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# The future of Turkey's relations with China

Engaging more effectively with China is a must for Turkey. Several factors have affected relations between the countries: first, a paradigm shift in the approach to bilateral economic ties; second, a sense of mutual understanding between the two governments on the Uighur issue; and third, increasing acquaintance and cultural affinity between the Turkish and Chinese people. But there is a further potential factor: the two countries' involvement in the Middle East

**ALTAY ATLI**

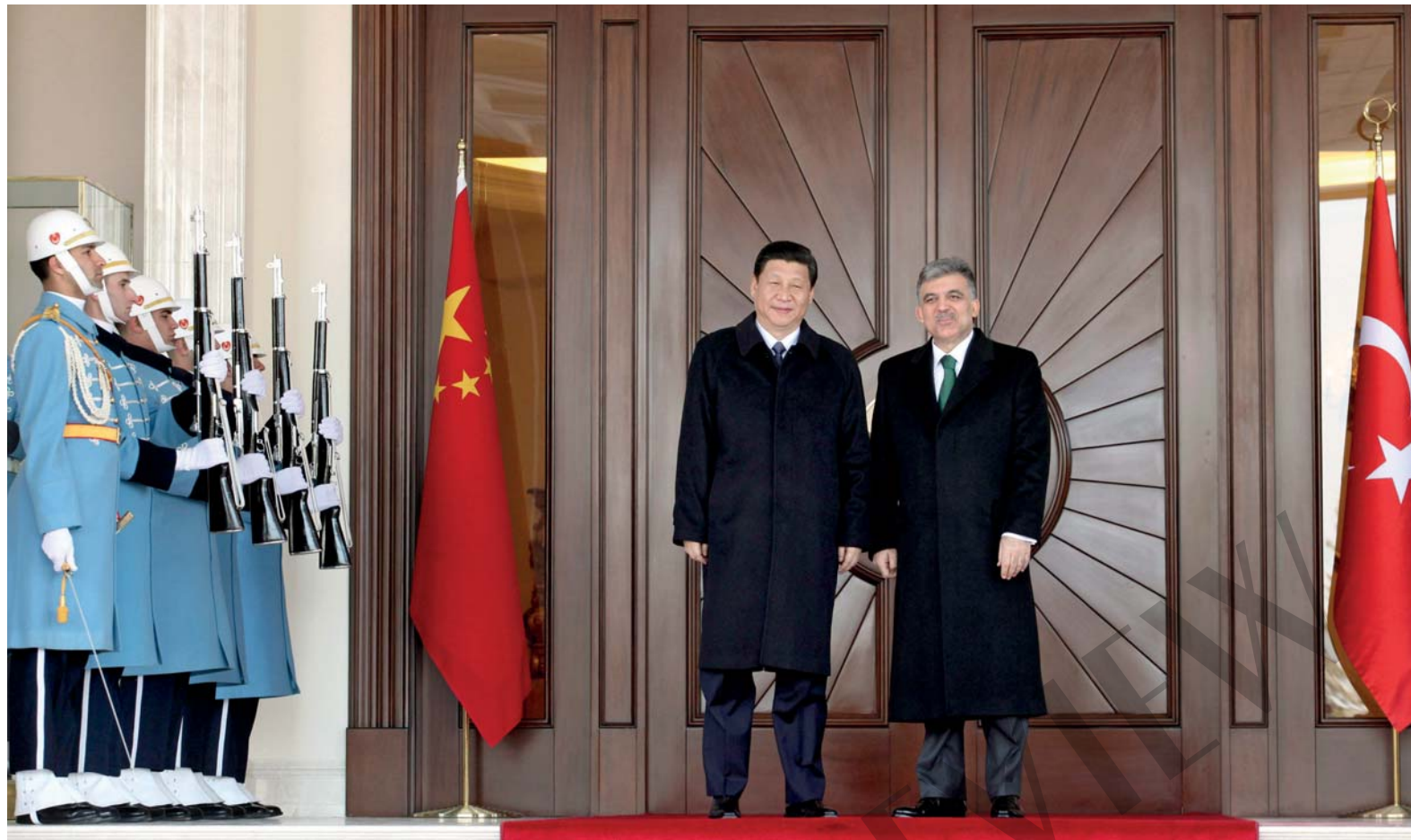
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In February when Xi Jinping, vice president of the People's Republic of China, visited Turkey, the grand meeting hall of one of İstanbul's largest convention centers witnessed an historic moment. Xi entered the hall to great fanfare, and responded to a standing ovation from literally hundreds of Turkish business executives with the announcement of several trade and investment projects intended to strengthen economic linkages between Turkey and China. Xi's visit was important not only because he is the presumptive heir to President Hu Jintao, and hence the person who is likely to lead China over the coming 10 years, but also because his visit produced concrete results, such as 28 business agreements with total worth of \$1.4 billion signed in a single day, cementing the strategic partnership agreement inked between the two countries back in 2010, and providing clues to the path along which Turkish-Chinese relations are likely to progress under Xi's tenure.

