DECEMBER 9TH, 2021

UNDERSTANDING AND DOING BUSINESS WITH CHINA - 6

WEBINAR REPORT:

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

TÜSİAD

IN PARTNERSHIP WITH

BDI
The Voice of
German Industry

UNDERSTANDING AND DOING BUSINESS WITH CHINA - 6

THURSDAY, 9TH OF DECEMBER 2021

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

WELCOME AND OPENING REMARKS

- **Korhan KURDOĞLU,** *President of TUSIAD China Network*
- **Wolfgang NIEDERMARK,** *Member of the Executive Board, BDI*

SESSION I: CHINA IN THE GLOBAL ECONOMY – CHALLENGES AND OPPORTUNITIES

Moderation: **Friedolin STRACK,** *Head of Department, International Markets, BDI*

- **Ceren ERGENÇ,** *Associate Professor, Department of China Studies at Xi'an Jiaotong-Liverpool University in Suzhou*
- **Alicia GARCIA-HERRERO,** *Senior Fellow at Bruegel and Chief Economist for Asia Pacific at Natixis*
- **Françoise HUANG,** *Senior Economist for Asia-Pacific at Allianz SE*

SESSION II. CONNECTIVITY: BRI, GLOBAL GATEWAY AND B3W – COMPATIBLE OR COMPETITIVE?

Moderation: **Altay ATLI,** *Founding Manager of Atlı Global and Lecturer at Boğaziçi University*

- **Tolga BİLENER,** *Assistant Professor, Vice Chair of International Relations Department, Galatasaray University*
- **Angela STANZEL,** *Asia Associate, German Institute for International and Security Affairs (SWP)*
- **Romana VLAHUTIN,** *Special Envoy for Connectivity at European External Action Service (EEAS)*

CLOSING REMARKS

- **Friedolin Strack,** *Head of Department, International Markets, BDI*

END OF WEBINAR

This report was prepared in cooperation with Atlı Global consultancy and reflects the opinions of the speakers.

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

The 6th edition of TÜSİAD's annual event "Understanding and Doing Business with China" took place as a webinar due to the restrictions caused by the ongoing Covid-19 pandemic. Within this context, an online meeting titled "China and Global Economic Order: Perspectives from EU, Germany and Turkey" was held by TÜSİAD in partnership with the Federation of German Industries (BDI), where an international line-up of prominent experts from the academia and the business community shared their views on the changing dynamics of the global economic order with a focus on the role of China.

Opening Remarks

The event commenced with opening remarks by the representatives of the two co-host institutions, Korhan Kurdoğlu, President of TÜSİAD China Network, and Wolfgang Niedermark, Member of the Executive Board of BDI.

Korhan Kurdoğlu, President of TÜSİAD China Network

• China has been a focus country for TÜSİAD for more than fifteen years. TÜSİAD coordinates its China-related work through its China Network and Shanghai Network, with the aim of contributing to the strengthening of economic relations between Turkey and China.

• China is transforming at an unprecedented pace in all spheres of the economy and social life, at the same time as the global economy goes through challenging times.

• The comprehensive and ambitious development agenda implemented by the Chinese government through the 14th Five Year Development Plan evolves around the "dual circulation" strategy which focuses on the growth of domestic consumption and improvements in technological innovation in order to establish self-sufficiency for China in key areas of the economy. All the possible impacts of these policies need to be closely followed by the international business community.

• At the same time, we all observe the tensions in global trade. We are in favour of open and liberal markets, promoting competition instead of a destructive trade war between the leading players of the global economy, because the current tension has the potential of resulting in a slowdown in every part of the world. Despite the ongoing decoupling rhetoric, we believe that convergence and cooperation are needed.

• Maintaining cooperation and a positive agenda between the European Union (EU) and China with regard to the areas of mutual interest and global challenges that we are facing such as decarbonisation and climate change, setting international standards on sustainable development, reforming the World Trade Organization (WTO) and the fight against the Covid-19 pandemic is of crucial importance.

