

Bilateral Trade: Turkey and China

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Abstract

In 2014, Turkey was the 18th largest economy in the world while China was the second one in terms of GDP at current prices. For the merchandise trade, in the same year China was the world's largest exporter and the second biggest importer meanwhile Turkey was the 31st exporter and the 21st importer country. In the first half of 2015, in the sense of import China became the biggest trade partner for Turkish economy. This study aims to reveal the mutual foreign trade developments between Turkey and China from 1990 to the first half of 2015. Data were mainly provided by TUIK and Oxford Economics. According to the results of the analysis, between Turkey and China the annual average export and import value was 885 million and 7.33 billion USD, respectively. In this bilateral trade, there is a trade imbalance which is in favor of the Chinese economy. From 1990 to 2014, between Turkey and China, the annual growth rates of the export of goods and services were respectively 7.56% and 14.98%. For the import, annual growth rates were 9.49% and 13.88%. Turkey's annual average foreign trade volume was 46.55% of GDP while China's was 42.08%. From 1990 to 2014, the total trade volume between Turkey and China increased by 98 fold from \$283 million to \$27.8 billion.

Keywords: Foreign trade, Turkish economy, Chinese economy, export, import

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1. Introduction

The Turkish economy has been remarkably growing since 2000s to such an extent that in 2013 the Gross Domestic Product (GDP) was worth more than USD 823 billion at current prices and that was a record. In 2014, GDP was around USD 800 billion and with this value Turkey represented 1.3% of the world economy while becoming the 18th largest economy in the world. For the first semester of 2015, GDP grew by 3.1% and became USD 361.4 billion.

In 2014, the total export and import of goods was respectively about USD 169 and USD 233 billion while the total export and import of services was respectively nearby USD 52 and USD 25 billion. For the trade of goods, there was a huge deficit (USD 64 billion); however, for the trade of services, there was a surplus of \$27 billion in 2014. With this foreign trade volume, Turkey's rank in the world merchandise trade was the

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31st country for the export and 21st for the import. For the world commercial services trade, it had a better place for the export and became 27th but for the import by descending slightly in the ranking as it was placed in 36th. In the half of 2015, the total of goods export and import was worth respectively about USD 77.4 and USD 102.7 billion. As for the services trade, those amounts were USD 19.8 billion for the export and USD 11.2 billion for the import.

The People's Republic of China is geographically the third largest country in the world after Russia and Canada. Having about 1.4 billion of people, China was the most populous country in the world in 2014. Since the early 1980s, China has consistently been the most rapidly growing economy on earth, sustaining an average annual growth rate of 10% from 1978 through 2005 (Naughton, 2007). The growth hypothesis regards energy use vital for economic growth. A reduction in energy use lowers GDP -the economy is energy dependent (Shahbaz et al., 2013). To be able to perform this performance in economy, China needed energy –same situation existed for the Turkish economy– since for the Chinese economy there was energy dependence. As a result of that, China imported more energy and its total importation volume jumped up.

The Chinese economy was the world's second largest economy with a GDP more than USD 10 trillion after the USA (about \$18 trillion) in 2014 and this GDP size allowed China to represent 16.70% of the world economy.

Atlı and Günay (2014) mentioned four main reasons in order to explain China's unique position as an emerging market; a) high share of export in economy with a trade surplus reached about 10% of GDP, and more than USD 2.5 billion of foreign reserves (largely invested in American treasury bonds); b) rapidly growing trade and investment flows provide tight junctions with Asian markets; c) taking first place in the importation of the intermediate product between its neighbors in Asia, China became the center of attraction in the regional economy; d) following the 1979 reforms China overcame the global crisis periods thanks to the financial stability.

In the rank of the world merchandise trade for 2014, China was the world's biggest exporter country and the second largest importer country. Nevertheless, China could not reveal the same performance for the world commercial services export and became the 5th country in the world while keeping the second place for the services import. In terms of value, in 2014, China's total goods export and import was about USD 2.24 trillion and USD 1.8 trillion, respectively. The sum of the export and import of commercial services was slightly more than USD 232 billion and USD 383 billion, respectively. The Chinese economy had a surplus in the trade of goods while having a deficit in the trade of commercial services.

As for the bilateral trade, in 1990 the value of export from Turkey to China was USD 37 million and that of import was USD 246 million. With time, the trade volume had

increased between two countries and in 2014 these amounts were respectively USD 2.86 billion and USD 24.9 billion. This upward trend continued to increase and in the first half of 2015, China became the biggest import partner for the Turkish economy.

The organization of the paper is as following: in the first section, a brief overview about the foreign trade developments will be given for each country. The second section will analyze the bilateral trade evolutions from 1990 to the first half of 2015. The third section will conclude this study.

