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A COMPREHENSIVE ANALYSIS OF CHINA AND TÜRKİYE'S ECONOMIC RELATIONS

An Overview of China-Türkiye Economic Relations

China being a socialist market economy and Türkiye being a free market¹ economy performed two opposite theories in their practice. However, both states have made an extraordinary contribution to globalization and in collaborating with each

other. China and Türkiye have witnessed a significant expansion in their economic relations over the years in accordance with the more than twenty trade agreements², driven by growing trade volumes, increasing investments, maritime domain, and infrastructure development. This analyze aims to provide an in-depth analysis of the multifaceted economic ties

¹ (2018). Retrieved from <https://www.tccb.gov.tr/en/news/542/96568/-turkey-s-preference-and-practices-are-in-favor-of-free-market-economy>

² Baydur, Retrieved from https://www5.tbmm.gov.tr/develop/owa/kanunlar_sd.sorgu_yonlendirme?Kanun_no=&k_Baslangic_Tarihi=&k_Bitis_Tarihi=&r_Baslangic_Tarihi=&r_Bitis_Tarihi=&sorgu_kelime=%E7in

between China and Türkiye, exploring the key aspects that have shaped their partnership and the opportunities and challenges that lie ahead. In respect to the Belt and Road Initiative (BRI), Beijing gets a strategic presence in the Mediterranean Sea via Türkiye which will remain a source of additional money.

Economic ties between China and Türkiye have existed since antiquity, and the historic Silk Road served as an important commercial route between the two countries. China and Türkiye formalized their diplomatic ties in the 1950s, which created the framework for further commercial collaboration. China and Türkiye's economic relationships have developed over the past several decades from simple trade connections to a thorough collaboration spanning several sectors.

Chinese investment³ in Türkiye has been on the rise, as Chinese companies recognize the country's strategic location and potential for economic growth. Investments have been made in various sectors, including energy, infrastructure, manufacturing, and technology. China had 1060 registered businesses in Türkiye as of 2021. Notable investments include China Merchants Group's acquisition of a majority stake in Türkiye's largest port, Kumport. Chinese companies have also shown interest in participating in Türkiye's high-speed rail projects, offering opportunities for technology transfer and job creation. Türkiye remains the crucial site for Beijing Global Development Initiative (GDI).

The Belt and Road Initiative (BRI) of China has greatly boosted the Strategic Economic Cooperation (ECP) between Türkiye and China. Türkiye serves as a crucial BRI transit location due to its advantageous position as a bridge between Europe and Asia. Improvements in connectivity and trade facilitation between China and Europe are the goals of Chinese investments in infrastructure projects including ports, trains, and motorways. However, there have been obstacles for various BRI-related projects in Türkiye, including budgetary limitations, political considerations, and environmental issues.

Tourism is another important aspect of China-Türkiye economic relations. In accordance with the China and Türkiye cultural agreement in 2017, the number of Chinese tourists visiting Türkiye has been steadily increasing in recent years. Türkiye has made efforts to attract more Chinese tourists by simplifying visa procedures and promoting cultural exchanges.

The geopolitical landscape significantly influences how China and Türkiye relate economically. Each nation occupies a unique geopolitical space inside the same sphere of influence. China's emergence as a major player in the world economy has boosted its interaction with other nations, especially Türkiye. Türkiye is a vital center for commerce and investment because of its unique geopolitical location as a link between Europe and Asia. Chinese investments and collaboration have been attracted to Türkiye because of its strategic position and ambition to become a regional power. China's Belt and Road Initiative (BRI), which aims to improve connectivity

³ (2022). Retrieved from <https://www.china-briefing.com/news/china-turkey-bilateral-trade-and-investment-profile/>

and commercial channels between Asia, Europe, and beyond, has been a crucial influence in strengthening economic connections with Türkiye.

Türkiye's geopolitical dynamics are complicated, though, because it also aims to strike a balance in its ties with other aspirant powers like the US and the EU.

2020, USD 20.2 billion gap between Türkiye and China is 41.5% of the Türkiye overall trade deficit. In other words, China is the source of over half of Türkiye 's trade imbalance. Simply put: China trade places Türkiye at a competitive disadvantage.



Whatever the circumstances, economic cooperation has typically remained strong. Both nations have stated a desire to deepen economic connections, diversify trade, and increase investment prospects in Asia. To enhance economic contacts and improve the business climate for companies from both nations, bilateral trade and investment agreements have been negotiated.

The commerce⁴ between China and Türkiye possesses both pros and cons. In

Source: "Emerging part-nership in a post-Western world? The political economy of China-Turkey relations", *Southeast European & Black Sea Studies* 21, no. 4 (2021)

The breakdown of trade in production⁵ sectors is the most intriguing aspect of trade with China. The primary goods, natural resources, raw materials, and mineral ores that are exported from Türkiye to China tend to have low added value; in contrast, the primary products that are purchased from China tend to have

⁴ Retrieved from <https://oec.world/en/profile/bilateral-country/chn/partner/tur>

⁵ Retrieved from <https://www.china-briefing.com/news/china-turkey-bilateral-trade-and-investment-profile/>

high added value and high-tech raw materials. Türkiye exports to China includes, Marble and travertine, chromium, copper, lead, iron, natural borate, boron oxide, and boric acid while Türkiye's imports from China includes SITC 85 and 84, account for 51.6% of all imports from China and are mostly used in manufacturing and high-tech goods. It is clear from comparing the export and import data of trade with China that 'inter-trade specialization' (difference in specialization domain) dominates the products trade between China and Türkiye. Even though the future of commerce between both states are competently growing, it will remain at the expense of the Turkish economy. In pros, for Türkiye, China remains a supplier of chief defense and industrial equipment in the Asian bekon, after being criticized from the west for its anti-democratic values similar to that of China.

The outbreak of the COVID-19 pandemic in 2019 significantly impacted global trade and economic activities, including those between China and Türkiye. Both countries faced disruptions in supply chains, reduced trade volumes, and decreased tourism flows. In the pandemic years, however, as the situation improved, trade gradually resumed, and efforts were made to restore economic activities. On the other hand, the pandemic also highlighted the importance of cooperation and resilience in the face of global challenges.

Challenges and Opportunities:

Despite the positive trajectory, there are challenges in China-Türkiye economic relations that need to be addressed. The trade imbalance, with Türkiye importing more than it exports, poses risks to Türkiye's economic sustainability. To

address this, Türkiye aims to diversify its exports and attract more Chinese investments. Additionally, the Russia-Ukraine war is damaging the global economies and Türkiye is being affected like other countries, opposite to that of China which is a much stronger and stable economy. For instance, Türkiye's recent earthquake and wide range of destruction in Gaziantep, which is an important manufacturing center for the textile industry, can create a chance for even more trade deficit. However, both countries have shown efforts to maintain stable economic relations despite these challenges.

Conclusion:

Economic ties between China and Türkiye have significantly improved thanks to rising commerce, rising investments, and the development of infrastructure. Despite difficulties, both nations have demonstrated a dedication to deepening economic connections and removing barriers. Turkish soap operas, investment in macro industries, and BRI projects for controlling trade specialization differences are examples of Turkish efforts to diversify trade, attract investments, and promote tourism. These initiatives will further the economic cooperation between China and Türkiye. Maintaining an open and positive conversation will be essential for the continuing development of their economic connections as geopolitical factors continue to change. China and Türkiye can establish a productive alliance by utilizing each other's strengths and working together to overcome obstacles and continue adaptability with regional dynamics.

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