

TURKEY AND CHINA

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I. INTRODUCTION

The world is waking up to the fact that China is becoming a new economic superpower. In just one and a half decades, China has transformed itself from a dormant, introspective giant into a dynamic powerhouse of major significance to the world economy. It currently provides the only major, rapidly growing economy in an otherwise recession-hit world. Western exporters, multinationals and emerging market investors are looking to China almost as if it were a new El Dorado. The strategic centre of gravity is also shifting towards China and other dynamic Asia-Pacific nations, bringing about fundamental changes in traditional balance-of-power equations. Geographically, this 'Rising East'¹ encompasses a vast triangle that extends from the Russian far east and Korea in the northeast, to Australia in the south and Pakistan in the west. It seems that the twenty-first century will be shaped by new racial and cultural forces. For several hundred years, the world has been dominated by white Europeans and Americans who hold to Judaeo-Christian traditions and they will soon be obliged to accept as equals yellow and brown Asians who adhere to the tenets of Buddhism, Confucianism, Hinduism and Islam. In the next twenty years, Asia, currently home to more than half the world population, will most likely have five of the world's six largest economies, the US being the other. China has emerged as the rising star of the entire region, economically and politically. In ancient times, so strong was China that its people became accustomed to thinking of their country as the Middle Kingdom or Zhongguo, the centre around which all else revolved. By all standards, it is indeed a nation of gigantic proportions and has, once again, become the focal point of world-wide attention due to its significant impact on the global economy and balance-of-power strategies.

Turkey and China, which are situated at opposing ends of Asia, but linked by the vast Eurasian area, strive for the creation of a twentieth-century version of the ancient Silk Road that linked China to the Middle East and Europe by way of Central Asia. Both are great powers, setting out ambitious goals for the next century in their regions. Their relationship should be based on a strategic assessment of their respective positions in today's world. To better assess the future prospects for Turco-Chinese relations beyond the year 2000, one must first comprehend the enormous changes that are taking place in East Asia and particularly in China.

II. CHINA'S UNPRECEDENTED CHALLENGE

What makes China's case so striking is its successful contrast to the economic failures of the European countries that have abandoned communism. In the Soviet Union and Eastern Europe, communism fell with a bang and the economies were opened with a 'big bang'. Economic reform in China has been more of a people oriented 'bottom up' phenomenon in contrast to the 'top-down', government-infused approach in the former Soviet Union. The basic Chinese strategy for moving from economic planning to a market system has been the gradual decentralisation of economic decision-making. The dual track approach² of establishing a market track parallel to an existing plan track³ pervades almost every area of economic policy making. As a result, the Chinese Communist Party did not fall at all, and the economy has been transformed since 1978, not with a 'big bang', but by a gradual approach. However, China is still facing the greatest challenge yet in its bid to develop and is currently standing halfway between command and market economic models.

Both the per capita GDP (\$400 calculated at official exchange rates) and recent estimates made by the International Monetary Fund and the World Bank³ (based on purchasing power parities), indicate that China has already become the world's third largest economy after the United States and Japan. The World Bank has also 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, Taiwan and Hong Kong), by 2002. China's

present reform plan, building what it calls a socialist market economy, rests heavily on the expansion of the market economy and private investment, but gives government planners a pre-eminent role in orchestrating overall development and one-party political rule. China has earned international admiration for its painstaking efforts to provide nearly a quarter of the world's population with basic food, education, health care and housing. Let's bear in mind that these are no easy tasks at all even for relatively small countries and China should be credited for the way it has accomplished these tough tasks.

