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**RELATIONS BETWEEN TÜRKİYE AND CHINA IN THE CON-  
TEXT OF BELT AND ROAD INITIATIVE: CHALLENGES AND  
PROSPECTS**

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**ABSTRACT**

The China Dream articulated by President Xi Jinping when he took office in 2012 guides China's new Global Strategy, particularly the Belt and Road Initiative (BRI) announced in 2013. Türkiye is also interested in this initiative and embraces it politically, with the idea that it will strengthen regional connectivity and thus increase commercial and economic gains. As a result, it completed many transportation projects on its route. However, Türkiye still faces a number of problems such as regional instability, security risks, lack of mutual trust and lack of robust guarantee mechanisms. On the other hand, Chinese businesses in Türkiye also face higher financing risk, strong competition and operational risks. In addition, there are other non-economic risks arising from politics, security and cultural differences. In this article, using SWOT analysis, the strengths and opportunities for Türkiye will be analyzed while the weaknesses and threats for BRI will be examined.

**Keywords:** Belt and Road Initiative, China, Türkiye.

## INTRODUCTION

With Deng Xiaoping's coming to power as paramount leader, China initiated the Reform and Opening Up in 1978 termed Socialism with Chinese characteristics. These reforms introduced market principles and were carried out in two stages. The first stage, in the late 1970s and early 1980s, involved the de-collectivization of agriculture, the opening up of the country to foreign investment, and permission for entrepreneurs to start businesses. However, most industries remained state-owned. The second stage of reform, in the late 1980s and 1990s, involved the privatization and contracting out of many state-owned industries and the lifting of price controls, protectionist policies, and regulations, although state monopolies in sectors such as banking and petroleum remained. The private sector grew remarkably, accounting for as much as 70 percent of China's gross domestic product by 2005.

As a result, unprecedented growth occurred, with the economy increasing by 9.5 percent a year since 1978. China industrialized and grew steadily and became the number two economy surpassing Japan in 2015. China is projected to become the number one economy outdoing the USA in 2030 in terms of nominal GDP. However, according to the IMF, China is already the largest economy in terms of purchasing power parity; the GDP(PPP) of China is predicted \$30.17 trillion while the GDP (PPP) of the USA is predicted \$25,34 trillion in 2022 (International Monetary Fund, 2022). With all these developments, mainly highly skilled and cheap labour, good infrastructure, and favourable business conditions, China became the factory of the world. Most of its goods are going to richer countries of the West, North America, and Europe. In a highly globalized world, delivering goods faster has become very important. For the rest of the world as well as for Chinese, transportation via maritime roads has become cheaper over the years, but it has not become faster. China solved this problem partially by creating factory ships and assembling the goods on the way to the destination. Another problem is that the Malacca Strait which has been used for the import of raw materials such as oil and to transfer goods to Europe, the Middle East, and Africa became one of the most congested straights in the world making it dangerous and dependent on Malaysia. Chinese leadership has long been aware of this problem and Chinese President Hu Jintao called it the Malacca Dilemma in 2003, which means the potential factors that could hamper China's economic development by blocking oil and other raw material imports (Diplomatist, 2020). On the other hand, Chinese development has been uneven, making the eastern and south-eastern parts of the country develop while the western and north-western parts of the country lagged. These areas are home to Xinjiang Uyghur Autonomous Region and Tibet Autonomous Region where the secessionist movements are strong.

All of these problems stated above forced China to look for alternative routes to deliver goods to the rest of the world faster and cheaper. Not long after China began to search for various other options, an old concept came to help. The Silk Road, a trade route that has been used for centuries between China and Europe, came to mind. Old Silk Road became weaker with the Portuguese reaching the Cape of Good Hope and entering the Indian Ocean in 1488 starting a maritime route from Portugal to India. Because moving goods through sea has been much faster, cheaper, and safer compared to land roads, maritime

routes have been used for centuries. The idea of reviving the Silk Road emerged because of technological advances, mainly the railroads became much faster though still not cheaper; maritime routes are still the cheapest.

