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## **Is Turkey Turning East?**

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## **Abstract**

Since the establishment of the Belt and Road Initiative, the influence of China as a geopolitical and geo-economical actor has increased. Scholarly and popular attention has been devoted to countries in the Middle East, which are often perceived as abandoning their former Western allies while pivoting to the East. This thesis seeks to examine the veracity of these claims and explore whether there has been an intensification of Sino-Turkish relations alongside the emergence of the New Silk Road. Toward this end, this paper analyzes the economic relations between Turkey and China by focusing on the trade and investment ties between the countries over time. Doing so will reveal any possible changes caused by the emergence of the New Silk Road and the extent to which trade and investment shifts support the claims of Turkey turning East.

**Keywords:** Sino-Turkish relations, the Belt and Road Initiative, imaginative geographies, trade, investments

## Introduction

“...all cultures impose corrections upon raw reality, changing it from free-floating objects into units of knowledge.”

*E. Said (Orientalism, 1978)<sup>1</sup>*

During his foreign visits in 2013,<sup>2</sup> Xi Jinping, president of the People’s Republic of China (PRC), officially announced the ambitious concept of the New Silk Road (NSR).<sup>3</sup> Symbolically located on the ancient Silk Roads but also connecting historical maritime routes,<sup>4</sup> the NSR connects strategic geopolitical and geo-economic points across the entire Eurasia.<sup>5</sup> While some claim that China’s project of intensified cooperation and connectivity represents either the means to become a world power<sup>6</sup> or a strategic counteraction to US hegemony in the region,<sup>7</sup> the official cooperation priorities of the Belt and Road Initiative (BRI) seem to be more geo-economic than geopolitical.<sup>8</sup> Moreover, cooperation of the countries along the NSR is not based on membership in a union or confederation. Rather, the NSR represents the framework under which the countries cooperate.

As a result of intensified economic cooperation and connectivity, a significant number of war-affected, undeveloped, and often isolated countries turned to China in search of investments necessary for local development. Special attention has been paid to countries in the Middle East (ME), which are often perceived to abandon their former Western allies while pivoting to the East

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<sup>1</sup> Said, E. *Orientalism*. with a New Pref. London: Penguin, 2003. p.57

<sup>2</sup> Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." *Bölgesel Araştırmalar Dergisi* 1, no. 3 (2017). <https://www.ceeol.com/search/article-detail?id=686488> , p.74

<sup>3</sup> Also referenced as the New Silk Road NSR, One Belt One Road OBOR, used in this paper interchangeably

<sup>4</sup> Üngör, Ç. "Heading Towards the East?" In *Turkey's Pivot to Eurasia: Geopolitics and Foreign Policy in a Changing World Order* (2019). <https://www.taylorfrancis.com/books/turkey-pivot-eurasia-emre-er%C5%9Fen-se%C3%A7kin-k%C3%B6stem/e/10.4324/9780429023064> , p.70

<sup>5</sup> Ibid.

<sup>6</sup> Lewis, D.J., Moise, D. "One Belt One Road (“OBOR”) Roadmaps: The Legal and Policy Frameworks." In *the Belt and Road Initiative*. Brill Nijhoff, 2018. <https://brill.com/view/book/edcoll/97890004373792/BP000003.xml> , p.24

<sup>7</sup> Flint, C., Zhu, C. "The Geopolitics of Connectivity, Cooperation, and Hegemonic Competition: The Belt and Road Initiative." *Geoforum* 99 (2019).

[https://www.sciencedirect.com/science/article/pii/S0016718518303634?casa\\_token=eH3QKqKO73EAAAAA:siN8cKDB-Ke4CU0ayHBY682Dv0w7xAqyEviW1B-uaR6Na8EzpUKV6FuaRfXooRLfd9epK4Qo6g](https://www.sciencedirect.com/science/article/pii/S0016718518303634?casa_token=eH3QKqKO73EAAAAA:siN8cKDB-Ke4CU0ayHBY682Dv0w7xAqyEviW1B-uaR6Na8EzpUKV6FuaRfXooRLfd9epK4Qo6g) , p.96

<sup>8</sup> Liu, W., Dunford, M. "Inclusive globalization: Unpacking China's belt and road initiative." *Area Development and Policy* 1, no. 3 (2016). <https://www.tandfonline.com/doi/abs/10.1080/23792949.2016.1232598> , p.335

(to China).<sup>9</sup> However, such claims are frequently based on the rhetoric of state representatives without sufficient references and evidence, as seems to be the case regarding Turkey. In fact, the intensification of Sino-Turkish relations is not only the product of Turkey's interest in China, it could also be the result of several factors, the combination of which might have led to stronger ties between these two countries. Therefore, based on the assumptions about interaction rooted in Said's work on Orientalism, this paper uses the concept of imagined geographies to identify premature conclusions about Turkey turning East. These conclusions are further tested by case-study research on Sino-Turkish relations, more precisely on the possible changes caused by the emergence of the NSR and the extent to which trade and investment support the claim of Turkey aligning itself with China.

The findings of this research should contribute to more critical studies of the ME countries and their interaction with China, especially under the framework of the NSR. While perceptions about the ME have been criticized for decades and seem to persist, the NSR is quite a recent phenomenon, whose depictions often resemble catastrophic scenarios of the new global hegemon<sup>10</sup> or the emergence of another Cold War. Additionally, the case study examined in this paper might encourage academics and researchers to conduct a more comprehensive study of ME-China relations, avoiding unjustified generalizations that the entire region follows the same pattern and premature conclusions about current and future economic and political shifts.

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<sup>9</sup> E.g., Bianchi, R. R. "China–Middle East Relations in Light of Obama's Pivot to the Pacific." *China Report* 49, no. 1 (2013). <https://journals.sagepub.com/doi/abs/10.1177/0009445513479456> ; Simpfendorfer, B. *The New Silk Road*. London: Palgrave Macmillan UK, 2009. <https://www.palgrave.com/gp/book/9780230580268>

<sup>10</sup> Lewis, D.J., Moise, D. "One Belt One Road ("OBOR") Roadmaps." p.24

## Literature Review

Since the establishment of the NSR,<sup>11</sup> the importance of the ME countries within this framework has been broadly discussed.<sup>12</sup> However, existing literature on Turkish-Chinese relations, especially after the emergence of the NSR, is quite limited, and the topic of Sino-Turkish relations remains underresearched. However, there is a rising amount of literature focusing on claims that Turkey is shifting to the East, mainly after the emergence of the NSR,<sup>13</sup> and these studies often undermine the role of China's rising salience in the global economy. As this thesis argues, perhaps it is China's increased geo-economic standing that leads to impressions about Turkey's policy change. However, most of the sources focus on a general overview of Sino-Turkish relations, military and political disputes, and ideological congruence, with several limitations regarding analysis of economic relations.

Instead of focusing on the specific aspect of Turkish-Chinese relations and providing deep analysis, most of the sources attempt instead to provide a general overview of these relations.<sup>14</sup> For example, K. Kaya, in her paper "*Turkey and China: Unlikely Strategic Partners*," claims that despite economic expansion, the trade imbalance, the Uyghur issue, and a lack of common strategic interests will make it highly unlikely for China and Turkey to become strategic partners.<sup>15</sup> However, the majority of her paper either provides a general overview of Sino-Turkish relations

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<sup>11</sup> Zou, Z. "Sino-Turkish Strategic Economic Relationship in New Era." In *Alternatives* (Istanbul, Turkey) 14, no. 3 (2016). <https://dergipark.org.tr/en/pub/alternatives/issue/26672/280311>, p.15; Atli, A. "Turkey's Foreign Policy Towards China, Analysis and Recommendations for Improvement." In *Policy Paper. Young Academics Program*. Istanbul: Global Relations Forum. 2016. [http://www.gif.org.tr/files/Young%20Academics%20Papers/Altay\\_Atli%20Turkeys Foreign Policy Towards China.pdf](http://www.gif.org.tr/files/Young%20Academics%20Papers/Altay_Atli%20Turkeys%20Foreign%20Policy%20Towards%20China.pdf), p.8,18

<sup>12</sup> E.g., Bianchi, R. R. "China–Middle East Relations in Light of Obama's Pivot to the Pacific."; Simpfendorfer, B. *The New Silk Road*.

<sup>13</sup> E.g., Lin, Ch. "A New Eurasian Embrace: Turkey Pivots East While China Marches West." p.31,43; Genç, K. "When One Door Closes: Turkey Turns East or West?" *Index on Censorship* 43, no. 2 (2014). <https://journals.sagepub.com/doi/full/10.1177/0306422014535691>, p.102; Dalacoura, K. "Muslim and Modern: Why Turkey's 'turn to the East' Is No Slight to the West." *Juncture* 21, no. 4 (2015). <https://onlinelibrary.wiley.com/doi/epdf/10.1111/j.2050-5876.2015.00826.x>, p.324-27.

<sup>14</sup> Doster, B. "The Developing Relations between Turkey and China Since 2005." *Sociology of Islam* 4, no. 3 (2016). [https://libkey.io/libraries/249/articles/58756115/full-text-file?utm\\_source=api\\_55](https://libkey.io/libraries/249/articles/58756115/full-text-file?utm_source=api_55); Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project."; Kaya, K. "Turkey and China: Unlikely Strategic Partners." *Foreign Military Studies Office*, Fort Leavenworth, KS (2013). [https://community.apan.org/cfs-file/\\_key/docpreview-s/00-00-00-08-95/2013\\_2D00\\_08\\_2D00\\_21-Turkey-and-China\\_2D00\\_Unlikely-Strategic-Partners-2800\\_Kaya\\_2900.pdf](https://community.apan.org/cfs-file/_key/docpreview-s/00-00-00-08-95/2013_2D00_08_2D00_21-Turkey-and-China_2D00_Unlikely-Strategic-Partners-2800_Kaya_2900.pdf),

<sup>15</sup> Kaya, K. "Turkey and China: Unlikely Strategic Partners." p.13

or an analysis of the two countries' common interests and joint projects. Perhaps it would be more useful to focus on one aspect of the strategic partnership, such as economic relations or military cooperation to support the overall claim. A similar problem is encountered in S. Kulaksız's article "*Financial Integration via Belt and Road Initiative: China–Turkey Cooperation*,"<sup>16</sup> with most of the paper focusing on the cooperation between the two nations, the evolution of the BRI, and the opportunities the initiative might bring. However, discussion of the countries' financial integration is quite limited. In fact, when Kulaksız discusses financial integration, she focuses instead on the entire region and Turkey's relations with other countries, rather than on Sino-Turkish cooperation. Since economic integration—namely, trade relations and investments—is the focus of this thesis, the remainder of the sources are reviewed accordingly.

## **Trade Relations**

Despite development of trade relations between Turkey and China,<sup>17</sup> most academic sources focus instead on Turkey's ever-increasing trade deficit. Çolakoğlu indicates that, in 2011, almost 20% of the entire Turkish deficit was caused by trade with China, alleging that negative media coverage worsens the situation.<sup>18</sup> However, he also highlights the positive outcomes of this cooperation.<sup>19</sup> In her book chapter, V. Talbot goes further, and claims it is not the small number of Turkish exports that lead to an overwhelming trade deficit with China. Rather, she argues that it is the low value of exported Turkish goods, which consist mainly of raw materials and chemicals.<sup>20</sup> Additionally, she claims that Turkey is indeed strengthening trade relations with China, but rather than being interested in the axis shift, Turkey is seeking Chinese investments and infrastructural integration. Any separation between the two countries is mainly based on political and military disputes.<sup>21</sup>

Moreover, C. Üngör, in his paper "*Heading Towards the East?*," focuses on Sino-Turkish relations after the July 15, 2016, coup attempt against the government of Turkish President Recep

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<sup>16</sup> Kulaksız, S. "Financial Integration via Belt and Road Initiative: China–Turkey Cooperation." *Global Journal of Emerging Market Economies* 11, no. 1-2 (2019).

<https://journals.sagepub.com/doi/abs/10.1177/0974910119874632>

<sup>17</sup> Talbot, V. "Turkey and China: Towards a Stronger Partnership?" *Turkey: Towards a Eurasian Shift?* Ledizioni - LediPublishing, (2018). [http://www.ledizioni.it/stag/wp-content/uploads/2018/07/Turchia\\_STAMPA.pdf](http://www.ledizioni.it/stag/wp-content/uploads/2018/07/Turchia_STAMPA.pdf) , p.91

<sup>18</sup> Çolakoğlu, S. "Turkish Perceptions of China's Rise." *USAK Center for Asia-Pacific Studies* 39 (2014).

[https://www.academia.edu/42774546/Turkish\\_Perceptions\\_of\\_China\\_s\\_Rise](https://www.academia.edu/42774546/Turkish_Perceptions_of_China_s_Rise) , p.20

<sup>19</sup> Çolakoğlu, S. "Turkish Perceptions of China's Rise." P.37-38

<sup>20</sup> Talbot, V. "Turkey and China." p.97

<sup>21</sup> Talbot, V. "Turkey and China." p.109-110



Tayyip Erdoğan, by indicating the importance of Eurasian ideology as a main driver of change in Turkish foreign policy, especially with China.<sup>22</sup> Üngör confirms the Turkish foreign policy shift toward China, but he also points to regular shifts to the East when relations with the West are at odds.<sup>23</sup> However, what has changed since the coup attempt is the extent of ideology and its pragmatic use.<sup>24</sup>

Conversely, Kulaksız focuses on a more pragmatic argument and the changes seen mainly after emergence of the NSR.<sup>25</sup> In terms of trade relations, she rejects the view that Turkey's integration into the NSR is essential for revenues from Chinese investments and infrastructure. She argues that "... the BRI's most important contribution to Turkey is to increase its export potential by opening new markets."<sup>26</sup> In this way, Turkey could work to eliminate its current trade deficit. Furthermore, she stresses the importance of bilateral free trade agreements as instruments to overcome high trade costs and indicate support market incorporation.<sup>27</sup> In fact, even though Turkey and China have already signed a currency swap agreement,<sup>28</sup> both countries are still obliged to pay tariffs for imports and exports.

## **Investment Relations**

Investments constitute a critical part of Sino-Turkish relations since they serve as a tool to indicate integration between Turkish and Chinese markets. Even though Turkey enjoys a geopolitically strategic location between Europe and Asia, Z. Zou claims that the bilateral economic relations between Turkey and China are far from strategic.<sup>29</sup> Turkey is indeed a strategic economic partner for China but the fluctuations in economic cooperation halt ongoing relations, leaving plenty of space for improvement, especially in investments, finance, and trade.<sup>30</sup> C. Ergenç goes further and suggests that Turkish investments in Xinjiang, an autonomous territory in northwest China, should not be undermined. In fact, increased investments in Xinjiang would not only improve bilateral

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<sup>22</sup> Üngör, Ç. "Heading Towards the East?" p.65

<sup>23</sup> Üngör, Ç. "Heading Towards the East?" p.64

<sup>24</sup> Üngör, Ç. "Heading Towards the East?" p.65

<sup>25</sup> Kulaksız, S. "Financial Integration via Belt and Road Initiative." p.47

<sup>26</sup> Kulaksız, S. "Financial Integration via Belt and Road Initiative." p.60

<sup>27</sup> Ibid.

<sup>28</sup> Zou, Z. "Sino-Turkish Strategic Economic Relationship in New Era." p.16

<sup>29</sup> Zou, Z. "Sino-Turkish Strategic Economic Relationship in New Era." p.17

<sup>30</sup> Zou, Z. "Sino-Turkish Strategic Economic Relationship in New Era." p.24

investment relations but would help China develop this province, leading to stronger political ties between the two nations.<sup>31</sup>

T. Apoteker focuses his research on Chinese investments in the Greater European zone (GEZ), where the first bilateral agreements for investment were signed in November 1990,<sup>32</sup> more than two decades before the emergence of the NSR. Additionally, he reports that countries in the GEZ use competition between the European Union (EU) and China to their advantage,<sup>33</sup> especially to attract more Chinese investments directed toward energy and commodity-related industries.<sup>34</sup> Moreover, he underscores that GEZ countries provide another opportunity for Chinese investment, because they represent a special platform for exports into the EU.<sup>35</sup> Thus, it would be beneficial for China to support relations between Turkey and the EU. Contrarily, A. Atli claims that, despite Turkey's attempts to attract more Chinese investment, the fact that Western influence is so deeply anchored in the Turkish economy has halted further development of Sino-Turkish relations.<sup>36</sup> However, he emphasizes that development of relations between Turkey and China did not happen at the expense of traditional partners.<sup>37</sup> First, he states it would be difficult to separate economic systems that have been dependent on each other for decades (e.g., the EU and Turkey), and second, Turkey is not interested in such "replacement."<sup>38</sup>

Based on this literature review, it can be concluded that most sources agree that Turkey's relations with China have improved since 2002, due to a combination of foreign policy shifts, cultural events, and diplomatic exchanges. In fact, economic reasons are not often highlighted. Therefore, economic relations, especially trade and investment, constitute the major focus of this thesis to determine whether Turkey is turning to the East and, if so, whether the emergence of the NSR is the primary reason.

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<sup>31</sup> Ergenç, C. "Can Two Ends of Asia Meet? An Overview of Contemporary Turkey-China Relations." *East Asia* (Piscataway, N.J.) 32, no. 3 (2015). <https://link.springer.com/content/pdf/10.1007/s12140-015-9242-6.pdf> , p.296

<sup>32</sup> Apoteker, T. "Chinese investment in the greater Europe zone." *China and the EU in Context*. Palgrave Macmillan, London. [https://www.chathamhouse.org/sites/default/files/public/Research/Asia/0912ecran\\_apoteker.pdf](https://www.chathamhouse.org/sites/default/files/public/Research/Asia/0912ecran_apoteker.pdf) , p.40

<sup>33</sup> Apoteker, T. "Chinese investment in the greater Europe zone." p.46

<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

<sup>36</sup> Atli, A. "Turkey's Economic Expectations from a Rising China." *Turkey's Pivot to Eurasia: Geopolitics and Foreign Policy in a Changing World Order* (2019). [http://altayatli.com/wp-content/uploads/2020/05/Atli\\_TurkeyEurasiaBook.pdf](http://altayatli.com/wp-content/uploads/2020/05/Atli_TurkeyEurasiaBook.pdf) , p.80

<sup>37</sup> Atli, A. "Turkey's Economic Expectations from a Rising China." p.90

<sup>38</sup> Ibid.

## Theory

Many scholars have criticized the assumptions about the ME that do not always reflect the reality of this vast and heterogenous region, and Edward Said is undoubtedly one of the leading figures. In his book titled *Orientalism*,<sup>39</sup> Said reflects on the concept of *imagined geographies* (or *imaginative geographies*),<sup>40</sup> where imagined is not understood as made-up or false but rather as perceived,<sup>41</sup> and geography is the actual scholarship on the *Orient*,<sup>42</sup> which today represents at least the majority of the ME. These *imagined geographies* are intended to represent “*corrections upon raw reality, changing it from free-floating objects into units of knowledge*,”<sup>43</sup> where the picture of reality is distorted to create a new, subjective, often exaggerated, and false accommodation of reality.

Additionally, the concept of imagined geographies might be used to create a theoretical framework for evaluating existing assumptions about Turkey pivoting East. These assumptions are based on a distorted picture of the Orient, which represents countries extending from the ME to the Far East. Therefore, Turkey and China fall into this category. In the literature, they both reflect imagined geographies, using Said’s term, which is the knowledge about their nature that is often deliberately adjusted to add to the Orientalist scholarship. Reflecting on the research topic of this paper, a number of sources claim that the emergence of the NSR caused the intensification of China’s position as the global hegemon, which led to Turkey’s turn from the Western world to China.<sup>44</sup> However, such perception is wrong, since the NSR represents a “spatial fix” rather than a geopolitical maneuver.<sup>45</sup> For instance, this “...drive to resolve its (Turkey’s) inner crisis tendencies by geographical expansion and geographical restructuring”<sup>46</sup> is represented by its cooperation with China, since China provides needed investments for Turkey. Consequently, it is possible to claim

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<sup>39</sup> Said, E. *Orientalism*.

<sup>40</sup> Said, E. *Orientalism*. p.57

<sup>41</sup> Said, E. *Culture and Imperialism*. New York: Knopf, 1993: p.93

<sup>42</sup> Kobayashi, A. "Geography, spatiality, and racialization: the contribution of Edward Said." *The Arab world geographer* 7, no. 1-2 (2004). <https://meridian.allenpress.com/awg/article-abstract/7/1-2/79/60178> p.86.

<sup>43</sup> Said, E. *Orientalism*: p.67

<sup>44</sup> Lin, Ch. "A New Eurasian Embrace." p.31,43

<sup>45</sup> Summers, T. "China’s ‘New Silk Roads’: sub-national regions and networks of global political economy." *Third World Quarterly* 37, no. 9 (2016). <https://www.tandfonline.com/doi/abs/10.1080/01436597.2016.1153415> p.1638

<sup>46</sup> Harvey, D. "Globalization and the “spatial fix”." *Geographische Revue: Zeitschrift für Literatur und Diskussion* 3, no. 2 (2001). [https://publishup.uni-potsdam.de/opus4-ubp/files/2251/gr2\\_01\\_Ess02.pdf](https://publishup.uni-potsdam.de/opus4-ubp/files/2251/gr2_01_Ess02.pdf) , p.24

that the assumptions about Turkey turning East are wrong: There is no geopolitical strategy, as such, which confirms that the Turkish policy shift toward China is, instead, a product of fears about China's growing influence, as described by Said's imagined geographies.

Moreover, D. Gregory elaborates further on the *imagined geographies*, claiming that society's perception of the *Oriental* reality has not only global but also local application, which is reflected in the understanding of the relations between "them." – the Oriental countries.<sup>47</sup> Using the concept of imagined geographies reflects the tendencies that society often exhibits toward the ME. Not only do people imagine how these countries behave in their relationships with the West, but they also use these assumptions to falsely standardize the relationships between the ME countries. Perhaps the question that arises here is why scholars only recently have paid attention to the development of Turkish foreign policy toward China, while the relations between these two countries trace back to 1934.<sup>48</sup> As this thesis suggests, the reason that recent Sino-Turkish relations have attracted more attention, along with the concurrent assumptions about a possible Turkish pivot to the East, is because of fears of the new Chinese hegemon, as inscribed by the imagined communities. Consequently, to critically assess such assumptions, this thesis attempts to answer the main research question, "*To what extent is Turkey turning East?*" by examining the trade and investment relations between Turkey and China and whether the above-mentioned assumptions are true.

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<sup>47</sup> Gregory, D. "Imaginative Geographies." *Progress in Human Geography* 19, no. 4 (1995). <https://journals.sagepub.com/doi/pdf/10.1177/030913259501900402>, p.463

<sup>48</sup> Atlı, A. "Turkey's Foreign Policy Towards China." p.6

## Methodology

To evaluate the credibility of the claim that Turkey is pivoting East,<sup>49</sup> it is necessary to conduct an in-depth analysis through the case-study research design.<sup>50</sup> Accordingly, applying this research design to the topic provides the explanation for “the dynamics present within single settings,”<sup>51</sup> and, therefore, creates a suitable environment for the detailed analysis. Since economic integration plays an important role in the BRI and in Chinese foreign policy,<sup>52</sup> the case study of Turkey pivoting East focuses on its economic integration. Moreover, the application of the case study as the research design also provides the so-called embedded design,<sup>53</sup> which enables the analysis on multiple levels but still existing within the same case study. Consequently, based on I. Kalin’s identification, there are three main pillars of Turkish foreign policy: justice and equality, security and freedom, and trade and investments.<sup>54</sup> While first two point to ethics and humanitarianism to protect and preserve basic human rights, the last pillar indicates the importance of economic cooperation between nations. Therefore, trade and investments between Turkey and China are the primary focus in this paper.<sup>55</sup>

To analyze primary sources of statistical data and reports, such as data provided by the Turkish Statistical Institute (TurkStat)<sup>56</sup> and the International Monetary Fund (IMF),<sup>57</sup> this paper adopts the use of descriptive statistics, as these provide a description of the characteristics of a group of

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<sup>49</sup> E.g., Lin, Ch. “A New Eurasian Embrace.” p.31,43; Genç, K. “When One Door Closes.” p.102; Dalacoura, K. “Muslim and Modern.” p.324-27

<sup>50</sup> Bryman, A. *Social Research Methods*. Fifth ed. Oxford; New York: Oxford University Press, 2016. p.69

<sup>51</sup> Eisenhardt, K. M. “Building Theories from Case Study Research.” *The Academy of Management Review* 14, no. 4 (1989). <https://journals.aom.org/doi/abs/10.5465/AMR.1989.4308385> , p.534

<sup>52</sup> Flint, C., Zhu, C. “The Geopolitics of Connectivity, Cooperation, and Hegemonic Competition.” p.95

<sup>53</sup> Yin, R. Case study research. Beverly Hills, CA: Sage Publications, 1984. in Eisenhardt, K. M. “*Building Theories from Case Study Research*.” p.534

<sup>54</sup> Kalin, I. “Turkish foreign policy: Framework, values, and mechanisms.” *International Journal* 67, no. 1 (2012). <https://journals.sagepub.com/doi/pdf/10.1177/002070201206700102> , p.14-17

<sup>55</sup> Due to limited language proficiency, the research is conducted exclusively on the English written sources. However, the primary data is verified over more than just one source and most of the sources provide their English equivalent. Where possible, the double-referencing is used. In case of data discrepancy this paper will provide further examination.

