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Editors
Hasan Gül
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İsmail Şiriner

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IJOPEC Publication Limited
60 Westmeade Close Cheshunt,
Waltham Cross Hertfordshire
EN7 6JR London

www.ijopec.co.uk
info@ijopoc.co.uk
(+44) 73 875 2361
(+420) 607 420 615

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Global Issues in Economics & Management

Hasan Gül (Çanakkale Onsekiz Mart University)
ORCID: 0000-0003-4775-8698
hasangul@comu.edu.tr

Şevket Alper Koç (Kocaeli University)
ORCID: 0000-0002-0824-7054
sevketkoc@hotmail.com

İsmail Şiriner (Batman University)
ORCID: 0000-0002-4647-2252
ismail.siriner@batman.edu.tr

Introduction

Throughout human history, every major transformation has brought its own unique concepts, challenges, and opportunities. In the process that began with the Agricultural Revolution, humanity became acquainted with new concepts such as household, property, inheritance, relatively advanced commerce, class society, monarchy, temple, state, and taxation. From the late Middle Ages onwards, the Commercial Revolution took place with the development of overseas trade and financial instruments. This period, marked by the rise of the bourgeoisie and crowned by the Renaissance and Reformation, saw the emergence of concepts such as urbanization, corporatization, modern banking, and colonialism emerged. The Industrial Revolution once again fundamentally transformed production processes. Concepts such as factory, mass production, working hours, workers' rights, social security, and modern legal order emerged as products of this period. Modern Capitalism had fully emerged.

The phenomenon that left its mark on the 20th century was Globalization. Globalization has expanded both local opportunities and local problems on a global scale. Today, we are in a new era of transformation known as the Information Revolution, which is closely linked to globalization. This is a new era that began with computers and automation, and in which robots and artificial intelligence have increasingly been integrated into production and daily life. Humanity today is experiencing one of the fastest and most complex stages of conceptual transformation.

In today's global world, where changing modes of production and social structures are rapidly transforming, understanding current issues from an interdisciplinary perspective has become more important than ever. This book addresses some of the most important dynamics of our contemporary world across a wide spectrum, from economics to politics, from health tourism to migration studies, from corporate sustainability to historical institutional analysis. Each chapter, starting from a different perspective, examines the multilayered effects of globalization, technological transformation, and structural changes on societies, economies, institutions, and individuals.

The fundamental feature of the book is that it goes beyond purely descriptive analyses and adopts a critical and multidimensional approach. From the historical evolution of merger and acquisition waves to the new dependency relationships of global supply chains, from the asymmetric effects of ESG in financial markets to the transformative potential of digital technologies in the healthcare sector, each chapter is built on solid theoretical foundations while being supported by empirical findings. This approach aims to offer readers both academic depth and practical insights.

Furthermore, the methodological richness of the book is noteworthy. A wide range of methods has been employed, from qualitative in-depth interviews to quantitative panel data analyses, from game theory modeling to comparative case studies. This methodological pluralism corresponds to the complexity of the topics addressed and appeals to different readership audiences. Whether you are an academic, policymaker, or sector professional, you will find valuable insights related to your field in this book. The entirety of the book offers a comprehensive perspective for understanding the global political economy, social transformations, and institutional dynamics of the 21st century.

The chapters included in this book are briefly introduced below:

In the first chapter İşci and Koç study Company mergers historically. They state that mergers occurred in waves that periodically increase, and these waves have taken shape particularly under specific economic conditions. They find thatpPeriods of financial liberalization, technological developments, regulatory reforms, and accelerated globalization have caused leaps in merger activity, with companies' merger strategies varying according to sectoral intensity.

In the second chapter Gül examines the impacts of ESG dynamics on financial markets from a critical perspective. The author highlights three core findings: First, markets respond asymmetrically to ESG news, with negative ESG news exerting a significantly stronger impact than positive news. In Borsa İstanbul, the abnormal return effect of negative news is twice as large as that of positive news, indicating that ESG is perceived as a "risk management tool" rather than a "performance catalyst." Second, market maturity determines the direction of ESG effects. While ESG performance positively and significantly affects stock returns in emerging markets (such as Borsa İstanbul), this relationship weakens or becomes neutral in developed markets. Third, the impacts of ESG components on profitability are heterogeneous. The study concludes that the financial impacts of ESG practices are context-specific and emphasizes the need for strategic, modular approaches rather than universal prescriptions.

In the third chapter Şiriner and Sabaz provide a comprehensive literature review examining the interaction between globalisation, supply chains and political economy, focusing on inequality, dependency and geopolitical restructuring. In the study authors find that contemporary globalisation does not mitigate inequalities but rather institutionalises them through complex, multi-layered structures of exploitation and control, necessitating a critical re-evaluation of global governance, ecological justice, and digital sovereignty.

In the fourth chapter Büyük aims to reveal the role of Extended Reality (XR) technologies in marketing of medical tourism destinations and building patient trust. She states that medical tourism is a sector containing high risk and uncertainty by its nature. The study handles potential of Turkey in this field and suggests usage of digital tools like Blockchain and Digital Twin for sustainable competitive advantage. In the study it is concluded that technological integration

is necessary to increase value added in the sector and maximize revenue per patient.

In the fifth chapter Akarsu examines the development of remote work in Turkey between 2016-2024 and its relationship with subjective well-being and work-life balance. In the study, Turkish Statistical Institute (TÜIK) Labor Force Statistics micro data were used and variables such as gender, sector, marital status, and education level were analyzed. The findings show that remote work, which was very limited before the pandemic, increased rapidly with 2020 and became permanent in the private sector in the post-pandemic period.

In the sixth chapter Dursun, Hacıyeva and Obay analyze the factors shaping the emotional well-being of undocumented Afghan youth in Turkiye, most of whom arrived through irregular routes and without accompaniment and are engaged in informal labor markets. The authors adopt a qualitative and inductive research design which is based on semi-structured, in-depth interviews conducted in 2021 with 16 undocumented Afghan migrant youths who lacked work permits at the time of the research. The findings indicate that the most decisive factor influencing well-being is the availability of safe working and accommodation conditions. Beyond legal constraints, experiences of discrimination and exclusion lead participants to describe themselves as "invisible shadows" within society. The study highlights how legal invisibility, labor precarity, and everyday insecurity jointly shape the emotional well-being and coping strategies of undocumented Afghan youth.

In the seventh chapter Denktaş investigates the process of democratization in countries that are structurally vulnerable to populism, where populist and non-populist governments alternate over time and democratic consolidation remains fragile. Rather than treating populism as a temporary deviation or a completed regime shift, the author conceptualizes populism as a recurring political risk and focuses on how democratic institutions evolve under such conditions of vulnerability. Using a dynamic panel dataset covering 27 countries over the period 2005–2020, the study combines classical modernization indicators with labor market variables to assess their relevance for liberal democracy. Overall, the findings suggest that democratization in countries vulnerable to populism is shaped less by aggregate economic performance than by labor market dynamics and the political orientation of public policies.

In the eighth chapter Oğuz states that Russia is simultaneously empowering the European far right—through ideological inspiration and fueling security anxieties, especially in Eastern and Northern Europe. The study claims that the relationship between European radical right movements and Russia is primarily conditioned by geopolitical considerations and historical legacies. The Russian invasion of Ukraine has notably catalyzed a shift among Nordic radical right parties toward a more pronounced anti-Russian stance, thereby enabling these actors to consolidate and expand their political influence.

In the ninth chapter Büyük studies and criticizes the decision making process of medical tourists in the rapidly growing global health industry, going beyond traditional price and technical quality parameters with a multidimensional perspective. The author argues that competitive advantage in medical tourism is shaped by employee-centered service quality and capital mechanisms (human, psychological and social capital) rather than physical infrastructure.

In the tenth chapter Akarsu focuses on the period from 2020 to 2024 to compare Türkiye with Finland to understand how funding for education and health shapes citizen well-being. The author states that the selection of these two countries is not a coincidence. Finland is consistently ranking as the happiest country in the world according to the World Happiness Report , while Türkiye is a developing country with a large young population and dynamic economy but facing with the various structural challenges. The study aims to understand how funding for education and health shapes citizen well-being. The findings are parallel to the literature - wellbeing rests not only on income but also on social investment, reliable institutions or human capital.

In the eleventh chapter Oflaz and Koç analyzes the institutional shift, from timar to iltizam, in Ottoman land governance through the lens of rational choice theory, contextualized by period-specific constraints. The transformation in the land regime is modeled as a Center-Periphery Institutional Preference Game, elucidating the equilibrium dynamics of the transition.

1

Company Mergers

Tuğçe İşci (Kocaeli University)
ORCID: 0009-0005-6617-1472
ttugce.isci@hotmail.com

Şevket Alper Koç (Kocaeli University)
ORCID: 0000-0002-0824-7054
sevketkoc@hotmail.com

Abstract

Company mergers have historically occurred in waves that periodically increase, and these waves have taken shape particularly under specific economic conditions. Periods of financial liberalization, technological developments, regulatory reforms, and accelerated globalization have caused leaps in merger activity, with companies' merger strategies varying according to sectoral intensity.

Key Words: Mergers, merger paradox, merger waves

1. Introduction

In contemporary market structures, the level of competition among companies is intensifying. In this context, ensuring sustainable growth has become inevitable for companies. Consequently, both internal growth strategies and external growth methods are being implemented to strengthen market positions. At this point, mergers are considered an economic tool that both facilitates companies' achievement of their strategic goals and significantly alters the balance of power in the market. Company mergers are usually carried out for many different reasons, such as gaining cost advantages, creating technological synergy, reducing competition, reducing market uncertainties, or increasing market share. Therefore, in this respect, in addition to affecting micro-level company decisions, they also have macroeconomic effects.

Corporate mergers have historically occurred in waves that periodically increased over time, and these waves took shape particularly under specific economic conditions. Periods of financial liberalization, technological advances, regulatory reforms, and accelerated globalization led to surges in merger activity, with companies' merger strategies varying according to sectoral intensity. The waves of mergers that emerged during this process were not limited to a quantitative increase; they also evolved in terms of the structure, purpose, and nature of mergers. In this respect, corporate mergers have become not only a subject of competition policy but also one of the fundamental areas of analysis in industrial economics.

2. Conceptual Framework for Corporate Mergers

A corporate merger can occur either when two or more companies establish a new company under a single entity, or when one or more commercial companies join an existing commercial company. The primary reason for corporate merger activities may be growth, but they may also be carried out for different objectives. The power gained through merger activities reaches a value greater than the sum of each economic entity. Therefore, it can be explained by the "synergy" effect expressed as (2+2=5). Companies can carry out merger activities to benefit from this effect (Yücebaş, 2005: p. 1).

In the past century, merger and acquisition activities have become prominent and intensified during certain periods. This intensification has been a reflection of various factors. In this context, clusters of merger and acquisition activities have occurred in six distinct waves. (Taşlıyan, 2024: p. 26). When evaluated from a historical perspective, corporate mergers have occurred in waves. Each wave of mergers has coincided with periods of high stock prices. The first wave of intense mergers occurred at the beginning of the 20th century, followed by a second wave in the 1920s (Yörük and Ban, 2006: p. 92). 3. Types Of Mergers

3.1. Horizontal Merger

Mergers between companies in the same industry are referred to as horizontal mergers. Horizontal mergers tend to create less competition and can therefore often lead to problems such as reduced production and price increases (Hart et al. 1990: pp. 205-286).

When horizontal mergers occur, their effects on the market are related to cost savings. The positive effect of horizontal mergers in the form of reduced costs can lead to a decrease in prices. However, even if there is no price decrease, consumers can still benefit if there is a significant improvement in product quality. The main theme is that horizontal mergers will reduce the number of companies competing in the market and cause prices to rise (Sarıca, 2012: p. 108). If cost savings are not effective in resolving the merger paradox, then the merged company will have an advantage after the merger. Being the Stackelberg leader will increase the company's power in the market. This is because, as the Stackelberg leader, it will be able to determine its quantity before other firms in the market. Furthermore, the leader firm makes strategic production decisions by anticipating the reactions of follower firms. Therefore, its market advantage will be quite strong (Pepall et al. 2014: p. 394).

3.2. Vertical Integration

The merger of companies operating at different stages of the production chain is a vertical merger. An example of this is Google's acquisition of Motorola. Before the merger, Google and Motorola were not in direct competition with each other. Google was a company that produced software services. Motorola, on the other hand, produced hardware and used the software developed by Google. Similarly, Smithfield Foods' acquisition of Murphy Farms, a large pig farm, in 2006 is also a vertical merger. However, vertical mergers do not only involve different levels of the production chain. The merger of companies producing complementary products is also a vertical merger. Hewlett-Packard operated as a company producing software and printers. By merging with Compaq, a personal computer manufacturer, it fell into the category of vertical integration (Pepall et al. 2014: p.387).

Vertical integration involving producers and suppliers results in a very high level of efficiency. In terms of business efficiency criteria, vertical integration provides cost advantages and technological privileges. In addition, companies have the opportunity to specialize in certain areas. This deep specialization inevitably leads to increased quality and competitive advantage (Cheng and Grimm, 2006).

3.3. Conglomerate Merger

In competition law, the term "conglomerate merger" refers to corporate mergers between companies that are not direct competitors and operate in different goods or services markets. For example, a shoe manufacturer acquiring a construction company or a soap manufacturer merging with a restaurant chain could be cited as examples of this type of concentration.

For example, the merger of a business with another business that is not in the same product market but is in a similar market is defined as product expansion. The merger of the same business with another company operating in a different geographic market refers to market expansion. Mergers between companies with no connection between the markets in which they operate are evaluated outside these categories. They are defined as pure mixed concentration (Sanlı, 1999: p. 272).

4. Merger Waves

4.1. First Merger Wave

Following the economic crisis of 1883, consolidation activities in industrial sectors began to gain momentum, and in the 1890s, the economic crisis, coupled with the emergence of merger laws and the increase in industrial shares, led to the first wave of mergers becoming prominent. This wave was particularly intense between 1897 and 1904; although some sources emphasize the period 1898–1902, it is generally accepted that the wave continued until 1904.

During this process, at the beginning of the 20th century, consolidation activities gained momentum in industrial sectors, particularly in areas such as oil, steel, mining, and tobacco; companies aimed to reduce competition and gain monopoly power in their sectors through horizontal mergers (Neuhauser, 2007: p. 2). For example, companies in the railways, electricity, and energy sectors merged to take advantage of being the sole seller in the market, but in many of the deals, the companies failed to achieve the expected success (Malik et al., 2014: p. 522).

4.2. Second Merger Wave

This process began in 1916 and ended in 1929 (Malik et al., 2014: p. 522). The stock market boom of the 1920s led to increased consolidation, particularly in the communications, services, and automotive industries; during this period, the enactment of antitrust laws made the establishment of monopolies illegal (Neuhauser, 2007: p. 2).

The primary goal of companies in the second wave was to establish oligopolistic market structures rather than monopolies. During this process, expansion occurred in high-tech areas such as railways and transportation; mergers took place in horizontal or conglomerate forms, and investment banks supported investors with loans that were easy to pay off (Malik et al., 2014: p. 522). However, the stock market crash of 1929 brought an end to this wave of mergers.

4.3. Third Merger Wave

Unlike the first two waves, this wave was characterized by companies expanding not only within their core industries but also into non-core activities, and this phenomenon has been named the "conglomerate merger wave" (Neuhauser, 2007: p. 2).

According to some sources, the third wave of mergers and acquisitions (M&A) began in the 1950s, occurring in the context of an economic boom that followed previous economic fluctuations (the Great Depression of the 1930s and World War II). However, it is also stated that it ended in 1973 due to the impact of the oil crisis (Malik et al., 2014: p. 522). On the other hand, according to Malik et al., the distinct phase of the third wave of mergers began in 1965 and ended in 1969; and it is stated that the wave began to weaken during this phase in 1968 because the merger of companies from different sectors failed to deliver the expected synergy (Malik et al., 2014: p. 522).

4.4. Fourth Merger Wave

The fourth wave differs significantly from the other three waves in terms of the size and importance of merger and acquisition targets. In the 1980s, some of the country's largest companies were merger and acquisition targets; this period could

also be called the "mega-merger" era. Throughout this decade, the total dollar value of mergers and acquisitions has shown a clear upward trend (Gaughan, 2010: p. 54).

During the same period, foreign capital markets became more efficient due to economic, technological, and regulatory changes in the 1980s; therefore, the existence of domestic capital markets was not considered as essential. This situation led to the beginning of a new process in which the conglomerate structure was ineffective; the inability to respond quickly to shocks such as deregulation, political events, or economic factors also played an important role (Gregoriou, Renneboog, 2007: p. 3).

4.5. Fifth Merger Wave

Mergers conducted between 1981 and 1989 were particularly characterized by a concept referred to as hostile. Companies aimed to achieve high profits in a short period of time when acquiring other firms. The concepts used in mergers during this period were either friendly or hostile. These concepts were determined based on the reaction of the board members of the company being acquired. The concept of friendly was used when the board of directors approved the merger, while the concept of hostile was used when the merger was not approved (Malik et al. 2014: p. 523).

Mergers and acquisitions followed a brief downward trend in the early 1990s but then rebounded to record levels. During this wave, cross-border mergers took precedence over leveraged buyouts, with mergers in service sectors such as telecommunications, publishing, healthcare, and banking attracting particular attention. Unlike the conglomerate mergers of the 1960s, most M&A activities in the 1990s took the form of mergers between related companies in the same or similar industries (Neuhauser, 2007: p. 2).

4.6. Sixth Merger Wave

During the sixth wave of mergers and acquisitions, there was a significant increase in debt-financed acquisitions and capital investments in the US. This period was particularly intense between 2005 and 2007. On the other hand, companies invested in high-risk securities to increase their profit margins. Consequently, this

situation has pushed these companies into a more risky position. Although the sixth wave of mergers occurred within a short period of time, it covers a period of intense activity. However, the "subprime mortgage" crisis, which began in mid-2007 and spread globally starting from the US, brought the sixth wave of mergers to an end. (Taşlıyan, 2024: p. 28)

Between 2003 and 2007, globalization expanded and was supported by the goals of the governments of some countries, such as France, Italy, and Russia, to create strong national and international companies. The mergers during this process took place in the metal, oil, gas, energy, telecommunications, banking, and healthcare sectors. On the other hand, private equity investors accounted for a quarter of all acquisition activities. Furthermore, most acquisitions during this period were financed with cash, and such deals became quite common (Malik et al. 2014: p. 523).

5. Conclusion

Merger activities do not always yield positive results. This situation can be illustrated by the conditions under which 20 companies operate in a Cournot competitive market. In this scenario, it can be determined that companies will create a paradox by merging horizontally. When there are 20 firms in the market, horizontal mergers between 6 firms and 17 firms in particular lead to a decrease in output and an increase in prices. However, despite this, the individual profits of the firms participating in the merger decline. This is referred to in the literature as the "merger paradox."

This result invites a reassessment of the market structure-profit relationship frequently emphasized in microeconomic literature. A less competitive structure and increased market power do not necessarily lead to higher profits for the merging firms. This situation becomes even more striking as the firms left outside the merger increase both their production and profits. Paradoxically, mergers reduce competition, but this situation works most in favor of firms not involved in the merger.

However, when the number of companies participating in the merger reaches 19 and 20, the merger activities no longer create a paradox; at this point, the market is almost entirely controlled by the merging companies, resulting in a structure

close to monopoly. At this stage, the dominance of the merging companies in the market becomes decisive in pricing and production decisions, thus leading the merger to directly increase profitability.

Therefore, it shows that merger decisions should be evaluated not only with the intention of increasing scale or market power, but also by considering possible paradox effects. Especially in highly competitive markets, merger decisions may not provide the expected profitability in the short term. In this context, policymakers and company managers should analyze market dynamics and competitive structure more carefully when making merger decisions.

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2

ESG Dynamics and Financial Markets: Asymmetric Responses, Market Maturity, and Corporate Reporting

Hasan Gül (Çanakkale Onsekiz Mart University)
ORCID: 0000-0003-4775-8698
hasangul@comu.edu.tr

Abstract

Following the 2008 Global Financial Crisis, environmental, social, and governance (ESG) factors have taken on a central role in investment decisions, complementing traditional accounting data. This study critically examines the effects of environmental, social, and governance dynamics on financial markets. Within the framework of stakeholder theory, legitimacy theory, signaling theory, and agency theory, it is revealed that ESG practices have become a strategic necessity in modern financial architecture. The study highlights three key findings: First, markets respond asymmetrically to ESG news. Negative ESG news has a much stronger impact than positive news. On the Borsa İstanbul, the abnormal return effect of negative news is twice that of positive news, indicating that ESG is perceived as a "risk management tool" rather than a "performance catalyst." Second, market maturity determines the direction of ESG effects. In emerging markets (such as the Borsa İstanbul), ESG performance positively and significantly affects stock returns, while in developed markets, this relationship weakens or becomes neutral. Third, the effects of ESG components on profitability are heterogeneous. Corporate governance (G) shows the most consistent positive effect, while the effects of environmental (E) and social (S) components are complex. Company size, liquidity, and profitability are key determinants of ESG reporting behavior. The study emphasizes that the financial impacts of ESG practices are context-specific and that strategic modular approaches are necessary instead of universal prescriptions.

Keywords: Environmental, Social, and Governance (ESG), Socially Responsible Investing (SRI), Corporate Reporting, Asymmetric Market Response, Borsa İstanbul (BIST).

JEL Codes: M14, G32, G14, M41, Q56

1. Introduction

Following the 2008 Global Financial Crisis, financial markets entered a period of profound change as confidence in traditional investment instruments was shaken. This process BOTH significantly increased the popularity of socially responsible investing (SRI) AND facilitated the formation of new policies and regulations (Sahut and Pasquini-Descomps, 2015). SRI is essentially defined as an approach that requires investors to consider environmental, social, and governance (ESG) factors in their decision-making processes (Renneboog et al., 2008; Boffo and Patalano, 2020). With the evolution of traditional accounting practices towards sustainability reporting and ESG disclosures, investors have gained the ability to analyze the social and environmental impacts of companies using quantitative and qualitative data (Gray et al., 2014).

ESG factors have moved beyond simple ethical concerns and have begun to play a decisive role in global investment decisions. ESG practices do not merely aim for profit maximization; they also possess the potential to enhance sustainability, foster economic growth, and bolster risk management (Korwatanasakul 2020).

> *Today, non-financial factors are as pivotal as financial ones in making prudent investment decisions. The integration of Environmental, Social, and Corporate Governance (ESG) factors into companies' strategies and operational cycles, along with the policies they develop, is intrinsically linked to their capacity to generate long-term value (Borsa İstanbul, 2025a).*

For this reason, the non-financial material information companies provide about their ESG performance has become increasingly important for policymakers and investors (Bassen and Kovács, 2020; OECD, 2020); demand for ESG data and its use has increased significantly. This increase has been driven by the development of the sustainable investment market, rapid developments in sustainable finance standards and policies, and growing calls for corporate transparency from regulators, investors, and society at large. Investors, in particular, rely on aggregated ESG data to assess and manage various impacts, risks, and opportunities (OECD, 2025).

Turkey's financial markets have not remained indifferent to this global trend. Borsa İstanbul (BIST), as one of the five founding exchanges of the Sustainable

Stock Exchanges (SSE), has actively participated in this movement and has published the BIST Sustainability Index since 2014 (Sustainable Stock Exchanges, 2025). Information on Borsa İstanbul's activities within the scope of the Sustainable Development Goals and how they are integrated into corporate processes was shared through sustainability reports between 2014 and 2016. Since 2017, information on ESG performance and targets has been shared through integrated activity reports (Borsa İstanbul, 2025b).

The main objective of this study is to synthesize empirical findings in the literature and critically examine the multi-layered effects of ESG dynamics on financial markets. The study examines the maturity of market reactions to ESG news in the context of the efficient market hypothesis (EMH), specifically for Borsa İstanbul (Akyıldırım et al., 2022), the heterogeneous effects of ESG components on profitability (Arslan and Yağcılar, 2023), and the determinants underlying corporate reporting behavior (Şahin and Acar, 2023).

2. Conceptual Framework

This section attempts to explain socially responsible investing (SRI), ESG, and ESG components, which form the core concept of the study.

2.1. Socially Responsible Investing (SRI) and ESG Integration

Socially responsible investing [1] (SRI) is commonly defined as "integrating personal values and social concerns into investment decisions" (Berry and Junkus, 2013). SRI is generally expressed as the process of considering environmental, social, and governance factors when making investment decisions (Boffo and Patalano, 2020; Renneboog et al., 2008). Unlike traditional investment types, SRI selects or excludes assets based on ecological, social, corporate governance, or ethical criteria (Renneboog et al., 2008).

SRI complements traditional financial analysis and portfolio construction techniques. The term ESG is used to summarize information about companies'

[1] The terms social investment, socially responsible investment, ethical investment, socially conscious investment, green investment, value-based investment, and mission-based or mission-related investment all refer to the same general process and are often used interchangeably (Schueth, 2003).

environmental (E), social (S), and governance (G) quality (Clark and Viehs, 2014). ESG issues represent non-financial material information about a company's challenges and performance in these areas (Bassen and Kovács, 2020). In this context, the governance dimension of ESG is particularly closely related to the quality of the corporate environment in which companies operate. Strong corporate structures, a transparent and accountable governance approach, and effective anti-corruption mechanisms positively impact both economic performance and individuals' life satisfaction (Akarsu, 2025).

ESG represents the culmination of SRI. Studies confirm that responsible investment funds have significantly higher ESG scores than traditional funds (von Wallis and Klein, 2015). ESG investments can directly or indirectly contribute to companies reducing their costs, increasing their revenues, and outperforming their competitors by improving their sustainability (Korwatanasakul, 2020).

2.2. The Three Dimensions of ESG (E, S, G) and Sub-Criteria

The dimensions of ESG (Environmental, Social, and Governance) are divided into three main categories that form the basis of the indicators used to measure companies' sustainability performance. These dimensions reflect the overall sustainability quality of companies.

2.2.1. Environmental (E) Dimension

The environmental dimension covers issues related to companies' impact on the environment. Biodiversity and Land Use, Climate Resilience and Adaptation, Energy Management, Environmental Management, Greenhouse Gas Emissions, Pollution and Waste, and Water Management are all issues that fall under the environmental dimension (OECD, 2025). Environmental factors relate to issues such as risk management practices to mitigate the impact of climate change on corporate performance or renewable energy strategies for new growth opportunities (OECD, 2020).

2.2.2. Social (S) Dimension

The social dimension addresses issues related to companies' impact on people and society. Consumer Interests, Community Relations and Impacts, Data Privacy and Security, Diversity, Equity, and Inclusion, Health and Safety, Human Capital, Human Rights, and Workers' Rights are topics related to the social dimension (OECD, 2025). This dimension encompasses companies' responsibilities towards their employees, customers, local communities, and society in general.

2.2.3. Governance (G) Dimension

The governance dimension covers management and control mechanisms such as the effectiveness of a company's board of directors, organizational structure, shareholder rights, financial and non-financial reporting, and the integration of ESG issues into corporate decision-making processes. Business ethics, business resilience, competition, corporate governance, corporate responsibility, corruption, bribery and fraud, product responsibility, and taxation are topics addressed under the governance dimension (OECD, 2025).

3. Corporate Motivations for ESG Practices and Reporting

To understand the interaction between ESG practices and reporting and their impact on financial markets and company performance, it is important to understand why these activities have emerged. The main theories explaining why companies engage in ESG practices and reporting are as follows:

3.1. Stakeholder Theory

Stakeholder theory is the "umbrella theory" that forms the rationale for ESG practices. Stakeholder theory is a fundamental theoretical framework that argues that a company should consider not only the interests of shareholders in its management and operational decisions, but also a wide range of individuals and groups that are affected by or may affect its activities (Freeman, 1984). This theory is based on the premise that a company's long-term success and value creation depend on effectively managing its relationships with various stakeholders, including shareholders, employees, suppliers, customers, regulators,

and society broadly (Whelan et al., 2021). ESG practices and reporting are considered a concrete demonstration that companies are fulfilling their responsibilities to this broad stakeholder group.

3.2. Legitimacy Theory

Suchman (1995) defines legitimacy as "a general perception or assumption that an entity's actions are desirable, appropriate, or justified within a system of socially constructed norms, values, beliefs, and definitions." Legitimacy Theory is a theoretical framework based on the fundamental assumption that a company must conduct its operational activities within the boundaries defined by the beliefs, values, and norms of society in order to survive and succeed. Corporate social responsibility practices are considered a critical tool for establishing social legitimacy in the management of financial fragility (Sönmezler and Şiriner, 2006). At the core of this theory lies the idea of a "social contract" between the company and society (Deegan, 2002). If the company violates this contract due to irresponsible environmental or social behavior, consumers may reduce demand, or governments may impose regulatory restrictions (Whelan et al., 2021). Legitimacy Theory explains ESG reporting and practices as a critical tool that companies use to maintain their legitimacy and reduce their cost of capital (Moussa, 2024). Large-scale firms, in particular, are under legitimacy pressure due to increased visibility and public scrutiny, and they use ESG reporting as a tool to alleviate this pressure (Şahin and Acar, 2023).

3.3. Institutional Theory

Institutional theory is an approach that argues that organizational behavior is shaped not only by formal rules but also by informal institutional pressures such as norms, expectations, and the pursuit of social legitimacy (DiMaggio and Powell, 1983). The theory explains that organizations' ESG practices and reporting are not only a pursuit of efficiency but also an effort to gain legitimacy, comply with social expectations, and respond to normative pressures in the corporate sphere (Campbell, 2007). Therefore, from an institutional theory perspective, ESG has become part of companies' strategy for corporate compliance and survival in the face of changing social values and regulatory frameworks (Amran and Ooi, 2014). This relationship between ESG

performance and institutional theory provides a powerful analytical framework for understanding how economic and social goals are intertwined.

3.4. Signaling Theory

In environments where information asymmetry exists, companies signal their quality or intentions to the outside world. Signaling theory explains how actors send signals to convey their quality and intentions to the other party in environments where information asymmetry exists. Spence (1973), in this theory developed in the context of the labor market, states that the sender decides whether to convey information to the receiver and how to convey it, while the receiver chooses how to interpret this signal. The theory argues that companies use their ESG practices and reports to signal their quality and sustainability commitments to investors and stakeholders (Connelly et al., 2011; Spence, 1973). Companies with superior ESG performance gain a competitive advantage through ESG reporting and reduce information asymmetry.

3.5. Agency Theory

Agency theory is a fundamental theoretical framework that examines conflicts of interest between managers (agents) and shareholders (principals) and how these conflicts can be managed. Jensen and Meckling (1976) argued that management costs are inevitable and that managers will not always make decisions that maximize shareholder welfare. The theory defines firms as a "network of contractual relationships" (Jensen and Meckling, 1976). ESG practices and reporting offer the potential to reduce agency costs, particularly through governance (G) and transparency. Good corporate governance and ESG disclosures reduce agency costs by limiting managers' opportunistic behavior and increasing transparency. Especially in times of crisis, the transparent strategies pursued by policymakers and institutions serve to preserve corporate trust by minimizing information asymmetry (Şiriner and Şahin, 2021)

3.6. Slack Resources Theory

Slack Resources Theory is an important organizational concept derived from Cyert and March's (1963) behavioral firm theory. The theory refers to the excess resources that organizations possess beyond what is necessary for their normal

functioning. ESG practices and reporting typically require additional costs. This theory provides a framework for examining the impact of whether or not firms have sufficient resources for ESG activities and reporting. According to this theory, firms with more financial resources have more resources to allocate to ESG activities than financially weaker firms. Slack Resources Theory is used to explain the underlying reasons for the material improvements seen in ESG scores. The theory argues that improvements in ESG performance do not occur randomly but are systematically related to the company's fundamental financial characteristics (Ahn et al., 2024).

Table 1: Theoretical Foundations and the ESG Relationship

Theory	Theory's Focus	Relationship with ESG (Perspective)	Pioneering Authors
Stakeholder Theory	Company–stakeholder relationships	ESG is a response to stakeholder expectations and a long-term value driver	Freeman (1984)
Legitimacy Theory	Social acceptance and compliance with norms	ESG is a tool for protecting/rebuilding corporate legitimacy	Suchman (1995)
Institutional Theory	Regulation, norms, isomorphism	ESG is the result of regulatory and normative pressures	DiMaggio & Powell (1983)
Signaling Theory	Information asymmetry, market signals	ESG signals quality and low risk	Spence (1973)
Agency Theory	Manager–shareholder conflict of interest	ESG is related to governance and agency costs	Jensen & Meckling (1976)
Slack Resources Theory	Strategic use of excess resources	ESG emerges as a result of financial power	Cyert & March (1963)

Source: Compiled by the author

The theoretical foundations of ESG practices consist of different but complementary perspectives. Stakeholder theory emphasizes that ESG is a tool for managing multi-stakeholder relationships, while legitimacy theory highlights the importance of gaining social acceptance and legitimacy. Institutional theory explains the role of institutional pressures in the proliferation of ESG practices, while agency theory addresses the function of ESG as a governance and transparency mechanism. Signaling theory emphasizes the role of ESG disclosures in reducing information asymmetry and sending quality signals. Slack

Resources Theory links the existence and effectiveness of ESG activities to the abundance of available resources.

4. Diversity of Empirical Approaches and ESG Data

A review of the literature reveals that different empirical methods are used to measure and analyze ESG dynamics. These methods are widely preferred by researchers to quantitatively assess companies' ESG performance and examine the relationship between this performance and financial results or other variables. The methods frequently used are explained below.

4.1. Panel Data Analysis

Panel data analysis is a regression analysis method created by combining observations obtained from cross-sections (e.g., different companies, banks, or countries) over a specific time interval. This method is important because it offers the ability to identify micro and macro dynamics that cannot be revealed using only cross-sectional or time series data (Keçeli and Çankaya, 2020). The main reason for the frequent use of this method is that ESG performance is not a "snapshot" but a "process." Panel data models are frequently used to track companies' progress on their sustainability journey and measure the cumulative effect of this progress on market value.

4.2. Event Study Methodology

The event study methodology is a financial methodology used to measure the short-term impact of an ESG-related event (news, announcement, reporting, etc.) on a company's market value. Based on the "Efficient Market Hypothesis" in finance theory, this method analyzes how quickly and in what direction new information is reflected in stock prices. The method tests the statistical significance of "abnormal returns," which is the difference between expected returns and actual returns during the event window. Positive (negative) average abnormal returns indicate that the event was perceived positively (negatively) by the markets. Initially applied to test the semi-strong form of the Efficient Market Hypothesis, the event study method has since become widely used (Akyıldırım et al., 2022).

4.3. Regression Analysis

Regression analysis is a statistical method that examines the relationship between a dependent variable and one or more independent variables within a mathematical model. According to sources, this method is used to determine the direction, level, and statistical significance of the relationship between variables (Karyağdı and Şit, 2023). Regression analysis is one of the most established empirical methods used to measure the effect of ESG dynamics as independent variables on financial outputs (ROA, ROE, Tobin's Q, Cost of Capital, etc.).

4.4. Content Analysis

Content analysis, in its most general sense, is a research method used in the systematic and quantitative analysis of a text type or audiovisual material (Özevin, 2025). Content analysis is a research method used to systematically process qualitative data and texts, divide them into specific categories, and make meaningful inferences from this data. With this method, qualitative information related to ESG contained in companies' annual reports, sustainability reports, websites, and other public disclosure documents is systematically coded and converted into quantitative data. In this method, companies' ESG dynamics are measured using a predefined coding scheme (e.g., the presence or absence of specific ESG indicators, frequency, etc.).

5. Interpretation of Findings

In this section, the results obtained within the framework of the basic empirical findings in the literature are interpreted.

5.1. Asymmetry of Market Reaction to ESG Practices

Many research findings show that the market reacts more quickly and more severely to negative ESG practices and news. Table 2 shows the market's reaction depending on whether the news is positive or negative.

Table 2: Market Reaction Based on the Nature of the News

Feature	Positive ESG News	Negative ESG News
Market Perception	"Expected" or "Already priced in" situation.	"Unexpected risk signal" and "Loss of confidence".
Reaction Severity	Weak, slow, or no significant change.	Very strong, rapid, and widespread.
Persistence	Temporary effect.	More persistent concerns about recurrence prevail.
Developed Markets	Immediate decline in market value	Generally, no significant change
BIST Data	News that creates a positive impact receives less reaction	News causing negative returns has twice the impact.
Function	Not seen as a profit guarantor.	An "insurance" or "risk management" tool.

Source: Compiled by the author

The asymmetric response observed in the market to ESG news manifests itself in investors and financial markets reacting much more strongly, quickly, and widely to negative ESG news than to positive news (Akyıldırım et al., 2022; Gül and Altuntaş, 2024). Investors' sensitivity to negative news is more persistent than to positive news; when negative discussions arise, investors intensify their reactions by placing excessive weight on the likelihood of recurrence (Akyıldırım et al., 2022).

For market participants, "bad news" is much more critical than "good news" in terms of corporate reputation and financial risk. Market participants view ESG performance as a type of "insurance" or "risk management" tool. Therefore, positive reports are generally perceived by the market as already priced in or expected, while negative developments are considered unexpected risk signals. A study on the İstanbul Stock Exchange found that the proportion of ESG news causing negative abnormal returns is twice that of news creating positive effects (Akyıldırım et al., 2022).

Research conducted in developed markets shows that companies facing negative ESG events experience an immediate decline in market value, but positive news generally does not lead to a significant change in market value (Gül and Altuntaş, 2024). While the asymmetric reaction is more evident in developed markets (such as the US and the UK) because investors are more sensitive to ESG issues, investors in emerging markets, such as Turkey, still prioritize the company's future financial performance over ESG news (Akyıldırım et al., 2022). This

sensitivity is heightened, particularly in emerging countries, as financial markets are highly sensitive to macroeconomic shocks and exchange rate fluctuations (Alacahan and Akarsu, 2019).

Several factors determine how strongly ESG news resonates in the market.

- Governance and Trust: Particularly in risky sectors such as energy, governance issues (corruption, bribery, unfair remuneration) directly undermine investor confidence, making them the most measurable and rapid cause of value loss (Sayılır et al., 2025).

- Financial Materiality: Investors do not react to every ESG news story in the same way; they only respond to "material" issues (e.g., carbon regulations for a carbon-intensive company) that have the potential to affect the company's financial fundamentals and future cash flows (Akyıldırım et al., 2022).

- Media Effect: Negative reporting by high-impact media outlets such as The New York Times or BBC increases the intensity of market reactions (Akyıldırım et al., 2022).

Table 3: Reasons for Asymmetric Reaction

Reason	Explanation	Impact
Risk Management Perception	ESG performance is seen as an "insurance" or "risk management" tool	Negative news = risk signal Positive news = normal situation
Repetition concern	Investors place excessive weight on the possibility of a negative event recurring.	Reactions become more severe and persistent,
Loss of trust	"Bad news" is much more critical in terms of corporate reputation and financial risk.	Shift to rapid selling,
Greenwashing suspicion	Skepticism toward sustainability claims	Failure to respond to positive statements
Reputation Balance Effect	Positive news has little effect on balance, while a single piece of negative news upsets the balance.	Asymmetric value effect

Source: Compiled by the author

Another reason for the asymmetric market reaction is investors' skepticism toward sustainability rhetoric in corporate reports. There is often no statistically significant relationship between sustainability rhetoric in CEO messages and actual ESG performance scores. Furthermore, considering the potential for companies to engage in "greenwashing," investors do not only react to positive statements; however, when a "scandal" or "controversy" emerges that contradicts these statements, they quickly sell off due to a loss of confidence (Özevin, 2025).

The market reaction to ESG reporting can be likened to a reputation scale. While each piece of positive news placed on one side of the scale changes the balance very little, a single piece of negative news on the other side can easily tip the scale. For investors, ESG practices function less as a guarantee of profit and more as a filter to avoid "potential major disasters."