In September and October 2013, during his visit to Central Asia and Southeast Asian countries, Chinese President Xi Jinping successively proposed major initiatives to jointly build the “Silk Road Economic Belt” and the “21st Century Maritime Silk Road”, drawing great attention from the international community. Chinese General Consul in Istanbul, Qian Bo said “The principle of “One Belt and One Road” is “jointly negotiating, building and sharing” and is a popular project, a cooperative project and a reciprocal project that is “public, inclusive, balanced and wide-ranging.” The initiative put forward that over the past three years or so it has become the most popular international public product hitherto and is also the best prospect platform for international cooperation and early results have been achieved in various fields. 34 countries and international organizations signed an agreement on cooperation with China in building the “One Belt and One Road”; 40 billion U.S. dollars Silk Road Fund has been set up and 100 billion U.S. dollars has been set up by the Investment Bank; the Middle East, the Trans-Asian Railway Network, etc. have all started to be built” (Ministry of Foreign Affairs of the People’s Republic of China, 2017).

BRI, a Silk Road project, is a major transportation network and economic initiative that includes Asia, Europe, and Africa. This large-scale all-in-one investment plan can be seen as an economic move by China to Europe on land and sea. The modern Silk Road is devoted to extending it through two arcs. The first line to be built will connect China to Asia, Russia, and Europe over land and be called the “Silk Road Economic Belt.” The second line connects China to the Persian Gulf and the Mediterranean through the Indian Ocean, which is called the “Maritime Silk Road.”

The plan, which will set the direction for a balanced global economy, will rejuvenate trade and investment in countries along the way. In addition, through this program, capital investment, economic growth, and welfare increase will also be realized in these countries. The modern Silk Road is planned to be interconnected by 65 countries along land, ports, and railways, as well as by air, which will increase regional trade flows and create a direct trade network between these countries (TRT, 2017). All the countries between China and Western Europe want to be part of this project.

Türkiye, historically was the most important part of the Silk Road. Türkiye is considered one of the emerging economies in the world with a high growth rate, which was recorded as 7.5% in 2017, again 11% in 2021, and 5.6% in 2022 after slowing down during COVID-19 (World Bank, 2023). With recent developments in the Middle East since especially 2011, Türkiye has lost trade with the Middle East. Therefore, Türkiye would like to expand to the rest of the world, as apparent in Africa and Latin America openings. China has become the second largest trading partner of Türkiye. With the steady development of economic and trade cooperation between China and Türkiye, the bilateral import and export of goods between China and Türkiye in 2016 reached \$27.76 billion U.S. dollars, and \$35.9 billion in 2021 (Republic of Türkiye Ministry of Foreign Affairs, 2023). Türkiye has expressed strong interest in the BRI since its

initiation in 2013. However, despite having strong interests and will, Türkiye has issues originating from the political and economic environment of the country itself and of the region. In this article, using the SWOT analysis I will analyse strengths and opportunities for Türkiye while examining the weaknesses and threats in terms of BRI.

I organized the article into three sections. It starts with the relations between China and Türkiye since the establishment of the Republic of Türkiye. In the second section, I analyse the economic relations between the two countries. In the third section, I will examine Türkiye's role and involvement in the BRI project using SWOT analysis. I conclude with the projections of the relationship in the coming years in the frame of the BRI.

## **TURKISH-CHINESE RELATIONS**

The perception of Chinese in the eyes of the Turks goes back to the seventh century when Turks and Chinese were neighbours. Turks believe that the Great Wall was raised against Turks while Turks were in Central Asia. Turks also believe that the Chinese used tricks to divide them and destroy their states. Although the Turks and Chinese stopped interacting directly since the Turks moved to Anatolia, nevertheless these negative perceptions remained in the psyche of the Turks. These historical perceptions are still important in terms of how Turkish people perceive Chinese since there has not been a confrontation for a long time

When the Republic of Türkiye was established in 1923, Türkiye and Nationalist China started official relations. When the Cold War started Türkiye sided with the United States and sent soldiers to Korea to be accepted into NATO. Turkish soldiers and Chinese soldiers fought against each other. Even after the end of the Civil war in China, Türkiye continued diplomatic relations with the Kuomintang's Taiwan till the 1970s. During the height of Communism in China, the Chinese also supported leftist movements in Türkiye.

When the US and the Chinese rapprochement started in the 1970s, Türkiye and the People's Republic of China began to have official relations as well. Republic of Türkiye's Ministry of Foreign Affairs official website states: "Diplomatic relations between Türkiye and People's Republic of China (PRC) were established in 1971. Türkiye follows the "One China" policy and recognizes the PRC as the sole legitimate representative of China. Türkiye-PRC relations started gradually developing from the 1980s with the opening-up of both countries" (Republic of Türkiye Ministry of Foreign Affairs, 2023). However, the relationship remained at a very low level till the end of the Cold War in the 1990s. Since then the relationship picked up speed, improving in every aspect as both China and Türkiye have been developing rapidly thanks to reciprocal high-level visits. The visit of the 11<sup>th</sup> President Abdullah Gül to China on 24-29 June 2009 constituted the first visit at the presidential level after 14 years.

