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ARAŞTIRMA MAKALESİ / RESEARCH ARTICLE

AN ANALYSIS OF HOW CHINA IS EMERGING AS THE CHAMPION OF FREE TRADE WITH A LONG-TERM GLOBAL STRATEGY

ÇİN'İN UZUN VADELİ KÜRESEL STRATEJİYLE SERBEST TİCARET ŞAMPİYONU OLARAK ÇIKIŞINA İLİŞKİN BİR ANALİZ

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Abstract

With the United States (US) distancing itself from free trade during the Trump administration, China has been successfully positioning itself as the new free trade champion. During its disengagement process, the US has also been perceived to have snubbed some of its traditional partners like Turkey in terms of trade policies. These traditional allies have since been wooed by the Chinese through attractive commercial deals. China's Belt and Road Initiative (BRI) is a comprehensive set of infrastructure projects which aim to stimulate trade in Eurasia. With its immense financial resources, China has been investing in logistics and infrastructure projects in more than 72 countries. While criticisms and concerns have been raised, of Chinese state mercantilism for instance, countries interested in diversifying their trade relationships like Turkey have welcomed the free trade approach.

The paper aims to disprove the hypothesis that China's international investments are solely short-term, profit-oriented, and transactional in nature. Instead, the paper argues that these investments should be seen as a part of the long-term strategy of a country that aims to be both a political and economic world power. Moreover, this paper sees China's overall trade contribution positively and argues that their strong position as a trading partner can help strengthen smaller economies' negotiation positions. Hence, countries like Turkey can negotiate and choose the best deals offered by different trading centers. In the post-Covid context, the world economy cannot afford to exclude any major economies. The US and China are encouraged to settle their differences in the context of global rule-based systems.

Keywords: Free Trade, China, Belt and Road Initiative (Silk Road), WTO, Turkey, United States
JEL Classification: F02, F50, F13

Öz

Amerika Birleşik Devletleri'nin (ABD) Trump yönetimi sırasında serbest ticaretten uzaklaşmasıyla, Çin kendisini dünyanın yeni serbest ticaret şampiyonu olarak başarıyla konumlandırmayı başardı. ABD, serbest ticaret politikalarına mesafe koyma sürecinde, Türkiye gibi bazı geleneksel ortaklarını da ticaret

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politikaları düzeyinde kendisinden uzaklaştırdı. ABD'nin ticari politikalarındaki sertleşmesine karşın, bu dönemde ABD'nin geleneksel müttefiklerine Çin tarafından cazip ticari anlaşmalar önerilerek sıcak mesajlar verildi. Çin'in Kuşak ve Yol Girişimi (BRI), Avrasya'da ticareti teşvik etmek amacıyla 72'den fazla ülkede lojistik ve altyapı projelerine yatırım yapmayı öngören bir proje. Çin, muazzam finansal kaynaklarını devreye sokarak bu ülkelerde lojistik ve altyapı projelerini yürütmeye devam ediyor. Her ne kadar, bu girişim için Çin'e devlet merkantilizmi eleştirileri yapılsa da, bu serbest ticaret açılımı Türkiye gibi ticari ilişkilerini çeşitlendirmek isteyen ülkeler tarafından memnuniyetle karşılanmaktadır. Bu makalede, Çin'in uluslararası yatırımlarının sadece kâr odaklı, kısa vadeli ve menfaat temelli olduğu hipotezini çürütmeyi amaçlanmaktadır. Bunun yerine, bu yatırımların hem siyasi hem de ekonomik olarak dünya gücü olmayı hedefleyen bir ülkenin uzun vadeli stratejisinin bir parçası olarak görülmesi gerektiği tezi savunuluyor. Buna ek olarak, bu makale Çin'in genel olarak ticarete katkısını olumlu değerlendiriyor, Çin ile geliştirilecek ticaret ilişkilerinin, küçük ekonomilerin pozisyonlarını diğer ekonomik güçlerle yapacakları ticari müzakerelerde güçlendireceğini savunuyor. Bu nedenle, Türkiye gibi ülkeler farklı ticaret merkezleri tarafından sunulan fırsatları müzakere edebilmeli ve bunların içinden en optimal ticari seçeneklere karar verebilmelidir. Covid sonrası süreçte, dünya ekonomisinin toparlandığı ortamda, küresel ticaret sistemi hiçbir büyük ekonominin dışlanmasını kaldıramaz. Bu araştırmada ABD ve Çin'in küresel ticari pozisyonlarındaki farklılıklarının müzakerelerle giderilmesi, kuralların hâkim olduğu serbest bir ticari rejimin tekrar tesis edilmesi önerilmektedir.

Anahtar Kelimeler: Serbest Ticaret, Çin, Kuşak Ve Yol Girişimi (İpek Yolu), DTÖ, Türkiye, Amerika Birleşik Devletleri

JEL Sınıflandırması: F05, F50, F13

1. Introduction

The world economy is going through major structural changes. In the last three decades, we have witnessed the economic rise of China which, according to the International Monetary Fund (IMF, 2018), has become the second largest economy in the world as of 2018. Coinciding with this rise, China has launched an ambitious program, the 'Belt and Road Initiative' (BRI) which they would like to put in place in the following years. Based on China's track record of long-term investment, we expect this project to be implemented gradually and seriously over the next decade.

At the same time, "once the champion of free trade, the US is now taking a protectionist stance. There is growing dissatisfaction with free trade policies in the US" (Bailey, 2016). Already starting with the 2016 presidential campaign, the trade deficit with China was heavily politicized, particularly by President Trump. Discussions in both major political parties clearly indicate that the "free trade consensus" in the US has been disappearing.

This shift in US trade policy and assertive use of trade embargoes is causing issues for both traditional allies like Turkey and long-term trade partners like China. Concerning Turkey, its long-term interests lie in the diversification of its commercial and trade links. This diversification includes maintaining strong links with both China and the Western bloc. Turkey has been particularly disappointed by US foreign and trade policy under Trump. Although the country favors diverse and constructive relationships with Europe, the US, and Japan, it does not rule out China as an important trading partner. Turkey and China have mutual interests in strengthening their commercial and trade connections.

In the context of the US' diminishing appetite for liberal trade, China has filled in the vacuum and now positions itself as a friendly superpower. Overall, China is the biggest beneficiary of this project as the BRI project will transform the country from an Asian to a fully global power. China would also like to diversify its global outreach away from the China Sea towards land-based commercial routes. Therefore, the revival of the New Silk Road is a certain strategic project for the world's second biggest economy. This objective has also been criticized as mercantilist, opportunistic, and profit-seeking. The paper aims to disprove the hypothesis that China's international investments are solely short-term, profit-oriented, and transactional in nature. Instead, the paper argues that these investments should be seen as a part of the long-term strategy of a country that aims to be both a political and economic world power.

The rest of the paper is organized as follows: The second part discusses recent changes in US free trade policies. Once a champion of free trade, US foreign and trade policies have shifted away from liberal trade policies, particularly with the Trump administration. In this section, the US' relationships with Turkey and China are discussed to explain the extent of this evolution from a historical perspective. In the third part the trade statistics for China, the US, and Turkey are presented to quantify the real on-the-ground situation for these countries. The fourth part focuses on China's response to this trade challenge. As China aims to reduce its dependence on the US in the mid-term, Chinese policymakers pursue trade diversification projects in countries like Germany, Poland, and Italy. The fifth section explains the increasing importance of Chinese trade for Turkey and makes recommendations for a long-term sustainable relationship. In the conclusion, this author reiterates the need to accept China as a global trading power and to consider how its role contributes positively to global trade.

2. Changing Attitudes Towards Free Trade in the US: Politicization and Instrumentalization of Free Trade Policies, a Historical Comparison

This paper suggests that there are significant changes taking place in the existing world trade order with the rise of China. Before discussing these changes, we first present how the status quo came about in the post-Second World War context and what the milestones have been in its evolution.

