

TURKISH LABOUR MIGRATION TO THE UK: EFFECTS ON INTERNATIONAL TRADE

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Abstract

This paper seeks to determine whether there is an actual link between trade and the immigration. In order to address this objective, the paper takes the trade between Turkey and U.K as a case study. It is clear that Turkish communities in the UK not only contributed to the country's economy in terms of taxes, they have also helped to create demand for Turkish products which has correspondingly increased the import of such products into the country. In addition, research also indicated the opposite, in terms of the direction of trade, as the profile of the UK and its products and businesses has increased in Turkey as more and more people develop a link with the country through the extended families living in the UK. This in turn has helped to increase bidirectional trade between the two countries, a fact that received very little attention in the literature.

Keywords: *International Trade; Economics of Migration, Turkey, UK*

Türkiye'den İngiltere'ye Gerçekleşen İşçi Göçlerinin İki Ülke Arasındaki Ticarete Etkisi

Özet

Bu makale uluslararası işçi göçleri ve uluslararası ticaret arasındaki ilişkiyi Türkiye ve Birleşik Krallık arasındaki ticari ilişkiler üzerinden analiz etmeyi amaçlamaktadır. Elde edilen veriler şunu gösteriyor ki Birleşik Krallıkta yaşayan Türk göçmenler Birleşik Krallığın ekonomisine sadece vergi geliri sağlama yoluyla katkı sağlamamış, aynı zamanda Türk ürünlerine olan talepte artış dolayısıyla iki ülke arasındaki ticareti arttırmıştır. Bununla beraber Birleşik Krallıkta yaşayan Türk göçmenlerin Türkiye'deki akrabaları ile olan ilişkileri dolayısıyla Birleşik Krallığın Türkiye'deki yatırımlarının oranında ve Birleşik Krallık menşeli ürünlerin

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sayısında da artış görülmüştür. Dolayısıyla uluslararası işçi göçlerinin her iki taraf için de ticareti arttırıcı bir etki yarattığı anlaşılmaktadır.

Anahtar Kelimeler: *Uluslararası işçi göçleri, Uluslararası ticaret, Türkiye, Birleşik Krallık*

Introduction

Man's tenure on this planet has distinctly been characterized by two elements, mainly trade and migration. The former has led humans to move from region to region in a bid to access better opportunities as well as self-betterment. Immigration today is looked upon differently given its tendency to be wielded as a political tool however separate from politics; immigration has long been and continues to be a central aspect of society. The British Empire stretched beyond the shores of not only England, but rather Europe as a whole as Britain made its presence felt in countries across Asia, including India, Malaysia, Hong Kong to name but a few. In addition to Asia, the humble island controlled regions in Africa, South America, Australasia as well as the Caribbean. Whilst this foothold eventually declined in size, the economic benefits brought about by colonization continued to be reaped in modern England. Britain's once diverse 'portfolio' of countries has come to be reflected in its make-up as the country now boast a rich multicultural and tolerant society which is venerated and admired across the globe. Despite its relatively small size and economic setbacks experienced over the past few years, the British economy continues to be counted amongst the world's leading economies, whilst competing with the likes of Japan, China and the US.

In view of this, the following research looks to discover and explore the relationship between migration and trade specifically within the context of two countries, mainly the UK and Turkey. Turkey is strategically located at the gate of two prominent continents, serving as a bridge into Asia Minor. Turkey's position within the EU continues to be contended however the country has a long and shared history within its European counterparts due to the Ottoman Empire; since then, Turkey has been central to trade agreements and agreed labor migration into countries such as Germany and have come to play a pivotal role in the economies in which they are present.

In light of this, the overarching aim of this paper is to uncover the manner in which and the extent to which extent labour migration from Turkey to the United Kingdom (UK) affects the international trade between the two countries. The central research question which will underpin this paper is as follows:

“What are the effects of labour migration, from Turkey to the UK on the trade between the two countries?”

As a means of successfully facilitating the aims of the paper, the following objectives have been identified:

1. To explore the changes in Turkey-UK immigration with consideration for the immigration reasons
2. To explore the changes in international trade between the two countries
3. To determine links between the labour migration and the international trade.

In view of this, the remainder of this paper is structured in a way in which each of the objectives will be addressed and fulfilled.

Relation between Immigration and Trade: Literature Review

The relationship between migrants and trade has long been debated in both academic and social quarters. A consensus is, however, yet to emerge within related literature given the lack of identical studies as well as context of each of these studies. In this respect, a number of the studies happen to be unique in that they examine particular countries or countries within a specific region;¹ in addition to these, such studies are often constrained to a particular time frame and are not independent of other economic development such as recessions.² The latter variables are often called upon when questioning and critiquing any new findings and conclusions however the empirical findings of such studies are seldom rendered invalid. Few commentators have however questioned the extent to which the impact immigration can have upon trade can be determined empirically through the application of economic models and statistical analyses.³

One such example which serves to attest to the assertions of the latter authors is the relationship between Turkey and Germany. As of the turning

¹ Jose Blanes, “Immigrant’s Characteristics and Their Different Effects on Bilateral Trade: Evidence From Spain”, **Department of Economics Working Paper**, No 08/06, 2005; Keith Head and John Ries, “Immigration and trade creation: econometric evidence from Canada”, **Canadian Journal of Economics**, Vol 31, No 47-62, 1998; Tan Chuie Hong and A.Solucis Santhapparaj, “Skilled labor immigration and external trade in Malaysia: a pooled data analysis”, **Perspectives on Global Development and Technology**, Vol 5, No 4, s. 351- 366, 2006.

² Gordon Hanson, “International Migration and Development,” Ravi Kanbur and A. Michael Spence (eds), **Equity in a Global World**, Washington, DC: The World Bank, 2010.

³ Christopher R. Parson, “Do Migrants Really Foster Trade?” **World Bank Policy Research Working Paper**, No 6034, 2012; Robert Lucas, **International Migration and Economic Development**, Cheltenham, Edward Elgar Publishing, 2005.

of the new Century, Turks in Germany were said to represent the single largest diaspora in Europe⁴ and the impact this group has had upon international trade within Germany is said to be “*difficult to account for empirically*”.⁵ The author offers insight as to why the phenomenon is indeed difficult to account for inasmuch that “*such ties are underpinned by a complex combination of historical, political and cultural characteristics, which in turn are both the cause and the consequence of myriad past events*”.⁶ To this extent, Parson (2012) is not alone in these assertions as both Lucas (2008) and Hanson (2010) share similar sentiment and point to factors such as cultural similarities, bilateral economic policies as well as trading agreements all of which tend to have a positive impact upon trade and therefore difficult to measure empirically.

