

FOREIGN ECONOMIC POLICY AND RELATIONS OF TURKEY: THE REGIONAL PERSPECTIVE

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I. TURKEY'S FOREIGN ECONOMIC POLICY AND RELATIONS

A. INTRODUCTION

Today, globalism has become the mainstay of international relations and regional groupings are the order of the day. The interdependent international setting is becoming more propitious for co-operation at regional and global levels now that a radical political and economic transformation is unfolding world-wide, reshaping the international scene. The ongoing evolution portends far reaching implications for players like Turkey.

It is a timely occasion to review Turkey's economic orientations and priorities from a regional perspective as we approach the end of the millennium.

B. SETTING THE SCENE

Given the variables that we have, a scene-setter would be in demand in order to understand better where we stand.

Following the crumbling of communism, dissolution of the Soviet Union, the Warsaw Pact and COMECON, changing threat perceptions, the unravelling of the former Yugoslavian Federation with its resulting armed conflicts, economic liberalisation and democratisation, the historic evolution of Pan-European integration still continues.

A new and a larger Europe is emerging, because a new Mediterranean, a new Middle East, a new Central Asia and a new Black Sea region is emerging. Any changes in these areas will have repercussions for greater Europe and beyond.

The European Summit at Essen in 1994 underlined the need for a new policy for the South. The European Union (EU) took the fundamental strategic decision to assume the role of an active partner in the Mediterranean to support political reforms, democracy, respect for human rights and freedom and to promote economic reforms, sustained growth and the easing of migratory pressures.

The Mediterranean Forum was launched with the ministerial meeting of the Core Group Countries in July 1994 for the development, progress and strengthening of co-operation in the Mediterranean community.

Europe is seeking to set up a free trade area on the shores of the Mediterranean with the Euro-Mediterranean partnership to take shape in line with the Barcelona Declaration and the Work Programme adopted in November 1995.

The future of the relationship between Europe and the Middle East and North Africa (MENA) is another issue on the political and economic agenda of the EU. In June 1992, MENA was defined as geographical areas in relation to which the EU has strong interests in terms of security and social stability. In October 1995, the Second Middle East and North Africa Summit was held in Amman, Jordan. The goals of the summit were to facilitate the expansion of private sector investment in the region, to cement a public-private partnership which will ensure that end, and to work to enhance regional co-operation and development. As a result of this meeting, a Bank for Economic Co-operation and Development is to be established in Cairo.

In this evolution the USA is not a bystander. There is US-EU transatlantic interaction. The US has a stake in Europe's future. It conceives that a more unified Europe comes not at the expense of US-EU bilateral relations but in their augmentation. The stronger European economy makes Europe a more attractive location for American investments.

There are a number of successful models of regional economic co-operation schemes beyond the Atlantic and Pacific like, NAFTA, Southern Cone Common Market (Mercado Comun Del Cono Sur - MERCOSUR) and ASEAN, APEC.

As of 1 January 1995, the World Trade Organisation is spreading the word of global free trade following the Final Act of Uruguay Round, signed on 15 April 1994.

C. TURKISH FOREIGN ECONOMIC POLICY

Against this backdrop, let's take a closer look at developments in Turkey's international economic relations, placing them in their proper perspective, superimposed on the new world economic equilibrium vis-à-vis Turkey's regional and European foreign economic policy agenda.

In its corner, Turkey as an integral part of Europe, occupies a pivotal role at the crossroads of Eurasia, the Balkans, the Black Sea region, Mediterranean, the Middle East, Caucasus and Central Asia. A unique geo-strategic position such as this confers a multidimensional character on its economic foreign policy.

Turkey's economic foreign policy is a synergy of a long state tradition and the contemporary aspirations of its people. It has a long-term perspective, a sense of purpose and a realistic vision. It reflects a dynamic outlook of a multifaceted nature. It is guided by Atatürk's ever relevant dictum "Peace at home, peace in the world," whereby Turkey seeks to promote relations of friendship and economic co-operation with all countries starting with its neighbours and contributes to co-operation, peace and stability at the regional as well as global level.