On the other side of the coin, a sizeable proportion of China's 1.2 billion people are currently living below the poverty line—a situation that is prompting fears in the rest of the world that the gap in living standards will grow even bigger and may lead to potentially dangerous social consequences. The country has already been split economically into two halves—the prosperous southern provinces and the relatively poor northern and western provinces. Some experts warn that there might be a break-up into regions of varying economic strength and independence, with a relatively powerless centre. Whatever can be said of China's vast potential, we all know that China's technology is not yet up to world standards; that its infrastructure is far behind modern countries; that its bureaucracy is bloated, with a low degree of efficiency; and that its political system is in need of greater democratisation. Among other challenges that China faces are a need for an improvement in the education system, a streamlining of inefficient and unproductive corporations and the prevention of the diversion of funds to unauthorised uses. And despite all these negative spots on the picture, other countries with an eye to the future cannot discount China's rising power and its growing influence economically and politically in world affairs. China is beginning to matter as much for the rest of the world as Japan, the European Union (EU) and the US.⁴

Much of the debate on China's role in the world economy has been conducted from the perspectives of the West, and therefore has reflected particular Western preoccupations. Yet China's impact on the world and the world's impact on China, will be felt much more through regional relationships, where other concerns are dominant. For example, the Japanese agenda is, in some key respects, different from the West's. If China's emergence as an economic superpower gives any cause for concern in Asia—to be set against the beneficial spill-overs from higher growth—it is probably most acutely felt in the Association of South East Asian Nations (ASEAN) region, particularly in Indonesia, India and also in Vietnam.⁵ The Chinese economy in future could well become one of the important locomotives for world economic growth. But China could equally be a potentially destabilising factor for the world economy should its economic growth falter. It is therefore considered important to engage China on all important international and regional issues so that it can learn to play by global rules and will have a vested interest in the maintenance of the international order.

III. GEOPOLITICAL REALIGNMENT

After many years of international isolation and economic poverty, China has regained self-confidence in its relations with the outside world. It can now openly challenge the US and strike geo-strategic deals with Moscow. Japan has to watch its step carefully to be on good terms with Beijing. The EU has just released a long-term strategy, calling on its member countries to make up for lost time in the competition with the US and Japan for the Chinese market. The Chinese have demonstrated their ample skill in economic and trade diplomacy, wrestling political concessions from competing Western nations in return for commercial deals. One Western leader after another makes a point of paying respects to the Chinese leadership in anticipation of receiving a larger slice from the ever growing 'China Pie'. Trade and investment opportunities are vast and indeed immeasurable. To tap these opportunities, China wants to concentrate all its energy on economic construction at home and, for this reason, it is very much in need of a peaceful domestic and international environment. A stable China is also considered essential for the economic and security health of the entire Asia-Pacific region and the world at large. Despite regionalism and anger among factory workers and peasants who feel left behind in the reform process, many analysts are confident that Chinese society will be able to make a smooth transition

in the post-Deng era. Among its neighbours Russia, Japan and India matter most to China. Russia is its largest Asian neighbour. A major geo-strategic rationale shaping the course of relations between the two countries. Friendly relations with China guarantee Russia's soft underbelly in its relations with the West, just as friendly relations with Russia guarantee the same for China. Russia knows, moreover, that there is no alternative to greater technological, economic and cultural co-operation with China. There are more than three million Chinese living in Russia (mainly 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. Furthermore, Central Asia occupies a special place in China's new Asian policy. The fragmentation of the Soviet Union has reopened the ancient contest for influence in Central Asia. For former communist states, China represents one of the successful models of how to get from today's socialist poverty to the economic modernisation they all seek.

Generally, Beijing's political interests have been defensive—the avoidance of disorder that would spread into the border province of Xinjiang. Central Asia's new states consider emulating certain aspects of China's development model. A modern 'Silk Road' will be built to link the regions in the next century and construction of such a link with rails and pipelines has been started. Trade between China's Xinjiang Uygur autonomous region and the Central Asian republics has grown rapidly, and China has established more than 180 companies or joint ventures in Kazakhstan alone. There are tensions as well as ties; Kazakhs protest against Chinese nuclear tests near the border, while China protests the sanctuary Kazakhstan and Kyrgyzstan afford Uygurs seeking the independence of Xinjiang, which they call Eastern Turkestan. To survive, Central Asia is conscious of the need to have good relations with its two most powerful neighbours, Russia and China. They are both large and fast-growing markets in their own right. To the west, a new 306 km rail link between Kazakhstan and Iran has opened up a new, Trans-Asian route between the Chinese port of Lianyungan on the Yellow Sea and Istanbul on the Bosphorus.

