexity (demand for necessity versus luxury goods) and taste variables (Linder) and factor endowment variables (Heckscher–Ohlin). Helpman (1987) applied a gravity model of international trade in differentiated products to calculate the proportion of trade within the same industry for distinct cross-sectional study on several countries for the period 1970–1981. His study revealed that the proportion of intra-industry trade is negatively associated with income variances and directly related to country size.

Gravity equation in physics;

$$F_{ij} = G M_i \times M_j \div d^2$$

According to this formula the gravitational force is directly proportional to the masses of the two objects, while it is inversely proportional to the distance between objects. The same is true is applied to bilateral trade between countries. The volume of bilateral trade between two countries is directly related the size of their economies (GDP~) and inversely related to distance between the two countries(distance), which is proxy of trade costs.

Intuitive gravity equation for bilateral trade;  $X_{ij} = C Y_i \times Y_j \div t_{ij}$

$X_{ij}$ : bilateral trade (export or import) from country I to county J, C: constant

Y: economic size (approximately GDP)

T: trade costs between the two countries (approximately distance, adjacency).

According to the theory of gravity model in international trade, bilateral trade size is directly associated with the multiplication of the countries' economic sizes (gross domestic product) and negatively related to the topographical distance between them. This means the bigger the countries in economic size, the higher is bilateral trade between them. Also, the closer the countries geographically to each other, the higher the anticipated volume of trade between them, and the vice verse is true.

It has been familiarized that bilateral trade follows are well defined empirically by the widely used gravity equation, which highlights trade between countries positively related to both of their national income levels and negatively to the geographical distance between them, typically with a functional form that is derived from the rule of gravity in physics. It also repeatedly mentioned in the literature that the gravity model equation was

used without theoretical foundation. It was argued that the Heckscher- Ohlin (HO) model of international trade was unable to offer such a theoretical foundation, and maybe the HO model was also theoretically unmatching with the gravity equation. It is undoubtedly no longer true that the gravity model lacks a theoretical foundation since the same scholars who presented this argument further developed their models and contributed several theoretical foundations. Furthermore, the HO provides successful interpretations that harmony with the gravity model. At the same time, creating such interpretations can provide extra or further understandings about the reason why bilateral trade in some special cases don't a harmony with the gravity equation (Deardorff, 1998: 7–8).

#### **4.2.1 Microeconomic theory foundation of the Gravity Model**

There are numerous studies regarding the theoretical foundations of the gravity model from the microeconomic perspective. Some of them are discussed and summarized in this paper. Tinbergen (1962) and Pöyhönen (1963) adapted general equilibrium method and found that incomes of the countries and geographical distance are statistically significant and convey the anticipated signs. Leamer and Stern (1970) established a probability model to transform a gravity equation in a different perspective. They underlined that the gravity equation produces significant results because it captures some of the most vital determinant factors of aggregate supply and demand.

Anderson (1979) derived the gravity equation considering price variances across the world nations. He adapted product differentiation method by country of origin assumption recognized as the “Armington assumption”, meaning the price of the goods is different due to the location of the production or origin country of the product. He elucidated the existence of income variables in the gravity model and their log linear or multiplicative arrangement too. He made use of widely known utility functions of microeconomics (Cobb-Douglas and Constant Elasticity of Substitution preferences) and hypothesized that similar preferences and alike expenditure functions across the world nations can make possible to derive gravity models. First step Anderson (1979) created the gravity model by deriving it from the expenditure approach assuming two nations where each nation is fully specialized in producing one good and transport costs and tariffs are zero. The second step, employing a trade share expenditure model, took all the world nations

producing a traded and a non-traded good, possess similar Cobb Douglas preferences, have alike expenditure portions and gravity model income elasticities of unity.

Helpman & Krugman (1985) endeavored to further contribute to the theoretical foundation of the gravity model and derived gravity equation using increasing returns to scale in the production approach. They modeled economies of scale, transport costs, and product differentiation. Bergstrand (1985) contributed a theoretical association between bilateral trade and factor endowment. He employed a general equilibrium approach to derive the structure of the gravity equation. This general equilibrium model of global trade is achieved by utilizing utility and profit-maximizing agent behavior in N countries and considering that each country possesses a single factor of production. He applied the Armington hypothesis, perfect substitutability of global goods and services, production functions, identical utility, perfect commodity arbitrage functions across nations, while tariffs and transportation costs are zero to derive a gravity model.