The United States has been the world's strongest free trade supporter for the better part of the past century. Indeed, Bailey (2016) notes that "[there] has been a prevailing consensus among the big wigs of both major US political parties that free trade is broadly beneficial, with trade barriers an obstacle that must be removed". As the ideological heir to the British empire after the second World War, the US has always promoted removing trade barriers all around the world. From the Bretton Woods system to the General Agreement on Tariffs and Trade discussions, and the formation of the World Trade Organization (WTO) to the creation of the G20 structure, the US has always played a leading role in international trade.

Not only has the US benefitted from free trade, but it has also encouraged working together with countries like China and Turkey to integrate them into the global trading regime. This openness for inclusion on the part of the US can be clearly seen in the case of China. Following the US-China trade pact in October 1979, President Carter approved most-favored-nation tariff treatment for China (Oberdorfer, 1979). Despite the opposition from then Secretary of State Cyrus R. Vance, this rapprochement was encouraged by presidential assistant Zbigniew Brzezinski and Chinese flexibility in economic concessions. The US' primary objective was to divide the Communist Bloc and to further isolate the Soviet Union both politically and in trade. The US showed a similar support for China's accession to the WTO back in 2000 and 2001. On the one hand, it was important for China to join the WTO because it wanted to have access to new trading partners and better tariff rates. On the other, the United States wanted China to get integrated into US-led liberal world order. As a result, China became a WTO member on the 11th of December 2001. WTO membership helped the country to boost its international trade during the following decade.

Similarly, the US has also been influential in shaping Turkey's trade policies and moving them in a liberal direction already four decades earlier. As early as 1948, Turkey started receiving economic aid in the Marshall Plan context. Sahin (2000) shows how mostly foreign US experts recommended pro-capitalist and liberal policies for the country. Turkey was advised to focus on agriculture and provide its agricultural production to other pro-Western Middle Eastern regimes. Moreover, Turkey had already been a participant in the then emerging Bretton Woods conference. It took an active role in all then nascent European and international institutions ranging from the IMF to the World Bank, from the Organization for Economic Co-operation and Development (OECD) to the European Bank for Reconstruction and Development (EBRD). Moreover, Turkey signed the Ankara agreement with the European Economic Community in 1963, which was essentially an association agreement aiming to anchor Turkey to the Western bloc. Turkey was encouraged to sign these trade and economic agreements with the Western bloc so it would not fall under the economic influence of its northern neighbor, the Soviet Union. This type of encouragement resembled other US global policies in Latin America and Asia where they developed comprehensive programs to prevent the rise of communism.

After the collapse of the Soviet Union in 1991, the US' enthusiasm for Free Trade subsided, particularly in the Greater Middle East. The American liberal economic approach got replaced by an assertive foreign policy which saw trade as part of its toolkit in imposing itself as the global hegemon. Following the first Gulf War and the arrival of Bill Clinton to the White House in 1992, the US administration adopted the Dual Containment policy in the Persian Gulf. This policy had the objective of isolating Iraq and Iran both economically and politically. This policy had negative consequences for Turkey. As a neighbor and trading partner of both these countries, Turkey had experienced serious export losses to Iraq between 1988 and 2003. In fact, Demir, Özmen and Rashid (2014) estimate that Turkey lost as much as $54 billion in exports to Iraq. Similarly, after reaching $22 billion worth of goods and services exported to Iran in 2012, trade slumped to $10 billion following the toughening of US sanctions on Iran (Duran, 2018). Turkish officials observed a lack of knowledge from their US counterparts regarding Turkey' geography and how certain unilateral decisions affected Turkey's trade relations. In 2010s, Turkey re-emphasized an export-oriented industrialization model with broad and diverse relations with its neighbors. In this sense, the frequent imposition of trade embargoes by US politicians on Turkey's trading partners did not go well with Turkey's long-term trade strategy

Then in 2018 things took an unexpected in turn in the trade relationship between the US and Turkey: In August 2018, US sanctions directly targeted Turkey over jailed pastor Andrew Brunson. At first, the United States imposed additional duties on imports of Turkish steel, but they were reduced to 25% in May 2019 according to trade data by the Santander Bank group. The Turkish lira then hit a low of 5.11 to the dollar and inflation reached 24.5 percent (Honoré, 2018). Later, in October 2019 following Turkey's disagreements with the US regarding Turkey's border security operations in Syria, the US Justice department filed charges against Halkbank. This was a way for the US Administration to project that it was taking a tough stance against Turkey (Lipton, 2019). The US sanction decisions were driven more by political considerations than legal ones. Several WTO Members, including the European Union (EU) and Turkey, responded to these tariffs by adopting their own tariffs against imports from the United States (Lee, 2019). They justified their tariffs under the WTO Agreement on Safeguards. Both in August 2018 and October 2019, the Turkish public was unpleasantly surprised by the domineering language used by President Trump against Turkey, a long-term military ally and trading partner.

On the issue of China-US trade relations, the 2016 presidential campaign was a turning point, at least from the point of view of political rhetoric Growing dissatisfaction with free trade policies in the US prompted a wide range of Americans to demand more trade protection measures. During the campaign, the trade deficit with China was heavily politicized, particularly by Donald Trump. Similarly, facing competition from Bernie Sanders, Hillary Clinton also had to adopt protectionist language. Discussions in both major political parties clearly indicated that the "free trade consensus" in the United States was disappearing. With the arrival of Donald Trump in the White House in 2016, policy changes started to take place. Between 2018 and 2020 the United States started imposing gradual tariffs under a variety of trade laws, most notably Section 301 tariffs against China. This new protection is significant in magnitude and breadth. Tariffs range from 10 to 30 percent and cover 50 percent of US consumer imports from China and 16 percent of total US consumer imports (Reynolds, 2021). These trade barriers are not limited to the Trump administration as they are now continued by the Biden administration. In November 2020, then President Trump signed an executive order preventing US investors from holding shares in various Chinese companies with few details on how to implement it. However, a 2021 executive order signed by President Joseph Biden has clarified how the ban should be imposed.

President Biden's executive order confirms that the trade war with China was not driven by Trump and represents a fundamental US policy change within an institutional framework. According to Menaldo and Wittstock (2021), given Biden's reversal of many other policies, sustaining this one suggests a deeper change in US trade and investment philosophy.

Ironically, despite Trump's political rhetoric and significant amount of anti-Chinese trade executive orders, the figures in Tables 1 and 3 show that there were only minor changes in trade under his presidency. Nevertheless, they should be seen with a forward-looking perspective. Their concrete effects are likely to manifest in future years' figures once these policies are put into action by the US trade authorities. On the other hand, since China aims to reduce its dependence on the US in the mid-term, Chinese policymakers quickened their efforts to pursue their trade diversification projects such as the New Silk Road.

3. Current Trade Situation of the US, Turkey, and China

In this section, we focus on the trade situation of three countries, namely the US, Turkey, and China. **Table 1** to **Table 3** present detailed trade statistics on these countries between 2005 and 2020.