For Turkey, engaging more effectively with the new global economic powerhouse is not an option but a must, as international conjuncture is increasingly shaped by economic interdependence and interconnectedness between nations. China is neither a threat that one has to stay away from, nor

a pure opportunity promising lucrative profits; it is simply a key global actor Turkey needs to work with in order to improve and consolidate its own standing on the global scene. For China, Turkey is not only an important destination for the country's overseas economic expansion, it is also a stepping stone toward the larger geographies -- and markets -- of Europe, the Mediterranean, and the Middle East. In the meantime, progress in commercial relations has a positive spillover effect on the political realm, and as Turkey and China envisage greater economic cooperation on the horizon, they find it less and less complicated to find common ground on political issues subject to dispute, including traditionally thorny subjects such as the Uighur issue. In sum, strategic partnership between Turkey and China is in full swing, and both governments exhibit the political will to move further forward.

This essay investigates the various factors that contribute to progress in Turkish-Chinese relations. Three factors are identified: First, a paradigm shift in the approach to bilateral economic relations; second, a sense of mutual understanding between the two governments with regard to the Uighur issue; and third, increasing acquaintance and cultural affinity between the Turkish and Chinese people. These factors will be discussed, together with the prospects they offer and the limitations they face, as well as a separate issue that could



potentially hinder further progress in bilateral relations. This last factor is related to the shifting geopolitical balances in Turkey's neighborhood and the probability of a conflict between Turkey and China's interests in the Middle East.

#### **From trade to investment**

On the economic side of the relationship, one should start by acknowledging the rapid rise in bilateral trade volume between the two countries. In 2011, Turkish-Chinese two-way trade totaled \$24.2 billion, compared with \$19.2 billion the previous year and a mere \$1.1 billion 10 years earlier, in 2001. China's share in Turkey's total trade is currently 6.4 percent, up from 1.5 percent a decade earlier, and the change appears even more significant considering that the 21-fold increase in the volume of Turkish-Chinese trade between 2001 and 2011 occurred over a period when Turkey's total trade volume increased only five-fold, from \$72 billion to \$375 billion. Meanwhile over the same 10-year period, trade with Europe grew only four-fold, from \$37 billion to \$153 billion. The EU remains Turkey's major trading partner, with a share of 40.8 percent in Turkey's total trade; however, China's share is increasing rapidly, and trade volume targets set by Prime Minister Recep

Tayyip Erdogan and his Chinese counterpart, Wen Jiabao -- i.e., \$50 billion by 2015 and \$100 billion by 2020 -- are perfectly within reach.

From the Turkish perspective, however, there are two problems associated with bilateral trade. First, Turkey's imports from China are much higher than its exports to this country; a serious problem, particularly given Turkey's chronic current account deficit. In 2011 Turkey exported \$2.5 billion worth of products to China, while its imports amounted to a massive \$21.7 billion, meaning that for every dollar worth of products Turkey buys from China, it sells only 11 cents. A reversal of this situation, or at least a gradual narrowing of the gap, seems unlikely to appear anytime soon, not only because low-cost Chinese products offer a handsome premium for Turkish importers and have a positive effect on the purchasing power of Turkish consumers, but also because a significant portion of imports from China are intermediary, and are used as inputs for final products assembled in Turkey and exported to third markets. According to data released by the Turkish Exporters Assembly (TİM), the share of imported goods in total inputs used in the manufacturing industry is a remarkable 43 percent, and China -- as a major source of imports -- is playing an undeniable role in shaping Turkey's export capacity

**Chinese Vice President  
Xi Jinping (L) with  
Turkey's President  
Abdullah Gul in  
Ankara.  
Feb. 21, 2012**  
PHOTO: AP



to its main markets such as Europe.

