

Incorporating the Istanbul-Ankara high-speed railway into the Belt and Road Initiative: Negotiation, institutional alignment and regional development

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Abstract: This article contributes to a small but growing body of multi-sited and multi-scalar research on the Belt and Road Initiative. We focus on relations at the national, regional and international scales, and present original research from China and Turkey, to show how the Istanbul-Ankara high-speed railway has served as a testing ground for China's Belt and Road Initiative (BRI). Its construction was initially funded by the European Investment Bank, but it is now part of the backbone of the Turkish Government's Middle Corridor plan which enhances west-east connectivity and integration with the Caucasus and Central Asia. We show that in contrast to multinational corporations from the OECD that seek to remain footloose, Chinese state-owned enterprises (SOEs) seek to adapt to, apprehend and ultimately shape local institutions. In the case of Turkey this proved difficult given its institutional alignment with the European Union. Thus, while the railway project was completed successfully by a consortium led by a Chinese SOE, Turkey's dynamic and complex regulatory environment discourages Chinese SOEs in the infrastructure sector. We conclude that the Turkish and Chinese governments are currently pursuing complementary territorial visions yet their cooperation is project-based and pragmatic.

Keywords: Belt and Road Initiative; infrastructure; high speed rail; regional development; Turkey; China

1 Introduction

The Belt and Road Initiative (BRI) comprises a series of expansive corridors that radiate

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outward from China. These corridors incorporate distant markets, industrial agglomerations and frontiers of resource extraction and agribusiness whose integration with Sino-centric global value chains is mediated by key nodes dedicated to value-addition and logistics and stitching together continental urbanizing corridors (Liu H M *et al.*, 2018). China's attempt to territorialize a re-orientation of economic activity across Eurasia, Africa and Latin America is unprecedented in scope, and it has been interpreted by many Western officials as a direct challenge to American hegemony. Most scholarship tends to appraise the BRI and its constituent infrastructural components in geopolitical and/or geo-economic terms. Research has highlighted considerable diversity among the BRI projects – in some instances the lead Chinese firm prioritizes profit maximization while in other cases there is an overriding strategic logic to infrastructure investments (Liu *et al.*, 2020). There is more or less a scholarly consensus that one-dimensional analytical frameworks that discern a single overarching rationality to the BRI fail to account for the diverse motivations and objectives of diverse groups of Chinese and non-Chinese stakeholders. Furthermore, scholars have noted that countries engage with the BRI in a range of ways as they seek to harness its developmental potential while maintaining autonomous (Lampton *et al.*, 2020).

Our primary objective in this paper is to propose a multi-scalar and multi-sited analytical framework capable of apprehending the BRI's complexity and variation. Importantly, analysis of the BRI must be informed by the perspectives of key stakeholders situated at various scales and account for national development strategies and regional politics. There is no single privileged scale at which the 'true' nature or impacts of the BRI can be appraised, but rather, it should be examined holistically by viewing it from multiple perspectives. The key scales of reference differ from project to project, depending on the specific context and the location of key actors whose relations shape the BRI's outcomes. Additionally, it must be multi-sited to account for the perspectives of in-country actors where the BRI is taking shape, as well as those shaping projects from afar, most notably key stakeholders in China. The realization of large-scale transnational infrastructure projects necessitates a degree of institutional alignment which is the product of negotiation and, at times, contestation, among these diverse stakeholders. Thus, the BRI provides parameters that structure international encounters, but they are far from straightforward and the outcome is uncertain. The extent to which one side or another adapts depends on the institutional thickness of a given country as well as the domestic and regional politics within which integrated. For example, Chinese firms must adapt in places with 'thick' institutional environments, such as Greece and Italy, where the regulatory environment is largely determined by the European Union. In this case Chinese firms must embed themselves by embracing local regulatory regimes. Alternatively, in countries with 'thin' institutional environments such as Djibouti and Turkmenistan, Chinese firms can alter institutions and outcomes, or simply bypass local institutions and even have disputes adjudicated in foreign jurisdictions (Erie, 2020). The negotiations and contestations surrounding institutional alignment have material consequences and shape the construction of infrastructure networks and corridors. Thus, the extent to which the ambitious vision of the BRI is territorialized depends on the outcome of these complex relations and the degree of institutional alignment.

We employ this multi-sited and multi-scalar approach to analyse the alignment of Turkey's spatial plan – the "Middle Corridor" – with the BRI. The Middle Corridor is Turkey's current spatial development plan, and if achieved it will (re-)connect Turkey with Central

Asia and the Caucasus via transport systems. Thus, it is both a national development strategy and a blueprint for regional integration that promises to augment Turkey's influence in Central Asia. Some Turkish policy makers have seen as a way of demonstrating to the European Union that it is a responsible member of the international community, while nationalists envision establishing a supposedly Pan-Turkic sphere of influence in the region. Thus, the Middle Corridor enjoys broad support within Turkey – albeit for a variety of reasons – and this has led to a consensus among policy makers surrounding the country's integration with the BRI and the expansion of transportation infrastructure. We focus on the Istanbul-Ankara high-speed railway (HSR), which was built by a Chinese-led consortium that included Turkish firms. The project began in 2005 with initial funding from the European Investment Bank, and subsequent funding from the Exim Bank of China. It has recently been re-branded as a component of the BRI and its planned extension is a critical component of the Middle Corridor.