<sup>56</sup> Also referred to as Türkiye İstatistik Kurumu (TÜİK); Available at <https://www.tuik.gov.tr/Home/Index>

<sup>57</sup> International Monetary Fund Data, <https://www.imf.org/en/Data> ; Due to limited access, readability, and time limitations, the Chinese sources were not used. Most of the data is supplied from the IMF database, especially from the Direction of Trade Statistics (DOTS) and Coordinated Direct Investment Survey (CDIS), which are coherent, easily accessible, and cover the longest timeframe.

observations,<sup>58</sup> such as the trade and investment relations between Turkey and China. In terms of characteristics of trade relations, the analysis is two-fold: First, the analysis identifies China's position as the trade partner of Turkey within the selected timeframe. Here, the position of China is determined as the sum of cost, insurance, and freight (CIF) imports and free on board (FOB) exports.<sup>59</sup> Second, the analysis provides a breakdown of the earnings and expenditures for imported and exported goods and a comparison of the mutual investment within the selected timeframe. As a result, using the Microsoft Excel software, the primary sources are transformed into graphic form, more precisely, to line, bar, and scattered charts that visualize the periods of possible changes in trade and investment relations between Turkey and China. These data are expected to either support or reject the claims of Turkey turning East, especially after the emergence of the NSR.

As the main research question of this thesis attempts to identify whether Turkish economic relations with China support the claim that Turkey is shifting East, the first chapter of this paper focuses on the development of the ties between these two countries. This chapter further identifies the milestones of Turkish-Chinese relations, with the overview divided into four periods: 1934–1970, 1971–2008, 2009–2015, and 2016–2020. Such periodization plays an important role in this thesis, as it is further used for the analysis in the empirical chapters.

The empirical chapters focus on the analysis of the data collected from the Direction of Trade Statistics (DOTS)<sup>60</sup> and Coordinated Direct Investment Survey (CDIS)<sup>61</sup> datasets; these worldwide statistical data collection efforts are led by the IMF.<sup>62</sup> While both chapters examine data to answer the research question, there are a few differences. Chapter 2 focuses on the trade relations between Turkey and China and is divided into two parts, examining China's position as a trade partner of

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<sup>58</sup> Fisher, M. J., Marshall, A. P. "Understanding Descriptive Statistics." *Australian Critical Care* 22, no. 2 (2009). [https://www.sciencedirect.com/science/article/pii/S1036731408001732?casa\\_token=ICLEIN5vW7QAAAAA:cY2PW-A6JVStvx93RmbknhlGO4rX2aeJN4uYvpmxwBLpp1dEALqn75WnOvGHY-5isARROZkvUcw](https://www.sciencedirect.com/science/article/pii/S1036731408001732?casa_token=ICLEIN5vW7QAAAAA:cY2PW-A6JVStvx93RmbknhlGO4rX2aeJN4uYvpmxwBLpp1dEALqn75WnOvGHY-5isARROZkvUcw), p.93.

<sup>59</sup> Since Turkey represents the main interest, CIF import and FOB exports are selected, as it means that Turkey is in both cases responsible for costs and liabilities

<sup>60</sup> Direction of Trade Statistics (DOTS). <https://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85&sid=1515619375491>

<sup>61</sup> Coordinated Direct Investment Survey (CDIS). <https://data.imf.org/?sk=40313609-F037-48C1-84B1-E1F1CE54D6D5&sid=1410469360660>

<sup>62</sup> IMF data availability varies by country and database. While data for the trade relations span from 1972-2020, the data for the investments cover the period from 2009- 2019.

Turkey and assessing Turkey's earnings from imports and exports. Due to time limitations and the readability and relevance of the graphs, only the years when China reached a rank higher than 20 were used. Additionally, some of the years in the 1934–1970 period were missing the values for Turkey's exports and imports. As a result, it was not possible to ascertain China's ranking or Turkish earnings and expenditures, and the first period is missing graphical representation as well. Instead, the secondary sources were used to provide an overview of trade relations during that period.<sup>63</sup> The remainder of the results, including deviations and exponential trendlines, are visualized in a variety of charts and scattered plots.<sup>64</sup>

Chapter 3 focuses on investment relations and is divided into two parts: Turkish outward investments and Turkish inward investments in relation to China. Since the Coordinated Direct Investment Survey database provides data only from 2009 to 2019, the first two periods are combined into one, the pre-2009 period, which most includes information provided by secondary sources. Since the data for this period are missing, there is no graphical visualization. However, the available data for the more recent period is visualized in a variety of charts and scattered plots. As a result, the outcomes from the empirical chapters are used for further comparison and concluding remarks about this research.

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<sup>63</sup> Since the first part of the chapter indicates main trading partners, these partners become the focus in Turkish import/export earning/expenditures

<sup>64</sup> For visualization purposes, the paper uses 5 main trading partners of Turkey during the key years – 8 partners in total. However, the position of China is not affected. (See comprehensive table in Appendix)

## Chapter 1: History of Turkish-Chinese Relations

A historical framework plays an important role in determining relations between two countries, as it does for Turkish-Chinese cooperation. Therefore, by identifying important milestones—the years 1934, 1971, 2009, and 2016—it is possible to contextualize the evolution of Sino-Turkish relations within four distinct periods.

### 1.1 Period from 1934 to 1970

Turkish-Chinese relations date back to the establishment of diplomatic ties between the two countries and the opening of the first Turkish consulate in Nanjing in 1934, which was later upgraded to an embassy in 1945.<sup>65</sup> However, these developments slowed, especially after 1949, when Turkey refused to recognize the establishment of the communist PRC and endorsed the government in Taiwan as the legitimate government overseeing all of China.<sup>66</sup> Only in 1971, when the United Nations Security Council accepted Chinese membership<sup>67</sup> as a result of the change in US position regarding communist China,<sup>68</sup> did Turkey finally recognize the PRC as a legitimate government.<sup>69</sup> As a result, a number of sources use this milestone as the actual opening of Sino-Turkish relations.<sup>70</sup>

### 1.2 Period from 1971 to 2008

Even though 1971 represents an important turning point, Sino-Turkish cooperation during the period from 1972 to 2008 developed slowly,<sup>71</sup> which was the result of several factors. The first was the presence of socialism in China, which highly restricted access to the Chinese economy.<sup>72</sup> Additionally, during his period, anti-Communist propaganda espoused by the Turkish elite and

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<sup>65</sup> Atlı, A. "Turkey's Foreign Policy Towards China." p.6

<sup>66</sup> Atlı, A. "Turkey's Foreign Policy Towards China" p.6; Pehlivan Türk, B. "East Asia in Turkish Foreign Policy: Turkey as a 'Global Power'?" In *Turkish Foreign Policy*. Palgrave Macmillan, Cham, 2017. <https://link.springer.com/content/pdf/10.1007%2F978-3-319-50451-3.pdf> , p.265

<sup>67</sup> Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.75

<sup>68</sup> Pehlivan Türk, B. "East Asia in Turkish Foreign Policy" p.265; Talbot, V. "Turkey and China?" p.91

<sup>69</sup> Atlı, A. "Turkey's Foreign Policy Towards China." p.6

<sup>70</sup> Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.75; Talbot, V. "Turkey and China" p.91

<sup>71</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.265; Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.75

<sup>72</sup> Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.75



international (Western) society included the PRC, which hampered further Turkish-Chinese relations.<sup>73</sup> The second factor was the political and economic situation in Turkey at the time, which led to debates about "...whether the expected economic benefits would justify taking the political and ideological risk of recognizing 'Red China.'"<sup>74</sup> Although escalation of Turkish-Chinese relations, especially during the terminal phase of Mao Zedong era in 1970s, would create new opportunities for Turkish businesses, ideologically, this could lead to the expansion of communism in Turkey, and, therefore, make enemies in the West.<sup>75</sup> The third and probably most persistent factor that has shaped Turkish-Chinese relations is the Uyghur diaspora, which migrated to Turkey in the 1950s and, since then, has determinedly lobbied against any rapprochement between the two countries.<sup>76</sup>

The situation changed in 1974, when Turkish cooperation with the UN went through a difficult period relating to the Turkish "occupation force" in Cyprus.<sup>77</sup> The intervention in Northern Cyprus led to Turkey's isolation in the international arena,<sup>78</sup> and the country needed to find new allies. As a result, Turkish foreign policy shifted toward nations belonging to the Non-Aligned Movement,<sup>79</sup> within which China played a major role. Furthermore, Turkish military presence in Northern Cyprus led to a US-imposed weapons embargo against Turkey in 1975–1978, which forced Turkey to reconsider its dependence on Western allies as suppliers of its defense industry.<sup>80</sup> Consequently, the growing bilateral negotiations between Turkey and China led to increased cooperation, which resulted in a trade pact signed in 1976.<sup>81</sup> It is this agreement that launched the economic relations as well.<sup>82</sup>

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<sup>73</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.294; Pehlivan Türk, B. "East Asia in Turkish Foreign Policy" p.265

<sup>74</sup> Atlı, A. "Turkey's Foreign Policy Towards China." p.7

<sup>75</sup> Ibid.

<sup>76</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.295

<sup>77</sup> Dellios, R., Yilmaz, N. K. "Turkey and China: A Study in Symmetry." *Journal of Middle Eastern and Islamic Studies in Asia* 2, no. 1 (2008). <https://www.tandfonline.com/doi/abs/10.1080/19370679.2008.12023108> , p.22

<sup>78</sup> Pehlivan Türk, B. "East Asia in Turkish Foreign Policy" p.271

<sup>79</sup> Ibid.

<sup>80</sup> Haugom, L. "Turkish Foreign Policy under Erdogan: A Change in International Orientation?" *Comparative Strategy* 38, no. 3 (2019). <https://www.tandfonline.com/doi/abs/10.1080/01495933.2019.1606662> , p.216-217

<sup>81</sup> Doster, B. "The Developing Relations between Turkey and China Since 2005." p.286; Talbot, V. "Turkey and China." p.92

<sup>82</sup> Ibid.

The year 1978 signaled a change in the foreign policy on the Chinese side, especially after Deng Xiaoping's election as chairman of the Chinese People's Political Consultative Conference.<sup>83</sup> As a result of the more liberal economic policy, China was looking for new allies, and Turkey was an ideal partner.<sup>84</sup> Soon after, on September 12, 1980, Turkey suffered a military coup,<sup>85</sup> which further alienated Turkish relations with the West, especially with the European Economic Community.<sup>86</sup> The leading figure of the coup, Kenan Evren, soon assumed the presidency, which infuriated the international (mostly Western) community. Thereafter, Western countries refused to accept him for any high-level official visits,<sup>87</sup> however, he was welcome in Asia. Thus, beginning in 1981, Turkey and China engaged in several high-level exchanges that led to the reinforcement of bilateral relations.<sup>88</sup>

Although diplomatic relations between the two countries were thriving in the 1980s, economic cooperation was negligible.<sup>89</sup> Despite the famous motto, "If we sell one orange to each Chinese person, we'll be rich soon,"<sup>90</sup> Turks did not share the same enthusiasm as President Evren, as it became difficult for Turkish businessmen to penetrate Chinese markets due to a lack of knowledge and experience with Chinese trade.<sup>91</sup> Instead of exporting Turkish goods, Turkish merchants began to import inexpensive Chinese products, reaping short-term individual gains.<sup>92</sup> If the 1970s and 1980s were mostly about the development of Sino-Turkish relations, the 1990s represented the complete opposite.

Soon after the dissolution of the USSR, Turkey focused its investments on economic, political, and social relations with the newly established Central Asian countries.<sup>93</sup> Using the ideology of "neo-Pan-Turkism," Turkish foreign policy emphasized ethnic, religious, and linguistic connections with the new republics, while attempting to stress the priority over other players in

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<sup>83</sup> Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.75

<sup>84</sup> Ibid.

<sup>85</sup> Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.75; Pehlivan Türk, B. "East Asia in Turkish Foreign Policy." p.265

<sup>86</sup> Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.75

<sup>87</sup> Pehlivan Türk, B. "East Asia in Turkish Foreign Policy." p.265

<sup>88</sup> Pehlivan Türk, B. "East Asia in Turkish Foreign Policy." p.265; Atlı, A. "Turkey's Foreign Policy Towards China." p.7

<sup>89</sup> Talbot, V. "Turkey and China." p.91

<sup>90</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.297

<sup>91</sup> Talbot, V. "Turkey and China." p.97

<sup>92</sup> Talbot, V. "Turkey and China." p.97-98; Ergenç, C. "Can Two Ends of Asia Meet?" p.297

<sup>93</sup> Atlı, A. "Turkey's Foreign Policy Towards China." p.7; Ergenç, C. "Can Two Ends of Asia Meet?" p.295

the region, mainly Russia and China.<sup>94</sup> Not surprisingly, the neo-Pan-Turkish ideology was understood in China as rousing the Uyghur minority in Xinjiang.<sup>95</sup> Even though the ideology was not well-supported in Central Asia, Istanbul became the center of Uyghur separatist activities,<sup>96</sup> and the “Uyghur issue” became the essential factor influencing Sino-Turkish relations.<sup>97</sup> In fact, during the years 1991–2000, there were no bilateral official visits from any of the countries.<sup>98</sup>

Toward the end of the 1990, Turkish foreign policy reduced the emphasis on Pan-Turkish ideology, began to include Russian and Chinese influence in the Central Asia region,<sup>99</sup> and stopped supporting the Uyghur movement. Instead, Turkey began to support Uyghurs in Xinjiang economically and culturally, while looking carefully at how this could jeopardize relations with China.<sup>100</sup> Ergenç adds that the decision to halt support for the Uyghur movement was also affected by other international problems, especially the Kurdish issue.<sup>101</sup> Additionally, in 2002, the Adalet ve Kalkınma Party (AKP) came to power in Turkey, leading to a reorientation of the existing foreign policy,<sup>102</sup> which was underlined by Erdoğan’s visit to China in 2003. During this exchange, he dropped Turkey’s 1990s’ policy toward China to pursue the development of political and trade relations, while simultaneously ignoring the Uyghur issue.<sup>103</sup> In 2009, the entire policy was turned upside down.<sup>104</sup>

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<sup>94</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.295

<sup>95</sup> Ibid.

<sup>96</sup> Atlı, A. "Turkey’s Foreign Policy Towards China." p.7; Ergenç, C. "Can Two Ends of Asia Meet?" p.295

<sup>97</sup> Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.76; Pehlivan Türk, B. "East Asia in Turkish Foreign Policy." p.270-2715

<sup>98</sup> Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.76; Atlı, A. "Turkey’s Foreign Policy Towards China." p.7

<sup>99</sup> Atlı, A. "Turkey’s Foreign Policy Towards China." p.7

<sup>100</sup> Ibid.

<sup>101</sup> Ergenç, C. "Can Two Ends of Asia Meet" p.296

<sup>102</sup> Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.76; Pehlivan Türk, B. "East Asia in Turkish Foreign Policy" p.271

<sup>103</sup> Çolakoğlu, S. "Turkey’s East Asian Policy: From Security Concerns to Trade Partnerships". *PERCEPTIONS: Journal of International Affairs* 17 (2012). <https://dergipark.org.tr/en/download/article-file/816378> , p.139; Akçay, N.

"Turkey-China Relations Within the Concept of the New Silk Road Project." p.76

<sup>104</sup> Pehlivan Türk, B. "East Asia in Turkish Foreign Policy." p.271

### 1.3 Period from 2009 to 2015

Even though the AKP's 2002 election victory led to a shift in foreign policy toward China,<sup>105</sup> the events of 2009 again caused trouble for Turkish-Chinese relations.<sup>106</sup> In 2009, the Chinese government attempted to stimulate development in Xinjiang by opening the region to Turkish businesses and investors.<sup>107</sup> While playing an important role as a mediator between the Chinese government and the minority Uyghurs,<sup>108</sup> Turkey accepted the role of protector, which would eventually lead to further development of Sino-Turkish relations. However, the realization of the mediation plan was interrupted by the eruption of the Urumqi riots between the Uyghur and Han immigrants, which resulted in a clash between the Uyghur people and the Chinese local army that left 197 Uyghurs dead.<sup>109</sup> The news soon spread around the world, and a massive protest involving the Uyghur diaspora and pro-Uyghur sympathizers erupted in front of the Chinese embassy in Turkey.<sup>110</sup> As a result, in his official statement, then-Prime Minister Erdoğan called the actions of the Chinese army against the rioters in Urumqi "almost like a genocide."<sup>111</sup> Not surprisingly, the 2009 mediation plan was postponed along with further development of Turkish-Chinese ties<sup>112</sup> until 2012, when the Turkish Trade Center opened in Urumqi as a result of diplomatic efforts.<sup>113</sup> Although the Uyghur issue persisted and affected Sino-Turkish relations,<sup>114</sup> Turkish foreign policy' stance on China's treatment of its Uyghur population moderated.<sup>115</sup>

Regarding economic relations, the period from 2009 to 2016 was important in the development of Turkish foreign policy. As mentioned previously, the role of Turkey as a mediator between the Uyghurs and the Chinese government was highly significant for China, but it also represented a means for Turkey to access the Chinese economy.<sup>116</sup> However, growing numbers of imported

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<sup>105</sup> Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.76; Pehlivanürk, B. "East Asia in Turkish Foreign Policy." p.271

<sup>106</sup> Pehlivanürk, B. "East Asia in Turkish Foreign Policy." p.271

<sup>107</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.296; Pehlivanürk, B. "East Asia in Turkish Foreign Policy" p.271

<sup>108</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.296; Talbot, V. "Turkey and China." p.105

<sup>109</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.296; Kaya, K. "Turkey and China." p.8

<sup>110</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.296

<sup>111</sup> Talbot, V. "Turkey and China." p. 105; Kaya, K. "Turkey and China" p.8

<sup>112</sup> Pehlivanürk, B. "East Asia in Turkish Foreign Policy." p.271; Talbot, V. "Turkey and China." p.105

<sup>113</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.296; Kaya, K. "Turkey and China" p.8

<sup>114</sup> Pehlivanürk, B. "East Asia in Turkish Foreign Policy." p.271; Talbot, V. "Turkey and China." p.106

<sup>115</sup> Pehlivanürk, B. "East Asia in Turkish Foreign Policy." p.271; Doster, B. "The Developing Relations between Turkey and China Since 2005." p.287

<sup>116</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.296; Pehlivanürk, B. "East Asia in Turkish Foreign Policy" p.271

Chinese goods resulted in a significant increase in Turkey's trade imbalance with China, rising from \$10 billion in 2007 to \$22 billion in 2015.<sup>117</sup> Not surprisingly, both countries realized that such a disparity in trade would not result in sustainable economic relations. Thus, the Turkish government pressured China to fix current imbalance by implementing quotas on imported goods and, especially, an increase in foreign direct investments (FDIs) to Turkey.<sup>118</sup> Consequently, as a result of the 2010 Strategic Partnership agreement, China and Turkey opened the Turkish Trade Center in Urumqi and the Sino-Turkish industrial zone in 2012.<sup>119</sup> However, both sites remained empty and inactive in the early years, especially due to limited interest among Turkish businesses to invest in China.<sup>120</sup> On the contrary, Chinese investment in Turkey became a vital part of the Turkish development. During this period, there was a significant increase in the number of the Chinese companies operating in Turkey, especially in the communication, energy, and transportation sectors.<sup>121</sup> For example, in 2012, Turkey and China agreed on construction of a high-speed railway between the Turkish cities of Kars and Edirne, which would reduce the travel time from 36 to 12 hours. An estimated 85% of the cost of the railway was covered by Chinese investors.<sup>122</sup>

Diplomatic and political relations between Turkey and China were influenced to a great extent by the Uyghur issue and the growing trade imbalance.<sup>123</sup> Shortly before the eruption of riots in Xinjiang in 2009, Turkish President Abdullah Gül visited China, which was the first such visit in 14 years.<sup>124</sup> Gül attended a Turkey-China business forum, accompanied by a delegation of high-ranking Turkish businessmen.<sup>125</sup> The mission concluded with a visit of Xinjiang, whose Uyghur inhabitants were compared to a "friendship bridge" between the two countries.<sup>126</sup> After the protests, when Erdoğan compared the actions of the Chinese army to genocide,<sup>127</sup> relations

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<sup>117</sup> Kulaksız, S. "Financial Integration via Belt and Road Initiative." p.57; Doster, B. "The Developing Relations between Turkey and China Since 2005." p.286

<sup>118</sup> Kaya, K. "Turkey and China" p.10; Kulaksız, S. "Financial Integration via Belt and Road Initiative." p.57

<sup>119</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.298; Talbot, V. "Turkey and China." p.97

<sup>120</sup> Ibid.

<sup>121</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.298; Kulaksız, S. "Financial Integration via Belt and Road Initiative" p.57

<sup>122</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p. 299; Kaya, K. "Turkey and China." p. 12

<sup>123</sup> Pehlivan Türk, B. "East Asia in Turkish Foreign Policy?" p.272; Atlı, A. "Turkey's Foreign Policy Towards China." p.8

<sup>124</sup> Kaya, K. "Turkey and China." p.4; Talbot, V. "Turkey and China." p.93

<sup>125</sup> Ibid.

<sup>126</sup> Kaya, K. "Turkey and China." p.4

<sup>127</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.296; Kaya, K. "Turkey and China." p.8

between the two countries were expected to break. However, during his visit to Turkey, Chinese Prime Minister Wen ignored the “Uyghur issue,” and the economic integration of Turkey and China took a new direction.<sup>128</sup> Economic relations, together with counterterrorism and nuclear energy production, became the pillars of the new relationship, which Chinese Prime Minister Jiabao called a “strategic partnership.”<sup>129</sup> Diplomatic relations were further extended by Erdoğan’s first official visit to China in April 2012. Together with a delegation of 300 businessmen, he signed further agreements covering energy, construction, banking, technology, communications, and the automotive industry.<sup>130</sup> In 2015, shortly after the presidential election victory of Erdoğan, anti-Chinese protests erupted in Turkey.<sup>131</sup> Although the demonstrators objected to a strengthening of Sino-Turkish relations, the protesters did not stop Erdoğan from making his first presidential visit to China.<sup>132</sup>

During this period, special attention was paid toward joining the NSR, with the establishment of a framework for cooperation in 2013.<sup>133</sup> Realizing its strategic geopolitical position and the importance of integration, Turkey attempted to join this extensive program of cooperation. As a result, in 2015, China and Turkey signed a “Memorandum of Understanding” to provide policy assistance in promoting cooperation within the BRI and to protect it from potential disruptions.<sup>134</sup> However, the events of 2016 influenced this new cooperation.

