

Sino-Turkish Economic Relations: **Is Turkey looking West but going East?**

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Table of Contents

Acknowledgments	3
Introduction	4
Turkey's Political and Economic Relations with China and the European Union	6
Turkey's Political Relations with China	6
Bilateral Trade Relations between Turkey and China	6
Composition of Exports from Turkey to China	8
Composition of Imports from China	9
Turkey's Political and Economic Relations with The European Union	10
Turkey's Trade with the European Union	11
Trade in Goods and Services	11
A Comparison of China's and the EU's Investments in the Turkish Economy and Turkey's Investments in China and the EU	14
Chinese Investments in Turkey	14
<i>Commercial and Energy Investments</i>	17
<i>Infrastructure Investments</i>	17
<i>Financial Investments and Loans Granted by Chinese Financial Institutions</i>	17
<i>Asian Infrastructure Investment Bank (AIIB) Project List</i>	19
<i>Digital Investments</i>	20
Turkish Investments in China	21
The EU's Investments in Turkey	22
Turkey's Foreign Direct Investments in the EU	24
The Belt and Road Initiative and Its Impact on Turkey as Part of the Middle Corridor	25
Turkey's Trade Relations with Central Asia and China's Belt and Road	26
China's Maritime Connections with Mediterranean Countries and Turkey	27
Trade effects of the BRI for the EU and Turkey	27
Final Statement	28
References	31
Imprint	31
Author	35

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Introduction

Without a doubt, China is the emerging economic power of the 21st century. It has become a global player and a strong competitor challenging the world economy.¹ Today, China and the United States are the two global superpowers. While the EU and Japan are economic powers, they are not military powers. While Russia is a major military power, it is not an economic power.

China's historic ascent began in 1978 with the formulation of Deng Xiaoping's "24-character strategy" for foreign policy, which championed the following principle: "Be good at keeping a low profile, never claim leadership." Therefore, as China arose on the world scene, it preferred to enter international politics as a "soft power."²

Today, Beijing holds four fundamental foreign policy objectives:³

(1) Beijing expects partner countries to recognize its "One China" principle, i.e., that Taiwan is a part of China. (2) China is committed to the recognition of its sovereignty and non-interference. It aims to reduce external pressure on internal reforms in order to defend against allegations of human rights violations; therefore, China is absolutely uninterested in whether its partners are democratic countries ruling by inclusive political and economic institutions. (3) Beijing recognizes U.S. security and military interests and the role of the United States in the Eastern Mediterranean. (4) China's foreign policy, which has traditionally focused on its own economic interests, is of paramount importance in relations with countries or regions.⁴

As an inevitable consequence of China's economic miracle, China has, as expected, implemented its market-oriented development strategy worldwide and launched its economic offensive not only against U.S. and EU markets but also against the Indo-Pacific region and the Middle East, with added focus in the Eastern Mediterranean.

With regard to the Eastern Mediterranean, China has intensified its economic relations with Israel, Egypt, Greece, and Turkey by increasing its export volumes remarkably and investing heavily in port construction in these countries. China's economic interests in the Eastern Mediterranean lie predominantly in Turkey, simply because the country has relatively good economic potential and it is a member of the G-20. In addition, Turkey's geopolitical situation in the Middle East and Eastern Mediterranean is more advantageous than other countries in the region due to its proximity to Europe.

Especially in the last decade, Sino-Turkish economic relations have expanded considerably and are based on economic rather than security cooperation. The main interest of the Chinese business society in Turkey stems from its large domestic market and profitable investment opportunities.

¹ According to the World Bank, "...China is deeply integrated into the world economy, as its imports account for one tenth of global imports, its output makes up one tenth of the global total and its investment accounts for one fifth of world investment. China is an integral part of the global value chain, and much of its exports are foreign-produced components delivered for final assembly in the country." See Anna Saarela, "A New Era in EU-China Relations: More Wide-Ranging Strategic Cooperation?" European Parliament Policy Department for External Relations, July 2018, p. 36, [https://www.europarl.europa.eu/RegData/etudes/STUD/2018/570493/EXPO_STU\(2018\)570493_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2018/570493/EXPO_STU(2018)570493_EN.pdf); "Global Economy in 2017: Hope and Uncertainty," World Bank, accessed July 20, 2022, <https://www.worldbank.org/en/news/opinion/2017/02/15/global-economy-in-2017-hope-and-uncertainty>.

² Deng Xiaoping's "24-Character Strategy" is to "Observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership." See "Deng Xiaoping's '24-Character Strategy,'" Global Security, accessed 31 July 2022, <https://www.globalsecurity.org/military/world/china/24-character.htm>.

³ Bahri Yilmaz, "Why Has China Succeeded? Does China's Success Contradict Acemoğlu and Robinson's Thesis in 'Why Nations Fail?'" *IPC Working Paper* (Istanbul: Istanbul Policy Center, June 2018).

For further information on China's international relations, see Henry Kissinger, *On China* (New York: Penguin Books, 2011); Henry Kissinger, *World Order* (New York: Penguin Books, 2014), pp. 212–233; Helmut Schmidt, *Nachbar China* (Berlin: Econ Berlin, 2006); Martin Jacques, *When China Rules the World: The End of the Western World and the Birth of a New Global Order* (New York: Penguin Books, 2009).

⁴ Angela Stanzel, "China's Path to Geopolitics: Case Study on China's Iran Policy at the Intersection of Regional Interests and Global Power Rivalry," *SWP Research Paper*, 2022/RP 05, 21.2.22, <https://doi.org/10.18449/2022RP05>.

Accordingly, China has expanded trade with Turkey and has become an important economic partner for financing investments and Turkey's external debt. However, the main concern of China's growing economic presence in Turkey is China's Belt and Road Initiative (BRI), which primarily aims to open local markets to Chinese trade players and connect China with the European market through land and maritime corridors.

From Turkey's point of view, there are three main reasons for safeguarding its close, unilateral economic relations with Beijing. The first key point is the urgent need for foreign capital inflows to reduce accumulated external debt and current account deficits.

The second point is the political and security disputes that have arisen between Washington and Ankara. As for Turkey's relationship with the EU, Brussels has already frozen accession negotiations with Ankara. Apart from the refugee issue, Europe's interest in Turkey has declined dramatically over the last six years. Consequently, given Turkey's current relations with the United States and the European Union, it is difficult to obtain much-needed financial resources from them.

The third point is that the Turkish government feels isolated and excluded from decision-making processes in Western institutions. Therefore, Ankara wants to ensure that it can pursue an independent security and foreign policy with Russia and China despite its position as an EU candidate country and a member of NATO, the OECD, and the Council of Europe.

The consequences of China's expansionary economic policy toward Turkey were not immediately recognized and discussed in Washington and Brussels. Turkey, in particular, attracts more attention than other regional countries, such as Israel, Egypt, Syria, Lebanon, and Greece. The EU was slow to realize that China was becoming a fierce competitor and was reshaping Turkey's Eastern Mediterranean through the Belt and Road Initiative.

At the heart of the ongoing debate is the question of whether Ankara will realign its economic relations with the EU as a result of a new strategic partnership with China that could replace the economic role of EU countries. Media and research centers are curious to know about the economic and political reasons for this new shift in Turkish foreign relations and Turkey's economic strategy in the face of China's economic offensive.⁵

The first section of the study provides a brief overview of political-economic relations, in particular trade (section 1) and investment flows (section 2) between Turkey and China. Subsequently, Turkey's trade and investment relations with the European Union are examined and compared with China (section 3). In addition, we will discuss Turkey's role in the Belt and Road Initiative (BRI), in which Turkey was considered part of the Middle Corridor (section 4).

In light of the above, this study attempts to answer two basic yet pertinent questions: (1) Are Ankara's economic relations with China symmetrical/asymmetrical compared to its economic relations with the European Union? (2) Is it possible that the Turkish government could replace its economic relations with the EU by intensifying its relations with China? To this end, the advantages and disadvantages of Turkey's economic relations with China and the EU will be discussed.

⁵ E.g., Jens Bastian et al., "Southeast Europe in Current Chinese Foreign Economic Policy," *Südosteuropa Mitteilungen*, no. 03 (2020): 13–28; Zhou Bo, "Could Turkey Serve as a Bridge Between NATO and SCO?" China-US Focus, accessed September 2, 2021, <https://www.chinausfocus.com/peace-security/could-turkey-serve-as-a-bridge-between-nato-and-sco/>; Chris Devonshire-Ellis, "Turkey's Pivotal Role in China's Belt and Road Initiative with Europe, Central Asia, and the Middle East," Silk Road Briefing, June 19, 2018, <https://www.silkroadbriefing.com/news/2018/06/19/turkeys-pivotal-role-chinas-belt-road-initiative-europe-central-asia-middle-east/>; Lee Edwards, "Confucius Institutes: China's Trojan Horse," The Heritage Foundation, accessed June 13, 2021, <https://www.heritage.org/homeland-security/commentary/confucius-institutes-chinas-trojan-horse>; George Marshall Lerner, "China to the Rescue in Turkey?" *The Diplomat*, July 3, 2020, <https://thediplomat.com/2020/07/china-to-the-rescue-in-turkey/>; Nicholas Lyall, "China in Postwar Syria," accessed May 10, 2021, <https://thediplomat.com/2019/03/china-in-postwar-syria/>.

Turkey's Political and Economic Relations with China and the European Union

Turkey's Political Relations with China

An important milestone in political and diplomatic relations between Turkey and the former Republic of China was the signing of a friendship agreement on April 4, 1934.⁶ Decades later, Turkey recognized the People's Republic of China (PRC) on August 5, 1971.⁷ Relations between Turkey and the PRC advanced in the 1980s through the establishment of a consultation mechanism between both countries. Bilateral relations progressed into "strategic cooperation" in 2010.⁸ Remarkably, since 2010, Turkey's Grand National Assembly has passed 12 China-related laws aimed at improving cooperation with China in the areas of energy, trade, infrastructure, health, logistics, technology and culture, railway construction, BRI, and the construction of the Middle Corridor.⁹ Despite being a NATO member state, Turkey has become a "dialogue partner" of the Shanghai Cooperation Organization (SCO), of which China is the founder and leader of the organization, with India, Kazakhstan, Kyrgyzstan, Pakistan, the Russian Federation, Tajikistan, and Uzbekistan as member states.¹⁰

Bilateral Trade Relations between Turkey and China

One of the most important features of the Chinese economy is the massive increase in the export of Chinese goods to world markets since the 2000s. Its influence became even more remarkable when China began to change its export structure from exporting low-cost, labor-intensive products to exporting high-tech products in competition with the EU and U.S. markets. China has noticeably increased its market share, especially in Russia, Latin America, the Indo-Pacific, the Middle East, and Africa. Since then, the great success of China's export industry has also gained strong influence in the Turkish economy.

Recently, economic relations between Turkey and China have intensified, particularly Chinese exports and investments in Turkey. In contrast, Turkish exports and investments in China are developing at a low level and are relatively insignificant. This has led to an external trade imbalance between the two countries.¹¹

Diagram 1 shows the development of bilateral trade between Turkey and China from 1996 to 2021. As seen in the diagram, the difference between imports and exports has widened over the last twenty years at the expense of Turkey. Although the trade deficit narrowed between 2016 and 2019, the future development of Turkey's trade deficit with China indicates that the gap between the import and the export of goods is widening and will continue to be imbalanced in the coming years.

⁶ "Türkiye Cumhuriyeti ile Çin Cumhuriyeti Arasında 4 Nisan 1934 Tarihinde Ankarada İmza Edilen Dostluk Muahedesinin Tasdikına Dair Kanun," *T.C. Resmî Gazete*, June 9, 1934, 2722, <https://www.resmigazete.gov.tr/arsiv/2722.pdf>; Necati Demircan, "Interactions Between Two Republics: The Republic of Turkey and the Republic of China (1923-1949)," *Belt & Road Initiative Quarterly* 3, no. 1 (2021/2022): 26–39.