Our analysis accounts for politics at multiple scales that shape Turkey's integration with the BRI – i.e. domestic politics, a vision of regional integration in the Caucasus and Central Asia, Turkey's relationship with the European Union and with Chinese SOEs. Thus, Turkey's integration with the BRI is determined by domestic politics, its attempts to establish regional integration (i.e. with the EU as well as Central Asia) and international relations. We draw on six interviews with key stakeholders from policy-making communities and the public sector in Turkey and representatives from SOEs in China that were selected because of their involvement with the Istanbul-Ankara HSR, the Middle Corridor and/or the BRI. By analysing this project from multiple scales and places, we confirm the assertion advanced by Pomfret (2019) that many rail projects included in the BRI pre-date its launch in 2013, but we also explain how the expansion and re-orientation of pre-existing infrastructure networks has unfolded under the auspices of the BRI. Furthermore, our analysis demonstrates that although large-scale infrastructure projects are a cornerstone of Turkey's national development strategy, its complex institutional landscape has inhibited Chinese SOEs in the infrastructure sector. As a result, Turkish and Chinese governments are currently pursuing complementary territorial visions yet their cooperation is project-based and pragmatic.

This article is divided into four sections. In the next section we review economic geography scholarship on institutional configuration and embeddedness. The insights from this body of work are largely absent from research on the BRI, although they help us articulate questions surrounding regional development and Sino-centric globalization. In the third section we narrate the territorial development strategies embraced by the Turkish state, the history of the Middle Corridor, and its relationship with the BRI. We introduce the Istanbul-Ankara high-speed rail project, and we present findings from original primary research conducted in China and Turkey focused on negotiations among stakeholders involved in the railway project and institutional (mis-)alignment. The case study shows how alignment was achieved in Turkey's unique institutional environment which is both thick and dynamic. In the final section we conclude and propose an agenda for future multi-sited, multi-scalar research on the BRI.

2 Sino-centric globalization and regional development

In this chapter we juxtapose unipolar American-led globalization in the post-Cold War era,

with contemporary globalization characterized by the emergence of multipolarity. As China has become a great power competitor of the US, it has deepened its economic integration with countries across Eurasia, Africa and Latin America. While this has not resulted in the fragmentation of the world into two competing blocs, it has given rise to new modes of interconnectivity that we refer to as Sino-centric globalization (Liu W D *et al.*, 2018; Dunford and Liu, 2019). Indeed, Chinese SOEs increasingly drive the expansion of global production networks as they seek to move up value chains and manage production across Eurasia (Hung, 2015). The BRI is a spatial manifestation of this effort, and in this context we highlight the novel ways in which Chinese firms – particularly state-owned enterprises engaged in large-scale infrastructure construction – enter foreign markets. Their market entry typically unfolds in a series of phases; an initial period of *institutional exploration*, a second period of *institutional adaptation*, and a final phase of *institutional alteration*. Thus, we argue that Chinese firms resist simple classification as ‘policy takers’ or ‘policy makers,’ but rather, they are instruments of *policy shaping*. This differs from the strategies of OECD-based multinational corporations (MNCs) which established global production networks in the 1990s and 2000s. Indeed, MNCs sought to remain mobile, while governments devised strategies to reduce their mobility and embed them in regions and cities. We show how the phased entry of Chinese state-owned enterprises (SOEs) poses new opportunities and challenges to governments with regard to regional development. These complex relations and competing objectives shape infrastructure projects that serve as the backbone of the BRI and territorialize Sino-centric globalization. There is no single overarching logic or privileged position to understand the forces behind their manifestation, and for this reason they must be understood from the perspective of multiple scales and places.

From the Cold War to the unipolar world order

The struggle between Russian nationalists and Soviets culminated in the dramatic break-up of the Soviet Union (Plokhy, 2014), and the bipolarity that structured geopolitics for four decades gave way to a unipolar world order led by the United States (Ikenberry, 2011). In the absence of a great power competitor US foreign policy may have lacked a grand strategy, but Bill Clinton’s “one big idea” was to enhance global economic engagement and integration (Wright, 2001). Multilateral institutions were strengthened accordingly, the international institutional environment was thickened (e.g. NAFTA), and power to regulate and discipline was vested in multinational organizations like the World Trade Organization. The first decade of neoliberal reform was geared toward dismantling of Fordist-Keynesian institutions, and the 1990s witnessed the establishment of neoliberal institutions globally (Peck and Tickell, 2002). Multinational corporations (MNCs) based in the OECD were supposedly the primary agents of development and change, and the deregulation of national institutions that would inhibit their mobility, combined with the establishment of international rules that facilitated cross-border activity, meant that they were comparatively footloose.

In the context of the emergent neoliberal regulatory regime, advancements in information and communication technology allowed for the emergence of well-organized global value chains that combined capital from the OECD with cheap labour in a small number of developing countries (Castells, 1996; Baldwin, 2016). The benefits of the expansion of global value chains were unevenly distributed and highly circumscribed, as “[o]nly six developing nations...saw their share of world manufacturing rise by more than three-tenths of one per-

centage point since 1990” (Baldwin, 2016: 3). Many developing countries saw meagre gains they had made in manufacturing suddenly wiped out as domestic firms were exposed to competition from increasingly productive global value chains (Gibbon and Ponte, 2005). So even as Detroit, Sheffield and Duisburg witnessed liquidation, “the brunt of globalization and the rise of Asian exporters has been borne by other developing countries, rather than the advanced economies” (Rodrik, 2016: 16).

