

***Building
a Turkish-Chinese Strategic Partnership
In the 21st Century: Why and How?***

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Turkey and China, both situated at the opposing ends of Asia, but linked by the Eurasian landmass, strive for a powerful role, commensurate with their rapidly growing economic and political influence, in their respective geographies. Both countries share ambitious goals to project their economic and military power in the 21st Century. They also have resolved to create a twentieth-century version of the ancient Silk Road that linked China via Central Asia to the Middle East and Europe. Relations between Turkey and China have gradually improved since the normalization of diplomatic relations in 1971, and particularly from the mid-1990s, with an eye to advancing mutually beneficial strategic and commercial interests. For the first time, the Turkish Government has referred to the need to advance relations with China in its Programme. This article will attempt to examine the prospects for both nations' forging a strategic partnership in the early next century and the arduous tasks ahead to make this mutually desired goal a reality.

Turkish policy toward China has thus far been driven primarily by a preoccupation with economic concerns. While economic and trade ties remain in the vital interest of Turkey, it is imperative to look beyond these issues to the emerging situations in political, social, and cultural change, with special consideration given to the role of China in Eurasia and the Middle East and potential co-operation areas. Both Turkey and China cannot, and should not, restrict themselves to a single level of political and economic interaction with other nations. Of late, they are re-discovering one another. Forging an effective and long-term Turkish-Chinese strategic partnership has become an urgent task. This will require presidential, governmental and business leadership, a clear sense of direction, and plenty of sweat on both sides. All relevant players, holding a stake in Turkey's burgeoning relations with China and vice versa, must be involved in this process.

The strategic partnership between Turkey and China, based on solid and mutually beneficial interests, should not be viewed as coming at the expense of their existing set of relations. It is part and parcel of Turkey's drive to diversify its international exposure and avoid putting all its eggs in the same basket. Bear in mind that Turkey's traditional allies and partners such as the United States, the EU countries and Japan also strive to forge similar partnership with the "Middle Kingdom". President Demirel's visit to China in May 1995 raised high hopes for the future development of relations and the enthusiasm of Turkish companies for greater business links with China. The ensuing ministerial visits have highlighted the mutual political will to "open a new page" in the Turco-Chinese relations. This momentum should be maintained and supported with new initiatives because building a Turkish-Chinese strategic partnership is vital to both nations' future interests, politically and economically.

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EMERGING TIGERS OF EUROPE AND ASIA

One of the significant strategic events of the post-Cold War period is the emergence of Turkey as a regional power and China as a new superpower in the making. They are set to alter the established balance-of-power equations. Many policymakers, strategists, and scholars express concern over the consequences of Turkey's and China's growing military and economic capabilities in their respective geographies. Such concern derives in part from an anticipation of the systemic security problems that have historically accompanied the emergence of a new power. However, these anxieties are greatly compounded by the rapidity of internal change under way in both countries, the general lack of knowledge about these countries' strategic ambitions, the existence of many unresolved problems with their neighbours, and suspicion harbored by their publics toward the West in light of Turkey's and China's painful historical experiences.

Turkey Emerging as a Regional Power

Turkey has been going through a critical transformation in its economy, political architecture and geopolitical environment, redefining its role in the new world. Whichever way one looks at it, the Turkish geography is a unique one representing the eastern frontier of Europe and the western frontier of Asia. It is at the same time a part of the Balkans, the Caucasus and the Middle East – regions associated with instabilities and crises. The Balkans is its access to Western Europe. The Black Sea is a bond between Turkey, Russia and the Ukraine. The Caspian region is its gateway to China over Central Asia. And finally, the Middle East and the Mediterranean link it with the Arab Peninsula and Africa.

Turkey's traditional role of linking and bringing together different continents, cultures and peoples originates from the fact that Turkey has been at the crossroads of several volatile, strategically and economically important regions, including the awkward triangle of the Middle East, Central Asia, and the Caucasus. Bosnia, the Middle East Peace Process, Iraqi sanctions, Operation Provide Comfort, Trans-Caucasus separatism, Russian activities in the "Near Abroad", Conventional Forces in Europe Treaty flank issues, NATO enlargement, Cyprus, Central Asia, and energy pipelines cannot be discussed or imagined without reference to Turkey.

Turkey's eight neighboring states include Syria, Iraq, Iran, Armenia, Azerbaijan, Georgia, Bulgaria and Greece. Other than Iran and countries of the Caucasus, these are all former dominions of the Ottoman Empire, some of which still have historical accounts to settle with Turkey. Turkey is an economic and political focal point in the region. This thinking lies behind the Black Sea Economic Co-operation, its close ties with Russia, the Balkans, the Caucasus and Central Asia, its joint energy projects, oil and gas pipelines and its support for the Middle East peace initiative. Yet, Turkey's bid to full membership to the European union still remains an unaccomplished goal, although the European vocation continues to be a driving force in its foreign policy along with its trans-Atlantic partnership.

Turkey has an impressive military capability, with the second largest military in NATO after the United States. Its military spending is 3.5 percent of GNP and 12 percent of the national budget, the highest in NATO. Turkey played a key role in the U.S.-led Desert Shield and Desert Storm operations, and Turkish troops have participated in international peacekeeping operations in Somalia, Bosnia and Kosova. Turkey remains host to the U.S.-Turkish-British force that makes up Operation Northern Watch in Iraq.

Being at the heart of the vast geography linking Central Asia, the Caucasus and the Middle East to Europe, Turkey's policy objective is joining hands with its partners in North America, Europe and Asia in assisting the integration of this region to the world at large. One of the most essential building blocks for exploiting the potential for co-operation offered by this geography has already been put into place through the wide consensus reached on the transportation of Eurasia's rich oil and gas reserves to world markets via Turkey. Coupled with the revival of the historic Silk Road, this project is likely to place Turkey at the center of the global energy and transportation map of the next century.

Turkey is the largest economy in its wider region. Turkish society is young and dynamic. It is extremely energetic and adaptable -- a society, which has come a long way, is still moving fast, and confident about its future. Turkish economy signifies many of the characteristics of a highly dynamic emerging economy; rapid growth; a large and fast-growing population of 65 mn; openness to global economic forces; and vast under-developed markets ripe for expansion. Turkey is no longer

predominantly a rural and agricultural society, but increasingly an urban and industrial one. Income levels in the 'metropolitan' areas and their hinterlands are comparable to those of anywhere else in Europe. Istanbul, a city of around 12 million people, is a formidable European industrial power in its own right and incidentally the largest European city.

The past two years have seen strong Turkish economic expansion despite considerable political uncertainty with real GNP growth in 1996 and 1997 of 7.1 and 8.0 percent, respectively. Due to the continuing rapid urbanization, massive investment in the country's infrastructure is required. Increasingly, the Turkish Government has encouraged the local private sector and international investors to construct and operate urgently needed energy, transportation, and environmental infrastructure projects. While legal and regulatory framework problems remain, Turks are working to remove these obstacles.

The private sector remains the powerful engine of Turkish economic growth, contributing to an "unregistered" economy, which increases the GNP by up to 50 percent. Turkey has begun to adapt to the rigors of the global competition and take advantage of European markets (Turkey joined European Customs Union on 1 January 1996.) and those in the Middle East, Black Sea, the Caucasus, Central Asia and Russia. Due to significant steps expected this year on the privatization of Turkey's power and telecommunications sectors, best prospective sectors in Turkey for exporters are power generation and telecommunications equipment and services. Other prospects include: franchising; defense industry equipment; building products; automotive parts and services equipment; security equipment; textile machinery; medical equipment; pollution control equipment; agricultural machinery; food processing and packaging equipment; and tourism infrastructure.

