DEVELOPING EU TRADE INCENTIVES: A SUPPORT TOOL FOR REFUGEE SELF-RELIANCE AND HOST COMMUNITY RESILIENCE IN TURKEY

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EuroMeSCo has become a benchmark for policy-oriented research on issues related to Euro-Mediterranean cooperation, in particular economic development, security and migration. With 104 affiliated think tanks and institutions and about 500 experts from 29 different countries, the network has developed impactful tools for the benefit of its members and a larger community of stakeholders in the Euro-Mediterranean region.

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As part of this project, five Joint Study Groups are assembled each year to carry out evidence-based and policy-oriented research. The topics of the five study groups are defined through a thorough process of policy consultations designed to identify policy-relevant themes. Each Study Group involves a Coordinator and a team of authors who work towards the publication of a Policy Study which is printed, disseminated through different channels and events, and accompanied by audio-visual materials.
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The IEMed is a consortium comprising the Catalan Government, the Spanish Ministry of Foreign Affairs, European Union and Cooperation, the European Union and Barcelona City Council. It also incorporates civil society through its Board of Trustees and its Advisory Council.
Developing EU Trade Incentives: A Support Tool for Refugee Self-Reliance and Host Community Resilience in Turkey

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The European Union (EU) is developing innovative mechanisms to investigate the root causes of migration in order to offer better socioeconomic opportunities both to migrants and host communities. These mechanisms and actions require multi-country bilateral and regional assistance tools to support different partner countries. Innovative and out-of-the-box ideas include multiple countries and various stakeholders. They are developed to provide cooperation solutions in different regions to have a wider impact on the causes and implications of migration. Despite these efforts, political, social, economic and environmental causes continue to generate human mobility around and beyond the immediate neighbourhood of the EU.

The Arab Spring and the civil war in Syria have been creating human mobility in the EU neighbourhood. The war made approximately 7 million Syrians flee to neighbouring countries. Turkey is hosting around 3.7 million Syrians and another half a million asylum seekers and refugees from other regions (DGMM, 2021; UNHCR, 2021). The presence of Syrians in Turkey, together with other refugees benefitting from international protection, has become protracted. The efforts to create durable solutions in the form of “voluntary return, resettlement or local integration” have not yet successfully provided sustainable solutions.

Turkey does not pursue an official state integration policy to integrate asylum seekers, refugees and the Syrians under temporary protection (STP). However, STPs, asylum seekers and refugees are becoming increasingly integrated into their host communities through informal and local integration mechanisms (Kale & Erdoğan, 2019). The delay in the access to formal employment and challenges in receiving formal employment permits aggregate the difficulties in the inclusion of refugees into formal employment schemes. Summer 2015 has shown that when there is a lack of economic and employment opportunities for asylum seekers, refugees and persons under temporary protection the incentive to have onward movement to other countries persists and the possibilities of integration in host communities stay low. It is clear that resilience-building and livelihood support through formal work is essential for vulnerable populations to have dignified living conditions in host countries.

The EU-Turkey Statement in 2016 triggered the development of changes in the legal framework of international protection and migration policy. The Statement paved the way for the preparation of regulations on work permits for persons under temporary and international protection (Official Gazette, 2016). Legal developments targeted the acceleration of the economic integration of refugees into the Turkish labour market through formal employment. However, the difficulties in getting formal work permits resulted in only 132,000 issued until 2019. This indicates that approximately 4% of the STP working population has formal employment (UN Turkey, 2020). This percentage more or less matches the International Labor Organization (ILO) estimations (ILO, 2020). As a result, the majority of the refugee population is working informally, underpaid (Balkan & Tümen, 2016), without formal social and health security mechanisms, in unskilled jobs that are not wanted by Turkish citizens (Sunata, 2017).

Informal employment has been a key element contributing to the lack of durable solutions and a protracted process. In Turkey, informal employment is widespread even among the host communi-
Development of EU Trade Incentives: A Support Tool for Refugee Self-Reliance and Host Community Resilience in Turkey

It is estimated that there is about 30% of labour in host community among all sectors working unregistered. Informal employment is higher in sectors such as agriculture but significantly lower in the industrial sector. The COVID-19 pandemic has also aggravated the increasingly poor state of the Turkish economy (Akay Ertürk, 2020). Previously, there were continuous efforts through FRIT (Facility for Refugees in Turkey) and 3RP (Regional Refugee and Resilience Plan) projects with programmes focusing on improving the employability of refugees in the Turkish labour market as well as support for the entrepreneurship capacities of the refugees in accessing the formal labour market. However, under the current economic conditions these projects are failing to generate a significant long-term impact on employment for refugees (Özçürümez & İçduygu, 2020). These projects provide short-term trainings or restricted employment possibilities while including a very limited number of participants. In addition, the COVID-19 pandemic conditions have shown that these livelihood support arrangements when they are not based on rights-based approaches over-time can transform back into humanitarian aid services (Kale & Yavcan, 2020). Long-term policy planning needs to include other incentive mechanisms that will cover multi-country and multi-region solutions. In the long run, if vulnerable populations in the host societies turn into the most vulnerable requiring humanitarian and emergency aid, the incentive for secondary movements to third countries can be high.

