

# **The Arab World and Turkey**

## **Economy and Regional Security**

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Series of Arab-International Dialogues

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# The Arab World and Turkey

## Economy and Regional Security

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Edited by

Dr. Fatin Al-Bustany

Working Papers

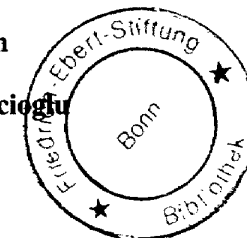
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## H. R. H. Crown Prince Al-Hassan's Speech

بسم الله الرحمن الرحيم

In the Name of God, the Most Gracious, the Merciful

**Ladies and Gentlemen:**

May I take the opportunity of saying at the outset that I am not in any way encroaching on the admirable work of both the chairman of this session, Dr. Ali Atiga, or the contribution of the secretary general of the Arab Thought Forum, Dr. Ali Oumlil, but I thought that between the two Ali's we might inject a Hassan.

My personal concern in this dialogue is to focus on how we can contribute to a process in terms of intercultural dialogue. We have had the opportunity, over many years, of discussion in the context of Bilad Al-Sham conferences. What we have been able to accumulate- studies, papers and academic contributions of scholars from Turkey and the Arab World - has not yet made its impact operationally on the work of the historical societies. Consequently, we say at the outset, Turkey has firmly established historical ties with the Arab World. These ties have constituted a common cultural groundwork with Arabs. My point is that the Bilad Al-Sham conferences, the meetings of Al Al-Bayt Institute for Islamic Civilization Studies and many other initiatives taken in the context of the Organization of Islamic Conference - all of these initiatives have not yet made their positive impact on the need for an **in-house** acceptance of the fact that, in terms of developing cultural relations, now is the time to look at the narrative, to evaluate, analyze and develop a common ground.

The relations between Turkey and the Arab World seek a sense of direction in terms of some serious probing into a number of disciplines.

For example, we speak of European association and partnership as you have done this before us and we are full of admiration for your steps in joining the Customs Union, and the impact of that on your relations with Europe and the impact of the Customs Union on your relations with this region, whatever we may call it: SW Asia, Near East or Middle East. The point is that Europe chooses to transcend SW Asia and to develop a direct line of discussion with East Asia. There is a reason for that: Europe and south east Asia are engaging in the correct use of universal idiom. In Arabic we say "universalize" and talk about total quality management in industry or the environment- "عولة" او "كوكبة". The question will immediately arise:

Are you talking about the New World Order - النظام العالمي الجديد? There are those in the Arab World, who, unfortunately, out of a strong desire to preserve our identity, I think, are missing the point that you can preserve your identity, and that total quality management has nothing to do with Islam or Arabism as a political thought process. On the contrary, the more we promote our universal credentials, the more likely it is that we are in a position to vindicate future generations at the turn of this century. So it is our hope that in terms of those absolute themes - the themes cho-

sen by the Helsinki process, the EU, or the SE Asian cooperation, whether of security and cooperation, whether of economy or humanitarian and cultural issues - we can develop a **shared matrix** in which we commit ourselves to addressing the absolute in those terms. Consequently, we can desensitize some of the more polemic political issues of the day. Thus, we can develop a shared context of partnership which is more meaningful and better grounded than theirs. We cannot talk meaningfully of the Middle East without Turkey. If the past constitutes a common starting point for the future then the future should be built on foundations that take into consideration the immense regional and global changes.

After the end of the Cold War there arose a need to reexamine the concept of regional security for both Turkey and the Arab World. A new concept of the Middle East is being crystallized and it is important that Turkey should be more involved in the region especially in the aftermath of two major events: One has to do with you directly in terms of social and geographic links and ties with the Balkans; the second has to do with the Middle East peace process which I refer to as post Sharm El-Shaikh: the process of peace and the rule of law.

The first moderate outreach by countries in the Organization of Islamic Conference has been manifested by the participation of peace-keepers from Malaysia, Pakistan, Turkey, Jordan, Egypt and Morocco, whether in the first peace-keeping activity or in the second peace-building activity of IFOR and NATO.

I have to make it perfectly clear that it is not enough for countries of Muslim credentials to say that our faith is centrist, to say that we have a moderate position on the issues, and to give the impression that our centrism reflects weakness. On the contrary, I think it is vitally important to be pro-active in terms of our outreach. The horror of what has happened in the Balkans today cannot, and should not, be repeated in terms of discrimination against Muslims in Europe. The International Parliamentary Union will be meeting in Istanbul in April and it is my fervent hope that the point will be made by Muslim participants that if you - our associates in Europe, the U.S.A, Japan, and others, all those of you who have grieved over the loss of life of Muslims and Jews in Sarajevo - are true to the rubric of non-discrimination, whether it is working against antisemitism or against fear of Islam - "Islamophobia" - then we would like to work in that humanitarian basket, jointly and on a universal scale, against all forms of discrimination. Naturally, charity starts at home, and we are concerned about all manifestations of Muslim identity in Europe. In terms of the Balkans, the six million Muslims in Europe - with reference to civic rights, economic rights, cultural rights - that is a totality which has to be recognized in terms of the European citizens' charters and we can act through our friends to emphasize this point - we don't want a paid advertisement - to prevent the recurrence of the kind of violence which has been so outstanding in its brutality and inhumanity in the context of the Balkan confrontation.

Turning now to the Arab World and the process of peace-making and the rule of law: post Sharm El-Shaikh. It is vitally important to bear in mind that whether you take the terms of reference of Madrid, Barcelona or Sharm El-Shaikh as the common denominator, regardless of how you portray your political image, the terms of reference are clear: Comprehensiveness means the necessity to include all issues

without exception and the need to invite the participation of all nationalities and countries without exclusion.

However, in Sharm El-Shaikh some countries were included while others were excluded. Yet when we look at Barcelona, Syria and Lebanon were included, and there was the need for a common pact for stability in the context of the Mediterranean with a special focus on the Eastern Mediterranean.

The time has come to seek complementarity between our political positions and our operational views, to seek a structuring - in modern idiom- of these views and positions.

Success in political endeavours, like the settlement of international disputes, requires a degree of depoliticization.

We are here - in the Arab Thought Forum - to exchange ideas. Our chief renewable commodity is not oil, in this country any way, but creative thinking. If an equitable and just settlement of major disputes in this region is to be made possible, mechanisms should evolve to that effect whereby decision makers meet on a regular basis. It is the role of the Arab Thought Forum to bridge the gap between thinkers and decision makers. The duplication of the OSCE for this region is an issue worthy of note. We raised the idea, in discussions with the late Turkut Ozal, of a conflict resolution center - and a conflict prevention center - and we suggested Istanbul as headquarters for such a center since it embodies what we refer to as "the European rim of Asia" and "the Asian rim of Europe". This issue needs further in-depth study.

What do countries of the region consider as their priorities in developing a synergy - a symbiosis - with those repeated calls from organizations like OSCE and NATO?

I would like to point to the all important platform of "political Islam". Jordan is perhaps one of the few countries in the Arab World where the Islamic movement has evolved within the framework of the constitution as a legal political party. It is important to take into account the common and related experiences of Jordan and Turkey in this regard.

It is my hope that those discussions can focus on a plethora of issues, but I cannot conclude this statement without referring again to the fact that security is comprehensive.

I would have hoped that we could have gone through with the Turkish initiative at that time, 1990 - 91, of a regional water summit, before the Gulf crisis led to a military confrontation, and that led to a further fragmentation and distancing of political positions. I don't know whether the opportunity has been totally lost. The World Bank has called for a revival of this initiative at the MENA summit in Amman last year. When will this initiative see the light of day? I don't know; but I do know that it is crucially important to address the broader theme of rehabilitating the Middle East region under whichever rubric, in the context of thinking operationally of how we can give life to that matrix which includes security and cooperation, economic cooperation, and cultural and humanitarian dialogue contributing to all of the above.

I thank you once again for your patience and kindness in giving us this opportunity to hold these talks in Amman at these difficult times. I hope I can par-

ticipate to hear as much of the thoughts and views of our distinguished guests and friends in this dialogue. Once again, a hearty welcome and thank you.

والسلام عليكم

## **First Session**

### **Prospects for Arab-Turkish Economic Cooperation**

#### **Ali Attiga (Chairman):**

Your Royal Highness, Ladies and Gentlemen. It is our great pleasure to thank you for honouring us with your presence. You are indeed one of the most precious assets we have in the Arab World because your renewable resources are ideas. You have actually challenged us even before we started our session both by summarizing the predicaments we are in and by pointing to the right direction: that Turkey has a role to play; you have hinted to the conflict resolution center; you have also alluded to the Water Summit.

Now, a brief statement will be made by Mr. Mustafa Aksin.

#### **Mustafa Aksin:**

On behalf of the Turkish group here present I take the floor. First of all to express our deep gratitude to HRH for his gracious presence. We are honoured to have him share his views with us. By his intervention he has launched our dialogue in the correct path and he has highlighted the pressing issues that we should address. It is our duty as inhabitants of this region - always referred to as the "volatile" and the "turbulent" - to make it less volatile and less turbulent, more secure and prosperous.

#### **Ali Attiga:**

Thank you Mr. Aksin. Now we want to call upon the first speaker, professor Nazim Engin. If he would kindly come forward to present his paper.

#### **Nazim Engin:**

Thank you Mr. Chairman. The title of my paper is "Prospects for improving Arab - Turkish economic cooperation".

## PROSPECTS FOR IMPROVING ARAB-TURKISH ECONOMIC COOPERATION

It is a well known fact that trading patterns in the world change continuously in terms of both composition and direction. While current trends point to an increasing globalization of world trade, trading links are also being strengthened at the regional and subregional levels, through efforts by countries to reinforce commercial ties with neighbouring markets. Although this pattern has been mostly noticeable among certain groups of developed countries, the same phenomenon is increasingly becoming apparent in several developing areas as well.

In many instances trade among developing countries in the same region amounts to only a small fraction of those countries' total foreign trade. What is the reason for this? Does that mean that neighbouring countries lack the necessary complementarities in economic structures for trade to develop? Or is it because the regional trading environment is more restrictive than the global one? I believe that this is not necessarily so, and that a considerable potential to increase trade among developing countries may be created.

In what follows I will first try to explain what kind of explanations the international trade theory provides for the low level of trade among developing countries. A brief review of the trade relationship between Turkey and 6 important Arab trade partners of Turkey will follow this theoretical part. Following this, a brief analysis of the intra-Arab trade will be provided. The paper will conclude with suggestions regarding the prospects to increase Turkish-Arab economic cooperation.

### Theory

Let us now try to see what determines trade patterns between countries and whether there is a theoretical base for improving trade among developing countries.

When we approach the problem from a broad angle we can say that there are basically four types of exchange between countries:

- 1) Trade that takes place between different sectors of countries. This type of trade is called "inter-industry trade" and can readily be explained by the standard Heckscher-Ohlin- Samuelson (HOS) theory;
- 2) Intertemporal trade. This type of trade adds time dimension to inter-industry trade. In this type of trade, those countries with a high marginal propensity to save tend to export today and postpone their imports to the future. On the other hand, those countries with high marginal rate of transformation will tend to import today and postpone their exports to the future. I think that both Turkey and most of the Arab countries can rightly be included into this group. These type of preferences also affect trade relationships as well as investment and capital movements between countries.
- 3) International trade that arises as a result of oligopoly competition in high-tech products. The concept of 'intra-industry trade' can be used to explain this type of trade.

- 4) International exchange of technical knowledge between countries. In this paper we will concentrate our attention on inter-industry and intra-industry trade.

The HOS theory has three predictions with regard to international trade:

- 1) The more widely trade partners differ in their factor endowments the higher will be the trade between these countries.

According to this prediction, a labour abundant country will trade more with a capital abundant country and less with another labour abundant country.

- 2) International trade in goods takes place according to initial levels of factor endowments and dictates of comparative advantages. Labour-abundant countries should specialize in the production of labour intensive commodities and export them, while capital abundant countries should specialize in the production of capital intensive commodities and export them.
- 3) Development of international trade has also important effects on the redistribution of factor incomes. As countries liberalize their international trade and become more open to international competition, relative income of the relatively more abundant factor of production increases, while the relative income of the relatively scarce factor of production decreases.

These predictions of the HOS theory clearly suggest that it is more probable for countries like Turkey and the Arab countries to have more intense trade relationships with the developed countries, rather than with countries of similar factor endowments and similar development levels. This means that the theory does not provide a base for trade relations to develop between countries like Turkey and the Arab countries, and among the Arab countries themselves. The theory also suggests that, since it is more probable for Turkey and the Arab countries to have a comparative advantage in the production of labour-intensive commodities they should specialize in the production of labour intensive commodities and export them, importing the capital intensive commodities from the developed countries. As for the distribution of income, if trade develops according to this pattern and if there are no obstacles to trade, we should expect the income of labour to increase relatively in Turkey and the Arab countries. Such are the predictions and possible interpretations of the HOS theory. As such, this theory explains quite an important part of international trade. But this theory is a static theory which takes comparative advantage as given and inherited. However, there are other teachings saying that comparative and competitive advantages can be created. I believe this approach has important implications for countries like Turkey and the Arab countries. In this approach, although the price mechanism is given priority, there is a well-defined role for government intervention as well. I believe here may be some possibilities for initiating cooperation and joint action, not only in economics but in all aspects, between the governments of the Turkish Republic and the Arab countries.

Especially after the seventies the HOS theory has also been strongly challenged by some empirical studies. These studies have unrefutably shown that by far the greatest part of the increase in international trade has taken place between the countries of similar factor endowments and similar development levels and that this trade was of the intra-industry type. Findings also indicate a high correlation

between the increase in per capita income and the increase in the share of intra-industry trade in total trade. That is, as countries get richer, the share of intra-industry trade in total trade tends to increase. Another finding is that intra-industry trade takes place mostly in the trade of capital intensive commodities.

If we combine the teachings of the traditional comparative advantage theory and the recent developments in the theory based on "economies of scale" and "product differentiation" we can generalize international trade in goods and services as follows: Trade between the highly industrialized countries with similar capital / labour ratios will mostly be of the intra-industry type. In other words, trade between these countries will mostly be in differentiated products produced with similar factor intensities, making use of economies of scale. On the other hand, trade between industrialized and developing countries having quite different relative factor ratios will normally be of the inter-industry type-e.g. trade of investment goods and manufactured products in exchange for agricultural products or raw materials. In this respect Turkey may be said to be somewhere in between (for example) European Union countries and some of the Arab countries. I think this position may give Turkey some advantage in providing a bridge between EU and the Arab countries.

Another important result of the theory is that trade between countries having similar capital-labour ratios but which are not specialized enough to be able to produce the high-technology intensive products that are the subject of trade between industrial countries, will be rather low. Of course these results shed some light on why economic integration attempts among developing countries in different parts of the world have not been successful.

These results also point to another important lesson: The road to a high degree of trade and eventual economic integration between developing countries passes through industrialization - a task that both Turkey and the Arab countries should fulfill.

### Practice

In this section I will try to show whether we can draw parallels between what the theory says and what happens in practice. For this purpose it is in order to start with some statistical information on the Turkish economy.

According to the latest data the value of Turkish exports were \$19.2 billion and the value of imports were \$31.4 billion in the first eleven months of 1995. These figures represent 21.8% increase in export earnings and 52.6% increase in import payments over the previous years. In the same period the foreign trade balance indicated a \$1.5 billion deficit. Capacity to import also deteriorated in 1995 and went down to 57.6% from its level of 73.7% in 1994.

When we analyse the export and import figures according to the division between (1) the main sectors of the economy, and (2) the main commodity groups, the following picture emerges:

- 1) Of the \$19.2 billion export earnings, 10.5% was obtained from agricultural products, 1.8% from mining and quarrying, and 87.7% from industrial products. (Of this 87.7%, 77.1% was from manufactured industrial products).  
Of the \$31.4 billion import payments 6.9% was for agricultural products, 10.1%

for mining and quarrying, and 83.0% for industrial products. (Of this, 74.8% was for manufactured industrial products).

- 2) As for the distribution of exports and imports according to the main product groups:

Of the total export earnings, 16.2% was obtained from investment goods, 58.2% from consumer goods, and 25.6% from raw material.

Of the total import payments, 27.6% was for investment goods, 12.4% for consumer goods and 60.0% for raw materials.

Analysis of the Turkish data by country groups is no doubt more relevant from the point of view of drawing parallels with the theory:

Of the total export earnings given above, 61.7% came from the OECD countries. Of this, 51.7% was the share of European Union countries. The share of non-OECD countries was 38.3%.

Here again, the European countries had the largest share - about half of 38.3%. The Middle East countries' share was 9.2% of the total export earnings of Turkey. In other words, the share of Turkish exports destined to the Middle East was less than 10% of Turkey's exports. This fact points at a parallel between theory and practice.

When we arrange export statistics for selected country groups the following picture emerges:

Black Sea Economic Cooperation countries	11.0%
Economic Cooperation Organization countries	4.0%
Commonwealth of Independent States (CIS)	9.2%
Turkic Republics	2.4%
Islamic Conference Organization countries	15.7%

As for the division of import payments of Turkey by country groups:

The share of OECD countries	65.3%
(EU) countries:	47.1%
Share of non-OECD countries:	34.7%
European countries	13 %
Middle East countries:	7.9%
Selected country groups:	

Black Sea Economic Cooperation countries:	11.4%
Economic Cooperation Organization countries:	3.4%
CIS:	9.5%
Turkic Republics:	0.9%
Islamic Conference Organization countries:	13.1%

The above information, while substantiating the pre dictions of the theory on the one hand gives also some indirect idea about the trade relationship between Turkey and the Arab countries. Now, a more direct look at this last point is in order.

In the first 40 countries having highest trade relation with Turkey, there are 8 Arab countries: Saudi Arabia, Libya, Egypt, United Arab Emirates (UAE), Algeria, Syria, Lebanon, and Iraq. The share of these countries in Turkey's total exports are as follows:



Saudi Arabia (2.2%), Libya (1.1%), Egypt (1.0%), UAE (0.9%), Algeria (1.2%), Syria (1.2%), Lebanon (0.7%), and Iraq (0.3%).

As for imports, only 5 of these countries take place in the first 40: Saudi Arabia (4.1%), Egypt (0.7%), Syria (0.8%), Libya (1.1%) and Algeria (1.2%).

To be able to see more closely the type of commodities that are traded between Turkey and these Arab countries, I have picked up 5 of them (Saudi Arabia, Iraq, Syria, Egypt, and U.A.E), and added Jordan to them.

This investigation resulted in the following information.

In the first 10 months of 1995:

Turkey imported from Jordan:	42 items worth \$18.5 million
Turkey exported to Jordan:	1580 items worth \$142.1 million
Turkey imported from Syria:	73 items worth \$212.9 million
Turkey exported to Syria:	973 items worth \$208.1 million
Turkey imported from Egypt:	134 items worth \$168.5 million
Turkey exported to Egypt:	1235 items worth \$171.9 million
Turkey imported from U.A.E:	152 items worth \$38.1 million
Turkey exported to U.A.E:	927 items worth \$146.7 million
Turkey imported from Saudi Arabia:	147 items worth \$1,153 million
Turkey exported to Saudi Arabia:	1871 items worth \$383.9 million
Turkey imported from Iraq:	---- items worth----
Turkey exported to Iraq:	179 items worth \$51.5 million

These statistics point at least to two very important pieces of information:

- 1) Turkey's exports to these countries are more diversified than Turkey's imports from these countries;
- 2) Turkey's trade balance vis-a-vis Jordan, U.A.E., and Iraq gives a surplus, whereas TB with Saudi Arabia gives a deficit. Trade with Syria and Egypt appears to be in balance.

When we take a closer look at these export and import figures we see that:

Of the \$18.5 million worth of **Turkey's imports from Jordan**, the most important items and their values are: natural calcium phosphates (\$6.081m), potassium chloride (\$3.063m) sheep skins (2.2m), linear alky benzene sulphoric acids (\$1.6m), raw sheep and lamb skins (\$1.1m), sheep and lamb spring-shorn (\$1.6m).

#### **As for Turkey's main export items to Jordan:**

White barley and the like (\$5.9m), steel cast logs (\$20.8m), iron and steel wires (\$10.9m), sectional iron (\$26.2m), sectional steel (\$5.4m), diesel-semi diesel new busses (\$10.5m).

(Of the 1580 export items of Turkey to Jordan, only 16 items had a value over \$1 million).

#### **Most important import items from Saudi Arabia:**

Petroleum and derivatives (\$913.5m), LPG (\$112.7m), ethylene glycol (\$6.7m) titanium dioxide pigments (\$4.9m), sheep and lamp skins (\$5.7m), electrolytic copper wires (\$6.9m).

#### **Most important export items to Saudi Arabia:**

Sheep (\$61.1m), steel cast logs (\$53.7m), tomatoes (\$14.8m), white barley (\$21.7m), portland cement (\$9.5m), synthetic carpets (\$22.7m), synthetic clothes for women and children (\$18.2m).

#### **Most important import items from U.A.E:**

Petroleum and derivatives (\$26.9m), sheep skins (\$2.8m), primary aluminum alloys (\$1.9m).

#### **Most important export items to U.A.E:**

Synthetic carpets (\$4.1m), iron and steel bars (\$55.1m), golden jewellery (\$2m), sectional iron and steel (\$3.7m).

#### **Most important import items from Egypt:**

Rice (\$2.4m), petroleum and derivatives (\$93.2m), long fibred cotton (\$8.5m), other cotton products (\$14.3m), cotton threads (\$3.1m), iron and steel products (\$6.3m), and non-alloy aluminium (\$4.5m).

#### **Most important export items to Egypt:**

Red lentil (\$12.4m), soap (\$3.4m), tyres for vehicles (\$3.5m), nylon threads (\$3.1m), iron and steel (\$3.5m), vehicles (\$35.2m). (Out of 1235 export items to Egypt, only 30 items have a value over \$1 million).

#### **Most important import items from Syria:**

Petroleum products (\$166.2m), sheep skins (\$3.1m), cotton seeds (\$2.9m), cotton (\$19.6m).

#### **Most important export items to Syria:**

Sunflower seed oil (\$11.7m) margarine (\$28.9m), crepe paper (\$2.6m), polyester thread (\$9.9m), other threads (\$19.5m), iron and steel products (\$3.2m).

A number of conclusions can be drawn from the above information:

- 1) Turkey's exports appear to be more diversified than her imports. This may be taken as an indication of a potential to increase trade relations between our countries;
- 2) However, the number of export items that can be considered to be important in value is very limited. Only a few of them exceed the value of \$1 million.
- 3) Whereas Turkey's exports are mostly manufactured goods, her imports are dominated by raw materials and petrochemicals. In technical words Turkey's exports can be said to be relatively more capital intensive and her imports to be relatively more natural resource intensive.

#### **Intra-Arab Trade**

We know that there has been a number of attempts towards economic integration among the Arab countries. The establishment of the Arab League, the Economic Unity Council, and the Arab Common Market can be mentioned in this respect. But they were far from successful. Wide expanse of the Arab world and the different economic and social systems prevailing in these countries have been one reason for this failure. Another more important reason may have been the virtual absence of complementarity between production structures.

In the 1980s we see that the Pan-Arab approach has left its place to the sub-regional approach to economic integration. I think it remains to be seen how successful this change of approach will be.

It is recognized that, as the previous theoretical part has also implied, intra-trade plays an important role in the process of economic integration. However, a quick review of statistical data shows that intra-Arab trade accounts form a small proportion (some 7-8%) of total trade. Even if oil is excluded from both the intra and extra flows, the proportion is still in the 10% range. However I recognize that these ratios may conceal the wide variations at the individual country level. For example we know that for countries such as Lebanon and Jordan, trade with the rest of the Arab countries is significantly more than these ratios suggest. To this we could also include across-the-border trade between Jordan and Iraq; Egypt and Sudan; Syria and Lebanon.

We should also mention that the overall average of intra-Arab trade also fails to reflect the variations between different commodity groups. Statistics indicate that intra-Arab trade is fairly important in many categories of processed and semi-processed products as well as a wide range of manufactures. However, in cases of oil and raw materials including phosphates, iron ore and cotton, the situation is different, because the markets of the industrial countries account for an overwhelming proportion of Arab exports, and therefore the share of intra-trade is understandably modest.

An examination of some of the Arab countries export shares by region reveals interesting characteristics:

It is seen that more than 60% of Saudi Arabia's exports go to industrial countries (i.e. USA, Japan and the EU), whereas this share is only around 6% for Jordan. More than 90% of Jordan's exports go to developing countries and countries other than USA, Japan, and the EU. This share is around 50% for U.A.E. About 70% of Egypt's exports go to industrial countries. Here, the share of the EU is about 55%. As for Syrian Arab Republic the share is about 40% for industrial countries and 60% for developing and other countries.

Another interesting characteristic of these countries' exports is their low degree of diversification. For example, in the total exports of Saudi Arabia and the U.A.E., the share of hydrocarbons is 83% and 78%, respectively. For Egypt, this ratio is 41%. When we add cotton exports to this, the ratio goes up to 63%. For Jordan, the share of phosphates and fertilizers in total exports is 40%. For the Syrian Arab Republic the share of oil and textiles in total exports is 70%. This low degree of diversification can, of course, make things difficult.

### **Suggestions**

The above analysis indicated that international trade theory does not provide a base for trade relations to develop between Turkey and the Arab countries and among the Arab countries themselves. However, this pessimistic view arises from the static nature of the theory. When we approach the problem more dynamically and accept the view that comparative and competitive advantages are not given but can be created, then there is a lot that our governments and non-governmental organizations can do. Investment in education and R&D is one area toward which our governments could spare more resources. Investment in other services like transportation, communications, marketing, and trade information could also be mentioned in this regard. I think, in all these areas there is ample room for our

governments and non-governmental organizations to cooperate. I believe that this cooperation will provide the necessary base for trade relations between our countries to develop.

A more direct route to increasing trade is provided by a 3 - stage approach employed successfully by the ITC in many countries. The research and field work conducted by the ITC using this approach has clearly shown that there is a considerable potential for trade expansion among developing countries and that this potential is an important basis for developing economic cooperation among developing countries. The first stage of this approach is the analysis of trade flows among the countries in question. This first stage is followed by a series of supply and demand analysis in the countries concerned. In the last stage, buyers and sellers (the importers and exporters) are brought together in meetings held in different trade centers.

As can easily be seen, the purpose of this approach is to overcome the difficulties created by insufficient information on existing market opportunities. The potential is there, but there is either insufficient information or it is hard to get the existing information. I think this kind of difficulty is also true for our countries. So, we should try to come round these problems.