Wolfgang Niedermark, Member of the Executive Board at BDI

• The world is going through a new phase where it faces serious developments and tensions. In order to be able to deal with them, companies need to accept that they are a part of this game and politicized by these developments. Some people might still be thinking that companies must only be concerned about their own business, but this has never really been true and today more than ever political questions have to be on the agenda in reference to the strategic considerations of companies.

• It is totally clear that we as European businesses want to remain in business with China. Nobody wants to step out of it or drive decoupling to a stage where growth in our business relations with China is no more possible. But of course, at the same time, we face serious competition.

• We observe a dramatic increase in EU's investments in infrastructure and other connectivity related measures around the globe, mainly in our own neighbourhood and also in Turkey, amounting up to 300 million euros. It is important for us Turkish, European and German business communities to discuss what can be achieved within this framework. This is, in a way, also a part of competition with China.

• With China we have competition in third markets as well, and there are also instances of confrontation that are going on. However, we need to discuss all these elements and find more reason to cooperate, especially with regards to the big challenges that we are facing such as the climate change and health policies. What we are striving for is responsible coexistence with China and others.

Session 1: China in the Global Economy - Challenges and Opportunities

The first session of the webinar focused on China's position in the global economy, with the challenges and opportunities it brings about with respect to other actors. The session was moderated by Friedolin Strack, Head of the International Markets Department at BDI, with the following participants sharing their thought on the issue: Ceren Ergenç, Associate Professor at the Department of China Studies, Xi'an Jiaotong-Liverpool University in Suzhou; Alicia Garcia-Herrero, Senior Fellow at Bruegel and Chief Economist for the Asia-Pacific at Natixis; and Françoise Huang, Senior Economist for the Asia-Pacific at Allianz SE.

Ceren Ergenç, Associate Professor of China Studies at Xi'an Jiaotong-Liverpool University

"How did trade and investment relations develop between Turkey and China over the past years?"

• Since the late 1990s, Turkey prioritised its economic relations with China and improved political relations instead of openly supporting the Uyghur cause. Over this period, Turkish-Chinese relations can be chronologically divided into three phases, and in each of these phases a certain kind of economic activity has been the dominant pattern shaping the relations.

• In the first phase, from the 1980s to the early 2000s the focus of the relationship was on bilateral trade which was marked by an increasing deficit for Turkey.

• Starting with the 2000s, in the second phase, Turkey's focus began to shift to investment relations with China. Turkey was aware of the growing importance of China as an investment destination, but lacked the resources to claim a share in investments especially in the highly competitive east coast of China. The Turkish state was also not prepared to support the companies like the German state did in earlier decades as China began to open up for investment. In the meantime, while Turkish investments in China failed to take-off, Chinese investment in Turkey began to increase, particularly in the energy and transportation sectors. However, these investments did not prove to be profitable in the long term. For instance, Chinese investments in the Turkish energy industry were mostly in outdated technologies which China itself had committed to phase out on her own soil. In the transportation sector, there were some investments in railroads, but these were not directly connected to the Belt and Road Initiative (BRI) and Turkey was excluded from major BRI routes and projects. While for the last ten years Chinese renewable energy investments in Egypt and the Gulf region have turned these countries into hubs from China's green belt in the Eastern Mediterranean and the Middle East, Turkey remained behind. Recently there have been some Chinese investment in renewable energy in Turkey, but these came a decade later compared with neighbouring countries and similarly the only China owned port in Turkey, Kumport, is not as efficient as it is supposed to be due to logistical issues between the two countries as well as between Turkey and other parties who want to use the port. The Middle Corridor aims to turn Turkey into a logistics and transportation hub between Asia and Europe, but this project started before the BRI and it took a long time to be completed due to political and financial reasons. Turkey intended to have the corridor incorporated into the BRI, but that has not happened yet either. In short, the second phase of Turkey's economic relations with China is marked by a focus on investments, which mostly remained at the stage of intention and not coming into fruition, although attempts to engage with Chinese investments are still going on.