The negotiations on the revision of the EU-Turkey Statement have shown that the process has entered a stalemate due to the lack of consensus on the modernisation of the Customs Union (CU) and other political issues. There has been discussion on the revision of the EU-Turkey Statement since 2020, suggesting that enhanced cooperation for mutual interests could continue (ESI, 2021). The revision included close cooperation between the EU and Turkey to support various services for refugees in Turkey. The revision also calls for a conditional process of modernisation of the CU before the end of 2021, depending on foreign policy-related issues based on conflict resolution mechanisms for disputes in the Eastern Mediterranean. In that respect, the modernisation of the CU depends on the effective implementation of the revised Statement and finding a successful dispute settlement process. Both of these conditions do not depend only on Turkey. Thus, the modernisation of the CU can only be achieved if the Statement is successfully implemented. It is clear that under this intricate conditionality structure, the modernisation of the CU will be very difficult to bear any results. The political backsliding experienced in Turkey since the coup attempt of 2016 does not contribute positively in developing deeper political ties with the EU and its institutions. Similarly, revitalisation of accession negotiations has not been at the top of the EU agenda while the EU was recovering from Brexit and the COVID-19 pandemic economic challenges.

With this prolonged stalemate, the economic support for the displaced persons in Turkey can be jeopardised. A new approach including a novel understanding of mutual economic benefits that does not only focus on direct or indirect humanitarian or financial aid but furthering economic opportunities in the supply side of the economy can provide solutions. Trade incentives that focus not only on the business sector but also the agricultural sector can be a mutually beneficial solution. The agricultural
Developing EU Trade Incentives: A Support Tool for Refugee Self-Reliance and Host Community Resilience in Turkey

sector is important as in many refugee hosting countries as well as Turkey it is one of the main sectors that refugees are employed in informally (Baştürk & Akcan, 2018; Kaygisiz, 2017; Koçak et al., 2017; Koç et al., 2015; Özpınar et al., 2016). This possibility, with the tools and mechanisms to deliver the expected results, can be explored further with the stakeholders in Turkey, the EU and internationally.

This paper argues that it is important to focus on the demand side of the labour market with a key element of job creation (Kirişci, 2021). This research, while utilising the existing literature in this field, looks into the mechanisms of trade incentives as conditions of formal employment of refugees, asylum seekers and persons in need of protection in Turkey. The Global Compact for Refugees (GCR) offers an innovative idea to bring this about in the form of trade arrangements “for goods and sectors with a high level of refugee participation in the labor force.” All EU member countries, apart from Hungary, have endorsed the GCR. Though the GCR is not a legally binding document and the European Commission (EC) in its recent New Pact on Asylum and Migration makes scant reference to it, self-interest, not to mention moral obligation, calls for its implementation if secondary movements of refugees as well as the human and political toll reminiscent of the 2015-2016 European migration crisis are to be averted.

Looking at a multi-country and multi-stakeholder level, this paper will argue that these mechanisms developed by the EU can provide the necessary instruments for sustainable self-reliance for migrants and refugees. Therefore, if developed further to include other refugee and migrant hosting countries such as Turkey, these actions can support the pillars of the new Pact on Migration and Asylum with direct policy implications. This paper tackles the critical issues and key directions proposed in the Joint Communication: Renewed Partnership with the Southern Neighbourhood - A New Agenda for the Mediterranean. Within the proposed framework of the European and Investment Plan for the Southern Neighbours, which aims for a renewed “commitment to implement and support inclusive socio-economic reforms, especially of the business environment, sustainable economic growth and stability-oriented macroeconomic policies underpinned by a long-term strategy” (EC, 2021c), the GCR, FRIT and 3RP increasingly emphasise the need to move from a “humanitarian assistance” focus to a developmental one to achieve greater refugee self-reliance and resilience for host communities. Job creation through trade incentives will be critical to achieving the transformation to move from humanitarian aid mechanisms such as the Emergency Social Safety Net (ESSN) to long-term and widespread employment. This paper aims to explore how trade facilitation can become a way of supporting this transformation and why this could help bring about a “win-win-win” outcome beneficial to the refugees, the EU and Turkey, while providing a good practice policy example for the Southern Neighbourhood of the EU.

Trade incentives can be incorporated into EU-Turkey migration cooperation through various mechanisms and tools that will rely on Turkey, the EU, or in some cases both. The incentives that can be developed by Turkey can include VAT exemption, corporate tax reduction, social security premium support (employee’s or employer’s share, and perhaps both), property tax exemption and stamp duty exemption. The incentives that can be developed by the EU can in-
clude customs duty exemption, removal of quotas, removal of non-tariff barriers and direct or indirect support for market access. The most likely economic sectors in which such incentives could be provided are those that include most of the refugee labour such as manufacturing, construction, textiles and agriculture (Kirişçi, 2020). The possible stakeholders that will benefit from these incentives are industries, both small and medium sized enterprises (SMEs) and multinational corporations (MNCs), trade unions, chambers of commerce, and agricultural cooperatives. In order to achieve the desired outcomes and effects in the economy, these incentives will have to be tailored not only to the needs of particular sectors but also to the needs of particular stakeholders. The needs of MNCs with respect to employment and customs duty exemption will be different from SMEs working on a smaller scale of production. Similarly, agricultural cooperatives require longer-term commitments and incentives in order to adjust their employment and production while investing in long-term planning. In that respect, it is very important to conduct sector-based studies and research in Turkey in order to identify sector-based needs in different economic sectors.