China: a Superpower in the Making

China would qualify as a superpower if for no other reason than its population: one out of five people in the world lives in China. Those 1.2 billion people have enthusiastically joined the global market. With a land mass spanning from Russia in the north to Vietnam and Thailand in the south, from India and Pakistan in the west to Korea and Japan in the east, China has the world's third biggest territory, with a total land area of 9.6 mn km², next only to Russia and Canada.

With foreign funds flowing into China at the rate of about \$45 bn (1998) per year, China ranks second only to the US as a destination for foreign capital. A tangible economic manifestation of China's "open door" policy can also be observed in its trade performance -- China's 1997 foreign trade totaled \$325 bn, with exports increasing to \$182.7 bn and imports to \$142.3bn. Because of its huge population, China does not have to be a rich country to have the world's largest economy. By 1997, on a purchasing-power basis, China's GNP was second only to that of the United States, and it is the only country in the world with a reasonable chance of overtaking the American economy in size.

The World Bank has issued a range of evidence for why China looks set to become the world's largest economy by 2010 or, if one includes the *Greater Chinese Economic Area* (comprising China, Chinese Taipei and Hong Kong), by 2002. Economists, using the purchasing power parity measure, believe that the real value of the yuan is closer to four times the official value. China's share of the world's economy, by this measure, is around 15 percent. Unless serious internal disruptions take place, China's relatively high growth rate is expected to continue until 2020¹.

Let's not, however, overlook the plain truth: A sizeable proportion of Chinese people is currently living below a poverty line [The World Bank estimates that 350 mn people still live below the poverty level (\$1 per day)] and this situation prompts fears in the rest of the world that, with the very rapid growth of recent years and the reform of the state-owned enterprises, the gap in living standards will increase² and may lead to potentially dangerous social consequences. Economic performance also varies widely among China's disparate regions with the northeast industrial heartland severely depressed and unemployment on the rise as economic reforms take hold.

As a matter of fact, China is already split economically between the prosperous southern provinces and the relatively poor northern and western provinces. Per capita incomes are only about half the level of those in Brazil for example -- with large, unmet needs and serious inequalities. Labor productivity is among the lowest in the world, only slightly ahead of India's and only 10 percent of the US's. This confusion of performance with prosperity³, or total size with individual incomes, is evident in the

debate over whether or not China should be classified as a developing nation for the purposes of membership in the World Trade Organisation (WTO).

In spite of the many problems China faces in opening up its economy, there is a demonstrable commitment on the part of the Chinese government to continue the reform process. These reforms appear irrevocable and are expected to continue irrespective of changes in the political leadership of China. The Chinese economy is likely to become one of the important locomotives for the world's economic growth; but it could equally be a potentially de-stabilising factor. If China's economy were to crash⁴, every economy in Asia would feel the shock in a very negative way. Any move to further devalue currencies in Asia in order to make local exports more competitive will likely trigger another, even more dangerous round of capital flight.

The economic growth that China has seen over the past two decades has brought great opportunities in its wake. China's unmet infrastructural needs are staggering. Foreign capital, expertise and equipment will have to be brought in if China is to build all the ports, roads, bridges, airports, power plants, telecommunications networks and rail lines that it needs. China's urban population has reached the point where the middle class can afford consumer goods such as televisions, stereos, portable telephones and even a family car. Moreover China has a growing upper class that can afford the accouterments of the upper class-- luxury homes, designer clothes, expensive cars, foreign vacations and fine foods. There are opportunities for foreign firms in almost every sector of the economy, from providing expertise and equipment to meet China's infrastructural needs, through supplying industrial equipment and supplies to the booming industries, to retailing consumer goods and services to the burgeoning middle class.

How will a political transition come about in a country as big and as poor as China, and how will authority and cohesion be maintained during that period? Time is offered as one answer - enough time to allow democracy to continue to build up from the local level and enough time to allow incomes to reach the levels that have led to greater political participation in other, albeit smaller, Asian countries. China's view of international affairs is no longer dependent on political and ideological considerations⁵. In this regard, the socio-economic development has clearly become the single most important issue in China's agenda: the need to acquire expertise and experience in such areas as technology transfer, vocational training, reform of industrial management, access to international capital, foreign markets and investments.

China clearly wants to reduce tensions with its neighbors, agreeing on reductions in troop deployment along borders and other confidence-building measures with Russia and its Central Asian neighbors. It has adopted a less confrontational (and even conciliatory) stand in resolving its territorial disputes with India, Vietnam and Japan. Its relations in the South China Sea, however, while peaceful, are still uneasy. As China grows in capability and begins flexing its economic and military muscles, analysts believe that it will likely initiate more militarized disputes in an attempt to alter the status quo. If China wants to influence international norms, it should participate actively and responsibly in their formulation and observance

WHY A LONG-TERM STRATEGIC PARTNERSHIP BETWEEN TURKEY AND CHINA?

Let's make no mistake: Turkey will not be a strategic "ally" of China. Both countries have different threat perceptions, development patterns and future visions. Besides, strong states, particularly strong states getting stronger, are more likely to form asymmetrical alliances with smaller states and not with other powerful states. What we are advocating here is the formation of a strategic "partnership" on the basis of the perceived common strategic and economic interests that bind both nations. This relationship cannot and should not impair or exclude relations with Turkey's and China's other traditional allies/ partners. It will only complement them. Let's highlight below some of the reasons why the launching of a Turco-Chinese strategic partnership in the 21st century will be beneficial to both nations:

One: Future, History and Geography

Turkey's strategic engagement with China should be viewed in the wider context of its relations with Asia as a whole and the future shape of the world economy and geopolitics. No one can dispute that China is destined to be the dominating economic and political force in the Asia-Pacific/Eurasia region, and of course one of the most important in the global economy and geopolitics. Looking into the first

quarter of the next century, Turkey must begin positioning itself to a new emerging world system in which China will likely take its place as a superpower on equal footing with the United States. The existing tripolar system consisting of the US, the European Union and Japan, may gradually evolve to a kind of G-3 in which China will join the US and the European Union as a new pole of power, while Japan may move to a back seat. Hence, Turkey's strategy towards China today must factor in the China of the 2020s.

In retrospect, Turkey and China share a long past, cemented by the turning of centuries, and have influenced each other throughout history. The Turkish forebears were engaged in intense relations with the Chinese rulers and people, be it in war or in peace. A host of intermarriages, cultural and politico-economic exchanges took place between the Turkic and Chinese civilizations throughout their common history of more than 3 000 years. Though the official Chinese history books may deny it, legend has it that the famous 6 500 km long Great Wall buttressed ancient China against the advancing Turkish warriors. The Turks once lived under the Chinese rule as a minority nation due to the endless internal bickering among rival Turkic tribes. More importantly, China is the next-door neighbor to Central Asian Turkic republics and home to more than 10 million Turkic-origin minorities.

The historic *Silk Road* goes all the way from Xi'an to Istanbul. Anatolia served as a gateway for exchanges between China, Europe and the Middle East during that period. A rich variety of porcelains and other precious ornaments gifted by the Chinese dynasties to the Ottoman Sultans (now on display in the Topkapi Palace Museum) bear witness to this historic relationship. It is, however, ironic that, after migrating to Anatolia from Central Asian steppes, the Turks never looked back to where they originally came from. Both the Ottoman and the modern Turks have always turned their face toward Europe and, perhaps to a lesser degree, toward the Middle East. In their eyes, China has never elevated to a position of importance, except for rhetoric in the mouths of politicians. Furthermore, according to some Turcologists, the true history of the ancient Turks is yet to be written because there are still thousands of Turkic graveyards, ancient cities and archaeological sites that wait to be excavated in Xinjiang⁶.

