

PREFACE

Tax Inspectors Board (Hesap Uzmanları Kurulu), which was established on 29 May 1945 and unfortunately abolished in 2011 with a statutory decree, still continues its exist with its members, values and principles.

Notable personages are commemorated with their birth dates. We, members of Tax Inspectors community, will continue to commemorate the birth date of Tax Inspectors Board as we always done.

At the end of each May Tax Inspectors Foundation organize panels in memory of Tax Inspectors Board and discuss important subjects. We try to draw attention to important economic issues in these panels.

We discussed a very important issue in 73rd establishment anniversary of Tax Inspectors Board in detail: “China’s One Belt, One Road Initiative.” We put China’s gigantic new initiative on the table.

China started to carry out a mega-project covering 65 countries with a budget size of 20 trillion dollars under the leadership of Xi XingPing in 2013. As we think the project is closely related to Turkey, we chose this important subject as this year’s topic.

Deputy Prime Minister Mehmet Şimsek made the opening speech. Umut Ergünsü, a young researcher who has been studying in China for many years and completed his PhD at the University of Beijing; board member of The Bosphorus Club and former diplomat Mehmet Ögütçü; retired ambassador and former coordinator of project on behalf of Turkey Koray Targay and chief executive of ICBC Bank Turkey Gao Xiangyang were panelists. The panel was directed by Seriy Sezer, who spent long time studying on China.

This book contains discussions about the subject and draws attention to its importance.

Wishing to be helpful to those interested.

Istanbul, May 26, 2018

Ahmet Eren

President of the Tax Inspectors Foundation

**“CHINA’S BELT AND ROAD INITIATIVE AND IT’S POSSIBLE EFFECTS ON
TURKEY” PANEL**

HESAP UZMANLARI FOUNDATION

May 26, 2018

ISTANBUL

PRESENTER: Dear Deputy Prime Minister, dear deputies, esteemed colleagues, distinguished guests and valuable representatives of our press; welcome to our “China’s Belt and Road Initiative and Its Possible Effects on Turkey” themed panel hosted by Board of Directors of the Tax Auditors Foundation.

Tax Auditors community, which I have always been honoured to be a member, has always tried to achieve the best. This precious community has trained many high-ranking bureaucrats who directed the fiscal and economic policies of our country. In the meantime, our distinguished community has carried out numerous projects for Turkish economy; published journals and books, and organised conferences and panels. In this panel, China’s Belt and Road Initiative and Its Possible Effects on Turkey will be discussed by benefiting precious knowledge and experiences of our distinguished panellists.

We hope our panel will be useful for our esteemed guests and policy makers. Thank you for participating.

We would also like to express our gratitude to the Prime Minister Mr. Binali YILDIRIM, Minister of Agriculture Professor Dr. Veysel Eroğlu, Undersecretary of Treasury Mr. Osman Çelik and other distinguished invitees who have regretfully informed that they will not be able to participate our panel.

Now, with your permission, I would like to present Mr. Ahmet Eren, the President of the Tax Auditors Foundation, to the podium to make the opening speech. Please welcome Mr. EREN.



AHMET EREN (President of the Tax Auditors Foundation): Dear Deputy Prime Minister, our valuable guests, distinguished panellists, very valuable representatives of business and non-governmental organizations, pre-eminent members of the Tax Auditors community, I greet you all on behalf of myself and Board of Directors of the Tax Auditors Foundation. You are all welcome!

Mr. Deputy Prime Minister has given honour.

Yesterday we were together for an iftar dinner with him. Mr. Deputy Prime Minister made a very convincing speech about recent economic developments in Turkey. I paid close attention to his speech and convinced that future of Turkish economy is not as bad as it looks. I would like to thank him for encouraging me to look to the future of Turkish economy with confidence.

Today we have “China’s Belt and Road Initiative and Its Possible Effects on Turkey” themed panel organised by Tax Auditors Foundation.

Our foundation has always successfully carried out its duty to help to its members.

Tax Auditors Board, which was established on 29 May 1945, was unfortunately abolished in accordance with a decree issued in 2011. It is still not clear why our board, which was source of pride for our country, was abolished.

Our best hope is, restructuring of public administration will be taken into consideration after 24 June elections, and Tax Auditors Board will continue its duties under new structures.

As Tax Auditors Foundation, we organize panels at the end of each May, which is establishment anniversary of the Tax Auditors Board, and publish the results of these panels. In our previous panels famous Russian economist Andrey Illarionov, American economist and scaremonger Nouriel Rubini, and the former Italian Prime Minister Mario Monti were some of our guests.

Chief Executive Officers of Turkey’s major conglomerates attended our last panel, which was organised last year. We also have very valuable and experienced panellists today. I would like to thank each of them in advance for participating our panel.

In this panel we are going to discuss a very important issue in detail: “China’s One Belt, One Road Initiative.”

How did China come to its current position? As an economics and social sciences graduate I remember the rallying cry of Karl Marx: “Workers of the world, unite!” But when we come to the beginning of the 21st century we saw that the slogan started to change to “Workers of the world, unite in China!”. And I am the one who experienced it as a business man. Power plants that my company imported from China showed us that all workers united in China. These imported plants are produced in China with a patent granted from Siemens. This is just an example that I personally experienced. Many examples can be added to this. If we take a look at Turkey’s textile and other significant imports we see that most of them are already coming from China.

It seems that China has gone a step further, and this production giant is trying to create new logistics and marketing centres for its products. China is truly a giant, number one country in exports and number two in imports. It has a great power with its 1, 5 billion population and \$12 trillion dollar GDP. It is said that this super power has finally started an investment that will reach \$ 22 trillion at the end. Let me give a stunning example that China has started this initiative also in Turkey. China purchased Ambarlı Port from FIBA Holding last year. Ambarlı Port investment is a striking example that belt and road initiative has already arrived to Turkey.

Similar to this, China has investments in Greece and other countries, especially in Africa. As a businessman and an international investor, in every single African country that I want to invest I see our Chinese friends have come there before. Therefore, we have to give great importance to this subject. That’s why we should put this issue on the table. Today our valuable panellists will enlighten us with their deep knowledge.

Without taking long time I would like to thank you again for participating our panel. You are all welcome.

PRESENTER: We would like to thank Mr. Eren for the opening speech.

Now, I would like to present Mr. Talip Murat Kolbaşı, the Chairman Representing Turkey to the Turkey-China Business Council, to the podium to make his speech. Please welcome Mr. Kolbaşı.



TALİP MURAT KOLBAŞI¹ (Chairman Representing Turkey to the Turkey-China Business Council): Dear Deputy Prime Minister, deputies, valuable members of the protocol, the president and the esteemed members of the foundation and those who love China, you are all welcome!

I'm going to try to explain the story I have about China without much ado.

I say “Ni Hao Huan Ying” to our Chinese friends. You are welcome!

Some of you don't know me, but you're mainly familiar with my home appliances brand. My reason for being here started with my first trip to China in 1992. After that I have had a life by spending at least 60 days a year in China. Fortunately I had full support of my wife and my children. My greatest regret in my life is not learning Chinese. I put in some effort to learn but I couldn't be successful. But at least I can communicate with them in a few words. Foreign Economic Relations Board of Turkey (DEIK) is the first non-governmental organisation that established the China desk. I am the fifth Chairman Representing Turkey to the Turkey-China Business Council from the date of its establishment and I have been in charge for 3 years.

If we come to talk about China alongside my story, China is so big, it is so large. China is such a big country that it is very difficult to explain it in details. But I want to start with the famous saying of famous philosopher, commander, military wise, and strategist Sun Tzu: “winning without conflict”. This is the most important advice given to his followers in his famous book “The Art of War”. China has always been a country that has applied this strategy strictly in every period of history. And China is also following this strategy nowadays.

¹ Murat Kolbaşı has been the General Manager and the chairman of the board of directors of Arzum Electrical Appliances Inc. since 2008. He is the member of the board of directors of Foreign Economic Relations Board, the coordinator chairman of Asia Pacific Business Council and the chairman of Turkish-China Business Council. He is an active member in Foreign Economic Relations Board Turkish-Hong Kong and Turkish-Australia Business Councils. He is also the member of Istanbul Chamber of Commerce Assembly, Turkish Industry and Business Association, Independent Industrialists' and Businessmen's Association, the board of Turkish Coffee Culture and Research Association, the supreme board of young entrepreneurs in TOBB, Endeavor Supporting Active Entrepreneurs Association Advisory Committee, the board of ZUCDER, the board of Financial Literacy Association, the founder member of TAIDER.

And when we look deep into it, China is now a country that has put forward its “Road and Belt Initiative” as Mr. Eren mentioned before. While Mr. Deputy Prime Minister and all audiences are here, I would like to mention about relationship between China and Turkey: an Asia-Pacific relationship. This is an important issue, because in DEİK (Foreign Ekonomik Relations Board), we divide the world into 6 divisions. At the same time I am the head of the Asia Pacific Region Desk, consisting of 17 countries and 2 regions. When we look at the economic relations with these 19 country and regions, we see that 2/3 of our current account deficit by the year end of 2017 is caused by these countries. And, China alone accounted for a quarter of the current account deficit in 2017. Therefore, our total export volume to this region should be our export target, because if we increase exports to this region, we can close one third of our current account deficit.

Sometimes we get angry with Chinese officials because of having visa and other problems. China is our biggest import partner while we are their 17th export partner. While 136 country having current account deficits, China has almost 400 billion USD current account surplus each year. Therefore, their imports and exports are in a balance!

When I was talking about China a little while ago I said it is the country of “most”. When we look at China, it is the most populous, and the third largest country in the world. 67 countries can fit in the area where China is located.

If we take into account the countries with population of less than 40 million, China is a country up to the total population of 177.5 countries. And, the population will continue to grow rapidly as they allowed 2 children since 01.01.2016. By 2050, it is probable that they could lose their leadership to India. But if they continue to implement 2 children policy, they will continue to be the number one.

China has prevented the increase of a population of approximately 400 million with its one-child policy since the 1970s. By keeping population growth under control, China has increased its income per capita. In some regions like Shanghai and Hong Kong the GDP per capita climbed to 40 thousand, 45 thousand or even 50 thousand dollars.

China has another important strategy: preventing unemployment. China makes effort to create jobs for a minimum of 10 million young people in 34 provinces every year to keep the unemployment rate below 5%.

When we are talking about China's economic strategies, it is worth mentioning the strategy of “Made in China 2025”. With this strategy, China wants to increase its domestic content of core materials to 70-75 percent by 2025. In addition to this, China tries to raise its brand recognition and increase productivity. In order to achieve these goals, government investments are directed to infrastructure.

The Chinese Communist Party is trying to make China a global leader in the world in 2049 and taking steps in commerce and other areas. Today we are talking about an American brand in electric cars, but now China has its own brand selling more electric cars than its American peer.

China is also building rail systems as well. They recently completed construction of railway connecting Hong Kong to the mainland. Besides, they fly their “Comac” branded single-aisled, narrow-bodied planes within Chinese territory. Perhaps it will be possible to see this “Comac” planes in Turkey next year after our third airport is opened.

Well, logistics and transportation is the main topic for China. But before that I want to touch on something else: tourism. This is important because China has declared 2018 as its “Turkey Tourism Year”. Both our Consulate General and our newly appointed Ambassador to

Beijing give great importance to this issue. Important activities are being made there. I and Mr. Minister Numan Kurtulmuş were there last month.

When we look at China, almost 120 million Chinese tourists travel around the world. In 2018, around 400 thousand Chinese tourists are expected to arrive Turkey. In previous years, this number has decreased to 300 thousand, but 400 thousand tourists are expected this year. But at the same time China declared Hainan Island as a tourism resort and new free zone. Hainan Island is going to be very famous before 2025.

In addition to all these, China is also a country that is able to develop its own companies such as “Baidu” against “Google”, “Didi” against “Uber” and “WeChat” against “WhatsApp”.

After mentioning success of China, let's look at to the future. How will China expand its trade volume in the future? Is it going to be through e-commerce or through conventional trade? If you ask me it will be through e-commerce. According to Deloitte's report, e-commerce growth in China last year was 52%.

One of every 4 products sold in China is sold online. More importantly, in the event of the Bachelor's Day held on November 11 last year, 25 billion Turkish Lira turnover was made. This means 25% increase compared to 2016. Therefore, e-commerce is growing rapidly, and Chinese are quite good in cross-border trade. Representatives of “Aliexpress” were Turkey last month. Company officials take close interest in “Amazon's” penetrate to Turkish market. Therefore, they give great importance to e-commerce in Turkey.

Now, if we come back to the Road and Belt Initiative, China announced this programme in 2013. And, the most important meeting was held on 14 May 2017. The Chinese President has invited the presidents of many countries to this meeting. Mr. President and Deputy Prime Minister of Turkey attended this important meeting on behalf of our country.

So, what is the scope of this initiative? Belt and Road Initiative includes 68 countries and 2/3 of the world population and, of course, Turkey. As a result, this initiative covers 4 continents. We are already a part of historic Silk Road and this project.

So, how will such a giant project be financed? This initiative will be funded with \$ 1 trillion budget. Asian Infrastructure Investment Bank, Chine Development Bank, newly established banks and the Road and Belt Initiative Fund are among financiers. Turkey is also a part of finance by putting capital to the Asian Infrastructure Investment Bank. Turkey's financing was provided by the approval of our Mr. President.

I want to emphasize an important point about the project. China has established over 100 industrial parks in 44 different countries and regions by the end of 2017. You may ask where these parks are. 75 of them are on this Road and Belt Project. Nearly 4.000 Chinese companies are currently operating in these parks and more than 250.000 jobs have been created. As Mr. Eren emphasized before, the Belt and Road Project will connect all parties. And all the products produced in the East will be delivered to the West or to the local markets easily. China gives current account deficit to 136 countries, but gives trade surplus to our country. China is trying to close this gap, by thinking on what can be done. China is taking an important step at this point and organizing a fair in 5-10 November this year. By organizing this fair, China says “I am no longer just selling my products, but I am here to buy. I am opening the Chinese market to you, so that you can sell your products to me.” Turkey will also be represented at the fair to introduce our products in 600 square meters devoted area.

I know I'm out of time. I thank you all. I don't want to prolong too much, but China is truly a growing force. If we enter Chinese market we would have an important opportunity to

close our current deficit. Our government and our state attach great importance to this. And I don't want to finish my words without saying something about our achievements while I catch this valuable participants. I am also a Board member of the Association of Turkish Coffee. In 2013 we registered Turkish coffee to UNESCO. I request you to order Turkish coffee wherever you go all over the world. We will enter to that market and introduce our coffee to the world.

I thank you all very much.

PRESENTER: We would like to thank Mr. Kolbaşı for his opening speech. Now, I would like to invite the Deputy Prime Minister Mr. Mehmet Şimşek to the podium to make his speech. Please welcome Mr. Şimşek.



Mehmet ŞİMŞEK² (Deputy Prime Minister): Honorable attendants, valuable president of Hesap Uzmanları Foundation, ladies, gentlemen and distinguished members of the press; I greet you all with love and respect.