Especially since 2010, the relationship reached a new level, when bilateral relations were elevated to the level of "strategic cooperation". The relationship between the two nations entered a new phase. The high-level exchanges between the two countries have been frequent and their political mutual trust has been increasingly consolidated. When Chinese Prime Minister Wen Jiabao

visited Türkiye in October 2010 and in 2012, Chinese Vice President Xi Jinping paid a visit to Türkiye in February and Turkish Prime Minister Recep Tayyip Erdoğan visited China on April 8-11, 2012, which constituted the first visit at the prime ministerial level after 27 years. President Recep Tayyip Erdoğan and the President of China Xi Jinping had four bilateral meetings in the 2015-2017 period. President Recep Tayyip Erdoğan paid a visit to China on July 29-30, 2015. President Xi Jinping visited Türkiye on November 14-16, 2015 to attend the G20 Antalya Summit and had a bilateral meeting with Recep Tayyip Erdoğan. President Erdoğan met President Xi Jinping at the margins of other G20 Summits in Hangzhou in 2016.

After the attempted military coup took place in Türkiye on July 15, 2016, the Chinese government first stated its support for the Turkish government and people and sent Deputy Foreign Minister Zhang Ming to visit Türkiye. In September 2016, President Xi Jinping and Erdoğan met again during the G20 Hangzhou Summit to exchange in-depth views and reach an important consensus on issues concerning bilateral cooperation, pointing out the direction for the development of bilateral relations. In November 2016, Vice Premier Wang Yang and Vice Premier Khim Shek successfully presided over the first meeting of the mechanism for inter-governmental cooperation between the Chinese and Turkish vice premiers and coordinated and promoted cooperation in the four areas of politics, economy, trade, security, and culture. Foreign Ministers Wang Yi and Foreign Minister Cavusoglu held the first meeting of the consultation mechanism between China and Türkiye on foreign ministers. Both sides exchanged in-depth views and reached a broad consensus on bilateral relations and international and regional issues of common concern, and continued to push forward the sustained and in-depth development of the strategic cooperative relations between the two countries. From April 17 to April 19, 2017, Vice Foreign Minister Liu Yandong paid an official visit to Türkiye and injected strong impetus into the deepening of cultural exchanges between China and Türkiye (Ministry of Foreign Affairs of the People's Republic of China, 2017).

Lastly, President Recep Tayyip Erdoğan paid a visit to China on May 13-15 2017 to attend the Belt and Road Forum and had a bilateral meeting with H.E. Xi Jinping (Republic of Türkiye Ministry of Foreign Affairs, 2023). China hosted the "One Belt and Road" summit on international cooperation in Beijing from May 14 to 15 2017. The Propaganda Department of the Modern Silk Road Project held the summit where President Erdoğan also participated. During the summit, Türkiye reached a consensus on some specific issues with the world's second-largest economy. Following the meeting, three agreements were signed between Türkiye and China on the extradition of criminals, international highway transportation, and reciprocal establishment of cultural centres in the two countries (Daily Sabah, 2017). At the summit, they sent out a signal to explore the new stage of cooperation with China (TRT, 2017). It was believed that the resumption of the summit would surely speed up the development of all-round relations between the two countries. Both presidents met again at G20 summits in Buenos Aires in 2018 and in Osaka in 2019, the CICA Summit in 2019, and the BRICS summit in 2018 in Pretoria, South Africa. Following the G20 Summit in Osaka, President Erdoğan paid an official visit to China on 2 July 2019. Foreign Minister Wang Yi paid a visit to Türkiye on 25 March 2021, on the occasion of the 50th anniversary of diplomatic relations. Foreign Minister

Cavusoglu paid a visit to China on 12 January 2022 (Republic of Türkiye Ministry of Foreign Affairs, 2023).