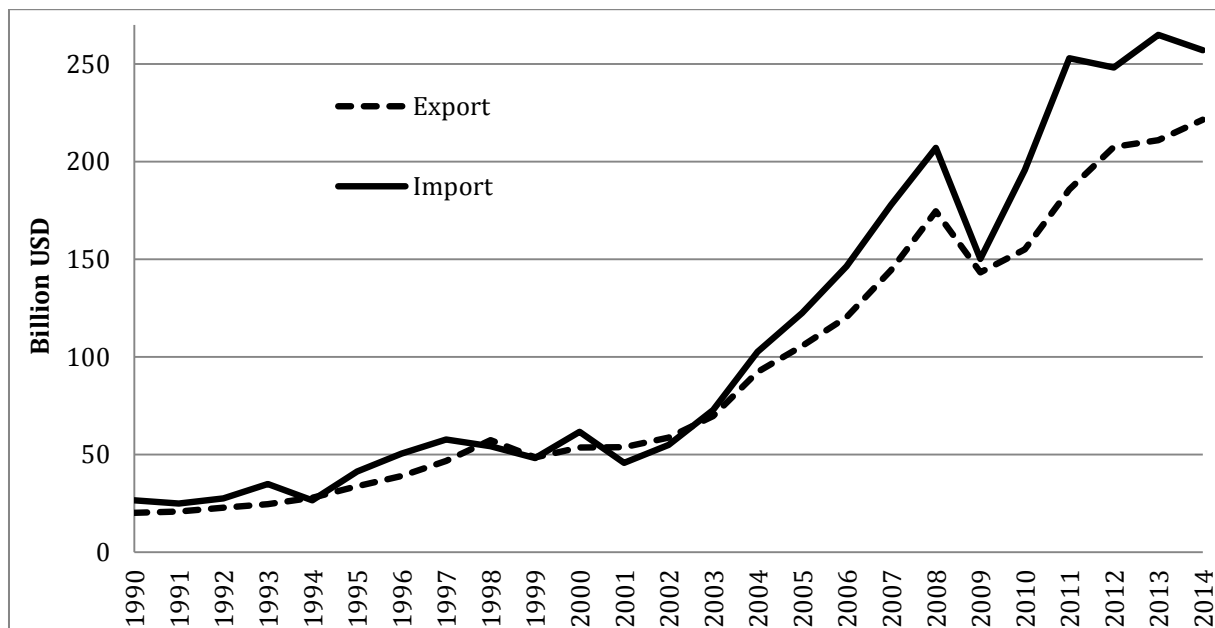
2. Foreign Trade Developments

This section presents foreign trade developments for the Turkish and Chinese economies from 1990 to the first half of 2015. Data were gathered from TUIK (Turkish Statistical Institute), UN Comtrade Database and Oxford Economics Global Data Workstation.

2.1. Foreign Trade Developments in the Turkish Economy

As shown in Figure 1, from 1990 to 2014 the Turkish economy had an upward trend for its foreign trade developments. In 1990, for both goods and commercial services, Turkey’s export and import were about USD 20 and USD 26 billion, respectively. In 2014, these values reached USD 221 billion for export and USD 257 billion for import. During this period, the increase in export and import was about 11 fold, 10 fold, respectively.

Figure 1. Developments of the total value of goods and commercial services for export and import in Turkey



Source: TUIK and Oxford Economics

Between 1990 and 2014, Turkish economy had consistently a foreign trade deficit except for the financial crises years; 1994, 1998-1999 and 2001-2002. After the global

crisis, the deficit was shrunk from USD 32 to USD 7 billion in 2009, while in 2010, the deficit started to rise up again. Figure 1 shows clearly how the curve of import moves under the line of export during these crisis years.

Table 1 gives data concerning Turkey's total export and import of goods, while Table 2 presents data about the total value of export and import of commercial services, both on a yearly basis for the period from 1990 to the first half of 2015.

Table 1. Total export and import of goods in Turkey

Years	Monetary Value (Million USD)			Annual Growth Rate (%)	
	Export	Import	Difference	Export	Import
1990	13,026	22,302	-9,276	10.58	41.22
1991	13,667	21,047	-7,380	4.92	- 5.63
1992	14,715	22,791	-8,076	7.67	8.29
1993	15,345	29,426	-14,081	4.28	29.11
1994	18,106	22,273	-4,167	17.99	- 24.31
1995	21,636	34,788	-13,152	19.50	56.19
1996	32,067	42,331	-10,264	48.21	21.68
1997	32,110	47,158	-15,048	0.13	11.40
1998	30,852	44,779	-13,927	- 3.92	- 5.04
1999	29,135	38,802	-9,667	- 5.57	- 13.35
2000	30,923	52,882	-21,959	6.14	36.29
2001	34,810	38,092	-3,282	12.57	- 27.97
2002	40,705	47,109	-6,404	16.93	23.67
2003	52,472	65,883	-13,411	28.91	39.85
2004	68,833	91,271	-22,438	31.18	38.53
2005	78,509	111,445	-32,936	14.06	22.10
2006	93,778	134,672	-40,894	19.45	20.84
2007	115,379	162,210	-46,831	23.03	20.45
2008	140,906	193,823	-52,917	22.12	19.49
2009	109,732	134,494	-24,762	- 22.12	- 30.61
2010	120,992	177,317	-56,325	10.26	31.84
2011	142,392	231,552	-89,160	17.69	30.59
2012	161,948	227,315	-65,367	13.73	- 1.83
2013	161,789	241,706	-79,917	- 0.10	6.33
2014	168,926	232,523	-63,597	4.41	- 3.80
2014*	85,541	114,939	-29,398		
2015*	77,357	102,686	-25,329	- 9.57	- 10.66

Source: TUIK, *From January to June

As seen on Tables 1 and 2, Turkey's annual average growth rate of export and import, from 1990 to 2014, was 12% and 14%, respectively. But this trend caused important trade deficits for the Turkish economy. Even if trade deficits were shrinking

during the crisis years, they kept growing every year and increased the vulnerability of the country to external shocks.