The paper will be composed of four sections: an introduction on the definition of the problem and why “trade incentives” would be beneficial to all stakeholders involved; a section on the assessment of the current refugee situation in Turkey; a section on why trade incentives are critical moving forward and how such incentives could be put into place with policy outcomes; and a discussion of challenges in getting to trade incentives from the EU, from the Turkish or the World Trade Organization (WTO) side. The paper will conclude with a section on an overall analysis of policy-related proposals. In writing this analysis, a methodology of desktop research on a literature review of scholarly articles, official documents, policy papers and reports will be adopted. This research will also utilise empirical data collected from civil society institutions, trade unions and trade associations through semi-structured online interviews conducted in Turkey between January and March 2021.¹

Trade incentives as a market-based livelihood intervention for refugees

The increased number of displaced persons and their protracted displacement situations in today’s world require both receiving states and states providing assistance to recognise “a growing recognition of the imperative need, on both humanitarian and development grounds, to secure sustainable solutions for refugees, IDPs, stateless people and returned refugees” (ILO, 2017). This means a wider range of partners developing out-of-the-box ideas need to work in close cooperation with public, private and international organisations. These collaborations have to engage in solutions that will involve not only public but also business stakeholders.

The policies putting humanitarian aid and emergency assistance at their core can prove to have an immediate impact

¹. The ethical approval for the proposed research was received from the METU Ethical Review Board on 27 January 2021.
on emergency displacement situations. However, when displacement situations transcend into protracted ones, humanitarian aid and emergency assistance cannot be sufficient enough to achieve long-term sustainable livelihood opportunities for displaced populations. From a refugee point of view, reducing dependency on humanitarian aid and achieving economic inclusion either through formal employment or through other ways of labour market inclusion means enhancing livelihood opportunities. From the host government perspective, long-term solutions can guarantee self-dependence, strengthen social protection, help local communities, and reduce impact on host economies. These actions can also ease social and political tensions. For humanitarian and development organisations, alternative methods focusing on supporting livelihoods and integration of refugees to humanitarian aid can preserve the dignity of the forcibly displaced, address development issues, and support the efforts to sustain financial means. When it comes to states that provide humanitarian aid and emergency assistance, the donor countries and international development partners such as the World Bank (WB) and the International Monetary Fund (IMF) offered incentive structures including new trade agreements, development plans and reform agendas. Despite these aims, the Compact has had limited success due to the trade agreement’s rules of origin clause and the restrictions on the application of these trade benefits, such as employment of a minimum share of refugees or firms to be located in one of the designated industrial areas. In this way, Jordan was expected to accelerate reforms to improve its investment and business environment.

The EU-Jordan Compact was signed in February 2016 as a new approach to deal with protracted displacement of Syrian refugees in Jordan. The Compact aimed to improve access to education and legal employment for Syrian refugees in return for grants and loans and preferential trade agreements with the EU. As a country that is not a signatory to the 1951 Convention, the Compact proved that with “economic and political incentives such as trade deals, a restrictive policy environment can be opened up and funds can be mobilised in a short space of time” (Barbelet at al., 2018). Although the school enrolment of refugee students has increased, the progress has been slow, and challenges on quality of services, financial barriers, self-employment and improving daily lives of refugees remained unresolved. The Compact had a target of 200,000 work permits to be issued for Syrian refugees in specified sectors. In return, the EU was committed to easing “trade regulations to stimulate exports from 18 designated economic zones and industrial areas in Jordan.” In this way, Jordan was expected to accelerate reforms to improve its investment and business environment.

Instead of providing humanitarian aid, the donor countries and international development partners such as the World Bank (WB) and the International Monetary Fund (IMF) offered incentive structures including new trade agreements, development plans and reform agendas. Despite these aims, the Compact has had limited success due to the trade agreement’s rules of origin clause and the restrictions on the application of these trade benefits, such as employment of a minimum share of refugees or firms to be located in one of the designated industrial zones. The restrictions on companies that can benefit from the incentives with respect to location lowered the number of companies that will be willing to move operations to a designated location with substantial infrastructure costs. Considering the possible limited timeframe of these benefits, only relatively more established companies could have afforded to make this investment. SMEs would have to see a substantial benefit to be able to adjust their production to benefit from these incentives, making the effectiveness of the Compact rather limited.

The United Nations (UN)’s Comprehensive Refugee Response Framework (CRRF) included other compacts such
as the Ethiopia Jobs Compact, which was launched in May 2018 (EC, 2021b). In this compact, the Government of Ethiopia and international partners (the WB, DFID [Department for International Development], the European Investment Bank [EIB] and the EU) involved support for industrialisation, job creation and employment of refugees and Ethiopian citizens. The Compact has elements that support legal and policy reforms, development of industrial parks, inclusive and industrial sustainable development, enhanced employee recruitment, and skills development. However, the impact of the Compact has been limited as there were various challenges faced including “poor logistics costs and lead times; limited qualified labor supply and high rates of employee turnover; low institutional, regulatory and administrative capacity; insufficient ‘off the fence’ local infrastructure investments; limited backward linkages; and limited progress on trade policy issues.” Both of these compacts present novel approaches to development aid, donor interaction with host countries, refugee protection support, and refugee responsibility sharing.