### **A comment by HRH Crown Prince Al-Hassan:**

If I may just point out that there was a time, effectively in terms of international labour compensation, when some form of understanding was sought of the relationships between countries exporting manpower, as in the case of Turkey, and the western industrial countries importing that manpower. It would be interesting to address, as I mentioned in my opening remarks, the subject of total quality management of our resources - whether human or natural - and to learn from you the lessons of the Turkish encounter with Europe in terms of the last two decades of the export of manpower, and how you see the prognosis for this pattern of exportee - i.e. of manpower - and how you feel your relationship with western Europe is likely to develop, with particular focus on the feed of technology and the feedback of skills acquired during this encounter.

The second point is the idea of regional Middle Eastern cooperation, and if we can focus on a sectoral approach - the idea of comprehensive special economic zones - as in the development of the trade hub in the north of the Red Sea. How do we perceive the concept of total deregulation in this case of the trade hub?

### **Mustafa Aksin:**

We started exporting manpower to Europe in the 1960s and it went off well at first, but after the oil shock of 1973 the Europeans realized that those people were there not as guests but as settlers and they were difficult to integrate. So when unemployment rose they were seen as competitors. However, gradually the second and third generations of those immigrants (in Germany, for example) are becoming Germanized. This has helped our integration with Europe and it has also contributed to our balance of payment: today we receive more than \$3 billion of remittances from those people. It has also contributed to our tourism because those people come with German income levels to spend their vacations in Turkey.

This has brought about a lot of contact and interaction between our two societies (German and Turkish).

**Nazim Engin:**

Turkey and Jordan can develop better economic ties because their economic structure is more diversified than other countries. Turkey and Jordan can form a bridge between Arab and Western countries. Turkey and Jordan can increase their exports.

In addition, through exchange of views and information, trade can double or triple between them.

**Ali Attiga:**

Thank you Dr. Engin. Now, would Dr. Sema Kalaycioglu please come forward to present her paper.

**Sema Kalaycioglu:**

Thank you Mr. Chairman.

My paper is entitled "Turkey's Economic Relations with the Middle East in the Aftermath of her Accession to the European Customs Union".

## **Turkey's Economic Relations with the Middle East in the Aftermath of her Accession to the European Customs Union**

### **Introduction**

Turkey's geographic location, and the relative abundance of her human and non-human resources have long enabled her to have stable economic relations with different countries and regions in the world. As an integral part of her development strategy, Turkey had followed an inward economic policy to protect her infant industries until the beginning of 1980s. During the period of protection of import substitution industries Turkey remained to be an exporter of primary products. The country entered an era of export-led growth, and economic liberalization from 1980s on, and that was when the export composition of the country rapidly changed in favor of industrial products. From 1980 to 1988 her exports increased 250% in volume, and the share of agricultural products in her total exports dropped from 57.5% in 1980 to 18.3% in 1989 while the share of industrial goods rose from 36% to 78.1% during the same period. As of 1995, 88.5% of Turkey's total exports are industrial products whereas the share of agricultural and mining products is only 11.5% (Tusiad, 1996:77). When it comes to the composition of her imports, 82.7% of her total imports are industrial goods whereas only 17.3% is agricultural, and mining products as of the same year (Ibid: 78).

Therefore, Turkish economy was transformed into an industrial goods trader within a period of less than 20 years since the early 1980s. 57.3% of her exports is consumer goods, whereas the share of investment goods and raw materials in total are 16.6% and 26.1% respectively in 1995. On the other hand, Turkey still displays a look of a raw material importer, 61% of her total imports as of 1995 is raw materials, whereas 26.7% and 12.1% are investment goods and consumption goods respectively in the same year.

Even though Turkey has made an undeniable progress in transforming into an industrial society from an agricultural one, her external trade is still based on the principles of the theory of comparative advantage. Furthermore, since textiles and food products comprise a significant portion of her exports, Turkey is still an exporter of labor intensive products, and an importer of capital and technology intensive items. The country has not yet entered the developmental stage where trade of similars - the intra-industry trade - dominates her external trade pattern. Nevertheless, recent economic happenings, particularly her accession to the European Customs Union which requires the complete dismantling of the existing tariff, and non-tariff trade barriers may lay ground for possibilities of a certain level of intra-industry trade in goods and / or services where she has competitive edge, if some industries in Turkey can exploit the economies of scale through expansion of production for a market of 350 million assuming that there is also similarity of demand conditions, and overlapping tastes (Robson, 1993: 42). Textiles, glassware, consumer electronics, leather goods and small machinery are the possible trade items over which intra-industry trade may take place.

### 1. The Geographic Composition of Turkey's External Economic Relations

Turkey has always tried to follow a balanced, and progressive economic relationship with the rest of the world. The geographic composition of Turkey's trade and trade-related economic relations is determined by several economic and non-economic factors. Among so many the following factors can be identified as the most important ones:

- 1- Geographical proximity plays an important role in Turkey's external economic relations which enables the country to reap transportation cost advantages.
- 2- Similar consumer tastes in her trade partners with her domestic consumers enable her to have marketing advantages as well.
- 3- Historical and political ties with her neighboring trade partners prepare favorable conditions and prospects of complementarity in economic relations..
- 4- Availability of trade agreements that partially or completely dismantle trade restrictions among Turkey and her trade partners facilitate economic relations to create mutually beneficial results.

Other than those basic factors that are likely to prepare favorable grounds for optimum economic relationships, factors such as size of countries she has relationship with, intensity of previous economic interactions, similarities of public policy purposes, and similarities in decision making styles increase the benefits from external economic relations.

Turkey's economic relationships display a wide range from EFTA countries to the Islamic countries of the Middle East, and the countries of the Black Sea region. However, the EU has long been Turkey's main trading partner, both in terms of exports, and as origin of imports. Infact, this is one of the main reasons why Turkey has been so persistent about joining the EU, but had to settle for less for the Customs Union. Nevertheless, she has also shown a great deal of interest in numerous international cooperation movements since 1945 to consolidate her economic ties with countries and regions other than the European ones. Among those, the most important ones are the OECD, the short-lived RCD which became ECO later on, the Islam Development Bank and the BSEC. The following tables may give some idea about the geographical composition of Turkey's exports and imports.

**Table 1. The Geographical Distribution of Turkey's Exports: Share in the Total**

Country	1986	1987	1988	1989	1990	1991	1992	1993	1994
EC(EU)	43.8	47.8	43.7	46.5	53.2	54.6	51.7	47.5	45.8
Other OECD	13.8	15.5	13.8	15.2	14.8	12.2	7.6	8.0	11.0
Islamic Countries	35.0	30.3	26.4	24.7	19.2	20.5	18.4	17.6	16.2
Eastern European									
Countries	4.2	3.3	5.3	8.9	8.1	8.7	9.0	10.8	10.4
Other Countries	3.3	3.2	10.8	4.7	4.7	14.7	9.0	12.5	12.7

**Source: Tusiad, Turkish Economy, 1988, 1989, 1991, 1994, 1995**

**Table 2. The Geogrphical Distribution of Turkey's Imports: Share in Total**

Country	1986	1987	1988	1989	1990	1991	1992	1993	1994
EC(EU)	41.1	40.0	41.1	38.4	41.8	41.5	43.9	44.0	45.5
Other OECD	24.7	23.7	23.3	24.5	22.0	23.6	17.4	18.3	16.2
Islamic Countries	19.3	22.3	20.5	18.5	17.3	15.5	14.9	12.0	12.6
Eastern European									
Countries	7.9	6.8	7.7	9.5	11.1	10.2	9.7	10.2	10.0
Other Countries	7.1	7.2	7.4	9.1	7.8	8.3	7.9	10.9	8.8

**Source: Tusiad, Turkish Economy, 1988, 1989, 1991, 1994, 1995**

Both Table 1 and Table 2 suggest that more than half of Turkish exports and imports are with the OECD countries in general and with the EU countries in particular. Therefore, even though the economic activities of the country are widely diversified, her exports and imports display a great geographical concentration in favor of the EU. Nevertheless, she has notable trade relationships with the Islamic countries of the Middle East and North Africa as well. Similarly, 90.2% of the total foreign capital companies operating in Turkey as of 1994 are from the OECD countries, and 57.9% of this share belongs to the EU members. The share of foreign capital companies from Islamic countries in total foreign capital is only 5.6%, whereas it is 32.3% for the companies from the other OECD countries such as the USA, Switzerland, Japan, Canada, and New Zealand in 1994 (Tusiad, 1995: 166).

### 2. Turkey's Accession to the European Customs Union

The historical process that started with the Ankara Treaty in 1963 followed its course for over 30 years before Turkey had to settle for a membership to the European Customs Union (CU) instead of a full membership to the EU. The supplemental Protocol which came into effect in 1973 actually had foreseen the realization of Turkey's accession to the CU during the following 22 years, and from 1973 on, the EU had lifted customs duties for imports from Turkey while textile quotas remained intact. The Ankara Treaty and the supplemental protocol basically targeted the industrial goods, and kept agriculture and the service sectors out of consideration. According to the same treaty, Turkey had agreed to abolish all customs tariffs and equally effective tariffs and quantity restrictions on exports and imports with the EU within 22 years as of 1973. Furthermore, Turkey had also agreed to adjust to the European Common External Tariffs (CET) against the third countries at the end of the specified period. Although Turkey could not fulfill her obligations toward the EC during the transition period in the 1970s and the early 1980s, because of the massive trade liberalization that had started after 1980 she applied for a full membership to the EC in 1987. On the other hand, during the 1970s and the 1980s the EC not only applied variable levies and quantity restrictions to Turkish textiles, cotton, and machine carpets but also granted preferential trade facilities to several Mediterranean countries that produce similar in-

dustrial exportables with Turkey. Turkey's appeal to the EC for full membership was rejected by the EC Commission while her membership to the CU was planned to be completed at the end of 1995. In fact, the Association Council meeting of October 1995 resolved that Turkey, by completing her technical obligations toward the EU, was ready to join the CU. The decision was ratified by the European Parliament in December 1995 which made the CU between Turkey and the EU effective as of January 1, 1996 (DEIK, February 1996: 1).

There are three main aspects of the CU arrangement for Turkey. It first entails the free circulation of goods between Turkey, and the EU members. Secondly, under normal circumstances it concerns the free movement of people and services. However, because of the special circumstances of the Turkish case, free movement of people and services has been suspended since 1986. Thirdly, from January 1996 on, Turkey has to abolish all tariff and tariff equivalent trade barriers vis a vis the EU members immediately from 18% on the average to 0%. Furthermore, she has to apply common safeguard measures to provide direct protection with the EU quota system, anti-dumping, and anti-subsidy measures. She also has to adjust to the CET structure of the EU with respect to the third countries. This requires a reduction of 18% on the average from 23.7% to 6-6.5% of the CET (Ekonomi Forumu, 1995:5). Aside from the trade aspect, Turkey is obliged to harmonize her economic policies and legislative structures with the EU ones. The practical outcome of those changes is that Turkish economy is opening itself to the competition of both the EU members and the third countries. There are benefits that accrue to the increasing foreign competition. The long-run dynamic benefits can be summarized as follows:

**First of all:** increased competition is likely to entail more efficient allocation of resources which is likely to create positive cost effects.

**Second:** Turkish industry is expected to go through a restructuring process which is likely to be accompanied by the utilization of advanced technologies.

**Third:** the productivity of labor is expected to increase in due time and as an extension of the restructuring process as new payments systems that set wages equal to the marginal productivity of labor are expected to be employed.

**Fourth:** the harmonization of economic policies in general, and the abolishment of the investment and export incentive systems in particular, is expected to create more rational economic outcomes that will help the budgetary discipline to be restored. Those factors alone are expected to compensate for the fiscal revenue loss which is partially due to the dismantling of the duties.

**Finally:** another long term effect of the CU will be the attraction of foreign capital which also ensures technical cooperation with the capital exporting countries. Those of the third countries that desire to take advantage of Turkey's membership to the CU, and desire to bypass the CETs of the EU to the third countries, are expected to invest in several industrial and complementary service sectors

in Turkey. Nevertheless, especially the investors from the other OECD countries such as Japan expect the level of inflation, the interest rates and the foreign exchange rates to be stabilized through the implementation of appropriate economic policies before they actually make their moves.

The immediate short-run effects of the accession remain to be rather controversial. How much of the effect is to be trade creation and how much of it to be trade diversion, remains to be seen. It is still too early to predict the direction of the net effect. There are of course some serious worries over possibility of an excessive increase in imports especially coming from the EU and the EFTA countries. But considering the fact that 85% of the Turkish imports had already been investment and intermediary goods by the end of 1995, which are imported without duties under special incentive programs, there may only be a substantial increase in the consumer goods which currently accounts for only 15% of the country's total imports. Furthermore, except for the items the demand of which is inelastic, the erosion of the Turkish Lira with respect to major trading currencies should be expected to leash the additional increase in imports.

However, at this point there maybe a trade diversion effect in operation for the countries against which the CETs of the EU are already being implemented. The trade diversion effect may work in two ways. The imports of certain items may shift from low-cost resources to high-cost EU originating substitutes, or if the prices of items from the third countries with the new CET structure are lower than the domestically produced ones, the demand for them may increase to create additional competition for the local production. There are already reported cases of an increase in the imports of some glass products from the third countries because their prices are cheaper than the local production. Nevertheless, the CU in the process is likely to attain higher trade volumes, foreign direct investment, and consequently a better standard of living if the preconditions of harmonization of economic and social policies are satisfied in due time.

The studies that have been conducted indicate that in most industrial sectors Turkey holds a significant level of competitive strength in comparison to Greece, Spain, Portugal and Italy, though some industries still operate under less than optimum scale which creates cost disadvantages. For the sectors that need some protection especially against the third countries, the article 60 of the Ankara Treaty provides a protection clause. The same article can also apply against the competition from the EU for the troubled and / or the declining sectors. Currently, Turkey asked for protection against the third countries, such as Japan and Eastern Europe, for the automotive sector only. But the article 60 of the supplemental protocol can be reactivated upon request for any troubled sector.

Another major short-run effect is related to the financial aid Turkey expects to receive from the EU upon her accession to the CU. For Turkey to fulfill all of the economic criteria that have been dictated by the Maastricht treaty she has to receive financial aid to remedy her budget deficit which may help to cure the ongoing rampant inflation of the general price level. There are several support mechanisms that have been established under the community's Structural funds to cover the adjustment costs of new member countries. The European Regional Development Fund (ERDF), the European Social Fund (ESF), and the European Ag-

riculture Guidance and Guarantee Fund (EAGGF) are the major channels a member can appeal to in case of an economic need. In addition to the structural Funds, financial assistance to economically weaker member countries for development projects has also been made available through the European Investment Bank (EIB). These possibilities have been available for Spain, Italy and Greece (Peters, November 1995: 62). However, Turkey holding membership to the CU only and facing the veto of Greece at unexpected times may not fully enjoy and exhaust the financial possibilities to finance the economic adjustment costs, and therefore, may not be able to complete her adjustment at the desired speed.

The static and dynamic effects of Turkey's accession to the CU on the Turkish economy is likely to have repercussions on Turkey's economic relations with the third countries, especially with the Middle East. As the industrial sectors become technologically more advanced, and as the scale of operations expands to bring cost advantages, Turkey's economic relations with the third countries should improve as well.

### 3. Prospects for Turkey's Economic Relations Beyond the EU and the EFTA

At the time the CU treaty became effective as of January 1996, Turkey agreed upon adapting her tariff structure to the EU CET with respect to the third countries and accept the preferential trade regimes of the EU by the same token. Article 16 of the EU - Turkey's membership treaty of the March 1995 - covers the definition of autonomous trade regimes and preferential treaties toward which Turkey has to adapt to within the next five years. The autonomous regimes are defined as follows (IKV, March 6, 1995: Appendix 10).

- the generalized systems of preferences,
- the trade regime concerning the items originating from the countries under occupation,
- the trade regime concerning the items originating from Ceuta and Melilla,
- the trade regime concerning the items originating from Bosnia - Herzegovina, Croatia, Slovenia, and Macedonia.

The same article also defines the preferential treaties as follows (Ibid.):

- The trade agreements made between the EU, Bulgaria, Hungary, Romania, Slovakia, and the Czech republic.
- Free trade agreement that was signed between the EU, and the Faroe Islands,
- Membership agreements that were signed with Cyprus and Malta,
- Free Trade agreements that were signed with the Baltic republics,
- The agreements signed with Israel, Algeria, Morocco, Tunisia, Egypt, Jordan and Syria,
- Free Trade agreements that were signed with Switzerland, and Lichtenstein,
- The European Economic Area Treaty.

Although Turkey's major economic relationship is with the EU, and EFTA countries, she has undeniably significant, and promising economic relationships with the countries from the Middle East, the Black Sea, and Central Asia. The above mentioned preferential systems Turkey has to adapt to until 2001 cover most of her extra EU economic relations from those areas in the first place.

In order to develop an idea about the prospects for Turkey's economic relations

with the Middle East, we have to determine the current state of her relations with respect to that region as her next major trade partner to the EU, EFTA, and other OECD countries.

### 4- Turkey's Economic Relationship with the Arab Countries of the Middle East

Turkey's historical and political ties with the countries of the Middle East make the prospects of her economic cooperation with them extremely important beyond Turkey's accession to the CU. Aside from trade relationships with the region, there are thorny issues of distribution of natural resources such as water between Turkey, Syria and Iraq. The disputes over the management of such a vital resource limit the possibilities of cooperation in construction, industrial investment, tourism, energy, transportation, and telecommunications projects with those countries.

So far as trade is concerned, Turkey basically imports raw materials from the Middle East, and exports food products, textiles, automotive and other industrial products. Among the countries of the Middle East, Saudi Arabia is at the top of the list of Turkey's exports and imports, and it is immediately followed by Iran. The following table shows the breakdown of Turkey's foreign trade with the major Islamic countries of the Middle East of 1995.

**Table 3: The Breakdown of Turkey's Foreign Trade with the Islamic Countries of the Middle East as of 1995, (% of the Area Total)**

Country	Exports	Imports
Saudi Arabia	19.0	36.0
Algeria	10.0	11.0
Iran	10.0	18.0
Syria	10.0	7.5
Libya	8.6	10.8
Egypt	8.0	5.6
UAE	7.0	1.0
Jordan	6.0	0.6
Lebanon	6.0	0.3
Kuwait	4.0	0.2

**Source: Computed by the author according to figures provided by Deik, Turkish — Israeli Bilateral Relations, January 1996.**

So far as Turkish contracting services in those countries are concerned, Libya tops the list, and it is immediately followed by Saudi Arabia. The following table illustrates Turkey's contracting activities in the Middle East and North Africa as of 1995.

**Table 4: Turkish Contracting Services in the Middle East and North Africa as of 1995 (USD Millions)**

Country	Number of Contracts	Total Amount of Projects	Completed Projects	Ongoing Projects
Libya	254	8693.2	6838.2	1714.8
Pakistan	4	370.1	176.3	193.8
S. Arabia	59	3041.6	2774.8	264.7
Iraq	35	1286.9	1280.0	6.9
Jordan	12	177.8	176.4	1.4
Kuwait	7	487.8	133.2	8.6

**Source: Deik, The Turkish Economy by Figures, February 1996.**

There are also foreign capital companies from the Islamic countries of the Middle East and North Africa operating in Turkey. Their number reached 600 as of 1994. The list of the foreign companies in Turkey from the Islamic countries is topped by Iran (204), which is followed by Syria (96), Saudi Arabia (58), Lebanon (42), Iraq (36), and Jordan (30) (Tusiad, 1994: 166).

Turkey's accession to the CU is not expected to have any adverse effects on her relationship with the Islamic countries. On the country, as it has been mentioned earlier, some of the Islamic countries already get preferential treatment from the EU, and according to Article 16, Turkey has to follow the general preferences order with respect to those countries. Since the average level of tariffs is reduced or in the process of being reduced against the third countries in general, and the countries of the Middle East in particular, a reduction in the extra-Union trade of Turkey with the Middle East after the integration is not expected. Turkey's trade composition the Middle East does not include the same commodities as the ones she trades with the EU in the first place. Therefore, a trade creation effect that switches Turkish imports from the Middle East to the Union is not expected. However, there may be some trade diversion in favor of low-cost Middle Eastern products that are in competition with domestic ones, depending on the marketing abilities of the firms from the region in the Turkish market.

Furthermore, Turkey expects to attract additional capital inflow from the major capital providing countries of the region as a new member to the CU. This may be in the form of foreign direct investment or equity investment. Cooperation between well established stock markets in the region, such as the Amman stock exchange, may be beneficial for opportunities of expansion of equity investments within the region which may in turn help the financial integration of the markets of the region.

Turkey's new status is not expected to limit possibilities for further cooperation in industrial and service related projects either. Currently Turkey, Syria, Iraq, Jordan, and Egypt are jointly involved in a 384 million dollar energy line project (Misir Ekonomisi, Eylul 1995:5). Treaties concerning tourism and finance among Turkey and some countries from the region, such as Jordan and Egypt, may in fact benefit them from the increasing attraction of the eastern Mediterranean for the EU

members. Most countries in the region have intensive economic ties with the EU countries rather than among themselves anyhow. If a free trade agreement can be implemented among Turkey and some of her trade partners from the Arab countries of the Middle East, that may further boost the economic relations between them.

### **5. Turkey's Economic Relations with Israel**

Another country that has intensive economic ties with the EU countries in the Middle East is Israel. Israel is a small economy with a large consumer market. Turkey's trade relation with this country involves the export of minerals and agricultural products and the import of organic chemicals, cotton, and machinery. Turkey's exports to Israel are 9% of her total exports to the Middle East and North Africa, and her imports from that country are 4.3% of her imports from the same area as of 1995. There are 21 Israeli companies operating in Turkey as of the same year. Negotiations between the two countries to sign a Free Trade agreement have been continuing since 1994.

This agreement foresees economic, commercial, technological and scientific cooperation between the two countries. Turkey's recent involvement with the Israeli economy is a product of the peace process that started in the region, and is expected to intensify as a comprehensive peace is accomplished. Efforts of Jordan to improve economic relations with Israel, which were started when that country formally ended Jordan's part of economic boycott of Israel in 1995 (Prquest Periodical Abstracts, July 21, 1995:6), are a promising development. Egypt is another country from the Arab world that started economic relations with Israel since July 1992. Since that date, Egypt and Israel have been putting joint efforts in tourism, hydrocarbon projects, and reviewing their commercial ties for improved mutual interests (Misir Ekonomisi, Eylul 1995:1). This is another recent development from the region which increases the hopes for regional cooperation between Turkey, Egypt, Israel and Jordan. Aside from those multilateral prospects, Turkish and Israeli private sectors are expected to cooperate in joint ventures in textiles, leather products, electrical appliances, electronics, ceramics, glass products, wood products, pharmaceuticals, foodstuffs, mining, construction materials, and communications equipment. The inclusion of Jordan and Egypt in similar projects may not only help the operation of scale economies to become effective in the specified industries, but also encourages the continuity of the peace process. Turkey and Israel may also plan on joint infra-structure projects in the Black Sea Region.

Turkey participated in the Amman Summit of October 1995 with the hope and expectation that she would play an active role in joint projects concerning trade, environment, finance and economics. As business - oriented as it seems to be, the Amman Summit paves avenues for cooperation in many areas. The importance of small and medium scale enterprises (SME) in sustaining growth and employment was particularly emphasized at meetings. Among other projects, this particular issue alone attracts Turkish attention. Tourism and the establishment of a Middle East - Mediterranean Tourism Union are also very attractive for Turkey for joint projects between SMEs of the participating countries.

## 6. Conclusion

Turkey completed the political process of accessing to the European CU as of January 1996. The technical obligations concerning dismantling her trade barriers against the EU members are expected to create a considerable amount of competition in her domestic markets. The quality of production is expected to increase accompanied by cost reductions due to the increasing competition and external scale economies. Furthermore, the obligation of harmonizing domestic economic and commercial policies, and legal codes with the EU counterparts is expected to enhance the social, economic, and legal standards of the country. Legislation of codes on the protection of intellectual property rights will reduce frictions between Turkey and her major trade partners. Her adapting to the CET of the EU until 2001 is also expected to increase her trade volume with respect to third countries, even though a substantial amount of fiscal revenue loss is inevitable because of the reduced duties against the third countries, and the abolishment of the tariffs against the EU members.

From a general point of view Turkey's membership to the CU potentially enhances her economic relationship with the third countries, and especially the Middle East since the countries from that region have their intensive economic relations with the EU. Moreover, with the current EU preferences systems, Turkey finds itself in the middle of Europe, the Black Sea Region, ECO, and the prospective Middle East Free Trade Area which may incorporate the economies of the Arab countries with the Israeli economy in the near future. Currently, Turkey exports autos and auto parts, glassware, iron and steel products, wood and wood products, synthetic fiber, electrical machinery and raw and processed food and beverages to the Middle East. She imports raw material, minerals, organic and inorganic chemicals, petroleum, oil seeds from the Arab countries, and additionally optical equipment, plastics, and machinery from Israel. Turkey may continue to provide those countries with low-cost industrial products and expand her imports from them because of the preferential systems. Similarities of consumer preferences in Turkey and the specified countries may further improve trade among them rapidly. Professional services with expertise may also be provided to the region by Turkey in major industrial and infrastructure projects as well as in areas such as tourism, transportation, insurance, health, and education upon request. New treaties may be signed to ensure cooperation among two or more countries over such projects.

Turkey's current involvement in individual and joint projects in most of her neighboring countries ensures future economic and technical cooperation. However, improved relationships also depend on the efforts of the countries of the Middle East as well. Accomplishment of currency convertibility, and rationalization of payments systems are the essential elements for future cooperation.

Apart from the economic and technical inputs, political stability in the countries of the Middle East is an essential element for the stability of future economic cooperation at regional and bilateral levels. Turkey's individual political frictions with Syria and Iran have staggering effects upon her possible, improved cooperation with those countries over energy, natural resources, and environmental projects. Nevertheless, Turkey also has to put her house in order, and control the economic

evils such as chronic inflation, unemployment, permanent budget deficit, and discipline her bubble economy before it completely bursts out. Furthermore, financial and legal reforms need to be completed, the quality of education and life is to be improved in the country before Turkey attempts to function as a bridge between the EU and the third countries. It is obvious to all parties that there are possibilities and prospective areas for future collaboration between Turkey and the Middle East region. The best way to improve relationships is to start with the establishment of exchange of information systems over technical matters and prepare opportunities for joint research on natural resource management, thus developing an environmental concern for the East Mediterranean. The initiatives of private sector projects run on economic rationality as long as efficient market structures are guaranteed to operate, and market distortions are eliminated. Dissemination of information is again a vital executed element for the establishment of integrated markets. If most proposals are executed within a short time span before the spirit and enthusiasm fade away, then the Casablanca and Amman Summits, of 1994 and 1995 respectively, are very promising for regional cooperation in economic, commercial, financial, infrastructure and environmental issues.



