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Expeditionary Capital in the Eastern Mediterranean: Why Turkey Matters to China and Vice Versa

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Abstract

This Working Paper explores the nature of Sino-Turkish rapprochement over the course of the past decade. China's footprint in Turkey is expanding and diversifying across sectors of the country's political economy. The rapprochement between Beijing and Ankara is mutual, driven inter alia as much by President Recep Tayyip Erdoğan's ambitious infrastructure agenda as by President Xi Jinping's flagship foreign policy agenda, the Belt and Road Initiative. The momentum of Sino-Turkish cooperation is only belatedly being identified as a policy challenge for decision makers in Washington D.C., in Brussels as well as in Berlin and Moscow.

Introduction

Over the course of the past decade the People's Republic of China (PRC, henceforth China) has firmly planted its flag along the shores of the Eastern Mediterranean. Its visibility stretches from maritime investments in Greece over extensive lending facilities for Turkey to increased economic cooperation with Israel. More generally, the Eastern Mediterranean can be seen as a conduit for China's maritime and land-based supply chains (section 1) from and towards other destinations in Europe, most prominently Brussels, Berlin, Vienna, Budapest and Rome. The key variable for China within this pass-through region is Turkey.

In light of its size and geographic location Turkey has become an important destination for Chinese capital exports (section 2). Ankara and Istanbul also serve as a bridge within a wider connectivity agenda under Beijing's Belt and Road Initiative (BRI) and Turkey's Middle Corridor narrative (section 5). As we shall discuss in the course of this Working Paper, there are an increasing number of 'Road' and 'Corridor' references in Sino-Turkish cooperation, from the original BRI over reviving the ancient Silk Road to the newest version under the heading Health Silk Road. The Iron Silk Road and the Digital Silk Road have recently been added to this encompassing narrative. These 'Road' references suggest in our view that China's launch of the original BRI in 2013 has reached a critical mass and is now being supplemented with references to new interconnecting policy areas. This Working Paper will explore the nature of and rationale for Sino-Turkish engagement. During the past decade Turkey has undertaken a strategic shift in seeking closer commercial ties and economic cooperation with China. This Sino-Turkish rapprochement is mutual even if their respective points of departure differ in substance and strategic outlook. The bilateral cooperation is characterised by consolidating transport infrastructure corridors, substantial Chinese equity investments in Turkey's corporate sector and Beijing's increasing role as a key foreign currency provider for Ankara. However, as these indicators suggest, the engagement is unbalanced, mainly distinguished by China investing in and exporting to Turkey. While this disparity has grown over the course of the decade, it is not (yet) considered a policy problem for decision makers in Ankara (section 3).

But Sino-Turkish relations are not only focused on commercial elements and economic variables. We can also observe a growing footprint in soft power areas such as Confucius Institutes, increased cooperation in so-called 'Smart City' projects, and most recently the penetration of China into Turkey's health sector through extensive vaccine diplomacy during the COVID-19 pandemic. The desperate need for inoculations in Turkey has opened the door for the procurement of Chinese vaccines. As Beijing is eager to build good will in Ankara, Chinese suppliers have stepped into the void (section 4).

These developments point to a growing diversification of Chinese engagement in and with Turkey. The interaction suggests that China is firmly in play in Turkey and will stay for the long term in the Eastern Mediterranean. This dynamic has strategic consequences for other external actors in the region. The momentum of Sino-Turkish rapprochement is only belatedly being identified as a policy challenge for decision makers in Washington D.C., in Brussels as well as in Berlin and Moscow. The concluding section of this Working Paper addresses the implications of this development.

China's maritime outreach in the Eastern Mediterranean

Before analysing in greater detail the specifics of Sino-Turkish economic cooperation, we first turn our attention to the wider region of the Eastern Mediterranean. The focus on Turkey cannot be separated from regional considerations that are in play for Beijing. This interconnection is most directly visible in the area of transport infrastructure, in particular extensive Chinese investments in maritime connectivity across a range of countries in the region. China's growing footprint in the Eastern Mediterranean is built for the long term and forms an integral part of its Belt and Road Initiative which was officially launched in 2013. The impact of this development on these countries' economies and on their regional neighbours is considerable.

As table 1 below illustrates, the maritime map in the Eastern Mediterranean is being reset with Chinese participation. The key Chinese investor in maritime port infrastructure is the state-controlled China Ocean Shipping Company (COSCO). The group's swelling investment portfolio in the Eastern Mediterranean is part of China's extensive European outreach strategy in commercial port facilities. The connectivity dimension of Chinese-built and -financed maritime infrastructure is well advanced in the region. The ports that have been acquired by COSCO in Egypt (2007), Greece (2009, 2016, 2021), Turkey (2015) or are being constructed (Israel 2015) and modernised (Bulgaria 2018) by China have established deep corporate roots in the countries affected. This initial Chinese footprint is systematically expanding.¹ It is established for the long term and highlights the strategic asset of connectivity within and increasingly between (transport) sectors that are the cornerstone of Beijing's BRI.

¹ Chinese companies are currently competing with other foreign firms from France, Germany, Italy and Russia to secure procurement contracts to rebuild the Port of Beirut in Lebanon which was destroyed in August 2020.

Table 1: Chinese maritime investments in the Eastern Mediterranean, 2007 - 2021

Country	Year	Chinese Company	Investment
Egypt	2007	COSCO	Suez Canal Container Terminal
Greece	2009 2016 2021	COSCO	Port of Piraeus (67 percent shareholding)
Turkey	2015	COSCO	Kumport Ambarli coast of Istanbul
Israel	2015	Shanghai International Port Group	Modernise and operate the Haifa Port for 25 years
Italy	2016	COSCO	APM Terminals Vado
Bulgaria	2018	China Harbor Engineering Company	Upgrade freight transport capacity in Black Sea ports of Varna and Burgas

Source: Compilation by the author. For the purposes of this contribution, the overview is limited to ports in Southeast Europe and the Eastern Mediterranean. The author is aware of further Chinese investments in ports across Western Europe, namely in Belgium (2014, 2017), Germany (2016, 2020), the Netherlands (2016) and Spain (2017). For more details see Bastian (2020a).