Two: Need to Diversify International Exposure

Increasingly disillusioned and frustrated in their relations with the West (for different reasons), both Turkey and China are in search for new horizons elsewhere and particularly outside their own neighborhood. The Turkish-EU Customs Union, the Turkish-U.S. strategic partnership and the regional integration efforts such as the Black Sea Economic Co-operation and the Economic Co-operation Organisation are no doubt important in the context of Turkey's foreign relations and are likely to continue to be so for the foreseeable future. However, the post-Cold War developments and the shifting sands have amply demonstrated that new openings are acutely needed to overcome current bottlenecks and to diversify its international exposure. Turkey's enhanced relations with Eurasia, Israel and the United States partly aim to demonstrate Turkey's alternatives to the Europeans.

As a country with close ties to the Middle East, the Black Sea/Caspian region, the Middle East and the European Union, Turkey is posited to be an ideal economic and political partner for Beijing. In the initial stages of this partnership, both countries will likely continue to have divergent positions on certain international issues and possible conflict of economic interests. Time will show how they can be reconciled and interdependencies could be developed. For decades, what appears to have escaped attention in Turkey's active search for new partners and markets has been the Asia-Pacific dimension. This region has played only a minor role in the overall Turkish foreign and economic strategies and may potentially bring a new dimension to Turkey's international standing. China, a member of the UN Security Council, the APEC and the ASEAN Regional Forum, may serve as a gateway to Turkey's entry into the Asia-Pacific region. Such partnership may even bring China closer to the Turkish viewpoint on Cyprus issue in the UN Security Council. In turn, Turkey will also be sensitized to the Chinese position on Taiwan and South China Sea issues.

Three: Common Security/Energy Concerns

As Turkey is a member of the NATO Alliance, a strategic partner of the United States and in the EU's customs union areas, Turkey is unlikely to share China's concerns over the US, Japan, Vietnam and Russia, nor China of Turkey's concerns over Russia, Iran, Greece and Syria. Due to traditional political and defence relations, geographic proximity, shared values, dependence on markets and

investment and existence of Turkish Diaspora in Europe, Turkey's Western orientation is an irreversible process.

As indicated earlier, an alliance relationship between Turkey and China is clearly out of question. The number of countries that might be willing to enter into an alliance with China is quite small, and limited to those states that might value China's ability to contribute meaningfully to their maintenance. In other words, potential Chinese allies will be drawn from those states facing an external or internal threat that China would be able to address. Two possible allies could be Pakistan and Laos. If Pakistan or Laos were to be threatened by India or Vietnam, respectively, those countries are more likely to welcome a Chinese alliance. By following this line of logic, despite much rhetoric, China and Russia will unlikely form an alliance to "counter the hegemonic aspirations of the United States" and share spheres of influence in Eurasia.

Turkey's neglect of China in the Eurasia/Middle East belt may result in China's consolidating cooperation with Russia and Iran. Tehran is already a principal ally of China in the Middle East. China also looks to Iran as a major transit route for economic relations with the Gulf countries and Central Asian republics. Contrary to public expression of Turkish concerns over China's suspected nuclear cooperation with Iran, there are no indications to suggest that China has taken into account the Turkish sensitivity on this issue. China's involvement and participation in military projects with Iran and Russia, if not tactfully checked, are bound to disturb Turkey's long-term security interests.

In terms of mutual security concerns, energy supply security is probably more important for both countries than the military security issues. Energy-hungry China is trying to access to rich energy sources in the Middle East, the Caspian and the Russian Far East. The energy policy has always been an integral component of both China's and Turkey's economic development and foreign/security policy. Both countries are dependent on external supplies of energy and are viewed by foreign investors as the last bastions of the fast growing energy markets in the world.

With its economy now the world's 17th largest and 65 million people, Turkey's energy needs are increasing quickly. Turkey's gas demands during the 1990s have been growing at 10 percent per year, and by 2005 these demands are expected to quadruple to 45 billion cubic meters. Oil needs are similarly urgent, with predictions that 22 million tons will have to be imported annually by 2010. Consequently, in recent years Ankara has made it an important policy goal to find and retain reliable energy supplies. Turkey's dependence on external energy supplies is clearly greater than that of China's, but its strategic location enables it to serve as a natural "*Energy Bridge*" between major oil/gas producing areas in the Middle East and the Caspian and consumer markets in Europe. (Note that more than half of Iraq's pre-Gulf War oil exports passed through Turkey via the Kerkuk-Ceyhan pipeline.)

Due to the country's large population base and high economic growth patterns, Turkey also constitutes a large energy market for future Caspian/Gulf supplies of oil and gas (not only a transit country) and independent power producers. Another factor directly linked to Turkey's continued economic development is the country's ability to secure sufficient supplies of natural gas, liquefied natural gas, and/or imported coal, for power plants to be built over the coming years. At the top of the Turkish-Chinese bilateral agenda may be the joint development of routes to carry oil and gas resources from the Caspian and Central Asia westward to Turkey and eastward to China and markets beyond. Turkish and Chinese suppliers of equipment and services may play a critical role in this process.

As crude imports become critically important for Chinese economy, one thing is certain: China will be as robust as other oil-dependent countries in securing access to oil supplies in the Middle East, but also in Central Asia, Russia's Siberia, Africa or, to a lesser degree, Southeast Asia. There are concerns that it could trade arms for oil with the Middle East⁷. Importing Russian and Central Asian oil and gas through the pipeline development (and linking the Kazakh and Turkmen pipelines with those in Xinjiang) is one of the choices China has to make to achieve a long-term energy supply balance and security⁸. China is projected to import about 8 million barrels per day by 2020, an amount equivalent to total production of Saudi Arabia, mostly from the Middle East. (In comparison, projected net imports of Japan, Australia and New Zealand by 2020 are just 7.6 million barrels per day.)

Four: Convergence of Interests in Eurasia

Turkey and China share common interests in Central Asia and the Caucasus. The stability of this ethnically diverse and resource-rich region is critically important for both nations' security and economic interests. The hydrocarbon reserves of the region are significant: Proven oil reserves at between 15 billion and 31 billion barrels, about 2.7 percent of total world proven oil reserves and natural gas reserves at of 230 to 360 trillion cubic feet, about 7 percent of total world proven gas reserves. By comparison, proven oil reserves of the Middle East represent 55 percent of world proven reserves while South America equals 8 percent.

Oil production in Central Asia and the Caucasus will never match the Persian Gulf, but can be comparable to the North Sea production. More than half of the Caspian region's proven oil reserves and 80 percent of its possible oil reserves lie in Kazakhstan. Turkmenistan holds large reserves of natural gas, but its distance from key consumer markets may mean those reserves will be commercially difficult to develop. A host of complex geopolitical, social, religious, and cultural factors will influence the future of the Caspian Basin region. They have hardly begun the task of building post-Communist institutions or creating new national identities. Divisive ethnic tensions simmer beneath the surface in many of the countries of the region, and few, if any, boast an institutional framework for the smooth succession of leadership.

Security arrangements are equally ill defined, leaving the region prone to instability and threatening its economic development. Independence after over eighty years of direct rule by Moscow has created a strategic power vacuum that has unleashed rivalries among large neighbors and distant superpowers. A multitude of countries has shown commercial and political interest in the region, especially its natural resources. They include neighbors Russia, Turkey, Iran, and China; nearby Pakistan and India; and the United States, Europe, Japan, Saudi Arabia, and even Israel. For the regional powers, interest extends well beyond commercial considerations.

