

146275

**THE TRADE DEFICITS BETWEEN CHINA-TURKEY:
MARKETING STRATEGIES AND METHODS FOR
TURKISH COMPANY TO ENTER CHINESE MARKET**

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Enstitümüze teslim ettiği "THE TRADE DEFICITS BETWEEN CHINA-TURKEY: MARKETING
STRATEGIES AND METHODS FOR TURKISH COMPANY TO ENTER CHINESE MARKET" adlı
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1. The material included in this thesis has not been submitted wholly or in part for any academic award or qualification other than that for which it is now submitted.

2. The program of advanced study of which this thesis is part has consisted of:

- i) Research Methods course during the undergraduate study
- ii) Examination of several thesis guides of particular universities both in Turkey and abroad as well as a professional book on this subject.

Heliman HADEER

May, 2004

ABSTRACT

Heliman HADEER

May 2004

The Trade Deficits Between China-Turkey: Marketing Strategies And Methods For Turkish Company To Enter Chinese Market

This thesis is aimed to provide solutions to the current high-level trade deficits between China and Turkey, which affects Turkish economy negatively. In the first chapter, statistics and reasons of trade deficits are given in details. Beside that, negative affects of trade deficits were explained. In order to decrease the deficits, more Turkish companies should attempt to export their goods to China.

In the second chapter, Chinese markets are introduced in general and in significant industries. The most advantageous markets and industries for Turkish enterprises are explained with the size of market pie and other statistics. In the last part of this chapter, an applicable Five-Year Plan is given as an example.

In the last chapter, various kinds of possible strategies and methods to apply in Chinese markets are introduced with the procedures and running structures. Several Turkish enterprises that were forerunners in Chinese markets are given as living examples with their company profiles and export information. Some of them were successful and some of them were not, and few of them were between success and failure. All these enterprises were good samples to study for new companies intend to march Chinese markets.

Key words:

Trade Deficits

Imports

Exports

Markets

Consumer Groups

Industries

Marketing Strategies

KISA ÖZET

Heliman HADEER

Mayıs 2004

Çin-Türkiye Arasındaki Ticari Açığı: Türk Şirketlerin Çin Pazarına Girmesi İçin Pazarlama Stratejiler Ve Metodlar

Bu tez Türk ekonomisini negatif yönden etkilemekte olan Çin ile Türkiye arası dış ticari açığı için çözümler üretmek amacıyla hazırlanmıştır. Tezin ilk bölümünde, ticari açığının sebepleri ve istatistikleri detaylı bir şekilde verilmiştir. Bunun yanı sıra, dış ticari açığın negatif etkileri sunulmuştur.

İkinci bölümünde, Çin piyasası genel ve bazı sektörleri de detaylı olarak tanıtılmıştır ve Türk firmaları için en avantajlı sektörlerin payların büyüklüğüyle birlikte diğer istatistikler verilmiştir. Bu bölümün son kısmında uygulanabilecek bir Beş Yıllık Plan örnek olarak sunulmuştur.

Üçüncü bölümünde ise, Çin piyasasında uygulanabilecek çeşitli stratejiler ve metodlar prosedürleri ve çalışma şekilleriyle birlikte tanıtılmıştır. Daha sonra, Çin'de faaliyet gösteren öncü firmaları canlı örnek olarak profilleri ve ihracat bilgileriyle tanıtılmıştır. Bu firmaların bazıları başarılı ve bazıları başarısız olmuş, az bir kısmı da başarıyla başarısızlık arasında kalmıştır. Bu firmalar Çin pazarına yeni girmek isteyen başka firmalara iyi örnek teşkil etmektedir.

Anahtar Kelimeler

Ticari açığı

İthalat

İhracat

Piyasalar

Tüketici grupları

Sanayiler

Pazarlama stratejileri

Öncüler

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ABBREVIATIONS

U. N.	United Nations
G.D.P.	Gross Domestic Product
G.N.P.	Gross National Product
WTO	World Trade Organization
Imp.	Import
Exp.	Export
CEPA	Closer Economic Partnership Arrangement
OECD	Organization of Economic Cooperation and Development

PREFACE

In Turkey, most marketing database are provided by Western sources which may not be applicable for all countries. Turkey has to develop its own database of market researches, strategies and methods. This is my starting point of this thesis, and I really hope it could be helpful for those companies in need of information and assistance.

Inside the thesis, you will be able to find the solutions and suggestions for decreasing the trade deficits between two countries. The enterprises should decide what strategies to follow, and more debates and criticisms should be carried out by all people who are concerning this matter. I am grateful for the assistance of my advisor, Professor Mustafa Dilber for showing me the methods of researching and helping me to prove what I wrote.

INTRODUCTION

As you have read from the title the complete report is about the trade deficits between two countries and specially emphasizing on the trade deficit caused by Chinese cheaper products and garments, and the unbalanced competition between two countries' manufacturers in some significant fields.

This report aims to help those Turkish enterprises who are trying to enter the Chinese market which could be the biggest market in the world because of its huge population and well developing economy. Another fact is that Turkey is trying to be a part of EU (European Union) who will bring more economical pressure on Turkey to enlarge its economy in positive way.

All these signs are showing that it needs to search for more markets to enter and having better trade-offs! More market researches, more marketing strategies and plans should be made to come to truth. In Turkey, companies are not as professional as those American and European corporations, they have much more sufficient database for the information they need about markets, human resources and etc. These kinds of new sciences are still not well developed in Turkey. There are some academies, universities and civil organizations dealing with such sciences, but the problem is that most of their data are taken from Western countries which may not be adaptable for Turkish economy and business styles.

CHAPTER ONE: TRADE DEFICIT BETWEEN CHINA AND TURKEY

1.1. THE TRADE DEFICITS

1.1.1. Introduction of Trade Deficit

To talk about trade deficit, firstly we have to identify what it is. The term 'Trade Deficit' was not very familiar to us a decade ago. But with the incredible progress of the world economy and globalization, the term appeared and took its place in the economic communities very rapidly. New organizations such as Trade Associations, Free Zones, and Free-Customs Unions etc are built between countries and regions. All these initiatives have the same goal; adapting to globalization and at the same time, decreasing its negative effects.

Technically the term could be explained as "an excess of imports over exports"¹. 'Trade Surplus' has the opposite meaning. In my words, Trade Deficit is a part of state statistics which provide the information of balances between import and export trading transactions. It can be done in total or broken down into sectors. Trade Deficit helps us to acknowledge our economy bases, weaknesses, performance of a government in economy,

¹ <http://www.hyperdictionary.com/dictionary/trade+deficit>

developing speed and many other important economic tendencies. It even can affect a country's currency policy, which is regarded as backbone of a nation. Lower deficits bring more public income and positive industrial indicators. More deficits cause higher unemployment and massive loss of foreign exchange stocks.

These examples are among the few facts of trade deficits, there are many more things that can be discussed about it in detail, but here in this thesis, we will be mainly concerned with the trade deficits between China – Turkey within the first chapter. We will learn the current position of trade deficits of Turkey with China in detail, and its effects on the economy in brief. And also we will study the reasons of the deficits. By the end of the chapter, we will discuss and forecast some possibilities for future.

1.1.2. Current Trade Deficit position of Turkey

These days, we can always hear news about the trade deficit of Turkey from television channels and newspapers. It may not attract many people because of its indirect effects to our daily activities. But to those who are interested in state economy and national welfare, it would be more meaningful and pessimistic.

Turkey has involved in gaining membership in European Union for past several decades, and as a condition, EU is requiring Turkey to achieve higher economical status and stabilization of its currency policy. Efficient

control over foreign exchange is quite helpful to achieve these targets, and trade deficit is one of the main parts of this control mechanism.

It is already proven by all financial authorities that Turkish financial system needs serious reforms because of its unbalanced basing on both short and long term debts. Huge amount of budgets are paid for the interests of those debts. It is much higher than the standards or the leverage rates for those developing countries or furthermore, even the western developed countries. This situation brings hard works for the treasury authorities to provide a balanced foreign exchange conditions for financial investors. Therefore, all these facts are clearly indicating that Turkey has to keep balance between money income and money outcome. Trading businesses are the main transactions of money transferring between countries. In order to not lose the control over cash flow, every country is trying to keep the trade deficits as low as possible.

Table 1-1. Gross National Product Statistics, 1968-2000².

Year	Growth rate %	At current prices Million \$	Year	Growth Rate %	At current prices Million \$
1968.....	-	18,050	1985.....	59.5	66,891
1969.....	11.9	201,893	1986.....	44.8	75,173
1970.....	13.3	19,031	1987.....	46.6	85,979
1971.....	25.6	17,244	1988.....	72.2	90,690
1972.....	20.3	21,968	1989	78.3	107,544
1973.....	27.0	27,947	1990	72.4	150,758
1974.....	34.7	38,242	1991	59.7	150,168
1975.....	28.5	47,452	1992	74.0	158,122
1976.....	25.6	53,684	1993.....	81.0	178,715
1977.....	27.7	61,264	1994.....	94.7	132,302

² State Institute of Statistics, Republic of Turkey. www.die.com.tr

1978.....	48.5	66,828	1995.....	102.0	170,081
1979.....	74.8	81,696	1996.....	90.7	183,601
1980.....	84.4	68,391	1997.....	96.2	192,383
1981.....	51.3	71,504	1998.....	82.1	206,552
1982.....	32.3	64,209	1999.....	46.3	185,267
1983.....	31.3	60,492	2000.....	60.4	200,002
1984.....	59.1	59,098			

Before discussing the present trade deficit position and attitude of Turkish authorities, we should discuss the process and the history. It can be said that the exact date of entering market economy was the last part of 1980s after Mr. Turgut OZAL started his presidency. Not early and not too late. Industries are rapidly increased, state properties and enterprises are privatized, exchange and stocks markets are built. In a very short time, Turkish economy has grown very fast. But beside these entire positive circumstances, some unwelcome tendencies also appeared, such as incredible increase in inflation and decreasing value of the Turkish Lira, which has been regarded as sample among the rarest, and many other unexpected things happened.

One of the negative factors is increase of trade deficits periodically. Today, Turkey is a member of many trade unions and treaties which has great manufacturing and agricultural industries. But they couldn't help decrease the deficits which is rising year after year as shown in Table 1-2.

Table1-2. Annual Financial Statistics of Turkey, 1980-**2004³**

YEAR	1 \$ = TL.	YEAR	1 \$ = TL.	INFLATION RATE %
1980	71,40	1993	8.602,00	
1981	93,74	1994	14.538,00	
1982	134,33	1995	38.765,00	
1983	189,06	1996	59.800,00	
1984	291,39	1997	108.045,00	99.1
1985	452,00	1998	206.100,00	69.7
1986	579,13	1999	315.220,00	59.3
1987	755,31	2000	542.703,00	39.0
1988	1.023,44	2001	675.004,00	68.5
1989	1.816,65	2002	1.446.510,00	29.7
1990	2.316,00	2003	1.647.654,00	
1991	2.933,00	2004	1.399.998,00	
1992	5.098,00			

(Million US Dollars)

Foreign Trade Statistics of Turkey, 1997-2003

Year	1997	1998	1999	2000	2001	2002	2003
Exports	26,261	26,974	26,587	27,775	31,334	35,753	47,253
Imports	48,559	45,921	40,671	54,503	41,399	51,203	69,340
Total Trade	74,820	72,895	67,258	82,278	72,733	86,956	116,593
Deficits	-22,298	-18,947	-14,084	-26,728	-10,065	-15,450	-22,087
Exp./Imp.	54.1	58.7	65.4	51.0	75.7	69.8	68.1

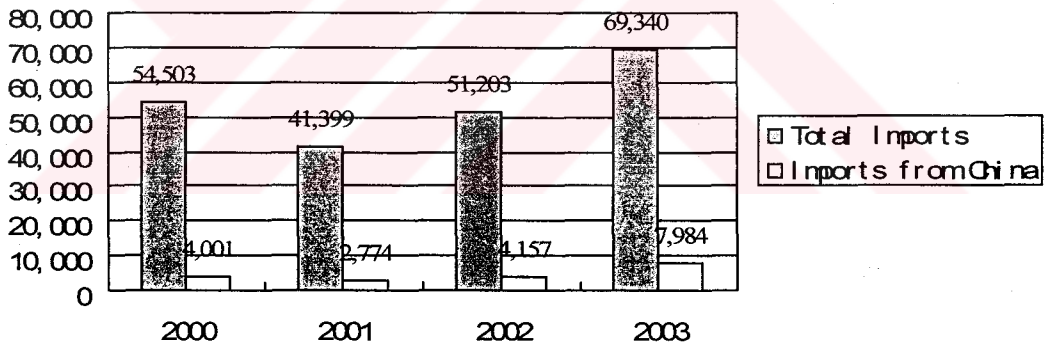
(Millions of US dollars)

Table 1-3. Annual Foreign Trade Statistics, 1997-2003⁴.³ Exchange Rates of Central Bank of the Turkish Republic, www.analiz.com⁴ Foreign Trade Secretariat, Prime Ministry of Turkish Republic. www.dtm.gov.tr

1.1.3. Current Imports from China

We can take a general view over different industries. But as we know, Chinese products are almost available in all industries in Turkey from light industries to hard machinery, gardening to construction, textile to food industry and many other sectors. Almost in all industries, Chinese products are gaining more market shares. It has already become a headache and threat for Turkish manufacturers. We would discuss the reason of this trend later.

Table. 1-4. Import Statistics of Turkey, 2000-2003⁵.
(millions of US dollars)



The amount of imports is increasing every year, the real statistics are much higher than the official ones. According to Ankara Chamber of Commerce, the real situation of imports from China is quite frightening.

Ankara Chamber of Commerce made a market research over Chinese goods between the end of 2002 and 2003. Details are as follows:

⁵ Foreign Trade Secretariat, Prime Ministry of Turkish Republic. www.dtm.gov.tr

- a. **Toys:** 80% in the end of 2002, increased to 95% in the end of 2003.
- b. **Constructional Materials:** 20% of the total market, armatures and water tap were 25% in the end of 2002, and increased to 76% in the end of 2003.
- c. **Tools:** 25% in the end of 2002, 40% in the end of 2003.
- d. **Chemical materials:** market shares of painting materials were increasing from 10% to 40%.
- e. **Carpets and Furniture:** from 15% to 25% in ten months.
- f. **Electrics devices:** from 20% to 60%. Many local manufacturers shut down.
- g. **Camera:** from 25% to 40%.
- h. **Stationery:** from 30% to 45%.
- i. **Optic and sun glasses:** from 40% to 50%. There were totally 160 local manufacturers in this market in the end of 2002, only 20 remained now.
- j. **Textile fabrics:** from 35% to 45%.
- k. **Medical equipments:** from 50% to 55%.
- l. **Office Equipments:** from 5% to 50s%.
- m. **Mobile phone accessories:** from 80% to 90%.
- n. **Electronics:** from 50% to 55%.

- o. Bags and Accessories:** 30% of the market. But all imports are made from China.⁶

1.1.4. Current Exports to China

China has the biggest population in the world. According to official statistics, it has already reached 1.35 billion. This amount means one-fifth of the world population. From an economic point of view, it comprises a very big market. In another word, China is among the highest consuming communities. Beyond the high speed development and welfare, Chinese consuming market is getting wider day by day. More foreign commodities are imported, from automobile to agricultural products, medical equipments to weapons and many other industries. All these attract foreign companies and manufacturers to get a share of this market.

But for Turkey it is quite different. Against import, export transactions to China are much less and limited in few industries. There are very few industries in which Turkish manufacturers are more competitive than other countries. Turkish companies do not have the exact information of Chinese market because of lacking information exchange, inactivity of chambers of commerce and almost no any official supports etc. There are many other reasons, we will talk about them later.

Right now, there are some Turkish initiatives trying to get a share of Chinese market.

⁶ Ankara Chamber of Commerce, www.atonet.org.tr

Export Statistics of Turkey, 2000-2003

(Millions of US dollars)

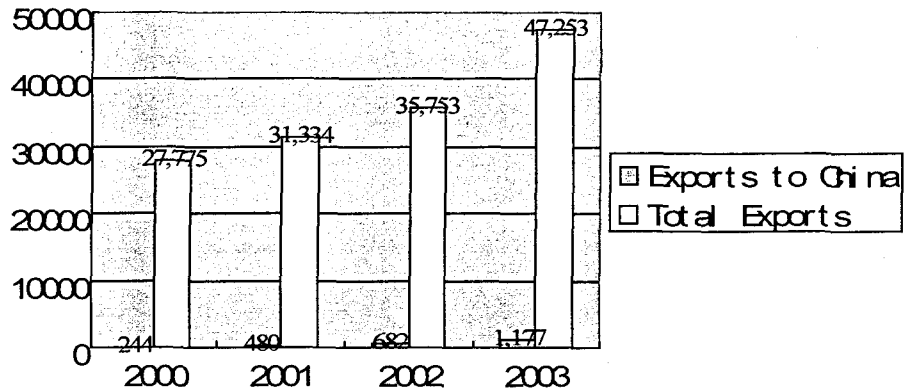


Table 1-5. Comparison between exports to China and total exports, 2000-2003⁷.