⁷ "China, Turkey Issue Joint Declaration on Establishing Strategic Relationship of Cooperation," Embassy of the People's Republic of China in the Republic of Turkey, September 9, 2010, <https://www.mfa.gov.cn/ce/cetur//eng/ztgx/t759783.htm>.

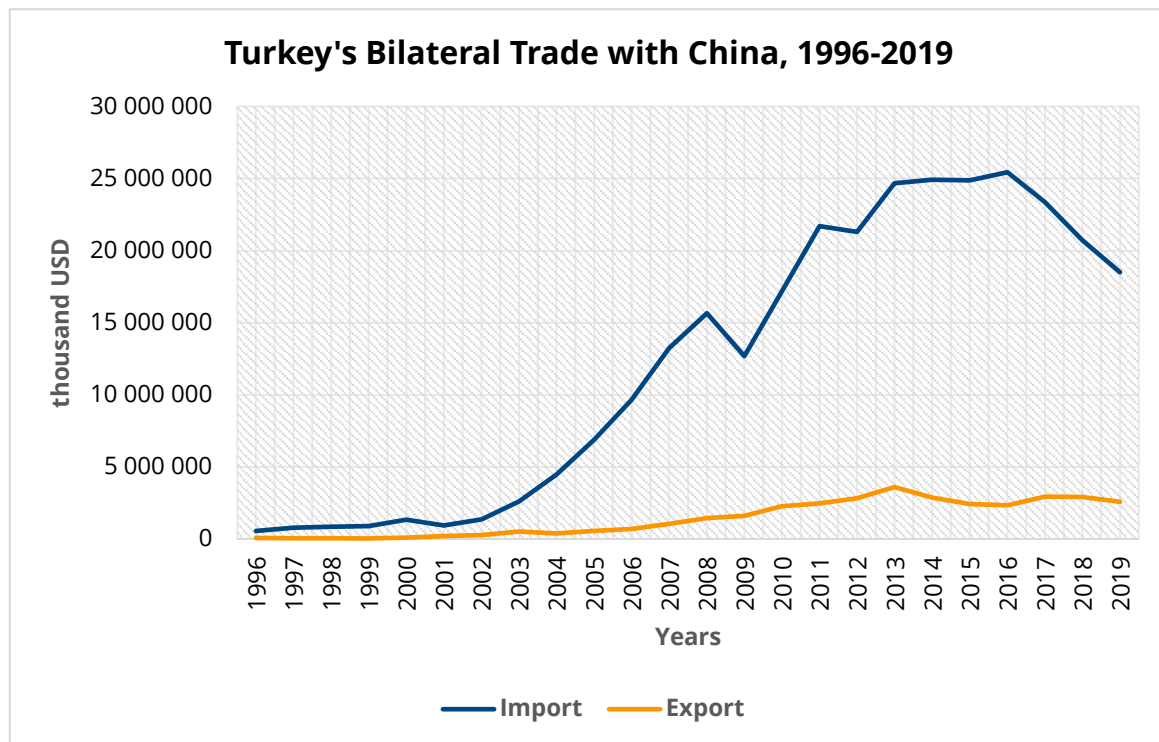
⁸ "Relations between Türkiye and People's Republic of China," Rep. of Turkey Ministry of Foreign Affairs, accessed February 7, 2022, <https://www.mfa.gov.tr/reasons-between-turkey-and-china.en.mfa>.

⁹ It is interesting to note that half of these parliamentary laws in the last decade – with regard to railway construction, the BRI and Middle Corridor Partnership, health, technology and cultural activities – were passed on a single date in February 2017, shortly before Erdoğan's speech at the BRI summit in Beijing. In his speech, Erdoğan stated that "It is of great importance that this initiative, which will benefit from bilateral, multilateral and regional cooperation, is put into practice in an understanding of "win-win." Building a harmonious system in political and economic areas will herald a new era in our region based on stability and prosperity." See Ziya Oniş and Maimaiti Yalikun, "Emerging partnership in a post-Western world? The political economy of China-Turkey relations," *Southeast European & Black Sea Studies* 21, no. 4 (2021): 507–529, <https://doi.org/10.1080/14683857.2021.1981624>

¹⁰ "About SCO," The Shanghai Cooperation Organisation, accessed February 7, 2022, http://eng.secsco.org/about_sco/.

¹¹ The topic has been shortly discussed in: Bahri Yılmaz, "Trade Relations between China and Turkey: A Comparison with the European Union: Could China Be an Alternative to Turkey's Trade Relations with the European Union?" *Working Paper/Research Division Asia*, no. 1 (2022): 1–13, <https://doi.org/10.18449/2022WP03>.

Diagram 1



Source: TUIK, Data Portal For Statistics, (<https://data.tuik.gov.tr/Kategori/GetKategori?p=dis-ticaret-104&dil=2>).

According to statistics from the International Trade Center,¹² a total of USD 15.1 billion has been exported from Turkey to China over the past five years (2017–2021), compared to USD 118.5 billion in imports from China to Turkey over the same period. China's share in Turkey's total exports was only 1.6% in 2021; meanwhile, its import share was 11.9%.¹³ Obviously, China is not one of Turkey's most important export markets.

For Turkey, its trade with China has led to one of the most destabilizing trade balances. From 2017 to 2021, Turkey's accumulated trade deficit with China was around USD 103.4 billion, which is equivalent to 3.5% of Turkey's GDP in 2021.¹⁴

Turkey's USD 28.6-billion trade deficits with China amounted to 61.2% of the country's total trade deficit in 2021. In other words, almost two-thirds of Turkey's trade deficit is owed to China. In 2021, the ratio of exports to imports in Turkey's total foreign trade was 83%, while trade with China was only 11.4%. In plain language, Turkey has a comparative disadvantage in its trade with China.¹⁵ An important result of bilateral trade has been Turkey's failure in maintaining a trade deficit with China.

¹² International Trade Center, Trade Map (www.trademap.org), own calculations.

¹³ Ibid.

¹⁴ Calculated as 28.6 (trade deficit)/802.7 billion GDP, at Current Prices, Billion \$ (2021).

¹⁵ The export-to-import ratio, the value of the export of goods divided by the imports of goods. Values above one indicates a positive trade balance, while values less than one indicate a negative trade balance. Turkey's imports from China are compared with exports to that country. Calculated Export USD 227.4/ Import USD 271.4 in 2021. See "Economic Outlook: June 2022," Turkey Ministry of Trade, last updated July 4, 2022, https://www.trade.gov.tr/data/602cd44013b876f918da9c8c/Economic%20Outlook%20June_2022.pdf.

Composition of Exports from Turkey to China

Table 1 shows the breakdown of Turkey's top ten export products to China from 2017 to 2021.¹⁶ The most interesting feature of Turkey's trade with China lies in the breakdown of trade in production sectors. The main products exported from Turkey to China are low added value: e.g., primary products, natural resources, raw materials, and mineral ores.

Table 1 shows that the share of these products in Turkey's total exports to China was almost 76% in the same period. It is interesting to note that the groups of Standard International Trade Classification (SITC 25 and SITC 26) products cover around 48.7% of all exported goods. The primary exports from Turkey to China were marble and travertine, chromium, copper, lead, iron, natural borate, boron oxide, and boric acid.

Table 1: TURKEY'S EXPORT TO CHINA: Top 10 Groups of Goods (SITC-2 Digital) 2017- 2021 (Billion USD)

	2017	2018	2019	2020	2021	Total	Exi/ ExT(%)
All Products	2.936	2.913	2.727	2.866	3.663	15.105	100%
25: Salt; Sulphur; earths and stone; plastering materials, lime, and cement	1.078	922	790	614	730	4.134	27.4%
26: Ores, slag, and ash	595	555	530	641	884	3.205	21.3%
28: Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals	228	317	215	138	249	1.147	7.6%
84: Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	177	198	198	171	207	951	6.3%
74: Copper and articles	5	15	58	167	179	424	2.8%
20: Preparations of vegetables, fruits, nuts, or other parts of plants	50	52	101	69	81	353	2.4%
90: Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical	55	57	65	90	97	364	2.4%
73: Articles of iron or steel	63	60	69	58	81	331	2.2%
39: Plastics and articles thereof	29	31	60	69	48	237	1.6%
75: Nickel and articles thereof	35	49	31	63	56	234	1.6%

Source: International Trade Center, Trade Map (www.trademap.org), own calculations.

¹⁶ Ibid.; International Trade Center, Trade Map, www.trademap.org, own calculations.

Composition of Imports from China

Table 2 shows the breakdown of Turkey's top ten imported products from China in the period from 2017 to 2021. Looking at imports from China by commodity, the share in total imports from China of the two main groups of commodities, SITC 85 and 84, which mainly include manufacturing and high-tech products, was 51.6%. If we compare the export and import figures of trade between Turkey and China, it is obvious that trade in goods between China and Turkey is largely characterized by inter-trade specialization. In other words, both countries export and import completely different types of goods. Turkey mainly exports agricultural raw materials, minerals, and labor-intensive goods, and it imports largely capital-intensive, high-tech products from China. The trade relations between Turkey and China in many ways mirror trade relations between developed and undeveloped countries. The trade figures clearly show that Turkey's trade relations with China are asymmetric. Even though the future development of trade between both countries seems to be improving, it is at the expense of the Turkish economy.

Table 2: TURKEY'S IMPORTS FROM CHINA: Top 10 Groups of Goods (SITC-2 Digital) 2017-2021 (Billion USD)

	2017	2018	2019	2020	2021	Total	Exi/ ExT(%)
All Products	23.372	20.719	19.128	23.041	32.239	118.5	100%
85: electrical machinery and equipment and parts thereof; sound recorders and reproducers, televisions	6.892	5.589	5.296	6.894	8.678	33.4	28.2%
84: Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	5.063	4.612	3.908	6.145	7.947	27.7	23.4%
29: Organic chemicals	945	1.082	984	1.077	2.124	6.2	5.2%
39: Plastics and articles	927	895	827	818	1.547	5.1	4.3%
90: Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical	723	586	585	719	775	3.4	2.9%
54: Man-made filaments; strip and the like of man-made textile materials	704	644	813	590	814	3.6	3.0%
87: Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	653	532	445	589	955	3.2	2.7%
72: Iron or steel	652	711	446	553	1.877	4.3	3.6%
73: Articles of iron or steel	584	442	386	499	561	2.5	2.1%
32: Tanning or dyeing extracts tannins and their derivatives; dyes, pigments and other coloring...	274	313	317	351	506	1.8	1.5%

Source: International Trade Center, Trade Map (www.trademap.org), own calculations.

Turkey's Political and Economic Relations with The European Union

The story of relations between Turkey and the European Union begins with Turkey's and Greece's applications for membership in the former European Economic Community (EEC) in 1959. The Association Agreement/Ankara Agreement with Turkey was signed in 1963 and came into effect in December 1964. In April 1987, the Turkish Government re-applied for full membership of the EU for the second time. The application was rejected on the grounds that Turkey was not prepared to become a full member of the EU.¹⁷ In 1996, Turkey joined the EU Customs Union. At the EU Summit in Helsinki in 1999, Turkey was given candidacy status on the basis of the same criteria as the other candidate countries to join the European Union. Six years later, negotiations began on October 3, 2005. Since then, the negotiation process between Turkey and the EU has continued without reaching a final decision, while Turkey seems to have become "a candidate forever."¹⁸

As Turkey joined the Customs Union without being a full member of the EU, Turkey had to first eliminate all customs duties, quantitative restrictions, and all charges having the equivalent effect of customs duties and all measures having the equivalent effect of quantitative restrictions in trade with the EU as of January 1, 1996. It adopted the Common Customs Tariff (CET) for imports from third countries drafted on January 1, 1996 and all preferential agreements concluded by the EU with third countries up until 2001. Over the short term, Turkey's foreign trade policy depended on the EU's trade policy. In this regard, trade relations and disputes between the EU and China have had an indirect impact on Turkey's trade relations with China.¹⁹

¹⁷ Bahri Yilmaz, "Foreign Trade Specialization and International Competitiveness of Greece, Portugal, Spain, Turkey and the EU 12," *Center for European Studies Working Paper Series* 166 (2008), http://aei.pitt.edu/11790/1/CES_166.pdf.

