

NOVEMBER 13TH, 2020

WEBINAR REPORT:
"CHINA AND GLOBAL
ECONOMIC ORDER:
PERSPECTIVES
FROM EU,
GERMANY AND
TURKEY"

WEBINAR ON "CHINA AND GLOBAL ECONOMIC ORDER:
PERSPECTIVES FROM EU, GERMANY AND TURKEY"NOVEMBER 13TH, 2020

WELCOME AND OPENING REMARKS

• **Korhan KURDOĞLU***President of TUSIAD China Network, President of Ata Holding*• **Prof. Bahri YILMAZ***Program of Economics, FASS, Sabancı University*• **Friedolin STRACK***Head of Department International Markets, BDI*

SESSION I: GEOPOLITICAL RELATIONS WITH CHINA: IS CHINA A SYSTEMIC COMPETITOR?

Moderation: **Friedolin STRACK***Head of Department International Markets, BDI*• **Mehmet ÖĞÜTÇÜ***Chairman of The Bosphorus Energy Club, Chairman of London Energy Club, CEO of Global Resources Partnership*• **Maike OKANA-HEIJMANS***Senior Research Fellow, Clingendael*• **Dr. Jasper WIECK***Deputy Director General for East Asia, Southeast Asia and Pacific, German Federal Foreign Office*

SESSION II: ECONOMIC RELATIONS WITH CHINA: IS CHINA AN ECONOMIC PARTNER?

Moderation: **Prof. Bahri YILMAZ***Program of Economics, FASS, Sabancı University*• **Maria LINDER***Policy Coordinator - Trade Strategy, DG Trade, EU Commission*• **Noyan RONA***Coordinator of TUSIAD Shanghai Network, Chief Representative of Garanti BBVA Shanghai Representative Office*• **Patricia SOLARO***Executive Member of the Board, ZVEI - German Electrical and Electronic Manufacturers Association, Chairwoman of BDI Working Group Foreign Trade and Investment Policy*

CLOSING REMARKS

• **Prof. Bahri YILMAZ***Program of Economics, FASS, Sabancı University*• **Friedolin STRACK***Head of Department International Markets, BDI*• **Korhan KURDOĞLU***President of TUSIAD China Network; President of Ata Holding*

END OF WEBINAR

In Cooperation With

NOVEMBER 13TH, 2020

WEBINAR ON

“CHINA AND GLOBAL ECONOMIC ORDER: PERSPECTIVES FROM EU, GERMANY, AND TURKEY”

Opening Remarks

Korhan Kurdoğlu: China
Network President of TÜSİAD
and President of Ata Group

“China, as the second-largest economy of the world, has been among the priority countries of TÜSİAD for over 10 years. We coordinate our China-related activities through TÜSİAD China and Shanghai Networks. Our main aim is to contribute, to intensify economic relations between Turkey and China and follow closely the developments in China which transform at an unprecedented pace.

While much of the world tries to prevent new waves of Coronavirus from hindering the fragile recovery from the recession; innovation and the preexisting digitalization, which were further

reinforced by the shock of the pandemic are fostering economic growth in China. While all the governments across the whole world fight the pandemic and its devastating effects on the economies, China looks like to be the only large economy in the world that will end the year with a positive economic growth.

We believe that global problems can only be solved with genuine cooperation efforts of all countries and any meaningful reform of the world trading system cannot succeed without the US and China's and all countries' meaningful presence. Dialogue, communication channels, and multilateral platforms are key factors for the smooth functioning of the global economy. If the West and China could further cooperate bilaterally and multilaterally towards winning scenarios, this would positively impact and bolster global economy, peace, and prosperity.”

This report was prepared in cooperation with Prof. Bahri Yılmaz and reflects the opinions of the speakers.

Prof. Dr. Bahri Yılmaz:
Emeritus Faculty Member,
Sabancı University

Professor Yılmaz indicated the key facts about the Chinese economy. "The first fact is an undeniable fact that China is a rising economic power of the 21st century and an emerging global player. China is an economic miracle, but not an economic mystery. Today, China was one of the three largest global economies including the United States and the European Union, the World's larger exporter and the third larger importer, the largest manufacturing sector in the world. Since 1978, the country has transformed from one of the poorest low-income countries to one of the leading world economies. The Chinese economy accounts for around one-third of the global growth. Over 80 million people have been carried over the poverty line and many in China has reached upper-middle-class status. Per capita income was in 1976 just \$276 and today it is approximately \$10.260. In July 2020, Chinese foreign exchange reserves accounted for 3 trillion 15 billion US dollars which are the highest foreign exchange reserves of any other nation."