## Discussions

**Ali Attiga:**

Thank you Dr. Sema. Now, Mr. Issam Al-Chalabi will give his comment.

### Ladies and Gentlemen

I would like first to pay tribute to the Arab Thought Forum for the initiative taken to call for this dialogue that follows a series of similar gatherings that were arranged throughout the past few years covering other major groups with whom the Arab World has common interests.

The Turkish-Arab relations have a long history of cultural, economic and political relations besides sharing the same religion and being in the same region. The impact of the days of the Ottoman Empire and the aftermath of the 1st World War can still be witnessed both in Turkey and the Arab World deep in the everyday life of the peoples.

When I was first provided with the details of the programme of this seminar, which I certainly hope to be the first of many other annual seminars, I was surprised to see that it included only two main themes leaving aside many other issues of extreme importance some of which need special and immediate attention.

I later found out through an interview that was made with Dr. Oumlil in one of the Jordanian daily newspapers yesterday that such issues like the water issue had been deferred to other future seminars since it is too complicated and could be discussed in a special seminar to be held in the near future. It is a consolation, yet such a subject can never be ignored when trying to draw a complete picture - past, present and future for the Arab-Turkish relations. Nor that we can also become the nucleus of any future regional relationship among Turkey, Iran, Iraq and Syria and hence the rest of the Arab world.

I was later relieved when I found that some of the papers that would be presented in this seminar have certainly touched upon those issues.

I found this preamble necessary as I cannot foresee how we could thoroughly discuss the future prospects and development of the Arab-Turkish relations without including those issues in our agenda..

In fact I had hoped that this seminar would have rearranged the order of the papers that are being presented. In any case I will defer my comments on those issues to a later part of the seminar.

Nevertheless, and keeping in mind what I had mentioned, I would like to make few comments with regard to the topic of this morning - "Prospects for Arab-Turkish Economic Cooperation" - from a Turkish perspective as was discussed by the two notable speakers: Professors Nazim Engin and Sema Kalaycioglu and in particular the paper by the latter since I had the chance to see it yesterday.

As a person who had special interest and connection, for over twenty five years, with certain aspects of the development of the Arab - Turkish relations I would like to say that to me Turkey seems to have been, and still is, at a crossroads since

the establishment of the Turkish Republic, upon the disintegration of the Ottoman Empire.

Will Turkey be part of Europe: if it will ever be accepted, as full member of the European Union?

Will Turkey be a major player in the Islamic World and try to consolidate its ties with other Muslim countries?

Will Turkey's dreams about 'Buyuk Turkey' - Greater Turkey - continue to dominate in the future the thoughts of the Turkish elite as we have noticed throughout the past few years following the disintegration of the former Soviet Union in view of its close links and ties with the people of the Caspian Region?

Or will Turkey be satisfied to confine its role as a major player within this very region that had been in rough turbulence throughout the twentieth century, and especially in view of the developments of the second Gulf War and the prospects of the Middle East Peace Process?

Turkey had, throughout the century, been moving in various directions, and in certain periods in more than one direction at the same time. This only shows that there are yet many uncertainties as well as various schools of thoughts within Turkey itself?

Prof. Ersin Kalaycioglu in his paper to be presented tomorrow stated that for the Turkish elite 'Western Europe' stood for modernity and democracy, hence Turkey was oriented towards Western Europe.

But after decades, and as today's speaker Prof. Sema Kalaycioglu stated, it was only after the Ankara Treaty of 1963 that Turkey had to settle for membership to the European Customs Union (CU) instead of full membership to the European Union (EU). That only became effective at the beginning of 1996. In fact there was recently a possibility for reversal in view of the results of last December 24 elections and the emergence of a strong Islamic movement which constitutes today the strongest single party in the Turkish Parliament. This possibility must not be ignored by our distinguished speakers who in their papers this morning took the integration with Europe for granted.

In short, it seems to me that Turkey would like to make the best out of all directions. While integrated into Europe and bearing the benefits of the Customs Union, Turkey wants to keep its identity and special links within 'Buyuk Turkey' and at the same time, and in view of its historical, religious, cultural, and political links and its geographical proximity with the Middle East, to be a major player trying to utilize the special features that such a region could provide for Turkey.

I sincerely hope that such bewilderment among Turkish elite would be considered and addressed very seriously.

Professor Sema Kalaycioglu in today's paper covered well the historical and future links with Europe, but she touched very lightly and with little detail on Turkey's economic relationship with the Arab countries of the Middle East. However she concluded: "Turkey's accession to the CU is not expected to have any adverse effects on her relationship with the Islamic Countries" and in particular the Middle Eastern countries.

At the same time, Prof. Ersin Kalaycioglu in his paper states: "Although it has not been possible so far, Turkey aims to develop strong and functional economic

and financial ties with the Middle East, while she deepens her economic and political relations with the EU".

#### In Conclusion:

Regardless of the present prevailing geopolitics in our region and the abnormal conditions in certain parts of it that affect the Arab-Turkish relations directly or indirectly, there could be brighter prospects for future closer ties among countries of this region. At the same time, we need the courage and flexibility that will enable us to solve those sore issues that, if neglected, could unfortunately erupt to cause further turmoil in the region that might stain our entry into the twenty first century.

#### Ersin Kalaycioglu:

I would like to emphasize that the two papers indicate that there is no way of considering Turkey's economic relations as if they were following alternative roads - in developing along lines that deepen her relations with Europe versus her relations with the Middle East, CIS (Commonwealth of Independent States), Central Asia, the Caucasus, the Balkans, or what have you. There are no such alternatives. Both papers emphasize this very clearly. Turkey has already been in very close and deep contacts with the European countries, particularly Germany. Turkey's membership in the Customs Union and the EU, or its staying out of it, will not change this. The Middle East is also tied to Europe in part and this relation will continue irrespective of whether Turkey deepens her relations with Europe or not. Since both Turkey and the Middle East are joint in the same direction we can either rationalize this relationship or make it develop *ad hoc*. Since I am not an economist I don't know how we can rationalize a relationship of that nature. But we pretty much know how *ad hoc* relations can develop vis-à-vis Europe. So far as Turkey and the Middle East are concerned, that's what we have been observing over the years.

#### Mustafa Aksin:

Proximity plays a great role in trade. For example, the United States' largest trade partner is not Japan or Germany; it is Canada. One of Germany's main trade partners is the Netherlands because it is so close - just across the border. We need to do something to enhance this advantage of proximity in fostering our economic cooperation, and here I am thinking of the borders. Look at the Syrian - Iraqi border: it has been closed for more than ten years. Now such a situation does not exist in Europe. Even when there was an iron curtain, the border of East - West Germany was not as closed, as impermeable, as that between Iraq and Syria. This is not the only example; there are others. I think this is so because we are not modern in the Middle East, we are backward. We are among friends and we should speak plainly: we are primitive in some respects, because closed borders are an indication of primitiveness. I think that looking upon neighbours with suspicion or hostility, as potential or actual adversaries, it itself a sign that we are still under the influence of primitive notions. "Modern" means that you have to look at your neighbours as potential or actual partners. You have to look upon neighbouring countries as areas where you can cooperate.

What is Turkey? It is a blend, a synthesis of various groups. This is the dilemma that we all face in Turkey: what are we and where are we going? What is our identity? We want neat, clear cut answers but there is no such thing; we are what we are. For example, Mexico is Latin American, but it is also (Aztec) Indian; it is part of North America; it is a member of NAFTA. It has a lot of identities and there are other countries like that too. You can think of Israel. I think there are countries like that in areas of transition - culturally and geographically - where there is no clear cut answer, and this is what makes Turkey interesting. Our culture is already a synthesis of Byzantine, Arab, Central Asian Turkic influences, Armenian, Kurdish, you name it. This, I think, is what makes our culture richer: for being a synthesis of these different groups and we will continue to enjoy this privilege, or this uncertainty, but I think it is a privilege.

Will Turkey be accepted (in the EU)? Some one asked. It is not a question of being accepted because they are trading with us; they are driven by greed, and our market is big and fat; it offers big profits to them.

This is the only consideration they will go for. So if we can put our democratic house in order; if we can be a little more respectful of human rights; if our economic performance becomes a little steadier; if our inflation comes down: they will be courting us. But if we are a mess-and we have been a mess in the past, we have to admit this because we are now among brothers and sisters and we don't have to pretend - then they will say: "You stay out, please!"

Whether we are trying in Central Asia to return to our Turkic roots? Well, of course! Since, for about 150 years, we have been cut off from those people; now, they are open to us and we have interacted with them fruitfully. We have provided for them an alternative to Moscow, and they need that alternative in order to maintain their independence. We are doing the world a service by giving them scholarships and by closing business with them. Turkish airlines are serving them as a hub in Istanbul, and so on. These are benefits that come from our Turkic links. Those countries have tremendous potential. In fact, the Arab World is going to find a lot of competition from the Caspian basin.

Then there is the Islamic World and identity. There are two main streams in Islam: one is the Arab stream, which of course we all respect since it is the originator of Islam; but there is also a Turkish stream up north and it flows from the Balkans all the way to China.

We are going through this period of reappraisal and self-analysis; it is painful, and we feel that we are lost, a little bit. However, one of those days we are going to find ourselves, and when we do so, it is going to come as a surprise to us and to the rest of the world.

Thank you.

#### Ali Attiga:

Thank you very much ambassador Mustafa. You are articulate, clear and frank. But I want to say that it is not the economists who closed the Iraqi - Syrian borders, or the Syrian - Turkish borders. It is really the politicians; economists are most of the time in favour of integration and liberal trade because that is what their discipline teaches them.

**Princess Wijdan Ali:**

I have few questions to our Turkish friends.

One is: How do they see their future relationship with the Turkic republics in the light of the majority in Parliament of an Islamic party? Will this affect the foreign or economic policy in the future in directing it more towards the Turkic or Islamic republics of Central Asia? Regarding the proximity of borders, there is proximity between Turkey and Europe, Turkey and the Arab countries, Turkey and the Central Asia Islamic republics. How is this proximity going to affect Turkey in the future? The Turkish stream in Islam is far stronger and bigger than the Arab stream. But, would Turkey like to identify with that stream?

Regarding the borders between Iraq and Syria, and between Syria and Turkey, in spite of the official closure of the borders, there is a very thriving trade going on "behind the scenes"; we all know that. Actually, if the borders between Syria and Iraq were totally and strictly closed, I think Syria's economy would suffer tremendously.

But there is another kind of closure that is being forced on us by "very progressive countries", like sanctions. Now, that sort of closure is not enforced from within, but it is brought about from the outside. We have seen that being practised against Iraq, and this is not considered to be a backward sign, because how could America be backward?! We are usually considered as the backward people while they are the progressive and humanitarian model that we should follow in every way!

Regarding Israel as a state - its schizophrenic search for identity - I would not compare it with Turkey because the former's history is short and well known while the latter's goes far back in time.

**Ersin Kalaycioglu:**

Let me first clarify one point. The Rafah party does not have a majority in the parliament: they have 158 seats out of 550; so they only have plurality of seats. That gives them some power but not enough to change things around dramatically. Secondly, I am not sure that the Rafah Party is just an Islamist party. Of course, religion has a lot to do with the votes they get. That usually comes from the downtrodden - the "wretched" of the cities, who are mostly peasants thrown into cities by dire economic, political or military conditions. They also get their votes from people who are not educated and from those who receive a religious education in order to become Imams in mosques.

Thirdly, not all peasants vote for Rafah.

However, there is a very popular stand in Rafah ideology; they are the "Robin Hoods" of Turkey: they take from the rich and give to the poor. They also have wild economic ideas about how to do these things. But they are in state of confusion so far as economics is concerned. However, I don't think that even they seek a non-European existence for Turkey. Mind you that their strongest base is in Germany not in Turkey. So I don't think that they can risk severing ties with Germany. They also receive their financial backing via Freiburg in Germany. So in *réal politique* terms, even Rafah is a European brand in Turkish politics, not anti-European, in spite of their ideology.

They are vying for the leadership of the Muslim community. That's their message and they seem to be mobilizing masses around this idea: the grandeur of a Turkish led Muslim World.

**Mediha Madfai:**

President Dimirel was in Israel few days ago and I am just wondering if you (speaking to Dr. Sema Kalaycioglu) wrote your paper before that. Secondly, you said something about "free movement of persons" as far as the Customs Union is involved. Now, how did Turkey solve this problem?

**Sema Kalaycioglu:**

Considering Turkey's special circumstances, the "free movement of people and services" has been suspended, indefinitely. So that problem is solved; not that we are happy about it!

I had to fax my paper by March 12th, i.e. before Turkey and Israel signed the free trade agreement which was on the 14th; so that agreement is in effect right now.

Now, to draw attention to the main theme of the two papers. All discussions are leading us to the point where we have to realize that economic relations must be based upon rationality and that this is an age of regionalism.

Ambassador Aksin was right about the overlapping regional arrangements of the world today: for example Japan is in APEC, in OECD and in the G7. Turkey does not have to go after an alternative as much as she can expand her economy. She can have interactions with Europe, the Middle East, the republics of Central Asia, the Black Sea countries, and the Russian Federation. It all depends on how fast the economy can expand itself without having any incremental disturbances, and how fast the economic bureaucracy adapts itself to the new situation. Of course, I have few doubts about it, as Mr. Issam Chalabi has pointed out, as to how fast that process is going to be completed. I don't have the kind of ambition that politicians have. We are more rational about these things; we can manage; there is complementarity. Turkey is not the only country in the region having intensive ties with Europe.

Now, what kind of integration are we hoping to have? A vertical or a horizontal one? We may have vertical integration with some countries: buying raw materials and processing them. That's what's happening in the Middle East any way. Then horizontal integration may take place among Egypt, Jordan and Turkey in terms of bilateral agreements, to start with.

**Ghassan Al-Zain:**

I have a question to Dr. Sema. Could you explain what you mean by saying "studies conducted indicate that in most industrial sectors Turkey holds a level of competitive strength in comparison to Greece, Spain, Portugal and Italy"?

I also have an observation about Turkish - Israeli economic relations. I agree with Mrs. Sema that, from a theoretical point of view, the problems of Arab-Turkish relations are not the same as those of Arab-Israeli relations. Some Arab elite, especially from the nationalist period, tend to compare, in security matters,

the threats coming from Turkey with those from Israel. Personally, I believe that they are different. Besides, there are really no serious economic relations between Turkey and Israel. But after Mr. Dimirel's visit to Israel, we need to wait and see if there will be a turning point in those relations.

**Issam Al-Chalabi:**

I agree with Dr. Sema and his excellency Mr. Mustafa Aksin that this is the age of regionalism. However, I worry, as other Arabs do, that Turkey's movement towards Europe could be at the expense of its Arab neighbours. Turkey is an important part of this region and we must do our best to keep the political and economic integration required to ensure that this region becomes coherent, in as much as possible, in this new world order.

Coming now to the question which princess Wijdan raised about the sanctions imposed against Iraq. Who was hurt by those sanctions that were imposed since August 1990? Saddam Hussein was never hurt; on the contrary, he became stronger. He can get whatever he wants. I fully support any sanctions that can ensure that the government of Iraq will not be allowed to take certain military steps; to impose sanctions on weapons of mass destruction, on conventional weapons, but not on the whole nation. The sanctions had helped Saddam Hussein in turning the whole of the Iraqi people into people who have nothing to think about except how to get their bread, food and medicine, and to worry about their security. Who else was hurt? Turkey and Jordan were hurt very badly.

**Ali Attiga:**

I think everybody knows that sanctions do not bring about the downfall of regimes; otherwise Castro would not have survived for 35 years.

At present three Islamic countries are under sanctions: Iraq is totally under sanctions while Libya and Iran are partially included. Sudan seems to be next. Now, why are sanctions imposed on those countries? Are they the only ones that are really violating international norms?

**Orhan Morgil:**

I would like to make comments on two points. One is whether there is contradiction in Turkey's joining the EU and at the same time developing economic relations with Middle Eastern Countries. I think there is no contradiction. The two sides are complementary. The best thing is to have diversification in your exports and also in your economic relations with different regions. They will be complementary.

The second thing I would like to indicate is that there is a very limited trade relation between Turkey and the Arab countries, and also between Turkey and Israel. I should indicate that we did not develop our trade relations with Israel until last year after the peace process had started. The free trade agreement is not between Turkey and Israel but it is within the framework of the Customs Union because the EU has a free trade agreement with Israel and, according to the Customs Union, Turkey has to adapt to EU common foreign trade policy. In order to have diversification in exports or to develop our trade relations with Arab countries, Arab

countries and Turkey have to develop economically. You cannot diversify your exports without developing your economy. We should look for long-run economic relations like joint investments - joint ventures; for example, Turkish private sector has already established three factories in Tunisia. So, unless we have production we cannot have trade. Turkey in the last twenty years gained a lot of technological know-how, hence, it is in a position to help Arab countries have investments in certain industrial branches. On the other hand, Arab countries have a certain amount of capital, especially the oil exporting Arab countries. Therefore, the two sides are complementary. Trade will follow automatically if we are successful in making the above-mentioned joint ventures. In addition, Arab countries should have structural adjustments and they should adopt a free market economy.

I would like to indicate that in order to solve political problems you can improve economic relations first, then economic dynamics can solve those political problems. This was Turkut Ozal's policy.

**Fadhil Chalabi:**

I have a question to Mrs. Sema Kalaycioglu. I cannot understand how Turkey's accession to the Customs Union can be a factor of growth for the Turkish economy, given the increasing problems in its economy, for example, its trade deficit with the industrialized countries has reached about \$17 billion during the past five years, the continuous depreciation of the Turkish Lira; the negative growth rate of per capita income; the public debt; the rampant inflation; etc.

**Sema Kalaycioglu:**

First I have to answer Mr. Zain. Regarding competitive efficiency (or comparative advantage), we are talking about one of the following:

- 1) Cost efficiency: having the ability to produce goods and services at low costs, i.e. lower costs than the rivals.
- 2) Price efficiency: the price of the commodities or services will be lower than their rivals.
- 3) Quality efficiency: the ability to produce good quality products at low costs.
- 4) Capacity efficiency: capacity in scale.

All of these are interrelated.

About Turkish - Israeli economic relations, as I mentioned in my paper, they are a product of the peace process. You are right; Turkish - Israeli trade comprises a very low percentage of regional trade. But we are talking about expanding our economic relationships and letting economy run its own course. I agree with prof. Morgil; if we improve economic relations then political problems will be solved. If we let political interests be harmonized then that may help political frictions to be solved in due time, partially at least. Israeli economy is a high tech. economy but Turkey's is not so yet, although we are getting to it. So, why not join efforts in this region and put aside ideological prejudices - why discriminate against the Israeli economy? Since Jordan and Egypt in this region, are joining their economic interests with Israel, then we can expand our economic relations too.

I agree with Mr. Chairman: horizontal integration is more promising than the

vertical one for diversification. In due time, vertical and horizontal integration will help each other.

**Nazim Engin:**

I should say that Turkey's closeness with Western Europe does not mean that we should not improve our economic relations with other countries. So, in this respect, we should be rational; if there are economic interests then we should not discriminate against certain countries. If there is a potential to develop international trade somewhere we should make use of it for the benefit of humanity, not only for our country. Hence, we should improve our economic relationships with the Turkic republics and the Arab World.

Businessmen try to do their best; it depends on government officials to help them increase trade relations. It is government action that can lift trade barriers among countries.

The theories that I mentioned in my paper - HOS, inter - industry, intra - industry, comparative advantage, etc. - were formulated by developed countries. These theories start with the supply-side approach, i.e. they are producer biased - they protect producers more than consumers. However, now there is a change in theories; consumers and demand preferences have become more important. This will help to abolish trade barriers among countries. It is also related to democracy which is spreading all over the world. Thus, there is a change of direction and walls are falling down; consumers are getting stronger while producers are getting weaker.

Globalization is initiated by the capital factor and it prevents free movement of labour among countries. As demand preferences increase and consumers become more important in the economies, eventually, free movement of labour will be achieved as well. In addition, as democracy grows, free movement of labour will be possible. As for diversification, I agree with professors Morgil and Sema Kalaycioglu that it can be increased through opening up a country's economy to foreign competition.

We have first to increase production and trade, then political changes will follow. But of course, if political changes happen then they can help in turn to increase economic relations as well.

The trade balance deficit is not very important; it is a reflection of certain problems within the economy.

It is a reflection of disequilibrium between savings and investment. So, if investment demand is high while savings are not enough, then there will be a trade balance deficit. The problem in Turkey, as in the U.S.A., is that savings are short of investments.

**Ali Attiga:**

I want to add that when you ask us to seek the benefit of humanity, we should think of Islam because that is the essence of Islam - it is a universal creed. It teaches us to seek knowledge and trade wherever we can get them. If Islam was not a universal religion it could not have spread and stayed in Spain for about 800 years and when it left it the majority were still non-Muslims.

Islam is a free trade doctrine; it is against obstruction.

We need a change in political regimes, but not through violence, rather, through peaceful political struggle which may bring about regimes that are more open, participatory and democratic. That is essential before we can have free trade.

It is noted that the movement of capital tends to go where there is security, so people in developing countries are left without capital, even their own.

**Sitki Egeli:**

We have here the chicken and egg problem: whether trade should come first in order to have better political relations, or whether political relations are going to lead to better commercial relations between countries. It seems we are at a dead lock. It is a kind of a vicious circle particularly in the Middle East. To give an example of certain nations' failure to draw a line separating trade activities from the political atmosphere is the recent step taken by the U.S.A. against Iranian Banks. Last week the U.S. decided to terminate the activities of Iranian commercial banks operating in the U.S. This is difficult to comprehend given the overall ideology of Liberalism. So, unless a minimum level of distinction is drawn between economic and political activities, it is very difficult to break that deadlock and initiate a new process aiming at (1) better economic relations and (2) better political relations.

**Ali Attiga:**

There has to be no political hostility among countries in order to have trade relations.

Iraq and Syria had a honeymoon for four months then immediately afterwards the borders were closed. This kind of upheaval, of uncertainty, will not promote economic cooperation.

## **Second Session**

### **Arab - Turkish Economic Cooperation**

**Mustafa Askin (Chairman):**

Dr. Fadhil Chalabi will kindly present his paper now.

**Fadhil Chalabi:**

Thank you Mr. Chairman. The title of my paper is "Prospects for Arab - Turkish Economic Cooperation".

#### **Prospects For Arab-Turkish Economic Cooperation**

Economic and financial relations between Turkey and the Arab World have developed relatively recently. It was only in the wake of the OPEC price explosions of the 1970's that these relations began to take significant shape. Sudden and very substantial increases in the price of oil imported by Turkey from Arab oil producing countries, adversely affected its balance of payments. Turkey had to expand into the Arab market for its exports in order to earn enough foreign currency for the payment of its imported oil.

Prior to the oil price shocks Turkey's economic links with the Arab World were meagre and almost negligible. Until the early 1970's, the share of the Arab market of total Turkish exports was on average less than 2%, whereas the average share of the Turkish market of total Arab exports was just over 3%.<sup>(1)</sup> That pattern of limited economic ties reflected the Kamali heritage of looking to Europe and the West in general and not to the South as Turkey's partners. Apart from some strong and temporary political ties with Iraq, resulting from the defunct Baghdad Pact, Turkey kept itself generally aloof from the Arab World. This trend was enhanced with Turkey's membership of NATO and OECD. The heavy dependence of Turkey on the developed world is still the main feature of its economy. In 1993 for example, about 80% of Turkey's imports were from the industrialised countries including Eastern Europe.

The concern for its external payments pushed Turkey to look to some Arab oil producing countries as a potential market for its products. In 1990 Turkey's oil bill reached 2.7 billion dollars or 20% and 10% of the value of its total exports and imports respectively. Besides crude oil, more than 250 million dollars worth of Arab chemical products and raw materials were imported by Turkey that year. Turkey's exports to the Arab World were mainly composed of foodstuffs, manufacturing products, some chemicals and machinery. Those exports failed to pay for the cost of imported oil. Yet, the adverse balance of trade with the Arab World was more than offset by important transfers to Turkey, resulting from its export of services to the Arab World in the form of construction work by Turkish contractors, transit fees, tourism, export of manpower, bank loans, financial transfers, etc. Between 1973 and 1985 the total value of Turkish contracts for work undertaken in Saudi Arabia, Libya and Iraq totalled 14.5 billion dollars.<sup>(2)</sup> The Arab market

was the only outlet for Turkey's external contracting activities. Prior to the invasion of Kuwait, the Turkish pipeline transporting Iraqi oil to the East Mediterranean was securing for Turkey no less than 400 million dollars a year in the form of transit fees and payment for services. Furthermore, the oil boom created good opportunities for transfers to Turkey from the Arab World in the form of loans made by Arab banks mainly in the Gulf. In 1986 for example about 350 million dollars of loans from those banks were taken by Turkey. Moreover an increasing number of Turkish surplus manpower was absorbed in the Arab labour markets, while Arab tourists contributed significantly in increasing Turkey's foreign currency earnings from tourism.

However, this sudden increase in exchanges between Turkey and the Arab World seems to have reached a plateau and may not be further activated. The reason is that it is confined to a structure of bi-lateral trade relations with certain Arab oil-producing countries. The IMF World Trade Statistics already show a declining trend in the importance of trade between the two sides. In 1993 the share of the Middle East of Turkey's total exports declined sharply from 1987 levels, although in absolute terms the value was more or less stagnant. From 27% in 1987, that share fell to 14% in 1993. The same sharp decline is to be seen in the share of the Middle East of Turkey's total imports (from 19% to 11%). The fact that this trade has been virtually confined to a limited number of Arab countries mainly Saudi Arabia, Libya and Iraq, shows that only oil and oil boom were behind those bi-lateral exchanges. Under the present and likely future conditions of the international oil industry, oil alone cannot be the engine of growth of economic relations between Turkey and the Arab World and especially its neighbours, and may even lead to a long term decline in trade exchanges between the two sides. The oil boom of the 70's and 80's will never be repeated and Arab oil revenues in real terms are doomed to a continued declining trend. The Arab oil producing countries are now unable to expand their share in the world oil market because of very aggressive competition on the part of non-OPEC producers. In fact the Arab percentages share in the world oil market will be declining over time. Furthermore in the coming 15 years, the abundance of world oil supplies compared to the slow growth of world demand for oil will lead to a long-term trend of weak oil prices with a continuous decline in real terms. The combined effect of both developments in volume and price will be reflected in the long-term decline in the Arab oil revenues, at least in real terms. With Iraq's return to the world oil markets, the competition among OPEC member countries could even lead to a decline in oil prices in dollar (nominal) terms. Iraqi oil potential is so great that it can double its pre-war capacity if UN restrictions are completely removed, adding another reason for weakening oil prices, and hence the Arab oil revenues.

