DIPLOMATIC RELATIONS BETWEEN VIETNAM AND TURKEY
IN THE 2010 – 2018 PERIOD

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ABSTRACT

After a series of political and diplomatic crisis events spanning from 2014 to 2017, the Turkish economy is experiencing negative effects. Traditional relationships with EU countries, the US, and Russia have met many crises. Facing these difficulties, the Turkish government has redirected investment to Asian countries, including Vietnam. This article will provide a fundamental analysis of the change in Turkey's foreign strategy. Besides, the article will also analyze the competitive advantages of Vietnam and Turkey in the period 2010 - 2018.

Keyword: diplomatic relations, comparative advantages, trade, Vietnam, Turkey

1. INTRODUCTION

The Republic of Turkey is the largest economy in the Middle East region. In 2017, according to statistics from the International Monetary Fund (IMF), Turkey had the world’s 13th largest GDP by PPP and 17th largest nominal GDP in the world. With the most modern, developed and diverse economy in the Middle East, Turkey's economic model is considered one of the brightest spots in the region. Turkey's most robust economic sectors are automobile production, shipbuilding, home appliances, banking, construction, electronics, petrochemical, mining, food, iron and steel, machine-building and tourism.

Due to the particular geographic location located in the two continents of Asia and Europe, Turkey's diplomatic strategy always includes: West, developing relations with the EU and the US and to the East, developing relations with Asian countries, focusing on the Middle East.

The Asia region will be an optimal solution to solve the problem of pivoting the foreign strategic axis and commercial development of Turkey in the new period. In addition to owning large developed economies such as Japan and South Korea, Asia also holds large markets in terms of consumption size such as China and India. Although the continent also has some political instability, it is not significant compared to the Middle East.

Based on the above analysis, the opportunities for Asian countries and Turkey to come together in the coming period will be more and more precise. From a positive perspective, the relationship between Vietnam and Turkey, which already has a solid foundation built by the governments of the two countries, will have many opportunities to grow stronger in the next period.

2. LITERATURE REVIEW

There are many studies on foreign policy of a country, for example, the article by Thayer (2017) mentioned drastic changes in Vietnam's foreign policy during the period before and after the Openness. The open economic policy has brought Vietnam a new strategy: multilateralizing and expanding economic and political relations for economic growth. The successes in the "Doi moi" have created a change in the state-social relations when there is an increase in civil society organizations. The article also clearly analyzes that when public opinion and sectarianism play an increasing role in Vietnam's foreign policy, the management of foreign relations becomes more difficult, especially the relationship with Sino countries like China.

In the article on the competitive advantages of some Asian countries, including Vietnam, JDE (2017) analyzed the groups of export products for which Vietnam has a comparative advantage and the shift in ones of Vietnam. The author also used secondary data published by World Integrated Solutions (WITS) of the World Bank from 1997 to 2014. The author used basic analytical tools such as mapping using Comparative Advantage (RSCA) and International Trade Balance Index (TBI). The research results show that the average comparative advantages of six countries are on
the rise. Vietnam is a country with varying comparative advantage and seems more active than other countries in the study.

In the international trade study of emerging countries, Nguyen, Ho, & Vo (2018) argued that emerging countries play an essential role in the global economy. These countries have moved to global value chains quickly, although they face many challenges. The challenges facing the Vietnamese economy may undermine economic growth prospects. These include problems related to the economic recession, credit boom and rising protectionism around the world and risks from opening up domestic markets.

3. FINDING

3.1. The situation of foreign relation between Vietnam and Turkey

Regarding the diplomatic relations of Vietnam and Turkey, this study will analyse this issue based on the foreign cooperation between the two countries. According to the history of the foreign cooperation process between two countries, the case can be divided into two phases: the period 1978-1997 and the period 1997 up to now.

In the period 1978-1997, after three years since the reunification of Vietnam, Turkey officially established diplomatic relations with Vietnam. However, during this period, due to the effects of the Cold War, the relationship between the two countries was still quite blurred. Vietnam during that period had close relations with the Soviet Union, while Turkey was an ally of the US. This blur has been erased gradually since the Opening process in Vietnam and the economic reform process in Turkey.

From 1997 to present was marked by the signing of the Agreement on Trade, Economic and Technical Cooperation between two governments. This event has paved the way for 12 other Decrees and Agreements signed between the two countries over the past 20 years.

The cooperation process, as well as the signed documents, has been extended to 11 different fields: trade, culture, science, education, diplomacy, agriculture, tourism, investment and transportation. The expansion of cooperation documents is the most obvious manifestation of the development of diplomatic relations between Vietnam and Turkey from 1997 to the present.