In the first six months of 2015, the Turkish economy had USD 77.4 billion of export of goods and USD 102.7 billion of import. Compared to the 2014 January-June period, the volume of export and import were decreased by 9.6% and 10.7%, respectively.

Table 2. Total Export and Import of Commercial Services

Years	Monetary Value (Million USD)			Annual Growth Rate (%)	
	Export	Import	Difference	Export	Import
1990	8,933	3,186	5,747	25.85	24.56
1991	9,307	3,339	5,968	4.19	4.81
1992	9,564	3,757	5,807	2.76	12.51
1993	10,919	4,179	6,740	14.17	11.23
1994	11,076	4,024	7,052	1.44	3.71
1995	14,939	5,319	9,620	34.88	32.18
1996	13,057	6,400	6,657	- 12.60	20.32
1997	19,248	8,336	10,912	47.42	30.25
1998	23,072	9,665	13,407	19.87	15.94
1999	16,266	8,868	7,398	- 29.50	- 8.25
2000	19,365	8,088	11,277	19.05	- 8.80
2001	15,122	6,067	9,055	- 21.91	- 24.99
2002	14,045	6,146	7,899	- 7.12	1.30
2003	17,969	7,575	10,394	27.94	23.25
2004	23,066	10,334	12,732	28.37	36.42
2005	27,814	11,942	15,872	20.58	15.56
2006	26,030	12,133	13,897	- 6.41	1.60
2007	29,907	15,818	14,089	14.89	30.37
2008	36,937	18,029	18,908	23.51	13.98
2009	35,626	16,898	18,728	- 3.55	- 6.27
2010	36,192	19,443	16,749	1.59	15.06
2011	40,851	20,563	20,288	12.87	5.76
2012	43,225	20,637	22,588	5.81	0.36
2013	47,674	23,994	23,680	10.29	16.27
2014	51,657	24,889	26,768	8.35	3.73
2014*	21,985	12,133	9,852		
2015*	19,751	11,217	8,534	- 10.16	- 7.55

Source: TUIK, *From January to June

From 1990 to 2014, Turkey's annual average growth rate of import and export of commercial services was 11% and 10%, respectively. In 2014, the total export of services reached USD 51.7 billion, while the total of import jumped to USD 24.9 billion

with a trade surplus of USD 26.7 billion. In contrast to the trade of goods, from 1990 to 2014, the trade of commercial services generated consecutively a trade surplus which was crucial for a country that had an issue of high current account deficit. In the first half of 2015, the value of export and import of services was USD 19.8 billion and USD 11.2 billion, respectively. From 2014 to 2015, the growth rate of the export and imports radically reduced as shown in Table 2.

The Turkish economy has constantly been having a trade deficit for the foreign trade of goods, however, for that of commercial services it has a trade surplus thanks to especially high tourism revenues. In 2014, more than 41 million of people visited Turkey while leaving about USD 34.3 billion.

To be able to export more, since Turkey has restricted sources to produce more it has to import goods like raw materials and intermediate products. In addition to insufficient sources, Turkey lacks of energy in terms of petrol and gas. The two deficiencies do not allow the Turkish economy to have a surplus in the foreign trade of goods and as a result of that constant current account deficits occur in Turkey except for crisis periods in which demand and supply decline and gap gets narrow. In Turkey, consumption of imported goods is highly preferred among people consequently this consumptive attitude also plays a significant role in the trade imbalance.

2.2. Foreign Trade Developments in the Chinese Economy

In 1990, the total export and import of goods and commercial services was USD 57 billion and USD 49, respectively. This led to a trade surplus of USD 8 billion. On December 11, 2001, China became the 143rd member of the World Trade Organization (WTO) (Fung et al, 2003). Following its membership, China's foreign trade dramatically increased, particularly in export side. In his book, Shenkar (2006) emphasized the importance of Chinese economy in the world as a dominant global player by stating; China-based factories make 70% of the world's toys, 60% bicycles, half its shoes and one-third of its language.

