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TRADE RELATIONS WITH SYRIA AFTER THE REFUGEE INFLUX

Immigration is a multi-dimensional phenomenon that should be considered in its various aspects, including the social, the cultural, security, health, education and economy. At its simplest form, immigrants integrate to the economy of the host country either by being forced to agree to lower wages in existing jobs as they lack work permits, or, for those who have a certain amount of capital, by building partnerships with merchants or businessmen in the host country. This article seeks to understand what kind of an impact immigrants have on the economy of the host country when they engage in commercial enterprises. We will explain this through the data concerning immigrants from Syria to Turkey.

According to the studies in the literature, the trade relations between the regions that receive immigration and the home countries of immigrants persist^{1 2 3}.

¹ Genç M., Gheasi M., Nijkamp P., Poot J., *The impact of immigration on international trade: a meta-analysis*, Norface Migration, Discussion Paper No:2011-20

http://www.norface-migration.org/publ_uploads/NDP_20_11.pdf

² Peri G, Requena F, *The trade creation effect of immigrants: evidence from the remarkable case of Spain*, National Bureau of Economic Research, Cambridge, December 2009

<http://www.nber.org/papers/w15625.pdf>

³ Canavire Bacarreza G.J., Ruud L., "The impact of migration on foreign trade in Bolivia" in *Migrant and Markets: Perspectives from Economics and the other Social Sciences*, pp:225-241

Most of the newly established partnerships engage in trade, mainly in the form of exports, which leads to an increase in trade between the two destinations. This is explained by a drop in trading costs. Certain factors need to be taken into consideration during engagement in trade. Factors like the market structure, needs, demands, purchasing power, consumption habits, language, communication facilities, marketing strategy etc. come into play for exports. Each of these factors impose a certain cost. The aggregate cost, in turn, constitutes the trading cost. From this perspective, the trade (exports) that immigrants do with their home countries suppresses trading costs. The fact that incoming immigrants are familiar with the business environment, legal regulations and market dynamics of the trade counterpart accelerates commercial transactions. Backsliding in democracy, fundamental freedoms and rule of law, the domestic peace in the country and for attaining economic stability.

An analysis of the data concerning Syrian immigrants that come to Turkey supports the studies in the literature. Entrepreneurial initiatives by Syrian shareholders are observed particularly in border cities and the zones surrounding refugee camps (Figure 1). The export figures between Turkey and Syria increased between 2008 and 2010 but started to fall rapidly following the first crisis in 2011. However, there has been a recovery in export figures after 2012 (Figure 2). It is evident that trade volumes are higher for regions where Syrian immigrants are concentrated (Figure 2 and Figure 3).

Syrian Entrepreneurs in Turkey and Export Figures

Turkish towns that receive intensive immigration from Syria have witnessed new and non-homogenous production fields, a new human capital with a different skill set and new contractual relations. ⁴ Immigrants bring along the skills unique to the production process that they were engaged in previously in their home countries to their host towns. Certain immigrants, in the process of integrating to the host economy particularly in zones close to the border, assume an entrepreneurial role.

In the period from 2010 to 2014, the highest number of companies established with the involvement of Syrian shareholders was in border provinces, areas on the trade route that include the border provinces and the major cities engaged in intensive trade. Accordingly, the city with the highest number of companies established with the involvement of Syrian shareholders in 2014 was Istanbul at 559 companies, followed by Gaziantep at 222 and Mersin at 203. On another note, the number of companies established with the involvement of Syrian shareholders across Turkey has multiplied almost 40-fold since 2010. The number of companies established by 2010 Syrian shareholders in Hatay, Gaziantep, Şanlıurfa, Adana and Mersin in 2010 was only 12, whereas 537 new companies were set up in the same provinces in 2014 (Figure 1). ⁵

⁴ Del Carpio., X.V., *The Impact of Syrian Refugees on the Turkish Economy*, World Bank, 2015

⁵ TOBB Bilgi Erişim Müdürlüğü Kurulan/Kapanan Companies İstatistikleri, Sicil kaydı olan illere göre düzenlenmiştir.

