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The Impact of Syrian refugees on the economic situation of Turkey: The prospect of Turkey's withdrawal from the refugee agreement

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Introduction

In 2011, a conflict began in Syria resulting in one of the largest resettlement refugee crises in history. Despite the passage of years, the conflict continues and has generated millions of refugees seeking shelter outside Syria. The situation in Syria has significant impact on all region, but also on the decisions taken by the decision-makers of the European Union. Therefore, the aim of analysis is to capture the current situation in Syria, the country of origin of the largest number of refugees, most of whom found shelter in Turkey. This influx of refugees has affected and continues to affect Turkey's situation in many aspects. The article focuses on the economic aspect. More specifically, aims to answer the question: what impact on the economic situation of Turkey had the influx of Syrian refugees? Hence, for the needs of the analysis, a quick examination of Syria situation and Turkey – EU relations will take place.

The huge influx of Syrian refugees into the European Union, after 2015, has led to rapprochement between the EU and Turkey. As the Union was not able to cope alone with the influx of refugees, EU came to an agreement with Turkey aiming at limiting the number of refugees coming to the Union. At present, the survival of this agreement is uncertain, due to the dissatisfaction of the Turkish side, which believes that the EU does not keep its word in relation to the earlier assurances contained in the agreement, especially on the issue of Turkey's membership in the Union and the liberalization of visa rules for Turkish citizens. The European Union has decided to suspend accession negotiations, inter alia due to violations of the rule of law in Turkey and deteriorating functioning of the judiciary (Union, 2018). Therefore, the article answers the question whether the EU can expect Turkey to withdraw from the agreement?

The Syrian crisis, which has evolved from a peaceful protest to a violent conflict (Karim, 2017) began as an offshoot of the revolutions in North Africa and the Middle East in 2010 (Markowska-Manista & Pasamonik, 2017) as an anti-government protest against President Bashar-al-Assad. One of the effects of the war in Syria is the escape of millions of people from this country, for fear of losing their lives. Syria has become a country, which is the source of the largest number of refugees (UNHCR, Global Trends. Forced Displacement in 2018, 2019). At home, more than half of Syria's population was displaced and became dependent on humanitarian aid for daily

subsistence (UNHCR, Syria emergency, 2018). The conflict continues and is one of the largest resettlement crises in history. The situation inside Syria is affecting the situation of the entire region.

In 2019, the Syrian government managed to control around 2/3 of the country's territory (SIDA, 2019). Areas out of governmental control are in the north. Syrian Democratic Forces supported by the International Coalition¹ led by the US control the northeast region, including oil fields, minerals and arable land (SIDA, 2019). Daesh's² territory is limited to residual areas located in the desert (SIDA, 2019). They were pushed to smaller and smaller areas along the Iraqi and Syria border. After the announcement of the withdrawal of troops from Syria by the US in December 2018 (Timm, 2018) recognizing the fight against Daesh as winning, Turkey strengthened the troops on its border to fight Kurdish fighters (Yildiz, 2018). Violations of international humanitarian law and human rights committed by all parties to the conflict are constantly reported (Human Rights Watch, 2019). Parties to the conflict continue to use chemical weapons (Human Rights Watch, 2019). During the years 2013-2018, at least 85 attacks were confirmed using chemical weapons. The actual number of chemical attacks is probably higher (Human Rights Watch, 2019).

By the end of 2018, there were 6.2 million internally displaced persons in Syria (UNHCR, Provision of Life-Saving Assistance, End of Year Report 2018, 2019). By September 2018, 5.6 million Syrian refugees leaving Syria (Human Rights Watch, 2019) mostly found shelter in neighbouring countries. The largest number of Syrian refugees are located in Turkey (3.6 million registered refugees), followed by Lebanon (930 thousand), followed by Jordan (660 thousand) (UNHCR, Operational Portal Refugee Situations, 2019).

