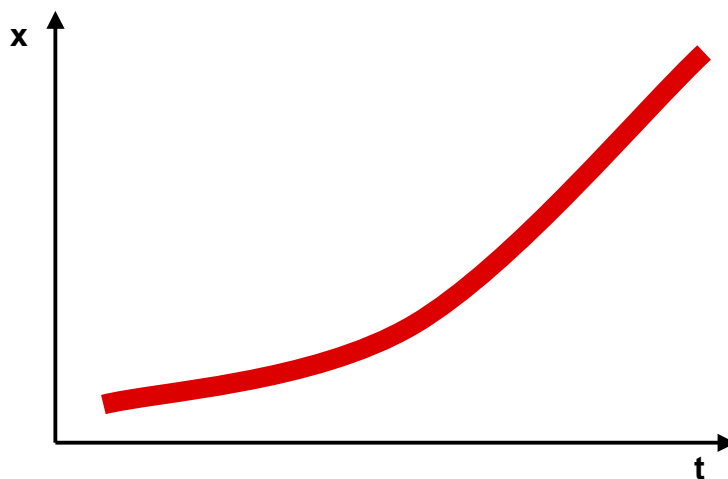


The Chinese Challenge

Competitiveness Strategies for Turkey
Istanbul, 8. November 2005

The Multi-purpose China-Chart



Agenda

- I. What drives the Chinese Economy: Trends and Developments
- II. The Competitive Setting: China and Turkey
- III. The Way Ahead for Turkey

Agenda

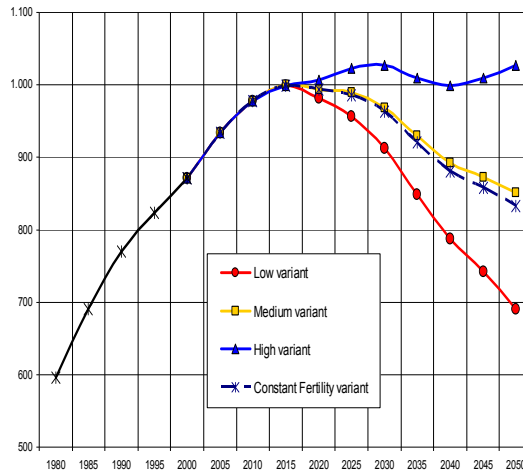
- I. What drives the Chinese Economy: Trends and Developments**
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'Unexhaustable' Supply of Unqualified Labour

1 hour of labour
in manufacturing
has a price of:

China	0,80 US\$
India	1,12 US\$
Thailand	1,96 US\$
Mexico	2,45 US\$
Poland	2,70 US\$
Hungary	3,53 US\$
CzechRep.	3,64 US\$
Spain	12,32 US\$
USA	21,86 US\$
Germany	30,60 US\$

Source:BCG

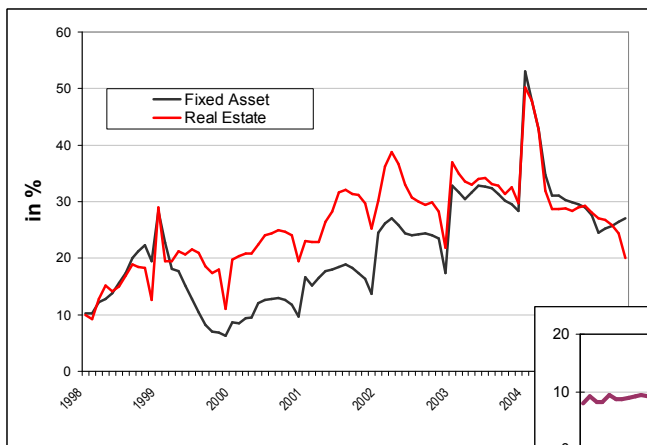


Source: United Nations

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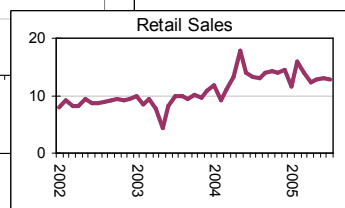
5