A Positive Impact on Trade?

In view of this, when examining both immigration and trade, Mundra (2003) offers a relatively simple premise insomuch that immigration invariably facilitates international trade given that immigrants tend to demand products from their home countries, this in turn impacts up transaction costs by mainly lowering these thereby ultimately serving to facilitate international trade.⁷ Such assertions are echoed nearly a decade later as Leitao (2013) also concludes that immigration does indeed have a positive influence upon trade, mainly trade between host and home countries where transaction costs tend to be lowered.⁸ This particular notion, however, was brought to the fore by Gould (1994) who in his seminal work relating to immigration and trade asserted that migrants, given their situation were predisposed with the ability to foster and facilitate trade between their home nation and host country.⁹ As such, the author opined that migrants tend to be bilingual in both their mother tongues as well as the language of their host nation. In addition to this, they often possess knowledge and have insight into the products and markets in both countries as well as the local laws and regulations each country is subject to and this insight ultimately serves to

⁴ Caglar Özden et al., “Where on Earth is everybody? The Evolution of International Bilateral Migrant Stocks 1960-2000”, **The World Bank Policy Research working paper**, No WPS 5709, 2011.

⁵ Parson, **ibid.**, s.2.

⁶ **ibid.**, s.2.

⁷ Kusum Mundra, “Immigration and International Trade: a Semiparametric Empirical Investigation”, **The Journal of International Trade & Economic Development: An International and Comparative Review**, Vol 14, No 1, 2005, s. 65-91.

⁸ Nuno Carlos Leitao, “The Impact of Immigration on Portuguese Intra Industry Trade; Economy and Society”, **Fondazione Eni Enrico Mattei Research Paper**, No 20, 2013.

⁹ David M. Gould, “Immigration Links to the Home Country: Empirical Implications for US Bilateral Trade Flow”, **Review of Economic and Statistics**, Vol 76, No 2, 1994, s.302–316.

lower transaction costs.¹⁰ Parson (2012) also serves to expound on such statements stating that “*migrants are ideally positioned to exploit opportunities for arbitrage and match buyers and sellers through their superior market knowledge, thereby lowering the transaction costs of trade*”.¹¹ Gould (1994) coined the term ‘information channel’ to best describe this particular phenomenon which ultimately led to transaction costs being lowered.

The notion of the information channel and the role it subsequently plays in international trade features in additional literature surrounding the subject however the notion is likened to a ‘network’ rather than a channel.¹² In this respect, the authors emphasize the role played by social networks and business contacts in promoting trust between two trading countries as a result of their immigrant population. These in turn allow countries to overcome both informal trade barriers as well information asymmetries given the depth of knowledge, experience and insight possessed by migrants. An examination of the vast amount of empirical studies pertaining to the subject area reveal that the majority of studies have examined either single countries or a panel of countries, such as Hatzigeorgiou (2010) who examined a cross section of 75 countries. These studies however all make use of economic models, mainly gravity models to reach conclusions and therefore a distinct gap within the research has emerged.¹³ In this respect, the present research with therefore seek to address this apparent gap by examining the issue from social perspective, rather than one which is wholly done so from a macroeconomic perspective.

In this regard, despite the numerous studies conducted on the topic, the notion of the information channel and network consistently feature. Lewer and Van den Berg (2009) directly state that immigration serves to stimulate trade given that it acts as platform upon which foreign direct investment flow backs to sources countries. Furthermore, the latter serves to ultimately increase income in both their mother tongues and the language of their host nation.¹⁴ Rauch (1999) and Blanes (2005) provide further insight however

¹⁰ Gould, *ibid.*

¹¹ Parson, *ibid.*, s. 4.

¹² James E. Rauch and Vitor Trindade, “Ethnic Chinese Networks In International Trade”, *Review of Economics and Statistics*, Vol. 84, No 1, 2002, s.116-130; James E. Rauch, “Business and Social Networks in International Trade”, *Journal of Economic Literature*, Vol 39, No 4, 2011, s.1177-1203.

¹³ Artemis Hatzigeorgiou, “Does Immigration Stimulate Foreign Trade? Evidence from Sweden”, *Journal of Economic Integration*, Vol 25, No 2, 2010, s. 376-402.

¹⁴ Joshua Lewer and Hendrik Van den Berg, “Does Immigration Stimulate International Trade? Measuring the Channels of Influence”, *the International Trade Journal*, Vol 23, No 2, 2009, s 187-23

into the symbiotic relationship between immigrants and trade and state that in addition to lowering transaction costs, this group of people naturally demand products from their home countries.¹⁵ This is further in keeping with statements made by Bratti et al (2011) who also suggest that migrants invariably impact upon international trade channels given their preference for products from their home country.¹⁶

Lewer and Van den Berg (2009) in their examination of over 10 OECD countries over a nine year period, mainly 1991-2001 found that immigration did indeed stimulate ‘bi-lateral trade’.¹⁷ In this respect, from their research, the authors conclude that in addition to increasing foreign direct investment flows, immigration serves to both create new trade networks between immigrants in destination and native countries whilst also raising income in immigrant destination countries.

Whilst thus far, the narrative and discussion has focused upon the networks and channels created by immigrants and the extent to which this improves international trade, Mundra (2003) touches upon a point which has otherwise been neglected with the academic referred to thus far. To this extent, the author purports that immigrants have a long established reputation of being entrepreneurial with a “*high propensity for risk taking*”.¹⁸ As such the author continues by referencing a number of immigrant groups who have carved a reputation for themselves in the US for being hard-working and devoted to trade. Mundra (2003) provides further insight and informs us that “*the Jews of New York, the Japanese from San Francisco, Los Angeles and New York, the Cubans of Miami and the Chinese of New York are a few examples one can think of in this context*”.¹⁹ Immigrant groups who pursue ventures such as restaurants and supermarkets will often have to seek produce from abroad or at the very least from their home countries, this point has also been touched upon previously as it naturally contributes to international trade.