5.2. The Inconsistent Effects of ESG Practices in Market Differences

The financial implications of ESG practices (performance) differ significantly between emerging and developed markets, depending on market depth and corporate maturity levels. Table 4 compares the effects of ESG performance in developed and emerging markets.

Table 4: Financial Implications of ESG Performance in Developed and Emerging Markets

Comparison Dimension	Emerging Markets	Developed Markets
ESG scores – stock return relationship	Significant and positive relationship	Weak, negative, or insignificant relationship
The impact of ESG performance on company value	Increasing effect on company value	Limited or neutral effect
The relationship between ESG investments and returns	Strong and direct relationship	Indirect or weak relationship
Investor ESG perception	Competitive advantage and differentiating factor	Standard and expectation level
Short-term versus long-term return preference	Short- and medium-term returns are prioritized	Long-term sustainability is a priority

Source: Compiled by the author

The impact of ESG performance on stock markets can show opposite trends depending on the level of market development. ESG scores have a meaningful and positive impact on stock returns and company value in emerging markets such as the Borsa İstanbul (BIST). In these markets, ESG investments have been

found to have a strong relationship with company returns. In developed indices, however, a negative or insignificant relationship between ESG scores and returns is sometimes observed. This situation is explained by the tendency of investors in developed markets to view corporate sustainability as a standard and to forego short-term returns for long-term sustainability (Gül and Altuntaş, 2024).

The level of corporate structure and resources also directly affects companies' ability to finance ESG investments and receive returns on these investments. Table 5 summarizes the effectiveness of ESG practices in the context of corporate maturity and resource structure.

Table 5: Corporate Maturity, Resource Structure, and Effectiveness of ESG Investments

Dimension	Emerging Markets	Developed Markets	Impact on ESG
Corporate Structure	Relatively weak	Mature and established	ESG initiatives create a more visible impact
Resource level	Limited	High	Financing for ESG investments is limited
Level of uncertainty	High	Low	ESG is valued as a risk-reducing factor
Intangible assets (reputation, culture)	Develop slowly	Established	ESG impact is reflected with a delay
Transaction costs	High	Low	Priced positively because ESG reduces costs
Company size and liquidity	Large and liquid companies stand out	Company size is less decisive	ESG reporting becomes a legitimacy tool

Source: Compiled by the author

Compared to developed economies, emerging markets are characterized by weaker institutional structures, resource scarcity, and a high degree of uncertainty. In these countries, the creation of intangible assets such as corporate culture and reputation takes longer, so the positive impact of ESG investments on market value may occur later than in developed markets (Kulalı, 2022). In markets with low institutional development, ESG initiatives are viewed more positively by investors because they reduce transaction costs more significantly. Furthermore, in these markets, large-scale and highly liquid companies are seen to place greater importance on ESG reporting in order to gain legitimacy in the eyes of society (Şahin and Acar, 2023).

Market maturity also plays a decisive role in the transmission mechanism of global shocks. ESG indices in developed markets such as the US, UK, and Canada act as the main transmitters of return connectivity, while ESG indices in countries such as China, Japan, India, Indonesia, and Korea are net recipients of this transmission. Green finance and ESG policies are more mature in developed markets. In emerging markets, however, limited market depth makes these countries more vulnerable to external shocks (Gülcemal, 2025).

Investor sentiment also determines the effectiveness of ESG practices. Despite increasing ESG awareness in emerging markets such as Turkey, future financial performance remains a more important criterion for investors than ESG news (Akyıldırım et al., 2022).

5.3. The Heterogeneous Impact of ESG Components on Profitability

The impact of companies' ESG performance on profitability exhibits a heterogeneous structure, with each component (E, S, G) producing results in different directions and intensities on financial indicators (Abdioğlu and Aytekin, 2025; Sayılır et al., 2025). Table 6 compares the overall effects of ESG components on profitability.

Table 6: General Impact of ESG Components on Profitability

ESG Component	Overall Impact on Profitability	Direction of Effect	Explanation
Total ESG Score	Profitability Enhancing	Positive	Comprehensive ESG performance generally supports financial results
Corporate governance (G)	Most consistent and powerful impact	Strong positive	Transparency, reduced agency costs, and improved management quality
Environmental (E)	Short-term restrictive	Negative/complex	High initial costs and compliance expenses
Social (S)	Restrictive or delayed	Negative/delayed positive	Short-term cost impact of social spending

Source: Compiled by the author

Although findings generally show that ESG scores increase overall profitability, component-based analyses reveal the complexity of this relationship (Abdioğlu and Aytekin, 2025; Karyağdı and Şit, 2023; Korkmaz and Nur, 2023).

Among ESG components, the element that generally has the most consistent and positive relationship with profitability and financial performance is the corporate governance (G) score (Abdioğlu and Aytekin, 2025; Karyağdı and Şit, 2023). A strong governance structure directly positively affects the active profitability (ROA) of businesses by reducing mismanagement errors, increasing transparency, and lowering agency costs (Arslan and Yağcılar, 2023; İbrahimov and Akçalı, 2025; Karyağdı and Şit, 2023). In sectors such as energy, successes in governance (prevention of corruption, protection of shareholder rights, etc.) increase market value by improving operational performance and investor confidence (Sayılır et al., 2025).

Environmental (E) and social (S) activities can have more complex or negative effects on profitability compared to governance (Arslan and Yağcılar, 2023; Karyağdı and Şit, 2023). Environmental investments (emission reduction, renewable energy, etc.) can suppress profitability in the short term, as they generally require high initial and adaptation costs. In particular, some studies have found that environmental scores have a negative effect on active profitability (Arslan and Yağcılar, 2023).

Similarly, social responsibility projects, employee rights, and social contribution expenditures can play a limiting role on profitability due to the allocation of "slack resources" or financial capital to these areas (Arslan and Yağcılar, 2023; İbrahimov and Akçalı, 2025). However, in some manufacturing companies, it has been observed that past social performance increases active profitability with a delay (Arslan and Erdoğan, 2025).

Another noteworthy finding in the analysis of the results is that the relationship between ESG components and profitability is not always linear, particularly in the banking sector. It has been found that ESG activities increase profitability up to a certain level, but beyond this threshold, profitability begins to decline due to increased bureaucratic burdens and operational costs (inverse-U relationship) (Çetenak et al., 2023).

Another factor determining the impact of ESG components on profitability and value is company size. The positive effect of ESG practices is much more pronounced in large-scale companies (due to economies of scale and abundant resources) than in small companies (Kulalı, 2022; Şahin and Acar, 2023).

One of the factors determining the reflection of ESG components on profitability is the sector in which the company operates and the level of market development. Studies show that in emission-intensive sectors such as aviation and energy, environmental and social compliance contributes to long-term profitability by reducing financial risks (Yerli, 2025). While ESG has become a standard in developed markets, in emerging markets (such as BIST), improvements in ESG scores create a stronger positive signal effect on profitability indicators (Gül and Altuntaş, 2024).

5.4. Company Characteristics Determining ESG Reporting Behavior

The firm characteristics that determine companies' ESG reporting behavior and the quality (scores) of these reports are addressed in the literature within the framework of legitimacy, stakeholder, and slack resources theories. A review of the sources reveals some key firm characteristics that determine reporting tendencies and performance. Table 7 shows the firm characteristics that determine ESG reporting behavior.

The vast majority of studies in the literature show that firm size is the most decisive and consistent variable affecting ESG reporting behavior. Large-scale firms share ESG information more comprehensively in order to legitimize their activities, as they are more closely monitored by the public and have greater social visibility (Abdioğlu and Aytekin, 2025; Şahin and Acar, 2023). Large companies can more easily access the financial and human capital (slack resources) necessary for ESG practices and reporting by taking advantage of economies of scale (Abdioğlu and Aytekin, 2025; Şahin and Acar, 2023). Since large firms face higher agency costs and information asymmetry, they prefer to disclose more information (reporting) to mitigate this situation (Abdioğlu and Aytekin, 2025).

Another factor determining ESG reporting behavior is liquidity and cash management. Companies' financial flexibility and cash generation capacity provide the "slack resources" necessary for sustainability investments. Companies

that generate more cash flow from their operations are more likely to invest in ESG practices and share information (Şahin and Acar, 2023). It has been found that companies that are effective in working capital management and have a short cash conversion cycle have higher ESG scores. This shows that financially comfortable companies can focus more on social responsibility projects (Şahin and Acar, 2023).

Table 7: Key Firm Characteristics Determining ESG Reporting Behavior

Company Characteristic	Impact on ESG Reporting Propensity	Direction of Impact	Key Explanation
Company size	Strongest and most consistent determinant	Strong positive	Social visibility, legitimacy needs, and economies of scale
Liquidity and cash management	Key determinant	Positive	Financial flexibility and availability of slack resources
Financial performance (profitability)	Motivating and conclusive	Positive	Legitimization of success and management strategy
Leverage ratio	Two-way effect	Complex	Control pressure vs. resource constraints
Ownership structure (foreign share)	Standard booster	Positive	Need for international transparency and trust
Company age	Non-linear effect	Complex	Adaptation speed vs. institutionalization
Corporate governance structure	Direct determinant	Strong positive	Management quality and internal control mechanisms
Audit quality	Indirect enhancer	Positive	Reliable reporting environment

Source: Compiled by the author

Another factor determining ESG reporting behavior is financial performance and profitability. Profitability is both a source of motivation and a result of ESG reporting. It has been observed that companies with high return on assets (ROA) and return on capital employed (ROCE) also experience a significant positive impact on their ESG performance (Abdioğlu and Aytekin, 2025; Karyağdı and Şit, 2023). Furthermore, according to agency theory, managers of profitable firms tend to provide detailed ESG information to maintain their current position and legitimize their success (Abdioğlu and Aytekin, 2025). This behavior may be part of a managerial strategy.

There are two different findings regarding the effect of the leverage ratio on ESG reporting. According to some studies, highly indebted firms are subject to stricter scrutiny by creditors. These firms disclose more ESG information to reduce agency costs and build trust (Abdioğlu and Aytekin, 2025; Şahin and Acar, 2023). Other studies argue that companies under debt burden allocate less budget to ESG reporting because they prioritize their resources for debt repayment (Şahin and Acar, 2023).

Ownership structure and international interaction are also factors that determine ESG reporting behavior. Companies with foreign investors or high levels of foreign net transactions demonstrate higher ESG scores to comply with international transparency standards and build trust (Abdioğlu and Aytekin, 2025). Companies in countries with low levels of shareholder protection embrace ESG practices more to reduce their risks, using this as a form of "assurance" (Erdoğan, 2024).

Company age can also be considered a factor influencing ESG reporting behavior. However, the relationship between the age variable and ESG performance is complex. Some findings show that younger companies have better ESG scores because they adapt more quickly to new generation sustainability norms (Kurt, 2025). Other findings show that sustainability initiatives become institutionalized as the company ages and that age plays a positive moderating role in the relationship between ESG and performance (Korkmaz and Nur, 2023).

Corporate governance and audit quality are also factors that influence ESG reporting behavior. Board independence, diversity, and transparent management structures are internal dynamics that directly increase ESG scores (Abdioğlu and Aytekin, 2025; Arslan and Yağcılar, 2023). Businesses with high ESG performance are less likely to engage in fraudulent or misleading reporting in their financial statements; this increases the likelihood of independent auditors issuing an "unqualified opinion" on these firms (Kurt et al., 2024).

6. Conclusion

The paradigm shift that began after the 2008 Global Financial Crisis heralded a transformation process in which financial markets evolved from profit

maximization to sustainable value creation. At the end of this process, in which the role of traditional accounting expanded, the importance of non-financial data increased alongside financial data. The conceptual, theoretical, and empirical synthesis presented in this study demonstrates that ESG dynamics are no longer a marginal preference but a central necessity in the modern financial ecosystem. However, this transformation does not follow a linear, homogeneous, or universal course as expected.

One of the key findings of the research is the asymmetric response mechanism that ESG practices create in financial markets. Market actors respond cautiously to positive ESG developments, while exhibiting a rapid and sharp reflex to negative news. This asymmetry shows that ESG is perceived as a "risk insurance tool" rather than a "performance catalyst" in the markets. For investors, ESG acts as a preventative measure against potential disasters rather than a guarantor of potential gains.

The second critical dimension revealed by the study is the paradoxical relationship between market maturity and the direction of ESG effects. While ESG performance directly and significantly increases stock returns in emerging markets, this relationship weakens in developed markets and can even be negative at times. This finding indicates that ESG has reached a "standard expectation" level in developed economies, while it still functions as a "differentiating factor" in emerging markets.

The heterogeneous impact of ESG's three components (E, S, G) on profitability offers important lessons for the strategic prioritization of initiatives. While corporate governance (G) creates a consistent positive impact in almost all contexts, environmental (E) and social (S) investments can create cost pressures in the short term. This finding shows that companies should design their ESG strategies in a modular way, considering the cost-benefit dynamics of each component, rather than as a "package."

Analysis of the firm characteristics that determine reporting behavior reveals the strategic motivations behind ESG disclosures. The systematic effect of variables such as company size, liquidity, profitability, and ownership structure on reporting tendencies proves that ESG is not merely a "goodwill gesture," but

rather an arena for legitimacy seeking, agency cost management, and signaling mechanisms.

ESG has moved beyond being a mere "trend" and has become one of the main engines driving corporate sustainability. However, the use of this new engine has not yet yielded universally consistent results. The paradoxes, asymmetries, and heterogeneous effects revealed by this study show that ESG is not a universal recipe, but rather a dynamic process that must be reinterpreted in each context. The tension between the profit-oriented structure of financial markets and the long-term nature of sustainability goals is one of the most critical questions for the next decade.

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3

Globalisation, Supply Chains and Political Economy: A Literature Review on Inequality, Dependency and Geopolitical Restructuring

İsmail Şiriner (Batman University)
ORCID: 0000-0002-4647-2252
ismail.siriner@batman.edu.tr

Zeynep Sabaz Göver (Batman University)
ORCID: 0009-0001-1635-8731
zeynepsabaz@gmail.com

Abstract

This literature review analyzes how globalization has reconfigured supply chains into geopolitical tools, exacerbating structural inequalities and dependency between the Global North and South. Global value chains (GVCs) have concentrated power, technology, and intellectual property within multinational corporations and core states, sustaining a hierarchical world order. Systemic shocks like the 2008 crisis, COVID-19 pandemic, and Russia-Ukraine war have revealed the vulnerabilities of hyper-globalized networks, accelerating moves toward strategic autonomy, friend-shoring, and regionalization. This marks a shift from neoliberal globalization toward a geo-economic paradigm driven by national security, political alliances, and ecological sustainability. Synthesizing theoretical perspectives, the study finds that contemporary globalization institutionalizes inequality through layered structures of exploitation and control, calling for a critical reassessment of global governance, ecological justice, and digital sovereignty

Keywords: Globalisation, Supply Chains, Political Economy, Inequality, Dependency Theory, Geopolitics, Value Chains, Global Production Networks, Geoeconomics, Sustainability

JEL Codes: F60, F23, F52, P16, Q56

1. Introduction

The dynamic relationship between globalisation, supply chains, and political economy is more critical than ever for understanding the global economy of the 21st century. It is no longer sufficient to define globalisation merely as the crossing of national borders by capital, production or knowledge; beyond this, power balances, dependency relationships and increasingly deepening economic inequalities at the global level have also become integral parts of this process. These relationships are constantly being reshaped at both the regional and international levels, producing different outcomes for each actor (Phillips, 2017). While global production networks (GPN) and value chains (GVC) have become the most fundamental building blocks of the modern economic geography, the fragmented production strategies of multinational corporations are changing the economic function of national borders and forcing states to renegotiate their sovereignty practices with global capital flows (Dicken, 2015; Gereffi, 2018). This restructuring process requires firms to redefine their positions in global value chains not only according to cost and efficiency criteria, but also within the framework of sustainability, corporate transparency, and reporting obligations (Gül, 2024).

While this new global system offers great promises in terms of technological progress, economic growth and development, it also creates entirely new forms of dependency and asymmetrical relationships. In particular, many countries in the Global South find themselves stuck in low value-added production processes, unable to escape the spiral of dependence on external technological innovation and financial resources. This situation creates new dynamics of inequality not only economically, but also politically and socially (Hoogvelt, 2001; Koç & Erkin, 2011). This picture clearly reflects the core-periphery relationships outlined in Immanuel Wallerstein's World-Systems Theory today; while core countries concentrate on high value-added sectors, peripheral countries remain confined to raw materials and labour-intensive sectors, ensuring the continuity of global inequality (Wallerstein, 1974, pp. 347-350).

The successive global crises of the past decade, such as the 2008 financial collapse, the COVID-19 pandemic, and the Russia-Ukraine war, have exposed the sustainability and fragility of globalisation as never before. These shocks also revealed how sensitive global supply chains are and how geopolitical dependencies can threaten economic stability. Consequently, concepts such as

'de-globalisation' and 'strategic autonomy' have come to the fore in academic and political debates. Recently, concepts such as 'friend-shoring', 'near-shoring' and 'supply chain diplomacy' have emerged as concrete examples of states and companies seeking to restructure global production networks around security rather than purely economic efficiency (Farrell & Newman, 2019; Javorcik, 2020). Production, logistics and trade are now intertwined not only with economic rationality but also with geostrategic priorities, security concerns and political alliances. These transformations increasingly shape labour relations by producing precarious and gendered working conditions across global production systems (Yetim & Demirdizen Cevik, 2018)

When examined through the lens of political economy, the current structure of supply chains can no longer be explained by classical cost minimisation or efficiency paradigms. The main determinants shaping the boundaries of production geography have been national security concerns, the reliability of political alliances, and states' quest for strategic autonomy (Roberts & Lamp, 2021). In this new context, global production networks have ceased to be neutral commercial mechanisms and have become instruments of state foreign policy. States are now reorganising their economic relations according to existing geopolitical competition and blocs. For example, China is expanding its sphere of influence by pursuing infrastructure diplomacy through the Belt and Road Initiative (BRI), while the US is using financial instruments and technology controls as strategic weapons within the framework of its 'economic statecraft' doctrine (Blackwill & Harris, 2016). Consequently, global economic networks are now defined not only by prosperity and development but also by being the direct battleground of great power competition.

Within this framework, the purpose and scope of the research are summarised below.

1.1. Purpose and Scope of the Study

The primary objective of this study is to examine the effects of globalisation on supply chains, dependency relationships, economic inequality, and geopolitical restructuring from a multidimensional and critical perspective. In the first quarter of the 21st century, the phenomenon of globalisation has not been limited to economic integration but has also led to a fundamental reshaping of power

relations, regional hierarchies, and forms of institutional sovereignty (Phillips, 2017). The new wave of globalisation goes beyond the old centre-periphery dynamics, paving the way for the emergence of a multipolar and complex structure.

The study provides an in-depth historical analysis of the interdependent relationships between global production networks and international political economy, revealing the social, economic and political consequences of these relationships. The research focuses on practical outcomes such as how supply chains generate new dependency relationships, how these dependency relationships deepen inequalities and through which channels, and how the process of geopolitical restructuring transforms the organisation of global value chains and the economic strategies of states. Going beyond reductionist approaches, the study conceptualises the phenomenon as a multi-layered, crisis-prone, and contested process that is constantly reproduced through negotiations between actors. It covers the period 2000–2025 and The level of analysis is grounded in the theoretical and empirical literature at the intersection of the disciplines of International Relations, International Political Economy, and Development Studies. Methodologically, this study addresses the macro-level structural transformation of the international system and the strategic restructuring of micro-level production networks of firms and sectors within an integrated framework. In this way, capital accumulation regimes, power asymmetries, and transformations in the spatial division of labour are analysed from a multi-scale perspective (Coe & Yeung, 2015). Furthermore, the study aims to offer a unique perspective to the literature, both theoretically and practically, by opening up a discussion on different projections and policy alternatives for the future of the global political economy. To strengthen its conceptual grounding, the key concepts are defined below.

1.2. Definition of Key Concepts

The phenomenon of globalisation is analysed in contemporary literature not merely as an economic process limited to the cross-border mobility of goods and capital, but as a multi-layered, complex system of interdependence in which political authority, social norms and technological infrastructure are intertwined. In this context, the process necessitates the reorganisation of information flows, institutional adaptation, and governance mechanisms at the transnational level,

blurring the traditional boundaries between states and markets (Keohane & Nye, 2011). In the current climate, globalisation is transforming not only the expansion of economic networks but also the power asymmetries and strategic priorities between states and multinational corporations. In particular, the evolution of global supply chains into coercive foreign policy instruments of states demonstrates that geopolitical security, political alignment, and strategic alliances have become decisive factors in determining production geographies, rather than purely economic rationality (Farrell & Newman, 2019).

On the other hand, the concept of dependency has long been debated in the social sciences, with particular attention paid to the historical origins of centre-periphery relations within the framework of Dependency Theory and World Systems Theory. Theorists such as Wallerstein and Frank argue that the world economy is based on an unequal division of labour and that this structure structurally limits the economic development potential of peripheral countries (Hoogvelt, 2001). These dependency relationships now persist not only between states but also in global production networks managed by multinational corporations, in technology transfer, and in financial linkages. Phillips' (2017) concept of the "global production triangle" suggests that asymmetric relationships between states, multinational corporations, and labour fuel new forms of dependency and modern global exploitation mechanisms. Within this framework, peripheral countries remain disadvantaged in many areas, from access to technology to patent ownership and standard-setting, while central countries consolidate both their economic and political superiority.

The concept of inequality is addressed in the global value chains literature as a structurally recurring problem, based on the unequal distribution of added value throughout the chain. Multinational companies' shifting production stages to low-cost regions and obtaining high profits through labour arbitrage leads to Global South countries being confined to the lowest value-added and labour-intensive segments of the chain (Suwandi, 2019). This structural lock-in not only deepens income inequalities but also creates deep chasms in terms of acquiring technological capabilities and participating in innovation processes. In other words, while central countries gain asymmetric power through their control over intangible assets such as branding, financing, and R&D, peripheral economies are forced to maintain their economic and institutional dependence on financialised global capital (Milberg & Winkler, 2013; Koç & Erkin, 2015). This

asymmetric power is not limited to macroeconomic indicators but also erodes social welfare levels and political representation mechanisms.

In the early stages of globalisation, a teleological optimism prevailed that market integration and free trade regimes would maximise global welfare, thereby rendering nation-state borders obsolete. However, the recent increase in systemic crises, hegemonic power competition and regional conflicts has caused states to shift their priorities from economic efficiency to strategic autonomy and national security. In particular, trade wars between the US and China, technological divergence, and energy supply security concerns demonstrate that globalisation has evolved from a purely economic integration project into a hybrid structure driven by geopolitical motives (Rodrik, 2018). This transformation should be interpreted as an attempt by states to re-establish sovereignty over global flows. Land-based control mechanisms have not disappeared in the age of globalisation; on the contrary, they have paved the way for the re-spatialisation of supply chains according to political and military alliance geographies through strategies such as friend-shoring (production in friendly countries) (Posen, 2022). This historical background is important for understanding the development of the main approaches in the literature.

1.3. Summary of the General Structure of the Literature

Academic literature on globalisation and supply chains is becoming increasingly complex and interdisciplinary. The literature has developed around theoretical frameworks such as Global Value Chains (Gereffi, Humphrey, & Sturgeon, 2005) and Global Production Networks (Coe & Yeung, 2015), and these approaches have become fundamental reference points for analysing the spatial organisation of economic activities. The academic literature on globalisation and supply chains is shaped around three main approaches (Varol, 2024, p.151):

Liberal Approach: The liberal theoretical framework views globalisation as a historical window of opportunity for maximising global welfare and accelerating economic growth. According to this approach, the spread of free trade regimes, the removal of barriers to capital mobility, and the deepening of international competition are the fundamental elements that drive development dynamics (Wolf, 2004). Based on the theory of comparative advantage, the liberal paradigm predicts that both developed and developing economies will benefit

from the process through a 'win-win' principle, as a result of the rational functioning of market mechanisms and institutional alignment with global norms (Bhagwati, 2004). Furthermore, it is argued that technological diffusion and competitive market pressures will increase productivity and raise living standards. However, this optimistic ontology places excessive trust in the assumption that market forces will automatically correct income distribution injustices, and thus fails to adequately analyse the structural and regional inequalities produced by the process.

Dependency and Critical Political Economy Approaches: These approaches argue that globalisation deepens structural inequalities and traps peripheral countries in low value-added, labour-intensive production (Hoogvelt, 2001; Phillips, 2017). The critical political economy perspective highlights that multinational corporations and core countries shape global production and trade networks in their own interests, while peripheral countries are disadvantaged in terms of technology transfer, financing, and decision-making mechanisms. This approach draws attention to the historical and structural origins of the international division of labour, arguing that global capitalism operates through relations of exploitation and dependency. It also notes that the development strategies and social transformation efforts of peripheral countries are constantly constrained by these asymmetrical relations.

Geoeconomic Approach: The geoeconomic approach analyses globalisation not merely as market integration but as an asymmetric network system shaped by states' power maximisation and security priorities. According to this perspective, conceptualised by Edward Luttwak, the nature of inter-state conflicts changed in the post-Cold War era, with military competition largely replaced by struggles for influence conducted through economic means (Luttwak, 1990). Current literature shows that the liberal globalisation paradigm is increasingly being replaced by strategic regionalisation trends; states now design their economic policies not only according to efficiency criteria but also in line with national security doctrines and geopolitical interests (Blackwill & Harris, 2016). In this context, issues such as the restructuring of supply chains, technological superiority competition, and energy supply security have become central to global economic policy. Consequently, geo-economic analysis reveals that states are not withdrawing from the market but are actively manipulating the global production and trade architecture out of strategic competition concerns.

A comprehensive synthesis of these three fundamental approaches forms the theoretical framework of this study. Thus, the level of analysis is not limited to purely quantitative economic indicators; political institutions, state strategies, structural power dynamics, and social justice issues are also included in the scope. Thanks to this interdisciplinary methodological stance, the complex interaction between the market and authority in the global political economy is understood more deeply; the multi-layered effects of globalisation on different actors can be assessed within a systemic whole (Strange, 1988). This analysis also demonstrates that globalisation in today's world is not a linear process, but rather a political power field that is constantly renegotiated through supply chains, dependency relationships and structural inequalities.

2. Theoretical Framework

2.1. Fundamental Theoretical Approaches to Global Political Economy, Dependency Theory, World-System Theory, and Neoliberalism

Global political economy stands out as an interdisciplinary field that emphasises that economics at the international level cannot be reduced solely to market dynamics; political power relations, inter-state competition, institutional structures, and historically entrenched inequalities are also an integral part of ongoing economic relations. While classical economics courses often discuss the universality and effectiveness of free market rules, they mostly overlook how these rules emerged, who shaped them, and whose interests they serve. The framework proposed by Susan Strange in 1988 highlights the political power behind economic activity and the interdependence of state-market relations, showing that the economic order operates only visibly through market mechanisms, but that states and international institutions play decisive roles behind the scenes. According to her, the global economy is a kind of bargaining arena; it is a process where not only goods and money, but also power, knowledge and legitimacy constantly change hands. The fundamental issue revolves around the following questions: Which actors gain an advantage, who are the losers of the system, and what ideological arguments are used to justify the current order? Global political economy questions the winners and losers of the current global economic system by analysing this complex network of relationships.

Dependency Theory was shaped particularly in light of developments in Latin America during the 1960s. During this period, it became apparent that industrialisation and economic growth did not automatically bring prosperity to every country, as classical development theories had predicted. Instead, some countries were chronically trapped in a cycle of poverty and underdevelopment. Constructivist economists sought to explain why peripheral countries remained perpetually disadvantaged by analysing the structural dependency relationships established by the capitalist system between the centre and the periphery. Andre Gunder Frank's (1967) analysis was particularly significant because he argued that even after colonialism ended, the functioning of the capitalist system created new relationships that made peripheral countries dependent on those in the centre. According to Frank, core countries were able to sustain their economic growth and capital accumulation thanks to the surplus value continuously transferred from peripheral countries. This relationship of "structural dependency" (dos Santos, 1970) is reproduced today through global value chains controlled by multinational corporations (Suwandi, 2019).

Development cannot be explained solely by a country's internal dynamics; because the structural dependency relationships woven by global production, trade, and financial networks created a "lock-in" that hindered the development of peripheral countries. According to this approach, development and underdevelopment were two sides of the same system: the development of the centre was achieved at the expense of the periphery being left behind.

Immanuel Wallerstein's World-System Theory placed this dependency analysis within a more systematic and historical framework. Wallerstein (2011) examined the world economy as a whole and defined a hierarchy consisting of the core, semi-periphery and periphery. This hierarchy sheds light on how the international division of labour and the global distribution of labour have historically taken shape. Core countries control high value-added, technology-intensive production and global finance, while peripheral countries are condemned to an economic structure based on low-wage labour and raw material exports. The semi-periphery consists of groups of countries that lie between these two extremes, occasionally rising but never fully integrating into the core. Thus, global inequalities emerge not as a temporary phase but as a natural and continuous outcome of the system's functioning. The global circulation of production, labour, technology, and capital is constantly reshaped by the

conflicts of interest and interdependencies arising from this hierarchical structure. Ultimately, while core countries occupy the top of global value chains with technological innovation and financial power, peripheral countries remain stuck in labour-intensive, low value-added production processes that harm the environment. This situation reproduces, again and again, the historically unequal accumulation logic of global capitalism.

From the 1980s onwards, the rise of neoliberalism in the global political economy was observed. Neoliberalism, inspired by the views of Hayek and Friedman, was based on the principle of minimising state intervention and giving absolute priority to market mechanisms. During this period, international financial institutions such as the IMF and the World Bank imposed structural adjustment programmes on developing countries. These policies may have yielded short-term results such as controlling inflation or improving certain macroeconomic indicators. However, in the long term, these countries' domestic industries weakened, their external dependencies increased, and social inequalities deepened. It became apparent that neoliberal policies, while facilitating the free movement of global capital, created serious costs in terms of labour, the environment, and social rights. At the current juncture, it is evident that the inclusive prosperity promised by neoliberal globalisation has not materialised; on the contrary, global inequalities and geo-economic tensions have increased.

Three key topics are at the centre of global political economy discussions today: the stagnation and crises of neoliberal globalisation, the state's return to an active role in the economy, and increasingly apparent geo-economic competition (Roberts & Lamp, 2021; Şimşek, 2017). The US-China rivalry, technology wars, raw material security, and the rise of regional trade blocs are concrete examples of these dynamics. All these developments demonstrate that the global political economy is a constantly evolving and reshaping field.

2.2. Debates on Underdevelopment, Inequality, and the International Division of Labour

Although globalisation is defended on the grounds that it offers new opportunities to many countries, income and welfare inequality has increased significantly worldwide in recent decades. The concept of "underdevelopment" gained popularity in the mid-20th century with Walt Rostow's theory of "Stages

of Economic Growth". Rostow presented a framework that viewed development as a universal journey, arguing that every country would pass through similar stages to reach a developed level (Rostow, 1960). However, dependency theorists found this approach overly optimistic. According to them, underdevelopment stemmed from the hierarchical structure of the global capitalist system; the prosperity of developed countries was based on the continuous exploitation of underdeveloped countries (Frank, 1966; dos Santos, 1970; Wallerstein, 1974).

The international division of labour explains how production and labour are geographically distributed across the world. Core countries specialise in high-tech, R&D and innovation-focused production processes, while peripheral countries engage in raw material exports, agriculture and low-wage labour-intensive sectors. By the 21st century, global value chains emerged; this new structure enabled the further fragmentation of production processes and allowed global companies to use labour and resources in different countries in the most efficient way. However, this new structure did not completely eliminate old dependency relationships but rather gave them new forms. Peripheral countries remained confined to low value-added production, while core countries continued to hold the most profitable segments of the global value chain.

Inequality is not limited to income disparities. Deep chasms have also emerged in areas such as access to information, equal opportunities in education, participation in technological innovation, digitalisation and environmental sustainability. Global South countries generally lag behind in the digital revolution and technological progress, and young people in these countries are forced to work in low-paid jobs and act as subcontractors for multinational companies. On the other hand, central countries continue to transform their economies through innovation and high technology, remaining the hub of global information and capital flows. Furthermore, responsibility and damage distribution are unequal in global issues such as environmental crises and climate change; peripheral countries are both experiencing the most severe consequences of climate change and are caught between their own development needs and environmental sustainability. All these developments clearly demonstrate that global capitalism not only perpetuates inequalities but also reproduces and deepens them in new forms. Discussions on the global political economy therefore require multidimensional analyses that focus not only on economic growth but also on justice, inclusiveness and sustainability (Özmen, 2018).

2.3. Key Theorists and Current Theoretical Debates: New Globalisation, Anti-Globalisation, and Multipolarity

Despite differing approaches and conceptual frameworks, the key thinkers in this field[1] agree that global capitalism is based on centre-periphery relations. Although world capitalism has changed its actors and forms over the course of history, its fundamental dynamics—namely, the relations of exploitation, dependency, and inequality—remain largely unchanged. Although the form of the capitalist system has evolved over time, the distinction between centre and periphery and the global inequalities produced by this distinction persist as an integral part of the system's functioning.

The global political economy literature is undergoing an ontological rupture shaped around the axis of new globalisation and anti-globalisation. In this

[1] The analyses of these thinkers provide a solid foundation for understanding the historical and structural origins of the current injustices in the global economic order.
Immanuel Wallerstein (World-System Analysis) Wallerstein defines global capitalism not merely as a market relationship, but as a historical "world system" based on a hierarchy of core, periphery, and semi-periphery. This approach, established in his work *The Modern World-System* (1974), links the concentration of capital accumulation in core countries to the structural exploitation of the resources and labour of peripheral countries. According to the author, this asymmetrical relationship is a political and cultural mechanism of domination that reproduces inequality in every period, as inherent to the nature of the system.
Andre Gunder Frank (The Development of Underdevelopment) In his work *The Development of Underdevelopment* (1966), Frank argues that underdevelopment in peripheral countries stems not from internal causes but from the way they are integrated into the global capitalist system. According to Frank, "underdevelopment" is not a stage of development; it is a by-product strategically constructed to enable the development of core countries. Within this relationship of dependency, the peripheral countries' own development efforts are largely doomed to failure due to the structural obstacles of the system.
Susan Strange (Structural Power and Finance) In her work *States and Markets* (1988), Strange argues that the global financial system has become independent of the control of nation states and has become a "structural power". According to the author, this autonomy of financial markets has eroded states' social welfare policies and democratic decision-making powers. This process, which deepened with the neoliberal era, has led to economic sovereignty being removed from democratic control and transformed into a structure serving the interests of the global financial elite.
4. Giovanni Arrighi (Hegemonic Cycles) In his work *The Long Twentieth Century* (1994), Arrighi analyses the historical development of capitalism through the cycles of rise and fall of hegemonic powers. In this analysis, constructed around the Genoese, Dutch, British and American hegemonies, he states that each new power rose through the crisis of the previous system. According to Arrighi, the world economy progresses in long waves, with the focus of capital accumulation shifting and the system constantly restructuring itself historically.

context, it is argued that the global economy is being reshaped not only based on the size of trade, but also in line with the imperative requirements imposed by digitalisation, regional integration, and green transformation. (Baldwin, 2016). This perspective argues that the technological revolution and environmental sustainability norms have become the founding elements of the new economic order. On the other hand, the deepening income inequalities and ecological destruction caused by neoliberal policies have led to the rise of a critical wave of anti-globalisation. This critical approach calls for the restriction of uncontrolled market mechanisms, the democratic control of globalisation processes, and regulation through policies that prioritise the social contract (Rodrik, 2011).

Simultaneously, the international system is undergoing a structural transformation characterised by the fragmentation of hegemony and the emergence of a multipolar architecture. As the systemic weight of rising powers such as China, India, and Brazil increases, the institutional and normative erosion of the American-centred liberal order established after the Second World War has accelerated (Acharya, 2014). This process also brings with it ideological competition between different models of capitalism. The tension between Western-style liberal meritocratic capitalism and the state capitalism represented by the Chinese model is opening the door to a hybrid world order in which global governance norms are being redefined (Milanovic, 2019). These debates form the basis for the analyses in the subsequent sections of this study and compel a reassessment of the global political economy in terms of new centres of power, different forms of inequality, and dependency relationships.

3. Key Findings

3.1. Increasing Power Inequalities in Global Value Chains

Global value chains today not only coordinate production processes but also shape the fundamental structure of the global economy. The spread of production across different regions of the world may, at first glance, give the impression that opportunities are distributed equally and that all actors are in a win-win relationship. However, when delving deeper into this global network, a power asymmetry emerges that is concentrated in the dominance of multinational corporations and is becoming increasingly apparent. Large

companies, particularly those at the top of the chain, tightly control all critical areas, from the design of production processes to pricing, technology transfers and strategic decision-making mechanisms (Fernández, 2015). This centralised structure creates a serious dependency relationship for countries and companies at the lower levels of the chain. Local firms, and even states, with diminishing decision-making autonomy are forced to comply with the policies and demands of global actors. This situation brings with it not only economic but also political and social vulnerabilities. Over time, as the capacity of local actors to formulate and implement their own development strategies narrows, the rules set by global value chains deepen the dependency relationship.

Current debates in the literature on global value chains indicate that developing countries' export-led industrialisation strategies face structural limitations. Kaplinsky (2000) explains this situation with the concept of impoverishing growth. According to this, even if Global South countries increase their production volumes, the added value they obtain is gradually decreasing due to intense competition and falling unit prices. Developing economies concentrate on segments of the chain with low entry barriers, such as assembly and simple production, while activities that generate high rents, such as design, technology development and brand marketing, remain the monopoly of Global North firms (Mudambi, 2008). Analyses by Selwyn (2019) reveal that this division of labour accelerates the global transfer of wealth towards the centre and forces peripheral countries to become low-wage labour pools. This asymmetry hinders the acquisition of technological capabilities and suppresses the innovation capacity of local firms. The control mechanisms established by leading firms through intellectual property rights and standards make it difficult for supplier countries to upgrade functionally and trap them in a spiral of technological dependency (Gereffi, 2014). Therefore, integration into global value chains is turning into a paradoxical process where unequal exchange relations are institutionalised and underdevelopment is reproduced, rather than being an automatic recipe for development.

3.2. New Forms of North–South Dependency

Classical dependency theories (Frank, 1967; Wallerstein, 1974) have explained the asymmetrical relations between the centre and the periphery primarily in terms of raw material exports and capital transfers. However, in the global

political economy, the phenomenon of dependency has evolved into a much more complex structure, transcending the physical circulation of commodities and extending to the control of knowledge, technology, intellectual property rights, and global standards. According to the thesis of intellectual monopoly capitalism conceptualised by Durand and Milberg (2020), even if Global South countries increase their production capacities and turn to industrial exports, the governance and strategic control of the value chain remains in the monopoly of Northern-based companies that hold intangible assets (brands, patents, software algorithms). This situation creates an illusion that, despite the geographical decentralisation of production, the economic value created continues to be centralised. Analysing this mechanism, Smith (2016) emphasises that even if production volumes increase in peripheral countries, Northern firms, thanks to their dominant market power, continuously drive down costs, capturing the lion's share of value and thus reproducing global inequality through supply chains. Therefore, in the modern era, dependency manifests as a new form of exploitation that deepens not through ownership of the means of production, but through the capture of value and control over innovation processes.