All these graphics and statistics showed us a very poor picture of export transactions to China. All Turkish economists should worry about this situation. Why we didn't get a share of this very huge market and what should be the right level. In my point of view, economic authorities should define three export positions; Poor, Ideal and Unexpected. Levels can be given to each position in general and for every single industry. Strategies should be made against all three positions. Now we can give some definition to these three positions:

Poor: export to China in general and in significant industries are less than the idealized level but not exceeding acceptable level. Authorities and

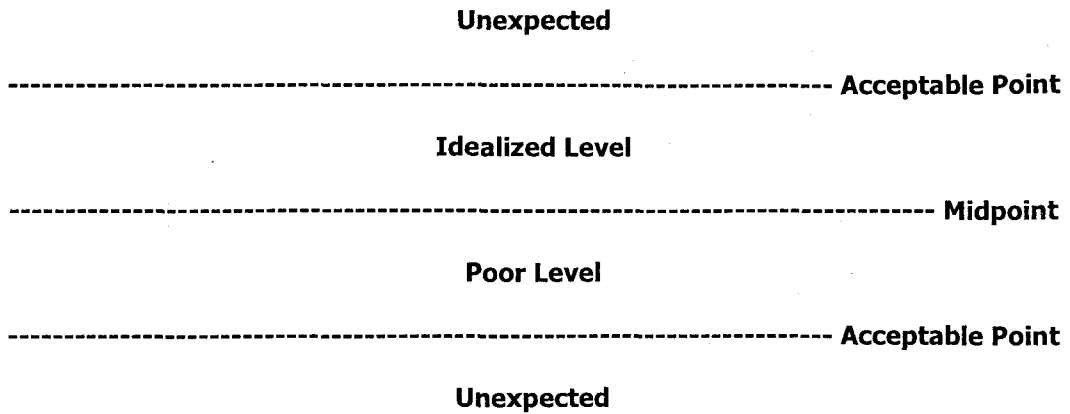
⁷ Foreign Trade Secretariat, Prime Ministry of Turkish Republic. www.dtm.gov.tr

chambers of commerce should study on it and define some strategies for next period to achieve the idealized level.

Ideal: In this position, exports to China are between the idealized level and acceptable level. Authorities should keep it constant and at the other hand, increasing the idealized level for next period.

Unexpected: In this position, exports to China may be very poor and below the lower acceptable level or above upper acceptable level which means more exports than expected. These situations generally related to government trade politics and actions in exchange markets. For example, reducing the import tax in significant market could increase exports in that market rapidly; anti-dumping cases carried out over some industries may stop export of some products to China and any devaluation of currency may bring an immediate increase in exports etc. There are also natural facts such as earth quake, food shortage and etc which may bring more export of medical and agricultural products to China. At this point, authorities should immediately define the strategies, if the situation is positive, then no opportunity should be missed. If it is negative, government should step on to break those bans and anti-dumping cases.

Figure 1-1. Possible levels in exports to China.



From the statistics given above, exports are quite low in general or any particular industry. Up to now, there no any unexpected situation appeared. But of course, it doesn't mean that it won't happen. We should get ready for any unexpected situations. Government side plays main role in this process. More supportive political decisions should take.

1.1.5. Balance between Imports and Exports

From the last two parts, we had some information about import and export trade transactions between China and Turkey in detail. Now we will study the relations between them. Or in another word, "the balance", which will be the central idea of this thesis.

The positive balance means trade surplus and the negative balance means trade deficit as we learned at the very beginning.

Table 1-6. Trade Balances between Turkey and China, 2000-2003⁸.

(millions of US dollars)

	2000	2001	2002	2003
Imports	4,001	2,774	4,157	7,986
Exports	244	480	682	1,177
Balances	3,757	2,293	3,475	6,806
Imp./Exp. Rate	1600%	500%	609%	678%

1.1.6. Effects and Results of Trade Deficits

Here are some statistics showing the increasing rates of unemployment provided by government statistical authority and international statistics organization.

Table 1-7. Unemployment rates of Turkey, 2000-2002⁹.

(%)	1 st Q.	2nd Q.	3rd Q.	4th Q.	Annual
2000	-	7.4 %	5.6 %	-	6.6 %
2001	8.6 %	6.9 %	8 %	10.6 %	8.5 %
2002	11.8 %	9.6 %	9.9 %	11.4 %	10.7 %

The statistics given above showed us that since beginning of the new century, the deficit between China-Turkey is getting higher and wider year by year. Starting with few industries, it comes up to almost every industry today. It is a very dangerous trend. If we don't take it into consideration with

⁸ State Institute of Statistics, Republic of Turkey, www.die.gov.tr

⁹ State Institute of Statistics, Republic of Turkey, www.die.gov.tr

seriousness, more unemployed young people will be a headache for our community. Not only this, currency market will be affected by the deficits too. The financial crisis in 1994, 1997 and 2001 had some serious relations with the deficits.

According to Mr. Fatih KERESTECİ, economist in HSBC Istanbul, the direction of this trend might be risky in near future. One fact is that the value of Turkish Lira is rising too much because of increases in imports and devaluation of US dollar. Another fact is that cheaper Chinese products are gaining great shares in the Turkish markets which affects Turkish trade balances negatively, and by the end of 2004, there might be shortages in finance because of mass cash flows to overseas.

In order to take steps over it, first we have to learn the facts that causing the incredible rise in deficits. Therefore, in the next part, we will discuss the reasons of trade deficits between China and Turkey.

1.2. REASONS FOR TRADE DEFICIT

In this part, we will discuss the reasons for the deficits from a different point of view. We will talk about possibilities and factors that could help us find solutions. It will not cover all possible facts certainly, but they form the main structure of the reasons.

1.2.1. Social Factors

China is a socialist country in which Communist Party is the only authority in government and National Congress. There is no opposition and no general elections. People only elect the members of National Congress which consists of only communists. No election is held for presidency and premiership, nor in the regional administrations.

It is possible to say that the country is far away from a democratic administration. Government has full control over all ethnic and political groups. The armed forces are under the command of the Communist Party. For lots of economists, this situation might let them have an idea of a strong "invisible hand" controlling the country's economy. But in fact, this idea is not exactly right, because China is trying to get involved in market economy. The whole nation is working for that target.

The government is imposing an idea of "Strongest Country of Asia" to the nation. Before 1980s, every one in China was working for the government. There was no efficiency and market economy. People just went to work in 9 o'clock in the morning, and went back home at 5 o'clock in the evening, very routine life and no punishment and rewards. The salaries were very low, around 5-10 dollars. Nobody was working hard; most jobs were given without any demand. Government was responsible for every family. Every thing belonged to the government. Money wasn't meaningful for most people. If you wanted to buy rice or oil, then you should have the Food Ticket given by the government. The same situation applied to gas stations.

But since 1980s, after Mr. Deng came to power, everything changed rapidly. Mr. Deng made a national appeal of 'let some people get rich first'; lots of reforms were implemented in a very short time. Many trade companies and factories were built. China started to be a factory for the whole world. All these facts made China a place of cheaper products. Lots of fairs are hold, specific or general. Lots of Turkish companies and manufacturers used to visit these fairs and started importing Chinese products. Import business seemed to be easier than manufacturing. Day by day, import increased and trade deficits showed up.

1.2.2. Economical and Financial Factors

From the economical point of view, China is among the fastest developing countries in the world. Nearly 10% annual growth attracts lots of foreign investors. It has already gained the second position of foreign investment. Government is trying to complete the process of getting in market economy totally. But more serious reforms need to be done, such as private banking, energy industries and etc.

Table 1-8. GDP analyses of 2002: China and Hong Kong SAR¹⁰.

	CHINA	HONG KONG
GDP (billions \$)	1,237	162
EXPORTS (millions \$)	325,591	200,092
IN WORLD EXPORTS (%)	5.1	3.2
IMPORTS (millions \$)	295,171	207,644

¹⁰ IFS, Sep, 2003 World Development Indicators, 2002. www.worldbank.org

IN WORLD IMPORTS (%)	4.5	3.2
EXPORTS/GDP (%)	26.4	123.0
IMPORTS/GDP (%)	24.3	128.1
GDP RANGE	6	27
GDP ANNUAL GROWTH (%)	8	2.3

In China, there are only several government authorized companies in every province which have the import and export license, all manufacturers dealing with exporting business should cooperate with these companies. On the other hand, buyers also have to work with these companies. Because only these import and export companies have the right to invoicing to the overseas customers.

But over time, more manufacturers appeared. Government started to provide some significant manufacturers exporting license since their performances were positive. Government supports brought about more competition among manufacturers thus causing decreases in price; it also attracted more foreign importers to China. Turkish companies didn't miss the chance; many new and cheaper products had been imported to Turkey. They are getting more market share in many industries in Turkey. Against that, there are only few serious attempts in exporting to China.

The financial fact also was a part of it. China has stabilized currency policy, since 1980s, the exchange rate of US dollar in People's Bank (the central bank of China) was 1 USD makes 8.26 RMBs. Today in 2004, the rate remained same level. Such a stabilized currency provides investors a safer condition of business cooperation. But in Turkey, devaluation of Turkish Lira

had always been the main headache of exporters and manufacturers. They cannot stabilize their selling price, and it caused losing many short termed overseas customers including China.

1.2.3 Geographical

China is the third largest territory in the world after Russian Federation and Canada. It has a land of 9,600,000 Square kilometers which is equal to the whole of Europe. Almost all kinds of geographical lands are available in China; from desert to high mountains, big lakes and large sized Gobi. Especially 10,800 kilometers of coastlines made the country own hundreds of seaports. Shanghai port is the biggest sea port in China and the famous Shanghai Pudong Free Trade Zones has interested more than 5000 multinational enterprises to establish their business basement for Chinese Market. The developing speed of these seaside regions is unbelievable.

There are totally 12 neighboring countries for China, Mongolia and Russia in the North, Korea in the East, Kazakhstan, Kyrgyzstan, Afghanistan and Pakistan in the West, India, Nepal, Sikkin, Thailand and Vietnam in the south. At the other side of East China Sea, Japan and Korea are very close to China also.

Hong Kong was rented for 99 years by Great Britain in late 19th Century because of its strategic importance in Far East. Of course there was nothing paid to China, only few agreements were made at that time. They ruled the country for more than a hundred years. The British people had

great benefits from Hong Kong. In 1984, the reformist leader of China, Deng Xiao Ping, who has been regarded as architect of this fast developing country had to negotiate with British Government to have Hong Kong returned to its motherland in 1997. After the last British governor of Hong Kong left the country in 1997, Hong Kong Special Administrative Region is formed. No more British flags are seen in the city. Although it is returned from a democratic country to a communist ruled country, it hasn't lost the position of being a free port in Asia.

Another place needs that needs reminding here is Macao City which was occupied by Portuguese Empire four hundreds years ago. The local language already became Portuguese and even the accent of native Chinese language has also been effected by Portuguese language deeply. Main income of the city is casinos and gambling. Macao also has been returned to China in 1999 after series of negotiations. It became Macao Special Administrative Region. Although gambling and casinos are extremely forbidden in China, there is no a single casino has been shot down in Macao. Chinese government is controlling the city with high autonomy.

All these information let us understand the geographical advantages of China, especially the importance of geographical effects to country's economy. China never wasted the advantages given by Heaven, natural tourism, agriculture and free zones in seaports are the most beneficial sectors of geographical advantages. Wide ranged and low cost transportation networks are built in a very short time, it is an important attraction for

investors who regarded transportation as the main problem in international trades.

We have no doubt about geographical advantages of China any more, but how about Turkey? In fact, Turkey also owns all of the advantages we mentioned above. But almost all of these advantages are wasted. In international business, providing a safe and low cost trade environment is very important. China succeeded. What about Turkey? As we know, wars around the country have affected the economy a lot. But instability in currency and frequent changing of governments has made the geographical advantages useless.

1.2.4. Political Factors

In China, Central Government has the full control over all administrations and economy through the country. There is no power sharing with any other political group, Communist Party is the only administrator in China. So the governments use to be long aged. Although it is not approved by western developed countries, but for Chinese people, this kind of administration can bring stability for them. To some extents, they are right about it.

In fact, there is also political autonomy for local governments to deal with their economic affairs; such as conditions for foreign investors could be different from a province to another province, especially in western seaside provinces such as Guangdong, Zhejiang, Shanghai and Fujian etc. These

regions are highly industrialized and have gained more economical autonomy. This economy independence highlighted the development and social welfare process of these provinces.

In these provinces, local governments allowed many unlicensed factories to be active. They are generally not a formal company and do not have any tax registration. All the trade activities do not have any official record such as invoice and bill etc. This policy is called "Open one eye and close the other" which means local governments have the information of those unlicensed factories and companies but no charge or warns made over them.

The main reason is that governments are afraid of unemployment. This kind of factories are employing a large population in these provinces, Once the government force them to pay tax and do their business in more official styles, most of those employees will lose their jobs because of increasing costs. The main reason of their staying in market is that their prices are very low than those large sized and more official manufacturers. They don't need to pay tax or social insurance for the people they employed. Otherwise, they cannot compete with large sized manufacturers.

Drawback System is also very important for the economy; companies who export goods with official documents will receive drawbacks from the government almost immediately. It encourages those official registered manufacturers to increasing their exports in order to get more drawbacks.

Anyhow, we understand that the Central Government and local authorities are trying their best to provide full supports to manufacturers whether they are official registered or not, because they believe that these manufacturers are solving their main problem of unemployment and creating new sources for the country.

But the picture of Turkey is completely different. Up to two years ago, it was impossible to talk about any political stability in the country. There were 55 governments formed from 1950 to 2002. It can be said as annual government not a periodic government. In some years, two even three governments were formed. This situation is striking the economical development. People are afraid to invest because of unexpected things related to politics are always happened. No decisive and long term government appeared after Ozal administration in late 1980s till 2002 when Mr. Erdogan and his Justice and Development Party has won the majority of the parliament and form the new government on their own. The time between these two periods, politics was equal to conflicts and corruptions. Turkey loose great chances in this period, and it is hoped to get better after Mr. Erdogan took the power.

In Turkey, an enterprise cannot apply for electricity without tax registration. Goods transferred from a shop to the warehouse require Good Transport Bill. And so on, many hard rules are difficult for enterprises to obey. Although there is no cash business in Turkey, all trades are on installments and short or long term debts, but the Value Added Tax is

collected every month in cash. Drawbacks in export are also limited due to some financial reasons. So it is easily to say Chinese manufacturers are enjoying great political supports times and times than Turkish enterprises.

1.2.5. Transportation Factors

First of all, we better compare the transportation statistics between two countries. China is certainly larger than Turkey many times, but the developing speed in transportation is incredible. That is the point we should concentrate.

Table 1-9. Comparison of Transportation Statistics between Turkey and China, 1993-1999.

YEAR	CHINA ¹¹			TURKEY ¹²		
	1993	1996	1999	1993	1996	1999
Railway (kms.)	53,000	56,700	67,900	8,430	8,607	8,682
Highways (kms.)	1,083,476	1,185,789	1,351,691	387,023	380,226	382,74
Capacities of Seaports (millions ton/year)		851.52	1,029.62			3
Numbers of Airports			143			48
Autobahn (km)	1,145	3,422	11,605	1,070	1,405	1,749

China owns the one of largest railway transportation network in the world. So do the high ways and air transportation networks. All these had great affects to make the business faster.

¹¹ CAAC, Ministry of Communications of the People's Republic of China. www.caac.gov.cn/tjxx/gdzc.html

¹² DLH, Ministry of Transportation of the Turkish Republic. www.ubak.gov.tr/tr/dlh/home/

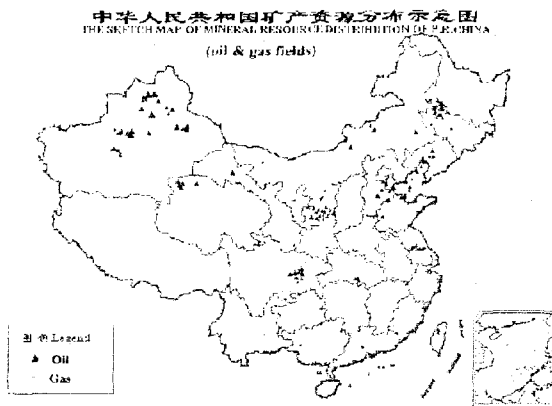
Enlarge the transportation networks was the main job of central government since 1980s, they are always been placed in the first positions in "Five Year Plans", hundreds seaports and airports are built in last 20 years. Manufacturers are able to deliver their goods to customers by road, trains or aircrafts, because on time delivery is the most important thing in world trade.

Another fact is that petrol in China is quite cheap and that make the transportation cost cheaper than other countries. In Turkey, price of benzine is three times of China and almost reached the European price standards. High cost of transportation and instability brought great difficulties for Turkish transportation system.

1.2.6. Energy and Natural Resources Factors

As we mentioned, the western provinces of China are highly industrialized. The industrialization brings serious needs of energy and natural resources such as petrol, chemical raw materials and wooden materials etc. Most of these needs are answered by China itself. Especially the eastern provinces of Xinjiang Uygur Autonomous Region, Qinghai, Gansu and Tibet etc are the main bases of natural resources. Xinjiang owns a large petrol reserve in the region. Natural gas and metals are also plenty in this region. The last four regions we mentioned obtained 118 natural resources among the 148 totally in China.

Figure 1-2. Petrol and Natural Gas Reserves of China,1996.



Current Exploiting Reserves: 18.14 billions tons

Current Exploiting Fields: 32

Confirmed New Resources: 78.60 billions tons

Current World's Total Reserves: 139 billions

Source: Information Centre, Chinese Academy of Geological Sciences. www.sdinfo.net.cn

These natural resources are been depurated to ready-to-use and transported to those western provinces which are in need of them. It provided manufacturers cheaper and easy accessible energy and materials. This is the axletree of a factory. Because of the fact the any factory won't work without energy and raw material. But high industrialization brought more consuming of energy and raw materials. Those eastern provinces cannot answer the demands any more. China is already started to import petrol from Middle East and it is been concerned by developed countries afraid of increasing in prices.

Although Turkey has many energy and natural resources, but past 50 years, governments did nothing serious in this field. In today, cost of exploiting new resources are much higher than before and Turkish economy is unable to finance such huge projects. Today, approximately 100 % of petrol consumed in Turkey is been imported from Russia and Middle East. Stability is an important point in gaining energy and natural resources.