Changes in Migration between Turkey and UK

Official reports suggest that the Turkish immigrants have been arriving in the UK since the beginning of the 20th Century; the period between the late 1950s and early 1960s saw a wide-scale migration from Turkey to the

¹⁵ Rauch, *ibid.*; Blanes, *ibid.*

¹⁶ Massimiliano Bratti *et al.*, “On the pro-trade effects of immigrants”, **IZA Discussion Papers**, No 6628, 2012.

¹⁷ Lewer and Van den Berg, *ibid.*

¹⁸ Mundra, *ibid.*, s. 1.

¹⁹ *ibid.*, s. 1.

whole of Western Europe which largely occurred for economic reasons.²⁰ As far as the UK was concerned, the Turks who arrived were mainly from the Turkish Cypriot diaspora and Britain's colonial past in Cyprus meant that they were in turn considered to be British subjects.²¹ As far as recent figures suggest, the Turkish population in the UK is said to be in excess of 250,000, it is prudent to note however that this figure includes Kurdish migrants as well as Turkish Cypriots.²² As a minority group within the UK, the Turks have been previously referred to as the 'invisible' minority given the lack of discourse and attention generated with this particular group.²³ That said however, despite this, the Turkish population within the UK at least, have a reputation of being extremely entrepreneurial and are said to often seek employment within their local communities.²⁴ London in particular is home to a number of leading Turkish restaurants, cafes and kebab houses all of which add to the city's cosmopolitan landscape.

Despite there being large numbers of Turkish immigrants within the UK, the actual number of Turks being permitted entry and granted stay within the UK has declined considerably. Duvell (2010) states that between 1985 and 2005, only 36,569 Turkish nationals applied for asylum; as a result the author concludes that Turkish nationals represent only a small share of the total migration to the UK.²⁵ Such assertions are further supported by figures (Table 1) which indicate the decline in asylum applications over the past decade.

Table 1: *Asylum applications of Turkish Nationals*²⁶

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Received	1820	1495	1445	2015	2850	3990	3695	2835	2390	1230	755
Refused						2090			3000	1985	820
Granted						1530			225	180	100

²⁰ Hilal Simsek, "Turkish Immigrants in the UK and the Ankara Agreement", **Turkish Journal of Politics**, Vol 2, No 1, 2011, s.61-75.

²¹ Simsek, *ibid.*, s.62. Frank Duvell, "Turkey: Migration Potential to the UK in the context of EU Accession", **The House of Commons/Home Affairs Committee Report**, No 2010-12 HC 789, 2011.

²² Home Office 2010, *Control of immigration statistics*, London: Home Office.

²³ King, Russel *et al.*, "Turks' in London: Shades of Invisibility and the Shifting Relevance of Policy in the Migration Process", **Sussex Centre for Migration Research Working Paper**, No 51, 2008.

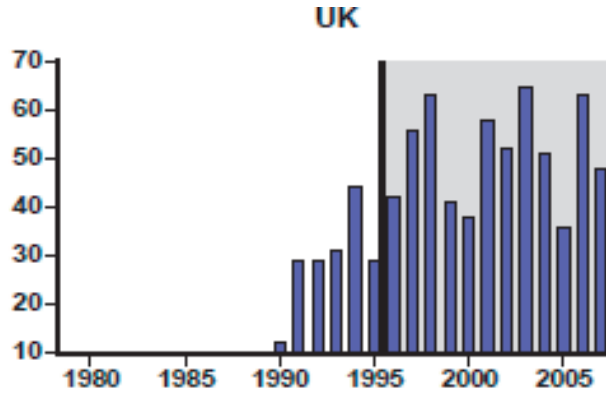
²⁴ Duvell, *ibid.*

²⁵ *ibid.*

²⁶ UK Visas and Immigration Office, "Immigration Statistics", <https://www.gov.uk/government/statistics>, (20 June 2013).

Despite the figures above being dated between 1992 and 2005, a recent report on immigration published by the Home Office reveals that Turkish nationals seldom feature in asylum and visa applications. The largest immigrant groups within the UK are those of the Indian, Chinese and Pakistani diaspora, respectively.²⁷ Turks however are the 8th highest nationality of applicants granted extended work visas. In addition, Turkey also represents the third highest nationalities issues student visas, behind only Russia and China. The Home Office note however that the high number of applications from Turkish nationals relates to the fact that they are able to ‘switch’ this visa to a work visa under the European Community Association Agreement with Turkey which extends special visa provisions to Turks.²⁸

As depicted in both Figures 2 and 3, the number of Turkish migrants within the UK has declined slightly compared to 1995 when this number was at its peak. In this respect, exports from Turkey remained marginal during the 80s and 90s however since the influx of Turks in 1995, the consumption of consumer goods almost doubles and despite the decline in migrants, this figure has continued to steadily increase of the past few years. Exports in consumption goods shot up and these goods are typically those consumed by individuals or households and are considered as those goods which satisfy the needs of households and members of a given community.²⁹



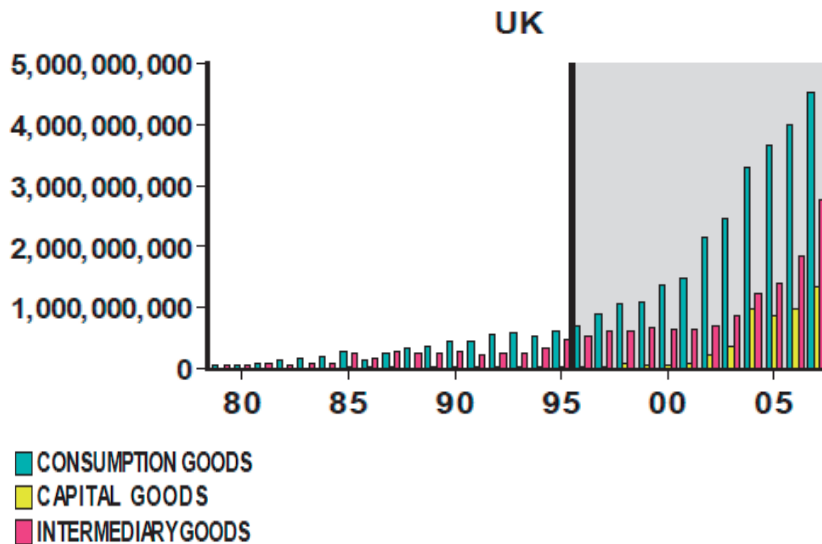
*Figure 2 Turkish Immigrants within the UK between 1980 and 2007.*³⁰

²⁷Home Office, “Immigration Statistics from January to March 2013”, <https://www.gov.uk/government/publications/immigration-statistics-januarytomarch2013/immigration-statistics-january-to-march-2013>, (17 December 2013).