Initially, there were high hopes that digitalisation and new generation technologies would reduce this imbalance. However, in practice, control over digital platforms, infrastructure, and data flows is still concentrated in the hands of Northern-based companies. As a result, digital dependency has emerged in addition to traditional economic dependency (Schiller, 1999; Couldry & Mejias, 2019). With the proliferation of digital technologies, the centre-periphery divide through data ownership, algorithmic control and digital ecosystems has taken on a more complex form; now, not only goods but also the global circulation of data, information and digital services is largely under the control of the North. This makes it difficult for Southern countries to establish their own digital infrastructure and develop technology-based development strategies. This monopolisation of access to information and technology is rewriting the rules of global competition. Ultimately, the new forms of dependency brought about by global value chains are shaping not only the distribution of economic prosperity but also institutional development, access to knowledge and technological progress in favour of the North. This makes it even more difficult for developing countries to achieve their sustainable development goals and creates a new dependency order that perpetuates global inequality.

3.3. Shifting Power Balances in State–Corporate Relations

Neoliberal policies adopted in the early 1990s significantly reduced the state's role in the economy, making market mechanisms and multinational corporations the main actors in the global system. With the promotion of privatisation, deregulation and free trade in particular, the state was relegated to a more regulatory and supervisory role in the economy. During this period, capital mobility increased, and with the expansion of global value chains, companies began to organise production on a global scale. However, in recent years, this trend has begun to reverse. The COVID-19 pandemic, increasing geopolitical tensions, and disruptions in supply chains have brought the need for state intervention in the economy back to the forefront. The pandemic exposed the fragility of healthcare systems and the vulnerability of international supply networks, leading to the re-emergence of states, particularly in essential and strategic sectors. In sectors such as energy, healthcare, defence industry, and semiconductors, the state began to act not only as a regulator but also as a direct producer, investor, and protector.

Horner and Nadvi (2018) emphasise that many Southern countries are struggling to keep pace with this transformation in global value chains, while emerging economies such as China, India and Brazil are attracting attention with their "strategic state capitalism" model. In these countries, the state takes on a protective, guiding and even incentivising role in critical and strategic sectors, prioritising economic development and national interests in close cooperation with the private sector. In fact, contrary to classic neoliberal practices, this model heralds a new era in which public authorities play an active role in the market and national economies take on a more protectionist and competitive structure. Along with these developments, the global economy is becoming increasingly multipolar, fragmented and competitive, and states are not only supporting their own companies but also engaging in a global race for control of critical infrastructure, technologies and financial resources.

Structuralist approaches in the literature on global value chains emphasise that these networks are not merely the product of a pursuit of economic efficiency, but rather deep political structures where asymmetric power relations between states and firms manifest themselves. The power typologies analysis developed by Dallas, Ponte and Sturgeon (2019) reveals that, particularly in strategic sectors such as semiconductors, energy and defence, leading firms and the states that

support them are decisive in the system by setting the rules. In this context, the return of states to economic governance has led to trade policies taking on a neo-mercantilist character. Aggarwal and Reddie (2021) note that states now deploy economic state management tools not only as market regulators but also as direct investors and strategic players. However, this geo-economic transformation cannot be met with equal capacity at every level of the global system. Analyses by Mayer and Phillips (2017) show that while advanced core countries consolidate their technological superiority through strategic industrial policies, developing countries lacking financial depth and institutional capacity have become more vulnerable in this new competitive environment and have been pushed to the lower rungs of the global power hierarchy.

3.4. Deepening Inequality and Fragility

Although the narrative of globalisation is ontologically based on the assumption that free market integration will increase prosperity on a universal scale, practical applications reveal that global value chains structurally deepen existing inequalities. Selwyn (2019) analyses this mechanism through the concept of poverty chains, arguing that multinational corporations' cost minimisation strategies lead to the systematic exploitation of labour in peripheral countries and the suppression of real wages. While core countries retain their monopolies on intellectual property rights, financial capital, and technological innovation, appropriating the bulk of the added value, Southern countries bear the low returns generated by labour-intensive production processes and the costs of ecological damage (Suwandi, 2019). This international division of labour causes environmental and social burdens to be externalised to the southern hemisphere, thus perpetuating economic asymmetries and making sustainable development a pipe dream (Baykal et al, 2021).

Neoliberal globalisation devalues labour and creates new forms of exploitation and dependency by shifting production to low-cost countries. Developments such as automation, digitalisation and financialisation further weaken workers' bargaining power and accelerate the concentration of value in the hands of a small and privileged group. Thus, social injustices are deepening and economic vulnerabilities are increasing (Harvey, 2005; Foster & McChesney, 2012; Milanovic, 2019). Furthermore, global shocks such as climate change, pandemics, wars, and geopolitical crises have clearly demonstrated how fragile

and vulnerable the structure of global value chains is. Particularly during the pandemic, disruptions in the supply of food, medicines, medical equipment and technology have exposed the fragility of the global system.

Although localisation and regionalisation policies aim, in theory, to minimise supply chain vulnerabilities and increase the resilience of production networks, in practice these strategies produce an exclusion that deepens global inequalities. Analyses by Zhan (2021) show that the acceleration of supply chain shortening and the search for strategic autonomy after the pandemic have directed investment flows towards developed economies and regional blocs, while developing countries with weak institutional capacity face the risk of disconnection from global production networks. This process leads to an asymmetric distribution of productivity and technological gains, with core countries consolidating their supply security while peripheral countries face new dynamics of dependency and marginalisation. As interconnectedness in the global economy increases, this integration paradoxically reinforces power hierarchies determined by leading firms and dominant states rather than promoting equality (Dallas, Ponte & Sturgeon, 2019). Therefore, the construction of a fair and sustainable international economic order requires not only revisions to economic policy, but also a fundamental transformation of structural power imbalances and hierarchical dependency relationships within global governance mechanisms.

4. Emerging Trends and Debates

4.1. Friend-Shoring and Regionalisation Trends

The COVID-19 pandemic and the Russia-Ukraine war have once again demonstrated the structural fragility of global supply chains, triggering a fundamental paradigm shift in production strategies from efficiency to resilience. These systemic shocks have prompted governments and multinational corporations to question the just-in-time production model based on cost minimisation, steering them instead towards strategies that prioritise supply security and resilience to shocks (Javorcik, 2020). In this context, the concept of friend-shoring, which has come to the fore in the literature, refers to the re-localisation of economic activities based not solely on comparative advantages,

but on political alliances and trust relationships. The trust-based approach to trade emphasised by US Treasury Secretary Janet Yellen signals a new era in which the logic of the liberal free market has given way to geopolitical blocs and the global economy has evolved into a fragmented structure (Posen, 2022). Supply chain decisions are now shaped not only by economic rationality but also by national security priorities and the pursuit of strategic autonomy.

Banaszyk (2023) and Wu (2025) argue that friend-shoring and this restructuring of supply chains do not actually signify "deglobalisation," i.e., a reversal of globalisation. On the contrary, they argue that production and logistics structures are being reshaped around regional hubs, and that global integration is changing form. Among the factors accelerating this process are policies promoting sustainability and innovation, such as the European Green Deal and the US Inflation Reduction Act. These policies compel companies and governments to establish more agile and resilient supply networks while also encouraging them to act in accordance with environmental and social standards.

The implications of friend-shoring and supply chain diversification strategies on global economic policy are not uniform. They point to a deepening divide between winners and losers, particularly in the Southern hemisphere. Analyses conducted by Goldberg and Reed (2023) show that certain emerging economies with strategic locations, such as Vietnam or Mexico, have gained an advantage as alternative production bases. However, they also reveal that other peripheral countries with limited institutional and infrastructural capacity face the risk of being systematically excluded from global value chains. This fragmented structure leads to an asymmetric distribution of development opportunities, causing technology transfer and innovation to concentrate only in certain secure regions. Aiyar et al. (2023) emphasise that the cost of geo-economic fragmentation on developing countries is much heavier, as it restricts capital flows and reopens the income gap between countries. Consequently, the new supply architecture triggers an exclusionary distribution of prosperity based on geopolitical allegiance rather than an inclusive model of globalisation.

4.2. Anti-Globalisation Waves and Economic Nationalism

The most prominent trend crystallising in the post-pandemic period is the rise of economic nationalism and the legitimisation of protectionist policies. Supply

chains are now coded and securitised not merely as an area of commercial optimisation but as an extension of national security. Conceptualised in the literature by Aiyar et al. (2023) as geo-economic fragmentation, this process does not signify the complete disappearance of global economic integration, but rather points to a hybrid and complex structure in which trade and investment flows are being redirected along strategic blocs. In this transformation process, states have made it a fundamental priority to bolster domestic production capacities, particularly in critical sectors such as healthcare, defence industry and energy, and to gain strategic autonomy against external shocks, relegating market efficiency to the background (Gereffi, 2020).

As Wu (2025) also points out, these policies are based not only on economic concerns but also on national security and strategic autonomy concerns. The CHIPS Act, which promotes semiconductor production in the US, the European Union's "open strategic autonomy" approach, and China's "dual circulation" strategy are concrete examples of this new economic nationalism. Each policy aims to strengthen its own regional supply chain and reduce external dependency. This trend inevitably leads to greater regionalisation of global supply chains and even inward-looking tendencies in some areas.

When examining the long-term effects of geo-economic fragmentation and protectionist industrial policies, it is predicted that this process will lead to a loss of global welfare and that cost increases will be distributed asymmetrically. Comprehensive analyses conducted by Aiyar et al. (2023) reveal that developing and Southern countries will experience the greatest welfare loss as a result of restricted technology transfer and increased trade barriers. Rising input costs and restrictions on market access are eroding the competitiveness of these economies and disrupting the process of technological convergence with developed countries. Thus, a structural tension arises between global market efficiency and the security priorities of nation-states[2] .

[2] Analysing this situation, Rodrik (2018) warns that national interests and local social contracts now take precedence over global integration, but that global inequality and exclusion will deepen if this new balance cannot be managed.

4.3. The Impact of Digitalisation and Artificial Intelligence

Another decisive dynamic in the transformation of global supply chains is the integration of digitalisation and artificial intelligence technologies into production processes. The Internet of Things (IoT), big data analytics, and blockchain technologies have enhanced transparency and traceability in supply chain management, granting companies strategic foresight in risk management (Wamba et al., 2017). However, this digital transformation process does not show homogeneous development on a global scale; on the contrary, it deepens the digital divide between the North and the South. The concentration of control over digital infrastructures, platforms, and data flows in the hands of large technology companies has given rise to a new type of centre-periphery relationship, referred to in the literature as "digital dependency". Studies by Foster and Azmeh (2020) highlight the risk of "data colonialism," where countries in the Southern hemisphere are reduced to the role of raw data providers, while the added value is captured by Northern-based companies that control the algorithms and platforms. Furthermore, the proliferation of automation technologies is eroding the labour-intensive production advantage, threatening the traditional development models of developing countries (Rodrik, 2018; Özmen, 2023).

In parallel, the quest for ecological sustainability and the need to combat the climate crisis have become a fundamental geopolitical factor reshaping global supply chains. Green agreements and border carbon adjustments are turning environmental sensitivities into a trade norm while also creating a new arena for competition. In this new era, discussed in the literature as "green industrial policy," states view renewable energy technologies and low-carbon production capacities as strategic assets (Allan et al., 2021). The emerging trend of "greenshoring" in this context encourages the relocation of production to regions with high environmental standards or easy access to clean energy. However, this poses a risk of "green protectionism" for developing countries that lack the necessary technological and financial capacity. High environmental standards are being used as non-tariff barriers, leading to the exclusion of Southern countries from global markets (Esty & Geradin, 1998). Furthermore, the struggle for access to critical minerals such as lithium and cobalt, which are required for the green

transition [3], is creating new dependencies and areas of conflict in energy geopolitics (Kalantzakos, 2020; Scholten, 2020).

4.4. Green Transition and Sustainability-Focused Chains

The climate crisis and ecological destruction have evolved beyond being merely environmental anomalies to become one of the foundational elements of the global political economy. In this context, the need for green transformation and sustainability norms are becoming a hegemonic force reshaping the architecture of global value chains. Analyses conducted by Sarkis (2020) reveal that environmental sustainability in supply chain management is no longer a corporate social responsibility project, but rather a fundamental competitive advantage that provides strategic resilience against crises. In particular, regulatory tools such as the European Union's Carbon Border Adjustment Mechanism (CBAM) make carbon intensity, traceability and transparency a prerequisite for international trade, forcing states and multinational companies to radically transform their production practices.

This transformation process brings with it a new strategic orientation defined in the literature as green industrial policy. Allan, Lewis and Oatley (2021) note that states instrumentalise the transition to a low-carbon economy not only as an ecological imperative but also as an industrial strategy that will strengthen their position in the global economy. In this regard, the trend of shifting production to regions with high environmental standards is emerging as an ecological variation of the friend-shoring strategy. However, this poses a serious risk for Southern countries with low technological capacity and high carbon intensity. Rodrik (2014) makes structural warnings that the high environmental standards applied by developed countries could turn into a green protectionism mechanism working against developing countries and lead to their exclusion from global value chains.

[3] Empirical studies on information and communication technologies also reveal that the reflections of this transformation on labour markets are not homogeneous. In an analysis conducted for Turkey, Akarsu and Dilbaz Alacahan (2021) show that while internet usage increases labour force participation, mobile communication technologies can have negative effects on labour force participation.

The geopolitical dimension of the green transition is manifested in a fundamental shift in the energy security paradigm. Traditional energy geopolitics based on fossil fuels is giving way to a struggle for access to lithium, cobalt, and rare earth elements, which are critical for renewable energy technologies. Vakulchuk, Overland and Scholten (2020) conceptualise this new era as renewable energy geopolitics, emphasising that energy supply security now depends not on hydrocarbon reserves but on the supply chain of critical minerals and technological know-how. This situation fuels resource nationalism and strategic competition between states, making the green transition one of the most contentious areas of international relations. Therefore, the success of sustainability goals goes beyond being a purely technological issue and depends on the establishment of fair transition and inclusive global cooperation mechanisms.

5. Conclusion and Discussion

Globalisation has rendered the functioning of global value chains unprecedentedly complex, multi-actor and multi-dimensional. Three key issues highlighted in the literature provide a critical framework for understanding the structural dimensions of this transformation. First, power asymmetries within global value chains are not only deepening but also becoming more centralised in the hands of leading firms and technology giants that govern the platform economy. The power analysis framework developed by Dallas, Ponte, and Sturgeon (2019) reveals how this centralisation systematically erodes the bargaining capacity of local actors, particularly in labour- and natural resource-intensive peripheral economies. Secondly, dependency relations along the North-South axis, while maintaining their historical continuity, have undergone a qualitative transformation; moving beyond the exploitation of raw materials and cheap labour to a form of domination based on intangible assets, such as intellectual property, technological standards, and financial rents (Durand & Milberg, 2020). The third and most decisive dimension is the shift of the balance of power between states, transnational capital and international institutions to an unstable ground that is constantly renegotiated amid increasing geopolitical competition and technological disruptions. Mayer and Phillips (2017) emphasise that this complex governance structure both complicates the management of global supply chains and renders distribution outcomes more unpredictable.

Contemporary studies focusing on the Global South show that multinational corporations' control over production processes not only constrains local development policies but also traps local economies in low value-added, repetitive and often environmentally unsustainable production cycles (Anner & Hossain, 2014). The concentration of knowledge, technology, and financial capital in the North has led to economic dependency taking on new forms based on information and data flows, patent regimes, and financial instruments (Özekin, 2024). Thus, the structure of global inequalities is being reshaped not only by economic indicators but also by factors such as access to information, technological capacity, and financial independence.

Rather than promoting development, global value chains are deepening and institutionalising existing inequalities and dependency relationships. Frank's (1967) and Wallerstein's (1974) dependency theories, despite the decades that have passed, remain valid in the 21st century and, updated, still offer a powerful analytical tool for explaining new global dynamics. In particular, dependency has acquired not only economic but also technological, institutional, and cultural dimensions.

While the negative externalities of the production process, such as low-wage labour exploitation, ecological destruction and depletion of natural resources, are internalised by Southern countries, the links in the chain that generate the highest added value – design, branding, R&D and intellectual property rights – are monopolised by Northern-based companies (Suwandi, 2019). This asymmetric integration model, even if it provides short-term quantitative increases in the export volumes of peripheral countries, seriously limits their capacity for long-term structural transformation and technological competence acquisition[4] . Moreover, this structural inequality is institutionally reinforced by intellectual property protections (TRIPS) and regulations restricting technology transfer imposed by the international trade regime[5] .

[4] Akarsu (2020), examining the relationship between patent applications and exports in the Turkish case, empirically supports the dimension of technology and knowledge flows in this asymmetric integration by showing that the increase in export performance particularly increased patent applications by foreign residents.

[5] Wade (2003) states that these regulations create a "development trap" that prevents developing countries from climbing the industrialisation ladder. Therefore, the issue has evolved beyond a mere economic exploitation relationship into a form of institutional and epistemological dependency.

On the other hand, the current literature review points to critical gaps that need to be filled epistemologically and methodologically within the discipline. Primarily, the dominant paradigm's focus on macroeconomic data and firm-centred governance models overshadows the micro-level effects of production networks on the local social fabric. Bernhardt and Milberg's (2011) comprehensive analyses reveal that economic upgrading does not automatically bring about social improvement; on the contrary, it can suppress local labour regimes and trade union freedoms and rights. There is a particular lack of ethnographic and qualitative data on how value chains transform daily life and social reproduction processes in the Global South (De Neve, 2009). Bair (2010) emphasises that this methodological limitation is particularly evident in the analysis of gender dynamics, the exploitation of women's labour, and the precarious practices of migrant workers. Therefore, the need for bottom-up comparative field studies examining how global integration affects local class stratification and demographic structures in peripheral regions such as Africa and South Asia constitutes one of the most pressing items on the literature's agenda (Bair, 2010; Barrientos & Kritzinger, 2004; Phillips, 2013).

Another significant shortcoming is that the concepts of digital dependency and data colonialism have not been sufficiently addressed in the literature. While it was initially hoped that digitalisation would increase equality and inclusivity, today the concentration of data and artificial intelligence infrastructure in the hands of a few large technology companies and countries in the North is creating a new and profound form of global inequality called "digital dependency" (Couldry & Mejias, 2019; Zuboff, 2019; Özekin, 2024). This situation makes the South dependent on the North not only economically but also in terms of access to information and technology. Moreover, the lack of control over data and artificial intelligence algorithms creates serious problems in areas such as social justice, privacy, and democratic participation.

Finally, the perspective of environmental justice has not been sufficiently integrated into the global value chain literature, and it is not yet common practice to analyse the concepts of environmental justice and ecological debt in

Durand and Milberg (2020) analyse this new conjuncture through the concept of "intellectual monopoly capitalism," emphasising that the control of intangible assets (knowledge, data, and algorithms) has become the fundamental hegemonic power element that reproduces the global hierarchy.

conjunction with dependency theories, even though developing countries bear the brunt of the environmental costs (such as waste, carbon emissions, water pollution and loss of biodiversity) of global production chains. (Anner & Hossain, 2014). However, the fair sharing of ecological burdens and the protection of environmental rights are directly related not only to environmental policies but also to global politics and economics.

These identified gaps necessitate comprehensive research at micro (individual, firm, community), meso (sector, region, supply chain), and macro (international system, global economy) levels in the future. This holistic perspective allows for a comprehensive analysis of not only economic indicators but also social and environmental outcomes (Horner, 2016). For example, the integration of an electric vehicle manufacturer into the global value chain can affect both the local labour market and global environmental policies; therefore, analyses must be multi-layered.

Secondly, structural transformations crystallised in the digital ecosystem, such as artificial intelligence monopolies and data colonialism, must be re-examined through a critical political economy perspective, going beyond the market equilibrium assumptions of neoclassical economics. The thesis of data colonialism put forward by Couldry and Mejias (2019) argues that the commodification of human life creates a mechanism of appropriation and dispossession similar to historical colonialism. This mechanism operates through the commercialisation of behavioural data, which Zuboff (2019) defines as 'surveillance capitalism'. The natural monopoly structure of digital markets (Sadowski, 2020) demonstrates how these new forms of exploitation become institutionalised within market dynamics. In this context, digitalisation should be analysed not merely as an economic growth parameter, but as a concentration of power that erodes democratic participation, epistemic sovereignty, and social equality. The position of hegemonic actors who control the ownership of digital infrastructure within the global system, as explained by Rikap's (2021) concept of intellectual monopoly capitalism, gives rise to a new generation of dependency relationships operating through technological rent and information control between core and peripheral countries (Couldry & Mejias, 2019). This process, as Zuboff (2019) points out, signifies not only economic but also epistemic power concentration and the erosion of democratic participation.

Thirdly, integrating environmental justice with political economy is of great importance. At this point, the ecological burdens of global production chains should be assessed not only through environmental regulations but also through concepts such as justice, rights, responsibility, and climate debt. How developing countries bear environmental costs, how these costs are recognised at the international level, and who should share this burden must be addressed in conjunction with dependency theories. Thus, the relationship between ecological justice and the global economy can be placed on a healthier footing (Martinez-Alier, 2002; Roberts & Parks, 2007; Frey et al., 2019).

In general, this study demonstrates that globalisation today not only fails to reduce economic inequalities but also reproduces them in a more complex, multi-layered and institutionalised manner. Although dependency relationships may change form, they essentially persist and spread to new areas. The new asymmetries emerging in the fields of knowledge, the environment, and digital technologies must be addressed not only in economic terms but also in their political, ethical, and social dimensions. Therefore, global economic analyses must go beyond production and trade relations in the future; they must be redesigned to holistically incorporate power and dependency relations in fundamental areas such as knowledge production, data control, environmental justice, and digital sovereignty. This approach is indispensable for a fair and sustainable global order.

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4

Next-Generation Marketing in Global Medical Tourism with Augmented, Virtual, and Mixed Reality Technologies, and Turkey

Özge Büyük (Canakkale Onsekiz Mart Universty)
ORCID: 0000-0003-2058-8510
ozgebuyuk@comu.edu.tr

Abstract

This study aims to reveal the role of Extended Reality (XR) technologies in marketing of medical tourism destinations and building patient trust. Medical tourism is a sector containing high risk and uncertainty by its nature. In this context, technologies like Augmented Reality (AR), Virtual Reality (VR) and Mixed Reality (MR) offer important opportunities to reduce risk perception of tourists and provide assurance. The study handles potential of Turkey in this field and suggests usage of digital tools like Blockchain and Digital Twin for sustainable competitive advantage. It is concluded that technological integration is necessary to increase value added in the sector and maximize revenue per patient.

Keywords: Medical Tourism, Extended Reality (XR), Digital Marketing, Risk Perception, Turkey.

JEL Codes: L83, M31, I11, O33

1. Introduction

This section reveals the transformative effect of Augmented Reality (AR), Virtual Reality (VR) and Mixed Reality (MR) technologies (collectively named XR) on promotion of health tourism destinations and building of patient trust. Medical tourism is accepted as an area containing high risk and uncertainty by its nature, which involves decision of patients to buy treatment experience by participating in international travel activities due to high costs or

long waiting times (Eren & Türkay, 2023). In this high risk environment, the most central element in decision making process of medical tourist is trust felt towards destination and quality of service offered. Main aim of XR technologies is to enrich real world experience with digital tools that are complementary or simulating. This situation has a critical importance in marketing of medical tourism products which are abstract and high risk services.

Digital transformation plays a vital role in this area where global competition is intense. In this global market where even destinations that are global leaders for a long time in areas like gender reassignment surgery and cosmetic treatments like Thailand aim to increase tourist expenditures via medical tourism, technological superiority creates competitive advantage (Mehrabov, 2023; Sungur, 2025). On the other hand, in health marketing, usage of twin avatars and artificial intelligence carries potential to increase operational efficiency and customer satisfaction in areas like surgical simulation and remote rehabilitation (Bayer, 2022; Arığ & Başal, 2024). Therefore, usage of technological tools like XR is becoming increasingly obligatory to increase medical tourist trust and remove uncertainty in decision making process in modern world.

2. Medical Tourism Paradigm

Health tourism is a wide umbrella term covering organized travels realized with aim of protecting, developing or regaining mind and body health (Smith & Puczkó, 2009; Büyük, 2024). Medical tourism (MT) covers services requiring intervention of qualified health professionals and containing surgical intervention, diagnosis, treatment or rehabilitation processes under health tourism umbrella (Büyük, 2023b). This scope is separated from wellness tourism aiming to strengthen well-being state via recreation and entertainment services (Connell, 2006).

Historical origins of medical tourism extend to travels made with search of healing (for example thermal waters in Ancient Greece and Sumer) (Kamilova et al., 2022). Modern MT has undergone an important change after 1990s. New style MT expresses movement of patients in developed countries towards developing countries where costs are much lower but quality and international accreditation increased (Mishra & Sharma, 2021). Global medical tourism market produced 24.14 billion USD revenue in year 2023 and it is foreseen that

this market will reach to 137.71 billion USD until year 2032 with 21.4% compound annual growth rate (CAGR) (Fortune Business Insights, 2020).

There are three main factors directing cross-border health service demand. First one is ***economic pushers*** and cost saving is primary motivation. At the base of these pushers, rapidly increasing costs of health services in high income countries like USA and Europe lie. When these high costs combine with advantages provided by exchange rate differences (like Heart Bypass surgery being almost nine times cheaper in Turkey compared to USA), they put forth a strong pull power towards medical tourism destinations by creating a big cost saving potential for patients. Price differences emerging due to high health costs in developed countries and exchange rates create strategic advantage for developing and underdeveloped countries (OECD, 2021a; Baser et al., 2013).

Secondly, ***operational pushers*** come into play in health service demand. Most important among these are long waiting times emerging due to legal procedures in developed countries or capacity insufficiency of health systems. For example, while there are waiting times reaching up to six months for prostate cancer surgery in developed countries like USA, this duration can be dropped down to three days in destinations like Turkey (Tontuş, 2017). Also, access to procedures not approved or prioritized due to legal or ethical reasons in source country (organ transplants, experimental treatments, gender reassignment, specific reproductive procedures, abortion etc.) is an important factor (Ghods & Nasrollahzadeh, 2005; Burkett, 2007).

Thirdly is ***quality and specialization pushers***. Improvement of medical care standards, existence of specialist physicians and reliable, proven safety records increase medical tourist/patient trust. Increase in number of international hospital accreditations (JCI etc.) is perceived as an indicator that destinations meet international quality standards (Sağ & Zengül, 2019; JCI, 2023). Destinations create a unique competitive advantage in global market by specializing in areas like gender reassignment surgery in Thailand or aesthetics and IVF in Turkey (Connell, 2006; Yıldız & Khan, 2016).

Medical tourist mass differentiates according to their motivations and spending behaviors. Motivations take place in a wide range; including factors like cost, insurance, quality, waiting time, cultural experience, touristic facilities and

geographical proximity (Smith & Forgione, 2007; Büyük & Akkuş, 2024). Literature separates medical tourists into eight basic types. Among these types, "*Trendy*" and "*Prudent*" medical tourists usually have the highest spending potential and their revisit intentions are high (Cohen, 2008; Angela et al., 2020).

Since medical services fall into *"credence goods*" category where their qualities cannot be evaluated definitely even after consumption, risks perceived by medical tourists are high (Smith & Puczkó, 2009). These risks contain physical, financial, health and sociopolitical dimensions and affect decision making process directly (Boguszewicz-Kreft, et al., 2022). "Prudent" medical tourist segment, which is another group spending high, needs technologies providing especially data privacy (Blockchain) and preview of medical quality (XR simulation) to reduce this high risk (Lunt et al., 2011; Hemdan & Sayed, 2025). In Table 1 given below, medical tourist typologies are listed according to technology interaction needs and their features are emphasized.

Table 1. Medical Tourist Typologies and Technology Interaction Need

Tourist Type	Basic Motivation	Financial Sensitivity	Revisit Intention	Technology Interaction Need (Inference)
Trendy	Benefiting from aesthetic and cosmetic treatments	Low (High spending)	High	High (XR for Visualization / pre-surgery preview)
Prudent	Receiving high quality and reliable health service	Low (High spending)	High	Critical (Blockchain for data security/trust)
Dedicated	Receiving health service	Variable	High (If follow-up needed)	Medium (Remote monitoring/Digital Twin need)
Opportunistic	Having holiday and receiving affordable and easily accessible health service	High	Low	Low (Basic digital accessibility need)
Holidaying	Having holiday and receiving health service	High	Variable	Medium (Seamless integration of travel/care apps)

Sources: Cohen, 2008; Wongkit & McKercher, 2013; Angela et al., 2020.

3. Rise of Turkey in Global Medical Tourism Market

Turkey draws attention as a rapidly rising power in global medical tourism with its geographical location, health and tourism infrastructure and cost advantages. The country became 3rd most preferred medical tourism destination globally in years 2016-2017 and positioned at 8th rank among 46 European countries (IHRC, 2020-2021). Number of medical tourists visiting the country increased almost two times in five years rising from 594,851 level in 2018 to 1,258,382 in 2022. 308% increase experienced in post-COVID-19 period shows how attractive country became in post-crisis health travels. Among main markets visiting Turkey, there are dual citizens, citizens of Iraq, Azerbaijan, United Kingdom, Germany, France, Bulgaria (Büyük, 2024). Sharp increases in number of visitors coming from Western European countries like Bulgaria (+467%), Italy (+158%), UK (+155%) and Germany (+155%) show that basic economic and operational value proposition offered by Turkey (low cost and short waiting time) exceeded cultural proximity factor (TUİK, 2023).

Table 2. Comparative Cost Advantages in Basic Procedures

Procedure	USA ($)	S. Korea ($)	Thailand ($)	India ($)	Turkey ($)	Price Advantage in Turkey (Compared to USA)
Heart Bypass	123.000	28.000	26.000	10.000	13.000	%89.43
Knee Replacement	48.000	25.000	17.500	8.500	14.000	%70.83
Hip Replacement	47.000	36.000	21.000	9.000	12.000	%74.47
Rhinoplasty	6.500	4.600	3.980	2.400	3.300	%49.23
Dental Implant	2.500	1.200	1.350	1.100	1.720	%31.20
Gastric Bypass	35.000	24.000	10.900	7.500	16.800	%52.00

Sources: Lunt et al., 2011; Eskapas, 2023; Büyük, 2024.

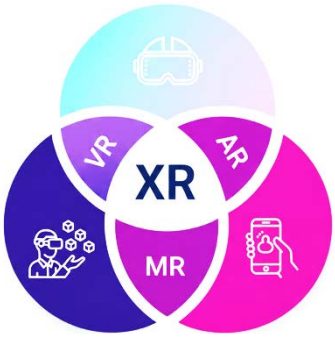
As can be seen from Table 2, cost is the most distinct strategic advantage of Turkey. Medical services are offered at average 20% of competitor medical tourism destinations, 30% of Europe and 65% of USA costs (OECD, 2021b). For example, average price of Heart Bypass surgery which is 123,000 USD in United States is 13,000 USD in Turkey; this means a saving of approximately nine times. Turkey stands out as an attractive center for high cost surgical operations by offering prices lower than average in almost all medical procedures listed. Turkey possesses a developed health infrastructure; modern hospitals and

clinics are equipped with advanced technologies. The country, taking place at 7th rank among countries having international JCI approved health institutions in 2023, has 34 health institutions possessing accreditation certificate (Şahbaz et al., 2012; JCI, 2023). Accreditation is seen as a vital assurance element for medical tourists (Binler, 2015). Today, sector is professionalized with strong government support. International Health Services Inc. (USHAŞ, 2025) established by Ministry of Health in 2019 undertakes duties like international promotion and providing authorization certificate (TURSAB, 2017). Turkey specialized especially in areas like aesthetic surgery (hair transplant, face aesthetics, breast implants), dentistry, eye diseases, cardiology, orthopedics, oncology, in vitro fertilization (IVF) and organ transplant (liver, kidney, pancreas) (Yıldız & Khan, 2016; Büyük, 2023a). Among global medical tourism destinations, Cuba is preferred especially in cancer treatment; Thailand in gender reassignment operations; Singapore in liver transplants (Connell, 2006). South Korea stands out with high recovery indices and quality health services (Mawlood, 2020); and India with cost advantages (Herrick, 2007). Effects of health tourism on economic growth, employment and foreign currency income were also revealed clearly in academic studies made on Turkey case (Akarsu & Büyük, 2020).

4. Extended Reality (XR) Revolution: Medical Tourism Marketing and Care Delivery

Extended Reality (XR) technologies have potential to transform every stage of medical tourism journey. Extended Reality (XR) is an umbrella term covering Virtual Reality (VR), Augmented Reality (AR) and Mixed Reality (MR) concepts. In Figure 1 below, relationship between Virtual Reality (VR), Augmented Reality (AR) and Mixed Reality (MR) is modeled. As seen in figure, Extended Reality (XR) is a top term covering all of these three technologies. While VR offers a simulated environment where user is completely isolated from real world; AR adds digital information layers onto real world. MR expresses an integrated experience where physical and virtual objects interact with each other in real time (Milgram & Kishino, 1994; Künüçen & Samur, 2021).

Figure 1. Extended Reality (XR) Model: VR, AR and MR Scope



Source: Drawn by the researcher as a result of the literature review.

Extended Reality (XR) is a top term covering all reality types supported by immersive technology including virtual reality, augmented reality, mixed reality and future realities (Avula, et al., 2024; Shatokhin, et al., 2025). XR expresses a reality where human-machine interaction occurs via computer technology and wearable devices (Hein, et al., 2016). Table 3 taking place below summarizes basic features and scope of digital realities.

Table 3. Basic Features and Scope of Digital Realities

Category	Virtual Reality (VR)	Augmented Reality (AR)	Mixed Reality (MR)	Extended Reality (XR)
Environment	Completely digital (simulated)	Digital data layer on real world	Seamless mix and interaction of real and virtual	Umbrella term covering VR, AR and MR
Immersion	Complete isolation from real world (Perception in environment is completely virtual.)	Staying in real world (no passage to virtual environment)	Mutual interaction of real and virtual objects in same physical area	Variable (Changes according to covered technology)
Interaction	High interaction (Simulated environment)	Limited interaction (Data visualization)	High interaction (Hologram manipulation)	Depends on specific technology
Basic Hardware	Headset (HMD) - Oculus, HTC Vive	Smart Phone/Tablet, Smart Glasses (Google Glass)	Standalone Device - HoloLens, Meta2	HMDs, Mobile Devices, Lenses

Sources: Milgram & Kishino, 1994; Künüçen & Samur, 2021.

Table 3 shows quality of experience offered by XR technologies and immersion levels. "Immersion" is term expressing how much user is isolated from reality. While VR pulls user completely into a virtual world; MR offers integration at highest level providing virtual objects to enter into mutual and simultaneous interaction with real objects in physical environment. If we explain realities shown in Table 3 in detail:

- **VR (Virtual Reality)** provides opportunity of pre-experience that reduces risk perception (Guttentag, 2010) and is high interactive in a completely simulated, digital environment (Mihelj et al., 2014). If looked at examples, VR enriches guest experience by offering opportunity to fully explore a facility before making reservation via a virtual tour (Pillai et al., 2021). A study made in Vietnam shows that existence of VR affects cognition and emotions of users positively, and experiential value affects behavioral intentions of visitors towards destination significantly (Nguyen et al., 2024). In VR applications, hardware like HMD- Head-Mounted Displays, special gloves or motion sensing clothes are used (Aylan & Aylan, 2021).

- **AR (Augmented Reality)** is visualization technique providing digital content to be covered on real world seamlessly. Contrary to virtual reality, AR aims to improve real world instead of changing it (Hein et al., 2016).

- **MR (Mixed Reality**) is a technology offering holographic experiences where real and virtual objects interact with each other in real time and are intertwined (Milgram & Kishino, 1994). MR technology is even used by European Space Agency (ESA) in maintenance and training operations (Zilan, 2021).

Figure 2. Usage of Extended Reality (XR) Technologies in Medical Tourism Journey: AR, VR, MR Application Example

Sources: Produced with artificial intelligence technology by researcher.

In Figure 2, there is a visual produced with artificial intelligence technology by researcher. This visual shows how Augmented Reality (AR), Virtual Reality (VR) and Mixed Reality (MR) technologies can be integrated into different stages of aesthetic focused medical tourism (e.g. hair transplant) journey. According to this:

- **AR:** AR can offer "try before buy" opportunity. One of the basic advantages AR has thanks to this is improving experience by presenting more information about product/service to users, lowering anxiety during purchase and facilitating decision making thanks to this (Ehab et al., 2020). For example, UK based **Thomas Cook** firm offered opportunity to explore destinations in virtual environment to its customers thanks to this technology with "*Try Before You Fly"* campaign (Fast Company, 2014; Ciğerci, 2025). While Kuoni Travel benefits widely from AR advertisements; **Thomson Cruises** uses augmented reality brochures to exhibit cruise ships (Hassan et al., 2018). In medical tourism, previewing result of procedure will undertake function of reducing uncertainty. High level interaction and advanced user

experience provided by AR affects purchase intention of consumer in positive direction significantly and this is associated with hedonic (pleasure giving) benefits besides cognitive (rational) benefits (Mesjar et al., 2023). In Figure 2, by reflecting a digital layer to face/scalp of medical tourist via mobile device (via selfie or hospital camera), preview and simulation of cosmetic procedure (hair transplant) is made and it is aimed to form trust by reducing uncertainty in decision making process. In this model, example of how related technology can be used for a specific medical tourism type is given.

- **VR:** VR technology is a popular tool in tourism sector and is used in creation of virtual tours providing users to make virtual strolls in destinations (Ciğerci, 2025). For example, Expedia travel agency offers a more comprehensive and interactive reservation experience to its customers by using 360° VR videoları instead of traditional travel brochures in pre-sales services (Petrović & Milićević, 2018). Applications like Topkapi Palace in Turkey, British Museum in London being able to be visited in virtual environment (Ciğerci, 2025; Reddit, 2025) or Ephesus, Seville, Athens, Barcelona etc. turning into a guided sightseeing tour with VR glasses (Özdemir Akgül, 2022) are examples to this integration. First Airlines firm in Japan provides potential medical tourists who cannot travel due to health obstacles to experience services by organizing VR tours in venues prepared in airplane concept for physically disabled individuals (New York Post, 2020; Aylan & Aylan, 2021). In same way, Marriott Hotels sending user virtually to exotic beaches using 4D sensory elements (heat, wind, smell) with "The Teleporter" application proves persuasive power of pre-experiencing (Ciğerci, 2025). Also studies made in health field prove effectiveness of VR on reducing anxiety and pain levels by distracting attention of users successfully (distraction). Especially in hospital environment, it was determined that VR has a positive effect on pre-operative anxiety control (Zeng et al., 2025). Moving from this finding, in Figure 2, example of medical tourist finding himself/herself in a virtual rest/holiday environment (for example beach side) by using VR glass in hospital room is modeled. Thanks to this situation, moving away from hospital environment, distraction for anxiety and pain management is provided in medical tourist and pre-surgery comfort is

increased and at same time opportunity for exploration of destination related with virtual tours is allowed.

- **MR:** Surgeon/expert combines 3D digital twin of medical tourist (patient data) with real time data (cost, medical history or surgical plan) in operating room or during consultation by using Mixed Reality (MR) headset. This increases precision of procedure and clinical transparency (Vallée, 2024).

If summarized: Augmented Reality (AR), forming basis of MR, can offer preview of products or services to customers. This virtual trial (try before buy) feature reduces uncertainty in decision making process and increases trust by providing medical tourists to see potential result of procedure, affects purchase/acceptance intention in positive direction (Ehab et al., 2020). This situation offers ability to make better adaptation test by experiencing similar to a clothing trial especially in situations like previewing cosmetic procedures like hair transplant. On the other hand, VR/AR technologies carry potential to minimize human error by providing correct visualization in complex processes (Mesjar et al., 2023). That is, in tourism context VR/AR applications offer orientation and comfort by providing virtual exploration of destination by tourists (Ciğerci, 2025) and help anxiety and pain management by distracting attention in clinical context (Zeng et al., 2025).

