

**INTERNATIONAL MIGRATION,
TRANSNATIONAL ENTREPRENEURSHIP,
AND THE MAKING OF ÇORUM AS AN ‘ANATOLIAN TIGER’**

**A THESIS SUMMITTED TO
THE GRADUATE SCHOOL OF SOCIAL SCIENCES
OF
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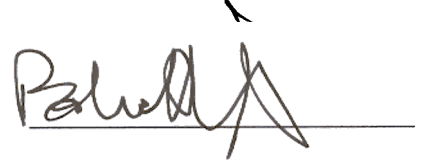
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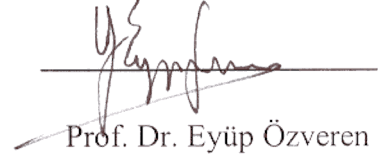
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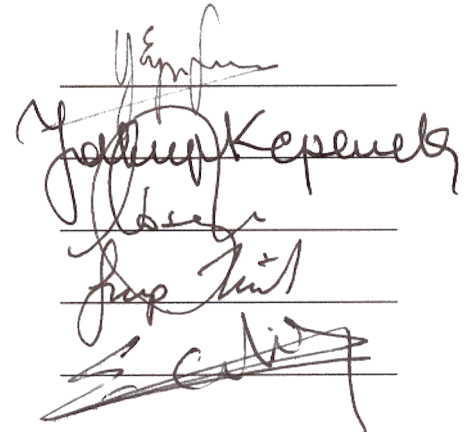
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ABSTRACT

**INTERNATIONAL MIGRATION, TRANSNATIONAL ENTREPRENEURSHIP,
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Ph.D, Department of Economics

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International migration is an important issue that has become even more important with the recent globalization process and economic restructuring. Economic activities that stem from this process have provided new opportunities for labor exporting countries. In the past, the focus was on remittances but today the entrepreneurial activities of transnational entrepreneurs have become more important. Many developing countries have recently concentrated their policies upon this group of entrepreneurs and they try to increase the economic benefits from their activities. Turkey is also one of the major labor exporting countries. New economic opportunities that concern the activities of transnational entrepreneurs have emerged for Turkey recently. These entrepreneurs are very important especially at the regional level. In Çorum, several transnational entrepreneurs founded their firms. They contribute to employment, exports and income considerably. These entrepreneurs succeed by making use of their social capital and network. They also create positive externalities by encouraging other local entrepreneurs to export. Our findings show that these entrepreneurs need consulting and information; therefore, the state should get involved in this process more actively. Only then can one expect greater benefits from the ongoing process.

Key words: International Migration, Transnational Entrepreneurs, Economic Development, Turkey, Çorum.

ÖZ

ULUSLARARASI GÖÇ, ULUS-ÖTESİ GİRİŞİMCİLİK, VE ÇORUM’UN ‘ANADOLU KAPLANI’ HALİNE GELMESİ

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Uluslararası göç önemli bir konudur ve bu konu son yıllardaki küreselleşme ve ekonomik yeniden yapılandırma nedeniyle daha da önemli hale geldi. Bu süreç, aynı zamanda, emek ihraç eden ülkelere yeni fırsatlar sunmaya başladı. Bu konuda, geçmişte işçi dövizleri odak noktasında iken günümüzde ulus-ötesi girişimcilik önem kazandı. Birçok gelişmekte olan ülke bu yeni tip girişimcilerin etkinliklerinden daha çok yarar sağlamak için çaba harcamaktadır. Türkiye de yurt dışına işçi göçü veren bir ülke olarak ortaya çıkan bu durumdan yararlanabilir. Ulus-ötesi girişimcilerin etkinlikleri yerleştikleri illerde daha önemli hale gelmektedir. Çorum’da bazı ulus-ötesi girişimciler kendi firmalarını kurmuşlardır. Bunlar, ilin ihracat, istihdam ve gelirine önemli ölçüde katkıda bulunmaktadır. Bu girişimcilerin başarıları sahip oldukları sosyal sermaye ve içinde bulundukları ağdan kaynaklanmaktadır. Bunlar aynı zamanda yerel firmalara örnek olarak pozitif dışsallık yaratmaktadırlar. Bulgularımız bu girişimcilerin danışma ve bilgi ihtiyacında olduğunu göstermektedir. Bu nedenle bu konuda devletin daha etkin olması gerekmektedir. Ancak bu yolla bu süreçten daha fazla yarar sağlanabilir.

Anahtar Sözcükler: Uluslararası göç, Girişimcilik, İktisadi Kalkınma, Türkiye Ekonomisi, Çorum.

To my son Umut Deniz and my wife Şenay

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TABLE OF CONTENTS

ABSTRACT	iii
ÖZ	iv
DEDICATION	v
ACKNOWLEDGMENTS	vi
TABLE OF CONTENTS	vii
LIST OF TABLES	xii
LIST OF FIGURES	xiv

CHAPTER

1. INTRODUCTION	1
1.1. Introduction	1
1.2. International Migration and Economic Development	3
1.3. Entrepreneurship	4
1.4. The Case: Çorum	5
1.5. Methodology and Procedures	7
1.6. Objectives of the Thesis	11
1.7. Organization of the Study	13

2. INTERNATIONAL MIGRATION AND ECONOMIC DEVELOPMENT	14
2.1. Introduction	14
2.2. Definitions and Concepts	17
2.2.1. Migration	17
2.2.2. Economic Development	18
2.3. History of International Migration	20
2.3.1. Pre-war Period	21
2.3.2. Post-war Period	22
2.3.3. The Developments in the other parts of the World	23
2.4. The Explanations for International Migration	25
2.4.1. The Theories of International Migration	27
2.4.1.1. The Origins of International Migration Theory:	
E.G. Ravenstein	27
2.4.1.2. Neoclassical School	30
2.4.1.3. The New Economics of Labor Migration	31
2.4.1.4. Dual (Segmented) Labor Market Theory	33
2.4.1.5. World-System Theory	34
2.4.2. Appraisal of the Theories of International Migration	36
2.5. International Migration and Economic Development	37
2.5.1. Remittances	39
2.5.2. Labor Market Issues	45
2.5.3. International Trade	46

2.5.4. Return Migration, Transnational Entrepreneurs, and Economic Restructuring.....	47
2.6. Conclusions	48
3. INTERNATIONAL LABOR MIGRATION: THE TURKISH EXPERIENCE ...	50
3.1. Introduction	50
3.2. A Brief Overview of the Turkish Economic History	52
3.3. Demographic Developments	54
3.4. Background of Turkish International Migration to Europe	56
3.4.1. The First Wave of Emigration	57
3.4.2. The Second Wave of Emigration	59
3.4.3. From the End of Emigration to the Present	60
3.5. Evaluation	62
3.6. The Causes of Emigration from Turkey	63
3.7. The Economic Consequences of International Migration	65
3.7.1. Remittances	67
3.7.2. Workers Account in Dresdner Bank	72
3.7.3. Employment Effects	74
3.7.4. The Turkish Workers Company and Village Development Co-op.....	75
3.7.5. Return Migration and Entrepreneurship	78
3.8. Conclusions.....	82
4. ENTREPRENEURSHIP, RETURN MIGRATION, AND THE TRANSNATIONAL ENTREPRENEURS	84

4.1. Introduction	84
4.2. Entrepreneurship in Economic Theory	88
4.2.1. Entrepreneurship and Neoclassical Economics	89
4.2.2. The Leading Economists on Entrepreneurship	91
4.2.3. Entrepreneurship and Joseph A. Schumpeter	94
4.3. The Return Migration: Causes and Consequences	97
4.4. Underlying Factors of Transnational Entrepreneurship	101
4.4.1. Economic Restructuring and Globalization	102
4.4.2. The Role of the Network	104
4.4.3. Social Capital	106
4.4.4. Network and Social Capital Relations	108
4.5. International Migration and Entrepreneurship	110
4.5.1. Immigrant Entrepreneurship	111
4.5.2. The Turkish Immigrant Entrepreneurs in Europe	113
4.5.3. Schumpeter and Transnational Entrepreneurship	115
4.6. Transnational Entrepreneurs in Developing Countries	116
4.6.1. Latin American Countries	119
4.6.2. Asian Countries	121
4.6.3. African and the South European Countries	123
4.6.4. Assessments	125
4.7. Conclusions	128
5. THE CASE: ÇORUM	129

5.1. Introduction	129
5.2. History and Population	131
5.3. Economy	134
5.3.1. Exports and Imports	138
5.3.2. The Development of Industrial Sector	139
5.3.3. Government Support	146
5.4. Conclusions	148
6. TRANSNATIONAL ENTREPRENEURS	150
6.1. Introduction	150
6.2. Identification and Interview Process	152
6.3. Individual Characteristics of Transnational Entrepreneurs	155
6.3.1. Interviews and Observations	157
6.3.2. Implications and Generalizations	165
6.3.3. Past and Present: Observations	171
6.4. Conclusions	172
7. THE TRANSNATIONAL FIRMS	174
7.1. Introduction	174
7.2. SMEs: The World and the Turkish Economy	176
7.3. Economic Activities of the Transnational Firms	180
7.4. Evaluation	190
7.5. Types of Transnational Entrepreneurs and the World Economy	193

7.6. The Ties, Areas of Impacts, and the Transnational Social Spaces	195
7.7. Conclusions	197
8. CONCLUSIONS	199
REFERENCES.....	209
APPENDICES	225
A. QUESTIONNAIRE	226
B. TURKEY’S MAIN ECONOMIC INDICATORS	229
C. TURKISH SUMMARY	235
VITA	244

LIST OF TABLES

TABLE

2.1. Foreign-born Population in the World for selected years	25
2.2. Remittances, World Total, 1980-1990	40
2.3. Top 20 developing country receivers of remittances	41
2.4. Long Term Resource Flow to Developing Countries	42
2.5. Gross Flows of Remittances to Industrial and Developing Countries for selected years	43
3.1. Population of Turkey and Average Annual Population Growth	55
3.2. Bilateral Agreements Signed by Turkey	58
3.3. Stock of Turkish Emigrants, 1973-2000	61
3.4. 1964-2000 Workers' Remittances and the Trade Balance	68
3.5. Latest Stand-by Agreements of Turkey with the IMF	72
3.6. Workers' Deposits in Dresdner Bank	73
3.7. Turkish citizens entering to and leaving from Germany	79
4.1. Turkish Entrepreneurs in Europe	114
4.2. The Average size of firms in terms of employment	114
5.1. Population of Turkey and Çorum for selected years	132
5.2. The Share of Sectors	135
5.3. The Employment Share of Sectors in Turkey and Çorum	136

5.4. The Rate of of GDP Growth.....	137
5.5. Exports and Imports of Çorum for various years	138
5.6. The Share of Industrial Production of Çorum in Turkey	141
5.7. Sectors, Firms, and Employment	144
5.8. 1983-1997 Period: Total Government Supported Investment in the Less Developed Provinces.....	147
7.1. Some Indicators of SMEs for Selected Countries	178
7.2. Sectoral Distribution of the Transnational Firms	182
7.3. The Transnational Firms in Çorum	192

LIST OF FIGURES

FIGURE

4.1. The Function of Social Capital in a Migratory System- a simplified model	108
5.1. The Map of Turkey	131
7.1. The Map of Çorum and the Location of the Transnational Firms	181

LIST OF ABBREVIATIONS

CB	Central Bank
FDI	Foreign Direct Investment
IMF	International Monetary Fund
ISI	Import-Substitution Industrialization
NELM	New Economics of Labor Migration
TWC	Turkish Workers' Companies
VDC	Village Development Cooperatives
WB	World Bank

CHAPTER 1

INTRODUCTION

1.1 Introduction

The ongoing globalization process has brought to the foreground international migration of people along with the movement of physical and financial capital. In the international migration process, the developing countries are usually the labor-sending and the developed countries are labor-receiving countries. Therefore, both types of countries have naturally been affected profoundly from the consequences of international migration. Several issues of international migration have been on the agenda of the governments, non-governmental organizations and academics of both the developed and developing countries. These are integration of immigrants in the host countries, illegal emigration, brain drain, and return migration as well as transnational entrepreneurship.

The issue of return migration and transnational entrepreneurship combined with the positive attitudes toward entrepreneurship in developing countries and economic restructuring have raised transnational entrepreneurship as a fact. As the world economy has undergone profound changes over the last few decades, the attitude of

developing countries toward international migration has also changed. The link between international migration and economic development has become a focus of interest. The essential factor in this relationship is mainly transnational entrepreneurs; these entrepreneurs are emigrant workers who returned and were reintegrated to their home countries and engaged in entrepreneurial activities. These entrepreneurs have provided new opportunities for developing countries where labor emigration from these countries to industrialized countries was historically important. A number of developing countries have benefited from the activities of transnational entrepreneurs. These entrepreneurs have contributed to the economies of developing countries especially at the regional level. There still remain important potentials for these countries in this respect since it is not possible to reverse the ongoing process. Among these countries, Turkey is one country that has important potential and can benefit from these developments.

The main purpose of this thesis is to explain the impact of transnational entrepreneurship on a local economy for the Turkish case. For this purpose, Çorum was chosen as the case. As will be explained in the subsequent chapters in detail, the city has shown an exceptional economic performance lately. The city has had a first rank in terms of industrial development among the other developing provinces. This exceptional economic performance was based on manufacturing sector in the last two decades. This development needs to be investigated closely. At the outset of the thesis, we discovered international migration, especially transnational entrepreneurs might be related closely with this development process. Transnational entrepreneurs do not

necessarily return from the host countries to their home countries. Rather, they make “a cyclical back-and-forth movement through which they make use of differential economic opportunities spread across both countries” (Portes, 1997: 10). We visited Çorum two times; the first one was in March 2000 and the second was in October 2002. We identified all of the transnational firms in Çorum: there are 8 transnational firms¹ operating in the city. Our findings brought out two important questions. The first question is “Is international migration useful?” and the second one is “How do transnational entrepreneurs impact upon a developing local economy?”. We deal with these questions extensively throughout the thesis. Addressing these questions requires three important concepts. These concepts are ‘international migration’, ‘economic development’ and ‘entrepreneurship’. These three concepts lie at the core of the thesis and we used economic development and entrepreneurship in the context of international migration and the development of Çorum.

1.2 International Migration and Economic Development

International migration is a great controversial issue in economic theory. Whenever international migration is concerned, there is a full debate among economists. While some schools of thought stress the negative side of the issue, some other groups notice the positive side of it. However, it is clear that there is a relationship between international migration and economic development. The relationship is elusive and complex, as some economists call it ‘unresolved’.

¹ We set several criteria to select the transnational entrepreneurs and these criteria are listed in Chapter 6.

‘unraveled’ and ‘unsettled’ (Appleyard, 1992; Ghosh, 1997; Papademetriou and Martin, 1991).

Economists have been interested in the relationship between international migration and development and there are quite important studies on this issue. However, it has not been customary to explain the link between international migration and development with entrepreneurship until recently. Presently, the number of case studies on this issue is rising. However, there is a gap in the Turkish experience. The studies of the Turkish experience either concentrate upon the general aspects of international migration or remittances of emigrant workers. One aim of this thesis is to fill this gap.

1.3 Entrepreneurship

Entrepreneurship is widely accepted as the most important factor in economic growth and development (Baumol, 1968; Baumol, 1990; Kirzner, 1973; Schumpeter, 1934). The role of the entrepreneurial activities gained strength with the increasing role of the SMEs following the crisis of Fordist² production system. The series of economic shocks during the 1970s and the exhaustions of possibilities of mass production and consumption created severe problems for the world economy. Flexible production seemed the best choice for getting out of the crisis. Hence, the governments of most

² Fordism is defined as mass production and consumption coordinated through large-scale firms and organizations. Therefore it is the principle of an articulation between the process of production and mode of consumption (Aglietta, 1979).

countries started to pay special attention to the SMEs and their founders, namely the entrepreneurs.

Entrepreneurship should be differentiated from routine management practices. Managers coordinate and execute well-known and established economic activities. As Schumpeter (1989) points out this is not entrepreneurship. According to him, entrepreneurs are very exceptional individuals and their function is carrying out ‘new combinations’. In this sense, they are innovators. However, innovation does not mean only innovation of new products; finding out new markets for products or finding new resources for production activities are also entrepreneurship. Therefore, entrepreneurs are the agents of change and they are very significant actors in the process of economic development.

1.4 The Case: Çorum

Çorum has been known as one of the most reputable historical cities of Turkey, but the city lately drew attention with its high economic growth rates. The city has shown unprecedented growth rates between 1980 and 1995. In this period, the economic growth rate for Turkey was 71.16 percent while that of Çorum was 124.67 percent. Furthermore, the differences between the growth rates between Çorum and her neighboring cities are much higher³ (Eraydın, 1998). These growth rates make Çorum very interesting as the case and necessitate a scrutiny.

³ The neighboring cities of Çorum are Çankırı, Amasya, and Yozgat. The average growth rates of these cities for the period 1980-1995 are 14.2 percent, 41.79 percent, and 52.36 percent respectively.

Çorum did not experience high economic growth until recently; historically, it had been an agricultural region. Therefore, the accumulation of capital in the city depended on this sector. Although there have been important industrial activities in the city, the employment share of agriculture in output is still high; the share of this sector is almost 70 percent in 2000s. The employment share of industry is 10 percent, and the rest is services (Tuğlu, 1998). However, if the recent economic activities continue, this picture will change in a few years.

This change might be explained by many factors, for example more investment by the state. At the earlier stage of the development of a less developed province, it may be very important to have considerable financial support from the government to industry and agriculture. The support may mean direct industrial investment, infrastructural investment, and financial supports. As a second step, the government may provide incentives but this should not distort our overall understanding of the development process at work. It should be remembered that economic development is a dynamic process and the endogenous factors are no less important than exogenous ones. Although, there are less developed provinces which obtained more incentives than Çorum they could not grow as fast. Hence, we look at various factors for the exceptional development of Çorum.

We consider that entrepreneurship is one of the factors responsible for this fast development, if not the most important factor, since we believe that economic development is a complex and dynamic process and the entrepreneurs are its main

actors. The activities of the transnational entrepreneurs have furthered the ongoing process in the city. Therefore, this subject should be investigated for the sake of future economic benefits of both the city and Turkey.

1.5 Methodology and Procedures

While studying return migration and the activities of transnational entrepreneurs, a number of techniques are available. These techniques include

Statistical analysis of data compiled from census and other governmental sources; referencing of official population registries; examination of passenger lists of transatlantic shipping companies; the study of biographies; letters and diaries of migrants who returned to their homeland; and in-person interviews with returnees (Sills, 2001: 3).

Different branches of social sciences may make use of one or more of these techniques. For economists who study the impact of return migration or transnational entrepreneurship on economic development the best technique is in-depth interviewing. Although, the data gathered by governmental and other sources can give us important insights about macro level impacts, it is only possible to understand micro and meso level impacts by analyzing the activities of transnational entrepreneurs. In this thesis, both the macro data provided by different sources and the data obtained from the fieldwork study are used. The ‘in-depth interview’ technique is used to determine the impact of transnational entrepreneurship on the economic development of Turkey in general, and on Çorum in particular.

Presence of an enabling environment is very important for successful entrepreneurship. It seems that Çorum provides a conducive environment for entrepreneurs with the fast economic growth experience in recent years. Therefore, it is a good choice to study the activities of transnational entrepreneurs in this city and to see that the activities of these entrepreneurs reinforce the ongoing economic advancement of the city.

Having chosen the case for the study, the literature was reviewed, and it was decided that the best way to determine the impact of transnational entrepreneurship on a local economy is to identify these entrepreneurs and make interviews with them. Consequently, the first step was to identify these entrepreneurs in Çorum. While identifying entrepreneurs, entrepreneurs who employ less than nine workers were excluded, which means that micro-scale enterprises were not considered. Therefore, it became relatively easy to identify the transnational entrepreneurs in a small city and to analyze their impacts on the economy.

The first step was asking local people and entrepreneurs whether they knew any return migrants who owned their firms. Therefore, the first place we visited was the association of Industry and Commerce in Çorum. They gave us some names of such entrepreneurs and valuable information about the economy of Çorum. Municipality and other governmental institutions, and local newspapers were also consulted for this purpose. The next step was to visit the identified transnational entrepreneurs, and make interviews with them. These entrepreneurs provided the names of other transnational

entrepreneurs. This method is the well known ‘snowball method’. Since Çorum is a small city and we only looked for entrepreneurs who own small and medium-sized enterprises, we could identify all the firms, which is 8, run by transnational entrepreneurs.

We have arranged appointments with these transnational entrepreneurs, and made in-depth face-to-face interviews. These interviews took at least one hour each and we asked them to answer a semi-structured questionnaire (Appendix 1). The questions in the questionnaire are designed to get information about the personal characteristics of entrepreneurs and the firm that they own. However, we also allowed them to tell the experiences and ideas they may have had that are not involved in the questionnaire. After completing these interviews, we also contacted with other local entrepreneurs to take their opinion about the transnational entrepreneurs. This enabled us to cross-check some information given by the transnational entrepreneurs and also recognize the attitudes of local entrepreneurs toward them.

We have arranged another series of interviews with the transnational entrepreneurs after almost two years had passed from the first interviews. The purpose of these interviews was to capture the effect of economic crisis⁴ on the firms of the transnational entrepreneurs. This second experience helped us to understand the importance of transnational entrepreneurs in an economic crisis for a local economy,

⁴ Turkey has experienced a series of economic crisis during the 1990s and in 2001 which affected the economy enormously. Some of the firms covered in this thesis were founded after 1994 but all of them experienced the last crisis.

especially since the crisis of 2001 is one of the most severe economic crises that the Turkish economy has ever experienced.

We have considered that Schumpeter's theory of economic development in which entrepreneurs are crucial agents is very suitable for analyzing the activities and contribution of the transnational entrepreneurs in Çorum. The activities of these entrepreneurs can certainly be regarded as 'new combinations'. These include finding new markets and raw materials or other sources for production, and these activities are listed by Schumpeter (1989) as entrepreneurial activities.

It is argued in the literature that it may be naïve to expect emigrant workers become entrepreneurs after working abroad for a while. It is correct that many workers do not engage in entrepreneurial activities upon their return to home countries. However, this thesis proposes and proves that, although, among these returnees only a few were engaged in entrepreneurial activities, these activities have played an important role in the development of an economically backward region of Turkey. Therefore, it is argued in the thesis that the emergence of a new spatial paradigm of transnational entrepreneurs with a growing importance has been witnessed in Çorum. The contribution of transnational entrepreneurs may be higher for the Turkish economy as a whole since we can only pinpoint a few of them in Çorum.

In short, this thesis unfolds the dynamics of local economic development for the Çorum case and the role of the transnational entrepreneurs in this development.

Therefore, the thesis inevitably provides implications for the national and local government institutions on economic policies to encourage transnational entrepreneurship in Turkey.

1.6 Objectives of the Thesis

This thesis concentrates on the subgroup of return migrants, namely transnational entrepreneurs, in a particular city and their effects on the economy of this city. For this purpose, we followed a number of steps and procedures to carry out the research. First of all, a case should be chosen; therefore, we contacted with our kin and friends a priori whether there were return migrants around the city. The answer was positive, so we decided to choose Çorum as the case.

After having chosen the case, we explored a number of aspects to be discussed in this thesis. The foremost scientific significance of this thesis is to contribute the insights into the activities of transnational entrepreneurship in Turkey, which indicates a knowledge gap in the following aspects:

In the starting years and following two decades, the emigration dynamics from Turkey to Europe was widely investigated by the researchers. However, after the 1980s the interest in this subject declined sharply. The interest on return migration was even more scarce, if at all available. This thesis concentrates on the impact of return migration particularly from Europe on the Turkish economy.

The earlier studies mainly focused on the impact of remittances, the loss of manpower and its detrimental impact on the economy, the problems of emigrants in the country of destination. The issue of entrepreneurial activities of return migrants was neglected in the literature. The growing interest toward transnational entrepreneurship indicates that the impact of these entrepreneurs on the national and local economy would be substantial in a country where the number of emigrants reached considerable numbers. The extent of transnational entrepreneurship and its impact on Turkey has not been known. Therefore, this thesis mainly concentrated on the activities of small and medium-sized enterprises founded by the transnational entrepreneurs in a medium-sized city. This enables us to apprehend the nature of transnational entrepreneurship and its contribution to the city in question.

This thesis aims to fill these gaps by undertaking a fieldwork study in a recently fast-growing city. By doing so, the thesis also provides information about the developments in Çorum. Economic and social developments in the city are analyzed and possible explanations are provided for these developments. Economic significance of entrepreneurship in general and transnational entrepreneurship in particular are stressed in the economic development of Çorum.

The central questions of the thesis are;

- What kind of factors influence the transstate entrepreneurs when they decide to set up a business in their home country?
- What is their contribution to the economy of the region?

- How can these contributions be improved over medium and long run?

In doing so, following aspects of the issue are explored deeply and satisfying answers provided.

- International migration studies mainly focused on the effects of remittances on sending countries but the contribution of transnational entrepreneurs was ignored, especially in the region where they settled. The thesis aims to fill this gap.
- There are many studies about the Turkish experience of international migration in general but none of them concentrated only on a sub-group. This thesis concentrates only on a sub-group, namely transnational entrepreneurs.
- Finally, the thesis aims to see whether or not the transnational entrepreneurs can be classified as Schumpeterian entrepreneurs.

1.7 Organization of the Study

The study consists of six chapters including Introduction (Chapter One) and Summary and Conclusion (Chapter Eight). The following Chapter Two gives a discussion about the relation of international migration and development. Chapter Three gives information on the Turkish international migration experience. The interrelationships of entrepreneurship, return migration, and the transnational entrepreneurs are presented in the Chapter Four. Chapter Five presents the information about the economy and history of Çorum. The following two chapters are based on the

interviews conducted in Çorum. Chapter Six introduces the transnational entrepreneurs who established firms in Çorum. Chapter Seven presents the firms of transnational entrepreneurs. Chapter Eight, the final chapter, presents the main conclusions and implications of the thesis.

CHAPTER 2

INTERNATIONAL LABOR MIGRATION AND ECONOMIC DEVELOPMENT

2.1 Introduction

International migration has been largely appreciated as a very important factor in the development process, both influencing and being influenced by economic development. The rapid increase in flows of capital, goods, and technology during the past two or three decades has affected both economic development and international migration. For many countries, regions, and cities international migration can also be a substantial component affecting other than economic factors such as social and cultural issues and population growth. Therefore, issues related to international migration have been on the international agenda for many years, and especially economists have increasingly been interested in this subject. Some developing countries, for example India, Jamaica, Mexico and, Tunisia try to incorporate their emigrant workers into their development plans.

It may be hard to find other two related issues in economic theory and practical life of nations that has been the subject matter of this much controversy over the past decades. During the last four decades, international migration continued to hit many

nations. Millions of people have immigrated to another country for mainly economic reasons. This immigration wave was different from the earlier movements because in the age of mass communication and transportation, its effect on the countries would be unprecedented. Immigrant workers were building a bridge between the developed countries and developing countries. Hence, the expected effects of international migration should be considerable on the world economy. History had witnessed another wave of important international migration before but that international migration of the late 19th century was quite different from the latter one because people then mainly immigrated to the New World as settlers.

International migration experiences of countries all over the world in general and the mass international migration in Europe after the Second World War in particular divided economists into two groups. On the one side, some economists believed that international migration is beneficial to all parties (sending nations, receiving nations, and immigrants themselves) involved in the process (Faini, 2001; Friedlander, 1965; Kindleberger, 1967; Morrison and Sinkin, 1982; Todaro, 1994). On the other side, many economists claim that, in this process, individuals and receiving countries are certainly profiting but sending countries are negatively affected, in general, and the economic development of these countries is hindered for many reasons (Gitmez, 1983; Ecevit and Zacharia, 1978; Piore, 1979; Salimano, 2001). These discussions require a deep investigation of international migration and its effects on the sending and receiving nations.

The literature on the economics of immigration has concentrated upon the determinants of the size and skill composition of immigrants' flows to the host countries, the adaptation of immigrants to the host country's economy, and the impacts of immigrants on the receiving country's economy. The impact of emigration to sending countries' economy, especially the long-term impacts, has usually been ignored by economists. The existing studies have focused upon the remittances and wage gaps between sending and receiving countries. Except for a few studies, such as Abadan-Unat (1976) and Gitmez (1983), the impact of return migrants on the sending countries has not been studied properly. However, the changing structure of the world economy and migratory movements turned the attention of economists to other issues involved in international migration, like return migration and its possible effects.

Overall, there is a relationship between international migration and economic development. This relationship is not clear; authors refer to this relationship as 'unsettled', 'unraveled', and 'unresolved' (Appleyard, 1992; Ghosh, 2002; Papademetriou and Martin, 1991). Since the relationship is very complex and elusive, one can not easily judge international migration as either positive or negative. Each country's international migration experience should be evaluated in its own context (Appleyard, 1989; Gitmez, 1983). This chapter reviews and discusses the historical and current situations and the theories of international migration in detail.

2.2 Definitions and Concepts

2.2.1 Migration

International migration is defined as “a permanent or semi permanent change of residence” for a certain period (Samuel, 1998: 3) or alternatively as “crossing the frontiers which separate one of the world’s approximately 200 states from another” (Castles, 2000). Similarly, Boyle et al (1998: 35) define international migration as “...flows across national borders, such as between France and Spain, are described as international migration”. However, one should be aware of that international migration is relatively a new phenomenon that dates back to three hundred years ago with the building of nations in Europe and spreading from there all over the world (Papademetriou, 1983).

The movers into a country are immigrants, while the people moving out are emigrants (Boyle et al., 1998). Immigrants are classified into several groups according to their intentions although these intentions may change over time. These groups include temporary labor migrants, highly skilled and business migrants, irregular migrants, refugees, asylum seekers, ‘forced’ migrants, family members, and return migrants (Castles, 2000; Stalker, 1994).

These categories are not based on race, ethnicity, religion, and country of origin. Moreover, tourists, short-term visitors, and diplomatic missions cannot be included in international migration process. Most of these visitors do not have intentions to stay

abroad for long; migration means changing residence for a certain time. Among these categories, temporary labor migrants, highly skilled and business migrants and return migrants are economically most important groups, both for the receiving and sending countries. Their importance comes from different reasons for the sending countries; labor migrants are important for remittances and employment effect, highly skilled and business migrants increase the economic relation and may ease the acquisition of technological innovations, and return migrants bring skill and may become entrepreneurs with these skills and capital. Except for extraordinary situations such as war and famine, these groups constitute the most important part of international migration.

2.2.2 Economic Development

The concept of economic development is even more complex than international migration. The early definitions of economic development were purely based on the economic variables and thus economic growth and industrialization meant development. However, later this view has changed dramatically; social and cultural variables have been added to the definition of development. The cultural dimension has been especially important (Blomström and Hettne, 1988; Harrison, 1988; Samuel, 1998). Sen (1993) simply defines it as “being comfortable”; therefore, development “a far-reaching, continuous, and positively evaluated change in the totality of human experience” (Harrison, 1988: xii). Similar but a more detailed definition of economic development is,

a process of improving quality of all human lives, and it entails three important aspects that are: raising people's living levels; ...creating conditions conducive to the establishment of social political and economic systems that promote human dignity and respect; and increasing people's freedom to choose by enlarging the range of their choice variables. (Todaro, as quoted in Samuel, 1998: 3)

A more suitable definition of economic development for developing countries should stress both social and economic factors and economic growth should be sustainable over the long run, therefore economic development is,

a process of change from a traditional, more or less static economic structure, to a modern, dynamic economic structure with more effective production structures which imply a promise of continuing and self-generating growth. (Penninx, 1982: 784)

These definitions of economic development show that economic development is more than an increase in national income. With economic development, the purpose is to increase human welfare as a whole. Improving the welfare depends partly on the increase in the economic variables. In this process, the most important factors are capital and entrepreneurship. Entrepreneurs are the key agents of economic change and sustainable growth. The link between international migration and economic development lies at this point because a developing country may make use of remittances and return migration for development purposes. Countries differ in terms of their international migration experience, while some regions and countries are affected deeply from international migration, other countries have had no such experience.

2.3 History of International Migration

The migration of people is as old as human history, but international migration is a relatively new phenomenon. The building of nation-states about three hundred years ago in Europe was a root cause of international migration. The nation states drew a strict border line along their borders and non-nationals could not enter any country without the approval of authorities. However, people could move from one country to another relatively easily in the past, international borders were not very important until the end of the 19th century. The control of the borders was not as strict as today and in many instances people did not need official papers, such as passports, for international movements before the Second World War (Özveren, 2001).

It is customary to divide international migration into two periods: pre-war period and post-war period. This is because the world history has witnessed two important waves of international migration benchmarking with the two great wars. The period between the two great wars witnessed relatively strict control of international migration and the volume of international migration was then minimal.

2.3.1 Pre-War Period

As stated above the migration of people is a very ancient phenomenon but it was not important until the age of discoveries of the New World. With this discovery, many people immigrated to the New World. The forced migration of people was ubiquitous

all over the world during this period, slaves from Africa were taken by the conquerors to the New World.

The European experience of voluntary migration started at the second half of the 19th century. The industrialization of the New World attracted many people to this continent. It is estimated that almost 60 million people moved from Europe to the New World until 1914 (Hatton and Williamson, 1992; Salimano, 2001). This migration wave went hand in hand with increasing industrialization and trade in the world. This period of history is known to some as the first wave of globalization (Salimano, 2001).

Stalker (1994) argues that the main reason for emigration from Europe during this period was the change of agricultural structure. The industrial capacity of European countries could not absorb the surplus population of rural areas. Therefore many people considered immigrating to the New World for cheap land and well paid jobs. After millions of people emigrated to the New World, some countries, especially the US, were reluctant to accept new arrivals. Therefore, the United States regulated the international migration strictly in the early 1920s. Castles and Miller (1993) claim that the immigrant population played a significant role in the economic development of the United States.

2.3.2 Post-War Period

After the First World War, there was a significant refugee movement among countries. There were new states. Furthermore, borders changed in Europe. The world was in a deep recession. Economic situation and political disorder followed immediately after the first war and lasted until the end of the Second World War. This disrupted international migration significantly (Castles, 2000).

After the Second World War, however, international migration increased tremendously. Almost all European countries were ruined during the war, and these countries lost most of their young people. Therefore, they needed an economically active population to re-construct their countries. Once labor-exporting countries of Europe thereby became labor-receiving countries. The receiving countries were Germany, France, England, the Netherlands, Sweden, and other northern European countries. The labor exporting countries were Southern European countries such as Italy, Spain, Portugal, Yugoslavia, Morocco, Algeria, and Turkey. These countries satisfied the needs of labor-demanding countries.

The labor immigration continued steadily until mid 1960s; there was then a crisis in Europe, especially in Germany in 1966 and 1967, which was the major labor-demanding country. This recession did not last long, economies of European countries were to recover quickly and labor demand re-started very soon. However, Europe was caught in another recession in mid 1970s, known as the ‘oil crisis’. The crisis hit the

world economy. It brought in the boom period of the capitalist economies to an end. In other words, the ‘golden age of capitalism’ came to a halt, and the advanced capitalist countries could not generate enough jobs even for their own citizens. These countries no longer demanded foreign workers, especially unskilled workers.