Trade incentives can be explored to map their potential for economic benefits as well as their limits of implementation. As explained above, trade incentives when used in a wide range of countries with the inclusion of business and government stakeholders can provide a novel approach, which can be mutually beneficial for refugees, host communities, and humanitarian aid/assistance provider countries. Developing mechanisms that will involve refugees in the industrial, service or agricultural sectors can support the demand side of the labour market in host countries. Previous studies and research have shown that the benefit of incorporating trade incentives into refugee support programmes is pivotal in supporting the demand side of the labour market in host countries. In low and medium income countries where there are limited job opportunities, high unemployment, economic disparities and the fear of competition over jobs with the local community may result in restrictions or difficulties in obtaining work permits for refugees. This was valid in Jordan until the Jordan Compact and in Turkey until the EU-Turkey Statement. In the case of the Jordan Compact, 200,000 work permits were promised by the Jordanian Government in 2016. Although the target was not reached and by the end of 2016 only 35,000 work permits were issued, this was still higher than 3,000 Syrian work permits registered earlier by the Jordanian Ministry of Labour (MoL) per year (Kelberer & Sullivan, 2017). In the case of Turkey, the EU-Turkey Statement provided grants and funding through local and international civil society organizations (CSOs), international agencies, chambers of commerce and other stakeholders to increase employment opportunities for Syrians through language and skills training programmes, business development initiatives that may grant exemptions for employer’s share of social security premiums. These efforts for the supply side of the labour market yield limited results. It is also important to look at the demand side of employment in which businesses and economic sectors are supported to create more job opportunities for both host and refugee employees.

Increasing the trade volume with countries specifically for the sectors that involve refugees can directly benefit refugees, businesses and host country economies. Creating attractive trade incentive programmes in exchange for sharing the burden with host countries can provide financial benefits that will have a long-term social and econom-
ic impact. Instead of negotiating where and how humanitarian assistance will be spent in the host country, increased trade volume targeting refugee-heavy sectors can facilitate market access, provide cash inflow and support economic growth. Through this mechanism the number of jobs available for refugees will automatically increase to support formal and steady employment opportunities. This can contribute directly to the livelihood of refugees and ease the burden on host countries.

**Current refugee situation in Turkey and market access to formal employment**

Turkey hosts around 3.7 million Syrians and another half a million asylum seekers and refugees from other regions. The presence of Syrians with other displaced persons benefitting from international protection has become protracted in Turkey. The efforts to create durable solutions in the form of "voluntary return, resettlement or local integration" have not yet successfully provided sustainable solutions. Resettlement to third countries can be considered symbolic and minimal. The current developments in Afghanistan with the changes in the Taliban regime is an important indicator that the human displacements will continue to occur in the region with mass migratory flows towards neighbouring countries and non-neighbour countries on the way to Europe, such as Turkey.

EU member states and other Western countries traditionally resettling refugees were not able to develop and sustain specific programmes, in particular for large number of Syrian refugees in need of international protection in the region. The high number of displaced persons who can qualify to be resettled and the slow process of resettlement indicate that it will not be a durable solution in the long term. Similarly, over the years, the efforts to create safe zones for return to Syria have also not yielded any viable result. The lack of a formal integration policy to integrate asylum seekers, refugees and STPs in most of the host communities also proved that local integration would not be a long-term solution, at least for some of the host countries. In the case of Turkey, this lack of a state-led integration policy enhanced informal and local integration mechanisms (Kale & Erdoğan, 2019). Through these mechanisms, forcibly displaced populations found the means to support themselves with informal employment. The basis of the legal framework enabling foreigners to have legal employment was accepted in 2003 with the Law on Work Permits for Foreigners (Official Gazette, 2003). In the same year the implementation directive, designed to put in place the implementation framework, was accepted (Resmi Gazete, 2003a). The Law on Foreigners and International Protection (LFIP) gave the right to international protection holders to apply for work permits six months after they enter the country (Resmi Gazette, 2013).

The EU-Turkey Statement triggered further changes in the legal framework to bring the regulations on work permits for persons under temporary and international protection (Official Gazette, 2016). The legal framework that allows the STPs and persons under international protection to have formal employment permits was accepted in 2016. All of these legal developments were targeted at accelerating the economic integration of refugees into the Turkish labour market through formal employment and sustain viable livelihoods. However, the difficulties in getting formal work permits...
resulted in only 133,000 work permits being issued until 2019 (Turkey Ministry of Labor and Social Security, n.d.). Detailed bureaucratic formalities, lack of good will of the employers, conditions and delays, including work permits that need to be issued on specific locations, were the main reasons for the low number of work permits issued. The low number of work permits issued for persons under temporary protection is a result of Turkey’s labour market economy’s structural problems. Informal employment is a serious structural labour market problem in Turkey. It is estimated that about 30% of labour in the host community in all sectors is working unregistered. This percentage is as high as 83.5% in sectors such as agriculture and can become as low as 16.46% in sectors such as industry (Ministry of Work, 2021c).