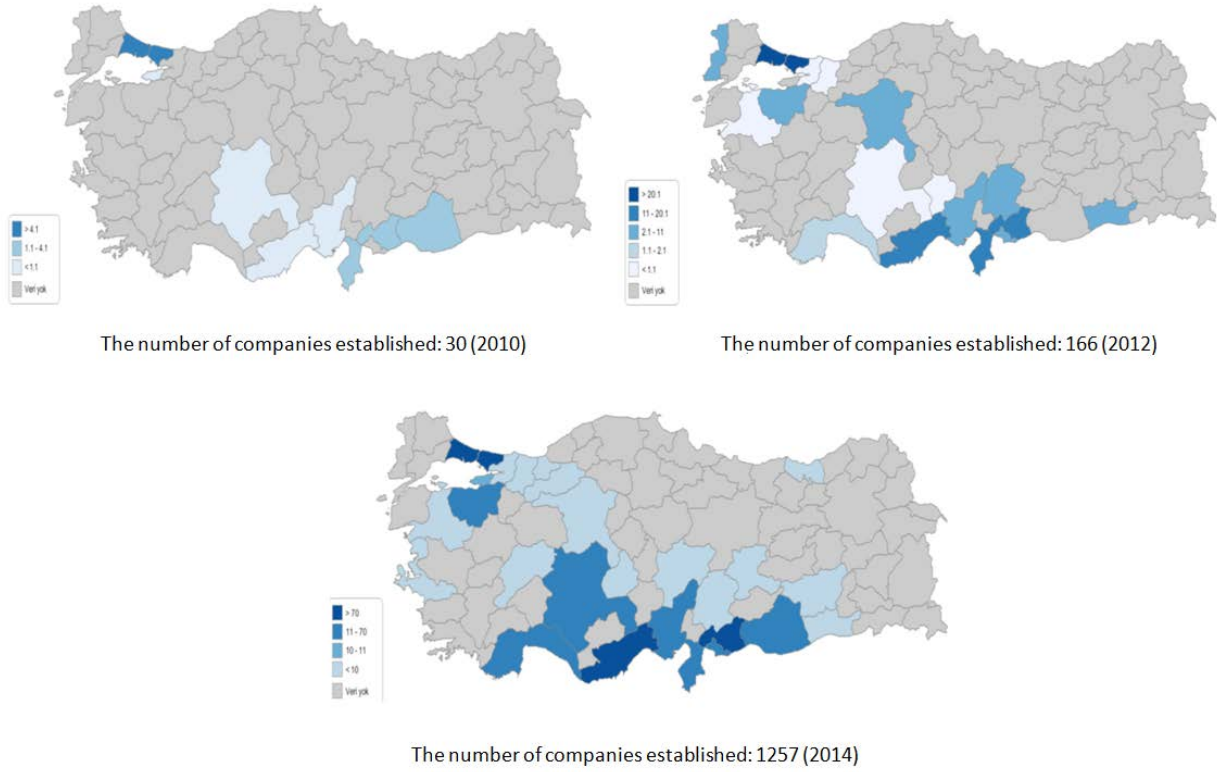
The establishment of Syrian companies is more prevalent in provinces close to the border and those where the immigrant population is concentrated. Gaziantep, a province which is both close to the border and has a concentration of the immigrant population (13% of Syrians are located in Gaziantep) ranks second (at 222 new companies) after Istanbul (at 559) in terms of the number of companies established with Syrian shareholder involvement. It ranks first among provinces close to the border. In terms of the provinces with the highest concentration of Syrian population, Gaziantep is followed by Hatay (9%), Mardin (7%) and Şanlıurfa (5%). On the other hand, Istanbul has the highest share of Syrian immigrants at 21%. The reason as to why the number of companies established with Syrian shareholder involvement is highest in Istanbul, followed by provinces close to the border can be associated with the concentration of the immigrant population in this sense. ⁶