The Savings – Investment Nexus



**China's Savings Rate
has Jumped to Nearly
50% of GDP**

- Priv. Households: 16% ⇨
- Corp. Sector: 23% ↗
- Government: 11% ↗

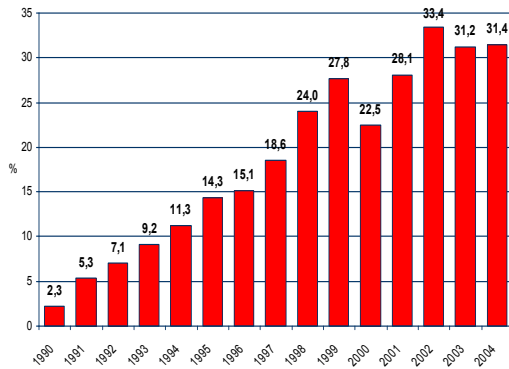


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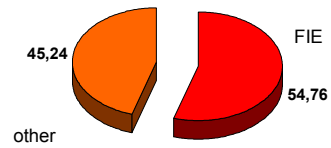
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Absorption of technologies and business models

Share of
foreign invested enterprises in
gross industrial output value



Share of
foreign invested enterprises in
China's exports to the EU



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China has Been Able to Sell a Story to the Global Investors' Community



Going China ...

... for resources ...

... pushed by
oligopolistic
competition

and

... dreaming of
1.3 bn. customers
...



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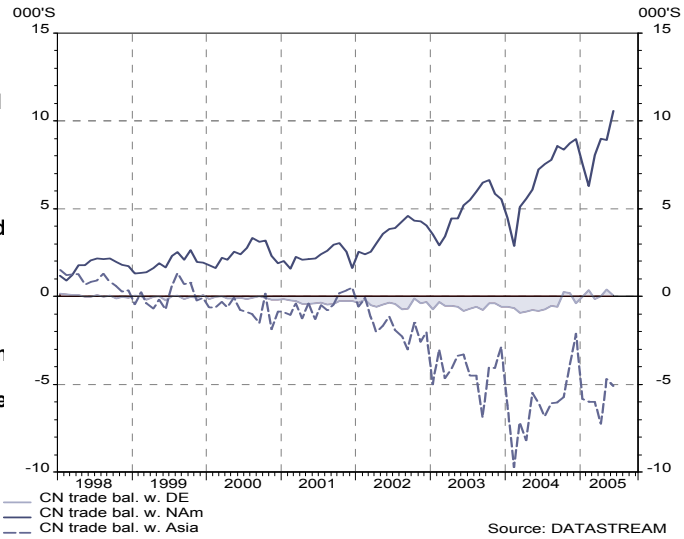
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China – Asia’s Interface to the Global Economy