The maritime connectivity opportunities available to Chinese shipping companies in the Eastern Mediterranean extend to land-based transport infrastructure. China is also building, financing or acquiring critical railway infrastructure assets in the region which seek to complete the China-Europe Land-Sea Express Line. These investments form an expanding bridgehead of combined land-sea intermodal transport assets. Other examples of this connectivity agenda include:

- In Greece, Ocean Rail Logistics, part of the COSCO Shipping Group (Europe), acquired a 60 percent equity shareholding of Piraeus Europe Asia Rail Logistics (PEARL) in 2019. Through the acquisition, COSCO obtained a railway operation qualification in Europe. This enables it to further consolidate the railway transport corridor of the China-Europe Land-Sea Express Line.
- The 'Marmaray' undersea railway route is a 13.5-kilometer intercontinental tunnel passage beneath the Bosphorus Strait in Istanbul. It was initially inaugurated for passenger traffic in 2013. Since November 2019 it has also been open for rail freight operation. The tunnel is a critical non-stop transit rail link from China to the Caspian Sea through Turkey and onward to various destinations in Europe. The first cargo train arrived from the Chinese city of Xi'an and its final destination was the Czech capital city of Prague. The Marmaray Tunnel was Chinese built and funded.
- The trilateral Baku-Tbilisi-Kars (BTK) Railway route – also termed the 'Iron Silk Road' – was inaugurated in October 2017. Chinese banks co-financed the construction project. The passenger and cargo railway line enhance regional interconnectivity between Kars in the northeast of Turkey, Azerbaijan (Baku) and Georgia (Tbilisi). In fact, the railway line starts its long journey on Istanbul's

European side, then heads towards the capital Ankara, traverses Sivas province before reaching eastern Kas to link up with the BTK railway.

- The geography of BTK is such that it deliberately bypasses Armenia, a diplomatic victory for Turkey which China duly respected during the construction process. After travelling across two continents, two seas and a total of five countries (including Kazakhstan), BTK's cargo reaches China's Xi'an province, its final destination. The tripartite corridor's overarching objective is the expansion of interconnectivity between Europe, Central Asia and China via Turkey. The overland rail journey between China and Europe takes 15 days, a significant reduction in transport duration via sea freight (up to 45 days) and far more cost efficient than air travel.
- On Israel's northern coast, the Chinese Shanghai International Port Group (SIPG) is expanding the Port of Haifa, constructing a new container terminal. Upon completion of the project the Chinese company will hold the management rights for the terminal for 25 years. Technically, an Israeli company with Chinese shareholders is responsible for the project (Atli 2019). The SIPG Bayport Terminal Co. Ltd. is a joint venture registered in Israel, albeit with Chinese capital.

These emerging land-sea corridors in the Eastern Mediterranean which China promotes under its BRI connectivity agenda share two characteristics that are noteworthy for our Sino-Turkish considerations. For one, they link transport infrastructure projects among countries that do not necessarily have a history of sustained intra-regional cooperation. One of China's strategic advantages in the region is that it does not carry the baggage of historical legacies in the Eastern Mediterranean. In contrast to the US, Russia and various European countries, China is viewed by host countries as a newcomer to the region. It is therefore in an advantageous position to advertise and implement its BRI connectivity agenda under the marketing slogan of alleged 'win-win cooperation'.

The second aspect to be considered concerns China's recognition of regional dynamics and geopolitical realities. The port facilities it is acquiring, and the railway routes it is financing in the Eastern Mediterranean, provide Beijing with alternative transport routes that can bypass Russia. Put otherwise, as long as international sanctions by the European Union and the US administration exist vis-à-vis Russia because of its 2014 annexation of Crimea and the invasion of parts of Eastern Ukraine, Chinese freight train companies risk financial repercussions if they move goods and services from Europe to China through Russia. In short, China's port portfolio and the emergence of new overland transport corridors in the Eastern Mediterranean provide Beijing with flexible alternatives that can react to changing political circumstances and economic realities on the ground.

China's expanding investment footprint in Turkey

It is against the background of this regional dimension that Turkey gradually came into play for China a decade ago. In terms of overall Chinese investment capital committed to individual countries in the Eastern Mediterranean, Turkey stands out, followed by Israel and Greece (see next page table 2). Our point of departure argues that Turkey matters for China, and vice versa. A brief historical excursion serves to underline the argument. Official diplomatic relations were established in 1934. Turkey formerly recognised the PRC in August 1971 and was among 76 countries voting in favour of restoring UN membership to the Chinese government in the same year (Wikipedia 2021). The respective embassies in Ankara and Beijing are complemented by Chinese consulates in Istanbul and Izmir while Turkey has three consulates in Guangzhou, Shanghai and Hong Kong.

Turkey is one of six so-called 'dialogue partners' in the Shanghai Cooperation Organisation (SCO) which China alongside Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan established as founding members in June 2001. Repeatedly during the past years, President Erdoğan has voiced his willingness to join the SCO as a full member, for instance during a visit to Pakistan in 2016. Some have questioned the seriousness of his request (Wang 2016) while others inquire if it is part of a strategic competition play between potential SCO membership, NATO affiliation and EU accession talks (Bo 2016). The fact that a formal procedure for changing Turkey's status in the SCO has still not been initiated suggests that no side in the Organisation is in any rush to extend full membership to Ankara. In our view, both Russia and China regard a NATO member joining the SCO as incompatible. However, they are prepared to gradually involve other SCO members and dialogue partners in multilateral military exercises and defence initiatives. To illustrate: in September 2020, Russia and China, together with Armenia, Belarus, Myanmar and Pakistan, conducted the 'Kavkaz 2020' military exercise in the Southern Military District of Russia along with the Caspian and Black Seas. For the first time Turkish military personnel were invited as observers, alongside Azerbaijan, Iran, Kazakhstan and Tajikistan (Weitz 2021).