The number of companies established with joint Syrian capital among the total number of companies newly established is observed to be highest in provinces on the Syrian border. 0.68% of the companies established in Hatay in 2010 had Syrian shareholders, whereas the rate surged to 10.5% in 2014. Likewise, while there were no companies established with Syrian shareholders in Kilis in 2010, the rate of companies with Syrian partners in the total number of newly established companies went up to 33.9% in 2014. After Kilis, the highest increase from 2010 to 2014 in the rate of companies with Syrian shareholders in the total number of newly established companies was in Gaziantep. Kilis and Gaziantep are followed by Mersin at 15.7% and Hatay at 10.5%.

The rate of companies with Syrian partners in the total number of newly established companies in Hatay, Gaziantep, Mersin, Kilis, Şanlıurfa and Adana grew from 2010 to 2012, but the growth rate accelerated after 2012 and reached its zenith in 2014. Within this framework, with the acceleration of immigration from Syria since 2011, the number of companies established with the involvement of Syrian shareholders in provinces in the border zone is supposed to have increased with the effect of immigration. The rapid increase in rate of these companies in the total number of newly established companies particularly after 2012, when immigration flows were at their highest, is noteworthy. This suggests that along with increased immigration, the integration of newcomers from Syria to urban economies is also on the rise.

⁶ Del Carpio., X.V., *The Impact of Syrian Refugees on the Turkish Economy*, World Bank, 2015

Figure 1. The number of companies established with involvement of Syrian shareholders

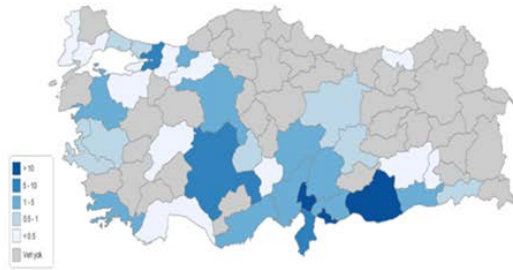


Source: TOBB Directorate on Access to Information, Established/Dissolved Companies Statistics

Exports to Syria from the provinces with the highest increase in the rate of companies established with the involvement of Syrian shareholders in the total number of newly established companies has resumed pre-war levels after its peak in 2012. The exports from border-zone provinces to Syria has come to a near-halt in 2012 in particular under the risky circumstances brought along by the war but have resumed their growth after 2012. In fact, exports from Mersin, Gaziantep, Hatay, Mardin, Kilis, Malatya, Sivas and Diyarbakır to Syria in 2014 exceeded their 2010 levels. Adana, Mardin and Kayseri experienced a drop in their exports to Syria from 2010 to 2012 but started a recovery trend as of 2012 (Figure 3).

The increase in the rate of companies established with the involvement of Syrian shareholders in the total number of newly established companies in all of the mentioned provinces suggests that trade relations have started to recover or even develop faster than the pre-war period.

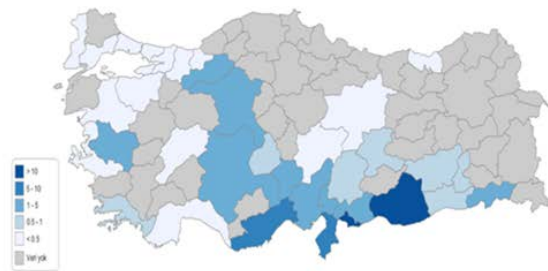
Figure 2. Absolute change in the exports to Syria in 2010 and in 2012-2014 period