I am delighted to be here with you for such an important and meaningful meeting. Ibn-i Haldun describes geography as destiny, but I disagree! If you are paying attention to what is happening in Turkey nowadays or if you look at the troubles happened in our neighbours in last 5-10 years you can understand that we live in a difficult geography.

Chaos in the Middle East, of course inevitably and seriously affects Turkey. The fact that many countries in this region like Syria, Yemen, Iraq and Libya had troubles and they forgot the importance of being a state. This is a very serious threat to the countries in the region and creates significant problems. Therefore one can think that Turkey is in a difficult region. This is a temporary period and our geography is a very important value for us. Therefore, China's Belt and Road Initiative is very important.

There are very important trends in the world that have affected almost all of us in the last 15 years and will affect us in the next 50 years. One of these trends is that the center is shifting geopolitically and economically.

China has grown by an average of 10 percent in the last 40 years and performed a tremendous miracle. This trend, with the help of other developing countries, has brought a

² Mehmet Simsek was elected as the Member of Parliament for 23rd term after he has worked as head of EMEA Economic and Strategic Research Department at Merrill Lynch. He served as the Minister of State responsible for the Treasury during the 60th Turkish Government period. Then, he was appointed as the minister of finance on May 1, 2009. He was elected as the Member of Parliament in the election held on June 12, 2011. He became the minister of finance again at 61st Turkish Government. After the election held on November 1, 2015, he became the deputy prime minister at the 64th Turkish Government. Mr. Simsek is also the member of High Planning Council, High Board of Privatization, High Coordination Council of Defence Industry, Economic Coordination Council, Money Credit Coordination Board and Science and Technology High Council.

geopolitical and economic transformation with it. This is very important and today's topic is partially related to it.

Second important trend, which is closely related to the first one, is the protectionism of Western countries.

Protectionism is a major threat to global economy. In some cases trade is known to cause some regional demolitions, but the problem is not the trade itself. On the contrary, it is necessary to put into effect the policies that eliminates the damage caused by trade in that regions. We all know that trade has an important role in increasing prosperity and economic growth. Thanks to the ever-increasing trade, the world has made a great progress in the last 200 years in increasing the welfare, education and health or reducing poverty.

But today, protectionism is a trend and a tendency. Not only protectionism, but also the rise of extreme tendencies, parties, extreme right and left is a reflection of this trend. This brings a very important tendency in the world: a serious democratic recession. According to a study of "Freedom House" the number of countries with democratic recession is more than the number of countries with democratic progress in last decade. Moreover, number of countries that are in democratic decline for the last few years have doubled the number of countries that are in democratic progress. Therefore, liberal democracies unfortunately lost ground.

Another trend, of course related with other trends, is the technology. I recently saw this: a textbook called "the basics of artificial intelligence" to be taught in secondary schools in China.

There is a tremendous and regressive change, transformation and trend in technology. I define this change as tectonic.

Computers and robots are not new, I am talking something different. We are at the beginning of a different period: artificial intelligence, internet of things, learning ability of machines and algorithms. This inevitably causes some worries to some people. Although we are not going to lose our jobs to robots in the future or they won't rule the world, there are concerns and fears about consequences of technological progress. All of this seriously affects what is happening in the world at the moment. If you try to look at all the things happening in the world, in our region and in Turkey with this perspective you can see it better.

China is a very important country for Turkey. We have neglected Asia for a long time as we neglected the Middle East in the past. But now we have discovered the Middle East and we are trying to build strong, sincere and serious relations with China. We have a high-level communication mechanism with China since the end of 2015. I was co-chairman of this communication at the level of the deputy prime ministers. And, indeed we had opportunity to speak clearly about many issues that negatively affected our relations. And we recently made significant progress.

I care about it, because Belt and Road Initiative is a new opportunity for Turkey. Turkey is in the centre of the project route. This project is a very important one and it needs almost \$1 trillion investment. Such an important Project! We joined the Asia Infrastructure Investment Bank as a founding member, where funding will be partially provided. The reason why this project is important for us is it will strengthen our connection with Asia, especially with Central Asia that we have ties of affection. We should accept that infrastructure is very important.

Infrastructure is one of the most important factors determining efficiency. In order to improve trade and increase efficiency, infrastructure is of great importance. In 2049, the quality of infrastructure of Asia -especially transportation infrastructure- will probably be better than

quality of European Union. Approximately 50 thousand kilometers of highway, 40 thousand kilometers of railway and 14 large-scale logistic hubs are expected to be built in this project. This infrastructure investment is expected to require approximately \$ 1 trillion financing.

China has a system of its own and is not at a war with other countries. China is fully focused on trade. A different approach!

According to a PWC survey, GDP of China will probably be \$ 38 trillion in 2030 and \$ 58.5 trillion in 2050. Can you ignore that? Can the Turkish business world ignore that? Never!

Therefore, we attach great importance to relations with China and try to strengthen these relations. Belt and Road Project as I mentioned before is so critical. Construction of 5.500 kilometers long Edirne-Kars high-speed railway is within the scope of this project. I am talking about \$ 30 Billion worth project. We came a long way in this project and I believe that more can be done.

China is our biggest partner in imports, or more precisely the country we import; but 17th partner in exports. Of course it is very hard to change this balance in the short term. By how much we encourage private sector it's not easy to achieve this. But we have developed 3 alternative approaches.

First, let's convince Chinese entrepreneurs to make Turkey production base for their Middle East and European region. There is a progress in this subject. I believe the future is bright in this respect. Turkey will be a production and export base for China.

Second, China has a big trade surplus. This trade surplus means capital exports. Countries of Middle East earn money from oil and natural gas. But China does it by trade and producing. We are a country that gives trade deficit and we try to convince China to invest its capital surplus here in Turkey. In this context, China's and the world's largest bank, "ICBC" and Bank of China, all came to Turkey. We issued licenses to them and they began to operate here strongly.

Third, previously mentioned a little bit: Tourism. China is getting richer and middle class in China is growing rapidly. Yes, they focus on the nearest geography and take most holidays in Hong Kong and the nearby countries. But eventually there are those who visit Italy and US. If they visit those countries, they would visit Turkey too. 11 years ago, before entering politics I said: "We don't have to be afraid. We can compensate the gap by putting up our Chinese friends in Turkey." This is an important subject, we need to look at the Belt and Road Project from this point of view.

In summary, first I want to underline that: In addition to increasing the awareness of China, Indonesia is also a very important country and will play important role in the future. Therefore, we must not neglect Asia. This panel and efforts today will play a very important role in raising awareness.

Secondly, I congratulate the Tax Auditors Foundation for organising this important panel.

I greet you all with respect.

PRESENTER: We would like to thank Mr. Şimşek for his speech. Due to his busy schedule, unfortunately he will not be with us in the afternoon session.

We have a break now.

PANEL

MODERATOR : PROF. DR. SERİYE SEZEN
SPEAKERS : UMUT ERGUNSÜ
MEHMET ÖĞÜTÇÜ
GAO XIANGYANG
KORAY TARGAY



PRESENTER: Distinguished guests, I would like to invite Seriyse Sezer, Professor at Public Administration Institute for Turkey and Middle East (TODAİE) to manage our " China's Belt and Road Initiative and Its Possible Effects on Turkey " themed panel.



SERİYE SEZEN³ (Professor at TODAİE/Moderator): Dear guests, you are all welcome! I greet you with respect.

In the morning session our valuable speakers have mentioned about important issues. I think our audiences already get familiar with Belt and Road Initiative. However, I don't think it is sufficient. In this session we will examine the issue more in details. We are going to discuss the subject deeper with our four speakers. But, before we start, I like to say something quickly about China's initiative. What I am planning to say is overlapping with what the Mr. Deputy Prime Minister said.

Belt and Road Project, the term "Initiative" is more preferred nowadays, is an important and new phase of the reforms introduced 40 years ago by the People's Republic of China. This is not the final phase, but an important and a new phase. I see the roots of this phase in the early 2000s. Mr. Öğütçü will give further information about the older history.

What happened in the 2000s? China set two new policies. First: "Go Global". Purpose of this policy was to direct Chinese capital and Chinese companies to invest and buy abroad. Serious policies were implemented for this purpose.

Majority of our guests today are from the business world. Therefore, we will spend more time on trade, import and export aspects of the issue today. However, the policy of "Go Global" has a scientific dimension. China has set a substantial goal for this purpose: Having 1000 internationally recognized academicians and 100 worldwide competitive universities.

The second important policy of 2000s was the announcement of a new model called "scientific development" or "scientific approach to development". I believe understanding this new development policy is crucial to comprehend today's China. For this reason I want to tell something about that. What was this policy? "Scientific Development" policy aimed fundamental increase in the quality and productivity of Chinese manpower. In other words; instead of maintaining its low-tech, cheap labor and environmentally harmful production model, China aimed to establish an environmentally friend production model based on high-tech and qualified labor force. The aim was to move from labor intensive and low value-added production model to capital and technology intensive production model.

³ Professor Seriyse SEZEN is the academic member of TODAİE. She gives lectures about public administration. She also gives State, Economy and Politics in Post-Mao China lectures in METU Asia Studies Master Program. She is the member of editorial board of International Review of Administrative Science. She has published many scientific articles on Chinese and Asian Geography.

After all these developments, Belt and Road Initiative was announced by Xi Jinping in 2013.

Since then five years have passed and serious steps have been taken. At the very first, many approached this project with suspicion. Intense discussions took place in the light of questions of “What does China want to do? Is this China's Marshall Plan? Is it possible to complete such a big project?”. I will not enter into these discussions, but when the time comes, our valuable speakers will mention those questions.

Secondly, Belt and Road Initiative is a new globalization initiative. Yes, the Anglo-Saxon world take a stance of “globalization does not commit to our interests, let's give it up, we should implement more protective policies”. In response to this, China said “No! Globalization is good. Let's continue. Protectionism is not good for trade”. But this globalization is a new and different one: “globalization with Chinese characteristics.” Well, what does this new globalization mean? Our panellist will explain it in details but if I touch it briefly; it seeks to establish a system in which policies are coordinated, standards and techniques are harmonized, trade barriers are removed, financial integrity is ensured and cultural and public support is provided. I call this as “creating an integrated market”. And this integrated market will not only be limited to Belt and Road countries, but also to other countries. China also opens its doors to all countries. Mr. Kolbaşı has already touched on another important issue about Belt and Road Initiative: “First International Belt and Road Forum” took place in 2017. In addition to many head of states, representatives of organizations such as the IMF and the World Bank, which are the main institutions of the current capitalist system, and the Secretary-General of the United Nations have attended to that meeting. This forum was important in terms of demonstrating the international legitimacy and acceptance of the Belt and Road Initiative.

I said “new globalization” for the Belt and Road Initiative, but there is more than that. This is an important initiative in terms of changing global balances that will continue to change in the 21st century. Mr. Deputy Prime Minister just said “the center of the world is shifting. Shifting from West to East.” This shift is not only limited to the economic change, there is also a change of power. A new order, of course, it will not take place in a short time, it will take a long time. However, with this initiative, the People's Republic of China protests the Western-oriented international order with a moderate language. China says, “We need a new international order.”

What kind of international order does China demand? First of all, China wishes to establish an international order in which every country benefits. In this international order win-win principle will be valid. Secondly, no country will attempt to give advice to another by saying “You must do it!”. Every country will respect to the culture, boundaries, territorial integrity, fundamental concerns and interests of others. In other words, China promises a world order based on more equal relations and the coexistence principles (which is one of the basic principles of the Bandung Conference) and it also seeks to build the scientific knowledge. In other words, the discipline of international relations should be re-established and China refers to its own historical background and traditions for the reconstruction of this discipline. And it responds to the questions of “Will China be a new superpower” or “Will it be a new colonial power?” by saying “I will not be a sovereign power, I will treat everyone like my own equality.

In order to emphasize the importance of a Belt and Road initiative, I would like to present these two points to your attention in the context of current developments.

Now we will discuss the details of the subject with our four valuable speakers, some of whom came from abroad for this meeting.

I would like to invite them here. Mr. Mehmet Ögütçü, who came from London for this panel. Please, welcome sir!

Mr. Umut Ergunsü came from Beijing for this meeting, please, welcome sir!

Although joining our panel from Istanbul he is the General Manager of ICBC Bank Turkey. Mr. Gao Xiangyang, please, welcome sir!

And our last speaker is retired ambassador Mr. Koray Targay, who joined us from Ankara. Please, welcome sir!

Now, I want to explain to you very briefly the panel program.

In fact, we had a time of 1.5 hours. But, we started 5-10 minutes late. I think we can extend it a little bit. We will use all this 1.5 hour time.

In the first session I will give each of our four speakers 20 minutes time. After the speeches, we will have a separate section for questions and answers. We will not make the Q&A session in the form of individual questions and answers. First we'll collect the questions, and then I will give speakers time to answer.

When the time comes I would remind you, but I would like to request our guests to introduce themselves before asking their questions and indicate which speaker they would like to direct the question.

Our first speaker is Mr Mehmet Ögütçü. Mr. Ögütçü is one of the first names that come to mind when Asia, China energy policies and geopolitics are mentioned. He is a very experienced specialist with his duties extending from diplomacy to management in international organizations. But I also want to emphasize the importance of Mr. Ögütçü for this meeting. He warned us in his books, articles and other publications by saying “something important is happening in China. We must examine it!”. When he warned us in his books, Turkey had not yet fully understood the importance of China.

Mr. Ögütçü will tell us about Belt and Road Initiative by making a historical tour. After that he will share his valuable opinions with us about Western world's perspective on this project and Turkey.

Please welcome sir! Have your say!



MEHMET ÖĞÜTÇÜ⁴ (Chairman of The Bosphorus Energy Club): Thank you!

⁴ Mehmet Ögütçü is currently CEO of Global Resources Partnership, leads The London Energy Club and The Bosphorus Energy Club. He also sits on the boards of several international groups as independent non-executive director. Previously he served as the prime minister's advisor, diplomat in Beijing, Brussels and Paris, IEA and OECD principal administrator, and BG Group director. He was also a board member at Genel Energy, Invensys,

First of all, let me congratulate the Foundation and its board members for this timely meeting on a critical subject that is dear to almost all business and government leaders given that China is re-emerging as the new economic powerhouse in the changing world order still in the making

After the dissolution of the Tax Auditors Board, we have not heard much about it, but I am delighted to see that it is still up and running now as the Hesap Uzmanları Foundation.

The interventions before me were impressive, underlying the importance of the subject at hand and I would therefore only give a snapshot of what I consider to be complementary and avoid repetition.

My first encounter with China was in March 1989 (just a few weeks before the Tiananmen incidents that had shaken the country) when I arrived in Beijing as a young diplomat. Before that, I knew Edgar Snow's famous book "Red Star over China" and Napoleon's catch phrase "Let China sleep, for when she wakes she will shake the world". Before I went to China, the image in my mind was: barefooted doctors, friendly peasant socialism, Bruce Lee, Mao Zedong and similar images.