²⁸Home Office, *ibid.*

²⁹Aysu Insel and Nesrin.S. Cakmak, “The Impacts of the Turkish Emigrants on Turkish Exports and Imports in Europe”, *MPRA Papers*, No 22100, 2010.

³⁰Insel and Cakmak, *ibid.*

Figure 3 Turkish Exports between 1980 and 2007 (\$) ³¹

As far as imports from the UK are concerned, these also grew exponentially however differed in terms of the most valuable as far as capital, consumption and intermediary goods are concerned. In this respect, whilst consumption goods exceeded \$4bn in value as far as exports were concerned, Turkish imports exceeded \$3.5bn in value however this figure relates to intermediary goods rather than consumption goods. Intermediary goods are those used as inputs in partly finished goods, this includes, steel, car engines and substances such as chlorine, all of which are used in finished products.³²

At present, trade between the UK and Turkey is valued at over £5 billion a year and in recent years, exports from the UK to Turkey have risen dramatically with a 31% increase in 2011 and 38% during 2012.³³ In addition to this, the UK remains the second largest investor in Turkey whilst the UK itself attracted 13 new investment projects from Turkey in 2010.³⁴

³¹ *ibid.*

³² *ibid.*

³³ Chamber International, "Export to Turkey", <<http://www.chamber-international.com/export-import-key-markets/export-to-turkey/>>, (21 August 2013).

³⁴ Gov.UK, "UK Trade and Investment: Britain aims to double it's trade with Turkey", <<https://www.gov.uk/government/news/uk-trade-and-investment-britain-aims-to-double-its-trade-with-turkey>>, (11 June 2013).

Trade between the two countries peaked during 2012 where the highest annual trade was reported at being \$14.3 billion. As far as 2013 is concerned, UK exports to Turkey have gone strength to strength and are presently reported to have increased by 9.5%. That said however, Turkish exports this year have lowered slightly as reported at \$3.3 billion, a figure which has decreased by 4.4% compared to the previous year.³⁵ The declining market share however has not caused much concern within the UK at least given that Turkey has not been a traditional market as far as the UK is concerned and the decline in market share experienced has largely to do with increased exports from China.³⁶ The report by Chamber International also shows that trade between the two countries has increased by an impressive 35% since 2009.³⁷

Turkish Economy: An Overview

At this point it should be noted the dramatic progress which Turkey has made for last ten years. Turkey is today counted amongst Europe's foremost economies; in 2011 alone, Turkey established itself as Europe's fastest growing economy as attested to by the 8.5% growth in the country's GDP. Turkey's GDP per capita has tripled between 2002 and 2011; household income has therefore increased and this in turn has had a positive impact upon purchasing power amongst the country's population.³⁸ As a result, Turkey is predicted to continue along this trajectory and by 2018 will precede its European counterparts such as Spain and Italy and become the world's second fastest growing economy. At present, Turkey continues its EU accession, which in turn is heralded as being a key driver as far as modernization of the Turkish economy is concerned. Turkey boasts a population of over 70 million whilst occupying a strategic geographical position in that it is a gateway into Central Asian and Middle Eastern markets.³⁹

³⁵ TBCCI Turkish and British Economy Statistics, <<http://www.tbcci.org/Newsletter/March2009/newsletter.php>>, (20 May 2013).

³⁶ House of Commons, "Keeping the door wide open: Turkey and EU accession", 30 June 2008, House of Commons Business and Enterprise Committee Report No:2, <http://www.publications.parliament.uk/pa/cm200708/cmselect/cmberr/367/367i.pdf>, (23 June 2013).

³⁷ Chamber International, **ibid.**

³⁸ "Turkey: Symbols of Turkish Excellence in the World", Daily Telegraph Special Issue, 12 July 2013.

³⁹ Gov.UK, "Promoting trade and investment between the UK and Turkey", <<https://www.gov.uk/government/priority/promoting-trade-and-investment-between-the-uk-and-turkey>>, (10 September 2013).

The World Trade Organization (WTO) recently noted Turkey's economic powers and highlighted the fact that the Turkish economy has been 'booming' over the last decade. In this respect, Turkey's exports hit record levels in 2012 as the country registered an 11.2% growth in exports. As a result, Turkey is purported as one of the countries which is fast changing the face of international trade relations given the fact that they have formed a complex global value chain. Despite the 'legacy' left behind by the global financial crisis, Turkey has managed to circumvent economic recession and any subsequent fallout. This has mainly been due to the lack of reliance the country has upon its financial sector as well as its diversified trade portfolio insomuch that its positioned to both assist British multinationals to reach local markets, rather those extending beyond Europe such as North Africa and the Middle East.⁴⁰ Turkey's financial sector has also been of considerable interest given the relative immunity shown; the President of the Investment Support & Promotion Agency of Turkey recently echoed the strength of the financial sector and its apparent lure particularly for countries such as the UK. In addition to the financial sector, the energy sector is also positioned as having a high growth potential given that "*Turkey's energy demand is expanding exponentially in parallel with the nation's economic growth*".⁴¹

British companies have already taken note of such growth and the Turkish Government have recently made way for additional investment avenues through which British companies are able to enter into Turkey, namely public private partnership projects (PPP). Such partnerships largely concern the education, energy, defense, transport and healthcare services which British companies are said to have a sense of expertise in.

Whilst Turkey's geographic position is arbitrary, its emergence as a leading global economy has not been so arbitrary rather the Turkish Government have long placed international trade at the forefront of their strategy and have fostered the right environment for investment, both foreign and local.⁴² Over recent years the Turkish Government has actively positioned Turkey as strategic and effective location for multinational headquarters given the country's proximity to developed and emerging markets. As a means of facilitating this more effectively, the Government even went as far as to amend Foreign Direct Investment (FDI) legislation to

⁴⁰ "Turkey: Symbols of Turkish Excellence in the World", Daily Telegraph Special Issue, 12 July 2013.