### **4.3 Model Specification**

This study examines the association between official development assistance and Turkey's volume of export to the aid recipient countries. To understand what sort of relationship, exist between bilateral of official development assistance and donor's export to recipient countries, the study employs gravity model which is frequently used in the literature to study factors affect bilateral trade follow across the countries (Chaney, 2018).

Turkey's export to aid recipient countries is the dependent variable of this study, Turkish official development assistance, GDP of Turkey as donor and GDPs of other countries as a recipient and GDP per capitals of both donor and recipient, distance and common language are the independent variables. The log-linear form of the gravity model is demonstrated as the following;

$$\text{LinTurkexport} = \alpha + \beta_1 \ln \text{GDP}_{\text{export}} + \beta_2 \ln \text{GDP}_{\text{importer}} + \beta_3 \ln \text{GDP}_{\text{percapitaexport}} + \beta_4 \ln \text{GDP}_{\text{percapitaimport}} + \beta_5 \ln \text{distance} + \beta_6 \ln \text{ODA}_{\text{turk}} + \beta_7 \ln \text{Commonlanguage}.$$

Where;

1.  $\text{LinTurkexport}$  = Turkey export of export to its aid recipient countries
2.  $\text{LinGDP}_{\text{exporter}}$  = stands for the GDP of Turkey (exporter)
3.  $\text{LinGDP}_{\text{importer}}$  = the GDP of Turkish aid recipients (importers)
4.  $\text{LinGDP}_{\text{percapitaexport}}$  = GDP per capita of Turkey
5.  $\text{LinGDP}_{\text{percapitaimport}}$  = GDP of the Turkey aid recipient countries or importers of Turkish products
6.  $\text{Lindistance}$  = stands distance between Ankara and capitals of recipient capitals.
7.  $\text{LinODA}_{\text{turk}}$  = official development assistance of Turkey
8.  $\text{LinCommonlanguage}$  = stands common language

#### **4.4. Data and Sample size**

This study employs secondary quantitative data analysis. The data are collected from both international databases and Turkish statistical databases. The study participants are 65 countries of Turkish aid recipients and Turkey as a donor. The study employs panel data analysis of the Gravity Model of international trade in a period of from 2008 to 2017. The data related to Turkish official development assistance is available in the OECD database from 1990 to 2017. However, this data is not consistent from year to year in some countries. Therefore, to avoid any missing data problem this study carefully selected Turkish aid recipients that consistently received Turkish ODA from 2008 to 2017.

#### **4.5 Discussion of variables in the model**

##### **4.5.1 Volume of Export**

The study analyzes the volume of export of Turkey to countries that received its official development assistance between 2008 and 2017. Turkey like any other developing

country strives to boost its export and one way of doing this is to influence nations and create goodwill with them. Hence, Turkey official has been using development assistance and means of foreign aid to be an influential powerful nation that has a voice in international forums.

#### **4.5.2 Explanatory variables**

##### **A. Gross domestic product (GDP)**

GDP is the gross domestic product of the exporter and importer in nominal terms and measured in US dollar. Normally as the gravity model theory stipulates GDP positively related to bilateral trade. The coefficients that explain this relationship are  $\beta_1$  and  $\beta_2$ .

##### **B. GDP per capita**

GDP per capita of exporter represents the level of income of its citizens, we expect that as GDP per capita increases Turkish export shifts to high-income countries. GDP per capita of the importer represents the income level of the individual citizens of the recipient. we expect as the income capacity of individuals in the importer country increases, their purchasing power increases and their expenditure for import goods increases. The coefficients that elucidate this association are  $\beta_3$  and  $\beta_4$ .

##### **C. International distance**

International distance is the distance between Turkey's capital Ankara and recipient country's capital, measured in Miles. Distance is negatively associated with export. The larger the distance between the two countries, also means the higher the trade cost (transportation cost). As the transportation cost increases, the prices of goods increase as well and hence this reduces the volume of export. The coefficient that explains the relationship between the volume of export and distance is  $\beta_5$ .