Russia and Middle East are not stable places, unstable prices and black stock markets brought great difficulties for Turkish authority to control the situation.

1.2.7. Labor Force Factors

This is the main subject needs to be discussed in details. It is been seriously considered by world economists about Chinese trends in labor markets. More and more countries and industries are deeply affected by Chinese labors.

In order to understand the importance of this factor, I would like to compare manufacturing cost process of a 15 inch Laptop Bag in China and Turkey. The reason I choose Turkey is that the income standards in this country is higher than China but lower than Europe and western developed countries. It is at a middle point.

The Comparisons in following is been summarized, many details which are not effective are neglected.

Figure 1.3. Costs of Materials and Operations in China and Turkey

PRICES	CN	TR
Average price of PVC covered leather imitation fabric	\$4.0/mt	\$6.0/mt
Price of under layer fabric	\$0.50/mt	\$0.75/mt
Price of metal accessories (zipper heads and nails etc.)	\$0.15/pc	\$0.25/pc
COSTS		
PVC fabric	\$1.80/bag	\$2.70/bag

Under layer fabric (each bag needs 0.30 meter)	\$0.15/bag	\$0.23/bag
Metal accessories (10 pieces in average for a bag)	\$1.50/bag	\$2.50/bag
Operating Costs (energy, threads and depreciations)	\$0.55/bag	\$1.00/bag
TOTAL COSTS EXCLUDES LABOR COSTS.	\$4.00/bag	\$6.45/bag

Source: Sarac Ticaret, Istanbul/Turkey and Guangzhou Yi Ming Sport Bag Man. Company, China.

From the costs given above, we learned that operating cost and materials are cheaper in China. But the difference is limited. Now we will look at the labor costs per a bag.

Table 1-10. Labor Costs per Bag in Turkey and China.

	CN	TR
Average salary per month including social insurances	\$ 90	\$ 380
Average working days per month	30 days	25 days
Average working hours per day	15 hrs	10 hrs
Average bags per day	20 bags	14 bags
Average bags per month	600 bags	350 bags
LABOR COSTS PER BAG (MONTHLY SALARY / BAGS PER MONTH)	\$ 0.15	\$ 1.10

Source: Sarac Ticaret, Istanbul, Turkey and Guangzhou Yi Ming Sport Bag Man. Company, China.

From the table given above, we can see the labor cost in Turkey is 10 times over labor cost in China. In Turkey, Minimum Wage and social insurance system are working more properly than China. There is neither Minimum Wage, nor social insurance for workers in China. Today this is the main subject criticized by western countries. Because even in Turkey, a not

developed country, 1/3 of salary is paid as social insurance and tax. But in China, there are no similar costs for manufacturers. This situation is regarded by the world as a part of illegal competitions of Chinese manufacturers.

1.2.8. Taxation Factors

The taxation system of China is quite different from Turkey and other countries in the world. Due to its large population, unemployment always been a very big concern for the Central Government All the main policies are made to prevent food shortage and unemployment.

Starting from this point, many factories are running up without license, nor tax registration. They employ workers without social insurance. They don't pay any income tax and Value Added Tax; they have no any official documents such as invoice or bill. Here, "Open one eye, and close another" policy is seen again. This policy makes these companies very advantageous in the world markets. Because their prices do not include any paid tax. More than 50% of domestic and international sales do not include any tax.

In Turkey, although taxation system is not perfect, but at least all companies are paying tax more or less for their trade transactions. Especially right now Turkey is trying to integrate with European Union, it has to carry out more reforms on taxation system. Taxation System in Europe is more complete and efficient. Therefore, companies in Turkey and Europe have the disadvantages of extra taxes paid in which Chinese manufacturers do not

pay. For example, there is pollution tax in European countries which is charging manufacturers for their damages and destructions they done to the nature. In China, people may not ever hear such a tax. They even don't know what tax is and how to pay it.

1.2.9. Educational Factors and Human resources

Since China is a communist state, people are mostly educated in high schools and universities. This situation is also seen in Eastern Blocs of Europe and former Soviet Union. At least 9 years of education is required for every citizen.

Table 1-11. Illiteracy Rate: Population Aged 15 years and over, 2000¹³. (%)

	Female	Male	Total
PEOPLE`S REPUBLIC OF CHINA	22.6	7.7	15.0
HONG KONG SAR. CHINA	10.0	3.5	6.6
TURKEY	23.3	6.4	14.8

In Chinese education system, after secondary school, students had to choose whether to go to college and than university, or professional and expertise high schools. The first one is aimed for the students want to get bachelor degree in universities. The second one is aimed for students to integrate with community. These high schools provide all kinds of skills and

¹³ U.N. Center for Human Settlement (Habitat), op.cit, p,268

profession related educations. When the students graduated from these schools, they will be skilled and technical employees in different fields, from a security guide at an apartment to underground train driver. All these educations and skills are really needed by the community, because in the universities, there is no any department relating to babysitting or how to be assistance to an automobile mechanic. They bring a lot of jobs and positions for the enterprises. Most workers in factories are skilled workers who have taken education in such kind of schools. So it has a very great direct benefit to the community.

In Turkey, there are only around 80 universities in total including the small sized private universities. Although educational authority is claiming on establishing more universities, it still won't answer the growing youth population of Turkey.

Numbers of universities is very low; furthermore all universities have similar faculties and B.A. programs. Every year, thousands of teachers, engineers and economists are graduated from these universities. There is no any definite intention or target to study at a university. In college, if you ask students what you want to study at university, 1/3 will answer Business Management, 1/3 of them will say International Relationship and another 1/3 will say E.L.T. (English Language Training Programs) Their preferences are generally emotional not realistic.

Today in Turkey, there are many unemployed electric and electronic engineers, but no skilled electricians; too many machinery

engineers but no mechanic and many chemists against no dispensers. Manufacturing enterprises are unable to find skilled workers and low level employees. Because all graduates are engineers and managers, and they are unable to take those low level jobs.

Table 1-12. Basic Statistics of Regular Schools in China, 2002¹⁴.

	Unit:in 10 Thousand		
	Schools	Graduates	Enrolment
Total	665559	6252.15	24598.85
Graduate Education	728	8.08	50.10
Reg. Inst. Of Higher Educations Undergraduates	1396	133.73	903.36
Undergraduate Classes Branch Schools		11.05	52.42
Reg. Secondary Schools	93968	2601.33	9415.21
Specialized Sec. Schools	2953	144.15	456.35
Sec. Technical Schools	2523	121.89	396.24
Teachers Training Schools	430	22.26	60.11
Skilled Worker Schools	3470	47.70	158.70
General Sec. Schools	80067	2263.63	8287.87
Vocational Schools	7402	145.43	511.50
Correctional Work-study Schools	76	0.42	0.79
Primary Schools	456903	2351.92	12156.71
Special Education Schools	1540	4.42	37.45
Kindergartens	111752	1152.66	2036.02

¹⁴ Ministry of Education, People's Republic of China, www.moe.edu.cn

In western countries, when the company is considering reduce the staffs, they will firstly consider those managers. Because salary of a manager is 3-5 times higher than workers. It is also easy to replace him, because you are only going to search for one person, not several skilled workers. Smart new graduates from famous universities are available everywhere today, but skilled and experienced workers and low level supervisors are really difficult to find.

Table 1-13. Enrollments and Graduates of Educational Institutions in Turkey¹⁵.

		1997- 1998	1998- 1999	1999-2000
Primary Education	Enrollments	9,084,635	9,609,050	10,028,979
	Graduates	719,473	705,140	...
High Schools	Enrollments	1,166,195	1,282,605	1,387,903
	Graduates	262,709	-	296,896
Vocational and Technical High Schools	Enrollments	963,774	998,071	916,210
	Graduates	186,108	...	273,676
Higher Educational Institutions	Enrollments	1,330,241	1,382,149	1,419,927
	Graduates	190,321	200,582	212,028

All these facts showed us why Chinese manufacturers are more advantageous than Turkish manufacturers in sense of human resources. Because they can find the resource easily and at any time they want. It only can be solved by discussions between educational authorities and enterprises in serious to get the answer of `what really community need` ,

¹⁵ State Institute of Statistics, Republic of Turkey. www.die.gov.tr

more politicians and diplomats, or employees dealing with daily routine jobs.

1.2.10. Technical Factors

Spare part industries are very developed in China. These industries only deal with providing technical supports to the manufacturers and retailers. Factories are able to find any spare part they need for the manufacturing machine, it is not a matter whether the machine is made in China or imported. The prices are also very reasonable. Manufacturers do not need to worry about availability and cost of technical supports. Even the computer chips are been made in China.

But in Turkey, the situation is not optimistic. Many spare parts are been imported directly with high costs. Not only is the costs, delivery time is also delayed. For example, a manufacturing machine is broken and need any significant spare part but not available in Turkey. The factory needs to give order to the overseas seller and waiting for its coming. If the part is small and not heavy, it could be sent via air cargo which will be very fast. But if the part is big and heavy, the factory have to make choice whether to send it by air and paying a lot for the freight, or by sea which will delay the delivery and the machine won't producing anything till it comes. In both two selections, factory will lose. This is not only loss of a factory, but also a country's economy.

Mr. Fatih ACAR, the General Manager of AYFA Textile Machinery and Foreign Trade Co. Ltd., which is the distributor of 'SAKURA' textile machines, indicated that they are calling the engineers from China for any detailed repairing works. The reason was that they are unable to find an economic repairing solution in Turkey, though the machines are also produced in this country. Chinese engineers are more familiar to the mechanic structure of the machines and will bring the spare parts they need.

This is frequently seen in Turkey, especially in small sized electronic products such as digital camera or projector. If it is not working with any reason and you take it to a repairing service, generally their answer was to suggest you to buy a new one. Because xxx part should be changed and it is not available in Turkey, needs to be imported. It may take a long time with high costs. They are not telling lies, it is a reality.

I personally had a similar experience. It was 2002, the LCD screen of my notebook was broken and showing no thing, when I brought it to the service, they told me it may cost me 300 dollars and 10 day times to wait for a connecting cable coming from abroad. No other problem was mentioned except that connecting cable. After a month, I took the notebook when I traveled to China and showed it to a repairing service. They only charged me 35 dollars and kept me wait for one hour to change that cable. In fact the cable they changed for me is not the same one as mine; it was for another brand notebook. Anyhow, it is still working today and helped me to write this

thesis. The question I want to ask is "Why Turkish manufacturers cannot produce such a simple connecting cable?"

1.2.11. Factors of Information and Technology

Accessibility

There is no word called 'Chinese Technology' and China is not a country producing new technologies, but it is able to find almost anything you need in this country. What Chinese manufacturers did is to imitate technologies of others. How did they get the information and data of those technologies they imitated? This is the question we need to ask. It is known that in many countries, intelligence authorities are providing business intelligences for their enterprises. But it is not the only way for Chinese manufacturers to succeed it.

Already, US trade policy limits exports of information and advanced technology to China for competitive and national security reasons so that Chinese technological knowledge remains two generations behind their own. Chinese manufacturers never stopped to introduce new products with proud. As we know, to make a new product need long time with high cost, but to imitate an already existed product would be much easier and cheaper. Most Chinese manufacturers prefer second option. Government supports play essential role in this process. Government organizations of information and intelligences help the enterprises to access new technologies related to their industries.

In Turkey, there is almost no any government or private organization providing business information and intelligence to the enterprises in need. There is no any law or rules related to this kind of activities. Enterprises in Turkey are paying huge amounts to European and American companies for technology transfers and similar services. It is still waiting for decisive politicians to take steps.

1.2.12 Factors of Legality and Illegality

As we mentioned in last chapter, Turkish justice system is getting proper day by day. Membership for E.U. (European Union) is the main politics of the Turkish government and new reforms are carried out in rush.

According to Turkish Customs Taxing System, import tax and Value Added Tax are collected immediately when the good arrived from abroad. But in Turkish business system, there is no cash payment on the delivery of good. Mostly are on installments or long and short term credit checks. It causes cash shortage for enterprises, especially the importers. Because of that the value of invoice, freight and all taxes are paid in advance before receiving the good. For example, an enterprise who imports goods valued 100,000 \$ every month and sells on 4 month credit in average. When the goods arrived at the Customs, 9 -12 % Customs Tax and 18% Value Added Tax are paid in cash in order to clear the goods. Only taxes take 30,000 \$. Beyond that, series of documents are also required. It would be hard for a

middle sized company to pay that amount at once. Some companies started to declare undervalued invoice to the Customs in order to pay less taxes.

Of course, these undervalued invoices are prepared by the Chinese exporters. In China, export procedures are very simple without any hard control. Exporters could provide their customers any kind of document they need. As we learned from the first part, the official deficit statistics between China and Turkey are much less than the real figures which is a really considerable matter. Government had no any effective measures over the money transferred unofficially to China. So the official import statistics are far away from the reality. The new formed Turkish Government is working on it seriously.

One thing we could be sure, that is the amount of those unofficial transfers or `Black Money` would not be less than billion dollars annually, because some importers only declare 30 % or 40% of the real value in customs. In another word, it means that if the real value of good is 100,000\$, there are only 40,000\$ been transferred officially. Remained 60% is been transferred privately with no any records. It is a very frightfulness situation. Smuggling is also become another activity that had disturbed Turkish authority so much.

Finally, taking all these facts into consideration, this matter is in need of more detailed discussions. The high rate trade deficits also break the relationship between two countries. Because Turkish markets are deeply affected by cheap Chinese goods. It caused many Turkish enterprises to give

up manufacturing. Due to official statistics, there are approximately 28,000 manufacturers were shut down. The only reason is that these manufacturers are unable to compete with Chinese manufacturers at all. According to this statistic, if a manufacturer employs 20 workers in average, it means that nearly 600,000 people have lost their jobs. The logic is `more goods imported, more local manufacturers fall down.

The new government of Turkey is formed by a single party with full supports of the Grand National Assembly of Turkey. The economic authorities are working on the issue with full confidence. Finance Minister Kemal UNAKITAN had clarified his position on this problem in media by saying:

"We will stop all tax dodging and illegal transactions in imports, especially from China because of undervalued invoices brought less payment of Value Added Tax. It also weakens the competition power of local enterprises. Therefore we are focusing on imports from China and other Far East countries.¹⁶"

After he came to the chair, many customs officers are changed or dismissed. New import rules are carried out. More detailed and specific documents are required for the importers while they are applying for clearance.

¹⁶ Zaman Newspaper, 16/03/2003.

Since Turkey is still in the process of struggling with corruption which was regarded as main headache for each government, it is been afraid by the community that new rules and restrictions would only control the `small fishes` and give free pass to those `big fishes` who are importing goods amounted millions of dollars every month.

Conclusion

In 2002 China had become a member of WTO (World Trade Organization). According to the membership conditions, there will be no more quotas starting from 2005, the next year. China will enjoy the membership of WTO and export more and more goods to the world. Since Turkey is a textile manufacturing country, abolishment of textile quotas will strike Turkish textile industry very hard. The reason is that textile raw materials are very cheap in China, almost costing only 1/3 of Turkish market. The picture won't be optimistic next year.

The only possible way to get rid of this strike is the government supports. Decisions took by Turkish government will affect the future industrialization of the country. The options for government are whether to be a country of tourism and agriculture, or a country of development and industrialization. This is depending on the probable steps which will be taken by the government. There are some possible ways to protect Turkish manufacturers from this matter, such as hold for Anti-dumping cases like what United States did or to hoist the standards required for all products.

Today, American government is carrying out anti-dumping cases for thousand kinds of products at once.

Dumping is a situation in which exports goods at a price below that charged in the domestic market¹⁷. It is regarded as intended unfair competition activities by all countries in the world. Today, United States has carried out more than a thousand anti-dumping cases over Chinese manufacturers.

Applying of all these possibilities are depending on the decisiveness of the government of Turkey. There is no more time to waste, the government should take all the facts into consideration and discuss the matters with community, and I believe there would be some ideal solutions for it.

¹⁷ <http://www.thefreedictionary.com/dumping>

CHAPTER TWO: INTRODUCTION OF CHINESE MARKETS

"China is poised to play a major and growing role in the global economy--and in the future of technology. With 1.2 billion citizens, it's only a matter of time before China's marketplace explodes, providing enormous opportunities for Chinese and U.S. companies as well as businesses around the world¹⁸."

This is what Bill Gates, the richest person in the world use to describe Chinese market. China is becoming the second largest economy. Although its living standards are still at low levels, but the developing speed is incredible.

In the last twenty years, right economic politics brought a very glorious success of economical development. No matter that the country is ruled by communists, according to official statistics, there are at least a thousand people whose personal wealth already exceeds 10 millions dollars. What about unofficial statistics? In China, flowing of cash is not under the control of government, it is believed that the real statistics are much higher than the official statistics.

Large territory, cheap workforce and rich natural resources have attracted many multinational enterprises to invest in China. It started to be a `Pearl of East`. Almost all economic trends are positive. The country became

¹⁸ GATES, Bill, "Yes, More Trade With China", Washington Post, May 23,2000, p A29.

to play important role in world economy because of its large markets and high speed industrializations. After several decades, China will probably be able to affect world economy directly due to its increasing needs of energy and exports with active foreign policies.

Table 2.1. Foreign direct investment, net inflows in reporting countries¹⁹ (current US\$)

	1998	2001	2002
Turkey	940.0 million	3.3 billion	1.0 billion
China	43.8 billion	44.2 billion	49.3 billion
Hong Kong	14.8 billion	23.8 billion	12.8 billion

2.1. INTRODUCTION OF CHINESE MARKETS

2.1.1. Chinese Markets in General

There are 35 provinces and 56 ethnic groups in China which make the market very colorful. Different consumers have different behaviors. In order to get in this market, first of all we have to divide consumers to groups and distinguish the differences between these consumer groups. After that we will define our strategies and marketing methods for each group to get more efficient feedback.