4.1. Strengthening Destination Image and Purchase Intention with Immersive Marketing

Start of using technological applications in tourism sector came to an important point in profitability and service and presentation of product (Tayfun et al., 2022). Since medical tourism services are "credence goods", needs of medical tourists to obtain information beforehand about service quality and reliability are high (Smith & Puczkó, 2009; Kim, 2022). XR technologies are shown as one of the ways to provide this trust before medical tourist is physically found in related destination (Mirzaei et al., 2024). Medical tourists can experience related destinations virtually to prepare for actual travel experience in real world thanks to this. This situation is in quality of satisfying request of medical tourist to meet need of obtaining information beforehand about service quality. AR and VR services affect purchase intention in positive direction by increasing perceived

value, enjoyment, informativeness and user presence. On the other hand, related technology is used frequently for many possible scenarios including research, education and training, diagnosis and treatment for big clinical and non-clinical applications in medical field (Nguyen et al., 2024; Winarko et al., 2024).

4.2. XR Applications: Clinical Practice, Surgical Planning and Therapeutic Interventions

XR technologies present medical quality of a destination and competence of physicians as a concrete and strong argument in marketing (Bayer, 2022). Advantages provided by applications in this area:

- **Efficiency in Surgical Training:** It was determined that surgical success rate of students receiving education with VR glasses in surgical branches increased compared to traditional education.

- **Remote Healing and Rehabilitation:** Applications like XRHealth offer physical therapy, mental health and rehabilitation services to users thanks to VR/AR technology (Deutsch & McCoy, 2017; Arığ & Başal, 2024).

- **Anxiety and Pain Management:** In surgeries made in St. George's Hospital in England, it was shown that 80% of patients using VR glasses felt less pain (Bayer, 2022). Also, positive effect of VR game applications on preoperative anxiety, blood pressure, heart rate and oxygen saturations in children was observed (Caner, 2020).

- **AR Surgical Navigation:** AR helps in areas like surgical planning, diagnostic applications and visualization of organ borders during surgeries (Barsom et al., 2016; Elsaadany et al., 2025).

In context of health tourism, transparency and certainty offered by these technologies play a critical role in managing perceived risks potential patients can face especially in a foreign country. Table 4 below details basic risk factors affecting decision making processes of medical tourists and how XR solutions alleviate these risks with concrete evidences.

Table 4. Perceived Risk Levels in Medical Tourism and XR Solutions

Risk Factor Category	Definition	Mitigation Mechanism of XR	Strategic Relevance Level
Macro Risk (Country Image)	General attractiveness and security perception of target destination (e.g.: Cross-border data security).	• Cultural AR/VR experiences (e.g.: Topkapi Palace, Beylerbeyi Palace) exhibiting technological and cultural sufficiency of country.	Softening of perceived country risk and supporting technological leadership claims.
Institutional Risk (Service Quality)	Hospital hygiene, facility condition, personnel competence and communication.	• 360-degree facility, operating room and hygiene protocol tours. •Promotion of VR surgical training simulations (proof of expertise).	Concretization of quality, hygiene and professionalism guarantee.
Personal Risk (Expectation Deviation/ Anxiety)	Uncertainty regarding treatment result, alienation, surgery fear.	• VR hospital tours (anxiety reduction and comfort increase) • Personalized simulation of treatment results based on Digital Twin (DT)	Increasing patient comfort and psychological safety scientifically.

Sources: TURSAB, 2017; Laaki et al., 2019; Pillai et al., 2021; Boguszewicz-Kreft, et al., 2022; Kim, 2022; Vallée, 2024; Alimonaki et al., 2025.

Table 4 summarizes basic risk categories medical tourists can face (Macro, Institutional and Personal) and how these risks can be managed with concrete evidences by using all of XR technologies. XR solutions aim to reduce uncertainty and anxiety which are biggest obstacles in medical tourist decision making process by offering transparency regarding hospital quality (Institutional Risk) and surgical results (Personal Risk).

4.3. Building of Trust and Data Privacy: Strategic Cooperation of Blockchain and Artificial Intelligence

Among biggest difficulties of cross-border health services, data privacy, security and troubles that can arise during interoperability between different systems take place. Current health information systems lead Electronic Health Records (EHRs) of patients to remain scattered and 'siloed' in different institutions, creating inconsistency and inaccessibility problems. These difficulties originate

not only from lack of technical integration, but also inconsistencies in legislation and architectural design of data to serve institutional autonomy. This situation prevents timely access of patients to their own records and leads to delays in clinical decisions, recurring costs and diagnosis errors (Avula, 2020). However, effective presentation of cross-border health services requires patients to access health data uninterruptedly and securely. Studies show that these difficulties are combination of technical, legal and operational barriers feeding each other (Ferreira et al., 2024; Oladele, 2024).

This situation requires medical tourists to undertake an active and laborious role to provide data transfer between foreign providers and local doctors. In situations like these, strategic integration of blockchain and artificial intelligence technologies plays key role in solving related problems (Jabarulla & Lee, 2021). Blockchain guarantees integrity and consistency of data by offering a reliable, distributed electronic ledger in medical tourism. Recording of transactions in encrypted (hash) chronological blocks makes tampering or illegal changing of records almost impossible (Reegu et al., 2023). Thus, a medical tourist centered model providing medical tourists to obtain more control and ownership on their own medical information can be created thanks to blockchain. This auditability and transparency responds directly to high trust demand of especially "Prudent medical tourist" segment (Tyan et al., 2021). Also, blockchain based crypto currencies provide secure, fast and direct peer-to-peer transactions without need for intermediary institutions in international money transfers and this will offer competitive advantage to medical tourism providers by reducing transfer fees and monetary risk (Gül, 2018; Ferreira et al., 2024).

4.4. Digital Twin Applications in Personalized and Secure Health Services

Digital Twin (DT) is dynamic virtual copy of physical and physiological state of a patient. This model combines and updates genomic, proteomic, imaging, lifestyle and sociodemographic data of medical tourist continuously (Spence, 2024; Vallée, 2025). Main aim of DTs is to reflect medical state of patient in real time for surgical simulation and remote diagnosis processes and thus create personalized, data driven treatment plans (Bayer, 2022; Arığ & Başal, 2024; Vallée, 2024). When DT technology is integrated with artificial intelligence and

Blockchain, smart, secure and personalized health systems are created (Jabarulla & Lee, 2021). Usage of DT in health systems consists of four stages:

- **Basic Layer:** Real time data is collected via physical entity (medical tourist) and IoT devices. IoT devices are physical objects embedded with sensors, software and other technologies capable of collecting and sharing data over internet or other communication networks. In health these devices are used to monitor vital data like heart rate, blood pressure and oxygen saturation remotely (Vallée, 2023).

- **Data Processing Layer:** In this stage collected data is analyzed by using machine learning and artificial intelligence (Vallée, 2025).

- **Simulated Representation Layer:** It is layer where DT model is created and managed. Blockchain sees a critical security function in this layer by monitoring security of model updates and data integrity (Suleiman et al., 2025).

- **Virtual Layer:** Contains XR interface where DT is experienced. For example, it provides immersive virtual environment for remote consultation or cooperation (Stacchio et al., 2022; Vallée, 2024).

5. Federated Learning: Enabling Collaborative Research by Protecting Medical Tourist/Patient Privacy

Federated Learning (FL) is an artificial intelligence approach providing Machine Learning models to be developed jointly in more than one institution without sharing raw data. FL provides processing of data where it is stored (for example in hospital or wearable device) and sends it to center. This collaborative learning protects privacy of raw patient data; and makes it possible for artificial intelligence models to improve their diagnostic and treatment oriented capabilities by benefiting from larger and various data sets. That is, in cross-border health services FL solves conflict between scientific need for large and quality data sets and data privacy demand of patients. This situation allows medical tourism providers to participate in global research networks and can develop diagnostic/treatment oriented artificial intelligence models (Hemdan & Sayed, 2025).

6. Reducing Perceived Risk and Developing Medical Tourist Trust

Perceived risk is one of the most important barriers affecting medical travel decision. Strategic usage of technology increases medical tourist trust by reducing these multi-dimensional risks. Perceived risk is defined as probability of an individual's actions leading to dangers beyond acceptable limits and affects travel decision significantly (Boguszewicz-Kreft, et al., 2022). Risks in MT spread to a wide range as physical, financial, medical and sociopolitical risks (Kim, 2022). Level of risk perception shows significant difference according to cultural and individual characteristics like uncertainty avoidance, country of origin, gender and health status (Fuchs & Reichel, 2010). Visual and immersive technologies like XR offer instant and standard experience about facility quality and procedure transparency independent from language or cultural barriers and reduce psychological risk and cultural hesitations (Mirzaei et al., 2024; Nguyen et al., 2024).

Digital transparency has critical importance in reducing perceived risk. With VR/AR Tours, hospitals can exhibit hygiene and cleaning protocols (hand hygiene, environmental cleaning) virtually and convey institutional hygiene commitment concretely (Pillai et al., 2021; Barreto et al., 2025). Blockchain provides secure and unchangeable proof in possible situations like malpractice by providing every medical record and transaction to be traceable and auditable (Gül, 2018; Hemdan & Sayed, 2025). Travel insurance provides a vital protection for medical expenses emerging during travel which current health insurances usually do not cover. Digital technologies proved their functionalities during crisis management periods. COVID-19 pandemic showed that digital reality applications (VR/AR) offer critical solutions to changing tourist preferences focused on health and personal safety. XR technologies have potential to offer advanced crisis communication and business continuity solutions like hospital capacity updates, virtual triage and remote psychological support (Künüçen & Samur, 2021).

7. Conclusion and Strategic Suggestions Towards Sustaining Competitive Advantage of Turkey

This study handles potential of Extended Reality (XR) technologies (VR, AR and MR) to build patient trust in global medical tourism sector and sustain

competitive advantage of Turkey with a holistic perspective. Current studies show that XR alleviates high risk and uncertainty environment in decision making journey of medical tourists effectively via transparency, personalization and pre-experience visualization. While VR provides psychological comfort especially with pre-hospitalization anxiety management and facility tours, AR increases purchase intention with preview of cosmetic procedures. Digital Twin (DT) applications integrated with Blockchain and Artificial Intelligence stand out as a strategic lever that will carry Turkey from cost leadership to personalized, high accuracy result oriented service model. Sustaining of strong position of Turkey in global market depends on seeing technological integration not as an option, but as a critical obligation to protect competitive superiority.

For Turkey to protect its strong position in global medical tourism market, artificial intelligence, Blockchain and XR technologies must be adopted strategically. It is supported by previous empirical studies that digital transformation provides productivity increase not only in health sector but also in production, service and public areas (Akarsu et al., 2024). In analyses made on OECD countries, it was determined that investments in information and communication technologies increased labor productivity significantly and this effect formed a basic dynamic for sustainable growth. Although medical tourism revenue and tourist volume reached by Turkey register current success, to reach targets determined for future periods, high added value and trust oriented service differentiation maximizing average revenue per patient (ARPP) not just volume increase is needed. Therefore, technological integration is not an option, but a critical obligation to sustain competitive superiority.

First step of this strategic obligation is rapid creation of regulative infrastructure that will increase trust of international patients. For health institutions having USHAŞ and JCI accreditation, new digital accreditation standards making Blockchain integration obligatory for Electronic Health Records (EHR) management and regulating technical sufficiency of XR platforms for remote consultations must be determined urgently. Since current legal frameworks do not contain decentralized audit and transparency based on Blockchain, these new standards will zero out concerns of international patients regarding data privacy and treatment integrity. Table 5 below details how Turkey will convey clinical service excellence to international patients with concrete and measurable digital tools.

Table 5. Clinical Application Areas of New Technologies and Contribution to Strategic Marketing of Medical Tourism

Technology	Clinical Application Area	Strategic Marketing Contribution	Evidence Level
VR/AR Surgical Simulation	Doctor training, skill development (Robotic Surgery, Laparoscopy)	Provability of clinical excellence, reducing error rates and emphasis on personnel sufficiency.	Education effectiveness is proven. 40% of VR studies in higher education are in medicine field.
Digital Twin (DT)	Treatment optimization, individual disease modeling	Precision promise, transparent presentation of personalized medicine services and interaction in pre-surgery consultation.	Provides treatment optimization and individualized result estimation.
AR Navigational Surgery	Orthopedic/Neurological surgery, Minimal Invasive Surgery (RMIS)	Increasing surgery precision, less invasive procedures and low complication risk.	High accuracy and clinical added value
VR Infection Control	In-hospital hygiene protocols training	Transparent communication of hygiene and patient safety commitment at institutional level.	VR usage in infection control training

Sources: Rechtman, 2017; Şimşek & Can, 2019; Avula et al., 2024; Vallée, 2024; Barreto et al., 2025.

XR technologies detailed in Table 5 above make competitive advantage offered by Turkey to international patients visible with concrete clinical results and measurable performance data. Especially adoption of Digital Twin (DT) applications is a strategic lever that will carry country from price leadership to personalized and high accuracy result oriented service model in global medical tourism market via virtual simulation of surgical results. This approach will provide maximizing revenue per medical tourist by offering individualized and high accuracy treatment results rather than cost advantage.

Marketing strategies must focus on trust demand of "Prudent" medical tourists. For this segment, digital campaigns integrating Blockchain traceability to all smart contracts must be conducted and immersive VR tours of facilities must be offered as obligatory pre-treatment experience (Gül, 2018; Mirzaei et al., 2024).

For medical tourists, visualization of cosmetic procedures ("buy by trying") must be offered via Augmented Reality (AR) applications (over mobile devices) and purchase desire and experience pleasure must be increased. On the other hand, vocational competencies of professional health personnel must be made compatible with requirements of technology. Obligatory training programs

towards AR usage for surgical support and VR applications for therapeutic pain/anxiety management must be offered. For example, Johns Hopkins Nursing School increased student participation by applying VR training (resuscitation, anaphylactic reactions) at all levels from doctorate to pre-license education (Horowitz, 2022). VR simulations of businesses must be popularized. Also, ethical guidelines must be created proactively to prevent ethical concerns towards new artificial intelligence applications like Codec Avatars or Digital Clones (Augmented Eternity) (Vlahos, 2019).

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5

Effects of Remote Work Practices on Subjective Well-Being and Work-Life Balance

Yağmur Akarsu (Çanakkale Onsekiz Mart University)
ORCID: 0000-0002-9277-5019
yagmurakarsu@comu.edu.tr

Abstract

The COVID-19 pandemic has caused radical changes in working conditions and made remote work models a permanent part of the labor market. The aim of this study is to examine the development of remote work in Turkey between 2016-2024 and its relationship with subjective well-being and work-life balance. In the study, Turkish Statistical Institute (TÜIK) Labor Force Statistics micro data were used and variables such as gender, sector, marital status, and education level were analyzed. The findings show that remote work, which was very limited before the pandemic, increased rapidly with 2020 and became permanent in the private sector in the post-pandemic period. While remote work is more common among women and individuals with high education levels, it was observed that the increase in flexible working models did not create a direct increase in Turkey's happiness index values. The study emphasizes that for digital flexibility to contribute to social welfare, it needs to be supported by regulations regarding work-life balance and strong social policies.

Keywords: Remote Work, Subjective Well-Being, Work-Life Balance, COVID-19, Digitalization.

JEL Codes: I31, J21, J28, J81

1. Introduction

There have been many changes in the labor field, especially in recent years. These changes affected the working style of individuals and caused new forms of doing tasks. Especially technological progress caused changes in

working conditions, including the emergence of remote work (Rożnowski et al., 2006).

The COVID-19 pandemic changed not only health systems but also business styles globally. Millions of employees around the world changed their full-time working systems to remote work in a very short time. This caused remote work models, which were limited before the epidemic, to spread faster (Kniffin et al., 2021; Blaszczyk et al., 2022). Especially digitalization and developments in information communication technologies supported this transformation and made remote work a permanent option. Thus, in the post-pandemic period, labor markets continued with flexible and hybrid working models. Especially in Turkey, the 'new normal' process, which started as of June 2020 and brought radical changes in social/economic life, has been a critical threshold where this transformation in business ways was tested (Büyük & Can, 2020). With the end of COVID-19 restrictions and return to normal, many organizations preferred to continue flexible work arrangements supported by digital tools (Oakman et al., 2020; Sahut & Lissillour, 2023; Ribeiro et al., 2024).

When this situation is evaluated with happiness economics, not only income levels are effective on individuals' subjective well-being (Easterlin, 1979). Among the factors affecting happiness levels, work-life balances and quality of life are closely related to this subject. In this context, the relationship between remote work, employee happiness, and work-life balance is very important.

Investigating the effects of remote work forms on employees' subjective well-being and work-life balance is not only an academic contribution but also carries a guiding quality for employers and policy makers. Because ensuring employee happiness by employers and protecting work-life balance increases efficiency in the long run and contributes to social welfare (Kniffin et al., 2021).

2. Theoretical Framework and Literature Review

The concept of well-being is defined in the literature not only as the absence of negativity on individuals but also as the presence of a positive state of goodness in individuals' lives. In this context, Ryff and Keyes (1995) discussed well-being with the individual's effort to realize himself. This concept is discussed with two approaches: hedonic (subjective well-being) and eudaimonic (psychological well-

being). Hedonic well-being is related to positive (happiness, joy) and negative (stress, anger, sadness) emotions that individuals experience in daily life. These emotions are generally short-term and change depending on the current living conditions of the individual. Eudaimonic well-being covers more different and complex elements such as meaning in life, purpose, personal development, and autonomy (Ryff, 2014; Fabian, 2020). In subjective well-being researches, especially life satisfaction and subjective happiness concepts come to the fore. Life satisfaction is the individual making a general evaluation of their own life and questioning to what extent their life standards match their expectations (Diener et al., 2003). Therefore, well-being is not evaluated only as a psychological process but is also shaped by the effect of social and economic conditions. In this context, remote work applications, which became widespread rapidly especially with the COVID-19 pandemic, have been directly effective on individuals' subjective well-being, life quality, and work-life balance. Essentially, innovation and change have continuously pushed human life and the business world into a mandatory development process in the historical process; in this context, for businesses to survive in today's competition conditions, it depends on their ability to renew not only their products but also their management and working understandings (Büyük & Gümüştekin, 2017).

Happiness economics evaluates the welfare of individuals not only with income but also with subjective well-being, job satisfaction, and life balance (Frey & Stutzer, 2002). Therefore, the increase in employees' happiness will provide productivity increase by affecting both individual welfare and social welfare. In this case, remote work models, which increased especially after the pandemic, can create positive effects on happiness by offering time and space freedom to individuals. However, elements such as social isolation, increased workload, and blurring of boundaries between work and private life can affect happiness levels negatively.

When the literature on work-life balance is examined, there are many theories explaining the effects of remote work on individuals' happiness and job satisfaction. In this context, according to Locke's value-percept disparity model (1969), job satisfaction stems from the harmony between elements valued in a job and outputs obtained from the job. According to this theory, since the remote work model is seen as a valued job feature by employees, it is expected that providing work from home opportunity to employees results in higher job

satisfaction. Similarly, work-life balance is discussed through the ways individuals carry out work and family roles together. Also, work-life conflict, the effects of work on family and effects reflecting from family to work are evaluated systematically. This theory emphasizes that work-life balance is shaped not only by time management but also by individuals' role expectations, social support mechanisms, and organizational policies (Greenhaus & Allen, 2011). Self-determination theory emphasizes three basic psychological needs of individuals. These are autonomy, competence, and relatedness. Meeting these needs increases individuals' subjective well-being; not meeting them results in unhappiness and low motivation. In this context, it shows that while remote work provides advantages in terms of autonomy and competence, it can also create negative effects on work-life balance and happiness due to the weakening of the need for relatedness (Deci & Ryan, 2000). Social exchange theory defends that social relations are based on reward and cost balance just like economic relations. Individuals tend to get benefits, provide reciprocity, and maximize their interests in their social interactions. The disruption of this balance can lead to power differences and authority relations. Employees perceive remote work positively or negatively according to this balance, which affects subjective well-being and life satisfaction (Blau, 1964).

It is proven by studies in the literature that remote work significantly increases individuals' life satisfaction. For example, Takami (2023) investigated the effects of remote work on subjective well-being during the pandemic, and according to the study result, remote work created important changes in individuals' time use, work-life balance, and psychological welfare, but long working hours can affect life satisfaction negatively. Bodner and colleagues (2022) investigated the effects of working styles (remote, face-to-face, and hybrid) on mental health in their study in Canada and reached the result that subjective mental health of hybrid employees is more positive compared to other groups.

When the effects of remote work models on individuals are examined; it is observed that it is effective on employees' happiness and subjective well-being levels. Especially autonomy and being able to manage their own work schedules positively affect work-life balance (Rathnaweera, Jayathilaka, 2021) and subjective well-being (Ferreira et al., 2021) in individuals. In this context, since the increase in employees' well-being levels significantly affects productivity increase in companies, it is emphasized in many studies that human capital is

important and policies focusing on subjective well-being should be given weight (Umasankar et al., 2022; Petrů et al., 2023). At the same time, it is reached that remote work models are beneficial on individuals and organizations because they improve work-life balance as they provide time and space flexibility to employees (Lewis, Cooper, 2005). Also, job satisfaction and individual happiness provided by time and space flexibility offer employees the opportunity to spare more time for their families and social lives (Allen et al., 2021). Besides this, there are also studies emphasizing that the opportunities offered by remote work negatively affect individuals' subjective well-being levels. Of course, this situation appears in different dimensions. From a psychosomatic aspect, long-term digital device use leads to problems such as eye strain, head and neck pains, bad posture, and decrease in sleep quality (Van Horn et al., 2004; Wynn, Jones, 2023). When examined from a social aspect, decrease in face-to-face interactions, social isolation, and distrust towards managers negatively affect employees' subjective well-being states, and besides this, blurring of work-private life boundaries reinforces this situation (Wöhrmann & Ebner, 2021; Muhammed, Sivasubramanian, 2022; Iqbal et al., 2021). In the cognitive dimension, online status of employees who feel constantly observed by the employer prevents employees from detaching from work and increases mental fatigue (Charalampous et al., 2019; Sikhondze et al., 2024). From a professional aspect, the expectation of being constantly accessible causes long working hours (Charalampous et al., 2019). In the emotional dimension, remote work is seen as one of the most important reasons increasing technology addiction in employees along with negative emotions such as stress, anxiety, depression, addiction, and burnout (Ferreira et al., 2021; Laß et al., 2024).

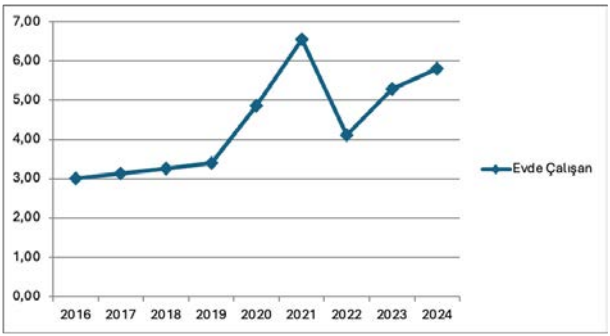
3. Findings on Remote Work, Happiness and Work-Life Balance

Digitalization caused the emergence of new employment forms and flexible working models. With this change, not only production and productivity increased but also employees' work-life balance, motivation, and welfare levels were positively affected. Especially the pandemic process, which caused a significant change in our lives and ensured the rapid transformation of working forms, formed the basis of a permanent structural change in the labor market.

The graphics are created by classifying the Labor Force Statistics micro data of the Turkish Statistical Institute (TÜİK) for the 2016–2024 period. Data is

filtered according to home working status by considering only employed individuals. The obtained micro data is evaluated by classifying based on gender (female–male), sector (public–private), marital status (married–single), education level (below university-university and above), and service activities variables. Thanks to this classification, reflections of digital flexibility on different social groups in Turkey are observed in detail. The graphics created as a result of the analysis show that home working practices, which increased with the effect of the pandemic period, have settled in the labor market permanently in recent years.

Graphic 1: Rate of Home Workers in 2016–2024 Period (%)

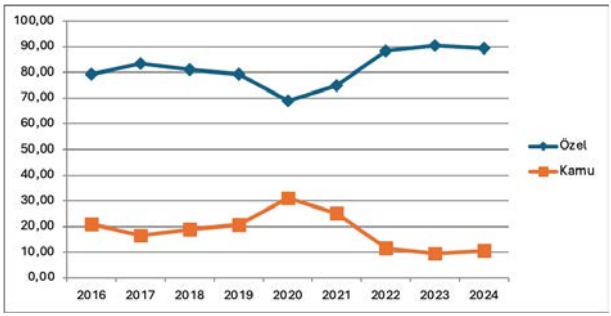


Source: TÜİK Micro Data (2016–2024), Calculated by Author

Graphic 1 shows the change in the share of home workers in total employment in Turkey over the years. In the graphic, the home working rate remained at a very limited level in the 2016–2019 period and was realized around 3% on average. In this period, remote or home working models were not widespread in the Turkey labor market, traditional workplace-based working forms are in a more active position. As of 2020, the rate rose to approximately 5% level and showed a sharp increase by going up to 6.57% level in 2021. The main reason for this increase was the announcement of the first Covid-19 case in Turkey according to official data and then remote work measures taken in both public and private sectors. The pandemic accelerated digital transformation processes in a short time and made home-based working form widespread in the workforce. In the post-pandemic period (2022–2024), although the rate fell a little, it followed a permanently high level compared to previous years. As of 2024, the

rate of home workers reached 5.82% level. This trend is an indicator that remote work is not a temporary practice specific to the crisis period, but there is a permanent variability in the Turkey labor market.

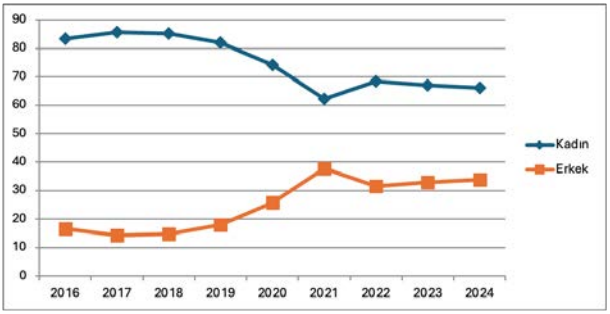
Graphic 2: Rate of Home Workers on Sectoral Basis (%)



Source: TÜİK Micro Data (2016–2024), Calculated by Author

Graphic 2 shows the sectoral distributions of home workers in the 2016-2024 period. According to the data, the majority of home workers are employed in the private sector, while the share of the public sector is at a relatively low level. While the rate of the private sector was approximately 80–85% between 2016–2019 years; this rate was realized in the 15–20% range in the public sector. In 2020, with the effect of the Covid-19 pandemic, the home working rate in the public sector rose to approximately 30%, this increase stemmed from remote work becoming mandatory in public institutions. However, after 2021, with the return to face-to-face work in the public sector again, the rate regressed to 10–12% level. The private sector, on the other hand, continued home working practices permanently by approaching 90% from 2022 onwards. This situation shows that digital transformation and flexible working culture are adopted faster in the private sector, while it remained as a temporary pandemic policy in the public sector. Generally, findings reveal that structural differences of sectors and digital infrastructure capacities play a determining role in remote work becoming permanent in Turkey.

Graphic 3: Rate of Home Workers According to Gender (%)

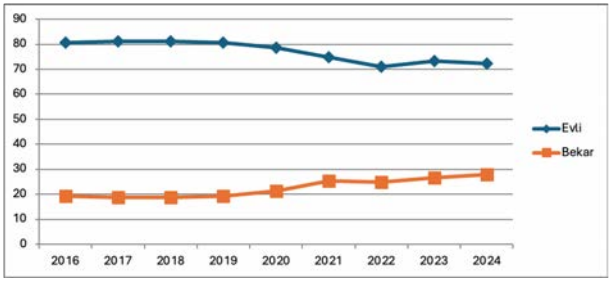


Source: TÜİK Micro Data (2016–2024), Calculated by Author

Graphic 3 shows the distribution of home workers according to gender in Turkey in the 2016–2024 period. According to the data, the home working rate was realized significantly higher in women compared to men in the relevant years. While the rate of female employees was average 80–85% level in the 2016–2019 period, this rate is around 15% average in men. With the effect of the Covid-19 pandemic in 2020, the rate rose to approximately 25.9% especially in male employees and went up to 37.8% in 2021. This increase shows that men were also included more in the remote work system during the pandemic period. After 2022, rates were partially balanced, while it was average 65% in women; it was fixed in the 30–35% range in men. This trend shows that home working, which was seen as an opportunity area for female employment at the beginning, partially reduced gender differences over time, and digital flexibility assumed a role alleviating gender-based separations.

Graphic 4 shows the distribution of home workers according to marital status in Turkey between 2016–2024 years. According to data, the home working rate of married individuals followed a high course compared to singles throughout the relevant period. While the rate of married employees was average 80% in the 2016–2019 period; this rate followed at 18–20% level in single employees. With the pandemic in 2020, the rate of especially single individuals rose from 21.3% to 25.3% in 2021. In contrast, a slight decrease was experienced in the rate of married individuals and it regressed to 74.7% levels as of 2021.

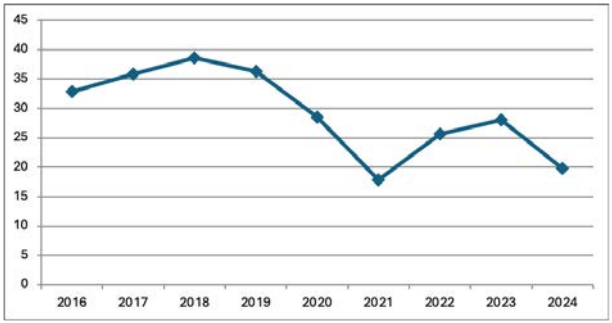
Graphic 4: Rate of Home Workers According to Marital Status (%)



Source: TÜİK Micro Data (2016–2024), Calculated by Author

This trend shows that remote work practices started to be adopted by a wider segment during the pandemic period, ceasing to be a model preferred only due to family responsibilities. In the 2022–2024 period, rates were partially balanced; it followed in the 72–74% band in married individuals and 26–28% range in singles. Generally, it is seen that married individuals prefer home working more, but in recent years single employees also turned towards this model.

Graphic 5: Distribution of Home Workers According to Service Activities (%)

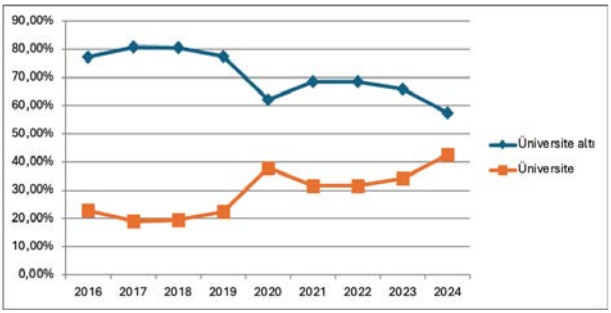


Source: TÜİK Micro Data (2016–2024), Calculated by Author

In Graphic 5, when the distribution of home workers is examined on the basis of service activities, according to 2016–2024 period data, it is seen that the sector

with the highest share is "social services provided without accommodation". As a result of analyses obtained from TÜİK micro data, it was seen that this sector had the highest share throughout the relevant years. This rate, which was 32.9% in 2016, reached its highest level in 2018 and became 38.6%. After 2019, the share of this sector decreased gradually and reached its lowest level with 17.9% in 2021. This situation can be explained by care services being done face-to-face in the relevant sector with the effect of the pandemic. In 2021, the services sector where home workers were highest on a sectoral basis became education services with 24.2%.

Graphic 6: Distribution of Home Workers According to Education Status (%)



Source: TÜİK Micro Data (2016–2024), Calculated by Author

Graphic 6 shows distributions of home workers according to education status from the 2016-2024 period. According to this, while 77.20% of home workers had below university education level in 2016; 22.80% possess university and above education. Especially in 2020, while a distinct increase was observed in home working rates within the scope of measures taken with the pandemic, home working rates of those with university and above education level rose up to 38%. The pandemic process caused remote work to become widespread rapidly in sectors requiring high education such as education, informatics, banking, and finance. When coming to 2024, while the rate of those with below university education level fell down to 57.30%; the rate of those with university and above education level went up to 42.70%. This graphic shows that home working forms are transforming in favor of more educated workforce increasingly especially after

the pandemic, and groups with low education level regressed in access to this working form.

Table 1: Comparison of Happiness Values and Home Working Rates in Turkey in 2016–2024 Period

Years	World Happiness Index	Home working rates (%)
2016	5,50	%3
2017	5,48	%3,1
2018	5,37	%3,3
2019	5,13	%3,4
2020	4,95	%4,9
2021	4,74	%6,6
2022	4,61	%4,1
2023	4,98	%5,3
2024	5,26	%5,8

Source: Compiled by Author

In Table 1, Turkey's World Happiness Index values and home working rates are given comparatively. World Happiness Index analyzes subjective evaluations of individuals regarding life satisfaction and is calculated on a scale between 0–10. This value consists of sub-components such as income level, social support, healthy life duration, freedom, trust, and generosity. Home working rate expresses the ratio of the "home working" group within employed individuals to total employment. These rates are obtained from TÜİK's labor force statistics micro data belonging to the 2016–2024 period. Obtained findings show that digital transformation became permanent in labor markets in Turkey after COVID-19, but it did not lead to a distinct increase in subjective well-being levels. This situation emphasizes that happiness is closely related not only to working forms but also to elements of economic stability, income distribution, social security, and social trust (Frey & Stutzer, 2002; Nikolova & Graham, 2020). Therefore, for digital flexibility to contribute to social welfare, it is necessary to strengthen social policy and institutional supports at the macro level.

4. Conclusion and Policy Suggestions

In line with the findings obtained, it shows that home working in Turkey in the 2016-2024 period rose after the first case appeared in 2020 and these models entered business life permanently after the pandemic passed. It is seen in the graphics created from data that home workers are concentrated especially in the private sector; and the increase in public sector remained limited and temporary with the pandemic. Also, although the share of women in home working remains higher than men, the difference narrowed partially after 2020. Results are consistent with global findings that tele-work became established through productivity/work-life balance channels. Experimental/empirical evidence showing remote work can increase productivity and satisfaction (Bloom et al., 2013), frameworks emphasizing flexibility strengthens work-life balance (Greenhaus & Beutell, 1985; Sirgy & Lee, 2018), and employer-employee balance perspective (Kossek et al., 2015/2016) are consistent with obtained results. The findings obtained support the transformation created by digitalization in the labor market and that working forms diversified permanently. Especially the permanence of home-based work in service sectors such as information, finance, communication, and education reveals that new flexibility approaches gain importance in labor policies. Previous studies emphasizing the role of female labor in economic growth and social development also support these findings (Akarsu 2023; Akarsu, 2024).

It is seen that digital flexibility became more permanent in the private sector in Turkey, while it remained limited to temporary practices in the public sector. In this frame, it is important for policy makers firstly to create hybrid working guidelines suitable for job descriptions in public institutions and strengthen digital infrastructure. Also, flexible working models and employee support programs aimed at protecting work-life balance in the private sector can be developed and care support and flexible hour practices encouraging remote work for female employees can be popularized. By giving new investments and digital skill trainings that will increase digital inclusiveness in rural and semi-urban regions, remote work opportunities can be ensured to become widespread in a way to reduce regional inequalities. Besides this, new regulations covering home working in occupational health and safety legislation and institutional standards observing data security and employee rights can be created. It is thought that these policy steps will contribute to the institutionalization of digital flexibility in a sustainable way in terms of both productivity and social welfare. Also,

sustainable institutionalization of digital flexibility will contribute to the increase of Turkey's social welfare level as much as its competitive power.

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6

Understanding the Emotional Wellbeing of Undocumented Young Afghan Migrants in Türkiye: Invisible Shadows

Gülten Dursun (Kocaeli University)
ORCID: 0000-0003-2430-3412
dgulten@kocaeli.edu.tr

Aytakin Hajiyeva (Independent Researcher)
ORCID: 0000-0002-7898-6370
aytekin.hacizade@gmail.com

Gökhan Obay (Independent Researcher)
ORCID: 0000-0002-1933-1286
gkhnobay@gmail.com

Abstract

This study examines the factors shaping the emotional well-being of undocumented Afghan youth in Turkiye, most of whom arrived through irregular routes and without accompaniment, and are engaged in informal labor markets. Adopting a qualitative and inductive research design, the study is based on semi-structured, in-depth interviews conducted in 2021 with 16 undocumented Afghan migrant youths who lacked work permits at the time of the research. The findings indicate that the most decisive factor influencing well-being is the availability of safe working and accommodation conditions. Beyond legal constraints, experiences of discrimination and exclusion lead participants to describe themselves as "invisible shadows" within society. Persistent fear of apprehension, detention, or deportation emerges as a central source of emotional distress, closely intertwined with their inability to access healthcare services when faced with illness or injury. Overall, the study highlights how legal invisibility, labor precarity, and everyday insecurity jointly shape the emotional well-being and coping strategies of undocumented Afghan youth.

Keywords: Undocumented Afghan youth, irregular migration, emotional well-being, labor precarity, resilience

Jel Codes: F22, J15, J61, J16

1. Introduction

If the country was peaceful, no one would leave…
Liz Cookman (2021)[1]

Women and children are among the populations most severely affected by war and natural disasters. Armed conflict, insecurity, and prolonged violence profoundly disrupt every dimension of children's lives, including access to education and the protective capacity of family and society, as such conditions erode individuals' control over their daily lives. According to the United Nations High Commissioner for Refugees (UNHCR, 2022), 108.4 million people worldwide were forcibly displaced in 2022 as a result of persecution, conflict, violence, and human rights violations. More than half of the forcibly displaced population consists of women and children, many originating from countries such as Syria, Afghanistan, and Ukraine, who seek refuge in neighboring states with comparatively limited resources (Espiritu et al., 2022). Following the 2016 refugee agreement between Türkiye and the European Union, which effectively closed key migration routes to Europe, Türkiye has become a long-term host country for millions of refugees and migrants. Afghans constitute the second-largest refugee group in Türkiye after Syrians, with a population exceeding 172,000 based on country-of-origin data2. The majority of Afghan migrants reside in large metropolitan areas, particularly Istanbul.

Over the past several decades, Afghanistan has remained one of the most unstable regions in South Asia. Following the collapse of the Najibullah regime, the country has experienced nearly forty years of sustained conflict, marked by successive civil wars, foreign military interventions, and prolonged political instability. These conditions have compelled large segments of the Afghan

[1] Freelance journalist in Istanbul.
[2] UNHCR defines refugees as individuals who are forced to flee their countries of origin due to serious threats to their lives, physical integrity, or freedoms, and are unable or unwilling to return due to fear (UNHCR, 2011: 14). In contrast, asylum seekers are individuals whose claims regarding security threats have not yet been proven (Udayar, 2021). Turkey hosts the largest number of refugees globally, with approximately 4 million refugees as of 2020. Cities like Istanbul, Gaziantep, and Hatay host more than 98% of refugees in Turkey (Özvarış et al., 2020).

population to flee and resettle in diverse regions of the world, including Iran, Pakistan, the United States, the United Kingdom, Canada, Australia, and India. Accordingly, the academic literature predominantly conceptualizes Afghan mobility within the framework of forced migration (Erdal and Oeppen, 2018). Between 1979 and 1989, the Soviet occupation alone resulted in the displacement of approximately three million Afghans to neighboring Iran (Hugo, Abbasi-Shavazi, and Sadeghi, 2012: 264). As a consequence of persistent insecurity—first under Taliban rule until 2001 and subsequently during NATO's military presence until 2014—Afghans have constituted the largest refugee population worldwide. Afghanistan's protracted history of migration thus reflects the cumulative impact of four decades of war and conflict (Lønning, 2020).