##### **D. Official development assistance (ODA) of Turkey**

Official development assistance (ODA) stands for Turkish foreign aid to its recipient countries for developmental aims, measured in US dollar. The official development assistance is a foreign policy instruments tool which nations use to contribute international efforts aimed to overcome global developmental challenges. Specifically,



bilateral official development promotes goodwill between countries, which boots bilateral trade between them. Bilateral official development is assumed to have a positive relationship with the donor’s volume of export to aid recipient country. The coefficient that demonstrates an association between official development assistance and donor’s volume of export is  $\beta_6$ .

**E. Common language**

Normally, the common language spoken is directly related to bilateral trade. It is anticipated to decrease communication costs and hence promotes trade. Speaking common language eases trade is a proxy of cultural similarity. It is a dummy variable which is equal to 1 if i and j share a common language and 0 otherwise. The coefficient that describes this relationship is  $\beta_7$ .

**Table 4**  
**variables and data**  
**sources**

No.	Variable	Source
1	Export of Turkey to its aid recipient countries	Turkish statistical institute
2	GDPs of Turkey and its trading partners	World Bank
3	GDP per capitals of Turkey and other countries	World Bank
4	Turkey’s official development assistance	OECD
5	Free trade agreements between Turkey and other countries	It is dummy variable it takes 1 if there is a free trade agreement and 0 if there isn’t.
6	Distance	Distancecalculator.net
7	Common language	Binary variable it takes 1 if Turkey and other country shares common language and 0 otherwise.

**Source:** Drawn by the researcher.

**Table 5**  
**Descriptive statistics**

No	Variable	Obs	Mean	Std.Dev	Min	Max
1	InExport_Turkey	650	11.81342	1.951579	5.69952	16.20316
2	InGDP_Impter	650	23.97655	1.821204	20.07535	30.13554
3	InGDP_turkey	650	27.44448	0.1070645	27.19196	27.58034
4	InGDP_per capi_impoter	650	7.591832	0.999905	2.2795	9.574709
5	InGDP per capita_Exporter	650	9.308266	0.0857039	9.109001	9.436895
6	inDistance	650	7.591895	0.745104	6.086684	8.9191106
7	InODA_Turkey	650	5.987747	0.4685403	-4.60517	6.843355
8	Common language	650	0.0153846	0.1231717	0	1

**Source:** researcher's calculations.

#### **4.6 Estimation approaches of gravity model**

The gravity model has been extensively applied in the international trade literature to study the factors accelerate or deaccelerate bilateral trade of goods and services. The most commonly used specifications in the literature are the log-linear form specification. The fixed effects and random effects and Ordinary least square econometric techniques are repeatedly estimated, gravity model. In this study, we are going to apply both non-linear and non-linear estimations methods to identify the differences across estimators and draw a conclusion from them. First, we conducted the Hausman Test to determine which estimation method is suited random effect or fixed effect regression analysis. The result highlighted that random effect estimator is appropriate for our model. However, to get more insights and identify consistency across estimators OLS, fixed effect and PPML estimators conducted as well.

##### **4.6.1 Pooled Ordinary Least Squares (POLS)**

Pooled Ordinary Least Square (OLS) technique is very prevalent due to its global approval and computational easiness with the best linear balanced statistical features (Bakar & Midi, 2018, p. 341). The pooled OLS does not consider individual heterogeneity across participant variables (heterogeneity bias). The pooled regression method cannot be

helpful when significant time, exporter, importer, and country effects are anticipated. Hence, Pooled OLS regression considers homoskedasticity assumption, the term error does not change much as the value of explanatory variable changes (Goergen & Tonks, 2019, pp. 7–8).

#### **4.6.2 Fixed Effects Model**

Fixed effects model can be used when one aims to analyze the impact of variables that change overtime. When applying Fixed effect model, we assume that the individual-based factors may affect or bias the forecaster, and this should be controlled. This is the theoretical foundation behind the assumption of the association between the object's error term and forecaster variables (Bell & Jones, 2015, p. 134–135). Fixed effect estimator eradicates the effect of those time-invariant features; hence one can assess the net effect of the predictors on the outcome variable. Torres-Reyna (2007) fixed effects model assumes overlooked variables change between groups but constant across time for the same group, thus Fixed Effect Model controls for not regressed variables that vary between groups but persistent over time. To reveal the exporter, importer and time effects, the fixed effects model runs least square dummy variable regression.