¹⁹ IFS, Sep, 2003 World Development Indicators, 2002. www.worldbank.org

Today, China is no more the country in which people were wearing same style clothes with shoes and eating same things. Now, you are able to find a very luxury restaurant which will cost thousand dollars for a dinner and 20 meters beyond this restaurant, you will able to find a simple restaurant which will only cost you one dollar per meal. It is almost a free market, people wish to spend money for what they need or what they desire to own. This is a very important feature of Chinese markets, in the next few parts, we will discuss the differences between consuming groups and find out what and how the consumers in China wish to spend money,

Significantly Turkish companies need to learn these consuming behaviors with care. Because they are not strong enough to take risks of miss guides and any activity in rush.

2.1.2. Regional and Geographical Differences

We have already mentioned about China's geographical aspects in details. Provinces, autonomous cities, autonomous regions and special administrative regions are defined according to their ethnic, political and geographical differences. It takes 5000 kilometers from the most northern point to southern point and 5500 kilometers from west to east of China. It takes more than 3 days by train or 4 and half hours by air traveling from Guangzhou City to the capital of Xinjiang Uighur Autonomous Region.

There are so many different climates and whether could be seen at same time through the whole country. On December, in Northern Province of Hei Long Jiang, the temperature is -35 degree Celsius where the people of Hai Nan Island Province are swimming in the beaches of South China Sea. Mountains in Tibet are always frozen where people in Shanghai never experience snowing in their life.

Such a big geography brings a lot differences between the regions. As we mentioned in the first chapter, eastern provinces are much more industrialized and developed than western provinces because of the seaports and agricultural prosperities. Lands in east are flat which are easier to plant crops where western regions are generally dried tablelands. These provinces are suffering a lot from the shortage of water. So these places are regarded as desolated lands with no care.

In the northern west of China, there is Tibet and Xinjiang Autonomous Regions where there are large sized mountains such as Himalayas, and Heaven Mountain crossing these two regions. These two provinces are regarded as the middle point of Asia continent. The Everest and K2 Mountain (Second highest mountain of the world; 8611 meters) are placed in these regions. Grand Taklamakan Desert in Xinjiang is the most fluid desert in the world. People in these regions are generally dealing with farming and pasturage. Although they are bordered to many countries, the far distance to seaports caused less attentions and low investments. They are regarded as unpolluted natural regions. Tourism is the main sector attracting investors.

People in different regions enjoy different foods and drinks. For example, people of Guangdong province love to eat seafood and dislike high calorie meats such as beef and mutton. But people in Inner Mongolia and Xinjiang Autonomous Regions are lovely to eat horseflesh and meat of goat. They never prefer seafood because they are not familiar to sea. Meats of yaks are highly consumed in Tibet due to its cold whether to keep bodies warm. But people in all eastern regions have never seen a yak in their life.

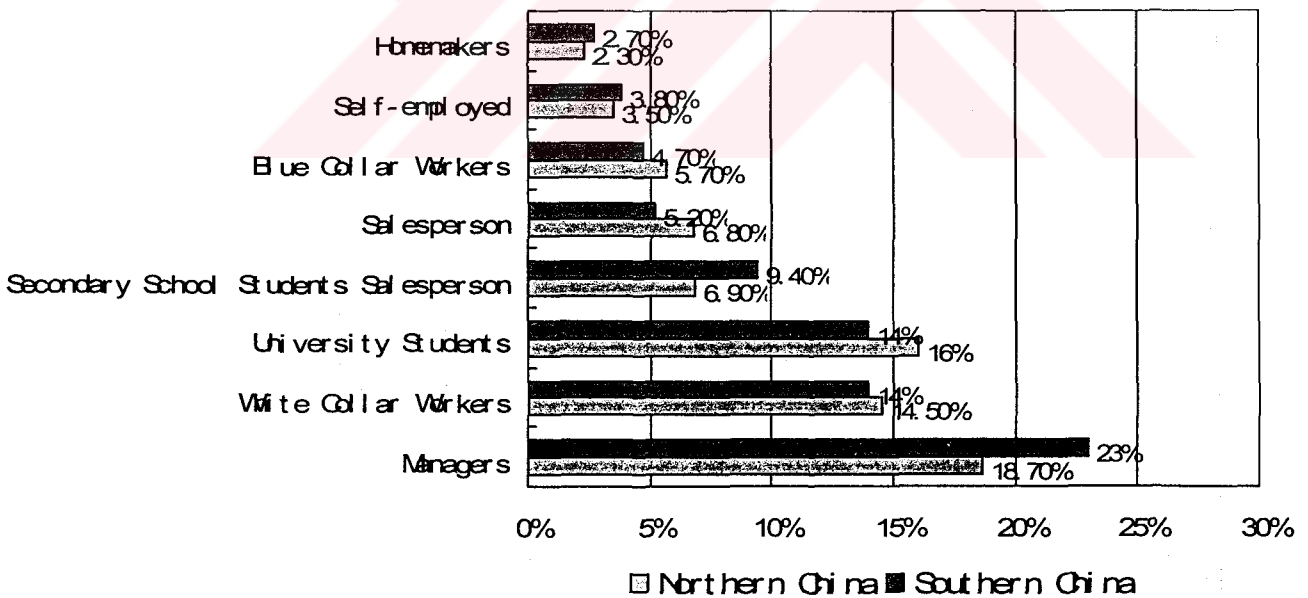
The regional differences are also effecting wearing, traveling and sports. Horses are widely used in Xinjiang and Inner Mongolia as a transportation vehicle where people in Fujian Province only seem them in zoos and racecourses. There are much more examples which cannot be all discussed here.

The differences above are important, but there is an essential regional difference, that is income differences between regions. As we mentioned many times, people living in eastern provinces are richer than people in western provinces. There are many reasons of it, we have discussed some of them and others are missed. It needs more detailed researches on this subject.

These regional differences bring distinguishable characteristics of each region's consumers. The most foreign investors in China are choosing different regions for their headquarters and manufacturing bases.

Before the action, we should define where will be our target market, a specific region or the whole country. If our target is China in total, where will be our starting point? Some products may not be accepted by people of China totally. For example, Turkish chocolates and carpets are only sold in Xinjiang where marbles are sold to western provinces. A good research on regional consuming behaviors should be made before giving any decision.

Table 2.2. Occupation Distributions



(source: Hong Kong Trade Development Council, op. p,7)

2.1.3. Economical Differences

In order to understand the economical differences between consumers, we have to divide them to groups first. In fact, there are many groups can be formed, but here we will generate them.

Extremely Poor Group: People in this group are farmers and peasants in the western provinces and unemployed people.

Poor Group: Unskilled workers in factories, low level government workers and employees.

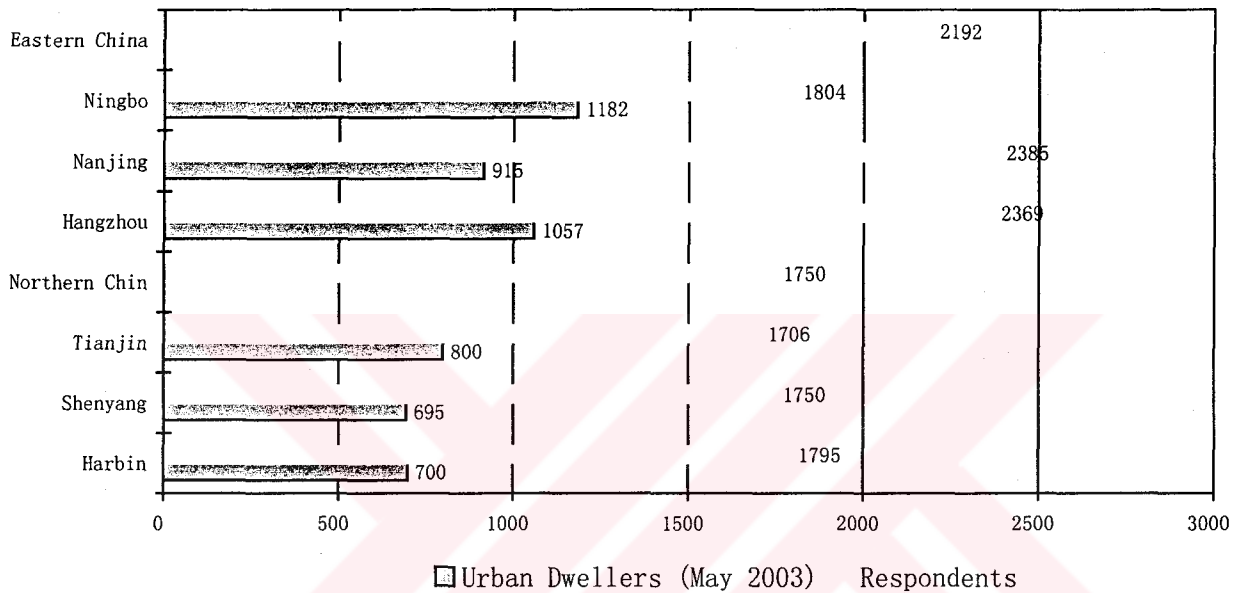
Middle Class Group: white collars, government staffs, small sized business owners etc.

Upper Level Group: businessmen, high level government staffs and directors in the government based enterprises. Although salaries of last two groups are not high, but according to their high level living standards, we had to place them in this group,

With the fast speed development of the country, differences between these four groups are getting further and further. Before discussing them one by one, I would like to say that working for government is more advantageous than any other ones in China, because their social insurances and many household expenses are paid by the government. They will enjoy fine salary after retirement. That is why; young people who graduated from colleges and universities prefer jobs in government. Although the salary may be less than the private companies offered, generous treatments of the

government attract the youth very much. For example, students graduated from Faculty of Law are looking for jobs in the government banks, not lawyer offices.

Table 2.3. Monthly Personal Income Distribution (RMB)²⁰



One US Dollars equals to 8.26 RMBs. (source: Bank of China)

Now we will look at the differences between these four groups starting with the first group, Extremely Poor Group. The average annual income of the people in this group is under 500 US dollar which means 40 dollars a month. This group is the main population of western provinces of China. Farmers, peasants, and low level workers in the government factories waiting to be sold are the main force of this group. Of course, unemployed people can be added to this group any way.

²⁰ Hong Kong Trade Development Council, op. p.7

The basic need of foods, waters and clothes etc are ensured for the people of this group. In some villages in western province of Xinjiang, there is no clean water supply. Villagers use to dig a big lake and save the rain waters, human and household animals are all drinking from this lake. According to U.N. Center for Human Settlement (HABITAT)'s report, 6% of total population in China is below the National Poverty Line. They could take part in this group.

Poor Group comes after the Extremely Poor Group. As we mentioned, people in this group is formed by blue collars (workers in factories), low level government workers and employees. The average annual income of this group is around 1.000 US dollars or 80 US dollars a month. The salary is enough for them to eat and live, but nothing more. When they need a TV, they have to start saving money for several months. If only one child, it would be possible to afford the school expenses, of course not including college expenses. They need to take debts from bank to finance the expenses of college or university. They have no money to spend on household needs or entertainments.

Middle Class Group is our main concern in Chinese markets. Second group could be largest population in China, but the Middle Class Group is the largest consuming group in China. Half of government staffs, most white collars in private companies and small sized business owners are the main population of this group. Most of them have their own houses and some amount of money in the bank for any emergency. They are able to buy

automobiles with bank credits. They can travel to any place in China and stay in fine hotels. All these realities gave us the information that people in this group are able to pay for what they desire. Of course it doesn't mean they are able to travel to space if they wanted to do it. Turkish companies should more focus on this group and define them as their basic marketing targets.

The fourth group, Upper Level Group is also very important for the enterprises. Especially those high level government staffs and directors in government based enterprises should be targeted. Although their salaries are not very high, but their most expenses are wrote off by the government. In another word, they have the right to spend government's money. They travel to lots of places staying in five stars hotels and enjoying the meals in luxury restaurants. They drive good cars and prefer expensive sports such as tennis and golf. This is a result of high corruptions in China. People in this group enjoy luxuries and entertainments a lot.

The market pie of this group is considerable, but the only problem is that people of this group are mostly brand idolaters. They won't care about how much they paid for a very famous brand. Brand is more important than the price in their eyes. Although there are many famous Turkish brands, but most of them are not familiar to Chinese people at all. It will cost too much to advertise the products in media to achieve the approving of people in this group. So again, third group is a more reasonable target for Turkish enterprises.

2.1.4. Ethnical Differences

There are totally 56 ethnic groups in China. 55 of them are regarded as minorities. The Han ethnic consist 92 % of the population where 55 ethnic groups shared remained 8%.

Population of some groups is even not exceeding hundred thousands which are equal to 1/10000 of total population. Most minorities live in significant regions. Tibetans, Uighurs, Mongols, Hui and Zhuang minorities have their own ethnic autonomous regions.

According to the official statistics, 23 of these minorities have their own languages and few of them have the written formed languages²¹. All these ethnic groups have different traditions, believes social and historical background. Half of these groups have their own wearing traditions. Even their facial appearances are different from each others. For example, ethnic groups in Xinjiang are more look like people in Middle Asian countries.

Such big differences caused the consuming behaviors very different. Han people do not have any taboos on food. All kinds of animals and seafood are commonly eaten. But for Hui and some other Muslim ethnic groups, muttons and beefs are more preferred to eat. Some groups who believe in Buddhism are vegetarians.

²¹ National Statistics Bureau, People's Republic of China. www.stats.gov.cn

2.1.5. Social Differences

There are many different social groups in China. We can list them as following:

Technical Group: people who are hard working and have no political views. Generally white collars in enterprises, technicians in factories and scientists in the universities are all included in this group.

Socialized Group: members of Communist Party who are active in politics, businessman who have good relations with government and take care of national and world affairs are the main population of this group.

Non-socialized Group: Workers, low level government employees, farmers and unemployed people are forming the group. In fact, what they really concern is how to survive. They have no any social activities, no attention to politics or world affairs.

Today, the differences between these groups are increasing. Socialized Group is getting more socialized, Technical Group is standing intently at the same position, and actually they do not want to be socialized. The Non-Socialized Group in which people are suffering from the fear of unemployment is getting far away from the development and socializing of the community. The conditions for them are not very optimistic. Although Chinese government is trying to reduce the differences between these groups, in fact it would take a long time to succeed it.

Turkish enterprises need to find out what each group really needs. For example, home sport equipment may not attract the Non-Socialized Group. But consumers in Technical Group would like to do some routine sportive activities privately.

2.1.6. Political Differences

As we know, communists are the only authority in China. So there is no any political conflict or discussions. Communist Party forms governments and controls the armed forces. All judges and inquisitors are also members of Communist Party. In all administrative regions, Communist Party Secretary is the first chair, secondly comes the governor who is Vice Secretary at the same time.

Communist Party has the full controls over administrative and security organs of the country. In National People's Congress, democrats and liberals are only symbolic figures. They do not have any affection to the decisions taken by the Congress. It does not mean we should neglect these groups; they are forming a rising up trends in China. Maybe in next decade, they would play more roles in the process of making political decisions.

Right now, our main concern is the communists. If a foreign company wants to enter Chinese markets, it should build good relationship with local communist administrations, because some how companies may need to cooperate with communists in China. There are many strong financed government enterprises and factories which are under the control of

Communist Party. These enterprises are much more appropriate for co operations.

Fugre 2.1. Distributions of Members of China National People's Congress, 2003²².

Total Members	:	2985	
Peasants and Workers	:	551	
Intellectuals	:	631	
Army officers	:	268	
Government Staffs	:	968	Communists
Hong Kong SAR.	:	36	
Macao SAR.	:	12	
Overseas Chinese	:	38	
Democrats and Neutralists	:	480	Non-Communists

The statistics given above clearly showed the undoubted powers of communists in China.

2.1.7. Belief Differences

Before starting to talk about the belief differences between people in China, I would like to discuss why we should study these differences. Since 1990s, a new market called religious market is formed silently. Religious tourism, crafts and products related to religions and construction of religious places are highly increased in the whole world.

²² The National People's Congress of People's Republic of China, www.npc.gov.cn

For Muslims, Mecca of Saudi Arabia is a holy place to perform pilgrimage of Hajj. Every year, increased numbers of Muslim believers comes to Saudi Arabia from every corner of the world. In 2003, two and half millions of Muslims had performed their Hajj. In the coming year, the number of visitors is expected up to three millions. These people are chanceful to get visa, because in Turkey, the applicants of Hajj is around 500,000 people but only 120,000 of them are approved to go. Although the Hajj authority of Saudi Arabia offers limited visas for each country, applicants are increasing incredibly year by year.

Not only religious tourism, many sectors related to religions is emerged. For example, in Turkey, there is a market called Hajj materials. Beyond that, there are many shops selling frames, decorations and gifts related to religions. From economical point of view, this is a very potential market because people are willing to pay for what they believe. Religious gifts are also become a new trends between people.

In order to know Chinese people’s consuming behaviors due to their believes, we should distinguish them first. There are many religions in China, but we are going to discuss the most popular ones.

Figure 2.2. Religions in China, 1997²³.