• In the third phase, Turkish-Chinese relations are getting financialised meaning there is an increase in the financial lendings from Chinese banks to Turkey. Most of these lendings are deposited into the sovereign fund of Turkey which is under the control of the presidential bureaucracy, meaning that they are not for specific developmental purposes such as financing bilateral projects, but mainly intended to provide support Turkey's ailing economy through export credits and refinancing loans. This kind of a financial relationship creates a financial dependency without long term returns for Turkey.

"In Western capitals the Chinese system is criticized due to the excessive influence of the party and the state on business, while at the same time in many other countries the Chinese system is regarded as an attractive model because it can perform well and even outpace the free market economies of democratic countries. How is the Chinese system perceived in Turkey?"

• Turkey's presidential bureaucracy is referring to the "Chinese model" as a quick fix out of the current currency crisis, but what they refer to is the China of the 1980s.

• The idea behind the suggestion for Turkey to emulate the Chinese model is to benefit from foreign direct investment into labour-intensive low-technology industries, making use of Turkey's proximity to developed markets such as Europe. Business elites in Turkey have even suggested that Turkey could be an alternative to China as a production hub, but again, what they refer to is the early stages of the reform era in China.

• The current Chinese model is one where the state is leading heavy macro-industrial planning, steering the emerging industries such as AI, oriented on the manufacturing industry and trade. Turkey does not have the intention or the capacity for that matter to emulate this current model.

• Concurrent with the debate on the Chinese model, there is also the reheating of the debate on the Middle Corridor in Turkey and the Organization of the Turkic States, which seem all to be a part of a strategy to pull the transportation routes down from the Northern Corridor and revitalise the Middle Corridor for manufacturing and trade purposes.

• Turkey has had multiple initiatives such as the shift of axis, the so-called Asian turn, application for a full membership to the Shanghai Corporation Organization or more recently a new policy for Asia by the foreign department. These have been on and off for the last twenty years, but they remain foreign policy initiatives in terms of engagement with regional organizations and regional actors rather than a state-led industrial policy.

Alicia Garcia-Herrero, Senior Fellow at Bruegel and Chief Economist for the Asia-Pacific at Natixis

"Is there a danger that the Chinese economy could run into a middle-income trap? Is the Chinese economy running out of steam or is it going to able to continue to grow at the level of six percent?"

• It makes sense to compare China with

countries that have actually bypassed the middle-income trap, such as South Korea. After reaching a per capita GDP level of ten thousand dollars, South Korean economy continued to grow at an average of 5.5 percent for the next ten years. Nobody expects China to continue grow at six percent, not even the Politburo of the Chinese Communist Party which had foreseen a growth rate of 5-5.5 percent for 2022.

• China cannot and also should not grow at six percent, that would be outpacing even the most successful case of a country surpassing the middle-income trap which is South Korea. We need to lower our expectations, which is not bad for China and not bad for the rest of the world either, because excessively rapid growth would only increase the humongous imbalances that China is already facing today, for instance in the real estate sector.

• China won't grow at 5.5 percent as South Korea did either, and this is related to the law of gravity. This is not about the size of the economy. India has a similar size, yet it has the potential to grow at 5.5 percent, simply because it is at a different level of development where there is a much higher population growth, urbanization is at its starting point or at least not as advanced as China, while at the same time what China is facing is not only a much more elderly population and depopulation, but also and most importantly a fast-decreasing labour productivity. Total factor productivity in China is stagnant notwithstanding the massive push for R&D, and this is not because China is not innovative, rather it is very hard for a country of the size of China with such an unequal and diversified landscape to be able to grow only out of innovation, while all the other factors such as labour productivity, fixed asset investment, return on assets, and population growth are in decline.

• By 2030, China will be growing by 2.4 percent. By then China will be the largest economy in the world, and the more China opens up to the world, not only trade-wise but also financially, the more flows and funding opportunities there may be from China into Turkey.