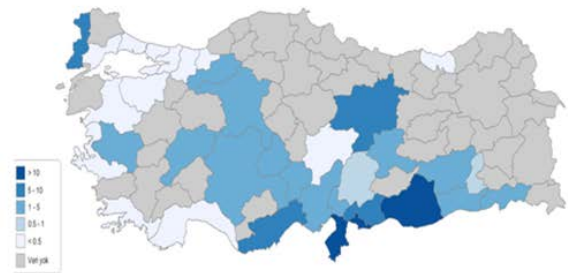
Share of Export to Syria in Total Export (%) -2010



Share of Export to Syria in Total Export (%) -2012



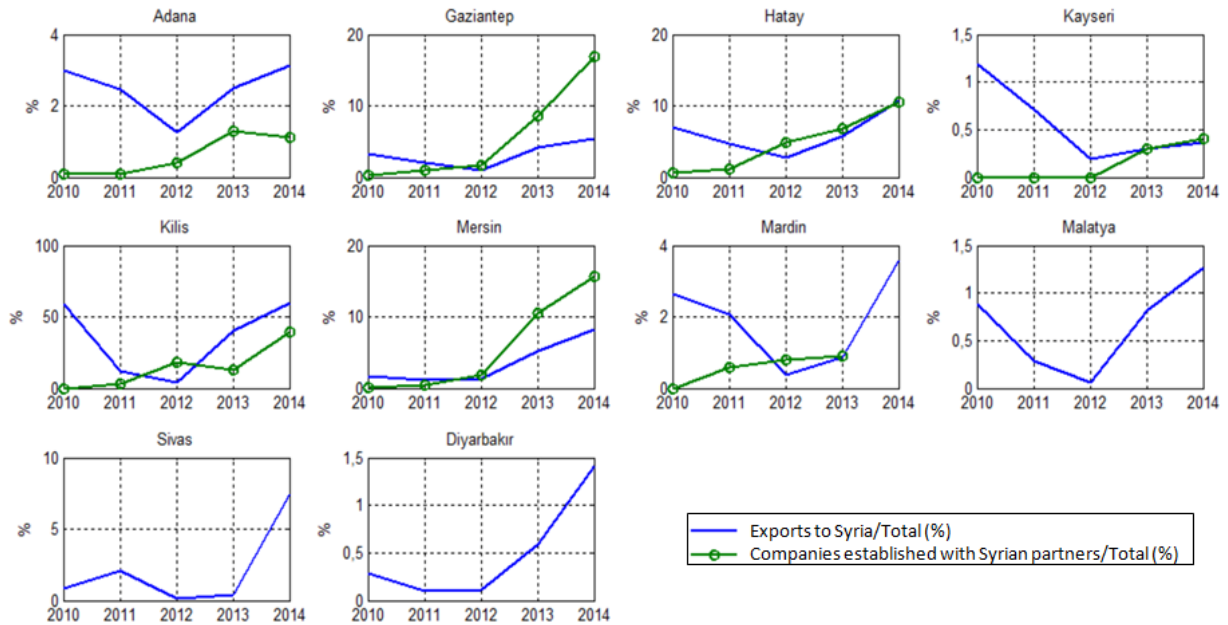
Share of Export to Syria in Total Export (%) -2013



Share of Export to Syria in Total Export (%) -2014

Source: TURKSTAT Foreign Trade Statistics

Figure 3. The rate of exports to Syria in total exports and the rate of companies established with the involvement of Syrian shareholders in the total number of newly established companies in selected provinces, 2010-2014



Source: TOBB Directorate on Access to Information, Established/Dissolved Companies Statistics and TURKSTAT Foreign Trade Statistics