In the longer term (that is, beyond the year 2000), the future of China's oil industries lies in the north-west regions adjacent to the borders of the Eurasian republics. Recent exploration for oil in the Tarim Basin in the far western Xinjiang Uygur autonomous region has yielded significant finds—gas much as 74 billion barrels of crude oil and 7.9 trillion cubic metres of natural gas. Currently a Japanese owned company has proposed constructing a pipeline all the way from the Kazakhstan border to the eastern seaboard of China, which would be 6500km long. Kazakhstan and Turkmenistan are both seeking alternative routes for their oil and gas exports and China has the potential to swallow a large portion of their exports. The presidents of Kazakhstan, Uzbekistan, Turkmenistan and Kyrgyzstan have all visited Beijing and, in return, Chinese Premier Li Peng, toured all the Central Asian capitals to intensify co-operation with their 'new' neighbours. China has repeatedly affirmed its strong interest in preserving stability and security in the region.

IV. A POWERHOUSE FOR THE GLOBAL ECONOMY

China would qualify as superpower if for no other reason than its population: one out of six people in the world lives in the People's Republic of China. Now, however, those 1.2 billion people have joined the global market. Indeed, foreign companies of all sizes are investing billions of dollars to gain a foothold in the People's Republic of China. With foreign funds flowing into China at the rate of about \$35 billion per year, China ranks second only to the US as a destination for capital. In the past three years, China has been the world's most favoured destination for foreign investors. At the end of 1994, Beijing altogether approved 221,718 projects with foreign investment involving a committed contribution of \$304 billion and a realised capital of \$96 billion. Eighty per cent of them were established in the period after 1992. Five OECD countries (the US, Japan, Canada, the UK and Germany) rank among the top ten investors in China. Most foreign direct investment came from overseas Chinese located mainly in Hong Kong and Southeast Asia. China's appetite for consumer goods is similarly enormous. It now has a moderately affluent middle class of nearly 100 million in the urban areas who can be a potentially good market for a rich variety of imported consumer goods.

The most tangible economic manifestation of China's 'open door' policy is its trade performance. According to the Ministry of Foreign Trade & Economic Co-operation, China's 1994 foreign trade totalled \$236.7 billion, with exports increasing to \$121.0 billion (as compared to \$25 billion for India) and imports to \$115.7 billion, representing 16.5 per cent growth over 1993. It was less than \$15 billion in 1977. China has become a major force in the world economy, with its total trade nearly 40 per cent of its GDP⁸, a higher percentage than that of the US and Japan. China's ranking in world trade moved up from thirty-second place in 1978 to eleventh in 1992 and maintained that position in 1994, reporting a trade surplus of \$10.7 billion through the first five months of 1995. That puts the country in a good position to increase imports, which could soak up the economy's excess cash and help slow inflation. Beijing, citing a need to bring order to the country's chaotic export trade, has quietly started requiring trading companies to bid for the rights to export certain products. The reason is simple: the government wants to stop price wars among Chinese trading companies and to maximise earnings on exports.

On the assumption that China is able to overcome the political and economic difficulties it currently faces, and to maintain its growth momentum and outward orientation, the challenge of adjustment will shift to the rest of the world. Why have foreign companies invested such huge amounts of capital, given the perceived difficulties and risks of entering this virtually unknown territory? Can they be profitable in such a tightly controlled economy? One must be realistic: whenever there is an opportunity, there is commensurate risk. Some aspects of China's economic development make it an irresistible attraction for foreign companies. Foremost of these is China's population-any nation of 1.2 billion people with economic growth as high as 13.6 per cent per year and a rapidly improving standard of living offers a consumer market of overwhelming potential. Despite the immediate political uncertainty, China's fifty centuries of history suggest a civilisation that is far from transient. There are so many projects and so many opportunities, but which ones are really viable and real and which ones are just euphoria and romance, are for companies to judge.