Religion	Population	Location
Muslims	18 millions	Xinjiang, Gansu, Ningxia, Qinghai,

²³ Information Centre, Home Office, People’s Republic of China. www.org.com.cn

		Shangxi, Yunan and Hunan provinces.
Buddhists	200,000 bonzes and most population of Han and Tibet ethnic groups	Tibet, southern and eastern provinces of China in general
Protestants	10 millions	Large size cities in general
Catholics	4 millions	Large size cities in general

- a. **Muslims:** Hui, Uighurs and total 10 ethnic groups. Total Muslim population is around 18 millions in official statistics. (50-60 millions unofficial statistics). There are more than 30000 Mosques and 40000 Imams and related clerics. Every year, more than 2000 Muslims are performing Hajj. There are several Islamic associations, research centers and institutes located in different Muslim populated regions.
- b. **Buddhists:** Most of Chinese believe in Buddhism. Many atheists and communists are sharing same historical background of Buddhism with Buddhists. They still have some Buddhist traditions in their daily lives. There are nearly 200,000 bonzes and 13000 temples around the country.
- c. **Protestants:** It comes to China at the beginning of 19th century; today it reached to 10 millions in total. There are 12,000 churches

and 25,000 gathering places. According to official statistics, there are nearly 18,000 clerics in China.

- d. **Catholics:** It came to China in 7th century. There are totally 4 millions of Catholics, 4600 churches with 4000 clerics.

Although atheists formed the biggest population, there is a wide ranged curiosity over religions. More and more people become believers and they are forming the new consuming group of the market.

Since Turkey is a Muslim country, Muslims in China could be the main target for Turkish companies. Hajj crafts, carpets and rugs, holy books and even the construction of Mosques are the possible products and services. Especially construction of mosques is a really potential sector. Turkish architecture of mosques is very famous in the world. At the other hand, increasing population of Muslims in China brought more need of mosques. Turkish companies should not lose any chance in this sector.

2.1.8. Educational Differences

Educational difference is regarded as the second main concern between human interactions after economical difference. It is same in China. Educated people were once the most effective and respected people in this country. But by the effects of world globalization and China's entering to market economy, rich people took the position of been respected. We can divide people according to their educational differences in China as following:

Uneducated Poor Class: farmers, low level workers and unemployed people. Their living conditions are lower than the standards. Most of them are graduated from primary schools which won't be enough to read Chinese fonts. Consumers in this class are generally `blind consumers`. They do not really know what they need and how much they should pay for it.

Uneducated Rich Class: uneducated business owners formed this class. Although they are not educated, they are trying their best to be active in the society to cover their handicaps. Actually the number of uneducated business owners in many regions is higher than educated merchants. They always spend money on the things that actually they do not know its meaning. For example, when you visit house of these uneducated merchants, you will be able to see lots of books and encyclopedias which they never read in their lives. Most of these people also like to place some expensive antiques in their house and offices with no any information about its real value. This is a psychology of hypocrites. They want to cover their side of been uneducated.

Educated Class: intellectuals, government staffs and white collars in private enterprises are the main elements of this class. This class could be our main concern. We just need to define what they need, and offer the suitable products with reasonable price and technical supports (usage explanations and terms of guarantee). They are more focusing on the

usefulness, technical details and guarantee terms of a product, price come after them. It means that they are logical and sensitive consumers. It would be easier for Turkish enterprises to offer suitable products to these conscious consumers. Of course there would be more competitions, because consumers in this group enjoy comparing similar products offered by different companies.

Highly Educated Class: academicians, graduates from abroad, M.A. and Ph.D. degree owners who are at important positions in government or private enterprises and educated successful businessmen. Peoples in this group will affect Chinese politics and economy in the near future. Some of them are in very important positions in the administrations. These people are generally supporting political and economical reforms. Consumers in this group are more likely to be partners rather than customers. Foreign companies should cooperate with these open minded people in terms of business cooperation or employment. In the near future, this group will form the stanchion of the Chinese economy.

2.2. WHY CHINESE MARKETS?

Before investing in China, we should know why we are going to do it. What will be the return? Will the return deserve the investment? There are too many questions need to ask. First of all, we should have good reasons to invest. Here are some reasons that I considered as attractions.

2.2.1. Huge Population

To invest in a new market, first of all we have to consider its consuming capability. How much do the people spend a month in general or for a significant product? And how many people is spending money? These two concepts will guide us to the correct decisions.

Although China's GDP in average is still under the standards, but the huge population brought very high level consumes. In our daily lives, there are many things are basically required, such as foods, clean waters and clothes. Even poor families do have cups, cattle and cooking equipments etc. Income doesn't affect consuming of daily used products, more population means more consuming. So we can get a result that China is a potential market for all industries.

We mentioned in the first chapter, Chinese population is exceeding 1.3 billion. It means three times of whole Europe's population, five times of Northern Americans and nearly 20 times of Turkey. All these 1.3 billion population is believed to eat and drink everyday and all of them are wearing clothes. Such an incredible consuming population attracts so many foreign enterprises to invest in food and drinks industries. We will talk about it later.

China also becomes second largest consumer of energy and natural resources in the world. Increasing sales on automotive industries brought high consuming of petrol. It already started to threat the controls of United States and European countries over petrol market. Prices are getting higher and higher, in the beginning of 2004, the price of petrol is approaching 40

US dollars per gallon which is the highest price since 1991. China's increasing needs of petrol played important role in this price crisis. Again, population is the main factor of consuming. Turkish companies should take this fact into considerations with seriousness.

2.2.2. Optimistic Future Market

China is the fastest developing country in the world. In next twenty years, it is believed that China will reach the living standards and be an affective community. Most economical statistics are positive. Everything is going on properly. It provides a safe and stable environment for investment.

In 2008, capital of China Beijing will host the Olympic Games. According to economists, the games will bring at least 4 billions US dollars income for China. Beside financial incomes, it also highlights China's positive images.

Serious Political and economical reforms are carried out rapidly. Government is trying to weaken and decrease the controls over markets. Bank reforms are under consideration and discussion. Many new laws are legislated, constitution is been changed in a modern way. More non-political businessman and economists are allowed to take part in decision making process. Although corruption is the biggest headache for the government, exposal and high penalties had slowed it to some extents.

Central and local governments are really working hard to keep economy fresh and moving forward. They are doing their best to achieve the

targets of each "Five Year Plans" and enter the next period before the deadline. Stability has become the axletree of this fast moving country.

All these positive signs have attracts investors to flow China, because they are very optimistic about Chinese markets. By the time of more reforms been performed, the conditions would be more optimistic and attracts more and more investors. This is a process of positive circulations. China is trying to integrate with global economy. European Union is considering on approving Chinese economy as Market Economy which is the main appeal of China to the world.

Turkish companies should not lose any chance in this process, because world industries are focusing on this market. Who steps first will get more market shares. There are already 400 enterprises among the 500 Strongest Enterprises in the world are enjoying the returns of been forerunners.

2.2.3. China's Membership of WTO

WTO or World Trade Organization has approved China's membership in 2000 after approximately 15 years of negotiations. According to the memorandum, China should follow the conditions below:

- Open the entire insurance market within three years to all foreign companies by expanding from the current, limited access;
- Permanently grandfather existing operations and eliminate all restrictions on internal branching;

- Open up to foreign ownership both non-life and life insurance (including health and pension plans), and eliminate existing restrictions on the placement of reinsurance²⁴.

Beside these conditions, China will decrease the import taxes on automotives, steels and many other industries and allow more foreign goods be sold in the market.

As a part of integration to market economy, the whole process will take 5 years. For example; import tax of automobiles was 180% before the membership in late 1990s, but according to the agreement and memorandum, China will decrease it to 25% in 2005 and there will be no quota any more. It means more and more foreign automobiles will be imported. In these days, even BMW who is regarded as a very nationalist company has cooperated with China ChangChun Automotive Factory for assembling BMW 3 and 5 series automobiles. Volkswagen has taken part in this market for over 18 years. It is most sold brand in China.

WTO has required China to open its markets to the world and give chance to foreign companies to compete with Chinese companies in fair conditions. Turkish companies should try to compete with local companies in China Market.

Of course, membership of WTO will not only give chance to the foreign investors. Besides increasing in imports, exploding of export is also expected. In 2005, there will be no any quota in textile which means very

²⁴ http://www.nixoncenter.org/publications/testimony/2_16_00chinawto.htm

cheap Chinese textile products will enter World market freely. It will threaten Turkish economy, because textile and related manufacturing are main export industries. And if economic authorities do not take any steps on it, manufacturers in Turkey will lose many foreign markets and even the inner market and there will be no any chance to get a market pie in China. The trade deficits between two countries will increase incredibly. Turkish textile manufacturers are regarding 2005 as nightmare for themselves. Some of them are working hard to change their business at the end of year, and some others are planning to shift their factories to China. All these steps will increase the deficits and unemployment.

2.3. POSSIBLE MARKETS FOR TURKISH COMPANIES IN CHINA

There are lots of industries in China are free for foreign investors and companies to get in. But not all these industries are suitable for Turkish manufacturers. For example, IT or High-Tech industries are generally led by the foreign companies in China. But due to Turkey is not a high-tech producing country, these kinds of industries would not suite Turkish companies to invest.

What industries would be possible for Turkish companies? In order to find the answer, first of all we have to check what do Turkish companies produces. Because Turkey is not a country producing all things it needs for

inner market and overseas market. There are some specific industries are more concentrated. We can generate them as following:

2.3.1. Textile and Related Markets

Table 2-4. Textile Exports to China, 1998-2000²⁵.

Unit: 1000\$	1998	1999	2000	2001	2002	2003
Textile materials	841	2,016	3,918	5,174	7,124	9,875
Textile products	144	1,070	1,335	1,064	219	365
Related products and materials	16	668	1,319	1,025	123	265

China are really paying high attentions to brand. But most Turkish brands are not well known in China. It needs serious advertisements and propagandas. The country is very big, to advertise in every region is impossible. It needs to define specific regions or groups to be target market. This is a hard process. Well known brands such as Nike and Adidas spent millions of dollars in advertising. Can Turkish companies offer such big amounts only for advertisement?

French textile group AIGLE is a manufacturer of mountain clothes and similar products which are very expensive. Its Chinese distributor Beijing Zhao Ming Xin Trading Co.,Ltd. took 6 years time to enlarge its market share from a single shop in Beijing in 1998 to 7 shops in all country today! They spent a lot of money and human resources to make the brand known by the people. According to General Manager Mr. Hou Jun Sheng, their marketing strategies were emphasizing on the high quality of the products. For

²⁵ Foreign Trade Secretariat, Republic of Turkey. www.dtm.gov.tr

example, the slogans were "A Coat Weight only 500 grams would keep you warm in Himalayas", "A pair of shoes won't absorb a drop of water even if you walk in the rains" etc. They financed a mountain climbing group to climb The Everest and wearing their products. All these efforts brought positive results and increasing in sales. People get to know this brand.

But the sunshine didn't stay long; today, AIGLE China is dealing with law cases every day with shops and companies who are selling the imitated AIGLE Brand products. Of course at very low prices. They are trying to find out the imitating manufacturers, but due to these factories are not registered as we discussed in passed chapters, the job became very hard. According to Mr. Hou, there are serious falls in sales and destruction of their brand's image. Because those imitators only imitate the models not the quality, when people bought those imitated products, they found no any specialty on the product. Not same as in advertisements! They are disappointed about the products of AIGLE.

From this live sample, we can see it is not quite easy to take part in Chinese markets. There will be many unexpected things happen. If any company invests a large amount in advertising their products and then facing such problems may bring an end for their attempts in China.

2.3.2. Leather Industry

Table 2-5. Leather Exports to China, 1998-2000²⁶.

Unit: 1000\$	1998	1999	2000	2001	2002	2003
Leather products	151	301	332	336	590	1,316
Leather Materials	495	1,407	1,139	1,044	1,628	2,140

Beside textile, leather garments and products are also famous in the world. Russia and Europe are the main markets for Turkish leather garment manufacturers. Beside ready product, leather materials are also exported to many countries even China. Such as Zik Leather and Blue leather which are half r

eady-to-use leather pieces.

Turkey has a very long history on leather industry, that's why it is regarded second largest leather manufacturer after Italia. Most European fashions companies are choosing Turkey as their leather garments manufacturer. Turkish leathers are sold to lots of places directly or indirectly.

In Hong Kong, there was a Turkish leather company named Deri Sektörel Dış Ticaret A.Ş. which is supported by the government and leather chamber of commerce. It is a selling agent of several leather manufacturers in Uşak. They preferred Hong Kong to be their distributing centre and a window to China.

²⁶ Foreign Trade Secretariat, Republic of Turkey. www.dtm.gov.tr

2.3.3. Automotive Markets

Table 2-6. Automotive Exports to China, 1998-2000²⁷.

Unit: 1000\$	1998	1999	2000	2001	2002	2003
Machinery and vehicles	14,113	6,408	5,148	17,135	58,720	59,007
Automotive products	27	136	25	6,674	37,910	44,006

As we know, there are many automotive factories in Turkey, such as TOFAS, OYAK, Mercedes-Benz Turk, Anadolu Honda and Toyota etc. Although they are not Turkish brands, the factories are mostly owned by Turkish companies except Toyota Factory. Today, automotive became a very important exporting industry in Turkey.

From the statistics above, we can see the positive trends in this industry. China is a very big automobile importer in the world. In 2005, import tax on automobiles will decreased to 25 percent, more automobiles will be imported.

Turkey shouldn't lose this market pie. Right now, Anadolu Honda is exporting New Honda Civic models to China. It is possible to see Turkish Honda Civic in many Honda Retailers. But only one model won't be enough for such a huge market, there should be more attempts. Turkish Premier Mr. Erdogan visited China in November 2003, at that time he was not premier. He has meetings with Chinese Chambers of Commerce discussing about exporting TOFAS Fiat automobiles to China. But the discussions were not

²⁷ Foreign Trade Secretariat, Republic of Turkey. www.dtm.gov.tr

resulted. It doesn't mean there isn't any chance. More private and government attempts should be done in a short time.

Since China is fully covered by autobahns networks, bus transportation also becoming popular. Turkey has very good bus manufacturers such as Mercedes-Benz Turk, China would be a unelectable market for them.

2.3.4. Construction Markets

Construction Industry is developed in Turkey. There are several large sized companies dealing with construction. They are working on lots of projects in Middle East, Europe, Russia and Middle Asia. Turkish architecture has proved its high level position in the world. Turkish Mosques are very famous in the world. The symbol of Pakistan- Faisal Mosque was a Turkish architecture. Turkey should use its advantages in this industry and try to get in Chinese construction market.

China is a country of construction in every where, because constructions drive the machine of economy. There are totally 700 sectors related to construction. So whenever constructions stopped, too much sectors will be affected. Chinese government was aware of it and never stopped any construction. Plazas, bridges, high ways, new airports and railways are under construction all around the country. There are many possible construction projects for Turkish companies, such as Mosques, stadiums, seaside houses and museums etc.

Not only constructions, related products are also possible to sell to China such as marbles and related stones. Turkish marble is very famous in the world.

Marbles of Turkey are varies and high quality because of its geological structure. In 1985, the production was 200,000 m³ and the exports were 17 million US dollars. In 2003, the production reached 2,000,000 m³ and the exports had exceeded 430 million US dollars. In 1980s, more than half of blocks are sold without any manufacturing. Today, 75%-80% of blocks are sold after ready-to-use production²⁸.

Since there are many constructions in China, marbles are highly needed. They generally import blocks not ready products.

2.3.5. Banking Industry

From later 1990s, China allowed foreign banks to open their branch offices in China only dealing with limited banking businesses. In the near future, it is believed that Chinese government would broaden the bank policies. Till now, there are no any local private banks in China. Government has the full control over banking business. Loans and debts are only approved by the government.

²⁸ Tüysüzoğlu Binbaşaran B, "Marble, The Live Witness of History", Science and Technology Journal, TUBITAK, May, 2004 p, 36-43

But since every thing is controlled by government, these banks are not working properly according to market economy. They provide debts to those government companies without any questioning. So today in China, banks are the central point of corruptions. According to China Daily News, A Chief Director in a branch office of Bank of China at Guangzhou City had impropriated 345 million US dollars. A chief director of a small branch could manage such big amount without been controlled. This is the fault of Chinese bank systems.

Serious reforms needs to take in banking sectors which will take a long time. Foreign banks will force Chinese banks to integrate with world banking systems. Although there are many problems in Turkish banking system, state and private banks in Turkey are working much more efficient than Chinese banks. So banking is also a possible market for Turkish banks.

Since trades between China and Turkey increased fast, bank transactions are also increased. Money transferring can not be made directly from Turkey to China but via New York. 25-30 dollars are paid for each transfer. When the money arrived at Chinese banks, another 30 dollars are charged. If Turkish banks have a branch office in China, it would be easier for Turkish companies who are dealing with import or export business with China.

2.4. FOODSTUFFS AND BEVERAGE MARKETS IN CHINA

**Table 2-7. Foodstuff and Agricultural Products Exports
to China, 1998-2000²⁹.**

Unit: 1000\$	1998	1999	2000	2001	2002	2003
Foodstuffs	0	0	0	61	209	738
Agricultural products	149	454	723	4,244	3,212	4,381
Vegetables and fruits products	0	0	958	327	37	399
Natural honey and sugar products	2,090	2,914	3,295	4,157	4,765	7,662
Other foodstuff products	14,113	6,408	5,148	17,135	58,720	59,007

In last part, we have discussed about possible markets for Turkish companies to enter in China. There is another market in which Turkish companies should concentrate, that is food industry.

As we know, China's huge population has formed the biggest food and drink market in the world. Although China is an agriculture based country in which 70% of the total population is farmers, it is still importing many basic agricultural products such as wheat and broomcorn. Beyond the economical development, people of China have become to consume different kinds of foods and drinks. Sweats, colas and wines are also highly consumed. Coca Cola Company has its biggest sale network based in China. Mc Donald's is making the most profitable sales in the country with more than 500

²⁹ Foreign Trade Secretariat, Republic of Turkey. www.dtm.gov.tr

branches. Carlsberg Beers, Wall's ice-cream and so many other multinational brands of foods and drinks are consumed by Chinese people widely.