Türkiye and China are also in close cooperation with multilateral platforms such as the United Nations (UN), Group of 20 (G20), Conference on Interaction and Confidence-Building Measures in Asia (CICA), Asian Infrastructure Investment Bank (AIIB), and Asia-Pacific Space Cooperation Organization (APSCO). Türkiye handed over the G20 Presidency to China and attended many meetings at the deputy prime ministerial and ministerial level organized by the Chinese side in 2016. Furthermore, Türkiye worked closely with China as part of the G20 Troika. China also took over the CICA Presidency from Türkiye (Republic of Türkiye Ministry of Foreign Affairs, 2023). Türkiye joined the SCO as a “dialogue partner” in 2012. Türkiye was elected to chair the Shanghai Cooperation Organization Energy Club in 2017, being the first non-SCO country to chair a club in the organization without full membership status. This strengthened Türkiye’s position to become a gas and oil hub through which trade can be carried out by pipelines and liquefied natural gas, both with Europe and at the regional-Eurasian level (Yenikeeff, 2023).

Chinese defence firm CPMIEC won a Turkish tender to co-produce a long-range air and missile defence system in September 2013 (Reuters, 2013). However, in 2015 Türkiye cancelled a \$3.4 billion tender provisionally awarded to China to develop a long-range missile defence system, a project that had stirred the concern of Ankara’s NATO allies. An official from Türkiye’s Défense Industry Under secretariat, which ran the technical negotiations with China, said in July 2015 that a major stumbling block had been China’s reluctance to make a technology transfer that could give Türkiye the knowledge to operate the system and eventually replicate it (Reuters, 2015). Under pressure from the U.S., Türkiye gave up an earlier plan to buy a similar missile-defence system from a state-run Chinese company Precision Machinery Import-Export Corp (CPMIEC), which had been sanctioned by the U.S. for alleged missile sales to Iran (Bloomberg, 2017). Although the deal fell through, it showed Türkiye’s will to work with China in every aspect even as sensitive as the defence field.

China and Türkiye, however, do not see eye to eye on many international issues. Two such issues are especially prominent: First is the Uyghur problem. The second is the Syrian problem. Human rights groups have long accused China of oppressing its roughly 10 million Uyghurs with severe restrictions on language, culture, and religion and inflaming a cycle of resentment and radicalization. Hundreds have died in Xinjiang in violent clashes in recent years, and China now keeps the region, with a land area comparable in size to that of Iran, under a constant lockdown with massive policing and surveillance efforts that activists say are rife with abuse. Thousands of Uyghurs have fled China in recent years to seek asylum in Türkiye, with many traveling on to Syria to join Islamic militant groups or simply to escape persecution and find a new home. “Relations between Ankara and Beijing have been strained by Türkiye’s support for groups fighting Syrian President Bashar al-Assad — a China ally — and its sheltering of Uyghur refugees. “Turkish President Recep Tayyip Erdogan had positioned himself as a champion of Turkic peoples and in 2009 accused Beijing of committing “genocide” toward Uyghurs, attracting a flurry of headlines and infuriating Beijing. The two governments clashed again in 2015 when Türkiye offered

asylum to Uyghur refugees detained in Thailand whom China had demanded back. “But even then, Erdogan withdrew his remarks, and quite recently Ankara has cracked down on Uyghurs residing in Türkiye, demonstrating Türkiye’s readiness to compartmentalize its rhetoric to bolster its relationship with China” (Brodie, 2017).

Türkiye has reconsidered its Syrian policy and Uyghur policies since 2016. However, the Turkish government increasingly agreed to comply with the demands of China on the Uyghur problem, angering the Uyghur diaspora in Türkiye: “Turkish Foreign Minister Mevlut Cavusoglu told reporters during a visit to Beijing that his government would treat threats to China’s security as threats to itself and would not allow any “anti-China activity inside Türkiye or territory controlled by Türkiye.” Türkiye also agreed to designate the East Turkestan Islamic Movement, a decades-old Uyghur separatist movement with links to al-Qaida as a terror group. The Turkish government will also seek to restrict negative reporting about China in its media. As the economic relations improved between the two countries, political issues are becoming less important. Erdogan has strong support from a nationalist base due to the war against terror, the Uyghur issue has not damaged his voter alliance. Ankara is also broadening its military cooperation with China. The Turkish Armed Forces (TSK) and the Chinese People’s Liberation Army had a high-level meeting in Ankara in 2018.