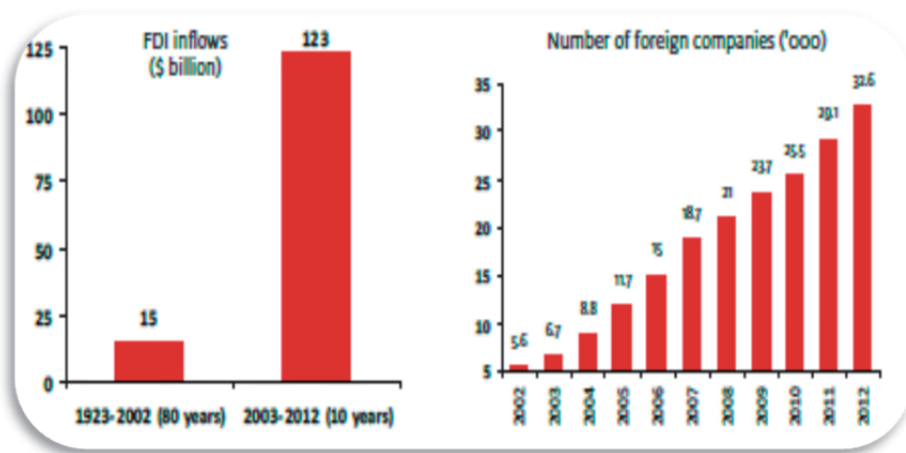
⁴¹ *ibid.*

⁴² *ibid.*

ensure that multinationals and other foreign companies are able to establish management centers under a ‘liaison office structure’ which allows such companies to have a presence in Turkey without having to pay VAT, personal income taxes as well as corporate tax. The effectiveness of the environment fostered by the Government is further attested to when one examines the figures (figure 4 and figure 5) relating to the ease and speed at which it is possible to establish a company on Turkey.⁴³



Figure 5: Development of foreign investment in Turkey over the past decade.⁴⁴



⁴³ *ibid.*

⁴⁴ *ibid.*

As a result of this, the number of foreign investors in Turkey has increased rapidly over the past decade given that in 2002, there were a total of 56,000 foreign companies in the country compare to the 326,000 boasted in 2012. FDI has also considerably increased over the past decade and this is widely attributed to the increase in foreign investors.

Foreign investors are continually attracted to Turkey due to the environment fostered by the Government, these companies have access to sectors which are less advanced when compared to their home countries and are thereby considered to be low in risk. In addition of lowered risk tolerance, Turkey also provides multinationals with access to an emerging market and a population of over 70 million. Turkey also stands to benefit from the entry of multinationals into their domestic market as foreign investors tend to bring know-how and experience which are naturally passed on into the economy. As mentioned, Turkey’s consumer base has rapidly expanded over the past decade and so has purchasing power, economic growth is also widely attributed to the young and dynamic population (figure 6)⁴⁵.

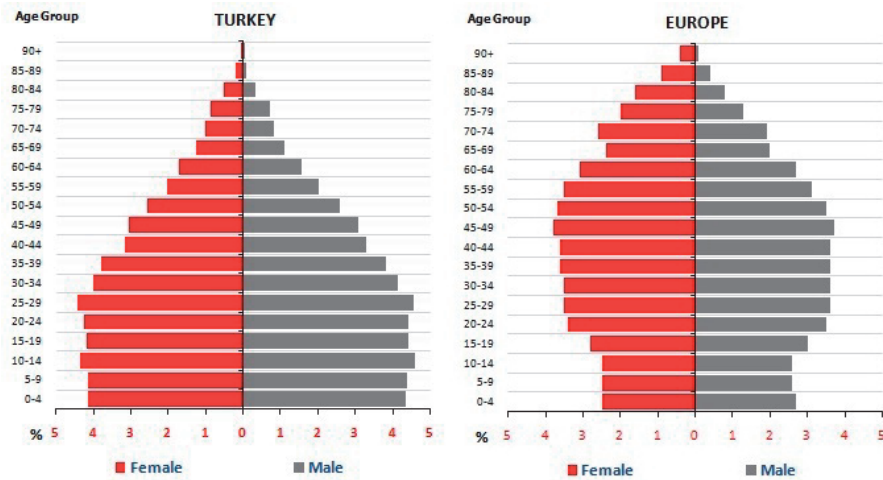


Figure 6: Turkey's youth population compared to Europe.⁴⁶

⁴⁵ "Turkey: Symbols of Turkish Excellence in the World", Daily Telegraph Special Issue, 12 July 2013.

⁴⁶ World Bank, *ibid.*

Turkey is home to a considerably young population, who are of working age; this particular demographic serves as a lucrative consumer group given their mobility and purchasing power.

Trade between UK and Turkey

The UK has actively sought to increase trading ties with Turkey over the past few years as the UK prime minister recently referred to Turkey as a European ‘BRIC, thereby suggesting that the country was on a par with the world’s fastest developing economies such as Brazil and Russia. In 2010, Turkey remained the UK’s 22nd largest export destination and its 19th largest source of imports.⁴⁷ At present over 2200 UK companies conduct business in Turkey and trade between the two respective countries reached £9.1 billion. Both countries sought to double bilateral trade by 2015 during 2010 and since then, trade has gone from strength to strength and has exceeded targets set by over 40%.

As depicted in Table 2, total trade between Turkey and the UK dipped slightly during 2009 and whilst there is no indication provided as to why, it is prudent to note that 2009 represented the peak of the financial crisis and subsequent economic recessions which had swept across European markets.⁴⁸ That said however, total trade dipped again between January and September 2011 to 6.8%, a figure which is distinctly lower than reported in both 2007 and 2008.

*Table 2: UK trade in goods with Turkey, £ bn, 2007-2010*⁴⁹

	2007	2008	2009	2010	2011 Jan-Sep
UK exports	2.4	2.5	2.2	3.1	2.8
<i>% change</i>		4.2	-12.0	40.9	
UK imports	4.7	4.7	4.3	5.0	4.0
<i>% change</i>		0	-8.5	16.3	
Total trade	7.1	7.1	6.5	8.1	6.8
<i>% change</i>		0	-8.5	24.6	
UK deficit	2.3	2.2	2.1	1.9	1.2

⁴⁷Parliament UK, “UK-Turkey relations and Turkey's regional role - Foreign Affairs Committee”, <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmfaif/1567/156707.htm>, (18 October 2013).