Historical factors play a role. For Russia, the region represents an area of traditional Russian dominance. For Turkey, it holds the cultural, political and economic attractions. The re-emergence of Islamic practices in the region is a magnet for attention from both Saudi Arabia and Iran in their rivalry for leadership of a broader Islamic revival. To some extent, regional powers also seek to reach into Central Asia and the Caucasus to help control ethnic movements in their own hinterlands, including Russia's southern regions, ethnic Azeri borderlands in northern Iran, and the Xinjiang province in northwestern China. Geostrategic considerations also loom large. While talk of a new "great game" may be exaggerated, a number of major powers view the region, at least in part, in terms of a broader contest for spheres of influence.

The disintegration of the Soviet Union raised hopes that Turkey could exert an important influence over Central Asia and Azerbaijan. President Demirel initially conceived of a Turkic confederacy stretching from China to the Aegean Sea. However, the idea proved to be a dream, since Turkey has not had the necessary financial and technical resources to aid the region's economic revival⁹. Turkish efforts in the region seem to have built on three sets of interests. First, to establish relations with kin peoples, especially in Central Asia, where Turks thought they might have a comparative advantage vis-à-vis other countries. Second, to forestall the spread of Iranian-style extremism by offering an alternative model of Islam and modernism. Third, to support in every way possible the territorial integrity, sovereignty and independence of the newly independent states toward fostering a friendly set of relationships on Turkey's borders, including with Russia.

A constant irritant in the bilateral relations is the separatists activities of the Turkic and Muslim minorities in China's Xinjiang region. It is therefore important to reinforce the political atmosphere of mutual trust between Turkey and China through constant dialogue in order to avoid any misunderstanding of the Turkish cultural and economic interest towards Xinjiang. Chinese President Jiang Zemin, complaining about the activities in Turkey by Uyghur separatists, warned during his meeting in Beijing last year with the then Deputy Prime Minister Bulent Ecevit that it may take a stronger stance against Turkey "if the issue continues to be a political problem between Turkey and China"¹⁰. In fact, better relations between Turkey and China may help improve the presently tense situation and undercut political or logistical support for separatism in Xinjiang, often referred to as "Eastern Turkestan".

The Xinjiang province borders Kazakhstan and maintains close cultural and linguistic relations with Central Asia. It is no secret that China views the US-led NATO involvement (through partnership for peace programme) in Central Asia through the prism of its security concerns. Whether NATO likes it or not, its accidental bombing of the Chinese Embassy in Belgrade last May brought to the fore Beijing's security concerns. After the attack, President Jiang Zemin branded the alliance's actions as "gunboat" diplomacy. China has deep-seated concerns about developments in the Balkans because it has numerous restive ethnic minorities within its borders, and the idea that one country can intervene in the internal affairs of another, as well as the legal precedents that may spring from it, are worrisome to Beijing.

China is also wary of the way democratic countries have used the humanitarian crisis unfolding in Kosova to justify their military intervention. In the long-term, Beijing is worried about NATO's future role. Of particular concern are NATO's decision to dump the notion of "collective security" and adopt a "new strategic concept" and the possibility that countries bordering China such as Kazakhstan may one day join the alliance. Combined with Washington's efforts to strengthen its existing alliance with Japan, all this is seen by China as little more than a thinly veiled attempt by the US to contain China. Turkey, a NATO ally and close partner of Central Asian nations, could play a significant role in alleviating China's concerns regarding NATO future intentions in the region.

Trade between China's Xinjiang Uyghur Autonomous Region and Central Asian republics has grown rapidly, and China has established more than 180 companies or joint ventures only in Kazakhstan. There are tensions as well as ties; Kazakhs protest Chinese nuclear tests near the border, while China protests the sanctuary Kazakhstan and Kyrgyzstan afford Uyghurs seeking independence of Xinjiang. China needs to assure Central Asians that it does not see the region as a "backyard", but its relations will be based on its oft-quoted motto of "mutual benefit and equality"

Kazakhstan and Turkmenistan are both seeking alternative routes to their oil and gas exports and China has the potential to swallow a large portion of their exports. China also undertook to build a pipeline from Kazakhstan to Iran. Given China's growing role as a player in, and buyer for, oil and gas in Central Asia, Russia and the Middle East, it is extremely important that Turkey should coordinate policies and seek possibilities of joint ventures with China in Central Asian oil and gas schemes. Turkey's unequivocal common geostrategic concern is to preempt any situation that might enhance Russian political or military influence in Eurasia. A key instrument in this effort is to develop energy corridors, which will pass through Turkey and China instead of Russia.

Five: Counterbalancing Russia

It is not only the Central Asians, who seek ways of reducing the weight of Russia in Eurasia. Turkey, too, will benefit from China's entry into the so-called *Great Game*, and counterbalance Russia's "Near Abroad" strategy. Despite some serious problems, Russia and Turkey are both partners and rivals, just like China and Russia are. Bilateral trade (official and unofficial) amounts to \$14 billion. Turkey purchases major quantities of natural gas from Russia. There are 30,000 Turkish workers and some \$6 billion invested by the Turkish construction sector in Russia. There is also considerable tourism in both directions. The end of the Cold War changed the parameters of Turco-Russian relationship, leading Moscow and Ankara to deal more directly with one other. Although no longer sharing a land border, Turkey and Russia remain neighbors, and their interdependence is assured by common, sometimes clashing, geopolitical interests.

The Russian-Turkish rivalry has left several former Soviet states trying to perform a difficult balancing act. Moscow watches Turkey's relations with Azerbaijan more than Turkey's relations with the Central Asian countries. In June 1996, Russian President Boris Yeltsin warned against "any attempt to drive a wedge between the Caucasus and Russia," referring clearly to Turkey. In Central Asia, Kazakhstan, Kyrgyzstan, and Uzbekistan have the best relations with Turkey¹¹, although they need to walk a similar path to that of Azerbaijan: good relations with Turkey, absolutely, but not at the total expense of goods ties with Russia.

NATO expansion has increased Russia's sense of vulnerability, from the south as well as the west. The Black Sea fleet has been divided with the Ukraine and no longer serves as an effective instrument of Russian power. NATO is extremely active in the Black Sea, holding exercises with neighboring NATO and non-NATO countries, which upsets Russia. Yet, the Russian media, and sometimes Russian

officials, constantly talk about a "Turkish threat," rather than a NATO threat. By Turkish standards, Russia remains very powerful, and Turkey has no aggressive intentions toward Russia. For its part, Turkish perceptions are strongly affected by history. The Ottoman Empire fought thirteen wars with Czarist Russia. Turks are skeptical that today's weakened Russia will permanently accept the status quo. Thus, current Russian troop deployments in neighboring Armenia and Georgia are a legitimate cause of concern for Turkey.

Among its neighbors Russia matters most to China. Both countries share a 4 300 km northern border. Friendly relations with China guarantee Russia's softbelly in its relations with the West, just as friendly relations with Russia guarantee the same for China. There are more than three million Chinese in Russia (particularly in the Far East and Siberia) and, according to some demographers, the Chinese could become the second-largest minority in the Russian Federation as early as the first half of the next century. Relations between Beijing and Moscow have improved dramatically since 1989 after decades of tension since the late 1950s, caused by fierce ideological and territorial disputes. The former Prime Minister, Mr Primakov, proposed a strategic triangle involving China, Russia and India to ensure regional geopolitical stability, but Beijing promptly rejected the idea.