More recently, the resurgence of the Taliban has emerged as a central driver of renewed displacement. Following the withdrawal of U.S. forces in 2021, the Taliban regained full control of the Afghan state. Even prior to this development, Afghan refugees accounted for approximately 10 percent of the global refugee population (Maizland, 2021). The COVID-19 pandemic and recurrent droughts have further intensified insecurity and humanitarian vulnerability, contributing to a new wave of out-migration. Consequently, migration has become an integral component of the social and cultural landscape of Afghan society (Monsutti, 2007: 167). This study examines the well-being of unaccompanied and undocumented[3] Afghan migrant youth working across various sectors under conditions of forced migration. Well-being is widely recognized as a multidimensional construct. Ryff and Singer (1996) conceptualize well-being through six interrelated dimensions: self-acceptance, positive relations with others, autonomy, environmental mastery, purpose in life, and personal growth. In addition, the literature distinguishes between subjective and objective dimensions of well-being. Subjective well-being typically refers to individuals' cognitive and affective evaluations of their lives, including long-term life satisfaction as well as positive and negative emotional experiences (Diener, 1994). Objective well-being, by contrast, encompasses material and structural

[3] Undocumented migrants are defined in international migration law as "persons who enter or remain in a country without the appropriate documentation and who are not citizens of that country" (IOM, 2019: 223). The absence of identification documents significantly restricts access to residence and work permits as well as to basic services, and may entail long-term risks of statelessness.

conditions such as financial resources, educational attainment, health status, housing, and employment (Schueller and Seligman, 2010).

Research on subjective well-being treats these various life domains as integral components of individuals' everyday experiences (Rojas, 2007). Overall, these perspectives suggest that well-being cannot be reduced solely to material living conditions but also involves emotional states and subjective evaluations of life circumstances. Building on this framework, the present study focuses on the well-being of migrant children and youth by examining experiences that generate both positive and negative emotions. Given the diversity of migration trajectories and patterns of integration into host societies, subjective assessments are particularly valuable for capturing migrants' post-migration situations (Burton-Jeangros et al., 2021). Such analyses extend beyond immediate material conditions to include future-oriented aspirations linking the present to imagined futures, such as hopes, plans, ambitions, and goals (Scheibelhofer, 2018: 1000).

Accordingly, the study first addresses well-being in relation to employment and housing conditions before shifting attention to future aspirations. Childhood and youth are life stages characterized by profound change and transition, during which expectations related to education, community belonging, income generation, and family formation may shape future happiness (Switek, 2016). Forced migration, however, often disrupts these anticipated life trajectories. This study therefore asks to what extent experiences of refugeehood and undocumented migration enable or constrain the fulfillment of such expectations. How do forced migrants experience well-being under conditions of legal precarity? Do changes in living conditions following displacement reinforce or undermine future aspirations? What strategies do undocumented migrants develop to cope with and resist disadvantage in host countries? Previous research offers important insights into these questions. Bozok and Bozok (2019) show that undocumented Afghan migrant boys in Istanbul develop survival strategies through solidarity networks formed in the absence of family support. More broadly, studies on Afghan refugees consistently identify post-migration stressors such as legal uncertainty, economic hardship, depression, and limited access to social support as central challenges shaping well-being (Alemi et al., 2014, 2016, and 2018). This study contributes to the existing literature by qualitatively examining the relationship between well-being and migration among a specific and under-researched group: undocumented Afghan youth aged 16–24 who

migrated to Türkiye under conditions of forced displacement. The empirical data are based on in-depth interviews with 16 young migrants, including one adolescent, who were employed across various sectors in Istanbul and Kocaeli without residence permits. Afghan refugees were selected as the focus of this study due to their for ages displacement resulting from prolonged conflict, war, and violence, which have compelled millions to seek refuge abroad, with young men and women constituting a substantial share of this population.

By centering the analysis on youth, the study foregrounds age as a critical dimension shaping migration experiences and well-being, thereby highlighting the variability of migration trajectories "according to age" (Switek, 2016). In addition, the analysis reveals how young migrants themselves interpret changes in their well-being by distinguishing between aspirations for a better life and other migration-related constraints articulated in their narratives. Rather than offering a direct comparison with documented migrants, the study provides an in-depth account of how undocumented Afghan youth describe labor market precarity, legal uncertainty, and coping strategies as interconnected factors shaping their well-being.

Following the introduction, the second section outlines the data sources and methodological approach, while the third section presents the empirical findings. The article concludes by discussing the implications of these findings and by identifying potential avenues for future research on changing migration regimes.

2. Methods

2.1. Participant and Procedure

This study explores the disadvantaged positions shaping the well-being of young individuals who migrated from Afghanistan to Türkiye, whether accompanied or unaccompanied, with particular attention to economic, social, institutional, and gender-related vulnerabilities. The analysis is based on qualitative fieldwork conducted between March 2020 and December 2021 in Istanbul and Kocaeli. Participants were recruited using chain-referral sampling (Barbour, 2014), initiated by the researchers in areas with a high concentration of Afghan migrants.

Fieldwork was carried out in Istanbul's Sultanahmet and Zeytinburnu[4] districts, as well as in the Başiskele district of Kocaeli, where interviews were conducted at a construction site. These locations were selected due to their significance as settlement and employment areas for Afghan migrants.

Semi-structured, in-depth interviews were conducted with a total of 16 participants (7 female and 9 male), all of whom were employed in informal labor markets and lacked work permits at the time of the study. The interviews aimed to capture participants' migration trajectories, working conditions, and subjective experiences of well-being under conditions of legal and economic precarity. Guided by a grounded theory approach, the study seeks to center the lived experiences of undocumented Afghan migrants while avoiding the imposition of predefined or potentially biased conceptual frameworks related to identity and background (Torre and Storer, 2023). Interviews were conducted at locations chosen by the participants in order to ensure comfort and a sense of safety. All interviews were carried out face-to-face, in Turkish, and lasted approximately 20 to 35 minutes. Due to participants' concerns regarding audio recording, interviews were not recorded; instead, detailed notes were taken during and immediately after each interview. Participants selected interview times and settings that best suited their daily routines and work schedules. During the interviews, they were encouraged to reflect on their living conditions and to discuss their experiences of well-being. To facilitate open narration, participants were asked to respond to two broad guiding questions: events that made them feel happy after arriving in Türkiye, and challenges or experiences that made them feel unhappy. Within this framework, particular attention was given to the role of labor market experiences in shaping their well-being.

Given the legal precarity and vulnerability of the participants, pseudonyms were assigned to all individuals to ensure anonymity. The majority of participants were between the ages of 16 and 24 and originated primarily from Kabul. Of the Afghan youth included in the study, 56 percent were male and 44 percent were female (see Table 1), with an average age of 20.42 years. Participants' educational

[4] Zeytinburnu is one of Istanbul's most ethnically diverse districts and hosts one of the highest concentrations of Afghan migrant communities. Afghan migrants began settling in the district approximately three decades ago, making Zeytinburnu a key urban hinterland characterized by community solidarity, proximity to workplaces, and accessibility for newly arrived, transiting, or temporarily settled migrants (Foschini, 2022).

trajectories were fragmented, as several had been forced to interrupt their schooling due to conflict and migration. All participants migrated from Afghanistan between 2016 and 2019. Reflecting Afghanistan's ethnic diversity, the sample included participants identifying as Tajik, Afghan, and Turkmen.

Table 1: Research Participants' Information

Pseudonym	Age	Ethnic composition	Education	Migration route	Date of arrival to Türkiye
Nazar (M)	18	Turkman	None	Iran-Türkiye	2019
Tarık (M)	18	Turkman	None	Pakistan	2019
Cavad (M)	18	Tajik	High school	Iran-Türkiye	2019
Booran (F)	18	Tajik	Secondary school dropout	Iran-Türkiye	2019
Ziya (M)	19	Afghan	Madrasa	Pakistan-Iran-Türkiye	2018
Cemal (M)	22	Uzbek	High school	Türkiye	2016
Zaim (M)	24	Afghan	High school droput	Iran-Türkiye	2018

Note: (M) Men; (F) Female

The research process adopted a youth-centred approach by placing young participants at the core of the study and employing a flexible topic guide to generate comparable qualitative data. This approach is grounded in the assumption that young people are competent social actors and valid sources of knowledge who are capable of providing meaningful insights into their own lives and experiences (Beazley and Ennew, 2006; Crivello, Camfield, and Woodhead, 2009; Ebrahim, 2010). The aim was not only to document experiences but also to foreground the issues that participants themselves identified as most salient in shaping their well-being.

Although the researchers spent extended periods with some participants—at least one month in certain cases—to build rapport and trust, drawing on experience from similar qualitative studies, several interviews were discontinued prematurely. This difficulty reflects the precarious conditions under which undocumented Afghan youth live and work. For many participants, undocumented status was described as living permanently in a "grey zone," characterized by constant uncertainty and vulnerability. This condition resonates with Garcés-Mascareñas' (2010) conceptualization of "illegality" as a state of being "in-between," marked by the ongoing possibility of either regularization or deportation. The data were analyzed thematically using an inductive approach,

allowing patterns and themes to emerge from the narratives rather than being imposed a priori (Bowen, 2006). A key strength of inductive analysis lies in its capacity to explore under-researched social phenomena and to generate new insights in contexts where existing theoretical frameworks remain limited (Stern, 1980). Prior to data collection, the interview guide was pilot-tested with several undocumented migrants and subsequently refined to ensure clarity, relevance, and sensitivity to participants' lived realities.

2.2. Ethical Issues

Ethical approval for this study was obtained from the Kocaeli University Ethics Committee (Approval No. 189891). The research was conducted in accordance with the committee's ethical guidelines, with particular attention to confidentiality, anonymity, and the protection of participants in vulnerable legal situations. Informed consent was obtained verbally from all participants prior to data collection. Given varying levels of literacy and concerns related to legal precarity, the aims, scope, and voluntary nature of the study were explained verbally in detail to ensure informed participation. Due to participants' discomfort with audio recording, only a limited number of interviews were recorded and transcribed verbatim. In most cases, interviews initially proceeded without note-taking in order to establish trust, after which participants were asked for permission to take notes. Participants were explicitly informed that they could decline to answer any question or withdraw from the interview at any point without consequence. These measures were intended to minimize distress and to create a safe and respectful research environment. All interview materials and field notes were anonymized and analyzed using narrative and thematic approaches.

2.3. Trustworthiness and Reliability

To enhance the trustworthiness of the data collection and analysis process, several strategies were employed, including continuous data review, iterative comparison, and peer debriefing. Peer debriefing, in particular, served as a critical mechanism for examining emerging interpretations, assessing analytical coherence, and strengthening the credibility of the findings (Merriam, 1995). Unlike quantitative research, which aims to achieve generalizability and statistical reliability, qualitative research prioritizes depth, contextual understanding, and analytical rigor through the selection of information-rich cases (Patton, 2015:

401). In this study, the authors revisited the interview data multiple times during the analytical process to refine categories and confirm emerging themes. While the sample does not claim to be representative of the entire undocumented Afghan migrant population in Türkiye, it provides an in-depth snapshot of a specific group of undocumented youth whose experiences offer valuable insights into well-being under conditions of legal precarity. The selected participants are therefore understood as information-rich cases that support analytical rather than statistical generalization.

3. Analysis

This section presents the qualitative findings derived from a thematic analysis of the semi-structured interviews. The analysis focuses on the multidimensional disadvantages shaping the well-being of undocumented Afghan youth and highlights how these disadvantages are experienced and articulated in their everyday lives. The findings are organized around six interrelated thematic categories: (1) traumatic migration journeys from Afghanistan to Türkiye; (2) migrant networks and labor market experiences; (3) economic and social conditions; (4) institutional constraints; (5) gender relations; and (6) future aspirations. Each theme is illustrated with participants' narratives, which are used to elucidate the subjective meanings they attach to their experiences and to situate these accounts within the broader context of forced migration and legal precarity. The number of themes reflects the multidimensional nature of well-being and the complexity of undocumented youth's migration experiences rather than an artificial fragmentation of the data.

3.1. Traumatic Journeys from Afghanistan to Türkiye

All participants began their narratives by recounting their departure from Afghanistan and the circumstances surrounding their migration journeys. The majority of Afghan youth arrived in Türkiye as undocumented and unaccompanied migrants, typically transiting through Iran or Pakistan and undertaking long, arduous, and highly precarious journeys. As illustrated in Figure 1, these routes consisted of prolonged and irregular overland passages shaped by geographical barriers and heightened exposure to risk, particularly along the Iran–Türkiye border. The predominance of irregular routes reflects the

absence of accessible and legal migration channels[5] for Afghan migrants. As restrictive migration regimes reduce opportunities for regular entry, migration trajectories become increasingly prolonged, uncertain, and fragmented[6] (Collyer, 2007).

Such irregular journeys expose migrants to multiple and overlapping risks, including detention, physical violence, deportation, and, in extreme cases, death. Participants consistently described the Iran–Türkiye border crossing as one of the most physically demanding and dangerous stages of their journeys due to its mountainous and rocky terrain. Several accounts referred to injuries, exhaustion, and fatalities occurring in cliff and mountain areas, underscoring how the journey itself constitutes a profound source of trauma. Migration, therefore, was not experienced as a linear movement from origin to destination but rather as a sequence of fragmented stages characterized by uncertainty, vulnerability, and constant exposure to harm.

Figure 1. Irregular Afghan migration routes to Türkiye via Iran.

[5] Irregular migration is commonly understood as a mismatch between increasing aspirations to migrate and diminishing opportunities for legal entry (Ghosh, 2018: 230).
[6] The concept of "fragmented journeys" refers to the multi-stage, often perilous routes undertaken across land and sea, during which migrants' destinations may remain uncertain or change repeatedly, and where arrival at the intended destination is never guaranteed (Collyer, 2007; Collyer and de Haas, 2012).

Journeys often lasted for days and were undertaken in groups. When groups were intercepted by authorities, they frequently disbanded, with some individuals managing to escape while others were apprehended and deported. Separation from accompanying family members or friends emerged as a common and distressing risk. Among the participants, 40 percent reported experiencing hunger during the journey, 30 percent reported physical violence, 12.5 percent reported robbery, and 30 percent reported detention. As one participant explained:

> *I wanted to return to Iran. However, I had to surrender to the Turkish police first. If I were handed over to Iran by the Turkish police, I would be safely returned. Otherwise, if I returned on my own, there was a risk of being shot by the Iranian police. (Didem, 16 years old, Female)*

Participants also emphasized the challenges posed by harsh weather conditions and extreme physical endurance while crossing mountainous routes on foot. As Ziya recounted:

> *When we entered Turkiye from Van, we were caught. There were about 20 of us, and I managed to escape with a friend. We walked from Van to Erzincan. It was very difficult. We had no money and were very hungry. Villagers gave us food—may God bless them. First, we went to Ankara and then to Istanbul. My brother in Ankara sent us money for the bus. (Ziya, 19 years old, Male, Istanbul)*

Repeated apprehension and forced returns were also common experiences:

> *I was caught at the border four times and sent back to Iran. Later, I somehow managed to reach Van. From there, I arrived in Kocaeli by bus—first to Diyarbakır, then Ankara, and finally Kocaeli. (Mahmut, 24 years old, Male, Kocaeli)*

Gendered strategies of survival were evident during these journeys. Didem, who migrated at the age of 14, described disguising herself as a boy to reduce the risks she faced:

> *I crossed to Van wearing men's clothes. The police chased us. There were 15 of us and everyone ran in different directions. Two days later, I was caught and taken to a dormitory, where I stayed for three months. After that, I worked as*

a shepherd in Iğdır and later came to Istanbul. (Didem, 16 years old, Female, Istanbul)

Other participants highlighted the constant negotiation of fear, endurance, and risk:

We came from Iran with my sister and male cousin. We were not very scared because he was with us. The road was long and exhausting. We tried not to consume too much water. (Arife, 21 years old, Female, Istanbul)

Since we came through Pakistan, the journey was very long. We stayed very hungry, but hunger could not be worse than falling off the cliffs. The dead were buried right there, and the journey continued. (Nazar, 18 years old, Male, Istanbul)

Despite the threats to survival, most participants stated that they did not regret their decision to migrate. As Tarık noted:

We took a risk by embarking on an uncertain journey, but there were so many people that we were not afraid. Any difficult journey is better than the Taliban. (Tarık, 18 years old, Male, Istanbul)

Some participants reported being detained by smugglers upon arrival in Türkiye, particularly in border provinces such as Van, where they were confined in isolated locations for days until payments were secured. Others entered Istanbul through debt arrangements with smugglers, committing to repay travel costs through future labor. As Kaytaz (2016) argues, such challenging journeys and uncertainties play a formative role in shaping migrants' subsequent experiences and trajectories. Indeed, one participant with higher education and relatively better financial resources arrived directly in Istanbul by plane with legal documentation and did not experience these hardships, highlighting the stratified nature of migration experiences.

The primary drivers of Afghan migration identified by participants included pressure from the Taliban and other armed groups, lack of rights, poverty, discrimination, and limited access to basic services. These motivations were reflected in participants' narratives:

The Taliban raided our village and massacred everyone in nine households. I survived by blending in among them, but I could only endure for three months before escaping. (Nazar, 21 years old, Male, Istanbul)

There is Daesh, Taliban, mafia in Afghanistan, but there is no work. (Mahmut, 24 years old, Male, Kocaeli)

After my husband was martyred, I could not stay in Afghanistan as a single pregnant woman, so I left the country. (Medine, 22 years old, Female, Istanbul)

I was abused by my older brother when I was 12. He pressured me to sell drugs. When I turned 14, I escaped. I do not want anyone here to know that I am Afghan. (Didem, 16 years old, Female, Istanbul)

Didem's account reveals the deeply embedded patriarchal structures governing women's bodies and lives. At every stage of the migration process, girls were exposed to heightened risks of discrimination, exploitation, and abuse compared to boys. While male participants primarily cited conflict, unemployment, and discrimination as reasons for migration, female participants' narratives underscored the intersection of gender and migration-related vulnerability. Encouraged by her mother—who sold her ring to finance the journey—Didem migrated at the age of 14. Her resilience in navigating repeated apprehension, detention, and onward migration continues to shape her everyday life in Istanbul. As Kaytaz (2016) emphasizes, migrant journeys should be theorized both as analytical processes and as narrative experiences. The transformative impact of such journeys is closely linked to responses to suffering during the transition to adulthood, the construction of collective identities, and profound psychological transformations (Kaytaz, 2016: 298).

3.2. Immigrant Networks, Housing and Labor Markets

This study reveals that housing problems among undocumented immigrants are frequently addressed through ethnic and migrant networks within immigrant communities. In order to cope with high rental costs and poor housing conditions, undocumented migrants of the same nationality often share rooms or dwellings, thereby reducing individual living expenses. This pattern of housing arrangements aligns with Chavez's (1992) findings on undocumented

immigrants in California, where ethnic solidarity networks function as key mechanisms for accessing shelter in the absence of formal housing opportunities. Mahler (1995) conceptualizes this context as an informal housing market in which undocumented immigrants primarily operate, referring to unregulated and often illegal subletting arrangements. Similarly, Burgers (1998), in his study of Rotterdam, argues that when housing regulations in formal markets increasingly decommodify access to housing, comparable dynamics emerge in informal markets. In these spaces, undocumented migrants become structurally dependent on parallel housing systems shaped by exclusion from formal legal frameworks. In Türkiye, particularly in cities such as Istanbul and Kocaeli, policies aimed at reducing the commodified nature of informal housing markets are crucial for undocumented migrants who are forced to rely on these markets for shelter. This situation underscores the need for policymakers to acknowledge the role of informal housing arrangements and to consider regulatory and social policy interventions that address the housing precarity of undocumented populations.

Participation in labor markets is not only essential for the survival of undocumented migrants but also a fundamental means through which they sustain the livelihoods of family members left behind. Beyond economic necessity, access to employment plays a critical role in enabling migrants to establish social relationships, practice language skills, acquire cultural knowledge, and enhance their overall well-being. Despite this centrality, both refugees and undocumented migrants encounter significant structural barriers in labor markets. The absence of legal documentation places undocumented migrants in highly precarious positions, typically excluding them from formal employment and work permits. As a result, they are largely confined to insecure, low-paid, and informal jobs. Lacking familiarity with labor market structures in the destination country, undocumented migrants often rely on social networks to secure employment or gain access to jobs by "joining an ethnic community," sometimes in exchange for a fee (Lancee and Hartung, 2012).

Similar patterns have been documented in other national contexts. In Germany, for instance, social networks constitute a primary mechanism through which migrants access employment, a dynamic that closely resembles the situation in Türkiye (Drever and Hoffmeister, 2008). Within these networks, labor market access is frequently mediated by intermediaries who circulate job information in migrants' native languages. The employment opportunities offered through such

channels are typically concentrated in low-skilled sectors, particularly textiles and construction. Several participants reported entering the labor market through prior agreements with smugglers, who facilitated job placement in return for a share of future earnings. As shown in Table 2, the majority of Afghan migrants in the study began working at a very young age. Many entered the labor market during school age, largely because they arrived unaccompanied and needed to secure their own survival. The sectors in which they work generally require no formal qualifications or specialized skills. Compared to skilled migrants, refugees and undocumented migrants face substantially greater barriers, as they lack access to institutional resources, credential recognition, and professional networks (Eggenhofer-Rehart et al., 2018).

Clear gendered patterns emerged in employment trajectories. Male participants were more likely to work in physically demanding, low-skilled occupations such as construction, laundry services, and silversmithing, whereas female participants were predominantly employed in the textile sector. Most participants earned wages close to the minimum wage—approximately USD 400—while working ten hours or more per day. During the study period, the minimum wage was USD 464 (March 2020) and USD 369 (December 2021). Educational background played a role in shaping labor outcomes. For instance, Medine, a high school graduate, expressed interest in translation work and earned comparatively higher wages, while Arife, despite having a medical education, worked in the textile sector due to barriers related to diploma equivalency, residence status, and work permits. As Newman et al. (2018) argue, refugees who are able to form and utilize social networks aligned with their skills experience better physical and mental health outcomes and higher levels of life satisfaction.

Although language barriers are often identified as the primary obstacle to labor market integration, participants emphasized that fear of apprehension and deportation outweighed linguistic challenges. While language barriers are well documented in the literature (e.g., Baranik, Hurst and Eby, 2018; De Vroome and Van Tubergen, 2010), Afghan youth in Türkiye face an additional layer of exclusion. Unlike Syrian refugees, they do not benefit from temporary protection status and therefore lack access to many rights and services. Participants frequently described their condition as being “like invisible shadows.” Ethnic background further shaped labor market experiences. Afghan migrants of Turkic origin, such as Uzbek, Tajik, and Turkmen, reported greater ease in finding

employment due to higher levels of Turkish language proficiency. While ethnic hierarchies in labor markets are most commonly discussed in the literature with reference to relations between native and immigrant populations in developed countries (Ahmad, 2020), the case of Türkiye suggests that similar hierarchies may also emerge within immigrant groups.

Table 2: Workforce Profiles of Participants

Pseudonym	Starting age	Sector	Wage ($) (monthly)	Working hours (daily)	Weekly day off (day)
Nazar (M)	16	Laundress	600	10	1
Tarık (M)	16	Seller in silver shop	400	9	1.5
Cavad (M)	15	Textile	475	10	1
Booran (F)	16	Textile	400	10	1
Ziya (M)	18	Water distribution tank	400	12	No day
Cemal (M)	17	Building	475	10	No day
Zaim (M)	21	Building	450	10	No day
Mahmut (M)	20	Building	15 (day)	12	1
Ahmet (M)	15	Tektile	450	10	No day
Farzad (M)	17	Textile	350	10	1
Raziye (F)	17	Textile	630	10	1
Meryem (F)	17	Textile	552	10	1
Arife (F)	21	Textile	350	10	1
Medine (F)	19	Translator	950	Flexible	Flexible
Rana (F)	19	Patisserie	536	10	1
Didem (F)	14	Auto repair shop	15 (day)	12	1

Consequently, they tended to earn relatively higher wages compared to other Afghan migrants. As in many countries, refugees and undocumented migrants in Türkiye are simultaneously perceived as a source of cheap labor and as contributors to labor market disruption. Frydenlund and Dunn (2022) call for a critical rethinking of how labor market "integration" is conceptualized, highlighting the paradoxical position of refugees as both "necessary" and "prohibited." They argue that refugee capitalism, embedded within broader structures of racialized capitalism, produces labor that is indispensable yet systematically excluded. The experiences of undocumented Afghan migrants in this study reflect a clear awareness of this paradox. Participants recognized that while employers often prefer them due to their willingness to accept any working conditions, they are simultaneously perceived as threats by segments of the local workforce.

This sense of exclusion was further reinforced during the COVID-19 pandemic. Participants noted that, lacking HES (Stay Home, Save Lives) codes, they were effectively excluded from public spaces and public transportation, and increasingly framed as "prohibited" bodies associated with health risks. These findings underscore that refugee labor in Türkiye—particularly in sectors such as textiles—is deeply shaped by racialized and gendered hierarchies, positioning undocumented Afghan migrants at the margins of both the labor market and society7.

3.3. Perceived Safety, Family Obligations, and Social Well-Being

The youths spoke explicitly about their perceptions of safety in Türkiye, particularly in comparison to the turmoil and violence they experienced while leaving their countries of origin. Almost all participants used expressions such as "we are safe here" or "we feel secure" when reflecting on this issue. Some participants even praised the Turkish police, expressing gratitude for the role they played in ensuring safety during and after their journeys. These narratives revealed a complex emotional stance characterized by both fear of and trust in law enforcement. Undocumented migrants tended to speak respectfully of the Turkish police, especially when contrasting their experiences with Iranian police encountered along irregular migration routes. As Tarık explained:

> *[…] I'm both very scared and yet I feel very safe. If we are not committing a crime, Turkish police will not arrest us. (Tarık, 18 years old, Male, Istanbul)*

Consequently, many undocumented migrants believe that the likelihood of apprehension remains low as long as they avoid criminal activity. This belief does not stem from ignorance, but rather from a perception that the state tolerates their presence as long as they remain economically active and socially compliant. This sense of conditional safety enables Afghan youths to focus on rebuilding

[7] On 12 February 2022, four foreign nationals—three Syrians and one Iranian—lost their lives in a fire at a textile factory in Istanbul's Güngören district. According to a statement by the Food Workers' Union, the workers were allegedly locked in a bathroom due to their informal employment status. Surviving co-workers reported that the factory also functioned as a living space for migrant workers, who were deprived of basic labor and social rights. Textile factories in Turkey are among the sectors largely avoided by local workers because of low wages, long working hours, and the absence of social security. Such cases illustrate the extreme precarity and disposability of undocumented migrant labor under informal employment regimes (Gürpınar, 2018: 36).

their lives and cultivating a sense of purpose in Türkiye. At the same time, it resonates with Garcés-Mascareñas' (2010) concept of the "state production of illegal migration," which highlights the contradiction between states' demand for migrant labor and their simultaneous efforts to enforce border control. As Garcés-Mascareñas (2010: 87) argues, illegality is not the result of failed migration policies but rather a structural outcome of this contradiction. However, this relative sense of safety is not shared equally among all participants. Younger migrants, in particular, reported deliberately limiting their presence in public spaces due to fears of deportation and police checks. During the interviews, some participants became visibly uncomfortable when discussing their interactions with law enforcement, occasionally pausing the interview or resuming it only days later.

Another significant finding of this study is that individual backgrounds—particularly age, educational attainment, and parental income constraints—play a decisive role in shaping migrant youths' well-being. In order to alleviate family poverty, male children frequently sacrifice their own educational aspirations and future plans to assume the role of family breadwinner. In Afghanistan, this responsibility traditionally shifts to younger male siblings after the eldest son marries. Several participants reported starting work as early as sixth grade, initially in agriculture and later through migration. Due to their undocumented status, remittances are often sent collectively through trusted individuals with legal documentation residing in the same or neighboring villages.

As illustrated by the participants' narratives, this breadwinner role is deeply internalized:

> *If you're a male and over 15 years old, you have to help the family economically. Both my brother and I came here when we turned 15 to support our family. (Tarık, 18 years old, Male, Istanbul)*

> *After my brother got married, my mother and grandmother told me I had to take responsibility for the family. I had to give up my own dreams. Many of us even leave school for this reason. (Ziya, 19 years old, Male, Istanbul)*

In contrast, paid labor is not traditionally expected from girls in Afghan families. Nevertheless, female participants described a shift in gender norms following migration. In Türkiye, women not only recognized the necessity of working to

support their families but also expressed satisfaction with employment as a source of autonomy and social connection. As Rana stated:

> *Working keeps us connected to life, helps us socialize to some extent, and allows us to afford small things for ourselves. In Afghanistan, women faced strong social pressure not to work. We did not feel as comfortable or safe as we do here. That is why we feel fortunate to be in Türkiye. (Rana, 21 years old, Female, Istanbul)*

Despite these relative gains, longing for home emerged as one of the most emotionally salient themes among female participants. Although women faced severe discrimination in Afghanistan, many expressed deep emotional attachment to their families and homeland. Given that longing and nostalgia are socially constructed experiences (Appadurai, 2004), this emotional dimension should not be overlooked. Several participants became visibly emotional when discussing their families, and many identified photographs of their mothers or relatives as sources of happiness.

Some participants also emphasized the absence of personal life due to long working hours and caregiving responsibilities. Medine's narrative illustrates this burden:

> *After losing my family and my husband, I came to Türkiye and gave birth to my daughter here. I have to work to support her. I used to work at the American consulate, and my English is advanced. Speaking five languages helped me find work. Thankfully, I have never been unemployed. (Medine, 23 years old, Female, Istanbul)*

Other narratives reflected ongoing patriarchal constraints, such as arranged engagements and expectations of return once sufficient dowry savings were accumulated. At the same time, some stories revealed more acute forms of gender-based vulnerability. Didem, the youngest participant, explained that she fled not only the Taliban but also domestic abuse by her brother, traveling to Türkiye disguised as a man. At the time of the interview, she had been working and living in a car repair shop. Shortly afterward, she voluntarily surrendered to the police and was placed in a state women's shelter under protective supervision. Despite being 16 years old, she was preparing to restart formal education at the third-grade level.

3.4. Institutional Barriers and Legal Invisibility

The most significant constraint shaping the well-being of marginalized undocumented migrants in Türkiye is the persistent difficulty of obtaining legal status. The absence of documentation severely restricts access to services that require legal recognition, particularly healthcare, education, and freedom of movement. When apprehended, undocumented migrants face either detention—often for up to three months—or deportation if they refuse imprisonment. Given the fear of being unable to send remittances to their families during incarceration, many prefer to live in concealment, further deepening their social and institutional exclusion.

Young Afghan migrants arriving in Türkiye are largely ignored both within legal frameworks and in everyday social life. With the exception of four participants, none had applied for asylum. Several participants articulated future-oriented migration strategies that bypass Türkiye altogether. For instance, Medine stated her intention to apply to university in order to relocate to Germany, where her sister resides. Similarly, most participants expressed aspirations to migrate onward to Europe or other countries, with some actively saving money to facilitate this move. For these youths, remaining undocumented in Türkiye represents a temporary yet deeply precarious condition rather than a long-term settlement option.

Legal invisibility directly translates into deprivation from public services. Access to healthcare emerged as one of the most pressing challenges faced by undocumented Afghan migrants. Many are unable to seek medical care due to the absence of legal documentation, while others are deterred by the high costs of private healthcare. Even those who can afford private hospitals encounter language barriers that further complicate access. These vulnerabilities were particularly exacerbated during the Covid-19 pandemic. Although vaccination became a universal public health requirement, none of the participants reported being vaccinated, which constituted a major source of anxiety and exclusion. Living “like shadows” or “ghosts” thus became an entrenched and painful reality. Existing research confirms that the pandemic disproportionately intensified the social vulnerabilities of undocumented migrants lacking legal status (Özvarış et al., 2020; Page and Flores-Miller, 2021; Refle et al., 2025).

Young Afghan migrants who fled Afghanistan due to violence are especially vulnerable, facing heightened risks of psychological trauma, social exclusion, discrimination, and economic and sexual exploitation (Andisha and Lueger-Schoster, 2024). A key factor underlying this vulnerability is that most arrive unaccompanied and undocumented. In Türkiye, access to education and healthcare services is contingent upon registration within the migration system. Registered migrant children and youth may benefit from these services depending on the institutions under which they are placed and the scope of state protection provided (Aysan, 2020). However, several barriers prevent access to education, including families' lack of knowledge regarding bureaucratic procedures, fears associated with undocumented status, language barriers, and limited awareness of available educational opportunities.

The sense of exclusion produced by these institutional barriers is powerfully captured in the following account:

> *They don't offer us the same ease as Syrian immigrants. We can't benefit from the services they use. It's like we're invisible shadows. We exist, but at the same time, we don't. They see us, but they act as if we're not there. (Cavad, 18 years old, Male, Kocaeli)*

This statement reflects not merely individual frustration but a broader structural condition of legal invisibility. Cavad's words constitute a form of quiet rebellion against a system that simultaneously relies on undocumented migrant labor while denying these youth's formal recognition and access to fundamental rights. In this sense, legal invisibility emerges as both an institutional mechanism of exclusion and a lived experience that profoundly shapes Afghan youths' sense of belonging, security, and future orientation.

3.5. Gendered Vulnerabilities and Survival Strategies

Gender constitutes a central axis through which vulnerability and survival are experienced by undocumented Afghan migrants in Türkiye. Due to prolonged and dangerous migration routes, combined with entrenched social norms assigning men the primary responsibility for household livelihoods, those who leave Afghanistan are predominantly young men and children. While migration from Afghanistan is largely male-dominated, the presence and experiences of women should not be underestimated. On the contrary, this gendered selectivity

in migration deepens the vulnerabilities of both the women who migrate and those who remain behind.

The literature has long noted the limited attention paid to Afghan women's migration experiences. Alemi et al. (2018) emphasize the striking lack of research documenting the traumas experienced by Afghan women during migration journeys, particularly sexual violence perpetrated by smugglers and traffickers. For girls and young women, migrating with family members or relatives is often unfeasible due to economic constraints, the physical demands of irregular journeys, and the perception of women as an additional "burden." As a result, women who migrate through irregular routes often adopt survival strategies that involve disguising themselves as men to avoid sexual harassment and to reduce the fees demanded by smugglers.

Gendered hierarchies are also embedded in the economics of irregular migration. Smuggling fees differ by gender: while men typically pay between US$1,000 and US$1,200, women are charged higher amounts, ranging from US$1,300 to US$1,500. These differences are compounded by structural barriers in Afghanistan itself. Children under the age of 15 are not issued passports, and even those above 15 face significant bureaucratic obstacles. Consequently, passports are rarely used in journeys to Türkiye, which are predominantly irregular. In this study, two female participants under the age of 18 migrated through irregular routes while disguising themselves as men:

> *Disguising ourselves as men was our only way to ensure our safety. We didn't talk to anyone to avoid revealing our identities. (Booran, 18 years old, Female, Istanbul)*

> *My friend introduced me as her younger brother. My hair was always short, and because I was thin, I looked like a boy. I wore men's clothes all the time in Afghanistan to move around comfortably. (Didem, 16 years old, Female, Istanbul)*

By contrast, Arife's account illustrates how the presence of family members and other women during the journey can mitigate some risks, albeit at a higher financial cost:

I came with my cousin. I didn't wear men's clothes. My little sister was with us. No one harassed us, but we paid $1,400 per person for the journey. (Arife, 22 years old, Female, Istanbul)

After arrival in Türkiye, young Afghan women reported that discrimination is experienced primarily within their own communities rather than from the host society. Patriarchal norms continue to regulate women's behavior, producing silence, surveillance, and exclusion within Afghan migrant networks. Female participants repeatedly emphasized that Afghan men enjoy significantly greater freedom in both public and private spheres. Despite working long hours for low wages, many women expressed feeling relatively more fortunate than their male counterparts, partly because women in the sample generally had higher levels of education.

While young women stated that they faced limited discrimination from the broader Turkish society on the basis of gender, several reported verbal harassment and physical threats from Afghan men:

I was attacked by Afghan men because I wore shorts. They said, 'You are an Afghan girl, you cannot wear shorts. (Medine, 23 years old, Female, Istanbul)

After my brother's harassment, I stopped interacting with Afghans altogether after coming to Türkiye. (Didem, 16 years old, Female, Istanbul)

These narratives demonstrate how some young Afghan men reproduce the gendered privileges and patriarchal practices of their country of origin in the destination context. This finding supports Donaldson and Howson's (2009: 210) argument that migrating men often carry dominant notions of masculinity and gender relations across borders. Yet, alongside these persistent inequalities, young Afghan women actively develop survival strategies to reduce their vulnerabilities. By distancing themselves from restrictive community norms, engaging in paid work, and pursuing education, they negotiate new forms of agency within structurally constrained conditions.

3.6. Future Dreams

Despite variations in individual trajectories, almost all undocumented Afghan youths articulated future aspirations centered on education and the completion

of disrupted schooling. Education emerged as a key pathway to social participation, self-realization, and the possibility of improving living conditions. For many young migrants, interrupted education is closely intertwined with what Jauhiainen and Tedeschi (2021: 94) describe as "dramatic events, sudden decisions, and unresolved psychological traumas" that abruptly reshape life courses. Cemal articulated this rupture succinctly:

> *I had to flee because of the Taliban. But my main desire is to receive an education. There's no such opportunity there, and our financial situation didn't allow it. (Cemal, 19 years old, Male, Kocaeli)*

Several participants summarized their future aspirations in brief, emotionally charged statements, underscoring how even minimal hopes are shaped by prolonged uncertainty. These narratives reflect not only material deprivation but also a profound longing for stability, dignity, family, and peace:

> *I would like to build my own house. (Tarık, 18, Istanbul)*

> *I would like to send my parents to Hajj. (Nazar, 18, Istanbul)*

> *I wish for prosperity and security in my country. (Ahmet, 19, Kocaeli; Raziye, 21, İstanbul)*

> *I wish to continue my education. (Booran, 18, Istanbul)*

> *I would like to see my parents. (Cavad, 18, Kocaeli)*

> *To complete my unfinished undergraduate education. (Medine, 22, Istanbul)*

> *I want to have my own pastry shop. (Rana, 21, Istanbul)*

> *I want my passport, my own house, and my own bed. (Didem, 16, Istanbul)*

Viewed as a whole, these aspirations reveal that future-oriented hopes among undocumented Afghan youth are shaped not solely by economic ambitions, but also by deeply relational and existential concerns, including belonging, safety, autonomy, and family reunification. Several participants, such as Medine (22),

expressed aspirations to move onward to Europe—particularly Germany—in order to reunite with family members and pursue higher education. For many young Afghans, Europe symbolizes not only educational opportunity but also the promise of legal recognition, security, and a life no longer suspended in uncertainty.

4. Conclusion

This study has examined the welfare of undocumented Afghan youth in Türkiye, demonstrating that their everyday lives are shaped not only by limited rights but also by structural uncertainty, legal invisibility, and precarious survival strategies. Beyond material deprivation, the most pressing concern for young Afghan migrants is the constant risk of deportation and apprehension, which threatens their ability to meet the most basic needs of survival, including shelter and income generation. This fear is not abstract but deeply embedded in their transnational responsibilities, particularly the obligation to send remittances to families left behind. For male migrants in particular, the inability to provide financial support generates strong feelings of inadequacy, revealing how migration-related precarity intersects with gendered expectations of breadwinning.

Access to labor markets constitutes one of the few factors positively shaping life satisfaction, as employment provides a limited but crucial sense of control over daily life. This sense of control appears more pronounced among women, despite their concentration in insecure and informal sectors. While Afghan migrants evaluate their quality of life in Türkiye as higher than in Afghanistan—despite profound family separation—this comparison functions as a mechanism that legitimizes hardship and normalizes precarity, as also observed by Burton-Jeangros et al. (2021).