Table 2: Chinese Foreign Direct Investment in Turkey, Israel and Greece 2007–2021

Country	Volume in USD	Single Largest FDI
Turkey	21 billion	Alibaba in Trendyol
Israel	19.4 billion	Alpha Frontier in Playtika
Greece	11.8 billion	COSCO in Port of Piraeus

Sources: For Turkey and Greece, author's own analysis based on multiple sources. For Israel, Ella (2021).

China's expeditionary capital in the Eastern Mediterranean during the past decade is predominantly concentrated in three countries, namely Turkey, Israel and Greece (see table 2 above). The total volume of Chinese capital exports² to Turkey between 2007 and mid-2021 currently stands at roughly USD 21 billion. Israel follows closely behind, with a strong concentration of Chinese investments in high-tech and start-up companies supplemented by involvement in port infrastructure. In Greece, COSCO's anchor investment in the Port of Piraeus in 2009 became a majority acquisition in 2016. By August 2021, COSCO had finalised the purchase of an additional 16 percent shareholding with the Greek government. It now has a two-thirds equity stake (67 percent) in the largest port in the Mediterranean (measured by container turnover).³

Regarding trade cooperation, the bilateral volume reached USD 23.6 billion in 2020. China was Turkey's largest importer with a share of 11 percent (Trading Economics 2021) and its third-largest overall trade partner after Russia and Germany. According to Imitlak Real Estate (2021) there were approximately 8,000 Chinese workers⁴ in Turkey in 2020 while tourism from China exceeded half a million in 2019 (before the COVID-19 pandemic required bilateral travel restrictions).

The flurry of commercial trade and investments has put China on the map in Turkey alongside other more traditional external investors originating from Europe, the US and Russia. The newfound success of China's investment footprint has been at least a decade in the making. Today, Chinese companies and lending facilities are a major point of reference for Turkey's political economy. From initial anchor investments in Kumport we can observe a process of expansion and diversification across sectors. This progression ranges from telecommunications, online retail and lending arrangements by Chinese state-owned policy banks⁵ for ambitious infrastructure projects of the Turkish government, to currency swap agreements with the Turkish Central Bank to replenish the country's diminishing foreign reserves. The latter development is particularly noteworthy because it underlines Beijing's increasing role as a lender of last resort for Ankara. To illustrate the magnitude and diversity of Chinese investments and projects in Turkey, we shall highlight a selection of examples. They serve to emphasise the following argument. Chinese investments are most welcome by Turkey's governing elite and corporate representatives. Since Recep Tayyip Erdoğan assumed the presidency of Turkey in 2014, he has actively executed an economic outreach campaign towards China. In that respect, Sino-Turkish engagement is mutual, even if highly asymmetric in terms of trade flows and volumes of investments. The trade deficit is heavily tilted in favour of Beijing. Consider the following examples:

- 2015: Cosco Pacific + China Merchants Holdings acquired a 65 percent majority stake in Kumport on the northwest coast of the Marmara Sea. The investment was

² Data on Chinese capital exports (defined as foreign direct investment and lending facilities) are often characterised by their opacity, as they are not always readily visible and reported in a transparent manner. The amount of Chinese expeditionary capital can be significantly higher than the figures documented in official Chinese or host country databases. Horn et al. (2019) have argued that about half of China's lending and a large part of portfolio investment is not identified in databases of international finance, making it difficult to create a complete and accurate picture of Chinese capital exports.

³ In 2019, the Port of Piraeus overtook the Port of Valencia in Spain as the region's largest maritime facility.

⁴ Similar to how China executes infrastructure projects in other countries, China's material presence is not only illustrated by the number of workers such projects bring, but also the import of Chinese construction materials to Turkey along with Chinese design and services. Thus, the additionality of Chinese investments for the local economy in Turkey, its labour market and corporate tax revenue is limited.

⁵ Three such policy banks stand out: the China Development Bank, the Industrial and Commercial Bank of China (ICBC), and the Bank of China.

valued at USD 940 million. Kumport includes Turkey's the third-largest container terminal.

- 2017: Chinese Zhongxing Telecommunication Equipment Corporation (ZTE) acquired a 48 percent stake in the Turkish telecom device company Netas.
- 2018: Industrial and Commercial Bank of China (ICBC) provided a USD 3.6 billion loan for the Turkish energy and transportation sectors. ICBC Turkey (subsidiary) acquired a 75.5 percent stake in Tekstilbank for USD 254 million in 2015.
- In September 2019, three Chinese banks provided a combined USD 1.7 billion loan for the construction of a 1,320-megawatt coal thermal power plant, the Emba Hunutlu power station in Adana province. The Chinese state-run utility company Shanghai Electric Power is building the power plant. To date, the project is the single-largest Chinese infrastructure investment in Turkey. When completed the Emba Hunutlu plant will be a major asset in securing Turkey's long-term energy security.
- Chinese investors have been able to identify at an early stage of development the potential of online retail companies in Turkey. The e-commerce platform Trendyol is majority-owned by Alibaba, the Chinese multinational technology company specialising in e-commerce and retail. Between 2018 and 2021 Alibaba acquired an 87 percent shareholding in the Turkish online retailer for USD 1.1 billion. Trendyol started out as an online fashion retailer in 2010 before expanding into food delivery and launching a digital wallet.⁶ For flourishing home-grown companies such as Trendyol their gradual growth in market share eventually attracted international attention. It was a Chinese company that succeeded in gaining market entry first.
- 2018 was declared the 'Year of Turkey' in China. Turkey's appeal for Chinese real estate buyers is illustrated by Ankara's Acquisition of Turkish Citizenship for Chinese Investors programme (Articles 12 and 20 of the Turkish Citizenship Law No. 590 from September 2018). Individuals who invest USD 250,000 (reduced from initially USD one million) in either real estate, shares in Turkish companies or government bonds and maintain that investment for three years are entitled to obtain instant citizenship in Turkey and a Turkish passport (Wiklund Kurucuk 2021).
- Beijing is quickly becoming a key foreign currency provider for Ankara. The Turkish Central Bank has a multi-year currency swap agreement with China's central bank. The arrangement was increased to USD six billion in June 2021 and improves Turkey's depleted foreign currency reserves (see section 5 for further details).