## **ECONOMIC INDICATORS OF BILATERAL COOPERATION ON BRI**

### **The Economy of Türkiye**

Türkiye has many good qualities in terms of its geopolitical positions, and good infrastructure and economy; the fastest economic development among Middle Eastern countries. Türkiye’s GDP reached \$905.716 billion (Nominal, 2018) and \$2.249 trillion (PPP, 2018) making it the 17<sup>th</sup> (13<sup>th</sup> PPP) largest economy in the world. In 2021, the nominal GDP actualized \$806.804 billion while PPP GDP became \$2.943 trillion. Turkish Economy expanded by 2.9 percent in 2016 despite having a military coup attempt. The mean annual growth rate between 2002 and 2016 was 5.6 percent, and 6.7 percent between 2010-2016. It bounced back from the recession after the coup and registered 11.1 percent in the third quarter of 2017. Since 2002, GDP per capita has nearly tripled from \$3,581 to \$9,527.6 (Nominal, 2021) and \$34,755.2 (PPT 2021) (International Monetary Fund, 2022). The country is among the world’s leading producers of agricultural products; textiles; motor vehicles, ships, and other transportation equipment; construction materials; consumer electronics, and home appliances.

Besides its promising domestic potential, Türkiye is such a country that it can be defined as a gateway to several regional markets. Türkiye is a very important trade partner on the way of reaching crucial regional markets such as the EU, Middle East, North Africa, and CIS because of its geographic location. One can reach a group of countries with 1.5 billion people with \$23 trillion GDP at a 4-hour flight distance from Türkiye. Besides, Türkiye offers investors preferential access opportunity to the EU and Türkiye’s FTA partners. On the other hand, Türkiye has an important role in its region as an energy corridor

and an important bridge between energy suppliers and consumers. Türkiye has been involved in a lot of important projects on energy and has more potential to maintain this trend in the future. Furthermore, Türkiye has an important position regarding logistics. Türkiye acts as an important hub between the developing Middle Eastern Countries, Turkic Republics, and Europe.

### Trade between Türkiye and China

People’s Republic of China is Türkiye’s second trade partner globally after Germany and the first trade partner in East Asia. China is Türkiye’s nineteenth export country, while China occupies the first place in the list of Türkiye’s import partners. In terms of imports, China is the main trade partner of Türkiye. Import from China surpassed the imports from Germany in 2012 and has been increasing ever since. The imports from China constitute 10 percent of all imports of Türkiye.

When we look at the evolution of Turkish-Chinese trade relations, we see that till the beginning of the 2000s, China was a remote trade partner for Türkiye. The total volume was only around \$1.5 billion. As of 2005, we observe that Türkiye started to discover China, and the trade figures entered into an ever-increasing trend. When we came to 2010, China turned into one of the main trade partners of Türkiye. In 2017, Turkish exports to China were recorded as \$2.9 billion, while its imports from China as \$23.3 billion, making total trade volume \$26.3 billion. From 2002 to 2017, total trade volume increased 16 times in 15 years. However, imports from China increased 17 times while exports to China increased only 10 times. As seen in the table, the gap between imports and exports became even wider as the imports increased by almost 30% just in 4 years (Turkish Statistical Institute, 2022).

**Table 1.** *China- Türkiye Foreign Trade (Value: Thousand USD)*

	2002	2007	2012	2017	2021
Export	268 229	1 039 523	2 833 255	2 936 041	3 662 747
Import	1 368 317	13 234 092	21 295 242	23 370 849	32 238 051
Total trade	1 636 546	14 273 615	24 128 497	26 306 890	35 898 798

As seen in these figures, there is a remarkable and ever-increasing asymmetry in bilateral trade relations which should be overcome urgently. This asymmetry has been acknowledged also by the decision-makers of both countries on every occasion. Both the Chinese and Turkish governing elite aim to put the bilateral trade on a more balanced track. When we look at the main items traded between the parties, we see that China imports from Türkiye mainly raw materials and chemicals such as marble and travertine, chrome ore, copper, lead ore, natural borate ores, boric oxide, and boric acid. On the other hand, China mainly exports to Türkiye Automatic data processing machines, wireless telephone devices, toys, audio-visual devices, and cruise/ merchant ships (Republic of Türkiye Ministry of Foreign Affairs, 2023).