Long-standing as it is, Turkey's far reaching foreign policy along with its geo-strategic emplacement at the fulcrum of East-West see-saw and its key role in the regional and global political and economic equilibrium, impels it to attach due importance to relations with Europe at large. A critical position such as this requires both a constant exploitation of every opportunity for improvement and a diversification of its foreign economic relations.

The Western dimension of this policy is defined by its full membership in NATO, the Council of Europe, the OSCE and OECD as well as its associate membership of the EU from 1963. Turkey applied for full membership in the EU on 14 April 1987, signed the Free Trade and Co-operation Agreement with the EFTA on 20 December 1991, and applied to become a full member of the Western European Union (WEU) in 1992. The customs union with the EU entered into force as of 1 January 1996.

1. Relations with the European Union

Turkey was one of the two countries which approached first the newly born European Economic Community way back in 1959. This early approach was a clear manifestation of Turkey's European vocation. The Ankara Association Agreement of 1963 was one of the earliest contractual ties of association to the Community. The customs union with the EU constitutes an important step towards the consolidation of Turkey's integration with Europe after decades of active participation in its political, military, defence and economic organisations side by side with the other Western European countries. As such, the customs union will anchor Turkey to the West in a definitive and irreversible way.

The Turkey-EU customs union is a two way street. It provides mutual benefits to the Union and Turkey.

a. Benefits to the EU:

Turkey is one of the largest trade partners of the Union. The customs union will open and consolidate Turkey's less saturated 63 million consumers for community producers. With all tariff and non-tariff barriers eliminated, community exporters will have preferential access to and an increased share of the large Turkish market.

Harmonisation of Turkish legislation with that of the Union will facilitate doing business in Turkey and the process of dispute settlement. The EU firms operating in Turkey will enjoy increased legal certainty on a par with the member states.

EU firms will take advantage of the investment and production opportunities offered by Turkey. They will be able to make use of Turkey as an export base for the Middle East, the Black Sea region and Central Asia. They may operate more easily and effectively in these markets, having improved co-operation and joint activities with the Turkish firms.

Trade relations between Turkey and the EU have increased considerably in recent years. In 1980, Turkey ranked forty-fourth among countries exporting goods to the EU, while in 1993 Turkey ranked sixteenth. In 1980, Turkey ranked twenty-sixth among countries to which EU exported goods, however it ranked sixth in 1993. These figures show that Turkey has already turned into an extremely profitable partner for the Union.

Turkey sets an example as a pluralist and secular model of development for the countries in the region beset by political instability and economic difficulties. The customs union will increase the appeal of the Turkish model on its periphery, sending a message to move away from radical and extremist attitudes which might threaten the economic and security interests of Europe proper.

b. Benefits to Turkey:

The customs union will help rationalise and modernise the economic structure of the Turkish economy. More efficient production facilities and infrastructure will improve the international competitiveness of Turkish firms and the resulting economies of scale will increase the capacity of the Turkish industry. Turkish products will have higher quality and standards. Consequently, Turkey's exports to the EU will rise.

Turkish consumers will benefit from less expensive but better quality goods from a wide spectrum of suppliers.

The customs union is expected to increase the inflow of foreign direct investment from EU countries, which will bring with it state of art technology and know how. It will also attract investment from third countries to Turkey in the form of joint ventures. As a matter of fact, the Central Asian countries consider the customs union of Turkey with the EU as their window opening up to Europe.

The upgrading of legislation related to economic activities, especially in the fields of competition rules and protection of intellectual property rights, will create a legislative framework more conducive to the steady development of economic transactions.

These will translate into more employment in Turkey which will ease social tensions and improve the country's socio-economic situation at the same time as decreasing emigration pressures. It will also help to redress macro-economic imbalances.

The increased economic interdependence with the EU will, through the strengthening of civil society, contribute to the further development of a sound democracy and consolidate democratic values.

In view of the foregoing, the customs union makes sense for both Turkey and the EU. Yet it is not an end in itself. It will serve as another important step towards Turkey's progressive integration with Europe.

