

"Necessary regulatory framework conditions for investments by the German and European medium-sized economy in economies along the new Silk Road"

The Chinese OBOR initiative can undoubtedly be described as the largest global investment program to date. Projects worth US\$ 900 billion currently being realized, as well as other planned projects with a volume of close to US\$ 4 trillion, leave no doubt as to how serious China is with its intention to become the world's leading economic power.

Of course, one can discuss whether China intends to pursue hegemonic goals, or whether it is merely a matter of lending unprecedented dynamism to global development for the benefit of the many. One thing is for sure, even China has nothing to give away, and yes, China acts first and foremost in its own interests.

The long-standing stable growth of the Chinese economy has led to a change in the role and self-perception of Chinese economic and foreign policy.

In fact, the shift from the role of a workbench to a leading technology nation comes as no surprise.

While initial successes in the direction of know-how transfer to high-tech capability in the early days were still based on joint ventures or partly also on the unauthorized adaptation of intellectual property of western companies, China has invested consequently and at above average levels in training, research and technology since the mid-80s. Tens of thousands of students were sent to prestigious universities worldwide and, after successful education, were given good positions in their own economy.

This strategy paid off in conjunction with massive industry support and successful monetary and financial policies.

China's massive foreign exchange reserves have made it possible not only to become the largest creditor of the US, but they are also the foundation of an unstoppable, highly expansionary international economic policy. Its strongest signal is currently manifested in the OBOR initiative.

From the point of view of the BVDSI, One Belt One Road is the strategic gateway to a new, fairer world economic order. But it is also an opportunity

and an offer to the German economy to throw its enormous capacity and its great reputation into the balance.

Unfortunately, this view is hardly present in German and EU politics. Rather, the skeptics dominate. With a strange mixture of arguments, they claim the authority to interpret and evaluate Chinese intentions and omissions.

To date, this behavior has led to much irritation in the countries of Asia, Russia and some EU members, such as Hungary, Greece, the Czech Republic and Slovakia, to name just a few.

The premises of German foreign and economic policy are based more on ideal and moral values, such as human rights, or more democracy. In other words, the interests of Germany as the strongest exporting nation in the world, are being left behind. This achieves a decoupling of the political from the economic speed.

Within the near term, Germany thus runs the risk of putting its claim as the leading economic nation on the line and very soon only being allowed to take on the role of tolerated onlooker.

These one-sided values and west orientation have not led to a meaningful result in the recent past. As an example, one only needs to look at the approval of Germany and the EU for an extension of sanctions against Russia.

Russia has enough own and partnership options to cope with these sanctions. The alternatives of the German economy, however, are limited. The exchange of goods and services with Russia has noticeably declined. Even ignoring this, there would still be the problem of restoring the severely damaged mutual trust between the EU and Russia.

My point is the following. The game of economic policy forces is developing ever more dynamically and requires a constant adaptation of one's own doctrine and foreign trade objectives. These needs, however, require a government that has a clear view on necessities. They further require a government that is able to clearly and, if necessary, visionarily, formulate policies. Unfortunately, these skills have been steadily declining in Germany since 1983.

Dealing with problems of such triviality that they no longer belong in the Bundestag has led to a dissolution of the credibility of the German people's parties.

If we translate this situation and its results to the challenges facing us in Europe, doubts arise as to whether and how German policy will manage to address the OBOR project on an equal footing.

Moreover, how is the German small and medium-sized business sector to gain the confidence to find or create the necessary regulatory framework with the help and active support of the countries along the Silk Road?

In the economies along the traditional Silk Road alone, there is an enormous demand for e.g. infrastructure projects, energy projects, the development of medium-sized industrial clusters, education projects, health projects, etc. etc.

The opportunities for the German economy are enormous. We from the BVDSI find in our many conversations with the ambassadors of these countries the unanimous view that the desire for German participation in investments in context of China's OBOR investment is constantly growing. The confidence in German technology, in German management, in German cooperative business culture and in German innovative ability drives these wishes. In addition, there are the previous experiences in many countries with the Chinese project culture, whose strength apparently is not defined by sustainability.

However, back to the core of the challenges for the German medium-sized business.

As you probably know, Germany has a very strong medium-sized economy, which also consists largely of family businesses. This strong nucleus of the German economy has produced an enormous number of "hidden champions" in almost all industry branches on the world market.

This midsize economy is the secret to the export success and the innovation and investment capabilities of this country.

It is not the large DAX companies that absolutely need political support. These are well represented everywhere and enforce their interests all by themselves.

No, it is the medium-sized family businesses that need political support. These family businesses have to move in a regulatory reasonably secure channel. This includes bi- or multinational agreements on the protection of investments and the protection of intellectual property. It also includes clear, comprehensible measures against corruption and state arbitrariness. Likewise, this includes guarantees for the free movement of goods and capital. Last but not least, regulations guaranteeing safety in terms of claims settlement and compensation must be laid down. Special export and project financing is another field of OBOR adequate support services that must be put in place.

Fortunately, there are already examples of the creation of important regulatory framework conditions.

Kazakhstan has created an impressive legal landscape, which corresponds in many areas to German legislation. Russia has created extensive guarantee packages and arbitration boards, with which the German economy engaged with Russia feels to a large extent comfortable.

However, there is still a lot to do.

This is especially true in the areas of corruption and authority arbitrariness.

The EU and Germany have vast experience in developing, settling and codifying such regulations and procedures. These come from the accession agreements to the EU as well as from bi-national agreements. So it cannot be the lack of know-how, if the necessary political momentum is not yet recognizable. Here a new spirit is urgently needed.

In all agreements to be made with the countries of the Silk Road, in all interests to be considered for each of the parties, one thing must be clear; Germany and the EU are not seeking of delimitation from, and especially not a confrontation with, the OBOR initiative.

Only a cooperative approach ensures perspective.

It's about participation, prosperity and partnership. Germany has the domestic and foreign policy duty to turn towards new global initiatives. Otherwise, we will lose our opportunity in Europe to participate in shaping a new world economic order. But for that China would really not be to blame, but only due to Germany's and the EU's own political failure.