#### **4.6.3 Random Effect Estimation**

Random effect estimation is also one of the widely applied estimators of the panel data regression analysis. If the researchers believe that individual differences across explanatory variables have some effect on the explained variable random effect model is the most suited. Another advantage of the random effect model is that it accepts time-invariant variables such distance and it also allows to generalize the inferences drawn from the results beyond the examined sample (Park, 2011). In this study, the random effect was found appropriate after being conducted Hausman Test.

#### **4.6.4 Poisson - Pseudo-Maximum Likelihood**

Poisson - Pseudo-Maximum Likelihood is one of the most commonly applied estimation methods of the gravity model in recent years due to its consistency empirical results. This estimation method was firstly presented by Silva and Tenreyro in 2006 and offers reliable estimates of the gravity model international trade. PPML estimator has an advantage over other estimators in estimating observations where there are zero trade cases. OLS is

unable to estimate such zero observations because the logarithm of zero is undefined (Burger et al., 2009, p. 4–6). As the Gómez-Herrera (2013) argued Poisson- Pseudo- Maximum Likelihood also offers unbiased results even in the presence of heteroskedasticity.

#### **4.7. Empirical results and discussion**

The study used four main estimation methods -OLS, fixed effect, random effect, and PPML- to reveal the relationship between an explained variable and explanatory variables across the different estimation methods. The first column elaborates the results of the OLS, the second column elucidates the findings obtained from the fixed effect model, the third reveals results from the random effect model, and the fourth column shows the estimates from the PPML estimator. Remarkably, all the results used in this study are in robust form to get rid of heteroskedasticity and collinearity problems which affect the reliability of the estimation results.

In the first column (OLS) results comply with the main assumptions of the gravity model. The bilateral trade follows between two or more countries directly related economic sizes (GDPS) of the trading partners and inversely related to geographical distances, which is a proxy of trade costs. The coefficient of GDP of the exporter (Tukey) is 2.524 at a significant level of 5%, which means when Turkey's GDP increases 1% its export to aid recipient country increases almost 2.5%. On the other hand, a 1% increase in GDPs of aid recipient (importers) countries creates a 0.62% increase in their imports from Turkey at a significant level of 0.01% other things being constant. The distance also carries the expected sign, additional distances reduces export by 1.24%. This means that since the distance is proxy of trade costs, as the costs increase the volume of export decreases. The common language variable also shows favorable impacts, if Turkey and its trade partner speak the common language the bilateral trade soars 1.1%. Notably, the sample of countries in this study only Azerbaijan speaks the almost similar language to Turkey. In this model, our first hypothesis that traditional gravity model variables carry their expected sign is accepted.

However, GDP per capitals of Turkey and recipient countries affect export of Turkey ambiguously. On one hand, as the per capita income of Turkey increases 1% its export to

recipient countries decreases -1.68% but not significant. On the other hand, there is a statistically not significant positive relationship between per capita income of the recipient country and export of Turkey. Martínez-Zarzoso et al., (2012) also found a similar relationship between GDP per capita and the volume of export. However, contrary to this Nowak-Lehmann et., (2013) found a positive association between per capita incomes of donor and recipient, and export from the recipient to donor. This means per capita GDPs of both donor and recipient are directly related to the recipient's export to the donor, but when it comes to the donor the relationship is complex. The relationship between net-official development assistance and the export of Turkey to its aid recipient states was found insignificant in OLS estimation approach.

In column (2) we illustrated the results of fixed effect estimator since Hausman test indicated that our model is not appropriate for fixed effect estimator, we found that fixed effect estimator is omitted time-invariant variables. The traditional gravity model variables (GDPs of both donor and recipient) carry their expected signs similar to the OLS. However, the coefficient of ODA is almost the same as the one in OLS, but in fixed effect, there is a highly significant relationship between ODA and export. At 0.01% level of significant, 1% change of official development assistance of Turkey contributes a 0.03% increase of Turkish export.