These structural problems have to be tackled with comprehensive steps to reform the labour market in Turkey. In the meantime, the EU through the tools of the EU-Turkey Statement aimed to support livelihoods of refugees on two grounds. The most consistent approach so far has been the financial assistance mechanism that the ESSN developed within the Statement. Through this scheme, a fixed amount of direct cash assistance is distributed among refugees who need the financial support the most. Indirectly, the EU funded projects through mechanisms of skills and language acquisition and training, network building, labour market access support and employer social security premium support, and employment incentives reinforced labour market integration of refugees. These efforts involved a limited number of participants and beneficiaries within a limited timeframe. The projects do not always bring long-term labour market access results for a wide range of refugee community members, and the number of registered formal work permits remains limited. Similarly, funds supporting entrepreneurship opportunities can also have limited success.

The ESSN provides direct cash support to help with the basic needs of refugees, which are not sustainable in the long term. These basic needs met over time transferred into self-reliance efforts. In the last couple of years, the Turkish government has aimed at exiting the ESSN system through a strategy focusing on sustainable approaches for the long term (Ministry of Work, 2021a). The COVID-19 pandemic demonstrated “the vulnerability associated with informal work or casual labor opportunities, with many refugees and host communities facing a sudden and unexpected loss of livelihoods” (UNDP, 2020). The worsening economic conditions are adversely impacting the ability of refugees to access livelihood opportunities. Diverting from costly direct cash assistance programmes with limited timeframes can be a rational choice, but finding the alternative to replace these tools can be difficult. Given these limitations, what is needed is a new approach with tools that will allow refugee and host community members to benefit from economic gains while supporting mutual economic benefits with the humanitarian aid provider countries.

**Trade incentives as a novel approach in supporting refugee-hosting countries**

The previous section discussed how the EU-Turkey Statement involved financial support mechanisms with direct and indirect labour market support incentives for enhancing employment opportunities of STPs. Considering the limited success in securing formal employment...
Developing EU Trade Incentives: A Support Tool for Refugee Self-Reliance and Host Community Resilience in Turkey

for refugees, this section suggests that trade incentives can be a novel sustainable approach. Increasing trade through trade incentives tackling different sectors within host communities can directly increase the trade volume of the countries involved including the economies hosting refugees. In order to promote this idea, Turkey put forward a proposal for utilising trade in refugee employment.

At the WTO ministerial meeting of December 2017, together with Qatar, Turkey proposed adopting a declaration to “explore ways that trade and the WTO can help in alleviating the adverse impact of this crisis” (WTO, 2017). In this declaration, trade was considered to be used as a means for more equitable sharing of responsibility by the international community to ease the adverse impacts on the countries hosting significantly large number of refugees. Suggesting that this type of support will be essential both for the wellbeing of the displaced persons and the “economic, political and social stability of the host countries,” the proposal included a draft Ministerial Decision of the intention to cooperate for providing employment for Syrians in host countries (WTO, 2017).

The declaration only proposed the adoption of a decision on a call to engage in relevant consultations within the WTO and exploring ways as an important sign of international solidarity and cooperation. However, failing to become a sign of global support, this call for solidarity and exploration was declined by the WTO members. The proposal could have been more credible if supported by other countries who were hosting large numbers of refugees, such as Jordan or Lebanon, from the region or from other regions around the world. As it was not backed or supported by a large number of refugee hosting countries, its international voice stayed limited. This call through the WTO was only a suggestion for exploring possible methods “in terms of coping with the side effects of this continuing important humanitarian crisis.” The rejection of the exploring cooperation methods for providing employment for displaced Syrians through trade mechanisms demonstrated the sensitive nature of this issue. However, it may not always be a sign of the lack of solidarity and consensus among the members. If a similar proposal with multilateral aspects can be backed by the main refugee hosting countries in the region, such as Jordan and Lebanon, the support can be extended.

There are other WTO-compatible approaches that would be consistent with WTO rules. First of all, Article 14 of the General Agreement on Tariffs and Trade (GATT) allows the members to depart from the most-favoured-nation (MFN) rule when bilateral and regional trade agreements are negotiated to remove trade barriers. This can be used under exceptional circumstances, and the EU’s Jordan Compact is an example of this exceptional situation where a free trade agreement (FTA) is concluded. It has been warned that bilateral and regional trade agreements can be patchy in their coverage, and relatively few of the major refugee hosting countries have them (Elliot & Temprano Arroyo, 2019). This means that use of this approach can only be case specific, as in the case of the Syrian crisis, but it will have limited application in its comprehensive coverage. Secondly, a reform of the Generalized System of Preferences (GSP) will allow developed and mostly donor country members of the WTO to provide preferential treatment to imports from developing country members through the “Enabling Clause”. The Enabling Clause was adopted in 1979 to give “differential
Developing EU Trade Incentives: A Support Tool for Refugee Self-Reliance and Host Community Resilience in Turkey

and more favorable treatment to developing countries” by developed members (WTO, 2021a). Under this clause, developing countries can go ahead to make preferential trade arrangements among themselves that will allow more favourable treatment for countries designated by the UN as least developed countries (LDCs). Under these preferences, developed countries can offer “non-reciprocal preferential treatment (such as zero or low duties on imports) to products originating in developing countries.” However, as preference-giving countries can unilaterally determine the products and the countries which are included in their schemes, the impact of the treatment can be rather limited. Finally, Article 9 of the Marrakesh Agreement allows waivers of obligations under exceptional circumstances (WTO, 2021b). These exceptional circumstances, the requirements for granting and renewing waivers and the rules on the interpretation of waivers are not explained in great detail. There is also a limited timeframe for the waiver that has to be reviewed by the Ministerial Conference not later than one year after it is granted and thereafter annually until the waiver terminates. In this process, the terms, conditions and exceptional circumstances justifying the waiver will be monitored to see if it should be extended, modified or terminated (WTO, 2021b). This was the proposal that Turkey and Qatar put forward in 2017. Considering the exceptional nature and the detailed procedures to follow for such a waiver, it can only be used under very specific circumstances. The Syrian crisis should have been sufficient to prove these exceptional circumstances and yet even the possibility of exploring this option was rejected.

