

## **DRIVING TOWARDS THE EU USING ITS REAR-VIEW MIRROR: TURKEY’S “FOREIGNER” POLICY**

*Turkey’s pursuit of EU membership has been heartily embraced by the government of Prime Minister Erdoğan but the principles of an open society, which are prerequisites for actual progress on this issue, have hardly been implemented in a way consistent with Western norms. The degree to which any society can be characterized as “open” is best measured by the way that foreigners are treated by both the government and society at large. In this respect, Turkey’s Ottoman heritage and experience still seem to inform attitudes and feelings about “foreigner policy” as reflected in the numbers of foreigners working in the country.*

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**W**hile the foreign policy of any nation is, by its very nature, subject to scrutiny and debate in the international arena, the domestic policy and internal affairs of a nation are sensitive matters that other countries are expected to refrain from intruding upon. However, there are many areas in which foreign policy and domestic policy do overlap. The issue which we will address in this article is the long-term implications of Turkey's domestic policy regarding foreigners living or working within its borders, i.e. Turkey's "foreigner policy".

Having lived as a guest of the Turkish government and people for almost 12 years, I approach this topic with some degree of trepidation. My apprehension is caused by the fact that it is impossible to capture the subtleties of this amazingly complex society and the fact that my task here is to completely ignore the nuance of society and focus instead on formulating a generalization that reflects the current state of affairs in the country. I know full well that what I describe in this article does not hold true for every Turkish citizen. Many Turks have voiced to me personally their desire for more openness as Turkey becomes more integrated with a global market and the international community. Living and working in Turkey made me a richer person and it is this experience which emboldens me in this attempt to give an objective perspective on Turkey's "foreigner policy" and the rising tide of nationalism that seems to be sweeping a country that has been rocked in recent years by high profile killings of individuals perceived as "foreign elements", from a Catholic priest in Trabzon, to an Armenian journalist in Istanbul and a German Protestant and his Turkish co-workers in Malatya. These events were condemned by the ruling AKP, which must be commended for steadfastly refusing to play the nationalist card as other parties have. In fact, it was this same party that, in 2003, liberalized foreign economic participation by introducing legislation which made it possible for foreigners to establish companies following the same procedure that a Turkish citizen would follow without restrictions on the movement of capital.

This new legislation was part of a number of changes adopted by parliament as part of Turkey's efforts to comply with EU norms on its path to full membership. These laws also included a relaxation on the sale of real property to foreign citizens, which met such stiff protest from the opposition and later an electorate made fearful by the opposition's exaggerated claims that within two years it was repealed and a new more restrictive law was adopted. I mention this fact because it provides insight into the prevailing Turkish psyche. The law liberalizing the start-up of new companies by foreigners, on the other hand, seems to have been designed to serve two purposes: 1) Attract more direct foreign investment, 2) Create a more liberal business climate that brings Turkish practice more into line with European norms.

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### ***Foreign Direct Investment***

Turkey has long lagged behind other developing nations in attracting direct foreign investment. The ruling AKP has made progress with respect to some of the obstacles that discouraged foreign companies in the past, such as high taxation rates, bureaucratic red-tape, onerous social security obligations and unfair competition from Turkish rivals who did not abide by the same rules. The proof of the current government's success is that last year Turkey managed to increase foreign direct investment by an impressive 73 percent to a little more than 17 billion dollars. Taken by itself this is a tremendous achievement. However, it pales in comparison with the success other countries have achieved, for example, a country as small as Singapore received more than 48 billion dollars worth of FDI. Another example of how far Turkey has to go in relation to other countries would be the fact that its trade with America was only one third of the trade carried out by Belgium, a country with the same GDP as Turkey but a population that is only 15 percent as large.<sup>1</sup> Clearly the AKP's reforms have been a huge success in absolute terms but comparison with other countries indicates much room for improvement.

One common misconception related to foreign direct investment is the thinking that these capital flows are generally directed at developing countries that offer cheaper labor and resources. Actually, more technologically advanced countries with stable economies and open societies generally attract the lion's share of foreign investment as these are the qualities necessary for a successful business. For example, America attracts more foreign direct investment (175.6 billion in 2006) than any country in the world.

### ***Creating a More Liberal Business Climate?***

On a macro-level, Turkey's policies have clearly encouraged "big money" with numerous large foreign companies entering the marketplace but when it comes to small and medium-sized business foreign involvement in the Turkish economy is suspiciously absent.