#### **1.4 Period from 2016 to 2020**

On July 15, 2016, the Turkish military stormed the streets to attempt a coup against Erdoğan’s government but failed terribly.<sup>135</sup> Lacking support from Western allies after the failed putsch, Erdoğan felt abandoned,<sup>136</sup> which raised serious questions in Turkey about the orientation of the

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<sup>128</sup> Talbot, V. "Turkey and China." p.93

<sup>129</sup> Talbot, V. "Turkey and China." p.93; Zou, Z. "Sino-Turkish Strategic Economic Relationship in New Era." p.15

<sup>130</sup> Talbot, V. "Turkey and China" p.93

<sup>131</sup> Atli, A. "Turkey’s Foreign Policy Towards China" p 8,

<sup>132</sup> Atli, A. "Turkey’s Foreign Policy Towards China" p 8,20

<sup>133</sup> Atli, A. "Turkey’s Foreign Policy Towards China" p.20

<sup>134</sup> Kulaksız, S. "Financial Integration via Belt and Road Initiative" p.57

<sup>135</sup> Kayaoğlu, B., Oosterveld, W.T., de Rave, R., Farnham, N. "A Farewell to the West? Turkey’s Possible Pivot in the Aftermath of the July 2016 Coup Attempt." The Hague Centre for Strategic Studies, 2017.

<https://hcss.nl/sites/default/files/files/reports/A%20Farewell%20to%20the%20West%20%28Turkey%20case%20study%29.pdf> , p.5; Üngör, Ç. "Heading Towards the East?" p.67

<sup>136</sup> Kayaoğlu, B., Oosterveld, W.T., de Rave, R., Farnham, N. "A Farewell to the West?" p.5

country's foreign policy.<sup>137</sup> Soon after the coup attempt, to support the struggling Turkish government, Chinese Vice Foreign Minister Zhang Ming arrived in Turkey to assure the government that the events of July 15 would not affect current Sino-Turkish relations.<sup>138</sup> In fact, the failed coup created the framework for deepening the two nations' economic integration through trade and investments.<sup>139</sup>

In the same year, though before the attempted coup, Turkey joined other founding members to establish the new China-sponsored Asian Infrastructure Investment Bank, which was launched to finance BRI projects alongside the Silk Road Fund.<sup>140</sup> However, despite further economic integration with China and within the NSR, China's trade imbalance with Turkey increased.<sup>141</sup> It appears that the trade imbalance leading to the account deficit was dependent not only on the volume of the goods exported to China but also on the type of the goods and their value.<sup>142</sup> For example, instead of importing marble from Turkey, which supplies more than 55% of China's marble, China began to purchase marble quarries in Turkey, with the number reaching nearly 100 in 2017.<sup>143</sup> Conversely, Turkey was importing higher-valued manufactured goods from China, with much higher diversification.<sup>144</sup> Additionally, even though Chinese investment in Turkey rose, Turkish investments in China were at an elementary stage.<sup>145</sup> As a consequence, while the economic integration and diplomatic relations between these two countries improved, the impact on the Turkish economy was heading in the opposite direction.<sup>146</sup>

During this period, the Uyghur situation took on a different level of understanding, perhaps due to increasing emphasis on the preservation of economic relations and material interests. During his official visit to China aimed at a deeper coordination with Xinjiang, Turkish Foreign Minister Mevlüt Çavuşoğlu recognized the East Turkestan Islamic Movement as a terrorist group.<sup>147</sup> With

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<sup>137</sup> Kayaoğlu, B., Oosterveld, W.T., de Rave, R., Farnham, N. "A Farewell to the West?" p.8; Üngör, Ç. "Heading Towards the East?" p.67

<sup>138</sup> Üngör, Ç. "Heading Towards the East?" p.70

<sup>139</sup> Ibid.

<sup>140</sup> Üngör, Ç. "Heading Towards the East?" p.71

<sup>141</sup> Atlı, A. "Turkey's Economic Expectations from a Rising China." p.82

<sup>142</sup> Ibid.

<sup>143</sup> Atlı, A. "Turkey's Economic Expectations from a Rising China." p.81

<sup>144</sup> Ibid.

<sup>145</sup> Atlı, A. "Turkey's Economic Expectations from a Rising China." p.83

<sup>146</sup> Ibid.

<sup>147</sup> Üngör, Ç. "Heading Towards the East?" p.72

this move he equated Chinese security to Turkey's own security, which was indeed favored by the Chinese government, but he further alienated public opinion in Turkey concerning China due to increasing anti-Chinese sentiment.<sup>148</sup> Consequently, the Turkish government claimed that it would "... take measures to eliminate any media reports targeting China."<sup>149</sup> However, media coverage was not the only source of criticism about China. Often, the Turkish officials themselves brought up the Uyghur issue while invoking Islamic or nationalist connotations, which pleased public opinion mainly in the Western and Islamic arena.<sup>150</sup>

This historical overview reveals that relations between China and Turkey often resembled a roller-coaster. It appears that economic benefits constituted the backbone of Sino-Turkish cooperation, but several factors influenced the continuously flourishing partnership. As pointed out earlier, the geopolitical aspects (e.g., the Cyprus issue), foreign policy shifts (e.g., from strongly pro-Western and anti-Communist to more liberal), domestic crisis (e.g., the attempted coup in 2016), and pro-Uyghur sentiments played important roles in determining stable Turkish-Chinese relations. However, constant shifts in foreign policy regarding further opening of the Turkish market to Asia (and mainly China), implemented by the Erdoğan's AKP since 2002, strengthened Sino-Turkish cooperation. As a result, even long-term issues such as the so-called Uyghur question were often ignored to protect the economic partnership. That is also reason why the economic aspect of Chinese-Turkish cooperation became the main indicator of Turkey's suggested shift to the East.

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<sup>148</sup> Ibid.

<sup>149</sup> Reuters. "Turkey promises to eliminate anti-China media reports." <https://www.reuters.com/article/us-china-turkey/turkey-promises-to-eliminate-anti-chinamedia-reports-idUSKBN1AJ1BV>

<sup>150</sup> Üngör, Ç. "Heading Towards the East?" p.73



## Chapter 2: Turkish-Chinese Trade Relations

As seen in the historical overview, the relationship between Turkey and China resembled a roller-coaster ride, with the causes extending beyond domestic situations or foreign policies. Rather, it was the transformation of the global order (e.g., the Cold War), ideological motivations (e.g., Pan-Turkism), and religious and ethnic solidarity (e.g., the future of the Uyghurs) that shaped the notion of Sino-Turkish cooperation. As these factors changed over time, the historical overview becomes an important framework when analyzing Turkish-Chinese economic relations. Therefore, it is also used as a framework to determine trade developments between the two countries. More precisely, this framework might help to shed light on the potential changes caused by the emergence of the NSR and indicate whether trade relations confirm or refute the claims of Turkey pivoting East. Since trade relations could be studied from number of angles, the analysis of this chapter focuses, first, on the position of China as a trade partner of Turkey from 1934 to 2020 and, second, on Turkish earnings coming from exports to China and Turkish import expenditures from China.

### 2.1 China as a Trade Partner of Turkey

Trade relations between China and Turkey accelerated in recent years, especially after 2001 (Figure 2.1). Since 2007, China has been one of Turkey's five main trade partners, and since 2009, China has placed somewhere among the top three positions. However, the improvement of these relations has not been constant, as the two countries have faced domestic and global economic, political, and ideological shifts. Although the results illustrated in Figure 2.1 suggest that the upturn in Sino-Turkish relations started before the announcement of the NSR,<sup>151</sup> that conclusion would not be adequate without further elaboration. Therefore, to better understand these factors, and especially to determine whether Turkey is pivoting East, especially since 2013, this paper further analyzes China's trading position over several periods of time, specified by the historical framework.<sup>152</sup>

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<sup>151</sup> Akyel, K. "The Allure of Geopolitics and Quest of a Pivot State." *Journal of Management and Information Science* 7, no. 1 (2019). <https://jmisci.com/index.php/jmisci/article/download/65/74>, p.22; Ergenç, C. "Can Two Ends of Asia Meet?" p.291

<sup>152</sup> the position of trading partners is determined as the sum of CIF import and FOB export

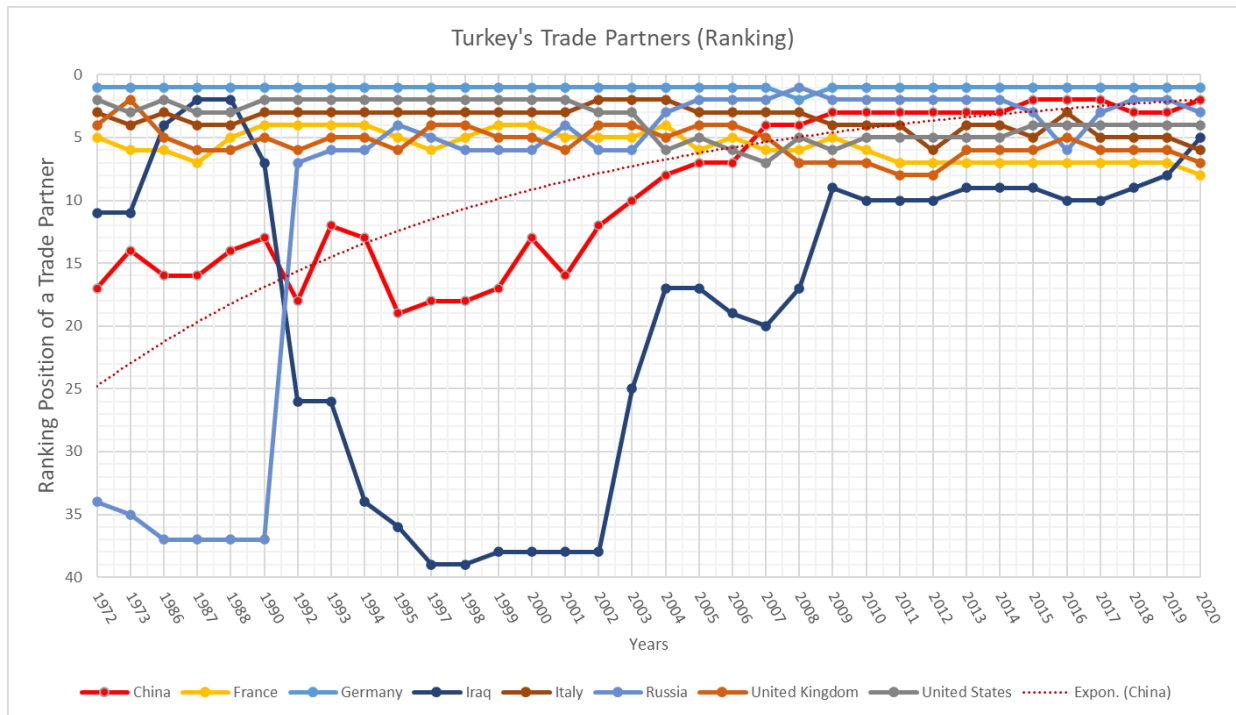


Figure 2.1: Turkey's Trade Partners (Ranking Positions)<sup>153</sup>

### 2.1.1 Period from 1934 to 1970

Diplomatic relations between Turkey and China were established by the opening of the first Turkish consulate in 1934, which was upgraded to an embassy in 1945.<sup>154</sup> However, these developments slowed, especially after 1949, when Turkey refused to recognize the establishment of the communist PRC. Instead, alongside the United States and the United Nations,<sup>155</sup> Turkey endorsed the government in Taiwan (Republic of China or ROC) as the legitimate government of all China.<sup>156</sup> Additionally, during the period from the 1950s to 1970s, Turkish foreign policy toward China was marked by anti-Communist propaganda,<sup>157</sup> pro-Uyghur sentiments,<sup>158</sup> and with the Cold War search for the balance of power.<sup>159</sup> The first signs of improvement in diplomatic and economic relations appeared in the 1960s, when Turkey accepted the UN membership of the PRC

<sup>153</sup> DOTS

<sup>154</sup> Atlı, A. "Turkey's Foreign Policy Towards China." p.6

<sup>155</sup> Han, S.H. "Time to Welcome Taiwan Back into the United Nations." *Asian Affairs* 22, no. 3 (1995). <http://www.jstor.org/stable/30172251>, p.173

<sup>156</sup> Atlı, A. "Turkey's Foreign Policy Towards China." p.6; Pehlivan Türk, B. "East Asia in Turkish Foreign Policy." p.265

<sup>157</sup> Çolakoğlu, S. "Turkey's East Asian Policy." p.132; Atlı, A. "Turkey's Foreign Policy Towards China." p.6

<sup>158</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.295

<sup>159</sup> Çolakoğlu, S. "Turkey's East Asian Policy." p.129

without dismissal of the ROC.<sup>160</sup> As a result, in 1966, Turkey hosted the first PRC trade delegation in Istanbul<sup>161</sup> and signed the first trade treaty in 1969 with the PRC and the ROC at the same time.<sup>162</sup> This decision to recognize both governments resulted in sometimes-rocky trade relations that persist until today.

### 2.1.2 Period from 1971 to 2008

Based on the analysis of China's position as a trade partner of Turkey, it is possible to see that trade relations between 1971 and 2002 were developing slowly, with China reaching the highest peak in 1993 by occupying the 12<sup>th</sup> rank as a trade partner of Turkey and hitting its lowest position (19<sup>th</sup>) just two years later. Both positions were influenced by several factors that are worth mention, as they affect trade relations thereafter.

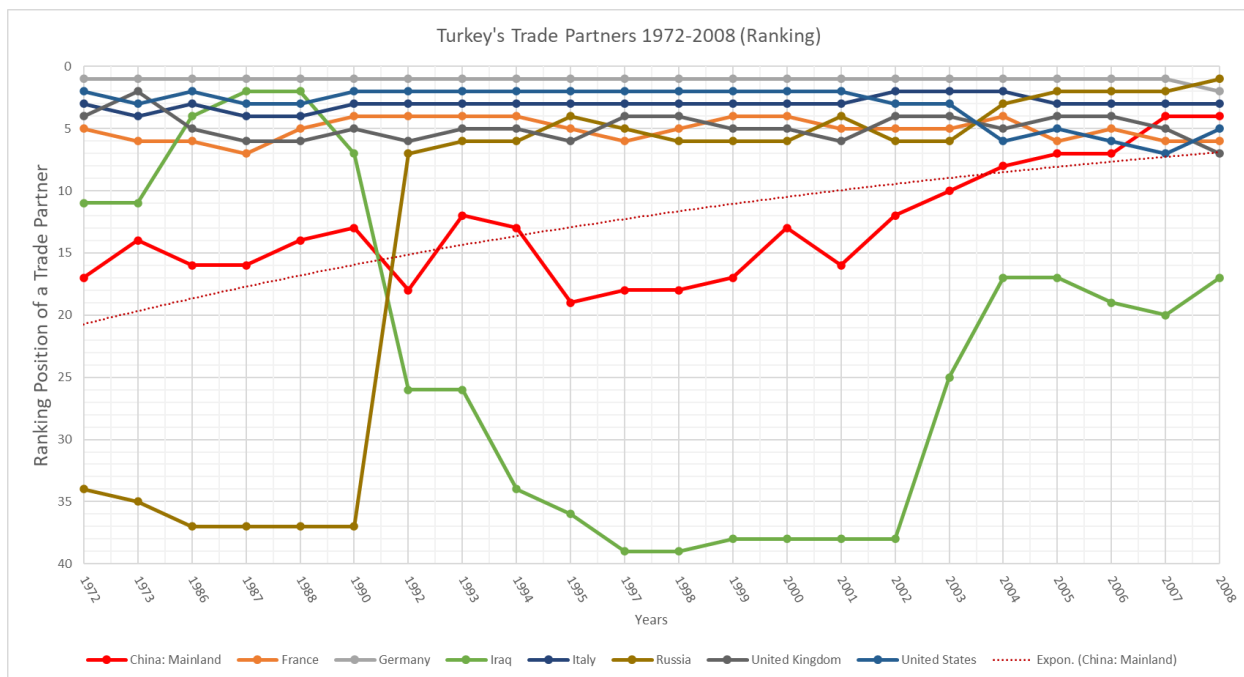


Figure 2.2: Turkey's Trade Partners 1972-2008<sup>163</sup>

<sup>160</sup> Çolakoğlu, S. "Turkey's East Asian Policy." p.130

<sup>161</sup> Ibid.

<sup>162</sup> Atlı, A. "Turkey's Foreign Policy Towards China." p.6; Çolakoğlu, S. "Turkey's East Asian Policy." p.133

<sup>163</sup> DOTS

The steepest rise, in 1993, was a result of the strengthening economic relations due to frequent high-level visits between leaders of the two countries from 1980 to 1991.<sup>164</sup> Additionally, as the relations between two countries continued to evolve, trade and business connections needed further coordination. Therefore, in 1992, Turkey tasked a voluntary business association, the Foreign Economic Relations Board, with establishing the Turkish-Chinese Business Council, which eased bureaucratic hurdles for both Turkish and Chinese business leaders.<sup>165</sup> Moreover, a national business group, the Turkish Industry and Business Association, opened a branch office in Beijing.<sup>166</sup> As a result, the following year, the position of China as a trade partner increased by six ranks, which is the greatest single-year improvement in Turkish-Chinese relations.

However, this notion of the development of the trade relations did not last long. In 1994, Turkey faced a financial crisis caused by substantial budget deficits<sup>167</sup> and high inflation<sup>168</sup> as a result of rising demand, domestic consumption, and rapid liberalization.<sup>169</sup> Alongside the unstable economic situation, Turkey experienced political instability as well, being led by several weak coalition governments that were unable to implement effective foreign policy.<sup>170</sup> During the same time, the international community began to pay more attention to the Uyghur issue.<sup>171</sup> Consequently, to comply with Chinese pressure, Turkey reduced its financial and material support of the Uyghur communities.<sup>172</sup> The combination of the two—the Turkish economic and political crisis and the disputes over financing of the Uyghurs—led to a slowdown in economic relations,

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<sup>164</sup> Kulaksız, S. "Financial Integration via Belt and Road Initiative." p. 54

<sup>165</sup> Atli, A. "Questioning Turkey's China Trade." *Turkish Policy Quarterly* 10, no. 2 (2011). [http://turkishpolicy.com/pdf/vol\\_10-no\\_2-atli.pdf](http://turkishpolicy.com/pdf/vol_10-no_2-atli.pdf) , p.114

<sup>166</sup> Ibid.; There was another national association, Turkish federation of Businessmen and Industrialists (TUSKON), with a branch office in Beijing. Even though the association worked closely with TÜSİAD and DEİK, the company operated only from 2005 to 2016. In 2016, the company was dissolved due to close relations with Fethullah Gülen.

<sup>167</sup> Ünay, S. "Economic diplomacy for competitiveness: Globalization and Turkey's new foreign policy." *PERCEPTIONS: Journal of International Affairs* 15, no. 2 (2010). <https://dergipark.org.tr/en/download/article-file/816491> , p.27

<sup>168</sup> Yılmaz, N.K., Cooke, F.L., Dellios, R. "Turkey's FDI Policy and Chinese Foreign Direct Investments in Turkey: Some Economic and Management Implications." *Global Business Review* 9, no. 1 (2008): 19-44. [https://www.researchgate.net/profile/Fang\\_Cooke/publication/44104428\\_Turkey's\\_FDI\\_policy\\_and\\_Chinese\\_direct\\_foreign\\_investment\\_in\\_Turkey\\_Some\\_economic\\_and\\_management\\_implications/links/5425342b0cf26120b7ac79a5/Turkeys-FDI-policy-and-Chinese-direct-foreign-investment-in-Turkey-Some-economic-and-management-implications.pdf](https://www.researchgate.net/profile/Fang_Cooke/publication/44104428_Turkey's_FDI_policy_and_Chinese_direct_foreign_investment_in_Turkey_Some_economic_and_management_implications/links/5425342b0cf26120b7ac79a5/Turkeys-FDI-policy-and-Chinese-direct-foreign-investment-in-Turkey-Some-economic-and-management-implications.pdf) , p.20-21

<sup>169</sup> Ibid.

<sup>170</sup> Çolakoğlu, S. "Turkey's East Asian Policy." p.140; Ünay, S. "Economic diplomacy for competitiveness." p.29

<sup>171</sup> Üngör, Ç. "Heading Towards the East?" p.72; Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.76

<sup>172</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.295

which was reflected in the ranking China occupied in 1995. In fact, the Chinese position decreased by more than six ranks and reached only 19<sup>th</sup>, which is the lowest of all selected years.

The year 2002 represented an important milestone in Turkish-Chinese relations, as it was the last time China ranked below 10<sup>th</sup> as a trading partner with Turkey. That year, Erdoğan's AKP came to power,<sup>173</sup> which led to recovery of Sino-Turkish relations.<sup>174</sup> As part of a new foreign policy, the new government decided to establish a stronger economic relationship with China, while at the same time avoiding topics that could damage this accord,<sup>175</sup> for example, the Uyghur question. Even though the period of 1972–2008 represented a bumpy road for Turkish-Chinese trade relations, it established an important base for the further advancement of this relationship, especially due to the recurrent obstacles the two countries faced that could have impeded their cooperation.

### **2.1.3 Period from 2009 to 2015**

Based on the data displayed in Figure 2.3, the period from 2009 to 2015 represents stable and thriving trading relations, as the Chinese position as a trade partner sits in the third rank from 2009 until 2015, where it improves to second. Both positions reflect a combination of several factors that are analyzed further here.

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<sup>173</sup> Kaya, K. "Turkey and China." p.3; Zan, T. "'Turkey Dream' and the China-Turkish Cooperation under 'One Belt and One Road' Initiative." *Journal of Middle Eastern and Islamic Studies (in Asia)* 10, no. 3 (2016). <https://www.tandfonline.com/doi/pdf/10.1080/19370679.2016.12023287> , p.50

<sup>174</sup> Kulaksız, S. "Financial Integration via Belt and Road Initiative" p.54; Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.76

<sup>175</sup> Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.76

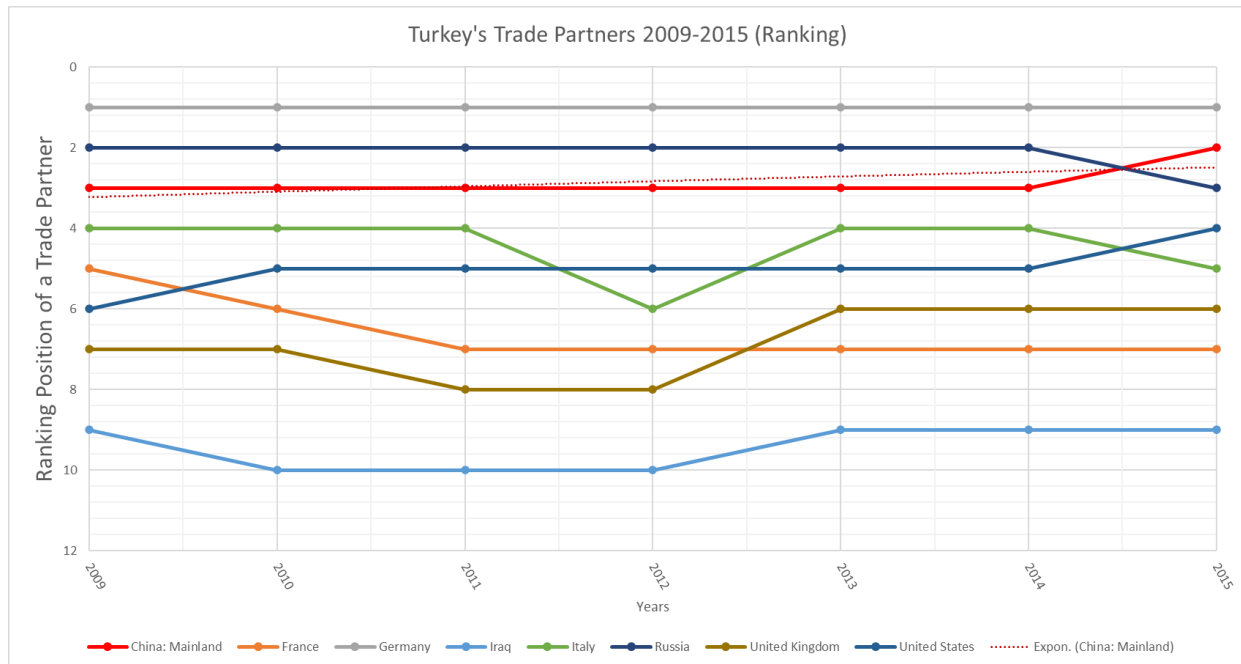


Figure 2.3: Turkey's Trade Partners 2009–2015<sup>176</sup>

In 2002, the AKP adopted a proactive and multidimensional foreign policy approach,<sup>177</sup> which led to a shift in economic strategy from import substitution to export promotion. Moreover, based on macroeconomic parameters, the period of 2003–2008 is represented by a strong political economy, "...including political stability under the single-party AKP administration, rapid economic growth and structural transformation, low inflation, increasing inflows of foreign direct investment, and fiscal discipline."<sup>178</sup> Furthermore, beginning in 2005, the Turkish Ministry of Economy began to promote new economic development policies that were carried out to target promotion of the Chinese market.<sup>179</sup> Then, in 2009, when the Chinese military pushed back rioters in Xinjiang, Ankara termed this event a genocide.<sup>180</sup> However, the same year, Minister of Economy Zafer Çağlayan visited China to attend the Turkey-China Joint Economic Council and to discuss bilateral economic relations.<sup>181</sup> During this visit, Çağlayan stressed the importance of trade relations while

<sup>176</sup> DOTS

<sup>177</sup> Ünay, S. "Economic diplomacy for competitiveness." p.29

<sup>178</sup> Ünay, S. "Economic diplomacy for competitiveness." p.34

<sup>179</sup> Zou, Z. "Sino-Turkish Strategic Economic Relationship in New Era." p.15

<sup>180</sup> Kadilar, R., Leung, A. "Possible Turkish-Chinese Partnership on a New Silk Road Renaissance by 2023." *Turkish Policy Quarterly* 12, no. 2 (2013). <http://turkishpolicy.com/Files/ArticlePDF/possible-turkish-chinese-partnership-on-a-new-silk-road-renaissance-by-2023-summer-2013-en.pdf>, p.131; Çolakoğlu, S. "Turkey's East Asian Policy." p.147

<sup>181</sup> Çolakoğlu, S. "Turkey's East Asian Policy." p.147

following the promise of not intervening in internal relations.<sup>182</sup> Moreover, a series of incentive schemes were offered to encourage Turkish businesses to invest in Xinjiang, which would help ease both the increasing trade deficit and the Uyghur situation.<sup>183</sup> Therefore, despite the so-called Uyghur question, trade relations became even more significant, and China's position as a trade partner of Turkey rose to the third rank.