In brief, imports from China offer certain advantages for Turkey's economy, and they are a key variable determining the cost structure of Turkey's exports. Nonetheless, at the same time the widening gap in bilateral trade with China also contributes to Turkey's current account deficit, and the task faced by Turkey is to draw a balance between the opposite effects of its imports from China.

The second problem relates to the composition of trade. The sustainability of trade growth requires avoiding reliance on only a few export items and ensuring that a wide range of products are included in the basket. From this perspective, again, the advantage is on China's side, as Turkey's exports to China exhibit less diversity than its imports from this country. Currently, the top 10 items in Turkey's export portfolio constitute 89 percent of the entire export volume, while for Turkey's imports

### **CHINA'S CAPITAL ACCUMULATION AND INVESTMENT POTENTIAL, NOT CHEAP IMPORTS, PROMISE GREATER, MORE EFFECTIVE AND SUSTAINABLE BENEFITS FOR TURKEY**

from China this figure is 71 percent. Reliance on only a small number of products increases the vulnerability of Turkish exports to both demand and supply-side fluctuations.

Trade figures might not be painting a rosy picture for Turkey, but there is another side to the story. As a more important development, Turkey is experiencing a paradigm shift with regard to how best to approach and engage with the world's new economic power, a shift that is gradually taking Turkey's focus from short-sighted calculations to the establishment of a longer-term, sustainable and mutually beneficial economic relationship. During the 1980s, when both countries had begun to integrate with world markets, Turkey saw China as a single huge market with enormous untapped opportunities. The idea back then was "sell a single orange to every Chinese person and become rich," however, both bureaucrats and businessmen soon found out that penetration of the Chinese market was not that easy. Businessmen going to China to

export their products mostly failed to do so, but they saw the opportunities offered by low-cost Chinese products and returned home as importers. As a result, starting from the mid-1990s, Turkey's economic approach to China was marked by the motivation of short-term, individual profits. In this period some Turkish companies invested in China and commenced production there, but they numbered no more than a handful.

The paradigm shift began at around the mid-2000s, when Turkey's foreign economic policy makers adopted a two-sided approach to economic relations with China, which resonated well with the business community. On the one side, efforts were made to diversify export products and increase market penetration in order to find larger shares for Turkish products and, more importantly, to minimize the negative impact of Chinese trade on Turkey's current account deficit. On the other side, the emphasis shifted to establishing longer-term investment

relations, with the aim of attracting more Chinese capital and investment to Turkey -- which makes perfect sense, because it is China's capital accumulation and investment potential, and not cheap imports, that promise greater, more effective and sustainable benefits for

the Turkish economy. China is one of the largest investing countries in the global economy, but so far Turkey has not been one of the major destinations for Chinese capital. In 2011 the stock of Chinese outward foreign direct investment totaled \$61 billion, of which only \$40 million was invested in Turkey. However, there is reason to believe that the paradigm shift from short-term trade calculations to long-term investment relations will produce concrete results in the near future, because Chinese companies, primarily the state-owned enterprises, have already become involved -- or at least registered their interest -- in large-scale industrial and infrastructure projects in Turkey, including hydropower and mining projects, telecommunications, railroads, contracting projects and nuclear energy.

In sum, as strategic partners, Turkey and China are now focusing on developing their economic relations on a long-term, sustainable and mutually beneficial basis, a trend that has positive spillover effects on the political realm.