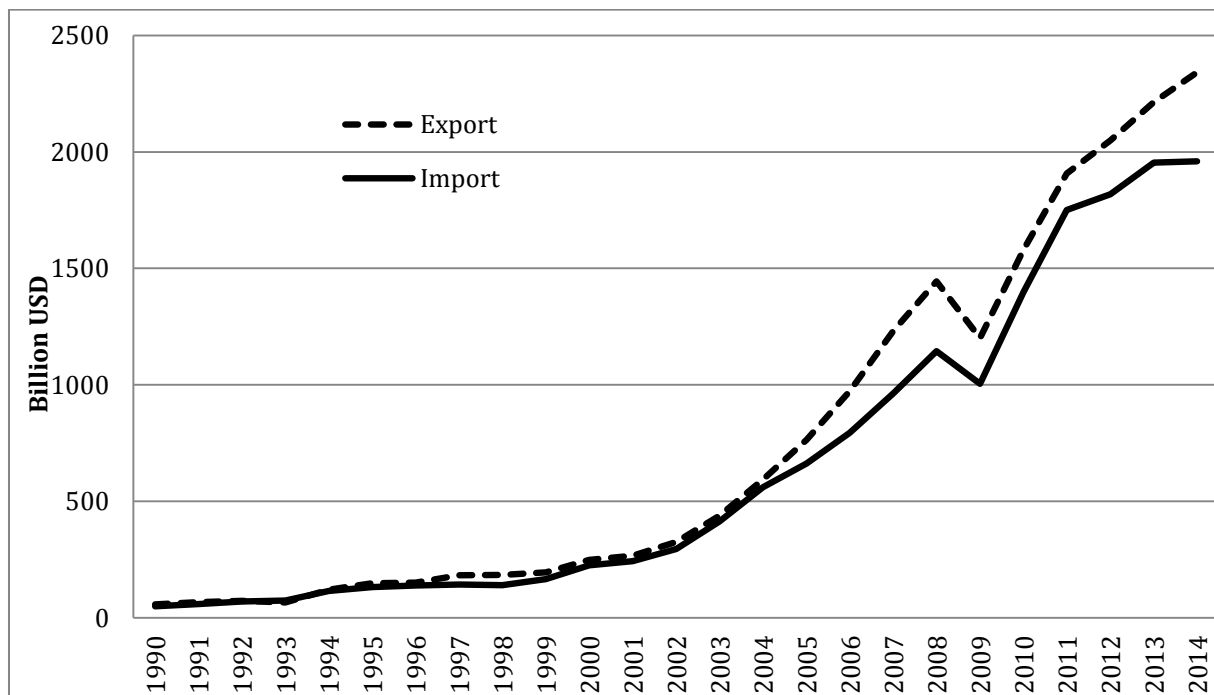
As seen in Figure 2, from 1990 to 2014, China's export and import increased consistently except for 2009. During this period, the curves of export and import moved almost together until 2004, but from 2005 they diverged and their gap never got close. In 2014, the Chinese economy had an export value of USD 2.34 trillion and an import of USD 1.96 trillion with a trade surplus of USD 383 billion. From 1990 to 2014, the total export of goods and services increased by 41 times and the total import rose by 40 fold.

In the rise of import volume, importation of energy was important, as stated by Shahbaz et al. (2013). As for the increase in overall foreign trade volume, foreign investors played an important role in the Chinese economy. In some commodities such as electronics and information communication technology (ICT), foreign-invested firms

dominate China's exports and account for more than 80% of exports (Xing, 2010). Rodrik (2006) also concludes that foreign-invested firms in China have been playing a crucial role in China's processing trade. As Branstetter et al. (2002) argue that real liberalization, market-oriented development, and successful attraction of foreign direct investment would all bring about a decline in the state-owned sector of the economy and thus Chinese market formation changed in favor of private investors.

According to Table 3, the Chinese economy generally generated trade surpluses from 1990 to 2014 except for 1993 with a trade deficit of USD 12.2 billion. In this period, the annual average export and import of goods was USD 711.4 billion and USD 583.4, respectively. From 1990 to 2014, the annual average growth rate of export and import was 17% and 16%, respectively. China's exports and imports fell only in 1998 and 2009; during the Asian and Global Financial Crises, respectively. In the first six months of 2015, Chinese economy exported USD 1.01 trillion of goods and imported USD 755 billion.

Figure 2. Developments of the total value of goods and commercial services for export and import



Source: Oxford Economics

Table 4 gives data for the export and import of commercial services for the Chinese economy. Fung et al (2003) states that China's entry into the WTO means that China's service sectors such as banking, insurance, and distribution augmented. The annual average growth rate of export and import of commercial services, from 1990 to 2015, was 18% and 23%, respectively. In 1990, China's export of services was about 5.9 billion USD and import was USD 4.4 billion with a trade surplus of USD

1.5 billion. But from 1995, this trade surplus disappeared and the Chinese economy had consistently a deficit in the trade of commercial services. In 2014, the trade deficit reached the record level with USD 151 billion.