And of course the Great Wall of China that was built as a defence-line against our forefathers. While serving in Beijing, every Turkish delegation coming there would ask Chinese, "Why did Chinese build this Wall?", with a smile on the face suggesting they knew the answer. But, when the Chinese answered this question by saying, "well, to defend ourselves and get rid of the plunder of the barbarians at our gates", the members of our delegation would be visibly upset and disappointed.

The Chinese image in our mind was quite standard at that time. However, if you ask young people what they think of China today, it is completely different. The globally known Chinese brands have started to shine. Nowadays everybody knows "Alibaba", "Haier" washing machines, "ChitaMobile" and "Huawei". Also, President Xi Jinping is one of the most popular and appreciated leaders in the world.. The wife of Xi Jinping is known to be extremely sympathetic. She is constantly in the public eye - not so much different than the Royal Family in the UK.

MODERATOR: Where do you think China going towards?

MEHMET ÖĞÜTÇÜ: I think the evidence is very clear that for decades, it was the business community that always provided support for relations when we had bad times as well as good times, but today, the business community is divided because so many are unhappy with the terms that are available to them in China. However, the business community is also very frustrated with their governments' combativeness vis-a-vis China.

The "Red Capitalist" China has transformed itself into the most vigorous advocate of the globalisation favouring more free market, free trade and free capital approach while the US, the EU and Japan are now increasingly in the anti-globalization league, in support of control of capital flows and trade, the elimination of tax havens, and the restriction of freedom of movement.

America's traditional leadership of the global economy since Bretton Woods is no longer taken for granted. Donald Trump has made it clear that his country's role will be based on the principle of "America First" rather than being the world leader.

History has shown us that when the leader of the global order bites back and become isolationist, the stability starts to be replaced by volatility, instability, uncertainty and chaos. You may remember that the Great Depression had deepened and lasted long because of the reluctance of the United States to take responsibility for stabilizing the international economic system.

Trump's intention to break free trade treaties with the North America and the Asia Pacific and to trigger a trade war with China will undoubtedly bring some political upheaval with it. The Trump administration, which sees Russia as its secondary rival, and puts China at the foremost target, is preparing to introduce a new series of measures to put China in trouble in global economic and financial markets.

These steps are of course not limited to economic measures. Significant measures such as claims of sovereignty in South China Sea, relations with Taiwan, China-Japan tension, “Malacca Dilemma”, boosting India as a counter power and using ASEAN as a shield can be brought to the agenda.

All these developments can bring several questions to the mind. Will China be the leader of global economy if the US gives up? Will Beijing, as signalled by Xi Jinping at the last Davos summit, become the global trade leader? What would be the geopolitical and energy implications of this in Eurasia, Middle East and Africa? In terms of military power, can China challenge the United States? How does strategic partnership with Russia change the emerging balances?

MODERATOR: How does these changes concern us?

MEHMET ÖĞÜTÇÜ: Well, everything that you are unable to understand fully and control frighten us. So does China.

Mr. Kolbaşı told us about the Chinese general and strategist Sun Tzu. His strategies keep inspire us since 500 BC. There are very few nations that can overcome the Chinese in strategic games.

And the artists, the fine arts, the new technology firms that Chinese purchased from the US and Europe. The old-time “Mao” suited the Chinese image has gone. Therefore, the new generation began to see China in a different light than what we saw in the past decades.

We used to see China as a country that produces cheap and low quality goods by using cheap inputs. Even this is almost a thing of the past. Today, we see a country that spends almost 3% of its gross national product on Research and Development and technology investment - a ratio that is much higher than the OECD average.

Chinese companies are already good at technology, security systems and human genetics. Murat Kolbaşı already mentioned that they are very good in producing high tech electric cars. Chinese brands have become the world’s leading electric car manufacturer. In the near future, we will see that the revolution that reduces costs in renewable energy, wind, solar and electric vehicles will all come from China.

But, let’s never forget that the development level of China demonstrates that there is not only one China. There are several Chinas within China. You cannot compare Guangzhou, Fujian Province or Hainan Island with Sichuan or Tibet. Each of them are completely different from each other in terms of income level, technology, climate, developmental stage, and culture. There is a marked difference between the dialect spoken in Shanghai and the dialect spoken in Beijing or Guangzhou.

When we used to work in China, we had long talks with academia, governments, and companies on how we could establish credible presence in China and what the main stakeholders should be doing in this regard. I had produced a strategy report for TUSIAD containing a series of tangible recommendations. When we come to today, I communicate the same message to my friends involved in China for business or government affairs; though the faces and numbers have changed since then, the “dossier” more or less remains the same. We are still working on the same “dossier” as far as the Turco-Chinese relations are concerned.

As Minister Mehmet Şimşek told us a few minutes ago, we cannot deny that much have been done on our China relationship. We should be grateful to those who worked to progress the relations. Nevertheless, most of what have been promised remain on paper and as rhetoric. Please bear in mind China is a country, which requires a very enduring work. It is a work in progress all the time. It is not a temporary “dossier”.

You should not consider China only with its contemporary times. I will take you some time back in history. You know that at the time of the Sun dynasty, the world population was 310 million with China’s around 100 million. When we come to the mid-1000’s years, China’s military power was composed of 1,2 million people. Note that today the Chinese military spent \$120 billion for its expenditures. And China brought the printing house 400 years ago. It was always ahead of others in paper and iron casting.

In other words, China’s technological accumulation and human capital is not only an issue of today. China was a formidable superpower then. So, China today is not a rising power or becoming a superpower. China was already so until the beginning of 19th century. We did a project on China’s historical growth at OECD, written by Maddison Angus. Now, China is re-emerging and passing to a new evolution with a change in the center of gravity; we need to see this fact.

In any area you might think of, all the world records are held by the Chinese. Not only the world population. Have you ever thought about the fact that one in every five on our planet is Chinese - a total of 1.4 billion people out of 7 billion.

They are the world’s number one in the construction industry and we are the second.

In the carbon dioxide emission, which causes the climate change, they again hold the number one title in the world.

They are at the second place in the ranking of energy-economics of the world. If the current trends continue, their oil import will be approximately 13 million barrels a day by 2035. That is even more than the present production of Saudi Arabia. Think about the possible turmoil it will cause in the region and world energy markets if there is any serious disruption.

At the same time, they are working to build the navy fleet called “Deep Sea Blue Navy” that could sail around the world and be a rival against the US Navy, which is considered as a serious threat by China in the Pacific ocean. They have now two aircraft carrier while the Americans have 17 with a global outreach.

However, China makes impressive achievements without much fanfare; they follow a humble approach to calm down their neighbours and the world at large. For instance, when I define China as “the new super economic power” in our meetings in China, they warn me saying “please do not overstate us, we have millions of people living under poverty line, we have still a long road ahead of us before becoming a superpower”.

Indeed, they have a long-term, patient strategic approach for 2049 (the centenary of its founding) called “peaceful rise” on the grounds of good relations with neighbours and protecting the stability especially the social stability at home as much as possible.

Xi Jinping, a very charismatic leader, was raised within the communist party and advanced gradually through critical posts (rather than jumping the ladders quickly). He had suffered alongside his father at inhuman labour camps. At state level, he was a provincial governor at Fujian, then became the vice-president and finally the president - from the grassroots to the top. He recently abolished the term limit for the presidency and is viewed as a beloved leader in China and well-respected statesman abroad. He is seen as a true blessing for the Chinese people.

The Belt and Road Initiative (BRI) that we are going to discuss in a little while is a part of his comprehensive vision for China’s future.

2-3 months ago, I was visiting the Fujian Province on business. They told me that Xi Jinping served there as a mayor and party commissioner for 17 years. You should have seen what he did to that city, how he had transformed it. Still, he is doing this city big favours as I understand. Also I was surprised to learn that a substantial portion of the Chinese private capital is concentrated at this province and met the wealthiest Chinese man (after the owner of the Ali Baba, of course).

Now, without getting into the debates like “based on purchasing power parity which country has the bigger economy today in the world: US or China?” or similar discussions, we should realise that China will catch up and surpass the US in a very near future. Even before 2045 - unless certain “destabilising” measures of the US against China succeed or an inside instability or ethnic separation breaks out - China will be a reality to reckon with - more powerful than today.

Actually, when you include Hong Kong and Taiwan where China is very dominant, China (or the Greater China) is already the world largest economic power. And when you add Thailand, Malaysia, and Indonesia where the ethnic Chinese people form the upper class to the equation, China has already arisen to be the sovereign economic power of its region and the world.

I would like to emphasize another point: the new approaches and values developed by Xi Jinping becoming more prominent and there is a significant shift in the world financial order as well. My friends working on investment banking in London or New York are currently looking for new jobs; some are shifting to restaurant business while some others are getting into home decoration profession because the finance capital is no longer in the West. Most of it is parked either in Singapore, Japan, China and Korea due to the excess of export, or in the Gulf region thanks to their oil and gas revenues.

When you list the largest 10 banks of the world, the first four of them are the Chinese banks. ICBC, is the number one bank of the world; manages 3.6 trillion dollar worth of assets. Then “Bank of China” and others come. In other words, China has become the world’s main source of financing. On the other hand, it is not easy to bring that financing from China; just by opening a branch here or “let me fly to Beijing and bring some cash from China by asking friends over there.” That is not the case anymore. Because, Chinese are now lending money just like Westerners do, after serious risk analyses. In that sense, pushing the Chinese government by saying “our trade deficit against you has reached \$25 billion, in return send us some capital to compensate, you have so much surplus” would not work out.

MODERATOR: Should we talk a bit about Belt and Road project?

The mastermind and now the most effective performer of this initiative is Xi Jinping. You know its first name was “One Belt, One Road”. It was a single belt starting from Central Asia to Caucasians, reaching to Rotterdam over Turkey. However, like an octopus, it has expanded so much in the last five years that now it covers 7 regions, as illustrated in Murat Kolbaşı’s map.

The most important of them is the corridor created with Pakistan, a \$55 billion infrastructure project. Roads and ports were built, especially the deep sea Port of Gwadar, located just outside of the Gulf, a line going all the way to the Khunjerab Gate into the Xinjiang-Uyghur Autonomous Region. With this route, they created a path bypassing the strategic, narrow Malakka Strait threatened by the US Navy’s 7th fleet.

Of course, we should keep skepticism against all of these developments; when you look with pink glasses, for sure, everything would look amazing, as they are on paper. However, China does not have such an experience; covering 85 countries, spending 700-800 billion dollars, and there are some suspects surrounding Chinese activities in the South China Sea as well as the historical conflicts at Central Asia.

And as it is said, China has not done something at this scale before. The financing budget for these projects is 16 times that of the US Marshall Aid. Therefore, there will be some delays, some of the projects will move very slowly especially in those cases where the governments are directly involved. High expectations generated to date need to be carefully managed.

One of my roles is the co-chairman on the international advisory board of this initiative where we are flooded with hundreds of projects. It is a complicated business, not an easy thing. Nevertheless, it is the world’s most significant project that is currently on the show and if well managed and streamlined, it can be a real game-changer at a time when the world desperately needs more infrastructure investment.

MODERATOR: How can Turkey benefit from this initiative?

Turkey is a critical passage and bridge-head for the BRI. Compared to the past, in the eyes of the Chinese strategists, Turkey’s importance has significantly increased. Investments in the areas of infrastructure, transportation, energy, healthcare, education, food and technology have made Turkey one of the three top destinations in the world (compared to their GDP).

Six of the world’s 10 mega-projects in the last decade was carried out or under construction by Turkey. The new airport in Istanbul, Osmangazi Bridge, Yavuz Sultan Selim Bridge, Marmaray, Avrasya Tunnel, high-speed railway lines, city hospitals, school investments and projects in energy have increased Turkey’s need for overseas financing in favourable terms. The fragility experienced over the past year= or so has not helped the Turkish economy reduce the multiple risks that worry the financiers and investors.

Moreover, the changing dynamics in the world economy, technology, security, and geopolitics force dynamic emerging economies including Turkey to re-define their positions. Nothing will be the same. China as the new economic superpower and regional sovereign has to be in the radar of Turkey in a very prominent fashion.

Beijing, with its long terms perspective, has positioned Turkey realistically in its order of priorities, and keeps developing its relations within such a strategic equation. Turkey’s gradually distancing itself from the West and getting interested in Shanghai Cooperation Organisation is seen as a plus for China, but there is not yet full trust between the two capitals.

One must also admit that Turkey has a very short/medium-sighted and pragmatist view of China. The years of deliberation on a “strategic partnership” with China (which I had flagged for the first time in late 1980s) has not reached the level that Ankara has aspired to.

In order to better understand China, figure out its social, political and economic structure, grasp the changes happening in China since 1978, immigration, aging population, internal dynamics, industrialization, modernization, and political sensitiveness it is important to broaden our lenses, access to the direct sources of strategic intelligences instead of the one-sided Western sources and engage with key Chinese stakeholders at all levels.

China is still the country that we have the most trade deficit. Direct Chinese investments in our country is a trivial percentage of its investments on a global scale. There is a growing interest in energy, port, railway, and similar infrastructure projects. Defense co-operation paused after the crises happened in the purchase of an air defense system. Chinese tourists could be a vital support to the industry in crises.

Since both countries aim at reaching the upper-league in technology, it is possible to do more in innovation and Research and Development partnerships. We have not created any serious partnership opportunity with this country in the EU, Russia, Central Asia, Middle East or Gulf regions where we both are well positioned. Doing more on this could mean a lot. Against terrorism and extremism, without compromising from the legal and human rights of law abiding Uyghurs, there is a need to develop a new cooperation and common understanding. On this issue, Turkey should build a very sincere dialogue with China in order to not add new ones to existing problems, follow a constructive approach, and be the one looking for solutions. If this issue is not managed well, then both nations run the risk of creating tension, conflict and even ruining the relations that have progressed meticulously to date between Ankara and Beijing,

In tourism, last year 270 thousand Chinese have visited Turkey, they want to increase this number to 1 million. Turkish Airlines and Chinese airliners need to add new flights to multiply the number of passengers. There is a need for a creative approach in this area.

In the defense industry, Chinese are so eager to sell Turkey some new weapon systems that NATO partners are reluctant to provide. They want to launch our satellites. There has not been yet any major capital investment from China to Turkey. Yes, there has been a port sale or some other things, but when you look at Turkey’s share in the outgoing foreign investment of China, \$160 billion per year, it is incredibly small - just peanuts.

What else can be done? Can Turkey be the manufacturing center of China, as some of you have suggested? This is actually very ironic. While China is transforming itself from cheap production to high technology generation, we are now discussing whether Turkey could be China’s new (cheap) production base just because of its geographic closeness to Europe. In the past, we were asking if we can attract the logistic investments that were enjoyed by Greece or Southern Cyprus.

Developing the trade is hard, we do not have many things to sell China and we are competitors in several key areas. Therefore, we need a more creative assessment, more technology focused projects that would work in third countries. We are also competitors in Africa and we approach differently to Central Asia.