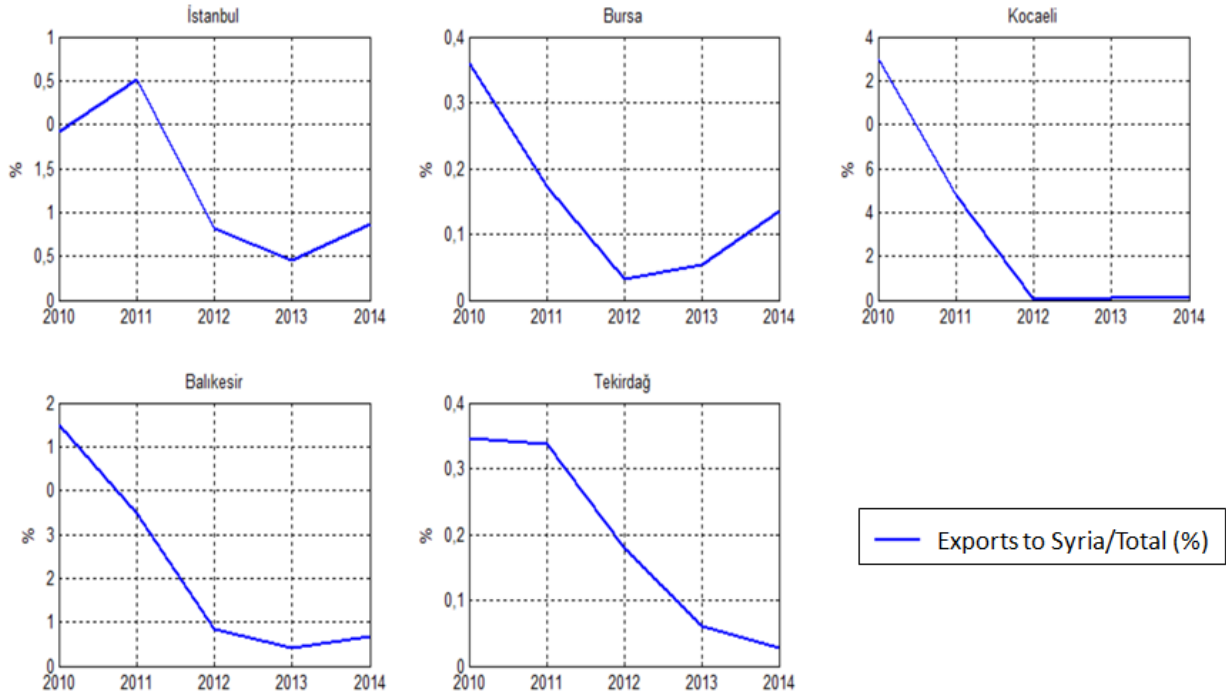
On the other hand, an overview of the situation in western provinces suggests that the share of exports of these provinces in total exports demonstrated a sharp decline during the war years. From 2010 to 2014, the share of exports to Syria within the total exports carried out by Istanbul dropped by 80%. The same figure was 94% for Kocaeli and 74% for Bursa over the 2010-2014 period. Although the rate of decline in this share slows down for Istanbul and Bursa from 2012 onwards, the volume remains significantly below the pre-war era. There appears to be no recovery in the exports of relatively industrialized western towns like Tekirdağ and Balıkesir to Syria as of 2014.

The rate of exports to Syria within total exports in 2010 remains low in western provinces compared to border cities like Hatay, Gaziantep and Kilis. While the exports by border provinces to Syria recovers to an upward trend particularly after 2012, the more surprising development is observed in Adana, Mersin, Malatya, Sivas and Diyarbakır, cities that are close to the border provinces.

Companies established with the involvement of Syrian shareholders seen in Figure 1, which were founded merely in the border zones in 2010, have started to spread out to the environs of the region due to the immigration flow following the onset of the Syrian civil war. This suggests

that the incoming immigrants have departed from the border provinces and relocated in surrounding cities in time, bringing along the existing trade relations with them. We should note that in parallel to the number of newly established companies, the lion's share of the increase in exports was recorded in border provinces.