Table 3. Total export and import of goods

Years	Monetary Value (Million USD)			Annual Growth Rate (%)	
	Export	Import	Difference	Export	Import
1990	61,950	53,320	8,630	17.93	- 9.83
1991	71,970	63,790	8,180	16.17	19.64
1992	84,940	80,584	4,356	18.02	26.33
1993	91,743	103,959	-12,216	8.01	29.01
1994	121,006	115,614	5,392	31.90	11.21
1995	148,779	132,084	16,695	22.95	14.25
1996	151,047	138,835	12,212	1.52	5.11
1997	182,791	142,371	40,420	21.02	2.55
1998	163,699	118,071	45,628	- 10.44	- 17.07
1999	169,329	136,406	32,923	3.44	15.53
2000	218,063	188,142	29,921	28.78	37.93
2001	232,884	204,701	28,183	6.80	8.80
2002	286,775	249,089	37,686	23.14	21.68
2003	396,649	356,824	39,825	38.31	43.25
2004	542,875	483,460	59,415	36.87	35.49
2005	694,870	564,742	130,128	28.00	16.81
2006	897,660	681,974	215,686	29.18	20.76
2007	1,131,606	819,890	311,716	26.06	20.22
2008	1,349,973	990,089	359,884	19.30	20.76
2009	1,127,161	883,614	243,547	- 16.50	- 10.75
2010	1,486,413	1,239,985	246,428	31.87	40.33
2011	1,807,805	1,579,105	228,700	21.62	27.35
2012	1,973,517	1,661,947	311,570	9.17	5.25
2013	2,148,590	1,789,607	358,983	8.87	7.68
2014	2,243,761	1,808,720	435,041	4.43	1.07
2014*	1,035,400	886,778	148,622		
2015*	1,011,249	754,637	256,612	- 2.33	- 14.90

Source: Oxford Economics, *From January to June

To increase its exportation, China uses an appreciated exchange rates policy which gives a competitive power to the Chinese exporting firms. Even if China has been criticized by other economies, it continues to follow this policy. Moreover, from a geographical perspective, China profits from its economic environment's synergy in favor of its own economy. Neighbor countries such as South Korea and Japan provide China with large markets. In this economic hub, these relationships are mutual and it may be talked about a win-win situation for those countries.

Table 4. Total export and import of commercial services

Years	Monetary Value (Million USD)			Annual Growth Rate (%)	
	Export	Import	Difference	Export	Import
1990	5,855	4,352	1,503	27.20	11.30
1991	6,979	4,121	2,858	19.20	- 5.31
1992	9,249	9,434	-185	32.53	128.93
1993	10,898	12,036	-1,138	17.83	27.58
1994	16,366	16,299	67	50.17	35.42
1995	19,130	25,222	-6,092	16.89	54.75
1996	20,600	22,585	-1,985	7.68	- 10.46
1997	23,488	27,968	-4,480	14.02	23.83
1998	25,052	26,842	-1,790	6.66	- 4.03
1999	29,370	31,653	-2,283	17.24	17.92
2000	35,030	36,164	-1,134	19.27	14.25
2001	39,175	39,271	-96	11.83	8.59
2002	46,227	46,530	-303	18.00	18.48
2003	51,308	55,313	-4,005	10.99	18.88
2004	64,483	72,723	-8,240	25.68	31.48
2005	78,469	83,970	-5,501	21.69	15.47
2006	94,070	100,838	-6,768	19.88	20.09
2007	125,447	129,126	-3,679	33.35	28.05
2008	145,344	156,398	-11,054	15.86	21.12
2009	122,563	145,980	-23,417	- 15.67	- 6.66
2010	117,532	140,935	-23,403	- 4.10	- 3.46
2011	201,046	247,844	-46,798	71.06	75.86
2012	201,575	281,300	-79,725	0.26	13.50
2013	207,007	330,607	-123,600	2.69	17.53
2014	232,010	383,030	-151,020	12.08	15.86
2014*	110,979	172,802	-61,823		
2015*	112,175	206,652	-94,477	1.08	19.59

Source: Oxford Economics, *From January to June

3. Bilateral Trade Developments

Table 5 provides information that the annual average growth rate of export of goods and services was 7.56% for Turkey, while it was about 15% for China. The export growth of the Chinese economy was twofold compared to Turkey's export growth. As for the annual average import growth; they were 9.5% for Turkey and 13.9% for China. Based on those values, one can say that China's foreign trade performance was better than Turkey's from 1990 to 2014.

Table 5. Turkey and China's export and import developments

Years	Export of Goods and Services				Import of Goods and Services			
	Turkey		China		Turkey		China	
	Growth (%)	% of GDP	Growth (%)	% of GDP	Growth (%)	% of GDP	Growth (%)	% of GDP
1990	3.15	13.37	-3.18	15.90	33.11	17.58	-13.36	13.71
1991	3.12	13.84	25.14	17.48	-5.28	16.63	24.28	15.52
1992	11.00	14.39	20.65	17.28	10.92	17.35	26.14	16.42
1993	7.69	13.67	2.11	14.88	35.79	19.34	34.29	16.85
1994	15.18	21.36	26.77	21.51	-21.88	20.38	6.84	20.55
1995	7.98	19.89	10.85	20.37	29.58	24.35	5.19	18.07
1996	21.96	21.54	2.11	17.57	20.52	27.83	5.58	16.15
1997	19.12	24.58	32.32	19.09	22.44	30.39	7.00	14.86
1998	12.00	21.34	14.57	17.93	2.33	20.18	9.74	13.70
1999	-10.68	19.44	10.69	17.92	-3.71	19.29	15.50	15.23
2000	15.98	20.10	22.55	20.68	21.75	23.09	25.74	18.68
2001	3.94	27.44	10.89	19.97	-24.76	23.32	14.02	18.28
2002	6.89	25.22	21.16	22.27	20.87	23.58	22.87	20.19
2003	6.86	22.99	20.09	26.57	23.52	24.04	24.39	25.04
2004	11.17	23.55	18.40	30.55	20.84	26.19	20.16	28.89
2005	7.89	21.86	25.13	33.70	12.17	25.35	13.43	29.20
2006	6.64	22.67	35.08	35.65	6.89	27.58	23.35	29.12
2007	7.26	22.32	22.23	34.93	10.66	27.48	16.31	27.35
2008	2.74	23.91	9.49	31.70	-4.13	28.34	5.22	25.11
2009	-5.04	23.32	-10.24	23.73	-14.30	24.42	4.86	19.85
2010	3.41	21.21	27.73	26.17	20.70	26.76	20.42	23.16
2011	7.88	23.98	10.33	25.46	10.68	32.65	11.98	23.37
2012	16.31	26.30	7.02	24.22	-0.39	31.46	8.15	21.49
2013	-0.21	25.64	8.67	23.32	9.01	32.18	10.77	20.58
2014	6.83	27.74	3.96	22.62	-0.16	32.18	4.22	18.92
Avrg.	7.56	21.67	14.98	23.26	9.49	24.88	13.88	20.41