Friedolin Strack - Head of
Department, International
Markets, BDI

Mr. Strack started his speech by highlighting that "TÜSİAD is a full member of our European umbrella Association BusinessEurope and we are closely cooperating with TÜSİAD in BusinessEurope and we are proud to have TÜSİAD in the group of European industry associations."

"BDI published a paper on China in January two years ago. It's about the partnership issue with China. China is an economic partner, one of the most important markets for our industries, one of the most important economic players in the world market but, on the other hand, China at the same time is considered, by this BDI paper, European politics, and the position paper we jointly issued in BusinessEurope as a systemic competitor." Further, he explained that decoupling from China would not produce any solutions. What we need is dialogue, partnership, and joint solutions with China.

He concluded by expressing his personal feelings on the dialogue between Europeans and Chinese: "We have a lack of real dialogue with China. We do have these dialogues, but the dialogue we see, if we analyze, it consists mostly of the

Chinese presenting their position and the Europeans presenting their position. We have the same in the so-called dialogue between the US and China and there's no real movement towards each other, there's no real understanding for the positioning of each other and this lack of real dialogue is something that drives many old China hands when they compare it to a couple of years ago."

Session 1: Geopolitical Relations with China: Is China a Systemic Competitor?

Moderator: Friedolin Strack - Head of
Department, International Markets, BDI

- Mehmet Ögütçü, Chairman of The Bosphorus Energy Club, Chairman of London Energy Club, CEO of Global Resources Partnership
- Maaïke Okano-Heijmans, Senior Research Fellow, Clingendael
- Dr. Jasper Wieck, Deputy Director-General for East Asia, Southeast Asia, and Pacific, German Federal Foreign Office

High Tech and China Standards 2035 Plan

The COVID-19 pandemic produced a trade and technology conflict with China which shows how important digitalization is. The digital fields need special attention since the digital Silk Road that was launched in 2015, marked a shift in the overseas focusing on Chinese companies, so the initiative went from transport infrastructure and trade networks towards expediting the global expansion of Chinese companies in the high-tech field. Today, with the China Standards 2035 plan which is a blueprint to craft domestic international standards, the second phase is nearby. The 2035 plan will eventually internationalize China to build domestic strength.

China is naturally a systemic rival since it is a country where technological breakthroughs are taking place in the areas of artificial intelligence, space technology, renewable energy, climate change, agricultural revolution, and so forth. China is one of the leading powers of today and by 2049 with the government's intention to steer the economy in a certain direction, it is expected to become the world leader.

Big Data Conflict between China and the US

The technology conflict between China and the US is heavily impacting the world. The issues of 'big data' and 5G network equipment are important concerns for the world. There is a trend in some international companies to pull main data and R&D activities either out of China or into China to make their business in China more independent from the business of the rest of the world. How could this problem be described with its connections with Silk Road and the digital aspects connected to it?

The EU is concerned about investments in the area of technology and is looking for diversified solutions. The world is a place where IT is no longer just one sector of the economy, it's ingrained in every part of the economy. The EU has time to have more space to operate in the grey zones rather than to be forced either by China or the United States to pick sides.

Systemic Challenges with China

Throughout the relationships between Europe and China, there has been a strong systemic difference and what these countries having is not new. What has changed is that the share of China in

the world GDP has gone up from roughly 4% in the 1990s to 20%. Thus, this is a huge growth in the economy-wise and consequently, also in the political wise and that is where the challenge lies.

China is a 'normative challenge' that one should distinguish between political philosophy and economic systems to understand China. China's society and economy differ from the Western world.

Asymmetric competition in trade and investment is present in relations between China and Europe. The main systemic difference is the linkage of state and business in the Chinese system.

The Belt and Road Initiative (BRI) has a huge magnitude that China was unable to sustain and manage the project in an effective way. China should understand that their achievement is not the priority, but to what extent their desires, ambitions, and design respond to the needs of other nations that are involved in the BRI. There is a lot of disillusionment in the BRI countries including Turkey. Thus, BRI is a learning process for China and other nations as well.

To Address Challenges

Possible three tracks to address systemic competition in particular in the field of trade and investments

are **dialogue, enhancement of power resilience, and diversity**. Dialogue, negotiations, and reciprocity tactically are extremely important. The second track is concentrating on investment screening in Germany, the 5G toolbox, and the asymmetric advantages of China. The third track indicates the need for diversity in the field of trade and investment relations. For instance, Indo-Pacific guidelines are already implemented by the German government.

Moreover, the Chinese market is important in particular for major German companies however, overall, the role of China should not be underestimated or overestimated.

Finally, Turkey has always been an economic partner for Europe and China. From a geopolitical perspective, Turkey has an essential position between the EU and China. Strategically, Turkey should not be left alone and neglected, it is well positioned to be a real bridge that can work with the US, China and the EU in harmony.