¹⁸ Bahri Yilmaz, "The Relations of Turkey with the European Union: Candidate Forever?" *Center for European Studies Working Paper Series* 167 (2008).

¹⁹ The EU-Turkey Customs Union covers all industrial goods but does not deal with agriculture (with the exception of processed agricultural products and services).

Turkey's Trade with the European Union

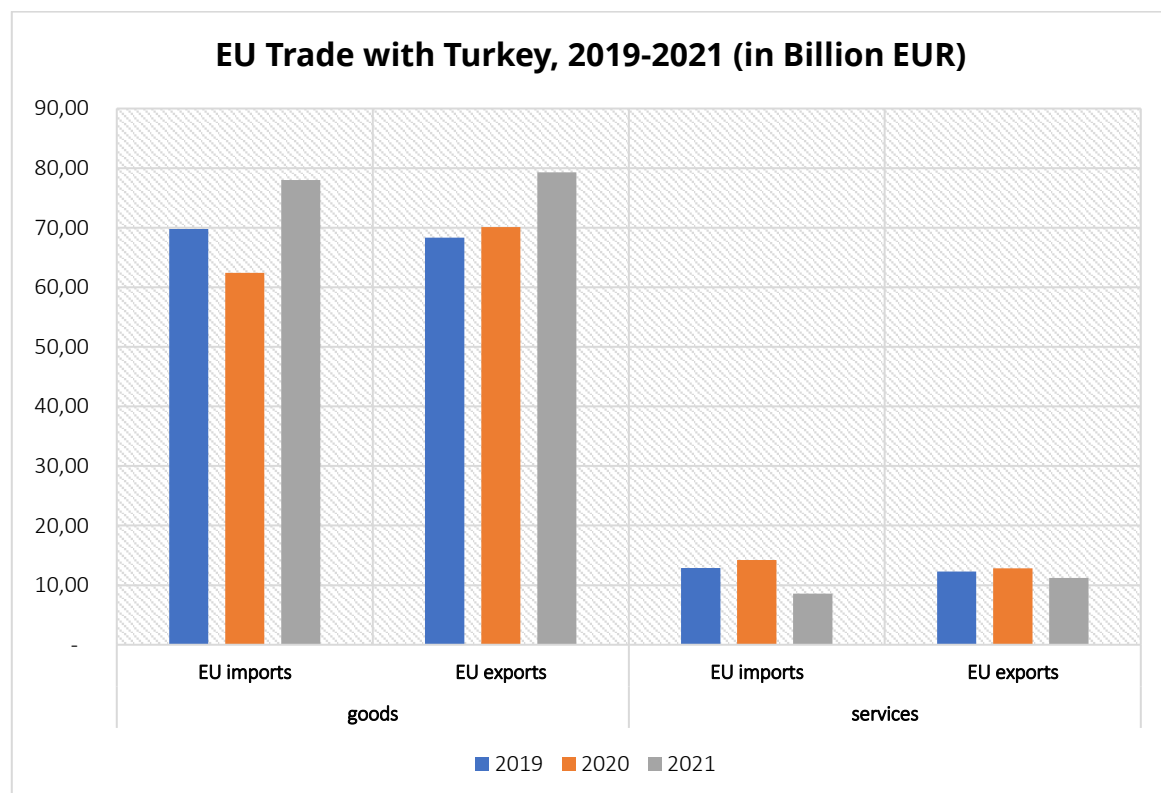
Trade in Goods and Services

Turkey, the European Union's sixth largest trading partner, received 3.6% of the EU's exported goods and supplied 3.7% of its imported goods.²⁰ The EU is by far Turkey's largest import and export partner. In 2021, 31.4% of Turkey's imports came from the EU, and 41.3% of the country's exports went to the EU.²¹

Diagram 2 shows that the total trade in goods between the EU and Turkey in 2021 amounted to EUR 157.3 billion. While Turkey's imports from the EU were worth EUR 79.3 billion, exports to the EU totaled EUR 78.0 billion in 2021.²² Thus, Turkey's trade deficit in 2021 was only EUR 1.3 billion.

The same diagram demonstrates that trade in services between the EU and Turkey in the period from 2019–2021 amounted to EUR 71.9 billion, with the EU importing EUR 35.6 billion and exporting EUR 36.3 billion. The EU's trade surplus in services totaled EUR 1.3 billion over the last three years.

Diagram 2: EU-Turkey Trade in Goods and Services



Source: "European Union, Trade in Goods with Turkey," European Commission, Directorate-General for Trade, May 10, 2022, ([details_turkey_en.pdf \(europa.eu\)](https://ec.europa.eu/trade/policy/countries-and-regions/turkey_en).)

²⁰ See "EU Trade Relations with Turkey," European Commission, accessed June 29, 2022, https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/turkey_en.

²¹ Ibid.

²² "European Union, Trade in Goods with Turkey," European Commission, Directorate-General for Trade, May 10, 2022, [details_turkey_en.pdf \(europa.eu\)](https://ec.europa.eu/trade/policy/countries-and-regions/turkey_en.pdf).

Table 3 shows trade flows between the EU and Turkey by SITC section for 2021. EU exports of manufactured goods to Turkey accounted for 80% of all goods. The most exported manufactured goods were machinery and transport equipment, followed by other manufactured products and chemicals.²³ In the same year, EU imports of manufactured goods from Turkey accounted for 83.2% of all exported good to Turkey. The most imported manufactured goods were other manufactured products, followed by machinery and transport equipment and chemicals.

Whereas the trade in goods between China and Turkey is largely characterized by inter-trade specialization, the trade in goods particularly in SITC-sections 6-7-8 between EU countries and Turkey is based on intra-trade specialization—meaning that both sides export and import mainly manufactured goods.

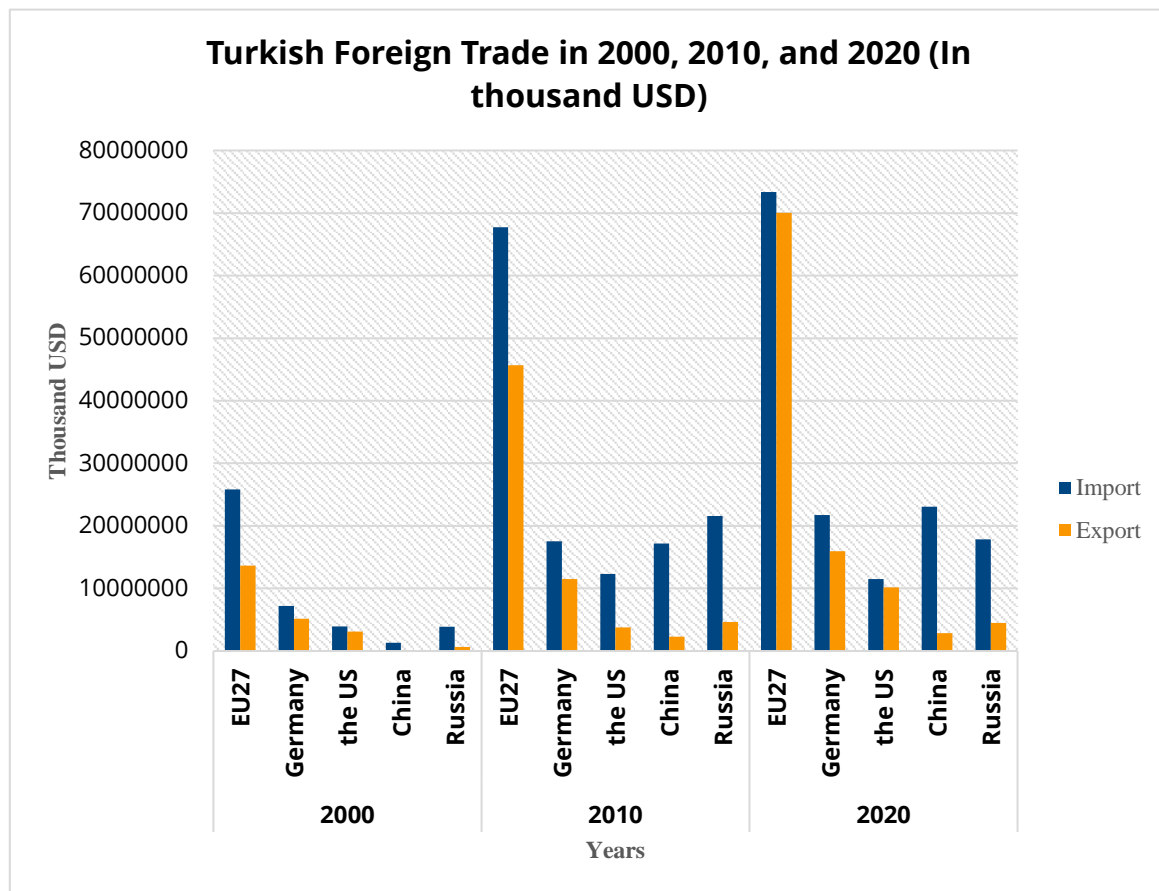
Table 3: EUROPEAN UNION, TRADE WITH TURKEY: Trade flows by SITC Section 2021

	IMPORTS				EXPORTS			
	Value Mio €	% Total	% Extra- EU	% Growth	Value Mio €	% Total	%Extra- EU	% Growth
TOTAL	77.983	100.0	3.7	24.9	79.255	100.0	3.6	13.0
0 Food and live animals	4.826	6.2	4.5	6.4	1.914	2.4	1.4	-2.0
1 Beverages and Tobacco	259	0.3	2.8	13.7	514	0.7	1.3	28.9
2 Crude materials, inedible except fuels	2.431	3.1	2.6	44.0	7.129	9.0	11.3	57.9
3 Mineral fuels, lubricants and related materials	2.001	2.6	0.5	61.0	2.397	3.0	2.3	56.1
4 Animal and vegetable oils, fats and waxes	36	0.1	0.3	-4.9	75	0.1	1.0	62.6
5 Chemicals and related prod, n.e.s	4.912	6.3	1.8	43.5	16.265	20.5	3.6	26.3
6 Manufactured goods classified chiefly by material	21.114	27.1	8.9	48.6	12.136	15.3	5.1	20.1
7 Machinery and transport equipment	27.359	35.1	4.1	13.7	31.675	40.0	3.8	2.4
8 Miscellaneous manufactured articles	14.548	18.7	5.1	15.3	5.467	6.9	2.1	10.6
9 Commodities and transactions n.c.e.	289	0.4	0.7	17.1	1.299	1.6	2.8	-45.6
Other	207	0.3	n.a.	n.a.	385	0.5	n.a.	n.a.

Source: Turkey- EU Trade Structure. Turkey-Trade-European Commission (europa.eu).

²³ Ibid.

Diagram 3



Source: Turkish Statistical Institute, "Foreign Trade Statistics, December 2020," Press release (June 29, 2022), (<https://data.tuik.gov.tr/Bulten/Index?p=Foreign-Trade-Statistics-December-2020-37412&dil=2>).²⁴

Diagram 3 shows the distribution of Turkish foreign trade by country and region from 2000 to 2021. Turkey's foreign trade volume has increased from USD 82 billion to USD 469 billion (2020 USD 390 billion) over the past 21 years.²⁵ However, the importance and weight of the EU 27 countries in Turkey's foreign trade have not changed at all. In 2020, Turkey's exports to the EU 27 accounted for 41.3% of Turkey's total exports. In contrast, China and Russia together have a 3.7% share. However, China and Russia account for 20% of total imports.²⁶

Among the EU 27 Member States, Germany has been Turkey's most important economic partner for decades. There is no question that Germany still plays an enormously important role in Turkey's foreign trade relations today. In 2020, Germany's share of Turkey's export and import markets were around 9% and 11%, respectively. Germany is Turkey's third largest import partner after China and Russia. Turkey exported around USD 16.3 billion to Germany and imported USD 24 billion from Germany in 2020. Therefore, Turkey's trade deficit with Germany was USD 5.7 billion in 2020 (2019: USD 2.6 billion).²⁷

²⁴ Table was updated to include the year 2020 with data from Oniş and Yalikul, "Emerging partnership in a post-Western world?"