China's market for consumer and durable goods, meanwhile, seems insatiable. Because of remaining socialist subsidies for housing, health care and education, over 80 per cent of take-home pay is disposable income for most Chinese workers. Because many Chinese have part-time jobs in addition to their state employment, income figures are hard to determine, but it is generally believed that per capita income is approximately US\$800 per year for the 300 million Chinese concentrated in the eastern urban areas. Chinese also save an average of 45 per cent of their income-one of the highest rates in the world yielding an estimated \$223 billion in accumulated savings in 1994. The combination of large ratios of disposable income with China's large population yields a market that is the third largest in the world.⁹ The simple economic fact of life is that Turkish companies cannot ignore China, a country of the next century. The People's Republic is a nation of great entrepreneurial spirit and determination, and its GDP is forecast to surpass by 2010 even that of the United States, becoming the most powerful economy in the world. Turkish companies must take the time to learn about Chinese culture and recognise the hard realities of doing business in a country that is undergoing such rapid economic and social change, bearing in mind the plain fact that those who stay out of China will be giving up on 25 per cent of the world's market.

V. TURKEY AND CHINA: A PARTNERSHIP FROM THE PAST TOWARDS THE FUTURE

Given the foregoing assessment, it is critically important for Turkish strategists to follow closely the fast evolving China phenomenon and map out a long-term strategy, which will help promote Turkey's future economic and political interests. A long-term Turkish commitment to China is imperative because of China's vast market opportunities, her enhanced strategic importance in Eurasia and world power status, her historical links and cultural affinities with Turkey, her similar problems of development, her networking with Asia-Pacific's powerful overseas Chinese communities, and nearly five decades of zigzag progress in her troubled relations with the West. In retrospect, Turkey and China share a long past, cemented by the turning of centuries, and have influenced each other throughout history. Our Turkish forefathers were engaged in intense relations with the

Chinese, be it in war or in peace. A host of intermarriages, cultural, political and economic exchanges have taken place between the Turkic and Chinese civilisations throughout the course of our common history, spanning more than 3000 years. Though the official Chinese history books may deny it, legend has it that the famous 6000km-long Great Wall buttressed ancient China against the advancing Turkic warriors. The Turks also once lived under Chinese rule as a minority nation due to the endless internal bickering among rival Turkic tribes.

The historic Silk Road goes all the way from Xian to Istanbul. And Anatolia served as a gateway for exchanges between China, Europe and the Middle East during that period. A rich variety of porcelain and other precious ornaments presented as gifts by the Chinese dynasties to the Ottoman sultans (now in the Topkapı Palace Museum) bear witness to this historic relationship. It is, however, ironic that after migrating to Anatolia from the Central Asian steppes the Turks never looked back to where they originally came from. Both the Ottomans 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 been elevated to a position of greater importance, except for rhetoric in the mouths of contemporary politicians. According to some turcologists, the true history of the ancient Turks is yet to be written because there are still thousands of Turkish graveyards and archaeological findings which await to be excavated in the Xinjiang Uyghur autonomous region.¹⁰

Hopes are now pinned on greater economic and trade ties between the two countries in the early years of the next century because of the expected rapid economic expansion both in China and Turkey. At the current juncture, one of the plausible policy options is to launch a massive trade and investment offensive on China in order to be able to carve a lasting market niche for Turkish products and services. The purpose should be to bring down the Great Wall through the entrepreneurial strength of our business and industry. It is generally held that Turkish-Chinese economic relations are currently far from reflecting the true potential of both countries. We should, however, note that trade volume has grown significantly since relations were normalised in 1971, with two-way trade approaching \$648 million in 1994, compared to \$98 million in 1985. Although this is no small achievement, existing opportunities still allow an even greater expansion of the present trade volume in a relatively short time, if the right blend of policies and promotions is put in place.