Gender emerges as a central axis structuring both vulnerability and resilience. Women's relatively higher educational attainment operates as a protective factor, facilitating access to comparatively better-paid jobs and enhancing autonomy. However, separation from family and exposure to patriarchal behaviors within migrant communities remain the most significant sources of distress for young Afghan women. Consequently, many adopt deliberate strategies of distancing themselves from co-ethnic male networks. While community solidarity often

strengthens Afghan men, it does not provide the same protective function for women, revealing the gendered limits of ethnic networks.

By foregrounding these dynamics, this study contributes to the literature on forced and irregular migration by demonstrating that gendered inequalities are reproduced not only during migration routes but also in post-migration labor markets and everyday survival practices. Importantly, the findings suggest that future research should move beyond an exclusive focus on women's vulnerability and instead critically engage with men's roles, masculinities, and moral pressures under conditions of undocumentedness. Such an approach allows for a more comprehensive understanding of how legal invisibility, labor precarity, and gender norms jointly shape the lived experiences of undocumented migrant youth. Ultimately, the lives of undocumented Afghan youth in Turkiye unfold within a paradoxical space where survival is made possible through labor, yet belonging, security, and future planning remain structurally out of reach. These findings suggest that policies addressing undocumented migrant youth should move beyond temporary containment and labor absorption, and instead acknowledge how legal invisibility, gendered expectations, and restricted access to basic services jointly shape everyday survival and future planning.

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7

Democratization in Countries Vulnerable to Populism: Evidence from Labor Market Dynamics

Evren Denktaş (Osmaniye Korkut Ata University)
ORCID: 0000-0001-8921-1119
evrendenktas@osmaniye.edu.tr

Abstract

This chapter examines the process of democratization in countries that are structurally vulnerable to populism, where populist and non-populist governments alternate over time and democratic consolidation remains fragile. Rather than treating populism as a temporary deviation or a completed regime shift, the analysis conceptualizes populism as a recurring political risk and focuses on how democratic institutions evolve under such conditions of vulnerability. Using a dynamic panel dataset covering 27 countries over the period 2005–2020, the study combines classical modernization indicators with labor market variables to assess their relevance for liberal democracy. The empirical results reveal a high degree of persistence in the level of liberal democracy, indicating strong path dependence in democratic institutions. Contrary to the expectations of modernization theory, GDP per capita, income inequality, and unemployment do not exhibit statistically significant effects on liberal democracy in countries vulnerable to populism. By contrast, female labor force participation is positively and significantly associated with liberal democracy, suggesting that gender inclusion constitutes a relatively resilient social channel of democratization in politically fragile contexts. Public education expenditures, however, are negatively associated with liberal democracy, highlighting the context-dependent and potentially ambivalent role of education policies in such settings. Overall, the findings suggest that democratization in countries vulnerable to populism is shaped less by aggregate economic performance than by labor market dynamics and the political orientation of public policies. By adopting a labor-market-centered perspective, this chapter contributes to the literature on populism and democracy by emphasizing the conditional and uneven nature of democratic development under persistent populist vulnerability.

Keywords: Populism; Democratization; Populist Vulnerability; Labor Market Dynamics; Employment; Liberal Democracy; Economic Development; Dynamic Panel Data

JEL Classification: O11, P16, J21, C23

1. Introduction

Over the past decade, populism has become increasingly widespread on a global scale. In some countries, populist parties have increased their vote shares and established themselves as strong opposition forces, while in others they have succeeded in coming to power. Whereas populism was once largely associated with the developing world—particularly with countries where democratic consolidation had not yet been completed—it has now become a salient feature of advanced democracies as well.

The rise of populism has multiple social, economic, and cultural determinants. However, the primary motivation of this study is not to explain the origins of populism. Rather, it seeks to understand the process of democratization—or democratic deepening—in countries where populist parties have come to power, that is, countries that can be described as vulnerable to populism (PVCs). Although there is no inherent theoretical incompatibility between populism and democracy, in practice populist policies tend to erode liberal democratic institutions (Mansbridge & Macedo, 2019; Mudde & Rovira Kaltwasser, 2017; Ocampo, 2019). Consequently, it is difficult to argue that democracy is fully consolidated in countries governed by populist incumbents. Instead, these countries remain engaged in an ongoing process of democratization or democratic deepening.

As noted by Canovan (1999), populism feeds on the gap between the promises democracy makes in addressing popular concerns and its actual performance in fulfilling those promises. When societies become dissatisfied with the functioning of democracy, they are more likely to become receptive to populist appeals. Mazzuca (2013) argues that contemporary left-wing populist or superpresidential regimes—particularly in Latin America—differ from mid-twentieth-century populist governments in that they no longer primarily target the industrial working class. Instead, they increasingly mobilize the unemployed and workers in the informal sector. In the case of right-wing populism, political rhetoric often centers on immigrants, who are portrayed as taking jobs away from low-skilled native workers. In this sense, populist movements can be understood as emerging from widespread social disappointment with the existing system. In particular, it can be hypothesized that labor market dynamics constitute a key manifestation of this disappointment.

This study empirically examines the processes of democratization and democratic deepening in 27 countries where populist parties have held power for at least one term since 2007. The analysis draws, first, on Lipset's (1959) modernization theory, which emphasizes the relationship between economic development and democracy. Although development, as Amartya Sen (1999, p. 36) argues, cannot be reduced solely to per capita GDP, the positive association between economic development and democratic outcomes cannot be entirely disregarded. In addition, the analysis incorporates variables that reflect social uncertainty, anxiety, and perceptions of injustice, such as income inequality, unemployment, female labor force participation, and vulnerable employment. Finally, as a proxy for the level of societal education—widely regarded as a key determinant of democracy—the share of education expenditures in national income is also included in the model.

The remainder of the chapter is structured as follows. Section 2 discusses the relationship between populism and democracy. Section 3 reviews the relevant literature. Section 4 presents the data and methodology. Section 5 reports the empirical findings, followed by the discussion and conclusion.

2. The relationship Between Populism and Democracy

Mansbridge and Macedo (2019, pp. 60–62) formulate the most basic conception of populism as "the people in moral battle against elites." A populist movement conceptualizes those who previously held power or who currently govern as "elites." According to this view, elites pursue their own interests while disregarding the grievances of society. In doing so, they may even act in ways that worsen social conditions. Moreover, the elites' acquisition of their status and wealth is often portrayed as dubious and frequently illegitimate. For these reasons, elites are depicted as morally corrupt or "evil," whereas the people are represented as "pure" by virtue of their values and virtues. As a result, the antagonism between elites and the people is framed as a moral struggle.

Building on this core formulation, Mansbridge and Macedo identify four additional characteristics commonly associated with populism: "(a) a homogeneous people, (b) an exclusive people, (c) greater direct popular rule, and (d) nationalism." Not every populist movement necessarily embodies all four characteristics; however, populist actors tend to incorporate one or more of these

elements to varying degrees. Taken together, these characteristics pose a challenge to democracy by promoting an anti-pluralist political logic and facilitating the dominance of the majority, potentially at the expense of minority rights.

To better understand the relationship between populism and democracy, it is useful to distinguish between two forms of democracy. The first refers to democracy in its basic sense, emphasizing popular sovereignty and majority rule. The second is liberal democracy, which, in addition to majority rule, includes the protection of fundamental rights such as freedom of expression and minority rights through independent institutions (Mudde & Kaltwasser, 2017, p. 80).

Populism relates differently to liberal and non-liberal forms of democracy. For instance, in countries characterized by non-liberal or authoritarian political structures, populism may contribute positively to democratic participation. By contrast, in already liberal democratic systems, populism may have detrimental effects. A key distinction in this regard concerns whether populist movements operate in opposition or hold governing power. When populist movements remain in opposition, they may help amplify the voices of social groups whose concerns have previously been neglected by political elites. Through populist opposition, such groups can gain greater political representation, potentially contributing to democratic deepening.

However, once populist movements come to power, this dynamic may reverse. Populist incumbents tend to frame their actions as expressions of "the will of the people," while portraying opposition actors as standing against popular sovereignty. In more extreme cases, political opponents may be labeled as "enemies of the people" (Rodrik, 2018). Furthermore, populist leaders may come to embody political power in their own person, presenting themselves as the sole authentic voice of the people. These dynamics weaken political opposition and erode liberal institutions designed to protect minority rights and constrain executive authority. Consequently, liberal democracies governed by populist incumbents may face the risk of evolving into regimes characterized by the dominance of the majority, commonly described as a "tyranny of the majority."

3. The Democratization Literature

A large body of theoretical and empirical research has examined the relationship between economic development and democratization from different perspectives.

Lipset (1959) argues that increases in per capita income make countries more democratic, as higher income levels are closely associated with improvements in education, industrialization, and urbanization. Przeworski and Limongi (1997), by contrast, contend that per capita income does not directly cause democratization; rather, higher income levels increase the likelihood that existing democracies will survive. Boix and Stokes (2003) suggest that the positive effect of rising income levels on democracy is conditional on low levels of income inequality. Welzel and Inglehart (2005) argue that economic development—understood as a transition from an agriculture-based economy to an industrial and subsequently post-industrial structure—is accompanied by shifts in cultural values that ultimately foster democratization.

In addition to the role of income levels, a substantial literature has focused on the impact of income inequality on democratization. According to Acemoglu and Robinson (2006), high levels of income inequality hinder democratization and contribute to the persistence of authoritarian regimes, as elites tend to oppose democratic transitions that would increase their tax burden. At the same time, the same framework acknowledges that rising within-group inequality may, under certain conditions, increase pressures for democratization. Boix (2003) similarly argues that democratic transitions are more likely in societies characterized by low income inequality, whereas high inequality—particularly in economies dominated by powerful landowning elites—strengthens elite resistance to democratic change. Houle (2009) finds that inequality does not directly affect democratization but instead undermines democratic consolidation. Chong and Gradstein (2019) highlight a self-reinforcing cycle in which high income inequality enhances the political power of elites, weakens institutional quality, and, in turn, further exacerbates inequality.

The sustainability of democracy also depends on the extent to which societies are satisfied with democratic performance. When individuals face economic hardship, they may seek alternatives to democratic governance. In this context, unemployment and labor-related uncertainty can play a particularly important role. Loveless and Binelli (2020), in their study of Italy, find that individuals' expectations regarding their working lives—especially job security and stability—are closely related to their attitudes toward democracy. Higher levels of job insecurity and instability are associated with lower satisfaction with democracy. At the individual level, Bauer (2018), examining Switzerland and the

Netherlands, shows that unemployed individuals report lower levels of life satisfaction. However, the study does not find a significant relationship between unemployment and satisfaction with democracy. Bauer emphasizes the limitations of the unemployment variable, noting that factors such as the reasons for unemployment and its duration complicate its explanatory power.

There is also a well-documented parallel between political regimes and the role of women in politics. Countries with higher levels of economic development (Inglehart & Norris, 2003) or higher levels of democracy (Stockemer, 2018) tend to exhibit greater gender equality and higher levels of female parliamentary representation. Increased female labor force participation facilitates women's political representation (Norris, 1987; Togeby, 1994), as voters who are accustomed to women's presence in the workforce are more likely to accept them in political leadership roles. Moreover, well-educated professional women with managerial experience are more likely to be perceived as suitable candidates for political leadership (Iversen & Rosenbluth, 2008). Nevertheless, empirical findings on the relationship between women's labor force participation and political representation remain mixed. While some studies report a positive association (Matland, 1998; Iversen & Rosenbluth, 2008; Ross, 2008; Stockemer & Byrne, 2012), others find no significant relationship (Kenworthy & Malami, 1999; Yoon, 2004; Wolbrecht & Campbell, 2007; Stockemer, 2009). Overall, the literature suggests that the relationship tends to be positive and significant primarily in advanced or industrialized countries, whereas the association weakens or disappears when samples include countries with heterogeneous levels of development.

Recent research also highlights growing polarization within labor markets between "good jobs" and "bad jobs." Based on an analysis of employment in the United States, Kalleberg (2013) documents increasing inequalities in workers' control over their jobs, the rewards they receive, and the intensity of their work. This polarization is driven by institutional, legal, and political forces. The erosion of labor laws, workplace standards, and collective bargaining agreements has contributed to the expansion of low-quality employment. Low-paid and precarious forms of work have become increasingly widespread, particularly following the Great Recession of 2007. According to Kalleberg, job polarization is not only associated with poverty, race, ethnicity, and gender inequality but also constitutes an important source of political polarization.

4. Data and Methodology

4.1. Data

This study analyzes the process of democratization in 27 countries where populist parties came to power during various periods between 2005 and 2020.[1] These countries were selected from the sample of 33 countries identified by Kyle and Gultchin (2018) as having experienced populist governments between 1990 and 2018. Of the 27 countries included in the analysis, 25 have liberal democracy index scores below 0.7 according to the Varieties of Democracy (V-Dem) dataset. The remaining two countries—Italy and Poland—are included because they hosted populist governments for a substantial portion of the period under consideration. Consequently, the countries in the sample either exhibit limited democratic deepening or have been predominantly governed by populist administrations during the observation period.

Table 1. Data

Variables	Symbols	Descriptions	Sources
Dependent Variables			
Liberal Democracy Index	LIBDEM	Liberal Democracy Index (annually)	V-Dem Project
Independent Variables			
Gross Domestic Product per Capita	GDPPC	Gross Domestic Product per Capita, Constant $	World Bank
Unemployment	UNEMP	Unemployment rate	World Bank
Female employment	FEMEMP	Female employment rate	World Bank
Vulnerable employment	VULEMP	Vulnerable employment rate	World Bank
Income Inequality	P90P100	Income share of top %10 of population	World Income Data Base
Government Education Expenditure	EDU	Government education expenditure, (% of GDP)	World Bank

The dependent variable in the analysis is the Liberal Democracy Index (LIBDEM) from the Varieties of Democracy (V-Dem) dataset. Unemployment rate (UNEMP), female employment as a share of total employment (FEMEMP) and the rate of vulnerable employment (VULEMP) are included as labor-market-

[1] These countries include Argentina, Belarus, Bolivia, Brazil, Bulgaria, Ecuador, Georgia, Hungary, India, Israel, Italy, Mexico, Nicaragua, North Macedonia, Paraguay, the Philippines, Poland, Romania, Serbia, the Slovak Republic, Slovenia, South Africa, Sri Lanka, Thailand, Turkey, Venezuela, and Zambia.

related variables, while income inequality is measured by the ratio of the income share of the richest 10 percent to that of the remaining 90 percent of the population (P90P100). Economic development is captured by real GDP per capita (GDPPC). As a control variable, the share of public education expenditures in GDP (EDU) is also included in the model.

4.2. Amprical Strategy

The analysis employs two-year averages (2005–2006, 2008–2009, 2010–2011, 2012–2013, 2014–2015, 2016–2017, 2018–2019, and 2020–2021). The rationale for using two-year averages is that institutional variables such as democracy tend to exhibit limited short-term variation and respond to socioeconomic factors with a lag. Averaging over two-year periods can therefore both increase observable variation and capture delayed responses more effectively. The literature includes studies that use three-year averages or three-year intervals; however, there is no clear consensus on the optimal time window or on whether averages or intervals are preferable (Temple, 1999; Bonnefond, 2014). The choice of two-year averages in this study is motivated by the fact that elections are held approximately every four years in many countries. Democratic reforms are often implemented strategically either shortly after elections or in the run-up to them. Using two-year averages thus allows the analysis to capture as much variation in democratic outcomes as possible. Averages are preferred to intervals in order to retain the maximum amount of information contained in the data.

To examine the long-term trajectory of democratization in countries that have experienced populist incumbency, the study employs a dynamic panel data approach. Because democratic institutions are inherently characterized by a high degree of persistence, the empirical framework explicitly incorporates lagged values of the dependent variable. This feature limits the applicability of conventional static panel data methods and necessitates a more flexible estimation strategy.

In countries governed by populist incumbents over extended periods, democratic institutions may gradually erode or shift in orientation over time. Against this background, the analysis focuses on the determinants of liberal democracy with particular emphasis on labor market variables. The strong dependence of

democratization on its own past values makes it necessary to specify a dynamic model that includes a lagged dependent variable.

In dynamic panel data settings, fixed-effects or random-effects estimators can yield biased and inconsistent results when lagged dependent variables are included (Nickell, 1981). This problem is especially pronounced in panels with a relatively short time dimension (T = 8) and a larger cross-sectional dimension, as is the case in this study. For these reasons, the analysis relies on the Generalized Method of Moments (GMM) estimator developed for dynamic panel models (Holtz-Eakin, Newey, and Rosen, 1988; Arellano and Bond, 1991).

The GMM approach mitigates simultaneity and reverse causality concerns by using appropriate lagged values of endogenous variables as instruments (Arellano and Bond, 1991). However, the first-difference GMM estimator may suffer from weak instrument problems, particularly when the variables under consideration are highly persistent and the sample size is limited (Blundell and Bond, 1998). Given the high degree of persistence observed in the democratic indicators analyzed in this study, the system GMM estimator is adopted.

The system GMM method combines equations in first differences with equations in levels, thereby strengthening the instrument set and producing more consistent and efficient estimates relative to first-difference GMM (Arellano and Bover, 1995; Blundell and Bond, 1998). This approach allows for the control of unobserved country-specific fixed effects while adequately capturing the dynamic structure of the model. Estimation is carried out using the two-step system GMM procedure, and standard errors are robustly estimated following the finite-sample correction proposed in the literature (Roodman, 2009).

Overall, this methodological framework is not intended to establish definitive causal relationships regarding democratization in countries with populist incumbency. Rather, it aims to render analytically visible the social and economic mechanisms that accompany the evolution of democracy over time. In this respect, the chosen approach provides an empirical foundation for the chapter's central focus on democratization in the post-populist context.

The following model is estimated in the analysis:

$$LIBDEM_{it} = \beta_0 + \beta_1 LIBDEM_{it-1} + \beta_2 LnUNEMP_{it} + \beta_3 LnVULEMP_{it} + \beta_4 LnFEMEMP_{it} + \beta_5 LnGDP_{it} + \beta_6 LnP90P100_{it} + \beta_7 LnEDU_{it} + \varepsilon_{it}$$

where $LIBDEM_{it}$ denotes the level of liberal democracy in country i at time t. The lagged value of the dependent variable is included in the model to capture the persistence and path dependence of democratic institutions over time. The set of independent variables comprises labor market indicators, economic development, income inequality, and public education expenditures. In the econometric estimations, logarithmic transformations of the variables are employed to reduce scale differences and to facilitate proportional interpretations of the estimated coefficients.

In dynamic panel data models, the reliability of estimation results depends on the satisfaction of certain diagnostic conditions. In particular, the absence of second-order serial correlation in the error terms is required, which is assessed using the Arellano–Bond autocorrelation tests (Arellano and Bond, 1991). In addition, the validity of the instrument set and the absence of overidentification problems are evaluated using the Hansen J test (Hansen, 1982). Because the Hansen test provides more flexible and reliable results in the presence of heteroskedasticity and serial correlation, it is adopted as the primary diagnostic criterion in this study.

Within this framework, the chosen estimation strategy and diagnostic tests allow for an analytical examination of the dynamic relationships accompanying the democratization process in countries that have experienced populist incumbency. Rather than advancing strong causal claims, the objective is to derive consistent and interpretable empirical findings regarding the evolution of democracy over time.

Table 2. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
LIBDEM	216	.475	.207	.058	.829
GDPPC	213	10.816	2.084	7.504	17.281
P90P100	216	.464	.104	.264	.654
EDU	193	1.421	.322	.157	2.185
UNEMP	216	1.949	.718	-.879	3.602
FEMEMP	216	3.751	.233	2.966	4.178
VULEMP	216	3.185	.787	1.141	4.418

Table 2 reports the descriptive statistics. The variables exhibit sufficient variation for empirical analysis. Descriptive statistics are presented in levels, whereas logarithmic transformations are used in the econometric estimations. Differences in the number of observations across variables in the descriptive statistics reflect data availability across sources. The empirical analysis itself is conducted using a common set of observations consistent with the lag structure and instrument requirements of the dynamic panel estimation method.

The correlation matrix presented in Table 3 provides initial empirical insights into the direction and magnitude of the bivariate relationships among the variables. The association between liberal democracy and GDP per capita is notably weak. This finding suggests that the strong income–democracy link emphasized by Lipsetian modernization theory may have limited explanatory power in the context of countries that have experienced populist incumbency.

Table 3. Correlation Matrix

Variables	LIBDEM	GDPPC	P90P100	EDU	UNEMP	FEMEMP	VULEMP
(1) LIBDEM	1.000						
(2) GDPPC	0.018	1.000					
(3) P90P100	-0.278	0.052	1.000				
(4) EDU	0.234	-0.216	-0.020	1.000			
(5) UNEMP	0.400	-0.140	-0.067	0.028	1.000		
(6) FEMEMP	-0.090	-0.098	-0.077	0.265	-0.436	1.000	
(7) VULEMP	-0.269	-0.060	0.547	-0.365	-0.225	-0.174	1.000

The correlation between liberal democracy and income inequality is negative, indicating that higher levels of inequality are associated with weaker levels of liberal democracy. While public education expenditures are positively correlated with liberal democracy, the correlation between unemployment rates and liberal democracy is also positive. These patterns indicate that, at the bivariate level, the variables in question can move in the same direction as democratic outcomes, without implying a causal relationship.

The relationship between female labor force participation and liberal democracy is weak and negative. This suggests that the role of women's employment in the democratization process may be too complex to be captured through simple correlations. The correlation between vulnerable employment and liberal democracy is also negative. Moreover, the positive association between vulnerable

employment and income inequality represents one of the strongest correlations in the matrix, indicating that these two variables reflect a common dimension of social vulnerability.

5. Results

Table 4 presents the estimation results obtained from the dynamic panel data analysis. The findings indicate that the level of liberal democracy is highly correlated with its own lagged values. This pattern suggests that democratic institutions exhibit strong persistence and path dependence over time. In other words, in countries that have experienced populist incumbency, the trajectory of democratization appears to be shaped less by short-term economic and social fluctuations than by inherited institutional structures.

Table 4: Results (Dependent variable: LIBDEM)

	Sys-GMM Model 1	Sys-GMM Model 2	Sys-GMM Model 3	Sys-GMM Model 4
l.LIBDEM	1.02794***	1.1078***	1.0819***	1.088333***
	(.0346)	(.0735)	(.0722)	(.0753)
LnGDPPC	-.0021	-.0030	-.0021	-.0025
	(.0034)	(.0039)	(.0031)	(.0033)
LnP90P100	.0008	.0594	.0660	.0772
	(.0664)	(.0674)	(.0658)	(.0631)
LnEDU	-.0336**	-.0453**	-.0522**	-.0569**
	(.0147)	(.0199)	(.0253)	(.0263)
LnUNEMP	-	-.0155	-.0018	-.0047
		(.0129)	(.0144)	(.0172)
LnFEMEMP	-		.0583**	.0552**
			(.0233)	(.0264)
LnVULEMP	-	-	-	-.0059
				(.0168)
intercept	.0607	.0470	-.1886**	-.1480
	(.0490)	(.0610)	(.0894)	(.1673)
Arellano-Bond AR(1)	0.045	0.056	0.044	0.047
Arellano-Bond AR(2)	0.119	0.114	0.116	0.115
Hansen J Test	0.192	0.180	0.325	0.250

With respect to indicators of economic level and distribution, GDP per capita and income inequality do not display statistically significant effects on liberal democracy. Similarly, neither the unemployment rate nor the rate of vulnerable

employment exerts a significant influence on democratization. These results suggest that, in countries governed by populist incumbents, democratic outcomes are not directly driven by classical modernization indicators or by quantitative deteriorations in labor market conditions.

By contrast, female labor force participation has a positive and statistically significant effect on the level of liberal democracy. Increases in women's employment thus emerge as one of the more resilient social channels of democratization, even under conditions of populist governance. The share of public education expenditures in national income, however, is found to have a negative and statistically significant association with liberal democracy. This finding indicates that the impact of education spending on democratization may depend less on its magnitude than on its political context and institutional orientation.

Diagnostic tests employed to assess the reliability of the estimation results indicate that the models are generally well specified. In the Arellano–Bond serial correlation tests, first-order autocorrelation appears as expected, while no evidence of second-order autocorrelation is detected. This outcome is consistent with the underlying assumptions of dynamic panel data estimations. The Hansen J test results for instrument validity take moderate values across all model specifications, suggesting that the instrument set does not suffer from overidentification problems.

6. Discussion

The findings of this study indicate, first, that GDP per capita, income inequality, and unemployment do not exert a significant effect on liberal democracy. The apparent insensitivity of liberal democracy to increases in income levels diverges from the expectations of Lipsetian theories of democratization. Similarly, rising income inequality does not appear to have generated social unrest at a level sufficient to trigger regime change. Taken together, these results suggest that in countries that have experienced populist incumbency, democratization is shaped less by classical economic indicators than by patterns of social representation and the broader political context.

Turning to the effects of the explanatory variables on liberal democracy, the analysis shows that female labor force participation has a positive impact. One possible explanation for this finding is the gradual weakening of patriarchal social structures. As women enter the workforce and, over time, attain managerial or leadership positions, negative perceptions regarding their role as political representatives may begin to erode among voters. Increased female representation in parliament also implies broader societal representation. Historically, women have been assigned more marginal social roles relative to men; their growing equality in both economic and political spheres may therefore contribute to rising levels of social tolerance. As groups previously perceived as marginal become more integrated into social life, overall societal tolerance may be further reinforced.

Another notable finding is that changes in the level of vulnerable employment do not have a significant effect on liberal democracy. In democratic contexts, increases in vulnerable employment are often assumed to make societies more susceptible to populist mobilization, as economically insecure groups can more easily be mobilized against political elites. However, the countries examined in this study have been governed by populist incumbents for extended periods. This raises the question of why vulnerable workers do not shift toward political alternatives capable of displacing populist governments. One possible explanation is the perception that a collapse of populist rule would destabilize the existing system, thereby threatening already precarious livelihoods. Another possibility is that disillusionment with populist incumbents leads voters not toward democratic alternatives but toward more radical—and potentially more authoritarian—political options. It is also plausible that individuals facing insecure working conditions prioritize the maintenance of their current livelihoods over democratic ideals. These dynamics suggest that while vulnerable employment may play a role in the rise of populism, it does not become a decisive factor shaping the trajectory of democratization once populist governments are entrenched.

Findings related to education expenditures point to a more ambivalent relationship between populist incumbency and democratization. The negative association between public education spending and liberal democracy suggests that education does not uniformly function as a mechanism that strengthens democratic capacity. Under populist governments, education policies may be

restructured in ways that reinforce political legitimacy and regime consolidation. Expanding school enrollment, opening new educational institutions, or increasing education-related investments may serve as tools to secure the support of voter groups who place high value on upward social mobility for their children.

In this context, education may function less as a driver of democratic deepening than as a component of regime consolidation. At the same time, the available data do not provide detailed information on the levels of education to which public spending is allocated. For instance, investments in higher education may have political effects that differ from those associated with primary or secondary education. Accordingly, future research would benefit from examining more closely the relationship between the level and composition of education expenditures and the durability of populist incumbency.

7. Conclusion

This study has examined how the process of democratization has evolved in countries that have experienced prolonged periods of populist incumbency. Moving beyond the frequently emphasized narrative of "democratic backsliding" in the populism literature, the analysis has focused on identifying the social and economic channels through which democracy is reproduced or constrained in the populist context. In this regard, the democratization process has been analyzed not only through classical modernization indicators but also through labor market dynamics.

One of the main contributions of the study is to demonstrate that democratization in this group of countries does not primarily proceed through classical modernization variables. Indicators such as GDP per capita, income inequality, and unemployment do not exhibit significant effects on liberal democracy. These findings suggest that economic growth or changes in income distribution no longer constitute the principal forces shaping the direction of democratization under conditions of populist incumbency.

By contrast, female labor force participation has a positive and statistically significant effect on liberal democracy. The expansion of women's employment emerges as one of the most resilient social channels of democratization, even under populist governments. This finding underscores that democratization is

closely linked not only to institutional reforms but also to transformations in social structures. Greater visibility of women in both economic and political spheres may contribute to broader political representation and increased social tolerance.

Results related to education expenditures clearly reflect the ambivalent relationship between populist incumbency and democratization. The negative association between public education spending and liberal democracy indicates that education does not function uniformly as a mechanism that strengthens democratic capacity. Under populist governments, education policies may become instruments of regime consolidation rather than vehicles for democratic deepening. This observation highlights that democratization is shaped not merely by the scale of public policies but also by their content and political orientation.

The absence of significant effects of vulnerable employment and unemployment on democratization further suggests the need to analytically distinguish between the causes of populism and the dynamics of regimes after populist incumbents become entrenched. While labor market insecurity may provide fertile ground for populist political mobilization, it does not appear to constitute a decisive factor in determining the trajectory of democratization once populist governments are in place.

Overall, this study cautions against approaches that conceptualize populism as a simple antithesis to democracy. Populism constitutes a political context that reshapes the direction of democratization, weakening some social channels while strengthening others. Understanding democracy in the populist era therefore requires attention not only to institutional indicators but also to labor market structures, social representation, and the nature of public policies. By adopting a labor-market-centered perspective, this chapter aims to contribute to the literature by illuminating the contradictory and multilayered character of democratization in countries that have experienced populist incumbency.

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8

A Northern Outlook on the Russia–European Far Right Nexus: The Rise of Right-Wing Parties in the Nordic Countries

Mustafa Cem Oğuz (Niğde Ömer Halisdemir University)
ORCID:0000-0003-3968-350X.
oguzmustafacem@gmail.com

Abstract

The growing affinity between the European far right and Russia has found ideological grounding in Putin's embrace of conservative values. Russia's hardline stance on immigration and national sovereignty has positioned it as a model for many far-right movements in Europe. Following the annexation of Crimea in 2014, Russia began to support far-right parties to counter Western sanctions strategically. However, the relationship between these parties and Russia is far from uniform, varying according to historical experiences and geopolitical contexts. In Nordic countries, far-right parties adopted a distinctly anti-Russian stance after the invasion of Ukraine, strongly backing NATO membership and gaining significant political traction. These parties maintained their traditional populist rhetoric while reframing Russia as the new "other" in their narratives. Their anti-Russian position, combined with anti-immigration and Eurosceptic messages, resonated with voters. In sum, Russia is simultaneously empowering the European far right—through ideological inspiration and fueling security anxieties, especially in Eastern and Northern Europe.

Key Words: Russia, Radical Right, Sovereignty, Conservatism, Nordic Countries

1. Introduction

For more than a decade, Russia has sought to portray itself as the sole defender of conservative Western values against what it depicts as the moral and cultural decay of liberal modernity (Diesen, 2020; Hill & Gaddy, 2012). This ambition became most explicit during Vladimir Putin's third presidential term, which marked a decisive ideological realignment of the Russian

regime. The roots of this repositioning lie in the domestic crises faced by the Kremlin. Putin's decision to seek re-election despite constitutional limits was widely perceived—both at home and abroad—as a clear manifestation of authoritarian consolidation (Fish, 2017).

As domestic protests gathered momentum and external criticism intensified, the Kremlin sought to articulate an alternative ideological narrative capable of mobilizing domestic support and attracting sympathetic audiences abroad. In response to Western critiques grounded in liberal democratic principles such as human rights and the rule of law, Putin increasingly embraced conservatism, nativism, and nationalism as the moral and cultural pillars of Russian statehood (Lassila, 2021). This conservative turn resonated strongly across Europe, where radical right movements opposing the EU and its liberal institutions began to view Putin's Russia as both an ideological ally and a strategic counterweight to liberal hegemony.

Following the 2014 annexation of Crimea and the subsequent wave of Western sanctions, Russia's reliance on networks of far-right sympathy became more pronounced. At the same time, the European Union was grappling with the repercussions of the Syrian civil war and the resulting migration crisis, which invigorated anti-immigrant sentiment and created fertile ground for far-right mobilization. These parallel developments fostered a convergence of interests: while the Kremlin provided ideological, financial, and logistical—indeed, propaganda—support to far-right actors in order to undermine European unity, radical right parties and movements sought to influence European politics in ways conducive to Russia's geopolitical ambitions. Consequently, Western observers increasingly characterized Europe's radical right as Putin's "Trojan horses" or "agents of influence" within the EU (Lucas, 2014; Snyder, 2018). Although this depiction captures certain realities, it obscures significant variation across national contexts. Each country's distinct historical relationship with Russia shapes the orientation of its radical right, resulting in diverse patterns of engagement and resistance.

Building on this premise, the present study investigates the attitudes of radical right parties in the Nordic countries toward Russia and examines how these orientations have affected their electoral trajectories. Focusing on Norway, Sweden, and Finland, it argues that Nordic radical right parties have largely

maintained their countries' traditional skepticism toward Russia and have, in fact, benefited electorally from the heightened sense of insecurity triggered by the invasion of Ukraine. Thus, while we challenge the notion that the European radical right functions merely as Putin's puppet, we contend that the Putin regime has nonetheless contributed—albeit indirectly—to the right's growing political momentum, a dynamic that is particularly evident in the Nordic experience.

2. Russia as a Tactical Ally of the Radical and Far Right

In the conventional Cold War narrative, the Soviet Union is typically portrayed as the patron and sponsor of socialist movements across Europe — a claim that is largely accurate. Yet, this perspective overlooks another, less examined dimension: the tactical cooperation that occasionally emerged between the European far right and the Soviet Union. In the aftermath of the First World War, segments of the fascist right in Europe developed a reluctant fascination with the Soviet Union, grounded in a shared critique of capitalism. The most striking ideological product of this paradoxical convergence was National Socialism. Beyond such ideological affinities, however, more concrete connections developed in the post–Second World War era, particularly among segments of the German and Austrian right.

In defeated Germany, former soldiers established a clandestine organization called Bruderschaft ("Brotherhood") in 1949, with the aim of resisting the American occupation. The organization's immediate goal was to prevent the rearmament of West Germany and its integration into the NATO bloc, which its members believed would foreclose any possibility of German reunification. Within this struggle, Bruderschaft maintained indirect contacts with the KGB through East Germany, viewing a temporary alliance with the Soviet Union against "imperial" Western powers as a necessary evil. According to CIA reports, the group envisioned a "new Europe and a new Germany" — one that would distance itself from the United States, maintain vigilance toward Bolshevism, but pursue an equal partnership with the Soviet Union. One of its leaders, Alfred Franke, articulated this geopolitical vision by framing opposition to Britain and the United States as a defense of Europe itself. He argued that Europe's liberation from American imperialism could only be achieved through an alliance with the USSR, calling for a revival of the 1922 Rapallo Treaty between Germany and

Soviet Russia. As he put it, "The Prussian eagle and the Russian bear are symbols of a new synthesis — a dialectical unity of German idealism and Slavic materialism" (cited in Shekhovtsov, 2017: 10). Despite his pro-Soviet stance, Franke was later arrested by Soviet authorities in East Germany for war crimes and executed in 1951. Although his death marked the end of Bruderschaft, far-right activism continued to proliferate in postwar Germany. In 1950, another far-right organization, the Dritte Front ("Third Front"), emerged in West Germany. It advocated for the country's neutrality and published materials opposing American imperialism while maintaining informal links with East Germany and the Soviet Union. Similarly, the neo-Nazi Socialist Reich Party, founded in 1949, cultivated close contacts with Soviet intelligence to campaign against West Germany's NATO membership (Keim, 2022: 14–15).

Most of these postwar far-right groups were initiated by former Nazi officers united by a common goal: to distance West Germany from the Western bloc. Alignment with the West, they argued, meant submission to the imperial powers that had defeated Germany and permanent estrangement from East Germany — rendering reunification impossible. The Soviet Union closely monitored these movements and, regardless of their anti-Bolshevik rhetoric, offered both ideological and material support (Shekhovtsov, 2017: 13). Although these organizations maintained an anti-communist stance, they regarded the USSR as a temporary ally in their struggle against Western domination. After West Germany joined NATO, Soviet intelligence shifted its strategy: rather than cooperating with far-right organizations, it sought to infiltrate and manipulate them. The rationale was straightforward — to discredit the West by suggesting that Nazism was being revived under American protection. In the late 1950s, KGB disinformation units orchestrated provocative acts such as painting swastikas and anti-Semitic graffiti on Jewish-owned properties in West Germany. The objective was to awaken dormant anti-Semitic tendencies and generate the impression that Nazism was reemerging, thereby isolating Bonn from the rest of Europe (Andrew, 2000). This propaganda campaign proved effective: while suspicions mounted against the West German government, East Germany successfully cultivated an image of itself as a peace-loving and anti-fascist state.

This pattern of tactical engagement between Moscow and the far right was not confined to Germany. In Austria, postwar far-right activists similarly maintained informal contacts with the Soviet Union under the banner of neutrality and the

pursuit of Austrian–German unification (Weidinger et al., 2017). One early example was the Nationale Liga (National League), founded in 1950 by former Nazi officer Adolf Slavik. Even more striking, however, was the transnational project of "Pan-European Fascism," developed through cooperation between the Belgian and French far right. Emerging during the interwar period, this movement argued that European civilization was collapsing under the dual threats of American liberalism and Soviet Bolshevism. To survive, Europe needed to reinvent itself as a "third force" — a power independent of both. The initiative, they claimed, should come from Russia, the only European power that had preserved its purity from liberal contamination. The most prominent advocate of this vision was Jean Thiriart, founder of the Jeune Europe movement (Coogan, 2002: 11). Thiriart viewed Russia as the only force capable of rescuing a decadent Europe from American domination and liberal decay. This salvation, however, would not entail subjugation to Russia. Rather, he believed that Europe's cultural strength would, in time, absorb "barbaric" Russia — much as the Roman Empire had assimilated the tribes that once conquered it — ultimately producing a vast Euro-Soviet Empire stretching "from Vladivostok to Dublin." After the Soviet collapse, Thiriart reimagined Russia as the new redeemer of Europe, aligning himself with anti-liberal and anti-American circles opposed to Yeltsin's reforms (Shekhovtsov, 2017: 46).

This long-standing covert dialogue between Russia and the European far right became increasingly open after the dissolution of the Soviet Union. The key figure mediating this dialogue on Russia's behalf was Aleksandr Dugin, the leading theorist of Eurasianism. For Dugin, Eurasia symbolized "the plurality of value systems, tradition, the rights of nations, the subjectivity of ethnic groups, and social justice." By contrast, Atlanticism represented "the coercive domination of American liberalism, the suppression of traditional societies, the neo-colonial hegemony of the wealthy North, and the homogenization of peoples under abstract social constructs" (Shekhovtsov, 2017: 43). Dugin thus called for a mobilization under the banner of Neo-Eurasianism—a civilizational struggle against the United States and liberal democracy. At the heart of this project lay the vision of a Russia-led Eurasian empire that would replace Atlantic domination with a new illiberal world order (Laruelle, 2020).

The political realization of Dugin's ideas found its early champion in Vladimir Zhirinovsky, founder and leader of the Liberal Democratic Party of Russia.

Opposed to Yeltsin's liberalism, Zhirinovsky sought to keep Russia on a nationalist and protectionist course, advocating an alliance with the Western far right to achieve this goal. In 2003, he organized the First World Congress of Patriotic Parties in Moscow, inviting numerous right-wing movements from across Europe. This series of congresses, which continued into the 2010s, institutionalized a formal channel of dialogue between the Russian political establishment and the European far right (Tolz, 2014).