Governments and communities desperately sought to hit upon a formula that would allow them to attract and retain foreign direct investment. Some regions were able to “strategically couple” with global networks of production and trade in ways that allowed them to create, enhance and capture value (Coe *et al.*, 2004). Rendering MNCs immobile and embedding them within regions was a socio-territorial endeavour that typically required a coordinated campaign that included a range of public and private-sector stakeholders (Hess, 2004; Phelps and Whaley, 2004). Geographers identified a range of strategies pursued by locally situated actors, including deliberate decoupling from and recoupling with production networks (MacKinnon, 2012; Horner, 2014; Kleibert, 2014). While a single effective model proved elusive, Yeung (2015: 3) urged policy makers to embrace a “dynamic and multi-scalar view of regional development” in order to “enable regional economies to (re)articulate into and, if necessary, disarticulate from the growth dynamics of different global production networks.” In summary, neoliberal globalization encouraged capital mobility and policy makers struggled to establish effective national and regional development strategies. In this context China has become an economic powerhouse and the world has returned to a multipolar world order. We now explore the implications of Sino-centric globalization for national and regional development strategies.

The multipolar world order and Sino-centric globalization

China’s foray into the unipolar world’s late-20th century globalization was as a producer. As its manufacturing capacity grew it also became a market, yet it retained a massive trade surplus with the US. China’s foreign currency reserves ballooned in the 21st century, and much of it was loaned back to the U.S. through the purchase of Treasury bonds. The 2008 financial crisis resulted in a “necessary and chaotic adjustment” to this institutionalized accommodation (Pettis, 2013: 11). It led to a rapid decline in demand for Chinese exports, and Beijing responded with a massive stimulus program that targeted large-scale industry. The result, according to Adam Tooze (2018: 251) was that “for the first time in the modern era, it was the movement of the Chinese economy that carried the entire world economy.” Since much of this public investment was channelled into infrastructure, China’s increased demand for natural resources fuelled a ‘commodity super-cycle’ that altered the parameters of action open to resource-exporting countries (Jepson, 2020).

There was growing disaffection on both side of the US-China relationship after 2008. According to Ho-Fung Hung (2020), “Wall Street took control of [America’s] China policy” during the Clinton Administration, but American firms grew weary of their erstwhile Chinese partners after the 2008 crisis and the Obama Administration sought to exert pressure on China by supporting the establishment of the Trans-Pacific Partnership. Meanwhile, Beijing sought to identify new outlets for its surplus capital and to this end President Xi Jinping an-

nounced the *Belt and Road Initiative* (BRI) in 2013.¹ Some scholars have interpreted the BRI as an alternative to American-led globalization, as its objective is to expand Sino-centric value chains and reorient economic activity across Eurasia, Africa and Latin America. It is comprised of a series of corridors (Mayer and Zhang, 2020), which serve to integrate production facilities in special economic zones (Miao, 2018; Liu *et al.*, 2020) with key logistics hubs such as ports (Liu *et al.*, 2020; Chen *et al.*, 2021). We refer to this as Sino-centric globalization because it shattered the unipolar world order that obtained after the Cold War, and it is driven by the consolidation of global infrastructure finance and construction (Schindler and Kanai, 2019; Anguelov, 2020). Although a significant amount of production and logistics infrastructure existed prior to 2013, the BRI guides outward Chinese investment in an attempt to fill in the gaps and network these far-flung investments (Pomfret, 2019).

This has transformed the context in which regions seek to strategically couple with global value chains. Many small states seek to pursue developmental objectives by hedging between the US and China (and other middle powers such as Japan and India) (Kuik, 2016). Furthermore, in contrast to MNCs, Chinese SOEs pursue strategic as well as economic objectives. Since they are not incessantly on the move in search of cheaper factors of production, they are willing to undertake risky projects that are not profitable in the short term. This differs significantly from MNCs that sought to remain footloose in the 1990s and 2000s. Given the willingness of Chinese SOEs to embed themselves in corridors of transcontinental proportion, the primary challenge facing policy makers is not to attract and retain investment. However, Sino-centric globalization raises new questions for place-based policy makers. Most importantly, the question is not whether Chinese SOEs will suddenly leave, but rather, it's how long will they stay, on what terms will they operate within the domestic economy and society, and how will they influence national and regional development? For an analysis of such integration/adaptation dynamics in the case of industrial parks, see Ye *et al.* (2020)

We argue that this question is animating domestic politics in many countries that are integrating with the BRI, and it promises to be one of the primary questions surrounding international relations in the coming years. We anticipate these political negotiations and struggles – and ultimately explore the implications of Sino-centric globalization – through an analysis of Chinese SOEs operating in Turkey's transport infrastructure sector. We divide their market entry into three distinctive phases. There was an initial exploratory phase in which they bid on a public tender to construct a railway between Istanbul and Ankara, and sought to gain an understanding of the institutional landscape. This gave way to a costly period of institutional adaptation in which they learned how to operate within Turkey. Finally, Chinese firms sought to become agents of change within Turkey to pave the way for institutional alignment that would facilitate the BRI projects. This case demonstrates that Chinese SOEs in the large-scale infrastructure sector are neither passive 'policy takers' nor aggressive 'policy makers,' but rather they are instruments of policy shaping in the field of geopolitical economics. In this particular case, Turkey's commitment to BRI was ultimately codified in a memorandum of understanding signed in 2015 yet its institutions remain aligned with the European Union. This has inhibited Chinese SOEs from operating in the infrastructure sector, so although Turkish and Chinese governments are currently pursuing comple-

¹ It was initially titled the *One Belt, One Road Initiative*, and re-named in 2015.

mentary territorial visions yet their cooperation is project-based and pragmatic.