On the other hand, the Gulf War has created a new pattern of Gulf economic ties with the West, especially the United States, which virtually became the only guarantee for the region's security. This would give American exports of goods and services a competitive advantage over the other exporters in Gulf markets. Little room will be left for the other suppliers to acquire a share in those markets which are shrinking because of falling oil revenues in real terms. In other words, the com-

petition in the Gulf markets will be so fierce that Turkey's entrepreneurial efforts to expand its export of goods and services may shrink over time.

The falling trend of bi-lateral business with the Arab oil-producing countries, adds to Turkey's economic dilemma. Its aspiration to get integrated in the European economy is not compatible with the realities of its own economy. The EEC decision of 1989 to indefinitely defer the case of Turkey's membership, was a clear message "that Turkey is still far from meeting the strict requirements for joining that very selective club of democratic and prosperous states."<sup>(3)</sup> In fact given its present economic performance, Turkey will have to wait a long time before it can integrate into the European Union. The special arrangements for a Custom Union to accommodate Turkey's wishes cannot by themselves help the country's economy, although it would be considered as a step in the long term towards the Union.

Turkey's economic performance over the past five years has been rather poor. In 1990-1994 the average annual GDP growth fell to 2.1% from an average 5% during the period 1970-1990. Due to its demographic growth of over 2.2% per annum, its per capita income has been sharply declining from an average of 2.7% a year during 1970-1980, to negative growth in recent years (1990-1994).<sup>(4)</sup> Furthermore, the trade deficit with the industrialised countries has been growing enormously. IMF trade statistics show that in 1993, that deficit amounted to 17 billion dollars, about four times its level in 1987. It is true that the substantial transfers from tourism (over 10 billion dollars in 1994) and the immigrated Turkish labour force in Europe (about 3 billion dollars) have largely offset the trade deficit, yet the Turkish lira has not stopped sharply depreciating. In 1990-1994 the average annual rate of depreciation of the Turkish lira exceeded 60%.<sup>(5)</sup> Furthermore, government failure to control expenditure has had the effect of increasing public debts to such high levels as not to be easily absorbed by the Turkish economy. In 1994 for example, the government debts as a percentage of the gross domestic product of Turkey reached 43%, 23% of which represents foreign debts. This is more than double the country's debt to the GDP ratio in 1980 (22% and 8% respectively). The level of GDP itself is very low if compared to the lesser industrially developed members of the EEC like Greece for example. In 1990 dollars, Turkey's GDP per capita amounted to 2670 dollars, almost one third of that of Greece.<sup>(6)</sup>

Under these conditions Turkey's road to the European Economic Union could be very long, if at all feasible. Yet in today's world economy, regional economic groupings are the best option for economic survival. In increasingly competitive world markets the concepts of economic nationalism are giving place to new concepts of economic interdependence in a regional partnership as the only way to enhance economic productivity and increase employment opportunities in the group. With these perspectives in mind, Turkey's economic cooperation with its Southern neighbours can, in the long term, be a more profitable option than just looking to Europe. Politically hazardous as it may appear, an economic grouping comprising Iraq, Israel, Syria, Lebanon, Jordan and Palestine and perhaps Iran, besides Turkey, could offer a viable economic alternative to both Turkey and its Southern neighbours. Such a grouping based on economic interdependence among its members could benefit all, because if rationally allocated the region's immense re-

sources of water, oil, technology, raw materials, skilled manpower, climatic and favourable conditions for tourism, etc. can transform the economic shape of the whole region and create the conditions for speedier economic and social development and higher living standards. History and geography are certainly favourable factors for such a common exploitation of these resources.

There are some fears that in a Middle Eastern common market there may be an unbalanced economic growth in favour of both Israel and Turkey. This is because of their higher level of economic and technological development compared to that of their other partners. It is sometimes thought that such a development gap could give both countries a greater advantage in a free trade area over the others. History shows that these fears are exaggerated because any such imbalance could defeat the whole project and lead to its collapse from which all including the two states will be losers. Without an equitable sharing of benefits common markets cannot survive. Furthermore, the great disparities that exist in the European Union such as those between Germany and France on one hand, and Portugal and Greece on the other, did not prevent all members of the union benefiting from the advantages of economic interdependence among the members. On the contrary, those disparities worked as a productivity stimulus in the lesser economically developed members of the union.

However, an ambitious project of this nature requires new political thinking based purely on the maximisation of economic benefits for all and an equitable sharing of growth free from all ambitions of economic hegemony as well as from all religious, ideological and political prejudices. It also requires new structures and organisations which can, in a free movement of capital, increase investment opportunities in the region for both regional and foreign capital.

However, some indications suggest that Turkey's views on the economic cooperation with the Arab World are not totally in line with the concept of a common market where equitable sharing of its benefits is the only guarantee for its success. Certain Arab economists and political thinkers<sup>(7)</sup> expressed fears of Turkey's one-sided views on its relations with the Arab World, and give Turkey's initiative of the so-called "Peace Pipeline" as an example. With this project, Turkey intends to sell drinking waters to the Arab oil producing countries via a huge pipeline to be financed by these countries themselves. In counter-part to the sold waters, Turkey must receive vast benefits from those countries in the form of (a) crude oil and natural gas at preferential prices, (b) Arab soft loans, (c) Arab investments in Turkish development plans, (d) greater share for Turkish contractors in the Arab construction projects, (e) greater share in the Arab markets for Turkish exports of goods and services.<sup>(8)</sup> Obviously, aspirations of this kind are not only incompatible with a successful regional market, but are also naive and unfeasible. The Arab oil producing countries are no longer "rich" enough to pay huge prices for drinking waters which are insecure because of its one-sided dependence. Moreover, and perhaps more serious, is the project of supplying drinking waters to the Gulf oil producing countries at the expense of other Arab countries namely Iraq and Syria.

Another example of Turkey's one-sided attitude vis-à-vis its relations with its neighbours that can be obstructive to the concept of a regional economic partner-



ship, is its water politics and the way it deals with its control of the upstream of the two great rivers, the Euphrates and Tigris, without due consideration to the damaging effects on its neighbours. Addressing this thorny problem is essential to any form of regional economic cooperation.

From a Turkish point of view both rivers are part of the national wealth over which Turkey has full sovereignty. Accordingly, Turkey believes that it is she who is free to use those water resources the way it wants and is under no obligation to share the waters with its Southern neighbours Syria and Iraq which are the downstream states. For Turkey these two rivers do not constitute international waters that should be subject to international law but rather waters that cross territorial borders, and should therefore be exempt from international law restrictions. Turkey has thus embarked on over ambitious plans for the exploitation of water, including the over-costly "Southeast Anatolian Project" known as "SAP" which is meant to irrigate vast areas in Turkey and to generate hydro-power. The Turkish water politics has been sending alarming signals to its southern neighbours, as it is strongly felt in both Iraq and Syria that projects of this kind will affect the sufficiency of future water flow in their countries needed for agricultural and human requirements, besides the damaging effects on the quality of water due to the increased use of chemicals. Moreover, the Turkish plans can cause heavy investments in both neighbouring countries necessary to optimise the use of scarce water resources.<sup>(9)</sup> Both Iraq and Syria also fear that the Turkish control of the upstream of the Euphrates can be used as an instrument of political pressures on land. Although repeatedly denied by Ankara, this potential area of conflict exists and can seriously obstruct future economic relations between the important players in any Middle Eastern economic grouping. Turkey shows no hurry at all to reach firm commitments on the distribution of water with its neighbours. In the long term, overplaying the water card could be damaging to Turkey's economic interests in the region. Water could be, if rationally allocated, an important instrument to enhance economic and political interdependence of the area.

A more serious obstacle to the regional economic integration is the political conflicts and uncertainties that characterise the region. First comes the problem of Iraq and the great uncertainties that shroud its future. For Turkey the Iraqi issue is crucial, especially as what may happen to the Kurdish area in the North of Iraq can deeply affect the evolution of Kurdish problems in Turkey, where the Kurdish community is far greater than that in Iraq. For Turkey, the existence of a strong central government in Baghdad with full control in the Kurdish area is extremely important in containing the Turkish-Kurdish Guerrilla. The post Gulf War developments and the creation of the "Safe Haven" and "Provide Comfort" operations in the North of Iraq, have brought up a defacto Kurdish autonomous entity within Iraq, if not federated to it. The present Iraqi government has no sovereignty control on the area. Any future government in Baghdad cannot escape this fact of life and will have to live with it. This affects Turkey's Kurdish dilemma, since the Turks are hyper-sensitive to this issue and to the aspirations of the Turkish Kurds to enjoy a similar autonomous status within Turkey. Turkey is now joining efforts with both Iran and Syria to prevent such a development, and it may take Turkey a very long time before it can solve this problem politically and not by means of force. In

a democratic post-Saddam Iraq, the Kurdish autonomy in the North can serve as a model for the solution of the Kurdish problem in the whole area. Until then, economic integration in the Middle East including Turkey may look unrealistic.

With the present scene in the region, a Middle Eastern common market may appear as a utopia. A project of this kind requires a minimum level of homogeneity in the political and economic systems of its members and a free market economy in all. This is not the case today. There are great disparities in political cultures between Turkey and its neighbours. As Dr. Philip Robins rightly puts it, "The method and form of conducting politics in Turkey, far from perfect, approximate far more a Southern European model than that which prevails in the Middle East, Israel excepted."<sup>(10)</sup> Politics in Turkey is institutionalised, whereas it is personalised in the Arab World.<sup>(11)</sup> At the time, when the Rome Treaty establishing the European Economic Community was signed in 1956,<sup>(12)</sup> the disparities that existed on the level of political development among its members were not as wide as in the case of Turkey and Israel on one hand, and the Arab worlds in general, on the other. In a Middle Eastern common market some minimum homogeneity in the systems and structures is required. This could only be attained in a wider political framework that comprises all the countries in the region.

The key to the whole project of a Middle Eastern common market is the peace process between Israel and the Arabs. In spite of all impediments and delays, peace is already a fact of life which the region must know how to deal with. When finalised, and comprising all the Arab countries together with Iran, many obstacles to the economic integration of the region could gradually be removed. If achieved, it will be a great turning point in history.

### Conclusion

Turkey had been and still is looking to the West and not to the South to fulfil its economic aspirations, without, however, enjoying the required levels of economic and political development to qualify its membership in the European Union. Its economic links with the Arab World on the other hand, were associated with the oil price shocks and the ensuing oil boom that provided Turkey with new opportunities for trade and financial benefits in certain oil Arab producing countries. Those links however, are limited and may even decline in time. The prospects of an Arab-Turkish economic cooperation cannot be promising if the pattern of the present trade relations is maintained and no new forms and structures are sought. The conditions of the international oil industry do not suggest that the present financial problems of the Arab oil producing countries would soon be solved and the heyday of the huge and abundant petro-dollars is over. If Turkey and the Arab World have the political will to enhance economic cooperation, fresh political thinking is required. It is only through a wider regional economic integration where natural, human, and technological resources are commonly and equitably shared that Turkey stands a chance for playing a major economic and political role in the Middle East. So far the Turkish political thinking in this respect does not seem to follow the line of such a pattern of economic partnership. The major role Turkey may want to play in the region is to benefit from its ec-



onomic ties with the South in order to strengthen its position in the West. Aspirations of this kind cannot be realistic. If this attitude is not changed then the prospects of expanded cooperation between Turkey and the Arab World are indeed limited. There is still time for both Turkey and the Arab World to enter into a fruitful partnership to benefit from the existence of vast resources, the development of which can be achieved only through the creation of a regional common market from which all can benefit. If rationally allocated, the resources that exist in Turkey, Iraq, Israel, Syria, Jordan, Lebanon and Palestine can transform the economic and political face of the region and achieve higher living standards for its people. It is only through such regional grouping that a greater degree of self-reliance in economic and social development can be attained.

However, many difficulties and uncertainties shroud the prospects of such regional cooperation. Political conflicts, differences in political cultures and systems are but few barriers against this ambitious project. Hopefully, an accelerated Middle East peace process may help a great deal in creating the right environment for a Middle Eastern common market the great benefits of which would be for all.

1. Boutrous Libky: "Present Turkish-Arab Economic Relations," paper presented to the seminar held by the Centre for Arab Unity Studies. The Seminar proceedings in Arabic, Beirut, January 1995 (Page 125).
2. Ibid., page 141.
3. Eric Rouleau "The Challenge to Turkey" (Foreign Affairs Nov-Dec 1993), quoted by M. Abul Fadheel - Proceedings, Beirut Seminar on Turkish - Arab Relations, page 379.
4. IMF Financial Statistics and Centre for Global Energy Studies.
5. Ibid.
6. Ibid.
7. Najeeb Essa, Proceedings of the Centre for Arab Unity Studies, on Turkish-Arab relations, Beirut, page 381-387.
8. Ibid., page 385.
9. Dr. Philip Robins of St. Anthony College, Oxford, gives an example of such costly investment especially for Syria which has already experienced severe technical problems in utilisation of the dam at Lake Asad for electricity generation. See the author's mimeograph "Turkey in the Middle East: A Cautious but Constructive Actor", Royal Institute of International Affairs, page 20.
10. Dr. Philip Robins, op. cit. page 4.
11. Ibid.
12. Dr. Philip Robins, op. cit. page 4.

## Discussions

### Mustafa Aksin:

Thank you Dr. Chalabi. Prof. Orhan Morgil is supposed to comment on your paper, but before I give him the floor I cannot refrain from making one or two comments myself.

Real development comes from effort. At the time of the Shah, the Iranian foreign minister said to a group of Turkish journalists: "You should be grateful that you don't have oil because now you are making an effort to develop yourself while we are failing to do so."

Accordingly, I think that human resources come before oil. We expect Syria, Iraq, Jordan, and other countries to develop without the benefit of oil; their non-oil sector will be the locomotive for development.

In your paper, you drew a bleak picture of Turkish economy; in certain respects it is so, but in other respects it is not that bad.

About Turkey's water policy, the position of the Turkish government is that water should be shared equitably on the basis of rational criteria. Equity is the first criterion and there is no way that Turkey would deny downstream, neighbouring countries their due share of water. We have regulated the flow of water, and in that respect we have actually done a service to both Iraq and Syria.

### Fadhil Chalabi:

According to the Turkish position the Tigris and Euphrates are not international rivers; they are called "interterritorial border rivers" which are not subject to international law, and, therefore, Turkey is absolutely free to use their waters. Iraq and Syria have been trying to sign an agreement in order to apply what you called "equitable" distribution, but nothing came out of this. Until the day before yesterday there was a call on Turkey in the Arab League to come and negotiate with both Syria and Iraq and to sign a protocol for the distribution of water.

### Orhan Morgil:

First, I would like to thank Mr. Fadhil Chalabi for his comprehensive paper. However, there are certain points about which I disagree with him. He says that Turkey's economic relations with the Arab World until the 1980's were almost negligible because of the Kamali heritage. It is true that Turkey's economic relations with the Arab countries were very limited until the 1980s not because of Kamali heritage but because of economic realities. The structure of the Turkish economy at that time made it necessary for Turkey to import mainly from western countries. Also, about 65-70% of Turkish exports during that period were agricultural products and western countries were the natural market for those products.

Second, until the beginning of the 1980s, Turkey implemented inward-looking policies, and therefore, Turkey's trade and economic relations were limited with many foreign as well as Arab countries. However, since the beginning of 1980s, a new economic program has been implemented in Turkey and the whole picture has changed. The basis of this program consisted in the following:

- 1) To open up the Turkish economy to the world economy and foreign competition.
- 2) To implement necessary measures for the effective operation of the free market economy.
- 3) To minimize government intervention into the economic life.

In order to realize these goals, the following measures were implemented:

- 1) Price control was abolished so as to have efficient allocation of economic resources.
- 2) In order to liberalize financial markets, the determination of the interest rate was left to the market forces.
- 3) The capital market law was enacted and the Istanbul stock exchange was established in 1985. Firms can get long-term financial loans which they need for their investments.

Another important point is that there has been large portfolio foreign investment in the Istanbul stock exchange. The foreign exchange system has been completely liberalized; almost all restrictions have been removed. A flexible exchange rate policy has been implemented. The Turkish currency has been made convertible in both current and capital accounts transactions. These measures have increased foreign capital inflow into the Turkish economy.

The industrialization strategy has been changed from the former import - substitution type into the export - oriented one, and Turkish industry became open to foreign competition.

With the change in industrialization strategy, the quota system and quantitative restrictions in foreign trade were abolished and liberal foreign trade policies were implemented in order to create a competitive economy. In fact, custom duties on many commodities have been drastically reduced. Increased foreign competition has forced Turkish industrial firms to improve the quality of their products and to decrease their costs by increasing their productivity.

The privatization law was enacted in 1994 to reduce the overall size of the government sector in Turkish economy. However, that has not been very successful, but it is calculated that in 1996 the Turkish government will receive about \$1-2.5 billion of privatization.

The main aims of privatization are the following:

- 1) To increase the efficiency of the Turkish economy.
- 2) To provide revenue for the government.

As a result of opening up the Turkish economy to the world economy, there has been a large increase in Turkish trade relations.

Turkey's imports increased from \$5 billion in 1979 to \$35 billion in 1995. Turkey's exports increased from \$2.2 billion in 1979 to \$22 billion in 1995. The share of industrial goods in total exports has risen from 35% in 1979 to 90% in 1995. Within this framework, Turkey's economic and trade relations with the Arab countries rapidly developed after 1980.

However, the Gulf War has adversely affected all those developments as well as caused a real decline in oil prices. In addition, Turkey's economic relations have shifted towards the Turkic republics, the Russian Federation (CIS), and Eastern Europe.

I cannot agree with Dr. Fadhil Chalabi's view that Turkey's economic performance has been rather poor in recent years. Even though there has been a fluctuation in the growth rate of GDP in the period 1990-95, the average annual growth rate of GDP is 4.1%. The average yearly increase in per capita income was 2.1% in that period.

Furthermore, I cannot agree with Dr. Chalabi that the realities of the Turkish economy are not compatible to get integrated into the economy of the EU and, therefore, Turkey cannot become a full member of the EU in the near future. The Turkish economy is one of the most liberal economies in the world as far as foreign trade, foreign exchange system, and foreign capital are concerned. As indicated in the morning, the Turkish industrial sector has competitive strength compared to Greece, Spain, Portugal, and even Italy. However, the Turkish economy has experienced a high rate of inflation as a result of a large public deficit in recent years. I agree with you, that is the basic problem in the Turkish economy which has to be addressed. I should also indicate that the depreciation of the Turkish Lira is not due to lack of foreign currency, but because of inflation.

I should point out, in addition, that article 28 in the Ankara agreement gives Turkey the legal right to be a full member of the EU in due process. The most important step for full membership is Turkey's accession to the Customs Union of the EU and this has taken place in Jan. 1996, as discussed in the morning session. I should indicate as well that Turkey will receive about \$2.5 billion of financial support from the EU in the framework of the CU to make necessary economic adjustment so as to create a healthy economy.

I strongly agree with Dr. Fadhil Chalabi that "in today's world economy, regional economic groupings are the best option for economic progress". This is why Turkey puts emphasis on the creation of regional economic organizations. The main aim of economic cooperation organization is to integrate the economies of member states by creating a free trade area which will promote the economic development of member countries. There is a very large Turkish industrial investment in the region comprising the Turkic republics. Turkey is the founding member of the Black Sea Economic Cooperation Organization. Turkey's role in those organizations is not contradictory but complementary.

In my view, the best way to develop Arab - Turkish economic cooperation is to create a free trade area in the Middle East with the financial and technical support of the EU. A Middle Eastern foreign trade and investment bank can be set up to develop trade and to finance joint investments in infrastructure and industry in the Middle East. In the framework of a free principle of market economy, manufactured products would move freely without tariff or non-tariff barriers. Trade in agricultural products would be progressively liberalized through reciprocal preferential access. The right for establishing companies and capital movement should be gradually liberalized and similar competition rules should be adopted. Foreign capital and transfer of modern technology should be encouraged. All member countries will benefit from the establishment of a free trade area. The creation of a free trade zone in the Middle East and Turkey's future full membership in the EU are not contradictory since the EU has free trade agreements with many Arab countries and Israel.

In fact, Turkey and Israel signed their free trade agreement which will eliminate all tariff barriers and restrictions between them by the year 2000. This free trade agreement is a good model for future Arab - Turkish economic cooperation.

I emphasize that Turkey wants to have economic cooperation with the Arab countries on the basis of equality and mutual benefits. As far as the Southern Anatolian Project (SAP) is concerned, it does not make sense to object to Turkey's intention to irrigate its soil from its water resources. In fact, the Southeastern part of Turkey will become a large food producing area which will provide economic benefits for Arab countries in the region. It is obvious that Turkey will consider the needs of Syria and Iraq when she uses the water of the Tigris and Euphrates.

The important point is that regional economic cooperation and the creation of a free trade zone depend on the political stability and the solution of political conflicts in the region. Turkey has very good relations with most Arab countries and Israel. Turkey supports the territorial integrity of Iraq. However Syria should not support activities of terrorist groups. In addition, economic cooperation and integration in the region depend on the peace process between the Arabs and Israel. Turkey strongly supports the peace process. I believe that the peace process will be successful and economic cooperation and integration in the Middle East will increase the welfare of all people living in the region.

Thank you very much.

#### **Fadhil Chalabi:**

Mr. Chairman, you commented on the bleak picture of oil and said that the region should not depend on oil, but actually Turkish relationships and exchanges are almost confined to oil-producing countries. Statistics show that the bulk of Turkey's exchanges are with Libya, Saudi Arabia and Iraq. Now oil for these countries is the source of their foreign currency. Of course, we all look forward for the day when these countries will diversify their economy.

It is unfortunate that I used the word "Kamali" heritage as a reason for the very small exchange between Turkey and the Arab world prior to the oil price shock. I did not intend any political connotations in using that term. What I meant was the fact that what triggered the exchange was the oil shock.

The distinguished commentator disagreed with me on that the economic realities of Turkey would not make it eligible to join the EU for the time being. I depended exclusively on IMF trade and financial statistics when I said that Turkey's per capita income is 1/3 that of Greece which is the least developed country in the EU, and when I said that Turkey's public debt and its increasing trade deficit are not favourable conditions for Turkey to join the EU now. Because of these economic problems, which may take a long time to be solved, Turkey has another option and that is joining the regional grouping.

I am sorry if my paper looked confrontational. I never meant it to be so.

#### **Ali Attiga:**

First of all: I don't agree with Dr. Fadhil Chalabi's pessimistic view on oil. Whatever the oil potential of Central Asia may be, let's not forget the political complexity of that region and the difficulty of accessibility. So, it is a long term

prospect from the oil in Central Asia to be available in markets.

Second: China, India and Southeast Asia have now an increasing demand for oil. Thus, the demand for oil is much larger than we anticipated.

Third: if the West is really true to its free market, then it should give up its subsidy to oil. If oil was allowed to be competitive it will put coal out of use. The demand for oil will rise and it will be dangerous to oil producers in the sense of depleting their resources.

Oil revenues can destroy an economy; oil indeed has retarded development in many of our countries. As Mr. Aksin has mentioned, when you have too much oil, you have too much money and you just cannot develop properly. I do agree with Mr. Chairman that development without oil may indeed be more sustainable. However, we have suffered from terrible external calamities: first, the split in the Arab World after the Camp David agreement; Second, the Iran - Iraq war which lasted for eight years; third, the Gulf War.

There factors are far more responsible for the lack of growth than the reduction in oil revenues.

I don't think that the lack of oil revenues is going to diminish the opportunities for trade between Turkey and the Arab World. Indeed, if we can have peace and proper political reforms then we can have economic development in the Arab World without depending heavily on oil revenues.

#### **Princess Wijdan Ali:**

HRH Crown Prince Al-Hassan has been calling for an Arab Common Market since the 1980's, but until now that has not materialized.

At the risk of being accused as biased towards Turkey, I would like to pose the following question, but I beg that no one would answer it: Had the sources of the Tigris and Euphrates been with Syria or Iraq, what would have been the consequences?

Thank you.

#### **Issam Chalabi:**

First, I would like to make a comment on the oil issue. I tend to agree with Dr. Fadhil Chalabi on his predictions, in the short term. Definitely, we are going to face shrinking shares of OPEC and Arab oil producers, and prices will continue to fall. But I agree with Dr. Ali Attiga as far as long term predictions are concerned.

With respect to oil revenues, I would like to take another angle. Considering military expenditure, how much money was spent on arms and military equipment? The Gulf countries and Iraq are spending a lot on that. We found out, rather late, that Iraq was spending about 50-70% of its oil revenues on arms supplies and military industrialization. I think we could do better with less or no military expenditure. That goes for everybody.

I also agree with what has been said today. What we need in the Middle East is economic reforms. Our economy is being run by politicians. We need to institutionalize society both economically and politically.

I also would like to comment on the water issue which was touched upon by the chairman, Mr. Aksin. The Turkish government's position is this: they say that there

is a lot of wastage in the use of water downstream by Syria and Iraq; there are no proper irrigation schemes and no proper agricultural methods.

There is also a lot of water that is going into the Gulf; no body is making use of it. On the Arab side, Syria and Iraq have been adamant in saying that they have a historical share in the water and that they should be getting the same amount that they have been receiving in the past decades, regardless of recent developments, requirements, etc.

Add to that certain calls and suggestions that we have been hearing, for example, the suggestion of trading oil for water that has been seriously made by some people, as far as Iraq is concerned. When it comes to Syria, some say that we should trade water for security. The subject of the "peace pipeline" was discussed by every single government in the area. Only a few days ago we heard president Souleiman Dimirel talking about the sale of water to Israel. In fact, the water issue was discussed wherever there was a crisis, but no agreement was reached. The only agreement that was signed was bilateral between Turkey and Syria in 1987 and that was made for political reasons, since Iraq was then at war with Iran. The subject should have been handled by the three countries: Iraq, Syria and Turkey. On certain occasions, and for political reasons, Syria had stopped the flow of water to Iraq. If we really think about future generations and the proper security of this region, and in order to avoid any possible serious conflict, then it is time to do something about the water problem. There is a water shortage not just in Syria and Iraq but also in Lebanon, Jordan, Israel and Palestine. In fact, some of the important political decisions were based on acquiring a larger share of water, whether between Palestine and Israel, or Israel and Syria. It seems to me that one of the sore issues would be how to distribute the water resources between Syria and Israel if they come to settle the Golan Heights problem.