Table 1: Trade Outlook for the United States

Main Country	Trading Partner	Year	Total Trade ($M)	RtW (%)	Exports ($M)	RtW (%)	Imports ($M)	RtW (%)	Net Exports ($M)
USA	World	2005	2,656,852.00	100.0	924,322.00	100.0	1,732,530.00	100	-808,208.00
USA	Canada	2005	480,200.00	18.1	188,256.00	20.4	291,944.00	16.85	-103,688.00
USA	Euro-zone	2005	388,941.00	14.6	149,974.00	16.2	238,967.00	13.79	-88,993.00
USA	China	2005	308,832.50	11.6	48,994.50	5.3	259,838.00	15	-210,843.50
USA	Mexico	2005	298,145.00	11.2	125,660.00	13.6	172,485.00	9.96	-46,825.00
USA	Japan	2005	207,396.90	7.8	65,446.90	7.1	141,950.00	8.19	-76,503.10
USA	Germany	2005	126,641.90	4.8	39,704.30	4.3	86,937.60	5.02	-47,233.30
USA	United Kingdom	2005	88,928.00	3.4	36,547.70	4.0	52,380.30	3.02	-15,832.60
USA	Turkey	2005	10,959.08	0.4	5,374.78	0.6	5,584.30	0.32	-209.52
USA	Rest of the World	2005	873,449.52	32.9	304,068.12	32.9	569,381.40	32.87	-265,313.28
USA	World	2010	3,194,430.00	100.0	1,226,310.00	100.0	1,968,120.00	100	-741,810.00
USA	Euro-zone	2010	423,547.00	13.3	174,169.00	14.2	249,378.00	12.67	-75,209.00
USA	Canada	2010	489,706.00	15.3	209,319.00	17.1	280,387.00	14.25	-71,068.00
USA	China	2010	484,942.00	15.2	101,959.00	8.3	382,983.00	19.46	-281,024.00
USA	Mexico	2010	385,632.00	12.1	153,708.00	12.5	231,924.00	11.78	-78,216.00
USA	Japan	2010	192,582.50	6.0	69,026.50	5.6	123,556.00	6.28	-54,529.50
USA	Germany	2010	127,503.80	4.0	43,130.40	3.5	84,373.40	4.29	-41,243.00
USA	United Kingdom	2010	93,872.70	2.9	43,208.70	3.5	50,664.00	2.57	-7,455.30
USA	Turkey	2010	16,744.90	0.5	12,323.00	1.0	4,421.90	0.22	7,901.10
USA	Rest of the World	2010	1,107,402.90	34.7	462,596.80	37.7	644,806.10	32.77	-182,209.30
USA	World	2015	3,667,240.00	100.0	1,425,580.00	100.0	2,241,660.00	100	-816,080.00
USA	China	2015	626,748.00	17.1	144,867.00	10.2	481,881.00	21.5	-337,014.00

Main Country	Trading Partner	Year	Total Trade ($M)	RtW (%)	Exports ($M)	RtW (%)	Imports ($M)	RtW (%)	Net Exports ($M)
USA	Euro-zone	2015	535,448.00	14.6	203,723.00	14.3	331,725.00	14.8	-128,002.00
USA	Canada	2015	531,710.00	14.5	236,520.00	16.6	295,190.00	13.17	-58,670.00
USA	Mexico	2015	492,752.00	13.4	198,011.00	13.9	294,741.00	13.15	-96,730.00
USA	Japan	2015	199,442.40	5.4	68,322.40	4.8	131,120.00	5.85	-62,797.60
USA	Germany	2015	174,184.70	4.8	50,045.70	3.5	124,139.00	5.54	-74,093.30
USA	United Kingdom	2015	115,381.10	3.2	57,575.90	4.0	57,805.20	2.58	-229.30
USA	Turkey	2015	19,430.69	0.5	11,603.10	0.8	7,827.59	0.35	3,775.51
USA	Rest of the World	2015	1,146,327.81	31.3	504,957.60	35.4	641,370.21	28.6	-136,412.61
USA	World	2020	3,738,250.00	100.0	1,401,670.00	100.0	2,336,580.00	100	-934,910.00
USA	Euro-zone	2020	580,333.00	15.5	211,973.00	15.1	368,360.00	15.76	-156,387.00
USA	China	2020	571,572.00	15.3	136,123.00	9.7	435,449.00	18.64	-299,326.00
USA	Mexico	2020	503,276.00	13.5	177,882.00	12.7	325,394.00	13.93	-147,512.00
USA	Canada	2020	479,738.00	12.8	209,356.00	14.9	270,382.00	11.57	-61,026.00
USA	Japan	2020	191,154.10	5.1	71,642.10	5.1	119,512.00	5.11	-47,869.90
USA	Germany	2020	172,878.60	4.6	57,758.60	4.1	115,120.00	4.93	-57,361.40
USA	United Kingdom	2020	108,535.60	2.9	58,329.40	4.2	50,206.20	2.15	8,123.20
USA	Turkey	2020	22,540.70	0.6	11,525.20	0.8	11,015.50	0.47	509.70
USA	Rest of the World	2020	1,281,100.60	34.3	524,839.30	37.5	756,261.30	32.37	-231,422.00

Note: The following table shows the trade balance of the United States from 2005 to 2020. The data is presented in 5-year intervals to show the evolution of the trade balances. The data comes from Bloomberg (2021) which bases itself on International Monetary Fund data. The panel starts with the overall trade picture of the United States followed by the decomposition of the total trade, exports, imports, and next imports for selected countries. The selected countries are chosen based on the pertinence of this analysis. All the other countries are included in the rows "Rest of the World". This data is repeated for 2005, 2010, 2015, and 2020. The evolution between 2015 and 2020 is of particular relevance as it corresponds to the Trump Administration whereby protectionist policies were adopted by the US.

Table 2: Trade Outlook for Turkey

Main Country	Trading Partner	Year	Total Trade ($M)	RtW (%)	Exports ($M)	RtW (%)	Imports ($M)	RtW (%)	Net Exports ($M)
Turkey	World	2005	188,247.30	100.0	71,684.30	100.0	116,563.00	100	-44,878.70
Turkey	Euro-zone	2005	71,504.10	38.0	31,788.60	44.4	39,715.50	34.07	-7,926.90
Turkey	Germany	2005	22,863.32	12.2	9,243.52	12.9	13,619.80	11.68	-4,376.28
Turkey	Russia	2005	14,607.91	7.8	1,738.01	2.4	12,869.90	11.04	-11,131.89
Turkey	Italy	2005	12,986.71	6.9	5,425.65	7.6	7,561.06	6.49	-2,135.41
Turkey	United Kingdom	2005	11,211.07	6.0	6,520.94	9.1	4,690.13	4.02	1,830.81
Turkey	United States	2005	10,959.08	5.8	5,584.30	7.8	5,374.78	4.61	209.52

Main Country	Trading Partner	Year	Total Trade ($M)	RtW (%)	Exports ($M)	RtW (%)	Imports ($M)	RtW (%)	Net Exports ($M)
Turkey	China	2005	7,500.65	4.0	632.79	0.9	6,867.86	5.89	-6,235.07
Turkey	Iraq	2005	3,372.13	1.8	2,913.44	4.1	458.69	0.39	2,454.75
Turkey	Rest of the World	2005	69,092.36	36.7	22,506.22	31.4	46,586.14	39.98	-24,079.92
Turkey	World	2010	300,755.00	100.0	115,211.00	100.0	185,544.00	100	-70,333.00
Turkey	Euro-zone	2010	95,843.30	31.9	41,362.20	35.9	54,481.10	29.36	-13,118.90
Turkey	Germany	2010	29,202.60	9.7	11,653.50	10.1	17,549.10	9.46	-5,895.60
Turkey	Russia	2010	26,479.57	8.8	4,878.97	4.2	21,600.60	11.64	-16,721.63
Turkey	China	2010	20,334.01	6.8	3,153.21	2.7	17,180.80	9.26	-14,027.59
Turkey	Italy	2010	17,049.00	5.7	6,844.50	5.9	10,204.50	5.5	-3,360.00
Turkey	United States	2010	16,744.90	5.6	4,421.90	3.8	12,323.00	6.64	-7,901.10
Turkey	United Kingdom	2010	11,832.44	3.9	7,151.83	6.2	4,680.61	2.52	2,471.22
Turkey	Iraq	2010	7,753.12	2.6	6,398.54	5.6	1,354.58	0.73	5,043.96
Turkey	Rest of the World	2010	121,767.66	40.5	47,844.35	41.5	73,923.31	39.85	-26,078.96
Turkey	World	2015	359,606.00	100.0	145,987.00	100.0	213,619.00	100	-67,632.00
Turkey	Euro-zone	2015	108,243.10	30.1	45,989.30	31.5	62,253.80	29.14	-16,264.50
Turkey	Germany	2015	36,987.10	10.3	14,251.20	9.8	22,735.90	10.64	-8,484.70
Turkey	China	2015	28,237.60	7.9	2,953.90	2.0	25,283.70	11.84	-22,329.80
Turkey	Russia	2015	24,777.25	6.9	4,033.25	2.8	20,744.00	9.71	-16,710.75
Turkey	United States	2015	19,430.69	5.4	7,827.59	5.4	11,603.10	5.43	-3,775.51
Turkey	Italy	2015	18,711.43	5.2	7,368.53	5.1	11,342.90	5.31	-3,974.37
Turkey	United Kingdom	2015	16,375.89	4.6	10,583.50	7.3	5,792.39	2.71	4,791.11
Turkey	Iraq	2015	10,893.35	3.0	10,564.70	7.2	328.65	0.15	10,236.05
Turkey	Rest of the World	2015	151,648.12	42.2	64,034.76	43.9	87,613.36	41.02	-23,578.60
Turkey	World	2020	383,752.00	100.0	164,238.00	100.0	219,514.00	100	-55,276.00
Turkey	Euro-zone	2020	112,627.40	29.4	54,254.30	33.0	58,373.10	26.59	-4,118.80
Turkey	Germany	2020	36,188.00	9.4	14,455.20	8.8	21,732.80	9.9	-7,277.60
Turkey	China	2020	26,760.95	7.0	3,720.15	2.3	23,040.80	10.5	-19,320.65
Turkey	Russia	2020	22,939.49	6.0	5,110.29	3.1	17,829.20	8.12	-12,718.91
Turkey	United States	2020	22,540.70	5.9	11,015.50	6.7	11,525.20	5.25	-509.70
Turkey	Iraq	2020	17,892.72	4.7	9,691.07	5.9	8,201.65	3.74	1,489.42
Turkey	Italy	2020	17,736.31	4.6	8,536.64	5.2	9,199.67	4.19	-663.03
Turkey	United Kingdom	2020	17,005.89	4.4	11,423.50	7.0	5,582.39	2.54	5,841.11
Turkey	Rest of the World	2020	163,984.85	42.7	69,023.19	42.0	94,961.66	43.26	-25,938.47