Source: Oxford Economics

In 1990, Turkey's total value of export was 13.4% of GDP while 15.9% for China. In 2014 these values were 27.7% and 22.6%, respectively. China's total value of import was 13.7% of GDP and 17.6% for Turkey in 1990 but they both followed an increasing trend until 2014 as they reached 18.9% and 32.2%, respectively.

Table 6 presents the most important countries in terms of their share in the Turkish export volume in 2015. As seen in Table 6, Turkey's first five importer countries are Germany, England, Iraq, Switzerland, and Italy. The biggest trade partner has been Germany since 2010. From 2010 to 2014, the value of export of goods from Turkey and Germany increased by 32% and reached USD 15.1 billion. As for China, it is situated in

the 18th rank with an amount of USD 1.2 billion after Belgium. Turkey's exportation to China rose from 2010 to 2013 but in 2014 it fell by 26% to USD 2.9 billion.

Table 6. Top 20 country in Turkey's exportation

Rank	Country/Year	2015*	2014	2013	2012	2011	2010
1	Germany	6,495	15,147	13,703	13,124	13,951	11,479
2	United Kingdom	5,369	9,903	8,785	8,694	8,151	7,236
3	Iraq	4,460	10,888	11,949	10,822	8,310	6,036
4	Switzerland	4,075	7,141	6,718	6,373	7,851	6,505
5	Italy	3,328	6,342	5,640	5,604	4,584	3,763
6	USA	3,106	6,464	6,377	6,199	6,806	6,054
7	France	2,846	3,208	1,015	2,125	1,484	2,057
8	UAE	2,838	4,750	4,334	3,717	3,918	3,536
9	Spain	2,301	4,656	4,966	8,175	3,707	3,333
10	Saudi Arabia	1,895	3,886	4,193	9,922	3,590	3,044
11	Iran	1,893	5,943	6,964	6,681	5,993	4,628
12	Russia	1,834	3,047	3,191	3,677	2,763	2,218
13	Netherlands	1,514	3,459	3,538	3,244	3,243	2,461
14	Egypt	1,486	3,298	3,200	3,679	2,759	2,251
15	Israel	1,369	3,008	2,616	2,495	2,879	2,599
16	Romania	1,335	2,951	2,650	2,330	2,391	2,080
17	Belgium	1,261	2,939	2,574	2,360	2,451	1,960
18	China	1,198	2,861	3,601	2,833	2,466	2,269
19	Poland	1,122	2,402	2,059	1,854	1,758	1,504
20	Azerbaijan	1,049	2,875	2,960	2,585	2,064	1,550

Source: TUIK, *From January to June

Table 7 lists the most important countries for the Turkish economy in terms of their share in the Turkish import volume in 2015. Turkey's biggest import partner is China just before Russia and Germany with an import amount of USD 12.4 billion in the first half of 2015.

In the exportation side, China's biggest trade partner is the USA in 2014 with a trade value of USD 400 billion. This value represents about 17% of China's exports of goods, as shown in Table 8. From 1992 to 2011, total trade volume between the U.S. and China increased by 25 times, and China's share in the U.S. total imports increased from 5% to 20%. By contrast, the U.S.'s share in China's total imports shrank from 11% in 1992 to 8% in 2011. In the same period, the U.S.'s trade deficit with China increased by more than 150 times, from USD 1.45 billion to USD 235 billion (Ju et al., 2015).

Having a share of 15.5% of China's exports, Hong Kong is the second largest export market with an export value of USD 363 billion. It is well known that Hong Kong has functioned as a distribution market for China's products to the rest of the world (Xing, 2012). Because of that this export volume is usual from China to Hong Kong.