I would like to touch upon a third point which I think a lot about as an Iraqi; it means a lot to me to know how the Turkish government and people view that point, due to the abnormal situation that is now prevailing. Few months ago there was an article in the "Washington Post" by Thomas Friedman. There he wrote: "Saddam Hussein: They like him the way he is". He explained his opinion as to why he thought that Egypt, Syria, Turkey and Saudi Arabia would like the regime (in Iraq) to stay in power. By the way, a few weeks ago, the Kuwaiti minister of information, by mistake, mentioned that it is better for Kuwait to have a weak regime confronted by the whole world - like that of Saddam Hussein - to stay in power.

For Turkey, the subject that I want to discuss is the Kurdish issue. In 1971, there was a promise of autonomy for the Kurds. In 1974, a full agreement was signed. On paper it was accepted; in practice, it was never fulfilled. I fully understand that there is a lot difference between the Kurdish subjects in Iraq and in Turkey. As far as Iraq is concerned, most of the Kurds are located in one area, but in Turkey, you may have more Kurds in Istanbul than the whole Kurdish population in Iraq. I am not calling for similar solutions, but I am raising this question: what is the position of Turkey vis à vis the political regime in Iraq? Would Turkey go as far as helping to keep a regime of this nature in power, because a solution will mean solving the Kurdish problem. This will affect Turkey; so, will it accept the

Kurds as a minority? Will it accredit them with cultural and other rights? Then you have to consider Iran and Syria.

We all agreed that we can develop relations economically, however, political support is required. We need to solve these issues; we cannot ignore them. Thank you.

#### **Meliha Altinisik:**

I would like to come back to the decline of oil prices. Some argue that one of the reasons for this decline is that there is a structural transformation of the world oil market; i.e. oil has become just another commodity, which means volatility and uncertainty in the oil market.

Therefore, I tend to agree with Dr. Fadhil Chalabi that the days of the 1970s are gone, and even if the oil prices increase we will not see an oil boom in such an extended period in the Middle East.

#### **Gazne Soysal:**

I just would like to clarify the water issue a little bit more. We have to do something about it. Everybody is aware of that in Turkey. They are working on this. But there is a lot to be done; it is not just a matter of 500 or 300 cubic m. sec. Although, before the dam in summer time it was down to 50 c.m./sec. Now, there is a regular flow of 500 c.m./sec. But the water issue is a regional problem and it has to be dealt with by all countries in the region. I have been reading the arguments raised by people from all around the Arab World for the past 3 months. Some of them were saying that more water will be needed by the southern neighbours due to population increase. So, now we see that there is another problem, viz, population increase. This calls for measures to control that increase: there should be population control.

Thank you.

#### **Mediha Madfai:**

Mr. Issam Chalabi mentioned something about water politics. I am afraid that water politics might be used very soon when the peace process is starting between Syria and Israel. There are limited reports in the West - some of them are confidential but I read them - about how, in the future, water is going to be used; it is going to loom large, with the big American stick over you and over Syria, to make a compromise - as far as the water sources are concerned - between the Euphrates and the Golan Heights. Are you aware of that or is it only in the higher political circle?

#### **Ambassador Suha Umar:**

I would like to make a couple of comments. In the good old Turkish, the word "Chalabi" means "gentleman". So as far as I can see there is no confrontational talk in these discussions.

It is interesting to hear accusations against the policies of my country. I think that most of these accusations are either based on biased opinions with a view to distort facts, or they are simply based on lack of information.

On two issues which were raised earlier, this was the case.

I would like to take the question which was raised just now. We are of course aware of it. We are not trying to hide our heads in the sand and pretend that this would not happen. On the other hand, we all know and we are quite confident on this point - based on our history - that no matter how big the stick is, it will take more than that stick, add to it other things, to extract or get some thing out of Turkey, if that something is very much in the hands of Turkey.

I would like to reflect on another issue which was discussed this afternoon. Whether Turkey is running into its unfortunate destiny and very soon, whether my country is going to be bankrupt and fall apart for many reasons - political, economic, etc., yet I think we should not make a mistake; mismanagement is one thing but potential is something else. Turkey has a great potential, and that big project (SAP) was financed by Turkey itself. So, while we are assessing each other we have to try to be realistic.

From this point I would like to jump to another conclusion: Our time is not for bickering; that will not help anyone. It is not useful or fruitful, and this goes for any subject, including water. It is the time for cooperation and trying to be reasonable. There was a reference to a ministerial committee that should meet periodically to discuss this issue. It is also true, as was mentioned, that this committee was not able to meet from time to time, even for years. But this committee was established upon our suggestion, so that the three countries could get together and try to find out the very basic elements on the issue of water so that future decisions could be made, which should be very accurate in order to avoid any mistakes.

We don't believe that arguing endlessly - whether one country has historical rights or another country is entitled to do everything just because it lies where the water originates - would help. We suggested that we should get together and find out how much arable land we have - productive land. Only this approach will help.

When it comes to the famous "peace pipeline" project, I believe that it is very legitimate, very clever, and very much to the benefit of every body in the region. We are selling water to Israel now - a great amount of water - and this water comes from a river which has nothing to do with Middle Eastern countries. We are willing to provide this water to Israel for two reasons:

- 1- Israel needs water, and that might help the peace process which will be beneficial to everybody in the region, not only to Israel or Jordan
- 2- Water can have some economic benefits.

Now, who could argue that this way of thinking is against international norms, practice, or even international ethics?

The "peace pipeline" project, which was put forward by the late president Turgut Ozal, is a beneficial project not only to Syria and Iraq, but also to other countries in the region.

The Kurdish issue should not be viewed as something that would make Turkey fall apart or as an issue on which Turkey is doing very badly and, therefore should do this or that in favour of Kurds, or give them the minority status. We should also find out how and when it comes up, it is very much on the agenda. The Kurdish is-

sue had been brought up many times in the past: in 1925, 1933, 1938, 1970-1975, and since the 1980s. On all those occasions it was stirred up largely due to foreign influence. So I believe there is more in the Kurdish issue than cultural or minority rights. The Kurds are used as a tool by many countries in order to promote their own economic and political positions or points of view.

As to whether Turkey is willing to keep Saddam Hussein's regime in Iraq? This is a very tricky question. No one can claim that Turkey is very happy about what is happening in Iraq. First of all, Turkey is losing money, more than \$20 billion since the Gulf War. But this does not mean that we would prefer a partitioned Iraq, with all its consequences, for the region and for Turkey, just because we don't like Saddam and his regime. But how to get rid of this regime and of Saddam? I am not sure that even the most able countries have any clear cut idea about this.

Thank you very much.

#### **Mustafa Aksin:**

Thank you Ambassador Umar for this clarification. I think we have to make sure we understand what's going on in this room: We are exchanging views, we have a dialogue and we speak openly and frankly. This is not on the record. We don't make official pronouncements. We are speaking our minds. We shouldn't regard what is said as an accusation or confrontation.

#### **Ghassan Al-Zain:**

I have a comment here. We don't have in this discussion any self-critic whether on the Arab or Turkish side. We are not government representatives. In any seminar we speak as individuals only. Now, the water issue is a very critical one and needs an adequate solution.

#### **Mustafa Aksin:**

Yes, of course. By the way, I would like to say in connection with the water that's going to be put on sale at the "Nokat" river this water is available to any one who wants to buy it. It is like a gas station. It will be available to any buyer without discrimination. I mean we don't have a love affair with Israel, or any body else.

#### **Ali Attiga:**

I just wanted to say that water can be a subject for cooperation instead of confrontation. It depends really on how we want to use it. In times of political hostilities, water is a subject of confrontation, and the West has overplayed this idea of future water wars, because they sometimes forget their own history and how much they fought when their political regimes were dictatorial. But when they started to be accountable to their own people, then any subject became eligible for cooperation.

In fact, the water inequality between Turkey and the Arab countries could be an advantage, an occasion for cooperation and interdependence. Also, the inequality of oil resources between the Arab countries and Turkey could be another advantage for interdependence. So let us look at water in the view of the hope for peace; in-

deed between Turkey and the Arab World there are no wars - thank God - and historically we have been far more together than we have been apart. Let us look at water as an opportunity to cooperate not to start a conflict. The challenge is to put our minds to it as individuals, as you have said, that's one advantage of this forum. I hope we would repeat these meetings. One of the reasons for misunderstanding is that we have not really seen each other very much. We have been reading about each other in the Western press. We do not have sufficient contacts directly.

Another point is that we need Turkey to produce more food, please utilize your ability to become more efficient in agriculture not just in industry; your advantage as a food exporter is enormous. Your ability to produce food is a great asset to you and to the region.

Water trade is a good thing because it is a subject of cooperation. Indeed if moving water by tankers becomes feasible this could be one extra source. This doesn't mean that we should put desalination out. I tend to think that desalination is going to be cheaper as we go along because of technology, because of a possible breakthrough in solar energy. In fact, we have not been using water efficiently, it is necessary to use modern techniques to conserve water.

Having lived in Kuwait I noticed that a lot of fresh water was wasted by going into the Gulf. I hope we can have water and energy as a focal point for cooperation.

**Mustafa Aksin:**

Right now we have an unhappy linkage with our Syrian neighbour on security, PKK and water. We think that this linkage is dangerous and should be avoided.

**Ali Attiga:**

Mr. Chairman, I did not mean conditional linkages; I meant a kind of inter-dependence linkage.

**Mustafa Aksin:**

Yes, of course. Now, if you would allow me I will adjourn this meeting, since we are already 10 minutes late. But we shall close as soon as we have heard Dr. Fadhil Chalabi make his last remarks.

**Fadhil Chalabi:**

Mr. Chairman, I would like to make one general remark. For me, seminars are not an occasion to exchange courtesies and compliments. Seminars are to exchange facts and figures; whether they are confrontational or not is irrelevant. For me, knowledge is what we seek.

Dr. Attiga raises a number of questions, on which we can argue for two or three days, without agreement.

One thing, Dr. Ali, in the coming 15 or 20 years the capacities of oil production in the world and mainly in OPEC and not in Central Asia, are going to create a permanent state of oversupply. Today, without Iraq, OPEC has 3 million barrels a day added capacity - 2 million coming from Saudi Arabia. According to their plans, by the year 2005 they will be adding 10 million barrels a day capacity. Iraq alone, if

all sanctions against it are lifted, can easily double its production capacity by the year 2005, to more than 6 1/2 million barrels a day. This is not Central Asia which is causing the oversupply. On the other hand, demand is weak and the industrialized countries are subsidizing coal - that's a fact of life; we cannot tell them or press them not to do so.

Actually the level of OECD demand today is less than it was in 1979. This is going to continue. You yourself have just said that there may be a breakthrough in solar energy. So let us be realistic.

We have to see things as they are, not as we want them to be. These are the facts. There is an oversupply everywhere and this is the result - just the result - of the uneconomic and irrational policies of OPEC shooting prices to \$30 - \$40 a barrel and gaining money for governments to spend on wars and on military hardware.

If a political crisis erupts, there will be a shortage; first of all this is temporary. It is enough to remember what happened during the invasion of Kuwait: Overnight 4 1/2 million barrels a day disappeared in the market, and it took Saudi Arabia 3 weeks only to make up for the difference, and prices went down from \$40 to \$16 in one month. After all, the disruption of supply caused by political crises is a disaster for producers because this is going to make consumers less and less trustful of the Arab oil on which they depend.

One word about the Kurdish problem. As an Iraqi I have to say, whether we like it or not, the Kurdish problem is there. What Saddam did, we ended with a defacto Kurdish entity. The "Provide Comfort" and the "Safe Haven" arrangements, even the negotiations of the Turkish government with Barazani and Talabani is a defacto recognition of something called "the Kurdish entity". Tomorrow, any regime in Iraq, whether it is Saddam's or not, cannot escape this fact. So, what will happen in Iraq will inevitably happen in the area. Hence, the best thing is to recognize this fact of life and to find democratic solutions rather than create tensions in which no body can really prosper. Thank you.

**Mustafa Aksin:**

Thank you very much. That was the last word. Thank you very much for your attention.

### **Third Session Regional Security**

**Gazne Soysal (Chairman):**

We have two papers in this session. I give the floor to Dr. Hassan Abu Taleb to present his paper.

**Hassan Abu Taleb:**

Thank you Mr. Chairman. The title of my paper is "Regional Security in the Middle East".

### **Regional Security in the Middle East**

#### **Introduction**

There are three levels of security: a national level which is affixed to a specific state, a regional level which is attached to a concrete region composed of several states, and an international one which belongs to the world community as a whole. In every level there are theoretical problems and practical approaches suitable to the phenomenon under study. In spite of the distinction between these three levels on the theoretical level, there is a high degree of mutual charging and interlacement on the practical one. It sounds clearly in the greater circle: the international security which represents the overall environment, and in which the security policies are conducted both on the local and regional levels. Moreover, the state of security in the different regions which constitute the world system affects positively or negatively the state of international security. It depends on the importance of the region for the superpower's strategies, the volume of tension in the region, the number of participants involved in the conflict, the volume of external implication in the conflict and whether its attitude is for escalating or containing that conflict. From the theoretical point of view, the external involvement in any regional conflict is deeply associated with the issue of that conflict.

Likewise, the state of the region represents the direct environment in which partners (who live in that region) determine the meaning of their local / national security, and their sources of threats. On the basis of the political realistic approach, the security of the nation state is related to its policies aiming to maintain the survival of the nation, to protect its territorial integrity, to safeguard its economic sources, to deal with the traditional national security threats that emanate from geography as well as history of the nation state. Power politics and the balance of power are the traditional means to achieve these objectives.

Regional security is an intermediate concept which tackles security interactions among states in a specific regional area. It is intermediate because of its standing in the middle between security on the international or global level on one hand, and individual security of states on the other. The great difficulty in studying regions, however, has been in identifying their boundaries. This difficulty arises from the fact that outside powers play a role in defining what constitutes a region. Each region, in addition, is in itself tenuous and dynamic. The Middle East is not an exception. It is well known that studies on the Middle East region have faced this problem of ter-

ritorial identification and failed to reach an agreement on what countries constitute it.

The overlapping between these three levels of security make the issue of regional security a vital one for both the members of the region itself, the superpowers, and the whole international community. The major question is: How can we study regional security in the Middle East nowadays?

#### **A New Security Environment in the Middle East**

It is a fact that the Middle East has been always characterized by a strong mode of conflict among races, religions, and ideologies. State boundaries, resources, values, uneven economic development, communal and ethnic tensions, all have contributed to form threats to the region's stability. In addition to local stresses and deformations arising from the regional level, conflicts in the Middle East have reflected pressures coming from the international system. The impact of the international system on the security of the Middle East was always real. The more there were tensions or relaxations of tensions in the international system, the more this was reflected on the regional sub-systemic level. Next to Europe, the Middle East has been the major area for potential superpowers confrontations.

In the last five years a new Middle East became a reality, both in political and military terms. There are two main reasons behind this change. The first reason is the collapse of the Soviet Union, followed by the end of the Cold War. This development affects deeply the security equation in the Middle East. The story of the Soviet collapse is not of concern here. What is important is the ramification of this collapse on the Arab - Israeli conflict. The end of the Cold War has changed the attitudes of the Arabs and Israeli alike. For the Syrians and PLO, they lost an important diplomatic, political and military ally. Loosing a constant and reliable arms supplier narrowed their options to look only for help from the U.S. in order to launch a peace initiative. For Israel, although the collapse of the USSR has made a formidable foe disappear, and the flow of Jewish immigrants puts pressures on the Israeli economy which could not be dealt with without American and Western help. This, in turn, could not be guaranteed without an involvement in serious Arab - Israeli negotiations. For the U.S., the end of the Cold War meant an American de facto monopoly over the Arab - Israeli peace process; a policy the U.S. has tried to accomplish since the mid 1970s.

Further, the end of the Cold War has affected the pattern of arms transfers to the Middle East as a result of the dissolution of the Warsaw Pact, and the disintegration of the Soviet Union. The Middle East was seen by NATO countries as the likely area to receive the surplus military material resulting from conventional force reduction in Europe.

The second reason is the sudden break of the Gulf crisis on August 2, 1990, which has shown the fragile stability of the Middle East. Certainly, the Desert Storm became a turning point in the history of the Middle East. It affected deeply the security policies of the states in the region, and of the superpower too. Military planners are now considering a large array of weapon systems that they would not have taken seriously in the past, or regarded as important. The second Gulf War led to another spiral for high technology weapons in the Gulf states to balance not only Iran but also Iraq in the future.



Most of the Arab Gulf states consider Iran as a potential adversary. After the destruction of the military capabilities of Iraq, a new balance of power has emerged in the Gulf area. There is a large imbalance between the wealth of GCC states and Iraq individually and collectively and the small number of their population on one hand, and Iran on the other. The GCC countries and Iraq have a total population of 34.6 million compared with the 54 million for Iran; and while the GCC states are surplus money countries, Iran has \$30 billion foreign debt. Furthermore, the ethnic and religious composition of the population on the two sides of the Gulf is quite diversified. While Iran, a Persian Shi'a dominant country, has considerable Arab Shi'a and Sunni minorities, the other seven Arab countries have Shi'a and Iranian minorities, with the Shi'a as the largest ethnic group in Iraq and Bahrain. The most important factor is that the Islamic revolutionary ideals of Iran are a radical threat to the status quo of the Gulf states. In the name of revolutionary Islam, Iran casts doubt on the legitimacy of the Arab states on the other side of the Gulf.

The two reasons mentioned before have left the Middle East states searching for a new vision of security and peace. Consequently, the peace process has started in a comprehensive manner. It is a fact that the peace process has actually begun in 1979, when Egypt and Israel signed the first bilateral peace treaty. However, the peace process became a comprehensive one since the Madrid summit of 1991. From that date on, the realities in the Middle East changed a lot; new challenges have appeared, new hopes have been raised, a new agenda has been set up, and new approaches have been adopted.

Before the beginning of the peace process, the Arab - Israeli conflict was the major conflict in the Middle East for the past four decades. Over the years, the conflict which was about the partition of Palestine was protracted to a host of increasingly complicated issues such as the occupied Arab territories since June 1967, arms race, water supplies, refugees, economic boycott, etc.

### Arms Race Control

The trend that seems to emerge from these new developments in the Middle Eastern states has two folds. In one direction, a massive build-up of military capabilities by the major parties to the Arab - Israeli conflict to absorb the lessons of the Gulf War on one hand, and benefit from the end of the Cold War on the other, has taken place. In the opposite direction, a serious attempt has been launched to settle the long lasting Arab-Israeli conflict. This settlement could not be achieved without consideration of the deadly race in the area. The multilateral negotiations on the Arab - Israeli peace have marked arms control as one of five important issues that are pertinent to the peace process: arms control, water, refugees, economic development and environment. The recognition of the arms race as one of the major destabilizing factors in the protracted Middle East crisis is a step forward.

In the last four decades the arms transfer policy of major powers was an important instrument to intervene directly or indirectly in regional conflicts and build alliances that serve their interests on both regional and international levels. Results of these policies in the 1980s led to unprecedented proliferation of weapons of mass destruction and long range surface - to - surface missiles in the Middle East.

It is now clear that the current situation caused by the end of the Cold War fol-

lowed by the CFE (Conventional Forces in Europe) treaty and the political consequences of the Gulf War will lead to increasing competition between arms suppliers to the Middle East region. However, it has to be mentioned here that there are only a few countries which dominate the arms market in the Middle East. The five permanent members of the U.N. Security Council - U.S.A, Russia and the ex-USSR republics, France, U.K. and China - account for 86% of the weapons sold to the Middle East. They are the only ones capable of selling major weapon systems and sustaining their supplies for an extended period of time.

However, arms control is a very difficult task. The security environment of the states in the Middle East is different in many aspects. Different countries adopt varied defense doctrines. The comparability of weapons is an awesome venture as all arms control attempts testify. More important of all, The Arab - Israeli arms race is highly connected with other arms races in the Middle East, particularly the one in the Gulf region and the one related to inter - Arab rivalries. Any Arab - Israeli arms race control arrangement is very difficult without Iran's participation.

After the start of the Madrid process, the committee on Arms Control and Regional Security held several meetings. Discussions in this committee witnessed two main problems raised by the differences between Arabs and Israelis. The first problem is one of preference, a choice between political and security approaches to the peace process. The Arab position affirmed the necessity of a strong linkage between progress in bilateral tracks and multilateral negotiations in a way that leads to a balanced progress in both tracks at the same time. This linkage depended on the idea that peace would never prevail in the area without solving the problems of security and arms control between Arabs and Israel, especially in the field of nuclear weapons. On the other side, the Israelis insisted on the importance of having security and arms control arrangements come at a later stage, after an agreement on a comprehensive settlement of all issues between the two sides, or even after a guarantee that this settlement will be final.

The second problem deals with priorities in the agenda of arms control talks. The Arabs insisted from the beginning on discussing the different arms issues between them and Israel, especially the Israeli nuclear arms. This position depends on the idea that maintaining such an arsenal is unjustifiable in countries that are preparing for peaceful relations, whereas the Israelis called only for small steps such as confidence building measures between themselves and the Arabs.

These two main problems led to the freezing of the main topics supposed to be discussed. At any rate, after seven rounds of discussion in this committee, the different positions of Arabs and Israelis began to move, albeit uncertainly, towards new grounds. This happened when Israel started to accept the idea of opening its military arsenal to inspection and negotiations, but not before peace between the Arabs and Israelis. At the same time, the Arabs began to pay more attention to issues of confidence building on the regional level. In that framework many ideas were discussed in relation to confidence building, such as the establishment of centers for conflict prevention, nets for regional communication, information banks for issues related to regional control, and regional security centers. An agreement was reached to establish a number of these centers outside the region on a temporary basis, and then move to the area after a peace settlement, but until now, work has



not begun in an effective manner.

The actual harvest of the negotiations on arms control is still very limited. The parties involved did not succeed in reaching decisive solutions to the problems of organization and arrangement related to the negotiations. One can say that transparency is an important element in for negotiations on conventional weapons. Both sides should provide information about weapons not only the existing inventory of weapons under their disposal but also about weapons under development. A moratorium on the acquisition and development of high technology weapons should be implemented during the negotiation process. Another alternative is to make the moratorium on the deployment of these weapons.

In the case of the Middle East, it will be more suitable for all nations (Israel, Arabs, Iran and Turkey) to join the arms reduction process. But this form seems to be unrealistic in the first stage. This is due to several reasons:

- 1- The main conflict underpinning the peace process is the Arab-Israeli conflict. There is an implicit agreement between the parties involved on the necessity of arms control, even if the points of view are different. But the situation differs completely in the case of Iran and Turkey, because these two countries are not an effective factor in the regional balance, or inside the Arab-Israeli circle in particular.
- 2- Rearmament in Iran and Turkey seems to be controlled by different factors. Iran was never a threat to Israel, even at the climax of the Iranian Revolution. Turkish rearmament seems controlled by the balance in Europe and Central Asia. In general one may say that the two countries come within the sphere of different security circles.
- 3- Iran and Turkey have not expressed frankly their desire to join the arms control process in the Middle East.

### Israeli Nuclear Power

In this new security environment, the Israeli nuclear power is a major threat to regional stability, and is inconvenient to the peace process itself. The Arab countries perceive the Israeli nuclear capability not as a deterrent, but as a compelling force. They consider it a destabilizing factor in the Middle East and a call to continue the arms race in making weapons of mass destruction. In this context, Egypt has its own policy. It pursued through different international forums the idea calling for establishing a Nuclear Weapon Free Zone in the Middle East. During the Paris Conference on Chemical Weapons in January 1989, Egypt supported the multilateral efforts to impose a total ban on Chemical Weapons (CWs), and asked that the chemical weapons convention should include effective security guarantees for its members, not only against the use or the threat of use of CWs, but also against the use or threat of use of any weapon of mass destruction. Countries which possess nuclear weapons refused this link. The Egyptian position was based on a plan proposed by President Mubarak which called for making the Middle East free from all weapons of mass destruction.

It is commonly accepted that Israel has a sizable nuclear weapons arsenal, speculated to be anywhere from 50 to 300 bombs. From the Arab point of view, there

are five options to meet the threats raised by the Israeli nuclear arsenal:

- a- The acceptance of the status quo and of Israeli nuclear superiority. This option is unacceptable.
- b- The attempt to find some sort of nuclear protection by obtaining international guarantees from the five major powers.
- c- The acquisition of conventional and modified conventional weapons. The term "conventional and modified conventional" is applied to a number of weapons of high destructive capabilities: surface to surface missiles and chemical and biological weapons, as well as to bombs with extensive capacity for devastation.
- d- developing military nuclear capabilities.
- e- The creation of a region free from weapons of mass destruction.

The fifth option seems to be the realistic one. This must be implemented according to a schedule consonant with steps currently being taken towards peace in the region. Israel must also signal its good intentions towards ameliorating its nuclear position by signing the Non-Proliferation Treaty. Israel's inflexibility on this issue might bring about an unavoidable escalation in the arms race.

### Local Sources of Dispute

The end of international polarity turned the attention to the local sources of dispute, such as border demarcation, the distribution of water resources, Islamic fundamentalism, and violence and terrorist activities. This new kind of dispute affects the future of the region's stability. During the last few years many neighbor states, like Egypt and Sudan, Saudi Arabia and Yemen, Saudi Arabia and Qatar, and later Yemen and Iriteria, faced border disputes. Some of these disputes have been solved by political means, while others are still hot issues.

Economic development has barely kept with population growth. The movement toward democratization and toward free-market economy is slow or invisible. Social ills are growing, modernization generates a variety of tensions, and governments are not seen as responding effectively. Leftist extremism is being replaced by religious extremism, often nourished from outside. The socio-economic factors like unemployment, inflation and corruption are seen to be influential in intensifying religious feelings and tendencies toward extremism. Militant Islamic activism is to be added to the on-going sources of armed civil strife in a score of Arab-Middle Eastern countries. Thus, the greatest threats to the security of the states in the region are likely to be internal. The manipulation or spill-over effects of each internal armed conflict could, of course, lead to inter-state conflicts as well.

Despite the apparent ethnic homogeneity on the pan-Arab level, we observe marked ethnic heterogeneities in several countries - e.g. Sudan, Lebanon, Iraq, Syria, Algeria, Morocco, Mauritania, Bahrain, and Yemen. In these nine countries, as many as 35% of the population differ from the Arab Muslim Sunni Caucasian majority in one or more of the four ethnic variables (of language, religion, sect, or race). It is noted that nearly all nine countries are located at the outer rim of the Arab World, often intersecting a cultural borderland of non-Arab peoples. In all nine countries, there has been some overt form of ethnic tension. In four of them - Sudan, Iraq, Lebanon, and Yemen-such tensions have flared up in recent decades into an armed protracted conflict. The unity and territorial integrity of each one of

those states have been seriously threatened.