Figure 4. The rate of exports to Syria within total exports by selected provinces, 2010-2014



Source: TURKSTAT Foreign Trade Statistics

Conclusion

Along with the increased inflow of migrants, the impact of immigration on the economy in Turkey's provinces bordering Syria and the trade routes in the surrounding these provinces can be observed to spread throughout Turkey. The influx of migrants from Syria has boosted trade in the border zone, whereas industrialized western provinces far from the border have started to lose their trade relations with Syria. One of the primary reasons for that is the fact that the war is still ongoing. Furthermore, the trade relations of the western provinces with the MENA region sometimes falls behind towns bordering Syria like Hatay and Gaziantep or those close to the border like Mersin and Adana ⁷. In sum, the distance to the trade route that has emerged here lessens the positive effect of immigration on the economy. In this sense, the primary reason for boosted trade in the border zones is the proximity to the region, which lowers transportation cost, one of the main costs in international trade, compared to regions further away. Hence, the geographical proximity of the two poles of the trade relationship is used as an advantage. Furthermore, the migrants that have flowed into the border zone with the onset of the war have brought along their own production and consumption habits to the border provinces. All these are factors that boost the bilateral trade relationship of urban economies on or near the Syrian border with Syria.

⁷ TURKSTAT Foreign Trade Statistics

APPENDIX

Table 1. The number of companies established with the involvement of Syrian shareholders, 2010

2010	Newly established companies	Companies with Syrian shareholders	Share of Syrian companies in total
İSTANBUL	17992	16	0,09%
HATAY	586	4	0,68%
GAZİANTEP	856	3	0,35%
Ş.URFA	625	3	0,48%
ADANA	1072	1	0,09%
MERSİN	909	1	0,11%
KONYA	1182	1	0,08%
YALOVA	140	1	0,71%

Source: TOBB Directorate on Access to Information, Established/Dissolved Companies Statistics

Table 2. The number of companies established with the involvement of Syrian shareholders, 2012

2012	Newly established companies	Companies with Syrian shareholders	Share of Syrian companies in total
KİLİS	33	6	18,2%
HATAY	418	20	4,8%
EDİRNE	83	3	3,6%
NİĞDE	52	1	1,9%
MERSİN	637	12	1,9%
K.MARAŞ	218	4	1,8%
GAZİANTEP	792	13	1,6%
MARDİN	387	3	0,8%
İSTANBUL	15981	88	0,6%
BALIKESİR	182	1	0,5%
ADANA	732	3	0,4%
SAKARYA	286	1	0,3%
BURSA	1399	4	0,3%
KONYA	596	1	0,2%
ANTALYA	1610	2	0,1%
KOCAELİ	855	1	0,1%
ANKARA	4508	3	0,1%

Source: TOBB Directorate on Access to Information, Established/Dissolved Companies Statistics

Table 3. The number of companies established with the involvement of Syrian shareholders, 2014

2014	Newly established companies	Companies with Syrian shareholders	Share of Syrian companies in total
KİLİS	56	19	33,9%
GAZİANTEP	1313	222	16,9%
MERSİN	1290	203	15,7%
HATAY	636	67	10,5%
YALOVA	169	10	5,9%
Ş.URFA	737	32	4,3%
BURSA	1992	55	2,8%
İSTANBUL	23143	559	2,4%
K.MARAŞ	422	7	1,7%
DÜZCE	161	2	1,2%
KONYA	1156	14	1,2%
ADANA	1138	13	1,1%
BOLU	101	1	1,0%
ANTALYA	2415	19	0,8%
AKSARAY	165	1	0,6%
MARDİN	339	2	0,6%
TRABZON	366	2	0,5%
KAYSERİ	911	4	0,4%
MALATYA	236	1	0,4%
BALIKESİR	319	1	0,3%
İZMİR	3414	9	0,3%
SAKARYA	454	1	0,2%
DİYARBAKIR	616	1	0,2%
KOCAELİ	1311	2	0,2%
ANKARA	6514	9	0,1%

Source: TOBB Directorate on Access to Information, Established/Dissolved Companies Statistics