The General Directorate of Foreign Capital began keeping records of the number of foreigners granted work permits in 1998 and according to their statistics, there were 386 permits granted in 1998, 3689 in 1999 and 5475 by the year 2000. By June of 2002, Turkey had granted a total of 17,412 work permits to foreigners, representing less than one percent of the total workforce. According to data from the Ministry of Labor, in 2004, there were 3500 applicants, of which 520 received a work permit. Another 580 were given three month work permits in lieu

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<sup>1</sup> David A. Sampson, speech given on 7 June 2007 at the American Business Forum in Turkey, Istanbul.

of completing application requirements, 215 were rejected and the rest were still in processing.<sup>2</sup> It is this last point, the fact that the “process” drags on, which is seen as discriminatory by so many of the foreigners attempting to obtain permission to work in the country. After all, in business time is money and serious capital ventures must adhere to a strict development program. To be bogged down in endless bureaucratic obstacles after taking the risk of establishing a company or being sent to direct a company for a foreign parent company is a huge disincentive. The process is slow and the Ministry of Labor frequently returns the application requesting additional documentation. If the company is a start-up, this is particularly difficult as the start-up phase of any business is extremely intense and the first two years are often “make or break” for any business.

In September 2003, the same year that the law regulating foreign start-ups in Turkey was liberalized, the regulations for obtaining a work permit were changed so that priority was given to key personnel and positions which could not be supplied by the Turkish labor market. The authority to issue permits was also turned over to the Ministry of Labor. As a result, last year 11,666 foreign workers applied for permits but only 5,483 permits were granted, a rejection rate of almost 50 percent. It is impossible to determine with certainty, the specific facts surrounding these rejections but the profiles of the rejected applicants that I spoke with were strikingly similar to my own. I started a translation company servicing large Turkish firms doing business abroad providing idiomatically correct English translation of promotional materials while a team of Turkish translators, whose training represented a tremendous investment of time and money, serviced large foreign companies entering the Turkish market. After four years of successful operations, the Ministry of Labor simply refused to grant my work permit, citing article 14 (a) of Law 4817, which says, “The status of the labor market and developments in business life, as well as changes in the conjuncture of the economy and sector with respect to employment are not conducive to granting a work permit.” The rejection letters, however, in every case failed to specify how the aforementioned provision applied to the applicant. All of the individuals I spoke with had also established a company, received a work permit and made an investment of capital and time, but at a later date the Ministry of Labor had simply refused to renew their work permits, referencing this same provision and thus destroying what they had worked so hard to build.

All of these facts are certainly part of the formula used by the World Bank in its Ease of Doing Business report and probably explain why Turkey has slipped seven notches and now ranks 91st out of 175 countries. This hardly resembles the record of a country striving to create a more open society and business climate.

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<sup>2</sup> “Dünyada ve Türkiye’de Yabancı İşçiler”, *Türk Harb İş*, [http://www.harb-is.org.tr/dergi/Subat05/Diger\\_Aktorler.pdf](http://www.harb-is.org.tr/dergi/Subat05/Diger_Aktorler.pdf), February 2005.

Now let us compare this with the situation of foreigners in other countries. For instance, in 2004, Germany employed 1,805,390 foreigners, of which 478,299 were Turks, and an additional 57,000 (c.a.) Turks were self-employed entrepreneurs in fields ranging from manufacturing (1,600), construction (1,100), handicrafts (5,800), wholesale businesses (3000), retail sales (19,900), food (13,000) and the service sector (12,600).<sup>3</sup> Therefore, the number of foreigners granted permission to work in Turkey (17,412) was less than 1 percent of those employed by Germany. In fact, the number of Turkish entrepreneurs who have been allowed to start their own businesses in Germany was over three times more than the total number of all foreign workers in Turkey, self-employed or otherwise, irrespective of nationality.

That foreign born workers make up a significant part of the EU labor force is a well-known fact. In Great Britain, over 10 percent of the workforce is foreign born and in the EU labor market as a whole, there are 94,000 Turkish entrepreneurs, which is 7.2 percent of the 1.3 million working-age population representing an increase of 57.7 percent from the 54,300 Turkish entrepreneurs in 1995. These entrepreneurs employ an average of five people, so clearly the majority of these are small to medium-sized businesses.<sup>4</sup> According to another source, only 15 percent of these employees are German citizens and every year Turks start 1200 new businesses in Germany.<sup>5</sup>

On the other side of the Atlantic, in the United States, foreign born workers make up 13 percent (4.29 million) of the college graduates in the U.S. civilian labor force of approximately 33 million people between the ages of 25 and 64 according to a report by the Migration Policy Institute. America's annual quota of H-1B visas for professional skilled labor has fluctuated between 65,000 and 195,000 between 1999 and 2006, and many of the recipients use this as a stepping stone to permanent residency and then citizenship. Because the free enterprise system in America produces an attractive and efficient economy, it is also the largest recipient of foreign direct investment in the world and received inflows of 175.4 billion in 2006 alone. Foreign companies directly employ more than 5 million workers and create an additional 4.5 million indirect jobs, accounting for 20 percent of total exports, 15 percent of research and development and 10 percent of capital investment.<sup>6</sup>

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<sup>3</sup> 2004 Report prepared by the Office of the Labor and Social Security Undersecretary of the Turkish Embassy in Berlin based on data from the German Statistics Agency and the Turkish Consul General, <http://www.musavirlikler.gov.tr/upload/D/Notlar/TurkNufus.doc>.