Along with these internal threats to stability and progress, old bilateral quarrels across boundaries and about boundaries have become more prominent. When these quarrels, sometimes going far back into history, acquire a quasi-religious or anti-secular character, they can potentially develop into threats to the stability or existence of particular regimes.

Due to the fact that the major Arab countries are totally dependent on external resources of water, the Arab World has become security sensitive to the moves and alliances of its neighbors, particularly Turkey and Ethiopia. Both Iraq and Syria are dependent on the first and Egypt and Sudan are dependent on the second for their water life lines. The case of unjust distribution of water resources in the Israeli occupied Arab territories in the West Bank and the Golan heights is often mentioned as an example for more to come. In fact, Israel does not hide its intentions of keeping Arab territories under its control for that reason.

#### **For the Future**

Security policies should not be founded on the basis of deterring aggressions only, but also on the grounds of keeping stability, peace, and encouraging cooperation in different fields. The level of transition actually taking place in the Middle East does not require a new security regional institution. Rather, it needs the limitation of power politics, establishing a new balance of power, more control of armament activities, and serious steps for freeing the region from weapons of mass destruction. Cementing regional security is not only a military affair, but also an affair of regional cooperation in the economic, political, cultural, and social fields.

#### **Gazne Soysal:**

Thank you Dr. Abu Taleb. You have highlighted the most serious problems in our region. You have touched upon a very important subject which is the centre for conflict prevention. You have given us interesting data on the nuclear arsenal in the region. Now, Mr. Erguvenç is going to comment on this paper.

#### **Sadi Erguvenç:**

Having read Dr. Abu Taleb's paper last night, I tried to test his theory of 3 levels of security with the realities of the Middle East to see how interactive they are. Dr. Abu Taleb proved to be right. May I compliment him for his approach.

Oil is the primary global geopolitical aspect of the Middle East, and as long as industrialised countries remain dependent on Middle Eastern oil, the Middle East will maintain a crucial importance in global security calculations. This being the case, the peace and stability of the region will not be left to chance by prominent world powers.

Presently, it is no secret to anyone that the US has become the most dominant power in the Middle East with its overwhelming prestige, influence and credibility. The access to oil looks firmly secured, and the oil producing countries are apparently satisfied with the circumstances. The military challenge to maintain the current status against likely contenders is quite manageable, now that both Iran and Iraq are highly incapacitated. Meanwhile, in an effort to build up the sub-regional

defences, petro dollars are turned over by arms purchases.

While the conditions have lessened global security concerns over the Middle East there are ample reasons to keep the world powers concerned about this region.

On the regional level, the Arab-Israeli conflict, which represented a common cause for all the Arab countries, has been the dominant issue of the Middle East and it still remains so because the peace process had not been so much the result of a conscientious change of the state of mind of the conflicting parties as it is the political fall out of the Gulf War and the termination of the Cold War. In other words, it is a pragmatic and rational deliberation rather than a wholehearted acceptance of the other. Therefore, it will be a long and arduous process, as it has already proven to be so.

Apart from the territorial settlements, the peace process has highlighted a series of issues which had to be dealt with for a successful conclusion. These issues are now confronting us as regional security challenges, such as arms control, water, and elimination of WMD (weapons of mass destruction). Working groups that are supporting the peace process are attacking these challenges. At this point, I would disagree with Dr. Abu Taleb's remark on Turkey's lack of interest in arms control. From Turkey's point of view, it is essential that a comprehensive arms control follows the peace settlement if it is to pay any meaningful and tangible peace dividend to Turkey.

To be able to meet these challenges the overriding requirement seems to be a change in the state of mind of the regional countries. The "zero sum game" must be ended. Certainly, it will take time. But, hopefully, the peace process will have inaugurated the shaping of a new Middle East. It can be said that already the danger of a major war is probably lower than at any time in modern memory.

Although weapons modernisation programs continue and the countries still maintain large armed forces, they do not appear as menacing as they did before. The race for conventional military superiority in the Middle East seems to have come to an end if we are to believe the figures of SIPRI (the Swedish Institution which deals with weapons procurement and military balance in the world) which show a continuous decline in arms procurement for the last decade. Perhaps, being aware of more sinister dangers and challenges might help to expedite the peace process, such as economic underdevelopment, low level of political participation, high potential for violence, alarming demographic developments, and younger and more radical societies that regularly dispute their political leaders' competence and legitimacy.

There is absolutely no alternative to regional cooperation to meet these challenges.

A concept is needed to turn former enemies and sceptics into partners. A set of agreed principles, similar to those developed through the Helsinki process, could be the right starting point; such as inviolability of the borders and institutionalised regional preventive diplomacy. Equally important would be economic cooperation. However, as I understand, prospects in this field are rather limited. Obviously, the commodities that can be exchanged are not many. Failing to achieve cooperation

would marginalise the Middle East in the global village and make the region more dangerous with respect to the national security of the individual Middle East countries.

Indeed Turkey's national security concerns in the Middle East are more pressing than regional concerns. These concerns generate from the state in which Iraq has fallen and from Syria's support to PKK, to which the water issue is indexed.

How can Turkey find the state of Iraq agreeable while it has a dimension to threaten Turkey's vital interests? The "safe haven" created in its north is definitely contradictory to Turkey's established policy objective for Iraq, i.e. to maintain its territorial integrity. The situation also complicates Turkey's struggle against the PKK.

How can Turkey initiate a water settlement, under pressure, while Syria aims to undermine Turkey's territorial and national integrity through its support of terrorism?

This situation inevitably constrains the role that Turkey can play in the Middle East, a role which is yet to be defined both by Turkey and the Middle East countries.

#### **Gazne Soysal:**

Thank you very much. This was a comprehensive comment. Now, Dr. Ersin Kalaycioglu is requested to present his paper.

#### **Ersin Kalaycioglu:**

Thank you Mr. Chairman. The title of my paper is "Turkish foreign policy vis-a-vis regional security and cooperation in the Middle East".

### **Turkish Foreign Policy vis-a-vis Regional Security and Cooperation in the Middle East**

#### **Introduction**

The overall orientation of Turkish foreign policy and Turkey's relations with her neighbors are based on some tenets that seem to have shown remarkable stability over time. The fundamentals of Turkish foreign policy are closely related to the legitimating principle of War of National Independence of 1919 - 1922 which also continued to function as the basic premise upon which the Turkish Republic has based her very foundations. This basic principle arises from the assertion that there is national homeland for Turks the boundaries of which are certain, non-negotiable, and immutable. The National Pact of 1919, which incidentally was one of the last acts of Ottoman Parliament, drew an image of a Turkish homeland based upon population statistics of the time, as well as the post World War I realities. Those territories where Turkish speaking Sunni-Hanefi Muslims had been living in large numbers in 1919 were considered as belonging to the Turkish Homeland. They coincided with the Anatolian peninsulas and East of the Martiza river in Thrace. The territory of the Turkish state that was established by the Treaty of Lausanne to a great extent, coincided with the stipulations of the National Pact of 1919. They have been accepted as the definition of National Homeland of Turks. Hence, from 1923 onwards it is the welfare of the population of Eastern Thrace and Anatolia that is the prime concern of the Turkish governments. Therefore, the overall orientation of the Turkish state has been to institutionalize relations with neighbors, allies and adversaries on the premise that the Turkish state has the legal and legitimate right to national self-determination on her territory as coined in the Treaty of Lausanne and other related treaties. Consequently, Turkey is inclined to follow a foreign policy that would uphold the status quo with her neighbors, allies, and adversaries.

The effects of such a foreign policy on relations with neighbors of Turkey have varied by the changes in the international system i.e. the onslaught of Fascism in the Mediterranean in the 1920s and 1930s, World War II, the unfolding of the Cold War, the decolonization process of the 1945 - 1989 era, and the "new world order" of the 1990s. It was also influenced by the performance of the domestic political and economic systems of Turkey and her neighbors. Finally, the threat perceptions of the political elite of Turkey and neighboring states have deeply influenced the style, if not the substance of foreign policy of Turkey toward her neighbors and neighboring regions. What differentiates Turkey from a country such as Jordan, Lebanon, or Syria is also that she is located at such a junction that makes Turkey

highly vulnerable to the developments in the three most volatile regions of the world, namely the Balkans, the Caucasus, and the Middle East. Instilling respect in the status quo in the minds of the neighboring political elites, while managing political, economic, and ecological changes have made the task of making foreign policy something daunting for the Turkish political elite. At times such as the 1990s when the world goes through rapid change, this task has become exceedingly strenuous to perform.

The focus of this paper is the orientation of Turkish foreign policy in the post Cold War era of the 1990s towards the Middle East. Post Cold War Middle East has brought about new opportunities and challenges for the Turkish foreign policy. The Middle East Peace Process, as well as the Gulf War have contributed to the volatility of relations between the Arab countries of the Middle East and Turkey. The threat perception of the Cold War withered away, just as new concerns for the Turkish foreign policy makers emerged. The Middle East of the 1990s presents a new game of international politics, which has confronted Turkey with new security concerns. It is these concerns and their impact on Turkish foreign policy that I would like to analyze in this paper.

### **Turkish Foreign Policy and the Arab World**

Turkey and the Arab states do not only share the same region, religion, and some common borders, but they also have a relatively lengthy history of cultural, economic, and political relations. This is neither the place, nor do we have the time to go into any detail of those relations. However, it is a matter of fact that the ideas and ideals of nationalism have deeply influenced and thwarted Turkish-Arab relations since World War I. The rising tide of Arab nationalism in the south, and a concomitant rise in the nationalist feelings among the Turks in the northern parts of the Ottoman Empire in the beginning of the twentieth century reached a climax during World War I. The Arabs developed their own state system under the vigil of the French and the British, and the Turkish nationalists built their own state on the ruins of the Ottoman Empire. It was the French and the British imperialisms that the Turkish Republic faced over her southern borders between 1923 and 1945. Upon the collapse of the French and the British imperial systems in the aftermath of World War II, Turkey and her Arab neighbors, namely Syria and Iraq started to have unmediated Turco-Arab relations. However, these relations were also established in the Cold War context of the 1950s.

The deteriorating relations between Turkey and the Soviet Union engendered Turkey to seek closer links with the United States and Western Europe. In the 1950s Turkey became a member of NATO and the European Council. Her foreign policy was adapted to fit the overall goals of NATO and her Western allies. Meanwhile, Syria, Iraq and other Arab states became involved in their independence movements from the French and British imperial yoke. NATO portrayed an image of the "Evil Colonizers" in the minds of the nationalist elites of the Arab countries. In due time this became a popular feeling with the emerging and deepening conflict with Israel, as the United States and her Western allies came to the aid of Israel in her confrontations with the Arab World. Most Arab countries, eventually moved closer to the other pole of the Bipolar Cold War System. A confrontation by

affiliation emerged by default between Turkey and her Arab neighbors.

In the meantime, Turkey had been deeply involved in a comprehensive secularization and westernization drive since the mid - 1920s. She had always looked up to western Europe and hoped to compete, overcome, and even integrate herself with western Europe. For the Turkish elite "Western Europe" stood for "modernity and democracy," and all connections with the imperialist British invading the Ottoman Empire and all other related memories of the War of Independence had faded by the 1950s. Turkish political orientation was towards western Europe, with total neglect of her neighbors. Therefore, two completely different and contrasting images of "Western Europe" had grown in Turkey and the Arab states in the 1950s. What Arabs considered as a colonizing, exploiting, and invading force, Turks considered as modernizing and democratic model. Similarly, what Turkey considered as a great threat, the Soviet Union, was perceived as a great source of economic and military assistance, or even a political "savior" from the hands of the colonizing Western menace or their Israeli crony, by the Arab World. The very substance and trajectory of nationalist politics of Turkey and the Arab countries were deeply influenced by the developments of the Cold War to create two very different and incompatible orientations for Turkey and the Arab World toward the Super Powers of the Cold War era.

Until the mid - 1960s Turkey's relation with the Middle East was one of disinterest, neglect, and disregard. Similarly, the Arab World considered Turkey as part of a western imperialist alliance, and declined to attach her any independent importance. The effervescent events of the 1960s brought about sudden and important changes in Turkish foreign policy toward the Middle East. The Cuban Missile Crisis, and the letter of the U.S. President Johnson to Prime Minister Ismet Inonu during the Cyprus Crisis of 1964, and the issues that developed through the increasing numbers of the Turkish guest workers in western Europe delivered a huge blow to the Turkish images of the credibility of the U.S. and Western Europe or NATO for Turkey's defense. Turkish foreign policy makers realized that close relations with NATO members to the detriment of all other states in the world result in the isolation of Turkey, and render her vulnerable to pressure from her NATO allies. From mid-1960s onwards Turkey decided to reconsider her role in the world, and develop multifarious relations with as many states as possible throughout the Middle East, East Europe, Africa, Asia and Oceania, and eventually the Americas.

Similarly, Turkey started to revise her policy toward Israel and the Arab states vis-à-vis the Palestinian question. Turkey began to develop closer relations with the Palestine Liberation Organization (PLO) and the Arab states of the Middle East. In the post - 1960 era, Turkey tried to follow a policy of prudential balance in the Palestinian / Arab - Israeli conflict. She tried to balance her relations with Israel and the Arab states. Turkey permitted the PLO to have its representative in Ankara, her capital. Meanwhile, Turkey scaled down her representation in Tel Aviv. Eventually, a General Consulate of Turkey was established in East Jerusalem, which is now accredited with the Palestinian National Authority.

Meanwhile, Turkey began to approach the Arab states of the Middle East. She started to develop bilateral economic relations and political contacts with each

Arab state by the late 1960s. Following the 1973 Oil Crisis, the 1974 Cyprus Crisis and the ensuing U.S. arms embargo of 1975, Turkish businessmen were encouraged to establish stronger contacts in the Middle East. The oil rich Arab states, most specifically Libya, Iraq, Saudi Arabia, and the Gulf Emirates emerged as the new markets for the newly emerging Turkish companies. Various construction firms began to have ventures that paid off lavishly. When the Iran-Iraq war erupted in 1980, Turkey began to function as the main route to Europe between Iran and Iraq. Transportation, and especially trucking emerged as a major form of activity that mushroomed in Turkey from trade with both warring parties. Turkey still boasts of possessing the largest fleet of trucks in Europe. Concomitant liberalization of the economy in the 1980s helped the Turkish firms to further develop joint ventures with European, Japanese, and Arab capital in the Middle East.

Turkish Prime Ministers and the Heads of State, as well as their Arab counterparts started to frequent each others capitals with large entourages of businessmen in the 1980s. Their awareness of each other improved. Their political and economic elites started to interact with each other more regularly. Although neither party of the relationship changed its foreign policy goals with respect to the other, each began to have more realistic reciprocal images of their economies, politics, and societies. Meanwhile, bilateral economic and political relationships intensified. In the 1980s, Iraq and Iran became main trade partners of Turkey, next only to Germany. However, the Gulf War brought about an abrupt end to this development. In the meantime, economic relations of Turkey started to shift toward the newly emerging markets of the Commonwealth of Independent States (CIS), the establishment of which coincided with the end of the Gulf War. Nevertheless, Turkish foreign policy still encourages bilateral politico-economic relations with Arab countries.

The changing approach of Turkey toward the Middle East necessitated that she took some precautions in her relations with the Arab countries. Turkish foreign policy encourages Turkish diplomats, foreign policy makers, and businessmen *not to be involved in domestic politics* of the countries that they work with in the Middle East. Turkey does not regularly try to influence domestic developments in Arab countries. She steers away from domestic power struggles within any Arab country. Likewise, close political ties with the Arab political elites often create criticisms in Turkey. Those who do business with any Arab country are expected to import petrodollars to Turkey in return for their economic activities, without the attachment of any political and/or ideological strings.

Similarly, Turkish foreign policy stipulates a course of action that *avoids involvement in intra-Arab politics*. Turkey tries to keep equally peaceful, stable, and fraternal relations with every Arab country. Therefore, issues, problems, conflicts etc. that arise among the Arab countries are systematically avoided by Turkey. The wars in Yemen, and Lebanon, the relations between the Palestinian refugees and their host Arab countries, the frictions between Egypt and Yemen or Egypt and Sudan etc. are events that Turkey tried not to play any active part in. Intra-Arab relations are often too volatile and complicated for Turkey to help bring about a settlement of the issues involved. Furthermore, there is no indication that Turkey is expected to play any such role either. Therefore, Turkish foreign policy

toward the Arab countries has been designed with such a benign neglect of intra-Arab issues.

Turkey also tried to follow a course of action toward the Arab World so that she *minimizes the risk of Arab states coalescing against Turkey* on any specific issue. If any foreign policy gesture or venture of Turkey prompts a concerted and coordinated response from the Arab states, Turkey will face a formidable challenge that may be hard to ward off. Therefore, Turkey has tried to trek a foreign policy route that does not trigger an Arab alliance against Turkey to form around any specific issue or any set of issues. Such a development is also considered as being dysfunctional for Turco-Arab bilateral economic and political relations.

Finally, Turkey tried to *disconnect Turkish-Western ties from her contacts with the Arab states*. Turkish orientation toward the West is nothing new or nothing peculiar to the Republican era. The Ottoman Empire was also western oriented from its very inception. The prime emphasis of its Balkan possessions, and its forays into Middle Europe and Italy in the period between the 14th and the end of the 17th centuries are often cited as its European orientation. Ottomans had been deeply involved in European affairs, and they had always compared themselves with their European adversaries. It looks as if that orientation is too strong to be taken lightly in Turkey. Furthermore, Turkey has developed very intense and lucrative economic and financial relations with Germany, France, Italy, and Britain of the European Union (EU). She has also recently signed and ratified a Customs Union treaty with the EU. Bringing an influence on these economic and financial interests of Turkey vis-à-vis the Middle Eastern connections undermines Turkish economic and financial interests. Similar political contortions are likely to be dysfunctional over the long run. Therefore, Turkey follows a separate set of relationships with Europe and the Middle East. Although it has not been possible so far, Turkey aims to develop strong and functional economic and financial ties with the Middle East, while she deepens her economic and political relations with the EU.

The above-mentioned six basic tenets of Turkish foreign policy toward the Middle East have been its organizing principles. However, Turkey has not always been implementing her foreign relations exactly along those lines. The developments of the 1990s have precipitated a host of changes in Turkish foreign relations. Most of what occurred in the recent years were products of ad hoc decisions that needed to be made on the spur of the moment. The strains and stresses caused by the events of the 1990s on the Turkish foreign policy need to be more closely scrutinized.

#### **Turkish Foreign Policy toward the Middle East under Stress: The Gulf War and Its Aftermath**

The end of the Cold War by 1989 - 1991 ushered in a short-lived period of euphoria, and a misperceived end of major conflicts in the world. The major adversaries of the Cold War era assumed that they would be less threatened by any other major power in the future, and hence they can decrease defense spending by leaps and bounds. For a while, it looked as if Russia was in complete disarray, and the leading NATO countries had lost their interest in military action. NATO

looked as if it had lost its organizational goals, and the very defense concept of the Western alliance seemed to be cloaked in a state of confusion. The head of the Iraqi regime, Saddam Hussein seemed to have calculated that the time was ripe to solve his imminent domestic problems, and vie for the leadership position of all the Arabs at the same time. The Baa'th ideology of the Iraqi regime also legitimated any move by the political leader to assume the leadership role of all Arabs in the world. Indeed, just then the massive build-up of arms and vast numbers of young men under arms who had been conscripted into the Iraqi army in the war with Iran needed to be discharged or put to good deed. Jobs seemed not to be plentiful enough to employ the Iran-Iraq war veterans in Iraq. Some domestic dissatisfaction, eventually leading to unrest would have created nasty choices for the Baa'th leadership. Instead, they tried to test the waters for a new military campaign. Kuwait seemed to provide a nice enough target for the Iraqi army. Such a new war would have helped also the Iraqi people to rally around the Baa'th leadership. The army would still be occupied with a "national" problem, rather than with the daily economic issues. When the Baa'th leadership thought that they had the U.S. clearance from the mouth of U.S. Ambassador to Iraq they invaded Kuwait.

It seemed quite clear from the Turkish standpoint that the leader of the Iraqi Baa'th regime had evaluated the developments of the early 1990s as the end of NATO. In his meeting with the Turkish Prime Minister, Yildirim Akbulut, Saddam Hussein greeted him by saying that "NATO is no longer active. They will not come to your aid. If you fail to behave as we demand on issues that are important to us, who will come to your aid?" Saddam Hussein seemed to have reached the conclusion that NATO was no longer a formidable military alliance to be reckoned with. This encounter prompted the Turkish security and defense establishments to re-appraise the newly emerging picture by 1990. They came to the conclusion that Turkey was faced with less formidable (compared to the Soviet Union), but more widespread threat to her territorial integrity, mostly directed to her from the south. With the end of the Cold War the Eastern or Northeastern peril diminished, but less intense southern, and western (Greece) threats replaced it. In the post-Cold War era the threat perceptions of the Turkish political elite consist mainly of a non-nuclear threat from Syria and Iraq in the south and from Greece in the west. The Caucasus also creates security concerns, however of a very different nature. Armenia seems to be the only revisionist country in the region that can wreak havoc. However, it has relatively little means to create any serious problems for Turkey. Furthermore, Armenia has a lot to lose from a confrontation with that country.

It was this new security picture that prompted Turkey to side with the US at the inception of the Gulf Crisis of 1990. Turkey urged her NATO allies to deal swiftly and in unequivocal terms with the Baa'th regime of Iraq to establish the status quo antebellum. In fact, the response of her allies to the Gulf Crisis developed along the lines that Turkey had earlier suggested. However, the post Gulf War developments failed to alleviate the new security concerns for Turkey, and they even exacerbated them. No political settlement was possible in Iraq that omitted Saddam Hussein, his Tikriti clan, and the Baa'th establishment from power. Therefore, a non-revisionist regime failed to have the control of government in Iraq. Fur-

thermore, the power struggle of the Shiites in the south and the Kurds in the north created fertile ground for instability throughout Iraq. The Baa'th regime's use of excessive force to subdue the Kurds precipitated an exodus of large groups of them from Iraq into Turkey. Lacking the resources to cope with such a massive immigration Turkey requested the help of the Coalition of the Gulf War to solve the problem of the Kurdish refugees in Turkey. Operation "Provide Comfort" imposed a no flight zone for the Iraqi Air Force over the areas populated by Kurds and established the supervision of a multi-national task force to the north of the 37th parallel.

In the meantime, due to the United Nations embargo, trade between Turkey and Iraq came to a standstill by late 1990, which directly hit southeastern Turkey the most. Those who thrived from trade with Iraq in the boom of the 1980s lost their enterprises and jobs in great numbers. Unemployment rose to 30-40% of the labor force in southeastern Turkey. In an area densely populated by Kurds, an era of boom and an expectation of economic progress was followed by a sudden downturn of the economy and stagflation. It was Alexis de Tocqueville who first hypothesized that such a phenomenon functions as a major cause of a social revolution. Therefore, by the end of 1991 conditions had become ripe for a social upheaval in southeastern Turkey.

Coincidentally, by 1992 a power vacuum emerged in northern Iraq that created fertile grounds for new political forces to emerge and struggle for control over that territory. It was in this environment that the Kurdish Worker's Party (PKK), (originally a Marxist-Leninist organization established in 1978 in Turkey), which had eventually moved its headquarters to Syria, moved into Northern Iraq and participated in the power struggle. The PKK had started to attack the Turkish defense and security forces, as well as civilian settlements in Turkey since 1984. However, its operations had limited appeal until the Gulf War. In the aftermath of the War it found improved conditions to mobilize large segments of the pauperized Kurdish masses and enlarge its operations in northern Iraq and southeastern Turkey. Hence, Turkey increasingly began to be involved in the northern Iraqi developments ever since.

Actually, Turkey had settled its disputes with the League of Nations in the mid-1920s over its claims concerning her border with Iraq. She has no new claims on territory from northern Iraq. What prompts Turkish action in the area is to cope with the PKK attacks into the Turkish territory. Troop movements into northern Iraq have that goal in mind. Lengthy military engagements in northern Iraq are likely to be counterproductive for Turkey, and no such goal is suggested by the foreign policy makers. Nevertheless, the principle of "no intervention in the domestic politics of any Arab country" has been violated in the case of Iraq since 1991. Short of a full normalization of Iraq's foreign relations and a return of the Iraqi army to control the northern parts of her territory, Turkey seems unlikely to lose interest in that region. Recent developments seem to point to encouraging signs, but the U.N. measures still remain in effect. Furthermore, re-establishment of confidence in Iraq as a non-belligerent state in the area is not easy to accomplish.

Turkey does not have territorial disputes with Iraq, but an exclusive concern



with the security of her border, and PKK led Kurdish insurgency. Although the same argument can be made for the Syrian border from the Turkish perspective, the Syrian point of view is entirely different. Syrian political elite have never accepted as legitimate any borders that do not coincide with their definition of "Greater Syria," which is a territory that extends from the eastern end of the Taurus mountains in the north to the Sinai desert in the south. Furthermore, it seems as if they still believe that Hatay (the Sançak of Alexandretta or Antioch) is still an issue. Although, legally speaking Hatay (Antioch) has been made a part of Turkey since 1939, the Syrians claim that the inhabitants of Hatay (Antioch) were forced to make a choice for Turkey in the plebiscite by the French mandate authority. Consequently, they consider the plebiscite of Hatay (Antioch) as an illegitimate act of their colonizers. Nevertheless, the Turkish political elite fail to see any legal basis for that claim, and so far as Turkey is concerned that is a non-issue.

The foreign relations of Turkey with her Arab neighbors came under increasing stress with the agricultural and energy projects of Turkey that aimed at reaping the benefits of building dams over the Euphrates and the Tigris rivers. The Southern Anatolian Project (SAP) is carried out with the aim of producing electricity from the hydraulic energy-electric plants and of irrigating the elevated plains of Harran, Urfa, and Diyarbakir. A major increase in the agricultural produce of Turkey is expected to occur by 2015, if the project continues as planned. The waters of the Euphrates and Tigris rivers cause sensitivities and friction between Turkey, Syria and Iraq. Although technical problems of how much water is to flow south from Turkey may not be so hard to settle, there seems to be a more intensely felt element of confidence that is not so easy to solve. It seems as if the Syrian political elites do not trust their Turkish counterparts. Similarly, the Turkish political elites carry similar suspicions of their Syrian counterparts. It seems that the Syrian political elites believe that what Turkish authorities promise, which is roughly 500 cubic meters of water flow per second on the Euphrates from Turkey into Syria, throughout the year, is either impossible to realize in the future, or they believe that the Turkish authorities will withhold more water for irrigation purposes than they promise. The issue becomes even more critical for Iraq, since she is located further southwest of Syria. The Iraqis can only use that part of the water flow, which both Turks and the Syrians permit to flow over. Hence, the Iraqis are more sensitive on this issue. Currently, the water issues of the Middle East are being negotiated as part of a comprehensive Middle East settlement. Turkey has been participating in those negotiations, and she will therefore be a part of whatever settlement emerges out of the water issue.