3 Turkish politics and the roots of the Middle Corridor

In this section we provide a brief history of the Middle Corridor, and show how its spatial objectives align with domestic politics and Turkey's vision surrounding national and regional integration. Our analysis then switches scales and demonstrates how the Middle Corridor complements the BRI, and we explore how Sino-Turkish relations are geared towards the pragmatic achievement of these shared spatial objectives.

Under the leadership of Recep Tayyip Erdoğan's Justice and Development Party (the AKP), Turkey began to renew its eastward interest from the early 2010s onwards.² The Turkish Government has embraced the Trans-Caspian East-West-Middle Corridor Initiative, or "Middle Corridor," which connects Istanbul to China via an intermodal transport network (Ministry of Foreign Affairs, 2020a). This plan's formal relationship with the Belt and Road Initiative was established in 2015 when the two countries signed the *Memorandum of Understanding on Aligning the Belt and Road Initiative and the Middle Corridor Initiative* (ibid.). The alignment between Turkey's development strategy and the BRI was made clear in a 2019 statement by President Erdoğan that is worth quoting at length:

"The Chinese and Turkish people, both representatives of ancient civilizations on the opposite ends of the Asian continent, have served humanity greatly by watching over the Silk Road and promoting commercial and cultural interaction... As late modernizers, Turkey and China are among countries seeking to bridge their development gap with Western nations in the 21st century. In other words, the 'Chinese dream' is to see China where it deserves to be on the world stage, just as the 'Turkish dream' is to witness our nation secure the place it deserves in the international arena... The world is faced with serious global challenges today. As economic globalization deepens, threats against the global free trade system place all economies at risk. Such threats, which reflect the misconception that we still live in a uni-polar world, undermine global peace and stability... The world seeks a new, multipolar balance today. The need for a new international order, which will serve the interests of all humanity, is crystal clear."³

In this section we contextualize Erdoğan's call for a new, multipolar international order and Turkey's engagement with the BRI as the culmination of increasingly close cooperation. In many ways it was borne out of Turkey's frustration with its negotiations with the European Union, yet as we demonstrate, Turkish institutions remain aligned with EU rules, norms and standards.

Turkey branded itself as a geopolitical bridge between the East and the West after the Cold War. Its foreign policy engaged the former Soviet republics but Europe was the audience, as Turkey sought to present itself as a stable, secular, modern ally that could mediate relations between Central Asia and Europe (Tanrisever, 2015). Thus, Turkey hoped to ultimately deepen its westward economic and political linkages by focusing its diplomatic energy on the east. The primary objective of Turkish foreign policy in the 1990s and 2000s was accession to the European Union. To this end, Turkey sought to enhance territorial intercon-

² For the background to this shifting attention (especially with reference to China's increasing significance for Turkey) see: Fisher Onar, 2013; Adıbelli, 2016; Bahçecik, 2017 and Yılmaz and Eliküçük Yıldırım, 2020.

³ <https://www.globaltimes.cn/content/1156357.shtml> (accessed Oct 13, 2020)

nectivity, harmonize institutions and align politically with the EU. Territorial integration was rather straightforward, and a series of construction projects were planned after Turkey and the EU entered into a customs union agreement in 1995. After coming to power in 2002, the AKP accelerated institutional reforms, which included new laws on local governance, the establishment of regional development agencies, the adoption of EU standards and the incorporation of EU laws into Turkish legislation (Bayırbağ, 2013a). The subordination of Turkish politics and regulation to EU standards, however, remained a sticking point and Turkish officials were disappointed by the failure to progress negotiations on EU membership at a 1997 summit in Luxembourg (cf. Adıbelli, 2016). Thus, Turkish scepticism surrounding the prospect of EU accession predates Turkey's official designation as a 'candidate country' in 1999.

The roots of Turkey's Middle Corridor project can be traced back to the early 1990s, with the announcement of the Transport Corridor Europe-Caucasus-Asia (TRACECA). It was an EU-initiative to extend Europe's influence to former Soviet republics, and one of its objectives was to 'revive' the Silk Road (Üzümcü and Akdeniz, 2014; Bahçecik, 2017: 54–56). In order to improve territorial integration, it included funding from the European Commission for the rehabilitation of transport infrastructure in disrepair and technical assistance. It also sought to harmonize technical standards and legal frameworks.⁴ Turkish representatives attended the initial TRACECA meeting, Turkey applied for membership in 2000, and joined in 2002.⁵ Turkey related its own spatial objectives to those of TRACECA from the beginning. For example, plans for the Kars-Tbilisi-Baku railway project, which began in 2007 and was completed in 2017, were introduced at a meeting of the Turkey-Georgia Transportation Commission in 1993. Many other large-scale infrastructure projects that are currently under construction were first introduced in the context of TRACECA, such as the Marmaray railway underpass that crosses the Bosphorus, and the East-West high-speed passenger railway projects (Üzümcü and Akdeniz, 2014: 190).