Unfortunately, current Turkish-Chinese economic ties offer a rather gloomy picture. Let alone exploring new avenues and approaches, the existing trade composition fails to inspire any hopes for sustainable trade growth, unless a radical upswing is effected soon to reverse the current trend. Turkey's exports to China are dominated by iron and steel products-with more than 80 per cent (\$417 million) in 1994 of Turkey's total exports in these products. In 1995, The value of Turkey's exports to China was about \$67 million dollars while China exported \$539 million dollars worth of products to Turkey. Mutual investments are also at a negligible level. Though Turkey keeps paying lip service to the private sector, which is seen as the driving force in bilateral economic relations, its leaders do not yet have a larger voice in shaping the Turkish-Chinese agenda. During his official visit to China in May 1995, President Sileyman Demirel promoted an active 'bridge' role for Turkey in the modern-day Silk Road from China to Europe, and 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 and we hope that great enthusiasm generated in Turkey thanks to this top level visit will precipitate the momentum towards a strategic China (and Asia-Pacific) policy.

VI. THE WAY AHEAD: CONCRETE PROPOSALS

The failure to attend to Asia in general and to China in particular will be a grave mistake. Beyond the rhetoric, Turkey has not had a comprehensive, cohesive policy toward this region for many years. Turkey really has had a Euro-American centric approach and failed to take into account the importance of Asia. It is where the world's future lies and Turkish foreign policy has not been putting enough energy, drive or resources into its Asian policy.

Few intellectual leaders in Turkey have recognised the depth of change in Asia and what it may portend for Turkey's future vision.

We should note from the outset that the suggestions below are, in a nutshell, only intended as food for thought and obviously require fleshing out. They have been worked out in the light of our professional and personal experiences with the 'Middle Kingdom' over the past decade and also benefited from comments of a good number of colleagues.

- 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 cliché, devoid of any substance and depth. The twenty-first century will be a time of intellectual power where people will succeed and fail according to one's level of creative intellect, and where the quality and content of education are the kernel. In the age of information, no policy decision stands any chance of success if it is not based on crosschecked, well-investigated information, analysis and intelligence, gathered first-hand from local and foreign sources. This vast country should be scrutinised in a selective manner through the lenses of Turkish experts-and not only through the perspective of foreign sources. The political leadership must take the initiative to call on a group of wise men, drawn from government, the academic world and the private sector to produce a comprehensive strategy report on Turkey's new foreign economic relations into the next century. The report could identify the major emerging markets and sectors to which Turkey should channel its resources.

- In light of the recommendations of the proposed White Paper, the government could map out (in close co-ordination with Turkey's business and industry representatives) its long-term China (and Asia-Pacific) strategy and follow up vigorously the phases of its full implementation. Diplomatic and logistic (particularly information) support must be extended to 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 Turkish firms in identifying and qualifying direct leads for potential buyers agents, joint venture partners, and licensees from both private and public sources. A few more suggestions that spring to mind are: support for the participation of Turkish groups in important China fairs and exhibitions; helping them to visit Chinese provinces in small missions in search of new business deals; putting together a commercial publicity package for Turkish companies participating in China fairs and missions; promoting Turkish goods and services at specially arranged seminars in important Chinese cities; and proving support for bringing influential Chinese business leaders to Turkey to see what Turkish companies have to offer.

- The EU-Turkish customs union agreement, the Turkish-US strategic partnership, the Black Sea Economic Cooperation project and the Economic Cooperation Organisation are no doubt invariables in Turkish economic scenarios and will certainly continue to be so for the foreseeable future. But new openings are acutely needed to overcome current bottlenecks and to diversify Turkey's international exposures. A closer and comparative look at China reveals that Chinese firms are one of Turkey's strongest competitors in the Middle East, the former Soviet Union and Western markets, particularly in such familiar sectors as light industry, textiles, clothing, food products and the construction business. Nevertheless, it is such a huge market in need of almost everything, that one may think in gigantic proportions-an unprecedented phenomenon which makes it possible to turn competition into co-operation and partnership for mutual benefit. Turkey must find ways of diversifying its export commodities destined for China, which are currently limited to selling iron, steel and fertiliser, by considering innovative trade, investment and financing mechanisms, and learning from the experiences of China's other major economic partners. Otherwise, unstable ups and downs in Turkey's trade relations will be the order of the day and Turkey will be lagging far behind other countries in fully exploring the vast Chinese market.