This selected overview of flagship investments in and lending arrangements for Turkey underscores the scope and breadth of China's expanding footprint in the country. There is momentum in these developments and the Sino-Turkish engagement is built for the long term. Consequently, concerns about excessive lending exposure to China are not (yet) in evidence in Turkey. However, the apparent lack of evidence does not disqualify the risk. These examples also carry another message that sets Turkey apart from a public discussion that has gained strength in different parts of Europe during the past years. With few exceptions (see *Süddeutsche Zeitung* 2019) there is hardly any critical debate in Turkey that would express concerns about predatory acquisitions by China's corporate entities or a growing lending dependency on Chinese banks. Put otherwise, the rhetoric of

⁶ In August 2021, Trendyol succeeded in a USD 1.5 billion funding round alongside SoftBank, the Japanese multinational holding company. For more details see *Financial Times*, 12 August 2021.

China being a 'strategic competitor' is not to be heard in the hallways of decision making in Ankara, Istanbul or Izmir. Nor can we identify a debate about the critical issue of whether these acquisitions, loans and currency arrangements represent value for money – that is, who benefits? This lacuna may not persist over time. But it informs us that presently, Sino-Turkish cooperation can avoid controversial questioning and is for the most part friction free. As we shall illustrate in the next section there are nevertheless some exceptions to this overall positive interpretation.

The reverse question: What is Turkey's engagement in China?

Having highlighted China's expanding footprint in Turkey, let us now inquire for the sake of comparison the reverse question: what characterises Turkey's engagement in China? The heart of the matter is that there are no significant Turkish investments going in the opposite direction. Regarding trade, China does not figure in the top 40 countries to which Turkey exports. The portfolio of export products from Turkey to China is primarily characterised by certain household appliances such as refrigerators, chemicals, milk and other dairy products as well as agricultural foodstuffs such as fruits and nuts.⁷

However, our view of exports from Turkey to China should be placed in a broader context. The aforementioned BTK train interconnection is a cross-border export freight facility that links with Istanbul. The Turkish State Railways as part of the BTK connectivity route can be regarded as a land-based cargo carrier facilitating Turkish exports to Asian markets, including to China (Mammadli 2020). Seen in this light, the transport infrastructure groundwork is being laid so that the low levels of Turkish exports to China could significantly increase in the future. Put otherwise, if logistical factors have in the past limited Turkish exports to Asian markets, these are now being addressed with a comprehensive cross-border infrastructure connectivity agenda. The coming years will clarify if and what Turkish goods and services are in demand in China and to what degree they can compete with other countries' exports along the railway journey.

There is however one area of Turkish engagement in China which has occasionally led to diplomatic disagreements between the two countries in the recent past. These frictions have centred around the situation of ethnic Uyghurs in China. The Turkish government is one of the few Muslim-majority countries to have criticised China over its treatment of Uyghurs. In early February 2019, the Turkish Foreign Minister Mevlut Cavusoglu addressed a United Nations conference in Geneva dealing with human rights violations as follows: 'We encourage Chinese authorities and expect that universal human rights, including freedom of religion, are respected and full protection of the cultural identities of the Uyghurs and other Muslims is ensured' (Huang 2019).

The government's advocacy is rooted in historical ties. Turkey has a large Uyghur population and the Turkic-speaking, predominantly Muslim, ethnic group has cultural and religious links to Turkey and neighbouring Central Asian countries. Thousands of Uyghurs

⁷ In early 2020, following the coronavirus outbreak in China, Turkey temporarily halted all imports of live-stock and animal fats from China. In return, the authorities in Beijing curbed Turkey's exports of dairy products to China. The trade dispute was resolved three months later.

have fled from China to Turkey during the past years.⁸ In reaction to this public expression of support for the fate of Uyghurs in China, the authorities in Beijing lost little time in retaliating against Turkey. The Chinese consulate in Turkey's second-largest city, Izmir, was temporarily shut down in late February 2019. China also reacted in one other foreign policy field. In October 2019, Beijing criticised the Turkish military intervention in north-eastern Syria. It urged Turkey to respect Syria's sovereignty and 'exercise restraint' (Embassy of The People's Republic of China 2019).⁹

The war of words did not last long. The Sino-Turkish interpretation of Realpolitik soon regained the upper hand. During his July 2019 visit to Beijing, President Erdoğan did not publicly address the issue of ethnic Uyghurs' rights in China's far west Xinjiang Province. This reflected a marked shift from Ankara's earlier criticism of Beijing's treatment of its Muslim minority. President Erdoğan was quoted in Chinese state media as follows: 'It is a fact that the people of all ethnicities in Xinjiang are leading a happy life amid China's development and prosperity' (Reuters 2019). Erdoğan also said that some people were seeking to 'abuse' the Xinjiang crisis to jeopardise the 'Turkish-Chinese relationship' (Westcotte and Isil Sariyuca 2019).

This example of diplomatic tit-for-tat illustrates that the countries' bilateral relations are not friction-free and disagreements have on occasion been on vocal display. Retaliations have followed. But their magnitude has been limited in scope and duration. Instead, Ankara and Beijing have quickly sought to make amends through high-level travel diplomacy and let political economy issues again dominate the agenda. The illustration of this rapprochement manifested itself most clearly in the so-called 'mask' and 'vaccine diplomacy' that China and Turkey provided to each other as the COVID-19 pandemic emerged in 2020.

⁸ An estimated 50,000 Uyghurs are refugees in Turkey. In 2017 both countries signed a treaty for the extradition of members of the Uyghur diaspora. China ratified the treaty in December 2020, but the Turkish parliament has yet to do the same. Over the course of the past years various reports have appeared that describe attempts of Chinese authorities to recruit Uyghurs in Turkey to spy on their exiled citizens (see e.g., Cain 2021).

