

The Future of Turkey and Taiwan(T&T) Economic Relations Within the Framework of 8 Facts and 8 Questions¹

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Introduction

I had the opportunity to visit your beautiful island Taiwan some years ago. I was a little annoyed by the number of motorcycles, the noise and the gas pollution they generated as I walked on streets. My vision was constantly distracted and disturbed by the excessive commercial neon signs everywhere. But I was fascinated by the vivacious cultural life in Taipei, where I even came across with highly regarded works of some Turkish photographers and painters in special exhibitions in the Taipei Fine Arts Museum in particular. I found the Yushon Mountains spectacular, and the Yangmingshan National park, where Calla Lilies grow in profusion in vast fields particularly enchanting. I truly appreciated the natural beauties of the island.

My overall impressions were overwhelmingly positive particularly when I visited the National Taiwan University (Tai Da). I deeply envied the island state's commitment and dedication to science and technology, which I am sure, helped bolster the Taiwan's economic miracle despite the global challenges, regional threats and uncertainties since the mid 1990s.

This presentation aims to find out about what kind of future prospects the T&T might have in this ever challenging global economy, and politically sensitive climate. I would like to do this by trying to respond to some simple inquiries. This way I think I may be able to pursue an interactive procedure and communicate with the audience more easily. Nevertheless, before I begin raising questions, I would like to make pin point some basic facts regarding both countries to allow comparisons, and facilitate the focus of the inquiry.

Basic Facts

1. T&T are two compatible economies, which can benefit from economic cooperation of all types, if conditions allow. Although currently the bilateral trade between the two countries display a picture of exports of raw materials, minerals, light industrial manufactured goods and chemicals from Turkey in return for the imports of a variety of finished products², economic similarities in terms of level of industrialization, technological and trade orientation of both countries may allow multiple options for inclusion of more advanced tradable goods and services in joint trade baskets.
2. Both are export oriented, even though Turkey's orientation has been recently slightly modified.
3. Both have strong intra-regional trade orientations in different geographies, even though Taiwan also has strong economic and stronger political relations with the USA and the EU, while Turkey's trade orientation is towards the EU, Russia and the Middle East.

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² **Turkey's imports from Taiwan(\$2.011 billion in 2014) mainly consisted of electronics and stainless steel products. Turkey's exports to Taiwan were mainly composed of synthetic textile fibers, raw materials for fertilizer and iron, with a total volume of exports of just \$132 million in 2014.**

4. Taiwan has a stable industrial economy, which has been the result of rapid economic growth and industrialization over years. Its high-tech industry plays a key role in the global economy. Even though it somehow suffers from the adverse spill-over effects of the global slowdown and may even have to face the risk of getting hit the Brexit tsunami³, it still hold the position of the 22st largest economy of the world according to the 2016 GDP data, where Turkey ranks as the 18th⁴.
5. There are existing differentials in labor productivity and wage levels in T&T, which work in favor of Taiwan in terms of comparative advantages and/or competitive efficiencies. This may also be explanatory for the trade deficit Turkey has been running against Taiwan in its current trade balance. As of 2014 the T&T trade volume reached \$2.143 billion. Though this figure indicates to high potentials and future promises, the \$1.879 billion- trade deficit of Turkey to Taiwan the same year constitutes a cause of concern⁵ for the future.
6. According to the 2016 Index of Economic Freedom, Taiwan's economy is among the "top 20 freest" in the world. Taiwan provides one of the best investment environments, based on a market-friendly approach and a commitment to intellectual property rights, for investors and entrepreneurs around the globe. The same Index indicates that Taiwan and Turkey have the 14th and the 79th in the ranking with index value of 74.7 and 62.1 accordingly. The details of the index are as follows and the table following table indicates that Turkey has a lot of home work to do for the T&T trade to improve. :

Criteria	Taiwan	Turkey
Economic Freedom Status	Mostly Free	Moderately Free
Economic Freedom Score	74.7	62.1
Global Rank	14th	79th
Regional Ranking	5th in Asia-Pacific	34th in Europe
Notable Success	Trade and Business Freedom, Protection of Property Rights	Open Market
Concerns	Labor Freedom and management of Public Finance	Rule of Law, Business and Labor Freedom

³ As of June 2016, the Taiwanese exports continued to contract for a record-setting 17 straight months, with little sign of improvement, according to the Bureau of Foreign Trade (BOFT). Exports for the first half of 2016 were down 9.1%, to US\$145.5 billion, while imports declined 10.7%, led by a steep 17% drop for raw material imports.

⁴ Taiwan's total trade in 2010 reached an all-time high of US\$526.04 billion, according to Taiwan's Ministry of Finance. Both exports and imports for the year reached record levels, totaling US\$274.64 billion and US\$251.4 billion, respectively

⁵ See the web site of Turkish Ministry of Economy, <http://www.ekonomi.gov.tr> in April 2015.