Following the annexation of Crimea, as Russia's isolation from the West deepened, the Kremlin intensified its engagement with the European radical right. These ties soon took on a more institutional character, driven by Moscow's need for legitimacy in the eyes of the international community. To this end, Russia began to organize election-monitoring missions under the umbrella of the Commonwealth of Independent States (CIS). Through this mechanism, it established the CIS–Election Monitoring Organization (CIS–EMO) to oversee and influence elections across the post-Soviet space. One of its affiliated groups, the Eurasian Observatory for Democracy & Elections (EODE), was founded in Belgium in 2007 to monitor elections and referenda in territories claimed or influenced by Russia — including Crimea, Abkhazia, and Transnistria — and to issue reports favorable to Russian interests. In the same year, the European Center of Geopolitical Analysis (ECAG) was established in Poland, performing similar activities in South Ossetia and Ukraine. Both organizations were founded and staffed by far-right activists (Shekhovtsov, 2015: 230–231).

Another institutional layer of cooperation emerged in the media sphere. Russia's growing need for international legitimacy after Crimea led it to rely on Western far-right politicians and activists willing to promote pro-Russian narratives. Russian state media — particularly RT — increasingly featured figures such as Marine Le Pen in France and Matteo Salvini in Italy (Butt & Byman, 2023: 140). Le Pen defended the legitimacy of the Crimean referendum, argued that Ukraine needed a federal structure, and accused the EU of fomenting a new Cold War against Russia. Salvini, in turn, claimed that EU sanctions against Russia harmed European economies more than Moscow (Shekhovtsov, 2017: 140). Other far-right commentators echoed similar themes, portraying Russia as the true defender of Europe's moral and cultural values in contrast to a decadent and immigrant-overrun West. Moscow also provided financial and logistical support to far-right

media outlets, particularly in France, while some radical-right websites hosted their content on Russian servers for protection (Butt & Byman, 2023: 144).

As this overview illustrates, the relationship between Russia and the Western far right has long been characterized by tactical collaboration. Both sides have found in one another temporary partners for advancing their respective political agendas. However, since Russia's "conservative turn" of 2012, this relationship has acquired a more organic and ideologically coherent dimension — one in which the European radical right increasingly perceives Russia as the guardian of traditional Western values.

3. Russia as the Guardian of Traditional Values

A conventional reading of Russian history describes pre-communist Russia as a struggle between modernizing elites and revolutionary representatives of the people. The post-communist interpretation, on the other hand, imagines a conflict between liberals and socialists yearning for a return to the old regime. Yet both interpretations are flawed. In reality, the most powerful ideology in nineteenth-century Russia was conservatism, represented by figures such as Fyodor Dostoyevsky, Pyotr Stolypin, and Ivan Ilyin—and the true antithesis of this conservatism was Westernization, modernization, and liberalization (Diesen, 2020, p.190).

Since Putin's second term, Russia has gradually returned to this pre-communist ideological heritage. Whereas in the nineteenth century the main opponents of Westernization were the Slavophiles, in the post-communist period their place was taken by the Eurasianists. In the nineteenth century, Slavophiles opposed the pro-Western Russian elites and emphasized the centrality of the peasantry, monarchy, and the Orthodox Church in defining the authentic Russian spirit (Mjør, 2022, p.173). Yet, at the dawn of the twentieth century, the struggle against Russian liberals and elites was not won by the Slavophiles, but by socialists, who were themselves "enemies" of the ethos of the Russian people. The Slavophiles were forced underground, only to re-emerge in the 1990s—and to consolidate their influence during Putin's third presidential term.

During this period—marked by Russia's reaction to the Color Revolutions and the annexation of Crimea—Putin openly adopted a conservative stance: he

rehabilitated the Tsarist legacy, reintegrated the Orthodox Church into social and political life, and glorified the traditional family (Robinson, 2019). He also commissioned a memorial to the victims of Stalinism and honored Russian conservatives who had been marginalized by the communists. Among those repeatedly praised by Putin were Stolypin and Ilyin (Hill & Gaddy, 2012).

From this moment on, Putin began to attract the attention of the European radical right, positioning himself as a moral leader who criticized Western Europe for abandoning its identity. Until this point, Putin had refrained from defining himself and his regime through a clear ideological lens. But now he began to embrace conservatism as an official ideology. Indeed, he transformed it into the symbolic banner of anti-Westernism, aspiring to become the global leader of conservative thought. At a conference in 2013, Putin declared: "We see that many European countries have rejected or denied their own roots, including the Christian roots that form the basis of Western civilization. In these countries, moral principles and traditional identity—national, religious, cultural, and even gender identity—are being denied or relativized."[1] In the same year, addressing the Duma, Putin argued that Russia had assumed a leadership role in defending the ideology of traditional values worldwide: "We know that more and more people across the world support our stance in defending traditional values, which for thousands of years have been the moral and spiritual foundation of civilization in every nation. These values include the traditional family, religious life, the true essence of human existence—not merely material being, but spirituality, humanism, and global diversity. Of course, this is a conservative position. But, as Nikolai Berdyaev once said, the mission of conservatism is not to hinder forward and upward movement, but to prevent regression—backward, downward, into chaotic darkness and a primitive state."[2] By 2019, at the G20 summit, Putin went even further, asserting that liberal ideology had outlived its purpose, having come into conflict with the fundamental values of humanity, and that it was now being replaced by a resurgence of traditional moral principles.[3]

[1] "Meeting of the Valdai International Discussion Club" http://en.kremlin.ru/events/president/news/19243
[2] "Presidential Address to the Federal Assembly" http://en.kremlin.ru/events/president/news/19825
[3] "Vladimir Putin says liberalism has 'become obsolete'" https://www.ft.com/content/670039ec-98f3-11e9-9573-ee5cbb98ed36

In a 2012 article, Vladimir Putin stated that he understood and sympathized with the rise of the radical right in the West. According to him, the peoples of Europe were under a violent assault on their traditions, lifestyles, and national identities, and their xenophobic reactions were a natural response to this perceived threat.[4] To rescue Western civilization from this attack, to end the unipolar world, and to restore nations' sovereign rights, what needed to be done, Putin argued, was to support Russia's struggle. For Russia, this was not a battle for hegemony but a struggle to re-legitimize national identities and sovereignties around the world. To institutionalize this vision, Putin sought to establish a supranational organization. The Eurasian Economic Union (EEU), founded in 2015, was conceived as an alternative to the European Union. One of its slogans was even "Greater Eurasia from Lisbon to Vladivostok." Yet the organization's membership remained limited, and it failed to produce the geopolitical impact Moscow had hoped for. Nevertheless, Putin continued to position himself as the global leader of conservative ideology in his speeches and diplomatic initiatives. His target audience in this ideological campaign was not so much political elites as the populist masses of the European far right.

Another prominent theme in Putin's conservative agenda is opposition to homosexuality and the LGBT movement. In his view, the liberal West promotes homosexuality and sterility, thereby destroying the Christian foundations of Western civilization (Butt & Byman, 2023, p.141). Similarly, the rhetoric of women's rights was, in his eyes, being used to undermine the family institution. In response to these perceived threats, Putin's government introduced a series of legal measures curtailing women's and LGBT rights, providing a model for other authoritarian leaders. For instance, a 2017 law reduced the penalty for a husband's first domestic assault against his wife to a mere administrative fine. Another law passed in 2013 banned any publication or expression portraying homosexuality as "normal," under the label of prohibiting "gay propaganda." The 2020 constitutional referendum, which extended Putin's rule until 2036, also included a provision limiting same-sex rights, inserting into the Russian Constitution that marriage must be between "a man and a woman."

The 2020 referendum did not merely serve conservative ideology by restricting LGBT freedoms. It also undermined the principle of secularism by asserting that

[4] "Vladimir Putin. Russia: the national question" https://en.topwar.ru/10420-vladimir-putin-rossiya-nacionalnyy-vopros.html

"faith in God" was a historical heritage of the Russian state and nation. In doing so, the secular state implicitly delegitimized unbelief. Furthermore, by declaring that domestic law takes precedence over international law, the amendment sacralized the idea of national sovereignty. It also introduced a requirement for patriotic education, through which conservative and national values were to be transmitted to citizens (Lassila, 2021, p.232).

Positioning Russia as a protective shield against hyper-liberalism is not unique to Putin or Russian nationalists. Many Western critics of liberalism and globalization have ascribed a similar moral role to Russia. For example, Patrick Buchanan argues that Russia, contrary to its position during the Cold War, now stands "on the right side of history." In the 21st century, he claims, the global conflict pits patriots and nationalists against cosmopolitans and globalists. Every country has popular masses striving to defend their traditions, cultures, and identities against rootless, multicultural elites—and Russia is the strongest ally of these masses (Buchanan, 2013). Similarly, Steve Bannon, one of Donald Trump's advisers, has stated that traditionalists feel close to Putin because he protects institutions through a nationalist discourse. In Western Europe, figures such as Nigel Farage, Marine Le Pen, Matteo Salvini, and Geert Wilders have expressed comparable admiration, praising Putin's Russia as a champion of conservative values. Even in Eastern Europe—where memories of Soviet domination remain vivid—some leaders and parties share this perspective. Hungarian Prime Minister Viktor Orbán, in his search for an illiberal democracy, regards China and Russia as models standing against a declining West. Former Czech President Václav Klaus has likewise lauded Russia's cultural conservatism as preferable to the EU's multicultural model.

In the Baltic states and Poland, populist figures have adopted anti-Russian positions, yet their opposition is not framed in liberal terms. Thus, since around 2013, Putin's Russia has come to be seen by much of the European far right as both the savior and defender of traditional values and national sovereignty. For the decaying Christian-European civilization, Russia and Putin came to symbolize what Napoleon and the French people once represented for the Enlightenment. As Louis Aliot, vice president of France's National Front (FN), declared:

"Russia is one of the last European defenders of the Judeo-Christian values that form the foundation of our civilization" (Shekhovtsov, 2017, p.90).

For the Italian far-right politician Savoini, Putin has clearly expressed his intent to protect the identities of peoples from chaotic migration, international financial lobbies, and the pressure of external powers (Shekhovtsov, 2017, p.90). According to Jobbik spokespersons, Russia would "save Europe and make it more independent and free" (Kreko, 2015). Likewise, Austrian far-right publications portrayed Putin as a beacon of hope for those wishing to defend their identity, culture, and homeland against global economic competition—a leader who inspires the peoples of Europe to preserve their distinctiveness.

Putin's defiance of liberal democratic institutions also emboldens authoritarian leaders elsewhere. He conveys to them that regardless of how they came to power, they are legitimate and justified in doing whatever is necessary to maintain control (Fish, 2017, p.65). From his perspective, concepts such as human rights, multiculturalism, democracy, and gender equality are tools of the global elite designed to erode the notion of sovereignty. Therefore, a political struggle against these values must be waged. In consolidated Western democracies, Putin seeks to erode the credibility of liberal institutions themselves. Through social media disinformation campaigns during recent American and French elections, Russia attempted to spread falsehoods and thereby diminish public trust in democratic processes (Fish, 2017).

Within the European radical right, there exists not only admiration for Russia but also a latent fascination with Putin himself. Radical right parties and their voters express admiration for his conservatism, nationalism, sovereigntist rhetoric, and leadership style—often desiring that their own countries follow a similar trajectory.

4. The Radical Right's Attitude Towards Russia

As observed, there is a significant convergence both institutionally and ideologically between the European radical right and Russia. Moscow provides these parties and movements with propaganda, logistical, and ideological support, aiming to see them attain positions of power within European politics. The logic behind this strategy is clear: the rise of such allies would undermine the

European Union and destabilize European states, thereby creating a more favorable international environment for Russia (Polyakova, 2016; Arridu & Molis, 2019). In fact, Russia has been largely successful in this regard. Particularly following the Syrian Civil War, the influx of migrants to Europe aligned with Putin's interests, and this close relationship began to yield tangible results.

For example, from 2015 onwards, France's National Rally reached the second round in two presidential elections and became the largest party in the most recent parliamentary elections. In Germany, the radical right Alternative for Germany (AfD) made a strong impression on national politics through its performance in state and European Parliament elections. The party is expected to secure second place in the February 2025 elections. In the Netherlands, Geert Wilders' Party for Freedom won the 2023 elections and became a coalition partner in government. Austria's Freedom Party (FPÖ) emerged as the leading party in both the 2024 parliamentary and European Parliament elections. In Italy, Brothers of Italy (Fratelli d'Italia) has, since 2022, been one of the most prominent examples of the radical right's rise in Europe. These parties also maintain active representation in the European Parliament under various groupings, including Patriots of Europe, Europe of Sovereign Nations Groups, and the European Conservatives and Reformists Group.

But the question arises: Are these strengthening radical right parties in Europe truly "Trojan horses" for Russia, as often claimed? Do they all pursue pro-Russian policies, or are there important distinctions among them? According to J. Wondreys (2023), who has conducted extensive research in this area, there is no homogeneity in the radical right's stance towards Russia. He categorizes European far-right parties into three groups: 1) pro-Russia, 2) anti-Russia, and 3) neutral. The divisions are based on debates about responsibility for the invasion of Ukraine (Russia vs. the West) and whether these parties support sanctions. Wondreys derives this conclusion from voting behavior on Russia-related sanctions in the European Parliament. His study found that in three sanction-related votes, members of the far-right parties cast a total of 315 votes, with 235 votes (75%) in favor of sanctions and only 38 votes (12%) against. Thus, he argues, it is impossible to speak of a uniform Russia policy among the radical right.

A closer examination reveals that FPÖ (Austria), RN (France), AfD (Germany), and Lega (Italy) have generally opposed sanctions. Conversely, DF (Denmark), PS (Finland), FdI (Italy), PiS (Poland), and SD (Sweden) have voted in favor of sanctions. The most fundamental reason for these divergent voting behaviors is countries' geopolitical positions and historical relations with Russia. In Eastern European states where the Russian minority has little influence, the radical right tends to adopt an anti-Russia stance, as exemplified by Jobbik (Hungary) and PiS (Poland). Similarly, in Nordic countries, which have historically experienced geopolitical tensions with Russia, the radical right has also tended to take an anti-Russia position.

As discussed above, Russia's embrace of conservative leadership under Putin, alongside its support for authoritarian regimes and radical right parties, has contributed to the rise of the European right. However, an interesting development is that following the invasion of Ukraine, even anti-Russian radical right movements have gained traction. Russia, in the perception of the radical right, simultaneously generates admiration and concern, thereby expanding the support base of these parties.

The next section will examine how leading radical right parties in Nordic countries have increased societal support in response to the anxieties generated by the invasion of Ukraine.

5. The Rising Nordic Radical Right After the Ukraine Invasion

5.1. Sweden Democrats (SD)

Founded in 1988 as an alliance of far-right, nationalist groups, the Sweden Democrats (SD) initially embraced a Neo-Nazi and white supremacist ideology. Due to this stance, the party faced severe isolation in Swedish politics for many years. However, from the 2010s onwards, SD adopted a revised rhetoric and benefited from the broader rightward shift in politics, which enabled it to occupy a more acceptable position. The 2022 elections marked a turning point: with 20.5% of the vote, SD became the second-largest party, trailing only the Social Democrats, thereby ending the Social Democrats' eight-year rule. Although the party's far-right views and suspected ties to Russia prevented it from formally

joining the new government, it became the key force sustaining the three-party minority coalition, allowing it to exert considerable influence over the government and to intensify anti-immigration policies.

While SD has historically been perceived as pro-Russia, no formal ties have been established at the official level. The perception of closeness largely arises from party-affiliated figures adopting pro-Russian stances, appearing on channels such as RT and Sputnik, and making statements favorable to Russia. Some of these figures have also reportedly participated as observers in the Crimean referendum and other controversial post-Soviet elections at Putin's invitation (Sundbom, 2018). However, there is no explicit mention of Russia in the party's official policies or documents. In fact, following the Crimean invasion, the party officially sought to distance itself from Russia, a stance made explicit in its 2022 election manifesto, which stated: "Sweden should support sanctions against Russia and other countries taking a negative stance" (Bolin, 2023, p. 306). In the European Parliament, SD has also distanced itself from pro-Russian far-right parties, joining a different political group. SD's stance on NATO has similarly evolved. Traditionally, like the Social Democrats, SD opposed NATO membership. However, following the Ukraine invasion, SD underwent a dramatic transformation, emerging as one of the strongest supporters of Sweden's NATO membership.[5] According to a Statista survey in 2022, 72% of the party's base supported NATO membership.[6] This shift contributed to SD achieving 20.5% of the vote in 2022, marking its first entry as the second-largest party in national elections. Despite this success, the center-right parties did not formally include SD in the coalition due to suspicions of its implicit ties with Russia. In January 2023, a Quran-burning protest outside the Turkish Embassy, organized by SD-affiliated individuals, further reinforced these concerns. Nevertheless, the party clarified that it had no involvement in this provocation aimed at obstructing Sweden's NATO membership. Today, SD externally supports the center-right minority coalition and, in return, influences immigration policy.

[5] "Sweden Democrats leader wants party to change on NATO membership if Finland applies to join alliance" https://www.reuters.com/world/europe/sweden-democrats-leader-wants-party-change-nato-membership-if-finland-applies-2022-04-09/ (Accessed, 2025).

[6] https://www.statista.com/statistics/1293392/survey-perception-nato-membership-sweden-political-party/ (Accessed, 2025)

SD's position towards Russia is also evident in European Parliament voting behavior. As a member of the ECR group, which generally maintains distance from Russia, SD consistently took anti-Russian positions in all votes following the Ukraine invasion. In 2024, when Fidesz sought ECR membership, SD opposed their inclusion, citing Hungary's ambiguous ties with Russia and concerns over Sweden's NATO accession.[7]

On issues of immigration and EU skepticism, SD has cooperated with Finland's far-right The Finns Party, forming a collaboration since the 2010s. This partnership extends to both national and European Parliament elections.[8] Following the Crimean invasion, mutual distrust of Russia further strengthened their cooperation. Finland's long land border with Russia and its NATO accession bid were supported by The Finns Party, which in the 2023 election secured 20% of the vote, becoming the second-largest party and joining the coalition government. SD publicly endorsed NATO membership, framing its support through its "sister party" in Finland.[9]

SD's stance on refugees also shifted after the Ukraine invasion. Previously advocating strict anti-refugee policies, SD began promoting the idea that Sweden's refugee quota should prioritize Ukrainians. Party leader Jimmie Åkesson justified this by emphasizing solidarity, noting that Ukrainians are Europeans who have suffered severe consequences from recent crises and are culturally close to Sweden: "Sweden has a moral responsibility to accept Ukrainians".[10]

By spearheading Sweden's NATO accession and leveraging the perceived Russian threat to expand its voter base, SD is expected to remain the second-largest party

[7] "Sweden Democrats threaten to quit right-wing EU group if Orbán joins" https://www.politico.eu/article/sweden-democrats-threaten-to-quit-right-wing-eu-group-erc-if-orban-joins/ (Accessed, 2025)
[8] "Finns Party hails closer ties with nationalist Sweden Democrats" https://yle.fi/a/3-10313894 (Accessed, 2025)
[9] "Sweden Democrats give leader green light to back Nato membership" https://www.thelocal.se/20220411/sweden-democrats-empower-leader-to-push-for-nato-membership (Accessed, 2025)
[10] "Sweden Democrats want to stop asylum for everyone except Ukrainians" https://rmx.news/crime/sweden-democrats-want-to-stop-asylum-for-everyone-except-ukrainians/ (Accessed, 2025)

in the 2026 elections. However, if former President Trump were to withdraw U.S. support for Ukraine and effectively present it to Putin on a silver platter, SD could rise further in Swedish politics, potentially becoming the largest party in upcoming elections.

5.2. The Finns Party

The Finns Party (PS), formerly known as the True Finns, emerged in 1995 as the successor to the Finnish Rural Party, an agrarian populist party. It positioned itself as an anti-communist party, targeting urban elites in contrast to rural interests. By 1995, the party had increasingly lost voter support, becoming little more than a nominal organization. Timo Soini, then the party secretary, founded the Finns Party on this remaining base. That same year, Finland joined the EU, prompting Soini to build the new party not primarily around agrarian populism or anti-communism, but around Euroscepticism. From the 2010s onwards, the party increasingly adopted anti-immigrant policies, moving toward a more radical stance, which corresponded with rising vote shares. The party became the main opposition with 19% of the vote in 2011 and 17% in both 2015 and 2019, ultimately entering government as a coalition partner in 2023 with 20% of the vote. In that election, the party narrowly lost first place to the National Coalition Party by 0.7 percentage points.

Although the Finns Party is considered part of the radical right, it has never adopted a pro-Russia stance, largely due to Finland's traditional anti-Russian sentiment. Nonetheless, a pro-Russia faction has occasionally emerged within the party. On the eve of the Ukraine invasion in 2022, this faction gained visibility, advocating that French President Macron veto Ukraine's NATO membership. This incident, referred to as "Niikkogate" after the parliamentarian involved, led to the expulsion of the legislator, signaling the party's shift toward the political center. Party spokespersons have since drawn parallels between Ukraine's struggle against Russia and Finland's Winter War of 1939, emphasizing a sense of shared struggle and identification with Ukraine (Yannick & Emilia, 2023).

Former party leader and current Speaker of Parliament, Jussi Halla-aho, from the outset of the invasion adopted a pro-Kiev rhetoric, urging the West: "Please stop Russia to prevent a new Grozny or Gaza in the heart of Europe. You have the

ability. You also have legal and moral rights."[11] When diplomatic means appeared insufficient, Halla-aho shared images of signed artillery shells for Ukraine, stating: "The war will only end once too many Russian soldiers are killed, making it politically or militarily impossible for Russian leaders to continue. Therefore, killing Russian soldiers is a good thing, and Ukrainians should be assisted in doing so." [12] Following the invasion, the Finns Party abandoned its Euroscepticism and began to vocally support Finland's NATO membership, playing a significant role in Finland joining NATO in 2023.

The Finns Party's shift toward the center and entry into government created vacancies on the far-right, which from 2017 onwards have been gradually filled by new radical right-wing parties emerging from within PS. Among these groups, including vaccine-skeptic and ultra-nationalist parties, the VKK adopted a pro-Russia orientation, although this stance moderated in 2024 following the resignation of its party leader. Overall, the Ukraine invasion acted as a leverage point for PS, enhancing its political significance. This effect is expected to increase further if potential fractures arise within NATO due to actions by leaders such as Donald Trump.

5.3. Norway's Progress Party (FrP)

The Progress Party (FrP) is the prominent radical right-wing party in Norway. Founded in 1973, the party combines nativist and neoliberal ideals. From the 1990s onwards, it adopted a strongly anti-immigrant rhetoric, blaming the ruling Labour Party for accepting immigrants into the country. The party's anti-immigrant stance extends beyond the Labour Party, targeting the EU, liberal elites, and Norway's traditional institutional order. In this context, FrP has been accused of practicing a form of welfare chauvinism, leveraging Norway's robust welfare state to favor native citizens over immigrants (Sunnercrantz, 2023, p. 224). In the 2005 and 2009 elections, FrP secured second place behind the Labour Party. Following the 2013 and 2017 elections, the party became a coalition partner, emerging as a key actor in Norwegian politics. Exiting the 2021 elections as an opposition party, FrP capitalized on the pandemic and rising

[11] "Wednesday's papers: Halla-aho's "strong words", cyber attack on Nordea, Finlandia for Ukraine" https://yle.fi/a/3-12339446 (Accessed, 2025)
[12] "Finnish MP's decision to send message to Russia via Ukrainian rocket sparks heated debate" https://yle.fi/a/74-20011893 (Accessed, 2025)

energy prices to advance populist rhetoric. Increasing energy costs boosted state revenues but left Norwegian citizens exposed to inflation, prompting FrP to pressure the Labour Party to reduce winter energy exports and intervene in energy pricing for low-income citizens.[13] The party also opposed ecologist arguments against fossil fuels, emphasizing that Norway's resources should be used to support national welfare and sovereignty.

FrP shares Nordic skepticism of Russia, viewing NATO membership as unproblematic and advocating for stronger transatlantic security ties. The party supports increased defense spending and NATO expansion. Following Russia's invasion of Ukraine, FrP backed both military aid to Ukraine and Ukraine's NATO membership. It also proposed that Norway should leverage its energy profits from the war for the benefit of its citizens and expand gas production to reduce Europe's dependence on Russian energy. Regarding Ukrainian refugees, FrP adopted a position similar to other Nordic countries. The party argued that Ukrainians, being culturally close to Norway, should receive favorable asylum treatment, while limiting the intake of migrants from the Global South. However, Ukrainian men of conscription age were not granted asylum, as they were expected to remain on the frontlines defending their country against Russia.[14] Party leader Sylvi Listhaug clashed with the Labour Party over aid to Ukraine. In November 2024, when the ruling Labour Party halved Ukraine's aid compared to the previous year, Listhaug publicly advocated for continued support, arguing that Ukraine fights not only for itself but also for the values of freedom and democracy. She emphasized that Norway, as the wealthiest Nordic country, had increased natural gas revenues due to the war, and therefore had a responsibility to assist Ukraine. Simultaneously, she stressed that aid should be closely monitored, given Ukraine's history of corruption.[15]

The Ukraine invasion heightened security concerns, reinforced trust in NATO, and increased domestic energy costs. In response, Norwegian voters shifted in the

[13] "Demonstrations against high electricity prices in several Norwegian cities" https://wataha.no/en/2022/01/20/demonstrations-against-high-electricity-prices-in-several-Norwegian-cities/ (Accessed, 2025)
[14] "Norwegian Party: Stop Protecting Ukrainian Draft Dodgers" https://swedenherald.com/article/norwegian-party-stop-protecting-ukrainian-draft-dodgers (Accessed, 2025).
[15] "Norway restores aid to Ukraine" https://www.newsinenglish.no/2024/11/26/norway-restores-aid-to-ukraine/ (Accessed, 2025).

September 2023 local elections, relegating the Labour Party to second place for the first time in nearly a century.[16] The Conservative Party–FrP alliance became the leading political force. Thanks to FrP, the Conservatives secured nearly all major cities, while FrP won about 75 smaller municipalities. This surge in support is expected to continue in the September 2025 national elections, with recent polls suggesting that FrP may emerge as the country's leading party.[17] The party enjoys particularly strong support among male university students concerned about limited student loans and voters skeptical of climate change.[18]

6. Conclusion

It is widely accepted that since the 2010s, there has been a close relationship between rising radical right movements in Europe and Russia. Under Putin's leadership, Russia positioned itself as a representative of conservative ideology, emerging globally as a defender of traditional values, which captured the attention of Europe's right-wing parties. The European right came to see Putin's Russia both as a source of inspiration and as a strategic ally. Following the Syrian Civil War, increased migration flows dramatically impacted European countries. Russia, by maintaining strict border policies and remaining outside these flows, became a model country for the radical right. During this period, the EU was criticized for failing to control migration, while Russia gained admiration as an antithesis to the EU, promoting the concept and practice of "Sovereign Democracy." The radical right also fueled EU skepticism through concerns about the erosion of Christian values and LGBT issues, while Russia's media portrayed Europe as a civilization in decline, reinforcing these narratives.

After the 2014 annexation of Crimea, Russia began supporting radical right parties and movements in the West to counter isolation and sanctions. According to Russia, the rise of these parties in European politics could encourage more

[16] "Norway: Labour loses first local election in 99 years to right-wing", https://www.euractiv.com/section/politics/news/norway-labour-loses-first-local-election-in-99-years-to-right-wing/ (Accessed, 2025).
[17] "Opinion polling for the 2025 Norwegian parliamentary election" https://en.wikipedia.org/wiki/Opinion_polling_for_the_2025_Norwegian_parliamentary_election (Accessed, 2025).
[18] 'Shock Polling' from Norway shows Massive 'Far-Right™' Shift" https://fackel.substack.com/p/shock-polling-from-norway-shows-massive?utm_campaign=post&utm_medium=web (Accessed, 2025).

autocratic regimes in the long term and, in the short term, destabilize Europe, weakening opposition to Moscow. Increasing their seats in the European Parliament could also help lift anti-Russia sanctions. This symbiotic relationship began yielding results by the mid-2010s and, following the pandemic, saw the radical right in many European countries move toward the political center.

Due to this close relationship, it has been claimed that the European radical right operates directly under Putin's influence and works for Russia's geopolitical interests. However, recent studies show that there is no homogeneous radical right identity, with parties acting according to their own historical and geopolitical interests. In this study, we examined how the radical right in Nordic countries positioned itself regarding Russia and reached the following conclusions: The populist radical right parties in Nordic countries have increased their voter support and moved toward the political center since Russia's invasion of Ukraine, often becoming coalition partners. While undergoing this transformation, they largely maintained their populist rhetoric, reframing the classic "us/the people vs. elites" antagonism as "us/Swedes-Finns-Danes vs. Russians." Their emphasis on national sovereignty, highlighted in the context of EU membership and inspired in part by Russia, was revived in opposition to Russia.

Actors like the Sweden Democrats, Finns Party, and Norway's Progress Party adopted anti-Russia positions after the invasion and became leading advocates for their countries' NATO membership. This demonstrates that the European radical right is not a homogeneous bloc, but instead develops varied positions based on regional dynamics and national security concerns. The Sweden Democrats and Finns Party, in particular, integrated the threat perception generated by the Ukraine war into their political discourse, adding a new dimension to anti-immigrant policies and achieving significant electoral success. Similarly, Norway's Progress Party leveraged energy policies and economic concerns to increase voter support.

In Denmark, a longstanding NATO member, the Ukraine invasion did not cause a major political shift. Debates within the Danish right primarily focused on whether participating in the EU security architecture would undermine NATO, emphasizing strengthening NATO over the EU. The U.S. proposal to increase defense spending through NATO was supported by the Danish radical right, but

a proposal to abolish the official "day of prayer" for financing caused internal disagreements.[19]

In conclusion, the relationship between European radical right movements and Russia is primarily conditioned by geopolitical considerations and historical legacies. The Russian invasion of Ukraine has notably catalyzed a shift among Nordic radical right parties toward a more pronounced anti-Russian stance, thereby enabling these actors to consolidate and expand their political influence. Consequently, it can be contended that Russia's aggressive policies, while resulting in Moscow's international isolation, have simultaneously intensified its interactions with radical right movements and, in particular, reinforced the radical right in Nordic and other Eastern and Northern European countries with enduring historical anxieties regarding Russia. Looking forward, the potential adoption of policies by figures such as Donald Trump that undermine the cohesion of the EU and NATO could further amplify these dynamics, enhancing the political leverage of radical right actors across the continent.

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9

Decision-Making Processes of Medical Tourists in Destination Choice: The Role of Employee-Centered Service Quality and Capital Mechanisms

Özge Büyük (Canakkale Onsekiz Mart University)
ORCID: 0000-0003-2058-8510
ozgebuyuk@comu.edu.tr

Abstract

This study examines the decision making process of medical tourists in the rapidly growing global health industry, going beyond traditional price and technical quality parameters with a multidimensional perspective. It is argued that competitive advantage in medical tourism is shaped by employee-centered service quality and capital mechanisms (human, psychological and social capital) rather than physical infrastructure. Analyses based on Push and Pull Factors Theory, Risk Perception Attitude Framework (RPAF) and Social Exchange Theory (SET) show that psychological capital of health personnel (hope, self-efficacy, resilience, optimism) plays a critical mediating role in building patient trust. The study also looks at where Turkey now stands in the medical tourism market. It checks the kinds of patients who come and the limits the country faces, like language problems plus the state of the laws. It then sets out a step-by-step plan that links new technology - AI besides VR - with personal care so that the sector keeps growing.

Keywords: Medical Tourism, Destination Choice, Employee Service Quality, Psychological Capital, Risk Perception Management

JEL Codes: Z3, Z330, H51, I1, I3, M31, J24

Introduction

Health tourism is a wide and growing area covering the travels of individuals to a different place from where they live for medical treatment, utilizing thermal resources, physical/mental rehabilitation or protecting their current health status (Saldıran & Özdoğan, 2024; Dikmetaş Yardan et al., 2014; Büyük & Akkuş, 2022). Health tourism also harbours fields like medical tourism and wellness tourism inside. In the world, the average of health expenditure increase rates is cruising at a higher level than gross domestic product increase rates (Gül, 2020). Parallel to this, health tourism sector is a rapidly developing market expected to exceed 31 billion dollars by estimated year 2026 (Tabaeeian et al., 2025). Growth of the sector is gaining speed with global dynamics like high health costs, globalization and development of transportation networks (İnan Sarıca & Gönenç Güler, 2024; Çatak & Kılınç, 2025).

Medical tourism is accepted as a strategic area because it contains critical decisions of tourist in search of healing, aesthetic surgery or physical well-being beyond a simple tourism activity and it also contains medical procedures (Özkan, 2019). The main aim of Medical Tourism concepts used widely in Turkey is defined as receiving health service by traveling (Gümüş & Büyük, 2008). Competition is intensified in medical tourism industry and one of the most important factors effective in destination choice of tourists is perceived service quality (Abdul-Rahman et al., 2023). This quality perception is not limited only with technical dimensions of medical success, but also covers activities of medical experts and staff that provides medical tourist to feel comfortable and welcomed in the destination. This situation necessitates destination strategies to focus not only on technical infrastructure and pricing, but also on human and emotional capital of service presentation (Tabaeeian et al., 2025). Competitive advantage is closely related with micro level employee-medical tourist interaction and quality of this interaction besides macroeconomic attractions (Rokni & Park, 2019; Sheikhy Chaman, 2020).

1. Place of Health Tourism in Decision Making Models

In consumer behaviour and tourism literature, decision making processes are a reflection of macroeconomic policies and financial stability and are among indirect factors affecting individuals' decisions to travel abroad to receive health service (Şiriner & Şahin, 2021). However, basic theoretical frameworks like

Theory of Reasoned Action (TRA) and Theory of Planned Behavior (TBP) are frequently used to explain behavior intention of individual (Fishbein & Ajzen, 1975; Ajzen, 1991). These are:

a) Theory of Reasoned Action (TRA)

TRA (Fishbein & Ajzen, 1975) suggests that intention of individual to perform a behavior is determined by attitude towards that behavior and subjective norms. In this theory:

- **Attitude Towards Behavior:** It includes personal belief of individual regarding results of medical service they will receive in selected destination. Cognitive evaluations like perceived quality and perceived cost shape this attitude (Kılıç, 2024).

- **Subjective Norm (Social Effect):** It is perception of individual about whether people important for him/her (family, doctors, social circle) approve this travel or not. Especially in vital treatments, advices of close circle, family members and specialist physicians play critical role in decision.

b) Theory of Planned Behavior – (TBP)

TBP (Ajzen, 1991) aims to explain probability of intention turning into behavior better by adding Perceived behavior control variable including effect of factors outside individual's will to TRA. Perceived behavior control is the perception possessed by individual regarding ease of access and sufficiency to resources (financial, information, physical) to perform the action. In medical tourism, this is associated with factors like having necessary financial resources for abroad travel or physical sufficiency to travel. TBP emphasizes that visit intention of medical tourist depends not only on request but also on controllable factors like financial opportunities, ease of access to treatment and security perception (Yiğit, 2016).

c) Social Exchange Theory – (SET) and Employee-Customer Exchange (ECE)

While traditional models (TRA/TBP) explain formation of intention before decision, critical operational process affecting outcomes like satisfaction and

loyalty after purchase is examined in frame of Social Exchange Theory (SET) (Homans, 1958; Rather & Sharma, 2019). SET bases on mutual, trust-based interactions between service providers and medical tourists, that is employee-customer exchange (ECE) (Kim & Qu, 2020). ECE functions as not only transactional but a two-way emotional interaction and shapes mental and emotional commitments of employees to service presentation (Doan et al., 2023; Tabaeeian et al., 2023).

2. Beginning of Decision Making Process: Need Recognition and Information Search

Decision making process becomes active with individual recognizing health need and starting to collect information for this need.

2.1. Need Recognition: Source of Health Need

Motivations pushing medical tourists to travel are separated into two main categories as push factors originating from source country and pull factors originating from destination (Yiğit, 2016). Among necessity sourced motivations: having high health costs in resided country, meeting with long waiting times for surgery or treatment (Lunt & Carrera, 2010) and lack of sufficient expert workforce or technology in own country etc. take place. Desire sourced motivations are request to combine treatment process with holiday (Noyan Yalman & Arık, 2025; Olgun & Bostan, 2025) or need to protect privacy-anonymity of procedures like aesthetic operations or medical procedures not legal in resided country (Arslan & Kıdak, 2025).

2.2. Information Search

Information search process starting following need definition plays a critical role in reducing high risk and uncertainty faced by medical tourist.

2.2.1. Internal Information Sources (Personal Experience, Beliefs)

Internal information search deals with previous experiences and cultural/religious beliefs of individual. Medical tourists tend to prefer destinations they feel trust

due to cultural closeness (language, religion, sociocultural similarity) (Sevim & Sevim, 2019; Büyük, 2023).

2.2.2. External Information Sources

External information search plays the most important role in shaping of decision. E-WOM (Electronic Word of Mouth) undertakes an important role in creating destination image and visit intention of potential tourists via social media (Trusov et al., 2009; Çatak & Kılınç, 2025).

2.2.3. Professional Information Sources

Physicians and health professionals present the most critical and reliable information about type and applicability of treatment. Medical travel agencies and intermediaries offer structured information flow by providing coordination between medical tourists and health facilities. As of year 2024, there are 1.198 intermediary institutions with authorization certificate in Turkey (Tontuş, 2019; Dalkıran, 2023; İnan Sarıca & Gönenç Güler, 2024).

3. Destination Selection Criteria and Evaluation of Alternatives

After information search, potential health tourist evaluates alternative destinations and health institutions in the light of information obtained. This evaluation process necessitates a combination of rational (technical quality, cost) and emotional (security, cultural closeness) criteria.

3.1. Criteria Towards Health Service: Technical Quality and Employee Centered Quality

These criteria are the primary priority of medical tourists. Success of treatment, experience and education of health personnel are among the most cared factors (Olgun & Bostan, 2025; Kılınç, 2017). International accreditations (JCI) mean reliability and quality assurance for medical tourists (Donahue & Vanostenberg, 2000). Direct interactions of medical experts with medical tourists improve tourists' experiences and emotions directly by providing them to feel comfortable and welcomed (Altınay et al., 2023; Karcıoğlu, 2025).

Employee Service Quality (ESQ) expresses the compliance of performance of personnel working in international medical tourist departments with service presentation requirements of the institution and ESQ covers intangible dimensions like assurance, responsiveness, empathy and reliability according to SERVQUAL model (Parasuraman et al., 1985; Tabaeeian et al., 2025). Also, sustainability of service quality in health tourism sector depends not only on physical and capital investments, but also on structural features and participation levels of workforce. As a matter of fact, studies drawing attention that regional and gender differences are distinct in Turkey labor market (Akarsu, 2023) reinforce importance of employee centered approaches in this context.

A research made by Tabaeeian and friends (2025) shows that employee-customer exchange affects employee service quality in a positive direction. This effect occurs via internal resources possessed by employees like Human Capital (knowledge, skill, experience) and Psychological Capital (self-efficacy, resilience, hope and optimism). While Human Capital provides technical sufficiency (competence and expertise); psychological capital contains ability of employees to manage emotional labor and cope with difficulties (Luthans et al., 2007; Liu et al., 2012). In Table 1 below, definitions and basic dimensions of Human Capital (HC) and Psychological Capital (PC) factors determining service quality (ESQ) which is main basis of competitive advantage in health tourism, and contributions of these capital types to decision criteria of health tourists are summarized.

Table 1. Effect of Capital Factors on Medical Tourist Perception

Capital Type	Definition (Source)	Basic Dimensions	Perception of Medical Tourist
Human Capital (HC)	Institutional knowledge, skill and experience, education, expertise, abilities and collection of hidden knowledge (Agbakwuru, & Gbadero, 2021)	Competence, Technical Knowledge, Expertise, Problem Solving Skill (Tabaeeian et al., 2025)	Perceived Treatment Quality, Assurance and Reliability (Tabaeeian et al., 2025).
Psychological Capital (PC)	Positive psychological state of employees during work; a valuable and internal resource (Luthans et al., 2006)	Self-efficacy, Resilience, Hope, Optimism (Avey et al., 2009)	Empathy, Responsiveness, Creating Satisfaction (Liu et al., 2012).