<sup>4</sup> Secret Dynamo of the European Economy, , Turk of America, 15 May 2006, [http://www.turkofamerica.com/index.php?option=com\\_content&task=view&id=207&Itemid=74](http://www.turkofamerica.com/index.php?option=com_content&task=view&id=207&Itemid=74).

<sup>5</sup> Lourdene Hurh, "The Turkish Economy and Turkish Economic Development", <http://socialscience.tyler.cc.tx.us/mkho/fulbright/1998/turkey/hurh.htm>.

<sup>6</sup> Foreign Direct Investment Fact Sheet, International Trade Administration, [http://ita.doc.gov/investamerica/fact\\_sheet.asp](http://ita.doc.gov/investamerica/fact_sheet.asp).

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With these numbers in mind, I challenge readers to ask themselves these questions. How would Turkish society react if the foreign born worker population were even half of what it is the West, instead of the current figure of less than one percent of the total? Were such a proposal to be made, I can already see the union bosses and nationalistic journalists judiciously opining about how the country is being overrun and the Republic is in danger of surrendering its sovereignty. In fact, several groups such as the Chamber of Turkish Engineers and Architects have already complained that there are too many foreign workers in the country and have lobbied against granting work permits to foreigners. However, this begs the questions as to why native Brits are not revolting against the “takeover” of the homeland by an influx of Poles, Indians, Jamaicans and Turks. Before we rejoin with the pat answer of how low birth rates require workers from abroad to provide basic services, consider that every worker who arrives merely adds to the total amount of “basic services” required. Consider also that Germany exports one third of its production and is one of the world’s largest exporters so a significant percentage of its foreigner labor force is actually producing goods for export to China, Africa and, yes, Turkey. Remember that many Western countries, like England and America, were encouraging immigration long before their birth rates dropped, in periods when their domestic population growth was among the highest in the world.

I know some will object saying, “But, it is very difficult to get a work permit in the West. The picture you paint is far too rosy.” The reason for this perception is that fact that the West is inundated with people desiring entrance and so to permit a stampede of peoples across its borders these countries do turn down many applicants and this has given rise to a perception in many parts of the world that the West is not open to foreign workers. However, this is clearly refuted by the evidence.

In fact, it is imperative that we remember that the most valuable of all resources are human resources and developed nations understand that the economy is not a sum-zero game. Rather, it is a synergistic enterprise where success builds on success. Free enterprise encourages economic development, which attracts workers, capital and entrepreneurs, which in turn produce even further economic development. Developed nations gave up the goal of self-sufficiency long ago. In its place, they have adopted a model of inter-sufficiency and are willing to allow free markets and human endeavor to fulfill their fullest potential.

The EU and the U.S. are not so much open to foreign workers as they are just open societies. There are movements in both of these regions to limit the number of foreigners “taking jobs” away from local residents but they have never gained traction or support because this violates the spirit of free enterprise which has become part of the very fabric of society. Besides, the benefits of an open society which allows foreign participation are compelling and undeniable. Consider the following:

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1) It provides real flesh-and-blood connections. Obviously, there is more trade between countries which host a large number of citizens or workers from another country. Relationships are the cement which binds commercial enterprise together. People do business with people they know. This is clearly illustrated by the fact that Germany is Turkey's largest trading partner, but the lop-sided nature of the relationship is also illustrated by the fact that Turkey is not Germany's largest trading partner. Germany's largest trading partners are France and America with Turkey not even ranking among the top ten. Would this be different if more Germans were doing business in Turkey? The answer is undoubtedly yes.

2) It is an expression of free enterprise. Giving people with skills an opportunity to ply their trade and letting the free market determine whether or not quality and demand are sufficient is the most effective way for a market to function. If a foreign worker or entrepreneur can provide a better service or a cheaper product of acceptable quality then he/she is making a valuable contribution.

3) It is a synergistic laboratory. Foreign workers bring new skills, perspective and culture, which, in a new environment, result in mind-boggling synergy leading to new products and services. Consider for a moment something as simple as the "Turkish döner sandwich" The style of cooking the meat is unique to Turkey but the bread is French and the tomatoes inside it and the potatoes that might be served with it as fries come from the New World. History literally feasts of the fecundity produced by the interaction of different cultures: coffee from the Arabs, noodles from China, feta cheese from the Greeks, yogurt from the Turks, etc. The same synergy applies to technology and science as well.

4) It is an important source of economic stimulus. Foreign workers not only bring additional capital resources into the country but they invariably spend and consume in the country where they do business. When allowed to do so, they purchase homes and offices, travel and meet their daily needs from the local economy.