We should follow closely and directly what direction China will move forward in the next quarter century as well as its relations with the West and Russia to diversify our mutual interest zones. One should not be at the expense of others as the Chinese themselves are doing so well.

Rather than the needless, hollow numerical targets in trade and investment, we should focus on educating more knowledgeable, Chinese speaking people who know and understand this country and its people. We should send them to live in this country and skill at building influential “guanxi”s. Political leadership at the level of Presidents Tayyip Erdoğan and Xi Jinping are of course vital in keeping the momentum of the Turkish-Chinese relations, but such engagements should be replicated at all levels including provincial and in many more areas if we want to see a true progress.

Our private sector entrepreneurs should understand that there is no choice other than permanent presence in China to do business that would serve the mutual interests. Occasional visits and opportunistic trade are not going to take us anywhere.

It is not easy to be a friend and partner with China, keeping it sustainable on the basis of trust and mutual interest and without letting only one side to benefit from it, just like it is as today. It is a case that needs to be worked patiently and continuously.

In the new world order, still in the making, Turkey should aim to be a reliable, powerful and balanced partner with the West, Russia, the remaining part of Eurasia, China and the Middle East/Gulf in order to maximise its strategic interests. A country that positions itself according to the direction of winds blowing or opportunistic acts would neither be respected internationally nor reach its national goals.

Undoubtedly, China could be a significant partner for Turkey in the upcoming new “Great Game” if we start from today to create common areas of interest, build mutual trust and take a proactive “win-win” initiative.

It is nice to have meetings on the level of the presidents; it is also good that Mehmet Şimşek visited Beijing frequently; however, these things have always occurred so far. Increasing the visit traffic should not be regarded as the measure of success as long as it does not create measurable results.

MODERATOR: What is your main message on advancing the Turkish-Chinese relations?

So much to say, but we have to be result oriented, leaving aside the empty rhetoric as the Chinese do. The gravity of the world’s power center once again is changing. In this transformation, from the Turkish point of view, China must enjoy the same importance as the US. This does not mean that China should take the place of the West.

Turkey has to follow a very smart strategy based on balanced relations with the West, cultivating realistic ties with the Central Asia and the Middle East and foster its strategic partnership with Russia. By virtue of its geography, history and multifaceted relations, Turkey cannot make a black or white separation in its dealings with the rest of the world. A Turkey, which is stable and strongly tied to the West and exercise influence in Eurasia, the Middle East and Africa, would also serve China’s goals.

I have been recommending the same prescription for years since I was posted in the Turkish Embassy in Beijing (1989-1991): Let’s create a wisemen group comprised of diplomats, businesspersons, academicians, and military officers from both Turkey and China who should get together to determine what to do in the next five years and then act as a powerful lobby to execute these goals.

My real hope is that there is a new generation coming to power in government and business in both Turkey and China. They can be real movers and shakers forcing us to change the old ”dossier” in our relationship and we can develop a new approach under the leadership of these generations to build a solid Turco-Chinese partnership into the next decades.

MODERATOR: Thanks a lot, you completed your presentation within the allowed time.

I'd like to thank Mr. Ögütçü. He drew a new horizon. He is right with his warnings but I want to express more hopeful words. Actually, a new generation that can speak the Chinese language knows China, and studies in China is coming. Of course the number is not satisfactory, we should raise the number of these people. Even more important than this is we should know what we have and how to use them in the right place and time. I am not sure what the other participants think on this point but I believe that the principal problem of Turkey is this mentioned issue.

Secondly, if China is going to be a superpower in the future, which is not a new thing, as you said, according to a study of OECD that you contributed too, it was already a superpower until the 19th century. Therefore, economic indicators are not enough by itself. What you produce, "how" rather than "how many" you produce and also how you shared this wealth are all important issues. For that reason, there are still some steps that need to be taken by China.

Now our second speaker is Umut Ergunsü, I hope that he will get his PhD in the following weeks. The subject of his thesis was; the effects of Belt and Road project to Eurasia with regard to international political economy.

He is one of our young friends that makes us hopeful about future. I always tell him "just as the meaning of your name, you give hope to me".

Now our friend Umut, will tell us about the general framework of Belt and Road project, some sides of which we mentioned before and in the second part, he will discuss its possible repercussions on Turkey.

Please, the stage is yours.



UMUT ERGUNSÜ⁵ (Peking University)

Let me begin with introducing myself, adding to Professor Seriyse Sezen's introductory remarks.

I went to China in 2007. I learned Chinese; it takes some time to learn Chinese. Then I did my Master's and Ph.D. studies in China.

⁵ Umut Ergunsü took the master's degree in 2013 from Beijing University Department of International Relations with the thesis titled as "Economic and Commercial Relations between Turkey and China after Justice and Development Party Came to Power: Achievements and Challenges" written in Chinese. He is currently writing his doctorate thesis over the Impact of Belt and Road Initiative on Eurasia in terms of International Political Economy. He is largely studying on International Political Economy, Chinese Foreign Policy, Turkey and China Relations, the Belt and Road Initiative and its impact on Eurasia internal affairs and Middle Corridor Initiative of Turkey.

I have been working on Belt and Road Initiative for 3-4 years. The reason lying behind my choice of this topic for my doctorate research is I believe that the mentioned initiative would play a great role in shaping the world. Today in my presentation, I will talk about Belt and Road's effects on Turkey. Also, as a person who lives in Beijing, China and visits the US and Europe regularly for various reasons, I will also discuss how big a change is happening China while some other countries have sluggish economies.

We can briefly state the Belt and Road Initiative as the effort of enhancing the connectivity in Eurasia especially between China to Europe with various economic corridors - land, sea and air.

I will refer to the terminology used in the agreement done between China and Turkey. In 2015, at the G20 summit, Turkey and China signed an agreement on the alignment of the Turkey's Middle Corridor Initiative and China's Belt and Road Initiative. As it is understood from the title and content of the agreement, the name of Chinese initiative is "Belt and Road Initiative", not "project". The reason why it is not a project is that it is not a single project. It is more than one road or one belt. Therefore, it is not a "project" to not narrow down its size, also not a "strategy" not to make the participant countries uncomfortable. That is why it is called as the "Belt and Road Initiative".

Why the "Belt and Road"? I can talk for hours on this issue since I wrote a Ph.D. thesis on it. However, I want to explain the reason based on my own experience. On the other hand, let me underline that the number of articles published in China on this subject is more than 1 million. This shows us that there is a huge accumulation of knowledge; there are so many different areas that need to be read and learned on the Belt and Road.

What was the contribution of China to the economic development of the world in recent years? I am putting other years' data aside, according to the latest info, in 2016; 35% of the world economic expansion is China-sourced. This is a very meaningful data, the world is growing and China alone is the driving power or the locomotive of this growth. Nevertheless, what is the share of China in the IMF or World Bank? They just adjusted it to 6% recently; before it was 4.5%. China's economic size is 15% of the world. There is an obvious disproportion here.

As numerically indicated by Professor Danny Quah, former head of Economics Department at London School of Economics, the power center of the world is shifting from West to East and we all know that. There is no need to repeat it. So, how does this shift happen and where is the economic center now? The professor took the average of economic sizes of world countries. Based on this data, in 1980 economic center of gravity of the world was on the Atlantic Ocean, in 2008 it came to Izmir. However, the reason was not Iran or Turkey, but China and then India for sure! And where will be the center in 2050; inside China!

While there is an ongoing course and the current order of the world and West cannot keep pace with this, what will we do? That is what Chinese are thinking about; how we manage this change? Are we going to challenge the current system or are we going to achieve this change with complementary institutions and initiatives led by us? This is briefly the logic of the mentioned initiative from China's perspective.

When we look at China's economic growth from 1950's to date, we see a great miracle. However, when you extend the time frame to 200 years, we see that China used to be the biggest economic power of the world, and other speakers already mentioned it. In other words, being the leading economy of the world is not something new for China and this is underlined by its leader Xi Jinping. So, it is not like "Chinese nation starting from zero and reaching to the leadership position for the first time"; but rather it is a "rejuvenation of Chinese nation".

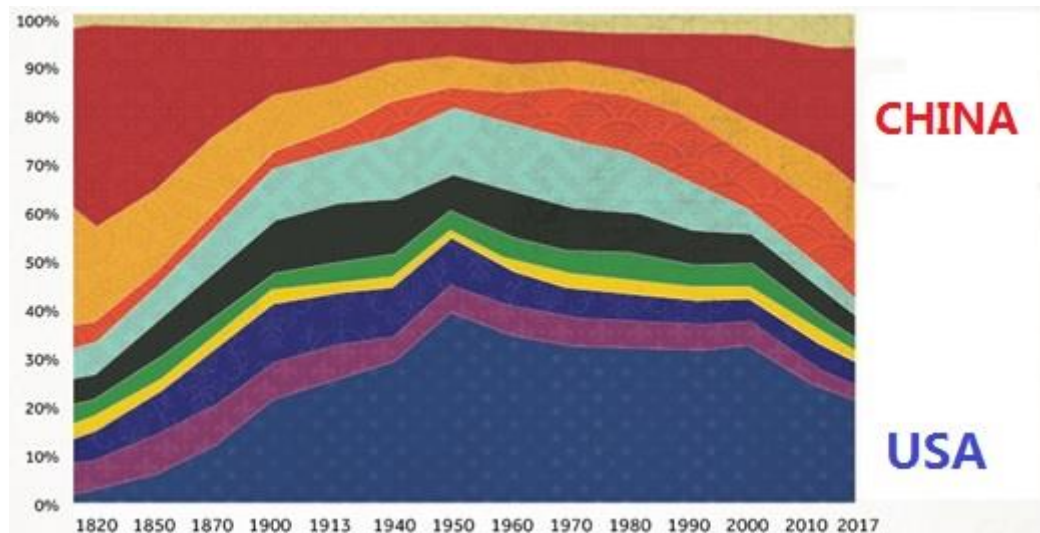


Figure 1: Economic growth change for the selected countries from 1820 to date. Source: [visualcapitalist.com](https://www.visualcapitalist.com)

Let me talk a bit about my own experience.

In 2007, when I first landed in Beijing, the subway system of Beijing was like this; there were 3.5 lines with 70 stops and 110 km route length.

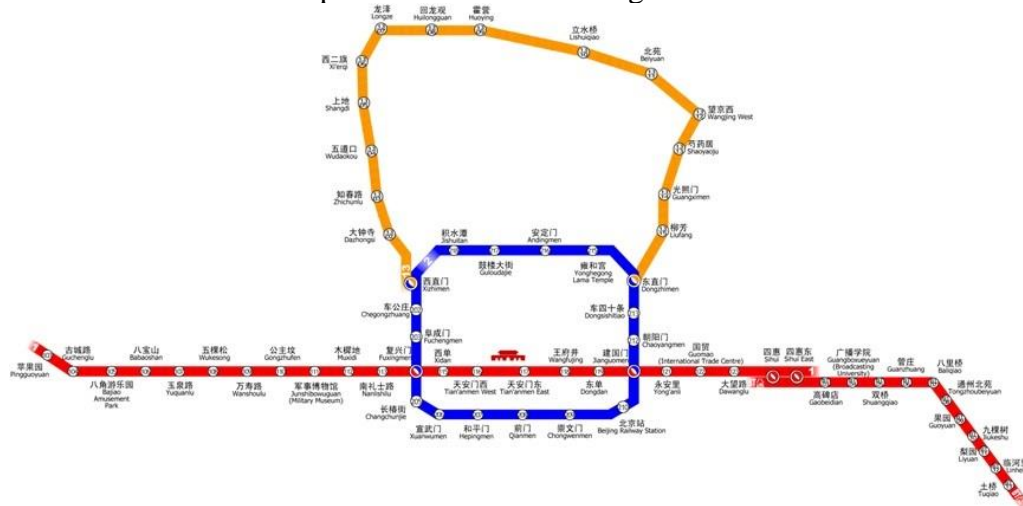


Figure 2: Beijing subway system in 2007. Source: [Beijing Metro](https://www.beijing-metro.com).

How is it today? 11 years later it is; 600 kilometers and 370 stops.

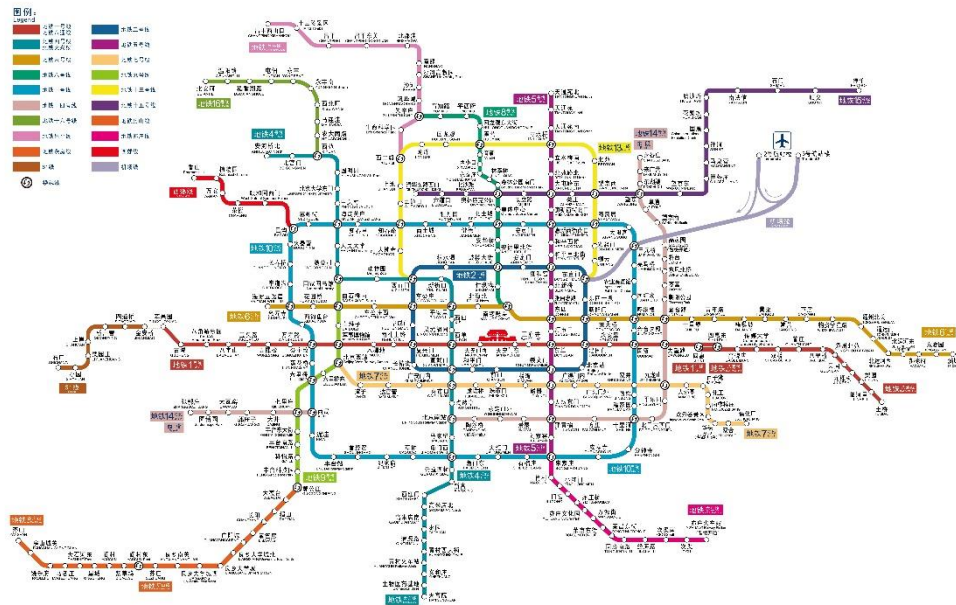


Figure 3: Beijing subway system in 2018. Source: Beijing Metro.

How will this picture be in 2020? 2020 is just 2 years away and I will not talk about plans, they are digging so many subway tunnels and they are everywhere. So, it is projected to be 1177 kilometers long and 30 lines.



Figure 4: Beijing subway system in 2020. Source: Beijing Metro.

Now, while there is such kind of dynamism on the one side of the world, there is an international order which cannot keep up with this at all. The Belt and Road Initiative appears as the initiative that could help steer the change.

What are the goals of Belt and Road Initiative? When you look at the official documents, there are 5 points, I will briefly mention some of them and then discuss the issues that are related to us in more detail.

The first one is politics; it is very difficult to build partnerships when the political ties between countries are not in good shape, which is quite understandable.

The second is infrastructure; especially the transportation infrastructure which directly appeals to us.

The third is the trade.

The fourth is financial integrity; the head of ICBC Turkey is already here.