Note: The following table shows the trade balance of Turkey from 2005 to 2020. The data is presented in 5-year intervals to show the evolution of the trade balances. The data comes from Bloomberg (2021) which bases itself on International Monetary Fund data. The panel starts with the overall trade picture of Turkey followed by the decomposition of the total trade, exports, imports, and next imports for selected countries. The selected countries are chosen based on the pertinence of this analysis. All the other countries are included in the rows "Rest of the World". This data is repeated for 2005, 2010, 2015, and 2020. The evolution between 2015 and 2020 is of particular relevance as it corresponds to the Trump Administration whereby protectionist policies were adopted by the US.

Table 3. Trade Outlook for China

Main Country	Trading Partner		Total Trade ($M)	RtW (%)	Exports ($M)	RtW (%)	Imports ($M)	RtW (%)	Net Exports ($M)
China	World	2005	1,646,325.00	100.0	986,106.00	100.0	660,219.00	100	325,887.00
China	United States	2005	308,832.50	18.8	259,838.00	26.4	48,994.50	7.42	210,843.50
China	Euro-zone	2005	210,703.00	12.8	148,275.00	15.0	62,428.00	9.46	85,847.00
China	Japan	2005	208,907.00	12.7	108,439.00	11.0	100,468.00	15.22	7,971.00
China	Hong Kong	2005	147,316.00	9.0	135,084.00	13.7	12,232.00	1.85	122,852.00
China	South Korea	2005	115,522.00	7.0	38,648.20	3.9	76,873.80	11.64	-38,225.60
China	Germany	2005	74,166.30	4.5	43,498.10	4.4	30,668.20	4.65	12,829.90
China	Singapore	2005	37,056.60	2.3	20,526.00	2.1	16,530.60	2.5	3,995.40
China	United Kingdom	2005	36,013.55	2.2	30,502.30	3.1	5,511.25	0.83	24,991.05
China	Turkey	2005	7,500.65	0.5	6,867.86	0.7	632.79	0.1	6,235.07
China	Rest of the World	2005	574,473.70	34.9	237,925.64	24.1	336,548.06	50.98	-98,622.42
China	World	2010	3,201,200.00	100.0	1,807,290.00	100.0	1,393,910.00	100	413,380.00
China	United States	2010	484,942.00	15.2	382,983.00	21.2	101,959.00	7.31	281,024.00
China	Euro-zone	2010	421,594.00	13.2	279,686.00	15.5	141,908.00	10.18	137,778.00
China	Japan	2010	329,673.00	10.3	153,369.00	8.5	176,304.00	12.65	-22,935.00
China	South Korea	2010	209,597.60	6.6	71,573.60	4.0	138,024.00	9.9	-66,450.40
China	Hong Kong	2010	206,588.34	6.5	197,087.00	10.9	9,501.34	0.68	187,585.66
China	Germany	2010	157,830.00	4.9	83,451.60	4.6	74,378.40	5.34	9,073.20
China	United Kingdom	2010	61,522.70	1.9	50,221.50	2.8	11,301.20	0.81	38,920.30
China	Singapore	2010	58,248.30	1.8	33,665.70	1.9	24,582.60	1.76	9,083.10
China	Turkey	2010	20,334.01	0.6	17,180.80	1.0	3,153.21	0.23	14,027.59
China	Rest of the World	2010	1,408,700.05	44.0	621,523.40	34.4	787,176.65	56.48	-165,653.25
China	World	2015	3,845,540.00	100.0	2,243,780.00	100.0	1,601,760.00	100	642,020.00
China	United States	2015	626,748.00	16.3	481,881.00	21.5	144,867.00	9.04	337,014.00
China	Euro-zone	2015	444,689.00	11.6	275,660.00	12.3	169,029.00	10.55	106,631.00
China	Japan	2015	303,314.00	7.9	160,598.00	7.2	142,716.00	8.91	17,882.00

Main Country	Trading Partner		Total Trade ($M)	RtW (%)	Exports ($M)	RtW (%)	Imports ($M)	RtW (%)	Net Exports ($M)
China	Hong Kong	2015	269,394.48	7.0	261,233.00	11.6	8,161.48	0.51	253,071.52
China	South Korea	2015	264,539.30	6.9	90,250.30	4.0	174,289.00	10.88	-84,038.70
China	Germany	2015	164,155.40	4.3	76,685.30	3.4	87,470.10	5.46	-10,784.80
China	United Kingdom	2015	80,107.70	2.1	61,227.00	2.7	18,880.70	1.18	42,346.30
China	Singapore	2015	68,213.00	1.8	42,191.30	1.9	26,021.70	1.62	16,169.60
China	Turkey	2015	28,237.60	0.7	25,283.70	1.1	2,953.90	0.18	22,329.80
China	Rest of the World	2015	1,760,296.92	45.8	845,455.70	37.7	914,841.22	57.13	-69,385.52
China	World	2020	4,508,290.00	100.0	2,448,030.00	100.0	2,060,260.00	100	387,770.00
China	Euro-zone	2020	580,596.00	12.9	354,679.00	14.5	225,917.00	10.97	128,762.00
China	United States	2020	571,572.00	12.7	435,449.00	17.8	136,123.00	6.61	299,326.00
China	Japan	2020	340,009.00	7.5	163,920.00	6.7	176,089.00	8.55	-12,169.00
China	South Korea	2020	282,356.00	6.3	108,855.00	4.5	173,501.00	8.42	-64,646.00
China	Hong Kong	2020	258,510.96	5.7	251,385.00	10.3	7,125.96	0.35	244,259.04
China	Germany	2020	198,997.00	4.4	93,715.00	3.8	105,282.00	5.11	-11,567.00

Note: The following table shows the trade balance of China from 2005 to 2020. The data is presented in 5-year intervals to show the evolution of the trade balances. The data comes from Bloomberg (2021) which bases itself on International Monetary Fund data. The panel starts with the overall trade picture of China followed by the decomposition of the total trade, exports, imports, and next imports for selected countries. The selected countries are chosen based on the pertinence of this analysis. All the other countries are included in the rows “Rest of the World”. This data is repeated for 2005, 2010, 2015, and 2020. The evolution between 2015 and 2020 is of particular relevance as it corresponds to the Trump Administration whereby protectionist policies were adopted by the US