In column (3) we depicted the estimates from random effect model and random effect model is appropriate for our model as we found from the Hausman test. The random effect model did not provide many different results than the fixed effects model but estimated the variables that the fixed effect omitted. The traditional gravity model variables-GDP and distance carry expected signs as we illustrated above in the OLS and fixed effect models. The random effect model shows a direct relationship between GDP per capita of Turkey and export at 1% significant level. However, there is a positive and insignificant relationship between GDP per capita of recipient countries and the export of Turkey. The common language spoken is also crucial determinants of Turkey export to Turkish aid recipients. At 1% significant level, 1% change in common language leads 1.2% increase of Turkish export. The causal relationship between official development assistance and export remain statistically significant as the fixed effect exhibited. 1% change in Turkish official development assistance increases Turkish export by 0.03% other things being

constant. The output of the random effect model complied with the findings of Martínez-Zarzoso et al., (2010) that elaborated the association between bilateral official development assistance and export of Germany.

Column (4) shows the results obtained from the Poisson Pseudo Maximum Likelihood (PPML), which is widely applied gravity model estimator in the recent studies. The PPML estimation provides slightly different results in terms of coefficient sizes. The coefficient of GDP of Turkey is 0.221 which extremely smaller than 2.65 in the random effect model. The coefficient of ODA has drastically reduced compared fixed and random estimations, it reached 0.005 and statistically significant at 5%. These findings are in line with the results of Aman et al., (2017) who found a significant relationship between official development assistance of Turkey and bilateral trade of Turkey with Africa. GDP per capita of Turkey negatively affects the export of Turkey to aid recipient countries in all four models. This could be due to the income differences between Turkey and aid recipients. The countries with almost close per capita income trade more than countries with dissimilar per capita income (Batra, 2006). This may be the reason why Turkey's per capita income has a negative impact on its exports to aid recipient countries since most of the aid recipient countries are characterized less per capita income.

Finally, after we have done several robust checks in different tests, we found that there is a significant positive relationship between bilateral official development assistance and volume of export to Turkish aid recipients. Turkey offered tremendous foreign aid assistance to both least developed and developing countries in all corners of the world, therefore, the results of this study reflect the feedback of the dramatic foreign aid of Turkey.

**Table 6****empirical results**

	(1) OLS	(2) Fixed effect	(3) Random	(4) PPML
lnGDP_Exporter	2.524* (2.43)	3.155*** (4.18)	2.652*** (5.41)	0.221* (2.54)
lnGDP_Impter	0.620*** (24.72)	0.244 (0.88)	0.581*** (7.84)	0.0539*** (24.58)
lnGDPpercapita_expor	-1.681 (-1.31)	-2.183* (-2.54)	-1.747** (-2.87)	-0.151 (-1.41)
lnGDPpercapita_1	0.0727 (1.37)	0.292 (0.95)	0.0339 (0.26)	0.00487 (1.05)
lnDistance	-1.246*** (-18.76)	.	-1.282*** (-6.46)	-0.109*** (-19.50)
lnODA_Turk	0.0398 (1.16)	0.0374*** (4.48)	0.0382** (2.92)	0.00559* (2.11)
Common Language	1.115*** (14.10)	.	1.158** (2.88)	0.0792*** (13.41)
Constant	-48.01** (-2.63)	-62.74*** (-4.73)	-49.42*** (-5.96)	-2.745 (-1.78)
Observations	650	650	650	650
$R^2$	0.693	0.248	0.6917	0.699

*t* statistics in parentheses

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

Note: lnGDP\_Exporter stands for log of GDP of the exporter (Turkey) and lnGDP\_Impter is the GDP of importer (Turkish aid recipient). lnGDPpercapita\_expor is the GDP per capita of exporter or donor (Turkey), while lnGDPpercapita\_1 stands for GDP per capitals of all Turkish aid recipients. lnDistance is the geograohical distance b/t countries. lnODA\_Turk represents Turkish official development assistance. Common language represents if there is shared language spoken between Turkey and aid recipient countries.

## CONCLUSION

The main purpose of this thesis is to investigate the effects of net official development assistance of Turkey on its export to aid recipient countries. The gravity model of international trade was applied on panel dataset with 65 recipient nations in the time-period between 2008 and 2017. In addition to estimating the overall impacts of Turkish foreign aid on its export to recipient countries, the study also endeavors to estimate the impacts of other factors that inspire or deaccelerate bilateral trade flow between countries.