- Insisting that China should buy more products and services from Turkey has not brought about any tangible result to the present day and no serious outcome is likely to emerge from such futile efforts. Turkish enterprises must learn the hard way from doing business

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

- Transportation appears to be one of the most formidable obstacles to the further development of economic relations between Turkey and China. Hence, priority should be given to projects aimed at making geographical distances closer. In this context, Turkish Airlines could, without any further delay, start direct flights to Beijing and possibly other major Chinese cities including Shanghai, Guangzhou and Urumqi. Increased human traffic will give a strong boost to trade and investment ties and open up new avenues for partnership. Maritime transportation deserves 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 Turkey's competitors and waiting periods in ports should be shortened. With the completion of the 10,000 km-long Silk Railway 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 through which it passes, including those in Central Asia and the Transcaucasus, will witness a boom, injecting 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 are equally essential.

- As planned, Hong Kong will revert to Chinese control in June 1997. So will Macao in 1999. These economies are the most significant gateways to China. Hong Kong's capital markets are a growing source for China's infrastructure and project needs. Hong Kong transformed itself over the past 20 years into a major service centre, which exported \$134 billion and imported \$137 billion 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. After the 1997 transfer of authority, Hong Kong will likely continue to play an important role in China's foreign trade and investment. Turkey's exports to this small territory amounted to \$200million and imports to \$225 million in 1994. In Hong Kong and other major Chinese cities such as Shanghai, Guangzhou and Urumqi, Turkish trade centres could be set up to pave the way for Turkish companies. These centres should be carefully staffed with experts well versed and experienced in the workings of the private sector and in the Chinese way of doing business. In the effort to attain its goals, the Turkish private sector should play a pioneering role in the process. The present Turkish embassy in Beijing, equipped only to perform its traditional diplomatic functions, also needs to be reinforced and reorganised, taking into account the special circumstances of China and bringing to the fore the dynamics of the prevailing neo-mercantilist economic and trade diplomacy conception. An efficient network of economic intelligence gathering and sharing could be established between Ankara and all Turkish overseas missions and companies operating in the greater Chinese economic area.

- The presence of Turkic and Muslim minorities in China's Xinjiang Uyghur autonomous region may be seen as an asset to re-invigorate relations between the two countries. They can, and should, play an active role in fostering closer economic and trade relations. As a matter of fact, a significant portion of what is called suitcase trade has been transacted by Uyghur Turks, whose population numbers no less than seven million. There is also an increasing number of overseas Chinese in Turkey, particularly in Istanbul, who could spearhead the efforts to enhance bilateral economic ties. It is equally important to reinforce the political atmosphere of mutual trust between Turkey and China through constant dialogue and with a view to avoiding any misunderstanding of the Turkish cultural and economic interest towards the Xinjiang region.

- 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 on the 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.

- China will face a severe food shortage in the first quarter of the twenty-first 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 Southeast Anatolia Project (GAP) should be kept in mind 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.

- Establishing a strong presence in China for a 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 business must be commensurate with terms granted to the rival companies in the market to ensure a level-playing field. Transparent, performance-based and well-defined government subsidies may be provided only if they are likely to generate long-term gains for Turkey.