The first observation is that the US and Turkey are trade-deficit countries, whereas China is a trade surplus country. This is true of the four years that we focus on. For example, in 2020, total global net exports stood at – $935 billion, – $55.2 billion, and +$388 billion for the US, Turkey, and China, respectively. If one looks at the relationship between the US and China, we also see that this figure stood at +$299 billion dollars in China’s favor in 2020. While lower than where it stood in 2015 at +$337 billion, it clearly shows that Trump’s ambitious anti-Chinese trade rhetoric did not make a significant difference in their trade relationship. At the same time, it would not be accurate to explain the US’ trade deficit only with China. The US also has a structural trade deficit problem with Eurozone countries as well as with Mexico. As a matter of fact, the US ran trade deficits of – $156 billion with Eurozone countries and – $147 billion with Mexico in 2020. Similarly, China also had a trade surplus of +$128.7 billion with Eurozone countries in 2020. From a historical perspective, we observe that China has been diversifying its trade relationships. For instance, in 2005, the relative weights of the United States and Europe amounted to 18.8% and 12.8% respectively. As of 2020, the same figures stood at 12.7% and 12.9%. Not only have the US shares decreased significantly, the total combined weight of these two trading blocs in China’s total trade went down from 31.6% to 25.6%. This is a testimony to China’s strategic determination to globalize its trade and presence across the world, and to reduce any overdependence on any one country. Moreover, China does not always have positive exports with every country either. For instance, in 2020 the country ran deficits with other partners such as South Korea and Germany, from which it imports cars, machinery, and semi-conductors. There are long-term supply-chain contracts established between Germany and China.

Regarding the Turkish trade situation, the country can be seen as a middle-sized trading country with significant potential. While it has made significant efforts to improve its trade, its total trade with the world stood at only $383 billion dollars in 2020. Furthermore, if we are to analyze the country's trade deficit of $55.2 billion dollars, we see that this is mostly caused by its trade with China and Russia. For example, Turkey ran a – $19.3-billion-dollar deficit with China and another – $12.7 billion deficit with Russia. Turkey's imports from China like mobile phones, audio, visual, and other transmission devices, automatic data processing machines and their magnetic or optical readers are the main items constituting the deficit. The deficit with Russia is caused by hydrocarbon imports from this natural gas rich country. On the other hand, Turkey has a much healthier trade situation with its European partners such as the UK, Italy, and Germany. In line with Turkey's global trade policy, it has interests in continuing its good relationship with all parties. It needs to reinforce its links with EU countries, while it needs to rectify its trade composition with China through increased export access to this Asian country.

4. China's New Silk Road: Long-Term Trade Strategy Building on a Historical and Cultural Context to Create 21st Century Commercial Links

The Belt and Road Initiative was first mentioned by the Chinese leadership in 2013. Chinese policy makers re-branded the historical trade route to undertake a comprehensive commercial initiative. Although the total number of countries mentioned in the scope of the project vary, there are more than 70 BRI corridor economies (see Table 4), showing the global scale of the initiative.

Table 4. List of BRI Participating Countries

Region	Economy
East Asia	People's Republic of China, Mongolia
Southeast Asia	Brunei, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, Viet Nam
South Asia	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka
Central Asia	Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan
Middle East and North Africa	Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Palestinian Authority, Syria, United Arab Emirates, Yemen

Europe and Central Asia	Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Former Yugoslav Republic of Macedonia, Moldova, Montenegro, Poland, Romania, Russian Federation, Serbia, Slovakia, Slovenia, Turkey, Ukraine
21st Century Maritime Silk Road	Ethiopia, Kenya, Morocco, New Zealand, Panama, Korea, South Africa

Note: The information (2021) in this table comes from the China International Trade Institute and shows the 72 economies that have cooperation agreements with China in the context of the BRI.

According to a Refinitiv database, as of mid-2020, more than 2,600 projects at a cost of $3.7 trillion are linked to the BRI (Holland & Faulconbridge, 2021). The bulk of these projects are long-term infrastructure undertakings with time horizons in the order of 20 and 30 years. They cannot be considered as short-term profit-seeking endeavors. The BRI project is not a totally new concept and it rather has the objective of reinvigorating the historical trade links that already existed.

4.1. Background: Current and Historical Context

The New Silk Road is a general term that has been publicly used since 2013. It applies to the emerging network of infrastructure mega-projects, enhanced transportation routes, and economic and energy corridors designed to increase the connectivity of countries between China and Europe. These span 65 nations, 65% of the world's population, and 40% of the planet's total GDP. Although it had been underway for over a decade, China's 2013 BRI announcement infused the plan with the financial, political, and marketing clout that it needed to have a real impact. (**See Figure 1**)

Currently in its development stages, "the New Silk Road is an endeavor that's spearheaded by big governments and big international development banks. However, without investment from the private sector this project is little more than a naked framework of new highways and rail lines, vacant Special Economic Zones (SEZs) and underpopulated new cities" (Shepard, 2017). From the point of view of bordering countries, the initiative might seem like "a "carrot and stick" strategy or […] a Chinese version of the Marshall Plan" (Wei, 2017). According to Wei (2017) China is taking advantage of its economic growth for political gains abroad. Indeed, while countries may benefit economically through ever increasing Chinese investment, they also risk being subject to its regional dominance. The BRI represents both China's foreign economic strategy and Silk Road implementation plan to cover 55% of the world's Gross Domestic Product (GDP), 70% of its population, and 75% of its energy reserves (Wei, 2017). At the same time, some countries like Pakistan welcome Chinese investment to diversify their economic dependencies and international alliances. Bhattacharjee (2015) suggested that Chinese economic relations and their infrastructure in the BRI context could be seen as a way to alleviate the endemic energy crisis that Pakistan faced. From an economic development perspective, Klement (2021) suggests that "China has tried to escape the middle-income trap by fostering a local high-tech industry that directly competes with high-tech businesses in Japan, Europe, and North America. Furthermore, China has attempted to build a global supply chain centered on Chinese businesses with the help of the BRI."

At the same time, this project coincides with the economic rise of the country. From the Chinese perspective, this is simply a "return back to the Old-World Order" before European colonization started in the 16th century. At this point, it is important to remember the historical importance of Silk Road.

4.1.1. Historical Perspective

The Silk Road, also called Silk Route, is an ancient trade route linking China with the West. It carried goods and ideas between the great Roman and Chinese civilizations. Silk went westward and wools, gold, and silver went eastward (Britannica, 2020).

In her historical explanation, Song (2021) emphasizes that the Silk Road is the world's longest and historically most "important overland trade route. Trade began thousands of years ago because the tradesmen found that ferrying products was profitable, and silk was one of the main trade items. Cultures throughout Eurasia developed economically, technologically, and culturally through trade and travel along the road. ...China has been historically isolated and separated from western civilizations by the world's highest mountains, some of the largest and most severe deserts, and long distances. In between, nomadic people also raided travelers and traders. However, the Shang (1600-1046 BC), Zhou (1045-221 BC), and Han (206 BC-220 AD) dynasties mastered the production of exceptional products greatly valued by the West, such as silk, porcelain, and paper. To reach the West, the most important road was the Silk Road. " (Song, 2021).

4.1.2. The Modern Digital Silk Road as of 2015

As part of China's massive BRI, the biggest infrastructure undertaking in the world, Beijing has launched the 'Digital Silk Road' (DSR). Announced in 2015, the DSR has become a significant part of Beijing's overall BRI strategy. Under this mandate, China provides aid, political support, and other assistance to recipient states. As Oropeza García (2020) explains, the DSR also provides support to Chinese exporters, including many well-known Chinese technology companies, such as Huawei. DSR assistance focuses on improving recipients' telecommunications networks, artificial intelligence capabilities, cloud computing, smart cities, and other high-tech areas.

China has already signed agreements on DSR cooperation on investments to at least sixteen countries. Nevertheless, the true number of agreements and investments is likely much larger because many of these go unreported. Memoranda of understandings (MOUs) do not necessarily show whether China and another country have embarked on a close cooperation in the digital sphere. In fact, Erie and Steinz (2021) show that "governments in emerging economies demand

Chinese-built digital infrastructures and emulate China's approach to data governance in pursuit of "data sovereignty" and digital development". China's Digital Silk Road also entails the use of Chinese physical components in the construction of digital infrastructures. This will make Chinese companies key players on the global telecommunications arena.