2.3.3 The Developments in the other parts of the World

While all these migratory movements took place in Europe, the migration movements in the other parts of world after the Second World War followed similar routes. In the other continents, America and Asia, there were one or more developed countries as attraction centers for immigrants, and many developing countries as the labor source. In America, USA and Canada were the labor-importing countries and Latin American countries, especially Mexico, were the sending countries. In Asia, Japan was labor-demanding country, this country however, was very reluctant to accept migrant labor. The policies implemented by Japan were very strict.

As migration theories put it rightly, international migration was not only intra-continental or short distance movements. Once opportunities arise and networks are established, the distance loses its importance. The migratory movements of Chinese and Indian people to USA, England, and Canada are the examples of considerable long-distance migration.

There were quite important international migration movements among developing countries as well. As Table 2.1 shows, the destination countries are the developed or industrial countries and developing countries seem to be both the sending and receiving countries. International migration among developing countries can be explained by the labor demand of the Gulf States from the other developing countries. These countries with the increasing oil prices after mid 1970s demanded immigrant labor. A similar development took place in East Asia; in this region some countries experienced very fast economic development and attracted immigrant labor from their neighbors.

Another factor for this development is enduring upheaval in the Middle East, Africa, and some other places. Since developing countries always have problems with their neighbours, and wars prevail frequently, the movement for the sake of security accounts for much of international migration between developing countries.

Since there has been strict control of all kinds of migration since the late 1970s, the table indicates that the number of migrants in the developed countries did not increase. However, it seems that people still migrate to these countries somehow, and migration continues almost at the previous rate. It is interesting that the intra-migratory movements among developing countries have been increasing. The rate of change was 0.3 percent between 1965-1975, and it was 2.7 percent between 1985-1990.

Table 2.1: Foreign-born Population in the World for selected years

Region	Estimated foreign-born population (Thousands)				Annual rate of change (percent)		
	1965	1975	1985	1990	1965-75	1975-85	1985-90
World total	75,214	84,494	105,194	119,561	1.2	2.2	2.6
Developed countries	30,401	38,317	47,991	54,231	2.3	2.3	2.4
Developing countries	44,813	46,177	57,203	65,330	0.3	2.1	2.7

Source: United Nations (1994)

2.4 The Explanations for International Migration

The two waves of mass international migrations have increased the importance of international migration, even some authors called the 20th century as the ‘age of migration’ (Castles and Miller, 1993). The importance of the subject generally comes from its economic impacts on the receiving and sending countries after the Second World War. Hence, social scientists try to explain causes and consequences of international migration.

There are many reasons for international migration, and these may be demographic, economic, social, political and some other factors. Population is an important factor for international migration, if a region is underpopulated then this region attracts people from the densely populated regions. Secondly, economic factors are very important, immigrants are usually looking for employment, better living and social conditions. The third reason is political, social, and cultural freedom. The other

factors affecting international migration are mass communication and transportation (Samuel, 1998). These factors have dramatically decreased the risks and cost of international migration.

The first two factors were the principal factors of international labor migration in Europe. Labor-demanding countries needed economically active and young population. On the other side, people of developing countries were looking for employment and better living standards. These two factors coincided and mass migration in Europe took place after the Second World War. The economic, social, and cultural effects of this process are still being felt by many countries. Furthermore, today it is possible to evaluate long-term effects of international migration on the labor-sending countries.

Hatton and Williamson (1992) argue that, stressing the importance of economic factors, several factors determine the decisions of individuals who are willing to immigrate to another country. These factors are: the link between countries, the wage gap, the rate of natural population increase, the level of economic development, and overall economic activities of both sending and receiving countries. The theories of international migration accept the positive effects of international migration on the developed or receiving countries. However, there are very different explanations about both causes and consequences of international migration on the sending countries. These theories, therefore, do not agree whether international migration has positive or negative effects on the sending countries.

2.4.1 The Theories of International Migration

There is no single theory of international migration that explains the causes and consequences of international migration in a systematic way. There are various theories and these theories share some basic tenets. However, each of them identifies quite different causes and naturally reaches very different conclusions.

2.4.1.1 The Origins of International Migration Theory: E. G. Ravenstein

Ravenstein is cited as the founder of migration research (Skeldon, 1997), he based his analysis mainly on empirical researches. He stated eleven laws or tendencies of migration. These laws or tendencies reflect 18th and 19th centuries' migration patterns, but many of them can be verified in the contemporary world. The most important conclusion of Ravenstein is that international migration is a result of economic conditions and that economic development is the main impetus for international migration.

Migration increases in volume as industries and commerce develop and transport improves. Migration means life and progress, a sedentary population stagnation (as quoted in Skeldon, 1997: 19).

This quotation proves that Ravenstein and researchers who followed him consider only the developmental effect of migration. This view dominated migration literature in general and international migration literature in particular. Neoclassical economists supported this view; they mainly stressed the positive effects of international migration

(Borjas, 1989; Kindleberger, 1967; Todaro, 1989). However, as for most issues in social sciences, there are also negative effects of international migration. Some economists and researchers from the other branches of social science accentuated negative effects of international migration for sending countries; this view is called as the theory of asymmetries (Martin, 1991). The different attitudes toward international migration inevitably created different views about the causes and consequences of international migration. While different categorization is made by different authors, we, first, review balanced growth and the theory of asymmetries, and then discuss the theories of main groups who deal with international migration.

The main distinction of international migration is based on the balanced growth versus asymmetries effect (Martin, 1991). One of the leading proponents of the balanced growth theory is Kindleberger (1967), for him international migration eases unemployment pressures; furthermore, via remittances economic development can be enhanced in labor-sending countries. This theory considers labor as an exportable good, the process continues until wage equalization between sending and receiving countries takes place, and then the process stops automatically. Hence, both the sending country and receiving countries mutually benefit from international migration. Greenwood (1983) reaches similar conclusions, stressing the skills obtained abroad by migrants in economic development of sending countries.

The theory of asymmetries, on the other hand, is not as optimistic as balanced growth approach about the merits of international migration on sending countries.

Contrary to the balanced growth theory, this theory contends that international migration impedes economic development of sending countries. Moreover, international migration distorts and even delays economic development of sending countries because receiving countries select the cream of labor force from sending countries. The positive impacts of international migration mentioned by the balanced growth theory are all considered harmful by the theory of asymmetries. Unemployment, remittances and skills obtained by migrants practically cannot be tools for economic development of sending countries. As long as unemployment is structural in sending countries international migration does not solve this problem. There is no country that has solved the unemployment problem by exporting labor. Remittances similarly cannot be used for economic development purposes, at best, these remittances may improve the standard of living of families left behind. Country experiences have proven that remittances were mostly used in unproductive areas. The theory of asymmetries is especially pessimistic about the skills obtained abroad due to the differences between sending and receiving countries. Only a few skills can be made use of after returning due to asymmetries of the production processes.

The balanced growth theory and the theory of asymmetries are reflections of different schools of thought. Neoclassical theory, for example, is the source of balanced growth theory. The dual (segmented) labor market theory and world-system theory are sources of the theory of asymmetries. The new economics of labor migration (NELM) is an offshoot of the theory of asymmetries or historical/structural school, however, it is difficult to fit NELM into this camp. NELM does not accept the basic

tenets of neoclassical economics but the theory remains quite optimistic about the significant developmental effect of international migration on sending countries for different reasons. Nor does this theory share the pessimistic view of the asymmetric theories. Hence, a close look at the assumptions and conclusions of these theories is essential for a better understanding of international migration.

2.4.1.2 Neoclassical School

Neoclassical economic theory sees international migration as a simple counterpart of internal migration (Massey et al., 1993). If there are differences between supply and demand conditions for labor among regions then migration is inevitable. The supply and demand analysis assumes that in capital-abundant countries, wages are high and in labor-abundant countries wages are low. Individual decides to migrate seeing the opportunities in other countries. The decision of individuals is based on 'net gain' from emigration. If there is a positive net gain, individual decides to emigrate. Therefore, the aggregate migration flows between countries is the simple sum of these individuals. Migration continues until the equilibrium is established. Therefore, the flow is from labor-abundant countries to capital abundant countries. In other words, the flow is from poor countries to rich countries. Because supply and demand meets after the flow of workers, the wage differentials are eventually eliminated.

In summary, neoclassic theory embodies following assumptions and propositions. The main cause of international migration of workers is the wage

differentials among countries, when the wage differentials were closed, labor migration almost automatically comes to a halt. For this theory, labor market is the only market that causes labor migration; other markets, such as capital, crop insurance markets, do not have any impact on labor migration. Sending or receiving countries may influence or control international migration by intervening in labor markets (Massey et al., 1993).

Neoclassical economics provides “ahistorical frameworks that offer universal explanations, immutable laws, and timeless regularities are not very helpful in trying to understand new patterns of international movement” (Massey et. al., 1998: 3). Therefore, new theories are needed to understand the current international migration.

2.4.1.3 The New Economics of Labor Migration

New economics of migration (NELM) is a response to neoclassical economics because according to NELM many assumptions and conclusions of neoclassical economics are not realistic (Stark and Bloom, 1985: Stark, 1991). This theory considers the family as a unit of analysis in migration studies while in neoclassic theory the unit of analysis is the individual. A family decides to send one of their members to diversify risks, which is an important reason for international migration.

According to NELM, labor market is an important determinant of international migration but other markets are also very important for migration decisions. Many developing countries suffer from lack of effective capital and credit markets. In the

lack of crop insurance market, unemployment insurance and mature capital markets and credit markets, families are very vulnerable to risks; therefore, international migration is seen as a risk diversification.

The most important negative effect of the absence of credit and capital markets is on the formation of new business. Potential entrepreneurs cannot easily borrow from the bank or other financial institutions, thus many people in these countries cannot realize their business plans. One of the solutions to this problem is international migration. Working in a high wage country may solve the problems of investment in most cases.

This theory criticizes neoclassical theory on several grounds, first of all, neoclassical economists base their analysis on the wrong unit. The unit of analysis must be families instead of individuals. The second criticism is that the neoclassical theory ignores the other markets; labor market is not the only market that affects international migration. Other markets also induce families to consider international migration. For this reason, even in the case of wage differentials, international migration may not take place, or when there is not wage differentials international migration may still be realized.

Governments may influence international migration by not only regulating labor market but also affecting the other markets. Government policies on insurance and income distribution may be effective on controlling international migration.

2.4.1.4 Dual (Segmented) Labor Market Theory

Despite many differences between neoclassical theory and the new economics of migration in terms of their assumptions and conclusions, both theories are micro-level theories in essence. However, dual labor market theory takes international migration as a macro level issue. According to this theory, pull factors of receiving countries are more important than push factors of sending countries or decisions of individuals (Piore, 1979). The developed countries need immigrant labor because of their economic structure. Pull factors of receiving countries are structural inflation, motivational problems, economic dualism, and the demography of labor supply (Massey et al., 1993).

The theory stresses that international labor migration is a result of labor demand from receiving countries, namely the developed countries. For this reason, wage differentials are not the cause for international labor migration, even, there is an incentive for wages to be constant for social considerations. Low level wages neither decrease nor increase according to the supply of immigrant workers. The institutional and social mechanism in a developed country guarantees the keeping of wages at a low level.

Governments of sending countries cannot interfere with the process when there is a demand from the industrial countries. To change migratory movements, there must be important changes in the structure of the world economy (Abadan-Unat, 2002). The

process is an inevitable result of capitalist development dynamics, incremental changes in wage rate do not affect international migration. However, expanding and contracting periods of international migration affect wage rates in the developed countries. When international migration is in its expanding phase, wage rate does not change, but in the latter case wage rate falls (Massey et al., 1993).

2.4.1.5 World-System Theory

World-system theory, like dual labor market theory, is a macro-level theory but it differs from that theory in many respects. The theory is based on the work of Immanuel Wallerstein. The dynamics of capitalist system itself creates a mobile population in developing countries as developing countries are incorporated into the world-system. Proponents of this view argue that the mobile population created by the capitalist process is at the same time attracted by the developed western countries (Saassen-Koob, 1987; Sassen, 1988; Portes and Walton, 1981). These countries offer a better living standard or, at least would-be migrants imagine a better living in developed countries.

World-system theory suggests that international migration should be considered as the natural outcome of the world capitalist system. As developing countries are a part of this system, international migration is an unavoidable result. The process usually follows an order; first there is a goods flow from developed countries, and then there is a labor migration in the opposite direction. That is, the western countries invest in developing countries for opportunities in these countries; therefore, they bring capital

to these countries. The purpose of the developed countries when investing in these countries is generally for export and raw material extraction. Then, they have to build infrastructure, for transportation and communication, in order to ship goods from these countries, extract raw materials and manage their businesses. At the same time, these activities change the structure of backward regions. Hence, these activities create surplus population in developing countries and these people are likely to migrate either internally or internationally. If there is a colonial relation, it is likely that migration flows take place between the colony and 'mother' country (Massey et al., 1993; Abadan-Unat, 2002).

Once the problem is taken as the unavoidable result of capitalist development, then there is no major role for the governments to play. The inner logic of capitalist system starts and ends the process. International migration, thus, is only marginally affected by wage differentials and employment conditions between countries.

2.4.2 Appraisal of the Theories of International Migration

The theories of international migration are very different from each other in terms of their assumptions and conclusions. These theories need not be all wrong or right. The differences mainly arise from looking at the problem for different purposes. If one can avoid strict assumptions, these theories may be helpful for understanding international migration.

The first two micro-level explanations give some insights about the individual or family motivations and the last two theories are helpful to understand macro-level reasons for international migration. Both micro-level, individual decision and wage differentials and macro-level determinants should be considered for a comprehensive understanding of international migration. Without a demand from the developed countries, a mass labor migration cannot take place, and for satisfying the labor demand, there must be wage differentials and individual's will to migrate.

However, each experience of international migration is very different from the others, therefore each example should be considered and evaluated in its historical and social context. For example, while there is a colonial relationship in the case of Senegal and France, there is not such experience in the Turkish-German case. Furthermore, concerning labor migration toward the Gulf countries, wage differentials seem to be the most important single reason.

Another problem of the international migration theories is about the perpetuation of the international migration. The theories of international migration discussed above fail to explain the persistence of international migration in general. There are several additional theories that have been put forward to explain the persistence of international migration. These theories are social capital theory, migrant networks theory, and cumulative causation. These theories claim in common that once international migration begins the root causes of the movements lose importance. The

international movements perpetuate independently from the original cause (Faist, 2000b; Massey et al., 1998).

2.5 International Migration and Economic Development

There is certainly a relationship between international migration and economic development; this relationship is, however, complex and elusive. The relationship between international migration and economic development is not definite. While some economists assert that both sending and receiving countries benefit from international migration (Straubhaar, 1988; Borjas, 1989; Appleyard, 1989; Samuel, 1998), some other economists believe that labor receiving countries certainly enjoy economic growth but labor sending countries would have no significant gains and eventually they would encounter serious problems, such as losing skilled workers, especially in the long run (Gitmez, 1983; Keleş, 1985; Kritiz, Keely, and Tomassi, 1981).

International migration cannot be seen as a shortcut to economic development, since the relationship between the two concepts is very complex and case specific. Gains and losses from international migration may be high or low depending upon the policies implemented by the governments.

Pursuing a line of abstract research hypothesized on migration as a full substitute for development would be of little practical use. To help design practical policy measures the research agenda should instead focus on how and to what extent the developmental impact of migration – through labor

recruitment, remittances, and return- can be maximized and its negative incidence (e.g. the brain drain effect on emigration countries) be avoided or minimized. (Ghosh, 1992: 425)

Above quotation makes it clear that there would be positive as well as negative effects of international migration on sending countries. These effects can be manipulated by government policies.

Gitmez (1983) argues that international migration can heavily depend on the development level of the sending countries. If a country cannot create its development dynamics, there may not be any gain from international migration. He rightly emphasized already at that time that there were almost no possibilities to use remittances in productive areas because the development dynamics were not present in Turkey. Furthermore, according to a supporting view, it was difficult to reintegrate return migrants and to employ them in industrial sector, because the skill they acquired abroad could not be utilized in Turkey during those years (Bulutay, 1995). We will discuss these views in detail in the subsequent chapters.

Skeldon (1997) remarks that there is a general tendency that researchers of developing countries usually theorize international migration in a negative perspective. The effects of international migration might be positive for some countries and negative for some countries. These positive and negative effects depend on the level of development and the policies implemented by governments. Therefore, the impacts of international migration should be discussed case by case. While discussing the effect of

international migration, remittances, (un)employment or labor market, international trade and return migration and entrepreneurship should be carefully taken into account.

2.5.1 Remittances

Remittances mean a part of money earned in host country and sent back to home country by migrant labor¹. This is the most important consequence of international migration because it means hard currency for developing countries. The importance of the remittances is especially considerable if the sending country is unable to export its goods and services, or if its policy is inward looking. These countries may use remittances for import of capital and intermediate goods for development purposes.

The reasons that determine the amount of remittances are very complex and diverse; the numbers of workers sent abroad, their characteristics, the family left behind, wage and interest rate differentials, the level of development of both sending and receiving countries, risk factors in receiving country, and finally the facilities for transferring money (Russell, 1992). While all these factors effect the amount of remittances, there has been a steady increase for remittances worldwide. As it is demonstrated by Table 2.2, the amounts increase from \$42.3 billion in 1980 to \$71.1

¹ There is a definitional issue in describing official remittances. There are three categories in the balance of payments accounts. These are worker remittances, migrant transfers, and labor income. Worker remittances are the value of transfers from workers abroad for more than one year. Migrant transfers are the flow of goods and financial assets associated with migration. Labor income is a factor income of migrants working abroad for less than one year (Russel, 1992). This study considers the sum of three components as remittances.

billion in 1990 (Russell, 1992). The amount of remittances of the world total reached \$86.2 billion in 1995 and \$105 billion in 1999 (Gammeltoft, 2002).

Table 2.2: Remittances, World total, 1980-1990 (in million U.S dollars)

Years	Workers' remittances (1)	Migrants' transfers (2)	Labor Income (3)	Total (1+2+3)
1980	29,095	2,176	11,079	42,350
1981	27,908	2,529	10,651	41,088
1982	27,822	2,281	11,282	41,384
1983	27,710	2,108	11,422	41,240
1984	27,728	2,063	10,735	40,526
1985	26,385	1,938	10,699	39,021
1986	28,876	2,528	13,470	44,874
1987	31,775	3,515	16,108	51,399
1988	32,264	4,525	17,971	54,761
1989	36,510	5,543	18,831	60,884
1990	43,811	5,437	21,892	71,141

Source: Russel (1992)

Twenty major labor-exporting countries received almost 50 percent of these remittances. Major countries receiving workers' remittances are Egypt, India, Mexico, Philippines, and Turkey. Table 2.3 shows the amount of remittances, and its share of GDP received by top 20 countries in 1999.

Table 2.3: Top 20 developing country receivers of remittances, 1999

Rank	Country	\$ millions	% of GDP
1	India	11,097	2.6
2	Philippines	7,016	8.9
3	Mexico	6,649	1.7
4	Turkey	4,529	2.3
5	Egypt	3,196	4.0
6	Morocco	1,918	5.5
7	Bangladesh	1,803	4.1
8	Pakistan*	1,707	2.7
9	Dominican Rep	1,613	11
10	Thailand	1,460	1.1
11	Jordan	1,460	21.2
12	El Salvador	1,379	12.3
13	Nigeria	1,292	3.5
14	Yemen*	1,202	24.5
15	Brazil	1,192	0.2
16	Indonesia	1,109	0.8
17	Ecuador	1,084	5.8
18	Sri Lanka	1,056	6.9
19	Tunisia	761	4.0
20	Peru	712	1.2

Source: IMF Balance of Payments Statistics (2001) and World Bank World Development Report (2000).

Note: The GDP figure used for the second column is for 1998. *For Pakistan the data are for 1997, and for Yemen 1998.

A more recent study undertaken by Gammeltoft (2002) considers only remittances to developing countries. The study excludes migrants' transfers from the calculation, and it covers the period between 1991 and 1999. Table 2.4 below based on the data from that study compares remittances and other financial flows to developing countries. Table 2.5 shows the share of industrial and developing countries from remittances for selected years.

Table 2.4: Long Term Resource Flows to Developing Countries, 1991-1999 (Current US\$ billions and percent)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	Total
Remittances	33.1	37.2	38.9	44.1	50.6	54.9	65.0	60.9	65.3	450.0
%	21	19	15	16	16	15	16	15	20	17
Aid flows	49.5	46.4	41.7	48.1	46.2	39.7	35.6	38.4	40.3	385.9
%	32	24	16	18	15	11	9	10	12	14
Other official flows	11.4	10.1	11.9	-0.1	8.9	-7.8	7.2	16.2	5	62.8
%	7	5	5	0	3	-2	2	4	2	2
FDI	35.7	47.1	66.6	90	107	131.5	172.6	176.8	185.4	1012.7
%	23	24	26	34	34	36	42	45	56	38
Other private flows	26.3	52.2	100.2	85.6	99.1	147.8	127.2	103.5	33.8	775.7
%	17	27	39	32	32	40	31	26	10	29
Total	156	193	259.3	267.6	311.8	366.1	407.6	395.8	329.8	2,687.1
%	100	100	100	100	100	100	100	100	100	100

Source: Gammeltoft (2002: 12)

Table 2.4 indicates that the total amount of remittances is higher than the total of aid and other official financial flows between 1991 and 1999. It was also half of the FDI in developing countries. These figures indicate that remittances are still an important source of hard currency for developing countries. Another striking fact from the table is that the amount of remittances has an increasing trend. The possible reasons for this trend might be explained by the increased number of workers in the developed countries and the likelihood of sending remittances easier and less costly than before.

Table 2.5: Gross Flows of Remittances to Industrial and Developing Countries for Selected Years (Current US\$ and percent)

	1988	1995	1999
Developing Countries	28.3	50.6	65.3
%	57.8	58.7	62.1
Industrial Countries	20.6	35.6	39.9
%	42	41.3	37.9
World	49*	86.2	105.2
%	100	100	100

Source: Gammeltoft (2002: 5)

*Due to some classification problems, the total is not the sum of the two groups.

The impact of the remittances on the home country is a controversial issue, though economists agree upon the positive effect on the balance of payments there are also some negative consequences of remittances on an economy. These effects include the unproductive use of remittances on such items as consumption and building construction; hence, the concomitant inflationary pressure on the economy. A second such effect is an increased import tendency and thus problems arising in the balance of payments. Finally, the increased dependency on remittances reduces the capacity and willingness to improve export performance. A regular and important amount of remittances may reduce the effort to earn foreign currency.

The pessimism toward remittances does not make sense according to Taylor (2000). He claims that when the conditions are favorable remittances can be used for productive areas. He cites Durand and Massey (1992: 27) supporting his view, according to these authors “the highest levels of business formation and investment occur in urban communities, rural communities with access to urban markets, or rural

communities with favorable agricultural conditions”. Further, Stahl and Habib (1991) have a similar view, they contend that remittances can be valuable if certain conditions exists in a country. These conditions are diverse economic structure, complete financial markets, and enough demand for the products. We think that these conditions hold only for enterprises that produce for domestic markets. In juxtaposition, favourable conditions in the world economic structure, and encouraging export orientation policies are the necessary conditions for enterprises established for export purposes by the transnational entrepreneurs.

For stressing the importance of remittances for some countries, Glytsos (2002: 1) reports that remittances represented 5.6 percent of GDP in Egypt, 2.4 percent in Greece, 21.9 percent in Jordan, 5.6 percent in Morocco, and 3.3 percent in Portugal. Furthermore, remittances supported 4.7 percent of employment and 8 percent of capital capacity manufacturing in Greece (ibid., 15). He attributes part of regional development of Greece to remittances during the 1960s and the early 1970s. Similarly for South Korea, “Kim found that 3 to 7 percent of 1976-1980 GNP growth was attributable directly or indirectly to migrant remittances” (Massey et al., 1998). These examples suggest that countries that implement sound economic policies can utilize remittances more effectively.

2.5.2 Labor Market Issues

In countries where unemployment is very high, international migration is considered as one way of alleviating this pressure. Sending some of unemployed individuals abroad decreases unemployment rate at least in the short run. Ghosh (1996) claims that international migration reduced unemployment from 6.8 percent to 5.5 percent in South Korea during the period 1978-1991. The impact of international migration on unemployment in the Philippines is more profound, the Filipinos working abroad constitute 4 percent of its labor force (Stalker, 2000)². However, this cannot be seen as a permanent solution because if an economy cannot create its own developmental dynamics, in the long run international migration will have no, or little, effect on unemployment problems.

Beyond easing unemployment problem, international mass migration has some other effects on the labor markets of sending countries. In case of mass labor migration, it is expected that wages of unskilled workers would increase in some degree, because most of emigrant workers are unskilled workers. If the unemployment problem is severe the increase may not be important.

A sending country may benefit from sending unemployed individuals abroad but if these people were already employed and skilled, there will be a loss for sending countries. Replacing skilled workers would be very difficult, time consuming, and

² The impact on the Turkish economy is even more important, we discuss the Turkish case in the next chapter.

costly. Thus the overall effect for the labor market may be negative for sending countries. There are studies showing that there has been no gain for sending countries in terms of unemployment (Martin, 1991; Skeldon, 1997).

Little is yet known about the labor market effects of international migration on sending countries. There is an implicit assumption that it has usually positive effects due to unemployment problems. However, as the above discussion shows, labor market effects on sending countries cannot be known beforehand. To reach a certain conclusion, the background of emigrant workers should be studied carefully.

2.5.3 International Trade

An important means for economic development of developing countries is to increase the external trade, especially exports. There is a relationship between international migration and international trade. The two strands of neoclassical economics, Heckscher-Ohlin and Factor Price Equalization Theorems, assume that international trade and international migration are substitutes. These theorems arrive at this conclusion on the basis of several strict assumptions³. Since international trade and migration are substitutes, the final result of these theories is that increased international trade is a way of reducing wage gap between countries. However, the developments

³ The standard trade theory of neoclassical economics uses the following assumptions: The two countries share identical production technologies, use the same factors of production, production functions have constant returns to scale, adjustment to changes in international markets are automatic and instantaneous, and there is perfect competition with full employment and complete markets in each country. If these assumptions are relaxed international trade and migration move away from being substitutes (Martin, Lowell, and Taylor, 2000).

have proven that wage gap did not decline between trading countries with a substantial wage gap. Furthermore, the wage gap is not an important determinant of international migration for most international migration theory. It seems clear that neoclassical theory fails to provide a satisfactory explanation for the relation of international migration and trade.

International migration studies have lately considered international migration and international trade as complements rather than being substitutes (Globerman, 2001; Richards, 1994). Two reasons for this hypothesis can be given; first, international migration reduces transaction costs because immigrants build social, cultural, and economic bridges between countries. Secondly, entrepreneurial migrants may serve as trade agents between countries. Therefore, we can argue that international trade is very unlikely to decrease international migration but international migration can certainly increase the volume of trade between countries where international migration is substantial.

2.5.4 Return Migration, Transnational Entrepreneurs and Economic Restructuring

Many of the impacts of international migration, such as remittances and labor market effect, are debatable and economists do not agree on their impacts on sending countries. However, entrepreneurial activities of return migrants are appreciated by many economists (Ballard, 2001; Chekir, 1994; de Castro, 1998; Gorter, 2000;

Guarnizo, 2001; Hamilton and Chinchilla, 1996; Portes, Haller, and Guarnizo, 2001; Taylor, 1999). The activities of transstate entrepreneurs still remain limited in developing countries but it seems that these activities will be very important in the near future owing to the accelerated globalization process at work.

If the activities of transnational entrepreneurship are important for the national level, then it is all the more important for the regional level. These entrepreneurs may enhance regional development profoundly. The activities of these entrepreneurs should be understood in a wider perspective and with respect to global dynamics. One of the relevant dimensions of global dynamics is the industrial restructuring policy of the developed countries. International migration can create full time transnational entrepreneurs when the transnational economic and information flows established in host and home countries and global economic environment are suitable. The worldwide activities of transnational entrepreneurs will be discussed in the subsequent chapters.

2.6 Conclusions

International migration is an important social and cultural issue with strong economic consequences for emigrants, sending and receiving countries. Although the issue is very old, the attention has been given to the movement after the Second World War. The economic impacts of international migration on the sending countries have been controversial. There is no single theory of international migration accepted by all economists. There are several theories of international migration and these theories

offer different explanations for the causes of international migration and thus the economic consequences of international migration on sending countries also differ. However, all the theories accept that there is a relationship between international migration and economic development. The relationship may be either negative or positive, in any case it is complex and elusive. The most important consequence of international migration is remittances. This money flow to developing countries relieves hard currency need of sending countries. In addition to remittances, international migration may also ease unemployment problem in some cases. At present, however, social scientists, especially economists have focused on another by-product of international migration: transnational entrepreneurship. For many economists, this fact may provide important opportunities for labor exporting developing countries with the contemporary conditions of the world economy, namely globalization.

CHAPTER 3

INTERNATIONAL LABOR MIGRATION: THE TURKISH EXPERIENCE

3.1 Introduction

It is clear that international migration has substantial impacts on sending countries. These effects might be positive or negative depending on the experiences of the countries involved. The theories of international migration are useful for understanding overall and general causes and consequences of international migration, but the effects of international migration may differ from one country to another. Therefore, each country should be evaluated in its own context. Turkey also has had its own unique experience of international migration and thus instead of evaluating the experience of Turkey by general theories, it is necessary to investigate the economic impacts in its own context.

The great waves of emigration experienced by Turkey starting with the 1960s affected the economy substantially. Researchers do not agree on the impact of international migration on the Turkish economy. Some researchers emphasize the negative effects of international migration, and others focus on the possible positive

effects. The great majority of researchers tended to consider international migration harmful for the Turkish case (Gitmez, 1983; Gökdere, 1978; Penninx, 1982; Thomas, 1982). There was only one researcher who considered positive aspects of international migration on the Turkish economy in the 1970s, namely Kolan (1975). Paine (1974) states some positive effects but she thinks that these effects were quite limited. However, international migration should not be seen as either completely positive or negative, it has had some positive and negative effects on the Turkish economy. Furthermore, the previous studies concentrated mostly upon the short term effects of international migration and focused on only remittances and unemployment effects; only a few studies considered the long-term effects of international migration on the Turkish economy. Reintegration of return migrants, especially returnees who set up their own businesses, has not been discussed and investigated adequately.

The recent developments in the world economy and in Turkey necessitate an updated study of the Turkish international migration. The fast globalization of the world economy and the now relatively more developed Turkish economy have recently opened new opportunities for the emigrants. As Keyder (1996) claims the paradigms have changed, thus especially return migration should be evaluated and analyzed with different analytical tools. This chapter reviews and discusses the Turkish experience and its long-term impacts on the economy in retrospect.

3.2 A Brief Overview of the Turkish Economic History¹

Turkey gained its independence after the War of Independence (1919-1922), at a time when the country was ruined with this war and the nation was exhausted. The economic situation of the country did not look promising. Furthermore, there was a huge foreign debt inherited from the Ottoman Empire and therefore the economic conditions of the country were not good for a new beginning. The new government, under the leadership of Atatürk, adopted liberal development policies in the early years of the Republic, the driving force of the development was thought to be individual capitalists and entrepreneurs (Buğra, 1997; Kepenek and Yentürk, 2000). However, the conditions in the country and in the world were not suitable for this kind of development strategy; there were not enough capital and entrepreneurs in the country and there was also a recession in the capitalist world. These factors were important obstacles for private sector and entrepreneurs.

Starting with the 1930s, Turkey adopted etatist policies; the state played active role in the development of the country and these policies continued until the end of the 1970s. During these decades, Turkey created an important industrial base from almost nothing. The economic growth, however, was far from being stable, there were many fluctuations in the economy during these decades. The Second World War disrupted the economic development of the country. After the Second World War, the country encountered the Marshall Plan that originally intended to re-construct ruined western European economies. In 1951, the restriction based on foreign capital was abolished

¹ The tables at the Appendix 2 provide data about the recent developments in the Turkish economy.

(Kazgan, 1999). After this date, the Turkish economy was articulated with the world economy by way of strong ties.

The Turkish economy was also subject to serious economic crises during the 1950s. The fast social and economic transformation, especially in agricultural structure, increasing trade deficit and foreign debt, and devaluation of the Turkish Lira (TL) characterized the period. The crises of the 1950s coupled with the political problems of the country led to a military coup in 1960. Turkey, then, undertook the five-year development plans; the first plan covered the period 1963-1968. The early plans were quite important in terms of their implications on employment, economic growth, inflation and national income but later, especially after 1980, these plans lost their importance (Kepenek and Yentürk, 2000).

The planning period achieved great economic success, the main strategy of planning was the import-substitution industrialization policy (ISI). During the planning period the Turkish economy established numerous factories and started to produce a number of industrial products. Although the economy was in general working well, this policy caused serious foreign exchange bottlenecks from time to time. The export possibilities in this regime were quite limited since the basic strategy was to produce domestically the goods that were imported previously. In 1979, the economy went into a deep crisis; the result was another military coup on 12 September 1980. This coup again brought about major changes for the economy.

The new government abandoned the ISI policies, the new policy implemented was export-led growth. Exports of the country increased tremendously with the implementation of this policy. Furthermore, the government aimed to leave almost all economic activities to private sector via privatization. Although there have been important privatization efforts and the relative weight of the state in the economy decreased, the share of state-owned enterprises (SOE) still remain considerable (Kepenek and Yentürk, 2000).

The governments mainly have followed the route opened in the early 1980s. There have been fluctuations in the economy in some years, the economic growth has been negative for some years and positive for the others. The problems originating from the past caused important bottlenecks in the 1990s and these problems are still very important. High level of foreign and domestic debt, high levels of inflation, unemployment, and income inequality are only some of these problems. However, the Turkish economy with a 70 million of population continues to be among the top 20 economies, which are called ‘emerging markets’, of the world.

3.3 Demographic Developments

Although the Republic of Turkey was founded in 1923, the population was not known exactly until 1927. According to the census made in this year, the population of the country was 13.6 million (SIS, 1991). With the improvements in the living standard and health conditions combined with high fertility rates, population increased sharply.

In 1965, the population was 31.3 million and in 1997, it was doubled to 62.5 million. It is estimated that it is around 70 million in 2002. Table 3.1 shows the population and growth rates for selected years, starting with 1965 when major international migration flows took place.

As seen from table 3.1, the population of Turkey has increased continuously but the rate of increase has been decreasing sharply. The increase in urban population was even much higher due to rural-urban migration. In the first years of the Republic, most of the population was in rural areas, the changing nature of economy drove out many peasants from the countryside. The migration from rural to urban areas still continues, today most of the population live in the cities; urban population is almost 70 per cent, the same figure was less than 50 per cent before 1980².

