

## **US-Turkey Business Council, Session III**

### **Topic 4.c.**

#### **Establishment of Humanitarian Industrial Zones Supported by Duty-Free Access to the U.S. and Other Participating Consumer Markets**

The ongoing economic contraction in Turkey's main export markets combined with intensified geopolitical risks in the region have made it necessary to develop effective policies for Turkish export strategy.

Among many surrounding risks and challenges, the Syrian crisis clearly stands out as the major political risk, not only for Turkey and Syria but also for the region as a whole. Considering the fact that the number of refugees is approaching 5 million and the problem is likely to continue at least in the near future. Providing life-supporting jobs for Syrian refugees living in harsh conditions in the region has the potential to alleviate both political and economic costs for all of the stakeholder countries.

As mentioned above, in addition to the Syria problem and the related terrorist activities that it is causing, the economic slowdown on a global scale has made the situation even worse for Turkish exporters. Within this perspective, it is clear that the United States economy, with its huge domestic market and import demand receives deserved attention. Likewise, other significant consumer markets, where there is an interest in helping the refugees and the host countries bearing the financial and social burden of caring for them, can be viable stakeholders in this program.

Based on the above observations and realities, it is important to design a win-win policy and program framework that will benefit all the stakeholders in the region from both a political and economic perspective. Providing employment opportunities for Syrian refugees within Turkey and other countries in the region in which large Syrian refugee populations are being supported has the potential to improve both economic outcomes and mitigate political risks.

For this purpose, establishing a humanitarian shelter for Syrian refugees, which will also generate an economic value added can reduce both the high level of unemployment among the refugees and decrease the risk of increasing terrorism on a global scale.

Within this context, setting humanitarian purposes as its focal point, the Council recommends establishing an industrial zone that will operate within the context of a (duty-free) preferential trade agreement with the United States and other similarly disposed consuming markets stands out as an important policy action to pursue.

While such an agreement will provide employment opportunities for refugees and improve their living standards, it will also reduce the financial burden on all of the regional stakeholder countries. The main pillars of the program can be stated as follows:

- The employment of Syrian refugees at each facility operating under this program should not be less than 20%.
- For garment production (an example of an easily established production capacity that could quickly employ refugees) the cotton to be used in these Humanitarian Industrial Zones should be imported from the US, especially, in the case of Turkey, without the anti-dumping duty.
- Duty free access to the US and other participating consumer markets for exports from such Zones should be guaranteed.
- In case a peaceful and a secure environment within Syria is established, the agreement should allow for the above mentioned industrial zones to be established also in Syria.
- The project should be designed to contribute to the peace-making process in the region as well as termination of Syrian refugee migration to the western countries.

As a supporting argument of the above-mentioned characteristics, it is worth considering the humanitarian and peace-building nature of existing QIZs of the US. These projects have been successful particularly in establishing a stable political, economic and social environment in the regions where they are constructed.

As an important side benefit, on the condition that one or more preferential trade agreements are reached, it is clear that bilateral trade between Turkey and the US will improve.

Another important benefit of establishing the above-mentioned humanitarian industrial zones in the region will be to reduce the regional disparities by promoting employment and improving the investment climate. In other words, such a policy will also serve the purpose of regional development, which is a policy priority for all governments.

**Recommendation:**

The Council recommends establishing an industrial zone that will operate within the context of a (duty-free) preferential trade agreement with the United States and other similarly disposed consuming markets stands out as an important policy action to pursue.