- Turkey must consider diversifying the range of its economic and 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. In particular, Silk Road tourism, the end point of which is Turkey, appeals to a broad range of tourists, led by the Japanese. In tourism activities destined to China, Turkey's management, personnel training and marketing experiences, as well as its international links can well be employed, taking into account different tourist seasons in each country. The middle-income Chinese population is ever increasing and looks for new and relatively less expensive destinations like Turkey. Other service sector activities include partnerships in banking, insurance, advertising, marketing and consultancy.

- Most large-scale infrastructure projects in China are being funded by multilateral development banks such as the World Bank and the Asian Development Bank, of which Turkey is also a member and so entitled to bid for such project tenders. It is therefore essential that an information network be set up to monitor closely the International Competitive Biddings opened in China for highways, railways, airports, power generation plants, dams, telecommunication networks and pipelines, and bring them to the attention

of the 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 \$500 billion over the next ten years. Turkish firms should be kept posted of all the developments in this market and, where necessary, find strong political support on their side. We believe that Turkish contracting firms will enhance their prospects if they can afford to undertake a few prestigious projects in China of grand proportions, just like they did in Russia, even if these start-up businesses may bring some losses or low profit margins. Since the needs of China are very large, our companies can do business even in critical areas where China and Turkey are competitors with each other such as construction, textiles, clothing and the food industry.

- Our minds may focus not only on business and investment deals involving China. 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 Transcaucasus and the European Union, to market goods and services in both directions. For this to happen, Turkey must be prepared, of course, to offer more favourable terms than do other countries in the region. For instance, an area around the port of Mersin may be offered to the Chinese for use as an entrep^ot 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 European Commission strategy vis-à-vis China could be carefully scrutinised to see whether Turkey may take part in Commission-financed co-operation, finance and business projects. After all, Turkey has become part of the EU's common commercial policy through the customs union vis-à-vis China.

- As far as we can see, other possible proposals may include: fostering energy co-operation schemes with China, particularly in the fields of oil and gas pipeline construction and the development of small hydroelectric power plants; co-operation in defence industry projects involving co-production of light weaponry, ammunition and armoured 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, employing better the skills of Turkish sinologists, improving the quality of analysis and policy advice about China and the Asia-Pacific region by creating a new Asia-Pacific think-tank; launching publicity campaigns all over the country to increase awareness among Turkish business and industry groups of China's importance as a major market, helping organise and participate in China exhibitions and fairs; promoting greater economic and trade ties with Chinese Taipei without creating political sensitivities in mainland 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 person in every five on Earth.

- In addition to 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 visits at all levels. President Demirel's state visit to China took place on 23-27 May 1995, after having been postponed several times. For such high level political visits to be successful, they should go beyond routine protocol and rhetoric. They offer a unique opportunity to bring to life projects and proposals which will serve mutual interests, for which the groundwork needs to be laid well in advance. The success of all Turkish state missions to China should be measured against the background of the business and investment opportunities created for Turkish businesses, besides other possible diplomatic accomplishments.

VII. FUTURE PROSPECTS

Forging an effective Turkish strategy in Asia and toward China will take presidential, governmental and business leadership, a sense of direction, and plenty of sweat. To plan

and carry out a vigorous new strategy, Turkish political and corporate leaders would do well to tap the talents of the hundreds of Turks who have studied, lived and worked in the region, as well as involving all relevant players. It is certain that Turkey cannot, and should not, restrict itself to a single level of economic interaction with other nations. True, the EU member states are our largest trading and investment partners. True, North American Free Trade Agreement countries offer good prospects. True, Latin America must figure prominently in Turkey's future economic and trade strategy. True, Turkey's immediate neighbours deserve priority attention. But, above all, Turkey must set its eyes on East Asia to test the ground for her twenty-first century projections. Despite the natural attention historically given to Europe, the US and the neighbouring regions, it is time for Turkey to cease being merely reactive to other countries' policies. Turkey should start innovating with its own policies toward the Asia-Pacific region. A region that constitutes more than half the globe and may well determine the fate of Turkey's trade and investment growth in the coming century. China is the key country to enter and consolidate in this region. As Turkey looks to the period ahead, the future of China, and of Turkey's relations with China, appear promising, should the right policies be formulated and put into practice. For future relations to gain substance, Turkey and China should work together to develop new areas for common action aimed at fostering their economic development and maintaining stability in their neighbourhood.