7. T&T are both WTO members with their own merits, and therefore must comply with the rules and regulations of the world trade order, when engaging in, and improving their bilateral relations⁶.
8. Both have to take the Peoples Republic of China (the PRC) into account from different perspectives, which lead to similar consequences in different magnitudes. Turkey like all other trade partners of Taiwan, respects the **“one China policy”** of the PRC, which prevents it from establishing formal diplomatic and political relations with Taiwan. However, Turkey shows readiness to support Taiwan, if improved relations tend to serve any mutually beneficial outcomes⁷, without disturbing Turkey’s economic prospects with the PRC.

Basic Questions

1. When Taiwan (ROC) maintains only unofficial relations with most countries⁸ for the benefit of itself and its trade partners, is it possible for the T&T bilateral trade and economic relations to improve any further than its current levels?
2. Could the bilateral T&T trade become freer in terms of any standard **“free trade”** agreement norm⁹?
3. Other than real estate, which areas Taiwan may be destined to make direct investment in Turkey? What would be the reaction of the PRC to any development in that area?

⁶ The World Trade Organization (18 September 2001) successfully concluded negotiations on the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu's (Chinese Taipei) terms of membership of the WTO. It has become a WTO member since 2002, and in December 2008 the country fulfilled an important WTO accession commitment by joining the WTO.

⁷ Turkey is fully aware of the fact that the PRC refuses to have diplomatic relations with any nation that recognizes Taiwan(the ROC), and requires all nations with which it has diplomatic relations to make a statement recognizing its claims to Taiwan. Currently only 21 UN members and the Holy See maintain official diplomatic relations with Taiwan.

⁸ Via *de facto* embassies and consulates called Taipei Economic and Cultural Representative Offices (TECRO), with branch offices called "Taipei Economic and Cultural Offices" (TECO). Both TECRO and TECO are "unofficial commercial entities" of the ROC in charge of maintaining diplomatic relations, providing consular services (i.e. visa applications),

⁹ Taiwan has been pursuing bilateral trade deals to get ready for joining proposed multinational free trade blocs such as the Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership. In fact, it signed a free trade deal with Singapore in 2013 , its first with a Southeast Asian country, to end its diplomacy isolation and join a potential regional economic bloc. It also has an "economic partnership agreement" with Singapore just months after reaching a similar deal with New Zealand, its first with a country that has diplomatic ties with the mainland. On the other hand Turkey happens to have bilateral FTAs with South Korea, Malezia and Singapore. However having mutual bilateral FTA partners do not necessarily facilitate any similar frame work for T&T. The first condition must be to find the right arrangement, which does not allianate PRC, the second condition must be the BFTA between T&T must be mutually beneficial and trade and productiveness generating for both.

4. Other than transport, travel, hotel and restaurant services which particular ones may be traded between T&T?
5. Is Taiwan just concerned about the falling Chinese arrivals in their island and think Turkey may offer a temporary relief for it?
6. Statistics indicate that this year the incoming foreign investment to Taiwan seems as doubled with the number of approved mainland investments leading in the island. Does Taiwan consider promoting Turkish investors? If so in what areas?
7. What areas of influence Taiwan aims to create through its improved relations with Turkey? In other words how would the increased T&T economic relations reciprocally benefit (supportive of) their own regional policies?
8. I have the information that the Ministry of Foreign Affairs (MOFA) of the ROC is considering closing at least four overseas offices - in Guam, Germany, Norway, and Saudi Arabia – to cut costs and avoid redundancy. The functions of the operations in Hamburg, Germany and Jeddah, Saudi Arabia are thought to be better handled by MOFA's offices in Berlin and Riyadh. Under these circumstances and fiscal perspectives, is Taiwan still considering the inauguration of new public liaison offices in Turkey?

To Conclude

Turkey definitely sees benefits from improved economic relations with any country including the Republic of China. For that matter if the existing trade between the two countries is improved further to include the trade of similar products (the intra-industry trade), agricultural products with high value-added, and diversified further with the inclusion of services, there will be more opportunities for mutually beneficial results.

However, by doing so, Turkey does not wish to jeopardize its current and future relations with the PRC. Therefore as long as the economic, commercial, and cultural divisions of the Ministry of Foreign Affairs of Turkey are able to coordinate the nature and extent of Turkey's non-diplomatic and unofficial relations with Taiwan to their counterparts from Beijing, they can avoid Taiwan-related diplomatic problems with Beijing. For that matter I personally hope that PRC and the ROC (the Chinese Taipei or Taiwan) will sort out their political differences in a near future. It is also important to note that Taiwan's relations with Turkey can never be as extensive or qualified as its relations with the United States or Japan, and that the same goes for the relations of Turkey. In this framework, we need to maintain a certain balance in our relations with China and Taiwan, which is currently far more in favor of the PRC as a natural consequence of Turkey's diplomatic relations.