²⁵ "Economic Outlook: June 2022," Rep. of Turkey Ministry of Trade,

²⁶ "Foreign Trade Statistics, December 2020," Turkish Statistical Institute, January 29, 2021, <https://data.tuik.gov.tr/Bulten/Index?p=Foreign-Trade-Statistics-December-2020-37412&dil=2>.

²⁷ "Germany (DEU) and Turkey (TUR) Trade," The Observatory of Economic Complexity, accessed July 31, 2022, <https://oec.world/en/profile/bilateral-country/deu/partner/tur>.

A Comparison of China's and the EU's Investments in the Turkish Economy and Turkey's Investments in China and the EU

China's foreign direct investments (FDIs) in Turkey have been published since 2005. The rapid—and massive—wave of Chinese investment in Turkey has attracted significant attention from the Turkish and EU publics due to their financial scale and proximity to EU markets. Chinese companies are becoming major competitors in both the Turkish and EU markets.

The total amount of foreign direct investment stock in Turkey is USD 240 billion, which corresponds to 30.0% of GDP in 2021.²⁸ The government's goal is to close the current account deficit and investment-savings gap and repay outstanding government debt through capital inflows in the form of foreign direct investment, portfolio investment, and long-term financial capital imports.²⁹

Chinese Investments in Turkey

According to the Turkish Ministry of Industry and Technology, China's and Hong Kong's direct investments in Turkey amounted to USD 2.415 billion in April 2022.³⁰ However, recent statements from Chinese representative offices in Turkey claim that Chinese investments in Turkey amounted to USD 2.8 billion in 2019 and were expected to reach USD 4 billion by the end of 2020.³¹ Meanwhile, Turkey's investments in China amounted to USD 195 million in 2021.³²

As Diagram 4 shows, according to the American Enterprise Institute, Beijing increased its investments in Turkey from 2011 to 2013, particularly in the mining, energy, telecommunications, transportation, and financial and banking sectors. After 2016, Chinese investment began to fluctuate.³³

²⁸ FDI stock reached USD 239.2 billion over the period from 2003 to 2021. It was USD 14.6 billion over the period from 1984–2002. See “Economic Outlook 2022,” Rep. of Turkey Ministry of Trade.

²⁹ It is important to remember the difference between equity financing and debt financing. In short, selling stocks to raise money is called equity financing, while selling bonds is called debt financing. The company can borrow funds directly from the public through the bond market. The borrower is required to repay the owner of the asset over a given time. Another way to raise funds is to sell stocks through the stock market. Shares or company shares represent the ownership of a company and are therefore a claim to profit.

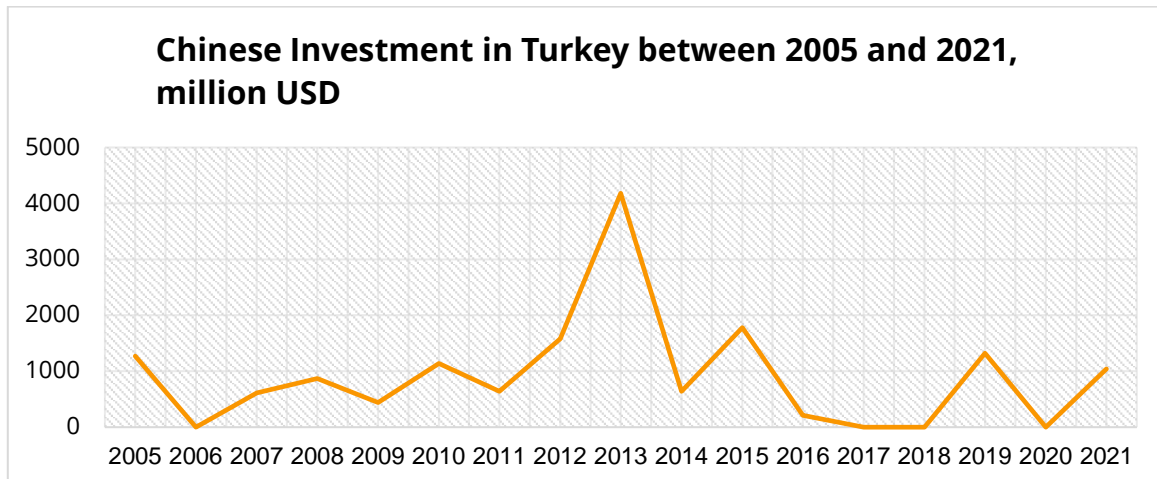
³⁰ “Uluslararası Dogrudan Yatirim (UYD) Istatistikleri 2022 (International Investment (FDIs) Statistics 2022, distribution according to countries),” Republic of Turkey, Ministry of Industry and Technology, accessed July 31, 2022, <https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.sanayi.gov.tr%2Fassets%2Fdoc%2FUluslararasıDogrudanYatiriIstatistikleri2022.xlsx&wdOrigin=BROWSELINK>.

³¹ There are different estimations of Chinese FDI in Turkey ranging from USD 2.8–21 billion. Chinese Ambassador to Ankara, Deng Li, said on March 28, 2019 that China was looking to double its investments in Turkey from USD 2.8 billion to USD 6 billion by 2021. See Sinan Tavsan, “Turkey Seeks Asian Investment as Western Ties Fray,” Nikkei Asia, June 23, 2019, <https://asia.nikkei.com/Politics/G-20-summit-Osaka/Turkey-seeks-Asian-investment-as-Western-ties-fray>.

³² “Residents' Foreign Direct Investments Abroad by Countries (Million US),” Central Bank of Turkey, EVDS | Residents Foreign Direct Investments Abroad by Countries, <https://evds2.tcmb.gov.tr/index.php?evds/dashboard/4898>.

³³ These figures cover cross-border investments directly from China to Turkey.

Diagram 4



Source: "China Global Investment Tracker," American Enterprise Institute and the Heritage Foundation, (<https://www.aei.org/china-global-investment-tracker>).

Chinese FDI only accounts less than two percent of all FDI in Turkey from 2005–2021³⁴. The total number of Chinese companies, including those in Hong Kong, operating in Turkey was 1,260.³⁵ The following transnational Chinese companies are represented and operating in Turkey: Cosco Pacific, Huawei, ZTE, CMEC, CSUN, Bank of China, Alibaba, and ICBC.

Chinese FDI in Turkey can be roughly divided into four types of investments:

The first group is comprised of commercial and energy investments.³⁶ The second group of FDI consists of transport and structural investments closely linked to the BRI and related to the Middle Corridor. The third group is financial investments, and the fourth group is digital investments.³⁷ The figures given below include only official Chinese investments in Turkey.³⁸

³⁴ According to the Turkish Ministry of Industry and Technology's data., but according to the American Enterprise Institute statistics is almost 7%.

³⁵ "Uluslararası Doğrudan Yatırım (UYD) İstatistikleri," Republic of Turkey, Ministry of Industry and Technology.

³⁶ The information on Chinese investments in Turkey is based on the report written by Dr. Altay Atli, "Belt, Road and Clock Tower, A View of China and Its Dealings from Izmir and the Aegean Region" (Izmir: EGIAD, 2020), p. 26–27, <https://www.egiad.org.tr/wp-content/uploads/arastirma-raporlari/egiad-cin-raporu.pdf>.

³⁷ Ibid., p. 28–29.

³⁸ Authors estimate the total amount of Chinese investments in Turkey differently: Jean Bastian estimates the amount at USD 21 billion. See Jens Bastian, "Expeditionary Capital in the Eastern Mediterranean: Why Turkey Matters to China and Vice Versa," CATS Working Paper Nr. 04, October 2021, p. 8, <https://doi.org/10.18449/2021WP09>. These figures seem to include FDI plus loans and swaps. Another firm argues that Chinese investments in Turkey amounted to USD 2.8 billion last year and were valued at USD 15 billion between 2005 and 2018. See "Chinese Investments in Turkey," 9N9 Istanbul Property (blog), accessed July 20, 2022, <https://www.9n9property.com/chinese-investments-in-turkey/>.

Table 4: Chinese Investments & Contracts in Turkey (2005-2021).

Year	Investor/Builder	Amount (million)	Type
2005	China Railway Construction, China General Technology (Genertec)	1270	Construction
2007	China National Machinery Industry (Sinomach)	610	Construction
2008	China National Building Material	110	Construction
2008	Datong	760	Investment
2009	China National Chemical Engineering	440	Construction
2010	China National Machinery Industry (Sinomach)	360	Construction
2010	Sinoma	780	Construction
2011	China National Chemical Engineering	640	Construction
2012	Harbin Electric	130	Investment
2012	China Electric Equipment	600	Investment
2012	Harbin Electric	130	Investment
2012	China Electric Equipment	600	Investment
2012	Chery Auto	120	Investment
2013	China National Machinery Industry (Sinomach)	220	Construction
2013	Harbin Electric	2400	Construction
2013	China General Technology (Genertec)	460	Construction
2013	China National Chemical Engineering	1100	Construction
2014	Industrial and Commercial Bank of China	320	Investment
2014	Industrial and Commercial Bank of China	320	Investment
2015	Sinoma	100	Construction
2015	China Merchants Group, China Investment Corporation, China Ocean Shipping	920	Investment
2015	China National Machinery Industry (Sinomach)	380	Investment
2015	China National Machinery Industry (Sinomach)	380	Investment
2016	ZTE	100	Investment
2016	Bank of China	110	Investment
2019	State Power Investment Cooperation, Aviation Industry Corp. (Avic)	1320	Investment
2021	Alibaba	350	Investment
2021	China Merchants Group-Led Consortium	690	Investment

Source: "China Global Investment Tracker," American Enterprise Institute and the Heritage Foundation, (<https://www.aei.org/china-global-investment-tracker>).

Commercial and Energy Investments

- In 2018, Alibaba, the world's largest digital trading company, acquired Trendyol, one of Turkey's leading platforms in this field, through a USD 728 million investment, a milestone in China's investments in Turkey. Between 2018 and 2021, Alibaba acquired an 87% stake in the Turkish online retailer for USD 1.1 billion.
- The largest Chinese investment currently being made in Turkey is the 1,320-MW imported Hunutlu coal-fired power plant in Adana, which began construction in September 2019 and is expected to be completed in 2022. The project, which is being carried out by China's Shanghai Electric Power Co., Ltd., Avic-Intl Project Engineering Company, and EMBA Electricity Generation Co., a joint venture of local investors, has an investment value of USD 2.1 billion and is funded by the China Development Bank, ICBC, and the Bank of China.

Infrastructure Investments

- The largest Chinese investment in Turkey is the Kumport container port, which is located on the northwest coast of the Sea of Marmara. Kumport is the third largest container terminal in Turkey and a strategic link to Europe and operates within the port facilities of Istanbul Ambarlı. In 2015, a consortium led by China's state-owned company COSCO Pacific, which includes China Merchants Group and China Investment Corporation, acquired a 65% majority stake in Kumport for USD 940 million.
- Major infrastructure and railway projects have been carried out by Chinese companies such as the Ankara-Istanbul High-Speed Railway, China's very first railway project in a foreign country.
- The Ankara-Istanbul railway line is partly financed by foreign sources, including EUR 1.25 billion from the European Investment Bank and EUR 120 million from the European Union. China Railway Construction Corporation and China National Machinery Import and Export Corporation were awarded the contract to build the railway line in 2005 in partnership with two Turkish companies, Cengiz Construction and Ibrahim Cecen Ictas Construction. The project was partly supported by a USD 750 million loan from China.