• China is also living with a much more assertive and hostile environment than South Korea did live with during the ten years after it had reached a per capita GDP level of ten thousand dollars. So, with respect to the external environment, China is facing a harder situation. All of these factors considered, China will not be able to escape the middle-income trap by the year 2030.

"The decoupling trends driven by the rivalry between China and the United States, pushed by both sides and also by Europe to some extent, is considered a basic political risk for companies. What is the business impact of decoupling?"

• When we think about decoupling, we think about politicians pushing for it, and companies trying to avoid it. However, some companies simply realize that we've come to a point where bifurcation might be a better option for them.

• It is not clear whether companies will necessarily continue to support open markets. There are two reasons for this. The first one is about third markets. Companies may come to the realization that they are losing more in their other markets than what they are gaining in China due to requirements for operating in China such as forced technology transfer and data sharing requirements. They might end up thinking it is better to compete with all their instruments in third markets rather than losing them. Secondly, companies might fear of having to comply with different criteria, for example in terms of technology used, in China and in their own market, which would make it too expensive for them to operate in both ecosystems. Sanctions can further complicate the situation.

• What the future will bring is selectively coupling, in other words there will be instances in which companies may accommodate decoupling because it pays off in a way, or the cost of decoupling will be so huge that companies will decide still to go ahead no matter the difficulties that are politically driven. There won't be a single action for every company whatsoever.

Françoise Huang, Senior Economist for the Asia-Pacific at Allianz SE

"Considering its growth performance in 2020 and 2021 in terms of overall development, how do you see the shape of the Chinese economy at the moment? Can China definitely be considered as one of the winners in the fight against the Covid-19 pandemic?"

• A year ago, we were expecting China to catch up with the United States in terms of GDP by the year 2030. Nobody is a winner in the global pandemic, but we could say that China has been a relative winner. Today, this conclusion still holds although there are increasing uncertainties.

• China has been going through an economic slowdown since the middle of this year and there are increasing concerns especially in terms of regulations and their impact on the real estate sector. Uncertainties are increasing but, first we need to understand how this economic slowdown came about.

• China's current economic slowdown is partly self-inflicted, and policy driven. 2020 has been a relatively good year and economic recovery was faster than most other large economies in the world. On this strong basis, Chinese policy makers decided to turn more towards long-term targets and less to short-term support, after the fast recovery in 2020 which was engineered through swift policy support with fiscal easing that supported infrastructure spending and with monetary easing that supported mainly the real estate sector. Going into 2021, Chinese authorities turned their attention to long-term vulnerabilities such as the huge amount of debts and the consequent financial risks. That has implied micro prudential rules and inside regulation with one of the major implications being the concerns on the liquidity issues and the slowdown observed in the real estate sector. Apart from the pandemic itself, these downside risks were more difficult to estimate.

• China has put in place strict policy support and strong state guarantees for companies as a response to the crisis led on by the Covid-19 pandemic. This has also been the case in many other countries, but the consequence for China has been an increase in the debt to GDP ratio for the overall economy increased by almost 30 percent over Europe, bringing China's total debt burden to nearly 300 percent of the GDP.

• As state support and state guarantees are gradually being removed, we do expect insolvencies to creep up and increase again in the coming year or two. All economies in the world will have to deal with the post-Covid-19 legacies and China has already started doing so as of this year meaning there will be some short-term impact on the economy. But the bigger picture suggests that what is being done today is laying down a healthier basis for overall long-term growth. The path in the short to medium term can be a bit more uncertain because authorities and regulators are making efforts to remove some of the financial risks which can create some volatility and in the short to medium term, but this is done for the longer-term purpose of a better and more sustainable long-term growth path for China.

"Under the conditions of decoupling, what kind of diversification strategies are the companies likely to adopt? Are we going to see partial decoupling of business within the value chains of individual companies?"

• There is still very strong appetite for doing business in or with China, many companies still see the benefits from doing business with such a big and growing market. This is something that is unlikely to change in the medium term.