Türkiye and China signed a 10-billion-yuan (\$1.59 billion) currency swap



agreement in February 2012 and it was extended by three years in 2015. The central banks of Türkiye and China concluded their first Turkish lira-renminbi swap deal worth 450 million Turkish liras (\$132 million) on Nov 30, 2016. ICBC Türkiye, the first Chinese bank that started operations in Türkiye in 2015, became the first bank to use the currencies swap agreement that was inked between the two countries (China Daily, 2016).

### **Chinese investment in Türkiye**

In 2010, when China and Türkiye became strategic partners, collaboration in the areas of energy, transportation, and infrastructure increased gradually. Türkiye wants Chinese investment to balance trade between the two countries and advocates Türkiye to be China's headquarters for running business in Europe and the Middle East. Chinese direct investment in Türkiye in terms of capital flow and savings is larger than in Western Asia and Africa. In 2007, Chinese non-financial investment in Türkiye was only \$1.61 million; in 2009 \$290 million; in 2012 \$100 million; in 2013 \$170 million; in 2015 \$628 million. By 2015 China's construction contracts with Türkiye reached \$1.342 billion; the completed contracts reached \$1.339 billion. From January to November 2016, the Chinese non-financial investment in Türkiye reached \$1.342 billion, and sales volume for construction reached \$1.898 billion, a 66.4 percent increase as compared to the previous year in the same period (Zou, 2017).

Since Türkiye expects China to invest more in Türkiye, China's BRI is Türkiye's greatest opportunity. China needs Türkiye as an important force to be the bridge in the construction of the BRI. On the other hand, Türkiye feels the same way about BRI, and advocates being the "middle corridor". In 2015, Türkiye and China signed a basic transportation infrastructure agreement. In 2015, Türkiye and China signed a Memorandum of Execution (MOE) for BRI and the "middle corridor", which gives guidance and protection to increasing investment on both sides and economic and trade cooperation. Chinese-funded enterprises flourished in Istanbul and nearly 60 Chinese-funded enterprises such as Huawei and ZTE took root in the Turkish city and made important contributions to the development of the local economy and the BRI project. In 2014, the second phase of the Ankara-Istanbul High-Speed Rail Project by Chinese and Turkish enterprises was completed and opened. Industrial and Commercial Bank of China (ICBC) acquired the Turkish Textile Bank, China Merchants Group, COSCO, and CIC to acquire the Port of Kumport, and the Bank of China is preparing to set up a subsidiary in Istanbul to invest in the two countries, with smooth trade and the construction of facilities in full swing" (Ministry of Foreign Affairs of the People's Republic of China, 2017).

When the BRI operates fully, it is hoped that the trade imbalance between Türkiye and China will decrease: "China, with annual exports of more than 2\$ trillion, exported Türkiye with 25\$ billion in 2016 while importing only 2.3

billion from Türkiye. In this bilateral relationship that has lost its balance of trade, the modern Silk Road may play an important role in promoting the balance between the two sides. The normal 30-day transit period between Türkiye and China is expected to be reduced to 10 days within the scope of the Modern Silk Road. Accordingly, among the trends of trade relations between the two countries, the Silk Road project is even more important from the perspective of Türkiye. In addition, depending on this plan, the emerging markets to be opened up in Türkiye will also make a positive contribution to the increase of Türkiye's export potential." (TRT, 2017).

### **Characteristics of investment and productivity cooperation between China and Türkiye**

The scale of cooperation keeps on expanding, but the volume is still limited, hardly reaching the investment potential and expectations of both sides. "Ankara signed up for the Belt and Road Initiative (BRI) in 2015 and became the 23<sup>rd</sup> biggest recipient of Chinese investment among those states that joined the initiative. As of 2022, China had 1148 registered businesses in Türkiye with a total investment of just over \$1 billion" (Avdaliani, 2023). Chinese investment in Türkiye is increasing but still far behind the volume of Chinese investment in Europe, which went down to EUR \$10.6 billion in 2021, after peaking at EUR 47.4 in 2016 (Rhodium Group, 2021); and still a very small amount as compared to European investment in Türkiye. The EU's share of Türkiye's total FDI inflow portfolio was, on average, 67.4% annually between 2008 and 2015 (Delegation of the European Union to Türkiye, 2023), with \$3.3 billion in 2020, hardly meeting Türkiye's potential and expectations.

The area of cooperation is expanding, but the investment items, categories, and projects are still small and cannot cover all related fields and industrial links. The area of Chinese investment in Türkiye is mainly in telecom, finance, transportation, energy, mining, production and agriculture. Overall, the projects of categories are few, and high-end manufacturing and high-value-added industries are also few and insufficient. For instance, in the area of energy, the investment is in traditional coal-burning power plants, and investment in smart electricity that Türkiye plans to develop greatly awaits expansion.