The fifth one is people-to-people exchanges. It is not possible to develop the relations while nations do not have a positive thought about each other.

The issue that I take very crucial, but not stated in the official papers is security coordination. An economic corridor is built in Pakistan with a 62 billion dollar budget. If the security could not be provided during all the economic investment is done in this region, China wouldn't have invested there. For this reason, Pakistan provided military assurance, so soldiers are protecting those transportation investments. Since the investments in some countries in the Middle East would not be easy, the issue of security becomes prominent.

If we check the latest status, we see big numbers when we talk about China; whether it is about investments or in the size of the trade. Although there is a shift of power from West to East, we should be careful when to express this, since the US and Europe, especially the US, still retain their superiority in many areas.

At this point, we need to look at the world history. When did the US surpass the UK and became a superpower? This is so important. At the end of 1800's the US outperformed the UK as an economic power. US then became the superpower following the World War II. As we see here, there is a 50 years long interval, so we should take into consideration that some of the things will proceed slowly. The perspective of the Chinese intellectuals is like this: In the past, the world order was only determined by West, but now a new kind of cooperation will be built and there will be a mutual-work by considering the position and approach of East. Since the economy of West would also be negatively affected by an opposing or like-threatening position, they will too take the cooperation issue seriously.

We have just talked, Belt and Road is a great initiative. When you evaluate it from a macro perspective, it is a truly promising initiative. Nevertheless, there are many challenges as well to accomplish this initiative. In the Belt and Road Initiative, there are 68 countries and their religions, languages, and cultures are totally different. Therefore, some countries have historic problems with each other; some have political issues, so it would not be easy for these countries to make a partnership. And, China's adaptation of its state and bureaucracy would also take time.

We should certainly mention "the middle corridor" here because the middle corridor is the "Silk Road" initiative of our country that we want to make it a part of Belt and Road. That is why we signed an agreement with China.

A very important thing that I want to underline is the railway transportation. There is some restriction on highway transportation. When I first arrived in China in 2007, there was no high-speed train, zero. In 2008, the first route was launched; by the end of 2016 the length of high-speed train railway was 22 thousand kilometers and as of 2025 that is predicted to be 38 thousand kilometers. Putting it in this way might be more explanatory; let's add up all the high-speed railways of the world, 2/3 of them is now in China. That figure was zero in 2008.

There is a huge accumulation of technology and information. For this reason, interconnecting Eurasia with high-speed or fast trains is getting importance and China is very good at this issue.

Does anyone know what is the first place that China did its first overseas high-speed train project? It is the second part of the Istanbul-Ankara line. And now, Yerköy-Sivas line is under construction and this project is expected to finish in 2019.

Despite the problems between two countries and some other obstacles, we have already started partnerships in many areas thanks to the importance of Turkey and its location as well as the increasing importance of China.

Kumport was purchased for 960 million dollars by Chinese COSCO, and the next might be Çandarlı. The current capacity of Kumport is 2.1 Million TEU. If the Çandarlı port in Northern Aegean is built, the capacity is expected to reach 12 million TEU. The officers from the Ministry of Transportation told me that they are in touch with Chinese investors on this issue.

Energy is incredibly important. When we look at the official documents of our country, we see that most of our country's deficit is because of energy and we know that China has reached some levels at this matter. Most of the energy in China is derived from thermic and its coal quality is low too. For this reason, they are building new generation thermic power plants and they are again very developed in this thing. China has also achieved a great progress in wind and solar energies.

So, when you look at this picture, a magnificent power is standing out there. As Turkey, we have so many positive sides. What we need to do is to understand them and they should understand us too; in this way, our partnership is to be developed.

It is not easy to set the balance in trade in the short-term. Most of the investments are in the areas of infrastructure, mining, financial institutions especially two big banks, and technology.

As we said before, in order to overcome lack of communication or negative atmosphere caused by not knowing each other well, we should try to learn more about each other by increasing the communication channels such as cooperation between media outlets, student exchange or academic think-tanks dialogs. We should make this through the original sources, not the ones in English.

At this point, I should emphasize the importance of learning Chinese. There are English versions of some of the newspapers in China. However, when you compare these newspapers' Chinese and English versions, you would figure out that there are big differences. For this reason, it is not possible to reach some information and understand Chinese logic without knowing the Chinese language. Therefore, we should pay particular attention to the Chinese language education.

I'd like to thank you all for listening to me.

MODERATOR: Thank you Mr. Ergünsü.

He mentioned the points that we know less and we witnessed how the delegation was impressed by the development in the Beijing subway system. Even, some participants unintentionally felt a need of clapping.

Now, this reminded me of another character of our Chinese friends. Let me share that with you. Yes, China no longer makes socialist, central planning. However, China did not quit the tradition of planning. Plans are prepared; long, medium or short-term plans are still applied. As Turkey, we also do some plans, actually, we are the second country after the Soviet Union that makes development plans. However, their bindingness (binding ???) and meaning for us are different than what it means to today's China. Plans set concrete goals and at the end of the plan period, you know what you achieved approximately, because plans are not drafted in vein, or targets that will never be reached are set just to make some people happy. In that meaning, China's tradition of planning and the effect of plans on its transformation happened in the last 40 years is another area of research. To our young friends; Umut, especially if you do have anyone out there, I would strongly advise searching this.

Our third speaker is General Director of ICBC Bank Turkey, Mr. Gao Xiangyang. He graduated from Beijing University with an International Finance degree. So, Umut and Mr. Xiangyang are from the same school. As you know, Beijing University is the second most

respected university of China. He did his master study at the same university. He is a very loyal employee; because he kept working at ICBC since he started in 1997 and appointed as the director of ICBC Bank Turkey when the Bank entered Turkey in 2015. He is also working as the Chairman of the Board of Directors at ICBC Yatırım Menkul Değerler A.Ş.

Now, this initiative promises great things, includes many projects and infrastructure investments. However, the key issue is the source. In all of the projects, plans would mean nothing unless you have the required sources.

Mr. Xiangyang will talk about the financing side of this project and as a Chinese friend of us will tell us about China's policies regarding Turkey.



GAO XIANGYANG⁶ (ICBC Bank Turkey, General Director): Good morning dear friends, dear participants.

First of all, I am more than happy to give a speech to such a selected participant.

I'd like to thank you for this kind invitation.

I have friends in China too and as you know I have been living in Turkey for 4 years. I have been learning more on Turkey but at the same time, we have many friends coming from Turkey and have been living China for a long time.

Today, we talk about China's Belt and Road Initiative.

A few years ago, some incredibly brave people from Eurasia enforced a cultural exchange program and as a result, civilizations came together. We started to work with a motive to go through the historic Silk Road. This information harmonized us throughout the generations within the concept of mutual benefit; and we decided to set the keystones based on this prosperity and development.

We took the Silk Road to a new era and we are building this in a peaceful way. We get started it again based on development and mutual benefit. Our official relations with Turkey began in 1971 after China entered UN. Since then Turkey-China relations developed so well that we have got even closer with the help of Belt and Road. Now, we started this project 40 years ago and we reached a brand new era.

Turkey, just like us has become a strategic actor with its 80 million population. Turkey is an economically and strategically developing country.

Turkey has begun to be proactive in Black Sea, Asia, Middle East, and Africa within the context of cultural and at the same time historical relations. Turkey is one of the most prominent member countries of NATO. On the other hand, China has emerged as a major power. Not only with its wide surface area and 1.3 billion population but also with its natural

⁶ Gao Xiangyang started to work at International and Commercial Bank of China Limited in 1997. He has served as Vice President of Fuijan Branch since 2012. He was appointed as the CEO of ICBC Turkey on May 22, 2015. He is also the member of the board of director and the Vice President of Credit Committee. In addition, he was appointed as the member of board of directors of ICBC Investment and Securities Inc. on May 22, 2015. He is working as the chairman of board of directors of ICBC Investment.

resources a significant progress has been achieved in China in the fields of technology and industry. We developed new strategies on foreign policy like the Shanghai Cooperation Organization. This Belt and Road Initiative aims to connect Eastern and South Eastern Asia to Central Asia, the Middle East, Europe, and Africa.

Chinese proposal intends to enhance regional cooperation and strengthen communication between civilizations and safeguard the world peace and stability. Within this scope; railroads, ports, airports, power plants, gas pipelines, and free trade areas are planned. Projects currently under construction or recently signed cost 250 billion dollars per year and 5 trillion dollars in total.

This initiative enables to strengthen links between Turkey and Central Asia. Turkish constructing firms have already been operating in the region for decades. Turkey's logistics in this region could become better and faster. Turkey's aims to build closer ties with Central Asian states such as Kazakhstan, Kirgizstan, Turkmenistan, and Uzbekistan. Under current circumstances, an air force from Turkey needs to go through Russia or Iran to reach these Central Asia countries. Nevertheless, with this project, Turkey will be able to access those countries in a much easier way through the Caspian Sea. So, it will also help Turkey reach to the targeted regions in a much efficient way.

This initiative will provide China an easy access to the Black Sea countries. In this meaning, we will be able to develop our partnerships with a cheaper shipping through Malaka Strait, Suez Canal, Dardanelles, and Bosphorus.

The Belt and Road Summit held last May in Beijing was an important juncture for the position of Turkey. Turkey serves as a gateway to the Middle East, Central Asia, and North Africa. This also makes Turkey very important in terms of air transportation. Turkey and China have signed several agreements within this context. The building of a railway infrastructure, the use of ports and creation of highway connections are considered with the help of this initiative. Looking at the route of the initiative, it is apparent that Turkey has an unusual location in its environment. Relations between China and Turkey are getting stronger as participants from both countries show increasing interest in the new opportunities that the initiative offers.

During President Erdoğan's visit to China, leaders of both countries agreed to deepen and elevate the cooperation in the Belt and Road Initiative. This initiative will promote global economic growth. In my opinion, this initiative provides a chance for Turkey to enhance economic and social relations with China and Central Asia and to access new sources and markets.

Turkey has already become one of the most important countries of the initiative. Megaprojects like Marmaray, Eurasia Tunnel, Yavuz Sultan Selim Bridge, and the new airport in Istanbul are proof that Turkey will have a key role in the Belt and Road Initiative.

High-speed railway lines can be shown as one of the important projects on the agenda of initiative in Turkey. When the West-East line has completed the journey between China and Turkey will be easier.

ICBC is proud to be in Turkey. As you know, ICBC is one of the largest banks of China. It is a global bank with branches in 45 countries among which 29 are located in the Belt and Road countries. It was 2015 that for the first time a Chinese bank entered Turkey. Establishment of ICBC in Turkey is an outstanding example of financial cooperation between China and Turkey. It has allowed Chinese businesses to gain extensive recognition in Turkey. As ICBC Turkey, we have built our strategy to support local customers and their projects. We aim to serve as a bridge between the Mediterranean and the Black Sea as well as Asia and Europe and serve all-region with an extensive range of products. ICBC Turkey benefits from the knowledge and experience of ICBC group. We are seeking to be the catalyzer in China-Turkey economic cooperation by promoting trade and investment between two countries. We are here to support Chinese entrepreneurs for going global and implementing Belt and Road

Initiative projects in local markets. ICBC Turkey focuses on all types of financial services for our corporate and retail customers to support the Turkish economy. In our four years of presence in Turkey, we have made significant progress towards this target and enhance the already well-established ties between two countries.

As you know, 2018 was declared as the “Turkey Tourism Year” in China to increase the number of Chinese tourists visiting Turkey. In addition to that with the new airport, an increase is expected in this November.

As a result of globalization, the Chinese market will continue to be open to the world. Chinese government welcomes the government officials, professors, professional purchasers across the world to explore the Chinese markets as China continues to shift its economy to more consumption-based model, increase the openness, ease market access and protect the rights and interests of foreign investors.

Cooperation between China and Turkey will increase. Implementation of Belt and Road Initiative and Middle Corridor initiative will serve as catalyzers towards this target. Within this context we, as ICBC Turkey continue to be innovative and provide comprehensive financial support and create a win-win situation for each party. We are confident that the future is full of opportunities and many success stories for Chinese and Turkish investors.

To conclude, I want to thank you for inviting me and giving the unique opportunity to speak at such an important event and convey my views and aspirations.

I strongly believe that both countries can develop an effective cooperation. The Belt and Road Initiative will contribute significantly to both the Turkish and Chinese economies and create further prosperity for both countries.

Thank you once again.

MODERATOR: Thank you, Mr. Xiangyang.

I want to also thank you as the chairperson of the panel because he finished his speech even before his allowed time ended and for the numerical figures on the financial dimension of the initiative. I am especially stunned with the 5 trillion dollars total investment goal; 1-1,5 trillion dollars was rumored initially but as it is understood the total amount will increase eventually.

I'd like to thank you again.

Now, our last speaker is a retired ambassador Koray Targay. Mr. ambassador began his diplomacy occupation in 1973 and continued to work in the same profession until his recent retirement. The point that needs to be underlined is his service as Turkey's special convey to Belt and Road Initiative between 2015-2017. So, his experience is so important. He is competent on a process about which almost all of us know nothing. He will express the official view of Turkey and how this process works. Besides the position of Turkey against this initiative, how Turkey manages this initiative and get organized for this according to this Initiative are also truly significant points.

Sir, I am leaving the microphone to you by reminding that you have 20 minutes.



KORAY TARGAY(Ambassador)⁷: Thank you Sir. I believe that this Panel organized by the Tax Auditors Foundation is very appropriate and very timely. In this connection I would like to thank the leaders of the Foundation for giving me the opportunity to contribute to the endeavours of the Panel.

In order to use the time assigned to me as efficient as possible, I would like to touch upon the related issues directly.

There is one point on which we should be resolved at the outset: the 21st century is the Asian century. This is our starting point. Our century reflects an era in which Asia appears to be in the forefront, particularly in view of economic and commercial infrastructure advances.

Indeed, Europe as a whole, has since long completed its infrastructure network. What is currently being done in this sphere consists of renewal and modernization of the existing networks only. Europe is not in need of new mega-size, trillion-dollar infrastructure projects. Likewise, the situation in North America is similar. One can speak of certain important infrastructure requirements in Central- and South America, however, not as mega-sized and imminent as in Asia. Additionally, the United States would not be willing to give up with its monopoly in this region which it considers its backyard. Africa's turn for a comprehensive infrastructural development on the other hand, will likely come in the next century.

Therefore, it is time to focus on Asia without delay. The process was triggered with the disintegration of the Soviet Union and opening up of China to the world economy. Although the attention of the Western world towards Asia was intense, in practice it could not go further than lip-service and therefore not materialize. Talks and statements of intention were not supported with effective funds and concrete projects. First ten-to-fifteen years of the century were lost.

The President of China, Mr Xi Jinping, by introducing the “Belt and Road” initiative in September 2013, has started the infrastructural development process of Asia in real terms.