Table 7. Top 20 country in Turkey's importation

Rank	Country/Year	2015*	2014	2013	2012	2011	2010
1	China	12,419	24,918	24,686	21,295	21,693	17,181
2	Russia	11,139	22,369	24,182	21,401	22,986	17,549
3	Germany	10,338	25,289	25,064	26,625	23,953	21,601
4	USA	5,914	12,728	12,596	14,131	16,034	12,319
5	Italy	5,323	12,056	12,885	13,344	13,450	10,140
6	France	4,128	8,123	8,080	8,590	9,230	8,177
7	Iran	3,545	7,548	6,088	5,660	6,298	4,764
8	South Korea	3,534	9,833	10,383	11,965	12,462	7,645
9	India	2,986	6,899	6,368	5,844	6,499	3,410
10	Spain	2,769	6,076	6,418	6,024	6,196	4,840
11	United Kingdom	2,756	5,932	6,281	5,629	5,840	4,681
12	Ukraine	1,884	4,243	4,516	4,394	4,812	3,833
13	Belgium	1,678	3,864	3,843	3,690	3,959	3,214
14	Netherlands	1,552	3,200	3,453	3,601	4,264	3,298
15	Poland	1,512	3,082	3,185	3,058	3,496	2,621
16	Japan	1,455	3,517	3,364	3,661	4,005	3,156
17	Romania	1,405	3,363	3,593	3,236	3,801	3,449
18	Bulgaria	1,265	4,821	9,645	4,305	5,019	3,154
19	Czech Republic	1,075	2,846	2,760	2,754	2,475	1,703
20	Greece	1,068	2,420	2,627	2,005	1,755	1,328

Source: TUIK, *From January to June

Table 8. Top 10 country in China's exportation and importation in 2014

	Top 10 Export Country for Goods	Top 10 Import Country for Goods
1	USA	South Korea
2	Hong Kong SAR	Japan
3	Japan	USA
4	South Korea	Other Asia
5	Germany	China
6	Netherlands	Germany
7	Viet Nam	Australia
8	United Kingdom	Malaysia
9	India	Brazil
10	Russia	Saudi Arabia

Source: International Trade in Goods based on UN Comtrade data

Japan is the third largest export market for China with an export value of USD 149.4 billion and China is the second export market for the Japanese firms with an amount of USD 162.8 billion. Even if South Korea is the first largest import country for the Chinese

economy with a value of USD 190 billion, for the exportation, it us the fourth biggest export partner with the amount of USD 100 billion. The last six countries in the top 10 list are Germany, the Netherlands, Vietnam, United Kingdom, India, and finally Russia.

Table 9 provides information concerning the product group of exported and imported goods between Turkey and China. The biggest group of goods exported from China is Nuclear Reactors, Boilers and Machinery product group with the amount of USD 4 billion. The second largest product group is Electrical and Electronic Equipment with the value of USD 3.7 billion. And the third one is Plastics and Articles thereof; its total value of export was USD 890 million.

The biggest group of goods imported from China to Turkey is Salt, Sulphur, Earth, Stone, Plaster, Lime and Cement product group with the amount of USD 1.1 billion. The second largest product group is Ores, Slag and Ash with the value of USD 1 billion. The third one is Inorganic Chemicals, Precious Metal Compound and Isotope; its total value reaches USD 314.5 million.

Table 9. Top 10 export and import of goods in 2014

	Top 10 Export of Goods to Turkey	Top 10 Import of Goods from Turkey
1	Nuclear reactors, boilers, machinery etc.	Salt, sulphur, earth, stone, plaster, lime and cement
2	Electrical, electronic equipment	Nuclear reactors, boilers, machinery, etc.
3	Plastic and articles thereof	Ores, slag and ash
4	Optical, photo, technical, medical, etc apparatus	Inorganic chemicals, precious metal compound, isotope
5	Iron and steel	Articles of apparel, accessories, knit or crochet
6	Furniture, lighting, signs, prefabricated buildings	Articles of apparel, accessories, not knit or crochet
7	Organic chemicals	Electrical, electronic equipment
8	Vehicles other than railway, tramway	Cotton
9	Articles of iron or steel	Articles of iron and steel
10	Manmade filaments	Copper and articles thereof

Source: International Trade in Goods based on UN Comtrade data

From 1990 to 2014, the total trade volume between Turkey and China increased by 98 fold from USD 283 million to USD 27.8 billion. As indicated in Table 10, in the first half of 2015, this volume reached USD 13.6 billion with a trade deficit of USD 11.2 billion for the Turkish economy. Starting from 1995 there was a permanent trade deficit for Turkey in their bilateral trade. On average, Turkey exported annually USD 885 million of goods whereas imported yearly USD 7.3 billion of goods from China. The bilateral trade reached to the maximum value of USD 28.3 billion in 2013.

Until 2013 China was the third biggest country for the Turkish economy in terms of importation after Germany and Russia. Latest political developments between Russia and Ukraine and Russia and Turkey negatively affected Russia's foreign trade to these

countries. In addition, the decreasing crude oil prices over the last three years also played a significant role in decreasing trade volume between Turkey and Russia, as Russia is one of the most important energy providers for Turkey.