### The Uighur issue

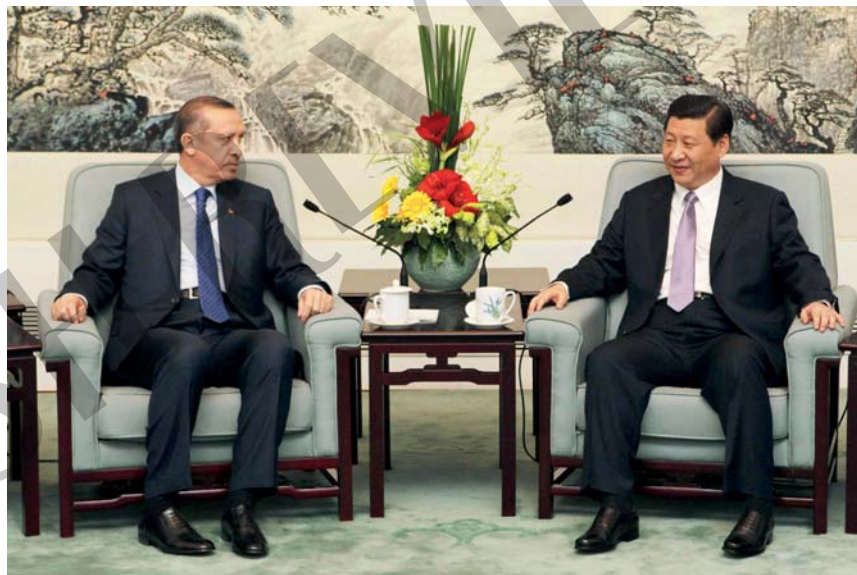
The Uighur issue has for a long time posed a policy dilemma for Turkish governments, who were caught between sympathy for the Turkic-Muslim minority group living under Beijing's rule, and the need to improve relations with a rising China. Until the mid-1990s, Ankara gave an almost free hand to Uighur diaspora associations in Turkey demanding the liberation of Xinjiang from Chinese rule. Eventually a more balanced approach was adopted, permitting these associations to operate within the boundaries of Turkey but without allowing their activities to jeopardize relations with Beijing. At first sight, this approach might appear as a highly pragmatist but ethically questionable move; abandoning fellow ethnic Turks in return for economic benefits expected from China. However, this is not the case.

Faced with a number of policy options with regard to the Uighur issue, Ankara's efforts since the mid-1990s aimed at reaching an optimal solution without having to resort to the extremes of an absolute pro-Uighur stance on the one hand, or total compliance with Beijing's preferences on the other. In this respect, maintaining mutual understanding and cooperation with the Chinese government on this issue, while at the same time defending the economic and cultural rights of Uighurs as citizens of the people's republic, appears to be Ankara's preferred option, as it not only serves Turkey's economic interests vis-à-vis a rising China, but also enables Turkey to protect and defend the rights and to improve the wellbeing of the ethnic Turks in the Xinjiang region without confronting Beijing.

Turkey officially opposes any kind of separatist activity directed against the territorial integrity of the People's Republic of China, and instead wants the Xinjiang Uighur Autonomous Region to transform into, in the words of President Abdullah Gül, a "friendship bridge" between Turkey and China. There is more than rhetoric to this statement, as Turkish companies are now investing heavily in the region and the Chinese government appears to be providing additional incentives for Turkish entrepreneurs in the area. A more developed Xinjiang, with economic support from Turkey, would not only improve the wellbeing of

the Uighurs (under the condition that the benefits of development are fairly distributed between the Han Chinese and the Uighurs in Xinjiang), but it will also increase Turkey's leverage in defending the rights of ethnic Turks.

The events that unfolded in the Xinjiang region in the summer of 2009 clearly illustrated the contours of Turkey's Xinjiang policy. After demonstrations in the regional capital Urumqi were suppressed by force and around 200 people -- almost all of them Uighurs -- lost their lives, Turkey gave a very strong reaction, with Prime Minister Erdogan terming the events in Urumqi "almost genocide," surprisingly strong words that



one expected to trigger a bitter response from Beijing. This, however, did not prove the case. On the contrary, Chinese authorities preferred to play down the issue and Turkish authorities immediately adopted a conciliatory tone; Beijing invited Turkish businessmen to visit Xinjiang and explore investment opportunities there. Three months after the incident, Chinese Premier Wen was in Turkey to sign the Turkish-Chinese Strategic Partnership Agreement with Prime Minister Erdogan.

Thus, during the summer of 2009, Turkey made it clear that it was going to support the Uighurs'

**Turkey's Prime Minister Erdoğan (L) talks with China's Vice President Jinping in Beijing. April 10, 2012**  
PHOTO: REUTERS



rights (which does not necessarily imply support for the idea of Uighur independence) and both sides reinforced a mutual understanding on Xinjiang as an economic hub for Turkey and China.

### Getting to know each other

The third factor contributing to progress in relations between Turkey and China is the increasing cultural affinity and acquaintance between the peoples of the two countries. For a long time relations between the Turks and the Chinese suffered from lack of knowledge and, even worse, misperceptions. This is now changing, as Turks are extremely keen on learning about China and the Chinese, and the Chinese are similarly keen to know more about Turkey and the Turks. They are assisted profoundly by developments in information technology, meaning any kind of knowledge is now available to the individual with a single press of a button. More importantly, both Turkey and China are investing in the process.