The Chinese initiative is an undertaking effectively supported with funds. It is an initiative of most comprehensive and most concrete set of integrated projects in history. According to the calculations and estimates of reliable international finance institutions, a total of US\$ 24-28 trillion infrastructure investment will be realized in Asia until 2049. First and foremost, construction of 47.100 km motorways, 36.800 km railways, 14 logistics centres, sea-ports, large scale energy transmission lines and pipe-lines is on the agenda.

⁷ Koray Targay began his career in 1973 as the Third Clerk at the Ministry of Foreign Affairs. He had worked as the consul and the ambassador in many countries. He also worked as Turkey's representative at International Civil Aviation, the General Manager of Political Affairs Department at the Ministry of Foreign, Assistant General Manager at Aviation and Economic Affairs Department, the President of Baku Office of The Organization for Security and Co-operation in Europe.

In this context, the Belt and Road Initiative by itself, is a window of opportunity for Turkey. On the other hand, every opportunity is opportune for those only, who can use it. As the Deputy-Prime Minister pointed out a while ago, we can draw benefits only, when we consciously work on it.

The Chinese Authority, basing on the concept that the Asian Development Bank's (ADB) structural share-distribution and mandate does not reflect the actual realities of the Chinese economy any more, has decided to establish a new investment bank: Asian Infrastructure Investment Bank (AIIB). The Chinese Government has allocated US\$ 100 billion initial capital to this Bank. Thanks to the timely move of our Treasury Department, Turkey has become 11th largest shareholder of the AIIB with US\$ 2,6 billion contribution, 2,48% voting power and took its seat on the Board of Directors. Our business community would appreciate the importance and meaning of having a seat on the Board of Directors of such a big Bank.

The Chinese Government has, in addition, established the "Silk Road Fund" with a contribution of US\$ 40 billion.

Further, China has recently announced through President Xi Jinping, that it would commit US\$ 1 trillion out of the country's national reserves, to the Belt and Road Initiative.

It is clear that through these moves, China will significantly expand its economic as well as political influence in Asia.

Presumably with a view to counter such concerns, Japan has introduced a fund amounting to US\$ 110 billion to be utilized for financing of the projects.

I mention these developments to you with a view to give you the following message: "Please pay serious attention to the Belt and Road projects. We must admit that the region is difficult, hardship area; however, these projects are not poverty-famine projects, but rewarding, profitable undertakings. There is no money shortage, no financing deficiencies."

Before analysing what Turkey can do and needs to do within the framework of Belt and Road Initiative, I deem it useful to briefly touch upon the current status of the Turkish logistics sector.

Let us look at the basic data: Turkey handles ca. US\$ 600 billion worth of transit trade yearly. This business activity brings US\$ 15-16 billion profit to the Turkish economy, which means that an important portion of the Turkish current account deficit is balanced by the Turkish logistics sector. Although both of them, tourism and logistics sectors are within the services trade category, for some reason, tourism is far ahead of logistics sector in terms of popularity. The 2017 figures are not available yet, but even 2016 figures as mentioned, reflect a serious amount.

The volume of the Turkish logistics sector has reached US\$ 110-115 billion. Thus, logistics sector takes 12-13% share within the overall volume of the national economy amounting to ca. US\$ 860 billion. It is not a neglectable volume. The Turkish TIR fleet, UND (International Transporters Association) member friends please correct me if I am wrong, is the largest in Europe. The integrated intermodal transportation system on the Adriatic route, operated by the UND, is the most modern in Europe; considered even among the most modern ones in the world.

Almost all of the privatised Turkish sea-ports are profitable; all of them are modernized.

With a total of 11 million TEU, sea-port handling capacity of Turkey is currently ahead of Germany, Denmark and Holland. Our capacity will come close to that of Dubai, once the construction of the port of Çandarlı is completed.

Now, let us discuss "What will Turkey gain from Belt and Road Initiative?" First objective for Turkey is to maintain its current position. Turkey should uphold its privileged position granted to it by geography and the present structure, which our logistics sector has developed correctly.

To achieve that, we need to conduct conscious and co-ordinated studies. For instance, it is not enough by itself, to modernize our ports and extend their capacities. Our ports need to be competitive with respect of their locations, links and connections, quality of their services, their pricing policies etc. They need to be operated on high employment. Otherwise, they will be dead investments. Likewise, being competitive is essential also for our highways, railways, airports and logistics hubs. In addition, it is necessary to take into account, political fluctuations on our transit routes.

Would you like to hear few examples? The Syrian crisis has blocked ca. 150.000 transit passages a year, which Turkey was making through this country. The crisis cut our way to the Gulf as well.

The political tension between Egypt and Turkey, even unofficially, caused difficulties in our route through the Suez Canal.

Also, a small part of our access to Asia via highway was passing through the Russian port of Novorossisk at the Black Sea coast. The airplane crisis between Russia and Turkey blocked the usage of this route. Furthermore, the Crimean crisis between Russia and Ukraine has also brought some side-effects to our transporters using the ports of Sevastopol and Odessa, on their way to Asia.

As long as we are assertive and empathic, which we should be in my view, on trade routes between Asia and Europe, we must always be prepared, to face and handle crises, at any time. We must see to it that the routes before the Turkish transporters must be kept open at all times.

Currently the trade volume between the People's Republic of China and the European Union accounts for € 1.4 billion per day. It is estimated that this amount will double within the next 10 years. Which routes will be used to transport such a large flow of goods? What will be the share of Turkey of this flow?

The cost of transport is very important within the overall volume of trade. The more competitive we can keep the cost of transportation, the more will we preserve our current position.

There are three main land corridors between Europe and Asia. The route of China-Kazakhstan-Russia and Europe is the "Northern Corridor". The technical inadequacies at the highways and railways, as well as heavy climatic conditions, reduce the usage of this Corridor sometimes up to 25%.

The route of China-Kazakhstan-Caspian Pass-Azerbaijan-Georgia-Turkey-Europe is the "Middle Corridor", called also "Trans-Caspian Middle Corridor". The biggest drawback on this Route is the Caspian passage.

The route, called "Southern Corridor", is the China-Kazakhstan-Turkmenistan-Iran-Turkey-European line.

Although these corridors appear to be rivals in commercial terms, they have comparative advantages to each other; hence they form alternatives to each other. Moreover, even the total capacity of all these three will not be enough to meet the demands of the doubling Asia-Europe commerce volume in the next term.

It should be our main objective to make the "Trans-Caspian Middle Corridor", on which Turkey is located, the most reliable and the most competitive one.

At the moment, you can easily send your product to any address in Europe with delivery guarantee on a given day and time. An average of 1.000 Turkish trucks are crossing Bulgaria each day and an average of 350 trucks/containers are transported on Adriatic line per day. Problems certainly do arise by nature of such a high volume; but in general the mechanisms work perfectly. Logistics plans and programs are functioning on a reliable basis, without any uncertainties.

On the other hand however, the current conditions on the routes to Asia do not allow making of any reliable plan and program. It is not clear on which day your container will be delivered its address. Thus the cost of transportation of your product to China or Mongolia is ca. 4 to 6 times higher than that sent to Holland for instance.

We cannot run hundreds of billions dollars of transit or direct trade, which will double in the near future, under these conditions. The Iranian artery on the way to Asia currently offers the largest capacity, but even that one remains at 44.000-45.000 crossings per year. We are allowed to use the Novorossisk line at around 2.000-4.000 frequencies per year. The Caspian pass also, cannot exceed 3.000-4.000 frequencies in a year. None of them is enough to meet the requirements of the Turkish logistics sector, not even today, leave aside the future. You cannot easily transport your own goods, and also any others' goods under these conditions.

Then what do we have to do? In addition to the current Russian and Iranian routes, we must take the initiative to develop the Trans-Caspian Middle corridor.

There is the Alat sea-port under construction, 70 km south of Baku. Turkmenistan has the Turkmenbashi sea-port at the Caspian coast under construction. Similarly, at the Caspian coast of Kazakhstan, there are Aktau and Kuryk sea-ports, at both of which modernization works are being carried out. These sea-ports should be operated, in a well-synchronized way, by a single port management company, which Turkey, Georgia, Azerbaijan, Kazakhstan, and Turkmenistan would found together. Likewise, a single shipping company, established by the same countries, should run the operation of all Ro-Ro and Ro-La ships between the ports mentioned before, in a well-synchronized way. These two companies should operate under a Holding structure, which would be founded by countries I mentioned.

We must definitely develop the Trans-Caspian line, first and foremost for our own trade; for our exports, for our transit trade and subsequently for others' trade. We need to develop and install a system there, similar to the Adriatic line and run it with the same efficiency. Related contacts and consultations have been already made on this matter at bureaucratic level and necessary understandings and agreements are reached. At this stage, as Deputy Prime Minister Şimşek mentioned earlier today, political initiative is needed. The issue exceeds the bureaucrats and political will is required.

This issue carries priority and urgency for the success of the Middle Corridor. Please put pressure on this matter, on our politicians whom you know. Otherwise, if we would be late, we would run the risk that the non-territorial actors could take over the management of the Trans-Caspian line. We are aware and informed of various initiatives in this direction. Such a development would entail serious consequences such as weakening of Turkish weight and emphasis on Europe-Asia transit trade, incapacitation of the Turkish logistics sector and decrease of its revenues.

When referring to the Middle Corridor, it may also be helpful to take a glance at Turkish part of this artery. Turkey's highway network is quite sufficient; being enhanced constantly. The Government is doing its best in this respect. Our railway infrastructure on the other hand, is unfortunately rather weak and far behind the standards of modern logistics. Our Deputy Prime Minister also stated that railway projects which are planned for completion until the year 2030 total 11.700 km, with a cost of US\$ 55 billion. Of these, 17 sections that fall under the Middle Corridor route total 4.270 km, with a cost of ca. US\$ 30 billion.

Currently, cost of one km high-speed railway construction is ca. US\$ 35-40 million. The standard accepted speed is at 150-180 km/h for the cargo transportation and over 220 km/h for passenger transportation. If we are going to be assertive in Europe-Asia transit trade, in our exports to Asia, we will pay this price. Otherwise, we cannot be an actor in the market with the current 50-80 km/h village-road standard.

In addition, we also need to link our modern sea-ports with each other.

The Kars-Tbilisi railway has been opened to operation. However, there is no high-speed railway running from Sivas to Kars. The construction of the Ankara-Sivas high-speed railway line will be completed in 2019. The Sivas-Kars line will be handled later.

Although Azerbaijan's railway network is not yet compatible for high-speed train, it is quite good. Iran's railway network is also reliable. However, there is no railway connection in the 175 km section located between the border town of Astara, south of Azerbaijan and Rasht city of Iran. Works are under way for the construction of this section. When completed, a significant potential will be utilized.

The highway crossing at the border between Iran and Turkmenistan is exhausting; its capacity is limited. The highway crossing conditions between Turkmenistan and Uzbekistan are rather inadequate. The Amu Daria river, which forms the border, is crossed on rafts; on top of that, in daytime only. The most disaffected partners of these difficult conditions are the Turkish transporters. Now, since our interests there are clear, I would recommend to build two separate 4-lane bridges on the river, in exchange of operation of the customs on both sides. I'm sure we will offset our costs within six months.

In the transportation/logistics sector, Turkey is the most experienced and most skilled country in the region. Solutions of problems and introduction of facilities in this sector would primarily serve our own interests.

Earlier at my presentation, elaborating on the question "what will Turkey gain from Belt and Road Initiative?" I had said that the first objective was to maintain its current position. Now let us move on to the second objective. Our second objective should be to obtain as more share as possible from ca. \$ 800 billion a year infrastructure investments in Asia within the framework of Belt and Road Initiative.

The Deputy Prime Minister drew the attention in his speech, and I mentioned as well; it is worth to repeat. Within the framework of this Initiative, 47.100 km motorways, 36.800 km railways and 14 logistics centres are planned to be constructed in Asia until 2049 and works have already started. Sea-port projects and large scale energy transmission-line and pipe-line projects are on the agenda as well. Spending of an average of \$ 800 billion a year is on the table; but, we are not in the field yet. We could get few considerably small contracts so far. I would like to underline that we should consider and approach this issue more seriously. Here, this is the second strategic priority of Turkey.

Construction of energy pipe-lines is another element of the Belt and Road Initiative. The inclusion of this sector into the initiative resulted on China's assertion. Turkmenistan-Uzbekistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline project is particularly a window of opportunity for us in this sector. A Turkish company has assumed the construction of the Turkmenistan section. I believe we can obtain some other portions of the project in the Uzbekistan and Afghanistan sections as well. We have a great advantage in Afghanistan. Operating in Afghanistan is extremely troublesome for any foreign company except for those from Turkey and Iran. By virtue we are more advantageous. We can run projects in Afghanistan, with Chinese financing.

For instance, there is a railway project in the Wakhan Corridor in Badakhshan province of Afghanistan. The Wakhan corridor has the length of approximately 350 km and width of 13-65 km. It is located between the Pamir Mountains and the Hindu Kush Mountains north of Pakistan. This corridor is connecting Afghanistan and China. The topographic conditions of the area are extremely difficult. The public order is an even bigger problem. It needs a great deal of courage to undertake any project there, but the profit margin is around 500%-600%.

A year ago, when I spoke with the President of China's Asian Infrastructure Investment Bank he told me "we have money, but no Turkish businessman has yet come to us. The money will finish in the near future, if you do not hurry up."

You can ask me right away: “There may be a number of projects. Where do we find them or how do we reach them?” There are six regional project groups. All of them have feasibilities completed and they are projects approved by the Asian Development Bank. Even few of them would keep us busy for years to come.

These are the central Asian projects. The credit options have been also opened. What is left next then? Entrepreneurship. Since we rank the second in the field of international contracting sector, it would be logical to expect that we obtain a big share in the Belt and Road projects. What is it then keeping us behind? Where lies our weakness? It is lack of awareness and lack of knowledge. Most of our international contractors do not have yet the necessary knowledge of the details of Belt and Road Initiative. They do not know where to go, when to go, whom to go to and how to go. They do not know the details when it comes to how the system works and will work. Our international contracting sector needs to be significantly supported in this context.

“21st century is Asian Century” is a new concept. International financing methods and practices implemented for decades must be completely revised according to this new concept and must be adapted to the new conditions of Asia. Otherwise, a number of the institutions at the international finance sector will be obliged to leave the business. There are not many mega projects in the world except in Asia. Therefore, they are obliged to turn their face to Asia.

We have to hurry up. Even 5% or 10% of the US\$ 800 billion business a year, would provide a significant input to our economy. Please do not think that we have still much time until 2049-2050.

It is said that doing business in central Asia is difficult. It is probably true. But we should fight rather than run away. We have achieved a lot in the past and we can continue. Having a business volume of US\$ 3 billion in a difficult environment like Afghanistan is an indicator by itself. If Westerners, Germans, British, French are doing business in Asia, then we can do as well. We are accustomed to difficulties.

The positive side of doing business in China and elsewhere with Chinese is that they are open to partnerships. The Chinese are open to technology sharing, open to after-sales services. They sell a product to you and return after a month to ask “Are you satisfied with my product? If there is any problem, I’m here to correct it”.