In this constellation of ventures and technologies, emphasis is given to the relevance of e-commerce both for the enhancement of the Chinese economy and its digital strategy. To this end, we can mention the success of Alibaba's electronic World Trade Platform (eWTP) in terms of progress and project relevance. In Malaysia, the country that is at the most advanced stage in implementing the eWTP, Ali Baba had real success (Bosetti, 2020).

4.1.3. China's Health Silk Road in the Post-Corona Context

Chinese diplomacy is making an effective use of Covid vaccines. The larger BRI is framed as a necessary post-corona economic recovery component, but it is the Health Silk Road that is well-praised in China's Covid-era diplomacy. In the fight against Covid, China pursued a friendly policy of "community of common health". President Xi Jinping wanted to use this occasion to help suffering nations and present China as a friendly and responsible superpower. This effort is called "community of common health". China also used its vaccine development with Sinovac vaccines as a way of acting like a global savior. In a way, China is aware that the Coronavirus has worsened trade relations with the US. This is also what Escaith (2021) observes: "This situation is an additional threat for the Multilateral Trade Governance as large-scale trade deflection may induce a cascade of Tit-for-Tat protectionist measures" at a time when the world is fighting with the economic impacts of the Coronavirus.

4.1.4. Criticisms of China's Trade Dealings

In its dealing with emerging markets, particularly in Africa, China was first welcomed as a non-judgmental foreign power that brought up no challenges for recipients' political systems or ways of life. While it all started with pragmatic business entrepreneurs, Chinese investors have also been criticized for being Chinese-centric. For example, when doing business in African countries, most Chinese companies brought over Chinese engineers and workers instead of using the local workforce. This has also happened in Asia as in the case of Sri Lanka where the prime example is the Sri Lankan port of Hambantota. "As the story goes, Beijing pushed Sri Lanka into borrowing money from Chinese banks to pay for the project, which had no prospect of commercial success. Onerous terms and feeble revenues eventually pushed Sri Lanka into default, at which point Beijing demanded the port as collateral" (Brautigam & Rithmire, 2021). Mike Pence, Trump's Vice President, often mentioned this example as a case of "debt-trap diplomacy" with military consequences. However, this widely cited Sri Lankan port example does not present the reality of the situation. The Chinese never encouraged such a large-scale project and the China Merchants bank only intervened when Sri Lanka could find no alternative financing from India or the US

(Jones, 2020). Apart from this, there has also been some political criticism from different political entities. Regional rivals like India are also apprehensive about China's economic rise. Pradhan (2019) claims that China's evolving international framework to develop a regional bulwark consolidates its land and maritime position in Asia and will virtually reduce India to a non-power. China's assertive expansion and some countries' negative perception could potentially slow-down the implementation of BRI and, in some cases, cause cancellations. However, China has also been focusing on its image and public relations. As a matter of fact, China's above-mentioned vaccine diplomacy is one such ways.

Needless to say, the comprehensive implementation of the BRI in emerging markets also attracted competition from the EU and US. In 2021, these two blocs announced their intention of announcing their own infrastructure projects to rival the Chinese one. The EU sponsored Global Gateway Strategy (GGS) and the US's "Build Back Better World" (B3W) initiative will further divide the world into competing camps (Khan, 2021). This international competition is likely to cause more friction for Chinese efforts. However, since BRI project already started back in 2013 and is already being implemented, China still enjoys the first move advantage on the global scene. Therefore, we should not realistically expect for a dramatic impact of competing projects on the BRI in the immediate future.

4.2. Assessing the Impact of the BRI on Selected Countries from Sector and Company Perspectives: China, Germany, Italy, and Poland

The BRI is a multi-continental and multi-dimensional project with many different global implications. This paper does not intend to discuss the project's scope for each country or all Asian countries even. However, the project's consequences for the selected markets of China, Germany, Italy, and Poland will be discussed before discussing its influence on Turkey in section five. The nature of the projects included in the BRI are infrastructure projects such as seaports, railways, roads, transportation projects, etc. Since most infrastructure projects require intensive capital investments and over 20-year time horizons, they require long-term commitment on the part of Chinese investors. Put differently, these projects require a long payback period and are not appropriate for short-term investors who are after quick gains. The BRI's infrastructure focus lends support to the assessment that BRI is a long-term strategic project as opposed to a short-term one.

4.2.1. China

For China there are both geopolitical and economic motivations behind the initiative. While Xi has promoted the vision of a more assertive China, slowing growth and rocky US trade relations have pressured its leadership to open new markets for its goods. To date, more than sixty countries—accounting for two-thirds of the world's population—have signed on to projects or indicated an interest in doing so. Alongside the 'Made in China' 2025 economic development strategy, experts see the BRI as one of the main planks of a bolder Chinese statecraft under Xi.

More broadly, Chinese leaders are determined to restructure the economy to avoid the so-called middle-income trap, which has plagued almost 90 percent of middle-income countries since 1960. In this scenario, as low-skilled manufacturing rises, wages go up and quality of life improves, but countries then struggle shifting to produce higher-value goods and services (Chatzky and McBride, 2020). In sum, China aims to make structural changes in the way the global economy works. It no longer wants to be dependent on an economic system that is over-dependent on the US. It wants to create an independent trade infrastructure that it controls and use it to bring prosperity to its partners on a global scale. In 2015, China announced a comprehensive plan that outlines its geographical scope (see Table 4). The scope is truly global in nature; however, this study will focus mostly on East Asia, Central Asia, and Europe.

A growing Chinese market with rising domestic demand will bring great opportunities for foreign products, services, and investment. The transformation of China from an export-oriented economy to a more diversified one with a strong consumption base will make it an attractive country for foreigners. Moreover, Chinese companies will both contribute and benefit from this internationalization and global openness. Many leading Chinese companies are contributing to the success of the BRI. The projects they undertake are of a global nature and they require significant capital investment (Shepard, 2017). It is worth mentioning in an anecdotal fashion some of these Chinese names that play an important international role in the Silk Road's Northern route: : For example, China COSCO Holdings company has acquired Piraeus port in Greece, Kumport terminal in Turkey and Khorgos Gateway in Kazakhstan. Similarly, China Merchants Port, the country's largest public port operator has been actively "extending its reach down the tendrils of the Belt and Road. With investments in 29 ports around the world, the shipping giant is planning to move deeper into Southeast Asia, Turkey, Africa, the Baltics, and Russia over the next years" (Shepard, 2017)

The Silk Road Fund

In terms of financing, Chinese state banks take the lead. The Silk Road Fund is a state-owned investment fund meant to foster increased investment in countries along the BRI. The Chinese government pledged $40 billion for the creation of the investment fund established on December 29th, 2014. The Silk Road Fund is a limited liability company whose main shareholders are: The Chinese State Administration of Foreign Exchange (65%), the China Investment Corporation (15%), the Export-Import Bank of China (15%), and the China Development Bank (5%). Other Chinese banks active in the initiative include the Agricultural Development Bank of China, the Bank of China, the China Construction Bank, and the Industrial & Commercial Bank of China (OECD, 2018).

Overall, China is the biggest beneficiary of this project as the BRI project will transform the country from an Asian power to a fully global power. Also, China would like to diversify its global outreach away from the China Sea towards land-based commercial routes. Therefore, the revival of the New Silk Road is certainly a strategic project for the world's second biggest economy.

4.2.2. Germany

As a global economic power, Germany has a pragmatic and constructive stance towards the BRI. In fact, Germany's then Chancellor Angela Merkel had welcomed the BRI as a means to attract more Chinese investments in Europe and its wider neighborhood. "However, Berlin is also concerned about the initiative's potential to dilute EU investment rules and to erode political unity among member states vying for Chinese investment. Moreover, German media coverage has been mostly negative, with press reports depicting the BRI either as a geopolitical threat or as an over-ambitious endeavor doomed to fail." (Gaspers, 2016).

Given prevailing uncertainties about the geopolitical implications and economic sustainability of the BRI, the German government has actively tried to coordinate Europe's response to and involvement with it through the EU, the Organization for Security and Cooperation in Europe (OSCE), and the G20. Germany is well placed for the role not just as Europe's biggest economy, but also because unlike certain Central, Eastern, and Southern European countries, its economic fortunes do not depend on attracting Chinese investment.