Investment is increasing, but largely in big national and government-owned industries or a few renowned privately owned enterprises. Türkiye's investment threshold is high, so very few reputable Chinese industries invest in Türkiye. If so, their production does not target the Turkish domestic market. China is not familiar with Turkish culture enough. The exported goods to Türkiye are largely OEM which are big-name brand products manufactured by contractors rather than the company's plant products. Turkish consumers do not know Chinese brands well, so the Turkish market considers Chinese goods to be cheap and of lower quality. However, this has been changing recently as Chinese smartphone

companies became well-known in Türkiye.

Modes of cooperation are becoming more diverse, but mainly through construction contracts, buyouts, stock buying, or financing. The ownership is a small percentage and the profit is low. Exported goods by different Chinese companies to Türkiye are combined in a single container. Still awaits high-level technology standard export type to expand. Cooperation risks are still very prominent, facing financing difficulties, a low degree of mutual trust, security risks originating from the Caucasus and the Middle East, potential terrorist attacks on Chinese investments in Türkiye, and a warranty mechanism that is not sound. Chinese enterprises in Türkiye face higher risk of financing, policies, and operation risks. The pressure of competition is huge. Also, there are non-economic risks from politics, safety, and cultural differences (Zou, 2017).

### **PROSPECTS FOR TÜRKİYE'S ROLE IN BRI**

In 2016, Chinese non-financial investment in countries along the route of One Belt One Road was \$14.53 billion. Contracts from overseas are \$126.03 billion, which is 51 percent of Chinese contracts signed in foreign countries. The total volume of sales is \$75.97 billion, which is 47.7 percent of the same period. Türkiye is one of the key countries along the construction route of One Belt One Road. Türkiye was also the first customer country of a Chinese high-speed rail construction project. It is China's important partner in terms of moving along international production capacity and investment cooperation. The Chinese passion for investing in Türkiye is also rising continuously. Chinese-Turkish investment and cooperation are at the top of countries along the One Belt One Road route. However, the cooperation also faces some fairly obvious problems and risks. China must explore more effective cooperation methods, mechanisms, and routes to have Türkiye become China's most important destination for Chinese production and investment outside of China (Zou, 2017).

The most concrete examples are various types of investment cooperation that are being implemented in Türkiye within the framework of the railway project that is devoted to extending from Beijing to London. The Marmaray project, which started operations in 2013, the Yavuz Sultan Selim Bridge which was completed in 2016, and the Baku-Tbilisi-Kars (BTK), or Baku-Tbilisi-Akhalkalaki-Kars railway (BTAK), became operational on October 30, 2017, show that Türkiye has adopted the modern Silk Road Coordinated pace of action. Another prominent issue highlighted in the plan is energy trading. Türkiye has a significant presence in the region with its ongoing TANAP project and the Turkish-Greek gas pipeline project planned. Türkiye, as the energy trade hub between Asia and Europe, will make an important contribution to the modern Silk Road through the flow of things.

## SWOT ANALYSIS

In this section, the strengths, weaknesses, opportunities, and threats of cooperation between Türkiye and China in terms of BRI will be analysed. The cooperation has many strengths: Both countries have political will to bring the relationship to another level. China has the economic power and technological advantage to move forward with the plan. Türkiye, on the other hand, is in the G20 and has a fast-developing economy. China has had the highest trade surplus in the world; therefore China has the means to finance joint projects in Türkiye.

However, there are also many weaknesses: Chinese development depends on the demand from the rest of the world, especially Western countries. Chinese growth decreases if the demand from the West declines. Although Türkiye is a fast-developing country, its economic structure presents some weaknesses such as financial vulnerability. The Lira depreciated 103 % against the dollar between June 2001- June 2002 which makes the highest in the world (The Global Economy, 2022). There are structural problems that haunt the Turkish economy: “The Turkish lira continued to weaken to a new record low of 27.5 per USD after the central bank raised interest rates by 500bps to 30% in its September meeting. The decision came in line with market expectations and marks a fourth straight increase, aiming to address high inflation as part of a broader policy U-turn. The annual inflation rate in Türkiye quickened for the third consecutive month to 61.5% in September 2023, up from 58.9% in August, and broadly in line with market forecasts of 61.7% amid tax rate hikes and the depreciation of lira. Traders are currently betting interest rates will reach 35% by the year-end.”