3.2. Trade relations between Vietnam and Turkey

Currently, in terms of the bilateral trade cooperation relationship between the two countries, Turkey is now also the largest partner of Vietnam in the West Asia region. In 2005, in the report of 100 import and export markets of Turkey published by the Foreign Economic Affairs Board of Turkey, Vietnam ranked 89th in the list of export markets and 64 in the list of import field. By 2015, according to the Turkish Statistical Institute's report, with a total import-export turnover of US $ 1.5 billion, Vietnam has overtaken Indonesia to become Turkey's largest trading partner in Southeast Asia [4].

The total import-export turnover between Vietnam and Turkey in the period 2010-2014 has snowballed. In 2015 and 2016, the total import-export turnover of the two countries decreased slightly and increased strongly again in 2017. According to the General Department of Vietnam Customs, the total import-export turnover between the two countries reached only 56 million USD in 2003. By 2010, this figure was 637,764 million USD, 11 times more than after seven years. And by 2014, the total import-export turnover between the two countries reached a record of 1,637 billion USD, with an average annual growth rate of 20% / year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total import-export turnover</th>
<th>Growth rate</th>
</tr>
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<tbody>
<tr>
<td>2010</td>
<td>637,764</td>
<td>/</td>
</tr>
<tr>
<td>2011</td>
<td>852,444</td>
<td>34,0</td>
</tr>
<tr>
<td>2012</td>
<td>952,840</td>
<td>11,7</td>
</tr>
<tr>
<td>2013</td>
<td>1,270,488</td>
<td>13,3</td>
</tr>
<tr>
<td>2014</td>
<td>1,637,728</td>
<td>14,5</td>
</tr>
<tr>
<td>2015</td>
<td>1,507,081</td>
<td>-8%</td>
</tr>
<tr>
<td>2016</td>
<td>1,500,147</td>
<td>-0.46%</td>
</tr>
<tr>
<td>2017</td>
<td>2,127,801</td>
<td>41%</td>
</tr>
</tbody>
</table>
Table 1. Trade turnover between Vietnam and Turkey period 2010 – 2017

In which, Vietnam is a trade surplus country. Vietnam’s export turnover was about five times compared to the import turnover in 2010. In 2013 and 2014, this figure reached more than ten times; the trade surplus in 2014 reached 1,377 billion USD. Meanwhile, the growth rate of import turnover from Turkey to Vietnam is still growing steadily. This led to a decrease in Vietnam’s trade surplus to 1,157 billion USD in 2016. Thanks to the negotiation efforts between the two governments, the growth rate of the total import-export turnover of the two countries has a strong growth rate by 2017 (more than 41% compared to 2016). Vietnam’s trade surplus index also increased by more than 45% compared to 2016.

Thus, after more than 30 years of establishing diplomatic and commercial relations, the relationship between Vietnam and Turkey has had many positive changes and brought many best results in the economic field. With significant initial successes in the field of trade, the expansion of economic cooperation through investment attraction, especially investment attraction from Turkey into Vietnam, will have many opportunities.

3.3. Vietnam’s competitive advantage in attracting investment capital from Turkey

Regarding the movement of Turkish direct investment capital, it is possible to divide the markets that receive capital from Turkey into two groups: developed and developing markets. According to chart 2, from 2010 onwards, Turkey’s proportion of foreign direct investment capital is somewhat higher in developed countries market areas. However, after five years, Turkey’s foreign direct investment inflows have gradually tended to shift to developing markets. According to the UNCTAD 2010 data, most of Turkey’s OFDI in developed countries are concentrated in EU member states (EU). However, the failure of Turkey’s negotiation to join the EU has forced the Ankara government to make significant adjustments to its foreign policy in general and to invest abroad in particular. Therefore, Turkey’s OFDI capital flow in 2015 has gradually reversed and focused more intensely on developing markets, including the Middle East and Asian countries[5].

Figure 2: Changes in Turkish OFDI capital structure in 2010 and 2015 [5]

Thus, the Vietnamese market has many opportunities in the shift of capital from west to East of Turkey. But to be more aware of Vietnam’s prospects, it is necessary to consider Vietnam’s advantages in attracting investment from Turkey.

Geopolitical advantage of Vietnam

Regarding the geo-economic advantages, Vietnam currently has a favourable geographical location and large population size. With its central location in Southeast Asia and a long coastline, Vietnam has the potential to develop marine tourism, agriculture and maritime economy. But up to now, the exploitation of these advantages has only achieved low efficiency, especially for port services. Vietnam has not yet fully exploited the potential of its geographical location to become the centre of Indochina and the bridge between East Asia and ASEAN countries.