Source: Created by researcher as a result of literature review

3.2. Criteria Towards Destination

Among criteria towards destination, cost is the most common motivation element (Olgun & Bostan, 2025). Turkey's low treatment costs and suitable accommodation prices form a attractive factor in a strong medical tourism sector (Noyan Yalman & Arık, 2025). Geographical distance and ease of transportation carry importance for the country as another motivation element (Büyük & Akkuş, 2024). On the other hand, while cultural closeness (language, religion) facilitates travel decision, language barriers are seen as a critical problem lowering satisfaction level (Sevim & Sevim, 2019; Büyük, 2023). Importance of criteria like quality, cost and safety in destination choice of tourists is frequently emphasized in literature and these elements take place among basic factors directly shaping decision making processes of individuals in context of health tourism (Akarsu & Büyük, 2024).

3.3. Psychosocial Criteria

Medical tourists have high expectations regarding physical and medical safety of the destination (Wang et al., 2019). Strong medical tourism image of Turkey established on modern medical service and experienced physicians directly affects visit intention of medical tourist. Meeting the desire for privacy and confidentiality in the country is an important motivation especially for aesthetic operations and medical procedures that cannot be realized because they get stuck in legal legislations of countries came from (Yiğit, 2016).

4. Decision Stage: Critical Factors Affecting Destination Choice

When came to decision stage regarding travels to be made with medical tourism aim, more than one factor comes into play. These are:

4.1. Perceived Risk: Risks Regarding Treatment and Security Risk Perception

Risk perception in medical tourism exists at a higher level than traditional tourism because decision has both financial and vital results. Medical tourists carry worry about risks like lack of follow-up after treatment and surgical complications (Medical Tourism Association, 2024; Polat & Şeker, 2025). In

this context, being high of employee service quality manages medical risk perception indirectly by increasing trust felt by medical tourist to treatment process (Tabaeeian et al., 2025).

4.2 Intermediaries, Capital Factors and Decision Makers

Medical travel agencies and coordinators undertake coordination by building bridge between medical tourists and health institutions (Tontuş, 2019; Dalkıran, 2023; Noyan Yalman & Arık, 2025). Analyses made in frame of Social Exchange Theory show that positive interaction between employees and customers affects offered employee service quality (technical and emotional quality of service) not directly, but in positive direction via internal resources possessed by personnel like Psychological Capital (self-efficacy, optimism) and Human Capital (knowledge, skill, experience) (Tabaeeian et al., 2025). This relation functions as a critical intermediation mechanism raising service quality. For example, expressing of satisfaction by medical tourists strengthens Psychological Capital dimensions of personnel like optimism and self-confidence; and continuous interaction with foreign medical tourists increases their human capital by developing cultural sufficiency and problem solving skills of employees (Luthans et al., 2007; Liu et al., 2012).

4.3. Cost/Benefit Analysis: Balancing Expected Medical Result with Total Travel Expense

Search of medical tourists to be treated cheaper is the most common motivation element (Olgun & Bostan, 2025). Low treatment costs and suitable accommodation prices of Turkey play role as a strong pull factor (Noyan Yalman & Arık, 2025).

5. Post-Purchase Evaluation and Behaviors

It will be appropriate to evaluate post-purchase evaluation and behaviors of medical tourists from a few different angles. These are:

5.1. Satisfaction and Loyalty: Effect of Post-Treatment Experience on Future Decisions

Satisfaction of medical tourists has a close relation with perceived service quality. ESQ takes place as a key component of medical tourist satisfaction (Tabaeeian et al., 2025). High satisfaction leads to loyalty and intention to visit again directly (Han & Hyun, 2015).

5.2. Word-of-Mouth Communication: Recommendation and Contribution to Image of Destination

Sharing of experiences by satisfied medical tourists on social media platforms (WOM and E-WOM) provides destination image to strengthen organically (Büyük, 2024). Social media and internet became the most effective source of information in process of decision making (Trusov et al., 2009).

6. Conclusion and Comprehensive Inferences Towards Marketing Strategies

Destination choice process of health tourists is built on multi-layered motivations like cost, quality, security perception and social/cultural closeness (Noyan Yalman & Arık, 2025). Turkey has a strong competitive advantage in this market. For sustainable success, it is obligatory to focus on human capital mechanisms of service presentation.

6.1. Bridge Between Theory and Practice (Strategic Role of Employee Capital)

Institutions must invest in Human Capital (HC) and Psychological Capital (PC) of their employees to obtain Sustainable Competitive Advantage. Especially positive interaction experienced with foreign medical tourists should be used as a catalyst developing employee resources (Tabaeeian et al., 2025).

Table 2. Comparison of Theoretical Models Affecting Decision Making Process in Medical Tourism Destination Choice

Model	Basic Focus Point	Application	Capital Relation
TRA	Attitude and Subjective Norms	Determination of intention with perceived quality (attitude) and expert/family approval (norm).	Subjective Norms start ECE and support institutional choice affecting PC/HC development.
TBP	Perceived Behavior Control	Financial sufficiency, travelable physical condition and management of risk.	HC (Expertise and Resource Sufficiency) strengthens control perception of medical tourist.
SET	Reciprocity, Trust and Exchange	Socio-emotional resources of Employee-Customer Exchange (ECE) (appreciation, respect).	ECE is the critical operational mechanism activating PC and HC, forming the basis of service quality (ESQ).

Source: Tabaeeian et al., 2025

6.2. Market Orientation, Innovativeness and Healthcare Accounting

For businesses operating in medical tourism sector, instead of focusing only on treatment quality, it is necessary to adopt a wider institutional strategy. Market orientation is positioning of businesses according to expectations, needs and behaviors in the market. This understanding shows that it harbors potential to contribute to competitive advantage by increasing performances of businesses. Working of market orientation, learning orientation and innovativeness in harmony with each other means that it will directly raise qualitative performance outputs like development in service and product quality, new product development success and increase in customer satisfaction (Eren et al., 2013). Importance of healthcare accounting does not only provide cost control, but also supports financial sustainability of institutions. In this context, foreign capital movements and concentration in financial sector can make similar effects on investment environment in health sector and thus competitive power of medical tourism destinations (Şiriner & Kapucu, 2008).

Financial sustainability of health service presentation carries vital importance because it directly affects cost-benefit balance perceived by health tourists. Factors like increasing and aging population in the World, desire to benefit from health services, prevalence of health services, expensive health technology and identification of new diseases make health sector one of the biggest and most complex sectors of the world. Importance of Healthcare Accounting (SHM) system increases day by day to manage this complex structure and optimize

cost/benefit balance. SHM is the process of turning processes related to health services into financial information by examining them and its study area is extremely wide with this aspect.

Among basic aims of SHM, these take place:

- **Cost Control and Pricing:** Utilizing of financial accounting by institutions giving health service to be able to determine costs, control them and create correct pricing policy.

- **Efficiency and Resource Allocation:** Importance of SHM is providing opportunity for health managers to make analysis and planning and improve allocation of resources by producing consistent and comprehensive data about health expenditures; thus efficiency and accountability increase.

- **Measurement of Service Quality:** SHM also has a dimension aiming to measure health outputs and efficiency. Health services output (product) presents a consensus that it is treatment of a disease or condition. This output can be measured with contribution made to health when a medical treatment or another procedure including preventive interventions is performed (Gül, 2020).

Health tourism destinations must both keep their costs under control by utilizing SHM to obtain competitive advantage and support final decision process (Cost/Benefit Analysis) of medical tourist by providing measurement of quality (output) of presented medical service.

6.3. Concrete Suggestions Towards Strategic Marketing and Personnel Development

Considering complexity of decision making process, it is suggested for destinations to focus on following strategies:

- **Strengthening Technical Sufficiency and Cultural Competence:** Foreign language and intercultural communication trainings must be made compulsory for health personnel (Büyük, 2023). Also, continuous

vocational training programs must be applied to raise technical sufficiency.

- **Developing Employee-Customer Exchange and Psychological Capital:** Trainings focused on stress management and coping with cultural difficulties should be organized to reduce emotional load of employees and raise their positive psychological states (Tabaeeian et al., 2025).

- **Technological Integration and Supportive Work Environment:** Customer Relationship Management systems should be applied to reduce workload of employees and standardize service quality (Hsieh et al., 2012).

- **Cost/Efficiency Focus:** Health institutions must use Healthcare Accounting systems effectively to develop correct costing and pricing policies and focus on subjects of resource allocation and service efficiency (Gül, 2020).

- **Institutional Cooperation and Accreditation Emphasis:** Education and promotion activities carried out under coordination of Development Agencies should be supported (Inan Sarıca & Gönenç Güler, 2024). In digital marketing strategies, internationally accredited hospitals and transparent follow-up processes should be emphasized strongly to reduce perceived risk (Noyan Yalman & Arık, 2025).

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10

Education and Health as Keys to Prosperity: A Comparative Approach Between Türkiye and Finland

Yağmur Akarsu (Çanakkale Onsekiz Mart University)
ORCID: 0000-0002-9277-5019
yagmurakarsu@comu.edu.tr

Abstract

In the globalized world of the twenty-first century, the development level of the countries are not only measured by the economic indicators like Gross Domestic Product (GDP) but also with the social indicators such as the well-being of the citizens. The education and the health are the two most fundamental pillars that is supporting the human capital of a nation. This paper is focusing on the period from 2020 to 2024 to compare Türkiye with Finland to understand how funding for education and health shapes citizen well-being. The selection of these two countries is not a coincidence. Finland is consistently ranking as the happiest country in the world according to the World Happiness Report , while Türkiye is a developing country with a large young population and dynamic economy but facing with the various structural challenges. This paper focuses on the period 2020-2024 to compare Turkiye and Finland. It aims to understand how funding for education and health shapes citizen well-being. Choice of these two countries is not a coincidence. According to World Happiness Report, Finland is consistently ranking as the happiest country. On the other hand, Turkiye is a developing country having young population and dynamic economy but facing with various structural challenges. Focusing on period from 2020 to 2024, this paper compares Turkiye with Finland to see how funding for education and health affects citizen well-being and social welfare. We used indicators like World Happiness Index and GDP per capita, beside the share of GDP dedicated to education and health services. The contrast between two countries is very sharp. Finland stands at the first place in the happiness lists since the year 2018. The main reason of this situation is the stable spending habits. The country keeps the education budget around 6.5 percent. Also, the health spending is between 10 and 10.6 percent. These stable resources are very key factors. They are necessary for the social trust, the equality and the happiness. Turkiye follows a different way. GDP per person rises and health spending improves - both moves lifted the happiness rank. Yet

education spending swings widely - it fell to 2.6 percent of GDP in 2022 - so earlier gains are hard to keep. Our findings agree with the literature - well being rests not only on income but also on social investment, reliable institutions or human capital. The study shows that stable education and health budgets

Key words: Subjective well-being, Education Expenditures, Health Expenditures, Turkiye, Finland

Jel codes: I31, H51, H52

1. Introduction

No consensus exists on how to measure happiness or on which factors create it. Because happiness is subjective linking it to concrete variables is difficult. The "economics of happiness" gains importance. Public policy no longer pursues economic growth alone - it also seeks to raise welfare, improve life quality also raise subjective well being. Mahbub ul Haq's Human Development Index does not tie well being to income alone. HDI has three basic components-health (life expectancy), education (average/mean years of schooling; expected years of schooling) and per capita income-that reflects increasing well- being. Similarly, Bhutan's very own Gross National Happiness Index (GNH) also makes it clear that the well-being of a person arises from social, cultural and psychological domains – and not just by money. In Bhutan they have a list of 9 things for happiness. They are mental health, time use, education, culture, the environment, governance, income and economic insecurity among others. Two of these nine domains are education and health, which makes them important predictors of happiness. The World Happiness Report also uses the Cantril Ladder. This is a scale on which people rate their satisfaction with life from 0 to 10. Education and health also serve as independent variables in this approach (Cantril, 1965; Boadu, 2018; Navaitis, 2024). In addition, one of the formulas for success gives a role to health and money as important factors in happiness (Seligman, 2002). These indices will guide policymakers in designing social and institutional policies that will increase social happiness and well-being, rather than focusing solely on economic growth. Comparative analyses between Turkiye and Finland have revealed that the rule of law and perceptions of corruption, which represent institutional quality, have a direct impact on individuals' levels of happiness and well-being (Akarsu, 2025).

Based on this, even though there is no consensus in the literature regarding the determinants of happiness, Layard (2006) has focused on seven important factors that influence happiness. These are, in order of importance, the first five: family relationships, financial situation, work, community and friends, and health; and the other two: personal freedom and personal values. Layard has named these factors the "Big Seven." Many economists (Diener, 1984; Veenhoven, 1993; Diener and Diener, 1996; Oswald, 1997; Easterlin, 2003; Easterlin, 2006; Easterlin, 2007; Diener and Ryan, 2009; Easterlin, 2010; Zagorski et al., 2010; Finkelstein et al., 2012; Hancock, 2013; Clark, 2018) have emphasized that factors other than income are also important in forming the well-being levels of individuals and societies. The literature highlights health and social relationships (Diener, 1984), non-income social welfare elements (Veenhoven, 1993), negative factors such as unemployment and stress (Oswald, 1997), stagnation in happiness despite long-term income growth (Easterlin, 2003), and the importance of relative position (Clark, 2018). Professional life satisfaction and future career choices are also an important part of individual well-being. Studies in the field of tourism also show that positive perceptions of professional experiences such as internships increase students' willingness to work in the sector after graduation (Buyuk & Akkus, 2021). Studies conducted specifically in Turkiye show that there is a strong relationship between income inequality and economic development, and that investments in education and health are critical for sustainable well-being (Akarsu, 2023).

This study was conducted to comparatively examine the happiness rankings, GDP per capita, and the share of health and education expenditures in GDP for Turkiye and Finland between 2020 and 2024. Based on the data obtained, tables and graphs were created, and the impact of both countries' education and health investments on the happiness of individuals and societies was revealed. The study reveals that Finland, which has been consistently ranked first in the World Happiness Index since 2018, owes its sustainable high level of happiness to its high education and health expenditures. It also shows that Turkiye 's income growth and recovery in health expenditures in recent years have raised its ranking in the happiness index compared to previous years.

2. Education Expenditures and Welfare

In the discourse of societal welfare and individual income, education is rarely viewed merely as an expense; rather, through the lens of Human Capital Theory, it represents a strategic asset. As stated by Schultz (1961), since education is directly improving the knowledge and skills, it serves as a very important investment. According to this point of view, the economy as a whole grows when worker productivity increases thanks to education. Based on this, Becker (1964) defined education and health as two main pillars of human capital and he systematized this idea. He argued that the effects of education go beyond short-term financial gains. Because it increases labor productivity in the long run, and this promotes social mobility and reduces inequality. Consequently, education has two functions. It improves macroeconomic performance and also life quality at the micro level (Schultz, 1961; Becker, 1964). However, as seen in recent studies on Turkey, structural problems in the labor market can reduce these benefits. This situation possibly results in discouraged labor and low well-being (Akarsu, 2023).

Amartya Sen's Capabilities Approach (1999) presents the education as a tool for freedom.

Actually, it is not just an economic measure. Sen argues that financial benefits are big. But the real value of the education is different. It creates a capacity for people. They can control their own lives. Also they can join the society actively. The UNDP (2020) supports this role. It lists the education as one of the three main parts of the HDI.

It is seen as essential for the long-term welfare. When we analyze the social capital and the equal opportunity, the focus changes. It moves from the "amount of money" to the "effectiveness". Hanushek and Woessmann (2012) emphasize that quality of education is very important. It is important just like the financial investment. Also, the higher education makes the income distribution better. This situation helps the general well-being (Barro, 2001). Thus, investment to education is connected to the human capital development. Şiriner (2015) also makes these connections. The study emphasizes the interaction between microcredit, human capital and health/education investments. This is necessary for the sustainable growth.

Finally, we should not see education spending as a simple expense. Basically, it is a strategic investment tool. According to Psacharopoulos and Patrinos (2018), education is at the center of social policy. It is also at the center of the economics of happiness. Because the high return on public investment increases life satisfaction and social welfare.

3. Health Expenditures and Welfare

Health constitutes a vital component of well-being, which can impact life quality and productivity either positively or negatively. Actually, health is not merely a consumption good, as argued in Health Demand Mode of Grossman (1972). It is viewed as a form of human capital, means as an investment that boosts the production. Under this approach, healthy individuals are assumed to live longer, better lives. It has a favorable effect on growth and it raises the labor productivity. Since the 'health stock' of an individual decreases with age, people have to refresh this stock through making health investments. The health is a key element of the HDI, alongside education. When people live longer and have fewer illnesses, they feel better about their lives (UNDP, 2020).

Regarding the economic side, Bloom and Canning (2000) pointed out how the investments in health affect the growth. They emphasized that spending on health strengthens the long-term prosperity through productivity. This is especially valid for the developing countries.

Fogel (1994) also suggests that being healthier and living longer are important factors for the growth. A similar point is made in the recent reports by the World Health Organization (WHO, 2025). It is stating that investing in health care is a way to combat inequality. Also it fosters the social cohesion. So, considering all these, investing in health is seen as the best way to achieve long-term growth and satisfaction (Grossman, 1972; Bloom and Canning, 2000; Fogel, 1994).

4. The Effects of Education and Health Expenditures on Welfare in Turkiye and Finland

The spending on the health and the education is considered as a crucial tool for the modern welfare states. Actually, they are essential in determining the long-term health outcomes. Regarding this, the reports from the World Bank (2022)

and OECD (2021) stress that point. These investments give more than financial gains. Also, we observe that they improve social peace. They reduce wealth disparity. Stiglitz, Sen, and Fitoussi (2009) wrote a report. So, quality, accessibility, and inclusivity (rather than just the quantity) must be used to assess efficacy of these investments. This implies that trust and well-being strengthened when public resources are used for the appropriate purposes. These purposes are such as early childhood education and health care (Pavot & Diener, 2008; Helliwell et al., 2023). Therefore, strategically planning education and health expenditures and supporting them with the principles of institutional effectiveness, transparency, and accountability will create positive effects on individuals for sustainable welfare growth.

Table 1: Happiness, Income, Health, and Education Expenditures in Turkiye and Finland (2020–2024)

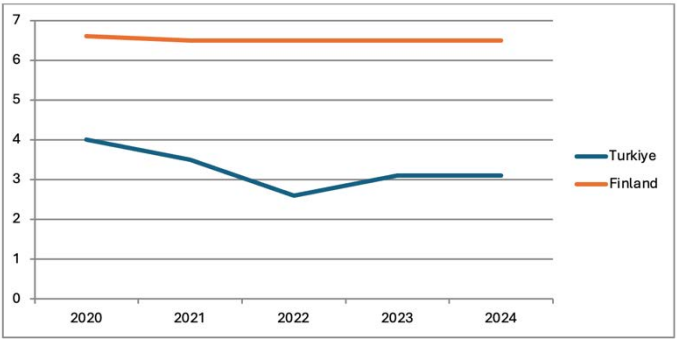
	Turkiye	**Finland**	**Turkiye**	**Finland**	**Turkiye**	**Finland**	**Turkiye**	**Finland**
	World Happiness Index Ranking		GDP per capita (current US$)		Health expenditure Percentage of GDP		Education expenditure Percentage of GDP	
2020	105	1	8.638,74	48.828,68	4,6	9,7	4,0	6,6
2021	112	1	9.743,21	53.099,14	4,6	9,9	3,5	6,5
2022	106	1	10.674,50	50.440,56	3,7	9,7	2,6	6,5
2023	98	1	13.105,66	52.821,51	4,3	10,5	3,1	6,5
2024	94	1	15.473,29	53.188,62	4,7	10,6	3,1	6,5

Source: Compiled by the author

The table shows the share of education and health expenditures in Turkiye and Finland's Gross Domestic Product (GDP), per capita GDP, and happiness scores for the years 2020- 2024. According to this, Finland has consistently ranked first in the World Happiness Index during the relevant years. Turkiye, on the other hand, has risen from 105th place in 2020 to 94th place in 2024. Per capita GDP has increased from $48,828 to $53,188 in Finland and from $8,638 to $15,473 in Turkiye. When examining the share of health expenditures in GDP, it rose from 9.7% to 10.6% in Finland, while in Turkiye it has fluctuated. This share, which was 4.6% in 2020, fell to 3.7% in 2022 and rose to 4.7% in 2024. Education spending in Finland has remained stable at around 6.5% over the

years. In Turkiye, the share of education spending, which was 4.0% in 2020, fell to 2.6% in 2022 than rose to 3.1% in 2024.

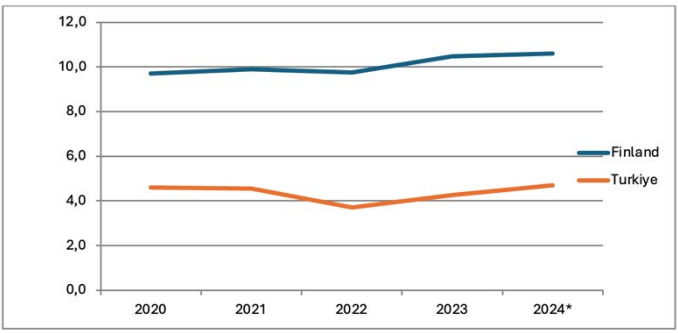
Figure 1: Education Expenditures in Turkiye and Finland (% of GDP) 2020–2024



Source: World Bank

The figure compares education spending ratios. This ratio was 4% in Turkiye in 2020, declined in 2022, and has entered a recovery phase, reaching 3.1%. In Finland, it was 6.6% and fell to 6.5% in 2024. Comparing the two, we see that Finland's share is higher than Turkiye's and has remained stable.

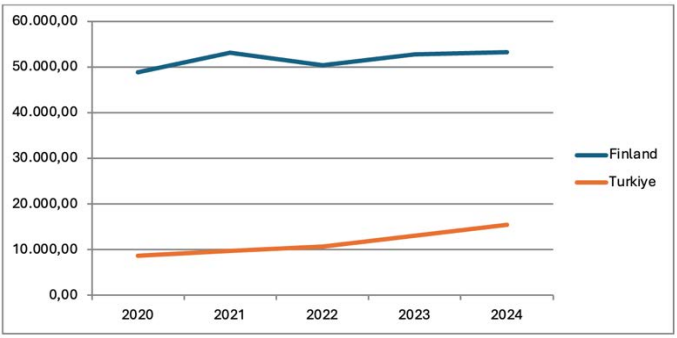
Figure 2: Health Expenditures in Turkiye and Finland (% of GDP) 2020–2024



*Source: World Bank * 2024 estimate*

The figure compares the ratios of health expenditures to GDP for Turkiye and Finland for the 2020-2024 period. In the light of these data, it is observed that Finland increased the rate of health expenditure from 9.7% in the mentioned period to 10.6% by 2024. Therefore, it is possible to say that Finland is following a stable and upward trend in this regard. In Turkiye, the share of healthcare expenditures, which was 4.6% in 2020, increased to 4.7% by 2024.

Figure 3: GDP per Capita in Turkiye and Finland (Current US$) 2020–2024



Source: World Bank

The figure shows the GDP per capita for Turkiye and Finland between 2020 and 2024. According to this, Finland, which is among the high-income economies with a per capita GDP of $13,846 or more according to the World Bank (2025), saw its per capita GDP rise from $48,828 in 2020 to $53,188 in 2024. In Turkiye, the GDP per capita, which was $8,638 in 2020, will rise to $15,473 by 2024.

In light of these data, Finland's stable structure in education and health expenditures stands out as a key factor in the country maintaining its top position in the happiness rankings for many years (2018-2024). It is clearly seen that, besides growth, this expenditure is crucial for social equality and trust. Actually, Turkiye's satisfaction ranking showed improvement as a result of the rapid rise in income. However, the sustainability of this gain is limited by the fluctuations in education investment.

This situation acts as a verification for Easterlin Paradox. Income growth increases happiness in short term. A steady increase is impossible without social spending (Easterlin, 2003). Moreover, Clark (2018) points out something. He draws attention to long-lasting effects of non-income factors. The fluctuating trend of Turkiye supports this argument. Consequently, we can say that focusing only on economic growth is not enough for Turkiye. In this context, it is essential to ensure stable education funds. Also health services must be inclusive. At this point, the Finland model presents significant data for us to learn from.

5. Conclusion

This study looked at the social spending, income and the satisfaction levels in Finland and Turkiye. It covers the years between 2020 and 2024. The research results show that the happiness is not only related with the economic growth (Diener, 1984; Veenhoven, 1993; Oswald, 1997; Easterlin, 2003; Clark, 2018). The Easterlin Paradox gives a warning. It says increases in income do not continue if other factors are missing. Finland is at the first rank since 2018. The reason is the high and steady spending on the health (10.6%) and the education (6.5%). This situation supports the theory of Veenhoven (1993). It means national well-being makes contribution to happiness.

It is thought that Turkiye increased its rank from 105th to 94th. This happened because of the efforts to increase health spending and income growth. However, there is a 2.6% decrease in the education investment in 2022. This limits the chance for the happiness. This result is same with the findings of Clark (2018). For a sustainable welfare, Turkiye has to improve its innovation capacity. Şiriner and Doğru (2006) argue that emerging nations should use their potential for the reverse innovation. Furthermore, Turkiye needs to apply inclusive policies. Because the unemployment and the health have bigger effect on the happiness than the income (Oswald, 1997; Finkelstein et al., 2012).

As a conclusion, Finland's continuous social investment supports the long-term well-being. Turkiye made a progress. But it is not completely sustainable. Because there is instability, especially in the education. Therefore, policymakers should not just focus on the growth targets. They must give importance to the accessible healthcare and the high-quality education. This broad approach is crucial for the lasting satisfaction. Also, developing innovative skills should be a part of it. To

increase the competitiveness and ensure sustainable prosperity, Turkiye must get innovation capacity effectively. It must find its reverse innovation potential. It must develop policies based on scientific and technological development (Büyük & Gümüştekin, 2017).

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11

From Tımar to İltizam: Reinterpreting the Ottoman Fiscal Structure in the Context of Rational Choice and Game Theory

Erkan Oflaz
ORCID: 0000-0001-9421-3282
erkan-oflaz@hotmail.com

Şevket Alper Koç (Kocaeli University)
ORCID: 0000-0002-0824-7054
sevketkoc@hotmail.com

Abstract

The Tımar system, which held a pivotal position during the Ottoman Empire's rise, began to be abandoned from the 17th century onward. Financial pressures faced by decision-makers during prolonged wars provided the rationale for transitioning to a new land management system. The iltizam (tax farming) system engendered mültezims who operated independently from central authority in the provinces. While iltizams offered immediate cash inflows for the treasury, the devolution of regular revenue streams and the transformation of mültezims into local authorities generated significant economic and sociological challenges in the medium and long term. This study aims to analyze this sharp institutional shift in Ottoman land governance through the lens of rational choice theory, contextualized by period-specific constraints. The transformation in the land regime is modeled as a Center-Periphery Institutional Preference Game, elucidating the equilibrium dynamics of the transition.

Keywords: Ottoman Center-Periphery Relations, Ottoman Land Management, Iltizam System, Timar System, Mültezim, Game Theory

JEL Classification: N43, N45, H20, H30

1. Introduction

The expanding war fronts on an imperial scale, the deepening monetary economy, and increasing bureaucratic costs gradually made the Ottoman financial structure more fragile from the second half of the 17th century onwards (Pamuk, 2004). While the timar system, which sustained military power in the classical period, combined tax collection and provincial administration around the principle of "taxation and expenditure in situ," the increase in the number of salaried army units and the rise in war costs dramatically increased the treasury's cash requirements (Yardımcı Oflaz & Menecler, 2020, pp. 57–58)

The transition from timar to iltizam should not be interpreted solely as a story of collapse that can be explained by the rhetoric of "the breakdown of the classical order" or "corruption," but rather as a combination of rational choices made by different actors under changing constraints (Tabakoğlu, 2016, pp. 160–171). The iltizam system played a significant role in the rise of the ayan, which is counted among the reasons for the collapse of the Ottoman Empire. The mültezims transformed into local authorities through the personal use of state power. While the iltizam system was a general policy tool that met the treasury's short-term cash needs, it turned into an institutional path that weakened central authority through the multezim-ayan class that grew stronger in the provinces (Genç, Oflaz & Menecler, 2020, pp. 81–98).

The primary principle in state administration is to preserve the existence of the state. In policy analysis, the first step is to ensure that decisions necessary for the interests of the state meet short-term needs. For decision-makers during the long war period, who faced financial difficulties and changing needs as they moved away from the center, commitment was considered a short-term solution. On the other hand, from Ibn Khaldun's perspective, the taxation method changed the nature of society in the medium to long term and paved the way for collapse.

Ibn Khaldun, in his Muqaddimah, addresses human nature as the fundamental dynamic of social formation; he defines humans as "civilized animals" (hayvan-ı medenî) and emphasizes that individuals are necessarily dependent on society (Ibn Khaldun, 2004, pp. 79-80). In the context of nature, nomadic societies represent a natural, courageous, contented, and resilient human structure characterized by solidarity (group cohesion), while sedentary (urban) societies, on the other hand, are corrupted by characteristics such as laziness, selfishness, greed,

and cowardice, which arise as a result of the degeneration of nature under the influence of luxury, prosperity, and comfort (Ibn Khaldun, 2004, pp. 171, 191). This dual distinction explains the cycle of rise and fall of societies (the cycle of states); the tribal nature builds civilization, while urban decay brings destruction.

2. Historical Background of the Transition from the Tımar System to the Iltizam (Tax Farming) System in the Ottoman Empire

2.1. Functioning and Rational Core of the Tımar System

The timar system, which formed the main features of the land regime in the classical Ottoman period, was based on the allocation of tax revenues from state-owned land to timar holders in exchange for specific services (Uzunçarşılı, 1988). The timar combined the military service obligation of the sipahi and the production and tax obligations of the peasants within the same framework, offering a "military-financial package" that limited the cash outflow of the central treasury (Tabakoğlu, 2016, pp. 160–171). For the central administration, the rational core of this system was to obtain high military capacity at low monetary cost, maintain political control by keeping land ownership under state control, and provide the necessary administrative ease to balance potential elites in the provinces by binding them with status.

Until the 17th century, the timar system was at the center of the military, financial, and administrative order. Regular cadastral surveys maintained the link between the identification of financial resources and the distribution of timars. However, prolonged wars, transformations in weapons technology, and the increase in kapıkulu troops relatively weakened the timar system's functions of both generating revenue and providing military capacity; irregularities in the allocation of timars and allegations of bribery disrupted the system's internal balance.

2.2. The Rise of the Iltizam System and Its Socio-Economic Impacts

Iltizam was implemented as a general policy tool used to meet the treasury's cash needs. The historical roots of the system are parallel to similar practices in Ancient Greece, Rome, Islamic civilizations, and Medieval Europe. In the Ottoman

context, iltizam is a tax institution whereby a specific tax or business right belonging to the state is transferred to a private individual in exchange for a certain fee and for a certain period of time, and the person undertaking this task is called a mültezim (Buluş, 2010, pp. 81–120).

From the second half of the 17th century onwards, the increase in salaried army units and the rise in war costs created deficits in the Ottoman treasury. The iltizam system was widely adopted as a solution that could quickly meet the treasury's cash needs, with the risk being transferred to the actors in the field (Pamuk, 2004). However, unlike the timar system, which facilitated population management and was integrated into the military hierarchy in the provinces, the iltizam system weakened central authority by transferring local administrative functions to the mültezim (Tabakoğlu, 2016, p. 66).

Tax farmers, who held concessions, gradually transformed into a local authority independent of the central authority (Öztürk, 2012). Mültezims (Tax farmers), who purchased the privilege of collecting taxes in a designated region for a predetermined period of time, had the goal of making a profit. It is also known that mültezims, who borrowed money from moneylenders to participate in auctions, made decisions under financial pressure. Accumulating both financial and political power, mültezims became local authorities, and this process marked the first stage of the rise of the ayan (Karademir, 1979). In this context, the iltizam system had a corrosive effect on the state order in the provinces, leading to the personal use of state power and a sense of social injustice.

3. Theoretical Framework: Rational Choice and Game Theory

The relationship between the central and provincial elites being a “principal-agent relationship” allows it to be modeled as a strategic game. The study shows that the iltizam system created both financial advantages and new agency problems through the transfer of tax collection authority to a private actor. This finding made it possible to analyze the mutual strategies of the central government and the provinces, institutional choice, and equilibrium outcomes within the framework of rational choice and game theory (Laffont, 2002).

According to the rational choice approach, the elites of the Center and the Provinces are actors who seek to maximize their expected benefits under the

constraints they face (war costs, cash needs, control capacity, capital opportunities). Game theory allows for a formal analysis of the strategic interaction between these actors, the interdependence of institutional choices, and equilibrium outcomes.

The transition from timar to iltizam can be seen as a comparative choice problem between the combinations of "income–risk–military power" for the Center and "rent–status–sanction risk" for the Provinces. Changes in parameters (e.g., war costs, price levels, provincial capital accumulation, control capacity) trigger a transition from one equilibrium profile to another. This can be interpreted as an institutional transformation explaining the transition from the equilibrium in the timar regime to the equilibrium in the iltizam regime in the historical process (Yardımcı, Oflaz & Menecler, 2020, pp. 63–66).

4. Game Theoretical Model: Central–Province Institutional Preference Game

4.1. Players and strategies

The game is played as a two-player static (single-period) game:

Player 1: Central M (sultan–Bâbıâli)

Player 2: Provincial elites P (feudal lords, mültezims (tax farmers), notables)

Strategies:

$S_M = \{T, I\}$

T: Maintain the feudal system of tımar

I: Establish/extend the iltizam system

$S_P = \{U, D\}$

U : Compatibility / cooperation (alignment with corporate preferences, reasonable collection)

D: Resistance / opportunism (bribery, excessive exploitation, tax evasion, local uprisings, etc.)

Game:

$$G = \langle \{M, P\}, S_M, S_P, u_M, u_P \rangle$$

The transfer of tax collection authority between the center and the provinces are fundamental elements that determine who exercises state power and how. For the expected benefit analysis in the game, players' moves are designed independently of historical processes.

4.2. Parameters and utility functions

The game's moves were determined by establishing parameters consistent with findings from Ottoman economic history. .

R_T: Periodic tax revenue of the Central Government under the timar system

R_I: Periodic tax revenue of the Central Government under the iltizam system ($R_I > R_T$)

C_T: Administrative and oversight costs of the timar system

C_I: Administrative and oversight costs of the iltizam system ($C_I < C_T$)

L_T: Military capacity and level of central control under the timar system

L_I: Military capacity and level of control under the iltizam system ($L_T > L_I$)

θ: Resistance/disruption indicator (tax evasion, risk of rebellion, rural exodus, etc.)

The utility of the center:

$$u_M(T, s_P) = \alpha R_T - C_T + \beta L_T - \gamma \theta_T(s_P)$$

$$u_M(I, s_P) = \alpha R_I - C_I + \beta L_I - \gamma \theta_I(s_P)$$

In solving the moves; α, β, γ>0 indicate the extent to which the Center values income, military power, and stability (Laffont, 2002).

The utility of the provincial elite:

$$u_P(T, s_P) = Y_T(s_P) + S_T - \phi_T \theta_T(s_P)$$

$$u_P(I, s_P) = Y_I(s_P, K) + S_I - \phi_I \theta_I(s_P)$$

Y_T: The economic benefits of the provinces under the timar system

Y_I: The economic return of the provinces under the iltizam system (tax farmer's rent, dependent on K capital capacity)

S_T, S_I: Status and political influence benefits

$\phi_T, \phi_I > 0$: Resistance / opportunism costs weights.

The findings of Yardımcı et al. (2020) show that under the iltizam system, high-capital tax farmers and notables in particular obtained significant rents through $Y_I(K)$, and that local status–power gains increased the $Y_I(K)$ term.

4.3. Utility Matrix

	Provincial Elite: U (Compatibility)	Provincial Elite: D (Resistance)
Center: T	$(\mathbf{3}, \mathbf{3})$	$(\mathbf{1}, \mathbf{2})$
Center: I	$(\mathbf{4}, \mathbf{4})$	$(\mathbf{1}, \mathbf{1})$

(T, U): Moderate cash flow, high military capacity, stable income for the provinces → (3,3)

(T, D): Timar decay, loss of revenue, short-term rent for the provinces → (1,2)

(I, U): High upfront income, risk transfer, high rent and power for the provinces $\rightarrow (4,4)$

(I, D): Excessive exploitation, rural exodus, rebellion, low long-term benefits for both sides $\rightarrow (1,1)$

5. Nash equilibrium and repeated game analysis

For (I,U) to be a Nash equilibrium, the following two conditions must be satisfied:

For the center:

$$u_M(I, U) \geq u_M(T, U)$$

$$\alpha(R_I - R_T) + (C_T - C_I) + \beta(L_I - L_T) - \gamma(\theta_I^U - \theta_T^U) \geq 0$$

It shows that under the iltizam system, the additional financial revenue obtained and the savings in control costs would compensate for the loss of military capacity and control and the increased risk of resistance, leading the Central Government to rationally prefer iltizam over timar (Pamuk, 2004).

For the provinces:

$$u_P(I, U) \geq u_P(I, D)$$

$$Y_I^U(K) - Y_I^D(K) - \phi_I(\theta_I^U - \theta_I^D) \geq 0$$

If the rent and status gains obtained from compliant behavior under the iltizam system are higher than the expected penalty and instability costs, despite the short-term gains of an excessive exploitation and opportunism strategy, the U strategy becomes rational for the provinces (Laffont, 2002; Yardımcı et al., 2020, pp. 64–66). The price revolution, the structure of foreign trade revenues, and the rise of the capital-owning tax collector/ayan class in the provinces raise the R_I, Y_I, K parameters, making the (I, U) profile rational (İnalcık, 2019).

The long-term sustainability of the iltizam system can be analyzed in an infinite repetition of the stage game. In each period, the Center maintains its "I" strategy, while the Provinces choose between the "reasonable collection" (U) or "extreme exploitation" (D) strategies; in a single-period game, extreme exploitation may provide higher short-term rent for the Provinces. The Center threatens to cancel the concession and revert to a trust or strict control regime as a "punishment strategy" when D is observed; however, as Yardımcı et al. (2020) demonstrate, the credibility of this threat is limited during periods when control capacity weakens.

If the discount factor δ is low, control capacity is limited, and the provinces have access to alternative power sources (money changers, local militias), strategy D, which maximizes short-term rent for the provinces, remains attractive; which leads to the iltizam regime producing a path that erodes central authority through peasant migrations, production decline, and feudalization, even in a repeated game. Thus, iltizam emerges as a strategy "played against time," creating financial rationality in the short term and institutional unsustainability in the long term.

6. Conclusion

The transition from timar to iltizam can be seen as a combination of rational responses to changes in financial crisis, capital accumulation, and control capacity, beyond the "breakdown of the classical order" in the Ottoman financial structure. While the iltizam system served as a policy tool to meet the treasury's short-term cash needs, it weakened the central authority's control over the provinces, undermined revenue justice, and disrupted social harmony by institutionalizing the personal use of state power by the mültezim and ayan classes.

We establish a game theoretical model that reinterprets these findings within the framework of the institutional preference game between the Center and the Provinces, explaining the transition from the (T, U) equilibrium in the timar system to the (I, U) equilibrium in the iltizam system through parameter changes. Thus, the themes of "personal use of state power" and "weakening of central authority" highlighted in the socio-economic analysis of Yardımcı et al. (2020) are framed within the context of rational choice and repeated games, showing

that choices that appear financially rational in the short term can produce institutional unsustainability in the long term.

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