Nevertheless, the water issue seems to prompt a concerted action from the Iraqi and the Syrian political elites toward Turkey. This breaches the principle of not "causing the Arab countries to coalesce against Turkey" that Turkish foreign policy-makers have been following. In fact, the Syrian and Iraqi political elites seem to be trying hard to organize an anti-Turkish coalition of Arab states that would take punitive actions against those firms and countries that provide know-how, credit, and technology to the SAP. If they become successful in establishing such a coalition, it would lead to a major failure of Turkish foreign policy toward the Middle East. However, it is very unlikely that SAP can be stopped. It may be

slowed down, but the domestic political momentum in Turkey is such that no government can take the decision to stop the SAP after so much investment has occurred in the area. A potential confrontation on this issue with Syria and Iraq will be to the detriment of both countries, if an equitable and fair settlement of the water issue throughout the Middle East cannot be negotiated in the Middle East Peace Process (MEPP). It looks as if the recent moves of Syria and Iraq are directed at reaching such conditions that they will consider as favorable in the MEPP. In the past, Syrian and Iraqi attempts at imposing sanctions on firms and countries that help SAP failed to yield any work stoppage or termination of the project. It is more unlikely that a much more developed Turkey can be stopped at this point of the game.

The Israeli - Arab peace accords and a comprehensive settlement in the Middle East are well received by Turkey. Turkey is not only concerned with the water issue, but also more generally with the use of terror by revisionist states to change the status quo according to their image of the region or their country. Terror organizations supported by such states as Syria, Iraq, and Iran target Turkey, as well as Israel. Therefore, the two countries find much common ground in combating terrorism. The recent rapprochement between Israel and Turkey is likely to last as long as terrorism is used as a tool of foreign policy by some Middle Eastern countries against their neighbors.

If an equitable and just settlement of the major disputes of the region were possible, then protecting the status quo will become an international attitude that would elicit support from all of the major states of the region. Only then can we expect to have a mechanism such as the Organization of Security and Cooperation in Europe (OSCE) to be duplicated in the Middle East. However, such a step is not so easy to establish.

What I am suggesting here is tantamount to the political elites of the Middle Eastern countries to accept that Pan-Arabism and its various versions, such as the Baa'th ideology, are a matter of the past. Furthermore, it also insinuates that a new image of "Good Society" is inculcated in the minds of the elites of the Arab states. This new image of good society harbors upon the assumption that the welfare of their citizens, as well as their own welfare are better served without the adoption of a revisionist or irredentist foreign policy posture. This may be tantamount to accepting that domestic politics and governmental performance in such areas as the economy, health, education, housing, etc. are more important than mobilizing the human and other resources of a state for a military campaign to get a chunk of territory that had been "lost" in the mayhem of the past World Wars. Obviously, that is a process which will usher in responsive and eventually representative government. It is most likely that without the establishment of an authentic form of representative government that is based on the popular consent of the adult population of the Arab countries, non-revisionist foreign policies are hard to establish. In the twentieth century, most Arab governments found it easier to mobilize their population to fight a war over territory, than to construct their governments on popular consent and mobilize their population to fight poverty, illiteracy, pestilence, and political corruption at home.

Any lasting settlement of thorny issues in the Middle East requires a drastic

change of focus of the political elites from international relations to a definition of "Good Society" that emphasizes domestic concerns; more specifically, the welfare of their citizens. Such a change may carry enormous costs for the current rulers of the Arab states. Hence, a peace settlement can only be built around a notion of a "balance of terror" that makes the costs of war unbearable for the aggressor. A new Cold War game seems to be in construction in the Middle East. New arms races are going to be ever more costly, and they may continue until the despotic regimes lose all legitimacy in the eyes of their people. It took forty-five years for the Soviet Union to quit such a game. We will discover how long it will take in the Middle East before we have something like representative governments established in place of despotic governments or one-party regimes.

### Conclusion

Turkish foreign policy toward the Middle East is based on some well established principles that have developed over the years. The developments of the 1990s have brought about new challenges that force deviations from some of those principles. Turkey became involved in northern Iraqi developments in the aftermath of the Gulf War in violation of its foreign policy principle of "no intervention in domestic politics of Arab states." Secondly, in spite of the fact that Turkey follows a foreign policy that avoids the establishment of a coalition of Arab states that works against Turkey on any issue, the water issue has engendered such behavior from some Arab states. Finally, Turkey has grown closer ties with Israel after the "Oslo Accords" to better cope with a common threat, namely Syrian, Iraqi, and Iranian sponsored terrorism. Therefore, the prudent balance between Israel and the Arab states has now somewhat tilted toward Israel. Turkey will continue with fraternal relations with the Palestinian National Authority and support the Palestinian cause. However, a closely coordinated security and defense policy with Israel is followed by Turkey to better cope with terror.

Turkish foreign policy toward the Middle East is adapting to the changing conditions of the Middle East as new sources of threat emerge beyond the southern borders of Turkey. The overall substance of Turkish foreign policy will stay the same, however, Turkey will become more active to ward off threats to her territorial integrity as they arise from northern Iraq, Iran and Syria. Unfortunately, there seems to be little reason to believe that terror will be abandoned as a tool of foreign policy by the despotic states of the Middle East. There is also little in the way of evidence that revisionist and irredentist foreign policies of most Arab states will give way to a respect for the status quo, once all Arab states sign peace accords with Israel.

As the Gulf War clearly indicated, despotism cannot survive without foreign enemies, and that tendency often creates the risk of war. There is no reason to believe that the current state of domestic politics of the despotic regimes is about to evolve toward the establishment of representative governments in the Middle East. Therefore, the only way to avoid war in the Middle East still seems to be the establishment of a massive army, the use of which incurs an unbearable cost of aggression on the aggressor. It seems as if the Middle East will continue to practice its regional cold war(s) built around balance(s) of terror in the future. Turkey is now positioning herself to cope with the conditions of a new Cold War that is un-

folding at her southern borders with some of the most despotic regimes in the Arab World. Cold Wars are costly to run. As the most recent experience with the Cold War of 1945-1990 indicated, they are much more expensive and damaging for the despotic regimes. We will have the chance to observe whether the regional Cold War(s) of the Middle East will have different dynamics or not in the twenty first century.

### Gazne Soysal:

Thank you Dr. Kalaycioglu. We have now Dr. Taher Kanaan to comment on this paper.

### Dr. Taher Kanaan

Thank you Mr. Chairman.

I am grateful for the opportunity given to me by the Arab Thought Forum to make the first comment on the paper by Prof. Ersin Kalaycioglu on the subject of "Regional Security and Cooperation in the Middle East".

I enjoyed reading Prof. Kalaycioglu paper, and admired the clarity and frankness with which he analyzed Turkish foreign policy. My respect for the clarity and openness of his thoughts requires that I try to reciprocate with equal clarity and frankness.

The first thing I agree with is that the paper gives an accurate postulate of the historical framework between "Turkey and the Arab states, that they not only share the same region, religion and some common borders, but they also have a relatively lengthy history of cultural, economic and political relations". It also gives an accurate recognition of the fact that the ideas and ideals of nationalism have deeply influenced and thwarted Turkish-Arab relations since the first World War. The narrative describing the events and relations from the inter-war period to the 1980s were accurately and informatively analyzed for a period spanning more than 60 years after the "Turkish nationalists built their own state on the ruins of the Ottoman Empire"; the paper does not point to any threat to the security of the Turkish homeland coming from any Arab quarter.

By its own choice, Turkey became a member of NATO, and thus came to have a security problem with the Soviet Union. But at no point the paper points to any evidence of a security problem to itself arising from any Arab state, even at the zenith of polarization of the larger Arab states with the Soviet Union in the midst of the Cold War. During that period of maximum turmoil, and in spite of the fact that the orientations of Turkey and the Arab World towards the Super Powers of the Cold War era were different and incompatible, Turkey perceived absolutely no security threat as result of that difference and incompatibility so much so that until the mid-1960s Turkey's relations with the Middle East was one "of disinterest, neglect, and disregard." In the period after that, relations and political contact widened with Arab states. "The oil rich Arab states, specifically, Libya, Iraq, Saudi Arabia, and the Gulf Emirates emerged as the new markets for the newly emerging Turkish companies. Various construction firms began to have ventures that paid off lavishly".



When the Iran-Iraq war erupted in 1980 Turkey functioned as the main route to Europe between Iran and Iraq.

This congenial state of prevailing economic prosperity and abundant sense of security was undermined by basic tenets of Turkish foreign policy towards the Arab countries which stipulated: to avoid involvement in inter-Arab politics, minimize the risk of Arab states coalescing against Turkey on any specific issue, and last but not least to pursue a policy of balance and prudence in the Arab-Israeli conflict.

What is most surprising is that in the current period, coming in parallel with an accelerating peace process, there is on the Turkish side what appears to be a sharp sense of insecurity felt to come from the South. This leads the author to forget about long term established geo-political and economic complementarities between Turkey and its Arab neighbours, and focus on a stereotypical idiom concerning terrorism, leading to a perception of common interest between Turkey and Israel and leading, more seriously, to the astonishing suggestion that the political elite of the Arab countries have to accept that Pan-Arabism is a matter of the past.

On the issue of terrorism, I would have expected a more profound appreciation of the origins of terrorism in the state practiced by Israeli occupation in Palestine and Lebanon. I would also remind the author that it was Israel who first trained and supported the Kurdish rebellion in North Iraq.

On the issue of Pan-Arabism it has been the aspiration of generations of the Arab people to come together in one democratic commonwealth since the collapse of the Ottoman Empire.

It is the neglect and frustration of these aspirations that will remain the cause of turmoil and insecurity in the region in the future.

## Discussions

### Mediha Madfai:

I am referring to prof. Ersin's remark which underlines how Turkey realized in the 1960s that putting its eggs in one basket - i.e. having all its trust in the U.S. and Western Europe - is counter productive, as far as Turkey's defence is concerned. There was a call yesterday from the Arab side for the necessity of realization that in a world of blocs, whether in the context of ASEAN, NAFTA or EU, it is high time for Turkey to realize that if it becomes part and parcel of a regional bloc - may be including Iran - it will indeed strengthen Turkey's position in dealing with her NATO allies. Iranian Intellectuals with whom I spoke recently think in terms of how the new coordinating arrangement between Iran, Turkey and some eight Central Asian countries would be complementary to any bloc arrangement within the Middle East context. You can just imagine the bargaining power and the tremendous advantage that would accrue to everybody concerned if such a huge bloc is realized in a world which is closely exchanging the cold war with an economic war.

The other point relates to my concern which I expressed yesterday about whether the water issue will be part of the deal to be hammered between Israel and Syria. Whether Turkey will be coaxed to pay a price for the sake of water security in the region.

One last point is expressing my disappointment at the absence of a Syrian participant in this gathering. Prof. Ersin stresses in his paper that Syria has ambitions in Hatay. I wish there was a Syrian here to answer you as far as the water issue and Syria's ambitions are concerned.

I would like to put a question to you to remove any suspicion and to strengthen trust among us. Can you confirm here from this platform that in this process of the rearrangement of the Middle East in the geo-political sense there is indeed no Turkish ambition as well to expand and create a "Greater Turkey", whether in the direction of Iskandaron, Northern Iraq, or any other area?

Thank you very much.

### Ersin Kalaycioglu:

The water issue is a major part of the Middle East settlement and Turkey is already locked into that process. Therefore, it will be deeply influenced by it. However, we know that's going to be a lengthy process. Therefore, I am not so sure whether Turkey is going to have the lead in settling that issue, i.e. by settling disputes separately with Syria and Iraq before a major settlement throughout the region of the water issue occurs. I am not so sure whether Turkey is willing to do that or not. As far as Turkey is concerned, this is an issue of the future, First: Turkey is using the river systems of the Tigris and the Euphrates as hydro-electric energy resources; we do not have a problem today. I was also told by the person who represents the Turkish water works agency in a meeting in Istanbul about six months ago, that about 723 cubic meters of water flow down south per second right now. So, we don't have a current issue here.

Second: The Syrian argument that the water is polluted right now is not correct. However, the important thing is that the "quality of water" requires definition; what should be the quality of water that flows south? So settling on the definition of "clean water" is a technical issue - and not a political one - that we have to agree upon. Since this is measurable it is easier to agree upon. But what is not measurable is, of course, confidence. It is much more difficult to settle on that.

The second problem is the need for water. We have to agree upon the figures as to how much water each citizen in Turkey, Syria and Iraq is going to get, say, by the year 2000 or 2020 and so on. The situation is more critical for Iraq because it gets what is left over from Turkey and Syria. So we have to agree upon these figures for some time to come in the future, not right now.

Hence, in that sense, the issue is not imminent, you can always postpone it and as you know, politicians tend to postpone things to the limit.

When the problem becomes pressing, then they will deal with it, or if the peace settlement occurs before that date, then it will be dealt with. Otherwise, there will be no settlement at present.

As for the Hatay issue, it has popped up recently in Turkey mainly because PKK started to attack certain targets in Hatay for the first time. Those incidents rang some alarm bells in Turkey who saw it as a Syrian plot to put this issue on the map. However, legally speaking, we don't have an "Hatay issue", for both sides, but it is a political or moral issue.

There is no design for Turkish expansionism right now, but no body can guarantee you that there may not be any in the future, depending on local, regional, or international developments.

There is a growing tendency for chauvinism in Turkey; 3 out of every 10 Turks you meet are chauvinists or xenophobes.

Now, that's alarming and upsetting. So, things can change, but currently, there are no such expansionist designs. Thank you.

#### **Gazne Soysal:**

Thank you Mr. Kalaycioglu. We have a long list of speakers.

First, Mr. Attiga.

#### **Ali Attiga:**

I thoroughly enjoyed reading Dr. Kalaycioglu's paper. In general his argument was for peace and understanding, but in the end he concludes with a rather pessimistic paragraph, as, for example, where he says: "Turkey is now positioning herself to cope with the conditions of a new cold war that is unfolding at her southern borders." Why is that conclusion?

Is Turkey making any moves towards promoting confidence and understanding? Your statement that it has to wait until there is a popular government at its southern border, well, that may take a long time. At the same time, you are dealing with countries that are not particularly democratic. So why is this southern neighbour any different?

The second point is similar to what Dr. Kanaan has said. I find it difficult to see why Israel and Turkey would have a common ground on the question of terrorism.

because the situation in Israel is quite different.

I would think that the common ground between you and Syria would be stronger than that between you and Israel, since your relation with Israel is a negative one: it is for opposing something, while your relation with Syria should be a positive one: it is for doing something with regard to the water problem.

#### **Ersin Kalaycioglu:**

What you call "pessimism", I call "realism". I am trying to read the scene as one in which the way to deal with a non-representative despotic regime is some kind of a "balance of terror" standard. Turkey will find herself building up arms to a level that would make an aggressor pay an unacceptable and costly price for his aggression. So, it looks as if the policy we had followed against the Soviet Union will now be transformed towards the south.

Second, this deep lack of confidence situation is very difficult to reverse, when you start believing that the opposite party heeds one thing, and one thing alone. This may also be true for Syria: when national interests shift, the written documents are considered just paper and ink.

The adversary acts according to its perceived national interest and heeds nothing else. As far as Turkey is concerned that is her perception of Syria and Iraq right now, and, to a certain extent, of Iran as well; I include Iran into the Southern threat. Iran is trying to develop some nuclear capability which is considerably alarming to Turkey. Furthermore, all of these countries have played some role in acts of terror. We consider this as something threatening and difficult to cope with. That's why I am not very optimistic about the relations between us. Now the reason why Turkey moved closer to Israel, and Palestine at the same time according to that basic principle, is that recently Greece and Syria moved closer to each other. Support given to PKK by Syria is also a major problem. So, it looks that the water issue alone is not the sole concern of Turkey when approaching Syria. There is lack of confidence on both sides. Now, confidence can only be built if on both sides of the border we can start acting in accordance with the words that we give. Both sides are to blame for that. Now, we can try to establish some confidence building measures. The CSE did not work. There should not have been a Bosnia-Herzegovina situation if the CSE really worked. The Helsinki accord of 1975 was mishandled especially by Europe. The EU failed dismally: look what happened in Yugoslavia. So if these arrangements failed in Europe, it is even more difficult to have them work in the Middle East. That's why I am pessimistic about these arrangements.

#### **Nursin Atesoglu:**

I would like to add some remarks about the threat perception that Turkey is having from the South. I think one should focus on the proliferation issue.

What makes the Middle East armament programs especially risky is the fact that no arms control agreements or confidence and security building measures bind the actors to a system of restraints and constraints. The traditional non proliferation measures have leakages, like the NPT. But in addition to the nuclear threat, there is the threat of chemical and biological weapons as well as ballistic missiles prolife-

ration in the Middle East. For this reason Turkey has become a party of CFE (i.e. "Conventional Forces of Europe" agreement).

**Ghassan Al-Zain:**

Mr. Abu Taleb in his paper expresses the Egyptian view which is shared by other Arab countries like Jordan and Lebanon - and which focuses on the threats that are directed against the internal integrity of many states in the region. I also think that the Kurdish problem threatens directly the survival of the Turkish state. As for the water issue, I would like to ask why does Turkey still resist a final, legalized settlement of this issue?

One last point; this summer I was working on a paper about Turkey which I presented in a seminar at Montpellier University. I was astonished to find out - at the Franklin Roosevelt Center in Paris, while reading in the "New York Times" of the 1950s - that Israel was against the Baghdad Pact. This fact was not known in the Arab World. This point should be studied by both Arab and Turkish intellectuals. So, this "Iraqi syndrome" in Israeli politics should be further examined, because it did not begin with Saddam Hussein, but it began earlier with the Hashemite regime at the time when the state of Israel was formed.

I agree with Mr. Abu Taleb that Iran did not pose a real threat to the Arab - Israeli situation.

Finally, Turkey seems to await the establishment of a democratic regime in Syria as a requirement or condition to improve its relations with that country, yet I don't see that the existence of a democratic regime in Greece has helped to improve relations between Turkey and Greece, or has prevented the occurrence of repeated crises that sometimes almost started a war between Greece and Turkey.

**Hassan Abu Taleb:**

I disagree with Mr. Al-Zain that my paper gives an Egyptian point of view. Rather, my paper tried to set an agenda of military and security affairs that mainly affect regional security. I only mentioned the Egyptian position when I talked about the Egyptian diplomacy regarding the establishment of a zone free from weapons of mass destruction. Also, fighting terrorism is not just an Egyptian problem, it is shared by Jordan, Syria, Turkey and other countries in the region.

**Ersin Kalaycioglu:**

I am not a part of the Turkish establishment, I am just an academic person. I tried to explain the basic conditions that influence Turkish foreign policy thinking about the Middle East. My basic question is: Why do Turkish foreign policy - makers behave the way they do? I don't think the establishment makes such analysis, or has the time to do that.

I don't agree with you that the Kurdish problem is connected with the survival of the Turkish state. That problem cannot undermine the Turkish state or any other state in the region. The only way the Kurds can establish their own independent state is if there is a country in the world that is ready to pay the bills, i.e. to support them. I often ask my colleagues from Europe and the U.S. when I meet them in international conferences: Are you ready to establish a Kurdish state within

Turkey supported with your manpower, military power, and bills to pay in order to keep that state alive? Is the U.S. ready to do that? Then the Kurds can have such a state where the U.S. has to come to their aid every time they are in jeopardy. The parallel is with Kuwait. There would not have been a Kuwait today if there were no U.S. involvement. There would not have been the Emirates, and probably no Saudi Arabia either. They would all have been wiped out by the Iraqi army, were it not for the U.S. intervention. They exist not because of their own might but because of international intervention. If the international intervention occurs then you can have a Kurdish state. But there doesn't seem to be any willingness on the part of the Europeans or Americans to pay such a bill. So, short of that, no Kurdish state can exist.

As to the water issue, as I said before, a final settlement can occur because of two reasons: 1) Whether it is a pressing problem, or 2) if it becomes a part of the Middle East peace process, then it needs to be settled. Short of that, I see no settlement on either side. All parties believe that any settlement now is worse than a better settlement in the future. So postpone the matter. The same goes for Iraq.

Finally, It is not true that Greece represents the greatest threat to Turkey. What we seem to have is a relation with the West over the head of Greece. So Greece in our security considerations, is not very important, it is controllable, manageable, and the only time we had a war-like situation with Greece was when they had a military government in power in 1974, not a democracy.

**Meliha Altinisik:**

I just would like to say that there has been some concern in Turkey that any settlement of the water issue between Israel and Syria can have a negative impact on Turkey's water issue, and this could be at Turkey's expense. In general, any peace settlement between Israel and Syria can again have a negative impact on Turkish - Syrian relations.

**Samir Salha:**

It is a pleasure for me to address the Arab Thought Forum at this special meeting devoted to discuss the future of Turkish - Arabic relations and stability in the Middle East.

I extend to you my wishes for success and I hope the discussions will be fruitful and contribute to our common thinking on arms control and disarmament issues in the Middle East.

My aim is to attempt to analyze the problems related to the new Turkish - Arabic relations and the stability in the Middle East.

First I would like to outline some initial views and comments:

I am confident that we shall all make the best use of this meeting to give further impetus to arms control, disarmament and security efforts underway at various regional and international areas. We should be able to do this in a realistic and balanced manner with due regard to the concerns of all Middle East countries.

We are meeting at a time when some new political and strategic developments are taking place. Many recent changes have had a major impact on Middle East security.

The regional scene in the Middle East contains today all the elements that would lead to many negative interactions both on the political and security levels. Moreover, it is witnessing an increase in the effect of the external forces that undermine the element of harmony and stability in the region.

The following questions should be answered in order to formulate an informed policy regarding the new regional order:

1. In view of the recent transformations in the world and regional orders in the last few years, is there still a chance for collective security arrangements between our countries in the Middle East?
2. Does this project accommodate the needs of the Middle Eastern countries or is it a continuation of the series of projects that aim to secure Western dominance and control over the region?
3. Could this project turn Israel into a normal state (non racial)?

We do not believe that the time is convenient to discuss a new security system in the Middle East (such as NATO or CSCE). All that we can do is to find a kind of security arrangement but what is lacking is to resolve our political, economic and social conflicts.

We should affirm that our fragile security system in the Middle East has created an increased feeling of injustice in the region.

We should recognize then that security in the Middle East is only one aspect of the general problem between us.

Security and disarmament efforts require a comprehensive approach which should encompass our social, economic and political relations.

It is not possible to impose security in isolation from the peace question in our region.

We believe also that the complexity of the critical relationships in the region is basically centered today around three issues: water, oil and Israel.

We believe too that our proposals for a new security order in the region may start with an:

1. Arab - Turkish Alliance
2. Arab - Islamic Alliance
3. Islamic - Israeli cooperation

But the first condition is still to rebuild the Arab - Arab security arrangements and implement the already existing agreements.

Western perspectives on regional security in the Middle East:

Western regional security policy is intended to create regional conditions which meet the needs of Western interests in the Middle East.

But the U.S.A. and the West should understand that their security, economic and political models are not the only viable models of cooperation, collaboration and organization in the region.

More important is Washington's credibility on this issue as well as on issues about conventional arms control, will be undercut by its tacit acceptance of Israeli nuclear capacity and its leading role in regional arms sales.

Turkish policy in the Middle East:

Owing to its precarious internal and external conditions, Turkey has always depended in addition on its association with a major power.

Turkey, which is situated in the world's most critical region, and which is looking for a full membership in the EU, has been influenced by some regional and global changes.

Turkey, especially since 1990, is being more and more conscious of the American strategic imperatives within the region; it operates and tries to find convergences while having sour relations with European powers.

The Israeli - Turkish relations focus on the latest phase that started in 1991 and its aftermath, maintaining that these relations should become much more normalized and public.

The first reason of this amelioration is the peace process between the Arabs and Israel.

The second reason is the Zionist lobby in the United States especially to control Armenian and Kurdish policies.

The third reason is the new Israeli role in the Middle East.

We should accept too that Israel seeks to occupy the position of a super power in the region before the end of this century. Israel seeks not only to eliminate the possibility of any surprise attack but to regain the initiative and keep the balance of military power in its favor and then to impose then its political, economic and strategic terms on the peace process.

Israel has taken advantage of the disintegration of the Arab order and the retreat of the popular movement to enhance its relations with Turkey, hoping that it would establish the basis for Israeli - Turkish relations.

In our view, our cooperation with Israel should not take the form of supporting each other against a third party, in particular when that third party happens to be the Arabs.

Turkey's decision to establish diplomatic links plus political, economic and military agreements with Israel is influenced by the idea of leadership in the region.

Today, the most important issues on the foreign policy front of Turkey are:

1. South - East questions (especially the Kurdish problem and the future of northern Iraq).
2. Turkey's relations with the newly independent Republics of Central Asia.
3. Turkey's relations with Western Europe.
4. Turkey's relations with Greece, Cyprus, Syria and Moscow.

From 1990 onward there has been a number of changes that influenced the foreign policy of Turkey:

- The second Gulf War.
- The end of the Soviet Union and the situation in the Balkans.
- The Arab - Israeli peace process.
- The water problems in the Middle East.
- Security problems with Syria and Iraq.

On the home front, the most important security issue is the ongoing struggle against the PKK.

The second issue on the domestic agenda is the economic problem (inflation).

The third question is the "Refah Dimension" in the daily politics of Turkey.

The fourth item consists of the democratization and freedom projects.

When analyzing Turkish foreign policy behaviour towards the Middle East there are some basics which have to be taken into consideration.

As a member of the Western alliance, Turkey was supposed to be on the side of the West. On the other hand, there is the predominantly Muslim population which pushes Ankara's to support its religious brothers.

In one word, today's observers and political analysts, both Arabs, Turks and foreigners agree that Turkey is suffering from a crisis in managing its foreign relations whether with the Islamic or the Western worlds.

As for the Middle East, the United States government has chosen to strengthen its policy in the region through Israel as a major ally. If we add to that the fact that Turkey has not been accepted yet in the European Union, it becomes clear that Ankara should head south this time and be specially toward the Arabs and Muslims.