Conclusion

China is a natural leader with its large population, huge economy and technological breakthroughs and has found a strong place in the world arena, which makes it a systemic competitor. The EU can play a moderating role in

dialogue between the US and China. The panel's last remarks were about multilateralism, indicating that the US and China should engage positively.

Session 2: Economic Relations with China: Is China an Economic Partner?

Moderator: Prof. Dr. Bahri Yılmaz - Emeritus Faculty Member, Sabancı University

- Maria Linder, Policy Coordinator, Trade Strategy, DG Trade, EU Commission

- Noyan Rona, Coordinator of TÜSİAD Shanghai Network; Chief Representative of Garanti BBVA Shanghai Representative Office

- Patricia Solaro, Executive Member of the Board, ZVEI - German Electrical and Electronic Manufacturers Association; Chairwoman of BDI Working Group Foreign Trade and Investment Policy

Trade and Investment Relations of the EU and Germany with China

As there have been significant changes in the whole international context in which EU policy operates, particularly in the last few years, trade policy in the discussions

on security and geopolitics has been intertwined. The international arena has seen a lot of tensions between major economies, the rise of unilateralism, and economic nationalism with the fact that the term 'geo-economics' come into the arena.

The trade relationship between the EU and China is one of the most complex ones due to its many different layers rather than the size. The asymmetry has increasingly caused concern in Europe and mostly in the European trade policies. Over the years, there have been promises from the Chinese side to reform the market and move towards a market-oriented direction, however, as the promises are not fulfilled, the European business has started to use the word 'promise fatigue'.

Although China joined the World Trade Organization (WTO) in 2001 and agreed to reform and liberalize its economy, some trade disputes on 'level playing field' still remain. Thus, the EU negotiates with China bilaterally, while working with the US and Japan trilaterally to form new rules in the future. However, China's interventionist industrial policies might create distortions on the European market so, there is a need for more tools to rebalance the situation.

The security dimension includes a screening mechanism of the EU on

foreign direct investments to control investments.

German and Chinese Electrical and Electric market

The role of China in the sector of German electronics was highlighted: "Overall the German - Chinese trade volume in 2019 was 219 billion euro and that is around 40% of the overall trade volume between the EU and China. China is, for Germany the most important trade partner, not only out of the EU but in general. The exports of Germany to China in 2019 were 96 billion euro, the imports were 123 billion euro."

Following that six recommendations from the BDI paper were highlighted:

1. Broad discussion and orientation regarding the increased challenge and systemic competition,
2. Open discussion is needed since the partnership remains besides the competition,
3. EU should strengthen its industry strategy,
4. EU should be strong and united,
5. Unification with international corporations,

6. EU should strengthen its economic instruments.

China is indeed an economic partner yet not unconditionally. The EU is eager to conduct the continuous exchange and solid relationship in high-tech areas whereas it is also in a systemic competition with China as well. Thus, to deepen the relationship between the EU and China, China needs to open its market for foreign companies.

Economic Relations of Turkey and China

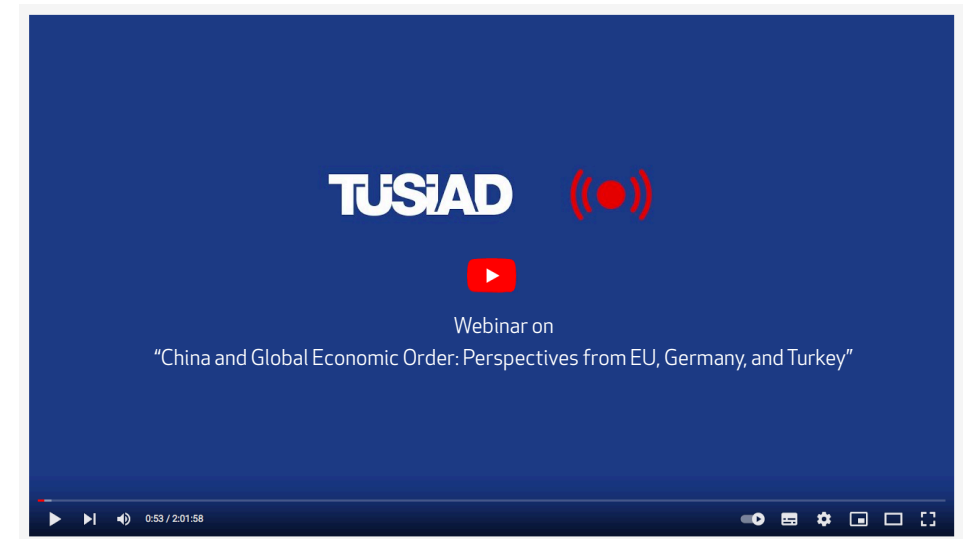
From a practitioner's point of view, economic partners should have two elements that are: equality and common purpose between partners. Turkey and China have forgotten these important aspects of the partnership. Rather than a shared purpose, both countries have been following their own purposes against one another. Secondly, the element of equality in relations is in favor of China. It was stated that "China is currently a supplier than a partner of Turkey." To become partners, two elements need to be satisfied: the first is to establish an element of equality and balance their relations, secondly, leading these countries towards the shared purpose and joint action.