⁹ But China is also active in Syria. In the context of reconstruction efforts, the telecommunications company Huawei is laying fibre-optic networks in three Syrian cities (Damascus, Aleppo and Latakia). In April 2021, China donated 150,000 doses of its Sinopharm COVID-19 vaccine to Syria. The China National Petroleum Corporation owns equity stakes in two of Syria's largest oil companies, the Syrian Petroleum Company and Al Furat Petroleum (Lyll 2019).

China's 'soft power' diplomacy in Turkey

The Eastern Mediterranean is a region of more than 670 million citizens that has struggled to secure sufficient COVID-19 vaccines from the Covax initiative.¹⁰ The vaccination emergency and corresponding lack of timely supplies from Western drug makers has provided opportunities for China's engagement in and cooperation with countries in the Eastern Mediterranean, South-eastern Europe and Eastern Europe. New inroads are being made by Beijing in the health sectors of recipient countries across these three regions. Over the course of 2021, China has been able to influence the pandemic's narrative by reshaping many countries' bilateral supply chains in the health sector. Concurrently, Beijing has seized the moment to raise the profile of its Health Silk Road in regions such as the Western Balkans and Eastern Mediterranean (Bastian 2020b).

Chinese 'vaccine diplomacy' is becoming a defining characteristic of Sino-Turkish cooperation in 2021. Such vaccine outreach capacity presented China with novel soft power instruments to make further diplomatic and commercial inroads in Turkey. But there is a noteworthy twist to this line of argument. Chinese vaccine diplomacy to Turkey was not a one-way road. Since March 2020, Turkish companies have engaged in their own version of mask diplomacy with China. More specifically, in January 2020 China ordered a total of 200 million protective face masks from Turkish medical firms. Thus, during the initial stages of the pandemic China turned to Turkey for urgent assistance, not vice versa. Although China is one of the largest producers of protective medical face gear globally, urgent domestic supply bottlenecks necessitated Beijing to turn to Turkish companies in Izmir province (Hurriyet Daily News 2020). These Sino-Turkish efforts were embedded in the terminology of jointly building 'a community with a shared future' and alleged 'win-win cooperation' along the emerging 'Health Silk Road'.¹¹

In return, when Turkey struggled to procure European-made vaccines against COVID-19 it turned primarily to China.¹² Today, China is Turkey's biggest supplier of vaccines against COVID-19. Notwithstanding numerous question marks over efficacy, Turkey was among

¹⁰ In June 2021, civil society representatives from six Eastern Partnership states (Azerbaijan, Armenia, Belarus, Georgia, Moldova and Ukraine) wrote a joint letter to EU leaders on vaccine needs of the EU's Neighbourhood. They drew attention to the 'gravely insufficient supply of vaccines' against COVID-19 (CEPS 2021). The EU is a vaccine donor to the international alliance of organisations comprising the United Nations' Covax initiative.

¹¹ The 'win-win cooperation' did not always go according to political marketing efforts. In late March 2020, Turkey had to discard antigen test kits sent from China. They were deemed substandard in terms of providing correct test results for patients (Financial Times 2020).

¹² In December 2020, the Turkish health minister Fahrettin Koca announced that Turkey would not purchase the Russian COVID-19 vaccine 'Sputnik-V'. Turkey signed an agreement with Pfizer and BioNTech for 4.5 million doses of its COVID-19 vaccine in late December 2020. The agreement included an option for additional 30 million doses.

the first countries to purchase China-manufactured vaccines. In late 2020, it secured an agreement for 50 million doses of the CoronaVac vaccine made by the Chinese drug manufacturer Sinovac Biotech. Turkey was one of the countries (together with Brazil and Indonesia) where Phase 3 trials of CoronaVac took place. By end-May 2021 Turkey had procured a total of 100 million doses of the CoronaVac shot. However, medical practitioners on the ground have highlighted delays in the delivery of these vaccine supplies (Demir 2021).

There is a further aspect worth considering when Chinese cargo planes land in Turkey and in other countries in the Eastern Mediterranean loaded with face masks, pharmaceutical supplies and COVID-19 vaccines. They illustrate China's soft power capacity to intervene in countries' medical supply chains. China's 'vaccine diplomacy' widens its perimeter of engagement in the region.¹³ Such 'politics of generosity'¹⁴ signals to an international audience that China is acquiring leverage in the provision of medical and pharmaceutical supply chains in European countries during the pandemic. Despite some controversies over the timely delivery of vaccines, Turkey is a prime example for China's expanding leverage in the health sector of foreign countries. To date, officials in Ankara have not publicly raised any doubts about the efficacy of Chinese vaccines. This silence stands in contrast to countries in Southeast Asia, Latin America and Africa that initially procured Chinese vaccines and are now turning away from these in favour of more effective US and European manufacturers.¹⁵

The soft power element of China's footprint in Turkey can also be witnessed in another expanding policy area, namely Confucius Institutes. Founded in 2004, the Confucius Institutes have established a global presence, enrolling more than nine million students at 525 institutes in 146 countries and regions (as of early 2021). More than 100 institutes have opened across Europe. They are mostly staffed and funded by an agency of the Chinese government's Ministry of Education – the Office of Chinese Languages Council International, or Hanban.

To date, there are four such Institutes in Turkey. The Confucius Institute at Boğaziçi University, Istanbul (CIBU) was inaugurated in 2008, followed by Middle East Technical University, Ankara (METU) Confucius Institute (November 2008) and the Confucius Institute at Okan University, Istanbul (2010). Most recently, the fourth Confucius Institute was inaugurated at Yeditepe University, Istanbul in September 2017 (Xinhua 2017). The Hanban also operates Confucius Classrooms in primary and secondary schools in Turkey. In a word, China's cultural footprint is expanding across the country.