Almost all famous brands of the world are available in China; most of them have serious investments such factories, sales networks and distributors etc. Since most Chinese people are atheists who do not have any taboo on eating and drinking. So any thing eatable or drinkable could be marketed to Chinese consumers who are enjoying of trying new tastes.

In the below, we will talk about the details of this market and possibilities with advantages of Turkish enterprises who intend to have a share of this market.

2.4.1. The Market Pie

In order to gain a share of market, first of all we have to know the exact size of the market. After that, we will decide how much shares should be earned.

We have no doubt about China's population. This is not a matter need to discuss. But we have to know that population is not the only factor related to the size of market. People's spending capacities are also essential. How much do people spend for eating and drinking in a year or a month, even a day? This is the question need to be asked by the investors.

From the statistics given above, we can see a very optimistic picture in general and for any specific product. Turkish companies should encourage themselves and stabilize their belief of taking a position in this market.

2.4.2. Interrelations between consumers` desires and behaviors

After we learned about how much do people consume, now we will discuss what and how people want to consume, and the interrelations between these two questions with care.

In Turkey, inviting guest to dinner at home is regarded as a highly appreciated etiquette. But it is completely opposite in China where people invite the most respected guests to luxury restaurants. It is more popular and acceptable for Chinese people. Therefore, luxury restaurants are available at every corner of the country. People in China love to discuss business and daily affairs at dinners. So the dinners are taking long time generally. Another fact that they prefer restaurants is as what we mentioned above; the Chinese people enjoy testing fresh and new things.

We believe that Chinese consumers would pay for anything they desire to eat or drink, of course if they can offer it. For examples, wings of sharks, turtles and Ginsengs are very expensive foods, but thousands of these foods are consumed every night in luxury restaurants in China. It is completely different in western countries. In Europe or America, even the richest people won't eat a turtle, because it is against their traditions. So we can get to a conclusion; there is no any impediment between desire and action for Chinese consumers. This fact makes the market wide ranged, varies and providing a fine environment for foreign enterprises to invest on

special and significant products in this country. They will have no doubt about 'Who will eat it? '.

2.4.3. Government Controls over the markets

Beside related rules and laws of central government, regional administrations have their own conditions of applications for the investors in this market. There are many qualifying authorities in China related to food and drink industries and each of them are taking different responsibility. Although the government has the full control over the market, quality controls are not done efficiently.

Central Government of China is working hard on prevalence of reforms in food and drink industries; many unqualified factories are been shut down or charged with heavy penalties and restaurants are asked to be hygienic everyday. But it is not hoped to solve all problems in a short time.

Difficulties in customs clearance is another problem for foreign companies. Import taxes are still very high for foodstuffs and beverages. In 2005, the rate is expected to step down. Another difficult job for foreign companies is all packing should be written in Chinese language. Many foreign companies are importing the goods without packing and pack them in China. Because of that it would cost less than their countries.

Another risky matter is that all imported foodstuffs and beverages are taken under medical controls and tests. Any ineligibility will bring disaster and tragic results. The goods will be destroyed by burning or throwing to the

sea because there is no return transaction. In order prevent local manufacturers, licenses and related manufacturing registration procedures for foreign investors are taking long time and approved by many government departments. It is a long process in China.

2.4.4. Advantages of Turkish Companies

Due to foodstuff and beverage industries are very wide ranged, it won't be realistic to invest on every product in these two industries. Specific and possible products should be defined at first.

In order to find out what possible products can be offered to Chinese consumers, we should ensure that in which sectors Turkish companies are more advantageous than others. In another word, what kind of reasonable products can be offered to Chinese consumers?

Table 2-8. Production Statistics ,1990-2000³⁰. (Unit: Thousand metric tons)

Products	Countries	1993	1994	1995	1996	1997	1998	1999
Biscuits	Asian Total	1399	1384.4	1379.1	1329.8	1123.7	1103.6	1320.2
	Turkey	184	193.6	239.9	266.2	300.3	283.4	255.8
Chocolates	Asian Total	251.2	239.4	224.2	245.6	254.9	247	270.4
	Turkey	49.8	51.6	80.8	119.4	113.1	101	99.6
Oil,Olive,Crude	Asian Total	79	136	113	176	113	189	119
	Turkey	58	182	51	222	45	203	62
Juice	Asian Total	80.3	50.2	53.5	42.4	70.4	46.7	67.6
	Turkey	38.2	34.2	60	66.3	63	44.6	34.8
Dried Fruits (metric tons)	Asian Total	17904	18833	16736	12733	9750	7662	6081
	Turkey	143596	187347	189909	181064	190262	191372	168999

³⁰ U.N. Dept. of Economical and Social Affairs, op.cit, pp 205-270

From the statistics given above, we had some ideas about these two industries in Turkey. Olive oils, hazelnuts, apricots, and chickens etc are popular export goods. There are large sized factories for processing of these products and the quality with reasonable prices had been approved by the world. Companies dealing with these products would be more confident to marching the Chinese market.

2.4.5. What could be the targets and plans?

Plans and targets should be always indicated before any trade action. This rule is also workable for this industry. Generally a five year plan is made in multilateral business. Therefore, Turkish companies should have their plans and targets before they march to the market. What could be the targets in five years? We can't make the plan on our mind, we need to study the basic information of the market, such as potentiality and capacity. After that, we can make a road map or a time schedule for the coming periods.

In China, there is an idiom saying `plans never can catch changes` which means changes are coming fast than plans. In another word, unexpected things are always happened and broke down the plans. But however, we ought to do plans before the investment. Here in the following, there is a five year plan prepared for a company intended to gain a share of Chinese market.

FIGURE 2-3. A SAMPLE OF FIVE YEAR PLAN FOR CHINESE MARKET

Year	ACTIVITIES	TARGETS	FEEDBACK	REACTION TO FEEDBACK
1	Settlement of organizational structure and start to build the sales network	sales revenue should at the point exceeding total costs	Positive: achieve the targets Negative: sales revenue not exceed the costs	Positive: enlarge the investment Negative: make adjustments
2	Stabilizing the structure and the sales networks,	Sales revenue should at the point of profits	Positive: start to get profit Negative: company starts to lose money	Positive: enlarge the structure Negative: Change the structure totally
3	Enlarge the structure of company and sales networks to all corners of the country	Sales revenue should reach a significant profit margin	Positive: more customers and satisfaction Negative: Company lose its structure and investments	Positive: introduce more products Negative: Company should consider shot down
4	Advertisements, sponsor activities and similar investment could be done	to be a famous brand a well known company	Positive: the company gained a positive image Negative: No power to continue	Positive: complete the first Five Year Plan. Negative: shot down of the company
5	Introduce more and more products and highlight the profit margin	Profit margin should increased	Positive: the company become a nation wide company Negative-	Positive: Make the new plan for next five year Negative -

CONCLUSION

In this chapter, we have introduced detailed information of Chinese markets and in significant industries. It certainly won't be enough at all, because Chinese markets are very complicated.

All Turkish enterprises who intend to march to this market with brave, should study the market in which the enterprise is going to invest. There is no time and money can be wasted.



**CHAPTER THREE: APPLICABLE MARKETING
STRATEGIES AND METHODS FOR TURKISH COMPANIES
TO MARCHING CHINESE MARKETS
(SIGNIFICANTLY IN FOOD INDUSTRY)**

In this chapter, we are going to introduce some possible strategies and skills to guide Turkish companies to gain a market share in China. Certainly there are lots of strategies and methods are applicable, but we would like to focus on the most efficient and highly returned ones.

It is a good feeling for companies and manufacturers to be found by customers themselves. But by the increasing of high competitions in market economy, we need to go to customers not waiting for their comings. In order to get good feedback, we have to invest on our customers. Good customer is a good partner at the same time, because the manufacturers can not interact with consumers, especially for the overseas market.

Overseas wholesale customers are the service agencies for manufacturers to get the information of feedback and satisfaction of each individual buyer. This information would help manufacturers to develop their products and correct any mistake appeared.

In order to achieve the target, in an overseas market, first of all we have to define a partner at that market with the exact identification of it. I mean whether it is a share holder or a customer. In this part, we will discuss the definition and identification of possible partnership for Turkish companies

in Chinese markets. Because own agencies are not very welcomed by Chinese government and the community.

3.1. Possible Strategies and Methods for Turkish Companies in China

Before start to discuss the possible strategies for Turkish enterprises to apply in Chinese markets, I would like to introduce marketing strategies of Sun Tzu in his famous book named "The Art of War" written several centuries ago. He is an ancient Chinese strategist who gave inspirations of emperors on their military affairs. He also mentioned about 12 essential principles for winning the war for customers.

First Principle: Honor the Customer

If the customers purchase your product or service, nothing else matters.

Second Principle: Organization of Intelligence

Know your market as well as you know yourself.

Third Principle: Maintenance e Objective

A clear intention and a steady aim.

Fourth Principle: A Secure Position

Occupy a position that cannot easily be taken by your opponents.

Fifth Principle: Offensive Action

Keep on the offensive to secure freedom of action.

Sixth Principle: Surprise

Surprise is the best way to gain psychological dominance and deny the initiative to your opponent.

Seventh Principle: Maneuver

The easiest routes are often the most heavily defended; the longest way round can be the shortest way home.

Eighth Principle: Concentration of Resources

Mass sufficiently superior force at the decisive place and time.

Ninth Principle: Economy of Force

Assess accurately where you employ your resources.

Tenth Principle: Command Structure

The management process unleashes the power of human resources.

Eleventh Principle: Personal Leadership

It requires the leader's faith in his or her people and their faith in the leader's ability to win.

Twelfth Principle: Simplicity

Even the simplest plans are difficult to execute.³¹

³¹ Michaelson, A.Gerald, and W.Steven, op. cit. pp, 3-4

3.1.1. Joint Venture

Technically it means "a contractual agreement joining together two or more parties for the purpose of executing a particular business undertaking. All parties agree to share in the profits and losses of the enterprise³²."

One of the possible strategies is to find a partner in China. The function of this partner should be the importer, wholesaler and service agency. There are many kinds of partnership; the most common known is the joint venture.

China is a very big and strange market. Foreign companies may not have the exact information of the markets, procedures, rules and they do not have any experience. It brings great difficulties for the investment. Because any wrong action may bring disasters. Most companies won't prefer risky investments. For example, if a foreign enterprise is completely on its own, the first job would be establishing the sales network in China. Due to the facts of population and large territory, this process may take a long time and need strong financial and human resources. Only those large sized multinational enterprises could afford it. In joint ventures, foreign corporations will seek for an already active enterprise to build the partnership. They will use the sales network and service agencies of the Chinese partner. There will no need to investment on them second time. It means that you are going to share the risks and ventures with others, that is why the partnership is called 'Joint Venture'.

³² http://www.investorwords.com/2671/joint_venture.html

After we decide to have a partner, we have to define the functions of this partner in order to make the venture working in efficiency and fine feedbacks. Criteria and conditions should be clarified in order to evaluate the Chinese part. Because we have no chance to change our partner regularly and all of us know that a good partner is half of success. Annual sales revenues, net incomes, profit margin, collocation of the sales network, members of employees and capital of the company, these are very common criteria for a partnership. The conditions and criteria may be different and changeable according to the structure of the business and the partnership.

3.1.1.1. Procedures of establishing joint venture in China:

Approval Authorities

The procedure is applied to foreign invested enterprises. The total amount of investment and the production division as described in Catalogue for the Guidance of Foreign Investment Industries are the two major factors dividing central government and local government authorities over the registration approval.

a. State Development Planning Commission, The State Economic and Trade Commission. Ministry of Foreign Trade and Economic Cooperation are responsible for review and approval of projects with a foreign capital of US\$ 30 million or above in industry

and other projects which require an approval from the authorities under State Council.

***b.** Government offices of Province, Autonomous Region, Municipalities and Special-planned cities are responsible for:*

** projects with a total foreign capital of less than US\$ 30million in non-restricted categories of industrial catalogue*

** Projects with a total foreign capital of less than US\$ 30million but within restricted categories of industrial catalogue which have to be filed to the State Council Offices or upper level offices Projects involving quota issuing and licenses have to undergo application from offices of Ministry of Foreign Trade and Economic Cooperation for such privileges*

**projects with a total foreign capital of US\$ 30 million or above in the State promoted categories without future side effects, which have to be filed in the State Council Offices.*

3.1.1.2. Business Establishment Procedures

***a.** Application Procedures for Establishing Joint Ventures with Chinese-Foreign Equity or as Contractual Partners*

***b.** The Approval of the Project Proposal Based on the knowledge of the partners' business area and financial status, Chinese or foreign investors are entitled to forming the joint venture*

at their will. Chinese investors are supposed to produce a business proposal to be submitted to the examination and approval authorities (Planning Commission or Technology Improvement and Management Office). Once approved. Chinese investors ought to have the joint venture registered to protect the company name and brand name.

c. Approval of the Feasibility Study Right after the approval of the project proposal, the two parties are supposed to work on a feasibility study involving markets, capital, planned site, craftsmanship, technology, facilities, environment protection, raw material sale, Return, foreign currency and the infrastructure to be submitted to the examination and approval authorities (Planning Commission or Technology Improvement and Management Office). At the same time, two parties can discuss and sign the contract and other legal documents like the company chapter.

d. Approval of the Contract and Articles of Association and Issue of Certification for the Joint Venture Right after the approval of the feasibility study, the mutually signed contract and chapter can be submitted to the examination and approval authorities (Office of Foreign Trade and Economic Cooperation). The authority shall within 90 days from the date of receiving the feasibility study, contract and chapter decide whether or not to grant approval; within 45 days from the date of receiving the application for establishing the joint

venture. Once the approval is granted, the office of Foreign Trade and Economic Cooperation issues the certificate of approval for foreign-invested enterprise.

e. Application for Business License within 30 days from the date of receiving the certification of approval for the establishment of a joint venture, the parties shall apply to the industry and commercial administrative office, registration in order to obtain a business license. The date of issue of the business license of the joint venture shall be the date of its establishment³³.

There are many joint ventures in China. Most foreign corporations choose joint ventures because of its many usages, sales networks, service agencies and experiences. This partnership will cost the foreign investor less than many other alternative strategies. What the investor going to do is just to employ a few skilled supervisors and managers for themselves to have the control over the joint venture.

After that partners should share the responsibilities. Responsibilities of foreign investor could be the quality and on time delivery of goods with reasonable pricing policy. The responsibilities of Chinese partner are much more than the foreign investor's. Customs clearance, sales, service, getting feedbacks and governmental affairs are all under the Chinese partner's responsibility.

³³ <http://www.cadz.org.cn/en/tzzg/part3.asp>

The situation is same for Turkish corporations. Most Turkish corporations are national companies not multinational. They don't have strong financial resources and administrative supports by the government or the Chambers of Commerce. They are unable to take any high risk actions such as spending huge amounts on advertisement to support a sales network in a foreign country. Joint venture could be one of the most appropriate strategies for Turkish enterprises to apply.

For food industry, joint ventures are preferred more because the Chinese partner will take the responsibility of packaging, which is the main bottleneck for foreign enterprises. There are bureaucratic procedures in customs clearance which may not be familiar to foreign companies. But it won't be problem for the Chinese partner because it is a routine activity for them. For beverage industry, the situation is much harder. Medical tests are made, fearing of any infectious bacteria and so on. Foreign companies should be very cautious if they plan to invest in these two industries.

Turkish manufacturers are generally middle sized enterprises. The best way for an investment in China for them is to find a partner and work together. But if the company does not have good control over the partnership, many problems would appear. Such as, lack of information exchange and communication between the partners; unbalances between incomes and outcomes or having no control on accounts and business activities.

Especially food industry is subject to extra restrictions and limitations in customs clearance, stock period and quality guarantees. Lacking sufficient documents and qualifications might causing destruction of the goods. No any single detail should be missed. Therefore, privities and cooperation between the partners is very important in the joint venture. Managers should take great responsibilities to keep the communications between the partners. These managers should be familiar to both country's trade rules and traditions. This kind of managers is not easily found in Turkey. We have mentioned it in the first chapter; human resources in these fields are very poor in Turkey.

3.1.2. Foreign-Invested Enterprise or Branch Office

3.1.2.1. Procedures for Foreign-invested Enterprises

Foreign investors can entrust qualified agencies for application and approval of a foreign enterprise in China. The procedures for establishing foreign enterprises are comparatively simple with filling up the Application Form for Setting up Foreign Enterprises in China and submitting the company articles and relevant legal documents to the office of Foreign Trade and Economic Cooperation. Under the Rules of the People's Republic of China on Foreign-Invested Enterprises, the office of the authority is supposed to grant or not to grant its approval within 90 days from the date of receiving the

application. Once the approval is granted the office of Foreign Trade of Economic Cooperation issues the certification for foreign invested enterprise. The registration and license are preceded with the certification.

Foreign investment enterprises are supposed, within 30 days from the date of receiving their business licenses to have their relevant registrations completed, including opening up the bank accounts for both Chinese and foreign currencies, registration on tax, customs foreign currency etc.

3.1.2.2. One-Stop Shop Service

To assist investors with their application and approval efficiency, many local governments provide one-stop shop service. Offices of foreign trade and related government offices are co-working to speed up the procedures. Provincial governments, autonomous regions, special municipalities and high status cities all have their foreign investment service centers to proceed the procedures with a package service, which includes seeking partners, locating sites, writing business proposals and submitting, doing enterprises registration, providing feasibility study report, initiating contracts and company articles, applying business licenses, and also doing construction design and planning, obtaining land usage right, environment protection, fire prevention and public service, and some more like employee recruitment and data collection. In addition, consulting firms, law offices and accounting agencies are all available for a high quality service.

3.1.2.3. The legal Procedures for Foreign Investors to Come to China

a. Entry Visas

The potential foreign investors need to ask for the assistance from the potential Chinese business partners to get permission from the legally authorized local foreign affairs offices to issue notification for visa application.