Financial Investments and Loans Granted by Chinese Financial Institutions

- The Bank of China Turkey Inc. was established on January 10, 2017 and is owned by the Bank of China Limited. As China's most internationally influential bank, the Bank of China operates in many different areas of banking. It offers its clients a wide range of financial services in 56 different countries and regions, as well as throughout Chinese territory. In Turkey, the Bank is mainly active in commercial banking and retail banking, including corporate banking and financial market services.³⁹
- The Industrial and Commercial Bank of China (ICBC), the world's largest bank by market value and total assets, entered the Turkish market in May 2015 with a 75.5% stake in Tekstilbank and subsequently increased its stake in the subsidiary to 92.8%, representing a capital share of around TRY 800 million in new share purchases.
- China has become Turkey's leading partner in international loans and banking cooperation, with Vakıf Bank signing a USD 140 million one-year loan with state-owned Exim bank. Turkish Industrial Bank TSKB also received a USD 200 million loan from the China Development Bank.

³⁹ "Bank of China Global Services," Bank of China, accessed July 20, 2022, <https://www.bankofchina.com.tr/sirketbilgileri.html>.

- In 2021, Beijing quickly became a key foreign currency provider for Ankara. The Turkish Central Bank has a multi-year currency swap agreement with China's central bank. The arrangement was increased to USD six billion in June 2021 to improve Turkey's depleted foreign currency reserves.
- The year 2018 was declared the "Year of Turkey" in China. Turkey's attractiveness to Chinese real estate buyers is exemplified through the number of Chinese investors who have invested in Ankara's program to give Turkish citizenship to foreign nationals making significant real estate investments in Turkey.⁴¹

Table 5: Financial Investments and Loans Granted by Chinese Financial Institutions: ⁴⁰

■ Date	■ Relevant financial institutions	■ Type of agreement
■ May 2017	■ İş Bank, Garanti Bank, and Sinosure, China's export credit insurance company	■ Cooperation agreement
■ August 2017	■ Exim Bank, Turkey, and the China Development Bank	■ 3-year loan agreement of USD 200 million
■ September 2017	■ İş Bank and ICBC	■ 3-year loan agreement of USD 200 million
■ December 2017	■ Ziraat Bank and the China Development Bank	■ 3-year loan agreement of USD 600 million
■ December 2017	■ İş Bank and China Exim Bank	■ 3-year loan agreement of USD 400 million
■ March 2018	■ İş Bank and the China Development Bank	■ USD 600 million framework cooperation agreement
■ September 2019	■ Tekstilbank (TSKB) and the China Development Bank	■ USD 200 million loan agreement
■ September 2019	■ Vakıfbank and China Eximbank	■ One-year loan agreement of USD 140 million
■ December 2019	■ Garanti Bank and China Exim Bank	■ 3-year loan agreement of USD 300 million.
■ 2020	■ İş Bank and ICBC	■ 3-year loan agreement of USD 250 million
■ March 2020	■ Turkish Wealth Fund and Sinosure	■ memorandum of understanding

⁴⁰ The information on Chinese investments in Turkey is based on the report written by Dr. Altay Atli, "Belt, Road and Clock Tower," p. 29.

⁴¹ Articles 12 and 20 of the Turkish Citizenship Law No. 590 of September 2018 state that people who invest USD 250,000 shall be accepted as a citizen of Turkey. However, the real estate value to be taken in the application for Turkish citizenship recently increased from USD 250,000 to USD 400,000. According to the arrangement discussed at the last Cabinet meeting chaired by President Erdoğan, an additional annotation will be made that states that a house purchased by a foreigner seeking citizenship cannot be sold for three years. "The criterion of USD 400 thousand for housing for citizenship," *Yeni Şafak*, April 14, 2022, <https://www.yenisafak.com/ekonomi/vatandaslik-icin-konuta-400-bin-dolar-kriteri-3794941>.

Asian Infrastructure Investment Bank (AIIB) Project List

An important issue in the financial dimension of economic relations between Turkey and China is the opportunities offered by the Asian Infrastructure Investment Bank (AIIB), of which Turkey is a founding member.

The AIIB approves the infrastructure projects of Turkish companies operating in China and Chinese companies operating in Turkey, including those projects that fall under the Belt and Road Initiative. The loans approved by the AIIB so far are listed in Table 6.⁴²

Table 6: Project List Approved by The AIIB

Approval Year	Member	Sector	Financing Type	Project Name	Financing Amount (Million)	Status
-	Turkey	Energy	Nonsovereign	Osmangazi Electricity Distribution Network Modernization and Expansion Project	USD 75 (funding)	Proposed
-	Turkey	Transport	Nonsovereign	İzmir Metro Phase 5: Üçyol – Buca Line	EUR 125 (funding)	Proposed
2021	Turkey	Transport	Sovereign	Ispartakule-Çerkezköy Rail Project	EUR 300	Approved
2021	Turkey	Urban	Nonsovereign	Istanbul Waste to Energy Generation Project	EUR 100	Approved
2021	Turkey	Finance/ Liquidity	Nonsovereign	Turkey Isbank COVID-19 Credit Line Project	USD 100	Approved
2021	Turkey	Finance/ Liquidity	Sovereign	Eximbank COVID-19 Credit Line Project	USD 250	Approved
2020	Turkey	Finance/ Liquidity	Nonsovereign	Akbank COVID-19 Crisis Recovery Facility	USD 100	Approved
2020	Turkey	Public Health	Sovereign	COVID-19 Medical Emergency Response (MER) Project	USD 82.6	Approved

⁴² "Our Projects," AIIB, accessed July 20, 2022, <https://www.aiib.org/en/projects/list/index.html>.

Approval Year	Member	Sector	Financing Type	Project Name	Financing Amount (Million)	Status
2020	Turkey	Transport	Nonsovereign	İzmir Metro Expansion Phase 4: Fahrettin Altay-Narlıdere Line Project	USD 56	Approved
2020	Turkey	Finance/ Liquidity	Sovereign	COVID-19 Credit Line Project	USD 500	Approved
2019	Turkey	Energy	Nonsovereign	Efeler 97.6MWE Geothermal Power Plant Expansion Project	USD 100	Approved
2019	Turkey	Urban	Sovereign	İstanbul Seismic Risk Mitigation and Emergency Preparedness Project	USD 300	Approved
2019	Turkey	Financial Institution	Sovereign	TKYB Renewable Energy and Energy Efficiency On-Lending Facility	USD 300	Approved
2018	Turkey	Financial Institution	Sovereign	TSKD Sustainable Energy and Infrastructure On-Lending Facility	USD 200	Approved
2018	Turkey	Energy	Sovereign	Tuz Gölü Turkey Gas Storage Expansion Project	USD 600	Approved

Source 1: "Our Projects", AIIB, (<https://www.aiib.org/en/projects/list/index.html?status:Approved>).

In addition to the approved projects listed above, two more projects are being evaluated at the AIIB as of December 2020 and are awaiting approval for a loan. These projects are the Istanbul Halkalı-Çerkezköy Train Line Project, which has requested a loan of EUR 320 million, and the Akbank Covid-19 Post-Crisis Recovery Loan, which has requested USD 150 million. According to AIIB figures, Turkey was the third-largest borrower in 2019 and one of the largest recipients of loans during the Covid-19 Pandemic in 2020.

Digital Investments

- According to Zhou Yangquan, leader of the Chamber of Commerce for Chinese Enterprises in Turkey, there are more than 30 Chinese digital companies with investments or partnerships in surveillance technology platforms as well as supplying sophisticated digital technology to Turkish authorities at the municipal level. In the sector of digital trade (e-commerce), the company Alibaba has been investing in the Turkish market.⁴³
- The ZTE Corporation, a Chinese telecommunications company, has become a shareholder of Turkish system integration provider Netas. A ZTE marketing manager of wireless products said that his company would help mobile operators introducing 5G technology in Turkey within two years.⁴⁴ Several Chinese mobile phone manufacturers, such as Xiaomi, OPPO, Vivo, and Tecno, have recently established production facilities in Istanbul, as well.⁴⁵

⁴³ "Roundup: Turkey, China Look to Boost Cooperation in Digital Technologies," China.Org.Cn, November 13, 2021, http://www.china.org.cn/world/Off_the_Wire/2021-11/13/content_77870496.htm.

⁴⁴ Ibid.

⁴⁵ Ibid.

Turkish Investments in China

The biggest problem in investigating Turkish investments in China is the lack of official and reliable data. Compared to Chinese investments in Turkey, Turkish investments in China are insignificant; however, it is still worth mentioning Turkish investments on Chinese soil—the most notable of which are listed in Table 7.⁴⁶

Table 7: Turkish Investments in China
<ul style="list-style-type: none"> ■ One of Turkey's largest direct investments in China is under TAB Gıda within Ata Holding. The company began its China operations in 2012 with 64 restaurants under the Burger King brand. Under this brand, it has opened nearly 1,500 restaurants with USD 500 million invested throughout China. The company employs 30,000 people throughout the country. TAB Gıda recently added the Popeyes brand to its portfolio in China.
<ul style="list-style-type: none"> ■ Aksa Generator within Kazan Holding began investing in China in 2007. In 2012, it took its investments to a new level by establishing the world's highest production capacity generator factory over a closed area of 100,000 square meters in Changzhou, China.
<ul style="list-style-type: none"> ■ Arçelik, registered under Beko Appliances Co., Ltd., acquired a white goods manufacturer company in China and started washing machine production in Changzhou in 2007. In October 2020, Arçelik signed an agreement to sell this production facility to Jiangsu Konka Smart Home Appliances for RMB 112.5 million. Under the agreement, Beko Appliances Co. Ltd. will no longer be manufactured in China but will continue its sales and marketing activities in the country.
<ul style="list-style-type: none"> ■ In partnership with Fiba Group and Turk Mall, approximately USD 200 million was invested into the Star Mall in Shenyang, China. The mall was opened in 2014 over an area of 330,000 square meters and is home to 230 stores as well as food and entertainment areas.
<ul style="list-style-type: none"> ■ In 2002, Çimtaş, which operates in the field of structural steel manufacturing and assembly under ENKA Holding, established a factory that manufactures original equipment and piping over a 27,000-square meter space in the export processing area in Ningbo, China. The factory has an annual production capacity of 20,000 tons.
<ul style="list-style-type: none"> ■ Fabeks Foreign Trade has been producing silk and cashmere under the Silk & Cashmere brand in Inner Mongolia, China, since 1993. The raw materials for production are obtained from cashmere goats living in Inner Mongolia.
<ul style="list-style-type: none"> ■ Kordsa, which operates in the field of rubber reinforcement products under Sabanci Holding, acquired a 99.5% stake in IQNE Qindao Enterprise Ltd., which is a U.S. company operating in China. In 2006, Invista group had an annual turnover of USD 20 million. Kordsa Qingdao Nylon Enterprise ceased operations in 2013.
<ul style="list-style-type: none"> ■ In 2003, Şişecam, a Republican-Era company founded by Atatürk that sells chemicals to different fields such as glassmaking, detergents, the chemical industry, leather, and the pharmaceutical industry, expanded its operations to China under Şişecam (Shanghai) Trading Co. Ltd.
<ul style="list-style-type: none"> ■ Unsa Ambala, which manufactures industrial type sacks used in the chemical, pharmaceutical, food, and mining sectors, established a 22,000-square meter factory in Hangzhou, China, in 2006.
<ul style="list-style-type: none"> ■ Garanti Bank opened an office in China in 1999, with Türkiye İş Bankası following in 2006. However, these representative offices are unable to provide banking services.

⁴⁶ Atli, "Belt, Road and Clock Tower," p. 24–26.