While Confucius Institutes aim to enhance cultural exchanges and better understanding between Turkey and China, one should be under no illusion that they do not also serve another purpose in Turkey and beyond. This is being clearly articulated by Chinese representatives. Li Changchun, the head of propaganda for the Chinese Communist Party (CCP), argued that Confucius Institutes were 'an important part of China's overseas

¹³ Such engagement may also include the threat of withholding vaccine deliveries. In June 2021, Ukraine withdrew its initial support for a declaration of the UN Human Rights Council on the situation of human rights in the Chinese region of Xinjiang. According to FAZ (2021), the change of heart in Kiev was the result of China's threatening to deny the agreed delivery of 500,000 doses of COVID-19 vaccines if the Ukrainian delegation continued to support the declaration (which was still signed by 43 states). Chinese officials have denied any link, but welcomed Kiev's U-turn on the human rights declaration.

¹⁴ In March 2020, the EU High Representative Josep Borrell explicitly criticised China for the way in which its 'politics of generosity' were being instrumentalised for geopolitical purposes in 'a global battle of narratives' (Borrell 2020).

¹⁵ Turkey is among the first countries in Europe to have started in August 2021 with booster shots for vaccinated citizens aged 50 years and older (whose second dose is at least six months ago). The booster shots are primarily being administered with Chinese vaccines.

propaganda setup' (Edwards 2021). Against this background and institutional affiliation, Confucius Institutes cannot only be considered as the Chinese version of cultural institutions like the Institut Français, the British Council or the Goethe Institut in Turkey and other countries. They represent a key element of China's soft power ambitions, albeit with rough edges. More specifically, their curriculum does not address the controversial 'three Ts' of China – that is, the no-go topics regarding the status of Tibet, Taiwan and the events of Tiananmen Square in May 1989.¹⁶

Finally, over the course of the past years a further area of soft power involvement has emerged in Sino-Turkish cooperation. This concerns the provision of information technology and surveillance monitoring services. The Chinese telecommunications company Huawei has made unprecedented inroads in Turkey. The development of 5G networks is being implemented via a joint venture between Huawei and the Turkish telecommunication company Turkcell. In addition, Huawei has also been successful in exporting advanced public security and surveillance technology platforms to Turkey. The company is providing sophisticated digital technology to Turkish authorities at the municipal level.

Huawei's own version of consolidated 'middleboxes'¹⁷ contain network measurement analysis software. This analytical tool ranges from network security applications to digital traffic regulation. Huawei's middleboxes are key ingredients of so-called 'safe city' (安全城市) or 'smart city' projects. These projects include closed-circuit television cameras manufactured by the Chinese company Hikvision (Greitens 2020). They form part of an increasing number of municipal initiatives in which Huawei and Hikvision cooperate with European cities such as Belgrade, Sarajevo, Budapest, Prague, La Valetta and Istanbul. In the latter case Huawei has been cooperating with Vodafone Turkey since 2017 under the project heading 'TechCity 2.0' (Smart Cities World Forums 2017).

These middleboxes can also identify and monitor citizens' internet activity, block access to certain websites and distribute malware. The type of content being blocked with the assistance of Huawei's technology in Turkey includes websites in the gambling and pornography categories. Another target concerns LGBTQIA+ websites. Furthermore, *Taraf*, a liberal newspaper's website, is no longer accessible. The printed version of the newspaper was closed down by government decree in 2016 (Weber and Ververis 2021, see the table on page 50 of their report). Online content supervision is also being applied to Turkish TV shows that use streaming platforms for distribution. All language editions of Wikipedia were blocked by the Turkish authorities in April 2017. However, based on a Constitutional Court of Turkey decision from December 2019 the ban had to be lifted. Adherence to the Court's order was subsequently implemented in January 2020.

¹⁶ A bipartisan group of senators in the US tabled legislation in the Senate in 2021 which asserts that absent full transparency of operations in the US and full reciprocity for US colleges in China, 'Confucius Institutes should not continue [to operate] in the United States' (Nunley 2021).

¹⁷ Numerous telecommunication providers manufacture their own middleboxes; they are not unique to Huawei. Middleboxes are not per definition focused on surveillance. They can be programmed to perform different applications from firewall and online security to network traffic optimisation. They are marketed in China as online behaviour management products. Huawei's version of middleboxes includes so-called Deep Packet Inspection. They include advanced filtering methods which are deployed by the Great Firewall of China to monitor and censor online content (see Weber and Ververis 2021, p. 27).

The 'Middle Corridor' between China and Turkey

What does this large variety of investments, loan facilities, currency swap agreements, trade cooperation, vaccine diplomacy and soft power initiatives tell us about the broader outlines of Sino-Turkish cooperation? Over the course of the past decade both countries have crafted a new relationship with each other. The Turkish President Erdoğan has envisioned a variety of infrastructure projects for which the Turkish financial sector is not in a liquidity position to provide the required lending volumes. By contrast, Chinese banks are more than willing to arrange the funding resources to fill this domestic financing lacuna. Erdoğan is also keen to signal towards the EU, the US administration and even Russia that Turkey can pick and choose its partners as it deems appropriate. In short, Turkey's signalling on the international stage seeks to carry the message that it has political leverage and financial alternatives for its ambitious infrastructure projects. It is prepared to use that leverage in a flexible manner and with a variety of external actors. The desire for closer ties between Ankara and Beijing is mutual. During his official state visit to Beijing in July 2019, President Erdoğan expressed support for greater Sino-Turkish economic and security cooperation. The Chinese side welcomes this expressed support for enhanced cooperation. What is new on this collaboration agenda concerns security and surveillance aspects. The expansion of strategic cooperation between Beijing and Ankara must therefore be placed in the context of increasingly strained relations with the EU and the United States.

Relations with the US, even during the former Trump administration, deteriorated after Turkey as a member of North Atlantic Treaty Organisation (NATO) went ahead with the purchase agreement for the Russian S-400 missile system in late 2017.¹⁸ The controversial agreement was not the first attempt by Turkey to acquire sophisticated military equipment outside the NATO alliance. In 2013, China Precision Machinery Import-Export Corporation won a USD 4 billion tender for the co-production of long-range missiles. Despite competing offers from American, European and Russian companies Turkey chose a Chinese partner that was on the US sanctions list. Subsequent outrage among NATO states forced Turkey to eventually to withdraw from the agreement with the Chinese in 2015 (Klepek 2021).