⁴⁸Daniel Gros ve Can Selcuki, “The Changing Structure of Turkey’s Trade and Industrial Competitiveness: Implications for the EU”, Global Turkey in Europe Working Paper, No 03, 2013.

⁴⁹Parliament UK, **ibid.**

As depicted in the figure 7, since 2001, Turkey has actively traded with its European counterparts as well as North America, Canada and Mexico (NAFTA); that said however, outside of these trade agreement regions, Turkey's highest export nations were Germany and the UK.

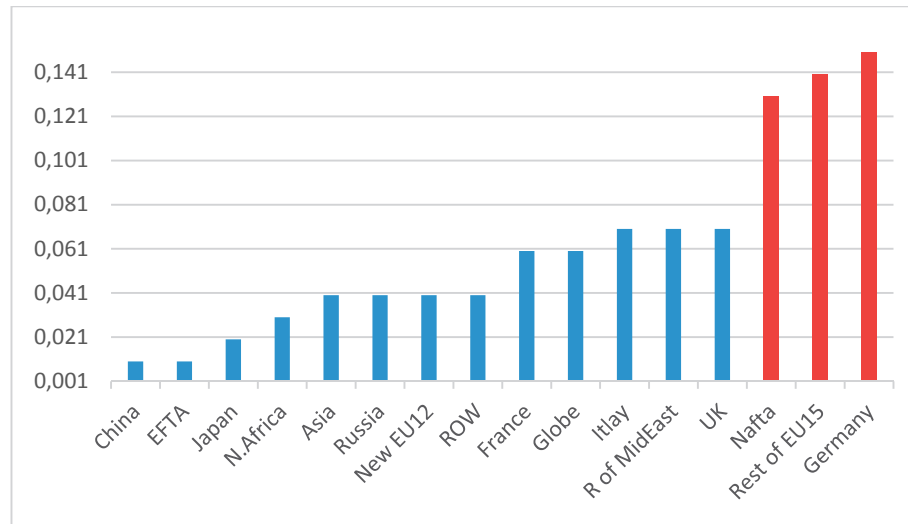


Figure 7: Export Shares of total exports from Turkey.⁵⁰

That said however, as far as imports into Turkey were concerned, the UK did not rank as high as Germany led the way as far as sole countries were concerned, followed by Russia and the Italy. The UK lagged behind both Asia and the Rest of the Middle East as far as imports were concerned. The figures depicted above mainly relate to commodities whilst Turkey's greatest exports in this category include apparel, foodstuff, textiles, metal manufacturers and transport equipment. As far as exports are concerned, Germany remain the country's largest export partner followed by Iraq and Iran; that said, the UK remains Turkey's second highest export partner as far as European nations are concerned.

⁵⁰ Yöntem Sönmez et al., "Turkey and Its Preferential Trade Agreements (PTAs), 10th Global Economic Analysis Conference Paper, West Lafayette, 2007.

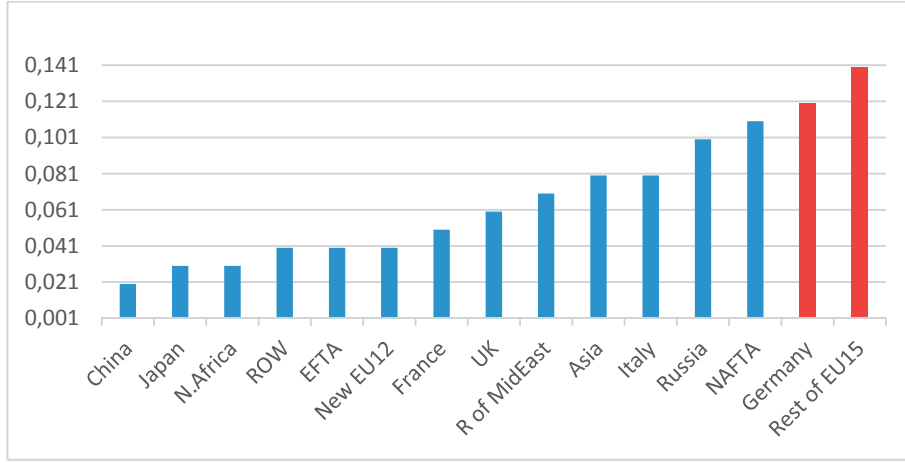


Figure 8: Import Shares of total imports to Turkey.⁵¹

In addition to this, data released by Turkish British Chamber of Commerce and Industry reveals that the trading relationship between the two respective countries has gone from strength to strength. As such, between the period 2001-2008, trade between the UK and Turkey grew by an impressive 8, 7% in a space of seven years as depicted in the figure 9. This data relates to UK exports and Turkey has managed to cement its position as one of the UK's fastest growing trading partners against competition from behemoths such as China, Russia and India. The only other European country to be placed ahead of Turkey is Poland.