The EU's Investments in Turkey

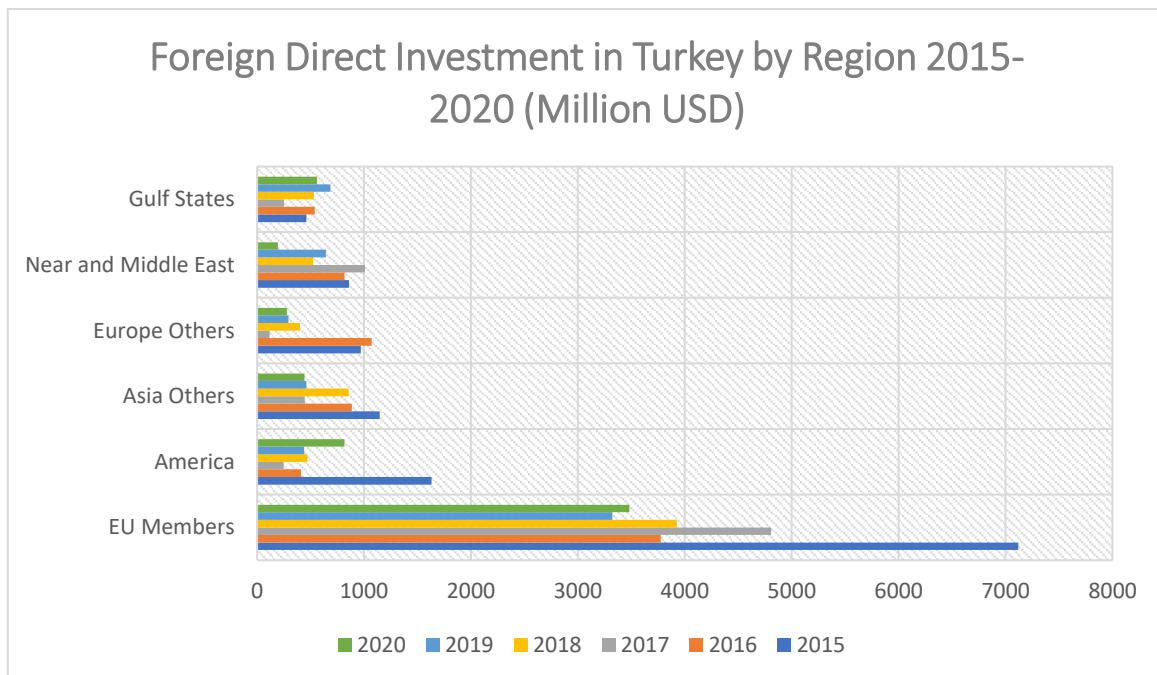
This part of the research work will examine investment relations between the EU and Turkey. Firstly, it focuses on the overall picture of the development of EU foreign direct investment in Turkey and vice versa.⁴⁷ Then, we will look at the distribution of foreign direct investment in Turkey by region, member state, and economic sector.

As seen in Diagram 5, the EU is Turkey's largest investor and has played a dominant role in the Turkish economy since 2015. EU investments in the period from 2002–2021 total nearly USD 114 billion, representing 66 percent of total foreign direct investments in Turkey.⁴⁸

According to the EU Commission's report, in 2020 the EU's total outward stock in Turkey amounted to EUR 52 billion (2019: EUR 53.5 billion), and Turkey's investment in the EU amounted to EUR 19.5 billion (2019: EUR 17.6 billion) in the same year. Therefore, the investment balance was EUR 32.6 billion in 2020 (2019: EUR 35.9 billion) in favor of the EU.⁴⁹

Despite the EU's large share in Turkish FDI, its stock has been declining since 2010. Asia's share—including the Gulf States, other Middle Eastern countries, and other Asian countries—increased significantly, from holding a 12.3% share in Turkish FDI in 2005–2009 to 22.1% in 2015–2020.

Diagram 5



Source: "Foreign Direct Investments in Turkey by Countries - Stock(Million USD)(Annual)," Central Bank of Turkey, accessed July 31, 2022, (https://evds2.tcmb.gov.tr/index.php?evds/serieMarket/collapse_18/5003/DataGroup/english/bie_uypucay/)

⁴⁷ "Foreign Direct Investments in Turkey by Countries - Stock(Million USD)(Annual)," Central Bank of Turkey, accessed July 31, 2022, https://evds2.tcmb.gov.tr/index.php?evds/serieMarket/collapse_18/5003/DataGroup/english/bie_uypucay/.

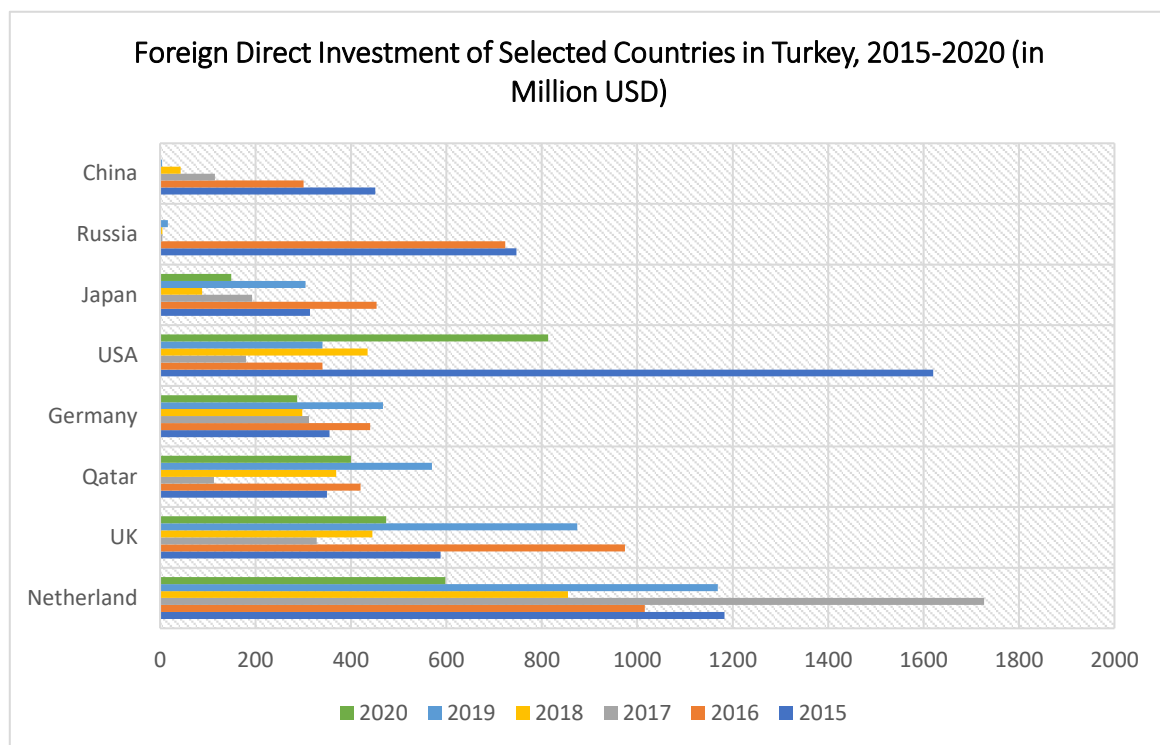
⁴⁸ The EU's share of FDI in Turkey fell from 72.5% in 2005–2009 to 65.5% in 2010–2014, and 58.4% in 2015–2020.

⁴⁹ "EU Trade Relations with Turkey," European Commission.

The EU's investments are predominantly new, long-term investments, i.e., so-called "greenfield investments," which create hundreds of thousands of jobs in Turkey. For example, German companies in Turkey are represented in many industries: from the production and distribution of all products to services of all kinds and the management of retail and wholesale companies. Some of the largest European companies employing Turkish citizens are Bosch Industry and Trade (approx. 8,000 employees), Mercedes-Benz Turk (approx. 6,000 employees), BSH Ev Aletleri/BSH Hausgeräte GmbH (approx. 7,000 employees), and Hugo Boss Tekstil (approx. 4,000 employees). Siemens employs around 3,000 associates and indirectly creates jobs for more than 40,000 associates.⁵⁰

In 2020, the leading investors in Turkey from the EU were Holland (15.8%), Austria (6.2%), Germany (6.1%), Luxembourg (6.0%), Spain (5.6%), Belgium (5.2%), and France (4.4%). These seven countries provided around 43.2% of total FDI from the EU.⁵¹

Diagram 6



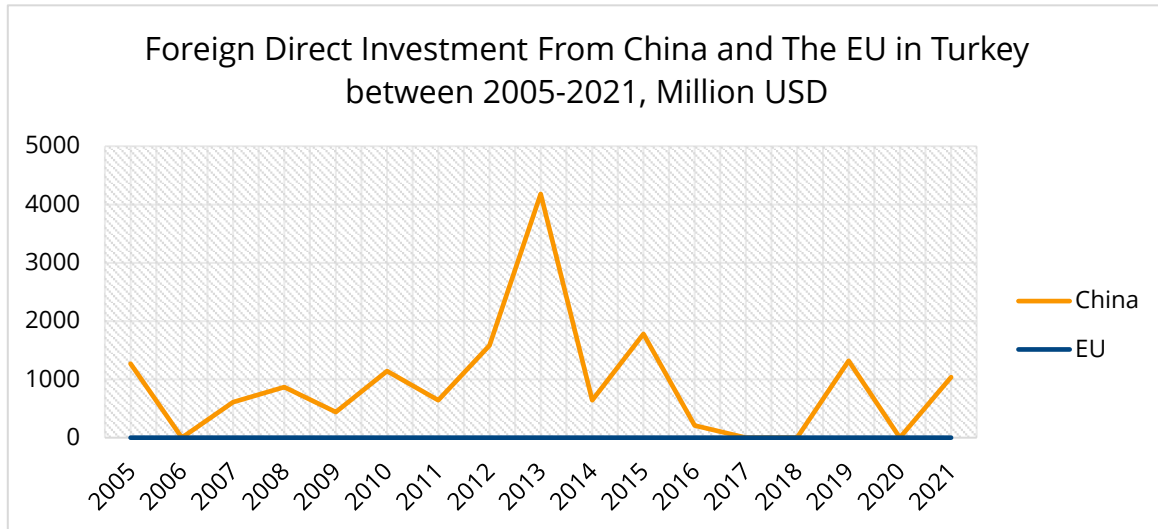
Source: "Foreign Direct Investments in Turkey by Countries - Stock(Million USD)(Annual)," Central Bank of Turkey, accessed July 31, 2022, (https://evds2.tcmb.gov.tr/index.php?/evds/serieMarket/collapse_18/5003/DataGroup/english/bie_uypucay/).

⁵⁰ Johannes Göbel, "Germany and Turkey: Five facts about the economy," deutschland.de, March 5, 2019, <https://www.deutschland.de/de/topic/wirtschaft/deutsch-tuerkische-wirtschaftsbeziehungen-fuenf-fakten>.

⁵¹ FDI from the European Union, United States, and other countries can be divided into three sectoral groups: the manufacturing sector (24.1%), energy (10.6%), and services (62.8%), including finance and insurance (31.8%). "Foreign Trade Statistics, December 2020," Turkish Statistical Institute.

Diagram 7 clearly shows that foreign direct investment from China and the EU has tended to decline since 2015, while foreign direct investment from the EU fluctuates more than Chinese investments. Meanwhile, the investment gap is closing as a result of the sharp decline in foreign direct investment from the EU.

Diagram 7



China's Data Source: "China Global Investment Tracker," American Enterprise Institute and the Heritage Foundation, (<https://www.aei.org/china-global-investment-tracker>).

EU's Data Source: International Investment Position, Statistical Data, EVDS ([EVDS | Yurt İçindeki Doğrudan Yatırımların Ülke Dağılımı \(tcmb.gov.tr\)](https://evds.tcmb.gov.tr)). Central Bank of Turkey.