The Middle Corridor was conceived as a complement to the EU's TRACECA, yet it has become aligned with the BRI as Turkey has become frustrated with its efforts to join the EU and has embraced a multipolar vision of globalization. This shift has coincided with domestic events in Turkey. The AKP's development strategy favoured domestic construction firms, and it invested in massive investments in state-led urbanization in the hopes of fostering multiplier effects. The 2008 financial crisis sent shockwaves through the Turkish economy, and the AKP doubled down on its strategy by expanding its spatial development strategy to the infrastructure sector and it launched a series of projects that were unprecedented in scope, cost and complexity (Bayırbağ, 2013b; Schindler *et al.*, 2020). This strategy creates a vicious circle in the sense that new projects generate revenue to pay for previous ones and long-term costs balloon as the day of reckoning is postponed. Thus, there is a perpetual need to identify new infrastructure projects, and hence the BRI is somewhat of a lifeline to Turkey's construction-oriented political economy.

The institutional and policy framework of the political-economic partnership between Turkey and China is still in the making, as Table 1 indicates. A key turning point in that regard was the Memorandum of Understanding (MoU) to align the BRI and the Middle Cor-

⁴ For detailed description, visit the project's website: <http://www.traceca-org.org/en/home/>

⁵ <http://www.traceca-org.org/en/about-traceca/history-of-traceca/> - accessed Oct 13, 2020

ridor Initiative.⁶ It was signed by the representatives of Ministries of foreign affairs of both countries in 2015, and eventually took legal effect in Turkey in 2018.⁷ The MoU's "cooperation objectives" are broadly defined and its "contents of cooperation" are wide-ranging (policy coordination, enhancement of connectivity,⁸ reduction of trade barriers, financial integration, and people-to-people exchanges).

Table 1 Key turning points/developments in the (political-economic) relations between Turkey and China

Year	Key development/issue
1971	Diplomatic relations established
1992	Turkey-PRC Business Council established
1997	Turkey's disillusionment with the EU's Luxemburg Meeting
2000	Trade volume between Turkey and China surpasses \$1 billion
2005	<i>Chinese firms won the bid for Istanbul-Ankara HSR project</i>
2010	Wen Jiabao visits Ankara and the two countries establish a strategic partnership
2012	Monetary swap agreement
2014	<i>Istanbul-Ankara HSR in service</i>
2015	Erdoğan visits Beijing (third meeting with Xi Jinping)
2015	<i>MoU signed for the BRI cooperation</i>
2017	The central component of the Middle Corridor, the Baku-Tbilisi-Kars railway in service
2019	Monetary Swap Agreement renewed

Sources: Adıbelli, 2016: 323–399; Bahçecik, 2017: 52–54; Republic of Turkey, Ministry of Foreign Affairs, 2020b, *Türkiye-Çin Halk Cumhuriyeti Ekonomik İlişkileri* (Ministerial Brief): <http://www.mfa.gov.tr/turkiye-cin-halk-cumhuriyeti-ekonomik-iliskileri.tr.mfa> (accessed Oct 13, 2020); Erdoğan, 2019: <https://www.globaltimes.cn/content/1156357.shtml> (accessed Oct 13, 2020)

In summary, state spatial objectives in Turkey and China have aligned – namely, the enhancement of territorial integration – and they are driving the reformulation of bilateral relations between the two countries *tout court*. The Turkish Ministry of Foreign Affairs explains that the Middle Corridor has a “natural synergy” with the BRI, and in order to understand the integration of these initiatives in practice we turn our attention to the Istanbul-Ankara high-speed rail project. It was initially conceived in the context of TRECECA, and is increasingly oriented towards the BRI. We show how it served as a laboratory for policy experimentation for multiple actors, and we focus on the changing role of Chinese firms in its realization.

⁶ It is officially titled “Memorandum of Understanding on Aligning the Silk Road Economic Belt and the 21st Century Maritime Silk Road and the Middle Corridor Initiative between the Government of the Republic of Turkey and the Government of the People's Republic of China”, and signed in Turkish, Chinese and English (See: <https://www.resmigazete.gov.tr/eskiler/2017/06/20170607-1.pdf>).

⁷ Legal history of the memorandum in Turkey:

- Signed on Nov 14, 2015 between the representatives of both Ministries of foreign affairs of both countries
- National Assembly's approval (Law 6792, passed on February 15, 2017)
- MFA's official plea (to the council of ministers – dated May 2, 2017)
- Council of Ministers' decision (dated May 29, 2017) is sent to the President's office
- Presidential decision/decreed (742) dated February 7, 2019, which states that it was in effect (retrospectively) since August 7, 2018.

For details: <https://www.resmigazete.gov.tr/eskiler/2017/06/20170607-1.pdf>; <https://www.resmigazete.gov.tr/eskiler/2019/02/20190208-1.pdf>.

⁸ Cooperation in that field aims to “[f]ormulate plans on cooperation in *bilateral infrastructure projects in Turkey, China and third countries*, including highway, railroad, civil aviation, port as well as oil and gas pipelines, power grid and telecommunication network; developing and implementing plans to strengthen cooperation among seaports for cargo transportation...; strengthen *mutual recognition of standards and information sharing...*” (Emphases added).

