

## **Güven Sak - The Belt and Road Initiative to integrate Asia to the global economy**

Let me start by thanking the China Institute for Innovation and Development Strategy for giving me the opportunity to speak at this wonderful event.

We live in interesting times indeed. I am referring not only to the pandemic, which prevents me from being in Guangzhou at the moment, but also to the four years of the Trump presidency behind us, which has inflicted on the world protectionism and nativism. We still do not know what will come afterwards, but we can discern some possibilities.

On globalization, however, there is a positive development, and that is the Regional Comprehensive Economic Partnership (RCEP). The agreement was agreed upon by 15 countries, the Association of South East Asian Nations (ASEAN) plus five other nations. China, Japan, and South Korea have for the first time in history, entered a free-trade zone of sorts. That in itself is quite an accomplishment. The partnership makes up around 30 percent of the world's population and 30 percent of global GDP.

Globalization works through regional integration. RCEP is a step in the right direction for regional integration in the Pacific, and a success story for ASEAN, the biggest regional integration project in the region.

Up until now, we have known the European Union (EU) and ASEAN as two examples of regional, and hence global integration. Both are shaped by the historical circumstances of their regions.

The EU harbors a more rule-based integration process, achieved by signing a plethora of agreements between members, a kind of a top-down approach for regionalization.

ASEAN is more dependent on human interaction, the process moves forward by elected governments engaging in continual dialogue and exchanges of information on trade, consulting with each other on various issues, so that a rather practical regionalization process emerges as a result. I tend to believe that the Middle East and North Africa would be better off with an ASEAN model, rather than an EU model.

The Regional Comprehensive Economic Partnership taking place in the Pacific, by ruling out all those cumbersome rules of origin, creating a kind of a free trade zone between these nations is a welcome event. The fact that it is happening during a time of constant anti-globalization rhetoric is another achievement. Multilateralism and globalization are still alive, despite four years of President Trump at the helm of the world's largest economy.

China's President Xi has another plan, this one aims at integrating the entirety of Asia, called the Belt and Road Initiative (BRI). In Turkey, for example, we are following BRI developments with great interest. Turkey is on one side of Asia, while China is on the other. With President Xi's BRI program, we can transform and integrate our vast continent through a common set of rules.

There are two possible ways of integration when looking at international trade. On the one hand, there is the “software” of regional integration, by which we mean the rules governing trade: how border crossings are organized, or how traffic is guided. On the other hand, there is the “hardware” of integration, by which we mean the roads, bridges and railroads that physically make trade possible.

While the World Trade Organization (WTO) furnishes the software of trade, there are immense deficiencies regarding hardware. These were laid out across Asia centuries ago, and is in dire need of renewal. This is what the Belt and Road Initiative seeks to do, a task made all the more important as South-South trade continues to grow.

When Turkish exporters are shipping goods to the east, for example Pakistan, more often than not they have to rely on shipping ports in Europe. Goods have to unfortunately travel west before making it to their final destination in the east. And that is the major deficiency we are witnessing when it comes to the hardware of trade routes. We need more ports, airports, railroads, and roads for regional integration. This is the reason why the Belt and Road Initiative is very welcome here in Turkey.

There are more factories in the south, therefore the trade links need to be reestablished in tandem with the appropriate infrastructure. The tech angle is already very well established within the framework of the Belt and Road Initiative. There is also the important issue of agreeing upon the rules of trade. This will mean bringing all the Asian countries together and improving upon the WTO rules for trade routes and border crossings.

Yet, we also need to take account the pressing issues of the day. Before 1980s, trade meant goods crossed borders. Since the 1980s, trade means that factories are crossing borders. In this second stage of international trade, the issues regarding the hardware of trade - or rather the lack thereof - has taken precedent. This is why the BRI is an important initiative. Now we may even be at the third stage of international trade, with data, the most precious commodity of all, flowing across borders. Our metaphor of the “software of trade” is becoming literal truth. This is why we need to prioritize data governance, especially in developing nations like Turkey.

With these in mind, I would like to wish success for this year’s Understanding China Conference. I had very much wanted to be in Guangzhou, but hopefully we will meet again in 2021. Thank you very much for this opportunity.