Table 3.1: Population of Turkey and Average Annual Population Growth Rate

Years	Population (000)	Growth rate (per 1,000)
1965	31,391	24.62
1970	35,605	25.19
1975	40,347	25.00
1980	44,737	20.65
1985	50,664	24.88
1990	56,473	21.71
1997	62,185	14.42
2000	67,804	18.28

Source: State Institute of Statistics (2002)

Clearly, the overall trend in demographic structure led to internal migration first. However, enough jobs could not be generated for the newcomers. Expectedly, the

² Calculations are based on the data of State Institute of Statistics.

labor demand from Western Europe was thought to be another solution to this problem. Turkey became a major emigrant country during the 1960s, today more than 3.9 million Turkish citizens live abroad, and this makes 5 per cent of the country's population.

3.4 Background of Turkish International Migration to Europe

Historically, Turkey had not experienced voluntary or economic emigration before the great mass migration to Western Europe did take place in the early 1960s³. The economies of Western European countries were ruined during the Second World War. However, these countries' economies started to recover immediately after the war. These countries had capital but they suffered from lack of work force. The only way to obtain necessary labor was to import it. The candidate countries from which to obtain labor were the southern European countries such as Italy and Portugal, because these countries were close to them in terms of culture and religion. However, these countries could not fulfill the labor shortages involved. The other countries being able to export labor were some Maghreb countries, Turkey, and Yugoslavia. Therefore, labor-demanding countries had to recruit labor from these countries, but especially from Turkey.

Turkey had been experiencing economic difficulties after the Second World War. The economy grew during the 1930s, but with the war, this economic growth was

³ After the War of Independence, there was a population exchange between Turkey and Greece; this population exchange was involuntary.

interrupted sharply. After the war, Turkey experienced a fast population increase⁴ and urbanization but the economy could not provide jobs for the people who came to the cities. Therefore, the need of the Western European countries and Turkish rural-urban migration coincided. The demand of Western European countries, especially Germany, deemed as a solution for getting rid of unemployment by the governments. People were reluctant to go at the beginning but soon after the first departures the demand for jobs abroad increased sharply. Hence, one can conclude that most emigrants initially went abroad for economic reasons. Moreover, early emigrants treated this process as temporary.

3.4.1 The First Wave of Emigration

The first group of emigrants who went to the Germany was a highly skilled and young population in 1958 (Abadan-Unat, 2002). After this departure of workers, the emigration of workers did not continue. People started to emigrate again with the early 1960s, but only a few Turkish workers were willing to emigrate. In 1961, a bilateral agreement was signed with Germany, after this agreement the process gained a new momentum. In January 1963, only 22,000 workers were in Germany (Penninx, 1982: 785). Turkey also signed bilateral labor recruitment agreements with other European countries, these agreements are listed in Table 3.2.

⁴ The population of Turkey increased from 19 million in 1945 to 27 million in 1960. The share of cities in 1945 was 18%; it was 25% in 1960, the rate of urbanization was around 5% per year until 1960 (Kepenek and Yentürk, 2000).

Table 3.2: Bilateral Agreements Signed by Turkey

Country	Date
Germany	30 October 1961
Austria	15 May 1964
Belgium	16 July 1964
Netherlands	19 August 1964
France	8 April 1965
Sweden	10 March 1967
Australia	5 October 1967

Source: Thomas, 1982:181

The great wave of emigration therefore started from Turkey to Western European countries in 1963 and continued until 1966. The bilateral agreements with the other European countries increased the number of emigrants sharply; in 1966, according to official data there were 195,095 workers in different countries of Europe (Abadan-Unat et al., 1976: 13). However, the official number was understated, that is, the actual number was much higher than this number (Penninx 1982).

In 1966, there was an economic crisis in Europe, the crisis did not last long, and already by the end of 1967 it was over. Although the crisis affected the guest workers deeply and many of them were laid off, the Turkish workers were the least affected group from this crisis though many Turkish workers were also lost their jobs. Firstly, Turkish workers conceived the crisis as temporary and they tried to remain in the host country by helping each other. Secondly, Turkish workers were famous by their hardwork, thus employers did not want to lose these workers easily (Abadan-Unat, 2002). Nevertheless, with this crisis, the new recruitment of labor from Turkey almost came to a stop.

During the first wave of emigration, Turkish authorities were pleased because the unexpected labor demand from Europe relieved the unemployment problem to some degree and thus reduced social tensions. Furthermore, the remittances sent by these workers eased foreign exchange constraints. The authorities could not intervene with the emigration process and regulation of the process came late (Gökdere, 1994), all the procedures were managed by the foreign labor recruitment office. The labor recruitment processes were thus controlled and directed solely by the needs of the labor-demanding countries (Gitmez, 1983). These countries selected young, qualified and healthy workers. The most important part of workers recruited in this process were highly qualified compared to the total labor force of Turkey (Abadan-Unat et al., 1976; Gitmez, 1983; Üner, 1988)

3.4.2 The Second Wave of Emigration

In this second wave of emigration, Turkish authorities were more enthusiastic. During the 1968-1973 period, the number of workers sent by Turkish Employment Service (T.E.S) reached 525,000, and most of them emigrated to Germany (Penninx, 1982; Abadan-Unat, 2002). This meant less unemployment at home and more remittances from the viewpoint of the Turkish authorities. Exporting labor was simply seen as exporting any other ordinary good. Although the First Five-Year Development Plan noted the risk of losing skilled workers and the Second Five-Year Plan further noted the amount of skilled workers, the consequent plans only emphasized the theme of workers' remittances (Gitmez, 1983).

The recruitment of workers stopped with the oil crisis in 1973 and it was cast aside in 1974 by the major labor-demanding countries. After this date, labor emigration continued under the pretext of family unification or as illegal emigration. It was a disappointment for the Turkish side because unemployment pressures became heavier and the need for hard currency was all the more urgent due to increased oil prices.

3.4.3 From the End of Emigration to the Present

The official recruitment of labor ceased in 1974 but the Turkish emigration to Western Europe did not come to a halt. The migration flows continued by way of family reunification at an increasing rate. The family reunification changed the characteristic of the Turkish migrants in Europe. The number of non-active migrants increased, a decrease occurred in return migration from Europe, and the Turkish population in Europe continually increased due to higher birth rate (Üner, 1988). Therefore, the Turkish population in Europe did not decrease despite the original intention of labor recruiting countries to decrease foreign population in their countries. In 1985, it was estimated that almost 2.5 million Turkish citizens including spouses and children were in Europe (Üner, 1988: 85). The stock of Turkish migrants was over 3.5 million as of 2000. Table 3.3 shows the stock of emigrants from Turkey in other countries. The Table shows that Turkish emigrants abroad increased every year except 1984.

Table 3.3: Stock of Turkish Emigrants, 1973-2000

Years	Stock of migrants (1)	Stock of migrants at labor-force (2)	Employment ratio (2/1)
1973	948,531	753,363	79.4
1974	1,101,398	757,210	68.7
1975	1,254,265	779,057	62.1
1976	1,407,132	800,904	56.9
1977	1,559,999	822,751	52.7
1978	1,712,866	844,598	49.3
1979	1,762,882	866,445	49.1
1980	2,023,102	888,290	43.9
1981	2,075,210	914,408	44.1
1982	2,127,318	940,526	44.2
1983	2,404,031	1,015,544	42.2
1984	2,274,567	1,083,223	47.6
1985	2,282,743	1,071,313	46.9
1986	2,329,608	1,088,653	46.7
1987	2,347,807	1,058,014	45.1
1988	2,377,438	1,060,450	44.6
1989	2,540,530	1,109,965	43.7
1990	2,539,677	1,149,466	45.3
1991	2,857,696	1,250,964	43.8
1992	3,076,434	1,323,017	43.0
1993	3,080,274	1,320,093	42.9
1994	3,304,204	1,331,019	40.3
1995	3,368,675	1,323,486	39.3
1996	3,443,898	1,268,502	36.8
1997	3,455,402	978,578	28.3
1998	3,457,489	991,832	28.7
1999	3,571,771	1,180,420	33.0
2000	3,603,000	1,180,420	32.8

Source: Ministry of Labor and Social Security (2002 and various issues)

In the early 1980s, the German governments decided to reduce the number of immigrants in the country and took various measures to this effect, i.e. incentives for encouraging return. Many Turkish citizens returned to Turkey to take advantage of return incentives enacted on 28 November 1983. This incentive program was mainly

prepared to motivate some of immigrant workers return to their home countries. For this purpose, the German government offered DM 10,500 for each worker and DM 1,500 for each child. Furthermore, returning migrants would have their retirement pension without waiting their retirement (Abadan-Unat, 2002). These incentives encouraged many emigrant workers to return to Turkey, according to estimates 250,000 workers returned to Turkey. Abadan-Unat (2002) considers this return movement as the return of ‘unsuccessful emigrants’, because workers who had a decent and well-paid job preferred to stay in Germany instead of taking this little amount of money. As a result, only a few of ‘unsuccessful’ returnees tried to find jobs in the Turkish industrial sector since the majority of these returnees could not gain any skill in Germany. Furthermore, Onan and Koç (2001) claim that incentives offered to the immigrants were not enough to set up a business, and thereby the program could not attract many migrants and it was short lived.

3.5 Evaluation

Turkish emigration turned into a mass phenomenon after starting in the early 1960s. The process developed spontaneously, the government control and management of emigration came very late and was on the whole ineffective. The whole process was seen only from a short-term economic perspective, the emphasis was only on unemployment and remittances in the early Five-Year Development plans. It seems that the same narrow-minded view continues; the principles of the Fifth Five-Year

(1985-89) Development Plan below proves that Turkish authorities still consider international migration as a means of reducing unemployment.

It is necessary that the number of workers being sent abroad during the five year plan periods should exceed the number of active workers who are returning permanently, in order to mitigate the unemployment problem in Turkey. (Gökdere, 1994: 51)

Taking international migration only as a solution for unemployment and gaining foreign exchange dwarfed the possible longer-term positive effects of international migration for Turkey. The lack of proper institutions for international migration left the issue to its natural course. Consequently, Turkey could not have well-designed and suitable policies for international migration and programs for reintegration of return migrants. There has not been an effective governmental institution or program for the management of international migration. The non-governmental institutions, i.e. universities, have also remained indifferent to the subject until recently⁵.

3.6 The Causes of Emigration from Turkey

Overall, the causes of emigration from Turkey are not very different from the experiences of other countries. The main reason for emigration was economic, many researchers agree on this reason (Abadan-Unat, 1976; Gitmez, 1983; Koray, 1999; Martin 1991). Unemployment and wage gap between labor-demanding countries and Turkey were the prime causes of emigration.

⁵ Abadan-Unat (2002) informs us that there is finally a migration institute at the Bilgi University, in İstanbul.

Further reasons cited by researchers include poverty, lack of land and overpopulation (Abadan-Unat, 1976). The internal mobility in the country for different reasons, such as changing pattern of agricultural production, fast urbanization, coincided with the external demand for labor. Hence emigration was a chance for many people to escape from poverty and experience upward mobility (Martin, 1991).

As long as there was a demand for labor from the developed countries, Turkish workers were willing to fulfill the labor demand of foreign countries⁶. Turkish emigration pattern was regulated by the demand of labor-importing countries; therefore, it was a demand driven process. The demand of European countries mainly determined the Turkish emigration process and this is the most important factor. However, we believe that the whole process can be explained by a mix of the theories of international migration, which were discussed in Chapter 2.

The experience of Turkey signals the 1950s as a starting point. In this period, the country experienced important social and economic changes. These changes can partly be explained by the penetration of foreign capital and aid (World-System Theory). The disrupted non-capitalist mode of production caused a mobility of population in rural areas. These people were ready to migrate, and internal migration was already taking place. The opportunity of emigration to Europe, in terms of employment, wage gap, and reducing risk, paved the way for international migration (Neoclassical theory and the New Economics of Migration). Besides lack of the

⁶ Turkish workers also went to the Arab countries and the former Soviet countries, but that was a different case since the workers went as contract workers.

necessary labor force, the economic structure of the developed countries of Europe inherently created segmented labor markets. Therefore, they needed foreign workers for dirty jobs as well as industrial jobs (Dual Labor Market theory).

After the first emigrants arrived in Europe, the migration turned out to be self-sustaining (Theory of Cumulative Causation). When the labor demanding countries stopped labor recruitment, the emigration process continued with the family reunification and close relations (Network theory).

In retrospect, explaining the Turkish labor migration with a single theory is not possible. Assumptions and consequences of a single theory can not explain the Turkish emigration. An eclectic approach provided above seems to be more satisfactory. The wage gap between Europe and Turkey has not been closed as neoclassical theory claims, nor has emigration been as harmful for the sending country as the asymmetric or the conflict theories insisted.

3.7 The Economic Consequences of International Migration

Because the reason for international migration from Turkey was mainly economic, we expect it to have important impacts on the Turkish economy. The most important effect on the economy was caused by remittances. The amounts of remittances covered the trade deficits of the country for some years and brought relief to the hard currency pressure on the economy. They were also very useful for financing

the needed imports. Although the amount of remittances was lower in the 1970s than in the 1980s and the 1990s, they were especially very important in the 1970s because the ISI was implemented and the economy could not obtain necessary hard currency from export or tourism to import capital goods. Remittances were not the only monetary aspects of international migration. The banking account opened by the CBRT in different countries of Europe, especially in the Dresdner Bank in Germany, provided opportunities for the Turkish economy.

The other impact of international migration was on unemployment. Gitmez (1983) and Ghosh (1992) argue that as long as an economy cannot create its development dynamics, international migration cannot solve unemployment problems of a country. Moreover, loss of skilled workers would be very harmful for the long-term development of a country. On the other hand, Barışık et al. (1990), Bulutay (1995), Ebiri (1985), Gökdere (1994), and Koray (1999) claim that the relief of unemployment brought by international migration was nevertheless quite important.

Turkish international migration created two unique experiences: the village development co-operatives (VDC) and the Turkish workers' companies (TWC). These aimed to increase the savings of emigrant workers and to channel these savings into productive investments. Furthermore, these firms would employ eventually returning migrants.

3.7.1 Remittances

Ghosh (1992) notes that the importance and the effects of remittances may be different because countries are very different from each other. Their economic characters and features respond positively or negatively to external impetus. This is why their impact differs from one country to another. Therefore, the impact of remittances on the Turkish economy should be evaluated in its unique context.

The amount of remittances increased from \$9 million in 1964 to \$4,560 million dollars in 2000. Until the end of 1970s, the amounts of remittances were low but they were important to cover the trade deficit; in 1972, 1973, and 1988, they covered the whole trade deficit. There was a jump in remittances, from \$983 million in 1978 to \$1,694 million in 1979, after this date the amount of remittances fluctuated depending on the economic conditions in Turkey⁷. The remittances did not decrease below 2 billion dollars after 1988 but their importance decreased in terms of covering the trade deficit.

⁷ In 1979, TL was devaluated considerably, accordingly the amount of remittances increased sharply. Later, the amount of remittances responded positively to every depreciation of TL, as in the case of 1994 crisis.

Table 3.4: 1964-2000 Workers' Remittances and the Trade Balance (million \$)

Years	Remittances (1) (R)	Trade Balance(2) (TB)	R % of TB
1964	9	-126	7.1
1965	70	-108	64.8
1966	115	-228	50.4
1967	93	-162	57.4
1968	107	-268	39.9
1969	141	-264	53.4
1970	273	-360	75.8
1971	471	-494	95.3
1972	740	-678	109.1
1973	1.183	-769	153.8
1974	1.426	-2.246	63.4
1975	1.312	-3.101	42.3
1976	982	-2.912	33.7
1977	982	-3.753	26.1
1978	983	-2.081	47.2
1979	1.694	-2.554	66.3
1980	2.071	-4.603	44.9
1981	2.490	-3.864	64.4
1982	2.140	-2.628	81.4
1983	1.513	-2.990	50.6
1984	1.807	-2.942	61.4
1985	1.714	-2.975	57.6
1986	1.634	-3.081	53.0
1987	2.021	-3.229	62.5
1988	1.776	-1.777	99.9
1989	3.040	-4.219	72.0
1990	3.246	-9.343	34.7
1991	2.819	-7.454	37.8
1992	3.008	-8.156	36.8
1993	2.919	-14.053	20.7
1994	2.627	-5.164	50.8
1995	3.327	-14.072	23.6
1996	3.542	-20.402	17.3
1997	4.197	-22.298	18.8
1998	5.356	-18.947	28.2
1999	4.529	-14.084	32.1
2000	4.560	-26.728	17.0
Total	70.917	-213.113	33.2

Source: The Central Bank of Republic of Turkey (2002)

The remittances constituted 2-3 percent of GDP in most of the years once the migration became important, the lowest figure was 1.60 percent in 1978 and was 4.23 percent, the highest in 1973. These figures show that remittances have been important

for the Turkish economy. However, the effects of remittances remain controversial; while almost all economists agree that remittances were helpful to the Turkish economy in the short run, the long run effects are still open to debate.

Gitmez (1983) accepting the short-term relieving effects of the remittances passes a negative verdict on the overall effect of these remittances. Such possible negative effects are luxury or conspicuous consumption, inflationary effects, and dependency. According to him, as long as remittances covered the trade deficit, the structural causes of trade deficit could not be solved. Penninx (1982) similarly remarks that only a small fraction of remittances was channeled into productive investment in Turkey. Üner (1988) notes that marginal propensity to consume out of remittances is very high. Thus, long-run developmental effect of remittances would expectedly be limited in Turkey.

Martin (1991) accentuates the positive sides of the remittances, such as increased options for the policy makers especially in the 1970s. Gökdere (1978) refuses the inflationary effects of remittances in Turkey. According to him, inflationary effects of remittances are overstated, because almost all emigrants could be replaced so as not to cause a cost push and GDP of the country did not decrease, Martin (1991) agrees with him on this issue.

Kolan (1975), contrary to other researchers, appreciated international migration for economic effects on Turkey. He emphasized the role of remittances on the

formation of capital and GNP growth. Paine (1974) shares a similar view. Koç and Onan (2001) give emphasis to the multiplier effects of remittances; market linkages transmit the effects of remittances from the individuals or households that received remittances to the local, regional and national level. This indirect effect of remittances can be seen even in consumption and investment in building (called unproductive by many researchers). They do not provide any empirical evidence for the Turkish case but they implicitly assume that the positive effects must be present for the Turkish economy.

After all, an important characteristic of remittances is instability inherent to these kinds of flows. For example, in the 1973-1977 Five-Year Development Plan anticipated an export of 350,000 workers, but the number of workers remained very low because Western European countries stopped recruiting foreign labor; the labor sent abroad reached only 170,000 during the period. Therefore, the amount of remittances did not increase as planned. Ghosh (1992) remarks that the instability of remittances can be alleviated by certain arrangements among countries involved in this process.

Almost all researchers unanimously accept that remittances of immigrant workers would eventually stabilize, and then decrease when emigration process matured. However, for the Turkish case, it seems that this view did not hold. One can argue that the process matured for Turkey because more than forty years have passed, and emigration from Turkey has almost stopped. However, the amount of remittances has been increasing, as Table 3.4 shows.

We can suggest another positive effect of remittances with reference to the dynamics of economic growth in Turkey. Yeldan (2001) claims that two main factors affected the rate of economic growth in Turkey after 1970. These factors are foreign savings and the finance possibilities of imports. Although Yeldan (2001) does not mention the workers remittances in his study, it is clear from Table 3.4 that the remittances were very important factor in financing imports, especially before 1980. Furthermore, the remittances were still important during the 1980s although the governments followed export-oriented policies. Therefore, in the light of this information, it is not wrong to assert that the remittances were responsible for some part of economic growth during this period.

Today the Turkish economy desperately needs hard currencies such as Dollar and Euro to solve the liquidity and debt problems. For this reason, a series of agreements were signed with the IMF and World Bank (WB). Again, Table 3.4 shows that the amount of remittances sent by emigrant workers, and Table 3.5 shows the amount of credit obtained from the IMF by the latest stand-by agreements. These Tables show that remittances are comparable, and even more important than the credit obtained from these international institutions. While comparing the amount of credits and remittances one should remember that there is no interest payments on remittances but the credit obtained from the IMF bears important interest burden for the Turkish economy.

Table 3.5: Latest Stand-by Agreements of Turkey with IMF

Type	Approval date	Expiration date	Amount approved (SDR ⁸ million)	Amount drawn (SDR million)
Stand-by	Feb. 4, 2002	Dec. 31, 2004	12,821.20	9,929.20
Stand-by	Dec. 22, 1999	Feb. 4, 2002	15,038.40	11,738.96
Of which SRF	Dec. 21, 2000	Dec. 20, 2002	5,784.00	5,784.0
Stand-by	July 8, 1994	Mar. 07 1996	610.50	460.50
Total			34,254.10	27,912.66

Source: IMF (2003)

3.7.2. Workers' Account in Dresdner Bank

The second monetary aspect of international migration is the workers' account in Dresdner bank, this account opened for the Turkish workers living in Europe, particularly in Germany, for the use of Central Bank of Republic of Turkey in 1976 (CBRT). The amount of money deposited in this account is especially important after 1983. Strangely, no researcher has yet mentioned this account in the literature. Probably, researchers either did not know or were not aware of the importance of this account for the Turkish economy. Table 3.6 shows the amount of money that emigrant workers deposited in Dresdner Bank.

⁸ The value of SDR fluctuated against the dollar in the range between 1.25 and 1.32 during this period, we take 1SDR was equal to 1.3 dollar on average for the whole period. The total amount of the credit withdrawn, therefore is roughly \$36,285 billion.

Table3.6: Workers' Deposits in Dresdner Bank

Years	\$ Value (billion)
1986	3.34
1987	4.91
1988	5.91
1989	6.29
1990	7.41
1991	6.13
1992	6.48
1993	6.97
1994	8.50
1995	11.23
1996	12.02
1997	11.49
1998	12.20
1999	11.68
2000	10.32
2001	10.59
2002	12.34

Source: Central Bank of Republic of Turkey (2003)

The most important positive effect of this account is that Turkey can borrow hard currency with a low interest rate from its citizens living in Europe. Furthermore, this money constitutes important part of reserves held by the CBRT. Yeldan (2001) argues that developing countries had to hold one third of the net capital inflows in order to avoid the financial instability caused by international financial liberalization. The financial stability usually arises from a speculative attack⁹ to reserves of Central Banks (CBs) of developing countries. These countries therefore hold quite important amount of hard currency in their CBs. Turkey reduces the cost of holding reserves considerably with the help of this account.

⁹ Speculative attack briefly means that international speculators, of whom Soros is a famous one, attack to the reserves of a central bank to exhaust its reserves if they consider the reserves are not enough. The result is a financial crisis and therefore devaluation of national currency. If these speculators are successful, the end result is a destroyed national economy and a few speculators who earned quite important sums of money.

3.7.3 Employment Effects

International migration usually relieves unemployment pressures in sending countries. However, the impact on the economy may differ from case to case depending on the labor sent abroad. On this issue, economists are divided into two groups; some economists argue that emigration alleviates unemployment, the other group claims that international migration might alleviate unemployment in the short run but the long run effect is certainly the reverse (Stahl, 1989).

In Turkey, international migration alleviated unemployment, economists usually agree upon this issue (Gökdere, 1978; Ebiri, 1985; Barışık et al., 1990; Gökdere, 1994; Bulutay, 1995; and Koray, 1999). Bulutay (1995) claims that international migration reduced unemployment in Turkey.

There must be higher unemployment in the absence of external migration, considering 606 808 workers in Germany and 809 000 in Europe in 1974. (Bulutay, 1995: 139)

A similar observation is made by Gökdere (1994) for a later period on this issue,

In fact, as of April 1993 the number of Turkish nationals living abroad make up 5.14 % of Turkey's resident population and 6.60 % of Turkish labor force. (Gökdere, 1994: 34)

Barışık et al. (1990) agree with the positive effects of international migration on employment, but they claim that the effect was much higher,

In the Turkish case, the contribution of emigration to the employment has been significant. In the absence of labor migration, the number of unemployed persons would increase more than 36 percent and would have reached 23.18 instead of 16.7 percent. (Barışık et al., 1990)

Koray (1999) also gives comparable figures for the current years, 5.3 percent of Turkey's population and 5.4 percent of Turkey's resident labor force in 1999. We, therefore conclude that the effect of international migration on unemployment is significant from the mid-1960s to present.

Gitmez (1983) discusses that theoretically international migration relieves unemployment pressures and this was the case for Turkey. He remarks, however, the loss of skilled workers might have negative effect on the Turkish economy due to lack of planning. There is a debate about the skill level of emigrants from Turkey to Europe. The majority of researchers claim that most of emigrants were skilled workers. Gökdere (1978) reports that majority of emigrants were from the industrial sector and at least one third of emigrants were skilled workers. However, he argues that there was no serious bottleneck because of loss of skilled workers. Similarly, Paine (1974) shares the same view with him. Ebiri (1985) asserts that cost of the migration of the skilled workers must not be overstated.

The effect of international migration on the industrial production, wages and productivity was negligible. Barışık et al. (1990) remark that except for a few branches, international migration did not change wages and no significant shifts occurred in productivity. Bulutay (1995) similarly reports that industrial production in Turkey

tripled in the 11 years from 1962 to 1973 at constant prices. However, he claims that there was considerable increase in real wages after international migration. He immediately warns that this increase must not be explained by international migration. According to him, the main causes of the increase in real wages were successful economic performance, the reigning democratic atmosphere, the existence of segmented labor markets and the powerful roles of trade unions (Bulutay, 1995). It is really difficult to decompose wage increase into its components. Bulutay (1995) may be right that other factors were more important for increase in wages than international migration. Nevertheless, we think that international migration must have had some effect on the increase in wages.

3.7.4 The Turkish Workers Company and Village Development Co-operatives

Turkish experience of international labor migration created two original structures: The Turkish Workers Companies and Village Development Co-operatives (Gökdere, 1978; Martin, 1991). These TWCs and VDCs are unique. There is not another example of such institutions in other countries where international migration was important. Indeed, these were the examples of collective entrepreneurship of Turkish workers but later these companies came to be used as the vehicle for going abroad.

The VDCs were first set up by Turkish authorities in 1962 to channel the savings of emigrants into Turkey (Gökdere, 1978; Abadan-Unat, 2002). The authorities

thought that emigrant workers would invest their savings into these cooperatives. Therefore, not only the savings were channelled to Turkey but also the emigrants would be sure of employment guarantee after their return to Turkey. The number of these cooperatives mushroomed, from 383 in 1964 to 1349 in 1967, since the members of these cooperatives had advantage over non-members (Abadan-Unat, 2002). However, the aim was never achieved and these cooperatives served only as a bridge to go abroad (Thomas, 1982).

TWCs were initially set up spontaneously to channel the savings of the workers productively; moreover, these workers would work in these companies when they returned. These TWCs were formed in three ways. a) Workers coming from the same region and employed in the same firm joined together and raised capital in order to invest in Turkey. They usually purchased the necessary equipment abroad. b) Turkish citizens noticing the profits involved went to Europe to organize workers establishing a TWC. c) The Turkish students and businessmen living abroad encouraged the workers to set up a TWC with a well-structured business plan. The number of these companies reached 225 in the late 1970s (Apak, 1993).

These TWCs were encouraged by both the Turkish and German governments. The German governments wanted to encourage return migration and the Turkish governments' intention was to channel the savings of emigrant workers into Turkey. Consequently, the Ankara Agreement was signed between the two countries. The agreement aimed at satisfying two needs; education and finance. However, the

vocational training of immigrant workers could not be successful because most workers did not know German to follow the courses (Thomas, 1982).

The second aim was to promote and assist these TWCs; a joint fund was set up to finance them. For this purpose, the mission was assigned to the State Industry and Laborer Investment Bank (DESIYAB), which was established on 27 November 1975 (Şahinkaya, 1999). The early attempts made by the Bank were quite successful. However, most of these companies failed and could not fulfill the purposes assigned to them. Apak (1993) identifies several reasons for this failure of the worker cooperatives. According to him, the possible reasons are management problems, wrong choice of sites for establishment, and marketing problems. We may add two further important reasons to the list. The first is the overall macroeconomic condition in Turkey and the second is the structure of the world economy. While these two factors were not favourable in the past, currently the prospects have changed.

3.7.5 Return Migration and Entrepreneurship

Return migration is one of the most important potential positive impacts of international migration especially in the longer term. To date, there is very little known about return migration in Turkey. Except for a few valuable case studies, Abadan-Unat et al. (1976), Toepfer (1985), and Gitmez (1983), there are no systematic efforts devoted to this subject. Hence, we do not accurately know the impact of return migration on the Turkish economy. The number of return migrants is usually based on

the sources of host countries or best guesses of researchers. Table 3.7 shows returnees from Germany for the period 1968-1999.

Table 3.7: Turkish citizens entering to and leaving from Germany (in thousands)

Years	New entries	Returns	Balance
1968	79.7	27.7	52.0
1969	151.1	31.6	119.5
1970	177.0	42.3	134.7
1971	186.9	60.8	126.1
1972	184.5	75.0	109.5
1973	249.7	87.1	162.6
1974	160.8	110.8	50.0
1975	98.6	148.5	-49.9
1976	105.8	130.4	-24.6
1977	114.5	113.5	0.9
1978	131.1	88.1	42.9
1979	171.9	66.3	105.6
1980	212.3	70.6	141.7
1981	84.1	70.9	13.2
1982	42.7	86.9	- 44.1
1983	27.8	100.3	- 72.6
1984	34.1	213.5	- 179.4
1985	47.5	60.6	-13.2
1986	62.2	51.9	10.2
1987	66.2	45.7	20.5
1988	78.4	39.9	38.3
1991	82.6	36.6	45.0
1992	81.3	40.7	40.6
1993	68.5	46.6	21.9
1994	64.7	47.4	17.3
1995	74.5	44.4	30.1
1996	74.1	45.0	29.1
1997	56.9	46.8	10.1
1998	47.9	45.1	2.8
1999	47.1	40.9	6.2

Source: ÇSGB (2002), Koray (1999) (For years 1995- 1997) and Kızılocak (1996) (For years 1973- 1994)

Abadan-Unat et al. (1976) studied a small district of Yozgat that is an undeveloped city in the Central Anatolian region. The study investigates the impacts of international migration on both emigrant workers and families left behind. The general

conclusion of the study is that the contribution of the international migration on the district was very limited. The reasons for the limited contribution are many; firstly, the returnees are usually unsuccessful ones, secondly the unproductive use of remittances, thirdly poor management of village development co-operatives, and finally the absence of a suitable management of labor exports from the district.

Toepfer (1985) studied the impact of return migrants on the two small towns and their villages of Trabzon. These towns were relatively backward regions of Trabzon. He reports that 320 return migrants invested in almost DM21 million by the second year after their return. The most important part of these investments was used for housing and building sector, 59 percent, 11 percent was used in agricultural sector, and only 16 percent was used for business purposes (Toepfer, 1985: 87).

The common characteristic of Abadan-Unat (1976) and Toepfer (1985) studies is that both concentrated upon very small and backward towns as cases. The conclusions drawn from the studies should be evaluated carefully since the investment opportunities and development prospects in industrial sector in these towns were quite limited. Therefore, investments did not represent any direct contribution either to the industrial base of the districts or to the economic development of the national economy.

Gitmez (1983) concentrates on the return migrants and their reintegration for the three selected cities. These selected cities are chosen in terms of their development level, the most developed is Bursa, the developing city is Afyon, and the undeveloped

city is Kırşehir. His main conclusion is similar to that of Abadan-Unat et al (1976), international migration could not generate expected benefits in terms of return migration. The returnees alone might not be a solution to development unless a suitable development plan is prepared for the country. A similar conclusion is drawn for Kayseri, in the development of the city returnees seem to have no direct economic impact. There was some impact of remittances, but it is argued that this impact was not essential for the overall performance of Kayseri's economy (Penninx, 1982).

The majority of return migrants identified by Gitmez (1983) also prefer housing and building sectors for their investments. An important detail in the study is that the share of industrial investment in Bursa that is the most developed among the three cities is more important than the share for the other cities. The result is consistent with the hypothesis stated in this thesis several times; that is, enabling environment is very important for entrepreneurship, especially for return migrants and transnational entrepreneurs.

All these studies were conducted before 1980, and naturally, they have some drawbacks in terms of analysing the full impact of return migration. First of all, the time span that emigrant workers spent abroad was not long enough to accumulate enough savings to invest in a productive firm. Hence, these studies targeted unintentionally 'failed-returnees'. Secondly, the Turkish economy was not as yet at a level that return migrants could be easily absorbed and utilized as workers or entrepreneurs. Finally, the periods in which the researches were carried out were not

very suitable for the firms founded by return migrants because Turkey followed inward oriented economic policies until 1980. Furthermore, the structure of the world economy, similarly, was not suitable for these kinds of firms, there were many trade barriers, transportation was costly and communication was slow. All these factors made the export activities of would-be firms very difficult if not impossible.

The economic level of Turkey and the favorable conditions of the world economy over the last few decades enable Turkey, like other labor-exporting countries, to benefit from the return migrants as workers or entrepreneurs. In the subsequent chapters, it will be shown that, contrary to common consensus, return migrants can in fact be very important in a developing region in terms of export, employment, and production once the overall macroeconomic and global settings have shifted.

3.8 Conclusions

Turkey experienced a mass labor migration in the early 1960s and this continued until the end of 1970 in different forms. The exporting of labor considered as an opportunity for the governments, earning hard currency and relieving unemployment problem. Emigrants were also enthusiastic for economic reasons. In the beginning, both governments and individuals expected this movement was transitory but it took a permanent character. As of 2003, there are almost 4 million Turkish citizens residing abroad, mainly in Europe.

The main reason of the Turkish mass emigration to Europe was initially economic and it was in the form of labor recruitment. However, later the form of emigration changed and it continued under the pretext of family reunification. We believe that the initiation of Turkish emigration can be explained by using more than one of the theories of international migration as explained in Section 3.6. There have been important economic consequences of international migration on the Turkish economy. These are remittances, workers' account in the Dresdner Bank, employment effects and entrepreneurship. The past experiences of entrepreneurship in the form of the Turkish Workers' Company and Village Development Cooperatives were mostly failures. However, transnational entrepreneurship, which has appeared recently with the changing conditions of the Turkish and world economy, seems to be promising.

CHAPTER 4

ENTREPRENEURSHIP, RETURN MIGRATION, AND THE TRANSNATIONAL ENTREPRENEURS

4.1 Introduction

Entrepreneurship is widely accepted as the most important factor in economic development (Schumpeter, 1989). If the number of entrepreneurs increases in a region or a country, economic growth is expected to increase in those areas. The economic development of the current industrialized countries is usually attributed to entrepreneurial capacities and enabling environment for entrepreneurship. In juxtaposition, underdevelopment of other countries is linked to the lack of entrepreneurship and obstacles that hinder entrepreneurship in these countries. Therefore, entrepreneurs have been considered as the engine of development. This perception farther increased with the crisis of the so-called Fordist production and the increasing role of the flexible production and small and medium-sized enterprises (SMEs) in the economies of both the developed and developing countries. Hence, the governments of all countries started to pay special attention to the SMEs and their founders, namely entrepreneurs.