Istanbul-Ankara HSR project

Turkish planners envisioned a rail network in the 1940s that would integrate eastern Anatolia with Istanbul and the Mediterranean coast. Soviet assistance was forthcoming after WWII, but as Turkey drifted into the Western bloc, American engineers and planners replaced their Soviet counterparts and the nation was stitched together with highways rather than roadways as a result (Adalet, 2018). The idea of a railway linking Turkey's political and economic capitals was resurrected in the heady 1970s when sovereign debt was exploding in developing countries around the world. The project was shelved in the early 1980s during the 'Third World' debt crisis, and it was not rehabilitated until the early 1990s. It took a full decade to go from plan to project, and bureaucratic and financial hurdles were finally cleared in 2001, one year before the AKP came to power (Öncü, 2007: 272–277).

Given the rail project's history it was the subject of a series of technical surveys which identified a number of potential routes, and the estimated costs increased (Öncü, 2007). Large-scale infrastructure projects frequently exceed their initial projected costs, but in this case cost overruns forced Turkish authorities to find multiple stakeholders willing to finance the project in segments. In other words, it became clear that the initial loan from the European Investment Bank would not suffice, and a subsequent loan was obtained from the Exim Bank of China. The Exim loan funded the construction of one segment of the line, which was undertaken by a consortium comprised of two Turkish firms (CENGİZ, holding 30%; IC İçtaş İnşaat, holding 30%) in collaboration with Railway Construction Corporation Limited (RCCL) (32%) and China National Machinery Import & Export Corporation (8%) (Figure 1 and Table 2).⁹



Figure 1 The Istanbul-Ankara High Speed Railway

⁹ For details regarding the project's financing see: <https://reconnectingasia.csis.org/database/projects/construction-esenkent-eskisehir-rail/229f0d4d-8a8d-4fb2-a14f-4f8206a94d2a/>

Table 2 Key developments in the history of the project

Year	Key development
2003	The HSR Project was formulated by the Turkish government
2005	The bid was won by Chinese companies
2006	Contract signed, 1.27 billion USD
2006	The EIB disburses the first installment
2007	China Exim Bank disburses loan of 720 million USD
2008	Construction begins
2011	EIB disburses second tranche
2013	EIB disburses third tranche
2014	Project completed

Sources: <https://www.globalconstructionreview.com/news/turkeys-new-high-speed-rail-victory-erdogan0938346/>; <https://reconnectingasia.csis.org/database/projects/construction-esenkent-eskisehir-rail/229f0d4d-8a8d-4fb2-a14f-4f8206a94d2a/>; <https://china.aiddata.org/projects/41428>; <https://www.eib.org/en/press/all/2011-198-eib-provides-eur-400-million-for-istanbul-ankara-high-speed-rail-line>; https://ec.europa.eu/commission/presscorner/detail/en/BEI_13_81; https://www.avrupa.info.tr/fileadmin/Content/Files/File/Docs/CS-EIB_Factsheet_Turkey_final_EN.pdf

The first phase of Chinese SOEs' market entry is exploratory. In this case, the RCCL led the successful bid to construct part of the Istanbul-Ankara line, from Esenkent to Eskişehir which is approximately 200 km. Only then did it begin to grasp the complexities of railway construction in Turkey. The second most competitive bid was submitted by a joint bid from Cengiz İnşaat and IC İçtaş İnşaat. A partnership was ultimately reached between the firms involved in the two leading bids whereby the Turkish firms assumed responsibility for civil engineering and RCCL agreed to manage electrical engineering including communications, signalling, electric power engineering, railway electrification. This arrangement necessitated complex inter-firm negotiations resulted in a lengthy period between winning the bid and breaking ground. Although the firms planned to divide the construction into discrete tasks, RCCL was ultimately responsible for the completion of the entire project. Furthermore, the Exim Bank of China cannot provide a direct loan to a private foreign firm, so the borrower was the RCCL. Thus, risk was disproportionately allocated to RCCL, which was ultimately responsible to Turkish authorities for the completion of the project, and also the sole borrower accountable to Exim Bank. The funding structure inhibited the distribution of risk and it meant RCCL firm would receive the loan from Exim Bank in its Chinese accounts, so from the perspective of the Turkish firms, a leap of faith was required since they were forced to commit to undertake work without direct access to funds. Negotiations lasted for approximately three years and centred on the details of the partnership, such as when funds would be transferred and how much of the loan would be allocated to each firm. According to Chinese railway official the agreement was only possible after trust was established among individuals in both firms:

It took three years to complete the negotiation of the corporation agreement with the two Turkish firms. This project was quite important and at the initial stage there was a lack of trust between us. For instance, when China Exim Bank disburses loan to this project, a bank account should be opened in China. However, the Turkish firms could not open bank account in China so that RCCL should be the authorized representative of these co-sourcing groups. If so, the Turkish firms would be worried about their project funds. So in the agreement, the Turkish firms asked RCCL to issue a payment guarantee. However, as time goes by, all funds are issued properly, and the two sides established a relationship of trust and well

collaborated.¹⁰

After Chinese SOEs gain an understanding of an unfamiliar institutional environment they must adapt to it. In this particular case, this proved difficult because the railway had to conform to EU standards. EU standards pose challenges to Chinese firms for two main reasons. First, although some Chinese firms are able to meet EU standards from a technological standpoint, they nevertheless struggle to maintain certification which is a costly and time-consuming process. Second, according to one Chinese official, EU standards are inflexible unlike standards and institutions in some developing countries that can be altered or improved. Thus, while initial EIB funding meant that EU standards would have to be maintained, Chinese firms could hardly lobby Brussels to make changes to railway standards in order to facilitate infrastructure projects in Turkey.