Türkiye has been experiencing a trade deficit constantly and needs to borrow funds to finance imports and other projects. According to the Turkish Statistical Institute “According to the provisional data, produced with the cooperation of the Turkish Statistical Institute and the Ministry of Trade, in July 2022; exports were 18 billion 551 million dollars with a 13.4% increase and imports were 29 billion 240 million dollars with a 41.4% increase compared with July 2021. In the January-July 2022 period, exports were 144 billion 331 million dollars with a 19.1% increase and imports were 206 billion 508 million dollars with a 40.7% increase compared with January-July 2021” (Turkish Statistical Institute, 2022). The trade deficit between Türkiye and China has been on the rise. This might give an impression to the Turkish public and officials that the BRI is only beneficial to China; therefore, China needs to import more Turkish goods.

Recent developments have created opportunities for both countries Ukrainian war put the northern route in danger because the EU declared sanctions against Russia. Türkiye, which is located in the middle corridor, became more viable for China to reach the European market.

Türkiye can be a real hub between Central Asia and Europe. The Ukrainian war proved once again that Türkiye is an important player in the world as an impartial mediator to solve international problems. Since Türkiye has good relations with Turkic States in Central Asia and the Caucasus, it can use its influence to help China in Central Asia. “In particular, Türkiye is looking to position itself as a viable alternative to Russia’s role along China’s Belt and Road Initiative (BRI), which ferries goods from western China through Central Asia and Russia to European markets. With sanctions against Russia now cutting off that route, Türkiye could become a convenient way to bypass Russia” (Standish 2022). With the opening up to China, Türkiye will not be dependent on the West and EU for its exports and finances.

Nonetheless, many existing and new problems threaten the cooperation between the two countries. Some of the political problems originated from the recent developments in the international system. With the Trump administration declaring a trade war against China, the world has been increasingly entering another cold war between the West, Russia, and China. NATO has declared Russia and China as security threats mentioning them in strategic documents (NATO, 2022). On the other hand, Türkiye has been trying to be neutral and impartial in the emerging Cold War by not taking sides openly. However, as a NATO member, Türkiye has responsibilities in the security arena. Moreover, as a member of the EU Customs Union, Türkiye has responsibilities in trade. The West has been reminding Türkiye of its responsibilities; therefore, it is a matter of time for Türkiye to be forced to take a side.

Chinese prejudice among the Turkish public is prevalent although it is not as strong as among Central Asian countries (Jones, 2014). If it is not remedied, this has the potential to interrupt the BRI projects. Uyghurs experiencing problems in China has contributed to the Chinese xenophobia. Turkish goods have been competing with Chinese goods in Russia, Caucasus, Central Asia, and the Middle East. Türkiye has been losing market share in these areas because of political disputes, wars, ethnic conflicts, and new economic unions such as the Eurasian Economic Union, while the market share of China has been on the rise.

## **CONCLUSION**

President Xi Jinping’s Chinese Dream, stated in 2012 when he moved into office, guides China’s new Going Global strategy, notably the Belt and Road Initiative announced in 2013. The Belt and Road Initiative is Chinese but more global. Türkiye is an important hub for the “Silk Road Economic Belt” and the “21st Century Maritime Silk Road”. Both China and Türkiye are big developing economies and important emerging countries; both have common interests in all fields of development. China welcomes Türkiye’s participation in the BRI and sees it as an important cooperative partner for building the BRI. It is willing to strengthen its strategic cooperation with Türkiye and tap the potentials of each

other through building the BRI to utilize their respective advantages for both countries' national development and national rejuvenation.

China and Türkiye have jointly achieved the “Belt and Road Initiative” with initial success. Relevant departments of both sides are stepping up negotiations and pushing forward cooperation in large projects such as the High-Speed Rail and the Third Nuclear Power Station to achieve early harvest. The economic and trade departments of the two countries also tried to innovate their trade methods, expand investment cooperation, and strive to achieve balanced and sustainable bilateral trade growth through comprehensive measures. Countries on the Silk Road route along the route Türkiye is located in the middle corridor of this route extending from China to Europe. With its strategic location, Türkiye is in a key position to invest in many of the infrastructure, transport, and energy sectors to be implemented within the context of the Silk Road project.

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