As can be seen from the aforementioned discussion, the WTO legal framework provides a basis to develop or at least to consider ways of using trade preferences to increase trade volumes between developed donor countries and the developing refugee hosting countries. It has been argued in the literature that international trade and trade-promoting policies are important in affecting standards of living (Frankel & Romer, 1999). Although geographical factors are critical in determining this impact, nevertheless trade can raise income with an influence on both host and refugee communities’ living standards. In that respect, it is important to develop policies and programmes that will focus on widening and deepening trade volumes to create further business developments and job creation. It is clear that there have to be different options available for different refugee hosting countries. For example, Ethiopia, Jordan and Turkey are all under different economic, social and political pressures to host refugees. A standard size and shape of trade incentive that will fit the needs of all refugee-hosting countries will be difficult to achieve. In developing these trade incentives it is important to keep under consideration the number of refugees within a country, the percentage of the forcibly displaced persons in the host country population, the economic development level of the host country, a sector-based approach where refugees are most involved and their potential to be involved further, the sectors that will have a significant benefit from these incentives, labour market indicators of formal and informal employment, geographical location for smooth access to markets, and finally the labour market legal framework of the host country. In the Ethiopian Labour Compact, the EU and other international partners, such as the WB, DFID, the EIB and the Government of Ethiopia, endeavoured to support Ethiopia’s aim to provide jobs to refugees in the framework of the CRRF (Open Democracy, 2020). The Compact
relies on pillars of supporting industrialisation, improving the refugee regulatory framework and supporting both Ethiopian and refugee employment, in return for budgetary support (EUTF, 2021). The overall aim is to support industrialisation and job creation in which a portion of the jobs will be reserved for employment of refugees. In the case of the Jordan Compact, through grants, loans and preferential trade agreement with the EU, Jordan committed itself to improve access to education and legal employment for its Syrian refugees. The Compact has shown that rapid responses could be achieved and restrictive policy environments can be opened up if incentives are built on “existing political capital between donor governments, international organisations and host governments, as well as economic and political incentives such as trade deals” (Barbelet et al., 2018). The Compact has increased the number of formally employed Syrian refugees. Prior to the Compact, the number of work permits was very limited due to high fees, bureaucracy and the lack of official documentation, limiting the application for work permits (Kelberer & Sullivan, 2017).

Elimination of key products or sectors in the preferential trade agreements, imposing burdensome rules of origin, excluding key export sectors such as agricultural products, fisheries and textiles, various conditions in the production or manufacturing locations such as specific industrial zones, limited timeframes for application, and exclusion for many labour-intensive manufactures are potentially critical for refugee employed sectors and can substantially limit the effectiveness and application of these trade incentives. In developing trade incentives, sector-based research and analysis can help to focus on sectors that will have the desired results on the refugee-based value-added impact in host economies.

The EU has free trade agreements with Jordan and Lebanon. In the case of Turkey, it has a CU and Turkey is a candidate country to become a member of the EU. However, there is an on-going debate on the potential modernisation of the CU. According to the WTO, the Turkey-EU Customs Union is not considered a full capacity and well-functioning regional trade agreement (Comp. Art XXIV of the GATT 1994). It is rather considered as a temporary functioning trade agreement with an aim of gradually achieving full capacity overtime. When the CU was signed in 1995, the then Prime Minister Tansu Çiller was criticised for accepting a premature deal for Turkey (Couturier, 1995). The CU only included sectors that were not fully beneficial for the Turkish agricultural sector or industry. The modernisation of the CU with the inclusion of new titles in its framework including agricultural products and liberalisation of services with the internationalisation of the public procurements can help the agreement to come close to its full potential. However, having the agricultural sector included in the CU will still not be very beneficial for the Turkish agricultural sector if Turkey does not become a member of the EU and benefit from the advantages of the Common Agricultural Policy (CAP).

The discussion on the modernisation of the CU to include sectors that can be critical for refugee employment has not thus far yielded any results. Originally, the CU aimed to achieve "an economic integration model by gradually establishing a type of internal/single market, but without the necessary institutional aspects of such a market structure" (Arat, 2020). Exclusion of critical sectors for development of an integrated market eliminated this possibility. It is hoped that modernisation of the CU with the inclusion of key sectors will
Developing EU Trade Incentives: A Support Tool for Refugee Self-Reliance and Host Community Resilience in Turkey

boost economic growth and employment levels while supporting not only host community employment but also refugee employment levels. The initial interactions between the officials from Turkey and the EU did not demonstrate strong support for this modernisation. On the contrary, the European Parliament (EP) has been involved in the discussion of the possibility of suspending the CU altogether (EPRS, 2020). This action will have a detrimental impact on the Turkish economy, especially under the current COVID-19 pandemic economic conditions.