China and Russia signed a feasibility study on a giant gas pipeline linking the Kovyтин deposits in the Irkutsk region of Siberia with China's north-east. The project includes Japan and South Korea, which also stand to benefit from the Russian gas supplied along the projected 3 000km pipeline, the cost of which is estimated at up to \$4 billion. China also held talks with Russia on the purchase of 20 of its latest Su-30MK fighters. The Russians are also said to be offering help in building a nuclear research reactor in China. Moscow and Beijing plan to bring their annual trade to \$20 billion by 2000, but the figures dropped from \$7 billion in 1996 to \$5.5 billion in 1998. Among other factors the cheapening Russian rouble and the financial crisis in Asia were to blame for the decline. Russian officials blamed Chinese rules that kept out Russian planes, fertiliser and ferrous metals, and shoddy Chinese goods, as well.

Although both countries are well aware of the need for greater co-operation in the fields of economy and security/foreign policy, they should also cope with a sense of historical mistrust and lack of confidence surrounding the sparsely populated, but geopolitically critical, Russian Far East. Moscow controls the land between the Ussuri River and the Sea of Japan, thanks to the Treaty of Beijing in 1860, which condemned Manchuria to land-locked status. However, both sides appear to be eager to iron out their differences with a view to developing a positive attitude towards greater co-operation. The Sino-Russian relations have moved from a "constructive" to "strategic" partnership. The strategic partnership between China and Russia has strengthened China's international position in relation to the United States and other Western powers such as Japan with which China presently has the greatest mid- to long-range concerns. It will be in the mutual interests of Ankara and Beijing if both countries decide to engage in frequent consultations over their "special" relationship with Russia in particular and issues of common concern in Eurasia in general.

Six: Significance of the Middle East for China and Turkey

While Turkey nurtures and consolidates its position in the Middle East over the past few years by reconfiguring its web of relations, China's increased dependence on the Middle Eastern energy supplies may allow Turkey to develop an important go-between role in the region. Beijing strategists attach special importance to forging closer ties with Turkey in the context of their Middle Eastern strategy. It goes without saying that China will continue forging bilateral ties with the Middle Eastern countries in order to carve up a place for itself in the complex regional geopolitics. Turkey's facilitating or stabilising role there will only be complementary.

The expanding dependence of China on energy imports, most likely in great measure from the Middle East, will create new tests for the world political order and could have serious ramifications for future balance of power relations, particularly affecting Japan and China, but also with implications for Turkey, a close neighbour to the world's largest reserves of oil and gas. It is not difficult to imagine how rivalries for energy supplies might intensify in the region in the coming years, potentially complicating maintenance of a stable economic and political order, if China react to its energy vulnerability by taking aggressive precautionary steps.

In terms of broader Middle East security and stability, Turkish and Chinese views may not overlap. Turkey is keen to see that the Middle East does not become dominated by pan-Arabism. The 1960s and 1970s was a period when Turkey had difficult relations with pan-Arab regimes which were also usually allied to the USSR. The Middle East became an important market for Turkish goods and services during the 1970s and 1980s, but this receded as the oil boom waned and the region's economy began to stagnate. Turkey's economic relations with the region further decreased as a result of U.N. trade sanctions against Iran and Iraq. However, Turkey continues to aspire rebuilding economic relations with the Middle East. This is reflected in the Turkish-Israeli free trade agreement and also efforts to improve economic relations with Egypt, Jordan and North African countries.

The Middle East and the eastern Mediterranean regions are closely linked to Eurasia and also have high priority in Turkey's foreign policy. Peace and stability in this region, which are the cradles of civilization, will assume even greater importance in the future, as it will be an important point on the route that will link the Mediterranean to the Caspian basin and Central Asia. This is why Turkey has been actively participating in the removal of obstacles from the path of the Middle East peace process. China is increasingly concerned about the stability of the oil-rich Persian Gulf region. This is an argument that has been broached by U.S. officials in their non-proliferation discussions with the Chinese. Perhaps China has listened to this argument, even as it seeks diversify its overseas energy sources. Of particular concern to Turkey is Chinese arms exports to Iran. In conjunction with the U.S.-China summit of October 1997, China apparently took a number of steps to curtail sensitive transfers to Iran as part of a broader, more positive trend in Chinese nonproliferation policy. But numerous concerns persist that China continues to provide Iran with systems and technologies that contribute to further development of its cruise and ballistic missile capability, as well as to its nuclear, chemical and biological weapons programs.

Chinese and Turkish perceptions regarding Iran have been relatively dissimilar. Turkey was subject to Iranian-sponsored terrorist attacks. Beyond terror, the main strategic threat from Iran centered on the development of long-range ballistic missiles and WMD warheads. Iran has pursued a vigorous program to acquire missile technology and components from Russia, China, and North Korea. The Shihab 3 missile, which was tested in July 1998, will have a range of 1 300 kilometers, placing Turkey within range. There is a basis for concluding that in the next few years, there will be greater divergence between Turkish and Chinese approaches to Iran and the threats presented by this state.

In the past, Beijing saw Iran as a bulwark against Soviet expansionism toward the Persian Gulf, and favorably viewed the Shah's efforts to become, with U.S. assistance, the most powerful military force in southwest Asia. For China, improved Sino-Iranian relations including arms sales served a range of strategic, political, and economic interests. Following the Soviet invasion of Afghanistan, China was even more concerned to strengthen ties with Iran. The end of hostilities between Iran and Iraq in 1988 did not slow the steady development of the China-Iran relationship. Chinese arms exports to Iran continued, and moved beyond basic conventional weaponry to include cooperation in ballistic missiles, advanced cruise missiles, and possibly nuclear, chemical, and biological assistance. However, with the breathtaking shifts of the international environment in the early 1990s, much of the strategic rationale for strong Sino-Iranian ties changed. China's arms trade with Iran diminished, but China continues to provide Iran with sensitive weapons and technologies. These exports increasingly involve technology transfers, dual-use trade, and scientific assistance that are difficult to monitor. Such transactions may help Iran to develop a greater indigenous capacity to produce and deploy advanced conventional and mass destruction weapons.

Ankara and Beijing may also consider joining hands in supporting the governments of the Middle East region to diminish the manifestations of social injustice and economic deprivation that give rise to extremism. They may intensify their roles in advancing the Arab-Israeli peace process. Resolution of that conflict will help diffuse violence among Muslims and undercut the influence and spoiler potential of the Islamist extremist groups throughout the region. Turkey can help foster the development of regional trade within the Middle East and support efforts to establish regional trade in natural gas and water that would provide economic benefits to all nations of the Middle East and promote stable relations based on co-operation and integration.

Both sides must assess what Turkey and China can and should do in the face of generational and regime change in the Middle East. China, which has vital stakes both in the Middle East and Caspian

region, is keenly interested in fostering its political and economic ties with Turkey to the mutual benefit. Building regional ties that encourage co-operation among the Asian Pacific, Caspian and Middle East nations will be crucial as a policy to counter tendencies toward rivalry and competitive military build-up. Turkey and China will have a significant role to play in making this possible.

Seven: Bright Market Prospects in Turkey and China

China is an important export market (and source of competitively priced imports) for Turkish companies. Any country desiring to compete in the global market cannot ignore the gigantic and increasingly prosperous China market. It is an equally difficult market with significant barriers to sales by foreign firms. As we look into the next century, business with China can clearly support hundreds of thousands of jobs all across Turkey and *vice versa*. But access to China's markets remains restricted for many of Turkish companies and products.

The Turco-Chinese economic relations currently stand far from reflecting the true potentials of both countries. Let alone exploring new avenues and approaches, the existing trade composition fails to inspire any hopes for a sustainable trade growth, unless a radical upswing is effected soon to reverse the current uninspiring trend. Trade volume has grown significantly since relations were normalized in 1971. The two-way trade reached \$648mn in 1994 and \$832mn in 1997, compared to \$98mn in 1985 and \$330mn in 1988. In the first 11 months of 1998, the bilateral trade stood at \$778mn. This volume obviously is not commensurate with the trade potential with a country, whose foreign trade is more than \$325bn.