2. Regional Co-operation

Turkey's geo-strategic location exposes it to potential threats which might be directed at it from different points of the compass. Thus, it has its assets as well as liabilities. It brings Turkey responsibilities along with opportunities. Turkey is situated in an area where international conflicts are most entrenched and perennial. It is surrounded by turbulent waters churning with adverse currents. From Bosnia-Herzegovina to the Caucasus, peace is threatened by ethnic passions, nationalistic clashes, different types of fundamentalism and terrorism.

While establishing new ties and reinforcing the existing ones with EFTA, the WEU and EU, Turkey is actively promoting regional co-operation schemes such as the Black Sea Economic Co-operation (BSEC), Economic Co-operation Organisation (ECO) and the Mediterranean Forum as well as the Euromed process thereby diversifying its economic relations, taking advantage of the geographical proximity, traditional ties and complementary nature of the economies.

a. The Black Sea Economic Co-operation (BSEC):

In keeping with the regional co-operation trend, Turkey initiated with a sense of history and a moral obligation the idea of the Black Sea Economic Co-operation in order to convert the existing bilateral ties among the participating states into a multilateral configuration based on co-operation. Turkey played the vanguard role and has become the driving force behind it. It sets an exemplary model for its partners as a successful pluralist democracy and dynamic market-oriented economy.

The BSEC's performance so far has been nothing less than remarkable. Within the short span of four years, it has completed its institutional structure, put under way certain concrete projects and a series of activities. We value these as a precursor of things to come. If the trends of the recent past continue, the economies of the Black Sea will be a factor to reckon with in the world economy. The region offers great potential for development.

Peace and stability is the function of prosperity. The most effective confidence building measure is mutually beneficial economic co-operation. Mutual economic interest is the magic phrase encourages countries to put aside their political differences and work together for the realisation of a common goal which can bring prosperity to their people. The BSEC has succeeded in having two warring members sit side by side at one table and take common decisions for their mutual economic good. It is a striking example that common economic benefits transcend political conflicts and serve as a catalyst for political reconciliation. Thus, the BSEC also enlarges the scope of European security.

b. The Economic Co-operation Organisation (ECO):

In this vein, Turkey also rejuvenated the Economic Co-operation Organisation, which it formed in partnership with Iran and Pakistan on 12 March 1977 and then transformed it from a tripartite set-up to a 10-member regional co-operation arrangement with the participation of Central Asian republics, Azerbaijan and Afghanistan, encompassing 300 million people.

c. Mediterranean Forum and the Europe-Mediterranean Barcelona Process:

Turkey is also an active member of the Mediterranean Forum which was initiated by the ministers of foreign affairs of eleven Mediterranean countries in July 1994. Turkey is a dynamic participant in the European-Mediterranean Barcelona process too.

d. Organisation of Islamic Conference (OIC):

Invariably, Turkey plays a very active and leading role in the Organisation of Islamic Conference which has 51 members.

With these interlocking and complementary schemes of regional economic co-operation, Turkey does more than its share in contributing to globalization. These regional arrangements are the pieces of a mosaic that will complete the European, Caucasian, Central Asian and Middle Eastern architecture and contribute to the evolving world economic order. Turkey is the common denominator of and a catalyst for all these regional efforts.

3. Relations with the Central Asian Republics

One of the fundamental characteristics of Turkey's economic foreign policy is its realism. Its astuteness in choosing its aims. It is this realistic policy which in fact precluded Turkey from indulging in adventurism in Central Asia.

Following the disintegration of the Soviet Union, Turkey cultivated its relations with the newly emerging countries of Central Asia with whom Turkey shares common ethnic ancestry, linguistic affiliation and a multiplicity of cultural ties. Turkey was predisposed towards these countries and their peoples by history, culture, language and religion. It was incumbent on Turkey to get involved with the Turkic states in Central Asia. In other words, it was a mandate entrusted to Turkey by history.

Turkey chose to approach these states as an equal rather than assuming a more assertive role. It pushed to the limit its resources to assist them in their process of transformation to free market economics and in building the infrastructure needed for its smooth functioning. It set an example for them as a democratic and secular society. It signed with them a series of bilateral economic, technical and cultural co-operation agreements bordering 200 in number.