• The need for diversification stems not only from political risks. Surveys carried out by chambers of commerce in China among foreign companies show that intentions for new investments are not as strong as they used to be in early 2010s, and this relates to the economic rationale. As China moves to lower levels of economic growth in the long term, costs are increasing, whether these are labour costs or environmental costs, and these conditions that already existed before the pandemic and geopolitical tensions are making some companies in certain sectors move away from China to destinations with lower costs.

• Changes in the regulatory environment are another factor that has an impact on businesses. The current regulatory crackdown is not a sign that China is becoming anti-business or anti-foreigner, it is more related to the long-term objective of structural adjustment. Foreign businesses going to China will have to be aware of this regulatory environment.

• The relationship between China and the United States is the elephant in the room that needs to be watched. The two economies are still coupled enough that any harsher actions such as tariff hikes or stricter regulations could truly make life difficult for businesses on both sides.

Session 2: Connectivity: BRI, Global Gateway and B3W - Compatible or Competitive?

In the second session of the webinar, participants discussed various intercontinental connectivity initiatives that have lately emerged as alternatives to China's Belt and Road Initiative (BRI) and questioned whether new projects such as the Global Gateway and Built Back Better World (B3W) can complement the BRI in global efforts to respond to the worsening world-wide infrastructure gap. The session was moderated by Altay Atlı, Founding Manager of Atlı Global consultancy and Lecturer at Boğaziçi University, with the following speakers: Tolga Bilener, Assistant Professor and Vice Chair of International Relations Department at Galatasaray University; Angela Stanzel, Asia Associate at the German Institute for International and Security Affairs (SWP); and Romana Vlahutin, Special Envoy for connectivity at European External Action Service (EEAS).

Tolga Bilener, Assistant Professor, Vice Chair of International Relations Department at Galatasaray University

"Turkey has always considered itself as a 'bridge' between the East and the West. How do you think does the BRI contribute to this position of Turkey? Does it help to the turn the rhetoric into concrete outcomes?"

• Turkey would like to benefit economically and diplomatically by connecting the West and the East, and actually this has been the function of Asia Minor throughout history. Since the first day of the BRI, when it was proposed by China in 2013, Turkey has expressed interest in the project, which offers an opportunity to support connectivity between countries, regions, and markets, while at the same time mobilizing new resources.

• BRI is not only an economic or commercial project; in fact, it has many aspects including geopolitical ones and the Chinese officials have expressed several times that Turkey may play a crucial role in connecting the European markets to China.

• Turkey and China have signed a memorandum of understanding in 2015 to align the Middle Corridor with the BRI, linking Europe and China via Turkey through the trans-Caspian transport route in order to boost trade and economic relations between partner nations. Turkey's Middle Corridor and China's BRI are two ground schemes that aim transcontinental integration, and the former is essentially based on the idea of establishing a region-wide railroad network with the most notable part being for now the 840-kilometre-long Baku-Tbilisi-Kars railroad completed in 2017. Thanks to the newly opened lines within this framework, the transit time between China and Turkey is now 12 days, and there is a huge potential as there are approximately 10 trains operating every day between Europe and China. This is how the BRI contributes to Turkey's position as a 'bridge'. Turkish authorities remind regularly that a link between the BRI and the Middle Corridor is shorter and less costly than any alternative involving the north or south corridors.

• Turkey welcomes the BRI discourse; it expects to become one of the fundamental links in the global supply chains, and therefore seeks more Chinese investments in the Turkish transportation, energy and mining industries. Currently, there are already a number of projects in progress such as those related to subway lines, seaports, and pipelines; and lately Chinese financial investments supporting particularly energy and mining projects are also on the rise. Turkey also hopes to see an inflow of Chinese assets.