In this particular case, the investment made by RCCL to adapt to EU standards in the Istanbul-Ankara project paid off, because it was able to bid successfully on a tender to construct railways in Montenegro and Serbia which was also in accordance with EU standards. While RCCL was able to meet EU standards it ultimately struggled to embed itself within Turkey, and its executives consider Turkey a challenging business environment. Chinese railway executives explained that on one hand, Turkish institutions are demanding, while on the other hand they are in a constant state of flux. To give one example, the Public Procurement Law #4734 (passed: January 4, 2002; in effect: January 1, 2003) has been amended 190 times in a span of almost 17 years.¹¹ Second, in addition to being forced to follow EU standards, a Chinese executive complained that Turkish firms are favoured throughout the bidding process, and although the partnership was maintained through the course of the project disagreements were common due to the funding structure noted above (personal communication, 2020). Most importantly, loans are disbursed for the completion of projects while the actual labour is divided, and there was disagreement when one partner ran over cost or struggled to meet deadlines.

Turkey's institutional environment is characterized by its thickness as well as its dynamism. In practice this means that complex regulations are adapted frequently, and historically this has been done in an attempt to maintain alignment with relevant EU legislation and standards.¹² A series of reforms in 2007 (Official status change of TCDD via a Higher Planning Council decision), 2011 (The Presidential decree #655 reorganizing the Ministry of Transportation [Maritime Affairs and Communication]) and in 2013 (Law #6461 on 'Liberalization of Railway Transport') (Demirelli, 2014) streamlined regulations and centralized decision-making authority in the railways sector. A senior transport expert explained that "[i]n the past, the Ministry of Transportation would do the investments and TCDD would assume the management [of the lines]. Via a decree [in 2007],¹³ it was told that TCDD

¹⁰ Personal communication, 2020: 我们与土耳其合作伙伴的合作协议洽谈历时三年，这个项目很重要，但初期彼此之间缺乏信任。比如中国进出口银行行为该项目进行贷款时，需要在中国境内开设银行账户，而土耳其公司无法在中国银行开户，只能授权中国铁建作为合包集团的签约方代表在中国进出口银行开设账户。但中国铁建作为唯一收款单位时，土耳其公司就担心是否能够收到工程款的问题。在协议内容中，土耳其公司要求中铁建出具付款保函。但随着合作时间的推移，款项如期到账，双方建立了信任的关系……

¹¹ And amendment number 191 is on the way as of October 2020 (<https://www.sozcu.com.tr/2020/ekonomi/ihale-kanunu-191-kez-degisiyor-6078261/>)

¹² Relevant EU legislation was introduced as a series of directives in 2001, 2004 and 2007 (Demirelli, 2014: 54).

¹³ Demirelli, 2014: 56.

would [also] take care of the bidding and construct the line.”¹⁴ Despite these reforms, it can be difficult to locate power in Turkish bureaucracy, as swift and pragmatic top-down changes to the legislation (especially those motivated by a concern for project financing and alignment with the EU) seriously restricts the autonomy of individuals. The senior expert further observes that “[i]f there is a legal obstacle in front of a loan to be given by the EU, it is overcome right away.”¹⁵ Another official concurred, and highlighted the reliance on EU regulations:

We have achieved harmony with the EU [in the transportation legislation] on main accounts. [But] to pursue a [broad transportation] strategy we need a comprehensive framework legislation.¹⁶

In summary, EU standards are deeply entrenched in Turkey’s transport sector despite its dynamism noted above. Chinese firms find operating in Turkey challenging, because they are unable to significantly alter regulations. In this particular case, the final step was the final certification that the project was completed in accordance with EU standards by a third party. In this case the check was carried out by an Italian firm and the project was certified, but it demonstrates that from start to finish, the project conformed to EU standards. This provided a learning opportunity for RCCL, but it also makes Turkey an unattractive destination for future investment. In closing, we return to questions surrounding Chinese SOEs, Sino-centric globalization, and the prospects for regional development. In this case, the project was completed but Turkey’s longstanding relationship with the EU created path dependencies that (1) prevent Turkey from wholeheartedly embracing Sino-centric globalization, and (2) inhibited Chinese firms from significantly altering institutions. Indeed, it is telling that Chinese firms have struggled to win bids in Turkey despite the AKP’s penchant for large-scale infrastructure projects. So in conclusion, the narrow parameters within which Turkey’s domestic institutions can be altered discourages investment from Chinese SOEs. Nevertheless, Turkey and China remain aligned in pursuit of complementary spatial objectives, namely the realization of the Middle Corridor and the BRI. At present Turkey is able to leverage its geostrategic location, and maintain close links with the EU by embracing its institutions, while pursuing a spatial policy that emphasizes an eastward orientation.

