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***Social perceptions towards Arab investments
in Türkiye***

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Foreign Investments in Türkiye

Foreign investments are deemed to be vital for economic growth¹. Not surprisingly, many governments and policy makers form policies revolving around attracting foreign capital. Türkiye has implemented many structural reforms for the past decades to allow an easier influx of foreign capital to the country. As a result of these efforts, foreign investments in Türkiye surged to a total of \$ 240 billion during 2003-2021 period². Out of that amount of total foreign direct investments (FDI), Gulf countries' share of FDI in Türkiye has accumulated to 7.1 percent³ during 2003 to 2021. That number does not include the Syrian, Lebanese or other Arab countries' contribution of direct investments in Türkiye. Most of the foreign direct investments have been made in finance and manufacturing sectors.

The most investing country in Türkiye has been Netherlands with more than 20 percent of the total FDI, followed by Germany with 9.42 percent during 2003-2021 period. While more than half of FDI in Türkiye comes from EU countries, the influx of Arab investment cannot be taken lightly. The most notable growth in the FDI in Türkiye has been from the Gulf states with a total increase of more than 140 percent from 2000 to 2020⁴. UAE is the Gulf country which has invested most in Türkiye, followed by Qatar, Saudi Arabia and Kuwait. Investments from these countries particularly intensified after 2005. However, following the political disagreements with some Gulf countries such as Saudi Arabia and the UAE, there has been a significant decline in the investments from those countries, while direct investments from Qatar have soared during the same period. With the recent normalization of the relations with all the Gulf states, investments from these countries have started to increase again.

Real Estate Investments

Arab investment in the real estate sector is a hefty amount, and this made Arabs the posterchild of foreign real estate investors. Between 2015 and 2019, Iraqis, followed by Saudi Arabians and Kuwaitis were making the majority of the real estate investments in Türkiye. Yet, since 2020, Iranians, and since the start of the war between Ukraine and Russia, Russians and Ukrainians became leading actors into the Turkish real estate sector⁵.

One of the reasons of the increase in the real estate sales to foreigners were the changes in the law which allowed real estate owners to obtain Turkish citizenship easily. In 2016, a new law allowed foreign nationals to gain Turkish citizenship if they invest minimum \$ 1 million in real estate. Later, in 2018, this amount has decreased to \$ 250,000 and in 2022, this amount has increased to \$ 400,000. Especially after these changes real estate sales to foreign nationals have soared. Particularly, investors from troubled or war-torn countries found real estate investments as an easy path to acquire Turkish citizenship. This policy contributed to raise negative public sentiment towards foreign investors in Turkish real estate industry.

¹ Basu, Parantap, and Alessandra Guariglia. "Foreign direct investment, inequality, and growth." *Journal of Macroeconomics* 29.4 (2007): 824-839.

Reisen, Helmut, and Marcelo Soto. "Which types of capital inflows foster developing-country growth?" *International finance* 4.1 (2001): 1-14.

² <https://www.invest.gov.tr/en/whyturkey/pages/fdi-in-turkey.aspx>

³ <https://www.invest.gov.tr/en/whyturkey/pages/fdi-in-turkey.aspx>

⁴ <https://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/Statistics/Balance+of+Payments+and+Related+Statistics/International+Investment+Position/>

⁵ <https://data.tuik.gov.tr/>

Out of \$ 240 billion FDIs in Türkiye, real estate investments do not stand out, with just above \$ 1 billion. Still, the increase of prices in the Turkish real estate market is considered by some as the outcome of foreign investors, leading to a popular discontent. Particularly, in the recent years, Turkish housing prices have skyrocketed. According to the Knight Frank Global House Price Index, in the second quarter of 2022 Türkiye ranked first in the list of annual percentage change in housing prices, with an increase of 160 percent⁶. It was followed by Slovakia with only a 25.5 percent increase. Younger generations in Türkiye feel they are unfortunately losing their hopes of home ownership and they are consequently developing negative feelings towards their perceived culprits of this phenomenon. Public discontent centres around the impact of foreign buyers on the increasing real estate prices. However, sales to foreign nationals make only around 3 to 4 percent of the total annual transactions in the real estate sector⁷.

Arab Investments in Türkiye

In the past few years Qatar has been the most visible Gulf country investing in Türkiye. Qatari investors bought shares of Borsa İstanbul (BIST), McDonald's Türkiye, BMC, Abank, QNB Finansbank, and invested on the lands bordering Canal İstanbul project. These investments alongside with other Arab real estate investors is probably the reason behind the creation of the Arab real estate investor posterchild.

Before 2000 there were very limited foreign investments in Türkiye, due to economic and political reasons. Limitations by laws, inadequate infrastructure, high inflation, economic instability and fear of foreign institutions gaining power in vital industries caused low rates of foreign investments. The introduction of structural reforms, new rules and regulations paved the way to a flow of foreign capital to Türkiye. Although Saudi investments in Türkiye date back to 1980s, they were only very small amounts. With the political and economic changes and the improved relations between Türkiye and the Gulf states in the 2000s, Gulf investments started to enter the country. However, considering the total value of Gulf investments worldwide, their investments in Türkiye were still low. Since early 2000s Gulf investments had increased but that period ended with Arab spring revolts and that changed the course, as conflicting interests arose. Gulf countries, except Qatar, distanced themselves from Türkiye and Saudis even called a boycott for Turkish products.

Recently diplomatic relations are in a normalization process. Hence, Gulf investments in Türkiye are increasing again. UAE leads the investing parties with \$ 4 billion followed by Qatar, Saudi Arabia and Kuwait. But just like the discontent about real estate market, there are some concerns amongst the Turkish opposition and population. Particularly, the purchase of 10 percent of BIST shares and 49 percent of tank pallet factory shares operated by Gulf countries were harshly criticized by the opposition. Qatari investments caused some groups to become sceptical towards Arab investments.