Table 10. Total export and import between Turkey and China

Years	Export	Import	Difference	Trade Volume
1990	37	246	- 209	283
1991	20	172	- 152	192
1992	147	173	- 26	320
1993	512	255	257	767
1994	355	258	97	613
1995	67	539	- 472	606
1996	65	556	- 491	621
1997	44	788	- 744	832
1998	38	846	- 808	884
1999	37	895	- 858	932
2000	96	1,345	- 1,249	1,441
2001	199	926	- 727	1,125
2002	268	1,369	- 1,101	1,637
2003	505	2,610	- 2,105	3,115
2004	392	4,476	- 4,084	4,868
2005	550	6,885	- 6,335	7,435
2006	693	9,669	- 8,976	10,362
2007	1,040	13,234	- 12,194	14,274
2008	1,437	15,658	- 14,221	17,095
2009	1,600	12,677	- 11,077	14,277
2010	2,269	17,181	- 14,912	19,450
2011	2,466	21,693	- 19,227	24,159
2012	2,833	21,295	- 18,462	24,128
2013	3,601	24,686	- 21,085	28,287
2014	2,861	24,918	- 22,057	27,779
2015*	1,198	12,419	- 11,221	13,617
Average**	885	7,334	- 6,449	8,219

Source: TUIK, *From January to June, **Annual: 1990-2014

Trade deficit between Turkey and China has been growing over the years and there lay some reasons behind it. Turkey is a developing country and in order to foster its economic growth and keep it at an accurate pace, it needs to produce more. At this point since Turkey does not have all necessary materials for production such as raw materials and intermediate goods it has to import them from foreign countries. As China offers these kinds of goods at relatively appropriate price levels, Turkey mainly imports

commodities from Chinese market (Yükseler et al., 2008). Moreover, China has comparative advantages in production factors against Turkey. For example, a Chinese worker earns less than a Turkish worker for the same job. These wage disparities are directly embedded in the production cost. On the other hand, as compared to China, Turkey's place in the world trade is inconsiderable because of its relatively small economy. The more an economy is large the more it has a high competitive power over other economies by having cheap production factors.

Furthermore, Eşiyok (2012) states that the Customs Union Agreement between Turkey and the European Union (EU) in 1996 led to increasing current account deficits since Turkey had to apply the common tariffs of customs union towards to the third countries. In this case, eastern countries such as China and India raised their competitive power against Turkey. As a result, Turkey's foreign bilateral trade deficit dramatically increased with the Asian countries, in particular with the Chinese economy.

Finally, China is an attractive market for foreign investors since it has a huge domestic market size, it provides cheap production costs to firms, and it is geographically situated in one of the economically very active regions. Some of its neighbor countries are also significant economic players in the world such as Japan and South Korea. China could use this economic environment's synergy in favor of its own economy. Some Turkish firms which are impressed by this situation moved their factories in China or opened new facilities in there in order to benefit from China's opportunities. It also harms bilateral trade between Turkey and China.

4. Conclusion

Since the establishment of the diplomatic relations between Turkey and China in 1971, China's role have improved significantly in recent years both in the political and economic fields. Especially in 2010, with the adoption of the "Joint Declaration on the Establishment and Development of the Strategic Relationship of Cooperation" Turkey-China relations have taken on a new dimension. Moreover, 2012 was the "Year of China in Turkey" and 2013 was the "Year of Turkey in China".

From 1990 to 2014, between Turkey and China, the annual average export and import volumes were USD 885 million and USD 7.3 billion, respectively. After 1995, there was permanently a trade deficit for Turkey, and especially in 2014 this deficit reached to the record level (USD 22 billion). For the Turkish economy, in 2014, China was the second largest importer after Germany and the eighteenth biggest exporter. At the same time, for the Chinese economy, Turkey was only the 27th largest export country and the 55th biggest import market. In the bilateral trade, China's weight is obviously increased on the Turkish economy over the years, since the total trade volume between Turkey and China increased by 98 fold from USD 283 million to USD 27.8 billion.

China was the second biggest importer country after the USA in the world in 2014 and Turkey could have only USD 2.9 billion of export towards this country. The share of Turkey was very small and it needs to be increased since China has the potential to buy more from Turkey. In the first half of 2015, the importance of China was dramatically augmented for the Turkish economy as China became the biggest import trade partner. In this period Turkey imported USD 12.4 billion from China while exporting USD 1.2 billion from this country. The value of import was almost 10 times bigger than that of export.

In 2014, the total world merchandise export was about 19 trillion USD and China alone achieved USD 2.24 trillion as the second largest economy in the world. It means that Chinese economy represented around 12% of the total world export of goods and became the world's largest exporter country. As for Turkey, the total value of export of goods was USD 168.9 billion. This amount enabled the Turkish economy to represent about 0.9% of the total world trade in goods. The national export target of USD 500 billion by 2023 with a share of 1.5% of the world goods trade is still on the government's agenda.

The dependence of imported intermediate and capital goods for its own production is the most important weakness of the Turkish economy. Turkey is also an energy-poor country that forces it to import petrol and gas for insuring a sustainable economic growth. All these damage the Turkish balance of payments and cause permanent current account deficits. This situation also creates a parallelism between more economic growth and more trade deficits.

In this big 'picture', China's importance comes to stage at this point because China provides the world with inexpensive goods thanks to its comparative advantages in production factors and its weak Yuan strategy. Turkey imports necessary commodities mostly from China and their trade partnership has been closing up to such an extent that in the first half of 2015 China took the first place in the import trade partner countries list and it seems to stay there for longer.

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