¹⁸ The history of this purchase is a controversial issue. Initially, Turkey had wanted to purchase Patriot missiles from the US and insisted on also acquiring the complementary military technology. This request was refused by the former Obama administration. I am thankful to a Turkish source presenting under Chatham House rules for this background information. After the S-400 acquisition, the US Congress mandated Turkey's removal from the F35s fighter-jet programme as well as imposition of the Countering America's Adversaries through Sanctions Act.

Seen from a strategic perspective, Turkey is looking abroad for alternatives and in Russia and China it has found willing partners for different needs and reasons. The former provides defence and security options for Ankara while the latter can marshal funding resources for Erdoğan's envisioned infrastructure projects and arrange currency swap facilities to strengthen Turkey's depleted foreign currency reserves. Most recently, Chinese companies are even entering digital surveillance and online content monitoring domains in Turkey. The fact that such cooperation with Moscow and Beijing risks alienating partners in NATO and polarising EU member states vis-à-vis Turkey is part of Erdoğan's strategic calculus. In other words, he refuses to accept binary choices between the US and China or Brussels and Beijing.

Chinese investments and increased strategic cooperation also enhance both countries' objective to position themselves as key regional players in the Eastern Mediterranean, albeit for different reasons (Çolakoğlu 2021). China's Belt and Road Initiative is a top-down global infrastructure project that focuses on bilateral contractual arrangements between countries' governing and corporate elites. This arrangement suits two regimes that exhibit autocratic presidents in office without term limits. The presidents Xi Jinping and Erdoğan, respectively, are using their enhanced constitutional powers to leverage a new phase in the Sino-Turkish relationship.

Both China and Turkey have explicitly linked their development projects with the 'Middle Corridor' terminology which is also referred to as the Iron Silk Road. This labelling describes a diversity of transportation infrastructure projects that connect the Mediterranean in the West, the Black Sea to the North, and through to the Caspian in the East.¹⁹ In November 2015 during the G-20 Leaders' Summit in Antalya, Turkey, Ankara and Beijing signed the 'Memorandum of Understanding on Aligning the Belt and Road Initiative and the Middle Corridor Initiative' (Republic of Turkey, Ministry of Foreign Affairs 2021). Turkey unambiguously places its Middle Corridor infrastructure projects in the context of 'envisaging the revival of the ancient Silk Road' (*ibid.*). As Devonshire-Ellis (2018) has argued, 'China's "genius" when it comes to the Belt and Road is more to do with their dotting the lines between other nations' development projects and ensuring they all get connected, rather than any specific infrastructure build'.

Historical and cultural references serve to connect the BRI and Middle Corridor narratives, making the two initiatives appear as if they are complementary to each other. The case of Sino-Turkish infrastructure engagement illustrates that individual BRI projects can be promoted as if they fit in with Ankara's own ambitious construction agenda. By linking transport infrastructure initiatives for road, rail, airport and ports with Turkey's own aspirations, China can expand its economic opportunities in the Eastern Mediterranean and connect the Middle Corridor with other countries in south-eastern Europe. Arriving at the gates of the EU is where Sino-Turkish cooperation comes into play in the Eastern Mediterranean.

The Middle Corridor narrative linking Turkey and China can also be placed in a financial context. As Turkey's currency crisis has deepened over the past years, Chinese banks have come to the forefront as critical interlocutors to stave off a collapse of the domestic lira and replenish Turkey's depleted foreign reserves. Repeatedly since 2012, the People's Bank of China has come to the rescue by extending a swap of Turkish lira for the Chinese currency renminbi. While other European and U.S. financial institutions have been reluctant to provide the necessary financial resources and President Erdoğan has

¹⁹ The Middle Corridor was previously known as the Trans-Caspian International Transport Route (TCITR). It commences in China and extends to include Kazakhstan, Azerbaijan, Georgia and Turkey. With the inclusion of Turkey, China has an additional transport gateway to Europe via the Black Sea. Further countries such as Ukraine, Romania and Poland have also joined the Middle Corridor in the course of the past years.

steadfastly refused to seek assistance from the International Monetary Fund, China is the new default lender helping Turkey battle its twin debt and currency crises (Lerner 2020). But intensified bilateral financial sector cooperation risks translating into dependency on China's continued largesse. The more European and US American doors close on Turkey in different policy areas, the harder it will be for President Erdoğan to resist seeking assistance from China. But it is not a foregone conclusion that China will permanently be Turkey's lender of last resort or will continue to provide the financial resources to address investment gaps of corporate entities in Ankara, Istanbul or Izmir. This word of caution reflects China's recent experiences with sustained financial exposure in Montenegro, Zimbabwe and Venezuela. Beijing's lending exposure to these countries is such that it is negotiating with Harare and Caracas about debt restructuring as well as debt-for-equity swaps. In the case of Podgorica, European and US banks renegotiated an infrastructure loan from China to Montenegro which the latter country was unable to repay in July 2021 (Faulconbridge 2021).

Concluding considerations

China is not the only external actor active in Turkey. But compared to other representatives such as the US, the EU or Russia it is a relative newcomer in the country. Beijing has made its mark with impressive speed and is expanding across different sectors of Turkey's political economy. Beijing's interest in Turkey corresponds to Ankara's openness towards China. In a word, it's mutual. President Erdoğan has actively sought a Sino-Turkish rapprochement, partly for domestic reasons relating to his ambitious infrastructure agenda, partly for strategic foreign policy objectives. In the former he can access lending facilities and Chinese know-how to finance and build bridges, roads and tunnels and to modernise ports. In the latter case President Erdoğan is signalling to Washington D.C., Brussels and/or Moscow that alternative options are available to him and that he is ready to exercise these. Put otherwise, increasingly President Erdoğan projects the impression that he does not locate Turkey politically and culturally as part of the Western hemisphere. Instead, his focus is on showing to other external actors that Turkey can and will act independently of its traditional partners.