General Public Perception

Geographically, Türkiye is a bridge between east and west. One would think that its position should be sufficient for a nation to be more curious about other countries and cultures, but Turkish people do not share a common language with any other country except some former

⁶ <https://www.knightfrank.com/research/report-library/global-house-price-index-q2-2022-9334.aspx>

⁷ <https://data.tuik.gov.tr/>

Soviet nations with Turkic origin. Besides, while half of the population feels closer to the west and leads a western lifestyle, the other half feels closer to the middle east due to religious ties. This unique condition leads to a somewhat isolated culture, which contributes greatly to the general foreign sceptic discourse.

A long history of conflicts between Türkiye and its neighbours is another reason why Turkish people tend to be suspicious towards foreign involvement, economic or otherwise. According to a survey published in the Transatlantic Report⁸ by the German Marshall Fund, 67 percent of participants have negative views of US influence and 53 percent perceive EU's global influence as negative. These figures also confirm the unilateralist tendencies and desire to be free from any foreign involvement of the Turkish society.

Turkish perceptions towards the Arab world have not been so different than their views on other nations. Although Turks and Arabs share a common religion, there had been a historical mutual distrust between them. Past disputes and memories of centuries of long disagreements are still alive in the minds of some Arab and Turkish people. Some Turks would still vividly remember the World War I, when Arabs sided with Allied Forces and fought against Ottoman Empire, while Arabs would still recollect the Turkish domination in their own land. Hence, until late 1990s and early 2000s, we cannot talk about noteworthy trade ties, investments and collaboration between Türkiye and Arab nations. Besides, considering Türkiye's close ties with Europe and its attempts to join the European Union, Eurocentric politics were in place in Türkiye until early 2000s. However, these political actors have long diminished, and these policies have now changed direction.

Currently one of the most important reasons of negative public sentiment towards foreigners is not rooted in the history. Remarkably, Syrian refugee crisis caused a general uneasiness amongst Turkish people. Türkiye has welcomed 3.7 million legal refugees from Syria since the start of the Syrian war. Moreover, many others have arrived through illegal ways not only from Syria but also from Afghanistan, Pakistan, and many other African countries. According to a survey⁹ conducted by Turkish Social Democracy Foundation (SODEV), negative feelings towards Syrian refugees are soaring. 66 percent of the respondents think that Syrians should go back to their country, while 45 percent believe that Syrian refugees are dangerous and may cause problems in the future. Particularly, in the wake of the economic hardship and high inflationary period, many Turkish people point fingers to refugees and the funds spent to them as a reason for the economic problems. This negative sentiment towards Syrian refugees unfortunately resonates to all Arab nations in the Turkish society.

Some opposition movements are harnessing this general discontent into a political tool. Their intention may not be malicious towards foreign parties, and they may not be successful in their aim to gather more support, but an Arab sceptic politics has become a new reality.

Arab investments are mostly in finance sector or in form of purchasing shares of already existing manufacturers. According to a survey¹⁰ conducted by Pew Research Center in 15 countries in 2019, 70 percent of the respondents in Türkiye have said that it is a bad thing when foreign companies buy domestic firms. Also, the support for foreign companies buying domestic ones has decreased from 30 percent in 2014 to 24 percent in 2019.

⁸ <https://www.gmfus.org/news/transatlantic-trends-2022>

⁹ <https://sodev.org.tr/wp-content/uploads/2022/02/SODEV-Suriyelilere-Bakis-Arastirmasi-Raporu-1.pdf>

¹⁰ https://www.pewresearch.org/wp-content/uploads/2020/08/Investment-Topline_for_release_CHECKED.pdf

Usually, foreign investments are not easily visible, and their benefits are not directly observable by the general public. Also, the conflicts and the language used during the conflicts between Türkiye and Gulf Countries are quite recent and that also contributes to the Arab sceptic political atmosphere.

FDIs are long term investments and important for economic development. With time, as the conflicts are left behind, a possible conclusion to Syrian crisis would eventually turn the general populations discontent to a better view.

Currently, Türkiye is facing the shock of a terrible disaster which hit the South-eastern region. More than 35,000 lives have been lost and more than 100,000 people are wounded as a result of two devastating earthquakes with magnitudes of 7.8 and 7.5 on February 6th ,2023. About 13 million people have been affected from this catastrophe. Countries from all over the world have sent rescue teams and humanitarian aid to the region. We have seen heart-warming scenes of display of gratitude to the rescue teams, showing that Turkish public is thankful for every single hand reached to the help the victims of the earthquake.

We have witnessed the pain bringing people closer. Several towns are completely destroyed, and huge investments are needed to rebuild the region. Turkish government, public, diaspora in different parts of the world, as well as local and foreign organizations are sending funds with the common desire of contributing to the faster healing of the wounds of the region.

The area affected is an important industrial and trade centre in the Middle East and has a great potential to provide lucrative opportunities for foreign investors. Also, considering the proximity of the region to the Syrian border, residents of the area are less Arab sceptic as they have years long ties with Türkiye's south-eastern neighbours. Both philanthropic aids and foreign inflows from the Arab world will help to reduce Arab sceptic views and increase Middle Eastern trade.

Türkiye will hold an election in 2023 and regardless of the outcome, the new approach shaping in the new term will be crucial on Turkish foreign policies. Usually, the language and the tone used by the government reflects on the public. Using the language of peace instead of blaming foreign forces for every problem will find a more meaningful response in the society and lead the public to form a better understanding of the changing global dynamics and help them to embrace foreign investments.