⁵¹ Sönmez, **ibid.**

	2001	2002	2003	2004	2005	2006	2007	2008	Average Annual Growth rate	2001-2008 UK Annual Average Growth rate	
USA	29,514	28,401	29,074	28,480	30,973	31,970	32,077	34,676	2,0	Russia	21,0
Germany	23,208	21,670	20,392	21,540	22,897	27,147	24,478	28,396	2,6	China	13,9
Netherlands	14,326	13,785	13,279	11,957	12,646	16,622	14,966	19,063	3,6	India	11,0
France	18,932	18,541	18,508	18,452	19,822	29,012	17,935	18,553	-0,3	Poland	10,6
Irish Rep.	14,238	15,785	12,786	14,049	16,205	17,202	17,632	18,459	3,3	Turkey	8,7
Belgium	9,439	9,998	10,783	10,190	11,120	13,091	11,741	12,638	3,7	Norway	4,8
Spain	8,192	8,366	8,767	9,044	10,617	12,461	9,888	9,986	2,5	Belgium	3,7
Italy	8,276	8,420	8,477	8,351	8,743	9,465	9,102	9,218	1,4	Nethrld	3,6
Sweden	3,931	3,850	3,802	4,329	4,562	5,169	4,863	5,051	3,2	Irish R.	3,3
China	1,722	1,505	1,933	2,378	2,824	3,279	3,781	4,870	13,9	Hong K.	3,2
Switzerland	3,767	3,304	2,904	2,947	5,128	4,289	3,845	4,607	2,5	Sweden	3,2
Russia	899	990	1,417	1,472	1,879	2,069	2,833	4,132	21,0	Australia	3,1
India	1,781	1,768	2,293	2,243	2,812	2,704	2,964	4,119	11,0	Germany	2,6
Japan	3,712	3,594	3,738	3,784	3,812	4,013	3,762	3,685	-0,1	Switzlnd	2,5
Canada	3,250	3,152	3,267	3,327	3,284	3,877	3,287	3,621	1,4	Spain	2,5
Hong Kong	2,699	2,431	2,500	2,642	3,104	2,872	2,651	3,470	3,2	USA	2,0
Turkey	1,563	1,866	2,605	2,624	2,871	3,044	2,999	3,047	8,7	Canada	1,4
Australia	2,322	2,124	2,301	2,405	2,521	2,431	2,513	2,961	3,1	Italy	1,4
Poland	1,299	1,317	1,453	1,410	1,644	2,789	2,349	2,913	10,6	Japan	-0,1
Norway	1,898	1,817	1,957	2,011	2,276	2,174	2,750	2,756	4,8	France	-0,3
Singapore	1,604	1,459	1,589	1,717	2,089	2,325	2,465	2,727	6,9		
Total Top 21	156,572	154,143	153,825	155,352	171,829	198,005	178,881	198,948	3,0		
Other	32,813	32,835	34,556	35,196	39,894	45,816	41,038	48,401	5,0		
Total	189,385	186,978	188,381	190,548	211,723	243,821	219,919	247,349	3,4		

Figure 9: World Exports from 2001 to 2008.⁵²

As far as imports are concerned, the partnership between the two countries has grown by a whopping 12.9% on an annual basis as depicted in figure 10. It is prudent to note however that in terms of both exports and imports, Turkey remains the UK's 17th largest trading partner, which said however, trade between the two countries has grown exponentially over a period of seven years and higher than the remaining sixteen trading partners of the UK.

⁵² TBCCI Turkish and British Economy Statistics, <<http://www.tbcci.org/Newsletter/March2009/newsletter.php>>, (20 May 2013).

	2001	2002	2003	2004	2005	2006	2007	2008	Average Annual Growth rate	2001-2008 UK Annual Average Growth rate	
Germany	28,790	30,657	33,142	35,606	37,507	40,004	44,197	44,203	5,5	China	17,7
USA	30,352	26,042	23,691	22,544	22,644	26,084	26,068	28,650	-0,7	Poland	17,2
Netherlands	15,001	15,258	15,672	18,010	19,102	20,673	22,785	25,082	6,6	Norway	16,9
France	19,039	19,255	19,783	19,794	20,149	21,295	21,666	23,046	2,4	Russia	15,5
China	5,964	6,974	8,554	10,628	13,194	15,559	18,794	21,967	17,7	Turkey	12,9
Norway	5,900	5,579	6,591	8,806	12,444	14,791	14,595	20,646	16,9	India	10,8
Belgium	11,235	11,705	12,189	12,719	13,306	14,274	14,825	15,854	4,4	Nethrln	6,6
Italy	10,136	10,810	11,720	12,055	11,935	12,549	13,188	13,730	3,9	Canada	6,5
Irish Rep.	9,474	9,548	10,031	10,108	10,005	10,417	11,249	11,988	3,0	S.Africa	5,5
Spain	6,813	8,212	8,445	8,780	9,641	10,442	10,112	10,212	5,2	Germany	5,5
Japan	9,376	8,491	8,247	8,237	8,732	7,984	7,981	8,106	-1,8	Spain	5,2
Hong Kong	5,977	5,766	5,641	5,894	6,719	7,494	6,988	7,659	3,1	Sweden	4,7
Russia	2,111	1,986	2,481	3,548	5,063	5,826	5,461	6,691	15,5	Belgium	4,4
Sweden	4,632	4,310	4,593	5,121	5,239	5,750	5,224	6,670	4,7	Italy	3,9
Canada	3,786	3,687	3,796	4,278	4,242	5,040	5,868	6,251	6,5	Hong K.	3,1
Switzerland	4,831	4,935	3,924	3,574	4,000	4,474	4,878	5,955	2,6	Irish R.	3,0
Turkey	1,776	2,315	2,732	3,370	3,617	4,037	4,729	4,676	12,9	Switzlnd	2,6
South Africa	2,953	2,785	3,025	3,349	4,012	3,989	3,158	4,536	5,5	France	2,4
India	1,884	1,870	2,147	2,340	2,833	3,188	3,773	4,268	10,8	USA	-0,7
Poland	1,193	1,288	1,568	1,843	2,180	3,191	3,675	4,236	17,2	Japan	-0,8
Total Top 20	183,224	183,475	189,975	202,608	218,569	239,067	251,221	276,435	5,3		
Other	44,407	44,323	46,619	50,480	53,693	62,897	59,539	63,567	4,6		
Total	227,631	227,798	236,594	253,088	272,262	301,964	310,760	340,002	5,1		

Figure 10: UK world imports- Top 20 Trading partners from 2001 to 2008.⁵³

As far as actual exports are concerned, Turkey primarily exports artifacts such as vehicle, railway and tramway related stock and parts. That said however, the value of these objects has in turn decreased significantly, more specifically by 62% between 2008 and 2009. Clothing and textiles are Turkey second largest export to the UK and over the period defined, the value of this has only decreased marginally. Electrical machinery and equipment closely follows clothing and textiles however this again dipped by 25%. Whilst machinery and stock relating to rail and tramways and electrical machinery has decreased, there has been growth amongst other product areas, these include foodstuffs such as fruit and nuts, aluminium articles. Pharmaceutical products increased exponentially by 42% however the largest export related growth relates to products of animal origins which grew by a huge 1181% whilst animals and vegetables fats and oils and their byproducts grew by 634.4%. In keeping with foodstuffs, there was a whopping 428% increase in fish, crustaceans and molluscs exports and meat

⁵³ TBCCI, *ibid.*

and edible meat offals which also increased by 237.4%. It is prudent to note however, that as depicted in Figure 11, the period between 2008 and 2009 represented the lowest growth and trade figures between Turkey and the UK due to harsh global economic conditions.