Turkey's Foreign Direct Investments in the EU

As outlined in the "Foreign Investment Survey of Turkish Ministry of Trade 2021,"⁵² 2,118 investments abroad were made by real and legal entities based in Turkey. The capital position of these real and legal entities based in Turkey amounted to USD 43.9 billion across 124 countries in 2020. The results of the survey show that these investors employed a total of 158,066 people, of which 147,034 were foreign nationals. Exports from Turkey to these investments amounted to USD 6.4 billion, and Turkey's imports from these investments amounted to USD 4.1 billion, while the total turnover of foreign investment reached USD 35 billion.

Examining the distribution of Turkey's foreign investments, 875 of the total 2,118 investments are located in EU countries and 368 in the Russian Federation, Balkan countries, EFTA members, and Eastern European countries. Looking at the capital position of foreign investments by region, EU countries ranked first, with a 78% share and a capital position of USD 34.4 billion in 2020.

Holland received an investment volume of USD 19.3 billion, followed by the United Kingdom with USD 5.3 billion, Germany with USD 2.5 billion, Austria with USD 2.3 billion, and Malta with USD 2.0 billion in 2020.

⁵² "Investment Survey –Turkish Investments Abroad 2021 Final Report," Rep. of Turkey Ministry of Trade, June 2021, <https://ticaret.gov.tr/data/5c4ac3db13b876297ce9a568/Yurtd%C4%B1%C5%9F%C4%B1%20Yat%C4%B1r%C4%B1m%20Anketi%20-%202021%20Sonu%C3%A7%20Raporu.pdf>.

Turkish firms operating in EU countries primarily invested in financial and insurance activities. This sector is followed by manufacturing, transport, storage, information and communication technology, and wholesale and retail trade of food, beverages, and tobacco. Turkish firms employed approximately 37,500 EU nationals in EU countries.

The Belt and Road Initiative and Its Impact on Turkey as Part of the Middle Corridor

China and Turkey signed the "Memorandum of Understanding on Aligning the Belt and Road Initiative and the Middle Corridor⁵³ Initiative" during the G-20 summit in Antalya, Turkey, in November 2015.⁵⁴

China's BRI is designed to span the entire world and will open up new trade routes from East to West.⁵⁵ This will be realized with the help of numerous partners worldwide and massive projects within the scope of the BRI. Turkey plays a role in the realization of shorter and cheaper transport routes through the BRI's Middle Corridor.⁵⁶

Turkey's land connection with the BRI via its Middle Corridor consists of two parts. The first part will connect Turkey's eastern border with Georgia to its western border with Bulgaria by connecting Kars and Edirne through a high-speed railway. So far, however, the two partners have not been able to reach a final agreement on the construction of the high-speed railway.⁵⁷

The second part connects Europe to Asia via the Baku-Tbilisi-Kars Corridor. The Baku-Tbilisi-Kars (BTK) railway line directly connects Kars, Turkey, Tbilisi, Georgia, and Baku, Azerbaijan. The BTK Railway is Turkey's Silk Road Corridor to Central Asia,⁵⁸ inaugurated on October 30, 2017. It is the shortest route between the three countries and between Asia and Europe. The BTK, however, has been not financed by China but rather through financing from Azerbaijan.⁵⁹

⁵³ The "Middle Corridor," which contains the Trans-Caspian International Transport Route, starts from Southeast Asia and China, through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, and Turkey, and it will be connected to European countries. It can be considered as an alternative route to the "Southern Corridor."

⁵⁴ In addition, a Memorandum of Understanding was signed to establish a sister-port relationship between the ports of Baku, Aktau, and Samsun: "The Turkey-Georgia-Azerbaijan-Turkmenistan-Afghanistan Transit Corridor Agreement," also known as the "Lapis Lazuli Agreement," is important for landlocked Afghanistan to have a route to the Black Sea/Mediterranean." See "Turkey's Multilateral Transportation Policy," Rep. of Turkey Ministry of Foreign Affairs, accessed February 9, 2022, https://www.mfa.gov.tr/turkey_s-multilateral-transportation-policy.en.mfa.

⁵⁵ This part has been partly adopted from the working paper: Bahri Yilmaz, "The Belt and Road Initiative and the Impacts on Turkey as a Part of the Middle Corridor," *SWP Research Division Asia*, no. 2 (May 2022), https://www.swp-berlin.org/publications/products/arbeitspapiere/WP02_22_FG7_Yilmaz_BRI_Turkey.pdf.

⁵⁶ Xiaoli Guo and Giray Fridan, "China's Belt and Road Initiative (BRI) and Turkey's Middle Corridor: 'Win-Win Cooperation?'" Middle East Institute, June 26, 2018, <https://www.mei.edu/publications/chinas-belt-and-road-initiative-bri-and-turkeys-middle-corridor-win-win-cooperation>.

⁵⁷ As part of the BRI, the Trans-Caspian China Railway Express Chang'an Train, the first freight train to reach Turkey on November 6, 2019 in Ankara, completed its journey from Xi'an, China, to Prague, Czech Republic, in 18 days via the Middle Corridor and Turkish transport infrastructure, including the BTK Railway and the Marmaray. See "Turkey's Multilateral Transportation Policy," Rep. of Turkey Ministry of Foreign Affairs.

⁵⁸ A 504-kilometer section of the Baku-Tbilisi-Kars railway, which has a total length of about 850 kilometers, passes through Azerbaijan, while 263 kilometers run through Georgia, and 79 kilometers through the territory of Turkey. See Reza Yeganehshakib, "The Baku-Tbilisi-Kars Railroad: Peace & Prosperity Through The Revival Of The Silk Roads," Silk Road Briefing, April 15, 2019, <https://www.silkroadbriefing.com/news/2019/04/15/baku-tbilisi-kars-railroad-peace-prosperity-revival-silk-roads/>. "... After the Bank for Reconstruction and Development, the World Bank and the Asian Development Bank withdrew from the project, pointing to an already existing route that runs through Armenia (and the US withdrew due to the efforts of the Armenian lobby), help finally came from Baku. The State Oil Fund of the Republic of Azerbaijan (SOFAZ) provided Georgia with two loans totaling \$775 million to complete the construction of the remaining 178 km section of the railway system. The investment in Azerbaijan has already paid off..."

⁵⁹ Ibid.

Turkey's Trade Relations with Central Asia and China's Belt and Road

Ankara's fundamental goals in signing an agreement with China were to expand its markets and create investment opportunities as well as to provide a significant contribution to Turkey's economic development. The Turkish government wants to expand its economic, political, and cultural relations not only with China but also with the five Turkic Republics in the Caucasus and Central Asia—namely, Azerbaijan, Kazakhstan, Uzbekistan, Turkmenistan, and Kyrgyzstan—and neighboring country Georgia to bind them together under Ankara's leadership. To this end, "Turkey supports the Belt and Road Initiative (BRI) on the basis of the win-win principle."⁶⁰

Ankara's recognition of these states began after the collapse of the Soviet Union, when optimism, expectations, and aspirations, especially in economic cooperation, were high on both sides. As a first step, the Turkish International Cooperation Agency (TIKA) was founded within the Turkish Ministry of Foreign Affairs in 1992 as a special agency to promote and develop economic relations with the Turkic republics in the fields of banking, foreign trade, budget, tax systems, and education.⁶¹

However, despite Ankara's great expectations, Turkey's trade volumes with these countries remain low. The share of exports to the Turkic republics in the period from 2018–2021 was barely 3%.⁶² During the same period, imports from these countries amounted to only 1.6%.⁶³

Similarly, Central Asian countries account for around one percent of China's total imports and exports. On the other side of the coin, in 2019, China was the largest trading partner of Kyrgyzstan and Uzbekistan in imports and Turkmenistan's largest trading partner in exports. China also ranks high as a destination for the imports and exports of other Central Asian countries.⁶⁴ As far as FDIs are concerned, total Chinese investment in Central Asia accounted for USD 40 billion in 2020, of which USD 21.4 billion went to Kazakhstan. Approximately 7,700 Chinese companies were operating in Central Asia in 2021.⁶⁵ Chinese investments in Central Asia are mainly focused on strategic sources of raw materials and a transit route to the oil-rich Caspian region.⁶⁶

Among the Central Asian states, Kazakhstan is the most attractive to Turkish investors. Of the roughly USD 50 billion in foreign investment in Kazakhstan, about USD 2.4 billion is from Turkey, with Turkish companies heavily engaged in the telecommunications and energy sectors.⁶⁷ The most attractive country for Turkish investors among the Turkic states is Azerbaijan. From 2002–2020, Turkey's total foreign direct investment in Azerbaijan was USD 12 billion.⁶⁸

⁶⁰ "Turkey's Multilateral Transportation Policy," Rep. of Turkey Ministry of Foreign Affairs.

⁶¹ TIKA was established in 1992 to develop strong collaborative ties especially in the Turkic Republics. "History of TIKA," TIKA, accessed July 25, 2022, https://www.tika.gov.tr/en/page/history_of_tika-8526.

⁶² "Turkey's trade volume with the countries of the region was about 8,5 billion USD in 2019 and almost 4 thousand Turkish companies have been operating." See, "Turkey's Relations with Central Asian Republics," Rep. of Turkey Ministry of Foreign Affairs, accessed July 20, 2022, https://www.mfa.gov.tr/turkey_s-relations-with-central-asian-republics.en.mfa.

⁶³ "Foreign Trade Statistics, December 2020," Turkish Statistical Institute.

⁶⁴ "China and Central Asia: Bilateral Trade Relationships and Future Outlook," China Briefing News, May 20, 2021, <https://www.china-briefing.com/news/china-and-central-asia-bilateral-trade-relationships-and-future-outlook/>.

⁶⁵ Almaz Kumenov, "China Promises More Investment at Central Asia Summit," Eurasianet, January 26, 2022, <https://eurasianet.org/china-promises-more-investment-at-central-asia-summit>.

⁶⁶ Vatsla Singh Panwar, "Chinese Investments in Central Asia," The Kootneeti, July 16, 2020, <https://thekootneeti.in/2020/07/16/chinese-investments-in-central-asia/>.

⁶⁷ Alexander Kruglov, "Ankara to Central Asia: 'We're All Turks,'" *Asia Times*, November 21, 2019, <https://asiatimes.com/2019/11/central-asia-ankara-seeks-turkic-primacy/>.

⁶⁸ "Economic Relations between Turkey and Azerbaijan," Rep. of Turkey Ministry of Foreign Affairs, accessed July 20, 2022, <https://www.mfa.gov.tr/economic-relations-between-turkey-and-azerbaijan.en.mfa>.

Despite its efforts, there are two reasons why Turkey is not able to compete with China in terms of investment and trade in Central Asia. First, one of the biggest handicaps is the lack of geographical continuity: there are no common borders between Turkey and the Turkic republics. This seems to be a major disadvantage for Turkish and Central Asian businessmen transporting goods from one country to another. Second, Turkey's economic and financial resources are limited and cannot meet the enormous demand for external financing in hard currencies. Due to this fact, China has a great advantage over Turkey in meeting the expectations and capital demands of these states.