Turkey's both domestic and foreign policy transformed from hard power centered to more soft power in an attempt to become an influential player in the international arena of post-cold war. Turkey's foreign policy dynamics from early 1990s up to present explicitly elaborates how Turkey emerged as a significant regional and international power. According to political science and international relations literature a nation may attain its foreign policy ends or objectives through either hard power or soft power. The hard power signifies threatening partner to influence or enter a war if necessary, to achieve your targeted objectives. This is an old fashioned and long-lasting model of intervention and still relevant in certain situations. The US invasion of Iraq for regime change and to take over energy potentials in Iraq may be one visible example of hard power. Another way is to buy out the partner by using financial and economic aid or investing the core economic resources of the partner country to influence its domestic politics. Imposing economic sanctions if the partner implements unfavorable policies is part of that type of power.

However, in 21st century, one of the most significant approaches that countries adapt in order to become successful in their diplomatic competition with each other in today's world is the use of soft power. This concept was first coined by Joseph Nye 1980s according to Nye's point of view the soft power simply means achieving national goals through attraction and friendly rather than force and payment. The attractiveness of the culture, political values, and foreign policies of a country are the main contributors of efficiency and successfulness of soft power. When the culture of a state comprises some universally accepted elements, and is in harmony with shared values and interests, the possibility it influences or attracts people in other cultures increases. The art, literature, media, higher education (universities and research institutions), tourism, technology and



non-governmental organizations also take significant role in a country's soft power capacity. Turkey as emerging power with a long-lasting shared history, culture and religious identity with many countries in different regions tremendously applied soft power to revive historical and trade relations and create new goodwill with the regional countries and world nations as well. Hence, to achieve these policy objectives Turkey employed two pragmatic diplomatic approaches; public diplomacy and humanitarian diplomacy during AK Party government. Some international media organizations and other circles label Turkey as a murderer of Armenians, invader of Cyprus and oppressor and abuser of Kurds in the name of fighting PKK. These claims and negative representations against Turkey mainly came due to international propaganda and ill-studied and ill-advised policies implemented by Turkish governments in the past (Kalin, 2011:8-9). Therefore, Turkish Public Diplomacy intends to change and improve Turkey's previous international image and communicate the Turkey's economic growth story and democratic success to both nationals and international audiences.

In parallel to this humanitarian diplomacy applied extensively in the crisis areas such as Gaza, Myanmar and Somalia to reflect Turkey's conscience to humanity. Humanitarian diplomacy is nothing but amalgamation of humanitarian aid and diplomacy. Turkish humanitarian diplomacy is designed to tackle both regional humanitarian and international humanitarian crises. The same as the public diplomacy took lion's share in improving the international image of Turkey, humanitarian diplomacy revealed Turkey's humanistic attitude and converged the attention of many international media and academia to Turkey's international development model and its democratic story in the region. Turkish people's interest lies at the center of humanitarian diplomacy of Turkey. Since Turkey's main resource is the manpower government strives to bring international opportunities to home and facilitate its citizens to exploit opportunities in overseas through both formal diplomatic and humanitarian diplomatic tools. The other significant dimension of the humanitarian diplomacy is to communicate the country's humanitarian-oriented attitude in crises zones to international community, and Turkey's global humanitarian perspective at global level (Davutoğlu, 2013). In addition to that Turkish official development assistance dramatically increased in volume and reached geographically distant areas from Turkey. Although Turkey has been offering development assistance since the mid-1980s, but it was quite negligible until the Justice

and Development Party (AKP) came to power in 2002. From 2003 to 2012, aid volumes increased from \$67 million to \$2.53 billion, an approximately fortyfold increase. In 2015, Turkey offered \$3.3 billion in foreign aid, which matches to 1.56 percent of the country's national budget. The development assistance provided by Turkey have exceeded several well-known donor countries such as Belgium and Spain and most other emerging economies (Gurtas, 2018). The restructure of Turkish foreign policy under the AKP government is the main reason behind Turkey's rise as an influential international aid donor. To the AKP, development assistance is a tool of intensifying its influence in the region and position as a global actor. Since the AKP party led government has come to the power, through business forums, investment driven summits, cultural exchange and educational scholarships and research grants, Turkey has endeavored to lessen conflict and expand its soft power, especially within Muslim-majority nations that were once under the authority or influence of the Ottoman Empire ( Tol,2015).