Ranking: From highest value in 2008 (000 US\$)	2009 Jan-Jul	2008 Jan-Jul	Change
Category of Goods			%
Printed books, Newspapers, pictures and Others		265,954	-100
Arms and ammunition; parts of thereof	41,326	253,746	-83,7
Metallic ores, slag and ash	37,479	249,155	-85,0
Oil seeds and oleaginous fruit, Industrial plants	62,432	204,949	-69,5
Explosives; pyrotechnic products; matches	27,065	122,793	-78,0
Prepared feathers and down; artificial flowers	84,948	120,568	-29,5
Preparation of meat, of fish	141,455	106,038	33,4
Musical Instruments, parts, accessories	59,290	105,002	-43,5
Coffea, tea, mate and spices	57,153	104,140	-45,1
Ceramic products	10,899	37,107	-70,6
Live tress, other plants, bulbs, roots and others	0	30,849	-100
Product of animal origin,	247,884	19,349	-181,1

UK's Strategy to Access the Turkish Market

The UK has actively sought to increase trade ties with Turkey and in addition to actively stating this, the UK Government have taken a number of steps to facilitate their aims by firstly creating a role for a UKTI Director, the duties of which extend beyond Turkey, in addition to this, a number of new staff have also been added to the Foreign and Commonwealth Office' Turkish based operations to develop economic and commercial matters. As far as the UK is concerned, Turkey has previously been designated as a high growth emerging market and as a result of this; the UK has actively sought to improve ties with the country. The new members of staff added mainly relate to the development of an investment team who are mainly concerned with inward investment, based in Istanbul. In addition to Istanbul, the Government also increased staff members in Izmir in a bid to tackling the barriers associated business.⁵⁴

Increasing ties and resources as well as strengthening relationships within the Turkish market has not been the only endeavor undertaken by the

⁵⁴ House of Commons, "Keeping the door wide open: Turkey and EU accession", 30 June 2008, House of Commons Business and Enterprise Committee Report No: 2, <http://www.publications.parliament.uk/pa/cm200708/cmselect/cmberr/367/367i.pdf>, (23 June 2013).

UK Government; coupled with this, the UK Government is also actively promoting the UK as an investment location for Turkish based investors. In this respect, UK representatives in Turkey are also promoting the UK and the strengths of its business environment, in particular the City of London and the financial services sector. In addition to specific sectors such as the financial sector and locations such as London the strength of the country's legal structure as well as the potential for professional development. As a means of further enhancing trade, Turkey itself has taken a number of measures in the past, including Preferential Trade Agreements with the aim of facilitating greater economic cooperation.

As a means of improving access to resources for British based companies, the UK Government has actively sought to improve relations with their Turkish counterparts. This includes more favorable visa conditions to Turks which has this far resulted in 93% success rate for applicants between 2007 and 2008. The UK also remains a key advocate for Turkey's ascension into the UK. In addition to the above, the UK is actively taking note in developments within the Turkish energy sector which it has identified as being very lucrative. In a recent memorandum regarding Turkey, it was highlighted that there is a '*crying need*' for greater capacity (power) within Turkey and the country is looking towards installation of associated plants. The UK has therefore positioned itself as one of the key providers and partners of such services given the country's expertise within the energy sector.

Conclusion

As determined within the literature review, economists assert that the development of migrant communities within a country invariably lower the transaction costs of trade between their new host nation and the country of their origin. This particular issue has attracted considerable attention and interest and has resulted in a number of empirical studies being conducted to substantiate the extent to which migrants do indeed impact positively upon trade. In keeping with the assertions made by Parson (2012), Lewer and Van den Berg (2009) and Gould (1994) to name but a few, Turks in England have quickly created networks and channels through which to trade products between the two countries and this is further evident in the findings presented by Insel and Çakmak (2010). The authors state that whilst the influx of migrants in the UK declined within the past few years, import and export trade has grown exponentially, more interesting, the highest category of export products relates to consumption goods which tend to be those goods which are consumed by households and communities. This serves to

attests to the findings presented by Parson (2012) and Gould (1994) insomuch that immigrants tend to covet products from their home countries, in particular consumption goods which they subsequently form networks through which to facilitate the trade of such goods.

Whilst Insel and Çakmak (2010) do not explicitly highlight the types of consumption products, data released by TBCCI (2013) reveals that the exports of foodstuffs such as oils, fish, dried fruit and other edibles have increased dramatically over the past few years. The Global Financial Crisis impacted negatively upon the traditional export of rail and tramway stock and as a result the main export categories between the UK and Turkey declined considerably. That said however, consumption goods such as foods almost grew by 1000% in some cases.

Whilst the presence of Turkish immigrants has served to propel bilateral trade between the two countries, the findings reveal that this has not been the sole driver of trade, Turkey is considered as a leading economy and counted amongst Europe's fastest growing economies which will go on to cement its position amongst the world's fastest growing economies by 2018. This has not gone unnoticed by the UK which has actively sought to create ties with Turkey, firstly through improving access to the country by providing Turks with favourable visa conditions but also creating and establishing political and economic networks in Turkey itself. Turkey on the other hand have noted the UK's expertise in private sectors such as the financial sector as well as public sectors such as healthcare and energy and are keen to attract the UK to explore operations and partnerships within the country through vehicles such as PPP projects.

If we analyse the subject from the point of Custom Union as of 1996, it can be said that asymmetry in the EU's favour is the main problem and the Custom Union is not working as it should be worked. The main reason is that it excludes the services sector, including legal services such as lawyers and legal services firms which the UK is comparatively advantageous.

In light of this, whilst statistics suggest that trade did indeed surge between the two countries as a result of an increasing immigrant population, the current endeavours being made by the UK are difficult to link to immigration. Whilst the root of this move may indeed be the influx of immigrant received in the previous Century, Turkey's strategic geographic position, large consumer market and favourable foreign investment conditions cannot be ignored by any developed country looking to further its economic ties.

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