The choice of prioritizing material incentives over ideological- or identity-based ones was often perceived as unprecedented, likely because of the damage both countries faced after the Xinjiang riots, with China often portrayed as threatening its Muslim communities and Turkey calling China's actions "near genocide."<sup>184</sup> Instead of being acknowledged as a full-fledged rational actor, Turkey was often depicted as a traitor for choosing the protection of economic ties over the Uyghur communities. What matters more, however, is the reason why outsiders (non-Chinese and non-Turkish) perceived such decision as wrong. Besides the human right violations of which China was accused, Erdoğan's government was trying to re-establish Islamic values to gain popular support.<sup>185</sup> As a result, Turkey was perceived to be protecting the Uyghur minority in China due to their religious and ethnological identity. However, as the theoretical framework suggests, such a conclusion is often based on the false perceptions that people have about the Orient. Based on these imagined realities, which not only reflect what the Orient is but also how the countries in this region cooperate, previous research often missed key indicators of Turkey's foreign policy as being materialistically motivated, especially due to preconceived expectations about a Muslim-majority country's ideological motivations. Thus, Turkey was expected to uphold its pro-Uyghur position.

Consequently, China's suggestion that Turkey become a mediator between the Chinese government and the Uyghurs as well as the incentive scheme proposal for Turkish investors led to the intensification of economic relations. In 2010, the relations were promoted to a "strategic

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<sup>182</sup> Ibid.

<sup>183</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.296

<sup>184</sup> Kadılar, R., Leung, A. "Possible Turkish-Chinese Partnership on a New Silk Road Renaissance by 2023." p.131; Çolakoğlu, S. "Turkey's East Asian Policy." p.147

<sup>185</sup> Oğuzlu, T. "Turkey and the West: Geopolitical Shifts in the AK Party Era" In *Turkey's Pivot to Eurasia: Geopolitics and Foreign Policy in a Changing World Order* (2019). <https://www.taylorfrancis.com/books/turkey-pivot-eurasia-emre-er%C5%9Fen-se%C3%A7kin-k%C3%B6stem/e/10.4324/9780429023064> , p.18

partnership.”<sup>186</sup> During Chinese Prime Minister Jiabao’s visit, Turkey and China signed eight agreements and further deals that coordinated the enhancement of Turkish-Chinese relations.<sup>187</sup> Following these deals, China managed to maintain its third rank as a Turkish trade partner until 2015, despite the formation of the NSR,<sup>188</sup> which was established to connect China via land and maritime routes with other parts of the world and, therefore, to develop economic and political relations.<sup>189</sup> In fact, in 2015, China’s trade partner position improved to the second rank, which perhaps was the result of two factors: first, the official inclusion of Turkey in the NSR through a the Memorandum of Understanding to coordinate development and construction of the NSR<sup>190</sup> and, second, a reduction in trade with Russia following the 2015 downing of a Russian jet by the Turkish air force.<sup>191</sup> Therefore, Russia’s decline worked in China’s favor. Import-export relationships are further analyzed later in this paper.

#### **2.1.4 Period from 2016 to 2020**

Based on the data displayed in Figure 2.4, the period from 2016 to 2020 represents stable and thriving trade relations, as the Chinese position as a trade partner fluctuates between the second and third positions. Both reflect a combination of several factors, which are analyzed further.

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<sup>186</sup> Kulaksız, S. "Financial Integration via Belt and Road Initiative." p.54; Çolakoğlu, S. "Turkey’s East Asian Policy." p.148

<sup>187</sup> Atlı, A. "A View from Ankara: Turkey's Relations with China in a Changing Middle East." *Mediterranean Quarterly* 26, no. 1 (2015). <https://muse.jhu.edu/article/579561/summary> , p.122; Kadılar, R., Leung, A. "Possible Turkish-Chinese Partnership on a New Silk Road Renaissance by 2023." p.131

<sup>188</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.291; Akyel, K. "The Allure of Geopolitics and Quest of a Pivot State." p.22

<sup>189</sup> Akyel, K. "The Allure of Geopolitics and Quest of a Pivot State." p.22

<sup>190</sup> Kulaksız, S. "Financial Integration via Belt and Road Initiative" p.49; Zan, T. "“Turkey Dream” and the China-Turkish Cooperation under “One Belt and One Road” Initiative." p.60

<sup>191</sup> Haugom, L. "Turkish Foreign Policy under Erdogan?" p.216; Kayaoğlu, B., Oosterveld, W.T., de Rave, R., Farnham, N. "A Farewell to the West?" p.12



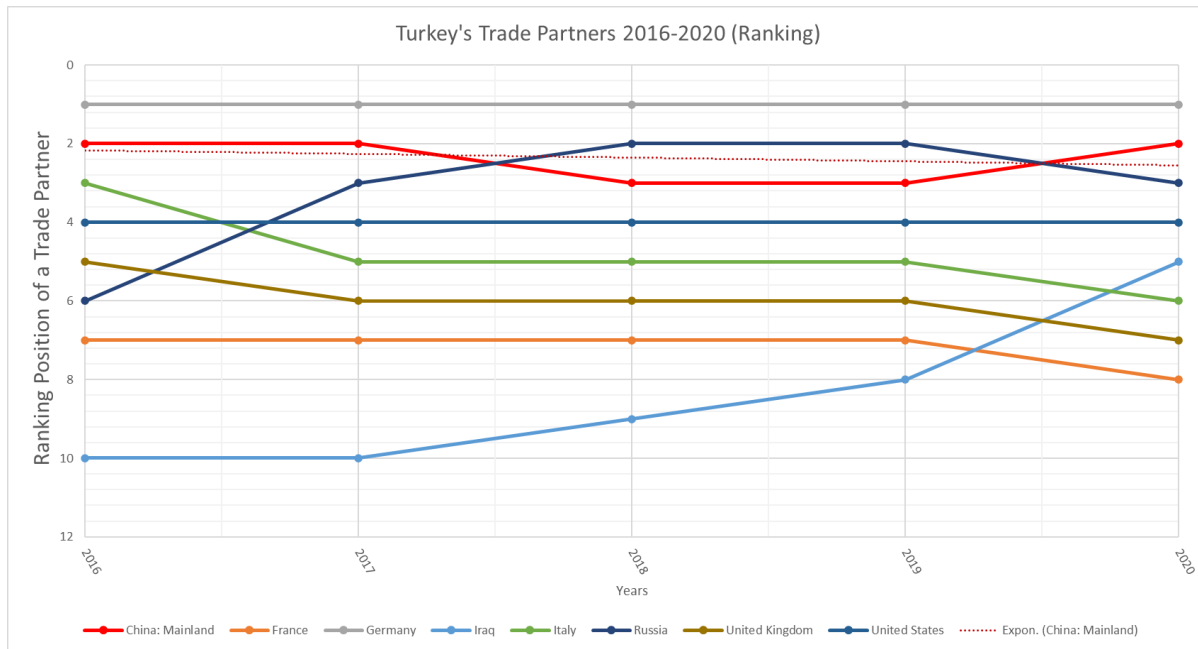


Figure 2.3: Turkey's Trade Partners 2016–2020<sup>192</sup>

As in the previous period, China's rank is often influenced by the trading position of Russia. In fact, the trading position of Russia declined to the sixth position in 2016. However, within one year, Russia again occupied the third rank, and it peaked in the second position in 2018 and 2019.

In 2016, Turkey experienced an attempted military coup,<sup>193</sup> which was broadly criticized in Europe and the United States.<sup>194</sup> As a result, the failed coup led to the enhancement of Turkey's Eurasian identity and the improvement of international relations with both China and Russia.<sup>195</sup> Despite the high inflation<sup>196</sup> and turbulent domestic situation in Turkey, Chinese officials ensured Ankara that the coup attempt would not harm their bilateral relations.<sup>197</sup> Consequently, China remained the second-ranking trade partner of Turkey for the next two years. What is surprising, however, is the return of China to the second rank in 2020, a year when the COVID-19 pandemic locked down the world's economy, with China facing the negative economic implications at least three to five months earlier than the rest of the world.

<sup>192</sup> DOTS

<sup>193</sup> Chen, Y. "Developments in China–Turkey Relations: A View from China." *Critical Sociology* 46, no. 4-5 (2020). <https://journals.sagepub.com/doi/abs/10.1177/0896920519885001>, p.781; Talbot, V. "Turkey and China." p.8

<sup>194</sup> Akyel, K. "The Allure of Geopolitics and Quest of a Pivot State." p.24

<sup>195</sup> Üngör, Ç. "Heading Towards the East?" p.70; Chen, Y. "Developments in China–Turkey Relations." p.781

<sup>196</sup> Chen, Y. "Developments in China–Turkey Relations." p.778

<sup>197</sup> Üngör, Ç. "Heading Towards the East?" p.70; Chen, Y. "Developments in China–Turkey Relations." p.782

As mentioned earlier, China fell to the third trade position in 2018, but this slight decrease might not be the result of degrading economic relations between Turkey and China. Rather, as Figure 2.4 suggests, the reason could be the improvement of trade with Russia, a trend that began in 2016. In August 2018, US President Trump declared an economic strategy of “maximum pressure,” and the United States announced that additional tariffs<sup>198</sup> would apply to Turkey, which was already suffering from the combination of high inflation,<sup>199</sup> a current account deficit, and foreign debt (in foreign currency).<sup>200</sup> As a result, Erdoğan declared a search for “the new friends and allies,”<sup>201</sup> which could be understood as an indication of a possible axis shift, at least rhetorically. However, this shift does not precisely indicate a pivot toward China, as during the same period Turkey began to be more open to a Eurasian identity. Conversely, China’s trade partnership position does support the claims of Turkey turning East because of the emergence of the NSR, since there were no dramatic changes in trade position since 2013. If Turkey was turning East, such a notion could be seen taking shape in 2002 with the accession of the AKP and the opening of the Turkish economy to Asia.<sup>202</sup> In fact, the Chinese trade position began to improve as early as 2002, which was overlooked due to combination of factors. First, the amount of scholarly work regarding relations between Turkey and China during that time was limited.<sup>203</sup> Second, based on the preconceived expectations about the AKP’s ideological motivations, it was believed that Turkey would uphold its pro-Uyghur position instead of improving relations with China. However, as C.B. Tansel suggested, neoliberal authoritarian practices of the AKP equally combine both politics and economy,<sup>204</sup> therefore, material motivations for its political leaders should not be surprising. Again, it is the false perception about and the fears of a rising global power, described by the

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<sup>198</sup> Atli, A. "Turkey's Economic Expectations from a Rising China." p.79; Chen, Y. "Developments in China–Turkey Relations." p.779

<sup>199</sup> Atli, A. "Turkey's Economic Expectations from a Rising China." p.79; Chen, Y. "Developments in China–Turkey Relations." p.780; Since August 2018, Turkish lira had lost 40% of its value from the beginning of the year

<sup>200</sup> Atli, A. "Turkey's Economic Expectations from a Rising China." p.79

<sup>201</sup> Ibid.

<sup>202</sup> Köstem, S. "Turkey and the Asian Infrastructure Investment Bank: Economic Pragmatism meets Geopolitics." *Global Policy* 10, no. 4 (2019). [https://onlinelibrary.wiley.com/doi/pdf/10.1111/1758-5899.12741?casa\\_token=PNS5ivkt0-UAAAAA:6w8VZic6b8yB2CKsP7\\_3MjFlw0ALHiqf94MyglAvdpp2ry9kUpWyS9McbnwkYwZsh\\_RnYtVTrM3IMEM](https://onlinelibrary.wiley.com/doi/pdf/10.1111/1758-5899.12741?casa_token=PNS5ivkt0-UAAAAA:6w8VZic6b8yB2CKsP7_3MjFlw0ALHiqf94MyglAvdpp2ry9kUpWyS9McbnwkYwZsh_RnYtVTrM3IMEM), p.3; Pehlivan Türk, B. "East Asia in Turkish Foreign Policy." p.272

<sup>203</sup> E.g., based on the Google Scholar search, the number of articles between 2009-2015 increased in comparison to 1971-2008 by more than half, and doubled in 2016-2020 in comparison to the same period

<sup>204</sup> Tansel, C.B. "Authoritarian Neoliberalism and Democratic Backsliding in Turkey: Beyond the Narratives of Progress." *South European Society & Politics* 23, no. 2 (2018). <https://www.tandfonline.com/doi/pdf/10.1080/13608746.2018.1479945>, p.207

imagined geographies, that often lead people to ignore important factors and arrive at inaccurate conclusions.

## 2.2 Turkish Import Expenditure and Export Income

Import expenditures and export earnings are undoubtedly important indicators when determining trade relations between two countries. Based on the data covering Turkish imports from China, illustrated in Figure 2.5, it is possible to conclude that imports improved beginning in 1972 and especially between 2002 and 2013, when they truly gained momentum. However, since 2013, the imports started to decline in value, a trend that continued until 2019. On the other side, the data on Turkish exports to China displayed in Figure 2.6 indicate very slow improvement until 2005, when exports began gaining strength. However, in comparison with China’s other trading partners, Turkish exports remained quite low. Exports reached peak in 2013 and, since then, the value of export earnings has remained constant. To determine whether any of these data are the result of the eventual Turkish pivot toward China, especially after the emergence of the NSR, it is necessary to conduct further analysis of the factors involved. Therefore, this thesis further analyzes Turkish import and export values over several periods of time, specified by the historical framework.

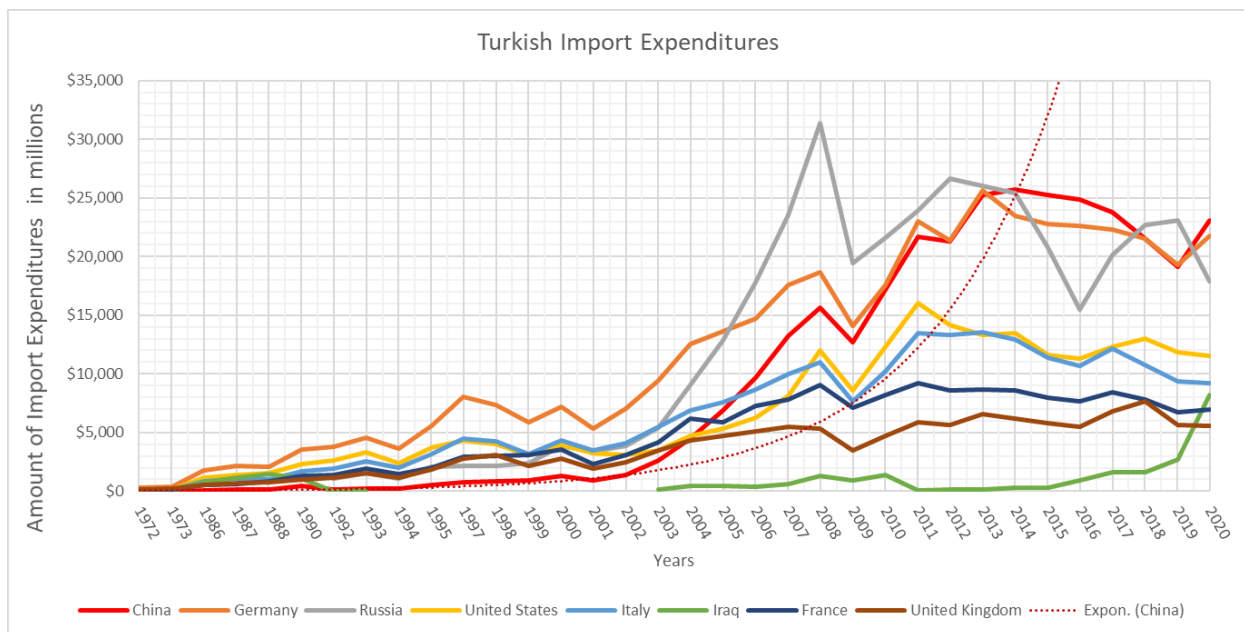


Figure 2.4: Turkish Import Expenditures<sup>205</sup>

<sup>205</sup> DOTS

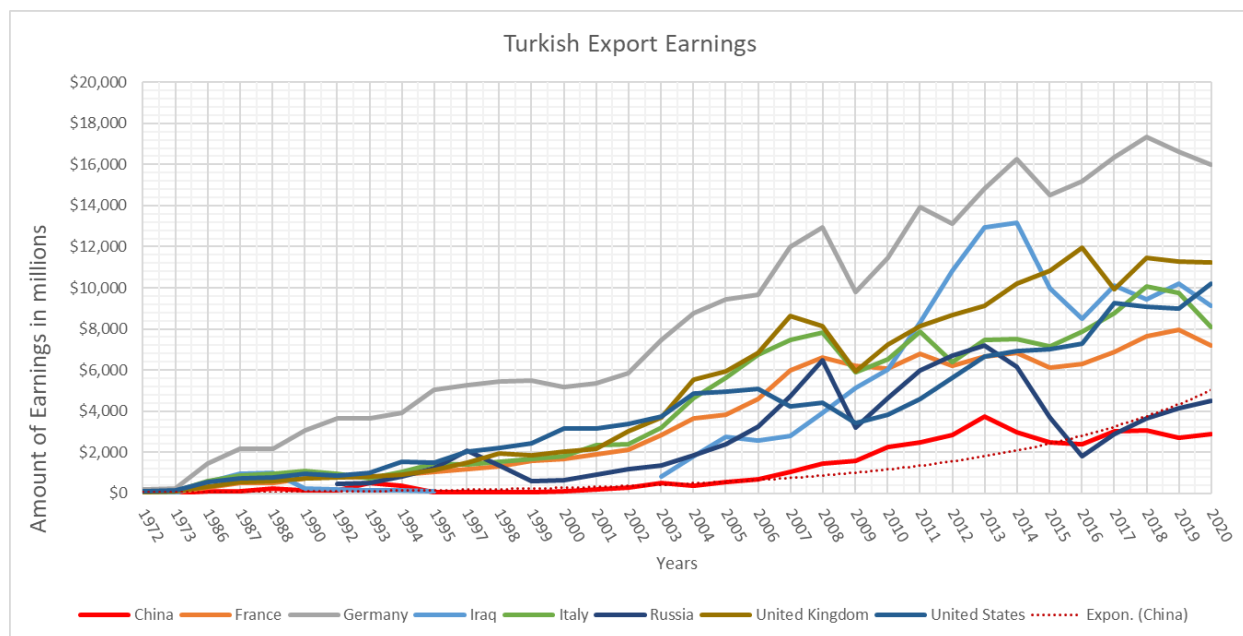


Figure 2.5: Turkish Export Earnings<sup>206</sup>

### 2.2.1 Period from 1934 to 1971

The period from 1934 to 1971 was marked by the several factors that led to highly limited, if any, economic activities between Turkey and China. Even though diplomatic relations started in 1934 with the opening of the consulate in Nanjing,<sup>207</sup> a number of factors halted all possibility for survival of Turkish-Chinese relations. These included Turkey's recognition of the ROC as the legitimate government of China,<sup>208</sup> the orientation of Turkish foreign policy against Communist China,<sup>209</sup> pro-Uyghur sentiments,<sup>210</sup> and the search for the balance of power during the Cold War.<sup>211</sup> Even though Turkey began to recognize the PRC as a possible trade partner, especially after the acceptance of the PRC alongside the ROC,<sup>212</sup> Turkey suffered from a military coup in 1960, which resulted in isolation of the Turkish economy from the outside world and implementation of import substitution industrialization policies.<sup>213</sup> Consequently, Turkey became a closed economy.<sup>214</sup>

<sup>206</sup> Ibid.

<sup>207</sup> Atli, A. "Turkey's Foreign Policy Towards China." p.6

<sup>208</sup> Atli, A. "Turkey's Foreign Policy Towards China." p.6; Pehlivantürk, B. "East Asia in Turkish Foreign Policy." p.265

<sup>209</sup> Çolakoğlu, S. "Turkey's East Asian Policy" p.132; Atli, A. "Turkey's Foreign Policy Towards China." p.6

<sup>210</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.295; Talbot, V. "Turkey and China." p.105

<sup>211</sup> Çolakoğlu, S. "Turkey's East Asian Policy." p.129

<sup>212</sup> Çolakoğlu, S. "Turkey's East Asian Policy." p.130

<sup>213</sup> Çolakoğlu, S. "Turkey's East Asian Policy." p.133

<sup>214</sup> Ibid.