When the first Syrian refugees started to arrive in 2011, the Turkish economy was very different from 2016 when the EU-Turkey Statement was signed. During the COVID-19 pandemic, the Turkish economy experienced serious challenges as the global economic conditions deteriorated. The pandemic adversely affected employment levels of both Turkish citizens and refugees. The most vulnerable populations, including STPs, asylum seekers, refugees and irregular migrants, were affected more adversely. The World Food Programme (WFP) research indicates that in 2020 around 45% of the persons in need of international protection were living in poverty conditions in Turkey (WFP, 2020). The ESSN cash support through Kızılaykart (Kizilaycard) is available for over 1.65 million Syrians and, among those, 69% that were interviewed for the International Federation of the Red Cross (IFRC) survey indicated that they lost employment due to the pandemic and 82% of the households do not have any members in wage-earning activities (IFRC & TRC, 2020). This is mainly because refugees are employed in the informal sector and government incentives or support mechanisms during the pandemic cover only people working in formal employment (ASAM, 2020). These conditions made paying rent and food the most critical priority to meet. Sustaining the livelihoods of the refugees became a serious challenge and CSOs have reported that they turned their social and economic integration efforts into humanitarian aid during the pandemic (Kale et al., 2021).

Trade incentives targeting sectors that employ refugees, such as textiles, manufacturing, construction and agriculture, can increase formal employment of refugees in these sectors through different methods. The sector-based demand and supply analysis for refugee employment of TEPAV (Demand and Supply Analysis on Syrian Employment) demonstrates that the main obstacles for Syrians to engage in formal employment schemes can be listed as the difficulty in obtaining work permits rapidly and the dependency on direct cash distribution schemes such as Kızılaykart (Kizilaycard) (Akyıldız et al., 2021). The rationale behind Kızılaykart is to support the most vulnerable refugees who are in need of support and are not formally employed. However, TEPAV’s results demonstrate that there are an important number of current Kızılaykart beneficiary households who are in informal employment. Thus, the beneficiaries refrain from getting into formal and stable employment in order not to be in the social security schemes and not lose their Kızılaykart financial benefits (Akyıldız et al., 2021).

The same analysis identifies the fact that 93% of all Syrians interviewed have a profession, but only 56% work in a job while almost all are employed informally. The sectors identified that employed Syrians work in construction, textiles, manufacturing and vehicle production. Another important source of employment for Syrian refugees has been seasonal agricultural work (Unluturk, 2016).
In the TEPAV survey the majority of the businesses interviewed clearly mentioned that they are not in need of new employees unless their businesses grow. In the case of new employees, 50% will not consider employing Syrians due to difficulties of getting work permits, language barriers and cultural differences (Unluturk, 2016). It is also mentioned that almost 30% of the businesses experienced difficulties in recruiting new employees, while only 15% are able to export their products (Unluturk, 2016). It is clear that in the case of business growth (through further production to be exported), there will be a need to recruit new employees. In that respect, businesses will be able to consider employing Syrians if work permits are issued smoothly in sectors mostly related to sectors heavily dependent on manual labour (textiles and manufacturing). In these sectors, trade incentives targeting export industries can make a difference in creating increasing demand for refugee labour.

The advocacy efforts are important in achieving support from governments, businesses and the public. Here, the EU, the US and countries such as Canada can work together to alleviate the pressure on refugee hosting countries. The current US administration may be more willing to cooperate on development and humanitarian issues at multilateral platforms compared to the previous Trump administration. The GCR through the Global Refugee Forum (GRF) also provides a useful platform for awareness-building, advocacy and consensus-building discussions. International organisations such as the United Nations High Commissioner for Refugees (UNHCR) or the World Refugee & Migration Council (WRMC) can be effective in these advocacy-building efforts. In exploring how trade preferences and trade incentive programmes can be used in exchange for refugee hosting countries’ continued efforts in providing shelter, services and livelihoods for refugees, advocacy activities are important. After the adverse effects of the COVID-19 pandemic, the WTO also has to reconsider its position in developing tools and mechanisms in increasing the trade volumes and facilitating market access for refugee hosting countries’ businesses and farmers.

Conclusions and policy recommendations

This paper has explored how to develop a novel approach to supporting refugees and host countries in their efforts to develop refugee self-reliance and resilience. The current international refugee protection regime does not provide substantial responsibility sharing tools and mechanisms to alleviate the pressures on host countries. The lack of consensus among donor countries about the meth-
ods to support refugee livelihoods and host country economies needs different and novel approaches to be explored.

Advocating trade incentives for countries hosting refugees can become an alternative to direct cash assistance programmes in supporting refugee livelihoods and formal employment within host labour markets. When designed and targeted specifically to sectors that involve refugee labour, these trade incentives can be critical in yielding policy outcomes. Clearly, supporting trade incentives can be a contested issue among member states within the WTO. International organisations such as the UNHCR and WRMC can support these efforts. If this is coupled with a strong push from donor countries, including the EU member states, the US and Canada, it can give a clear message in formulating the political and legal framework. The following policy recommendations can be used to help build robust economies for both host and refugee communities, accelerate social and economic integration of refugees, and create more significant opportunities to build livelihoods through business creation, long-term formal employment, training and education.