• Trends in international politics are having an impact on the relations between Turkey and China, and this is the case especially with respect to the ongoing great power competition between the United States and China, with the United States stepping up pressure on all countries to pick their sides concerning their relations with China. The 2030 plan of NATO, a military alliance which Turkey belongs to, is quite clear about China being officially defined as a serious challenge. The EU has also declared China as a systemic rival. It is necessary to navigate between competing strategic positions.

• Another important factor affecting the relations is the negative perception of China in Turkey, related to a number of sensitive issues including the Uyghur question.

"How does the BRI contribute to Turkey's integration with its region, especially with the Eastern Mediterranean? Could it be a game changer in this respect?"

• In the Eastern Mediterranean, there is an old game with new players such as China. Since the 18th century more or less the same players had made efforts to increase their influence over the region by using military, political and economic tools. China is a newcomer, becoming progressively active by developing its relations with the countries of the region through port projects such as the one in Israel, railway projects, and by establishing political contacts.

• In the Eastern Mediterranean, seaport capacities are expanded, new ports are being built, and all of these will have an impact on the regions' global trade flows for the decades to come. China is already playing an important role in the trans-Mediterranean maritime commercial routes and the Chinese government would like to make the BRI a dominant organizing principle in the international relations of the Eastern Mediterranean region.

• Turkey is also willing to play a role in creating an arc of commercial connectivity from North Africa to the wider Black Sea region.

• China's economic relations are developing with Saudi Arabia while at the same time extensive economic ties with the Saudis don't stop China from investing also in Iran. As one of the few countries capable of talking all of the players in the region at the same time, China is improving relations with the countries of the region without hesitating to take clear-cut political positions about ongoing conflicts when necessary, as was observed in the case of Chinese vetoes of resolutions related to the Syrian conflict at the United Nations Security Council. When the Syrian war comes to an end, China can be expected to play a leading role in the country's reconstruction.

• China's emphasis on the Eastern Mediterranean is increasing at a time when Turkey wishes to become a regional hub as well an essential link that connects the East and the West and also the North to the South. In this sense, the BRI may become one of the tools that can facilitate Turkey's connections with the region.

• The Eastern Mediterranean region is beset with conflicts and instabilities that can potentially hinder economic and commercial integration. Therefore, the political implications of China's involvement in the region should not be underestimated as well. In this respect, whether China's Middle East policy will be compatible with Turkey's national interests remains to be seen.

Angela Stanzel, Asia Associate at the German Institute for International and Security Affairs (SWP)

"Do you think initiatives like Global Gateway and B3W can provide credible and sustainable alternatives for the BRI, especially in the global south? What are the opportunities and challenges in this respect?"

• Both Global Gateway and B3W can be credible and sustainable alternatives for the BRI. From a European perspective, Global Gateway has set out very clear objectives such as investing intelligently in infrastructure, creating connections rather than dependencies, promoting sustainability, investing in green projects and in areas such as public health, digitalization, transportation, education and research. The EU deserves such an initiative because it does justice to the role of the EU in the world.

• Global Gateway and B3W can open up alternative perspectives for third countries, especially for those in the Global South, through cooperation for the development of sustainable infrastructure. Issues that some of the recipient countries of the BRI including those in Europe have come to deal with, such as the so-called debt trap and environmental issues will not be the case when working with the EU due to the high standards that are implemented. Several countries turn to China in order to secure easier access to short term funding, however the high standards offered by Global Gateway and B3W will be more attractive for them.

• There are three challenges that the Global Gateway will be facing. First of all, the European Commission has announced the initiative, but it is now in particular up to the member states to deliver and to decide how it is going to be implemented and how it is going to be financed. It should not be a scheme where member states simply rebrand existing funds and allocate them to the Global Gateway. There is also a danger that for a long time nothing concrete will happen as had been the case with the connectivity strategy to Asia which was announced in 2018. Secondly, one should not fixate on providing an alternative for the BRI, as the European commitment to connectivity is much older than the BRI. Global Gateway and B3W should stand on their own because the problems they aim to solve through connectivity and sustainable infrastructure are not identical to the problems that China is addressing through the BRI. Thirdly, Global Gateway needs to be coordinated in the right manner, primarily within the EU among the member states, then also with the international partners of the EU. There also needs to be coordination between Global Gateway and B3W so that projects make sense, they are not duplicated and not appear as competing initiatives.