Entrepreneurial ideas can allegedly be related to the travel experiences of individuals because the opportunities can be seized by observing new areas and products. Therefore, it is reasonable to relate entrepreneurship and international migration, especially in the eve of the current globalization wave. Casson (1998), for example, claims that entrepreneurial attitudes are characteristic of many economic migrants.

International migration is not a single act; rather it is a process (Castles and Miller, 1993). When an individual leaves his/her homeland, it is possible for him/her to remain in the host country or return to homeland afterwards, for either a short time or a long time. The decision of such an individual is affected by many factors including personal reasons and conditions in host country and home country. Historically, experiences have shown that international labor migrants usually prefer to remain in host countries. Nevertheless, many international labor migrants initially intended to return, or some of them already returned to their home countries for some time after their emigration.

The earlier studies in general reported that many emigrant workers returned to their home countries for retirement and for the most part, they did not consider employment as an option upon their return (Abadan-Unat, 2002; Gitmez, 1983). However, currently, at least some of the migrants return for business activities in their homeland, or they have started to think about setting up a firm after they returned. These are usually few in numbers but the return and entrepreneurial activities of these

migrants can be beneficial to both sending and receiving countries. Those migrants who engage in business activities in the country of origin after having returned are called the ‘transstate’ or ‘transnational’ entrepreneurs¹. They create new employment opportunities, increase export volume, thus increase national income, and further they may improve the relation between the two countries.

The importance of transnational entrepreneurs has increased recently because of the increased significance and the share of SMEs in production and employment worldwide. Many economic activities of developed countries have been transferred to developing countries for cost and resource considerations. Global economic restructuring has deepened these processes and ex-migrant workers have turned out to be entrepreneurs in their home countries (Hamilton and Chinchilla, 1996; Pellerin, 1997; Portes, 1997). Moreover, some of transstate entrepreneurs set up firms that are almost the same or very similar to those firms they once worked for, and compete with them in the international area. It is clear that transstate entrepreneurs may contribute to economic development of the country of origin, and the economic impact can be felt more visibly in areas where they founded their firms.

Today, countries that experienced mass international migration may expect a great deal from their emigrants as entrepreneurs. However, this expectation could not be realized for most of the labor exporting countries in the past. The structure of the

¹ The adjectives, ‘transstate’, ‘transnational’ or ‘migrant entrepreneur’, are used interchangeably throughout the thesis. These concepts refer to entrepreneurial activities of migrants that take place in the country of origin. On the other hand, ‘immigrant’ or ‘ethnic’ entrepreneur refers to those who engage in entrepreneurial activities in the destination countries.

world economy, the level of technology of communication and transportation, and widespread use of import substitution policies by developing countries did not give much chance to sending countries to make use of this opportunity.

The earlier studies indicated that migrant workers cannot be easily converted into entrepreneurs especially if they do not have such previous experiences (van Doorn, 2002). Such past observations now seem to be misleading or they are invalidated in the current setup of the world economy because recent studies indicate that the activities of emigrant workers as transnational entrepreneurs have been increasing (Portes, 1998). These activities of emigrant workers have had two forms. The first one is concerned with their activities in the host countries; these activities are generally investigated under the 'immigrant entrepreneurship' or 'ethnic entrepreneurship' by researches. These activities, however, have little, if any, impact on the economic development of the country of origin of immigrant entrepreneurs.

The second form of entrepreneurship undertaken by the emigrant workers is the 'transnational' or 'transstate entrepreneurship'. This type of entrepreneurship may have important impacts on their country of origin because these countries have usually suffered from the lack of 'entrepreneurship' and 'entrepreneurs'. The contribution is expected to be all the more high if these entrepreneurs establish their firms in relatively less developed or rural areas. Transnational entrepreneurship is inevitably related to some other concepts such as globalization, transnational social space, network, and social capital. These issues have given impetus and an increasing chance to the

international return migrants as entrepreneurs. While globalization has played an important role for the activities of transnational entrepreneurs, these entrepreneurs have in turn reinforced the process of globalization with their economic activities and social relations.

This chapter reviews and discusses, firstly, the relevant entrepreneurship theories and literature and relates entrepreneurship with international return migration. Secondly, we review the experiences of the transnational entrepreneurs of the other countries. In the last part of the chapter, the developmental effect of the transstate entrepreneurs is presented.

4.2 Entrepreneurship in Economic Theory

Entrepreneurship and entrepreneurs are widely accepted as the most important factor in economic growth and development, even some argue that without entrepreneurs there could be no economic development (Baumol, 1968; Baumol, 1990; Kirzner, 1973; Schumpeter, 1989). The relationship between entrepreneurship and economic growth is an endogenous one, that means more entrepreneurs mean more growth; meanwhile, more growth, in turn, means more entrepreneurs (Dejardin, 2000). The importance of entrepreneurial activities became more apparent after the crisis of the Fordist production system and gained strength with the increasing role of the small and medium sized enterprises (SMEs). Harvey (1989) argues that one of the features of the post-Fordist, or post-modernist era of capitalism is entrepreneurialism. This period

has witnessed a decrease in the role of large-scale firms, and SMEs are considered as the engine of economic development. Hence, the governments of all countries have started to pay special attention to the SMEs and their founders, entrepreneurs.

4.2.1 Entrepreneurship and Neoclassical Economics

Entrepreneurs and entrepreneurship are excluded from the mainstream economics, namely neoclassical economics, despite their ever-increasing role in the contemporary world. Neoclassical economics by its nature does not need entrepreneurs due to its perfectly working model, that is introduction of entrepreneurs into the system destroys the internal consistency of the model. There are many reasons for neoclassical model to rule out entrepreneurs. The first is the assumption of perfect information, this premise contradicts with uncertainty bearing features of entrepreneurs. Secondly, the entrepreneur as innovator is ruled out by the production function and the assumption of rational choice. Thirdly, there is no need for entrepreneurs for coordination because choice and decision making are limited with the production and cost function. Finally, there is no arbitrage in the system because of perfect information and rational choice. These properties of the model make entrepreneurs unnecessary for the model (Barreto, 1989; Devine, 2002). Adaman (2002: 3) rightly puts it as “there neither is nor could be a role for entrepreneurship in neoclassical theory”.

One should be cautious that neoclassical economists are not so naïve that they simply ignore entrepreneurs in their models. Even the early neoclassical economists,

such as Marshall and Walras, were well aware of the importance of entrepreneurs in an economy. Walras tried to incorporate entrepreneurs into the system but could not be successful (Adaman, 2002; Hamilton and Harper, 1994), his entrepreneur eventually becomes the 'Sisyphus entrepreneur' because in the equilibrium entrepreneurs make neither profit nor loss. Profit and loss can only be present in extraordinary situations in a general equilibrium model. Therefore, he simply ignores entrepreneurs and the role of entrepreneurs is undertaken by capitalists, landowners, and workers (Screpanti and Zamagni, 1993). Different reasons can be given for the failure of these efforts. For example, Kilby argues that "formalization of economic theory necessarily discards entrepreneurship and entrepreneurs. The functions of entrepreneurs is attributed to 'technical change' and residuals" (Kilby, 1971: 2).

One important example of mainstream economists is Baumol who is seriously interested in and stresses the importance of entrepreneurship in economic growth (Devine, 2002). Baumol (1968, 1994) is uncomfortable with the ignorance in neoclassical economics of entrepreneurship. He classifies entrepreneurship as of productive and unproductive types. Productive entrepreneurship can be defined as any addition to net social output, and unproductive entrepreneurship includes rent-seeking activities, thus there is no addition to net output, even it may decrease the net output (Baumol, 1994). Baumol, as many other economists, frequently refers to Schumpeter as the leading theorist of entrepreneurship. Although Schumpeter elaborated entrepreneurship and gave special importance to entrepreneur in his economic model, many other economists, before as well as after him, studied this issue extensively.

4.2.2 The Leading Economists on Entrepreneurship

Neoclassical economics ignores entrepreneurship and entrepreneurs, but these two subjects attracted economists long before Adam Smith who is usually taken to be the founder of economics as a modern science. Richard Cantillon used the term entrepreneur for the first time, according to him the main attribute of entrepreneurs is linked to uncertainty. An entrepreneur has to deal with uncertainty because he buys the products at certain prices but sells at unknown prices. Therefore, an individual is entrepreneur if he does not know his income in advance, and if an individual knows his income beforehand, he is a wage earner. 'The bearing of uninsurable risk' is the most critical element, for Cantillon, defining entrepreneurship (Kilby, 1971). Furthermore, Cantillon claims that the emergence of entrepreneurs in a region is not by chance, but regulated by demand and supply like for any other good by the market (Ekelund and Hebert, 1990).

Later, J. B. Say elaborated the role of entrepreneurs in economic theory as coordination and supervision. According to Say, entrepreneurs combine the factors of production to create a new product by coordinating, supervising and making decisions. Therefore, an entrepreneur has to have these characteristics; coordination, supervision, and decision-making (Jennings, 1994). All these personal attributes lead someone to become an entrepreneur. However, these qualifications are not enough, at the same time, an entrepreneur has to accumulate enough knowledge and put this knowledge into practice. Furthermore, he should also have connections with credit institutions in order

to obtain necessary loans for setting up and running his firm (Jennings, 1994). Therefore, an entrepreneur does not necessarily have enough money of one's own to set up a firm².

F. B. Hawley, an American economist, argued in the early 1900s that classical economists counted land, labor, and capital as the factors of production but excluded entrepreneur. According to him, one of the means of production is entrepreneur without which production could not be realized because entrepreneurs combine the other means of production to create a new product (Gorter, 2000). Additionally, he does not share the idea that an entrepreneur is only a coordinator; he, on the contrary, advocates that entrepreneur is not only the coordinator but also the owner of the firm. Therefore, entrepreneurs take important risk as the owner of the firm because of uncertainty.

The Austrian School was also interested in entrepreneurship in detail. The subject of entrepreneurship is central only in the Austrian School together with Schumpeter (Devine, 2002). The two important members of the Austrian School are Hayek and Mises. The former introduced and detailed the concept of 'tacit knowledge' and the latter focused on 'entrepreneurship' (Adaman, 2002). Kirzner is a later representative of this school. The Austrian school noticed the dynamic structure of economy, this dynamic structure naturally brought about uncertainty, which created

² This assumption requires a well-developed capital market and credit institution. These are usually missing in developing countries.

failures for many and successes for the few. The role of the entrepreneur in this world was the correction of errors.

Kirzner (1973) notes the role of entrepreneurs as arbitrators. He believed that an entrepreneur is the person who is very careful in noticing the opportunities around him. The alertness of entrepreneurs depends on the information they have and this makes them advantageous over other people. In contradistinction to neoclassical economists, Kirzner (1973) believes that the economy is not in equilibrium, and there exists unequal acquisition of knowledge. Therefore, entrepreneurs capture profit by making use of their extra knowledge and their role is to bring the economy into a state of equilibrium. Kirzner (1973), however, warns that not all ordinary people who have more knowledge than others can be an entrepreneur, and he does add the alertness to opportunities as an important determinant of entrepreneurship.

Kirzner (1973) considers an entrepreneur as an arbitrator; uncertainty and productive activities are dwarfed in his analysis. According to him, entrepreneurs almost only engage in trading activities and they almost bear no uncertainty. He is therefore widely criticized by others (Barreto, 1989; Gorter, 2000). Later he modified his theory in order to overcome this problem. However, both versions of his theories fundamentally reach the same conclusion (Jennings, 1994). His theory is important at least in two senses; the importance of entrepreneurs in capitalist economies and the explanation of the creation of markets.

4.2.3 Entrepreneurship and Joseph A. Schumpeter

Economists, in general, recognized the role of entrepreneurs in economic development. For many of them, entrepreneurs are supposed to organize production and to foster economic growth, thus they are the main agents of change. Joseph A. Schumpeter elucidated the role of entrepreneurs and entrepreneurship in a more detailed fashion, and placed entrepreneurs at the center of his economic theory, as the pivotal factor of economic development. In his well-known books, *The Theory of Economic Development* (1989) and *Capitalism, Socialism, and Democracy* (1957), he devoted tens of pages to explain the roles of entrepreneur and entrepreneurship in economic development. With this effort, he is the first economist who systematically constructed a consistent theory of entrepreneurship. He claimed that without entrepreneurial activity there would be no changes in an economy. Schumpeter called this simplified version of economy as the ‘circular flow of economy’ which resembles the neoclassical stationary state of economy. However, there is an important difference between the two views; in a Schumpeterian system, an economy starts off from the circular flow of economy while in the neoclassical system, an economy moves along a stationary state in the final analysis.

For Schumpeter, the main importance of entrepreneur comes from his ability to innovate, but this is not the only function of an entrepreneur. He defines the enterprise and entrepreneur as follows: “The carrying out of new combinations we call enterprise; the individuals whose function is to carry them out we call entrepreneurs” (Schumpeter,

1989: 74). By carrying out new combinations, he does not only mean innovation of new products but also enumerates the other functions of entrepreneurs, and with these functions they can change and cause economic development in an economy. Schumpeter identifies the functions of entrepreneurs, for development purposes, as follows,

(1) The introduction of a new good – that is one with which consumers are not yet familiar- or of a new quality of good. (2) The introduction of a new method of production, that is not yet tested by experiences in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new and can also exist in a new way of handling a commodity commercially. (3) The opening of a new market, that is a market into which the particular branch of the country in question has not previously entered, whether or not this market has existed before. (4) The conquest of a new supply of raw materials or half-manufactured goods again irrespective of whether this source already exists or whether it has first to be created. (5) The carrying out of the new organization of any industry, like the creation of a monopoly position (for example through trustification) or the breaking up of a monopoly position. (Schumpeter, 1989: 66)

Undertaking any of these activities, entrepreneurs create new opportunities for profit but Schumpeter, himself, focused on the first two of these functions, indeed, these two functions do mean a radical break from the past, or old habits of production. His focus on the first two functions led some economists to believe that entrepreneur should in essence be the inventor of a product. Therefore, those economists claim that Schumpeterian type of entrepreneurs cannot be easily observed in developing countries, since many entrepreneurs are far from developing a new product, they usually imitate or replicate the products invented in the developed countries (Nafziger, 1986; Yu, 1998b). We believe that this is a misinterpretation of Schumpeter because he explicitly

notes the functions of entrepreneurs, and three of them are not related to introduction of new goods or production processes. These functions can very well be observed in developing countries. These functions will be discussed in terms of the transstate entrepreneurship in the subsequent sections in detail.

The other misunderstanding of Schumpeter by some economists is about risk. Some economists criticized Schumpeter because he claimed that an entrepreneur does not bear any financial risk³. Entrepreneur and capitalists are differentiated in his analysis; an entrepreneur may either be a capitalist or a worker. According to Schumpeter, an entrepreneur does not bear any risk other than losing his/her reputation. Capitalists or banks have to deal with the uncertainties and risks. Entrepreneurial activities can be undertaken by borrowing loans from banks, and thus banking system and credit are very important in his analysis. A well functioning capital market is a major requirement of entrepreneurship, which remains missing in many developing countries.

Schumpeterian entrepreneurs are disequilibrating agents in an economy by fulfilling the functions attributed to them. In contrast, Kirznerian entrepreneurs are equilibrating agent of an economy. Therefore, in general, it is assumed that these entrepreneurs are very different and they cannot be reconciled. A careful analysis may lead us to reach a different conclusion:

³ It may be argued that these economists refer to Adam Smith, because he replaced the entrepreneur with the capitalist in his writings (Kilby, 1971; Jennings, 1994). It is reasonable to assume that these critical economists do not differentiate capitalists and entrepreneurs.

...the two types of entrepreneurship may be complementary rather than antagonistic. Innovation by Schumpeterian entrepreneurs by disrupting the equilibrium structure may create opportunities for alert Kirznerian entrepreneurs to move the economy in equilibrating directions. (Devine, 2002: 443)

This approach to entrepreneurship is a good synthesis because economy is a dynamic structure and the equilibrium and disequilibrium tendencies in economy can be explained by these different types of entrepreneurs.

4.3 The Return Migration: Causes and Consequences

Understanding return migration requires a clear understanding of why people left their countries, this aspect of the process was discussed in Chapter 2 in detail. There are different theories of international migration and these theories explain the causes and consequences of international return migration in accordance with their perspectives. However, these theories cannot provide a full account of the causes and consequences of return migration. Most researchers agree on the point that international migration is a temporary issue, emigrants will eventually return to their country of origin (Gitmez, 1988; Thomas, 1982). Return migration is defined as a “process whereby people return to their country or place of origin after a significant period in another country or region”⁴ (King, 2000, as quoted in Amassari, 2001: 12).

⁴ The term ‘significant period’ is problematic, but we believe that it is necessary that a return migrant should spend time in another country long enough to acquire certain skills and financial capital for setting up business and helpful for the economic development of the country of origin.

The original plan for the return of emigrants may change over time and return may never be realized, or it can be realized in a short time. Therefore, there may be many reasons for return or remaining. In the first place, return migration may be voluntary or involuntary. In the involuntary case, there is no role for individual decisions, it is required by sending or receiving countries. Immigrants may be recalled by sending country's authorities or expelled by the receiving country's authorities. If the return is voluntary, it may stem from various reasons. These are retirement, longing for homeland, achieving goals, and finally setting up a business in homeland. Aspirations and opportunities for entrepreneurship cause this type of returnees to move back to their country of origin. This is related to migrant opinion that it is possible to have better living and working conditions, and business opportunity in the country of origin.

Another important issue debated in the literature is about whether the return is 'failure' or 'success'. It is a reality that some emigrant workers return home because of unanticipated factors. These workers have to return to their home country, because they cannot cope with living abroad. The return of these emigrants is due to failure, the return is inevitable for them. Their economic contribution to the home country is, therefore, quite limited. The fieldwork studies in the country of origin necessarily encounter this problem since successful migrants stay longer than failure migrants in the host country. However, in the contemporary world some successful migrants also increasingly return to their home countries, for especially setting up business.

Insofar as some generalization is possible, the return flow contains a proportionate number of migrants with 'low personal effectiveness' and of migrants who are single, separated, and divorced. On the other hand, some recent studies note that returnees tend to have higher levels of education, skill, and income than non-returnees, particularly where opportunities for professional advancements exist in the home country. (King, 2000, as quoted by Amassari, 2001: 14)

However, in some cases return never takes place for transstate entrepreneurs, they are 'neither here nor there' (Portes, 1998). They prefer to live in both countries because in home country the production facilities take place and in host countries their marketing activities. This kind of life style creates an advantage for them in business life, because they maintain a firm hold over both production and marketing aspects.

The activities of transstate entrepreneurs affect both immigration and emigration countries via their economic activities. These economic activities may further affect the social, cultural and diplomatic relations. In this study, we will concentrate on the economic impacts of the transnational entrepreneurs on their country of origin. Transstate entrepreneurs contribute to production, employment and exports considerably in the country of origin. Labor-exporting countries usually suffer from lack of entrepreneurs, thus their existence fosters production and employment in the countries of origin. Exportation of production is another problem of these countries, lack of connection hinders export activities of firms, especially SMEs.

The impacts of transstate entrepreneurs are further important if they set up their firms in a less developed province in their homeland. Founding firms in these regions

slows internal migration by providing job opportunities for unemployed and potential emigrants in these regions. Moreover, they may affect local entrepreneurs with their technologies and export activities. The technology they use can be acquired by other entrepreneurs and their relations may help other entrepreneurs to engage in export activities.

In summary, transnational entrepreneurs affect the economic development of the region where they found their firms, hence the national economy as a whole. Successful example of transnational entrepreneurs may attract and encourage others to return and get involved in entrepreneurship in their home countries. One may expect that once these pioneers achieve success, the number of transnational entrepreneurs increase, as in the case of the ‘flying geese’⁵.

Studies on international migration are scarce, and the study of international return migration is even less. This attitude is a result of past pessimism about the effect of migration and return migration on economic development of sending countries. However, with the increasing role of transnational entrepreneurs, there is now a growing interest in studying return migration. Faist (2000b) notes that globalization improves not only the activities of big players such as IBM, General Motors, and Toyota but also activities of the small players. Portes (1998) calls the same process as

⁵ The ‘flying geese’ model has been attributed to a Japanese economist, Akamatsu Kaname. This model originally considered the economic development of Asian countries. In this process, Japan is the leader country and other countries are the followers. (see, Mitchell Bernhard and John Ravenhill (1995), “Beyond Product Cycles and Flying Geese: Regionalization, Hierarchy, and the Industrialization of East Asia”, *World Politics*, 47. Analogously, we consider the pioneer transnational entrepreneurs as the leaders.

the ‘globalization from below’ and Smith and Guarnizo (1998) call it similarly as ‘transnationalism from below’. These diverse researchers try to attract attention toward growing activities of transnational entrepreneurs all around the globe.

4.4 Underlying Factors of Transnational Entrepreneurship

The world economy has changed radically since the mid-1970s; these changes reflect themselves in economic restructuring all over the world, and globalization of the world economy. These changes affected the process of international migration and migrants have considered entrepreneurship ever increasingly as an alternative to wage employment in the receiving country. Furthermore, returning to home country for employment in entrepreneurial activities is also an attractive option for those who have a good network and social capital. These changes in the process of international migration led many economists and sociologists to investigate the activities of immigrant entrepreneurs (Dicken, 1992; Glytsos, 2002; Guarnizo, 2001; Pecoud, 2000; Portes, 1998; Sassen, 1988; Taylor, 2001; Thomas-Hope, 1999). Entrepreneurial activities of immigrants and return migrants are labeled as ‘transnationalization’ by some researchers (Basch et. al, 1994; Portes, 1998).

4.4.1 Economic Restructuring and Globalization

Worldwide economic restructuring has been taking place for almost three decades now. There has been a sharp decline in the employment of the large manufacturing firms and a shift toward production that is more flexible and into the service sector in all developed countries. Furthermore, many manufacturing activities of the developed countries are being directed toward developing countries for cost considerations. This process cannot be discussed independently from the globalization process of the world economy. Globalization is a recent concept widely used by social scientists but the economists take it more seriously since the economic impacts of globalization are felt by people all over the world, even if these people have not been aware of the concept. The impacts of globalization on people have been accepted by social scientists but there is not an agreed single definition of globalization. According to a working definition of globalization proposed by Holm and Sorensen, globalization is “the intensification of economic, political, and cultural relations across borders” (Holton, 1998: 11). Similarly, Anderson (2000: 9) defines globalization as “the decline in transaction costs or barriers to doing business or otherwise interacting with people of other nations around the world”. Taylor (2001: 1) gives a very short and economically meaningful definition of globalization, ‘the integration of people with world markets’. All these definitions indicate that the world can be expressed in two words as either ‘global factory’ or ‘global village’ (Rothstein and Blim, 1992).

The focus of researchers has largely been on the activities of transnational corporations. However, lately many researchers have increasingly been investigating the role of transnational entrepreneurs on the global economy (Basch et. al., 1994; Portes, 1998; Faist, 2000a). The transnational entrepreneurs are called as the ‘small global players’ (Faist, 2000b) and their activities contended as the ‘globalization from below’ (Portes, 1998) or ‘transnationalism from below’ (Smith and Guarnizo, 1998). Over the past decades, the importance of small global players has increased and they are now an important part and parcel of the globalization process. While they are by-products of economic restructuring and globalization, they at the same time reinforce the process by their activities. Basch et al (1994) give special attention to the activities of transnational entrepreneurs, they assert that this process is very complex and elusive. The definition of transnationalism given by these researchers proves the complexity of the phenomenon:

We define ‘transnationalism’ as the process by which immigrants forge and sustain multi-stranded relations that link together their societies of origin and settlement. We call these processes transnationalism to emphasize that many immigrants today build social fields that cross geographic, cultural and political borders.... An essential element is the multiplicity of involvements that transmigrants sustain in both home and host societies (Basch et al., 1994: 7).

The definition of transnationalism implicitly indicates that transnational entrepreneurs must have some traits to achieve their businesses. First, network is very important in the transnational arena, and secondly social capital. Networking and social

capital are the two factors that must be present for the success of transnational entrepreneurs.

4.4.2 The Role of the Network

Neoclassical model assumes atomistic firms operate in a fully competitive environment and they are completely independent from each other. Therefore, it is assumed that, in a capitalist economy, entrepreneurs are supposed to work individually: this brings competition and effectiveness. Currently, many economists argue that entrepreneurs work better in a competitive network rather than as a collection of competitive individuals (Casson, 1998; Kalantaridis, 1996). Furthermore, it is argued that entrepreneurs who give special attention to networks are more successful than those who do not (McQuaid, 1996). A network may be defined as the trust relations between two parties or with the third parties, who are directly or indirectly involved in these relations. The formation of the network necessitates high trust and thus parties are usually very careful in this process. Furthermore, networks are tools for potential entrepreneurs, especially in selecting the location of their firms (McQuaid, 1996). This aspect of networks is especially important in the pre-startup period.

The change of the economic structure of the world economy increased the role of the networks. In the last three decades with the increasing role of the SMEs all over the world, the relationship among these firms has been widely questioned by economists. The studies show that one of the most important factors behind the success

of these firms is the formation of networks (Butler and Hansen, 1991). However, these investigations are mainly limited to the local business networks. In a global world, the formation of networks across national borders becomes increasingly important, since the spatial distances are less and less of an obstacle. Furthermore, the corporate restructuring of large firms in the developed countries is channeled to the advantage of developing countries by means of networks. These large firms transferred a number of high-cost activities to the transnational entrepreneurs without taking important risks.

Entrepreneurs in different countries are usually reluctant to trade with the people they do not know, because small global players are sometimes not dependable. For this reason, the entrepreneurs from the developed countries hesitate to do business with the entrepreneurs in developing countries. The transstate entrepreneurs solve this problem by forming effective networks of their own.

Entrepreneurial networks solve many problems that an individual entrepreneur may face in business life. These problems might be transaction costs, cheating, and other social and ethical problems. The members of a network do not encounter these kinds of problems because members of network know and trust each other. The importance of the network increases when the transactions are made between two different countries. Therefore, many researchers emphasize the role of migrant networks in forming transnational business by transnational entrepreneurs (Amassari and Black, 2001; Ballard, 2001; Faist, 2000; Gorter, 2000; Guarnizo, 2001; Ndoen et al. 2000; Portes, 1997; Portes, Haller, and Guarnizo, 2001).

4.4.3 Social Capital

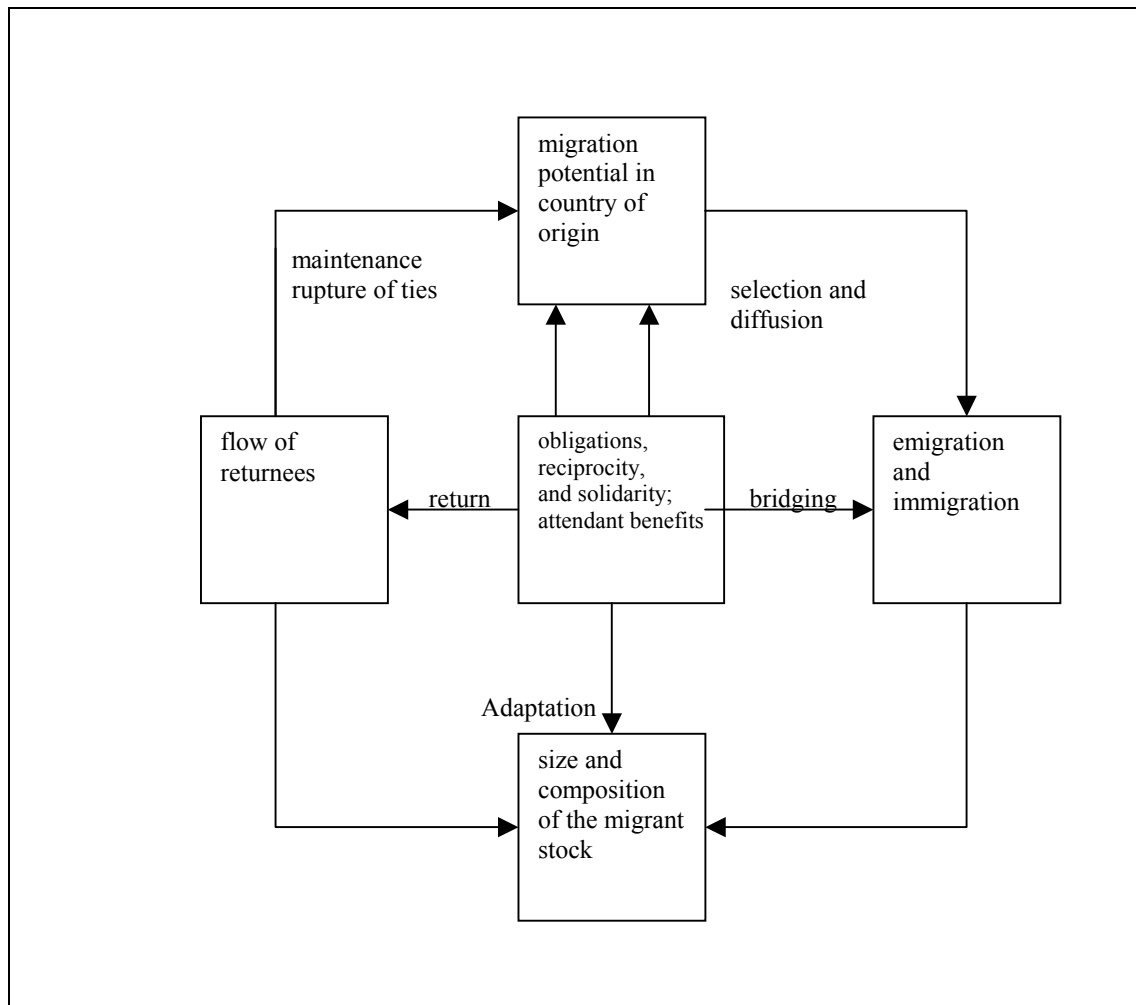
Social capital is another issue that has largely been ignored by social scientists, especially by economists. It is argued that social capital is very important in many cases of business relations. Social capital is especially consequential in the case of international economic relations because the transnational entrepreneurs make it possible to transfer social capital from one location to another⁶. Therefore, social capital is a factor that increases the amount of financial and human capital transfer to home countries. In other words, social capital is a means of converting one type of capital to another. While social capital is intangible and jointly owned, it creates physical capital or increases the amount of physical capital.

Social capital is not a direct investment made by migrants, but it is a by-product of social relations or transactions. Social relations can be classified as weak relations and strong social relations, which create social capital for individual or communities (Faist, 2000). Social capital has some important features; these are trust, reciprocity, obligations, and solidarity. Social capital can only be accumulated with these features. Social capital is defined by Faist as,

...those resources that help people or groups to achieve their goals in ties and the assets inherent in patterned social and symbolic ties that allow actors to cooperate in networks and organizations, serving as a mechanism to integrate groups and symbolic communities. (Faist, 2000a: 102)

⁶ See Faist (1997) for the details of transferability of social capital between locations.

Social capital is therefore not only a resource for individual or groups but also it increases cooperation among the parties involved. Amassari (2001: 20) notes that “knowledge about business and investment opportunities or loans to finance private enterprises” can be possible by the help of social capital that transnational entrepreneurs acquired both in the host and home countries. According to Faist (2000) there are four functions of social capital in emigration and immigration process. These are the selection of potential migrants, diffusion of migration with networks and chain migration, bridging networks, groups and organizations within migration systems, and finally, adaptation of immigrants in the countries of immigration or readaptation of emigrants in the country of emigration. Figure 4.1 shows the functions of social capital.



Source: (Faist, 2000a: 121)

Figure 4.1: The Function of Social Capital in a Migration System – A Simplified Model

4.4.4 Network and Social Capital Relations

Theories of Social Capital and Network are developed by different schools. Faist (2000) argues that social capital is a location-specific asset, and thus it is meaningless without network facilities in the case of international migration. Social capital is a location specific asset and it can only be transferred to other locations with

the help of networks. He criticizes network analysis because this analysis does not consider the content of social and symbolic ties such as obligations, reciprocity, and solidarity. However, both concepts are closely linked with each other and should be considered together in the analysis of international migration. Amassari and Black (2001: 19) report that “almost all studies concerned with social capital have almost exclusively dealt with the extent of participation in networks”. Portes and Mooney (2000: 8) also indicate this close relationship between social capital and network: “the sources of social capital were clearly associated with a person’s networks, including those that he or she explicitly constructed for that purpose”.

Transnational networks increase the scale and scope of social capital, because these networks reduce transaction costs and create new business patterns. Social capital and networks are mutually reinforcing concepts, and important determinants of cross-border business relations. If success spreads through networks, it activates more cooperation and presents models for other people who are not involved in these kinds of relations over the long run. Globalization requires that entrepreneurs have social capital networks because increased economic transactions and fast diffusion of information necessitate trustworthy entrepreneurs.

In summary, as Massey et al. (1998) argue that people gain access to social capital with the membership in networks and other social institutions and, then, they use these relations to convert social capital into physical or money capital to improve their situation in their society.

4.5 International Migration and Entrepreneurship

Economists have been interested in international migration widely because it has an important impact on receiving and sending countries. Their interest was limited, however, with the impact of immigrant workers on the labor market of both the receiving and sending countries, as well as the impact of remittances on the sending countries. However, this picture has been changing recently, because many economists nowadays investigate the role and the extent of entrepreneurship among immigrant workers. These researches take two directions, the first is the ‘immigrant entrepreneurship’ or ‘ethnic entrepreneurship’. The second is the ‘transnational entrepreneurship’ or the ‘transstate entrepreneurship’.

Some economists argue that it is naïve to expect some migrant workers become entrepreneurs (van Doorn, 2001). However, empirical studies have shown that contemporary entrepreneurs were once engaged as either employees or employers in the field of their current enterprises (Hamilton and Harper, 1994; McQuaid, 1996). Furthermore, this was so even in the past, the employing classes in the cotton industry were mostly recruited from the wage earning classes in Europe (Hamilton and Harper, 1994).

Naturally, nobody expects that majority of return migrants become entrepreneurs upon returning to their home country, but the chances of some return migrants becoming entrepreneurs are higher than for the other returnees and the local

individuals. This is because they have networks, skills, and financial capital at their disposal.

4.5.1 Immigrant Entrepreneurship

Although it is possible that people move from one country to another for business purposes, most emigrants originally immigrate to another country for a well-paid job, in other words, the prime purpose of the international movement is employment. However, some of immigrants are not employees. When opportunity existed or was created, they prefer to be self-employed, or become an entrepreneur. Labor market disadvantages, the restructuring of the economy in advanced countries, the rise of service sector, opportunity structure, group resources, and embeddedness are considered the prime factors for ‘immigrant’ or ‘ethnic’ entrepreneurship (Koray, 1999; Min and Bozorgmehr, 2000). The concept of ethnic entrepreneurship can be defined as “the economic activities of self-employed members of ethnic minority groups” (Pecoud, 2000: 1)⁷.