In particular, Vietnam has a border with the Eastern Sea - a strategic geographical location in the region. Vietnam can connect with dynamically developing economic centers of the area and the world such as China, ASEAN, NICs, Japan, through the Eastern Sea. From the perspective of Vietnam, the East Sea is seen as having a unique strategic role. Because this is a crucial maritime route, it is the place to circulate over half of the world’s freight ships. The route through the South China Sea supplies more than 80% of crude oil to Japan, South Korea, and Taiwan. As for China, 29/39 main shipping routes of China pass through the South Sea with 60% of the volume of imports and exports and 70% of imported oil. Every year, more than half of the world’s supertankers pass through this sea. Thus, Southern Sea is one of the most
important maritime hubs of the world and is associated with the economies not only of Southeast Asian countries, but also Northeast Asia, South Asia, and Europe, Australia, and the Americas. With this strategic location, Vietnam is becoming an attractive destination for foreign investment flows in the world and a trading hub in the region. Promoting cooperation with Vietnam will help Turkey more conditions to expand influence and opportunities for economic and trade development cooperation with the Asia-Pacific region.

The comparative advantage between Vietnam and Turkey

The potentials and advantages of Vietnam and Turkey are mainly based on each country's comparative advantage. Comparative advantage (calculated by the RCA index) indicates that if the RCA of a country is more than 1, its goods are considered to have a comparative advantage over the world. Comparative advantage is calculated based on input resources such as labour, resources and capital.

According to the data of WB in 2017, the RCA of Vietnam and Turkey have many similarities and differences. There are three areas where both Turkey and Vietnam have RCA > 1, are green vegetables; the dermis, leather, fur; textile. According to Deb & Hauk, (2017), if in an industry where both countries have high RCA, it will be quite limited in investment cooperation. However, especially in the case of textiles and clothing is an exception, Turkey has also invested in Vietnam's textile and garment sector, to re-export to the Turkish market. Besides, the electronics and composite manufacturing industries are also very interested by Turkish investors. Currently, about 44% of projects and 94% of total investment capital from Turkey focus on these two areas. Four other sites (including animals and animal products; green vegetables; leather, fur; shoes) have also been cooperated in the field of trade, but not deployed in the investment.

Based on the competitive advantages between the two countries, the ability to attract investment from Turkey to Vietnam is still outstanding. There are three traditional investment fields (textiles; machinery & electronics and manufacturing) and four areas in which Vietnam shares common advantages (animals and animal products; vegetables; leather, fur; footwear).

The environment comparative between Vietnam and Turkey

Environmental competitive advantage is determined by three groups of factors: Group of primary conditions index (group A), group of efficiency improvement index (group B) and a group of indicators for innovation and development of factor (group C)[7]. Group A includes: institutions, infrastructure, macroeconomic environment, health and primary education; Group B includes higher education, commodity market efficiency, flexible and productive labour markets, development of financial markets, technological readiness, market size. Group C consists of business sophistication, innovation. The higher a country's competitive advantage, the more effective and supportive in commercial cooperation between those countries.

In Vietnam, the competitive ranking in 2017-2018 increased slightly by 1 level compared to 2015-2016, from 56 to 55. Among the competitive groups, only group B and group C, Vietnam had an increase in ranking. Group B increased eight ranks, from rank 70 to 62. In which, the most substantial increase was the development of the financial market and the availability of technology, both increased 13 levels. Group C of factors increases by four ranks, from 88 to 84. In which, the innovation index increases two steps, from 73 to 71, only group A decreases three stages, from 72 to 75, the economic environment the strongest drop in macro was 8, from 69 to 77.

In 2015-2016 and 2017-2018, the improvement of Vietnam's competitive ranking has partly enhanced its ability to attract foreign investment capital in general and from Turkey in particular. Meanwhile, Turkey, due to tremendous fluctuations in diplomacy, politics and economy, has gradually lost its inherent national competitive advantages. From the perspective of attracting FDI from Turkey to Vietnam, the turmoil of Turkey creates "opportunities" for investment capital flows from Turkey to be easier to flow to other markets in general and Vietnam market in particular.

4. CONCLUSION

Thus, after analyzing the trend from West to East of outward investment from Turkey and the three economic advantages of Vietnam, it can be seen that Vietnam possesses great opportunities in opening up broad economic cooperation,
especially investment cooperation with Turkey. Therefore, if timely seizing this opportunity, and at the same time devising a strategy and implementing in a reasonable and timely manner, then gaining new leverage for the Vietnamese economy in the coming time is possible. We can ultimately expect this investment cooperation shortly if the efforts of the Vietnamese government are maintained continuously and vigorously as in recent times.

5. REFERENCES