Turkey should gently press for China's opening its markets on the basis of reciprocity and provide China an access through its customs union with the European Union. Turkey should also support China's admission to the WTO on commercially meaningful terms, where it will be subject to international rules of free and fair trade. President Suleyman Demirel promotes an active "*bridge*" role for Turkey in the modern-day Silk Route from China to Europe. Turkish business groups identified textiles, leather goods, telecommunications, contracting services, agro-industries and spare parts production as suitable sectors for investment or joint ventures. Any real progress is yet to be seen. Foreign Minister Ismail Cem, the first Turkish foreign minister to visit China in 14 years, stressed the importance of improving Sino-Turkish political and economic ties during his 17 February 1998 meeting with Chinese President Jiang Zemin, adding that the "economic ties between the two countries should boom in the next three years"¹².

China's enterprises have been quietly growing in importance as a source of international capital. China has foreign direct investment in virtually every country in the world and across the whole spectrum of economic activities, from merchant banking to fish processing and mining exploration. According to the International Monetary Fund, China ranks as the eighth most important supplier of capital on world markets, accounting for two percent of the total global flow¹³. Although communist economic ideals are clearly gone from the scene, China is not a capitalist society. Capital is still controlled -- though no longer wholly generated-- by the State. More importantly for Turkish businesspeople, China's economic planners, although they no longer attempt to control the pricing and distribution of goods through a detailed central plan, still reserve for themselves a leading role in planning and managing the growth of China's economy. Investment is guided to certain sectors and state-owned enterprises in many areas are protected from competition by law, regulation and/or custom. China's leaders seek to reserve for state-owned firms leading roles in almost every key industry -- from steel, to telecommunications, to consumer goods.

Chinese firms are among strong competitors of Turkish companies in the Middle East, the former Soviet Union and the Western markets, particularly in such sectors as light industry, textile, clothing, food products and construction business. Nevertheless, it represents such a huge market in need of almost everything - an unprecedented phenomenon, which makes it possible to turn the perceived competition into the mutually beneficial partnership. Turkey must find ways of diversifying its export commodities to China by considering innovative trade, investment and financing mechanisms, and learning from the experiences of China's other major economic partners. Otherwise, unstable trade relations will remain an order of the day and Turkey will lag far behind other countries in fully exploring, and establishing itself in, the vast China market.

RECOMMENDATIONS

Given the foregoing assessment and Turkey's tense relations with the West, it is critically important for Turkish strategists to follow closely the rapidly evolving China phenomenon and formulate a longer-term policy *vis-à-vis* China. This strategy will look into greater strategic engagement with China on global and regional issues, as well as into forging mutually beneficial trade and investment ties. Vast market opportunities, enhanced strategic importance in world affairs, historical ties, similar problems of development, networking with Asia-Pacific's powerful overseas Chinese communities and troubled relations with the West -- all these factors make a strong Turkish commitment to China imperative. However, it will be absurd to characterise this relationship as an "alternative", as some commentators and politicians argue, to Turkey's centuries old ties to the West.

Few intellectual and political leaders in Turkey have recognised the depth of change in China and what it may portend for Turkey's future vision. The failure to attend to China will undoubtedly be a grave mistake for Turkey. Beyond the rhetoric, Ankara has not had a comprehensive, cohesive, policy toward the region for many years. Turkey really have had a strong Euro-American-centric approach and deprived itself of the advantages that the Asian dimension could have brought. At the present, however, there is a growing realization of the fact that, despite recent setbacks, it is where the world's future lies and Turkish foreign policy should be putting more energy and resources into strategic partnership with China. The following recommendations and observations are developed in light of our professional and personal experiences with the *Middle Kingdom* over the past decade and intended only as food for thought.

A Better Understanding of China

An old Chinese proverb says: "Knowledge is power". Hence, the first step should be to start enriching our knowledge of China, which is generally confined to the well-known *clichés*, devoid of any substance and depth. This vast country should be scrutinized in a selective manner through the lenses of Turkish experts in order to gain a fuller understanding of the cultural, economic and political transition period that will emerge in the next decade in China and *vice versa*. Active engagement should be undertaken with potential leaders from the younger generation of political, economic and cultural elites to gain clearer understanding of their motivations and ideologies and to build bridges for long-term relations.

Summit Diplomacy Essential

In addition to the instruments of traditional diplomacy, it is important to promote Turkey's public diplomacy to sway influential Chinese groups. The significance that Turkey attaches to expanding economic and trade relationship with China must be displayed through frequent exchange of visits at all levels. The state visit to China by the President, Mr. Suleyman Demirel, took place eventually from 23 to 27 May 1995 after having been postponed several times. For such high level political visits to be successful, they should necessarily go beyond routine protocol and rhetoric.

High-level visits offer a unique opportunity to bring to life projects and proposals, which will serve mutual interests and the groundwork for which needs to be laid down well in advance. A presidential summit meeting once in every two years should be instituted. The success of all state visits should be measured against the background of the business and investment opportunities created for Turkish/Chinese businesses, besides other possible diplomatic accomplishments.

Closer government ties are essential, but in a time of generational change on both sides, Turkey also needs to deepen interaction at every level. Co-operation should be bolstered in regions where both countries share common interests and historic ties. Of course, nowhere is Turkey's regional co-operation more important than meeting the new challenges and opportunities facing Central Asia, Russia and the Middle East. A failure to seek convergence of substantial interests with China in Central Asia and the Middle East may result in China's consolidating its existing and already strong ties with Iran and Russia.

Devising a Longer-Term Strategy

We propose the establishment of a presidential task force to lay the groundwork for a greater Turkish-Chinese engagement in the 21st century. The senior political leadership must take the initiative to call on a group of wisemen, drawn from the government, academia and private sector to hammer out a long-term framework document on the Turkish-Chinese Strategic Partnership. The two presidents may

sign this document, possibly during the visit to Turkey of President Jiang Zemin in later part of this year or early 2000. Over the next few years, the proposed strategic partnership may steadily evolve from an ad hoc framework to a highly institutionalized structure. This process should be marked by a series of bilateral MOUs, followed by the creation of specific and permanent institutions, including the joint political, military, economic and cultural working groups, which meet once a year.

Above all, Turkish companies must take the time to learn about the Chinese culture and recognize the hard realities of doing business in a country that is undergoing rapid economic and social change, bearing in mind the plain fact that those that stay out of China will be giving up on 25 percent of the world's market. Diplomatic and logistical (particularly business intelligence) support must be extended to the Turkish enterprises doing, or desirous to do, business with China. In recognition of the increasing importance of exports and investments in the national economy and foreign policy, all government bodies should be prepared to assist the Turkish firms in identifying and qualifying direct leads for potential buyers, agents, joint venture partners, and licensees from both private and public sources.

Turkish Presence in Chinese Market

The cultural aspect of doing business with China is extremely important and is at times the determining factor. Differences of cultural and traditional perceptions between China and the West need to be dealt with intelligently and in an enlightened spirit, and not with an intolerant and superior attitude. The scale of the economic and social achievements that are being accomplished in China means that the West will have to come to terms with, and accommodate, China's new-found wealth and success. Toward China there is often directed much sharp criticism chiefly by Western commentators, who seem reluctant to give praise to China's astonishing progress where praise is due. On the contrary, what seems to draw the most attention, as in the case of Turkey, are negative aspects, real or imagined.