The classical view of capitalism considers money and physical capital for entrepreneurship, but in the modern era, though still important, these are not enough for founding successful business. Contemporary view of entrepreneurship stresses the importance of social and cultural capital as well as human capital. These are especially important in the case of immigrant entrepreneurship.

When people from the same country immigrated to the same destination heavily, the common longing for the goods and services can be satisfied profitably by alert entrepreneurs. The examples of such activities are observed in many countries; Turkish immigrants in Europe, Mexicans, Koreans, and Chinese in the US, Chinese in Canada, Algerians and Moroccans in France, Indians and Pakistanis in England. The kinds of businesses concentrate firstly on selling foodstuff that is popular at the country of origin in small groceries. Furthermore, the basic services, such as restaurants, travel agencies, and craftsmen (i.e., hairdresser) are also provided. These businesses target ethnic enclaves as customers at first, but as time goes by general public is also targeted. Similarly, these entrepreneurs usually employ their citizens because it is advantageous costwise or trustwise to employ them. Solidarity and reciprocity are the most important reasons for this type of behavior. Additionally, employing someone who is illegal may reduce the labor cost of enterprise. From the point of view of an employee, working for such an employer means the chance to learn the trade. In other words, even if the employee is not an illegal one, s/he may accept low wage as long as the job is considered as some kind of ‘training’.

4.5.2 The Turkish Immigrant Entrepreneurs in Europe

Turkish emigrants started to engage themselves in entrepreneurial activities as of the early years of emigration. The first business activities were providing *halal* foodstuff (religiously permissible), especially meat (Abadan-Unat, 2002). The number of self-employed Turkish emigrants increased sharply when the number of Turks

⁷ The definition of ethnic entrepreneurship contains several drawbacks. For details see Pecoud (2000).

reached considerable numbers in Europe. The oil crisis reduced the need for foreign workers, hence many of these workers were faced with unemployment in Europe. This factor also pushed unemployed as well as some employed workers towards immigrant entrepreneurship. Additionally, the restructuring of the economies in advanced countries opened new opportunities for Turkish workers, especially in the textile sector (Faist, 2000; Koray, 1999).

The number of Turkish immigrant entrepreneurs has increased dramatically all over Europe, but especially in Germany. As the duration of stay of emigrants increased, the number of Turks who are willing to return decreased. Those who chose to stay increasingly invested in real estate and business in Germany rather than in Turkey (Kızılocak, 1996). It is estimated that the number of self-employed Turks in Germany increased from 10,000 in 1983 to 35,000 in 1992 (Faist, 2000: 215) and 51,000 in 1998 by providing jobs to 265,000 people (Pecoud, 2001: 3). The number of total Turkish entrepreneurs in Europe reached 73,200 in 1999 and these firms employ 366,000 workers (Abadan-Unat, 2002).

Table 4.1: Turkish Entrepreneurs in Europe

	1995	1996	1997	1998	1999
Number	54,300	56,500	62,100	67,400	73,200
Average investment per firm (DM) (000)	189,7	194,7	190,0	205,0	210,0
Total Investment (Billion DM)	10,3	11,0	11,8	13,8	15,4
The average number of workers per firm	3.9	4.1	4.1	4.8	5.0
Total employment (000)	212	232	254	323	366

Source: Abadan-Unat (2002: 321)

Table 4.1 is self-evident in showing that Turkish entrepreneurs reached considerable numbers in Europe. These firms are usually small and organized as family firms; however, economic contribution of these firms cannot be denied when the amount of total investment made by these firms is considered. Table 4.2 shows the average size of the firms in 1997.

Table 4.2: The average size of firms in terms of employment (1997)

Firm size	Number	Percentage (%)
1-2 workers	19,200	41.0
3-9 workers	23,265	49.5
More than 10	4,465	9.5
Total	47,000	100.0

Source: Şen, Ulusoy, and Öz (1999)

These examples show that immigrant entrepreneurship is now an important reality of life. These activities are mainly helpful for the economies of the labor-receiving countries in terms of investment, income, and employment created. Although there are some indirect positive impacts of these activities also to the countries of origin, the main developmental effects of migration come about from the activities of the transnational entrepreneurs, which we will discuss in the next section.

4.5.3 Schumpeter and Transnational Entrepreneurship

As mentioned above, according to Schumpeter, the functions of entrepreneurs include the following: a) the introduction of a new good, or a new quality of good, b) the introduction of new method of production, c) the opening of a new market, d) the

conquest of a new source of supply of raw materials, and finally e) the reorganization or restructuring of any industry (Schumpeter, 1989). A close inspection of the functions that Schumpeter's entrepreneurs undertake has shown us that only two of them are related to production, the remaining three functions are related to other activities. Among these, the opening of a new market and the conquest of a new source of supply of raw materials can easily be related to the activities of the return migrants in their home countries, since their entrepreneurial activities are far from the first two functions of entrepreneurs in most cases.

Casson (1998) and Gorter (2000) stress these two roles of entrepreneurs described by Schumpeter. These authors claim that many economic activities such as creating new markets and exporting to new markets may be initiated by transnational entrepreneurs. These activities may also be undertaken by local entrepreneurs but important problems would arise in that case. There are obstacles to trade when a local entrepreneur acts as a mediator between two countries. The most important of such obstacles are the problem of meeting the right people, the lack of capital that is required for setting up business, determining the price of the product, and the enforcement of the contracts. These problems are effectively solved by the entrepreneurial networks in service of the transnational entrepreneurs.

Schumpeter (1989) argued that an entrepreneur does not need to have necessary capital for setting up business. The capital can be raised by capitalists or banks (and bankers) that look for better investment opportunities in pursuit of their own interest.

Therefore the financial risk takers are those who invest in business. However, there is a severe problem in developing countries concerning this issue; these countries usually suffer from lack of credit institutions. Entrepreneurs who plan to establish their own small and medium sized enterprises confront with enormous difficulties in financing themselves. Therefore, international migration may be a solution to this problem, potential entrepreneurs can accumulate enough savings abroad in order to establish their own businesses. The transnational entrepreneurs thereby take the whole risk because they, at the same time, raise the necessary capital for their businesses.

4.6 Transnational Entrepreneurs in Developing Countries

Economists have lately concentrated on the transnational entrepreneurship and entrepreneurs because their activities have increased sharply all over the world. There are important potentials for this type of business and transnational entrepreneurs are advantageous over the others. As a result, activities of these entrepreneurs contribute significantly to the economies of the countries involved. Transnational entrepreneurship is a fact one can easily encounter in many developing countries. China, Dominican Republic, Egypt, El Salvador, Greece, India, Indonesia, Mexico, Morocco, Portugal, and Turkey are only some examples of these countries. Some countries among these examples are relatively more successful than others because of certain conditions. These conditions include enabling environment, government support and suitable programs and opportunities that exist in these countries. Besides these factors, individual characteristics of migrants are also very important,

entrepreneurial aptitudes of emigrant workers are not only important for them but also for other potential transnational entrepreneurs and locals:

...if it is asserted that some common immigrants are becoming transnational entrepreneurs using 'nothing but their social capital in step with the new era of transnationalism', then it seems to chasten other non-entrepreneurial immigrant and native workers alike. (Kyle, 1999: 443)

Therefore, the characteristics of transnational entrepreneurs combined with the changes in the world economy, such as economic restructuring and globalization, and the advancement of communication and transportation technology have provided new opportunities both to developing countries and emigrants themselves. A crucial factor is that the chances of a migrant worker would be higher as a transnational entrepreneur if s/he has returned from a high-wage industrial country. Returning from this kind of country increases their chances, because the amount of their accumulated savings would be high, establishing a firm with their skill and technology is easy, and the chances of marketing their products are higher in those countries, and the enforcement of contracts is strong. An empirical study about Egypt asserts that the number of transnational entrepreneurs returning from industrial countries is higher than those coming from other countries (McCormick and Wahba, 2001).

Latin American countries are the most cited countries where return migrants and transnational entrepreneurs are pervasive. Mexico, Dominican Republic, Ecuador, and El Salvador are the countries that are most frequently studied (Guarnizo, 2001; Hamilton, and Chinchilla, 1996; Kyle, 1999; Portes, Haller, and Guarnizo, 2001;

Martin, 1992; Portes, 1998; Taylor, 2001; Thomas-Hope, 1999; Woodruff and Zenteno, 2001; Portes and Guarnizo, 1990).

The activities of transnational entrepreneurs are also common in some Asian and South Asian countries, such as India, Pakistan, Bangladesh, Indonesia, China, Hong Kong and Taiwan (Iradale and Guo, 2002; Ballard, 2001; Murphy, 2000; Ndoen et al., 2000); Tseng, 2000; Gorter, 2000; Yu, 1998a; Yu, 1998b). The transnational entrepreneurs from these countries usually engage in business activities with the US, Canada and England because emigrant workers went to these countries in the first place.

Finally, there are also studies on the activities of transnational entrepreneurs in Europe and Africa. The transnational entrepreneurs of these countries concentrated on Western Europe because they mainly emigrated to Western European countries after the Second World War and naturally their connections are in these countries. Greece has been especially successful in the reintegration of return migrants and fruitfully benefited from the activities of transnational entrepreneurs (de Castro, 1994; Glytsos, 2002; Kalantaridis, 1997; Kalantaridis, 1996). Egypt, Morocco and West Africa are the countries where transnational entrepreneurs engage in business activities (Amassari, 2001; McCormick and Wahba, 2000; Pellerin, 1997; Pires, 1992).

As already mentioned above, there have not been specific studies about the activities of transnational entrepreneurs in Turkey. Gitmez (1983) and Abadan-Unat

(1976) were interested in the subject but their studies did not concentrate on the activities of the entrepreneurs. Therefore, the extent of the activities of transnational entrepreneurs in Turkey has not been specified yet.

4.6.1 Latin American Countries

Latin American countries have had a long history of migration relations with the US. Mexico is the major Latin American country that sent workers from the late 19th century to the present, thus it is expected that this country would be most affected from the positive and negative effects of international migration. Migration to the US not only affected Mexico but also affected significantly the southwestern US (Hamilton and Chinchilla, 1996). In these regions of the US, the cities have large populations of Mexican citizens. On the one side, since the dimension of the emigration from Mexico was large, it is expected that return migration to this country would also be large and impacts would be more visible than in other countries. On the other side, other Latin American countries are relatively smaller and these countries may thus be affected more from emigration and return migration.

According to Rothstein (1992), the effects of return migration and return migrants on the countries of origin have been underscored all over the world in general, and Latin America in particular. To him, this is reasoned by the theoretical underpinnings of both the modernization theory and the Dependency School⁸. While modernization theory considers internal factors as the obstacles for the return migrants,

Dependency School blames external power groups. Nevertheless, return migration had important impacts on the Mexican economy, especially at the local level. One of the most important effects of return migration in Mexico is the effect on small-scale production in rural areas and thus the transforming role of these regions (Rothstein, 1992).

The activities of transnational entrepreneurs in Latin American countries have been widely investigated by Portes and his collaborators (Portes, 1998; Portes, 1995; Portes and Guarnizo, 1990). Portes mainly concentrated on the effects of social capital on the formation of transnational entrepreneurship, for him it is the single most important factor influencing this type of entrepreneurship⁹. Transnational entrepreneurship, for him, is a promising road to take for developing countries, especially for the Latin American countries, and may help their economic development.

Portes (1998) gives a special example from the Dominican Republic, this example alone is an indication for the contribution of transnational entrepreneurs for this country.

There exists today in the Dominican Republic literally hundreds of small and medium enterprises that are founded and operated by former immigrants to the United States. They include small factories, commercial establishments of different types, and financial agencies. What makes these enterprises transnational is not only they are created

⁸ See David Harrison (1988) for details of modernization and dependency theories.

⁹ He is well aware of the difficulties and limits of the subject (Portes, 1999). However, he explores and considers the activities of transnational entrepreneurs as an important factor for the development of Latin American countries.

by former immigrants but that they depend for their existence on continuing ties to the United States. (Portes, 1998: 9)

Clearly, these transnational entrepreneurs and their firms have an important effect on the economic development of the Dominican Republic. However, he remarks that the Dominican government officials have not been aware of these developments and that they have remained indifferent to them.

Existing literature and evidences prove that return migration have had positive impacts on the development of Latin American countries. This trend is likely to increase in the future, as Portes asserts (1998).

4.6.2 Asian Countries

China and India are the most populated countries of the world, and these countries naturally exported quite important numbers of emigrants all over the world. Some of these emigrants return to their countries and eventually many of these returnees get engaged in entrepreneurial activities. Therefore, India and China are the Asian countries that are mostly cited for the productive activities of their return migrants. Indian migrants have ties with UK, USA, and Canada. Chinese return migrants similarly have strong ties with USA and Canada.

Recently, Indian governments have given a special importance to return migrants as well as those Indians who live abroad. In this perspective, a government program was prepared and incentives were proposed for return migrants and for those who live abroad. It is declared that there were 957 non-resident Indian (NRI)¹⁰ ventures operating in India in 1989 (Lessinger, 1992). The number of enterprises that is set up by return migrants is not known, but it is expected that the number is quite high. Especially, the software industry is very important in India and this sector is largely constructed and controlled by the highly skilled return migrants from the US (Saxenian, 2002).

With the admission of capitalist relations into China, Chinese local governments also expect significant contribution from the return migration and transnational entrepreneurs. The local governments encourage return migration and try to incorporate them in development plans, such as the construction of rural industries (Murphy, 2000). These efforts made the return migrants an important agent of economic, social and cultural change throughout the rural China.

Similarly, Chinese government purposefully encourages highly skilled Chinese students from the other developed countries to take part in such plans. It is estimated that there were 100,000 highly skilled returnees to China between 1978 and 1998 (Iradale and Guo, 2002: 10). The impact of these returnees has been quite important for the economic development of China, especially for acquiring technology.

¹⁰ NRIs are enterprises similar to the Turkish Workers' Corporations (TWC). NRI investments can either be made by return migrants or it can be a partnership with an entrepreneur in India (Lessinger, 1992).

It is argued that there have been similar positive impacts of the return migrants on the other countries of Asia. Iradale and Guo (2002) assert that there have been important impacts of return migrants on the Taiwanese economy, and these effects were observed in both regional and national economic development of the country. Indonesia, Bangladesh, and Pakistan have also fruitfully benefited from the activities of transnational entrepreneurs (Ballard, 2001; Gorter, 2000; Nabi, 1988; Ndoen et al., 2000).

4.6.3 African and the Southern European Countries

A common feature of African and the Southern European countries' return migration is that returnees of these countries worked in the industrialized European countries for a long time. Therefore, it is expected that some returnees acquired skills, and formed networks in these countries. This expectation was realized especially after the 1980s and the process was accelerated by the 1990s. There are three factors for this development; firstly, rural regions in these countries experienced rapid growth and structural transformations. Secondly, the industrialized countries started to restructure their industries about the same period. Finally, the increased industrialization of production on a world scale took place with these developments (Kalantaridis, 1997). Consequently, returnees of these developing countries meant for them potential entrepreneurs if favorable conditions obtained.

Morocco and Egypt took advantage of the entrepreneurial activities of return migrants. However, there is an important difference between these two countries, most of Moroccan returnees came from the industrialized European countries while most of Egyptian returnees were from the Gulf countries. Wahba and McCormick (1999) argue that returning from industrial countries is an important determinant of entrepreneurship in Egypt and these types of returnees had an important contribution for the economic development of the country. Morocco's return migrants from France have contributed to the textile and automobile industries considerably. Pellerin (1997) notes that Morocco became the second trade partner of France with the effort of transnational entrepreneurs. She also remarks the role of industrial restructuring in France in this process.

Portugal is one of the Southern European countries that exported workers to the industrialized European countries but this country could not take advantage of its return migrants as entrepreneurs. Castro (1994) argues that a country can benefit from immigrant workers if these workers engage in entrepreneurial activities by themselves. Furthermore, he proposes that Portuguese governments should take measures encouraging transnational entrepreneurship.

It seems that transnational entrepreneurs of Greece have been the most successful among the others returning home. The studies show that the contribution of these transnational entrepreneurs to regional development in Greece is quite significant (Glytsos, 2002; Kalantaridis, 1996; Kalantaridis, 1997). The reason for this relative

success of transnational entrepreneurs can be related to the enabling environment of Greece for transnational entrepreneurs. First of all, Greece's economic performance was better than that of any other country involved in emigration. Secondly, as a member of European Community, the legal framework is well defined. Kalantaridis (1997) reports that the Polikastro-Peonia region in Greece developed an important garment industry and that the transstate entrepreneurs returning from Germany played an important role in this process with thorough relations. The transstate entrepreneurs were mostly engaged in garment industry and they provided important assistance to the local entrepreneurs in their communication with foreign partners and markets. In addition to the firms they established, they created an important bridge between Greece and Germany.

4.6.4 Assessments

The experiences of labor-exporting countries have shown that transnational entrepreneurs may become important actors for their economic development and their assistance to economic development may especially be noteworthy at the regional level. In this process, the restructuring and cost reducing efforts of the industrialized countries and internationalization of production have played an important role in the increased activities of small global players. The activities of transnational entrepreneurs have proven that transnational entrepreneurs can be vehicles for economic growth in developing countries. However, one should be cautious that this process could only be thought as an additional factor to the economic development of a country. The

transnational entrepreneurs can by no means be the creators of economic development alone, but they can certainly be an important complementary factor to economic development as examples given in the preceding section indicate.

As discussed in this and the previous chapters, the existing studies on return migration are quite pessimistic about the role of return migrants to economic development in Turkey. Thomas (1982), for example, claims that the investment choice of return migrants was not suitable for the Turkish economy. Gitmez is even more pessimistic:

The enterprises created by return migrants should not be considered as viable investments. They are clearly very small outlets and, in this respect, quite marginal in their contribution to economic development. Such outlets consists usually of no more than a track or commercial vehicle, a small shop or a repair workshop, to such an extent that they are unlikely to survive in more competitive urban settings and therefore find a more suitable environment in rural areas, namely small towns and villages: 25 percent of commercial, 24 percent of non-agricultural production and 50 percent of commercial vehicle investments have been made by those who live in villages....They are not likely to survive long either, owing to limited initial capital and sensitivity to market fluctuations. Besides, since they operate in villages, they are scattered and unimportant in their contribution to development in the countryside. (Gitmez, 1988: 227)

Üner (1988) is also pessimistic about the possible consequences of return migration for the Turkish economy. He cites several negative examples of return migration and emphasizes the lack of government policies in the process:

All this, combined with the knowledge that an official policy to reintegrate returnees in the Turkish economy has never been made, does not suggest that returned migrants can be looked at, or are regarded, as a positive strategic factor of some importance in the development of Turkey. (Üner, 1988: 95)

These arguments and claims prove that both time and conditions were not suitable for the activities of transnational entrepreneurs to be realized in a productive and effective way. However, conditions have now changed, and the return migration may now be an important source of regional development for Turkey as well. Similarly, Keyder (1996), for example, claims that the conditions of the planning period have changed and therefore return migration should be evaluated differently from the earlier literature. The old paradigm of return migration cannot explain the current possible effects of return migration in the changing world. Therefore, he argues that the need for new approaches is urgently needed in order to understand the nature and the impacts of return migration on Turkey. In the subsequent chapters we discuss and show that the transnational entrepreneurs may now be really important for the Turkish economy as a whole and for Çorum's economy in particular.

4.7 Conclusions

It is widely accepted that entrepreneurship is the most important factor in the economic development process. Although neoclassical economics does not assign any role to entrepreneur due to its inner logic, some economists in this school try to incorporate entrepreneur into their model. An economic model that does not give any

role to entrepreneurs cannot possibly reflect the real life. Schumpeter is the leading economist who incorporates in economic model explicitly for the first time. According to him there would be no development without entrepreneurs. Hence, increasing the supply of entrepreneurs is vital for a developing economy.

Transnational entrepreneurs are, therefore, important actors for developing countries. Although they are different from the entrepreneur described by Schumpeter, they can still play important role for economic development of countries involved. These entrepreneurs can connect sending and receiving countries effectively with their social capital and network. Their role becomes increasingly important because restructuring of the economic activities of the developed countries provide new opportunities for this type of entrepreneurship. This kind of entrepreneurs is nowadays observed in all labor exporting countries. Recently, this type of entrepreneurs also appeared in Turkey. Considering the number of Turkish citizens abroad, one can reckon that the number of transnational entrepreneurs will likely be increasing in the near future.

CHAPTER 5

THE CASE: ÇORUM

5.1 Introduction

The Turkish economy has experienced significant changes for the last two decades. The economic structure of the country is very different from that of the early 1980s. There have been major changes in the macroeconomic policies, and the discourse of development shifted purposefully starting with the 1980s by policymakers (Yeldan, 2001). The import-substitution policies were abandoned and export-led growth policies were adopted. Afterwards almost all governments declared that they would follow policies that are more liberal. Naturally, these changes had important effects on social, cultural as well as economic structure of the country. One reflection of these changes was the change in the economic geography of the country. During these years, several cities have shown important economic developments, such as Gaziantep, Kayseri, and Denizli, and these cities are called as the ‘Anatolian tigers’. Çorum is also one of the fast developing cities and the city has also been labeled as an ‘Anatolian tiger’ recently. The scale and stability of economic growth in Çorum over two decades have barely been an historical issue. There are, of course, many reasons

for the fast economic development in the city, but the most cited factor by the researchers is entrepreneurship (Badur, 1997; Eraydın, 1998; Tuğlu, 1998).

The changes in economic policies that Turkey has been experiencing during these decades were not independent from the world economy. England and USA were the leading countries that implemented these policies first¹. Although these policies were fundamentally different from the past, the most important change was the popularity of flexible production. The space of production considerably shifted from the old industrial areas to new areas in order to reduce production costs via lowering labor costs. Consequently, regional or local economies have gained importance, so have regional and local economic studies (Özcan, 1995). Some of these studies concentrated upon the activities of transnational entrepreneurs and their roles in the restructuring process (Eraydın, 1994; Henderson and Castells, 1987).

This Chapter reviews and analyzes the economy of Çorum and its development dynamics in detail. Consequently, one can understand why transnational entrepreneurs have chosen the city for investment for reasons other than being from Çorum.

¹ M. Thatcher was the Prime Minister of England and R. Reagan was the president of USA in the early 1980s. The policies, therefore, sometimes are called Thatcherism or Reaganomics.

5.2 History and Population

Çorum is in the Black Sea region neighboring the provinces of Amasya, Samsun, Sinop, Kastamonu, Çankırı, Kırıkkale and Yozgat. The city connects the Black Sea region and the East Anatolia with the capital, Ankara. The area of the city is 12,820 km², and with this area, the city covers approximately 1.6 percent of the country. It has 13 districts, these are Alaca, Bayat, Boğazkale, Dodurga, İskilip, Kargı, Laçın, Mecitözü, Oğuzlar, Ortaköy, Osmancık, Sungurlu, and Uludağ; among these, townships of Sungurlu, Alaca and İskilip seem to be important in terms of their economy and population. The population of the city is approximately 600,000 and estimations indicate that the increase of population is almost stable in the recent years.



Figure 5.1: The Map of Turkey

There is out-migration from the region to the big cities, especially to Ankara, the capital. Table 5.1 shows the population of Çorum and Turkey and the share of Çorum in total. These figures indicate that there was still out migration from Çorum to the other cities of Turkey between 1990 and 1997. However, the population census of 2000 indicates that this process has almost stopped, because the population share of the city seems to be stabilized in the total. This stabilization can be attributed to the economic success of the city, the main reason for international migration from Çorum to other cities has been to find job. While employment opportunities increased in Çorum, there are important unemployment problems in the metropolitan areas in Turkey. If the economic growth continues in the future, we expect that Çorum may attract people from the other cities.

Table 5.1: Population of Turkey and Çorum for selected years

Years	Turkey (000)	Çorum (000)	The share of Çorum (%)
1960	27,755	446,4	1.63
1965	31,391	485,6	1.55
1970	35,605	518,4	1.45
1975	40,348	547,6	1.36
1980	44,737	571,9	1.28
1985	50,664	599,2	1.18
1990	56,473	609,9	1.07
1997	62,610	575,8	0.92
2000	67,461	598,0	0.89

Source: SIS (2003)

The population of the city increased 5.6 percent between 1970-75, 4.3 percent between 1975-80, 4.9 percent between 1980-85, and 1.6 percent between 1985-90. The population, however, decreased by 1.14 percent between 1990 and 1997. The share of urban population is larger than rural population in 1997 for the first time (Üzelgün, 1998).

There are two main confessional beliefs of Islam in Turkey, these are reflected in Sunnite and Alawite groupings. This division is very important in Çorum. Although the official statistics do not provide any information on this issue, it is generally accepted that the ratio of Alawite population is quite important in the city. This division may sometimes affect political decision as well as economic behavior of agents, since religion is one form of social capital especially in small and medium sized cities.²

Industrialization and mechanization of agriculture increased internal migration in Turkey in the early 1950s. There was also out-migration from Çorum to big cities, İstanbul and Ankara. In the 1960s, the movement was directed toward abroad. A close inspection of the data about workers sent by official channels shows that most of the workers who were willing to go abroad were originally from the middle Anatolia and the western part of the country. The workers sent by official channels from Çorum in 1972 reached 8,041 and workers who were in the waiting list was 12,232 in 1974 (Gitmez, 1983: 142). The number of workers sent by official channels consisted of 1

²People may take part in partnership or cooperatives due to religious belief, or employers may also want to employ workers who belong to the same confessional division with themselves. We discuss this fact in Chapter Seven for the transnational firms.

percent of the total which is 797,837³. The number of emigrant workers from Çorum is comparable to the other cities in the middle Anatolia, such as Yozgat and Kırşehir.

Çorum is also important as being one of the earliest residing places in Anatolia. The capital of the Hittites, Hattusas, is in Çorum. Because of the historical heritage, the city has many touristic places. The city could not take advantage of this touristic potential for a long time because the advertisement of the city was not effective. Although there are some improvements, the effort is still not enough considering the tourism potential of the city.

5.3 Economy

The economy of Çorum has historically depended upon agriculture and commerce, and the share of industrial sector was negligible. The accumulation of capital in the city depended, therefore, on the agricultural sector. Naturally, Çorum did not experience high economic growth until the 1980s; it has been historically an agricultural region. Although there have been important industrial activities in the city, the share of agriculture is still high, almost 70 percent. The share of industry is 10 percent, and the rest consists of services (Tuğlu, 1998). Table 5.2 and 5.3 show GDP shares and employment shares of the sectors in the city respectively. These shares indicate that the economy is dominated by agricultural activities. However, if the

³ The number of workers sent by official channels from big cities, İstanbul, Ankara, and İzmir, 268,472, made up 33.6 per cent of the total (Gitmez, 1983: 142).

recent economic activities continue and higher growth rates are maintained, it is likely that this picture will change in a few years.

Table 5.2: The Share of Sectors (1996)

Sectors	Turkey	Çorum
1. Agriculture	14.6	21.8
a. Farming and stockbreeding	13.6	21.1
b. Forestry	0.8	0.7
c. Fishery	0.3	0
2. Industry	28.4	10.9
a. Mining	1.5	0.4
b. Manufacturing	23.8	9.9
c. Electricity, gas and water	3.1	0.6
3. Building	5.9	7.5
4. Commerce	21.4	32.4
a. Wholesale and retail com.	18.2	31.4
b. Hotel and restaurant service	3.2	1.1
5. Transportation and Telecommunication	12.8	13.8
6. Financial Institutions	2.4	1.3
7. Real estate	5.1	6.3
8. Self-employment and Services	2.3	1.3
9. Banking Services	2.0	0.9
10. Sectors total (1-9)	90.9	94.5
11. Government services	4.3	4.3
12. NGOs	0.4	0.1
13. Total (10+11+12)	95.6	98.9
14. Customs Duty	4.4	1.1
15. GDP (13+14)	100.0	100.0

Source: SIS (1998)

Economic growth rates of Çorum after the 1980s were relatively higher than those of its counterparts in Turkey, and especially its neighbors. Table 5.4 shows the growth rate of GDP of Çorum, its neighbors, and Turkey between 1980 and 2000. Although growth rates slowed down after 1995 and are not comparable with the previous years, these are also considerably high. Clearly, the most important part of the growth was generated during the period 1980 and 1987. These years were the transformation period of the Çorum economy.

Table 5.3: The Employment Share of Sectors in Turkey and Çorum

Sectors	Turkey	Çorum
Agriculture	53.7	75.3
Industry	17.8	9.3
Services	28.5	15.4
Total	100	100

Source: SIS

After 1997, the growth rates decreased further and in 1999 growth was negative. According to Bayrak and Akdiş (2003), the decrease in the growth rates can be explained by the crises of the South East Asian countries and Russia, in 1997 and 1998 respectively. Especially Russian crisis affected Çorum profoundly because both Russia and the other Turkic countries cancelled almost all of their imports from Çorum. Another explanation is the change of government policies, while Çorum and Yozgat have been at the same category, Yozgat obtained a priority privilege in 1998. The

increase in the rates of growth of this city can be explained by this change at least to some degree⁴.

Table 5.4: The Rate of GDP Growth (1980-2000)

YEARS	ÇORUM	ÇANKIRI	AMASYA	YOZGAT	TURKEY
1980-1987	85.72	6.72	25.98	39.08	52.23
1987-1995	20.97	7.00	12.55	9.54	11.7
1980-1995	124.67	14.20	41.79	52.36	71.16
1996	7.8	0.5	2.2	6.8	7.0
1997	6.7	1.3	15.4	-8.8	7.5
1998	4.9	11.0	8.9	10.2	3.1
1999	-6.7	-6.5	-4.0	0.4	-4.7
2000	10.1	9.8	3.8	14.8	7.4

Source: 1996-2000 SIS (2002) and the rest of years Eraydın (1998)

These figures are favorably high and thus reflect the growth potential of the city in the medium and long term. However, the per-capita income level of the city is still very low and under the average of Turkey. In 1997, per capita income in Çorum was \$2,366 while that of Turkey was \$3,021 (SIS, 1998). The economic growth of the city indicates that this gap can be closed in the medium term.

⁴ In our interviews, some of government officials complained of this policy change because some entrepreneurs moved from Çorum to Yozgat to take advantage of the government support.

5.3.1 Exports and Imports

Historically, the levels of exports and imports of Çorum are very low due to transportation difficulties and economic structure of the city. Since Çorum has been an agricultural region, the main export products of the city consisted of agricultural products. However, parallel to the economic development of the city the picture has changed since the mid-1980s. The city started to export some industrial products such as textile and machine parts and the share of these products is gradually increasing. Furthermore, some firms assemble grain factories both in Turkey and in other countries. Although the city exports to many countries in the world, the main countries are the European countries and the Turkic Republics. The crises in the South East Asia and Russia affected export performance of the city negatively; both demand and competitiveness created difficulties.

Table 5.5: Exports and Imports of Çorum for various years (000 \$)

Years	Exports	Imports
1992	4,168	2,500
1993	4,567	2,800
1994	10,777	4,400
1995	8,104	-
1996	16,864	-
1997	20,571	6,500
1998	24,658	-
1999	19,266	5,500
2000*	12,719	4,500

Source: Üzelgün (1998), ÇSTO (1997), OAİB (2001)

*November, 2000 value.

Table 5.5 reflects the amount of exports that are made by way of the Çorum custom office. It seems that these numbers do not represent the actual exports of the city, because many entrepreneurs, especially transnational entrepreneurs, use other cities for different reasons. The most important factor is the cost of transportation. They prefer to transport their products to the closest customs depending on the destination country. Although understated, the official figures nevertheless indicate some important improvements. Our observation and estimates of local officials and entrepreneurs indicate that the actual exports of the city are around \$80 million in recent years .

The firms in Çorum mainly import machines and industrial products from various countries. The imported products are machines for various sectors of manufacturing, glass tubes and balls, surgical needles, polystyrene plastic, and fabric for textile sector. These imports come from the European countries. The amount of imports of the city is relatively low. However, we should again note that these official numbers do not reflect the actual amounts.

5.3.2 The Development of Industrial Sector

Parallel to the general trends of the Turkish economy in the early 1900s, there was almost no manufacturing activity in the city. In addition, Çorum could not have any share from the early industrial attempts of 1930s. Therefore, the only factories were a few flourmills in the city in the 1930s; the industrial sector did not exist in the

city until 1950s (Badur, 1997). With the 1950s, the city showed some improvements because the highway that connects Çorum with Ankara had been completed in 1948. In 1957, the state-owned cement factory was founded and later a sugar factory was established by the state. These state-owned factories encouraged local people remarkably, and in the 1970s, there were large amounts of investment by private agents in other areas, such as brick and tile industry. Currently, this industry has a capacity to produce 25 to 30 percent of the needs of the country. Until the 1980s, this was the leading sector in the city and it was alone in creating industrial employment. The city started to have some industrial enterprises at the end of the 1950s. The actual turning point of the industrial sector was, however, 1980; after this date high rates of economic growth were witnessed in the city. Hence, the city has recently become known as one of the ‘Anatolian tigers’.

The share of industrial production of Çorum in Turkey increased regularly during the period of 1975-1998. Table 5.6 shows the share of industrial production of Çorum in Turkey. The share of this sector was 0.11 percent in 1975, 0.12 percent in 1980, 0.14 percent in 1987, 0.2 percent in 1995 and 0.3 percent in 1998. Additionally, the share of industrial employment increased from 0.16 percent in 1975 to 0.46 percent in 1997 (DPT, 2000; Büyükkılıç, Arpacıoğlu, and Artar, 1990). One can reasonably conclude that the region has been transformed from a completely agricultural structure to a semi-industrialized one.

Table 5.6: The Share of Industrial Production of Çorum in Turkey

Years	Share (%)
1975	0.11
1980	0.12
1987	0.14
1995	0.2
1998	0.3

Source: DPT (2000)

Industrial production of the city has been diversified recently. These products include textile, shoe, printer types, zipper, injector, medicine ampoules, radiators, and plastic products. Some of these products are exported successfully all over the world. The production of these goods may provide new opportunities for Çorum in the future, because the traditional sector, non-metallic mineral products, cannot be a tool for sustainable development for the Çorum economy. The export possibilities of these products are limited, and therefore it is necessary to produce products that are marketable in the domestic and international markets in the contemporary world. Moreover, producing different kind of goods is crucial because specialization in only one product may cause problems including demand problems.

There are different views on specialization in only a few products or a great variety of products. Pınarcıoğlu (2000) for example argues that regions that are not specialized on a few products cannot be successful, and sustainable development is not possible in such regions in the long run. The success stories of ‘industrial districts’ in

Italy and the other developed and developing countries seem to support this view. Sectoral specialization is the key element of industrial districts (Eraydın, 1998). This kind of specialization may however sometimes lead to important problems for industrial districts as in the case of Baden-Wurttemberg in Germany (Staber, 1997). This region was an important industrial base in Germany but with the economic restructuring policies and demand problems the region was ruined economically. Similarly, according to Piore and Sabel (1984) one of the important characteristics of industrial districts is to produce diversified products. They observed this characteristic of industrial districts in Italy and they claim that “most obvious characteristics was the districts’ relation to market. The district produced a wide range of products for the highly differentiated regional markets at home and abroad” (ibid.,: 29). It suggests that regions that are specialized in more diversified products can be more successful in the long run.