China has become a 'must' stop for all supply chains touching (South) East Asia

China's import- and export-quotas are at about 45% of GDP each

Global supply chain value-added in China is on average about 25%

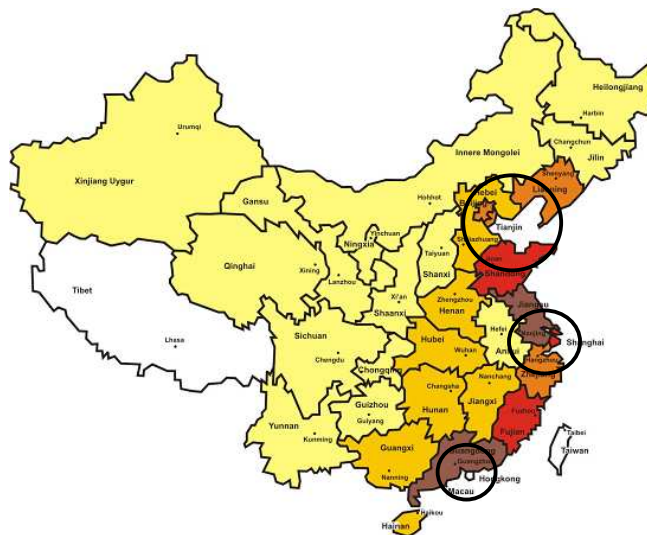


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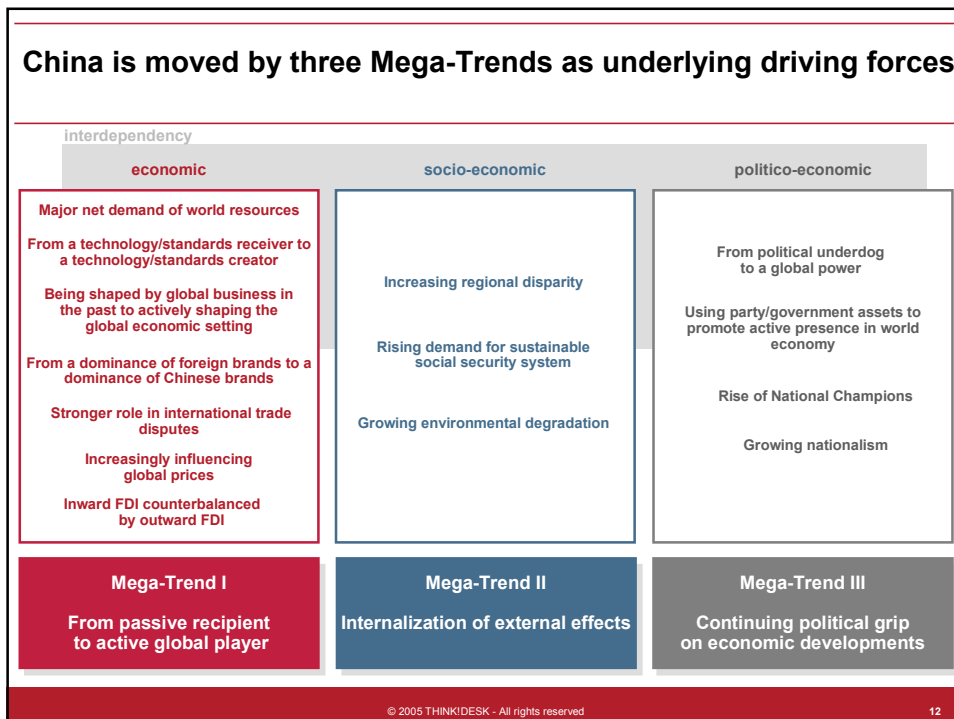
China's two Worlds

Accumulated FDI-Inflow in % of the national total



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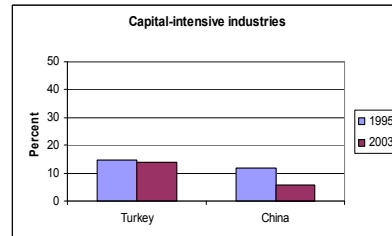
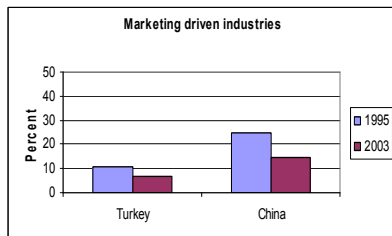
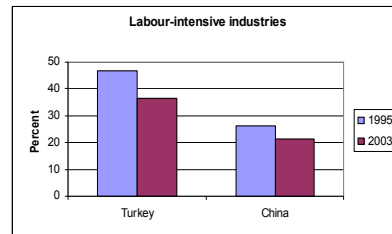
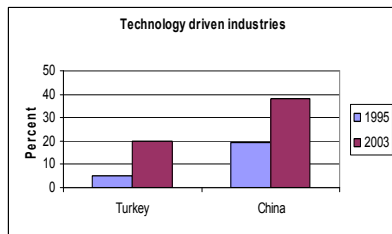
Agenda