Due to the Oriental origins of our business culture, ethics and traditions, as well as Turkish companies' vast experience of working under tough conditions be it in Libyan deserts or in Siberian steps, the chances of Turkish businessmen and industrialists in China are unsurprisingly higher in certain sectors than their Western competitors. Turkey's perceived comparative advantage in this respect may cause Western companies to link up with Turkish enterprises in their China operations as joint venture partners or sub-contractors insisting that China should buy more products and services from Turkey or favour Turkish enterprises has not brought about any tangible result to the present day and no serious outcome is likely to emerge from such futile efforts because of the changing nature of the Chinese economy and the business practices.

Turkish enterprises need to learn the hard way of doing business with China just like thousands of their competitors from all over the world. There is a fierce competition to get a larger slice from this ever-growing China pie. No longer can the central government distribute contracts easily to their favorites as they wish. Most business contracts are being negotiated directly with the increasingly autonomous Chinese enterprises and powerful provincial authorities. In fact, although Beijing feels uncomfortable because of the loosening control over the national economy decisions, the success of China's experience with *socialist market economy* lies exactly with this phenomenon of decentralization in decision-making.

Increased Human Traffic

Transportation appears to be one of the most formidable obstacles to further development of economic relations between Turkey and China. Hence, priority should be given to projects aimed at making geographical distance more closer. In this context, the fact that the Turkish Airlines has begun direct flights to Beijing will significantly contribute to the betterment of relations. Increased human traffic will give a strong boost to trade and investment ties and open up new avenues for partnership. Maritime transportation deserves a distinct attention. There is currently an agreement in force between the two countries on maritime co-operation, which should be effectively implemented.

Freight charges should be brought down to the level of Turkish competitors and waiting periods in ports be shortened. With the completion of the 10 000 km long *Silk Rail Road* from China's eastern Pacific seaboard to the Dutch port of Rotterdam, Turkey's economic relations, not only with China, but also with other countries to be transited on the way including Central Asia and the Trans-Caucasus will get a boom and inject a new dynamism into the fabric of Turkey's relations. Linking up with the EU's

TRACERA project and contributing to the completion of the Central Asian and Caucasian legs of this strategically important railway (later highway) are equally essential.

Gateway to China

As planned, Hong Kong reverted to the Chinese sovereignty in June 1997. So will Macao this year. These economies (perhaps Chinese-populated Taiwan and Singapore too) are the critical gateways to China. Hong Kong's capital markets are a growing source for China's infrastructural and project needs. Hong Kong transformed itself over the past 20 years into a major service center, which exported \$134bn and imported \$137bn worth of goods and services in 1994. It is an ideal production, distribution and financing base for backing up any business operations in the mainland China. In Hong Kong and Shanghai, Turkish Trade Centers should be set up to pave the way for Turkish companies.

These Centers should be carefully structured and staffed with experts and managers well versed and experienced in the workings of the private sector and in the Chinese way of doing business. The Turkish private sector, rather than bureaucrats, should play a pioneering role in the process. The Turkish Embassy in Beijing, presently equipped only to perform its traditional diplomatic functions, also needs to be reinforced and reorganized, taking into account the special circumstances of China and bringing to the fore the dynamics of the prevailing neo-mercantilist economic/trade diplomacy conception. An efficient network of economic intelligence gathering and -sharing could be established with all Turkish overseas missions, companies operating in the *Greater Chinese Economic Area*, and Ankara.

Food Exports to China

China will likely face a severe food shortage in the first quarter of the 21st century and is projected to need 568 million tons of grain by the year 2030. Its current production is around 420 million tons. It is estimated that there will be a shortage of approximately 213 million tons of grain in 35 years from today. This estimation does not take into account the likely demand, which will come as a result of rising standards of living between now and then.

Since China will become a huge net importer of grain in the next few decades, while exploring new possibilities of co-operation between Turkey and China, the potential of the Turkish Southeastern Anatolia Project (GAP) should be kept in kind for supplying China's food and agro-industry requirements beyond the year 2000. Turkey may start preliminary talks with the Chinese authorities on how Turkey could offer its vast agricultural potential to help China meet its food supply needs and monitor closely market developments.

Prestige Investments and Joint Ventures

Establishing strong presence in China for long-term market share must remain the primary strategic goal of Turkish companies, no matter how costly their operation may be in the initial stage. They need to be content with modest margins of profit and wait for a while to reap the fruits of their perseverance, patience and initial sacrifices. Quick and easy short-term profits are long gone. Now setting up resident offices in China is an absolute must if there will be any opportunity for continued business.

Joint ventures with both Chinese and third-country companies could be encouraged, where possible. Eximbank credit facilities offered to Turkish businesses must be commensurate with terms granted to the rival companies in the market to ensure a level playing. Transparent, performance-based and well-defined government subsidies may be provided only if they are likely to generate long-term gains for Turkey. Opportunities for joint ventures for investment in Turkey and China, as well as in third countries, need to be further explored.

Penetrating into China's Services Industry

Turkey must consider diversifying the range of its economic/trade ties with China, which may include not only commodity trade, but also the fast-growing services sector. It seems that there are more business opportunities in this sector than exist in trade. Tourism offers one of the most promising areas in this respect. China will continue to become one of the world's attractive tourism destinations. Particularly the *Silk Road* tourism, the ending point of which is Turkey, appeals to a broad audience of tourists.

In tourism activities destined to China, Turkey's management, personnel training and marketing experiences, as well as its international linkages can well be employed, taking into account different tourist seasons in each country. Middle-income Chinese population is ever increasing and looks for new and relatively less expensive destinations like Turkey. Other service-sector activities include partnership in telecommunications, financial services, banking, insurance, advertising, marketing and consultancy. Turkish banks and consultancy groups should consider opening branch offices in Shanghai, Shenzhen and Hong Kong.

Joint Ventures for Infrastructure

Multilateral development banks such as the World Bank and the Asian Development Bank, of which Turkey is also a member, are funding most of the large-scale infrastructure projects of China. Turkish firms are entitled to bid for such project tenders. It is therefore essential that an information network be set up to monitor closely the ICBs (International Competitive Biddings) opened in China for highways, railroads, airports, power generation plants, dams, telecommunication networks and pipelines, and bring them to the attention of relevant Turkish companies. Turkey, no matter how competitive the market will be, may step in to establish a reasonable presence in this booming infrastructure market, which is estimated to absorb an investment inflow of \$750 bn over the next ten years.

Turkish firms should be kept posted of all the developments in this market and, where necessary, find every strong political support on their side. Turkish contracting firms can enhance their prospects if they can afford undertaking a few prestigious projects in China of grand proportions, just like they did in Russia, even if these start-up business may bring some losses or lower profit margins. Since the needs of China are too large, our companies can perfectly do business even in critical areas, where China and Turkey are competitors with each other in such areas as construction, textiles, clothing and food industry.

Third Country Deals

Minds should not be set only on business and investment deals involving Turkey or to China -- the internationally recognised Turkish firms are ideally placed to strengthen China-related business and investment links with third countries as well. It is not a distant possibility to imagine Turkish companies serving as an *active bridge* to revive the centuries-old Silk Road between China and the Turkish economic basin including the Middle East, the Balkans, the Trans-Caucasus and the European Union to market the Chinese products and services or vice versa. For this to happen, Turkey must be prepared, of course, to offer more favorable terms than do other countries in the region.

Turkey continues in its role as the "Crossroads of the World" -- a land bridge between Europe and Asia, and Turkish firms remain very active in Russia, the Caucasus, Central Asia and the Middle East. Therefore, an excellent potential exists for Chinese firms to work with Turkish companies on product distribution into regional markets, on joint ventures in pursuit of regional infrastructure projects. For instance, some area around the port of Mersin may be offered to the Chinese for use as an entrepôt and storage facility in a bid to replace current Chinese trade outposts in the Greek part of Cyprus. The possibility of offering China some export outlets to the European Union customs area may be considered. Also, the long-term Commission strategy vis-à-vis China could be carefully scrutinized to see whether Turkey might take part in the Commission-financed co-operation, finance and business projects.