The Shanghai Expo of 2010 was an important milestone for the promotion of Turkey in China. Added to which, 2012 is the Year of Chinese Culture in Turkey -- to be followed by 2013 as the Year of Turkish Culture in China. Such events are important for introducing countries and cultures to each other, but, on a more systematic level, improving educational ties are really making a difference. Two Turkish universities, İstanbul's Boğaziçi and Ankara's Middle East Technical University (ODTÜ), are offering Asia programs with a Chinese focus, while the first Turkish studies center at a Chinese tertiary institution was opened recently by Shanghai University. In Turkey, an increasing number of universities are including Chinese language courses in their curricula, and two Confucius Institutes, sponsored by the Chinese government, are operating in Turkey with the purpose of promoting Chinese language and culture. China is becoming a popular destination for Turkish students, and while official figures are not available publicly, it is estimated that as of 2011 there were around 3,000 Turkish students in

China -- not only learning the language, but also undertaking tertiary studies. Meanwhile, Turkey is also becoming an attractive destination for Chinese students. In this way, people learn more about each other, their cultures, and their worldviews, which is a sine qua non for two countries to enhance their relations to the level of strategic partnership.

In brief, there has been remarkable progress in relations between Turkey and China, and from a Turkish perspective one can observe a more sustainable approach to economic relations with China, careful management of political issues (including the Uighur issue), and an increasing affinity between Turks and the Chinese as the building blocks of this strengthening relationship.

Over the coming years these positive factors are likely to lead to further progress, but a note of caution remains.

So far the only major political problem between Turkey and China has been the Uighur issue, and we have seen the problem contained through a combination of mutual understanding and pragmatism on the part of both sides. However, as China expands its influence westward and engages more actively in regions in Turkey's neighborhood, potential areas of conflict of interest are likely to surface, and there is always the possibility these conflicts, and the way they are addressed, may have a negative impact on the broader framework of bilateral relations between Ankara and Beijing. We have already observed a warning signal in this respect, and it is related to Syria.

## AS A RISING GLOBAL POWER WITH A GROWING NEED FOR ENERGY RESOURCES, CHINA HAS AN INCREASING INTEREST IN THE MIDDLE EAST

### China as an actor in the Middle East?

As a rising global power with a growing need for energy resources, China has an increasing interest in the Middle East. Through a series of overtures over the past decade, China has become a major importer of products from the region (particularly oil) and it is a good customer in the sense that it has a no-strings-attached approach to commercial relations, refraining from imposing political conditions for its purchases and from getting involved in the internal affairs of the countries. China comes to the region without




Education will help tighten ties between the countries.  
May 17, 2007  
PHOTO: REUTERS

the burden of historical baggage, and using its economic might and business-oriented approach it has managed to form favorable relations with all of the Middle East countries, including Iran, for which China remains -- despite sanctions -- the top customer and a major investor in oil industry, as well as Israel, from which China imports military technology.

The Middle East is, however, a turbulent region, and it is currently undergoing a dramatic transformation, one that has turned violent in places such as Syria. Under these circumstances, and taking into account the geopolitics of the Middle East as a whole, the decision not to intervene in a country's internal affairs can be a political position that may find critics as well as supporters. A negative reception was certainly the case in February, shortly before Xi's visit to İstanbul, when China vetoed a UN Security Council resolution that would have imposed sanctions on Syria's leadership. China sees the problem in Syria as an internal matter that should be resolved by the Syrian people, and not by the West's exerting pressure on the regime as it did

in Iraq or Libya. Turkey's reaction to the Chinese decision to veto was a strong one, and when Prime Minister Erdoğan said, "No matter what benefits they expect, it is unacceptable that countries are providing the tyrant with a license to kill," it was evident he directed his criticism against China.

The Syrian veto issue did not snowball into a major controversy between Turkey and China. However, things are getting complicated in the Middle East, and as history is being rewritten in the region, China will definitely refuse to be sidelined and demand to have its own position. Within the changing balances of Middle Eastern geopolitics (and geoeconomics) there may arise larger areas of conflicting interests between Turkey and China, and these will impact the future of Turkish-Chinese relations. Over the past years, relations between the two countries had been placed on a sound and mutually favorable footing, but the idea of "China as an actor in the Middle East" carries the potential of redefining the parameters of the relationship. 

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