China's Maritime Connections with Mediterranean Countries and Turkey

In recent years, China has increased its interest in ports located in the Mediterranean region, including in Turkey, Israel, Egypt, and Greece, and expanded its investments in ports on the sea routes to Europe.⁶⁹ These investments aim to connect the BRI to the sea in order to reach Europe by railway and its Mediterranean ports. Chinese maritime port infrastructure investments have been realized by the Chinese state-owned enterprise China Ocean Shipping Company (COSCO). In the period from 2007–2021, COSCO has built ports in the Eastern part of the Mediterranean region in Egypt (2007), Greece (2009, 2016, 2021), and (Israel 2015).⁷⁰ In addition to COSCO's acquisition of Kumport Anbarlı (Istanbul, Marmara Sea), the Turkish Ministry of Foreign Affairs has identified three ports under construction in Filyos (Black Sea), Çandarlı (İzmir, Aegean Sea), and Mersin (Mediterranean Sea) that are major national projects connected to the Middle Corridor.⁷¹

Trade effects of the BRI for the EU and Turkey

A comprehensive study was carried out by a group of Chinese experts on behalf of the EU Commission and was published in 2020.⁷² By reducing time as well as transportation costs, the study assumed that the improved transport infrastructure should promote overseas trade and will boost trade between EU Member States and BRI countries.⁷³

According to the results of the EU report, exports to China as well as EU imports from China will increase.⁷⁴ Overall, the results point to gains for both the EU and Asia. New and improved infrastructure could increase the EU's trade with China and other East Asian countries by around 8.3%. Intra-European trade as well as trade with Central Asia could increase by 3.2%, and trade with the Middle East and North Africa and South Asia could increase by 1.2% and 2.7%, respectively.⁷⁵

⁶⁹ See Bastian, "Expeditionary Capital in the Eastern Mediterranean," p. 7.

⁷⁰ Ibid. See Table 1, p. 6. Further Chinese investments were made in ports across Western Europe, namely in Belgium (2014, 2017), Germany (2016, 2020), the Netherlands (2016), and Spain (2017).

⁷¹ "The port of Mersin might play a role for shipment of cargoes from the SREB to the North African countries (Egypt, Tunisia, Libya, Algeria, and Morocco). The Port of Çandarlı / İzmir may be used to send cargoes to the Euro-Med countries (Greece, Italy, France, Spain, Albania, Montenegro, Croatia, and Slovenia). The Port of Filyos / Zonguldak might be considered as logistics hubs to deliver cargoes from China to the Broader Black Sea region (Ukraine, Bulgaria, Romania, Moldova, and others)." Seljuk Çolakoğlu, "The Sino-Turkish Relationship," in *China in the Broader Black Sea Region*, ed. Alexandra Martin, 18 (Bratislava: Globsec, 2021), accessed July 20, 2022, <https://www.globsec.org/publications/china-in-the-broader-black-sea-region/>, p. 22.

⁷² Alicia Garcia-Herrero et al., "EU-China Trade and Investment Relations in Challenging Times," European Parliament, Directorate-General for External Policies Policy Department, Study requested by the INTA committee, PE 603.492, May 2020, p. 40, [https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU\(2020\)603492](https://www.europarl.europa.eu/thinktank/en/document/EXPO_STU(2020)603492).

⁷³ The World Bank estimates that, if completed, BRI transport projects could reduce travel times along economic corridors by 12%, increase trade between 2.7% and 9.7%, increase income by up to 3.4%, and lift 7.6 million people out of extreme poverty. See "Belt and Road Initiative," World Bank, Brief, March 29, 2018, <https://www.worldbank.org/en/topic/regional-integration/brief/belt-and-road-initiative>.

⁷⁴ Garcia-Herrero, "EU-China Trade and Investment," p. 51. Following improvements in infrastructure related to the BRI, EU exports to China could increase by a total of around EUR 26.4 billion. EU exports to China are expected to see the largest increases in machinery and equipment, motor vehicles, computers, and electronics. Total imports could increase by EUR 52.7 billion or 13.3%. EU imports are also expected to increase significantly in some sectors: computers and electronics, electrical equipment, and machinery.

⁷⁵ Garcia-Herrero, "EU-China Trade and Investment," p. 49.

Now to the next question that we must consider: What would be the economic benefits of Turkey's inclusion in the BRI? The answer to this critical question first and foremost depends on the decision of the policy-makers in Ankara. Will Turkey be a "transport hub" between West and East or a "logistical hub" for traders in the BRI? In other words, will Turkey accept its intermediary position, assuming the role of transporting goods and services between BRI countries from Asia to Europe and vice versa? Or, will Turkey build a functioning and efficient global supply chain management system in order to become a successful transport hub?⁷⁶

Another option would be for Turkey to strengthen its role in reshoring, namely to relocate production and services to a place in Turkey where production costs along the BRI routes are relatively lower than in Europe and China. In general, this would be beneficial and would make a huge contribution to the Turkish economy.

If Turkey wants to be upgraded as an "industrial and transnational hub" in trade and production within the BRI, it should implement fundamental reforms in political and economic life. Firstly, this involves establishing a well-functioning infrastructural system, a worldwide integrated and efficient operating system of finance and banking, long-term political and economic stability, rule of law, and an effective multilateral system based on principles of openness, transparency, and accountability.

Final Statement

The following conclusions and lessons may be drawn from Turkey's economic relations with China and the EU.

Since 2018, the Turkish economy has been facing very serious macroeconomic problems due to the COVID-19 pandemic, excessive government spending, and increasing foreign currency debt, coupled with high inflation and depreciation pressures.

There are two fundamental problems with which the Turkish economy is confronting. First, the ratio of gross savings to gross domestic product (GDP) is relatively low. While this ratio is 45% in China, it was only 27% in Turkey in 2020.⁷⁷ Therefore, investments in the country must be financed through outsourcing. Secondly, the imbalance between investments and savings has led to the country's large current account deficit.

Consequently, the Turkish government aims to close its current account deficit and finance the repayment of foreign debt through foreign direct investment and loans (i.e., fresh money) from everywhere, including China, Qatar, the United Arab Emirates, and Saudi Arabia. Because of all these facts, the economy is looking for foreign capital and remains heavily dependent on capital inflows from abroad, mostly in the form of short-term capital.

Over the last ten years, a significant strategic change has emerged in Ankara. China has entered Turkey's economic life as a new player. There are two primary reasons why Turkey has been keenly interested in intensifying its economic relations with China, which acts as both an investor and a creditor. The first is the serious political and security disputes between Ankara and Washington and the interruption of Turkey's relations with the European Union due to Brussels' decision to freeze accession negotiations with Turkey. Given Turkey's present position, it would be difficult for Ankara to obtain the much-needed funds from financial markets in the United States and the European Union to close the gap in Turkey's foreign exchange reserves.

⁷⁶ Supply chain management is defined by Prof. Dr. Kai-Ingo Voigt as the establishment and management of integrated logistics chains (material and information flows) throughout the entire value creation process, starting with the extraction of raw materials and ending with the end consumer. Kai-Ingo Voigt, "Supply Chain Management (SCM)," Gabler Wirtschaftslexikon (Springer Fachmedien Wiesbaden GmbH), accessed July 20, 2022, <https://wirtschaftslexikon.gabler.de/definition/supply-chain-management-scm-49361>.

⁷⁷ "Gross Savings (% of GDP)," The World Bank, accessed July 20, 2022, https://data.worldbank.org/indicator/NY.GNS.ICTR.ZS?name_desc=true.

Secondly, Turkey has been a subject of the Chinese government's interest in recent years due to its geographical and strategic location in the Eastern Mediterranean; its proximity to the European market; intensification of its economic relations with the Middle East and Eastern Mediterranean region, including with Israel, Egypt, and Greece; and the importance to the Belt and Road Initiative (BRI)—specifically the Middle Corridor—for Chinese investors. Therefore, in recent years, China has improved its trade and investment relations to win Turkey's favor amid Turkey's serious problems with the West. For all these reasons Beijing has increased its financial assistance in the form of swap agreements and loans, although these are not at the level Turkey is currently in need of. Turkey has not only been using China to fill in the investment gap but also Ankara's hard currencies deficit.

It is an obvious fact that China, with its current trade surpluses that have arisen in trade with Turkey in recent years, finances its investments in Turkey and as creditor provides funds (loans) to commercial banks and it has signed swap agreements with the Central Bank of Turkey (TCMB). In other words, the main source of capital inflow in Turkey from China is supported by trade surpluses in trade with Turkey.

Some economists have warned Turkey that China's plan to finance and build infrastructure around the world could lead to a debt trap that creates a dependency on Beijing or its strategic gains.⁷⁸ However, the results of our analysis and the current economic facts suggest that Ankara has not yet implemented an efficient, comprehensive, effective, and protective policy against China. This unfavorable evidence should be a wake-up call for Turkey's policy makers as China's unilateral influence expands. To make up for its trade deficit with China, Ankara should take China's trade and investment offensive more seriously. It is best advised to pursue a selective trade and investment policy in order to protect itself from one-sided economic dependency and unequal competition against China.

The results of the study suggest that China will not be able to replace the European Union in the areas of trade, investment, and tourism in the foreseeable future. More importantly, despite the current downturn in political and economic relations between Brussels and Ankara, it can be argued that Turkey's economic, political, and security interests are still closely linked to the EU and NATO in the long term. Although no one can know whether Turkey will ever become an EU member state, Turkey is still a candidate country. Additionally, Turkey is already an integral part of the European single market through membership in the European Customs Union.

In order to compete effectively with the Chinese and European economies in the coming decades, the Turkish economy must undoubtedly evolve from an export-oriented, low-cost manufacturing economy to an innovative economy that produces and exports high-tech products. To help Turkey in its creation of an innovation-based economy, Turkey must complete its economic integration into the European single market in cooperation with European firms and with the help of the modernization of the Customs Union. Increasing the share of advanced technological goods in the Turkish economy could be achieved through the introduction of modern technologies by transferring knowledge from the EU and implementing this into the Turkish manufacturing industry. The share of high-tech production accounted for only 3.15% of Turkey's exports in 2020.⁷⁹ In order to produce advanced technological goods, Turkey must first introduce a radical and large-scale educational reform to create a high level of human capital, excellent educational institutions, and well-equipped research centers.⁸⁰

⁷⁸ "Debt Trap Diplomacy" is the accusation that China uses Belt and Road as part of a manipulative global strategy (...) The accusation was sparked by projects such as the Hambantota Port Development in Sri Lanka. The Sri Lankan government was unable to service the Chinese loans which funded the project, and the port was handed over to the Chinese under a 99-year lease in 2017 – echoing tactics employed by 19th century European Imperialists against Qing Dynasty China." See Dr. Yu Jie and Jon Wallace, "What Is China's Belt and Road Initiative (BRI)?" Chatham House Explainer, September 13, 2021, <https://www.chathamhouse.org/2021/09/what-chinas-belt-and-road-initiative-bri>; Lerner, "China to the Rescue."; Lyall, "China in Postwar Syria."; Guy Faulconbridge, "EXCLUSIVE Montenegro Close to Deal on Lifting Chinese Debt Burden - Minister," Reuters, July 7, 2021, <https://www.reuters.com/world/exclusive-montenegro-close-deal-lifting-chinese-debt-burden-minister-2021-07-07/>.

⁷⁹ High-technology exports as a share of all manufactured exports in Turkey was 3.15% as of 2020. Its highest share over the past 13 years was 3.44% in 2015, while its lowest was 1.84% in 2008.

High-technology exports are products with high R&D intensity, such as those produced in the aerospace industry, computers, pharmaceuticals, scientific instruments, and electrical machinery. "Turkey - High-Technology Exports (% of Manufactured Exports)," Index Mundi, accessed July 20, 2022, <https://www.indexmundi.com/facts/turkey/indicator/TX.VAL.TECH.MF.ZS>.

⁸⁰ For a more detailed analysis of the Turkish Economy see Bahri Yılmaz, "Turkish Economy: Where Does This Road Lead?" KAS Foundation Office Turkey, February 11, 2014, <https://www.kas.de/en/web/tuerkei/laenderberichte/detail/-/content/in-welche-richtung-entwickelt-sich-die-tuerkische-wirtschaft->.

Turkey's full economic integration into the EU's internal market would then depend on three fundamental factors: (1) the creation of a new institutional framework and reform, as well as the functioning of existing inclusive institutions in line with EU requirements and legislation; (2) educational reforms aimed at contributing to economic development, scientific progress, and social development; and (3) recognizing that every stage of development requires renewed policies, transitions are major challenges, and reform is a never-ending process.

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