Turkey and Europe: The role of migration and trade in economic development

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The present picture: Migrants in Europe

- The EU15 has about as many foreign born as USA (40 million), with a somewhat lower share in total population (10% versus 13.7%)

- 2.3 million are foreign born from Turkey (6% of all foreign born in EU15, but 25% of all third country citizens)

- Austria and Germany have the largest proportion of foreign born from Turkey (1.9% resp. 1.8% of the total population. If one includes the second generation of Turkish origin, the proportion rises to more than 3% of the total population in either country.

- This proportion is somewhat lower than the one of Mexican born in the USA (11.8 million or 3.8% of total population).

- After Austria and Germany the Netherlands (1.2%), Denmark (0.6%) and France (0.4%) have significant proportions of migrants from Turkey in their populations.
The present picture: migration and Turkey

- While Turkey continues to be a country of outmigration it is also becoming a country of immigration.

- In the year 2000 (latest data available for foreign born by country of origin) some 1.3 million or 1.9% of the 67 million inhabitants were foreign born.

- In the year 2000 the share of Germans in the foreign born population of Turkey amounted to 21.4% (273,500) and of Austrians to 1.1% (14,300).

- The largest number and share of foreign born in Turkey are Bulgarians with Turkish origins, dating back to the Osman Empire. In the year 2000 (census) 480,800 Bulgarian born migrants were living in Turkey, i.e. 38% of all foreign born.

- The numbers and the share of Germans, to a lesser extent also Austrians, in the Turkish population are growing, mostly highly skilled second generation migrants who return to their parents’ home country to take advantage of employment opportunities as Turkey is rapidly restructuring and in need of skilled workers to support the export led growth strategy.
The present picture: Austria/Germany and Turkey

- The two EU-MS which are most closely connected to Turkey by migration and trade are Germany and Austria.

- Currently, in Austria trade in goods with Turkey corresponds to the EU15 average which amounts to 0.35% of GDP.

- The trade linkage between Germany and Turkey is somewhat more pronounced with close to 0.5% of GDP.

- The share of exports/imports to and from Turkey amounts to about 1% of exports/imports of goods in Austria and 1.5% in Germany. This is somewhat more than in the EU15 on average.
Currently, Turkey is a large country in population terms but a small country in economic terms.

With a population size of 71.5 million in 2009 the value of its GDP at market prices (millions of Euro) amounted to 440,367 compared to 274,321 for Austria, a country with 8.3 million inhabitants.

Thus GDP per capita (PPS) is only 36% of the Austrian and about half the EU27 level.
The present picture: Facts and Figures

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th></th>
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<th>GDP at market prices</th>
<th>GDP/capita in PPS</th>
<th>Export</th>
<th>Import</th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>Total population</td>
<td>Persons in 1000</td>
<td>Persons in 1000</td>
<td>In % of total population</td>
<td>Persons in 1000</td>
<td>In % of total population</td>
<td>millions of Euro</td>
<td>In % of GDP</td>
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<td>Austria</td>
<td>8.355</td>
<td>864</td>
<td>10,3</td>
<td>1.277</td>
<td>15,3</td>
<td>274.321</td>
<td>29.300</td>
<td>50,5</td>
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<td>Germany</td>
<td>82.002</td>
<td>7.168</td>
<td>8,8</td>
<td>10.621</td>
<td>13,0</td>
<td>2.397.100</td>
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<tr>
<td>EU15</td>
<td>396.35</td>
<td>29.190</td>
<td>7,4</td>
<td>39.351</td>
<td>9,9</td>
<td>10.914.36</td>
<td>4</td>
<td>35,4</td>
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<tr>
<td>EU27</td>
<td>499.70</td>
<td>31.789</td>
<td>6,4</td>
<td>41.632</td>
<td>8,3</td>
<td>11.787.48</td>
<td>1</td>
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<tr>
<td>Turkey</td>
<td>71.517</td>
<td>104</td>
<td>0,1</td>
<td>1.334</td>
<td>1,9</td>
<td>440.367</td>
<td>10.700</td>
<td>23,2</td>
</tr>
</tbody>
</table>

S: Eurostat, Worldbank.
The institutionalisation of migration (establishment of recruitment centres) allowed rapid recruitment of migrant workers at low costs for migrants. Workers were recruited in the host country, received a 1 year contract, travel costs were borne by the employer as well as accommodation costs, which had to correspond to the local housing standards.

The share of foreign workers in total employment rose fast in the 1960s until 1973 (with a peak of 8.7% foreign workers in Austria and 10.8% in Germany), when the economic recession put a break on foreign worker recruitment. Turkish refugee inflows took the place of foreign worker recruitment.

Germany had a higher proportion of migrant workers than Austria until 1990, when the massive inflow of refugees in the wake of the break-up of Yugoslavia put Austria on the overtaking lane.

Austria remained on the fast track until today with a share of foreign workers in total employment (wage and salary earners) of 13.2% in 2010, compared to 10% in Germany.