That's why Turkey should reach a better understanding of the different goals and objectives of the new Arab World in order to find better and more advanced ways to deal with them.

The policy of keeping the Arabs and Israel at equidistance and maintaining a balanced policy in our relations with the West and the Muslim countries had changed since the Second Gulf War and the new Turkish - European Union agreement.

The Arabs repeat every time that our foreign policy towards the Middle East has not shown a linear progress.

We should reorganize most of the major principles of Turkey's Middle East policy:

1. Non interference in the domestic affairs of the Middle East Countries.
2. Non interference in inter-country relations.
3. Our neutrality in the region.
4. Turkey should play a far more effective role in the Muslim World.

For these reasons our strategic and geographical position should help us not to form new blocs in the Middle East (especially between us and Israel) but to assist in maintaining stability and solving the various problems in the region.

The targets of Turkish foreign policy towards the Middle East should be as follows:

1. Turkey should follow a new policy of peaceful co-existence with the regional countries.
2. In the Arab - Israeli dispute, Turkey must follow a policy which is more pro-Arab. This region should be protected from the increasing number of Israeli ballistic missiles and nuclear arms.
3. Turkey must improve the positive points of her democratic system as a model for the countries of the region.

Because of the new page of relations between Turkey and the West, and the bad relations with Syria for example, the present development of bilateral relations with most of the Middle East countries does not place Turkey in a position to provide friendly advice in support of moderation in regional issues.

It is clear that Turkey has developed a sophisticated regional security policy in the Middle East. That's why our role and function are uncertain.

In one word, Turkey still does not have the material means to play such a leading role.

Our aim should be to help each other to have an influence in establishing peace and stability, to play an important role and take responsibility in the efforts to maintain the balance of power in the region.

#### Conclusion: Security in the Middle East

To formulate a more balanced policy in Middle East, from this discussion several general conclusions can be suggested, we should support, adopt or accept the following guiding ideas:

1. Sooner or later, liberalism or the liberalized political systems and democratization will be pushed in most of our countries.
2. Arms control and even arms reduction in the area are necessary.
3. Increasing regional cooperation in nuclear safety and the promotion of the peaceful uses of nuclear energy should be given firm and universal support.

The peaceful coexistence of all the states should become an essential condition of life in the Middle East. That's why our security and our collaboration should start with balanced and constructive policies.

In view of the recent global changes Arabs, Turks and Israelis should try to point out the sources of instability in their relations, as well as define the nature of the regional changes that impel the three nations to reconstruct their relations in the framework of the good offices and credibility.

Reasonable policies should be adopted which embrace more important goals than merely benefiting from Middle East oil, water and trade possibilities. One such goal is the slowing down of nuclear armament.

Stability and peace in the Middle East demand first the effective contribution to solving some primary problems; the only solution to overcome our crisis is democracy both on the regional level and inside each country.

Moreover, adopting violence, terrorism or force to solve our problems is gradually pushing us into new conflicts.

Before discussing security or any other form of cooperation in the area we should accept as Turks, Iranians and Arabs that:

1. All Palestinians should enjoy equal rights like any other people in the region.
2. Syria and Lebanon should recover all the territories rightfully theirs.

Our policy on regional security should be intended to create regional conditions which meet the needs of our interests in the Middle East. Our interests can be in accord with the interests of the Western states but we should remember every time that the U.S. policy and its regional security in the Middle East always include Israel's security and its interests before any thing else.

In one word, our collaboration should offer a new geopolitical definition of the concept of the Middle East.

I believe that we have the possibility and the capacity to realise all these aims.

Arabs and Turks should accept this reality: Israel still intends to manage the crisis in a way that serves its current and long-term interests. Tel-Aviv found out that the best way to accomplish this is by the so-called Middle Eastern order that aims to transform Israel into the only regional super power and secure its military, polit-

ical and economic hegemony on the Arab, Turkish and Iranian nations. That's why in order to have a chance in the new security order in the Middle East, Arabs and Turks have to adopt a program of structural reform that consists of two levels:

1. The reform of practices that include an Arab-Turkish reconciliation and collaboration (especially today between Turkey and Syria).

2. Adopting a different and more correct approach towards regional contradictions, as well as a new strategy to face the Israeli policy.

Besides water and oil there are other economic and political assets that could be utilized to increase cooperation between Turkey and the Arab states.

Turkish - Arab cooperation should improve the security system in the Middle East. In order to have a balanced and realistic approach towards the conflict in the Middle East, to establish our position in the new world order we should as Arabs and Turks collaborate and be strong enough, to make them hear us, and to deter them from trying to silence us.

Turkey in the Future:

In the Middle East, future regional security policy is heavily dependent on the future of the region's peace process. That's why Ankara's primary interest should be to maintain the stability in the Middle East. Turkey should also continue to raise issues of democracy and economic reforms.

A more balanced foreign policy that takes into account the lessons of the previous era is becoming more and more urgent, being the only means to overcome the country's multi-dimensional difficulties.

Moreover, Turkey should explain and prove that its unity with the West is not a substitute for its Arab or Islamic policy. Now whatever the tendencies may be, Turkey and the Arab World are pushed by the Israeli overreaction to create a "policy of accommodation" between them.

Once again I wish the conference success, and offer you my regards.

**Sitki Egeli:**

The dangers of proliferation in an area like the Middle East are quite distinct and serious. There are three dimensions which I shall only mention due to lack of time:

- 1) The first dimension: Weapons of mass destruction are very expensive.
- 2) The second dimension: The crisis management of weapons of mass destruction is very difficult.
- 3) The third dimension: Self-restraint is essential.

Unfortunately, the regimes that have acquired weapons of mass destruction capabilities, such as Iran, Iraq and perhaps Syria and Libya in the future, use whatever weapons they deploy. Iran and Iraq have already done that. At the moment, Israel has nuclear weapons; in the near future, other countries might acquire such weapons of mass destruction. We are going to end up in a very dangerous situation in the Middle East. Imagine a conflict in the near future where Israel decides to use some ballistic missiles armed with nuclear warheads against some country in the region. What's going to be the impact of a nuclear fallout on Jordan, Lebanon, Egypt, Cyprus, Turkey, etc.?

There is also the inaccuracy while firing ballistic missiles, for example, they

may hit other unintended targets, and that had actually happened as was the case in the Gulf War.

**Princess Wijdan Ali:**

Prof. Ersin Kalaycioglu said that Turkey adopted the Western model of democracy. Then he added that about 30% of the Turkish population now are xenophobic chauvinists. There must be something wrong here. After fifty years of democratic experience to end up like that is very alarming. My question is this - but I beg no one to answer: Is the Western form of democracy the best model that countries in our part of the world should follow? Thank you.

**Hassan Abu Taleb:**

I agree with Mr. Egeli, but I have to point out that the only country that has a nuclear arsenal in the region is Israel, not the Arabs. I also agree that weapons of mass destruction are dangerous to everybody in the area. We have to deal with all kinds of weapons of mass destruction.

We need to build confidence, transparency and openness regarding all issues: whether of security, political views, economic cooperation, historical heritage, etc. I think this seminar is a part of this process of exchanging views and discussing important issues. I believe we should go on doing that and thank you.

**Ersin Kalaycioglu:**

I had a humble suggestion at the end of my paper, it concerns the introduction of "representative" government in the Middle East, not democratic government. Thank you very much.

#### **Fourth Session Round-table Discussions**

##### **Hani Al-Mulki (Chairman):**

I have the privilege to be among you today, in this final session in which we are to address the future outlook of Arab-Turkish relations. I would like to convey the greetings of HRH Crown Prince Al-Hassan. He will be joining us shortly, but we will start our session in the meantime. We are going to have a roundtable format. I hope that each speaker takes 10 minutes only. First speaker is Dr. Mohammed Al-Bakhiet.

##### **Mohammed Adnan Al-Bakhiet:**

I welcome you all and thank the Arab Thought Forum for this opportunity to meet with our friends and brothers from Turkey. As a student of history who had the pleasure to engage himself, since the late sixties, in Arab - Turkish relations, I became very disillusioned. Neither Turks nor Arabs can do much for the future of Arab - Turkish relations. I am thinking here as a pragmatic man. With respect to Arab countries, since the early fifties up until the Gulf War, we have been subjected to successive defeats. This gave us a sort of apathy and a lack of political creative thinking.

We are going through a state of political stagnation and laziness in most of the Arab World. Consequently, we find ourselves adopting the same initiatives which we fought against earlier, namely, we want to go back to the concept of military alliances or associations - a kind of a revival of the old concept of Baghdad Pact. We are going to be forced by the U.S. and European alliances to get closer, on the military level, to the Turkish military establishment. This means further cooperation with military and security agencies in Turkey in order to contain and fight what has been dealt with recently at Sharm - El - Shaikh Conference as "terrorism". This official cooperation would not enjoy the support and good taste of the public, both in Turkey and the Arab countries.

As a new world order and a new Middle East are being designed, there is a regrouping of the countries of the Middle East, especially the Arab East, Turkey, Israel and Egypt. But there is a big question mark about the wisdom of postponing the admission of Iran into this alliance or agreement. The Iranian pragmatic leadership of Rafsanjani may also strike a deal and come closer to the Western alliance. However the Arabs are somehow dismayed and frustrated at recent events, for example, President Dimirel made a four-day visit to Israel with many concessions and signing of contracts, while he gave only about four hours to Jordan and a single day to Egypt. The Arabs are fond of Ottoman history while the Turks, under their leader Kamal Ata Turk, abandoned history. The post - Ottoman legacy, both on the Arab and the Turkish side, is, I think, a very irritating legacy. What we need is either to forget or pacify it.

There is a need to consider the basic issues that this conference has addressed: the water issue, minorities, the Kurds, human rights, democracy, etc.

With respect to Egypt and Turkey, I suspect whether the presidents of these two

countries, in their meeting today, would be able to define a new course for their cooperation. There will always remain a sort of hidden undercurrent tension between the role of the two countries. Israel can manipulate that situation.

I think that Jordan, Turkey and some of the Arab countries can do something in order to contain extremism and Islamic revivalism, by presenting and advocating the concept of moderation. Islamic revivalism is one of the problems that we all have to address properly, not from a security point of view, but from a social point of view, with an eye on justice.

I hope that my analysis, which had a rather grim and dim background, would not depress you.

##### **Thabet Al-Taher**

The Middle East Region is currently undergoing a process of economic and political developments and changes. The goal of just and comprehensive peace in the region - if and when fully achieved - will undoubtedly open the doors for tremendous opportunities of great benefit and importance for all countries in the region. In such circumstances, regional cooperation becomes very important.

As a result of these developments, and the immense impact of the regional and global changes, our countries have to prepare themselves to meet the requirements of the coming era, and face its various challenges.

Within the framework of this picture, where do the Arab - Turkish relations stand? And, what can we do to overcome the challenges of the new era?

We all agree that there are several factors that should bring us closer to each other due to historical and cultural backgrounds.

As we noticed from the speeches given in this seminar and the interesting discussions that followed, Arab - Turkish relations have been going through several channels. When we talk about economic relations, we see that those relations have been based mainly on bilateral trade relations, based on the interests and needs of both parties. However, the developments in the region necessitate that these relations should have a wider scope - especially with regard to the historical and political ties between Turkey and countries of our region, in addition to the geographic consideration.

Since Turkey and a number of Arab countries fall within what is called now "The Mediterranean Group", it is imperative that Turkey and Arab countries - even including other Arab countries not covered by the Mediterranean Umbrella - should strengthen their ties, promote their cooperation, and try to form one regional economic group.

Although some may consider this idea not to be feasible at present, I believe we can, and we should, start even with a small group at the beginning including a small number of our countries, then to expand later and gradually to include other countries in the region.

The speakers talked about trade, and presented figures and information about the volume of trade between our countries. No doubt, the promotion of trade relations will undoubtedly enhance economic cooperation. But I believe that our cooperation should not be limited to the promotion of our trade relations, it should go beyond that to become some kind of partnership through which we can coop-



erate in utilizing and developing our rich natural resources of water, oil, raw materials and skilled manpower, in a way that will result in the maximum benefit to our countries and for our people. We should think of joint investments and joint projects.

We can think of regional projects in a number of sectors, like energy, mining, chemical industries, agro-industries, pharmaceuticals, communication, transportation and tourism. We can also think of a number of small and medium size industries in a number of other sectors.

I would like to refer here to the power system interconnection between Jordan, Turkey, Syria, Egypt and Iraq, since it is one of the attractive projects for our region.

Last year, the MENA conference was held in Amman. This year it will be held in Cairo. A number of regional projects could be developed between Turkey and some Arab countries. Cooperation between our countries in developing such projects will enhance the economic cooperation between us, and will enable us to build such cooperation on solid grounds. Moreover, it can be a step toward regional cooperation, and building a regional economic group.

We all are aware of the importance of the water issue in our region. However, after the thorough discussions we had about that, I need not talk about it again in detail, since it was said that it will be the topic for discussions in a special seminar later. In any case, the water issue should remain an important item with top priority on our agenda.

As for other means that can enhance our cooperation, we can think of the following ideas:

- \* It is essential to have regular and systematic exchange of information between countries of our region about trade, markets, and other subjects of mutual interest.
- \* It will be useful to hold seminars from time to time similar to the one we are having now, during which we can discuss and exchange views on specific issues of mutual interest to our countries, since such seminars contribute to achieving a better understanding between us.
- \* It is recommended to establish cooperation between our research centers and institutes, exchange information about our research and studies about the regions, and try to conduct joint research work on issues of mutual interest.
- \* Since the private sector in our countries should be encouraged to play an important role in building and promoting our economic cooperation, it is recommended to exchange regular visits between the private sector in our countries. The private sector should be encouraged too to enter into joint investments and joint projects.
- \* Certainly, the exchange of visits between us at various levels from other sectors as well can contribute to achieving a better understanding between our peoples.

These are just some ideas about what we can do, and what we should do, to promote our cooperation at all levels. However, I still believe that our main objective should be "Building a Joint Economic Regional Group" based on fruitful partnership and solid cooperation.

I would like to end my remarks by quoting Dr. Fadhel Chalabi: "In today's world economy, regional economic groupings are the best option for economic survival."

Thank you.

#### **Ghassan Al-Zain:**

The future of Arab-Turkish relations in all its perspectives is actually a part of the future of this region, whatever name it may be given - Middle East, Islamic World, or Arab World.

- 1) I agree with Mr. Mustafa Aksin that in a modern, or post - modern world, every individual or community has many identities. For even a national or religious identity cannot flourish without accumulating the complexity of the new world where two opposite tendencies are rising at the same time: ethnic and religious movements on the one hand, parallel to regional and international movements, on the other hand.

Turkey and the Arab World are facing these challenges with specific conditions: the Arabs enter this new historical experience without achieving their unified national Arab state, while the Turks are having fears about the fate of their existing unified national state.

- 2) Many Arab and Turkish intellectuals have what I call "a flat vision" of the Middle East, as though there is only one single option and nothing else.

I don't think that this is the right way of looking at the region, because the new Middle East would be a complex of relations on many levels, coexisting both in cooperation and rivalry. Rivalry does not mean enmity.

The duality of the two concepts of cooperation and rivalry will always exist on various levels: bilateral, regional, national (Arabs, Turks, Iranians, or Israelis), and religious (Islam, Christianity and Judaism).

- 3) I agree with the view that we should not put the Turkish option for a Western model as standing in opposition to its relations with the Muslim World. Let me ask why is it that Western Europe can afford to have the movement of Christian democrats, yet we are unable to have a model of Muslim democracy in our countries? This will be a process that is going to take a long time.

The Arab - Turkish relations lack not the initiatives, but the traditions; we should establish these traditions, such as encouraging direct translations from Arabic to Turkish and vice versa. Also the tradition of building relations among individuals and institutions: as among universities, newspapers, businessmen, think tanks, etc.

Thanks to the Arab Thought Forum (ATF), the Foundation of Middle East and Balkan Studies, and the Friedrich Ebert Foundation for organizing this seminar.

#### **Mustafa Aksin:**

We are thankful to the Arab Thought Forum (ATF) and other organizations for holding this meeting. It has been very useful and fruitful and I think it should be repeated at various levels to cover other aspects of those issues and perhaps more to come. During this dialogue we have discovered how our perceptions differ, and how wide the gap is that we have to bridge. We are all the victims or prisoners of psychology and stereotypes, so we have to try to correct our misconceptions in order to have a better understanding of one another.

I think that the idea of CSC, the Helsinki process, is not a bad one. The CSC consisted of baskets, one of them had to do with confidence building, and that is



something which we urgently need in the Middle East. If, for example, there is a military exercise in Syria, it would be a good thing to invite Jordanian, Iraqi and Turkish officers. We can think about redeploying armies, arms limitations, economic cooperation where there is convergence of interests, and consequently there is business. So, I think we have to create this interdependence which is lacking. We have to learn to look forward: to the future.

Concerning the water issue we all agree - Arabs and Turks - that there has to be equitable use of water, rational use and conservation.

We have to overcome our psychological hang-ups; our negotiating tactics are clumsy and inconsiderate (talking about the Turkish side). We have to be more flexible.

Human rights are important; we have to abide by those norms of human behaviour and decency.

#### **Sadi Erguvenç:**

I have four points to make.

1. Long are gone the days when Turkey's place was being questioned as to whether it was in Europe or in the Middle East. Ideological constraints imposed on Turkey's relations with the Middle East countries by the Cold War are lifted. So are the restraints of the Arab-Israeli conflict. Turkish security requires that Turkey should expand its multi-regional, multi-directional transactions. In other words, Turkey cannot deny its geography. Turkey is in the Middle East as much as it is in Europe. The question is: in what role and in what capacity? Turkey has to define its role in the Middle East and the region has to identify what is expected of Turkey. That role has to be agreed upon.
2. There is a need to replace confrontation and scepticism with a sense and urgency of cooperation. To achieve this a change of mind and increased transactions at all dimensions seem essential. I am indeed surprised by the mutual lack of knowledge, understanding and differences of perceptions about each other of the countries represented around this table.
3. Let us develop a Middle Eastern identity on most practical terms not on prototypes. Here, I am not making a nostalgic reference to the Ottoman identity nor am I implying a Western identity. But an identity based on historical heritage and experience, not on nationalism, not on religion - which would mean an antagonistic and exclusive approach - but built on common concerns, values and interests, on a cooperative economic potential, on the need for making best use of our region's resources, and on a determination to live together in peace and harmony.
4. A vision for the future! A very challenging effort. I can only draw a futuristic sketch. We should be realistic. Let us not forget, politics is the art of the possible. But, based on the identity I have just described, I can envisage a Middle East, defined on most coherent terms, where a group of states which have overcome their scepticism and confrontations, are respectful of their differences and irrespective of their political preferences, aware of the need to stick together and of the dangers of marginalisation if not cooperative among themselves, determined to live in peace, and can actually live in peace and prosper.

#### **Meliha Altinisik:**

After the pessimistic picture that emerged yesterday, I would like to end with a more optimistic view of future economic relations in the Middle East. I would like to talk about the necessity, not only the possibility, of further economic cooperation in the area. The Middle East is at a critical juncture - the end of the Cold War, the Gulf War, the initiation and the partial implementation of the Arab - Israeli peace process - all of this has created a new environment which seems to provide new opportunities for cooperation in general, and for economic cooperation in particular. This new environment also seems to affect Turkey's relations with the Arab states. Within this context there are two venues of economic cooperation between Turkey and the Arab states, and they are not incompatible:

- 1) The continuation and flourishing of bilateral relations.
- 2) The involvement in newly developing regional schemes of economic cooperation.

As far as bilateral relations are concerned, they have been improving since the 1960s but more so in the 1980s.

On the one hand, Turkey still has a vital economic link with the Middle East through oil exports, and on the other hand, there are new opportunities, for instance, in Lebanon there are more construction opportunities and Turkish construction companies are searching for new contracts. In Palestine, there is the possibility of infrastructural projects.

But more important are the multi-lateral economic relations, and these are made possible largely by the peace process. This kind of regional economic schemes started with the Casa Blanca Summit in 1994 and was followed by the Amman Summit in 1995; the next summit meeting will be in Egypt. Turkey participated in those summit meetings.

The schemes for economic integration or cooperation are not new to the Middle East. As you know, back in the 1950s and 1960s, at the apex of Arab nationalism, there were schemes for economic integration or cooperation which largely failed. Then in the 1970s there were hopes for increased regional economic cooperation as a result of the influx of large amounts of oil revenues into the area. But now in the 1990s these schemes for regional cooperation seem to be extended to include not just Arab countries but also Turkey and even Israel due to recent developments and factors as was mentioned earlier (namely: 1) the peace process, 2) partial liberalization of economies, 3) industrialization in some countries of the Middle East).

I think that regional economic cooperation is a necessity, because of the increasing importance of regionalism, and the Middle East seems to be in the danger of marginalization. So there are new pressures and incentives for regional economic cooperation in the Middle East. But, of course, there are also problems: such as lack of finance, economic restructuring, bureaucratic restraints, lack of adequate information, lack of adequate infrastructure, and these are serious. There is also the political problem of mistrust, and that's an important impediment. Therefore, I would like to suggest two points for a meaningful economic cooperation in the Middle East:

- 1) First of all, instead of ambitious region-wide projects, or may be in addition to

them, we should focus on subregional groupings, as for example, the Maghrib, the Gulf States, and a third grouping which consists of Jordan, Israel, Palestine and may be Egypt and Turkey. This incremental way seems to be the best way to approach economic cooperation.

- 2) The second point, which has been mentioned is to go on a project by project basis instead of tackling larger issues. I believe that is important because as I said at the beginning, economic cooperation is not just a possibility, but also a necessity, for the region in general and for Turkey in particular. For political reasons as well it is very important for Turkey to improve its economic relations and have a stable Middle East. Thank you.

**Ali Attiga:**

First of all, I would like to say that I found this roundtable to be very fruitful. I think that all the statements made by the distinguished panelists can be used as part of the major conclusion.

But I have reached these conclusions and I would like to put them forward:

- 1) There is a gross lack of mutual understanding and information about each other, coupled with an equally gross amount of mistrust and suspicion.
- 2) Military confrontation is neither feasible, nor sustainable, nor even desirable to resolve problems. So that any thinking of a military approach to resolve problems is not productive for either side.
- 3) Hence, what is left is to go back to the suggestion made by HRH Crown Prince Al-Hassan at the opening session, and that is to seek a way of conflict resolution based on the experiences of others. It is a sign of weakness and total failure when people resort to force to solve their problems, because their minds are no longer able to cope with those problems.

Hence, we need some form of understanding and institutions to handle those problems.

**Princess Wijdan Ali:**

I think that we all agree with what Dr. Ali Attiga said that there is some sort of misconception and misunderstanding among the two parties. I would like to mention three of these misconceptions:

- 1) I strongly object to equating Islam with Arabs, because it was Islam that brought the Arabs to the fore front, not the other way around.
  - 2) Since 1924, Turkey as a state has been dissociating itself from Islam. In 1928 there was a language reform and it parted with its historical legacy. I would like to ask: How can Arab countries act, officially speaking, as co-religionists with Turkey when you do not associate with us as Muslims?
  - 3) I also object to equating Islam with reactionary movements, terrorism or extremism. I think that we should take an objective, unbiased look at our common cultural and historical heritage which is based on Islam. It is a heritage which we all should be very proud of.
- Thank you.

**Orhan Morgil:**

- 1) We accept that Turkey and the Arab states have a cultural heritage based on Islam.
  - 2) Turkey insisted on secularism because it allowed for development in a sense that religion does not control the government, scientific areas and so on. However, in Turkey everybody believes in Islam and values based on cultural heritage. It is also obvious that religion is a bond; it makes you feel close to other people as in the case between Turks and Arabs: Islam binds us.  
But being a secular state is a different thing. From our experience, if you are not a secular state it is difficult to modernize or have rapid economic growth.
  - 3) Arab countries should restructure their economies in order to create a market economy and Turkey is doing that. The best economic cooperation is between businessmen from both sides; businessmen will push things quite fast, rather than government or public economic enterprises. We can see that in our dealings with Central Asia, the Russian Federation, and Eastern Europe.
  - 4) As for the Kurdish problem, it is an internal affair which Turkey will solve in the context of its unified state. It will give the Kurds democratic rights but we will never allow anyone to divide Turkey.
  - 5) The best thing is to have these seminars and frequent contacts in order to get a better understanding of each other.
- Thank you very much.

**Nursin Atesoglu:**

Since there is very short time I will be very brief. My remark concerns the proliferation issue. Today it is clear that the tools of the Cold War era, such a nuclear deterrents, are no longer sufficient to prevent proliferation in the Middle East. That's why there is a need to strengthen prevention efforts and provide a new definition and reevaluation of deterrents concerning the Middle East of the 1990s.

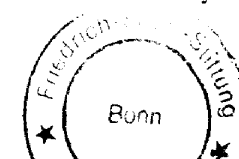
Some states in this region are more ready to use their weapons of mass destruction capabilities as weapons of their choice rather than weapons of last resort. So, a great effort should be made regarding the full spectrum responses: from diplomatic and arms control initiatives to passive and active defences, as well as confidence building measures. Thank you.

**Ersin Kalaycioglu:**

Ambassador Ismail Soysal of the Foundation for the Middle East and Balkan studies could not participate in this meeting. So he asked me to convey a message of thanks on this important occasion. We have taken great pleasure in participating in these discussions and also in the extra-curricular activities. Thank you very much for your hospitality.

**Hani Al-Mulki:**

I would like to say that our objective is this: we are looking towards cooperation and coordination on a regional level. Hence, we have to look for ways and means with which we can foster the development of this region, reduce or remove disparities between economies, between incomes of people, and benefits that may accrue to them, so that we can live in a harmonious manner.



**Ali Oumlil: Secretary General of ATF**

At the end of this important seminar I would like to thank all participants, particularly our Turkish colleagues. Over the past day and a half, this seminar has covered very important issues.

HRH Crown Prince Al-Hassan's presence and participation have set a very positive momentum for our discussions.

I would like to thank the Foundation of Middle East and Balkan Studies and its president, Mr. Ismail Soysal, and the Center for Strategic Studies at the Turkish Ministry of Foreign Affairs for their efforts in organizing this seminar.

I also would like to thank the Friedrich Ebert Foundation and its representative, Dr. Haack, for their support in organizing this seminar, in addition to a series of previous ones. Cooperation between the Arab Thought Forum and Friedrich Ebert Foundation continues on a highly commendable basis.

I thank all those who accepted our invitation to participate in this seminar which we hope has been a successful one.

Thank you very much.

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