## 2.2.2 Period from 1972 to 2008

Turkish-Chinese trade cooperation began to slowly evolve in 1972. However, import expenditures from China were quite small until 2002, when the AKP came to power,<sup>215</sup> and the relationship between the two countries started to improve<sup>216</sup> as a result of a new, multidimensional, proactive foreign policy.<sup>217</sup> Since then, import expenditures have been rising, which is also reflected in the improvement of China's rank, from seventh in 2004 to third in 2006 (Figure 2.7). During this period, based on the macroeconomic parameters, Turkey was experiencing a strong political economy and economic stability.<sup>218</sup> Unfortunately, earnings from Turkish exports to China did not see the same progress (Figure 2.8). Since the start of trade relations until 2005, Turkish export earnings were low, especially by comparison to other trading partners. In fact, earnings from exports to China occupied the lowest rank from 1972 to 2008. However, in 2005, export earnings began to increase, mainly because of changes in Turkish foreign policy to stimulate economic and business relations as well as to include various (non-Western) parts of the world.<sup>219</sup>

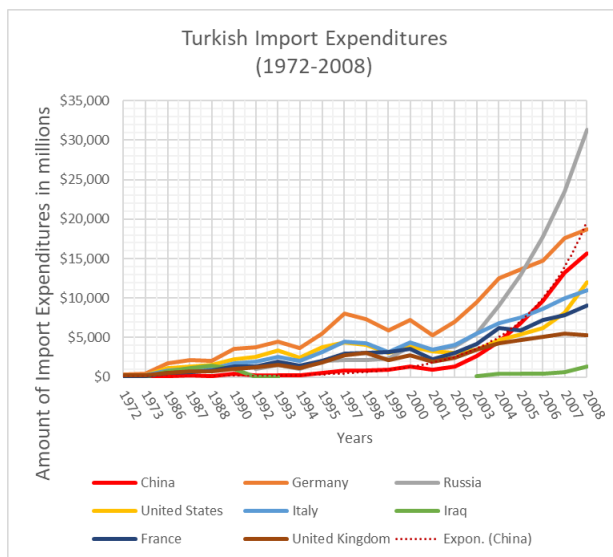


Figure 2.6: Turkish Import Expenditures (1972–2008)<sup>220</sup>

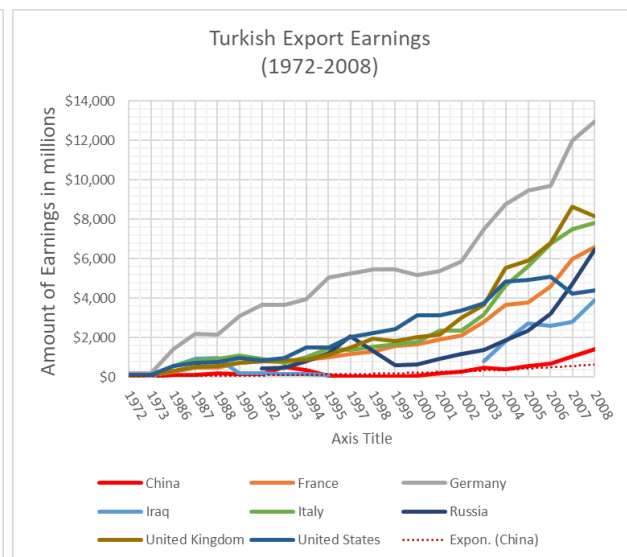


Figure 2.7: Turkish Export Earnings (1972–2008)<sup>221</sup>

<sup>215</sup> Kaya, K. "Turkey and China." p.3; Atlı, A. "A View from Ankara." p.122

<sup>216</sup> Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.76; Kulaksız, S. "Financial Integration via Belt and Road Initiative." p.54

<sup>217</sup> Çolakoğlu, S. "Turkey's East Asian Policy." p.29

<sup>218</sup> Çolakoğlu, S. "Turkey's East Asian Policy." p.34; Zan, T. "'Turkey Dream' and the China-Turkish Cooperation under 'One Belt and One Road' Initiative." p.50

<sup>219</sup> Atlı, A. "A View from Ankara." p.122

<sup>220</sup> DOTS

<sup>221</sup> Ibid.

As the turbulent historical background suggests, the development of trade relations between Turkey and China followed a rocky path. The average yearly increase in Turkey's import expenditures over the selected period is 48% (Figure 2.10), which means that every single year the import expenditures grew by half from the preceding year. However, only seven of the 22 selected years—1987, 1993, 2000, 2002, 2005, 2006, and 2007—follow this path, with the highest deviation observed in 1990, 1998, and 2001. While the inconsistencies in 1990 and 1998 are situated in the period characterized by the liberalization policies, which resulted in high inflation and economic instability,<sup>222</sup> the results from 2001 represent the combination of several factors. In fact, while still experiencing the momentum of neoliberal policies, that same year Turkey was faced with another economic crisis—one of three successive such crises, in 1994, 2000, and 2001<sup>223</sup>—because of ongoing inflation and instability, which caused significant damage to the socioeconomic sector.<sup>224</sup>

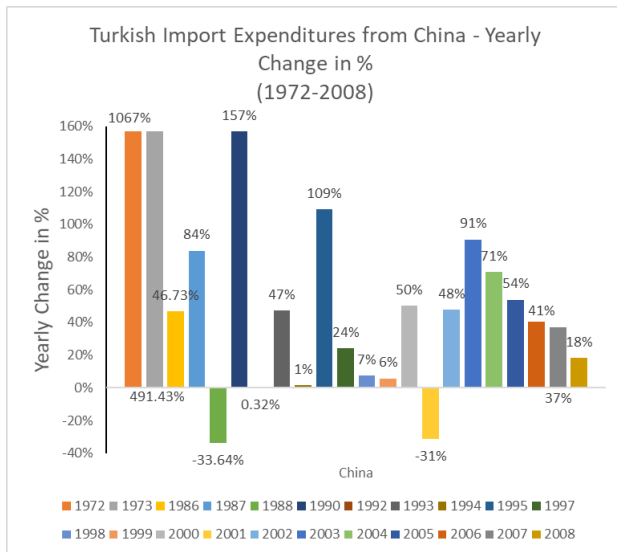


Figure 2.8: Turkish Import Spending 1972–2008 (%)<sup>225</sup>

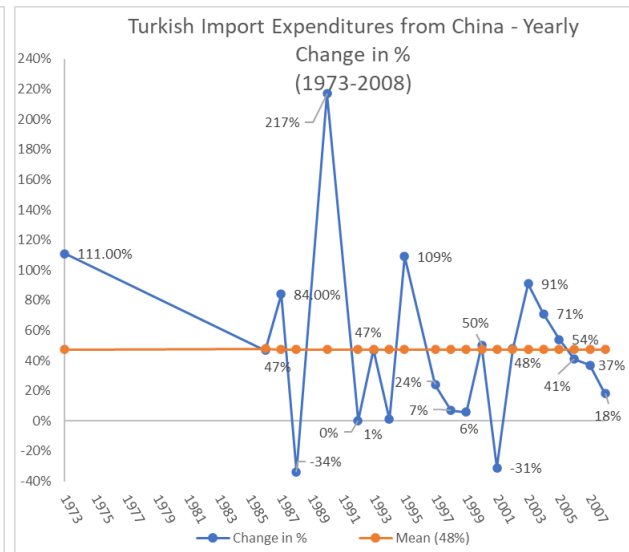


Figure 2.9: Turkish Import Spending 1973–2008 (%)<sup>226</sup>

<sup>222</sup> Yılmaz, N.K., Cooke, F.L., Dellios, R. "Turkey's FDI Policy and Chinese Foreign Direct Investments in Turkey." p.20

<sup>223</sup> Çolakoğlu, S. "Turkey's East Asian Policy." p.29

<sup>224</sup> Yılmaz, N.K., Cooke, F.L., Dellios, R. "Turkey's FDI Policy and Chinese Foreign Direct Investments in Turkey." p.21

<sup>225</sup> DOTS

<sup>226</sup> Ibid.

A similar situation could be observed in the increase in yearly Turkish export earnings with China, displayed in Figures 2.11 and 2.12. While the period after the AKP rose to power in 2002<sup>227</sup> seems to be more stable—and the increase in export earnings is more correspondent with the average value of the higher earnings in a year (68%), as seen in Figure 2.12—the pre-2002 era is more turbulent, which is the result of the economic instability<sup>228</sup> and the rising international concerns about the Uyghur question.<sup>229</sup>

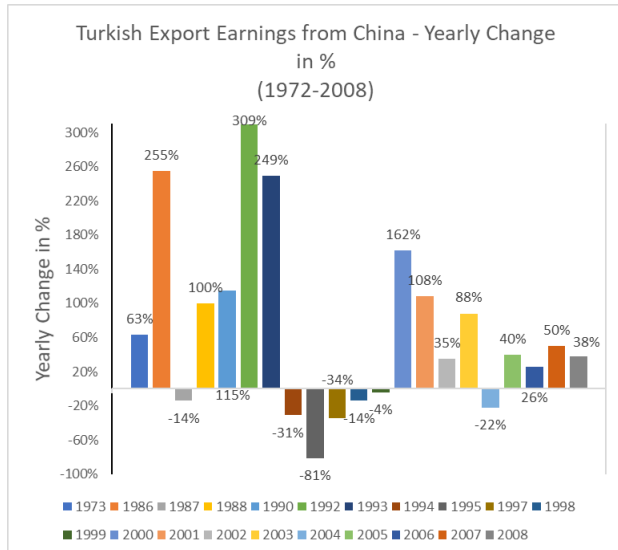


Figure 2.10: Turkish Export Earnings 1972–2008 (%)<sup>230</sup>

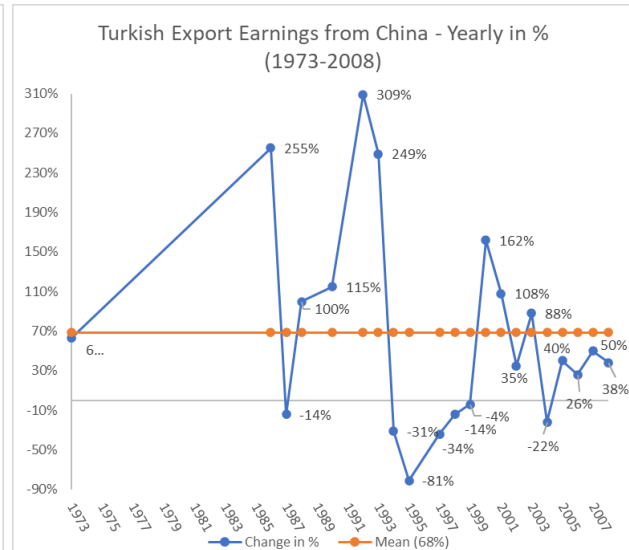


Figure 2.11: Turkish Export Earnings 1972–2008<sup>231</sup>

### 2.2.3 Period from 2009 to 2015

The growth in earnings from export and import spending between 2009 and 2015 reflected the improvement in Turkish-Chinese economic relations. In terms of import expenditures in 2009–2015, China occupied the first three ranks and peaked in 2013 (Figure 2.13). In the same year, Xi Jinping officially announced the establishment of the NSR.<sup>232</sup> However, Turkey's partnership in this ambitious program was still under the consideration. The result from 2013 was, therefore, an

<sup>227</sup> Kaya, K. "Turkey and China." p.3; Zan, T. "Turkey Dream" and the China-Turkish Cooperation under "One Belt and One Road" Initiative." p.50

<sup>228</sup> Yılmaz, N.K., Cooke, F.L., Dellios, R. "Turkey's FDI Policy and Chinese Foreign Direct Investments in Turkey." p.20; Çolakoğlu, S. "Turkey's East Asian Policy." p.27

<sup>229</sup> Üngör, Ç. "Heading Towards the East?" p.72; Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.76

<sup>230</sup> DOTS

<sup>231</sup> Ibid.

<sup>232</sup> Akyel, K. "The Allure of Geopolitics and Quest of a Pivot State." p.22; Ergenç, C. "Can Two Ends of Asia Meet?" p.291

amalgam of several potential factors: enhancement of the bilateral relations and their promotion to “strategic partnership” in 2010;<sup>233</sup> endorsement of eight economic agreements;<sup>234</sup> improvement in the tensions related to the Uyghurs.<sup>235</sup>

The year 2013 was also important for the export earnings value due to the peak it reached during the period from 2009 to 2015 (Figure 2.14). This achievement could have been influenced by an improvement in the export environment, when, in 2012, Turkey and China signed the currency swap agreement, meaning Turkey could trade with a minimal loss in value of Turkish lira.<sup>236</sup> However, among the eight main trading partners, China placed last for the value of export earnings.

As noted earlier, the position of China as either a full trade partner of Turkey or, separately, an import and export partner, could also be determined by the rapid changes in Turkey’s bilateral (either economic or political) relations with another countries. For example, Russia had been a dominant import (Figure 2.5) and export (Figure 2.6) partner since 2003. However, Turkish import and export earnings from Russia declined on two occasions: in 2014, when most of the world was facing the consequences of the economic crisis and in 2015 as a result of the downing of a Russian jet by the Turkish air force and the differences over the Syrian question.<sup>237</sup> As the position of Russia decreased, it made space for improvement in trade relations with China.

During this period, special attention is paid in this paper to 2015, when, during a sideline meeting at the G-20 summit in Antalya, Turkey and China signed the Memorandum regarding collaboration on the development and construction of the NSR, which led to the official inclusion of Turkey in the massive project.<sup>238</sup> However, even though some sources claim that the ME countries,<sup>239</sup> and

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<sup>233</sup> Kadilar, R., Leung, A. "Possible Turkish-Chinese Partnership on a New Silk Road Renaissance by 2023." p.131; Çolakoğlu, S. "Turkey's East Asian Policy" p.148

<sup>234</sup> Atli, A. "A View from Ankara." p.122; Kadilar, R., Leung, A. "Possible Turkish-Chinese Partnership on a New Silk Road Renaissance by 2023." p.132

<sup>235</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.296

<sup>236</sup> Zou, Z. "Sino-Turkish Strategic Economic Relationship in New Era." p.16

<sup>237</sup> Haugom, L. "Turkish Foreign Policy under Erdogan." p. 216; Kayaoğlu, B., Oosterveld, W.T., de Rave, R., Farnham, N. "A Farewell to the West?" p.12

<sup>238</sup> Doster, B. "The Developing Relations between Turkey and China Since 2005." p.294; Kulaksız, S. "Financial Integration via Belt and Road Initiative." p.49

<sup>239</sup> Bianchi, R. R. "China–Middle East Relations in Light of Obama’s Pivot to the Pacific."; Simpfendorfer, B. *The New Silk Road*.



especially Turkey,<sup>240</sup> have pivoted East (toward China), the earnings from trade with China do not reflect Turkey's new integration. In fact, even though China was still the country with highest import expenditures, its spending decreased in 2015 (Figure 2.13). A similar situation is observed in export earnings, where China was lagging behind all the main (selected) trading partners (Figure 2.14).

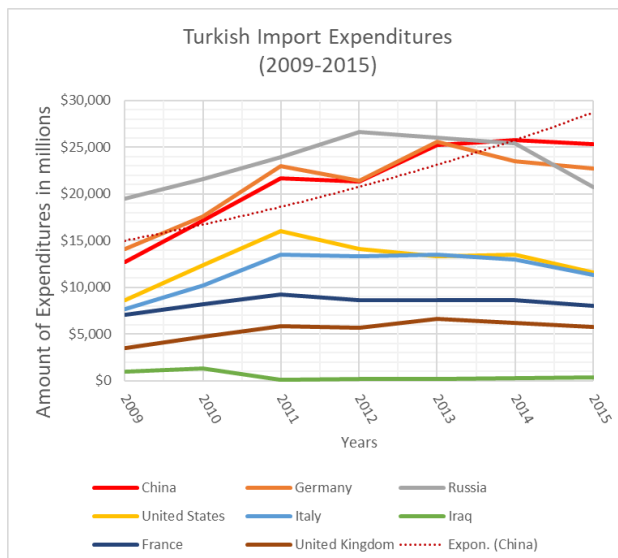


Figure 2.12: Turkish Import Expenditures (2009–2015)<sup>241</sup>

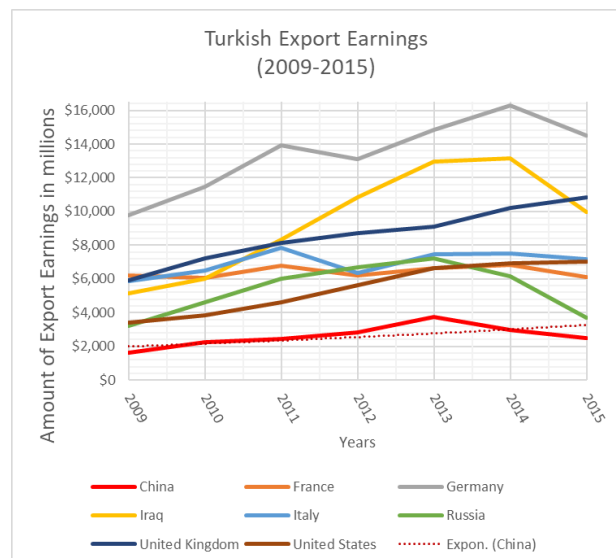


Figure 2.13: Turkish Export Earnings (2009–2015)<sup>242</sup>

The largest increase between 2009 and 2015 was in 2010, when Turkish-Chinese relations were promoted to a strategic partnership.<sup>243</sup> During Chinese Prime Minister Jiabao's visit, Turkey and China signed another eight agreements and additional deals to enhance relations between the two countries.<sup>244</sup> Conversely, as a result of Erdoğan's official statement calling the actions of the Chinese army against the rioters in Urumqi "almost like a genocide,"<sup>245</sup> China's lowest spending on Turkish imports was in 2009 (Figures 2.15, 2.16).

<sup>240</sup> E.g., Lin, Ch. "A New Eurasian Embrace" p.31, 43; Genç, K. "When One Door Closes: Turkey Turns East or West?" p.102; Dalacoura, K. "Muslim and Modern: Why Turkey's 'turn to the East' Is No Slight to the West." p.324-27

<sup>241</sup> DOTS

<sup>242</sup> Ibid.

<sup>243</sup> Kulaksız, S. "Financial Integration via Belt and Road Initiative." p.54; Atlı, A. "Turkey's Foreign Policy Towards China." p.6

<sup>244</sup> Atlı, A. "A View from Ankara." p.122; Kadılar, R., Leung, A. "Possible Turkish-Chinese Partnership on a New Silk Road Renaissance by 2023." p.131

<sup>245</sup> Talbot, V. "Turkey and China." p.105; Kaya, K. "Turkey and China." p.8

Additionally, even though the percentage increase rose in 2013 (Figure 2.15), no momentum was seen by 2015. In fact, the yearly change indicates lower spending on imports by 2%. Moreover, based on the average increase during the period of 2009–2015, it is possible to conclude that import expenditures since 2013 decreased by 21% (Figure 2.16).

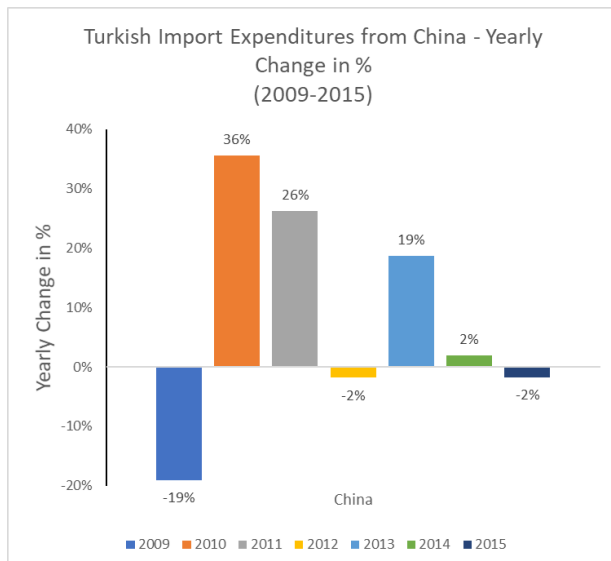


Figure 2.14: Turkish Import Spending 2009–2015 (%)<sup>246</sup>

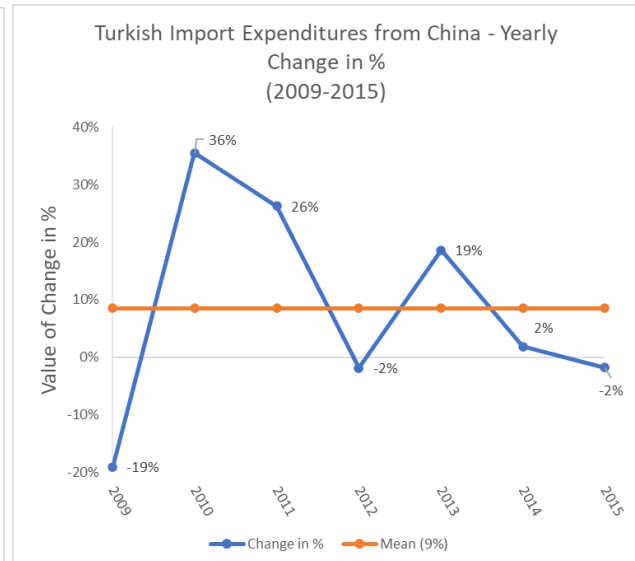


Figure 2.15: Turkish Import Spending 2009–2015 (%)<sup>247</sup>

Regarding export earnings, Turkey experienced the largest increase in 2010 (Figure 2.17), because of the above-mentioned implementation of economic agreements and the advancement of the strategic partnership.<sup>248</sup> Conversely, as in the case of imports, the lowest revenue from export earnings was seen in 2009, especially due to the backlash caused by the eruption of protests in Urumqi.<sup>249</sup>

Moreover, the period since the emergence of the NSR did not result in any increase in export incomes (Figures 2.17, 2.18). In fact, in one year, the revenue decreased by more than half (54%). There was a slight increase from 2014, but in comparison to the average period growth (the mean of 10%), export expenditures were still lower by 26% (Figure 2.18). Therefore, the emergence of the NSR did not have an impact on revenues from Turkish exports to China and import spending. If it is possible to quantify the impact, its value would be negative.

<sup>246</sup> DOTS

<sup>247</sup> Ibid.

<sup>248</sup> Kadilar, R., Leung, A. "Possible Turkish-Chinese Partnership on a New Silk Road Renaissance by 2023." p.131, 132; Talbot, V. "Turkey and China." p.93

<sup>249</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.296; Kaya, K. "Turkey and China." p.8

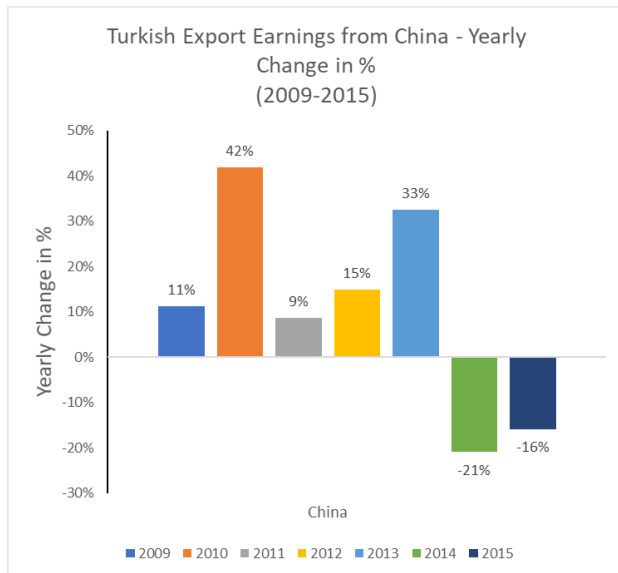


Figure 2.16: Turkish Export Earnings from China - Yearly Change in % (2009-2015)<sup>250</sup>

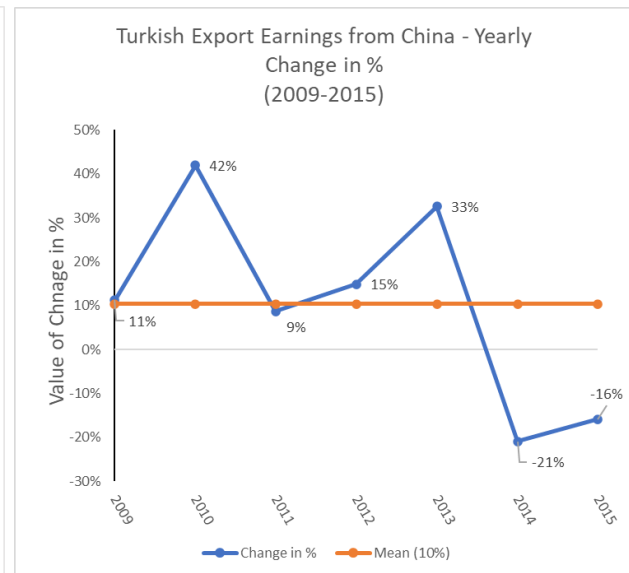


Figure 2.17: Turkish Export Earnings from China - Yearly Change in % (2009-2015)<sup>251</sup>

## 2.2.4 Period from 2016 to 2020

From the perspective of foreign policy, the period between 2016 and 2020 was characterized by growth in Turkish-Chinese relations, a result of Ankara's dissatisfaction with Western criticism of the coup attempt in 2016.<sup>252</sup> However, Turkish import spending did not follow the same trend. In fact, in 2013–2019, spending on imports from China decreased by more than \$5.7 billion (Figure 2.19), which represents 23% of Turkish import spending for 2019, even though Turkish lira suffered from the economic crisis.<sup>253</sup> Conversely, export earnings, though lowest from the main trading partners for most of 2016–2020 (Figure 2.20), experienced a stable period amid the decrease.