**Utilising the Global Compact for Refugees on trade preferences**

The GCR includes a commitment to supporting labour market analysis to identify gaps and opportunities for employment creation and income generation. In this labour market analysis it has been indicated that “appropriate, preferential trade arrangements could be explored in line with relevant international obligations, especially for goods and sectors with high refugee participation in the labour force; as could instruments to attract private sector and infrastructure investment and support the capacity of local businesses.” Using this framework, the GCR can be used to discuss different country needs, priorities and preferences. This could also provide the possibility of bringing international organisations, private sector partners, host governments and refugees together to develop market-related solutions. The GCR is not a legally binding document and relies on the good will of the participating countries and parties. However, the moral obligations, as well as the interests of all parties concerned, can push for multilateral, bilateral or even unilateral solutions.

**The need for rapid action**

Exploring different responsibility sharing options among donor countries and within the EU with EU member states can provide different options. However, since the turbulent summer of 2015 six years have passed and very little progress has been made with respect to durable solutions for refugees within the region. The ongoing crisis in Afghanistan demonstrates that there will be further mass movements of forced migration occurring within the intermediate and immediate neighbourhood of the EU. A framework of action, which will determine market access procedures for refugee hosting countries, can ease the already existing and prospective pressures on these countries’ economies.

**Building consensus at the WTO by using trade preferences**

The Turkey-Qatar proposal has shown the limits and lack of solidarity among the WTO members for harnessing international trade law to support refugees and host countries. It is possible that the timing, lack of great variety of supporter countries, and the advocacy efforts could
Developing EU Trade Incentives: A Support Tool for Refugee Self-Reliance and Host Community Resilience in Turkey

have been miscalculated in this proposal. However, it is pertinent that the Syrian humanitarian crisis, a mass movement of refugees or the existence of a large population of refugees will constitute exceptional circumstances. The proposal’s idea and its intentions were right and beneficial for all countries hosting Syrian refugees. This idea can be explored further to find ways and means to operationalise trade preferences for expanding market access for refugee hosting countries.

Developing sector specific access

In developing policies, programmes and frameworks, it will be important to look into sector specific details for bringing about change. Refugees are employed in certain specific sectors including agriculture, labour intensive manufacturing, textiles production, construction and some other low-skilled sectors. Sector-based analysis can give insights into how and when these sectors can be affected by modifications or incentives. Instead of providing a one-size-fits-all kind of an approach, a sector and country specific design can bring about more effective changes. Similarly, in these specific sectors it will be useful to look into the needs of countries, refugees and the businesses involved in these sectors.

Easing the restrictions and conditions

Detailed and strict restrictions on country of origin, location-based (i.e. industrial zones, etc.) production, difficult to monitor labour specific inclusions (i.e. a certain percentage of refugee formal employment in a particular production facility), limits on enterprise size (i.e. benefiting only large industries but not SMEs, etc.), and restrictions on local business involvement can seriously hamper the effectiveness of trade facility applications. Considering a developing-through-action approach can not only support the diversity and applicability of different frameworks, but at the same time can provide the opportunity to expand the effect to different business circles that might be interested in participating in schemes with an economic and social impact.

The need for the modernisation of the Customs Union

There is a clear need for modernisation of the CU to include vital sectors for refugee employment, such as agriculture and textiles. In this process, linking modernisation to various political conditions can jeopardise its pace and the desired impact. The CU modernisation by itself has already been a long-standing and complicated issue. Linking it with foreign policy dispute settlement in the Eastern Mediterranean may not bear results on either aspect. In Turkey, there are already discussions about the benefits of the inclusion of the agricultural sector in the CU. As Turkey is not a member of the EU and will not benefit from the advantages of the CAP in the long term, developing mechanisms to minimise the disadvantages can ease these concerns.

Trade incentive programmes targeting sectors on refugee employment in Turkey

It is clear that increasing the trade volume with countries specifically for the sectors that involve refugees can directly benefit refugees, businesses and host country economies. In Turkey, there are specific sectors such as agriculture, textile, manufacturing and construction that rely heavily on manual or labour-intensive refugee employment. It is important to create attractive trade incentive programmes with reduced or no tariffs,
quotas or non-tariff barriers for goods produced in these sectors identified. In contrast, exclusion of many labour-intensive manufactures potentially critical for refugee-employing sectors can substantially limit the effectiveness and application of these trade incentives. Creating attractive trade incentive programmes with reduced or no tariffs, quotas or non-tariff barriers for goods produced in these identified sectors. The contrary, exclusion of many labour-intensive manufactures are potentially critical for refugee employed sectors can substantially limit the effectiveness and application of these trade incentives. In order to measure the possible desired impact, sector-based detailed studies have to be conducted.

While taking into consideration these various recommendations, trade incentives can be explored and developed to provide solutions on refugee responsibility sharing, supporting livelihood opportunities for refugees, labour market integration, and expanding trade volumes for host and donor countries. The long-term impact of these changes will be mutually beneficial for the EU, EU member states, refugee hosting states and refugees themselves. In a political environment where the essence of the 1951 Convention is under review (Ülgen, 2021), it is important to act fast through consensus and diligence to get results that matter most for refugees themselves.
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Developing EU Trade Incentives: A Support Tool for Refugee Self-Reliance and Host Community Resilience in Turkey


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