This mixture of internal developments and requirements as well as exogenous considerations is contributing to changing outreach activities by Turkey from traditional to new external actors. For its part, China shares the assumption with Russia, the EU and the US that Turkey is the key variable in the Eastern Mediterranean. But this shared assumption about the strategic importance of Turkey is not based on the same ingredients. Beijing does not view Ankara through the lenses of refugees and migration as the EU has done since 2015. Nor does Beijing adopt a defence and security perspective when looking at Turkey. The tradition of thinking about Turkey as a key variable in the European security space is the prime focus of NATO and Russia.

China does not take part in these narratives. Rather, Sino-Turkish engagement is characterised by expanding transport infrastructure corridors, substantial Chinese equity investments in Turkey's corporate sector and – increasingly – Beijing's role as a key foreign currency provider for Ankara. This interplay between China and Turkey creates benefits for both countries and their governing elites. The more Turkey becomes an integral part of China's BRI connectivity agenda, the more it can serve as an anteroom to other regions and countries, East and West. Projects such as the Chinese-built and funded Marmaray Tunnel not only represent a non-stop railway connection between Europe and China via Turkey; by subsequently linking up with the BTK railway project Turkey is seeking to position itself as a key link of land-based transport infrastructure that connects East and West.

Could such a vision gradually become a reality on the ground? According to Lerner (2020), Turkey is in the process of turning from a regional transit hub 'into an active, global hub of international trade, the "Middle Corridor" of China's Silk Road Economic Belt'. This optimistic outlook needs to be qualified nonetheless. If and when it could be realised, much will depend on international trade flows and trade routes regaining their pre-pandemic capacity. The fragility of this scenario is currently on public display in various sectors of countries' economies and their commercial logistics networks, including in Turkey and China. Furthermore, the operational complexity of expanding the Middle

Corridor with China's BRI should not be underestimated. Turkey's domestic dysfunctions alongside economic challenges in China can limit the respective presidents' aspirations to transform the Middle Corridor into a critical infrastructure hub of international trade.

Finally, pushback against China's BRI agenda is spreading across Europe. Meanwhile, Turkey will continue to face various challenges in mobilising the financial resources necessary to convert a medium-term vision into sustainable progress on the ground.

In light of events and developments that have taken place over the past decade with the EU, its NATO partners (primarily Greece) and different US administrations, Turkey is in a position where it needs to find new allies. It is looking near and far abroad and has found willing partners in Russia and in China. While the former provides defence options, the latter has deep financial pockets in offering loans, corporate investments and most recently vaccine diplomacy to a country with a vaccine emergency.

As the migratory path of Chinese capital across Europe increasingly reaches the shores of various countries in the Eastern Mediterranean, one question arises with increasing salience: Is there a risk of the region becoming overcrowded with international actors? Traditional external actors such as the US, Russia, and the EU have now been joined by China. The traditional three external actors now see China as a regional player and competitor to be reckoned with in the Eastern Mediterranean. But make no mistake, any objective to try and curb China's reach into the region arrives with a delay of at least a decade. Playing catch-up with Beijing risks being futile.

The belated need to address this strategic reconfiguration comes at a time when China's projects and initiatives have left their mark in countries of the Eastern Mediterranean. If we ask what flagship projects have been created by the EU and/or in cooperation with US administrations in the region during the past decade when China was busy acquiring ports and building roads, bridges and highways, or handing out loans for infrastructure projects, we arrive at a sombre assessment. The track record is rather thin and lacks visibility or wider public acknowledgement. Precisely the opposite is the case for China. Beijing never misses an opportunity to highlight its project achievements in partnering countries and has willing domestic participants to help raise the Chinese flag. This is most visible in China's dramatically improved maritime connectivity in the Eastern Mediterranean. The sheer volume of collection assets that China has amassed in this critical transport sector would have seemed out of proportion only a decade ago.

The region is witnessing a slow-motion reconfiguration of foreign engagement. This process is in flux and the rearrangement will take time to sort itself out. In the course of this undertaking new variable alliances are being created with flexible commitments and shifting loyalties. The recalibration of relations with China is contributing to new political economy axes in the Eastern Mediterranean. These axes include different sectors (energy, transport infrastructure, trade, and foreign investment) and changing country alliances. It remains to be seen if China's expanding engagement in the Eastern Mediterranean contributes to a gradual shift of strategic perceptions regarding its capacity and willingness to serve as a new stability anchor in the region. Beijing's involvement across political economy sectors of individual countries may impact on how Ankara, Athens or Tel Aviv reach out to China as a permanent member of the UN Security Council. In the immediate future, the foundations for greater cooperation with China exist. But insufficient mutual trust among countries in the Eastern Mediterranean may also represent the greatest hurdle to overcome.

With China's growing footprint in the region, the established modus operandi of who sits at the negotiating table is being called into question. Different countries in the Eastern Mediterranean risk getting entangled in US and EU expectations while reaching out to China, Turkey and Russia. To what extent such a balancing act between numerous external actors can be managed by individual countries constitutes a policy challenge in

the coming years. President Erdoğan in Turkey is keenly aware of this changing matrix of cooperation, alliances, rapprochement with and competition against traditional allies when politically opportune. China is in play in Turkey and will stay for the long term in the Eastern Mediterranean.

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List of Abbreviations

BRI	Belt and Road Initiative
BTK	Baku-Tbilisi-Kars
CCP	Chinese Communist Party
CIBU	Confucius Institute at Boğaziçi University, Istanbul
COSCO	China Ocean Shipping Company
EU	European Union
FDI	Foreign Direct Investment
ICBC	Industrial and Commercial Bank of China
LGBTQIA	Lesbian, Gay, Bisexual, Transgender, Queer, Intersex, Asexual
METU	Middle East Technical University
NATO	North Atlantic Treaty Organization
PEARL	Piraeus Europe Asia Rail Logistics
PRC	People's Republic of China
SCO	Shanghai Cooperation Organisation
SIPG	Chinese Shanghai International Port Group
TCITR	Trans-Caspian International Transport Route
UN	United Nations
US	United States (of America)
ZTE	Zhongxing Telecommunication Equipment Corporation

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