"In what ways do you think BRI projects on one hand and alternatives like Global Gateway and B3W on the other can complement each other? Is this possible in a world of trade wars and escalating great power competition?"

• There is a match between what China offers and other countries demand because there is such a significant need for infrastructure development in so many regions in the world, and China's efforts help to meet this demand for infrastructure. But the real question is whether Europe can cooperate with China and merge their initiatives to some degree. The fact is that the EU has already tried this in the form of the EU-China Connectivity Platform for sharing experiences on infrastructure projects, however it has not resulted in any joint ventures so far. The reason is that Europe's and China's views on standards are simply too far apart from each other. European norms guide the EU's infrastructure investment and there is a huge gap with the Chinese norms especially when it comes to labour or environmental standards where the two sides' standpoints are almost the opposite of each other.

• Connectivity is also about geopolitical competition and whether one likes it or not, strategic investment and infrastructure connectivity have become increasingly competitive and geopolitical, particularly so when they relate to military structures.

• For China, BRI is definitely a geopolitical tool as well. China is taking advantage of the economic dependencies created by BRI, and Chinese efforts to lure European governments with Chinese investments serve not least the goal to divide the EU, not only economically but also politically. By investing billions in the infrastructures of European countries, China is trying to bind them closely to itself and to create a China-friendly Europe. For instance, the so-called 16+1 format is used by China as an instrument to exert influence on the involved countries via the prospects of infrastructure investment, so infrastructure has become profoundly strategic in nature.

• Global Gateway is also a response to the geopolitical aspects of connectivity, and together with the EU's Indo-Pacific strategy as well as the member states' own individual strategies it forms an overall response to the question of how to deal with China not only as a partner, but also as a systemic rival.

Romana Vlahutin, Special Envoy for Connectivity at European External Action Service (EEAS)

"Can you compare Global Gateway and BRI in terms of scope, standards, and their contribution to sustainable development?"

• The EU has always been undertaking connectivity projects and in fact, it is the result of connectivity itself. The EU has sophisticated knowledge on how to overcome differences to create interoperabilities that are for the benefit of everyone.

• Global Gateway is addressing certain challenges that need to be dealt with, especially in the post-pandemic recovery period, with respect to the scale and speed of investments. It is in fact a historical opportunity promising the twin digital and green transitions which can push forward two generations of development and make it possible for developing countries to catch up with the developed world.

• Global Gateway is based on the two fundamental values of sustainability on one hand and level playing field on the other.

• Social sustainability is a key aspect in the sense that the projects undertaken within the framework of Global Gateway are to generate quality jobs increasing the quality of the lives of individuals. Investments need to be done by taking care of human rights, labour rights and gender equality issues.

• Fiscal sustainability is a vital issue; it has to be ensured that the life cycle of a project truly creates value in itself so that the recipient countries do not go into debts that they cannot refinance. It is not sufficient to provide these countries with new infrastructure that can help create growth, but their resilience and competitiveness should be improved as well.

• When it comes to infrastructure, various countries in the world demand the much more scaled and focused approach of the EU. The world at the moment has a massive infrastructure gap which requires around 2.2-2.5 trillion dollars to be financed. This is an amount that nobody can finance on its own, it cannot also come solely from public financing either, therefore it is crucial to attract private capital as well. Private capital can work with us, investing in infrastructure within regulatory frameworks that are known and favourable to private enterprises. Providing a level playing field for the companies to compete with each other can in turn help to attract even more private capital.

"Some European countries have received significant amounts of BRI investment; there are a number of major connectivity projects such as the Port of Piraeus and the Budapest-Belgrade railroad. Can Global Gateway attract countries that are already hosting such projects? If not, do you think this could affect EU efforts to produce viable alternatives to the BRI?"

