

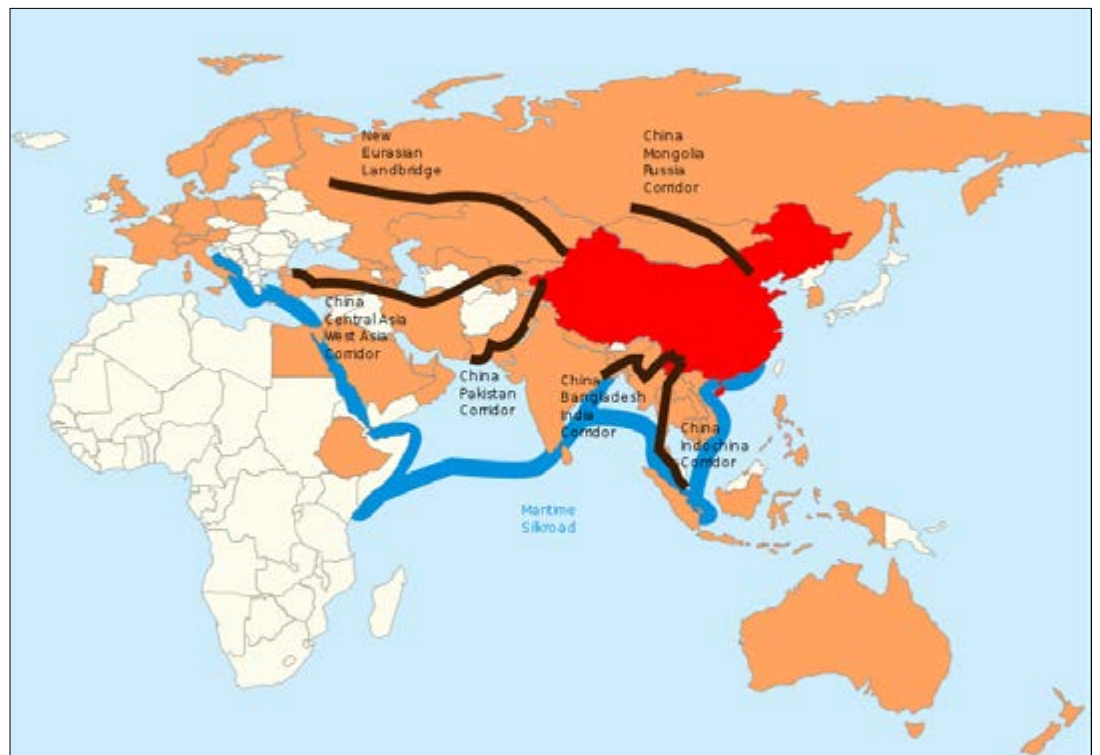


Turkey and China Renew Currency Swap Agreement

OE Watch Commentary: Chinese companies have invested around two billion US dollars in Turkey in industries ranging from energy, infrastructure and logistics to finance, telecommunication, mining, and livestock. Turkey has been searching for ways to boost its declining economy by increasing its trade with China. It has already signed multilateral trade agreements with China and wants to play an essential role in China's Belt and Road Initiative (BRI). Most recently Turkish and Chinese central banks renewed a currency swap agreement, as the accompanying article from Turkish-state owned *Anadolu Ajansı* reports.

China has been one of Turkey's biggest trading partners for some time now. The article notes that according to the agreement, both countries will use their respective currencies in bilateral trade, avoiding the dollar or euro. This will save companies additional money by not having to exchange the currency from dollars or euro. The article also reports that in April, Turkish Trade Minister Ruhsar Pekcan had a meeting with her Chinese counterpart Zhong Shan to discuss Turkish-Chinese trade relations, including: "finding balance in trade relations, Joint Economic Commission agenda, trading in local currency, [BRI], e-commerce, and exporting Turkey's agricultural goods."

The article also points out that Turkey has been committed to China's BRI and is a central part of the project with its Middle Corridor initiative which links Turkey to China through Central Asian countries. The Baku-Tbilisi-Kars railway, which is the main transportation route of the Middle Corridor, has remained open during the COVID-19 pandemic with increased capacity. As such, this route will continue to be essential in sustaining the supply chain. While the article seems to advocate for more Chinese investment in Turkey, it also cautions against projects financed by China's Asian Infrastructure Investment Bank, which seem to demand concessions for many years, and "participates in other investment decisions of the country." **End OE Watch Commentary (Gündüz)**



One Belt One Road (Belt and Road Initiative).

Source: Lommes via Wikimedia, <https://commons.wikimedia.org/wiki/File:One-belt-one-road.svg>, CC BY-SA 4.0

“Turkey has planned to attract more investors from China [through the Middle Corridor initiative] and expressed this desire in every platform.”

Source: Prof. Dr. Elif Nuroğlu, “Denge arayışındaki Türkiye-Çin ticareti ve swap anlaşması (Turkey-China trade and currency swap agreement in search of balance)” *Anadolu Ajansı*, 22 June 2020. <https://www.aa.com.tr/tr/analiz/denge-arayisindaki-turkiye-cin-ticareti-ve-swap-anlasmasi/1885585>

...the Central Bank of the Republic of Turkey and the People's Bank of China renewed a currency swap agreement... On the same day Turkey agreed to make all future contracts in Chinese currency Yuan... In the meantime, the currency of a third country such as the dollar or euro will not be used in bilateral trade. According to this agreement, Turkish companies in various sectors will purchase their imports from China by paying in Yuan.

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In April, Turkey's Trade Minister Ruhsar Pekcan had a meeting with Chinese Commerce Minister Zhong Shan via teleconference to discuss Turkey-China trade relations. In this meeting they discussed bilateral trade relations between the two countries, finding balance in trade relations, the Joint Economic Commission agenda, trading in local currency, the Belt and Road Initiative, e-commerce, and exporting Turkey's agricultural goods.

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Turkey has planned to attract more investors from China [through the Middle Corridor initiative] and expressed this desire in every platform.

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While cooperating with China, Turkey needs to pay attention to some matters...As it is known, China has been demanding concessions for many years in the countries where it provides infrastructure financing and also participates in other investment decisions of the country.