Turkey contributed to the improvement of their tele-communications systems, recognising that communication with other states is the top priority for integration of the Central Asian Turkic states with the world economy. Turkish Eximbank has approved credits worth of \$985m for the Turkish-speaking republics, \$517m of which they have already received. Turkey signed eight credit agreements with them, extending \$388.8m for exports and \$596.2m for development projects.

Turkish aid-economic, humanitarian or otherwise-flowed to 50 different countries in the period from 1990 to 1994 and totalled \$2.834m, surpassing that of many Western countries.

Politically, Turkey recognised all of the newly emerged states without discrimination and extended assistance to them, Turkic or non-Turkic alike, while keeping open all avenues of dialogue with the Russian Federation for broadening the scope of bilateral and multilateral co-operation. After two years of inevitable soul searching, a more pragmatic and realistic policy synthesised from the juxtaposition of a thesis of active engagement laden with high somewhat sentimental expectations and the antithesis of passive involvement.

3. RELATIONS WITH THE FAR EAST

Forward-looking, Turkish foreign policy seeks common ground where possible with the dynamic economies of the Far East which figure prominently in the world economy. Thanks to the revolutionary advancement of transportation and telecommunications, from Turkey's vantage point, the Far East is not far any more.

Developing sound and sustainable economic relations with the countries of Far East, which include the 'giants' like Japan and the People's Republic of China, as well as 'Asian Tigers', like South Korea, Hong Kong, Thailand, Malaysia and Indonesia, is among the primary objectives of Turkish foreign economic policy.

Reciprocally, both areas offer great potential for investment. The Asia-Pacific region is not a subsystem any more; it's a system by itself. These countries have manifested remarkable economic dynamism, vigorous trade performance with the creativity and hard work of governments and people alike. There is definitely a sound ground for constructive fruitful co-operation. The key word is the potential, the opening of new doors and avenues for co-operation along the legendary Silk Road, imprinted with the ancient footprints of camels and caravans that once travelled from Anatolia to the Far East.

D. BY WAY OF CONCLUSION

The new fabric of international relations is being weaved by the values of democracy, co-operation, and security-through-prosperity. Turkey promotes these principles in its foreign economic relations and considers them an insurance policy for the future.

Turkey recognises the differences in the social systems, ideologies, cultures, traditions, national character and religious beliefs of its partners. It aims with a team spirit to contribute to the establishment of a just and equitable new economic order in the world, to promote common development and co-operation for mutual benefit, and finally to preserve peace. The point of departure for economic co-operation is essentially political, as it requires first and foremost a political will. Likewise, the point of arrival is political as it envisages peace and security.

We have to look into the future and chart the course for the necessary co-operation and collaboration, building into them top quality technology, the latest know-how and concomitant infrastructure. Such a course calls for an accurate and dispassionate diagnosis and healthy prescriptions. It calls for co-operation and not confrontation.

We are here to weave in concert and with particular care, renewed urgency and a little bit of a human touch, the delicate fabric of peace and security; regional co-operation appropriate for globalization in the twenty-first century. In Turkey, we believe in shared dreams, knowing that regionalism without realism will not work.

Faced with challenges and opportunities which carry risks and uncertainties, Turkey and its partners, be they actual or potential, can with farsighted vision, determination and co-operation, stage a new reality in greater Europe.

Situated at the junction of important economic regions of the world, Turkey can be a bridge of co-operation between Europe and Central Asia. Now that Turkey is in the customs union with the EU, the Central Asian republics can reach out over this bridge via Turkey to the European economic space and vice versa. Turkey, is not only the western gate of the Caucasus, Central Asia and the Middle East, but it is also the eastern gate of Europe. Turkey stands at the two end gates of Eurasia which has emerged in the post-Cold War era as an economic-political space extending from the Atlantic to the Pacific.

Our vision is to live in a confrontation free and prosperous Eurasia. Such a vision demands creativity, dynamism, mutual trust, complementarity, and these they do not come by accident. One has to work patiently to make them happen.

For we would be investing in a common future.