Several researchers have also argued in favor of the importance of diversified product structure as well as diversified marketing strategies in successful cities. Cities that cannot achieve this diversification would experience important difficulties in the future. Some of the industrial districts in the third Italy⁵ have also been experiencing this problem (Bellandi, 2001; Kuniko and Hill, 1998; Parker, 2000; Whitford, 2001).

⁵ The concept of the Third Italy started to be used in the late 1970s. At that time, it became apparent that while little economic development was in sight in the poor South (Second Italy), the traditionally rich Northwest (First Italy) was facing a deep crisis. In contrast, the Northeast and central Italy showed fast growth that attracted the attention of social scientists. In a number of sectors where small firms predominated, groups of firms clustered together in certain regions seemed to be able to grow rapidly, develop niches in export markets and offer new employment opportunities. See Piore and Sabel (1984) for additional information.

Cohen (1987) maintains the view that regions that are specialized in only a few products and articulated with the world economy in this structure would inevitably fail. According to him, regions that concentrate on more sectors rather than a few branches have more diverse and extensive links with the world economy and therefore they have sustainable development. Similarly, Salih and Young (1987) argue that the crisis in the semiconductor industry affected the economy of Malaysia deeply. They support the view of Cohen (1987) that specialization only in a few branches affects countries or regions inversely, especially in the case of deep economic crisis.

Similarly, cities that concentrate upon only one or two products are inevitably affected by volatility in demand for those products or general crises. For example, K.Maraş was extremely affected from the financial crises in Russia and the Southeast Asia at the end of 1990s because this city based its industrial development only on the textile sector (Bayrak and Akdiş, 2003). However, Denizli and Gaziantep were not affected as much as K.Maraş was. Although there were other factors present as well, we think that the main reason lies in the fact that the economies of Gaziantep and Denizli do not rely on a few products. These cities have developed a diverse economy over the years since the early 1980s (Özcan, 1997; Pınarcıoğlu, 2000). In this respect, it can be argued that Çorum economy is on the right track of development. Diversification of the economy, especially the industrial sector, may provide important opportunities in the future.

Kalantaridis (1997) argues that during the 1980s and 1990s small towns and rural areas located in Southern Europe experienced significant socio-economic changes. Furthermore, these regions increasingly redefined their semi-peripheral position in the international arena. These regions differ widely in terms of natural resources, other endowments and qualifications but there are evidences of important signs of structural transformation. Çorum is at the beginning of a road as a candidate for such structural transformation. If the economy can specialize in some of the sectors mentioned above, the future of the city would be brighter. Table 5.7 shows the number of industrial firms and employment for different sectors in 1997, which is the latest statistics available.

Table 5.7: Sectors, Firms and Employment, 1997

Sectors	The number of firms	The share of sector in the city (%)	Employment	The share of employment (%)
Non-metallic mineral products	59	20.4	3,862	59.8
Wood products	53	18.3	176	2.7
Food and beverages	51	17.6	865	13.5
Metal products	32	11.1	120	1.9
Fabricated metal products and machinery and equipment	28	9.7	479	7.5
Furniture	20	6.9	110	1.7
Vehicles	15	5.2	78	1.2
Rubber and plastic products	9	3.1	145	2.2
Basic metal products	8	2.8	197	3
Textile and clothing	4	1.4	254	3.9
Electronic and electric machines	4	1.4	20	0.3
Leather products	2	0.7	28	0.4
Paper and paper products	2	0.7	110	1.7
Chemistry	2	0.7	16	0.2
Total	289	100	6460	100

Source: Üzelgün (1998)

In the past, there was almost no other manufacturing sector other than non-metallic mineral products in the city. Therefore, almost all manufacturing jobs were only in this sector. It is clear from Table 5.7 that the picture has changed, and Çorum has been experiencing an important economic transformation. The employment share of manufacturing activities excluding non-metallic mineral products reached almost 40 percent. Hence, one can conclude that there has been a diversification within specialization in Çorum economy.

There is yet another development underway in Çorum. There was no foreign investment in the city until recently. However, today two factories are owned by foreign investors. The state-owned cement factory was sold to Yibitaş-Lafarge partnership. The other is paper and paper products factory, ÇOPIKAS⁶, which was sold to an English firm in 1996 (Dünya Gazetesi, 1999). According to officials, there are other firms that plan to found factories in the near future. Officials told us that one firm, which plans to found a tire factory, may start to build at any moment.

The economic change might be explained by many factors, including investment by the state. At the earlier stage of the development of a less developed province, it is very important to have considerable support from the government to build an industrial and agricultural base. This support may include direct industrial investment, infrastructural investment, and financial support. As a second step, the government may provide incentives but this should not distort our understanding of the development

⁶ ÇOPIKAS is usually on the list of 500 largest firms in Turkey and it is one of the five leading firms in this sector.

process at work. It should be remembered that economic development is a dynamic process and the endogenous factors are more important than exogenous ones. Some examples of exogenous factors are government policies, such as taxes, support schemes, regulations, laws, and liberalization. Some of endogenous factors are characteristics of entrepreneurs, location, characteristics of employees and firms, networking, and cooperative support among entrepreneurs.

One further important advantage of Çorum over the other cities, especially the big cities, is low labor cost in the city. For example, the average monthly wages of unskilled and skilled workers were 18,2 million and 31.5 million TL respectively (August 1997 prices). The same figures for Istanbul were 25 million and 45 million TL (Eraydın, 1998). We believe that the low wages in Çorum is a very important factor attracting entrepreneurs setting up business in the city. It may explain the fact that Çorum gets less government incentive than the other developing cities but the economic growth is higher. We discuss the government's support for the developing cities and Çorum below.

5.3.3 Government Support

Badur (1997) argues that government incentives and support schemes were quite important in the development of Çorum. He especially mentions the government incentives in the early 1990s for chicken farms for egg production. However, this project was not economically viable since there was no effort for marketing. It could

not provide any important contribution to the city, and many of these farms went bankrupt in a few years.

Table 5.8 : 1983-1997 Period: Total Government Supported Investment in the Less Developed Provinces (1997 Constant Prices, million TL)

Cities	1983-97 Period Total Government Supported Investment	1983-97 Period Annual Average Per Capita Government Supported Investment	INDEX (Per Capita Government Supported Investment)
AFYON	95,416,501	8.6	13.5
BİLECİK	403,290,109	153.2	240.0
ÇORUM	269,056,247	29.5	46.2
DENİZLİ	932,076,485	82.8	129.7
ESKİŞEHİR	641,534,546	66.7	104.5
GAZİANTEP	2,190,311,262	144.5	226.4
KAHRAMANMARAŞ	1,895,713,808	141.3	221.4
KARAMAN (1)	80,138,435	37.2	58.4
KAYSERİ	722,211,848	51.0	79.7
KONYA	564,722,793	21.5	33.7
MALATYA	871,194,469	82.7	129.6
UŞAK	161,626,470	37.1	58.1
TURKEY	54,062,031,491	63.8	100.0

(1) Karaman became a province in 1988, therefore the data cover after this year.

Source: (Regional Development; Eight Five-year Development Plan)

It seems that this view cannot explain the long-term economic success of Çorum. Eraydın (1998) also argues that the share of Çorum from public spending is relatively low. It is likely that the government incentives explain some part of the recent economic growth but it can only be a small share of the total. Although there are other less developed provinces that obtained more government incentives than Çorum, they did not grow as fast. During the period 1983-1997 the annual per capita average

investment related to government incentives for Çorum is 29.5 million TL in constant 1997 prices while the same figure for Turkey's average is 63.8 million TL as Table 5.8 shows (DPT, 2000). Hence, we look at the different factors for the development of Çorum.

We consider entrepreneurship to be the reason behind this fast economic development⁷, since we believe that economic development is a dynamic process and that entrepreneurs are its main actors. Çorum has a dynamic entrepreneurial structure and most of entrepreneurs prefer to invest in Çorum instead of other cities. Most of the entrepreneurs who invested in Çorum are originally from Çorum (Badur, 1997; Eraydın, 1998). Furthermore, we have observed that Çorum economy is on the way of the 'transnational development phase' with a little help of the transnational entrepreneurs. These entrepreneurs are presented in the next chapter.

5.4 Conclusions

The data presented in this Chapter shows that Çorum can be seen as an example of industrial success. This success can be attributed to the activities of the local entrepreneurs. Their efforts, since the early 1970s, created an industrial base in the city. Some of these entrepreneurs tried to seek opportunities for exporting abroad. Success was mainly the product of the entrepreneurial activities of local people. We see that

⁷ Eraydın (1998) indicates that the share of public enterprises is very low in Çorum and stresses the importance of endogenous development vis-a-vis local entrepreneurship dynamics.

government support for the city has been limited since 1983, if we compare it with that of the other developing cities in Turkey.

The industrial sector in the city was mainly based on the non-metallic mineral products sector until the mid-1980s. The picture, however, has been changing, entrepreneurs in the city have invested in different areas for the last two decades. Therefore, the city can produce diversified industrial products that include textile, shoe, printer types, zipper, injector, medicine ampoules, radiators, and plastic products. While these activities increased the growth rate of the city, they attracted a new kind of entrepreneurs: transnational entrepreneurs. These new entrepreneurs will likely be a catalyst to the city because they set up usually export-oriented firms. These kinds of firms are very important for sustainable growth in the future.

CHAPTER 6

THE TRANSNATIONAL ENTREPRENEURS

6.1 Introduction

One of the meaningful debates today is how the new economic geography in the world as well as within countries is changing. In this process, the elements of location choice of entrepreneurs are the main determinants. The investment decisions of both large-scale and small-scale firms are affected by many factors and the investment decision is all the more complicated if a different country is concerned. Large-scale multinational companies can have a better chance in engaging themselves in important investigations about the investment decision. These firms therefore can reduce risk. However, the risk taken by small investors is great because they choose to operate in an environment where they are not familiar with many aspects. However, transnational entrepreneurs do not bear this risk because they obviously invest in their home country. The driving force behind the investment decisions of these entrepreneurs must be to make profit no matter what other factors are also involved. Nevertheless it is important to understand the decision of investment process to attract potential entrepreneurs and to increase the number of such entrepreneurs.

Çorum has also attracted transnational entrepreneurs starting with the 1990s and the process speeded up in the late 1990s. The fast economic development is the main reason that brought in transnational entrepreneurs to the region, because the development path provided with both necessary infrastructure and labor force to new entrepreneurs. Furthermore the cost of labor in the city is relatively low in comparison with the other cities of Turkey. The transnational entrepreneurs are a special kind of their class; though the initial take-off succeeded by local entrepreneurs, these entrepreneurs disproportionately increased the volume of exports of the city. The number of jobs created in manufacturing sector by these entrepreneurs is quite significant considering the total manufacturing employment in the region. Therefore, their contribution to the economic development of the city is considerable. The impact of these entrepreneurs is not limited with their economic activities, they also create important externalities for the other entrepreneurs. Both the current comparative advantages of Çorum and transnational entrepreneurs allow it to have a chance to be successful in the international markets in general, and in the European countries in particular. The activities of these entrepreneurs in Çorum prove that Turkey may still make use of their emigrant workers as the agent of ‘development’, or ‘change’ especially in the less developed areas of the country.

The activities of these entrepreneurs may well be treated as a simple extension of the existing literature on entrepreneurship. However, in this case one can miss the importance of international networks by focusing only on the domestic links. The focus on this group of entrepreneurs enables us to see the significance of cross-border ties, via

social capital and networks, for establishing business. Therefore, taking these entrepreneurs as a subgroup of whole entrepreneurs provides more insight.

This thesis was mainly undertaken to investigate the linkages between transnational entrepreneurship and the development of SMEs in Çorum. In this chapter, we explore the peculiarities of the transnational entrepreneurs; their individual and family characteristics, their activities before migrating and whilst in Europe, their concerns with how to save enough money for setting up a business and the role of these savings made in Europe in founding their firms. The interviews conducted with the transnational entrepreneurs prove how the migration process can create new entrepreneurs as these entrepreneurs accumulate capital and new skills abroad.

6.2 Identification and Interview Process

Due to limitations of resources and time, in this thesis we could only concentrate on the activities of small and medium sized firms and their owners, the transnational entrepreneurs. Some of the relevant entrepreneurs of international return migration who are self-employed or employ less than nine workers had to be excluded. It is difficult to identify the self-employed return migrants. Furthermore, their impact on the economy is quite limited. Therefore, we prefer to concentrate on the transnational entrepreneurs and their firms rather than identifying the total numbers of

return migrant entrepreneurs in the city¹. In contradistinction, for the purpose of the study, we had no difficulty identifying the transnational entrepreneurs who have small and medium sized firms.

The transnational entrepreneurs were identified through a kind of ‘snowball’ system; after contacting one of them, we could easily reach the others. In order to be eligible for the purpose of the study, the firm must fulfill following conditions.

- The firm must be owned by migrants (an individual or family) who either returned or still live in the host country.
- The firm was set up and/or continues to receive capital transfers from migrant workers (or workers’ co-operatives).
- The firm must be exclusively or partially initiated by migrant entrepreneurs or migrant workers.

A semi-structured questionnaire was prepared and we wanted them to answer these questions. However, since the interviews are made face-to-face, we also asked them open-ended questions. We interviewed both the owners and the managers of the firms. We assured them that their names, the names of the firms, and the details about the firms would not be disseminated to public and these information would remain confidential. The interviewees were mostly cooperative but they hesitated in answering

¹ We have identified some of these self-employed return migrants and we observed that their economic impacts are indeed negligible since they either work alone or employ a few family members. Their total impact in terms of employment may be important, but the investments of these entrepreneurs are inherently low. Furthermore, identifying a few of these entrepreneurs and including them might be misleading for the purpose of the thesis. Hence, we do not want to include them in our sample.

some questions, especially those about their income, volume of exports and tax payments. We tried to confirm some of the information they gave us by interviewing with the local institution officers and some other local entrepreneurs. Hence, some numbers we present here are, at best, estimates based on the information we could obtain from them.

We could identify eight firms that can be counted as transnational firms. These firms fulfil the conditions enumerated above. One of the firms is organized as a workers' cooperative² and one firm is organized as a partnership of friends. The other six firms are owned either by an individual return migrant entrepreneur or by a migrant family. The number of firms is not many but as O'Farrell (1986) argues that entrepreneurship can change production patterns qualitatively as well as quantitatively. The number of entrepreneurs may be low but their qualitative impacts are considerable as will be explained below. The Çorum case shows that a small number of entrepreneurs can contribute to the local economy significantly. We do not assert that they are the exclusive impetus for the recent developments in the city but that they have played an important role in terms of the export efforts for the city, in particular to Europe.

² We could obtain the least information from this cooperative. The incumbent manager of the firm hesitated giving an appointment, and thus we could interview with someone who is less responsible. He also seemed nervous during the interview. We suppose that these attitudes originated from the fact that this firm, actually a holding, is known as a religious one. Our impression is that the shareholders of this firm are mostly religious workers in Germany. Naturally, religion is one of the ways that holds people together, and it is one way of forming a network. Anyway, there is a negative public opinion toward these firms in Turkey. Therefore, these firms do not like publicizing. For this reason, presumably, they tried to give as little information as possible.

The individual characteristics of entrepreneurs and the firms of these entrepreneurs are somehow related. For example, the firms who require more start up capital are initiated by a family or a group of entrepreneurs, and these firms are relatively larger. In what follows, we provide a detailed story and analysis of the entrepreneurs. The number of the sample is not high; therefore, it is not possible to draw statistical conclusions from the data provided. Neither is the sample representative for the whole return migrant entrepreneurs in Çorum or the whole country for the same reason given above. However, it gives important insights to understand the process of transnational entrepreneurship in the particularity of Çorum and its contribution to a local economy.

6.3 Individual Characteristics of Transnational Entrepreneurs

The transnational entrepreneurs whom we have interviewed are not from outer space but ordinary individuals. However, there must be some traits of these individuals since there are many emigrant workers who went to European countries from Çorum and only these individuals have the idea of setting up business in Çorum. Throughout the thesis, as in the light of the evidences of the literature, we observed that the decentralization and relocation of industrial activities of the developed countries played an important role in the activities of the transnational entrepreneurs (Eraydın, 1994; Sassen, 1988; McQuaid, 1996; Hamilton and Chinchilla, 1996). Our observations from the extensive fieldwork research also indicate that these restructuring processes are

important. There should be some characteristics of these entrepreneurs and these characteristics distinguish them from the others.

All the transnational entrepreneurs whom we interviewed are originally from Çorum and all of them have close relatives in the city. All people are often identified by their family or friend relations that are supposedly linked to the place of birth. Therefore, even if they all stayed in Europe for a long time, they made frequent visits to Çorum and their relatives. These frequent visits and their close ties with relatives enabled them to know what was going on in the city and in Turkey. Therefore, they did not have much difficulty after returning to establish their businesses. The importance of social capital and networking is especially important at the start up period. All of the transnational entrepreneurs seem to take advantage of their social capital and social networks, most of the entrepreneurs stressed their relation with Çorum in establishing their firms.

Once they have social capital and necessary relations on both sides, establishing the firm becomes easy. These relations are a great advantage for them because besides being familiar with the city, they had enough money (capital) to set up a business, and they had contacts with relatives in Europe to sell what they produced. Their innovation ability may be seen here; they see Germany and the other Western Europe countries as new markets and Çorum as the region for their source of new supply. This is their main entrepreneurial activity and ability to innovate in Schumpeterian terms. It is also consistent with the predictions of the new economics of labor migration (NELM). As

already mentioned in previous chapters, this school of thought considers transitory migration as a means for obtaining financial capital for entrepreneurial purposes (Taylor, 2002).

6.3.1 Interviews and Observations

Entrepreneur (A)³ is 56 years old and married. He went to Germany in 1976, his main purpose, even before going abroad, was to earn enough money to set up a business in Çorum. He was not well educated; his schooling was limited to primary level. However, he defines himself as semi skilled since he worked in an auto repair shop before going abroad. This experience helped him finding job in an automotive factory and he found a job in a giant automotive firm in Germany. He worked very hard and saved an important part of the money he earned. “Since I did not want to establish a small farm, the money I saved did not seem enough. Furthermore, I could not decide the business sector” he says. The years passed, and he was rewarded as a chief worker by the company. His position was quite important in the factory after 15 years and this position provided a good chance for him. The giant firm decided to relocate some parts of the factory in other countries for cost considerations. However, the location was not decided yet.

I thought that this is the opportunity I was looking for since I came to Germany. I spoke with the manager who is responsible for from my department. He told to the decision makers of the factory about me and my idea about moving a part of the factory to Çorum. They accepted my offer. I gave all my savings and the rest was to be paid by

³ Since we do not use the real name of the entrepreneurs we name them with a capital letter.

installments. My dreams came true and I finally have my own firm in Çorum.

Currently, he only coordinates the business and he does not work in his firm actively. He is a member of several business associations in Çorum, even he was chosen as the president of one of them in the past. He spends his time mainly in Turkey but makes frequent visits to Germany both for business and personal affairs. His two children are still in Germany, and there are other relatives. One of his close relatives is responsible for everything in the firm as a manager. He is a university graduate and an engineer.

This entrepreneur accepts that he owes many things to Germany, but he makes a great effort for Turkey and Çorum. This effort is mainly to convince someone to invest in Çorum or anywhere in Turkey. He persuaded two individuals to invest in Çorum; one of them is the family of entrepreneur (B).

The family of entrepreneur (B), who is 49 years old and the oldest son, consists of a father and five sons. The father went to Germany as an unskilled worker in 1973. He worked there for 10 years alone and then he decided to take his wife and his four sons to Germany. None of his sons could have education beyond the primary level like himself. However, his sons worked in very different jobs in Turkey, and had some skills to find decent jobs in Germany. With the help of their father, the sons could find jobs in the manufacturing sector in Germany. Entrepreneur (B) worked for a firm that produces barbed wire. The working of five members in a patriarchal family enabled

them to save an important sum of money. The first entrepreneurial attempt of the family came from within with the help of this money.

This money gave them enough courage to buy a taxi, which was the idea of entrepreneur (B). After observing that this business is quite profitable, they invested all of their savings in this business and they founded a taxi company in 1991. The company has 10 taxis and 30 employees. Naturally, they earned and still continue to earn quite important money from this business. However, they were not content with this business.

Entrepreneur (B) offered another business idea to his family, actually to his father. The factory producing barbed wire that (B) worked for was for sale in 1997. The idea was to buy the factory and move it to Turkey, since there was no factory that produced barbed wire in Çorum, even near to Çorum. The father was negative to this idea, for him it is difficult to do business in Turkey. Entrepreneur (A) interfered with the family at this moment. He knew well the family for many years in Germany. He persuaded the father to buy the factory by giving his business in Çorum as an example. He was influential. The family bought the factory and moved it Çorum. For the time being, the youngest brother is responsible for the production process and one of their cousins is responsible for the financial affairs. The father expresses his gratitude to his sons as follows.

My sons are very different from me, they are very clever. They have the courage and intelligence. They set up business both in Germany and Çorum. I would never try to engage in entrepreneurial activities. For me, it was best to buy real estate in Turkey.

(B) claims that he could not convince his father without the help of entrepreneur (A) in setting up the business in Turkey. Therefore, he concludes that attracting potential entrepreneurs to Çorum requires more effort of individuals and the state.

Entrepreneur (C) is also convinced by entrepreneur (A). He is 47 years old and he went to Germany in 1979 at the age of 27, after working in different sectors, he found a job in a firm that produces chemical nail. The product requires certain knowledge, he declares. Therefore besides the money, it is important to know the job to set up a firm like he worked for. Furthermore, since the technology is not widespread it is also important to know how to sell the products. When he talked with entrepreneur (A) about his plan and doubts, he was convinced and he decided to replicate a small-scale example of the firm he worked for in Germany.

(A) gave me the courage, even he offered to lend money but I did not accept. Since the firm does not require much money, my savings were enough to establish my firm. Now, I am a boss and I create jobs for my relatives.

He did not have the idea of becoming an entrepreneur before going abroad. He noticed the business opportunities in Germany, because many things in Germany were

absent in Turkey as well as the firm he worked for. He tries to encourage his friends in Germany to set up business in Turkey.

Entrepreneur (D) is the only university graduate, a mechanical engineer, among the transnational entrepreneurs in Çorum. He also differs from the others in terms of motivation for going abroad. He went to Germany in 1970 to learn language. However, after learning language, he decided to stay in Germany, it took 15 years to return to Turkey. Meanwhile, he worked in very different jobs, several of them was related to his profession, but some of the jobs did not require any certain skill. “I learned many things in Germany whether they relate to my profession or not” he said. When he returned to Turkey, he immediately decided to set up a firm that produces ‘road-cleaning vehicle’ because he witnessed that German firms export these vehicles to Turkey.

I designed the road-cleaning vehicles, and I have the patents of my vehicles. Now, I sell the same products to municipalities in Turkey. Furthermore, I export important part of my production. I did not make any effort to export, in stead they have found me in Çorum. I take partnership offers from various firms abroad, especially from Germany, but I do not accept.

As the above description makes it clear he is very innovative person. Surprisingly, he designs not only the vehicles but also most of the machines for the production of vehicles. He says, “this is my hobby and I like it”.

He claims that he chose Çorum because he is from Çorum, as the other entrepreneurs implicitly or explicitly claimed. Another difference of (D) from the others is his family. He says his family is rich and helped him setting up this business.

I am lucky that my family is rich. Although I could save much money abroad, it was not enough for doing the business that was in my mind. I could not establish my firm if my family would not help me. One cannot set up his business in Turkey if he does not have his own money. Banks do not give enough credit for business purposes.

Another family-owned factory was founded in Sungurlu by entrepreneur (E) and his family. This family consists of five brothers, (E) is the middle brother, and he has two older and two younger brothers. None of the brothers had education beyond the primary level. Although (E) started the high school, he could not continue for various reasons. The oldest brother went to Germany in 1969, worked there as an unskilled worker. Then he helped his brothers in migrating to Germany. Entrepreneur (E) went to Germany in 1979, he also worked as an unskilled worker. He then noticed that they could enter business life.

We all, five brothers, were working very hard, and living very thrifty but we could not save much money. I noticed that some of my friends brought stuff from Turkey and sold them in Germany to the Turks. I thought one of us could do this job professionally. When I talked to my brothers they accepted the idea and we started our own business. I brought foodstuff in suitcases. In a short time, my youngest brother was working with me. We opened a small grocery shop, because the business was quite profitable.

They opened a grocery shop in 1986 in Germany and then another one in a different city in 1987. They brought the stuff they sold from different cities of Turkey,

but mainly from Gaziantep. Later, (E) thought of setting up a factory in Sungurlu, they were from Sungurlu and if a factory were to be founded the place must naturally be Sungurlu. The factory was set up in Sungurlu in 1992. This factory mainly produces pulse, dried fruits, and spices.

We did not have any doubt about finding workers for the factory. There were many of our relatives in our village that want to migrate to big cities to find job there. The other people in Sungurlu were no different. Now, there is no unemployed person in our village. There are also many people from Sungurlu working with us. We employ 150 workers and it is quite an important number for Sungurlu.

Furthermore, there is a supermarket next to the factory servicing Sungurlu. Besides the factory in Sungurlu, they set up another factory in Gemlik, Bursa. This factory produces canned vegetables and fruits, preserved foods, olives and jams. The reason for not founding the second factory in Sungurlu or Çorum is due to the transportation cost consideration; the second factory procures the inputs very easily and cheap in Gemlik.

The two older brothers died recently, but since the business is managed by the younger brothers, their death did not affect their business. Actually, (E) also does not get involved in the business recently. The two younger brothers are responsible for the routines in Germany, and his daughter and son in law manage the businesses in Turkey. Both wife and husband are university graduates and live permanently in Sungurlu.

There is another factory, which is a textile factory, in Sungurlu. This is actually strongly related to entrepreneur (E). This factory is owned by five friends and initiated by entrepreneur (F)⁴. Entrepreneur (F) went to Germany around 1975 and he still lives in Germany. He also had only primary level education. The success of entrepreneur (E) was noticed by many of his friends in Germany, and (F) was one of them. He aspired to enter business life in Turkey but did not want to do it alone. Therefore, he wanted to be a partner of (E) for the food factory. The brother did not accept someone from outside the family. However, later there was an opportunity because the state was selling a textile factory that belonged to Sümerbank (it was not operating for years, and there was no machinery in it). It was a coincidence because (F) worked for a textile factory in Germany for some years. The factory was bought by (F), (E) and other three friends in 1999.

Entrepreneur (G) is a complete adventurer, he went to England in an illegal way in 1982. He graduated from a vocational high school, he was very young and unemployed in Turkey. He did not want to work for the state or private sector. He wanted to set up his own business in the future. His family was not rich enough to provide him with the necessary capital. International migration was the only chance for him.

Many people from Turkey preferred Germany but I heard that it is possible to make more money in England. Therefore I preferred to go to England. I arranged a ticket for a ship that sailed to England.

⁴ We could not meet with entrepreneur (F) because he was not available. He was in Germany for business purposes. Therefore, the information given here is provided to us by entrepreneur (E) and the manager of the factory and two of the partners.

When the ship came close to shore, I dived and swam. I was lucky, they could not catch me. I was in England.

He worked in the service sector for a short time and then found a job in a small textile factory. The salary was too low both in the service sector and in the textile factory. After learning the job, he and several of his friends opened a micro-scale textile shop. Success was not easy but hard working and some luck brought it and, in a short time he made quite a lot of money. After the collapse of socialism he relocated his factory to Poland to take advantage of low labor cost in this country.

My business in Poland was good but I was not happy in that country. When I heard that there is a textile factory opened in Sungurlu, I immediately decided to relocate my factory to Alaca. I live here with my father and I am happy. My wife and children are in England because my children go to university in England. I go to England for seeing them and business purposes.

The last firm is organized as a workers co-operative and therefore there is no single owner of the firm. The manager of the firm can be counted as the entrepreneur (H) because he initiated the firm. We could not get information about him since he does not want to meet us. The only thing we could learn about him is that he is a university graduate and stayed in Germany for a long time. When he heard that a flour factory was for sale in Çorum he organized several of his friends to buy that factory. Afterwards, the other workers in Germany wanted to participate in this organization and the firm became a holding company. We provide more detail about the activities of the co-operative in the next Chapter.

6.3.2 Implications and Generalizations

Many of the studies on return migration and transnational entrepreneurship have been in the form of case studies and these studies usually used census or other sources of data rather than the fieldwork approach. Therefore it was not possible to draw conclusions and to understand the business formation process. Therefore fieldwork is a necessary and indispensable part of studying return migration and transnational entrepreneurship. The fieldwork approach enables both researchers and policy makers to understand how return migration and transnational migration are related to issues of local economic development. In this process, it is important to understand the general characteristics of entrepreneurs. The questions in the questionnaire (see Appendix 1) are helpful in order to exhibit the general characteristics of the transnational entrepreneurs. The first group of questions is about the demographic and educational level of these individuals. The second group of questions is about their idea of setting up business in Çorum. The third group of questions is about their capital and financial source. The last group is about their firms; the amount of sale, import, export as well as acquisition of the technology. Some characteristics of the entrepreneurs in Çorum can be summarized as below.

The first group of questions revealed that all the transnational entrepreneurs in the sample are males. This is not surprising since the chances of women in developing countries for being entrepreneurs are in general low, due to patriarchal structure of families in these countries. The entrepreneurs are all first generation; their ages range

between 35 and 70 years. This wide range of age structure results from the fact that most of the firms were established as family initiatives. The educational level and job experiences of the entrepreneurs before emigration differ greatly. Among the transnational entrepreneurs, just one of them went abroad as a student initially; all the others went to Europe as immigrant workers. The educational level of most entrepreneurs is limited to the primary level. Only one of them is a university graduate, he is an engineer, and another one of them is a technical school graduate. This is quite surprising since many studies suggest that there is a high correlation between education and entrepreneurship and, the relation is also expected to hold for return migrants⁵.

The Çorum case is not consistent with the education and entrepreneurship relations, as the educational attainment of the entrepreneurs is relatively low. However, most of them work with their relatives and at least one of these relatives is a university graduate. It may be that they somehow compensate their educational deficiency through their partnerships with more educated relatives. We thus relate some of the success to the social capital of these transnational entrepreneurs. Similarly, McQuaid (1996) argues that the relationship between education and entrepreneurship may be due to their position in the network rather than their educational level. To him education is a mean for taking part in a network.

The entrepreneurs in the sample did not have any formal education except for the one who attended a language school while being abroad. The language student is an

⁵ McCormick and Wahba (1999) argue that there is a high correlation between entrepreneurship and education among Egyptian return migrants.

engineer, who graduated from METU. He is highly educated and a very innovative person. The other entrepreneurs had only work experiences and they all developed their skills mainly through job experiences in Europe. All of them describe themselves as unskilled before going to Europe, and they claim that they learned everything in Europe. A common property of these entrepreneurs is that all worked for firms in the manufacturing sector while they were abroad. The firms of these entrepreneurs engage in the field of their previous jobs. This is an example of the well-known ‘learning-by-doing’ hypothesis.

The second group of questions revealed another striking difference between the general characteristics of transnational entrepreneurs and those operating in Çorum. This difference is that none of these entrepreneurs has had any entrepreneurial experience before migration. However, after migration they, at least a member of the family or the entrepreneur himself as in the case of the single owned firms, tried to engage in entrepreneurial activities abroad. These entrepreneurial activities were encouraging because they, in general, feel more comfortable in Turkey, as one of the entrepreneurs told us that he thought, “If I can do business in a foreign country, I can do it better in my country”.

As we noted above, only one of the entrepreneurs is a university graduate and the other is of technical school, the education level for the rest is very limited. Therefore, the skill level of these entrepreneurs is also very low before migration. One of them worked in a repair-shop, the others’ job experiences were limited with casual

jobs. However, all of them acquired certain skills related to their current businesses. Having obtained these certain skills, they had the idea of setting up business in Turkey, in particular in Çorum. One of the entrepreneurs explains his decision as follows,

We could invest in real estate in Turkey but we could only survive. Instead, we want more. For this, we need to establish a firm. We know that Hamoğlu⁶ started with a single firm and he is very rich now. We can also achieve the same success.

Another entrepreneur expresses his ideas that is parallel to the above as follows,

I left Alaca when I was young but I owe to this township. Besides, when I left my country, I had nothing and I was unemployed. Now, I can provide jobs for my people. I am sure that they all love me.

These expressions are very similar to Schumpeter's view that entrepreneurs in general have a taste for status and recognition and "the will to found a private kingdom, usually, though not necessarily, also a dynasty" (Schumpeter, 1989: 93). They are not contented with the benefits of wealth alone as in case of real estate ownership. According to them, one should have their own firm if s/he wants to have his/her 'dynasty' or 'kingdom'.

⁶ Hamoğlu family is from Çorum and known as the richest family of the city. Although they live in İstanbul lately, they still have some firms in Çorum.

It is not meaningful to discuss the duration of the stay of these transnational entrepreneurs in the host countries since the actual return movement did not take place⁷. However, if establishing their firm in Çorum is a benchmark, the shortest time spent is 15 years and this shortest period is experienced only one entrepreneur. The others founded their firms after spending more than 25 years in the host countries.

The time they spent abroad seems to be very long but since the entrepreneurs wanted to have relatively bigger firms, they could save enough money only during this long period. Furthermore, they also had a chance to observe the opportunities provided by the globalization process at work and the restructuring policies of the firms, as they worked for all these years. Once they saw the opportunity to establish their firms in Turkey, they did not miss it.

The third group of questions reveals apparently that entrepreneurship experiences abroad are a strong determinant of setting up a business in Turkey. These experiences give both courage and necessary financial capital as well as social capital for prospective transnational entrepreneurs. Secondly, if there is no entrepreneurship experiences in the host countries, the source is either the family or the main firm that relocates its activities. The entrepreneurial activities of return migrant must be

⁷ Actually, never did the return take place for all cases because these entrepreneurs make many visits back and forth. In some cases, entrepreneurs still hold houses in the host country, this is one of the reasons why these entrepreneurs are called as transnational entrepreneurs. There are 'neither here nor there' as Portes (1999) claims.

supported because migrants with a brighter idea may not have a rich family and it is difficult to borrow from the banks in Turkey⁸.

Most importantly, since the chance of individuals who had entrepreneurial experience in the host countries is high, it is required that the Turkish state should provide necessary consulting and counseling services targeting especially immigrant entrepreneurs abroad.

We will dwell upon the fourth group of questions in the next chapter while concentrating upon the transnational firms.