The impact of the emergence of the NSR and Turkey's inclusion in this development project was not reflected in any of the import spending or export earnings values over this period, as well as in 2013–2015. In fact, as mentioned above, import expenditures were decreasing until 2019. Indeed, Turkish spending on Chinese imports decreased by \$6 billion between 2013 and 2019 (Figures 2.13, 2.19). Additionally, earnings from Turkish exports to China decreased by \$0.9 billion, which represents 24% of the country's total export revenue for 2019.

<sup>250</sup> DOTS

<sup>251</sup> Ibid.

<sup>252</sup> Kayaoğlu, B., Oosterveld, W.T., de Rave, R., Farnham, N. "A Farewell to the West?" p.8; Üngör, Ç. "Heading Towards the East?" p.67

<sup>253</sup> Chen, Y. "Developments in China–Turkey Relations." p.780

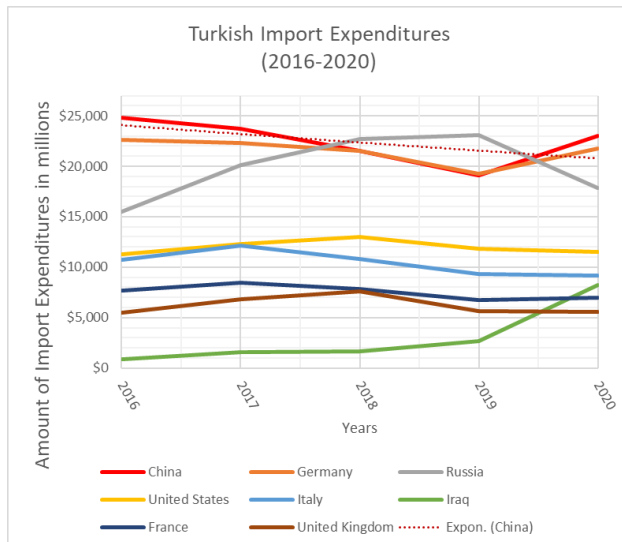


Figure 2.18: Turkish Import Expenditures (2016–2020)<sup>254</sup>

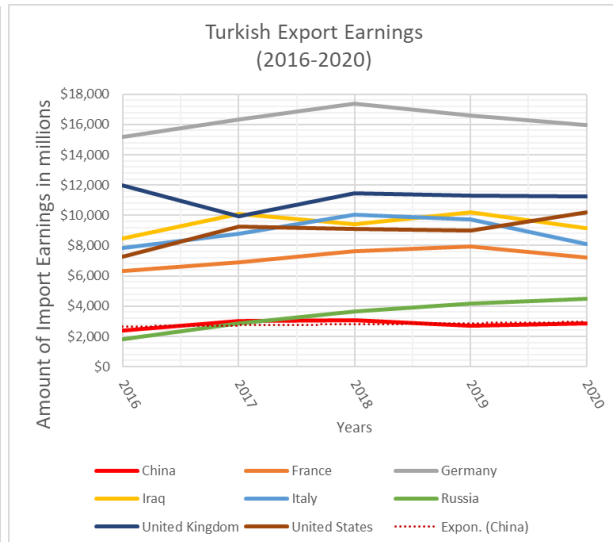


Figure 2.19: Turkish Export Earnings (2016–2020)<sup>255</sup>

Turkey experienced its largest increase in import expenditures in 2020, representing an increase of 20% over 2019 (Figures 2.21, 2.22).<sup>256</sup> Until then, Turkish spending on imports had exhibited a declining trend because of the coup attempt in 2016,<sup>257</sup> which resulted in additional sanctions imposed by the United States.<sup>258</sup> Furthermore, the country was facing period of long-running account deficits and a foreign currency debt.<sup>259</sup>

<sup>254</sup> DOTS

<sup>255</sup> Ibid.

<sup>256</sup> Since the currency inflation plays an important role in determining Turkish import expenditures, further examination was required. Based on the comparison of Turkish imports in three different currencies-Euro, USD, and TRL- and the inflation it would be possible to conclude, that the inflation had tremendous affect on the Turkish import expenditures. However, despite the inflation of 12.28%, the volume of Turkish imports decreased only by 4.4% since 2019. Consequently, the inflation had very little affect on Turkish import expenditures. This analysis was based on data provided by TÜİK, available at <https://data.tuik.gov.tr/Bulten/Index?p=Foreign-Trade-Statistics-December-2020-37412&dil=2> . Unfortunately, the data covers the limited period from 2013 to 2020 only. For visual representation see Appendix.

<sup>257</sup> Kayaoğlu, B., Oosterveld, W.T., de Rave, R., Farnham, N." p.5; Üngör, Ç. "Heading Towards the East?" p.67

<sup>258</sup> Atlı, A. "Turkey's Economic Expectations from a Rising China." p.79; Chen, Y. "Developments in China–Turkey Relations." p.779-780

<sup>259</sup> Atlı, A. "Turkey's Economic Expectations from a Rising China." p.79

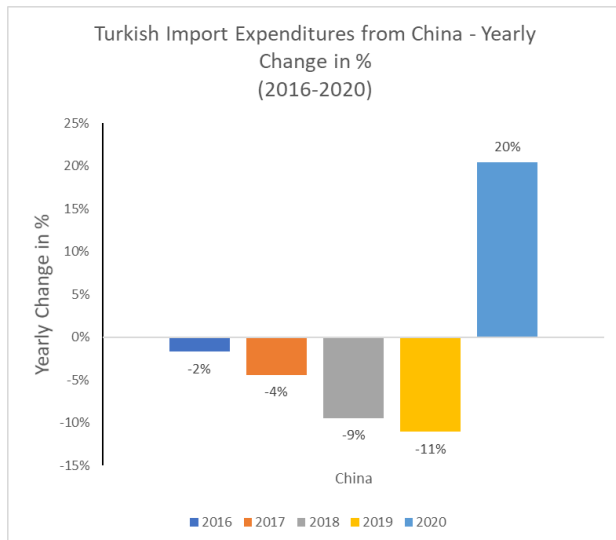


Figure 2.20: Turkish Import Spending 2016–2020 (%)<sup>260</sup>

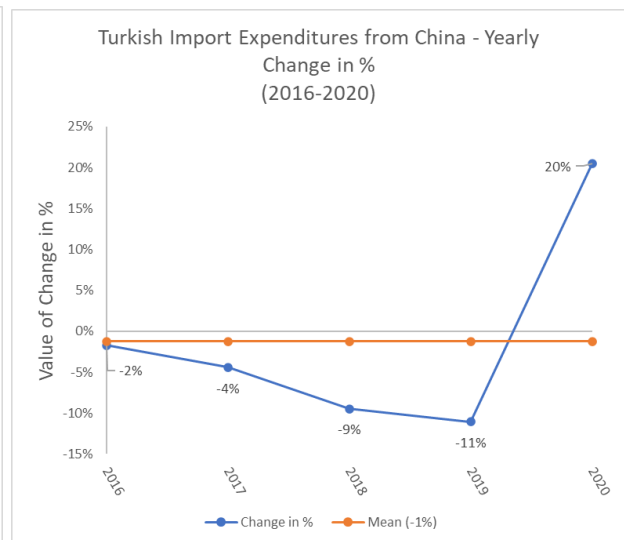


Figure 2.21: Turkish Import Spending 2016–2020 (%)<sup>261</sup>

Turkey tallied its highest export earnings in 2017, as a result of the 36 purchase agreements signed with China in 2016 (Figure 2.23).<sup>262</sup> These agreements, worth \$300 million, were directed toward the Chinese import of Turkish products including marble, cotton, wool, hazelnuts and pistachios. Moreover, the Sino-Turkish Cooperation Committee was established to institutionalize trade relations and focus further on the formulation and implementation of bureaucratic measures to stimulate export values.<sup>263</sup> On the other side, Turkey faced the lowest export earnings in 2019, when the Turkish lira suffered from the economic crisis.<sup>264</sup>

<sup>260</sup> DOTS

<sup>261</sup> Ibid.

<sup>262</sup> Talbot, V. "Turkey and China." p.98

<sup>263</sup> Ibid.

<sup>264</sup> Chen, Y. "Developments in China–Turkey Relations." p.780

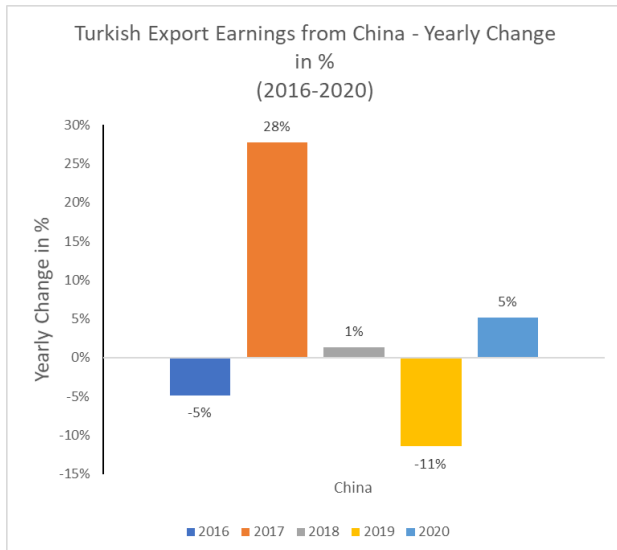


Figure 2.22: Turkish Export Earnings 2016–2020 (%)<sup>265</sup>

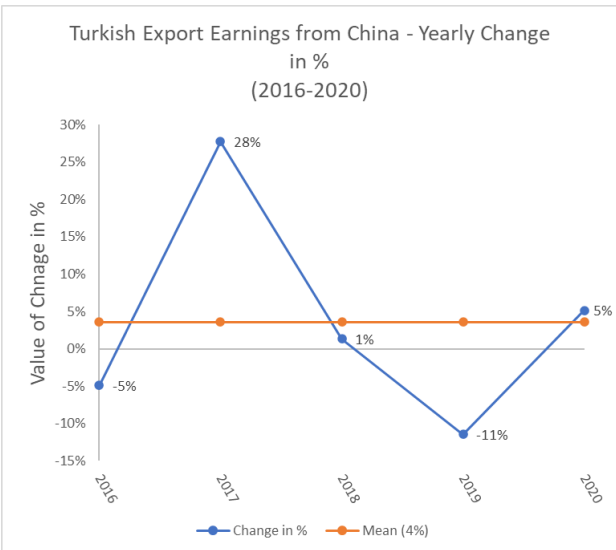


Figure 2.23: Turkish Export Earnings 2016–2020 (%)<sup>266</sup>

The findings from the trade analysis suggest that neither the rank of China as a Turkish trade partner nor the import and export earnings were affected by the emergence of the NSR or by Turkey’s inclusion in this development project. Additionally, the most important factors leading to growth in Sino-Turkish relations appear to be Turkey’s domestic economic troubles and its relationship crisis with Western allies rather than an actual attraction to China. Furthermore, the role of the Uyghur population should not be ignored, as this issue plays an import role in determining Turkish and Chinese cooperation. Even though the Uyghur question has been shunted to the background, it is only a matter of time until the two states will be forced to face this problem again. By then, it is hoped that Turkey will be fully and actively integrated into the NSR, and Turkish-Chinese relations will be strong enough to overcome this weakness.

<sup>265</sup> DOTS

<sup>266</sup> Ibid.

## Chapter 3: Turkish-Chinese Investment Relations

Investments represent an integral part of Turkish-Chinese relations, since their significance is often emphasized as a tool to decrease Turkey's trade deficit and foreign debt.<sup>267</sup> Together with trade, investments create the backbone of Sino-Turkish relations. Especially after the introduction of the NSR, the flow of investments toward the development of these land and maritime routes became crucial.<sup>268</sup> As a result, claims that Turkey has changed its foreign policy axis from the West to the East have been rising.<sup>269</sup> However, as this thesis suggests, such claims are often based on assumptions embedded in the concept of "imaginative geographies."<sup>270</sup> This concept involves not only the way people envision non-Western countries, which they often believe is true, but also their perception about how non-Western countries cooperate with each other.<sup>271</sup> Therefore, as this thesis argues, it is possible that the claims of Turkey pivoting East, especially after the emergence of the NSR, reflect often unjustified assumptions. While the main research of this paper focuses on economic relations—in other words, trade and investments—the following section investigates Chinese investments in Turkey and Turkey's investments in China. Since investment in the NSR constitutes the backbone of regional development,<sup>272</sup> financial relations between Turkey and China should have increased, potentially indicating stronger affinities between the two countries and affirming the claim of Turkey's pivot East.

### 3.1 Turkish Inward Investment from China

An overview of Chinese investment in Turkey reveals that the greatest income was in 2017 (Figure 3.1), a year after the attempted military coup.<sup>273</sup> Since Western countries did not sympathize with Ankara over the attempted putsch, Erdoğan's government began placing more emphasis on enhancement of Turkey's Eurasian identity and improvement of its relations with China and

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<sup>267</sup> Pehlivan Türk, B. "East Asia in Turkish Foreign Policy?" p.272

<sup>268</sup> Akyel, K. "The Allure of Geopolitics and Quest of a Pivot State." p.22

<sup>269</sup> E.g., Lin, Ch. "A New Eurasian Embrace." p.31, 43; Genç, K. "When One Door Closes." p.102; Dalacoura, K. "Muslim and Modern." p.324-27

<sup>270</sup> Said, E. *Orientalism*. p.67

<sup>271</sup> Gregory, D. "Imaginative Geographies." p.463

<sup>272</sup> Akyel, K. "The Allure of Geopolitics and Quest of a Pivot State." p.22

<sup>273</sup> Kayaoğlu, B., Oosterveld, W.T., de Rave, R., Farnham, N. "A Farewell to the West?" p.5; Üngör, Ç. "Heading Towards the East?" p.67

Russia.<sup>274</sup> Turkey saw its lowest levels of Chinese investment in 2009, 2010, and 2012 (Figure 3.1) and its highest levels in 2017 and 2018 (Figure 3.2). As mentioned earlier, this was because of emphasis on relations with Eurasian countries<sup>275</sup> and a further alienization with the West, especially after the United States imposed additional tariffs<sup>276</sup> that deepened Turkey's economic crisis.<sup>277</sup> On the other side, China fell to the lowest position in 2012 (Figure 3.2) despite Turkey's efforts to improve the investment environment by introducing new incentives.<sup>278</sup>

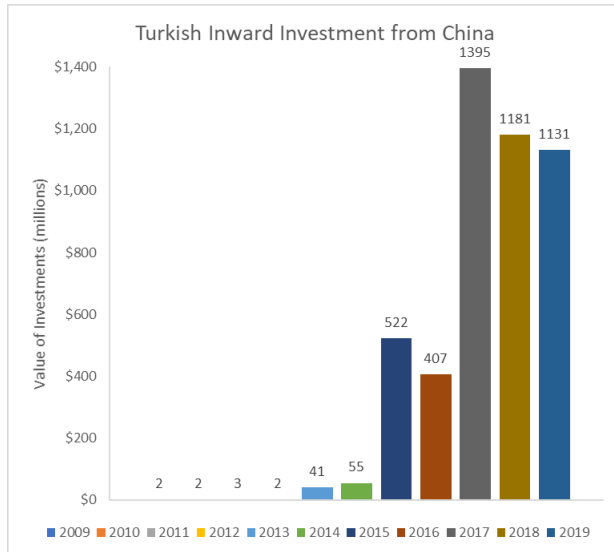


Figure 3.24: Turkish Inward Investment from China<sup>279</sup>

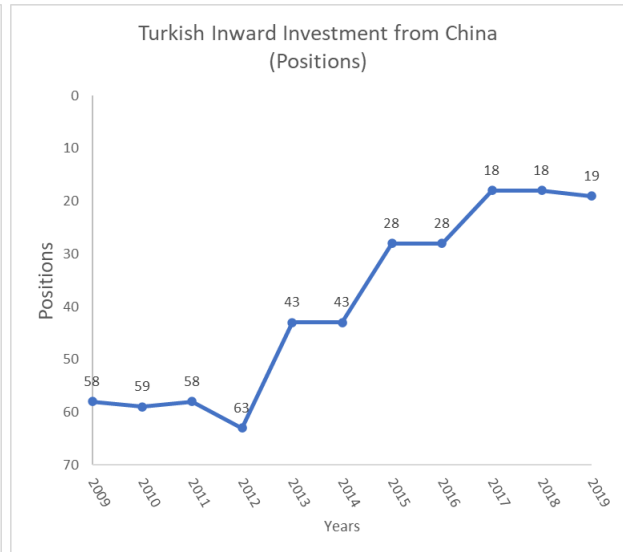


Figure 3.25: Turkish Inward Investment from China (ranking)<sup>280</sup>

Even though the investment rates depicted in Figures 3.1 and 3.2 suggest that relations between Turkey and China had improved, since neither the value nor the position of Chinese investments in Turkey fell below the pre-2013 points, it would be premature to claim that Turkey had turned to the East. Therefore, to identify a possible shift in the axis, this paper further analyzes Turkey's inward investment over three periods of time: pre-2009, 2009–2015, and 2016–2019.

<sup>274</sup> Üngör, Ç. "Heading Towards the East?" p.70; Chen, Y. "Developments in China–Turkey Relations." p.781

<sup>275</sup> Ibid.

<sup>276</sup> Atlı, A. "Turkey's Economic Expectations from a Rising China." p.79; Chen, Y. "Developments in China–Turkey Relations." p.779

<sup>277</sup> Atlı, A. "Turkey's Economic Expectations from a Rising China." p.79; Chen, Y. "Developments in China–Turkey Relations." p.780

<sup>278</sup> Zou, Z. "Sino-Turkish Strategic Economic Relationship in New Era." p.21

<sup>279</sup> CDIS

<sup>280</sup> Ibid.



### 3.1.1 Pre-2009 Period

As the historical background and trade relations suggest, the period before 2009 was influenced by the uneven establishment of Turkish-Chinese relations. As demonstrated in Chapter 2, it was either the orientation of the Turkish foreign policy,<sup>281</sup> the Uyghur issue,<sup>282</sup> or Turkey's domestic economic situation<sup>283</sup> that caused difficulties in the formation of stable relations. However, investment improved in 1990s and 2000s, which was reflected in the increased number of Chinese companies in Turkey.<sup>284</sup> More importantly, in 1990, Turkey and China signed a bilateral investment treaty (BIT) that took effect in 1994,<sup>285</sup> granting both Turkish and Chinese investors the same rights and obligations. Additionally, in case of any disputes between the contracting parties, both nations agreed to submit these cases to an international arbitration tribunal.<sup>286</sup> At the same time, the Chinese government implemented its Go Out Policy, also referred to as the Going Global Strategy, which supported the globalization of domestic enterprises while at the same time provided Chinese government with an access to regular inspections and eventual reinforcements of the outward investments.<sup>287</sup> As a result, China's investments in other countries increased starting in 1999.<sup>288</sup>

Turkish-Chinese investment relations improved after 2002 because of the integral economic changes in both countries. That year, the AKP came to power and constituted a single-party government in Turkey,<sup>289</sup> and soon after, the new government passed FDI Law No. 4875,<sup>290</sup> which liberalized the investment environment in Turkey. In fact, the new law facilitated bureaucratic process of the registration of the investments, leading to a rapid increase of the inflow of revenue

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<sup>281</sup> Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.76

<sup>282</sup> Üngör, Ç. "Heading Towards the East?" p.72; Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.76

<sup>283</sup> Ünay, S. "Economic diplomacy for competitiveness." p.27

<sup>284</sup> Yılmaz, N.K., Cooke, F.L., Dellios, R. "Turkey's FDI Policy and Chinese Foreign Direct Investments in Turkey." p.32

<sup>285</sup> Apoteker, T. "Chinese investment in the greater Europe zone." p.40

<sup>286</sup> Ibid.

<sup>287</sup> Apoteker, T. "Chinese investment in the greater Europe zone." p.12

<sup>288</sup> Ibid.

<sup>289</sup> Çolakoğlu, S. "Turkey's East Asian Policy." p.34; Zan, T. "'Turkey Dream' and the China-Turkish Cooperation under 'One Belt and One Road' Initiative." p.50

<sup>290</sup> Foreign Direct Investment Law No. 4875. *Investment Laws Navigator* (2003).

<https://investmentpolicy.unctad.org/investment-laws/laws/33/turkey-foreign-investment-law> ; Yılmaz, N.K., Cooke, F.L., Dellios, R. "Turkey's FDI Policy and Chinese Foreign Direct Investments in Turkey." p.21,24

in 2003.<sup>291</sup> Moreover, investment relations were stimulated on the Chinese side as it adjusted its Going Global strategy. In 2002, China liberalized its outward investment policy by allowing non-state enterprises to invest abroad, which provided small and medium-size companies an opportunity to contribute to foreign investments.<sup>292</sup>

During this period, besides being an important tool to stimulate local development, Chinese outward investment became a significant mechanism to mitigate the trade imbalance, which exceeded \$10 billion in 2007.<sup>293</sup> Since then, the Turkish government has insisted that China increase FDIs to Turkey and, at the same time, introduce voluntary quotas, either on incoming investments to Turkey or on Turkish products exported to China.<sup>294</sup>

### **3.1.2 Period from 2009 to 2015**

Based on the analysis of the Turkish inward investments, it is possible to see that investment relations in 2009–2015 were developing slowly; in the first half of the period (Figure 3.3), inward investments reached their maximum value, e\$2 million. However, besides the promotion of Turkish-Chinese relations to a strategic partnership in 2010<sup>295</sup> and the approval of several economic agreements,<sup>296</sup> during this first half of the period, Chinese investments did not even reach 0.01% of the total foreign investment amount in Turkey (Figure 3.4). In fact, the first time the investments rose was in 2011, when the growth jumped by 50%; however, the very next year, it fell back by 33% (Figure 3.5).

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<sup>291</sup> Yılmaz, N.K., Cooke, F.L., Dellios, R. "Turkey's FDI Policy and Chinese Foreign Direct Investments in Turkey." p.29

<sup>292</sup> Ibid.

<sup>293</sup> Pehlivan Türk, B. "East Asia in Turkish Foreign Policy." p.272

<sup>294</sup> Ibid.

<sup>295</sup> Kulaksız, S. "Financial Integration via Belt and Road Initiative." p.54; Atlı, A. "Turkey's Foreign Policy Towards China." p.6

<sup>296</sup> Atlı, A. "A View from Ankara." p.122; Kadılar, R., Leung, A. "Possible Turkish-Chinese Partnership on a New Silk Road Renaissance by 2023." p.131

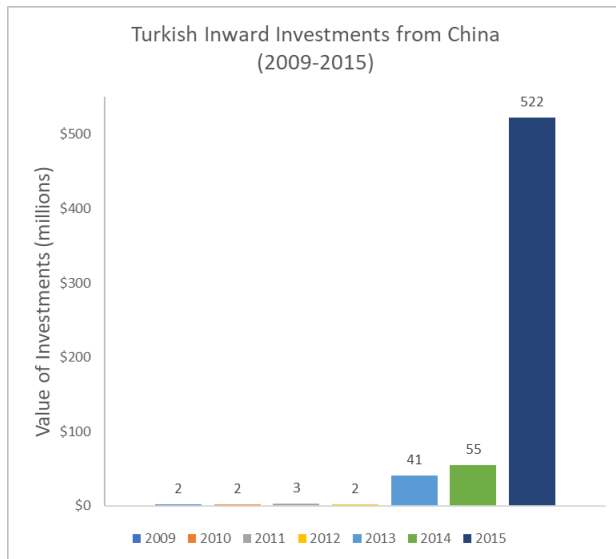


Figure 3.26: Turkish Inward Investments from China (2009–2015)<sup>297</sup>

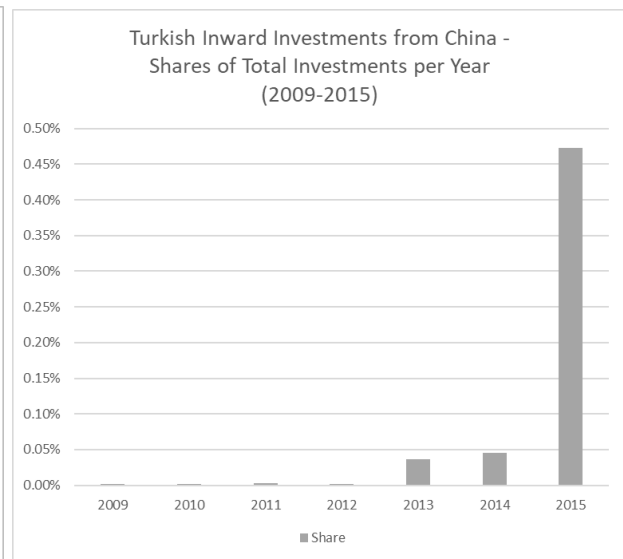


Figure 3.27: Turkish Inward Investments from China – Shares of Total Investments per year (2009–2015)<sup>298</sup>

The situation began to change in 2013, when the inward investment rose by 1,950% and reached a total of 0.04% of all investments in Turkey. With such an increase it was expected that China would replace at least one of Turkey's traditional foreign investors, but no major changes were seen in the ranking, mainly due to low investment earnings from China in comparison to other countries. In fact, in 2013 the value of the investments from the largest investor in Turkey—the Netherlands—was 500 times higher than those from China.<sup>299</sup> Such a disparity could be the result of several factors:

- (1) Announcement of the NSR,<sup>300</sup> which led to the establishment of China's bilateral ties with multiple countries.<sup>301</sup> However, even though Turkey was generally perceived as a strategic partner for China in the framework of the NSR, it was not until 2015 that Turkey's membership was officially confirmed.<sup>302</sup>
- (2) In 2012, Turkey and China signed a currency swap agreement, enabling trade and investments with minimal loss.<sup>303</sup>

<sup>297</sup> CDIS

<sup>298</sup> Ibid.