Turkish migrants are the single largest ethnic migrant group in Germany, not in Austria, where Serbians are the number 1
Foreign Labour in Germany and Austria and the role of Turkish workers

S: OECD and national sources.
- Foreign worker share in total employment: Austria
- Foreign worker share in total employment: Germany
- Share of Turkish workers in foreign employment: Austria
- Share of Turkish workers in foreign employment: Germany
4 stages of migration relative to Turkey

1. response to absolute labour shortage: foreign workers from Turkey were largely unskilled and semiskilled labourers in the construction sector and in export oriented industrial production

2. Occupational complementarity sets in (in Austria above all textiles, leather, clothing, in Germany above all metal industries (automobile and machine industry)

3. Settlement and family formation/reunion

4. Creation of ethnic business and trade/re-migration linkage to Turkey
Total exports and imports of goods and services in % of GDP: Austria, Germany and Turkey (1960-2010)

Turkey embarked on export-led growth

- Turkey had a remarkable export growth performance from the early 1980s to 2000, when a stagnation and decline of exports relative to GDP set in.
- The boost to international trade in the 1980s had its source in the shift from import substitution to a more market based export orientation.
- The growth was a result of macro-economic policy and trade reform linked to a steady depreciation of the Turkish currency thereby promoting export growth.
- The dynamics resulted from increased industrial exports while the value of agricultural exports remained fairly stable over time.
- Austrian and German exports (goods only) to Turkey have been fairly low in the 1960s and 1970s relative to total exports.
- In the 1980s, exports of goods from Germany to Turkey rose steeply relative to total export development while they remained fairly stable in Austria in relative terms.
- Also imports from Turkey kept pace with export developments in Germany, at least until 2003, when the economic recession hit Turkey more than any other region in Europe.
- In contrast, imports from Turkey to Austria were slow to pick up but began to converge to exports to Turkey from the year 2000 onwards.
Commodity exports to and imports from Turkey in % of all exports/imports: Austria and Germany in comparison
The major challenge to stable and sustainable economic growth in Turkey is insufficient investment in the ‘productive potential’ of its workforce.

This shows up in a comparatively low labour force participation rate, in particular of women (in 2009 27.8% compared to 65.8% in the EU15).

Labour force participation of women has been declining in Turkey since the late 1980s (1989: 36.3%).

The decline has been more pronounced than warranted by the decreasing share of agriculture in total employment and the rural-urban population shift.

In Europe migrant women from Turkey tend to have a lower labour force participation rate than native women, namely by some 10 percentage points in Austria and Germany, i.e. some 56%, which is double the rate in Turkey.
Challenges for Turkey and consequences for EU-relationships

- The educational attainment level of the work force is very low, particularly of women.
- In 2009 78% of all 25-64 year old women had lower secondary education as their highest educational attainment level (men 66%) compared to 32 % in the EU15 and 24% respectively 17% in Austria and Germany.
- The skill composition is highly polarised in Turkey, contrary to Austria and Germany, where some 60% of the 25-64 year olds have medium level skills, often of a vocational nature (compared to some 13% in Turkey).
- The low educational attainment level of the population is all the more worrying as there is slow progress in the educational attainment level of youth.
- The school-to-work-transition is not smooth; not only are the unemployment rates of the 15-24 year olds high but their inactivity rates (out of the labour force) are also high.
- If the Turkish economy does not generate more and better jobs for youth, the large youth cohorts can be a source of social unrest and raise the pressure to emigrate.
- This is a matter of concern in view of accession of Turkey to the EU.
- Also in Austria and Germany Turkish first and second generation youth have above average problems in school and in the transition from school to work. The PISA results indicate that youth of Turkish migrant background are less successful than other migrant groups.
- The scores of Turkish migrants are equally low in Austria, Belgium and Switzerland and lower still in Germany.
Practical implications in relation to Turkey

- It was not until the years of 2000 that massive migration flows from Turkey to Germany and Austria came to an end and re-migration set in.

- In 2008 9,900 Germans, often of Turkish background, migrated to Turkey while at the same time 26,700 Turks moved to Germany (net immigration to Germany of 16,800).

- In the case of Austria 5,000 Turks migrated to Austria while less than 1,000 Austrians moved to Turkey (OECD 2010).

- Traditional trade theory suggests that the slow down in net migration and the onset of reciprocal migration flows is linked to increasing trade flows, often linked to the relocation of low tech production from Germany to Turkey and rising intra-country trade.
Empirical research does not give a clear answer to the question if trade and migration between Europe and Turkey are complements or substitutes.

While there are indications that Turkish migrants have an impact on trade with Turkey due to preference and network channels, endogenous migration dynamics due to family reunion reduce the direct linkage between migration and trade.

Turkey’s exports to Europe are strongly influenced by the consumer preferences of Turkish immigrants for home country products, mainly after 1996 in the wake of the Customs Union Agreement.

Turkish migrants contribute to Turkey’s imports from Europe, in particular of intermediary and capital goods through the network channels.

By sending on average more than 2 million Euros of remittances annually to Turkey, the Turkish migrants in Europe contribute to investment and consumption in Turkey, thereby promoting economic growth.

However, remittances buffer above all the negative consequences of economic volatility in Turkey for poor households, thereby stabilising consumer demand.
Socio-economic and political forces in Europe tend to favour trade rather than low skilled immigration as economic development tools.

This may have something to do with the relatively easy measurability of the benefits of trade.

In contrast, the net benefits of immigration are not so easy to establish as the boost to economic growth has negative effects which may be deferred and difficult to measure.

They may show up in integration costs like bilingual education, prices of scarce resources like housing, in measures to maintain social cohesion, in increased demand for welfare services and/or public infrastructure like health care.

Thus the distribution of economic gains from migration across all members/ groups of society remains an open question.
Conclusion for Austria & Germany

- The German and Austrian level of economic and technological development cannot, in the present circumstances, accommodate rising numbers of unskilled migrants.

- The latter would contribute to increased unemployment or to the widening of earnings differentials between unskilled and higher skilled workers, either of which would jeopardise social stability.

- Only population ageing provides an argument in favour of increased migration independent of skills.

- A major challenge remains, however, the provision of adequate education and training for migrants such that they can fully participate in the specialised economic production processes of a learning society to which Austria and Germany have set their sights.
Danke für die Aufmerksamkeit!