As I mentioned earlier, the cost of transportation regarding Asia is high. It has to be reduced. For this purpose, bilateral railway and highway agreements have been concluded between China and Turkey. Our trucks, which carry goods to China, will no longer come back empty; they will be allowed to take load from there. We will also be open to competition. Turkish business community’s ability to compete in international markets is proven, as long as obstacles before them are removed.

Likewise, the railway agreement with China will also widen our horizon.

Unfortunately, no efficient and concrete political support can be obtained for Belt and Road Initiative in Turkey, due to the intensity of domestic political agenda on one hand and problems we are facing in our southern neighbour on the other. Our political leaders cannot find enough time to attach tangible backing to this issue. Participants of this audience, in this room, you are the owners, managers, decision-makers, representatives of various efficient institutions in the Turkish economy. I would like to humbly request you to please attach importance to the Belt and Road Initiative and also bring this issue to the attention of our political leaders. Please ask them to upgrade this issue to higher positions on their respective agendas.

Our primary strategic objective is the Caspian Crossing on the route of the Middle Corridor. This section must be held under our control and our path to Asia must be kept open.

The political tension between the United States and Iran raised again. The United States is preparing to impose sanctions against Iran again. US is putting pressure on the other countries to go along with her decision. We have resisted similar pressures in 2009. What shall

we do this time if certain conditions occur which will prevent us to resist? What will be our position if the Iranian Government, on the basis of reciprocity, would tell us not to cross the Iranian territory? How shall we reach central Asia? How shall we substitute the Iran alternative? The Iranian option cannot be replaced with current 15-20 truck passes per day over Caspian. Let us suppose to induce the capacity to 50-60 passes a day, with some constraint. Even that is not enough.

The Caspian crossing must be under the management of Turkey and the Turkish logistics sector in order to keep our way to Asia and vice-versa always open. Our national interest relies on this point and all friendly countries on the route will benefit from it.

Just like I pointed out to specific physical difficulties at the Turkmenistan-Uzbekistan border crossings, our taking lead at certain infrastructure projects is in line with direct interests of the Turkish logistics sector. Let me give one more example: the road from Tbilisi towards Russia in the north, follows the mountain pass between Lars-Kazbeki. As the members of UND in this room would confirm me, this mountain pass is so much narrow that the canvas brenda of our trucks suffer damages by rubbing against slopes. Since we are enjoying the best time in history in our relations with Russia, let us obtain necessary political permissions and authorizations and set to expand and modernize the said mountain road ourselves. Improving that segment of road would serve mainly our interests, since we are the major user of it.

Similarly, let our contractors build or improve roads and facilities which our logistics sector intensely uses in any country, and offset the costs through certain financial formulas. We should not be hesitant towards such kind of solutions. Let us undertake to fix shortcomings on the route of the Middle Corridor, wherever they are.

The logistics centre, which UND built in the hinterland of the Aktau sea-port, is a good example for such initiatives. Let us support it and let us expand the centre further.

Likewise, in the hinterland of the sea-port of Alat, south of Baku – I know the construction site well since I visited it many times - we should reserve a section exclusively for Turkish transporters. We need to have our own terminal there to accommodate enough number of trucks and handle our trailers and containers which will cross to the opposite coast. The target should be elimination of bureaucratic procedures of trucks and their drivers.

The way the sea-port of Trieste is operated by the UND can be a good example for Alat and also for sea-ports of Aktau, Kuryk and Turkmenbashi.

We are talking about a logistics sector, which has the capacity to operate train services from Trieste to Austria two times a day, linked with sea-ports of Pendik, Ambarlı, Mersin and Çeşme in Turkey. Likewise, UND controls, by lease, 50% of sea-port of Toulon. We need to carry out such examples in Asia as well. We will risk to fall behind our competitors, if we do not take related initiatives at right places, on right times. As Mr. Deputy Prime Minister emphasized in the morning; trade brings national income, national income brings prosperity. The most needed element in our country is the prosperity.

Thank you for your patience and interest.

Moderator: You have made a fluent and concrete presentation, which identifies problems and includes the solutions for these problems. In addition, you finished your presentation one or two minutes earlier. Therefore, we have one or two minutes more in Q&A section.

Now I have come to two conclusions from the speech of Mr. Ambassador. I had asked him how Turkey manages this initiative. It seems that Turkey is not able to manage this initiative. How sad it is.

The speakers have also mentioned. This initiative is sophisticated. It has the finance, the infrastructure, the commercial and the cultural dimensions. We are mainly with the business world here. So, the infrastructure, the finance and the commercial dimensions have been mostly discussed. However, the cultural dimension and the cooperation in this area is very important.

Because, one of the main problems between China and Turkey; we do not know each other, we do not understand each other, we are not open to each other. There is a need to overcome this challenge. The cultural pillar of this initiative, the joint ventures, the scholarships, the student exchange programs, etc. offer the opportunities to overcome this challenge. Thus, in for managing this initiative well; Turkey needs a leader and a central coordination unit. Even if Ministry of Transport, Ministry of Finance, Ministry of Economy, Ministry of Culture and Tourism, Ministry of Foreign Affairs do its best in their field. I hope that such meetings become a reason and this issue will be raised during a comprehensive restructuring of central administration expected after the election of 24th June.

Secondly, another message that I have taken from here; “We have money and projects ready. Therefore, May it be that is businessman being looked for? There are businessmen here, I hope that they are eager to your attractive suggestion.

Here you are.

KORAY TARGAY: (to a question) The “Canal Istanbul” project is largely similar to the “The Kra Canal” project in Thailand. I would suggest that our contractors, who are willing to take part in the Canal Istanbul Project, should examine and even take part in the Kra Canal Project which would enable them: a) to obtain business in Thailand, and b) to acquire advantage of that accumulated experience at the tenders of Istanbul Canal Project.

The implementation of two similar projects at the same time period creates a wealth of experience, enables the exchange of material used at both projects and thereby reduce unit costs, establishes financing similarities and reduces overall costs to a certain extent.

If I need to give one more example: Thanks to the TANAP (Trans-Anatolian Natural Gas Pipeline) project, the Turkish industry has begun to produce large-scale (56”) natural gas pipelines; developed the related technology and experience.

Thanks to these assets, a Turkish company used the chance to make the best offer and obtain the Turkmenistan section of TAPI (Turkmenistan-Afghanistan-Pakistan-India) Gas Pipeline project.

MODERATOR: Sir; now let our audiences ask their questions.

We have 20 minutes for Q&A section. Please do not think that as only question section. I expect your contributions at the same time. We can organize it fast and easily, if questioner introduces himself/herself briefly and tell to whom he/she is directing the question.

Mr. President. Here you are.

Ahmet EREN: My question; actually my speech, hopefully without exceeding my purpose, will be for Mr. GAO Xiangyang. When we are talking about businessmen and the trade, everyone knows and accepts that people from Kayseri are the best. I know that the Jewish people are trading well in international arena. I had thought that the Jewish people are the best in international trade until I have met the Chinese people. The Chinese people are terrific in trading. Mr. GAO Xiangyang pointed out that the principal of “Win-Win”. However, I realize that even though the principal is “Win-Win”; they are gaining two-fold than other side. Therefore, my humble suggestion to him is that please make sure both the bank and Chinese firms win one, when other side wins one.

Gao Xiangyang: In fact, the proposal of China is exactly “Win-Win” in the context of Belt and Road Initiative. We are fundamentally talking about the multiple benefits. For instance, the Chinese government invited importers and exporters from all over the world to Shanghai in this year. This demonstrates that china is open to these matters according to these regions.

ICBC is a very big Chinese Bank in the financial sector and we have been seriously watching the Turkish market. We had immediately opened a bank here when we had an

opportunity to come here 3 years ago. We have had friends here for 3 years and met the entrepreneurs. We have close ties with those entrepreneurs and the major groups.

We are aiming to improve our relations with Turkey and especially the regional market in the context of Belt and Road Initiative. We will work on market-oriented case studies in the context of deepened collaboration. I am aware of the Turkish people are better than the Chinese in terms of trading. Turkey has a great advantage in this sense and its location between the East civilization and the West civilization certainly brings a great advantage to Turkey. This clearly indicates that Turkey will be successful in this initiative and I am sure that our studies here will bring us a great success.

Thank you.

MODERATOR: Yes, Here you are.

FATİH ŞENER: My name is Fatih ŞENER, I am the president of international transportation office at Network Global Transportation. At the same time, I am the consultant of the president at the UND Transporters Society.

Thank your foundation first. This is very important topic.

You had given us a chance to make a brief assessment. Then I will ask my question. The president of China and the president of Turkey in the last may signed the Road and Transportation Agreement. Then we talked about the quotas in China. The Turkish trucks were allowed to come to only the Sinjar region and to take the burden. We took the permission 30.000 times to transport.

Moreover, almost 8.000 of our trucks go to Kazakhstan each year and almost 80% of those come back empty. Even though Kazakhstan is next to the China, they are always trying to take the burden from Russia and Ukraine. Almaty is just 400 km far away from China and there are many Chinese goods, which are waiting to come to Europe. In fact, the transportation between China and Turkey will begin through this permission. However, I should point out that, as you know the title of this panel Belt and Road Initiative and Possible Effects on Turkey.

I would like to say that the logistics determines the scope of trade between countries. Now China is trying to come to Europe in 2 weeks. When China achieved that, they will probably double its export market. For instance, they cannot sell the fashion textiles to Europe although they are selling these kind?? of things much to other countries. That is because you spend your time on your way, the fashion is changing until you reach the market. However, when they reach the market in 2 weeks, the profile of textiles, which china can sell to Europe will change. This is growing the market in one sense. Let us think that from this perspective, Turkey exports \$ 3 billion worth of goods to China and imports \$ 23 billion worth of goods from China. The logistics conditions determine the extent of this trade. If you send your goods by shipping, it will cost you \$ 1.000 for 20 ton. If you send it with airway, it costs you \$ 25.000. While shipping takes 40 days, the airway takes 5 days. However, Turkey has perishable goods to export, which cannot wait for 40 days. Those are such goods to which you cannot pay \$ 25.000. If you pay, you cannot sell them in the Chinese market. In fact, if we can improve the conditions of transportation, the content of trade between two countries will transform. This will be a great opportunity for us.

Now let us come to the effect of this initiative. Turkey exports \$ 150 billion worth of goods totally and \$ 75 billion worth of this export is going to Europe. Moreover, originally western companies such as Siemens, Fiat and Bosch export the half of this amount. They have founded companies here and they export from here. Now, the world's biggest exporter will reach Europe in shorter time soon. One should warn the textile producers. Something is transforming. One should warn the automotive sector. While china is trying to come to Europe in 2 weeks, we are busy to make that way 10 days rather than 3 days. Now, I know that there are many important textiles and automotive companies, which begin to move to Balkans mainly

with the logistics reasons. Because; we are passing the Kapıkule border crossing in 2-3 days. I also know that there are reasons regarding the employment and syndicate.

If we think the title of this panel, while China is trying to reach to Europe in 2 weeks via Belt and Road Initiative, one should work on this issue and the possible effects on Turkey, which exports to the same market. Then in this framework, my question will be “what will the effect of Belt and Road Initiative to the textile producers in Turkey?” I would like to listen your comments.

Thank you.

MODERATOR: I am not competent to speak about the textile sector because it is distinct topic indeed. We have noted that gentlemen’s question of what will be the situation in terms of the textile sector. Is there another question?

Please go ahead.

PROFESSOR ZAFER ACAR: I am Professor Doctor Zafer ACAR and the president of logistic department at Piri Reis University. My question is especially for Mr. Umut Ergünsü. You have said that you drew a map related to the middle corridor. There are two sections over there and you talked about Çandarlı. Did you examine the current situation of Çandarlı in terms of being protected area? It is not allowed to maneuver there in portal maps, what do you think about this situation? Did you also examine the situation the port behind the Çandarlı in terms of insufficiency?

My another question is that why you did not include the Mersin International Port, which you look at it as exit door?

Thank you.

CEMİL CAKAR: Hi, thank you all the speakers. My name is Cemil CAKAR; I am the vice president of the Turkish-Thailand Business Council.

My question will be for Mr. Koray Targay. Actually, we are trying to say the same with Mr. Ambassador. Because we have an Asian-oriented structure. We want to describe Asia not only as the region that we can buy goods but also as the big market. I have observed that we are not aware of that situation when I did talk about the infrastructure projects with the contractor firms. We must increase the awareness about that. We must think about how to help the firms that have potential interest on the matter. May I ask you to answer the question from where can they reach the necessary information?

Thank you.

MODERATOR: Any other question, please, here you are.

UNKNOWN PARTICIPANT: I am a former Tax Auditors. My company is operating in both Turkey and Shanghai. It is running warehouses in Taiwan and Malaysia. London Metal Exchange approves our companies operating in Malaysia and Taiwan.

We went to China in the context of Belt and Road Project and opened the warehouses I mentioned. I have realized that in past times, in terms of logistics, as Mr. Ogutcu and Mr. Targay pointed out; we can mention just two ports although the three side of our country is surrounded by sea. It means that our ports are not sufficient in terms of logistics. This is because our coastal strips are not suitable in terms of both length and depth. Therefore, this requires a huge investment. However, when we look at Europe’s ports, there are huge ports that we cannot compare with Turkey’s ports. So, if we think the road transportation from Asia to Europe passing through Turkey or the highways in the north of Turkey, do not we have to accelerate the railways investments? As you pointed out. In addition to this, do not we have to focus on the logistics centres that includes both the highways and the railways? These thoughts are for developing the road of logistics going from Asia to Europe and the benefits of Turkey. That was my question.

Thank you.

Either Mr. Ögütçü or Mr. Targay can answer the question.

Thank you.

MODERATOR: Yes, we will take the answers.

Please, here you are.

BULENT: I am a former Tax Auditors and CPA.

I want to ask Mr. Ogutcu. China was more important 20 years ago. Because China had the cheapest labour costs in the world. Having production and lower labour costs are the main reasons for the advancement of China and being the market in trade. However, we are seeing that the labour costs are not problem anymore today. The costs of raw material are almost the same all over the world. The cost of raw materials is determined in London Metal Exchange and other markets. The trend of future is also the robotics and the artificial intelligence. I mean that robots will be able to do things that people can do. There will be no need to use workers anymore. For instance, America will not need to produce goods in China; since, robots will be able to produce goods in where the production and the consumption are close. Moreover, the transportation costs will not be problem then. Actually, I think that the importance of the countries, where the labour costs are low, will decrease even more. I am curious about the Mr. Mehmet's thoughts.

MODERATOR: Thank you a lot. These are great contributions and questions.

Could you please answer the question in 5 minutes? Please move on.