<sup>299</sup> Ibid.

<sup>300</sup> Akyel, K. "The Allure of Geopolitics and Quest of a Pivot State." p.22; Ergenç, C. "Can Two Ends of Asia Meet?" p.291

<sup>301</sup> Akyel, K. "The Allure of Geopolitics and Quest of a Pivot State." p.22

<sup>302</sup> Zou, Z. "Sino-Turkish Strategic Economic Relationship in New Era." p.21

<sup>303</sup> Zou, Z. "Sino-Turkish Strategic Economic Relationship in New Era." p.16

(3) The same year, soon after the adjustment of the FDI law, Turkey implemented new investment incentives schemes to enhance the investment environment.<sup>304</sup>

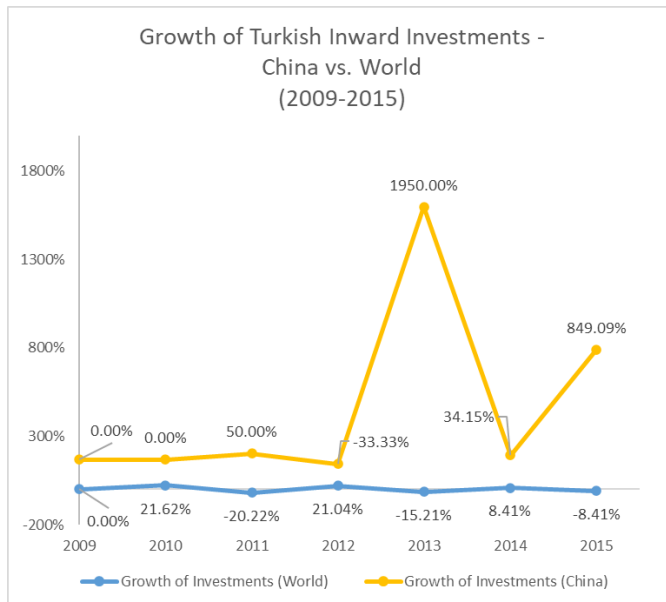


Figure 3.28: Growth of Turkish Inward Investments – China vs. World (2009–2015)<sup>305</sup>

Even though 2013 represents a breakthrough in Turkish-Chinese investment relations, Turkey experienced the highest value of Chinese investments in 2015, at \$0.5 billion (Figure 3.3). In fact, this represented an 849% over the previous year's value (Figure 3.5), which led to growth of the investment share to almost 0.5%, the highest share of the period 2009–2015 (Figure 3.4). Such an increase was a result of several aspects: Erdoğan's constant pressure on the Chinese government to encourage Chinese enterprises to invest in Turkey, as he did during his visit to China;<sup>306</sup> increasing interest in the development of bilateral trade and investment cooperation emphasized by Chinese President Xi Jinping;<sup>307</sup> and the official inclusion of Turkey into the NSR,<sup>308</sup> which was an extension to the agreement on the framework for promotion and protection of investments between Turkey and China from July that year.<sup>309</sup>

<sup>304</sup> Zou, Z. "Sino-Turkish Strategic Economic Relationship in New Era." p.21

<sup>305</sup> CDIS

<sup>306</sup> Talbot, V. "Turkey and China." p.98

<sup>307</sup> Talbot, V. "Turkey and China." p.99

<sup>308</sup> Kulaksız, S. "Financial Integration via Belt and Road Initiative." p.49; Zan, T. "'Turkey Dream' and the China-Turkish Cooperation under 'One Belt and One Road' Initiative." p.60

<sup>309</sup> Doster, B. "The Developing Relations between Turkey and China Since 2005." p.294

### 3.1.3 Period from 2016 to 2019

Even though the inward investments in 2015 signaled a promising rise of Chinese expenditures in Turkey, the next year the investment value dropped by more than 22% (Figure 3.8). Although the Chinese government supported Ankara during the attempted military coup,<sup>310</sup> it appears that the failed putsch had an impact on inward investments not only from China but from other countries as well (Figure 3.8). However, this decline did not represent any major backlash in Sino-Turkish investment relations, as the share value of the total inward investment and the amount of the expenditures never decreased to pre-2013 rates (Figures 3.6, 3.7).

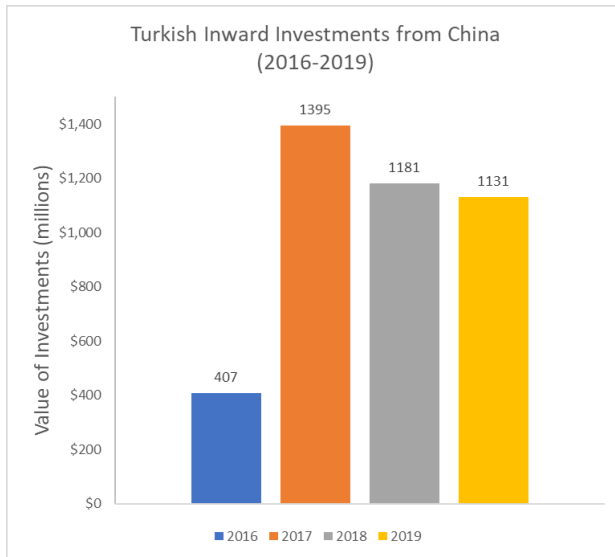


Figure 3.29: Turkish Inward Investments from China (2016–2019)<sup>311</sup>

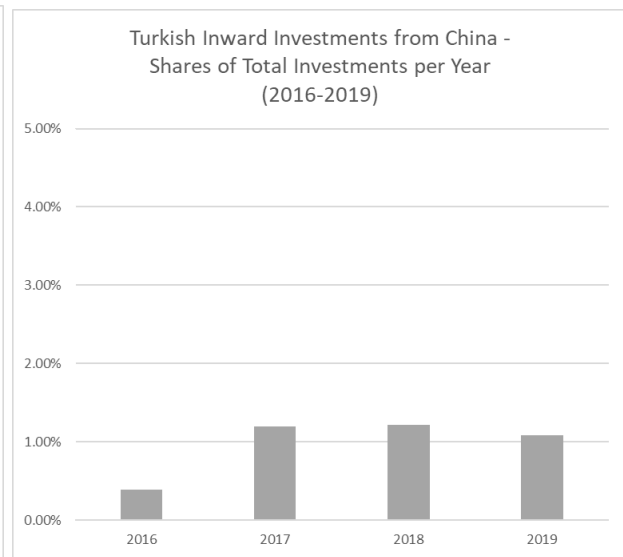


Figure 3.30: Turkish Inward Investments from China – Shares of Total Investments per Year (2016–2019)<sup>312</sup>

Nonetheless, the hallmark of the period was reached in 2017, when the value of the investments exceeded \$1 billion for the first time (Figure 3.6), with a 1.2% share of total inward investments in Turkey (Figure 3.7), because of the strengthened relations with NSR countries. Indeed, in May, Erdoğan attended the One Belt, One Road summit in Beijing,<sup>313</sup> where he was invited to speak during the opening ceremony as one of the main representatives, alongside Chinese President Xi Jinping, Russian President Vladimir Putin, and UN Secretary General Antonio Guterres.<sup>314</sup> During

<sup>310</sup> Üngör, Ç. "Heading Towards the East?", p. 70; Chen, Y. "Developments in China–Turkey Relations." p.782

<sup>311</sup> CDIS

<sup>312</sup> Ibid.

<sup>313</sup> Atlı, A. "Turkey's Relations with China and its Repercussions on Transatlantic Relations: The Turkish Perspective." *Turkey and Transatlantic Relations* (2017). [http://altayatli.com/wp-content/uploads/2018/06/ch15\\_AltayAtli.pdf](http://altayatli.com/wp-content/uploads/2018/06/ch15_AltayAtli.pdf), p.232

<sup>314</sup> Ibid.

the summit, Erdoğan repeatedly stressed the importance of Chinese financial support and urged the Chinese government to invest in Turkey.<sup>315</sup> That same year, Turkey and China signed several framework agreements for the regulation of economic relations. Not surprisingly, concern about mutual promotion and protection of bilateral investments played a major role.<sup>316</sup>

Additionally, since 2016, Turkey's relations with the West continued to be at odds, and the country's stance on Syria's civil war did nothing to improve the situation. In fact, in November 2017, Turkey attended NATO's joint military exercise in Norway, where Turkey and Erdoğan were depicted as enemies of NATO, and, despite repeated apologies, Turkey immediately withdrew from the exercise.<sup>317</sup>

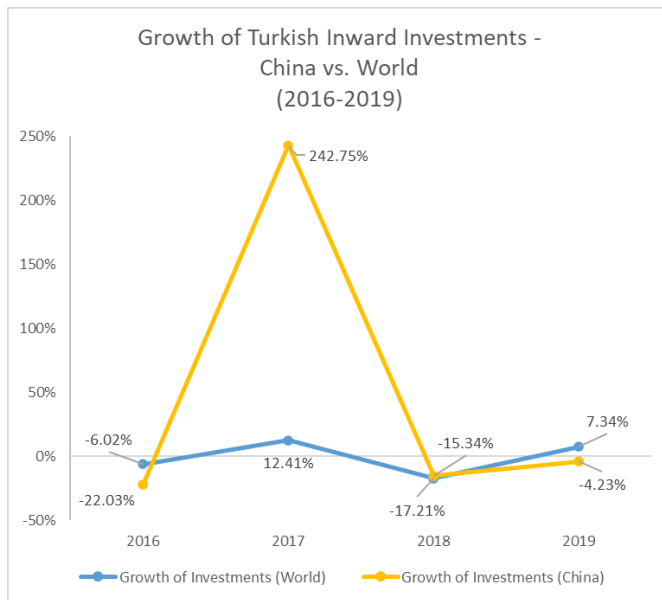


Figure 3.31: Growth of Turkish Inward Investments – China vs. World (2016–2019)<sup>318</sup>

Based on the analysis of Turkish inward investments from China during three distinct periods, it is possible to see that, since 2013, investment relations between Turkey and China have improved. This could be the result of the realization that Turkey occupies a strategic geopolitical and geo-economic position, especially since the emergence of the NSR. However, as indicated earlier, the increased investments might also be the result of the investment-oriented Turkish foreign policy

<sup>315</sup> Üngör, Ç. "Heading Towards the East?" p.71

<sup>316</sup> Talbot, V. "Turkey and China" p.100

<sup>317</sup> Chen, Y. "Developments in China–Turkey Relations." p.781

<sup>318</sup> CDIS

and the state of relations between Turkey and the West. Perhaps an analysis of Turkey's outward investments in China will indicate whether the emergence of the NSR confirms the claims of Turkey pivoting East.

### 3.2 Turkish Outward Investment to China

Based on a general analysis of data on Turkey's outward investments in China, it is possible to see that investment rose exponentially until 2017, with the value ranging from \$68 million in 2009 and 2010 to \$261 million in 2017 (Figure 3.9). Despite several bilateral agreements addressing regulation of investments<sup>319</sup> and the emphasis placed by both Erdoğan and Xi Jinping on the importance of their further development,<sup>320</sup> Turkish expenditures in China began to decrease in 2017 (Figure 3.9). Within two years, these investments were so low that Turkey ranked only 55<sup>th</sup> rank among investors in China, the lowest spot in 10 years (Figure 3.10). During this period, President Trump announced additional US tariffs<sup>321</sup> on Turkish goods, further exacerbating the country's economic difficulties due to high inflation,<sup>322</sup> deficit accounts, and foreign debt.<sup>323</sup>

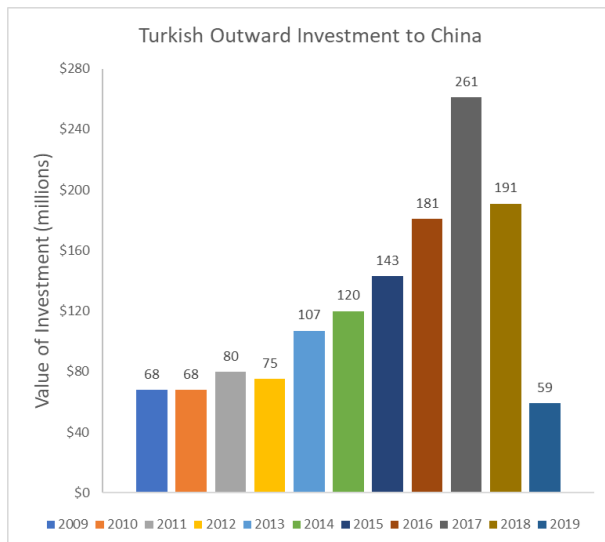


Figure 3.32: Turkish Outward Investment to China<sup>324</sup>

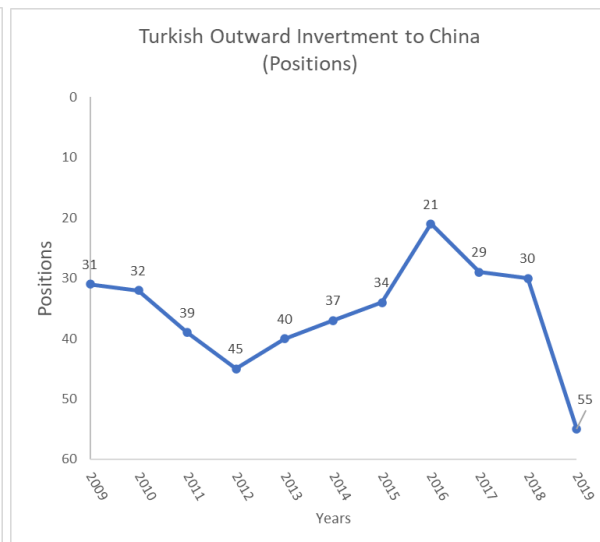


Figure 3.33: Ranking of Turkey as an Investor in China (position)<sup>325</sup>

<sup>319</sup> Talbot, V. "Turkey and China." p.100

<sup>320</sup> Üngör, Ç. "Heading Towards the East?" p.71; Talbot, V. "Turkey and China." p.98-99

<sup>321</sup> Atlı, A. "Turkey's Economic Expectations from a Rising China." p.79; Chen, Y. "Developments in China–Turkey Relations." p.779-780

<sup>322</sup> Since August 2018, Turkish lira had lost 40% of its value from the beginning of the year; Atlı, A. "Turkey's Economic Expectations from a Rising China." p.79; Chen, Y. "Developments in China–Turkey Relations." p.780

<sup>323</sup> Atlı, A. "Turkey's Economic Expectations from a Rising China." p.79

<sup>324</sup> CDIS

<sup>325</sup> Ibid.

Based on this preliminary analysis, it is possible to see that in both years critical for NSR , 2013 and 2015, the investments from Turkey increased (Figure 3.9). Moreover, since 2012, Turkey's investment position in China increased by more than 20 places (Figure 3.10). Even though the initial analysis suggests that the NSR led to improvement in the Turkish-Chinese investment relations, this claim requires further exploration. Therefore, to identify a possible shift of the axis to the East, this paper further examines Turkey's outward investment over three periods of time: pre-2009, 2009–2015, and 2016–2019.<sup>326</sup>

### 3.2.1 Pre-2009 Period

As mentioned earlier, the period before 2009 was influenced by the bumpy establishment of Turkish-Chinese relations. However, the first signs of Turkish outward investment in China were in 1980s, when the Chinese government encouraged Turkey to invest in the Xinjiang Uyghur Autonomous Region.<sup>327</sup> Moreover, during the same period, Turkey adopted a more liberal and flexible foreign investment policy, which led to an increase in Turkish investment, and both countries soon realized the importance of these expenditures as a tool for the development of relations.<sup>328</sup> As a result, in 1990, Turkey and China signed the BIT that took effect almost four years later.<sup>329</sup>

Unfortunately, Turkish and Chinese businesses and individuals did not use the BIT to improve the flow of investments. In fact, throughout the 1990s and 2000s, Turkey was evaluating whether China represented a threat or an opportunity to the Turkish economy. As a result, other than small businesses such as shops and restaurants, most Turkish enterprises failed to benefit from investment opportunities in China.<sup>330</sup> However, Turkish-Chinese investment relations improved after 2002 because of the integral economic changes in both countries.

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<sup>326</sup> To take high inflation of Turkish lira into account, Turkish investments to China were compared with additional receiving countries of Turkish investments. Since these do not follow the same pattern of decreased investments, the inflation did not have an impact on the analysis of the Turkish outward investments. For visual representation see Appendix.

<sup>327</sup> Çolakoğlu, S. "Turkey's East Asian Policy." p.138-139

<sup>328</sup> Apoteker, T. "Chinese investment in the greater Europe zone." p.40

<sup>329</sup> Ibid.

<sup>330</sup> Atlı, A. "A View from Ankara." p.122



### 3.2.2 Period from 2009 to 2015

Turkey was constantly developing its investments in China in 2009–2015, as illustrated in Figure 3.11, apart from 2012. Despite the opening of the new Turkish Trade Center in Urumqi and the industrial park, which provided significant opportunity for Turkish investors due to the preferential treatment established by several bilateral agreements,<sup>331</sup> Turkish investments in China declined by 6.25% in 2012 (Figure 3.13). Additionally, the investment ranking placed Turkey in the 45<sup>th</sup> position that year, the lowest ranking in this period. Moreover, the Turkish share of investments in China during the entire period did not exceed 0.4% of Turkey’s total investments worldwide (Figure 3.12).

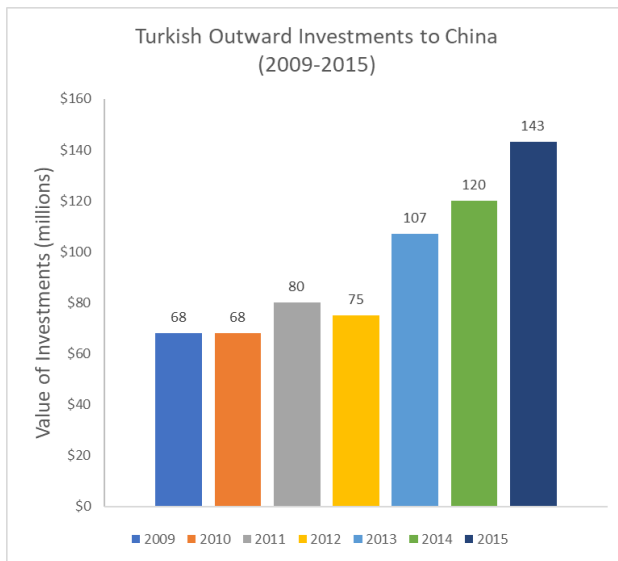


Figure 3.11: Turkish Outward Investments to China (2009–2015)<sup>332</sup>

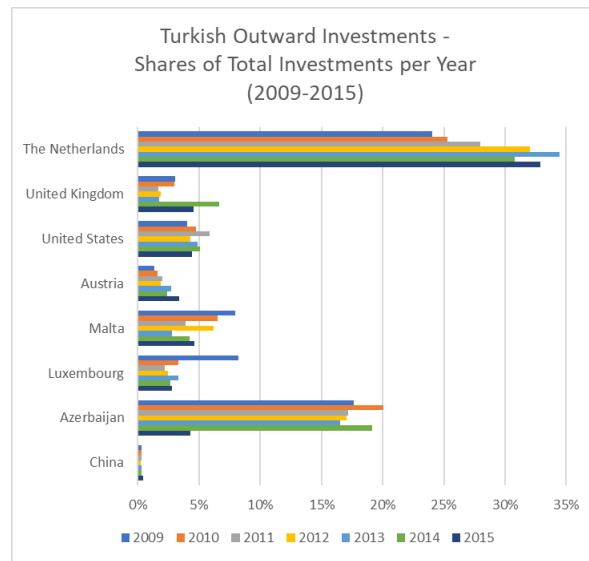


Figure 3.34: Turkish Outward Investments – Shares of Total Investments per Year (2009–2015)<sup>333</sup>

Within the research framework of this paper, special attention is paid to the years 2013 and 2015. In 2013, Turkish investment in China increased from the previous year by more than 42% (Figure 3.13) and, for the first time, exceeded \$100 million (Figure 3.11). As mentioned earlier, during this year, Xi Jinping announced the formation of the new initiative,<sup>334</sup> however, this announcement was not the only precondition that led to a dramatic increase in Turkish investments. In fact, a year

<sup>331</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.296

<sup>332</sup> CDIS

<sup>333</sup> Ibid.

<sup>334</sup> Akyel, K. "The Allure of Geopolitics and Quest of a Pivot State." p.22; Ergenç, C. "Can Two Ends of Asia Meet?" p.291

earlier, the two governments had signed a currency swap agreement.<sup>335</sup> Also in 2013, Turkey adjusted the original 4875 FDI Law from 2003 and provided new incentives to stimulate not only inward but also outward investments.<sup>336</sup> Furthermore, the effects of the opening of the new Turkish Trade Center in Urumqi and the Sino-Turkish Cooperative Industrial Base 12 could have been delayed, which means that the first results might have contributed to the growth of outward investments in the next year, 2013.

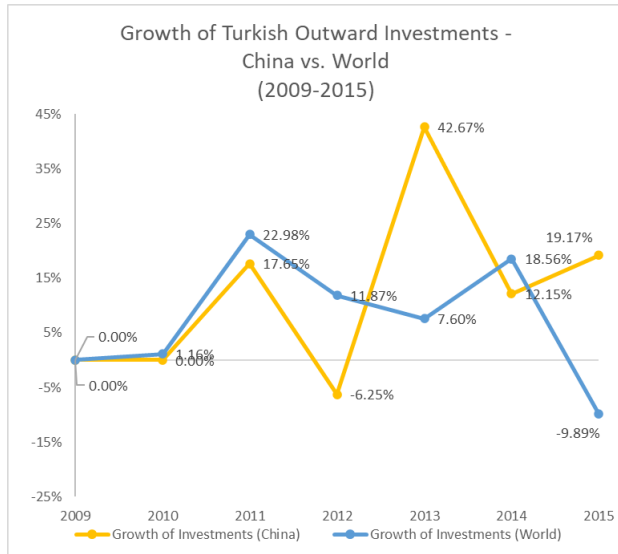


Figure 3.35: Growth of Turkish Outward Investments – China vs. World (2009–2015)<sup>337</sup>

The year 2015 represents a hallmark of Turkish-Chinese investment relations, as that was when Turkey officially joined the NSR by signing the Memorandum of Understanding.<sup>338</sup> Moreover, earlier that year, representatives from both countries met to sign several agreements establishing a framework for development of economic relations. Not surprisingly, promotion and protection of these ties, with special attention paid to Turkish investors, were the main points of these agreements, which then led to an annual increase of Turkish outward investments in China by almost 20% (Figure 3.13). In fact, the Turkish share of total investments in China increased from 0.31% in 2009 to 0.4% in 2015 (Figure 3.12).<sup>339</sup>

<sup>335</sup> Zou, Z. "Sino-Turkish Strategic Economic Relationship in New Era." p.16

<sup>336</sup> Zou, Z. "Sino-Turkish Strategic Economic Relationship in New Era." p.21

<sup>337</sup> CDIS

<sup>338</sup> Kulaksız, S. "Financial Integration via Belt and Road Initiative." p. 49; Zan, T. "'Turkey Dream' and the China-Turkish Cooperation under 'One Belt and One Road' Initiative." p.60

<sup>339</sup> Even though the increase represented only 0.7%, this share is abundant, taking into consideration the period from 2009-2019, when the largest share of Turkish investments was 0.57% of the total investment to China.