The countries of the West continue to promote and preserve their "open society" because of the obvious and proven benefits, but Turkey's current "foreigner" experience is limited mostly to the millions of tourists that come to enjoy an affordable Mediterranean vacation of sea, sand and sun on a picturesque beach and though they may bestow significant revenues on the country, their impact is not the lasting synergistic one that will benefit the country in the long term. Tourism is a source of foreign capital that can evaporate in a very short time while business is a much longer-term endeavor and one that compliments tourism.

### ***Turkey's "Foreigner Policy"***

A Chinese proverb says, "Everything has a cause; look to your past for answers." This is crucial to understanding the current attitudes in Turkey towards foreigners. During the 150 years leading up to the formation of the Republic of

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Turkey by the visionary leader Mustafa Kemal Atatürk, the Ottoman Empire suffered a series of virtually uninterrupted setbacks and many of the difficulties experienced during this time could be traced to its relations with non-Turkish populations living within the borders of the Empire or its “foreign” neighbors. After the collapse of the Empire, a mentality developed among many that can best be described by the proverb known to every child “The Turk has no friend but the Turk”. This negative perception of foreign elements was, at the time, unfortunately justified by political reality as Turkey found itself surrounded by unfriendly nations harboring resentment from centuries of defeat at the hands of the Ottomans.

The population exchanges in the early days of the Republic and the anti-Greek riots in Istanbul in 1955 that reduced the Greek population from over 150,000 to today’s population of around 5000, as well as the tensions with the Syrian Orthodox in the Southeast were consistent with the prevailing mood and what became an unspoken “foreigner policy”. In fact, the state appears to have employed a consistent “homogenization” policy that seeks to coax the religious, ethnic and linguistic “wrinkles” out of the fabric of Turkish society.

Today’s diplomats and policy makers clearly consult the “rearview mirror” of recent history as they ply the waters of present-day policy and foreigners are consequently viewed with suspicion. The miniscule numbers of foreign workers allowed to operate businesses in the country over the last 25 years is further proof of the unspoken “foreigner policy”. As someone who has experienced the incredible generosity and hospitality of Turks first-hand for over 11 years in many different parts of Anatolia, I do not make this statement lightly, but the fact remains and it has been described to me on numerous occasions how foreigners living and working in the country are almost always suspected of being foreign spies with a sinister agenda to undermine Turkish sovereignty. This attitude is so prevalent that almost every online forum in the country where Turks discuss “foreigner policy” makes these types of assertions as long as Turks are discussing matters of policy among themselves. Furthermore, foreigners who are observant and outspoken in their faith are consistently labeled as missionaries, though the sum of all worshipers in international churches in Turkey where foreigners congregate numbers less than 2000 individuals. Practicing and outspoken Muslims in the West, on the other hand, number in the millions and until 9/11 citizens of Western countries rarely felt threatened by their faith or viewed them as sinister agents of political upheaval.

These prejudices remain largely unvoiced outside of a particular community but they are real nevertheless and the tragic murders of foreigners in Turkey over the last few years as well as the suspicion with which foreigners are viewed is proof of the mentality which informs Turkey’s “foreigner policy”. As the Republic of Turkey contemplates membership in the EU, which will result in freedom

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of movement and consequently the inevitable influx of foreigners expecting to enjoy the fruits of free enterprise and freedom of movement, I think the time has come for this previously ineffable topic to be confronted head on and made part of the general public debate.

If policy makers insist on using the “rearview mirror” of history as they move ahead towards deeper integration with global markets, I suggest that they adjust the mirror so that they can see beyond the last 150 years of the Ottoman Empire back to its foundations, when Turkish sultans employed the services of foreigners on a grand scale. I am obviously not suggesting here a modern day version of the Janissaries or reinstating the devflirme but I would remind policy makers that foreigners played an essential role in the expansion of Turkish influence, serving the state in almost every conceivable position. They adopted this state as their own and gave it their allegiance. It was not until after the death of Kanuni (Süleyman the Magnificent) that the Ottoman Empire’s “foreigner policy” became more restrictive.

In conclusion, although the contingent of foreign workers in Turkey is clearly on the rise and the current situation is much better than the restrictive days of yesteryear, in relative terms the numbers are still meager compared to those of developed regions like the EU and the United States. If Turkey’s goal is integration with the EU, it is crucial that a more open society and the values which underpin such a society be nurtured and encouraged. In this respect, the state could be more aggressive in implementing policies that encourage free enterprise by foreigners as the benefits far outweigh the disadvantages. Failure to achieve improvements in this area can only lead to increased tension with other countries and reinforce perceptions of Turkey as a closed society that applies a double standard because it does not grant foreigners on its soil the same privileges and freedoms enjoyed by Turks living and working in the West.