President Demirel's visit to China in May 1995 highlighted Turkey's hopes for the future development of relations with this nation and the enthusiasm of Turkish companies for doing more business with China. This momentum should be maintained and further expanded with new initiatives because sustaining Turkey's engagement in China is vital to Turkey's interests. Turkey must strengthen the mechanisms of co-operation and take advantage of immediate opportunities to define common goals and to advance them more systematically. Closer government ties are essential, but in a time of generational change on both sides, Turkey needs to deepen interaction at every level. Turkey must bolster co-operation in regions where Turkey and China share common interests and historic ties—for example, the Middle East, Central Asia and other former Soviet republics. Of course, nowhere is Turkey's regional co-operation more important than in meeting the new challenges and opportunities facing Eurasia. Turkey has a common interest in assuring that the historic transformations now under way in central Asian countries are consolidated and that these countries become integrated with the world community.

A long-term commitment to China is still lacking, and the relationship between Turkey and China must be diversified beyond the traditional issues in recognition of the growing economic and geo-strategic significance of this region. We can only hope that the Turkish Government and the private sector will be able to respond to the new China challenge. Time is precious. Turkey must act now and keep in mind that those who look only to the past are certain to miss the future.

1 Halloran, Richard (1996), 'The Rising East', *Foreign Policy*, No. 102, Spring, p.3.

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3 Human Development Report, UNDP, New York, 1993, and World Economic Outlook, IMF, Washington DC, May 1993.

4 Cable, Vincent and Ferdinand, Peter (1994), 'China as an Economic Giant: Threat or Opportunity', *International Affairs*, Vol. 20 No. 2, p.261.

5 Grant, Richard (1993), *China and South East Asia*, Washington. Also see Öpütçü, Mehmet (1996), 'The Sun is Rising from Asia', a ten-part serial in the daily *Milliyet*, 1-10 March.

6 Martin, Keith (1994), 'China and Central Asia: Between Seduction and Suspicion', *RFE/RL Research Report*, Vol.3 No.25, 24 June, p.26.

7 Robinson, Anthony (1996), 'Kazakhstan: Glow of Prosperity Amid the Ashes', *Financial Times Surveys*, 11 July.

8 Lilley, James (1994), 'Freedom Through Trade', *Foreign Policy*, No.94, Spring, p.42.

9 The demand for consumer products is further intensified as more Chinese citizens learn about the affluence of the outside world (more than 800 million Chinese currently have access to television). A growing class of nouveau riche in China sport Rolex watches and Gucci shoes and ride in chauffeur-driven Mercedes and BMWs. The country has become the world's second largest cognac market. Less than half the households in China own a refrigerator, and manufacturers cannot keep up with demand. Only one person in a thousand owns an automobile, and Chrysler's Beijing Jeep joint venture is counting on predictions that 300 million Chinese will be shopping for cars.

10 In modern times, Turkey's first official contact with China dates back to 1925. Later, in 1929, Turkey opened its first diplomatic mission in Nanking, then China's capital. But in the aftermath of the communist takeover in 1949, Ankara maintained its relations with the government of the what is now called Chinese Taipei. In a major diplomatic breakthrough in 1971, Turkey recognised the People's Republic of China as the sole representative of the Chinese nation. For Turco-Chinese relations to strengthen, it was necessary to wait until the early 1980s. The then prime minister, Turgut Özal, visited Beijing in 1985 and gave a strong impetus to bilateral relations. The seventh president, Kenan Evren, was the first Turkish head of state to visit China, which he did in December 1982. President Demirel visited China in May 1995. The Chinese senior leadership has reciprocated these state visits. Despite these exchanges, Turco-Chinese relations have not gained in substance over the years to date. Words and promises have not been translated into deeds and tangible projects.

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