I. What drives the Chinese Economy: Trends and Developments

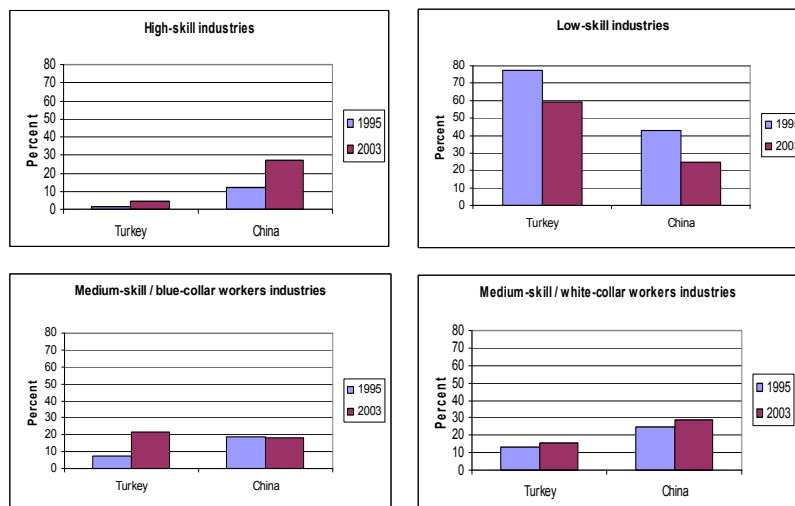
II. The Competitive Setting: China and Turkey

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Exports to EU-15 by «Factor Endowments»



Exports to EU-15 by «Labour Quality»



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Origin of products/ industry & subgroups	2003		1996 - 2003 Aagr in%	Similarity Index	
	in Mio €	Share of total exports		1995	2003
China					
Total IT goods	25019	34.7	31.2		
Computers, IT consumer goods	22651	31.4	33.4		
				50.1	28.7
Turkey					
Total IT goods	1657	6.8	29.3		
Computers, IT consumer goods	1594	6.6	30.8		

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Origin of products/ industry & subgroups	2003		1996 - 2003 Agr in%	Similarity Index	
	in Mio €	Share of total exports		1995	2003
China					
Textiles	9103	12.6	11.5		
Fabrics and knitted apparel	1279	1.8	14.7		
				84.0	87.4
Turkey					
Textiles	9643	39.6	7.2		
Fabrics and knitted apparel	1927	7.9	5.3		

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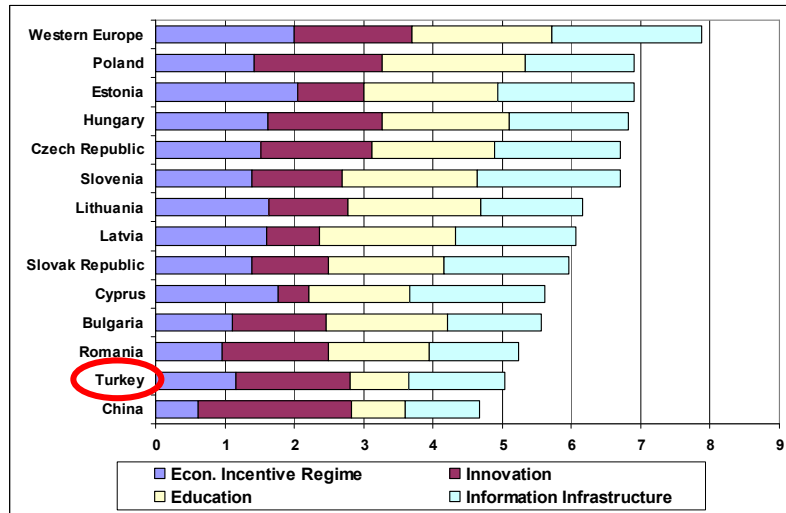
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Origin of products/ industry & subgroups	2003		1996 - 2003 Agr in%	Similarity Index	
	in Mio €	Share of total exports		1995	2003
China					
Automotive industry	3330	4.6	35.4		
Car parts	294	0.4	38.1		
				31.9	20.2
Turkey					
Automotive industry	4034	16.6	29.5		
Car parts	968	4.0	22.3		

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Knowledge Economy Index 2004



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The Growth Game

The Turkish Issues:

- Level the playing field between players of the formal and traditional sectors by improving the enforcement of legal obligations
- Promote good governance and invest in the creation of trust (i.e. secured expectations) in long-term stable economic development
- Do not suppress existing comparative advantages (lessons to be learned from East Germany)
- Activate the full productivity potential of Turkey (hidden reserve of plus 80%) by integrating the traditional sector in the formal economy

The European / International Issues:

- Open all sectors to international competition
- Integrate into Europe's strongest and most stable industry networks
- Define a slot for Turkey in the global supply chains (beyond labor cost calculus)
- Dress up for more and better FDI
- Communicate achievements to the international investors' community



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