6.3.3 Past and Present: Observations

As we told earlier, the travel experiences increase the chance of being an entrepreneur. However, in the past, as previous studies indicate, there were not many transnational or return migrant entrepreneurs in Turkey. The existing entrepreneurs invested in only real estates or very small-scale businesses that were usually in the tertiary sectors. In Chapter 3, it is argued that macro economic policies implemented in Turkey and the conditions of the world economy were effective in this. However, there are also some other differences. For example Paine (1974) notes:

⁸ Actually there was a program that aimed at supporting return migrant entrepreneurs. But it was abandoned in 1994. It is strange that none of the entrepreneurs we have interviewed was aware of such a program.

Although substantial majorities have wanted to set up a business of some sort, in fact most have failed to do so. This gap between intention and actual behavior can partly be explained by the fact that the majority of returnees returned for family reasons, illness, and other motives meaning that their return was not planned for at the time it took place and their financial resources were not enough to realize a business of their own.

The most important specific difference of the transnational entrepreneurs from the earlier returnees is that these entrepreneurs did not experience severe individual problems. They stayed abroad long enough, saving enough capital and constructing good relations. Furthermore, the return or investment decision were voluntary and planned.

Secondly, the disappointment of TWCs and VDCs discouraged many returnees to set up business in Turkey. For example, Özcan (1995) argues that a failure of an auto-light producing company in Gaziantep is the main reason why migrant workers do not invest in Turkey. She has similar observations in Kayseri, too. Then, she concludes “This discouraging experience has discouraged further productive investments in the survey cities by migrant workers abroad (Özcan, 1995: 92).

The earlier migrants were discouraged by these failures as examples, however, currently, many migrants forgot these failures, and instead they witness currently the success of their friends. This is an important factor that we have observed during the interviews. Hence, the ones vicious circle has now turned into a virtuous circle

6.4 Conclusions

The fieldwork study revealed that there are 8 transnational entrepreneurs in Çorum. These entrepreneurs were once ‘guest workers’ in different European countries. They ended up as entrepreneurs in their birthplace after many years. There are some characteristics of these entrepreneurs. First of all, they are all male and first generation and born in Çorum. Secondly, the level of education is not high as expected, only one of them is a university graduate.

Having entrepreneurial activity abroad affects the size of business since they all depend on money saved abroad. Being entrepreneur abroad helped them save more money. Majority of these entrepreneurs worked in Germany except the one who worked in England. All the entrepreneurs stayed abroad for long time, the minimum is 15 years. All entrepreneurs worked in manufacturing sector and the firms they set up are somehow related with their previous job experiences.

CHAPTER 7

THE TRANSNATIONAL FIRMS

7.1 Introduction

The world economy as well as the Turkish economy have undergone significant economic transformations during the past few decades. One of the results of these changes was the increasing role of the SMEs all over the world. However, economists are divided into two groups in terms of economic impact of the SMEs on economic growth. On the one hand, some researchers have stressed the importance of the SMEs in creating employment and generating competitive advantage (Piore and Sabel, 1984; Taymaz, 1997); furthermore some researchers noted the role of cities in enhancing the role of the SMEs (Eraydın, 1999; Özcan, 1995; Jimenez, 2000). On the other hand, some other researchers argued for the incompetence of the SMEs in the development process of developing countries (Giamartino, 1991; Köse and Öncü, 1998; Parker, 2000). Apart from the criticism, the SMEs have indeed been a major source of employment in developing countries. Transnational entrepreneurs and their firms are related with the role of SMEs, because the firms established by transnational entrepreneurs are classified as SMEs in many cases. Economists have cited the success

of some transnational firms established mainly in Southern Europe and some Latin American countries. Some of these firms also operate in Turkey contributing to the economic development of the country especially at the regional level.

The change in industrial structure in the European countries, mainly Germany, proved to be an important determining factor in the transnational entrepreneurial activities of several firms in Çorum. The cost reduction efforts of firms in the developed countries created opportunities for former emigrant workers. Outward-oriented policies implemented by the Turkish governments are also effective, because most of these firms plan to export their products to European countries and the outward-oriented policies provide them with further confidence and prospects. Among the individually owned firms, only one produces for the local market and neighbouring cities; this firm is certain to sell its product (barbed wire) because in Çorum and neighbouring cities there is no other firm that produces the same product. Therefore most of these firms produce for more stable markets, and they do not have demand problems. They are immune against economic crises because there is less fluctuation in demand for their products.

In this chapter, firstly, we briefly discuss the role of the SMEs with particular reference to Turkey. Then, secondly, we try to explore the extent to which the firms of the transnational entrepreneurs have affected the economy of Çorum. For this purpose we provide as much information as possible about the general characteristics of firms,

product range and markets, subcontracting practices, capital and machinery, and employment creation.

7.2 SMEs: The World and the Turkish Economy

The small and large-scale enterprises have always existed together in the economies of the countries all over the world. The relative importance of these two kinds of enterprises changes over time depending on economic situations. Large-scale enterprises (LSEs) became popular with the introduction of Ford's T model in 1913 (Piore and Sabel, 1984). These enterprises were seen as productive units and the engine of economic growth for many decades. Mass production coupled with mass consumption was sustainable for almost sixty years. The series of crises in 1970s caused to question the advantages of the LSEs. The disadvantages of the LSEs were then emphasized and many economists criticized these enterprises extensively; some of these criticisms stem from the rigid production techniques, standardized products, and the need for stable demand for their products. SMEs were thought to be the remedy for economic crises and they re-emerged as a solution to economic problems in 1970s.

The advantages of SMEs are many, especially in the contemporary world. These enterprises usually operate with low costs, especially in terms of labor cost including low-wage, and the ease of firing and hiring labor. They are flexible and, thus, respond to economic crises quickly enough. Due to flexible production techniques, these firms may produce a great variety of products. These firms allegedly are seen as

more innovative than their large scale counterparts. Opportunities can be noticed and seized by these firms because of their less bureaucratic structure. Furthermore, the decline of the minimum efficient scale of production caused by technological advancement made SMEs popular and profitable (Taymaz, 1997).

The rise of SMEs has further provided new opportunities for developing countries. The acquisition of technology became relatively easy, cost disadvantages in these countries are lessened due to producing to small domestic markets (Taymaz, 1997). Finally, in cases of significant economic turmoil and restructuring, developing countries may benefit from the situation because in these situations new places may emerge as the centers of production. Hence, the lack of existing industrial structure based on the LSEs in developing countries may become an advantage for them.

Small and medium-sized firms have historically had a significant role in most of the sectors in the Turkish economy (Müftüoğlu, 1998; Özcan, 1995; Taymaz, 1997). These firms especially contribute to employment creation substantially in both national and local levels. The employment share of firms that employ less than 100 workers is more than half of the manufacturing employment in Turkey (Taymaz, 1997: 4).

Although the SMEs have been important for the Turkish economy, these enterprises are still behind their counterparts that exist in other countries. Investment share, export performance, and credit given to the SMEs in Turkey remain considerably lower. Table 7.1 shows some ratios about the SMEs for selected countries. These

data indicate that there is still an important potential for the SMEs in Turkey. To this end, the credit given to the SMEs should be increased. Only then can we expect the share of investment of the SMEs to increase in the future. These efforts may also bring about an increase in export share of the SMEs. Furthermore, increase in the number of transnational entrepreneurs may also increase the export performance since most of them tend to establish firms for export purposes.

Table 7.1: Some indicators of SMEs for Selected Countries

	USA	Germany	India	Japan	England	S.Korea	France	Italy	Turkey
The share of SMEs in total firms	97.2	99.8	98.6	99.4	96	97.8	99.9	97	98.8
Investment share (%)	38	44	27.8	40	29.5	35.7	45	36.9	6.5
Production share (%)	36.2	49	50	52	25.1	34.5	54	53	37.7
Export share (%)	32	31.1	40	38	22.2	20.2	23	-	8
Credits given to SMEs (%)	42.7	35	15.3	50	27.2	46.8	48	-	3-4

Source: Dulupçu (2001: 143)

The importance of SMEs led the Turkish governments to establish organizations assisting these enterprises. One of these organizations was established in 1990, KOSGEB (the Small and Medium-Sized Industry Development Administration). This organization and its precedents are considered to be successful in providing technical assistance for SMEs (Taymaz, 1997). However, financial assistance to SMEs were not adequate, a study conducted by Kaytaz (1990) reports that only 8 percent of the firms included in the sample was aware of government incentives. Özcan (1995) shares the views of Taymaz, according to her governments were able to provide technical assistance. On the other hand, she notes that these firms cannot have financial

assistance from the state. Therefore, she argues that inadequacy of central and local government's financial supports as one of the most important problems of SMEs in general.

The role of SMEs and entrepreneurship in local economies was ignored for a long time in Turkey. However, there has been an increase in studies of local economies, especially with the increasing role of the 'Anatolian tigers' (Aktan, 1996; Aktar, 1990; Ayata, 1991 and 1999; Dikmen, 2000; Eraydın, 1994, 1997, and 1999; Özcan, 1995 and 1997; Pınarcıoğlu, 2000). The common denominator of all these studies is the importance of SMEs and entrepreneurship in the development of the city in question. In line with these studies, we also believe that SMEs are important factors in the development of the peripheral cities in Turkey.

Against this backdrop, the transnational firms may be more important than the firms established by local entrepreneurs. This is because most of these firms established by local entrepreneurs usually have no connections abroad, at least in the beginning. The establishment of new firms and the creation of employment in the manufacturing sector in Çorum by the transnational entrepreneurs can certainly be attributed to their international connections. However, several characteristics of socio-economic structure of Çorum such as local labor supply, enabling environment were also important and encouraged these persons to become entrepreneurs. In the next section, we discuss the activities of transnational firms and their contribution to local economy in the case of Çorum.

7.3 Economic Activities of the Transnational Firms

The activities of the transnational entrepreneurs can be classified as follows; one firm in the food and beverages sector, one firm in chemical products, two firms in the textile and clothing sectors, and four firms fabricating metal products, machinery, and equipment. One of the firms is organized as ‘holding company’ and this is the largest one. This holding company engages in several different sectors such as food and beverages, building, and basic metal industries. This is a community-based enterprise and it is established as a workers’ cooperative. This cooperative owns several firms but we prefer to treat it as a single firm. Table 7.2 shows the sectoral distribution of the transnational firms operating in Çorum.

Table 7.2: Sectoral Distribution of the Transnational Firms

Sectors	Number of firms
Food and Beverages	1
Textile and Clotches	2
Facricated Metal Products	5

The fourth group of questions of the questionnaire is about the transnational firms. These questions are designed to obtain the information about the establishment date of the firms, the amount of investment, export, and capital, and the number of workers that the firms employed. These information are presented below.

Most of the entrepreneurs launched their businesses in the mid-1990s and the late 1990s, except for one that was founded in the mid-1980s. This is important

because it is consistent with the view that entrepreneurship can flourish if an enabling environment exists. The effort to establish a market economy in Turkey in the early 1980s was relatively slow and only with the 1990s, most of the market institutions became established. Therefore the activities of the transnational entrepreneurs flourished after 1990. In the light of recent developments, we expect the number of these firms to increase in both Çorum and the other cities of Turkey.

Figure 7.1 shows the location of the firms in the city. Among these transnational firms, five of them are established in the center and the other three are located in the towns of Çorum. These firms are located with a view to their need for labor and technical assistance as well as marketing strategies. For example, the firms that require unskilled labor are located in the towns. These firms are the two textile firms and the food and beverages firm. These firms export almost all of their products. The other firms are located in the center district for mainly two reasons; the need for skilled labor and technical assistance and the demand for their products. Two out of five firms in the center district also consider demand conditions and distribution of their products because they produce both for the local market and the neighboring cities. The two firms that produce for the local market are the workers cooperative and the firm that produces barbed wire. The second reason for locating in the center is the technical need and skilled labor requirement of the other three firms. As Çorum has been on the way of economic development since the early 1980s, these firms do not have any important problems in finding technical assistance and skilled workers in the city.

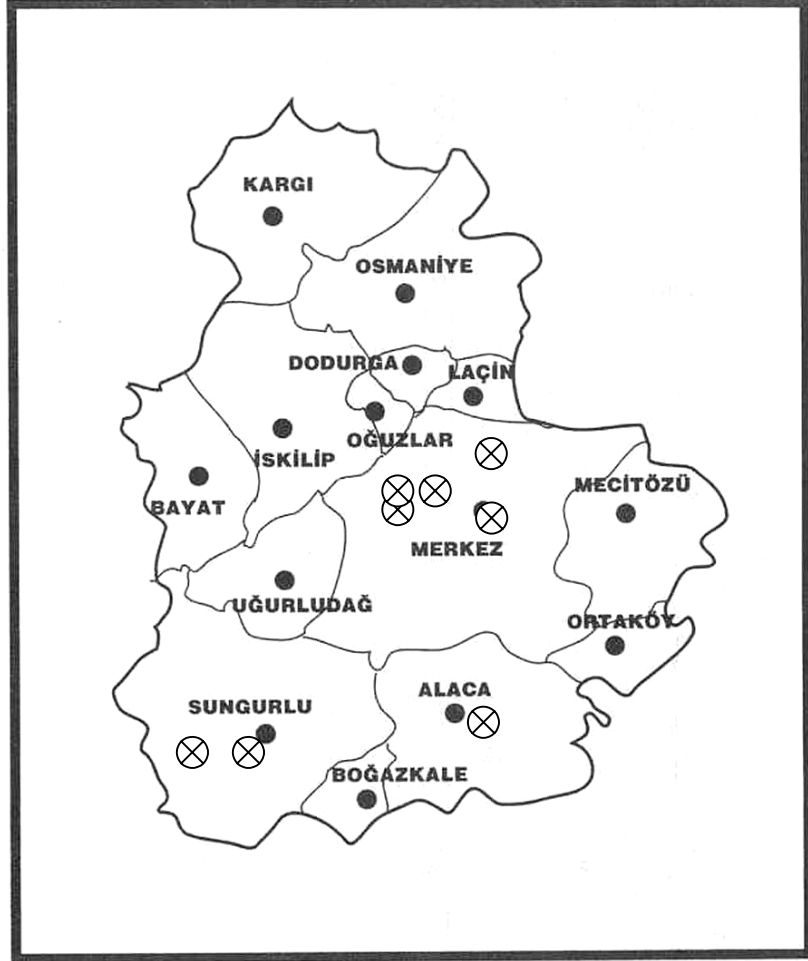


Figure 7.1: The Map of Çorum and the Location of the Transnational Firms

The firm (AA)¹ that is a direct result of restructuring policies of a giant German company was founded in 1996 by a former worker of this company. This firm produces machine parts for the same company in Turkey. The founder of the firm, entrepreneur (A), had worked for a long time, when he heard that the company considered relocating some part of their production to other countries, he suggested to relocate to Çorum in Turkey. His offer was accepted and he brought a small part of the giant factory to Turkey. (AA) produces automotive parts for the main company in Germany, therefore, there is no demand problems for the firm. The manager of the firm claims that there is also a demand in the domestic market but the capacity of the factory is not enough to fulfil both. However, from time to time they produce for some firms in Bursa, noted for its automotive industry.

The firm employs 25 workers, these workers can be classified as skilled workers because the job requires ability to work with complex machines. Some of the workers are technical high school graduates and some of them had worked in similar jobs previously. However, the skill required is limited to familiarity with working with the machines and it is not difficult to find such workers in Çorum. Entrepreneur (A) defines the necessary skill as follows.

We could not employ a worker who does not have previous experience in similar jobs. A worker must know how to operate a machine, we cannot employ a farmer in this firm. It takes a long time to teach him how to work.

¹ In the previous chapter, entrepreneurs are named by a capital letter. We use double capital letters to indicate that the firm belongs to the entrepreneur who was shown by single but the same letter.

The amount of exports of the firm is around 2.5 million dollars year. The amount does not fluctuate because the amount of output of the firm is fixed by the main firm in Germany.

The firm (BB) that produces barbed wire was founded by a family, one father and four sons, in 1999. The father and three sons went to Germany and worked in different factories. First, they bought a taxi in this country, and then they increased the number of the taxis, up to 10. They saved quite a lot of money by working and by their taxi company. They decided to buy the factory for which one of the sons worked when they heard that it was for sale. (B) did not have any difficulty raising the capital because the savings of the family was enough to buy the factory. They moved the factory to Turkey since they knew that there was not such a factory in Çorum or other cities near Çorum. The father and the three sons still live in Germany and the factory is run by the youngest son.

(BB) employs 18 workers most of whom are not skilled. The firm also employs additional workers during the high season (spring and summer) since the demand increases during this period. Only a few of them can be considered as skilled workers. (BB) exclusively produces for the domestic market in both Çorum and the neighboring cities. The firm has representatives in other cities (Amasya, Tokat, and Sivas) to sell its produce. The customers of the firm include private sector as well as the governmental institutions such as municipalities and police stations. The economic crisis of 2001

reduced the demand for their products but this negative effect was transitory and not very important.

The transnational firm (CC) produces chemical pin that is used in construction of buildings and dams. The owner of (CC) had worked for a factory that produces the same product in Germany before he decided to establish his own firm in Turkey in 1997. He decided to found this firm since there was no other such firm in Turkey. Therefore, it was possible to sell in Turkey besides exporting.

The firm employs 15 workers. The firm uses relatively high technology but the machines do not require highly skilled persons. The firm is managed by the brother-in-law of the entrepreneur (C), who is only a technical high school graduate; (C) has taught him the necessary knowledge to run the firm. The other workers also have educational levels similar to the manager. The firm imported all the machines from Germany. (C) borrowed money from his friends while setting up the firm, but he did not apply for credit in Turkey. Nor did he apply to the governmental institutions for support.

There is a demand for this product in Turkey, but the firm exports most of its output because according to (C), it is more difficult to sell the products in Turkey than abroad. However, the firm tries to publicize its products by participating in fairs in Turkey. This firm is the only one that has a formal representative for marketing its products abroad. For this reason, the products are sold in many different countries.

These countries include most of the European and Far Eastern countries, mainly China and Taiwan. The amount of exports is more than 90 percent. The amount of export of this firm is fluctuating from year to year but the average is 750,000 dollars.

The earliest transnational firm (DD) was established by the engineer-entrepreneur (D) in 1986. He went to Germany as a student to learn language. After learning German, (D) worked in very different jobs in this country. He stayed in Germany for almost 15 years. His jobs were not related to his profession but all of them were in the manufacturing sector. Since he is a mechanical engineer, after trying different sectors he wanted to set up a business related to his profession. He founded a factory that produces road-cleaning vehicles. All the machines in the factory are domestically produced. The design of this vehicle is made by this innovative entrepreneur himself. He employs 35 workers in the factory. These vehicles are exported to countries such as Israel and some Arab countries but main customers are municipalities in Turkey. The share of exports in the total sales is 15-20 percent. Since he does not want to give information about the amount of exports in monetary terms, we do not know the exact figure. However, we think that it is around 500,000 dollars per year.

The firm (EE) that engages in food and beverages was founded in 1992 by five brothers. All the brothers went to Germany as unskilled workers, after spending a few years one of the brothers noticed that they could sell food products for Turks living in Germany. They opened a small grocery shop. After a few years, however, their

business activities expanded and diversified. Over the years, they have begun to shift their capital accumulated from these commercial activities to manufacturing sector. They considered establishing a food and beverages factory in Turkey and they did so in 1992. The first factory was established in Sungurlu in 1992. Their business boomed in a short time because they tried to sell their products to Germans and the citizens of the other European countries. This marketing effort proved successful. Then they opened another factory in Gemlik in 1995. They sell almost all of their products to Europe, only a small portion of the output is sold in Sungurlu in a grocery shop owned by them. The products of firm are canned vegetables and fruits, preserved foods, olives, jams, and semolina.

This firm employs more than 150 workers in Sungurlu and almost 300 workers in Gemlik. The firm has no difficulty for recruiting the workers in Sungurlu because they needed mainly unskilled workers. Their need for skilled workers is relatively low, essentially the skill is required in only a few positions, and all these positions are fulfilled by persons originally from Sungurlu. The management problem was solved by employing the daughter and son-in-law of the entrepreneur (E).

These factories produce all the products using the latest possible technologies and they are in close contact with the Uludağ University, in Bursa. These efforts brought success, the export of the firm was more than 3 million dollars in the earlier years, and the amount of export was increasing every year. The amount of export of the firm reached 16 million dollars in 2000; more than fifty percent of this amount, almost

\$9 million, is created in Sungurlu and the rest in Gemlik. An interesting fact is that the firm exports not only its own products but also any other product that may be demanded in Germany.

The success of this firm is not only limited with exports and creation of employment in the city. The firm was the sixth firm for the tax payments in 1998 in Çorum (Dünya Gazetesi, 1999). This is another sign of the success of the firm, and contribution to the local economy. Although there are many other firms bigger than (EE), they did not pay as much tax as this firm. The firm does not try avoiding tax payments, most likely due to the habit of (E). One additional reflection of this view is that all workers in the firm are registered to the social security system.

There is another transnational firm in Sungurlu, which is a textile firm (FF). The success of the (E) and his firm (EE) is envied by many of their friends. Several of them wanted to become their partner but these offers were rejected by the brothers. Instead, they proposed another offer to their friends. The state was selling a textile factory that has not been operating for years because the building was completed but there was no machine in it. This factory was bought from the state by the owners of the food and beverages firm, their two friends from Germany and one local entrepreneur. These partners know the textile sector. Textile machines are imported from Germany and the factory started to produce for mainly export in 1997.

The factory of (FF) employs around 350 workers. Since it is in the textile sector no skill is required. However, initially, the firm faced difficulties to find workers but later the problem was solved since this sector does not require skilled workers. The products are exported all over the European countries, mainly Germany and England. The amount of exports is 2.5 million dollars a year.

The second textile factory (GG) is also founded in another town of Çorum, Alaca, in the late 1999s. The owner of this firm worked in England for a long time, and once he saved enough money he founded a small textile factory in this country. When he heard that a textile factory was founded in Sungurlu, he immediately decided to move his factory to Alaca. However, his factory in Alaca is bigger than that in England. (GG) currently employs 150 workers, but the capacity of the factory is 300 workers. The main market of this factory is England and the amount of exports of this factory is almost 2 million dollars a year. The firm encountered with some problems during the crisis of 2001 and the owner had to find some partners from Alaca. Now, the firm is owned by five partners.

None of these firms has problems in terms of their production process and labor needs. They can easily find workers, and if there is a need for technical assistance, they can procure it either from Çorum or Ankara in a short time. The most important problem they face from time to time is to have a letter of guarantee if the amount of money required is high in business transactions. We discuss this problem later in this chapter.

The workers' cooperative was founded in 1995 and it is organized as a holding company. The economic activities of the workers' cooperative includes a grain factory, construction, food and beverages, gas station, and a chicken farm. This firm employs 150 permanent workers and 100 temporary workers when needed. The firm tried to export flour to Turkic Republics but this experience was not successful. Now, they only produce for Çorum and the domestic market.

7.4 Evaluation

The transnational entrepreneurs and their firms are important agents for the economy of Çorum. The total manufacturing employment they have created is almost one thousand (excluding the factory in Gemlik) and this is really important for a city in the size of Çorum. Besides their contribution to employment, high export tendency of these firms is also very important. These firms make more than 15 million dollars worth of exports, which accounts for almost the official figure of all exports from the city. Further, they create positive externalities and encourage some of local entrepreneurs to export their products. Table 7.3 shows the direct economic impact of the transnational firms in Çorum.

Table 7.3: The Transnational Firms in Çorum

Number of firms	8
Total employment	1000
Total export (million \$)	15
Total investment (million \$)	10

The ongoing discussions have shown the direct effect of the transnational entrepreneurs. These direct effects are employment creation, export, and income generation in the city. Of course, there is also direct transfer of money capital and capital goods. The smallest investment made by these entrepreneurs is 250,000 dollars and the largest is 2.5 million dollars. We estimate the total investment made by these entrepreneurs to be over 10 million dollars. There is also a related and indirect effect of these successful transnational entrepreneurs.

The investment and exports activities are very important for the Çorum economy. However, these could not be reflected fully in the data given in Chapter 5. We would expect increase in the growth rate and the amount of export but those figures were either stable or decreasing. This fact can be explained by the fact that the activities of transnational firms could only offset the impact of the successive and severe crises both the country and the city experienced in the late 1990s and 2001. There were many firms closed down during these crises. Furthermore, the export of the city to Russia and the Turkic Republics came to a halt with the economic crisis in these countries in 1998. The stabilization of the national economy and the neighbouring countries would allow us to observe the full economic impact of these entrepreneurs on the city.

A further indirect effect is the periodic trip to and being in the host country and stimulating new potential entrepreneurs to invest in Turkey. This effect can be effective for either relatives or friends. We have seen that two of these entrepreneurs decided to

invest in Çorum by this mechanism. It is important to remember the ‘flying geese’ example at this point. Several leading entrepreneurs may attract other potential entrepreneurs to Çorum and other cities in Turkey.

We visited the transnational entrepreneurs for a second time almost two years later. The purpose of this visit was to see the impacts of the severe economic crisis of 2001 in Turkey. This crisis affected the Turkish economy profoundly, and many SMEs were closed due to the crisis. The second visit gave us a chance to understand the impact of a severe crisis on the transnational entrepreneurs. The second interviews with the transnational entrepreneurs disclosed two outcomes. The first outcome is that the firms that produced for exports improved their condition with the crisis. Since these firms mainly produce for exports only, devaluation of TL due to crisis increased the demand for their products. The second outcome is that the firms producing only for domestic market could also survive the crisis. They did not have insurmountable difficulties, but the level of their sales decreased and the investment plans of these firms were suspended. These findings suggest that this kind of firms relieves the economic problems of medium sized cities to some extent. This is the other positive impact of the transnational firms operating in Çorum.

There are some problems of these entrepreneurs. The most important problem of such entrepreneurs is the problem with the governmental and financial institutions. Since they were away for long years from Turkey, they are surprised with many paperwork required and widespread corruption. Furthermore, they complain also from

the banks regarding credits and letters of guarantee. The letters of guarantee are very important for their businesses but sometimes they have difficulties obtaining them. This was especially severe during the crisis of 2001. Bureaucracy and corruption are very difficult problems to solve but the problem of the letter of guarantee can be solved easily by government institutions².

An important development has occurred recently. Finally, the Turkish government decided that if the Turkish citizens living abroad invest in Turkey they are entitled to the same incentives as provided for the foreign investors (www.tbmm.gov.tr). This step gives quite important advantages to the potential transnational entrepreneurs. To be effective, this decision should be announced properly in relevant countries and disseminated to the public.

7.5 Types of Transnational Entrepreneurs the World Economy

It is argued here that entrepreneurship and entrepreneurs are the driving force of economic development, and LIKE Eraydın (1998) we also witnessed that in the economic development of Çorum the SMEs are important. Among the SMEs, the firms of the transnational entrepreneurs are especially important. We think that these entrepreneurs fit well with the Schumpeterian approach. In the literature, generally the focus on the Schumpeterian entrepreneurs is the introduction of new goods. However,

² The letter of guarantee could not be obtained from the EXIMBANK, which is a state bank that provides export and import credits for the private firms, directly. There is now a new development on this issue, entrepreneurs will get a letter of guarantee from this bank for export purposes. However, this decree is not legislated yet.

as we have seen, there are other functions of Schumpeterian entrepreneurs, such as opening up new markets and conquering new sources of supply.

In the Çorum case, the transnational entrepreneurs mainly fulfil the above two functions of the Schumpeterian approach. Although local entrepreneurs heard of Europe, they have traditionally preferred to export mainly agricultural products to this market. Hence, Europe is a new market for industrial products for the region. Transnational entrepreneurs have returned to Çorum and started their businesses in this region instead of in Europe, so we naturally conclude that this is kind of like finding a new source of supply.

Another point is that the transnational entrepreneurs in Çorum usually prefer to engage in activities that are not known in the region. Four of the firms specialize in completely new production for the region, and they have created enough demand for their new products. Furthermore, other firms have imitated two of the transnational firms since their activities have proven to be quite profitable.

These transnational entrepreneurs differ from Schumpeterian entrepreneurs in an important way. While Schumpeterian entrepreneurs are highly individualized, in our case 4 out of 8 firms were established by more than one individual, by a family or a partnership of friends. This is mainly due to financial factors. The savings of a single person is usually not enough for setting up a business, especially considering lack of

credit institutions in Turkey. Therefore, it is natural for people to set up a business jointly.

In general, these new transnational entrepreneurs have been created by the new production system. These firms, for Turkey, are the pioneers of recent economic developments and new spatial distribution of the industrial activities in Europe. We do not expect that Çorum will eventually become one of the leading industrial centers of the world by the activities of these transnational entrepreneurs. However, the local entrepreneurs and the transnational entrepreneurs can create a new industrial production node in the middle of Anatolia. Further, the city may be producing mainly for European markets as some Greek cities did as a result of industrialization of production (Kalantaridis, 1996 and 1997). Additionally, Özcan (1997: 5) cites Denizli from Turkey as “an example of the extension of diffused industrialization and of an economy only semi-integrated into the global markets”. To this end, besides the efforts of entrepreneurs the co-ordination of the state is strongly required, which has been absent during the recent economic progress of the city.

7.6 The Ties, Areas of Impacts, and Transnational Social Spaces

The relations of the transnational entrepreneurs are economic but even for the relations based on economic factors there should be a high trust factor on both sides. As part of a network, the transnational entrepreneurs proved their reliability. Most of the relations of the transnational entrepreneurs date back to at least two decades, so that

members of these networks know each other very well. Sometimes transactions take place without the need for official contracts because of this high level of trust. This is rarely seen in the business world especially when transactions are made between two countries.

Transnational entrepreneurs maintain strong ties with their contacts in Europe due to business relations. The business communication is frequently made by telephone, e-mail, and fax for regular business arrangements. Moreover, entrepreneurs often travel to Europe for face-to-face meetings. In some cases, entrepreneurs spend half of the year in Europe where they have a home there. Therefore, besides the extensity, the relations are very intensive. They do not miss any fair or organization that is directly related to their business.

These ties depend mostly on the relations of the individual entrepreneurs and are to a large extent based on kinship and friendship in Europe, the relations in Turkey are mostly of kinship and among close relatives. However, it seems that the religious ties are also important in the case of the workers' cooperative. The manager interviewed was hesitant to confirm these religious ties but the local people claim that it is the case.

The extensity and intensity of these relations inevitably affect several areas; it is clear that involved parties are directly affected by such relations economically, but there are other agents who are also affected by these relations. The most important impact of these relations can be seen on the indigenous entrepreneurs operating in Çorum.

Several entrepreneurs started to export their product with the help of the transnational entrepreneurs. In some cases, the local entrepreneurs imported their machines with the help of the transnational entrepreneurs. This is an important example of the enlargement of the transnational spaces created by immigrant workers.

Transnational social spaces should be thought of as “relatively stable, enduring and dense sets of ties reaching beyond and across the borders of sovereign states” (Faist, 2000b: 4). Therefore, it is natural to conclude that presently we face another transnational social and economic space that encompasses Çorum. We predict that this space will expand in the future, this prediction is based on our observation in the fieldwork. The entrepreneurs claim that many of their friends abroad want to invest in Çorum when the conditions become even more suitable. The observations of tradesmen and exchange offices reinforce this view because both tradesmen and the owner of exchange offices in Çorum noticed that their business volume increases considerably because of emigrant workers (Çorum Haber, 2001). We also expect that some of these ‘*Almancı*’³ will likely become entrepreneurs in Çorum in the future.

³ People who work in Germany are called ‘*Almancı*’. The word has two meanings, one of them is positive and the other one is negative. The positive meaning is about the financial situation of the individual. *Almancı* must be rich. On the other side, *Almancı* is a different person. He has new habits and a new life style. Therefore, he is alienated from his society.

7.7 Conclusions

This chapter reveals that the activities of the transnational firms are quite important. The amount of exports and the number of manufacturing jobs generated by these firms in the city are quite striking. Furthermore, these firms are not only engaging in low value added sector, such as textile, but also engaging in high value added sector such as machinery and chemical industry.

The success of the firms stems from the social capital of their firms. Having resources in both countries and mobilising these resources in a network are the common property of all the entrepreneurs. These firms also create positive externalities by setting up an example for both the potential transnational entrepreneurs and the local firms. Furthermore, they also reinforce the relations between Turkey and the other European countries. Their impact is not only in economic but also in social and cultural areas. Therefore, the transnational social space will likely be increasing at the grassroots level between Turkey and the other European countries.

CHAPTER 8

CONCLUSIONS

This study has attempted to evaluate the international migration experiences of Turkey and stresses new opportunities for the Turkish economy that can be beneficial in the light of the Çorum example. For this purpose, it is necessary to address many issues such as the history and theories of international migration, entrepreneurship, and transnational entrepreneurship. All these concepts are directly related and indispensable for this thesis. In the light of this information and our interviews, we have observed that these new type of entrepreneurs have increased the export performance of Çorum and created considerable manufacturing employment in the city. Therefore, we do not ask whether or not these entrepreneurs contribute to economy at the regional and national level but instead we ask what kind of contribution has been made by these entrepreneurs. We also investigated whether these entrepreneurs are of a Schumpeterian types or not.

The factor that prevents us from reaching strong conclusions is the number of the transnational firms operating in Çorum. Since the number of these firms is only eight, we could not reach statistically significant results. We could overcome this

analytical problem in two plausible ways. The first way would have been to have another sample of non-transnational local firms, that is to pursue among the two a comparison. The second way could have been to choose another city and thereby increase the number of the firms. However, both ways would have had also their own deficiencies and create new problems.

Having a sample of non-transnational firms and comparing these firms with the transnational firms creates the problem of biasedness. The comparison would inevitably be biased because non-transnational firms might be very weak in some areas such as exports. Therefore, the comparison would essentially overstate the activities of transnational firms and would dwarf the activities of the others. We did not want to fall into this trap. The second way offers a solution to the problem. Yet, since we focused on the development of Çorum it would cast a shadow on our main purpose. On the other hand, we believe that this kind of studies should be conducted for other cities in the near future in order to understand the extent of transnational entrepreneurship in Turkey.

International migration is an important issue for both the developed and developing countries. It has important economic, social and cultural effects on both types of countries. One of the most important types of international migration is labor migration. Individual migrants expect economic gain from international migration, consequently the expectations of emigrants affect both sending and receiving countries. The receiving countries fulfill the labor needs, therefore these countries have benefited

from the migration positively. On the other hand, there is still an ongoing debate about the impacts of emigration on the sending countries.

The economic impacts of emigration on the sending countries are remittances, labor market effects, international trade, and entrepreneurship. The literature has mainly concentrated on the impacts of remittances on the sending countries. The majority of researchers have claimed that remittances may have positive effects on the sending countries in the short run but the impact of them is inherently limited and negative impacts of remittances offset the positive impacts eventually. According to pessimists, remittances are not used in productive areas, instead they are used for consumption and especially for the acquisition of luxury goods. On the other hand, optimists usually emphasize the positive effects of remittances such as obtaining hard currency to import capital goods and to cover trade deficits. Furthermore, presently, the rapid development in the technology of transportation and telecommunication directed international migration studies toward entrepreneurial activities of return migrants in their home countries (Ghosh, 1996; Kalantaridis, 1997; Portes, 1997; Kyle, 1999; Gorter, 2000, Amassari, 2001). The studies on return migration manifest that the labor exporting countries may gain from the international migration more than originally expected (Ghosh, 1997; Papademetriou, 1998). However, this gain may not arise automatically; usually some conditions such as a favorable economic situation, friendly environment for entrepreneurs, suitable labor market arrangements, and supportive government policies are required.