The foreign investors have to apply to the local Chinese embassies or consulates for an entry visa with the notification. The categories of the visa issued by Chinese government comprise of diplomatic visa, courtesy visa, business visa and private visa. In line with this, investors with one million US dollars or above invested in the west and middle areas of China's poverty-stricken counties, or with three million US dollars or above invested in other areas can be issued multi-entry F visas valid for 2-5 years with a stay of no more than one year each time. The managing staff of such enterprises and organizations is entitled to the same privilege. Foreigners who need to stay and work in China for longer terms are to receive multi-entry Z visas valid for 2-5 years and the living permit of the same length.

b. Working Permit. Expert ID and Residency Certificate Foreign-invested enterprises can obtain Employment Certification for Foreigners in the People's Republic of China for their international employees with their business licenses, foreign-capital enterprise certification, application and the documents, concerning the potential employees. With the working permit, the legally authorized foreign affairs offices will issue visa application notification.

The potential employees can apply for the appropriate visas at the Chinese embassies and consulates in the local areas with the employment certification and visa application notification. Once coming to China, the employee is supposed to get a working permit from the local labor bureau with documents of employment certification, visa. Contract, health certificate and personal data. And a residency certificate from the police office of customs is also necessary once the working permit is obtained. Employees from Taiwan, Hong Kong and Macao apply for their working permits from the local offices of labor and social protection bureau in charge of people's affairs of Taiwan, Hong Kong and Macao. Once approved by the offices, the employees can use the issued working permit to proceed for a residency certificate³⁴.

What we understand from the definitions and procedures, branch office or foreign-invested Enterprises are the possible strategies for a foreign investor to apply in Chinese markets. There is no any partner, they will make all the decisions on their own and they will not share any responsibility with others. Employment and marketing policies are made by headquarter of the corporation in abroad. Actually there will be no any individual or enterprise could affect and involve in their business.

After we understand the organizational structure of the enterprise, we are going to discuss about how they can run up in China. According to

³⁴ http://www.cadz.org.cn/en/tzzg/part3_1.asp

Chinese foreign investment authority, all kinds of non-local enterprises are subject to strict rules and taxation policies.

It is ensured that non-local enterprises are not welcomed by the authorities in China because there are no any benefits for the local companies and community except the employment.

These foreign based enterprises should build their own sales and service network. It is a very costly process to get every one familiar to a significant foreign product. They need to invest huge amounts on advertising and organizing the sales network. It really takes long time and not all foreign enterprises can afford it. Generally the multinational corporations who have strong financial and human resources are capable to work on this process. For example,

In food industry, there several non-local companies are active in the Chinese market. There was only KENT GROUP from Turkey in Chinese market of foodstuffs. They had their own sales networks in Guangdong and Xinjiang regions and a packing factory in Guangzhou City, the capital of Guangdong Province. Sweets and chewing gums are the main products of KENT sold in Chinese market. We will discuss this enterprise later in details.

3.1.3. Manufacturing Bases

Manufacturing is the source of all trades and businesses, a nation can only developed with the fast industrialization of manufacturing. It is the reason we have discussed for the incredible development of Chinese

economy. That is why it is attracting lots of foreign enterprises to establish manufacturing bases in China. We can generate all kinds of manufacturing structures of foreign investors into three main structures. These are; Full Manufacturing, Semi-manufacturing and Packing Manufacturing. In the following, we will discuss them in details.

3.1.3.1. Full Manufacturing

Since our intention of this thesis is to provide information for Turkish companies targeted Chinese markets, and to increase exports to China. Therefore we do not approve any kind of full manufacturing purposes of Turkish enterprises in China. It has no any benefits for Turkish economy; furthermore the goods made in these factories may be exported to Turkey. In other sense, it means the Turkish manufacturer shifted its factory from Turkey to China, but the market didn't change. This will increase the trade deficits and unemployment of Turkey. It will definitely not be approved by Turkish economic authorities and the community.

3.1.3.2. Semi-manufacturing or Assembling Manufacturing

It would be easier to explain this structure by giving an example. If a company in Turkey dealing with Baklava sweets and intend to sell its products to China. It would be easier to transport the materials of the Baklava sweets, rather than finished products. Because, the finished products have time validity and the taste might change over time. Customers

would prefer fresh foods, not long time stocked foodstuffs. So this company may consider to build a half manufacturing factoring (or to cooperate with a ready factory) in China. All materials will be imported from Turkey and manufactured in the factory in China. The company may employ several Turkish managers and technical employees with Chinese workers together.

Turkey will get benefits form this business by exporting the materials and China will also get benefits by providing employees and collect taxes. Both side will be satisfied with such a business type.

3.1.3.3. Only Packing Manufacturing

This is generally seen in foodstuff and beverage industries because of Chinese Foodstuff and Beverage Packing Rules. According to the rules, all packing should including Chinese Mandarin language. Suppose that the products are in varies and low quantity, open new packing mould for each product will cost too much for the foreign manufacturers in their own country.

Packing industry is highly developed in China and the costs are very low. There foreign investors use to export the foodstuffs and beverages to China without any packing, after the clearance procedures in Customs, they pack them in the local packing factories or their own factories. It reduces a lot of packing costs for the manufacturers; KENT GROUP did the same in China. They had a packing factory nearby their headquarters in China.

3.1.4. Distributorship or General Agent

Technically, distributorship means a company that buys open-end investment company shares directly from the fund for the purpose of reselling to interested buyers. More generally, a firm which sells and delivers merchandise to retail stores or acts as an intermediary in business³⁵. This is a marketing strategy widely used by the enterprises through all corners of the world. The process is generally as following:

1st step: attend international or regional fairs and exhibitions or similar activities

2nd step: keep contact with possible customers and start to get orders. Treat all customers in fair.

3rd step: Selling same products to different customers and getting different feedbacks.

4th step: Aware of differences between customers according to their order quantity and prices. Give the priority to some of them.

5th step: Conflicts between customers may appear because of selling similar products from a same manufacturer. The company needs to decide to elect some of them.

³⁵ <http://www.investorwords.com/1501/distributor.html>

6th step: Evaluate the most suitable customers and give him distributorship subject to conditions and cancel contacts with all other customers.

Of course, these steps may not be same for all companies. Some enterprises are able to define the distributor at once. Some of manufacturers may have several distributors and retailers for similar or different products. For example, Nokia Corporation has several distributors and retailers in Turkey such as Genpa Holdings, K.V.K. retail shops and Basari Corporation. Each of them shares different responsibilities and sales networks. But in general, most distributorship are formed through the steps given above and to only one corporation.

As we mentioned in the definition, distributorship is strictly subject to certain annual quantity. This is the main condition of manufacturers for the distributors to protect its rights and recuperate its losses of electing other customers. At the other side, manufacturing is also subject to several conditions, such as not selling same products to any other customers directly or indirectly. This will protect distributor from competition of same products and it will highlights its profit margin. Operating costs are different for each company in the market, a shop employed two workers do not have high operating costs but a large sized corporation has lots of operating expenses which will directly affect their pricing policies. Therefore distributorship is also an approach of price equilibrium in the market economy.

In China, distributorship is very common preferred by lots of foreign enterprise. The job for the manufacturers in this strategy is less than in joint venture and agent or branch office. The manufacturer only deals with producing goods and do not take any other responsibilities. What the enterprises do is just to get orders from the distributorship and deliver the order on time. But for distributor, the jobs are much heavier. The promise of certain quantity in a year is giving pressures to the operations of distributors. They have to provide good products and services to the individual customers and retailers. Especially in food industry, distributors hold great responsibilities over quality of the goods they imported because it directly affects human health.

Actually there are few Turkish manufacturers who had their distributors in China. One of the most successful is Ulker Group. "Istanbul Supermarkets", its distributor in China Xinjiang Uighur Autonomous Region is increasing the sales every year. We will discuss about it later.

3.1.5. Trade Over Hong Kong SAR

Hong Kong is regarded as a shining jade in the Far East. As the meaning of its name, "Delicious and Tasty Port" is attracting many foreign enterprises to invest in this glorious city.

Hong Kong was a window for China for a long period. Decades ago, all Chinese products were exported to the world via Hong Kong. Today, Hong Kong is the biggest transition port in Asia. All shipments from China to Asia,

Africa, Europe and Australia continents are transferred via Hong Kong. Although China is developing fast and attracts more and more investors directly to China, Hong Kong didn't lose its position of been a trade center.

Since the tariffs are very low in Hong Kong, many Chinese manufacturers use to sell their products via this city. There is also the CEPA (Closer Economic Partnership Arrangement) agreement between Hong Kong and China which allow Hong Kong made products entering Chinese markets with free duty. Although the products are mostly consumed in China, for many foreign companies, it is safer to cooperate with Hong Kong enterprises. Because of that they do not have any information of Chinese business styles and traditions. Hong Kong is a multinational cosmopolitan; foreigner visitors won't feel any strangeness in Hong Kong in the sense of communication and business traditions. British affects are heavily seen in Hong Kong.

Another important reason is companies of Hong Kong are strong in finance. They do not have problems with payments to manufacturers. They may order a large quantity and make the payment at once. They are also able to keep the product in stock. But Chinese companies are not strong enough to spend lots of times and moneys on significant products. In foodstuff industry, since the products are subject to time validity, keeping stocks won't be meaningful action for any one.

There are several Turkish companies in Hong Kong dealing with different business. One of them was Deri Sektorel Dış Ticaret A.Ş. which is a corporation consisting several leather manufacturers in Usak. This company

is based in Hong Kong and responsible for marketing their leather products such as leather materials. They were once very successful. We will discuss it later.

3.1.6. Government Supported Corporations

Government is the invisible hand and has the full control over the markets. We don't have any doubt about supports of governmental powers. This is possible things in our lives. Everyday, in the newspapers we always can hear news about XXX Company is preparing to enter a bid and was supported by XXX government etc. In western countries, it is very common. Especially in defense industries, construction projects and agricultural planning, government supports are essential than any thing else.

The reason of government support usually is political. We don't need to talk about defense and construction industries. In these industries, governments are always playing the role of customer, purchasing tanks, fight jets or rebuild a city, a bridge or a theatre. They are generally big amounting projects. Not only government support, co operations between companies are also important in these industries. Some times there are several large sized enterprises cooperate with each other to earn a bid.

Beside defense and construction industries, exports of agricultural products are also in need of government supports. Because the farmers are not familiar to rules, laws and markets. They know few things about their products and how to market it. Government has to help them to sell their

corps and keep the farmers stable. Increasing unemployed farmers is one of the results that governments supports over the industry was not enough and efficient. China is suffering lots. Many governments stuffs are been charged of providing wrong information of agriculture in the regions to the central government.

It is same in food industry; Turkish government should concentrate on the most planted foodstuffs such as tea, hazelnut, tobacco, sugar, olives and some other products. These products are under the protection of the government. That is the only way to increase exports of foodstuffs and beverages to China. Government is also doing their best to keep the prices fixed and the overall situation stable.

In exporting agricultural products to China, government and the Prime Minister Mr. Erdogan personally have supported FSKO Unities from Black Sea region to export hazelnuts to China. When Mr. Erdogan won the election in 2003 as head of AKP (Justice and Development Party) had collected 34% votes in total, he decide to visit China with several new formed cabin members including Mr. Kursat TUZMEN and many businessmen with investors of several chambers of commerce. During their visit to the capital of china; Beijing, they had several meetings with economic authorities and administrators of chambers of commerce. They also discussed exporting of hazelnuts to china.

In Beijing, a matching game of naming was carried out, "Find the most appropriate Chinese name for hazelnuts". After serious elections "WEI

ZHEN GUO" which means `Precious Nut with Vitamins` won the match. Erdogan had a speech in the Beijing Chamber of Commerce, indicating that Turkey wants to have a share in Chinese markets in order to decrease the trade deficits³⁶. This could be a good example of government supports. Government supports can help the companies to prepare and introduce their products to the markets. We will discuss it later in details.

3.1.7. Partnership or Cooperation with European and American Enterprises

We have mentioned times and times about the potential markets of China. Since the markets are too big, Turkish companies are having great difficulties to stand alone and get the targeted market share. Another problem is, Turkish enterprise may not answer all the needs of Chinese market. This situation is generally happened in construction and foodstuffs industries. There are more than 700 industries related to constructions such as decoration to electricity and canalizations etc.

In huge construction projects, multinational consortiums are formed by several companies. Large sized enterprises are also in need of co operations with others since it can not take all responsibilities on its own. American and European enterprise are much stronger than other countries`. Turkish companies had formed many consortiums with these enterprises in many projects. Since developing speed of China is depending on new

³⁶ Information provided by H, Weierdan, Chinese translator to Mr. Erdogan during his visit to China,

constructions projects, Turkish companies may form consortiums to earn the bids.

Foodstuffs and beverage industries are also possible sectors for such co operations. For example, Carrefour has hundreds of branch shops. Such a large sales network attracts so many manufacturers to cooperate with it. There are many imported foodstuffs and beverages are sold through these markets. It is also a possible way for Turkish manufacturers to sell their products via the markets. Juices, ready foodstuffs and dried fruits etc. all eatable and drinkable products can be offered to these markets. It would be much easier than any other strategies we mentioned in this chapter.

There are certainly some negative affects too. For example a manufacturer's sales in China are completely under the control of those market chains. Profit margin would be very low because they won't pay a cent more than any competitor of manufacturer for a same product. They also have full rights to decide whether to keep selling the products or not after some period. Another big headache for manufacturers could be withdrawing of goods even after a year.

Anyhow, this strategy could be applied by many manufacturers who don't have enough financial and human resources to invest in China alone. It would be more practical and efficient for these kinds of manufacturers.

There are more strategies can be followed in Chinese markets, but we cannot discuss all of them at once. Every enterprise has to decide which strategy to apply before any action. Some times, enterprises in same

structure may not be suitable to apply a same strategy. In this process, the decision makers take the full responsibilities. They have to make correct judgments after taking all facts into considerations. Database of the markets and the enterprise itself must be exact and updated.

3.2. EXAMPLES OF TURKISH FORERUNNERS IN CHINESE MARKETS OF FOODSTUFFS AND BEVERAGES

In this part, we will discuss about some live examples of Turkish initiatives and forerunners who are trying to gain a share of the pie. Some of them are successful and some others are not. Some of others were once successful in once and couldn't keep the success constant. I would like to introduce these companies in details in order to give some ideas to new companies who planned to export their products to China.

3.2.1. Successful Forerunner: ULKER GROUP.

Starting business with three people and one product as a small family company established in 1944, Ülker has succeeded becoming 12th worldwide company in biscuit and chocolate sector with its 17.000 employees and hundreds of product variety. Only in chocolate and biscuit group, Ülker has 275 tons chocolate, 400 tons biscuit production capacity per day.

Ülker with its public open companies, export more than 95 countries in America, Europe, Far East, Middle East, Africa and Turkic Republics. On globalization way, the most important steps taken by Ülker are establishing foreign partnerships. Acquiring foreign investors to its current companies provided Ülker integration with foreign investment. Today, there are companies from Netherlands, Luxembourg , Switzerland, England, and France in its foreign partnership portfolio. As a global company Ülker, has 60 percent of Turkish market in its product range. The main target of the company is spreading "Made in Turkey " brand in Turkey and international arena.

Ülker Group has reached 150 million dollars export capacity in 1997 and brought its success until today. In 2003, export capacity of Ülker is 258 million dollars. Today Ülker is a public open company in stock market, built foreign partnerships and exported its products by 4 thousands TIRs to more than 95 countries each year³⁷.

Ulker is one of the biggest chocolates and biscuits manufacturers in Turkey and Europe. Huge amounts of exports have been the axletree of the company's fast development. Although the company has the biggest share of the market pie in Turkey, furthermore, decisive export policies has made the company largest exporter of the industry.

³⁷ Ülker Group Home Page, www.ulker.com.tr

Ulker`s products was introduced into Chinese market firstly in 1990s especially in Xinjiang Uighur Autonomous Region where the Turkic natives are living. People of this region have the similar tastes and traditions to Anatolian Turks. Ulker decided to start with this region. They had worked on several strategies and meetings with local companies. Finally after serious considerations and negotiations, they decided to authorize `ISTANBUL SUPER MARKETS GROUP` based in this region to be their distributor in the country.

The owner of the company was having businesses in Turkey. Therefore, the company has enough information and database of Turkish market and business traditions. It makes the business easier. The company also has a strong financial background and high dependability with good image in the region. First `Istanbul Supermarket` was set up in the entry of a 15 floors modern plaza which is belonging to the company itself at the city centre. The supermarket was very beautiful with Turkish decoration styles. Although it is a completely new thing for the local consumers, but the sales were great.

Two years later, two markets were set up in other places. Ulker products started to be well-known by the consumers in the region. Especially the children loved Ulker chocolates very much. After that, more branches are opened in other cities. Sales were increasing annually. According to Mr. Tohti, total sales of Ulker products in a year were approaching four millions US dollars. Although it is not a very ideal amount, but in a region where the

average income is only 600 US dollars, annually 4 millions dollars was a big deal. It could be worse than that. By the time, more people are getting to know the supermarkets and the products of Ulker at the same time. Since the markets started their business with the products of Ulker, the interrelation between them is very strong³⁸.

This is a story of success and hope. I think other Turkish enterprises should take Ulker as their models and forerunners to follow. It is hoped that more Turkish relevant products can be brought to this market very soon.

3.2.2. Unsuccessful history: Saray Biscuits Food Co.

Saray Biscuits Food Co. was established by the OZDAG family in 1981 for the purpose of turning its knowledge, experience and economical structure based on agriculture for production, where the most popular wheat grows and also the world's first agriculture begun.