4 Conclusions

In this paper we presented original research from Turkey and China, to explore whether Sino-centric globalization – and engagement with Chinese SOEs – opens up new possibilities for strategic coupling and regional development. We showed how Turkey’s Middle Corridor plan was borne out of its longstanding attempt to deepen diplomatic and economic ties with the EU, and has recently been formally linked – figuratively and territorially – with China’s Belt and Road Initiative. We focused on one particular project, the high-speed railway between Istanbul and Ankara, which was initially funded by the European Investment Bank, it is a component of Turkey’s Middle Corridor and it has more recently been re-branded as a component of the BRI. The research explored the market-entry strategies of

¹⁴ Personal communication, 2020: “[E]skiden, Ulaştırma Bakanlığı yatırımları yapar ve TCDD [hatların] yönetimini üstlenirdi. Bir kararname ile [2007’de] TCDD ihaleyle ilgilenecek ve hattı inşaat edecek [de] dendi”.

¹⁵ Personal communication, 2020: “[E]ğer AB tarafından verilecek bir kredinin önünde yasal bir engel varsa, bu hemen aşıyor”.

¹⁶ Personal communication, 2020: “[Ulaştırma mevzuatında] AB’ye anahatlarıyla uyum sağlamış durumdayız. [Ama] Genel bir strateji izlemek için kapsamlı bir çerçeve mevzuatına ihtiyacımız var.”

Chinese SOEs in Turkey's infrastructure sector, which we divided into three phases geared towards exploration, adaptation and alteration.

Turkey's first high-speed rail line between Istanbul and Ankara was followed by a second line linking Ankara and Konya. More infrastructure projects are on the agenda as Turkey pursues its Middle Corridor plan and the BRI is territorialized. Despite its successful completion, the Istanbul-Ankara rail project did not precipitate a flood of Chinese investment or involvement in the Turkish infrastructure sector. Indeed, the RCCL gained valuable experience learning about and adapting to EU standards, but it was unable to significantly alter institutions or standards given Turkey's long history of institutional alignment with the EU. China's high-speed rail sector adds value by capitalizing on economies of scale and the rapid pace at which it completes projects (Lampton *et al.*, 2020). In some cases Chinese SOEs seek to alter certain institutions in order to rapidly complete complex projects of significant scope, yet EU standards were too deeply rooted in Turkey. Despite the prevalence of EU standards Turkey's institutional environment remains dynamic and negotiable. According to Chinese officials, Turkish firms enjoy advantages in the bidding process (personal communication, 2020), while Turkey's complex institutional and regulatory landscape proves difficult to influence and operate within. Thus, this research demonstrated that engagement with China can be characterized as pragmatic rather than intensive (Yılmaz and Eliküçük Yıldırım, 2020). Indeed, engagement with Chinese SOEs may offer developmental potential in some instances (i.e. they may bid competitively for specific projects), but their involvement in Turkey has neither resulted in a fundamental paradigm shift nor opened up radically new development pathways. However, both China and Turkey remain committed to complementary spatial projects. Thus, Sino-centric globalization has enabled the realization of an eastward-oriented development strategy in Turkey. While this had been on the agenda for years its achievement proved elusive, but the BRI has been an effective vehicle with which to integrate the longstanding objectives of the Middle Corridor plan. What remains to be seen is whether the pragmatic relationship between China and Turkey continues, if it serves to territorialize the Middle Corridor and enhance Turkey's connection to the Caucasus and Central Asia, and if that results in fundamentally reorienting its foreign policy and economy towards China.

Finally, both RCCL and Cengiz İnşaat have undertaken international projects since the completion of the Istanbul-Ankara railway. As noted above, RCCL successfully bid on subsequent projects that required competence in EU standards, and Cengiz İnşaat is currently undertaking railway projects in Bulgaria¹⁷ and Croatia,¹⁸ having outbid a number of competitors that included Chinese companies in both cases. This raises a question surrounding mutual learning. Just as Japanese railway firms were surprised at how rapidly their Chinese partners became competitors (Lampton *et al.*, 2020), Cengiz İnşaat and other similar Turkish

¹⁷ Winning the bid as consortium (in partnership with another Turkish engineering company) in 2019 for the modernization of a 20 km long line, against 8 other companies from countries including China. The vice-general manager of the company states that "Turkey is now exporting engineering, know-how" (<https://www.dunya.com/sirketler/bulgaristanin-en-zor-projesine-turk-imzasi-haberi-458262>) (accessed: October 31, 2020).

¹⁸ "Linking the Middle Europe to the Adriatic Sea via Croatia". The bid for a 42 km long line was won in 2020, against 9 other companies/consortia, including a Chinese one. Indeed, Cengiz İnşaat had the second best offer, and the Chinese consortium (Sinohydro Corporation) had initially won the competition. Yet, upon Sinohydro's failure to meet the [initial] contract requirements, Cengiz İnşaat got the job. This time, Cengiz İnşaat is also responsible for the tasks such as signaling, electrification etc, which it initially required the expertise of its Chinese partners in the Istanbul-Ankara project. (<https://www.aa.com.tr/tr/sirkethaberleri/gayrimenkul/orta-avrupayi-hirvatistan-uzerinden-adriyatike-cengiz-insaat-baglayacak/656258>) (accessed: October 31, 2020).

companies may increasingly compete with RCCL in third markets. Questions surrounding who learns from whom and knowledge transfer will be paramount as the “infrastructure scramble” continues globally (Kanai and Schindler, 2019). Answering these questions will require multi-sited research in infrastructure-building countries (e.g. China and Japan) and the recipient countries, as well as multi-scalar research that simultaneously apprehends geopolitics and international relations, politics of regional integration and national development strategies.

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