Overall, the German political stance on this issue has been a constructive one. The Belt and Road Initiative offers significant opportunities for German corporations and banks. China is a significant market for the German economy and its corporations. For example, according to official data from the Federal Statistics Office, China topped Germany's foreign trade rankings in 2017 with a total trading value of EUR 186.6 billion highlighting its importance. The BRI route offers significant opportunities for Germany as Europe's largest partner for the BRI (Ebbighausen, 2017).

Thus far, only a few German companies have implemented concrete steps toward participating in China's New Silk Road. One of them is Deutsche Bank, which has ploughed three billion dollars into the Chinese Development Bank and aims to boost economic cooperation between China and Germany within the framework of the initiative. Another bank that aims to capitalize on the BRI is Commerzbank. It finances approximately 30% of Germany's foreign trade and is a leading finance provider for corporate clients in Germany. Furthermore, Commerzbank has an ambitious plan to roll-out the BRI to the German Duisburg Port, the largest inland port in the world, which is positioned as an important and strategic endpoint to the Silk Road. Now already 24 trains from the Far East unload there every week. Meanwhile, Deutsche Bahn, Germany's publicly owned rail company, plans to expand its activities in China. Germany's exposure to BRI transportation projects has been limited to five projects linking existing railroads. Please see Table 5 for more details.

Table 5: Germany's Exposure to BRI's Transportation Projects

Railway Link	Inception	Operator(s)	BRI (re-) branding
Leipzig-Shenyang	Sep 2011	DB Schenker	Initiated in 2011 without a "Silk Road label". Since 2012, presented in the media as example for "Silk Road" transport links
"Yuxin'ou-Railway" Duisburg – Chongqing	Jan 2012	YuXinOu Logistics Company (Chinese-German-Russian-Kazakh joint venture); Trans Eurasia Logistics	One regular train per week from 2021 onwards; increased frequency to three times per week in 2014; presented by the operators as a "Silk Road" project since March 2014
"Trans Eurasia Express" Hamburg – Zhengzhou	Regular traffic since 2013, further extended July 2015	Joint project by DB Schenker & Zhengzhou city, operated by Trans Eurasia Logistics; DHL Freight operation since July 2016	First "pilot train" was operational in Oct 2008 (Xiangtang – Hamburg); actively promoted as "Silk Road" project by new operator DHL Freight since 2015
Hamburg – Harbin	June 2015	Trans Eurasia Logistics	Promoted under "New Silk Road" label from its very conception
Nurnberg – Chengdu	October 2015	Hellmann Rail Eurasia	Promoted by Hellmann and German as part of "New Iron Silk Road"

Source: MERICS Research

Another company, which is convinced by the BRI, is Siemens. It is among the first global companies to partner with Chinese Engineering, Procurement, and Construction (EPC) in their "go global" endeavor. In fact, Siemens has been joining forces with over 100 leading Chinese EPCs in more than 100 countries and regions for more than two decades. For example, according to a June 6th, 2018 press release, Siemens helped China Tianchen Engineering acquire the biggest order ever won by a Chinese company in Turkey to build one of the world's largest soda ash factories. German companies view the BRI as a business corporation opportunity.

4.2.3. Italy

Italy has been one of the first European countries to show an enthusiastic approach to the BRI. In March 2019, President Jinping signed a non-binding agreement with the Italian government to join China's trade route inking 29 deals worth 2.5 billion euros ($2.8 billion) across an array of sectors. Italy thus hopes the project will boost its sluggish economy (Ellyatt, 2019).

Industrial relations between Italy and China date back to the mid-1980s. When Romano Prodi, who would later serve two terms as prime minister, was president of Italy's Institute for Industrial Reconstruction and China asked him to build a factory in Tianjin. In return, his Chinese counterparts helped him build a factory in what was then the Soviet Union. Once he became prime minister in 1997, Prodi led a massive trade mission to China, bringing over 100 companies to promote joint ventures in engineering, pharmaceuticals, foodstuffs, textiles, fashion, and finance (Bindi, 2019).

Italy has good reasons to nurture its friendship with China. Enrico Fardella and Giorgio Prodi of the University of Bologna have studied the BRI's impact on Europe, particularly Italy. They point out that "since a Chinese shipping company bought a controlling stake in the Greek port of Piraeus in 2016, the Mediterranean has become a more important trade hub for China". As a matter of fact, maritime transport is an important part of the BRI because most trade between China and Europe happens by ship, and Italy wants to remain central to these developments. Trade experts warned "that, should Italy remain outside the BRI, it could miss trade opportunities. Specifically, Italian ports on the Adriatic Sea could lose business, should the Port of Piraeus become linked to Central Europe via rail. "

Apart from logistics, we have seen a significant amount of BRI-related investment from Chinese companies in Italy, including capital flowing from privately owned companies. One example is the leisure sector, where private players in China have effectively given it a new lease of life in Europe (Svaluto, 2019). With China integrating into the world economy, Chinese tourists and consumers are likely to favor destinations like Italy. Chinese entrepreneurs are already investing in Italy's tourism and luxury sectors.

4.2.4. Poland

In the BRI context, Poland's unique location is an incredible asset. Poland has also attracted many Chinese companies thanks to its excellent geographical location. The country is seen as a launching pad to other key Eastern European markets. For example, as of 2020, Poland accommodated the new AliExpress logistics center, which was a major addition to the e-commerce industry. This center operates as a joint venture between the Alibaba Group, the Shanghai-headquartered Logistics Group (WWL), and the ATC Cargo, a multi modal Polish freight delivery company (Hong Kong Trade Development Council, 2018).

Poland now plays a pioneering regional role in improving trade relations through the railway sector. It is estimated that by the end of 2017, approximately 25 percent of all goods arriving by rail to the EU came through Poland. Rail traffic between China and the EU has increased a hundredfold over the past decade (Góralczyk, 2019). For example, in November 2019, Poland's Gdansk Port received the inaugural Euro-China Train (ECT) as China's BRI carried out a direct link to the Baltic Sea. Adampol, the Polish transportation and logistics company, reported that there is growing interest in the new service, which cuts journey times from China to Gdansk from 40-45 days via sea to 10-12 days via rail. The Baltic Train will also "turbocharge" delivery times for goods between China, Britain, and Scandinavia down to 12-14 days through feeder services from Gdansk, cutting journeys by 3-5 days via the Port of Hamburg (Silk Road Briefing, 2019).

Despite various negative perceptions, the BRI still offers many potential benefits to the Central and Eastern Europe (CEE) region. Aside from the development of rail infrastructure, the energy sector has received some Chinese tenders. There are contracts for power plants in Romania (€7 billion), the Czech Republic (€15 billion), and Bulgaria.

For Poland, the BRI has become the focus of its foreign policy. Poland is located on the main land axis of the Silk Road from China to Western Europe and is therefore an inalienable asset for China. It would be wise to use this asset properly. Yet, unlike comparative successes in their diplomatic relations, so far neither has achieved much success in the economic sphere.

5. A Special Look into The China-Turkey Trade Relationship

China has sought to develop a strong long-term relationship with Turkey due to its strategic location and economic potential. The trade links mostly focus on long-term infrastructure projects, banking cooperation, and Covid vaccines supply.

The trade relations between China and Turkey have significantly increased since 2016. An analysis by Alemdaroglu and Tepe (2020) showed how by the end of 2020 China and Turkey had 10 bilateral agreements, including health and nuclear energy related ones. “China is now Turkey’s second-largest import partner after Russia. China has invested $3 billion in Turkey between 2016 and 2019” (Alemdaroglu & Tepe, 2020).