As the Syrian government regained control of the country's territory and the active conflict was partially reduced, pressure to return to refugees in Lebanon and Jordan increased. Syria itself is calling for citizens to return (NBC, 2018), although government forces are violating human rights,

¹ Members of the International Coalition: United States, France, UK, Denmark, Germany, Canada, Turkey, Italy, Poland, Australia. (European Parliament, *The international coalition to counter ISIL/Da'esh (the 'Islamic State')*, Brussels, 2015, p.2)

² Daesh from the Arabic name of the Islamic State (IS), commonly used in the Middle East. The uprising dates back to 2003 when the US invaded Iraq. Islamic State is a political and military organization whose philosophy of operation is based on radically interpreted Islam. It should be emphasized that IS is primarily a terrorist organization. (L. Roman, *Islamic State – threat to peace and security*, University of Euroregional Economy Publisher, Jozefow 2016, p. 69).

arbitrarily arresting and abusing people and imposing onerous restrictions on freedom of movement (Human Right Watch, 2019). Refugees themselves, however, do not consider returning to their homeland within the next year (SIDA, 2019). In both Lebanon and Jordan, less than 10% of refugees expressed their willingness to return (SIDA, 2019).

However, let us focus on the situation in Turkey and the impact of the refugee crisis, the influx of Syrian refugees into the country. Namely, how does the refugee crisis affect the economic situation in Turkey? As Syria's northern neighbour, Turkey had to face the following challenges with a large influx of refugees and plays a key role in the refugee crisis, as the Turkish government adopted from the beginning an open-door policy and set up camps (Kirişci, 2014).

One of the indicators showing the impact of refugees on the Turkish economy is economic growth. In the years 2000-2010, in the period before the refugee crisis, Turkey's economy was developing. In less than a decade, per capita income has almost tripled (Kösematoğlu & Kuyumcu, 2017). Since 2012, economic growth has slowed down (Kösematoğlu & Kuyumcu, 2017). The influx of refugees was one of the factors of this situation along with other such as continuous reforms, generous social welfare or inflexible labour market (Akkoc, 2015). The standard of living, competition on the labour market and per capita income have declined. The arrival of refugees generated new requirements in terms of politics and economy, especially in the municipalities where the majority of refugees live (Akgündüz, Hassink, & van den Berg, 2015).

Another indicator is Gross Domestic Product. In the years preceding 2012 it grew on average 5%, while in the years 2012-2014 it grew by 3%. But in 2015 grew by 4% (Kösematoğlu & Kuyumcu, 2017).

Turkish Gross Domestic Product (milliard \$)

Date	2011	2012	2013	2014	2015	2016	2017	2018
Annual GDP	832.524	873.982	950.579	934.186	859.797	863.722	851.549	766.509

Source: <https://data.worldbank.org/country/turkey>

According to some economists, Syrian refugees who came to Turkey played a large role in the increase in consumption (Mohyidin, 2018). Syrians stimulate Turkish business by creating companies. In 2015, when the largest number of refugees arrived in Turkey, the number of new

Syrian companies exceeded 1.600 (Kadkoy & Timur, 2016) reaching 2.4 percent of all start-ups in Turkey, another 590 companies were established in the first 3 months of 2016 (Kösematoğlu & Kuyumcu, 2017). With capital Syrian businesspersons have also transferred their network of relations. The effect of this is visible in exports. Exports from Turkey to Syria peaked at USD 1.8 billion in 2010 and decreased to USD 500 million in 2012 (Kadkoy & Timur, 2016). However, in 2014, Turkish exports returned to pre-2011 levels, and data indicate that Syrian companies could have played an important role in this.

In terms of employment of Syrians, they are not evenly deployed, which means problems finding a job in the provinces where the most refugees are found. Especially in the southern provinces of Hatay, Gaziantep, Kilis, Sanliurfa and Mardin, which contains 83% of the total number of Syrian refugees in Turkey (Cagaptay, 2014). In these regions, labour market problems have become exacerbated. Local and Syrian workforce are forced to compete for low-paid jobs. Research from 2013 showed that the average monthly income of Syrians was 236 USD (Kadkoy & Timur, 2016), which was half the minimum wage. This indicates that often Syrians work for very low wages, which encourages local employers to hire them. For this reason, refugees may appear more attractive than Turks at least in sectors with low skills. Low-qualified Syrians in the informal market have displaced similarly qualified Turks and increased unemployment in the provinces with the highest concentration of refugees by about two percentage points. (Del Carpio & Wagner, 2016).