To fulfill two elements of partnership, the following steps were suggested:

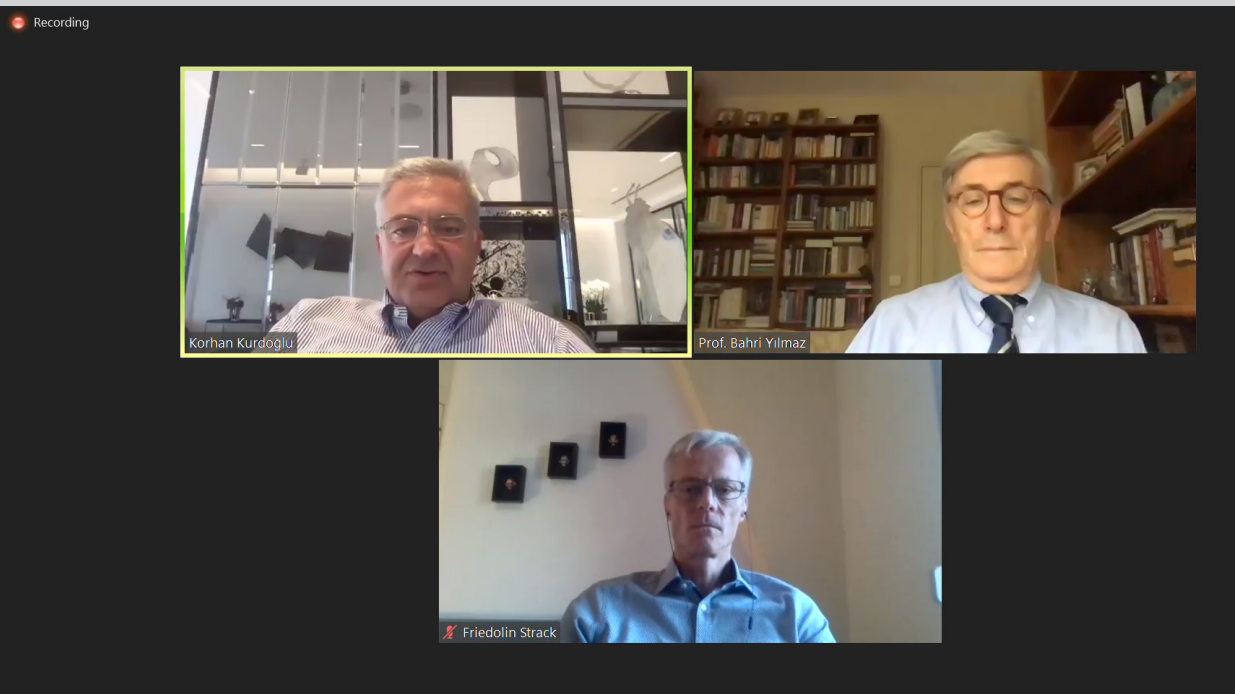
- Turkey itself produce various high-quality intermediate goods, the procurement of these goods within Turkey should be supported to reduce imports from China.
- The import from China with low-quality, low-price consumer goods should be also reduced.
- Turkey can establish sectoral structures to bring Turkish firms together and share costs, in that way we can create better economies of scale for Turkish goods in the Chinese market.
- China has a growing white color medium income consumer group. Turkey produces reasonably priced high-quality consumer goods. If these Turkish goods could be well marketed to their middle-income consumer group, Turkey can find a potential there.
- Turkey-China relations should not be reduced to two commercial relations alone, they must be addressed as a part of a wider economic partnership.
- Chinese investment in Turkey should be supported as a means of balancing the trade deficit, the investment environment should be improved accordingly, and Turkey should be promoted more actively in China as an investment destination."

Conclusion

The discussions between the EU and China to solve the problems require longstanding work. The summary statement of the discussions is 'substance is more important than speed'.



Webinar on
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Perspectives from EU, Germany, and Turkey"



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The background is a solid red color. Overlaid on this are large, faint, stylized Chinese characters in a lighter shade of red. The characters are arranged in a way that they appear to be part of a larger, abstract composition. The central text is white and stands out against the red background.

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