Turkish government authorities already appreciated this link 2018 when the Industrial and Commercial Bank of China provided them with a $3.6 billion loan following a 40% lira decrease after Trump tweeted against the country. Moreover, establishing diverse financial relations is in line with Turkey’ long-term financial diversification strategy. In a May 2017 Financial Stability Report, the Central Bank of the Republic of Turkey (2017) noted how the diversification in the countries and banks that provide to the Turkish banking sector has increased. According to the authors, this was a welcome development that limits the spillovers of potential financial shocks to a country’s banking system. In June 2021, Reuters reported that Turkey’s Central Bank agreed with China to increase an existing currency swap facility to $6 billion from $2.4 billion, in a move that could boost foreign reserves. This agreement represents a much-needed positive support for the Turkish Central Bank. While the Turkish Central Bank sought for similar comprehensive deals with Western central banks, the Chinese response has been the timeliest one.

Moreover, China acts as a responsive and agile partner when it comes to trade negotiations. This open and reliable attitude is valued by Turkish policy makers who are somewhat frustrated by the lack of progress in the Customs Union modernization negotiations with the EU. Arbay (2020) suggests that Turkey is keen on starting the negotiations although political conditions, attached as pre-conditions to the modernization of the Customs Union, create disappointment and demotivation. Needless to say, if this difference in attitude and constructiveness between China and the EU continues, we could realistically expect China to become Turkey’s first choice in trade partners.

Apart from the economic and financial aspects, the BRI is in line with Turkey’s long-term logistical objectives. For example, the country put forward a new Silk Road initiative named the ‘Middle Corridor’, referring to the country’s strategic position. This initiative includes Baku-Tbilisi-Kars

Railway line, which constitutes the main pillar of the Middle Corridor. Concretely speaking, the block container train services are set to arrive from Xi'an, China, entering Turkey via the cities of Kars, Erzurum, Erzincan, Sivas, Kayseri, Kırıkkale, Ankara, Eskişehir, Kocaeli, Istanbul (Marmaray) before entering Europe through Kapıkule (Edirne) (Bilgener, 2019). Figure 1 demonstrates the strategic positioning of Turkey,

Figure 1: Mapping the Belt and Road Initiative's Plan and Progress

Source: CSIS Reconnecting Asia Project, U.S. Global Investors (2021)

The main aim of the BRI is improving logistical infrastructure and therefore improving the trade scope connecting Asia, Africa, and Europe via roads and sea-lanes. The railway will reduce freight transportation times between China and Turkey from one month to 12 days, the whole route between China and Western Europe taking 18 days with the integration of Istanbul's Marmaray tunnel. China's BRI offers Turkey a source of fresh cash—and Beijing a strategic foothold on the Mediterranean Sea (Alemdaroglu & Tepe, 2020). As part of the infrastructure-building initiative, Turkey completed a railroad from Kars in eastern Turkey via Tbilisi, Georgia, to Baku, Azerbaijan, on the Caspian Sea, from where it links to transportation networks to China. Due to this, some Chinese companies have become interested in Turkish infrastructure facilities. Some major international investments of China Merchants Port Holdings in consortium with COSCO have bought a controlling stake in Turkey's Kumport terminal, focusing on container shipments (Shepard, 2017).

Turkish construction companies, which are highly active in the Central Asian Republics, are also looking forward to cooperating with their Chinese counterparts. Areas of cooperation consist in building roads and airports in the STAN countries, such as Afghanistan, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. Some Turkish companies, such as Koc

Holding-linked Arcelik, are aiming to reinforce their presence in the New Silk Road region. Recently, they acquired Hitachi's foreign business, particularly focusing on this area. This also aligns with Arcelik's strategy to venture deeper into Asia, with the company looking to gain a major presence in markets along the Silk Road (Tavsan, 2021).

On the Healthcare front, the Coronavirus context of 2020-2021 has brought China and Turkey even closer. For example, the Turkish Health Ministry ordered 100 million vaccine doses from Sinovac in January 2021, even though the Chinese producer was only able to deliver 30% of these shipments by May 2021. In the selection process, the cost and technology transfer aspects were the main factors that led Turkey to choose them as the main vaccine supplier. This vaccine diplomacy further improved the image of China in the country: Chinese cooperation was received as a responsible and timely move.

Moving forward, Turkey is a reliable trading and investment partner for China. Its geographical location and its investment friendly attitude are positive factors for overseas investments. While the initial reactions in some European countries like Holland have been somewhat reticent regarding the BRI, Turkish leaders showed no such negative attitude. With its existing customs union with the European Union, Turkey could be a launching pad for Chinese industrial players to enter the European market. There is also a strategic fit in terms of what sector investments Turkey has to offer and what Chinese investors are searching for. In the BRI context, the Chinese target investments in particular sectors like Energy, Logistics, and Mining. Interestingly, as of May 2021, these sectors make up around 50% of Turkish Sovereign Wealth Fund assets, and Turkish policy makers will likely be open about receiving investments in these particular assets. Overall, Turkey can easily absorb around $10-$15 billion of Chinese Foreign Direct Investment (FDI) in the 2021-2025 period. This is a mutually beneficial cooperation opportunity with Turkey offering solid and attractive businesses and China searching for sustainable acquisition targets in key sectors.

Furthermore, when Turkey's historical partners, namely the US and the EU, were not showing full commitment to the country in 2018-2019, Chinese engagement was well-received by the Turkish ruling class.

While the trade and economic cooperation potential between these two countries is significant, there are also areas for significant improvement that need to be rectified to build sustainable long-term links. As can be seen in **Table 2,** Turkey has an unhealthy trade balance with China. For instance, the trade deficit stood at – 22.3 billion in 2015 and – 19.3 billion in 2020. To have a sustainable balanced relationship, Turkish exporters need freer access to the Chinese market and a comprehensive trade deal should take measures to reduce this imbalance to more sustainable lower levels. For example, Turkey should lobby Chinese authorities to have open and freer access to the Chinese market. In the case of the Ukraine, Vlasenko, Gneusheva, and Bublei (2019) advise the country that to avoid becoming mere suppliers of raw materials, Ukraine must rebalance its trade with China and focus on exporting processed food products. This is the only type of commodity the Chinese will not be able to provide by growing their manufacturing capabilities or replicating previously imported technology. Similarly, Turkey should also carry out a gap analysis in its trade with China. It should identify several sectors where China might be an ideal market for Turkish exporters and where Turkey has competitive advantages. China is interested in keeping Turkey as a long-term strategic commercial partner and enabling more Turkish exports to its market would certainly enhance this relationship.

6. Conclusion

The rise of China as a global power has been one of the important geopolitical developments of the last three decades. The BRI is a flagship project of this ascending power. Not only has China put in place a comprehensive plan, but it has also rivalled the Group of Seven richest democracies (G7) to the point of moving them to react with their own global infrastructure projects.

In this paper, we have provided evidence for the hypothesis that these BRI investments should be seen as a part of the long-term strategy of a country that aims to be both a political and economic world leader. Such evidence includes the long-term nature of BRI infrastructure projects, Chinese government trade diversification objectives, active Chinese diplomacy as in the case of vaccine diplomacy, and the geographic scope of the BRI. The nature of BRI projects does not point towards a short-term profit-seeking approach. This is rather a well-planned long-term project which aims to reap the benefits in the distant future. Furthermore, the EU and US reacting with their own long-term GCS and B3B infrastructure projects support our thesis that the BRI is a long-term Chinese strategy for becoming a world power.

China has the right financial and economic resources to be a world trade powerhouse. At the same time, China will be better off anchoring the BRI within the context of existing negotiations on regional or multilateral investment. Put differently, by discussing more openly with other trading blocs like the European Union, the world's second economic power can achieve its BRI objectives in a more efficient smoother manner without attracting fierce competition.

Since 2013, and particularly during the Covid pandemic, China has successfully positioned itself as a friendly superpower. Pragmatic trade deals without political conditions and solid execution characteristics define the Chinese investment style. The Chinese political elite was able to fill the gap left by the West in a clever way. For example, while the West has been snubbing its long-term ally Turkey, the Chinese forged strong financial and economic links with the country. While there are also accusations against China of state mercantilism and debt trapping, their pragmatic trade style has been finding a positive response in different markets including Turkey's. This style cleverly combined long-term strategic objectives with grasping short-term tactical opportunities.

Overall, world trade would greatly benefit if major trading powers, namely China, the US, and the EU constructively discussed in the WTO framework. This would also facilitate China claiming its global economic status without any unnecessary friction.

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