Other Ideas

Few other suggestions that spring to mind are: supporting participation of Turkish groups in important China fairs and exhibitions; helping them to visit in small missions Chinese provinces in search of new business deals; putting together commercial publicity package for Turkish companies participating in China fairs and missions; promoting Turkish goods or services at specially arranged seminars in important Chinese cities; and proving support to bringing influential Chinese business leaders to Turkey to see what the Turkish companies have to offer.

There are good prospects for partnership in: fostering energy co-operation schemes with China, particularly in the fields of oil&gas pipeline construction and development of small hydro-power plants; co-operation in defense industry projects involving co-production of light weaponry, ammunition and armored vehicles (on the basis of the similar defense industry arrangements that exist

between China and other NATO countries); making greater use of Turkey's Chinese language teaching institutions, better use of the skills of Turkish Sinologists, improving the quality of analysis and policy advises about China by creating an Asia-Pacific Research Center; launching publicity campaigns all over the country to increase the awareness among Turkish business and industry, of China's importance as a major market, helping organize and participate in China exhibitions, fairs; promoting greater economic and trade ties with Chinese Taipei without causing political sensitivities in China; and expanding the scope of Turkey's cultural, economic and political promotion through the Chinese media, which target the world's largest audience - one in every five on earth.

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¹A medium scenario made by Chinese experts shows an average growth of 9.4% for 1990-2000, 8.2% for 2000-2010, 6.0% for 2010-2020, and 3.5% for the period of 2020-2050; these estimates are overly optimistic, particularly given the economically depressed environment of Asia. China's GDP is likely to reach 17 trillion yuan, or \$ 14 trillion on a PPP basis (Purchasing Power Parity as calculated by IMF, \$1= 1.22 yuan). By 2050, as total GDP reaches RMB yuan 50 trillion, the per capita GDP would be about \$25,650 (PPP at 1990 constant price), close to the average level of developed countries at that time.

²The State Information Center issued forecasts of income growth in China up to 2010, which showed that the gap in average incomes of urban and rural residents would widen. The average incomes of urban residents would rise from 4,839 yuan (\$583) in 1996 to 8,508 yuan (\$1,025) in 2000 and 29,162 yuan (\$3,513) in 2010. Over the same period, rural residents' incomes would increase from \$232 to 395 and then \$1,290 (*China Economic Review*, January 1998, p.6).

³ Whatever can be said of China's vast potential, we all know that its technology is not yet up to world standards; that its infrastructure is far behind modern countries and that its bureaucracy is bloated, with a low degree of efficiency. Among other challenges China faces are improvement of the education system, the streamlining of inefficient and unproductive corporations and preventing the diversion of funds to unauthorized uses. But the most important single matter to China is agriculture and its ability to feed its people. It is a matter of life and death to the Chinese to have a good crop every year.

⁴ The Chinese economy is still bustling along at high speed, with its GDP having grown 8.8 % in 1997 and expected to increase by 8 % in 1998.

⁵ For a systematic discussion of this issue, see Michael D. Swaine, *China: Domestic Change and Foreign Policy*, Santa Monica, Calif.: RAND, MR-604-OSD, 1995; George Yang, "Mechanisms of Foreign Policy Making and Implementation in the Ministry of Foreign Affairs," in Carol Lee Hamrin and Suisheng Zhao (eds.), *Decision-making in Deng's China*, Armonk, N.Y.: M. E. Sharpe, Inc., 1995, pp. 91-100; Shambaugh (1995a); David L. Shambaugh, "Accommodating a Frustrated Power," *World Politics*, September 1995b.

⁶ Many of the nomadic peoples in Eurasia had not left any written records and when they had written records, they were usually written in other languages than their original mother tongues. Even in the later periods such as the 5th century, the first Gokturk State used the Sogdian language for their inscriptions. It was only during the second Gokturk State in the 8th century that a "Turkic" language was carved on the stones of the Gokturk rulers, according to Prof. Timur Kocaoglu of the Koc University, Istanbul. The Chinese sources such as then Han Shu provided comprehensive information on the early Turkish history, though they were mixed with legendary falsifications. It is the general rule of the history: if you do not leave sound information about your own people in writing, others will write your own history and interpret it.

⁷ Beijing has for years been supplying arms to the Gulf countries especially Iran and Iraq not only as source of hard currency but also in exchange for oil.

⁸ "China's Outward-Looking Linkages", Mehmet Ögütçü, *Geopolitics of Energy*, Issue 20, Number 9, September 1998, Canadian Energy Research Institute, p.2-10.

⁹ "Azerbaijan: The Next Big Oil Play", Paul Thomas, *Financial Times Energy Publishing*, 1996, p.24.

¹⁰ "China concerned about Uyghur demos in Turkey", *Turkish Daily News*, 2 June 1998.

¹¹Troubles, however, have emerged between the two. President Karimov recalled Uzbek students from Turkey in the summer of 1997 because they were allegedly receiving religious education from Muslim fundamentalists. The presence in Turkey of Muhammed Salih, who ran against Karimov for the presidency in 1991, also seems to irritate President Karimov.

¹²Ferai TINC, *Hurriyet* and dispatches from *Turkish Daily News*, 18 February 1998.

¹³Over the five years (1989-93) covered by the IMF the net outflow of capital from China was \$14.45 bn. Adding the \$7.66 bn in 1994 and \$1.62 bn in 1995 gives a total for the seven years of about \$24 bn. However, the gross outflow of long-term capital from China has been much larger than the net outflow as suggested by looking at the current account balance alone. Gross outflows of long-term capital totaled more than \$67 bn for the 1989-93 period. A sum of \$53 bn was added to the total in 1994 and 1995. In other words, China has indeed emerged as a major provider of capital on world markets. The country's registered overseas direct investment, which totaled \$2 bn in 1995, accounted for only 7 % of the total (and down from roughly 20 % in 1993). Outflows for portfolio investment were \$380 mn in 1994 and \$79 mn in 1995.

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China and Turkey Sign "Action Plan" to Boost Ties

ANKARA, Jan 8, 2001 -- (Agence France Presse) Turkey and China signed here Monday an "action plan" to boost bilateral cooperation in the political, economic and cultural fields.

The document, inked by foreign ministers Ismail Cem of Turkey and Tang Jiaxuan of China, outlines a framework of enhanced cooperation between the two countries.

"Our ties have been on a positive track. With the action plan they will gain speed," Cem told reporters after the ceremony.

Tang, for his part, said that Turkey and China had many cooperation opportunities of mutual benefit that should be developed in the coming years.

The two sides had listed a number of issues to focus on in the future, among them the inauguration of regular meetings on economic cooperation, Cem said.

He added that they discussed ways of attracting to Turkey some of the 180 million Chinese tourists that travel abroad each year.

Turkey also asked the Chinese for more bilateral talks on the Cyprus conflict, an item on the agenda of the United Nations Security Council where China has a permanent seat, a Turkish diplomat, who declined to be named, told AFP.

Tang also met with President Ahmet Necdet Sezer.

He was scheduled to wrap up his four-day visit on Tuesday.

In April last year, Chinese president Jiang Zemin paid a visit to Turkey, during which the two countries signed a protocol of cooperation in the energy field.

The Chinese side also pledged to increase imports from Turkey by 10 times and showed an interest to invest in the country, particularly in the construction and modernization of railways and thermal power plants. ((c) 2001 Agence France Presse)

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