

EAGLEs Flash



Turkey and China new RMB swap agreement opens new opportunities between the Middle and the Far East

The Central Bank of Turkey (CBT) has announced a bilateral currency swap agreement with the People's Bank of China for an amount of 3bn liras (10bn RMB) and with an extendable tenure of 3 years. The objective is to facilitate bilateral trade in the local currencies of the two countries.

- **This is the sixteenth agreement signed by the PBoC since they started in 2008.** Bilateral swap agreements are part of the strategy followed by Chinese authorities to internationalize the use of RMB in trading (full list can be found in Table below).
- **The agreement confirms the importance of Turkey as a key emerging market and also as a regional leader.** Turkish economy has been one of the most dynamic within the Emerging Markets in the last two years. This deal will help fostering trade flows between the two economies, part of what has been called south – south trade. It also confirms Turkey's role as one of the leaders in the Middle East and BBVA EAGLEs.
- **In 2011 China was the third most important source of imported goods into Turkey.** Trade flows in Turkey have grown very fast, in particular imports, and last year the current account reached a deficit around 10% of GDP. Most of the imports coming from China are capital goods (machinery other than electric and electrical machinery including apparatus and appliances) and intermediate goods (textile fibres and plastic materials).

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Table 1

PBoC bilateral currency swap agreements

Central Bank	Total Size bn RMB	Effective Date	Expiration Date
Korea	180	Dec-08	Dec-11
renewed	360	Oct-11	Oct-14
Hong Kong	200	Jan-09	Jan-12
renewed	400	Nov-11	Nov-14
Malaysia	80	Feb-09	Feb-12
renewed	180	Feb-12	Feb-15
Belarus	20	Mar-09	Mar-12
Indonesia	100	Mar-09	Mar-12
Argentina	70	Mar-09	Mar-12
Iceland	3.5	Jun-10	Jun-13
Singapore	150	Jul-10	Jul-13
New Zealand	25	Apr-11	Apr-14
Uzbekistan	0.7	Apr-11	Apr-14
Mongolia	5	May-11	May-14
Kazakhstan	7	Jun-11	Jun-14
Thailand	70	Dec-11	Dec-14
Pakistan	10	Dec-11	Dec-14
UAE	35	Jan-12	Jan-15
Turkey	10	Feb-12	Feb-15

Source: People's Bank of China