MEHMET OGUTCU: Briefly; In addition to its geostrategic targets, Chinese have started this Belt and Road Initiative in order to connect itself to Europe, which is the world's largest trade market. The main purpose of this initiative is to shorten this journey from 8 weeks to 4 weeks. Thirty-two cities of china have already been connected with thirty-five cities of Europe. In addition to this, they have aimed to set up connection with the Gulf region and Africa. They named it as "media time root". Therefore, China has two lines, which are going through Russia. The main purpose of the line, which is coming through Pakistan, is to pass the Strait of Malacca and to prevent to be exposed to the threat of seventh fleet. So, this is exactly the peaceful rise of China and is the part of strategy, which aimed to set up connection with between China and the world economy.

As Mr. Ahmet pointed out here, Chinese are taking more from the project for itself rightfully. The rule of "Win-Win" did not work here much. They have spent \$ 55 billion in Pakistan. They also have spent much money in Africa. There are many things made in middle Asia. Chinese firms took role in percentage 85-90 of these jobs made so far. China have to give importance on this local content in terms of the engineering firms, the contractors, the raw materials, the workforce, if they actually want to implement "Win-Win" and the strategy to increase interdependence. The cost of money in China is quite high now. It is not cheap as it is thought.

Another issue is the technology that you have talked early. America does not allow the technology firms to be acquired and the competition in this field will increase. Therefore, producing the solar panels, the cars, the machinery and the textiles are not the main competition field anymore in terms of China. They are trying to produce more value-added products in terms of technology and the transportation will not be important here.

I agree with this idea, we can see this in textile industry, the glass industry or other industries. If China can achieve to reach European markets in shorter time by the way of our country or another country, it will have negative effect on us. Because the biggest advantage of Turkish exporter firms was to deliver their goods to Europe in a very short time. The costs of workforce have increased much in China. The energy costs have also increased. The standards of climate and environment have started to increase. So, the costs in China are not competitive anymore, therefore China has changed their development strategy. They have changed their direction from export-oriented strategy to business consumption strategy and spread over other countries. Because, China needs to create new business areas.

Let me briefly mention the following; if the relations between the European Union and us do not change in the coming period and if the modernization of the customs union does not include the agricultural products, and the service industry in addition to industrial products, this may create serious problems for us. I was in Berlin two weeks ago; Germans are very strict in this matter. They are saying to leave the custom union and to sign free trade agreements.”

Finally, the other important point that I want to point out; the view of the European Union and US to China is very different just as their views to Russia. The west no longer looks to China from the same point of view. We can understand from the National Security Report of Pentagon, US thinks that they have to stop the China in order to maintain its superiority in the military, the economics, the oceans and the space. Please do not think that it is the strategy of Trump to tweet when he wakes up. There is a serious brain activity behind it, which belongs to Pentagon, even if this does not belong to Trump. We should see this activity. China must be stopped strategically. There is an initiative that America has launched called “Kuat Initiative”. This is strategy, which includes Australia, India, Japan and US and surrounds these countries.

We did not speak about India much. India may get ahead of China. Although they are not good in the manufacturing industry, they are very strong especially in the service industry. America and Japan give tremendous support to India. If you can find, Tom Clancy has a book called “The Bear and The Dragon”. Please read this book. This is a book about how Third World War will come out.

The European Union is the last destination of China in terms of Chinese goods and services. China will reach the Rotterdam port in two weeks and the ports are connected with Chinese cities. The European Union starts to change their point of view. Especially, China has started the joint venture called 16+1, which will ruin the revenge of EU. This initiative includes 16 countries from middle and east Europe. This is the initiative, which bypasses the Brussels, offers the subsidies and the attractive opportunities. This has caused problems for Germany, France, Italy and other European countries. Therefore, Europe cannot look to China from the single point of view. England will sign a separate agreement after Brexit. Thus, the aim of China will realize. China will find no a single Europe against itself. China will maintain its relations one by one with England, Turkey, Middle, East European Countries and rest of European countries.

MODERATOR: The communication accidents may happen sometimes or communication may not be clear. I have thought five minutes for each speaker. However, it was good to complete the whole situation because the speech of Mr. Oğutcu had remained short in terms of west perspective.

If I had enough time, I was going to ask you “Does the rise of China disintegrate the European Union? In fact, it can be said that the European Union is in disintegration process but can we say that the rise of China accelerate this process.

Please here you are.

KORAY TARGAY: (to a question) Mr. Öğütçü has already covered your question. I will add the following:

There is a CEEC group (Central and Eastern European Countries) in Europe, consisting of 16 European countries, EU members and non-EU members. China, in an attempt to influence the European economies as most as possible, maintains close relations with the CEEC Group. In this connection the “16+1 Initiative” is founded. The Prime Minister of Hungary, Mr Orban, in his capacity as Term President of the CEEC, signed an important Memorandum of Understanding (MOU) with China, at the end of November 2017, in Budapest.

Under the MOU, China has undertaken to finance and realize the 230 km Budapest-Belgrade High Speed Railway Project. This attempt, although opposed by the European Union, is an important step forward for China to penetrate the European economic structures.

Another important development regarding the region came lately from our President. Our President has recently reached an understanding in Istanbul, with the leaders of Bosnia-Herzegovina and Serbia, for the construction of a highway between Sarajevo and Belgrade, by Turkey. This is an extremely important achievement indeed, given the fact that this project has been politically highly controversial since years.

(to a question) As it was pointed out, textile and apparel sector is moving towards east, i.e. China, Egypt, Bangladesh, Thailand, Cambodia, VietNam etc. What we had to do was to identify the trend at the beginning and try to develop brand-naming and boutiqueification on one hand and start production of high-tech textile machines on the other. This is the path which the textile-advanced Western countries followed. We have partly achieved brand-naming and specialized on certain sub-sectors, however, it is not possible to say that we have acted in a cognizant and co-ordinated way. At this stage, it is hard indeed, to cope with the Chinese competition in the field of mass production. Even the European Union and the United States cannot survive the Chinese competition. We could achieve a productive co-ordination with the European Union, if our relations were closer. However, even our Customs Union Agreement is not functioning properly, due to political problems.

(to a question) I have pointed out recently, that Turkey had a good chance in the infrastructure projects in Asia. By saying that, I certainly took into consideration the political weight of our country too. Due to my professional formation, I always take political balances into account. You cannot obtain any project in a given country, even if you make best offers, as long as your country's political standing and influence is not good enough. Further, you cannot implement your project there, even if you obtain it. Turkey has advantages in a number of regions and countries. Our success in Afghanistan and Turkmenistan prove that.

Maybe it came to your attention that Turkmenistan was not represented in the opening ceremony of the Kars-Tbilisi railway, although Turkmenistan is located on the route of the Middle Corridor. This happened because the relations between Turkmenistan and Azerbaijan are chilly. Hence, Turkey can bring them to the same table.

Turkey has influence, prestige and weight in all the regional countries like Tajikistan, Kirghizia, Uzbekistan, Turkmenistan, Kazakhstan etc.

By saying that, I mean that we should more intensely use our national advantages hand-in-hand, with public-private co-ordination and co-operation, for the Belt and Road Initiative.

(to a question) I attended a meeting in Kiev last month, which was organized by Financial Times Magazine. I shared my views over there as well, that time has come that the western financial institutions should change their operational rules in order to be able to operate in Asia. Whenever it comes to projects in Asia, they keep claiming "too much risk, we cannot assume". If they insist on this standpoint, then what to do with huge funds in their hands? How will they satisfy the owners of those funds? There are not many mega projects in the world except in Asia. Let us recall how the financial rules did change after the Second World War in order to adapt to post-war conditions. Time has come again to revise the current rules with a view to adapt to Asian conditions. Those institutions which will not adapt itself to new conditions will be obliged to leave the business.

(to a question) How can we create awareness in projects related to China? Firstly, good consultants should be employed who fluently speak Chinese, know China with all its aspects and know Asia in general.

There is a good reason that Chinese educational institutions are becoming more and more popular and preferred in the United States lately. American parents started recently choosing their children be raised as Asian-experts, mainly Chinese experts.

Consultancy institution exists widespread in Turkey. Ironically, everyone is consultant in our country. However, competence levels in general are very low. In most cases, the executives do not know what exactly to demand from their consultants and the consultants do not exactly know what professional services they should render to their companies.

As such, consultancy is considered in Turkey, as taking part at high-level meetings, high-fashion dressing, being paid well, socialising well, luxury vehicles etc. but whenever it comes to real contribution to the company, the output is little. Analysing economic-financial reports is not enough any more; artificial-intelligence enabled computers do that as well.

Consultants in real terms should be able to follow the related country on daily basis, in depth, politically, economically, socially and culturally. A good consultant should be able to perform profound analyses and forecasts about the country in focus. A good consultant should establish and maintain direct, daily contacts with various circles in the society. A good consultant should be able to develop and suggest solutions to any current and potential problems of the company. To be able to do this, the consultant should monitor closely, the key political and economic actors in the focused country, should learn their personal strengths and weaknesses, should know who takes under-table commissions, who is involved in corruptions, private relationships etc. Consequently, a good consultant should be able to make the most appropriate and reliable suggestions, advises and orientations to his/her company for definite success. Remote orientation from company headquarters does not prove productive. We must do the same what the successful international companies like General Motors, Shell, Siemens, Unilever, Cargill, Total, ENI etc do it. It may sound odd and bizarre, but these particulars in real life count before ethic rules in international markets. The interests of the company gain priority.

(to a question) Our sea-ports are converted to “multi-modal” structures, which represents railway-highway-seaway-airway links. They are not used on single mode anymore. For instance, Kartepe is a perfect example for highway-seaway link, although it is an inland facility, close to seaside.

Kumport on the other hand is an excellent example on how a modern sea-port could be developed by Fiba company from scratch and then sold for a very good price.

(to a question) The sea-port of Pireaus was bought by the Chinese for a small amount of US\$ 2,6 billion only, taking advantage of the economic crisis in Greece. It is a great benefit for China, given the geographical location of the port. China is planning to disembark the containers shipped from Far East Asia through the Suez Canal at the sea-port of Pireaus and then dispatch them to European markets by land and rail. However, current rail and road links between Pireaus and Central European centres are insufficient in terms of modern logistics means. If the port of Pireaus is a competitor for us, needs to be analysed.

(to a question) Reference was made to the Çandarlı sea-port project. I was informed of certain legal problems regarding this project which are under the examination of the Council of State. I do not know what the current situation is. As far as I know, the Government has already constructed the breakwater; the port construction has not started yet. When completed, with handling capacity of 4 million TEU at the first phase and 12 million TEU at the final phase, Çandarlı will provide a big impact to the country's logistics sector.

MODERATOR: Thank you so much.

Finally, Mr. Umut could you please briefly respond to question? Then let me say something and close.

Umut ERGUNSÜ: Mr. Zafer thank you so much for your question. You gave me opportunity to explain the things more.

Firstly, I have benefitted much from your article in Hazar Word. Secondly, there are three ports there, when we look at the map I drawn. These are the Azerbaijan's Baku port, the Kazakhstan's Aktau port and Turkmenistan's Turkmenbasi port, which has been added new. We were in Turkmenistan with Iraz. There was an opening ceremony. Calik holding have started to enlarge the port with \$ 1.5 capital, as we saw with our own eyes. The president has spoken three times. Although he has not used the title of Belt and Road Initiative, they are serious about this matter.

Even if the Mersin port is being used now, it is not effective to continue go to Mersin port with conventional trains by leaving from high-speed trains at Baku-Tbilisi-Kars. This is not our vision in the long-term. Our long-term vision is to complete the missing part of Sivas-Kars railway. I think it is approximately 790 km. This railway should be constructed then the Halkali-Kapikule railway, which is 220 km, should be constructed. Thus, there will be no need the ports in Turkey. I mean the transportation of goods via high-speed trains. Nevertheless, let me answer your question; when we come to the Candarli port issue, Hayri Suat Akta, who is the undersecretary of Ministry of Transport, came to Beijing in order to negotiate the high-speed train issue with Chinese authorities and we found an option to talk with him. He told us "We had initiated a tender but nobody came to the tender." The problem he told about the Candarli, they had wanted a contractor firm to construct its infrastructure. I mean the transportation infrastructure. However, he told, "We will initiate a tender again, then the state will assume the transportation infrastructure, thus we hope that Chinese will participate this."

Second is the Mersin port, our future does not depends on the Mersin port as I said before. The future depends on the high-speed trains, which goes through Turkey. Therefore, there is nothing much worth to investigate these kind of things.

MODERATOR: Thank you so much.

I have seen you but I am sorry we are too late. Please ask your question.

UNKNOWN PARTICIPANT: (Speech without microphone)

MODERATOR: Thanks.

Before I close the session, I will try to answer the question that was asked to me. Mr. Fatih there is a fierce competition. The market economies depend on crushing others.

Secondly, there is a hierarchy between countries. I mean, you can be a dominant player in international arena as much as you are powerful politically, militarily and economically. Thus, the main theme of the meetings is the possible effect of Belt and Road Initiative to Turkey. However, this does not carry just the positive meaning. I mean, it includes positive and negative effects; there are opportunities and threats. For sure, it will change many things and remove your competitive power. The market economy is such a thing. Then what are you going to do? Did we lose our advantages in the textile sector? Either you must transform your textile production or you must do things what others do not do. It is not easy but you know the trade naturally carries the risk. Therefore, you must change your economy and your production. China is trying to do that already. In this respect, I would like to thank the Tax Auditors Foundation for this. These are the bunch of projects, which are closely concerning first our bureaucracy, our whole business world, our politicians and actually everybody. It does not make sense to be angry at the country of A or at the country of B or at the country of C. You must continue according to these rules of the system or change your direction.

I would like to thank all of our speakers for their invaluable contributions. Our speakers, who are involved with the topic, have made invaluable contributions, which it has put forth the problems not just from the theoretical point of view.

Thank you very much; because with your questions and with your existing contributions, we found the opportunity to learn the topic deeply.

I would like to thank the Tax Auditors Foundation and its honourable chairman Mr. Ahmet EREN. I would also like to thank the member of the board of directors Professor Mr. Nevzat SAYGILIOGLU, who has contributed much to this organization to realize. Thank the all team, who has worked for this organization.

I hope we will leave from here with a different mind from which we had before coming here. We always have to look positively. You can lose everything. This is not important. You can start everything from scratch. I think that there are many businessmen here, who had started from scratch. Losing your hope means losing everything and you cannot no longer start from scratch. We have to look at the future positively. However, it is not enough alone. We have to do together what we need to do.

I hope and I wish we would witness good developments for both the future of Turkey and the future of world. Because, we are experiencing very difficult times. To be honest, I am not much optimistic about the future of the world. Because, the things I have seen tell me not to be optimistic. However, I am trying to think positive.

I wish you all have a good day and goodbye.

PRESENTER: Our respectable guests thank our panellists for joining us.

Our respectable guests now we are passing to the plaque ceremony.

AHMET EREN: Thank you very much respectable participants. Respectable panellists I want to remind that there is a dinner. We would like to see you all. All of you can join us. Thanks you.

PRESENTER: Our respectable guests and our respectable panellists thank you all for your interest.

Let me remind you the meeting of the Board of Trustees of Tax Auditors Foundation will be held at 3.00 pm.

Have a good day.