In areas with a dense presence of refugees, competition on the labour market leads to displacement, especially among low-skilled or unskilled men who belong to the local workforce. This resulted in the resettlement of about six natives for every ten refugees (Kösematoğlu & Kuyumcu, 2017). The unemployment rate in Turkey has been rising since 2011. On the other hand, some reports indicate that Syrian refugees it is claimed that Syrian refugees contribute to the Turkish economy by filling labour shortages in certain sectors. First of all in the textile and construction industry (Koca, 2016). Syrian refugees have had a serious impact on Turkey's international trade and finances. The conflicts over the conduct of the Syrian civil war and the controversy over Syrian refugees seriously affected Turkey's relations with its major export and import markets, especially with the EU and Russia. Following the dispute over the conflict in Syria, Russia imposed trade sanctions with Turkey in 2016 (Girit, 2016), which covered many sectors, including agriculture, construction, and the textile industry, which were however lifted in 2017 (BBC, 2017)

The impact is also visible in the rental prices of apartments, especially at the provinces bordering Syria (Orhan & Gündoğar, 2015). Rental prices are believed to have doubled and availability has also decreased. Food prices have also risen (Orhan & Gündoğar, 2015), which is a worrying problem from the point of view of the inhabitants of these provinces.

Despite the fact that the active conflict in Syria has decreased and the country's authorities are urging their citizens to return, refugees do not intend to return (SIDA, 2019). The situation is still unstable. The conflict over the years has generated millions of refugees fleeing the war. Most Syrian refugees found shelter in Turkey, affecting the country's economic situation. It is difficult to assess the impact of the refugee crisis on the entire Turkish economy, but if we consider the provinces in the south of Turkey, inhabited by a large number of Syrians, such an assessment can be made. Although it is not unambiguous. These regions are characterized by higher unemployment, rising food and housing prices, as well as increased competition on the labour market for low-skilled workers. The positive impact is manifested in the establishment of companies by Syrians, the revival of exports to Syria, the increase in demand for goods and services. The influence of Syrian refugees on the economic situation of the regions is constantly evolving.

In the absence of the European Union's capacity to manage migration independently and to stop the huge influx of Syrian refugees into Europe, an agreement was reached between the EU and Turkey (also referred to as the "refugee deal"), which has helped Europe contain the crisis in terms of refugee numbers (Saatçioğlu, Tekin, Ekim, & Tocci, 2019). However, this does not mean that the refugee crisis has been resolved. The agreement indicates that Turkey will stop the migration movement to Europe and therefore should receive something in return. During October 2019, the situation regarding the agreement is tense due to the fact that Turkey believes that it is fulfilling the agreement and the Union is not fulfilling its promises and assurances (Middle East Monitor, 2019) (Daniel Eck, 2019). On the other hand, EU officials note Turkey's efforts to receive refugees from Syria. However, he also notes that Turkey is moving away from the EU, failing to meet its obligations and standards to which it should comply (Union, 2018). That is why new challenges and questions arise before the Union. One of the questions is related to the survival of the agreement concluded with Turkey in 2016 regarding refugees. Namely, will Turkey withdraw from this agreement or not?

The agreement was concluded to significantly reduce migration to European Union countries. It was to be a temporary measure that would solve the problem of hundreds of thousands of refugees fleeing to the EU (Adam, 2016). As part of the agreement, the Union has committed to activate Turkey's negotiation process regarding its EU membership, provide financial assistance of EUR 6 billion, 3 billion for 2016/17 and another 3 billion for 2018/19 to help these refugees (European Stability Initiative, 2019). The Union has also promised to guarantee Turkish citizens the possibility of visa-free travel to EU Member States, provided that all benchmarks have been set and to accelerate work on extending the customs union with Turkey (Dobrowolska-Polak, 2016) (European Council, 2016). In return, Turkey has pledged to stop the flow of refugees and migrants to Europe by taking stricter measures against human traffickers, discouraging unsafe migration through the Aegean Sea and improving the living conditions of the more than 3 million refugees who live there. Despite criticisms of the adoption of such a solution, challenges and problems, the agreement helped stop the flow of refugees and irregular migrants to Europe, while improving access and humanitarian aid for Syrian refugees in Turkey.