### 3.2.3 Period from 2016 to 2019

In 2017, Turkish outward investments exceeded \$250 million for the first time, with Turkey's share of the total investment in China rising to 0.57%, the highest value in the history of Sino-Turkish relations (Figures 3.14, 3.15). Within a one-year period, Turkish outward investment grew by more than 44%, the result of strengthening relationships with pro-Eurasian countries<sup>340</sup> and further alienization from the West, especially the United States, after higher US tariffs<sup>341</sup> deepened Turkey's economic crisis.<sup>342</sup> Turkey's retreat from the West also included its 2017 withdrawal from NATO's joint military exercise.<sup>343</sup> Earlier that year, Turkey and China signed agreements creating the framework for improved economic relations. Not surprisingly, concern about protection of bilateral investments, especially those of Turkish investors, played a major role.<sup>344</sup>

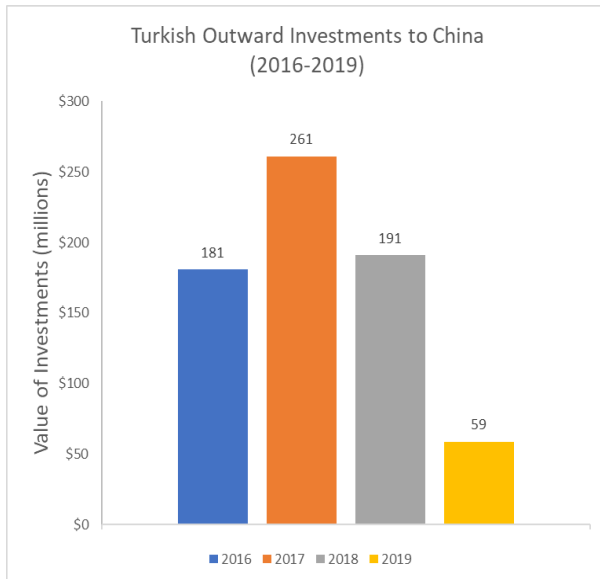


Figure 3.36: Turkish Outward Investments to China (2016–2019)<sup>345</sup>

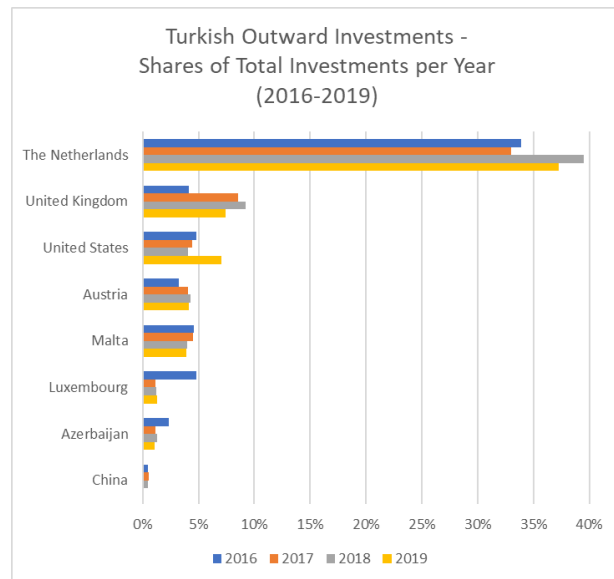


Figure 3.37: Turkish Outward Investments, Shares of Total Investments per Year (2016–2019)<sup>346</sup>

<sup>340</sup> Üngör, Ç. "Heading Towards the East?" p.70; Chen, Y. "Developments in China–Turkey Relations." p.781

<sup>341</sup> Atli, A. "Turkey's Economic Expectations from a Rising China." p.79; Chen, Y. "Developments in China–Turkey Relations." p.779-780

<sup>342</sup> Ibid.

<sup>343</sup> Chen, Y. "Developments in China–Turkey Relations." p.781

<sup>344</sup> Talbot, V. "Turkey and China" p.100

<sup>345</sup> CDIS

<sup>346</sup> Ibid.

A significant decline in Turkey’s investments in China was seen in 2019, dropping almost 70% (Figure 3.16) and reaching the lowest value in that decade (Figure 3.14). With this decrease, Turkey’s share of total investments in China plunged to 0.12% (Figure 3.15). This tremendous decline was a result of the President Trump’s strategy of “maximum pressure” in 2018, which created even higher inflation<sup>347</sup> coupled with rising account deficits and foreign debt.<sup>348</sup>

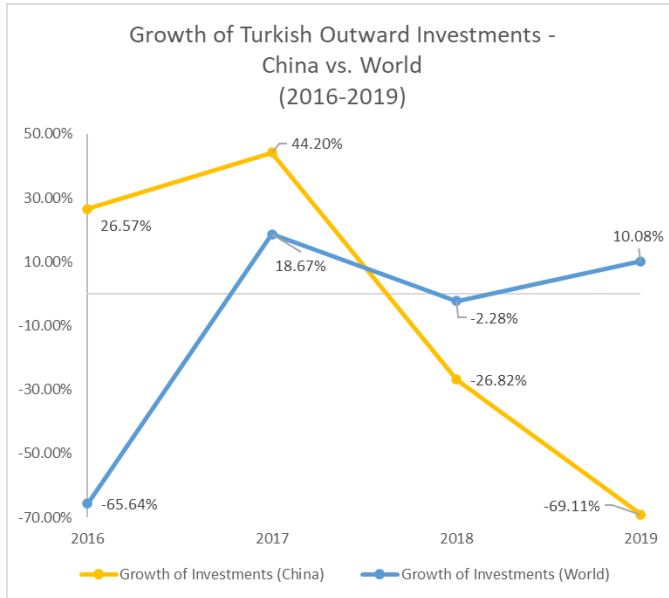


Figure 3.38: Growth of Turkish Outward Investments – China vs. World (2016–2019)<sup>349</sup>

Based on the preconceived notions of Turkey’s gradual shift toward China, the investment relations between the two countries should have improved since 2013. Indeed, the findings from the analysis of the investment relations suggest that, regarding inward investments, there has been a breakthrough since the emergence of the NSR, especially after the official inclusion of Turkey in 2015, which is also reflected in the improvement of the Turkish inward investment position of China (Figure 3.2). However, regarding Turkish outward investments, it seems that, even though investments rose after 2013 and 2015, the increase was gradual starting from 2009 (Figure 3.9). However, the influence of the NSR should not be underestimated. It is noteworthy, though, that the attractiveness of the NSR and the legislative adjustments both countries made to foster and

<sup>347</sup> Atli, A. "Turkey's Economic Expectations from a Rising China." p.79; Chen, Y. "Developments in China–Turkey Relations." p.780; Since August 2018, Turkish lira had lost 40% of its value from the beginning of the year

<sup>348</sup> Atli, A. "Turkey's Economic Expectations from a Rising China." p.79

<sup>349</sup> CDIS

protect the investment environment are not the only important factors. Rather, it is often the course of politics with another countries—such as the occupation of Cyprus, acknowledgement of the PRC, or the reaction to the attempted coup in 2016—that seems to shape Sino-Turkish investment relations. As a result, it is possible to say that Turkey is indeed benefiting from the NSR-related investment income, however, the perception of Turkey pivoting East represents an exaggeration of the extended relations and the so-called temporal “spatial fix”<sup>350</sup> in weaker spheres.

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<sup>350</sup> Summers, T. "China's 'New Silk Roads'." p.1638

## Discussion and Conclusion

Based on analysis of the data on trade and investment relations, it is possible to say that economic relations between Turkey and China have been on the rise, which is indicated by both countries' inward and outward investments. However, when considering the economic integration of the two nations, these stronger Turkish-Chinese relations do not represent a sudden shift. Rather, it is a natural extension of the economic growth in both countries as they attempt to preserve their pragmatic interests and the related economic incentives.<sup>351</sup>

Additionally, it appears that geopolitical shifts play a significant role in shaping Turkish foreign policy. As a result, as seen in the historical overview, the relationship between Turkey and China often resembles a roller-coaster. A prime example can be seen in Figure 2.1 regarding the case of Russia and Iraq. While Russia's position as a trade partner with Turkey rose dramatically beginning in 1991 because of the dissolution of the USSR, Iraq's position was significantly influenced by several wars in the 1980s to the 2010s. In the case of China, until 2002 the trade partners' positions were regularly moving up and down until the accession of the AKP as a single-party government,<sup>352</sup> whose foreign policy opened the Turkish economy to Asia.

However, the role of China should not be under-emphasized. The Chinese economy underwent a substantial modernization process and began to open during the Mao Zedong era in the 1970s.<sup>353</sup> Additionally, China implemented its Go Out Policy in 1999<sup>354</sup> and, within five years, this policy underwent further refinements to stimulate state and non-state outward investments.<sup>355</sup> However, its most significant project, establishment of the NSR,<sup>356</sup> was launched in 2013, which promised intertwined regional cooperation and investments that Turkey and other countries across Asia were missing. Although Turkey has played an important role in the policy adjustments leading to the

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<sup>351</sup> Ergenç, C. "Can Two Ends of Asia Meet?" p.296; Kaya, K. "Turkey and China." p.8

<sup>352</sup> Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.76; Pehlivan Türk, B. "East Asia in Turkish Foreign Policy" p.271

<sup>353</sup> Akçay, N. "Turkey-China Relations Within the Concept of the New Silk Road Project." p.75

<sup>354</sup> Apoteker, T. "Chinese investment in the greater Europe zone." p.12

<sup>355</sup> Yılmaz, N.K., Cooke, F.L., Dellios, R. "Turkey's FDI Policy and Chinese Foreign Direct Investments in Turkey." p.29

<sup>356</sup> Akyel, K. "The Allure of Geopolitics and Quest of a Pivot State." p.22; Ergenç, C. "Can Two Ends of Asia Meet?" p.291

creation of the NSR, these developments were not made in Turkey's favor only. In fact, they were made as what D. Harvey has called a "spatial fix."<sup>357</sup>

When it comes to claims that Turkey is pivoting East, this seems to be more a reflection of Western anxieties about their declining global economic position and influence not only in Turkey but also across entire region. Another factor causing concern about China's world dominance could be the way the region is perceived. As described by the imagined geographies, people often create new realities about the ME and the Orient that they soon believe are true. Then, they assign certain behaviors and interaction to the subjects of the imagined geographies, ethe Orient. As a result, people conclude that Turkey has shifted to the East following the creation of the NSR, with no further justification. In conclusion, the analysis in this thesis of Sino-Turkish trade and investment relations suggest that the claims about Turkey turning East are inaccurate and require further nuance.

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<sup>357</sup> Harvey, D. "Globalization and the 'spatial fix'." p.24

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## **List of Abbreviations**

AIIB – Asian Infrastructure Investments Bank

AKP – Adalet ve Kalkınma Party

BIT – bilateral investment agreement

BRI – Belt and Road Initiative

CDIS – Coordinated Direct Investment Survey

CIF – cost-insurance-freight

DEIK – Foreign Economic Relations Board

DOTS – Direction of Trade Statistics

EU – European Union

FDI – Foreign Direct Investments

FOB – Free-on-board

GEZ – Greater European Zone

IMF – International Monetary Fund

NAM – Non-aligned Movement

NATO – North Atlantic Treaty Organization

NBSC - National Bureau of Statistics of China

NSR – New Silk Road

OBOR – One Belt, One Road

PRC – People’s Republic of China

ROC – Republic of China

TurkStat – Turkish Statistical Institute

TÜSİAD – Turkish Industry and Business Association

UN – United Nations

UNCTAD - The United Nations Conference on Trade and Development

US – United States

USSR - Union of Soviet Socialist Republics

XUAR – Xinjiang Uyghur Autonomous Region

## Table of Turkish Trade Partners – Positions

(Part 1: 1972-1999)

Country/Year	1972	1973	1986	1987	1988	1990	1992	1993	1994	1995	1997	1998	1999
Algeria	29	31	17	17	15	16	34	34	20	14	14	16	12
Belgium	31	33	36	36	36	36	37	39	39	39	9	9	9
China	17	14	16	16	14	13	18	12	13	19	18	18	17
France	5	6	6	7	5	4	4	4	4	5	6	5	4
Germany	1	1	1	1	1	1	1	1	1	1	1	1	1
Iran	14	16	7	5	7	10	11	10	10	12	17	23	20
Iraq	11	11	4	2	2	7	26	26	34	36	39	39	38
Italy	3	4	3	4	4	3	3	3	3	3	3	3	3
Japan	10	10	8	8	8	6	8	8	9	9	8	8	11
Lebanon	8	7	26	23	33	33	35	33	32	35	35	34	33
Netherlands	7	8	10	10	9	9	9	9	8	8	7	7	7
Romania	21	21	25	15	19	21	17	17	18	15	20	20	22
Russia	34	35	37	37	37	37	7	6	6	4	5	6	6
Saudi Arabia	9	9	9	11	11	8	5	7	7	7	11	15	16
Spain	16	20	15	18	13	14	13	13	12	13	10	10	8
Sweden	13	13	20	20	20	20	19	16	19	18	16	13	10
Switzerland	6	5	11	9	10	11	10	11	11	11	12	12	13
Ukraine	37	37	38	38	38	38	38	15	14	10	13	11	14
United Arab Emirates	38	38	18	27	29	15	16	30	15	30	34	30	27
United Kingdom	4	2	5	6	6	5	6	5	5	6	4	4	5
United States	2	3	2	3	3	2	2	2	2	2	2	2	2



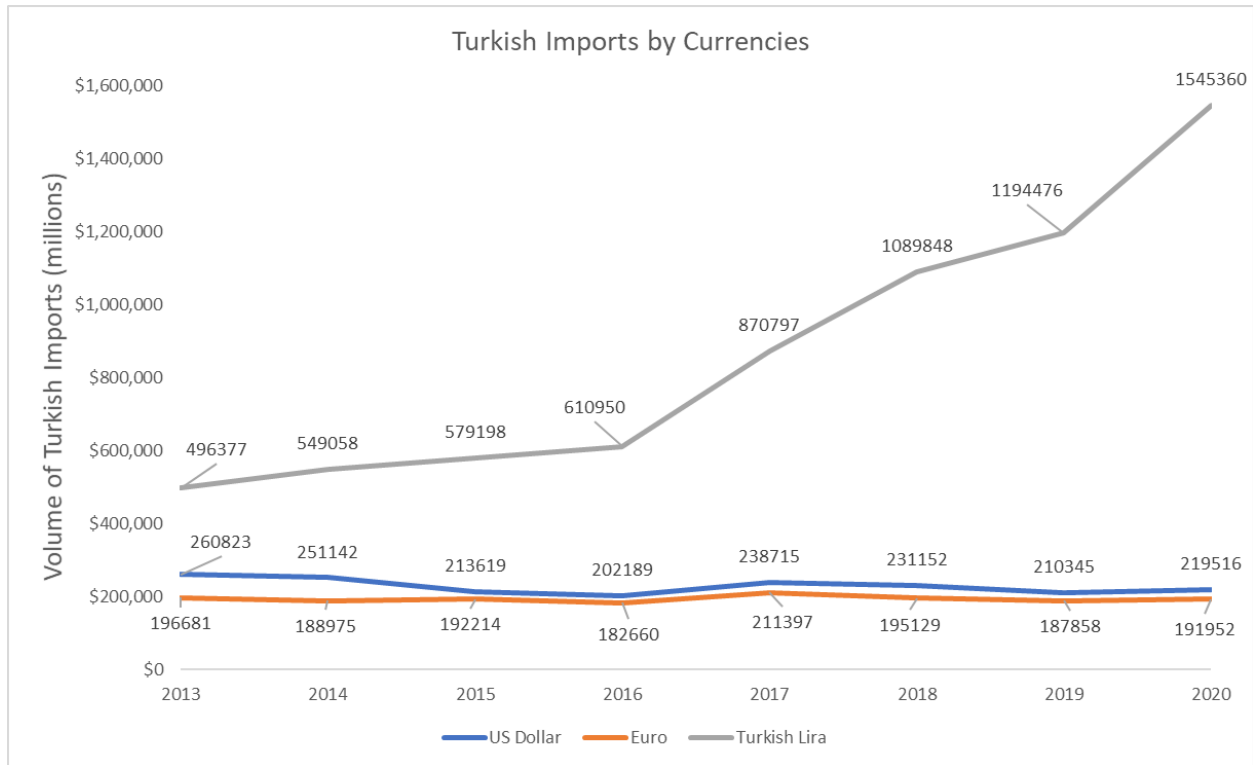
(Part 2: 2000-2010)

Country/Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Algeria	12	10	11	17	18	19	20	21	18	16	21
Belgium	9	9	10	11	11	14	14	14	16	15	14
China	13	16	12	10	8	7	7	4	4	3	3
France	4	5	5	5	4	6	5	6	6	5	6
Germany	1	1	1	1	1	1	1	1	2	1	1
Iran	19	15	17	12	15	11	9	9	8	11	8
Iraq	38	38	38	25	17	17	19	20	17	9	10
Italy	3	3	2	2	2	3	3	3	3	4	4
Japan	10	12	13	13	14	16	16	17	20	22	22
Lebanon	35	34	33	34	32	33	34	34	34	32	33
Netherlands	7	8	9	9	9	9	12	13	14	12	12
Romania	20	19	18	14	13	12	10	10	13	13	11
Russia	6	4	6	6	3	2	2	2	1	2	2
Saudi Arabia	14	14	15	16	20	18	17	18	15	18	17
Spain	8	7	7	7	7	8	8	8	10	8	9
Sweden	11	22	24	24	25	23	26	26	26	24	27
Switzerland	18	11	8	8	10	10	11	11	11	10	13
Ukraine	16	17	16	15	12	15	13	12	12	14	15
United Arab Emirates	29	27	29	28	27	25	24	19	9	17	19
United Kingdom	5	6	4	4	5	4	4	5	7	7	7
United States	2	2	3	3	6	5	6	7	5	6	5

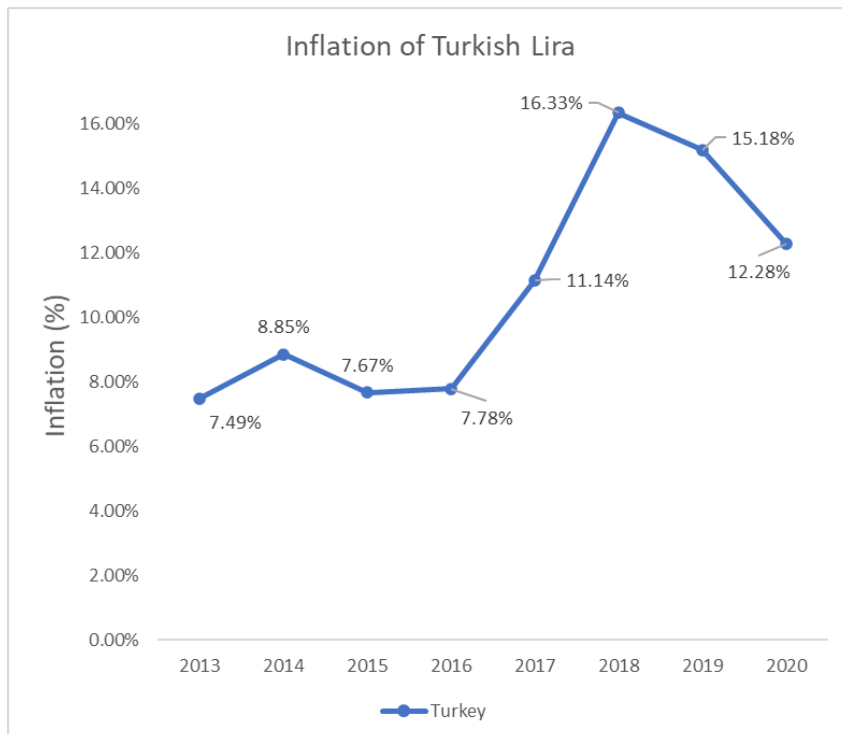
(Part 3: 2011-2020)

Country/Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Algeria	28	27	29	27	27	28	29	28	27	31
Belgium	17	17	17	16	16	16	15	13	15	13
China	3	3	3	3	2	2	2	3	3	2
France	7	7	7	7	7	7	7	7	7	8
Germany	1	1	1	1	1	1	1	1	1	1
Iran	6	4	8	8	10	9	11	10	16	24
Iraq	10	10	9	9	9	10	10	9	8	5
Italy	4	6	4	4	5	3	5	5	5	6
Japan	21	25	25	25	24	22	22	22	24	23
Lebanon	33	32	31	34	34	33	34	33	33	34
Netherlands	12	12	14	15	14	13	12	12	10	11
Romania	14	19	18	17	18	18	18	16	13	15
Russia	2	2	2	2	3	6	3	2	2	3
Saudi Arabia	20	18	22	22	17	19	21	21	20	22
Spain	9	11	10	10	8	8	9	8	9	9
Sweden	26	26	27	26	26	25	27	27	26	27
Switzerland	16	14	11	12	11	17	13	23	23	10
Ukraine	15	15	15	18	21	24	24	24	22	21
United Arab Emirates	18	9	12	11	13	11	8	15	11	12
United Kingdom	8	8	6	6	6	5	6	6	6	7
United States	5	5	5	5	4	4	4	4	4	4

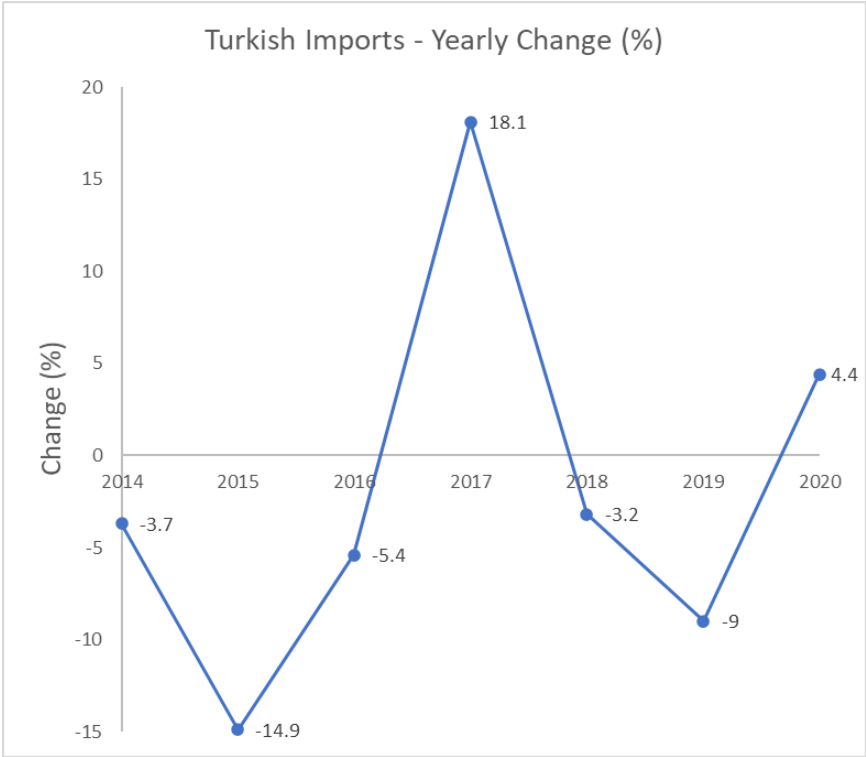
## Turkish Imports by Currencies (USD, Euro, TRL)



## Inflation of Turkish Lira



# Yearly Change in Turkish Imports



# Turkish Outward Investments