The impact of international migration on the labor market of sending countries is also a very controversial issue and a subject to debates among economists. On the one side, it is argued that international migration relieves unemployment problem of sending countries. Since in many developing countries unemployment is a major problem, for many governments international migration is seen as a remedy for unemployment. On the other side, international migration means loss of human capital, especially if emigrants are skilled, the loss of these people may cause severe problems for the sending countries. Furthermore, if a developing country could not generate its own development dynamics, international migration cannot be a permanent solution to unemployment.

There are two possible interrelated impacts of international migration on sending countries. These are transnational entrepreneurship and international trade. The recent developments in the world economy increased the role of transnational entrepreneurship for sending countries. Most of developing countries suffer from the lack of entrepreneurs, therefore the additional supply of entrepreneurship by migrants is important for these countries. These entrepreneurs economically connect both sending countries and receiving countries by international trade. Contrary to classical view, international trade and migration is here seen as complementary rather than being substitutes, the activities of transnational entrepreneurs play a key role in this process.

All these views are based on general observations. The impact of international migration on sending countries differs widely, while some countries may benefit from

international migration, others may be harmed due to negative effects. Therefore, each country should be evaluated in its own context. The literature on international migration is voluminous in Turkey for earlier periods. However, there is a wide gap on this issue for the more recent period.

Previous studies on the Turkish experience, in general, are pessimistic as discussed in earlier chapters. These studies claimed that the impact of remittances, unemployment, and entrepreneurship was quite limited on the Turkish economy. However, we believe that these views do not reflect the whole reality. International migration provided important economic opportunities in terms of obtaining hard currency and relieving unemployment, especially during the first two decades of international migration.

Remittances covered trade deficits in several years and they were used for capital formation during the 1960s and 1970s. As stated in previous chapters, foreign savings (trade deficits) and finance possibilities of imports were important in economic development of Turkey. Therefore, remittances must have played an important role in the development dynamics of the Turkish economy. The total amount of remittances is much higher than that of international financial institutions lent to Turkey. Furthermore, the account that was opened in Dresdner Bank provided another monetary advantage for the Turkish economy.

Similarly, the impact on unemployment is also important on the Turkish economy. Historically, the migrants working abroad has constituted six percent of labor force of Turkey since it became mass migration. Since Turkey has still a severe unemployment problem, the absence of international migration surely would deepen the problem. Therefore it cannot be denied that international migration has had positive effects on employment.

We share the view of previous studies that Turkey could not take advantage of return migration and entrepreneurship. The activities of return migrants as entrepreneurs or workers have remained limited until recently. In the past, the industrial structure of Turkish economy was not able to accommodate return migrants. Additionally, return migrants usually engaged in only tertiary sectors as either self-employed or employing a few family members. However, the conditions of Turkey and the world economy have changed and return migrants presently become important economic agents both in Turkey and in the world. Today, return migrants who engage in entrepreneurial activities in their country of origin are known as transnational entrepreneurs. Although the activities of transnational entrepreneurs are not as important as that of the big ‘global players’, such as multinational companies of the developed countries, the activities of these entrepreneurs are also increasingly important.

These entrepreneurs have created new social and economic transnational social spaces around the globe. They are the agents of ‘globalization from below’. One of

these social spaces is between Turkey and Europe, and come into being as the transnational entrepreneurs who formerly worked in European countries has started to set up business in Turkey. These entrepreneurs should be evaluated in terms of the Schumpeterian hypothesis because they conquer new source of supply (for European countries) and invent new markets (for Turkey). These were certainly new combinations although slightly different from what Schumpeter originally emphasized. Entrepreneurs are not individual heroes as portrayed by Schumpeter, but rather act together by their families and/or friends in a group. However, we think that it does not make much difference as long as they undertook the functions attributed to them in abstract theory.

One of the cities that transnational entrepreneurs set up their businesses in Turkey is Çorum. This city has shown a remarkable economic growth for the last two decades and now it has become one of the ‘Anatolian tigers’. Therefore, it is not surprising that transnational entrepreneurs chose this city. Enabling environment is a prerequisite for entrepreneurship and this environment has gradually come into existence in Çorum before they set up their factories. These entrepreneurs reinforce the ongoing economic progress in the city.

The employment creation and export performance of these entrepreneurs is remarkable. Considering the industrial employment of the city, the number of workers these entrepreneurs employed is quite high. Furthermore, since most of the firms are export-oriented the amount of exports from the city has been increasing. They have

also an additional positive effect, that is, they create positive externalities. They have become a role model for the local entrepreneurs and potential immigrant entrepreneurs who can be recruited from Europe. We have observed and anticipate that the number of transnational entrepreneurs will likely increase in the future in Çorum.

We consider that social capital and network are important factors determining the investment decisions of transnational entrepreneurs. These factors enable them to take advantage of low cost or introduce a new good to a particular region. For the Çorum case, the transnational entrepreneurs utilize their social capital in taking part in a network bridging the host countries and Çorum. While the relations of transnational entrepreneurs in the host countries provides them with both physical capital and marketing opportunities, the relations in Çorum assure them a work force and access to other factors of production.

This thesis thus evaluates the international migration experience of Turkey differently from the previous studies in several accounts. Firstly, remittances were a very important source obtaining hard currency for Turkey in the past. They were used to finance trade deficit and constituted a significant part of foreign savings before 1980. Moreover, the Central Bank of Republic of Turkey can hold important amount of reserves without paying high costs. These positive impacts of monetary aspects of international migration are still relevant for the Turkish economy because the economy needs hard currency desperately for the debt problems. Secondly, unemployment

problem has been relieved considerably by international migration, without experiencing any output loss because of exporting labor.

Lastly, the activities of transnational entrepreneurs have provided new opportunities for the Turkish economy and regional development starting with the 1990s. Relocation of industrial activities of the developed countries and other exogenous factors, such as improved transportation and communication, gave a further impetus to the new dynamics of the Turkish economy. These factors provided enabling environment in different parts of the country as opposed to the past. Therefore, transnational entrepreneurship is a new opportunity for the Turkish economy. The previous studies could not cite even one successful example of firms established by return migrants. We have identified eight good examples of transnational firms run by transnational entrepreneurs in Çorum alone. The contribution of transnational entrepreneurs to the Turkish economy as a whole must be higher because we have only identified the firms established in Çorum, which is only a newly developing city.

The activities of transnational entrepreneurs in Çorum appeared spontaneously with the effort of transnational entrepreneurs themselves. We are as optimistic as Portes (1998), who claimed that a process has begun and it is not possible to stop it. However, the long-run impact of international migration is strictly related to the emigration policies of government and the general economic structure of economy, which is again largely affected by the governments. Therefore, governments should take a more active

role to encourage transnational entrepreneurship by providing information, counselling, and perhaps some further incentives.

Identifying transnational entrepreneurs in other regions and cities may be very important in empirical researches providing more insights about the extent of transnational entrepreneurship in Turkey. Further analysis on the operations of transnational entrepreneurs in Turkey is essential for understanding the circumstances and the economic contribution of these entrepreneurs to the national economy. We think that the conditions of both Turkey and the world have changed, therefore researchers should evaluate international migration in a radically different way from the previous studies.

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APPENDICES

APPENDIX A.

QUESTIONNAIRE

This questionnaire is part of a Ph.D. thesis, so the questions below are designed to learn about entrepreneurial behaviour. The information you give will not be used for any other purpose than this study.

- 1) May we have your permission to use your name and that of your company in the study?
- 2) What is your name?
- 3) How old are you?
- 4) Marital status (Single or married?)
- 5) How many children do you have?
- 6) When did you go abroad? Why?
- 7) How and where did you find the idea for your entrepreneurial activity? Have someone (family, friends, etc.) influenced you to become an entrepreneur?
- 8) What factors made you want to become an entrepreneur?
- 9) Please describe your entrepreneurial activity or business. When did you start this business? Why did you choose Çorum for your business?

- 10) Why did you choose this business?
- 11) What were your qualifications for starting your entrepreneurial activity?
- 12) Please describe your planning process you undertook before you starting your entrepreneurial activity. What did you plan? Where did you get the necessary information? What kind of information did you need when you started?
- 13) How many workers do you employ in your firm?
- 14) How did you obtain the necessary funding or money? Is it only the money you saved abroad? How did you decide how much you needed?
- 15) If you had more money would you choose another business?
- 16) Have you used bank credit? If not, why?
- 17) What problems did you encounter when you started the business? Did you experience any difficulty with indigenous entrepreneurs? Or did they help you?
- 18) What kind of surprises (did you encounter) that affected you and your business directly?
- 19) What did you do differently from the others? Why? Did it help?
- 20) What would you have done differently and why?
- 21) Do you still have link with Germany or other country in terms of raising capital?
- 22) Did you import your technology directly from Germany or any other foreign country?
- 23) Do you export your products solely to Germany, or other countries? Or do you produce for only domestic market?
- 24) If you produce for both domestic and foreign markets, can you give us a weight of these markets for your products? What is the share of export in your production?

- 25) Do you target only Turkish customers in the foreign market or general public at large?
- 26) Do you have relatives in Germany or any other country to take care of your business over there? Do you think that this is a marked advantage for you over others?
- 27) Do you have formal links in Germany or other countries that helps organize your export?
- 28) Do you think that you had a positive effect on the indigenous entrepreneurs? If yes what are those effects?
- 29) Do you think other people have changed their technology or markets after you started your business?
- 30) What kind of activities should the government undertake in order to facilitate and/or promote your business?

APPENDIX B.

TURKEY'S MAIN ECONOMIC INDICATORS

Table B 1.1: National Product

At 1987 producers Prices, in Billions of TL				
Sectors	1997	1998	1999	2000
Agriculture	14,927	16,176	15,369	16,005
Industry	32,835	33,494	31,814	33,602
Mining & Quarrying	1,639	1,792	1,662	1,643
Manufacturing	27,839	28,166	26,569	28,142
Energy	3,358	3,536	3,583	3,817
Construction	6,511	6,560	5,739	6,071
Trade	25,024	25,365	23,756	26,509
Transport & Communication	14,485	15,198	14,834	15,589
Financial Institutions	2,573	2,751	2,931	2,958
Ownership Of Dwellings	5,475	5,590	5,651	5,648
Business & Personel Services	2,564	2,653	2,533	2,683
Imputed Bank Serv. Charges	2,113	2,240	2,376	2,393
Sectoral Total	102,282	105,549	100,251	106,674
Government Services	4,473	4,739	4,868	4,959
Private Non-Profit Institutions	390	397	407	411
Import Duties	5,486	5,430	5,120	6,516
G.D.P. (In Purchasers' Value)	112,631	116,114	110,646	118,560
N.F.I. From Abroad	2,243	3,190	1,398	355
G.N.P. (In Purchasers' Value)	114,874	119,303	112,044	118,916

Source: SIS

Table B1.2: Growth of Output

	1997	1998	1999	2000
Sectors	Total	Total	Total	Total
Agriculture	-2.3	8.4	-5.0	4.1
Industry	10.4	2.0	-5.0	5.6
Mining & Quarrying	4.7	9.3	-7.3	-1.1
Manufacturing	11.4	1.2	-5.7	5.9
Energy	5.0	5.3	1.3	6.5
Construction	5.0	0.7	-12.5	5.8
Trade	11.7	1.4	-6.3	11.6
Transport & Communication	7.6	4.9	-2.4	5.1
Financial Institutions	3.9	6.9	6.5	0.9
Ownership Of Dwellings	2.3	2.1	1.1	0.0
Business & Personel Services	6.9	3.4	-4.5	5.9
Imputed Bank Serv. Charges	1.9	6.0	6.1	0.7
Sectoral Total	7.4	3.2	-5.0	6.4
Government Services	0.1	5.9	2.7	1.9
Private Non-Profit Institutions	1.0	1.7	2.5	1.1
Import Duties	18.3	-1.0	-5.7	27.3
G.D.P. (In Purchasers' Value)	7.5	3.1	-4.7	7.2
G.N.P. (In Purchasers' Value)	8.3	3.9	-6.1	6.1

Source: SIS.

Table B1.3: Labor Force Statistics

		1997		1998	1999		2000			
	April	October	April	October	April	October	1 st Quarter	2 nd Quarter	3 rd Quarter	4 rd Quarter
Civilian Labour Force	21,851	21,796	21,869	22,929	23,448	22,925	20,726	22,727	23,022	21,547
Civilian Employment	20,476	20,247	20,351	21,393	21,590	21,236	19,006	21,312	21,727	20,182
Unemployed	1,375	1,549	1,518	1,536	1,858	1,689	1,720	1,415	1,295	1,366
Unemployment (%)	6.3	7.1	6.9	6.7	7.9	7.4	8.3	6.2	5.6	6.3
Urban	9.5	9.9	10.3	10.3	12.2	10.4	10.4	8.9	8.0	8.2
Rural	3.2	4.1	3.4	2.9	3.5	4.1	5.5	3.0	2.8	4.0
Underemployment	1,198	1,468	1,409	1,345	1,755	2,331	1,885	1,674	1,282	1,298
Underemployment Rate(%)	5.5	6.7	6.4	5.9	7.5	10.2	9.1	7.4	5.6	6.0
Rate of Unemp.+ Labor Force Idle due to Underemp(%)	11.8	13.8	13.4	12.6	15.4	17.5	17.4	13.6	11.2	12.3
Civilian Employment By Sector										
Agriculture	8,808	7,789	8,145	8,777	9,148	8,595	6,284	7,627	8,163	6,628
Industry	3,361	3,888	3,661	3,614	3,495	3,664	3,449	3,814	3,851	3,811
Services	8,308	8,568	8,544	9,000	8,948	8,976	9,274	9,870	9,714	9,743
Construction	1,236	1,336	1,225	1,355	1,242	1,346	970	1,503	1,437	1,402

Source: SIS

Table B1.4: Balance of Payments (In Millions Of Dollars)

	1997 ⁽¹⁾	1998 ⁽¹⁾	1999 ⁽¹⁾	2000 ⁽¹⁾
A. Current Accounts				
1. Merchandise Exports (FOB)	32,647	31,220	29,325	31,664
Exports FOB in Trade Returns	26,261	26,973	26,587	27,774
Shuttle Trade				
Transit Trade	537	558	483	946
2. Merchandise Imports (FOB)	-48,005	-45,440	-39,768	-54,041
Imports CIF in Trade Returns	-48,559	-45,922	-40,687	-54,502
Imports of Nonmonetary Gold	-1,867	-1,761	-1,079	-1,900
Transit Trade	-492	-514	-442	-911
Freight And Insurance on Imports	2,913	2,757	2,440	3,272
Trade Balance	-15,358	-14,220	-10,443	-22,377
Other Goods, Service and Income (Credit)	21,273	25,802	18,748	22,320
Travel	7,002	7,177	5,203	7,636
Interest	1,900	2,481	2,350	2,836
Other	12,371	16,144	11,195	11,848
Other Goods, Service and Income (Debit)	-13,419	-15,325	-14,840	-14,987
Travel	-1,716	-1,754	-1,471	-1,711
Interest	-4,588	-4,823	-5,450	-6,299
Other	-7,115	-8,748	-7,919	-6,977
Total Goods, Services and Income	-7,504	-3,743	-6,535	-15,044
Private Unrequited Transfers (Credit)	4,552	5,568	4,813	5,011
Workers' Remittances	4,197	5,356	4,529	4,560
Other	355	212	284	451
Private Unrequited Transfers (Debit)	0	0	0	0
Official Unrequited Transfers	314	159	362	214
Workers' Remittances	32	41	47	43
Other	282	118	315	171
Current Account Balance	-2,638	1,984	-1,360	-9,819

Table B1.4: (Continued)

B.Capital (Excluding Reserves)	7,053	-755	4,670	9,445
Direct Investment (Net)	554	573	138	112
Portfolio Investment (Net)	1,634	-6,711	3,429	1,022
Other Long-Term Capital	4,788	3,985	344	4,276
Drawings	9,905	11,505	11,035	17,459
Repayment	-6,095	-8,174	-10,560	-13,803
Dresdner (Net)	978	654	-131	620
Short-Term Capital Assets	77	1,398	759	4,035
Credits Extended Liabilities	1,827	2,862	3,330	6,173
C.Net Errors And Omissions	-1,071	-782	1,896	-2,623
Overall Balance	3,344	447	5,206	-2,997
D. Total Change In Reserves	-3,344	-447	-5,206	2,997
IMF	-28	-231	520	3,351
Reserve Position in the Fund				
Official Reserves	-3,316	-216	-5,614	-354

Source: SIS, Central Bank

(1) Including Shuttle Trade

APPENDIX C.

TURKISH SUMMARY

Bu çalışma Türkiye'nin uluslararası göç deneyimini göz önünde bulundurarak, Türkiye ekonomisinin son yıllarda bu alanda ortaya çıkan yeni fırsatlardan yararlanabileceğini Çorum örneğini kullanarak ortaya koymayı amaçlamaktadır. Bu amaçla, çalışma boyunca üç temel kavram yoğun olarak kullanılmıştır. Bu kavramlar, uluslararası göç, iktisadi kalkınma ve girişimciliktir. Bu kavramların kullanımı ve sentezi tez ile doğrudan ilgilidir ve vazgeçilmezdir. Çorum'da gerçekleştirilen anket, çeşitli kurumların sağladığı veriler ve bu konuyla ilgili yazın taraması sonucunda, ulus-ötesi girişimcilik olarak adlandırdığımız, bu yeni tip girişimciliğin Çorum ili ekonomisine önemli katkılar yaptığını gözlemledik. Bu katkılar ihracat ve imalat sanayinde iş yaratma açısından çok daha belirgin ve önemli olarak ortaya çıkmaktadır. Bu nedenle, bu tip girişimcilerin ekonomiye katkılarının olup olmadığı sorusu bir yana, bu tip girişimcilerin il ekonomisine ne tür katkılar sağladığı üzerinde daha çok durmaya çalıştık. Bunun yanısıra bu girişimcilerin Schumpetergil türde girişimciler olup olmadığı konusunu da ele aldık.

Uluslararası göç hem gelişmiş hem de gelişmekte olan ülkeler için çok önemli bir konu olagelmıştır. Her iki tür ülke içinde önemli iktisadi sosyal ve kültürel etkiler

ortaya çıkarmaktadır. Uluslararası göçün en önemli türü emek göçü olarak ortaya çıkmaktadır. Bu göç kitlesel hale geldiğinde etki daha da güçlü olmaktadır. Temel olarak, bireylerin yanısıra göç veren ve alan ülkeler uluslararası göçten iktisadi olarak yarar sağlamaya çalışmaktadırlar. Bu konuda ortaya çıkan ortak görüş, bireylerin ve göç alan ülkelerin uluslar arası göçten iktisadi olarak yarar sağladıklarıdır. Uluslararası göçün, işçi gönderen ülkeler üzerindeki etkileri konusunda yazında bir görüş birliği söz konusu değildir. Kimi iktisatçılara göre bazı ülkeler bu konuda oldukça önemli iktisadi yararlar elde ederken diğer grup iktisatçılara göre bir çok ülke emek göçünden hiç bir yarar sağlayamamış, aksine bu göç sonucunda zararlı çıkmışlardır. Son yıllarda, sosyal bilimciler, özellikle iktisatçılar tarafından paylaşılan yaygın görüşe göre ise, küreselleşme sonucunda ortaya çıkan fırsatlar işçi gönderen ülkeler için yeni bir şans ortaya çıkarmıştır: Ulus-ötesi girişimciler. Bu girişimcilerin etkinlikleri gelişmekte olan ülkelerde oldukça önemli bir eksiklik olan girişimcilik konusundaki boşluğu bir ölçüde olsun giderecek bir rol oynayacaktır.

Yukarıda belirtildiği gibi uluslararası göçün, emek göçü veren ülkeler üzerindeki etkileri konusunda tam bir görüş birliği söz konusu değildir. Bu konuda çeşitli kuramlar ve düşünce okulları değişik görüşler ortaya koymaktadırlar. Neoklasik iktisada göre dış göçün temel nedeni ülkeler arasındaki ücret farklılığıdır ve bu farklılık devam ettiği sürece dış göç devam edecektir. Maliyet-yarar hesabı yapan bireyler göç konusunda temel analiz birimidir. Ülkeler arasındaki ücret farkının ortadan kalkması sonucunda dış göç otomatik olarak sona erecektir. Uluslararası Göçün Yeni İktisadi yaklaşımı neoklasik iktisat gibi mikro temelli olmasına karşın varsayımları ve

sonuçlarıyla neoklasik iktisattan farklıdır. Bu görüşe göre, göç konusunda analiz birimi birey değil ailedir. Ayrıca ücret farklılığı göçün temel nedeni değil yalnızca nedenlerinden biridir. Ücret farklılığı olmasa bile dış göç söz konusu olabilmektedir çünkü karar verici birim olan aile, fertlerden birini yurt dışına göndererek riski azaltmak istemektedir. Bu nedenle göçün nedeni yalnızca emek piyasası değildir, diğer piyasalardaki aksaklık veya eksikliklerde dış göçe neden olmaktadır. Neoklasik iktisat gibi, bu görüşe göre de göç veren ülkeler bu olaydan yarar sağlayabilirler, ancak gerekçeler yine farklıdır. Bu görüşe göre, dış göçten sağlanan fonlar girişimcilik, eğitim, veya dış ticaretin finansmanında kullanılarak iktisadi kalkınmaya yardımcı olabilir.

Makro temelli yaklaşımlar olan, Dünya-sistemi ve İkili Emek Piyasası yaklaşımlarına göre, kapitalist sistem az gelişmiş ülkelerden gelişmiş ülkelere doğru göçü kendi içsel dinamikleri sayesinde yaratmaktadır ve bu kaçınılmazdır. Her iki yaklaşıma göre göç veren ülkelerin göçten ciddi anlamda yarar sağlamaları mümkün değildir, çünkü bütün mekanizma gelişmiş olan ülkelerin ihtiyaçlarına göre işlemektedir.

Bu teorik yaklaşımlar ne tamamı ile doğru ne de tümüyle ile yanlış olarak değerlendirilebilir. Yaklaşımlar arasında çok büyük farklılıklar olmasına rağmen zaman zaman bir ülkenin dış göç deneyimini açıklamak için birlikte kullanılabilirler. Türkiye'nin dış göç deneyimi de bu kuramların neredeyse hepsinin kullanılması ile açıklanabilir bir olgudur.

Türkiye'nin ilk dış göç deneyimi 1960'lı yıllarda başlamıştır. Bu dış göç Batı Avrupa ülkelerinde işçi ihtiyacı ortaya çıkmasıyla başlamış ve 15 yıl yoğun bir şekilde devam etmiştir. İlk anlaşma Federal Almanya ile yapılmış ve daha sonra diğer Batı Avrupa ülkeleri ile anlaşmalar imzalanmıştır. 1970'li yılların ortasında tüm dünyada hissedilen petrol krizi ve devamındaki iktisadi kriz nedeni ile işçi alan ülkeler taleplerini durdurmuşlardır. Bundan sonra Türkiye'den Avrupa'ya göç ancak aile birleşmesi veya yasal olmayan yollardan devam etmiştir. Günümüzde Avrupa ülkelerinde yaşayan Türklerin sayısının 4 milyona yaklaştığı tahmin edilmektedir. Bu nedenle dış göçün etkileri Türkiye'de yoğun olarak hissedilmiştir.

Uluslararası göçün, işçi gönderen ülkeler açısından temel iktisadi yararları işçi dövizleri, işsizlik baskısının azaltılması, girişimcilik ve dolayısı ile ihracatta meydana gelebilecek artışlardır. 1960'lardan sonra ortaya çıkan ve Batı Avrupa merkezli işçi göçünde, işçi gönderen ülkeler işçi dövizleri ve işsizliğin azaltılması konusuna odaklanmışlardır. Gerçekten de bu yıllarda işçi dövizleri bu ülkeler için çok önemli bir dış kaynak ve ithalatın finansmanını sağlayan önemli bir kalem haline gelmişti. Örneğin, işçi dövizleri Türkiye için kimi yıllarda dış ticaret açığını tamamen kapatacak düzeylere ulaşmıştı. Bunun yanısıra kısa dönemde işsizliğin azaltılması konusunda önemli katkıları söz konusu idi.

Sonraki yıllarda kitlesel bir şekilde yurt dışına işçi göndermenin ülke ekonomisine zarar vereceği görüşü ağırlık kazanmaya başladı. Göç alan ülkeler, göç veren ülkelerdeki en sağlıklı, en eğitilmiş ve en genç insanları seçiyorlar, bu da akla

beyin göçünü getiriyordu. Daha sonra, bu işçilerin yurda geri dönmeleri ise neredeyse hiç bir yarar sağlamıyordu çünkü bu işçiler gittikleri ülkelerde ya hiç bir yeni beceri kazanmıyorlar ya da kazandıkları beceriler ülke koşullarına uymuyordu.

Bunun ötesinde işçi dövizleri de sadece olumlu katkılar sağlamakla kalmıyor ülkede enflasyonist baskı yaratarak ekonomide sağlıklı bir görüntü ortaya çıkarıyordu. İşsizlik konusunda ise işçi ihraç ederek bir kazanım söz konusu bile değildi, çünkü ülke kendi gelişme dinamiklerini sağlamadığı sürece bu konuda kalıcı bir çözüm elde etmek mümkün görünmüyordu.

Bütün bu eleştiriler bir ölçüde haklılık payı taşısa bile bunların bütün ülkeler için genelleştirilmesi doğru görünmemektedir. Gerçekten de bazı ülkeler işçi göndermekten zararlı çıkmış olabilirler ancak kimi ülkeler ise bundan yarar sağlamışlardır. Bu nedenle, her ülke kendi deneyimiyle değerlendirilmeli ve ortaya çıkan yeni olanakların ülkelere yeni fırsatlar sunacağı unutulmamalıdır. Bu fırsatlardan biri de, küreselleşme sonucunda daha da önem kazanan göçmen işçi girişimciliği dediğimiz, ulus-ötesi girişimciliktir. Bu türde girişimcilik örnekleri, işçi gönderen bütün gelişmekte olan ülkelere yaygın pratik olarak ortaya çıkmaktadır. Bu ülkelere örnek olarak Hindistan, Meksika, Yunanistan ve Türkiye verilebilir.

Bu yeni türde girişimcilerin etkinlikleri Türkiye için önemli bir şans olabileceği gibi, bu girişimcilerin etkin oldukları illerin bu durumdan daha çok yararlanabilecekleri açıktır. Ancak bu girişimcilerin herhangi bir ilde etkin olabilmeleri için bu illerde

giriřimcilik iin elveriřli bir ortam olması gerekir. Bu illerden biri de bu alıřma iin seilen orum ilidir.

orum son yıllarda nemli bir iktisadi byme saėlamıř ve ikinci kuřak ‘Anadolu kaplanı’ olarak anılmaya bařlamıřtır. Saėlanan iktisadi byme ile ilde bir sanayi temeli atılmıřtır. Bu sayede il, tam bir tarım kenti olmaktan yavaş yavaş ıkıp sanayileřmeye bařlamıřtır. 1970’li yıllarda ildeki tek imalat sanayi alanı tařa ve topraėa dayalı sanayi iken, 1980’li yılların ortasından itibaren sanayileřmede olduka nemli adımlar atılmıřtır. Bu sayede gnmzde ilde, kaėıt ve kaėıt rnleri, oto kaloriferi, yazıcı řeritleri ve tıbbi řırınga gibi deėiřik rnler retilmeye ve aynı zamanda bu rnler ihra edilmeye bařlanmıřtır.

orum’un bu geliřiminde isel ve dıřsal faktrler sz konusu olmuřtur. Bunlar arasında ilin kendi yaratmıř olduėu isel faktrlerin daha etkili olduėu grlmektedir. Bu sonuca ulařmamızın nedeni ise, dıřsal faktr olarak deėerlendirdiėimiz 1983-1997 yılları arasında geliřmekte olan illere verilen teřvikler arasında orum’un son sıralarda yer almasıdır. Buna karřın isel faktr olarak deėerlendirdiėimiz giriřimcilik konusunda orum ciddi bir stnlk saėlamıř ve 1980’lerden itibaren en hızlı byyen iller arasında yer almıřtır.

1990’lı yıllardan itibaren ise ilde ulus-tesi giriřimciler de etkinlik gstermeye bařlamıřlardır. Tez iin yapılan n arařtırmalar sırasında, ilde bu tr giriřimcilerin varlıėı ėrenilmiřtir ve orum rnek il olarak seilmiřtir. Bu giriřimcileri tespit

edebilmek için bu il üç kez ziyaret edilmiştir. İlk ziyarette girişimciler ‘kartopu’ yöntemi denilen yolla tespit edilmiştir. Bu yöntem için öncelikle bir girişimciye ulaşmak genelde yeterli olmaktadır. Daha sonra bu girişimci sayesinde diğer girişimcilere ulaşmak daha kolay olmaktadır. İkinci ziyarette ise, hem girişimcilerle görüşülmüş hem de ildeki yerel idari kuruluşlar ve yerel girişimcilerle görüşme yapılmıştır. Üçüncü ve son ziyaret ise, iki yıl sonra bu girişimcilerin durumlarında herhangi bir değişiklik olup olmadığını tespit etmek için yapılmıştır. Bu ziyaretin zamanlaması iktisadi krizlerin ulus-ötesi girişimcilere olan etkisini gözlemleme açısından da uygun olmuştur. Çünkü, Türkiye ekonomisi 2001 yılında çok ciddi bir iktisadi kriz yaşamıştı ve son ziyaret bu krizin ulus-ötesi girişimciler üzerindeki etkilerini de gözlemlememizi sağladı.

Yapılan araştırmalar sonucunda Çorum ili mekezinde 5, Sungurlu ilçesinde 2, ve Bayat ilçesinde 1 tane olmak üzere tüm Çorum ilinde 8 ulus-ötesi girişimci olduğunu tespit ettik. Bu girişimcilerin sayıları ilk bakışta az gibi görünse bile, iktisadi faaliyetleri ve yaptıkları etki açısından Çorum büyüklüğünde bir il için oldukça önemli oldukları söylenebilir.

Bu işletmelerden bir tanesi 1980’li yılların ortasında faaliyet göstermeye başlamış diğer yedi tanesi ise 1990’ların başından itibaren kurulmuşlardır. Bu durum Türkiye ekonomisinin gelişmesiyle birlikte, Çorum’da yaşanan gelişmelerin bu türden girişimcilerin etkinliğine zemin hazırlaması olarak değerlendirilebilir. Çorum ilinde altyapı çalışmalarının önemli ölçüde sağlanması, düşük işçi maliyeti, bu ilden bile

rahatlıkla ihracat yapılabilmesi ve bu girişimcilerin ortak özellikleri olan ‘Çorum’lu olmak’ bu girişimcilerin bu ilde faaliyete başlamalarının temel nedenleri olarak sıralanabilir.

Bu şirketlerden 1 tanesi işçi şirketi, 1 tanesi arkadaşların kurduğu ortaklık ve diğerleri ise aile veya bireylere aittir. Bu özellikleri nedeni ile Schumpetergil anlamda girişimci sayılmasalar bile yaptıkları işin özü itibari ile bu girişimcileri Schumpetergil tarzda girişimciler olarak görmekte bir sakınca olmadığı düşünülmektedir. Bu girişimcilerin sahip olduğu işletmelerden biri gıda ve içecek, biri kimyasal, ikisi tekstil, ve diğer dördü ise metal ürünleri imalatında etkinlik göstermektedir. Bu işletmelerin yaptıkları yatırımlar 250 bin dolar ile 2.5 milyon dolar arasında değişmektedir. Yapılan toplam yatırım ise 10 milyon doları bulmaktadır.

Ulus-ötesi girişimcilerin ve firmalarının Çorum’da üretilen sanayi ürünlerinin çeşitliliğine katkı sağladıkları açıktır. Bunun yanı sıra bu işletmeler 1,000 den fazla kişiyi istihdam etmektedirler. Çorum ilindeki toplam imalat sanayi istihdamı düşünüldüğünde (resmi rakamlara göre son yıllarda yaklaşık 8,000) bu rakam azımsanmayacak ölçüdedir. Ayrıca, bu işletmelerin yıllık ihracatı 15 milyon doları aşmaktadır ve bu rakam ilin resmi ihracat rakamlarına yakındır.

Yukarıda bahsedilen doğrudan etkilerin yanı sıra, ulus-ötesi girişimcilerin bir takım dolaylı pozitif etkileri de söz konusudur. Bu girişimciler ihracat konusunda diğer yerel işletmelerde örnek olmaktadır. Örnek olmanın da ötesinde bazı yerel firmalara

ihracat konusunda doğrudan yardımcı olmaktadır. İkinci dolaylı etkileri ise potansiyel ulus-ötesi girişimcilere örnek olmalarıdır.

Türkiye'nin dış göç deneyimi üzerine yapılan önceki çalışmalarda Türkiye'nin bu deneyimden yeterince yararlanamadığı ve bu deneyimin Türkiye ekonomisi üzerine neredeyse hiç bir olumlu etkisi olmadığı yönünde ortak bir görüş söz konusudur. Olumlu etkiler konusundaki görüşler son derece kısıtlıdır. Bu çalışma, daha önceki çalışmaların ulaştığı kimi sonuçlara katılmakla birlikte, dış göç deneyiminin Türkiye ekonomisi üzerinde pozitif etkisi olduğunu savunmaktadır ve bu etkilerin günümüzde ve gelecekte daha da artacağını ileri sürmektedir. Bu iyimserliğin altında yatan neden ise, günümüzde ortaya çıkan küreselleşme olgusunun zaten ortaya çıkmış bulunan ulus-ötesi girişimciliği daha da artıracığıdır. Türkiye gibi alt yapısını önemli ölçüde tamamlamış ve yurt dışında önemli bir potansiyele sahip bir ülke için çalışmadaki iyimserliğin bir altyapısı olduğunu düşünmekteyiz.

İleride başka iller için yapılacak çalışmalar ulus-ötesi girişimciliğin Türkiye'deki boyutlarının ortaya çıkarılması açısından son derece yararlı olacaktır. Böylece bu duruma günümüzde kayıtsız kalan devlet kurumlarının da bu konuya ilgisi çekilerek, bu konuda genel bir politika oluşturma konusunda adım atılması gündeme gelecektir.

VITA

Cem Dişbudak was born in Sungurlu, Çorum on January 1st, 1970. He received his B.S degree in Economics from Faculty of Political Science, Ankara University in 1991. He won a nation wide competitive exam and was appointed as a research assistant at the Department of Economics, Muğla University in 1993. He received his Master of Science Degree in 1996 in Economics from Oklahoma State University, USA. His main areas of interest are History of Economic Thought, Macroeconomics, Economic Development, and Turkish Economy.