Despite efforts on the Turkish side and effective control of refugee flows, the EU has not yet fulfilled its obligations under the agreement (Middle East Monitor, 2019). The Turkish side mainly accuses the Union that the issues related to visa liberalization for Turkish citizens and the issue of Turkey's membership in the EU have not been met. The Union, on the other hand, replies that in order for visa liberalization to occur, Turkey must meet several conditions, the most important of which is revision of its Anti-Terror Law (Saatçioğlu, The European Union's refugee crisis and rising functionalism in EU-Turkey relations, 2019). Accession negotiations with Turkey are officially suspended due to violations of the rule of law in Turkey, such as deviation from the rule of law, fundamental rights, including freedom of expression, and the deterioration of the independence of the judiciary (Pierini, 2019). In response, the Turkish side has already threatened to cease to fulfil its obligations several times. The promises of granting Turks the right to visa-free entry (under certain conditions) to the EU and accelerating accession talks after 3 years remain empty declarations. In July this year, Ankara announced that the readmission agreement with the European Union would not work until the promise of the visa-free regime was met. Ankara's statement is clear. Turkey no longer wants to wait at the "door" of the EU, it demands from it to comply with previous arrangements (Sabah, 2019).

Should the European Union be afraid of suspending the agreement? Given the circumstances and the current state of relations between Turkey and the EU, yes. Relations between them have become particularly tense due to drilling operations undertaken by Turkey to obtain natural gas resources located in Cypriot territorial waters (European Council, 2019). The EU has therefore imposed sanctions on Turkey (Middle East Monitor, 2019). In addition, we must not forget the climate in the Turkish society, which majority (57.7%) did not feel comfortable having Syrians in Turkey (Violakis, 2016). A similar percentage (57%) believed that the conclusion of this agreement was not a good step on the Turkish side (Violakis, 2016). Another factor is the change in Turkish policy towards EU membership. Namely, President Erdogan's goal is to control society through political identity based on Islam (Violakis, 2016), which is not in line with EU values. In 2015, after a terrorist attack in a French satirical newspaper, Erdogan, defending Islam against the Christian Union, said that Turkey could not ask to join the EU. German politicians have expressed the opinion that Turkey will never join the Union if Erdogan is President (Violakis, 2016). However, Erdogan himself applied to the Union to circumvent the formal visa requirements for the entry of Turkish citizens into the EU. It can be concluded that Turkey does not care about membership, but most about visa-free travel for its citizens. It should not be forgotten that it is Turkey that holds the fate of over 3 million Syrian refugees and the future of the EU's south-eastern border. Which gives her a strong negotiating position and a powerful bargaining chip. The European Union must reckon with the fact that Turkey no longer wants to be the only active party to the agreement and after three years of EU passivity, it will withdraw from it.

Conclusions

The war in Syria has generated millions of refugees seeking shelter outside the country. Despite the fact that the Syrian government has regained control in increasingly larger areas, the conflict is still ongoing. Despite this, the Syrian authorities call on their citizens to return, but they do not express such a desire.

Turkey, as the country receiving the largest number of refugees, had to face the consequences of such a large influx of people. Since the arrival of refugees in Turkey, their impact on the economic situation of that country has been evident. This impact is most visible in the southern municipalities

where the most refugees are located. It is difficult to make a clear assessment of this impact. Undoubtedly, the presence of refugees negatively affected unemployment, which increased primarily in the provinces with the highest concentration of refugees. In these provinces there was a noticeable increase in the prices of flats and food for rent. Syrian refugees also influenced Turkish international trade and finance. The controversy regarding Syrian refugees negatively affected Turkey's relations with its main export and import markets, especially with the EU and Russia. On the other hand, the positive impact of the presence of refugees on Turkey's economic situation is also shown. Refugees influence consumption growth, stimulate business by moving or creating enterprises, and contribute to an increase in exports between Syria and Turkey.

From the point of view of the European Union, it is important that Turkey continues to respect the agreement concluded in 2016 on refugees. Turkey has repeatedly threatened to dishonour the agreement claiming Turkey's accession negotiations with the EU have not been accelerated and that there was no visa-free travel for Turkish citizens. Turkey's withdrawal from the agreement is all the more possible as a change from the Union is unlikely. The Union has suspended accession negotiations with Turkey due to violations of the rule of law there and requires Turkey to amend the anti terror law as a necessary but not the only condition for visa liberalization (Saatçioğlu, The European Union's refugee crisis and rising functionalism in EU-Turkey relations, 2019). The attitude of the Turkish society is also unfavourable, which in the majority believes that the signing of the agreement by Turkey was not a good step. Cooperation with Turkey helped to stop the influx of refugees into Europe, and on the other hand made refugees an instrument of Turkish foreign policy and are treated as a negotiating card in Turkish hands.

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