This study specifically strives to examine trade implications of Turkish official development assistance. How Turkey's development foreign assistance promoted Turkish products exports to aid recipient country. Does the Turkish official development assistance catalyze Turkish volume of export or not? To answer these questions, this study investigates empirical association between the Turkish official development assistance and export to recipients.

The study found that there is a strong positive and statistically significant relationship between Turkish official development assistance and its export to aid recipient countries. The study applied four different econometric estimation approaches – OLS, fixed effect, random effect, and PPML- only OLS revealed an insignificant positive relationship between ODA and export at all levels, but the rest of the models exhibited significant positive relationship. Although the coefficient of ODA is not as strong as it expected, still it shows a significant causal relationship between Turkish foreign aid and export.

## **RECOMMENDATIONS AND POLICY IMPLICATIONS**

Turkey has been giving a vast amount of foreign assistance to least developing and developing countries since the last two decades, however, how this impacted the bilateral trade between Turkey and recipients was not catch the attention of academia. For that reason, this study investigated the possible causal relationship that exist between the Turkish official development assistance and the export to aid recipient countries. Notably, the study found favorable positive impacts of Turkish official development assistance on its export to recipient countries. Therefore, based on empirical results from the study and theoretical reviews made on Turkish foreign aid, this study offers recommendations to both future researchers and policymakers.

For future researchers, this study only examined the association between Turkish ODA and export, however, to get more robust empirical results and understand deeply the general association between Turkish foreign aid and its export, researchers must take into account the Turkish humanitarian aid and multilateral aid as well.

foreign aid is both ethical or conscience responsibility and exploring new markets for Turkish products to overcome the long-lasting trade deficit. Therefore, to boost export the provision of some sort of sectorial tied foreign aid must be exercised. The official developments assistance provided as a project aid must be partially tied to projects where Turkish firms have a comparative advantage.

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## APPENDEXES

### Appendix 1: World distribution of Turkish ODA

<b>Years</b>	<b>Europe</b>	<b>Africa</b>	<b>Asia</b>	<b>Americas</b>
1991	9.82	..	92.24	..
1992	25.32	0.1	48.94	..
1993	7.55	7.39	20.31	..
1994	0.05	1.64	30.48	..
1995	11.69	2.53	62.26	..
1996	..	..	..	..
1997	..	..	..	..
1998	12.55	1.06	44.51	..
1999	27.69	0.43	21.58	..
2000	5.42	0.61	22.79	0.07
2001	4.07	0.94	22.16	0.16
2002	16.51	0.15	22.64	..
2003	5.65	0.23	27.18	..
2004	31.91	4.06	206.59	0.19
2005	89.26	10.87	390.41	0.04
2006	73.73	22.45	484.15	0.14
2007	62.51	23.95	332.82	0.87
2008	67.58	35.95	400	5.3
2009	82.24	36.52	396.35	2.26
2010	98.91	26.93	516.56	7.92
2011	56.04	195.88	636.67	1.36
2012	63.59	542.66	1 145.98	1.75
2013	71.25	569.27	1 652.02	2.89
2014	103.86	297.65	2 314.38	3.48
2015	199.38	164.07	3 059.25	17
2016	174.94	281.3	5 648.67	5.98
2017	226.88	296.63	7 527.41	10.4

## **CURRICULUM VITAE**

Arab Dahir is a Somali national who was born and raised in Somalia. Mr. Arab is a passionate and hard-working person aspiring to become an eminent academician to contribute solutions for both national and global challenges.

Academically, Mr. has Bachelor of Art (BA) in economics from Amoud University, Somalia, and currently pursues Master of International Trade in Sakarya University Turkey. Apart from these academic degrees Arab has received several professional courses from some of the world leading universities such as Hard ford, MIT and Duke.

Professionally, Arab Has worked in Admas University as a research assistant and assistant lecturer. Arab also spent most of his work experience working in youth organizations, non-governmental and community-based organizations.