It has been continuing its daily production with 350 tons. Meanwhile the total production capacity along with its sister companies is 600 tons per day. Saray is an international firm in the group of biscuits, chocolates, cakes, wafers, confectionery and chewing gum; with a wide variety of 260 items Saray has taken place as one of the biggest companies in Turkey and also around the world.

³⁸ Source: Mr.Tohti, H, A senior Editor in Xinjinag Economy Daily, also worked as advisor in 'Istanbul Supermarkets Group'.

Currently 200 containers a month is exported to 65 country's around the globe and the trademark "**SARAY**" has earned this position due to its outstanding achievements.

By exporting over \$25 million a year; within Turkey's leading 500 exporters Saray is placed in 186th position.

Every country has a demand for different tastes, different customs laws and commerce laws so Saray established a Research Development department which continuously researches concerning the above matters and provides the export department with this information. The outcome of this research has provided us with 60 countries which we are exporting to. Our target was the China and USA market which we now are exporting to successfully³⁹.

Although Saray has started exports to China, but here we will discuss about the history of this process. The business fields of Saray are similar to Ulker's. Therefore, Ulker is regarded as its biggest competitor in the market. Of course, there is no any doubt about the first position of Ulker, Saray is also doing its best to increase the sales and gaining more market shares in Turkey.

Since Ulker has laid its sales network all over the world, Saray didn't stay back and just watching its competitor. After marching to several overseas markets, Saray started to interest on huge markets such as China.

³⁹ Saray Home Page, www.saray.com.tr

Large market pie and potential sales attracted the company to consider it. As many foreign manufacturers and enterprises, they tried to contact some local companies of China, especially the import and export companies. In China, only the government authorized import and export companies could deal with importing business. They sent some samples and made their offers to the import and export company, but the results were negative. Up to today, Saray couldn't get involved in this market in any way. In order to find the reason of this loss, we have to look at the marketing strategies they followed.

Saray was looking for a ready customer who interest in its products. They started from Guangdong province of China, which is near to Hong Kong and owns more prosperous markets. Somehow, they get contacted with a local importer and have sent samples to the company. Everything was going on well, but they made a big mistake, that is the company was actually an electronic import and export company. Guangdong Scientific and Technical Co., Ltd. who was their first contacted company in China didn't been serious in this business. Because of the fact that they never deal with foodstuff exports to China, they did nothing to answer Saray.

According to Mr. Ai Li, who was responsible for Turkish markets in Guangdong Scientific and Technical Imp. & Exp. Co. Ltd., actually they had received the samples with offers but they didn't know what exactly they should do with it. They tried to contact several local foodstuff dealers and retailers but getting no results. Mr. Ai Li also indicated that it would be better

if any one from Saray Corporation had visited China. In that case, they would be able to exchange the information face to face and decide how to march to the market. That is because they don't have any confidence of been authorized by Saray Corporation. In Chinese traditions, face to face meetings are much more effective than any other communication vehicles

Mr. Sener DURSUN who was working at the export department of this factory informed us their mistakes of been in rush with no seriousness. Another problem was they were not patient; they wanted to have the results at once and didn't get lessons from their losses. Unfortunately, Saray failed to get a market share in China.

3.2.3. Between Success and Failure

a. KENT GROUP

In 1956, Kent was established with only 11 employees who would later become the largest Turkish confectionery company. By 2000, Kent consolidated the three factories into one state of the art facility in Gebze, Kocaeli. The high quality innovative products manufactured in this factory have been exported to over 100 countries around the world. The potential in these markets have led Kent to search for growth opportunities in the international markets. In 2001, this search resulted in the establishment of a 50%-50% joint venture with the Spanish lollypop manufacturer Chupa-Chups in St. Petersburg, Russia.

The partnership agreement between Kent and Cadbury Schweppes was signed on February 21, 2002 in London Cadbury Schweppes acquired 51 % equity interest in Kent together with a majority equity interest in its distribution arm Birlik from the Tahinciođlu family⁴⁰.

It is difficult to make the judgment for KENT GROUP whether it succeeded or failed in Chinese market. But one point we can be sure, that is KENT was the first initiative and forerunner in this industry and did great things in China.

In the middle of 1990s, KENT GROUP decided to march Chinese market and get a certain share of it. The corporation employed a Uighur born in China but a Turkish citizen in its export department in charge of Chinese market. Mr. Askar was able to speak Chinese, Uighurs as well as Turkish. He was familiar to both Chinese and Turkish markets. After a period of research, they decided to invest in China. In that time, KENT GROUP was among the strongest manufacturer in foodstuff industry.

All These financial and experimental backgrounds brought them confidence in getting a pie of the Chinese market. The strategy was to set up a corporation which would be controlled by KENT itself. I mean an own agent. They chose Guangzhou City as their headquarters in China since it was one of the most populated and industrialized cities. In 1996, they started to import sweets, chewing gums and similar products which were all

⁴⁰Home Page of Kent Group, www.kent.com.tr

manufactured by KENT GROUP in Turkey. Meanwhile, they faced the problem of packing as we mentioned in second chapter. They decided to establish their own packing factory. The factory was located at Huangpu Industrial Zone in the outskirts of Guangzhou City. There were 35 employees in the factory. All products were imported without packing and finished in this factory. The factory also became a warehouse for the company.

Supermarkets and retailers are the main customers of KENT GROUP in China. **"7 & 11 Shops"** is one of the biggest 24 hours opened shop chains in China. KENT products were sold in these shops. The goods were delivered to the customers from the factory. All these transactions were controlled by Mr. Askar, the general manager of KENT China. He took all responsibilities of the company. It brought high pressures on him. In such a market, only a single person cannot take all responsibilities. He had to share it with others. In my opinion, it would be better if KENT GROUP chose Joint Venture with a local company to share the risks and responsibility, too. It could be the most effective reason of decreasing in sales appeared later.

In late 1990s, annual sales of KENT products in China were between five and six million US dollars. In the beginning of 2000, sales of the company were decreasing rapidly and stocks were increasing. Since the foodstuffs are subject to time validity, finally they started to sell the stocks with discounts up to 80 %. Company started to lose its capital and market share in China. Packing factory was shut down because of increasing

operating costs, and the company itself was also shut down in 2001. The process of failure was incredibly fast.

Today, although KENT GROUP had resigned from Chinese market, but we still believe that it was a really great job for KENT GROUP to be the first initiative with full courage and confidence. It deserved all enterprises and media to express their opinions with respect. To be first one of anything is always difficult and unforgettable. I really think KENTGROUP should be proud for their courage. Although they are not active in China any more, it cannot be regarded as a failure, maybe just morality and inspiration for the later comings.

b. Companies in Malatya Selling Dried Apricot

Malatya is the main region producing dried apricot and related products in Turkey. There are hundreds of companies dealing with this business in Malatya. Most of them are medium even small sized corporations. These companies are the workshops for exporting dried apricot to the world.

In the beginning of 2001, Turkish economy had suffered a serious financial crisis. In that crisis, Turkish Lira was devaluated 60 % in a night and up to 100 % in the next few months. It brought irrevocable damages for Turkish economy. Many enterprises were collapsed because of increasing debts in a short time. Prices of daily used products were getting higher and higher. Stocks and cash of companies and individuals were devaluated, especially cash and debts. The crisis won't be forgettable for Turkish people

in its history. According to Einstein, everything has its negative and positive side. For the crisis happened in Turkey, there was also some positive effect. One of them was the prices of exporting goods were decreased in US dollar. Many exporters had great benefits from the crisis in a short time. Companies in Malatya dealing with dried apricots were among them. It could be easier to explain it with a table.

TABLE 3-1. CHAGES IN WHOLESALLES PRICE OF LOW QUALITY DRIED

APRICOT

	December 2000	May 2001
PRICE		
EXCHANGE RATE	1\$ = 550,000	1\$=1,100,000
	TL.	TL
PRICE IN TURKISH LIRA	300,000 TL	300,000 TL
PRICE IN US. DOLLAR	0.55 \$	0.27 \$

Since our subject is export, so we have to concentrate on exporting price of US dollars. We can see almost 100% changes between two prices. Although the situation is temporary, it still attracted lots of exporters and companies dealing with international trade. Zerepsan Dahili ve Dis Ticaret based in Istanbul was a company doing business with China. The low price of dried apricot had interested them. They brought samples to China and showed them in the dried fruits markets. After a series of market research, they decided to export the apricots to China as quick as possible since the prices are still low. Over two year's time, they exported more than 2000 tons of dried apricots to China. It was a really big success for them.

The strategy they followed was very different and informal. What they did is to contact several wholesalers in the same market and get orders from them. There was no any formal structure such as distributorship or agency. A man in charge was sent to China every month to follow the orders and arrange the payments. Since there was no any formal agreement between the seller and buyer, some conflicts appeared. Once they were selling to a wholesaler, meanwhile they also sold goods to the customer of that wholesaler. Stocks of wholesaler were increasing, therefore new orders were decreased. By the time, they lost customers in the market one by one. Finally, they lost the market completely. Another reason of their later failure was the price of dried apricot in Turkey increased to its equilibrium level.

3.3. EXAMPLES OF TURKISH FORERUNNERS IN OTHER INDUSTRIES IN CHINA

3.3.1. Construction Materials

In the first chapter, we have talk about imports from China, and construction material was one of the industries we studied. 30 % of construction materials used in Turkey was imported from China. Therefore, readers might feel strange of mentioning it again here. In this part, we are going to analyze the companies exporting construction materials to China. Free multilateral trade is the rule of market economy. Someone buys and someone sells.

Turkish marbles are very famous in the world. There are many regions in Turkey owned the marble mines. Bursa Beige, Elazig Strawberry and Denizli Traverten are among the most famous ones. Marbles are generally named according to its location and color.

What makes marble business different from others is that the customer needs to choose the marble blocks in the mine on his own. It cannot be confirmed by samples or pictures. Overall visual image is more important for customers, because the usages of marble blocks are different. Some of them are used in household decoration; some of them are used in hotels and conference halls as columns. Size, color and brightness are different for each usage.

All Chinese customers generally use to visit the mines and choose the blocks himself. They spend several days in the mine. These Chinese customers are mostly manufacturers of ready marble products in their country. Turkey became their material providing country. Furthermore, some of them made agreement with exporter indicating a significant mine in which all blocks of this mine will sold to this customer, in another word, "the distributorship of a marble mine". Although the application is different, but the central idea is same as the distributorship we mentioned in the first part of this chapter.

Today, more and more companies started to export marble blocks to China. The full industry is paying more attention to Chinese market. We have given the statistics in the second chapter.

3.3.2. Leather Materials

Today, there are several companies are exporting leather products to China. Most customers are similar to constructional materials; they prefer to com to Tukey and select the most suitable products. Some of them are in Istanbul, and some others are in Izmir. But there is a company which we will mention here who is been the one of the first challenger in Chinese market. They didn't keep waiting customers but to march to Chinese market on their own.

DERI SEKTOREL DIS TICARET A.S.

The company was located in Hong Kong Special Administrative Region of China. It is formed by several leather material manufacturers with the supports of local chamber of commerce in Usak in late 1990s. They purposed to sell their leather materials to Chinese manufacturers via Hong Kong. The company was completely Turkish based and having no any partner in Hong Kong. They had good sales at the beginning; some times there were 20 containers in one order.

The company was deactivated in 2001 because of several reasons. I would like to list these reason and discuss them one by one.

1st reason: it could be the person they employed. The man in charge of company in Hong Kong was unable to speak Chinese language and unfamiliar to Chinese market at all. It was a big mistake.

2nd reason: Keeping Stock. In leather industry, it is a very dangerous action to keep stocks of materials. Because the quality of materials is subject to time validity, the price of leather materials is not stable at all. But this company has kept too many stocks in Hong Kong and was unable to sell them within valid time.

3rd reason: preference of customer. Chinese customers prefer to choose the materials on their own, not to purchase stocks or ready materials. The company loosed lot of customers because these customers use to go to Turkey directly.

All these facts brought the end of the company finally. But in Turkey, there are more companies are exporting leather materials to China.

CONCLUSION

*Know the Enemy and know yourself,
And your victory will never be endangered;
know the weather and know the ground,
and your victory will then be complete.*

-Sun Tzu

This is what Sun Tzu, a famous war strategiest of ancient China use to describe a war of victory. Actually, today in our lives, most business activities are similar to wars. What we understand from the sentences above is that before any war or action one must access information on enemies or the target and the environment. "Know yourself, know the enemy and get the victory".

It is hoped that the thesis would be helpful for the companies in need of information about Chinese markets and business traditions, but before that I would recommend the companies who intend to march to Chinese markets to make a self evaluation before any action. What I wrote are only ideas and suggestion, but actual positions of companies are more essential.

After the information, another important subject is human resources. Most companies in Turkey are family companies and small sized. It doesn't

mean that they cannot do anything in Chinese markets. Before giving any decision, companies should solve the problem of human resources. Asking assistance from universities; announcements on newspapers and similar media; searching from internet are among the possible ways.

The last and most important subject is political supports. China is not a city or a region, but a continent. Companies marching to Chinese markets would face great difficulties about the laws, regulations and procedures. Government supports would be very helpful for them. Exporter unions, Foreign Trade Secretariat and other related organizations should take responsibilities for guiding these companies. Commercial departments in the embassy and consulates in China should also afford assistance to the companies in case of need. On the other hand, Chinese government is doing its best to support the companies dealing with export businesses. The trade deficits would increase more and more if the government of Turkey won't take any step.

There are great difficulties in decreasing the trade deficits between two countries, but it is not hopeless. Turkish enterprises shouldn't lose any chance in Chinese markets. After periodic multilateral trades, the deficits could be decreased to an ideal level.

APPENDICE. LIST OF COMPANIES EXPORTING GOODS TO CHINA⁴¹

Company Address	Region	City	Tel/Fax	Email/URL
AKMAYA PAZARLAMA A.Ş.				
E-5 KARAYOLU KAVŞAĞI E.SEKİZ	LÜLEBURGAZ	KIRKLARELİ	(288) 4439826 (288) 4439830	mailto:syardimci@garipoglu.com.tr
CARGILL TARIM VE GIDA SAN.TİC.				
ŞEHLİ KÖYÜ SAN.CAD.NO:1 34891	PENDİK	İSTANBUL	(216) 6513102 (216) 4749735	mailto:ugur_uralcan@cargill.com http://www.cargill.com/
ŞAHİNOĞULLARI ORM.ÜR.İMALAT				
ORGANİZE SANAYİ BÖLGESİ 16400	İNEGÖL	BURSA	(224) 7148090 (224) 7148096	mailto:sahinogullari@sahinogullari.com
ELMAS DIŞ TİC. A.Ş.				
C-27 BLOK NO:240 K:4 34170	BAYRAMPAŞA	İSTANBUL	(212) 6407011 (212) 6407040	mailto:elmas@turk.net
DELTA GRUP ORMAN VE TARIM ÜRN.				
JST BOSTANCI GÜNEL GİRİŞİ NO:2	KADIKÖY	İSTANBUL	(216) 4646065	
MALATYA PAZARI KURUYEMİŞÇİLİK				
E-5 KARAYOLU ÜZERİ CEYLAN ÇIF.	B.ÇEKMECE	İSTANBUL	(212) 8630933 (212) 8634290	http://www.malatyapazari.com.tr/
ALTINEL SU ÜRÜN.TİC.LTD.ŞTİ.				
RUMELİFENERİ KÖYÜ 3ALIK İŞLEME80990	SARIYER	İSTANBUL	(212) 2281318 (212) 2282121	mailto:hatinel@hotmail.com
AK GIDA SAN.VE TİC.A.Ş.				
BARBOROS BULVARI NO:93/1 34040	BEŞİKTAŞ	İSTANBUL	(216) 3785326 (216) 3785262	
LODOS DIŞ TİC.LTD.ŞTİ.				
3ÜYÜKDERE CAD.ÇINARLI APT	M.KÖY ŞİŞLİ	İSTANBUL	(212) 2132829 (212) 2163233	mailto:lodos@lodosinternational.com
ŞİGARA PAZ.VE DAĞITIM A.Ş.				
HİSARALTI CAD.TEKEL 3LOKLARI 34239	CİBALI	İSTANBUL	(212) 6311329 (212) 6311245	mailto:sarap@atlas.net.tr
C.P.STANDART GIDA SAN.VE TİC.				
3ÜYÜKDERE CAD.AKINCI BAYIRI ŞK80290	MECİDİYEKÖY	İSTANBUL	(212) 2748536 (212) 2671120	
HAZER BABA GIDA SAN.İÇ VE DIŞ				
KEMAL TÜRKLER MAH.ATATÜRK CAD.	SARIGAZI ÜMRANIYE	İSTANBUL	(216) 6222355 (216) 6222533	mailto:hazerbaba@hazerbaba.com.tr http://www.hazerbaba.com.tr/
DELMAR DIŞ TİC.LTD.ŞTİ.				
GÜLBAHAR SOK. NO:67 KAT:6	KOZYATAĞI ERENKÖY	İSTANBUL	(216) 4645972 (216) 4645972	
DÜNYA 93 DIŞ TİC VE TURİZİM				
FUAR CAD. NO:11 34900	HARAMİDERE	İSTANBUL	(212) 8757690 (212) 8757697	
ÖNCÜ GRUP KAĞIT PLASTİK VE				
MALTEPE CAD NO:10	TOPKAPI FATİH	İSTANBUL	(212) 5764020	
ÖİMES GIDA SAN.VE TİC.A.Ş.				

⁴¹http://iib.org.tr/uyeler/gelismis/ulk_ara_action.asp?first=no&ulke=720++&ulkead=%C7IN+HALK+CUMHUR
İYETİ&offset=0

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DENİZ TURİZM VE SEYAHAT LTD.				
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