• There is an incredible gap between the facts and the perceptions when it comes to the BRI. Within the same cycle of the BRI that has coincided with one cycle for the EU initiatives, the BRI has invested around 370 billion euros through loans while the EU institutions and member states have provided around 350 billion euros in grants. The quality of grant money in attracting and guaranteeing additional investments is simply much greater than the quality of loans, and moreover these loans through the BRI sometimes came with all kinds of collaterals that also included national sovereignty issues referring to pieces of land or some sort of raw materials. In terms of FDI, the gap between the BRI and European initiatives is even larger.

• The problem with the EU is that it is doing millions of things under millions of names without putting them under one single umbrella brand and ensuring visibility, and therefore the real scale and the real scope of what the EU is doing is not seen. In contrast, China has been doing this with the BRI quite intelligently, and this brand has become recognizable.

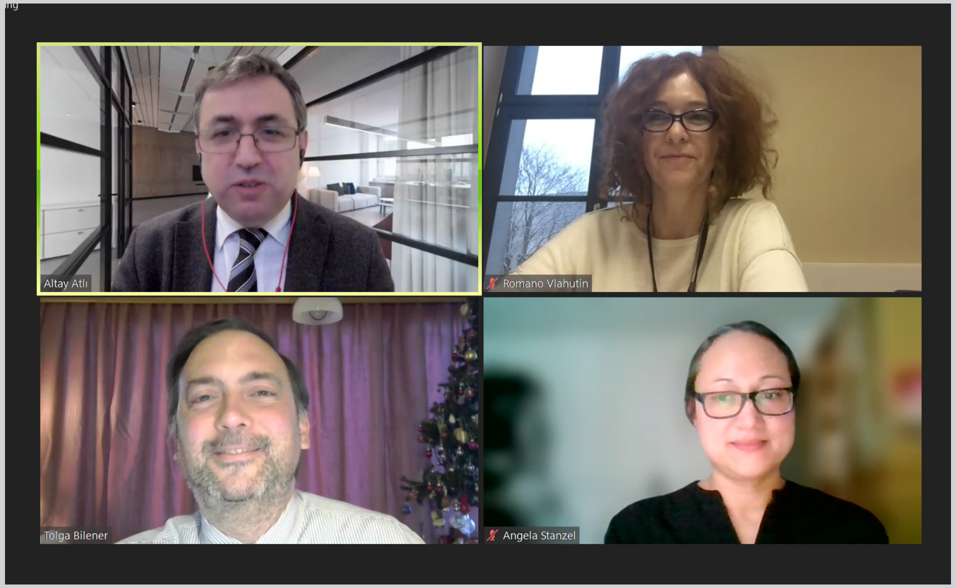
• With respect to the 16+1 countries, what they are getting through European regional funds and what might have come through some of the infrastructure projects from the Chinese side cannot be compared because the difference is simply too big. There was a very interesting political ambition on the Chinese side when creating the 16+1, but there has been a lot of understanding of the real possibilities as well, and many of the member states that are part of the 16+1 have actually also been staunch supporters of what the EU is doing under the Global Gateway.

• Global Gateway has the full endorsement for all European member states as it is considered a strategic tool that the EU needs and wants to have. It is about the way the trade routes and value chains are created, therefore having repercussions for the resilience and competitiveness of Europe. There is a full understanding among member states of the EU that they need to pull their strengths, forces and financing together and undertake the initiative in a more focused and strategic way.

• The body of European norms and standards is so massive and there is a general agreement in the world that Europe is a global leader in regulatory issues, norms and standards, being the first in the world to champion green transition and digital investments through a human-centric approach. Countries receiving the investments appreciate the fact that by implementing European norms and standards they themselves become more competitive.

Understanding and Doing Business with China - 6th edition
Webinar on “China and Global Economic Order: Perspectives from EU, Germany and Turkey”

Wolfgang Niedermark Korhan Kurdoğlu



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