

Towards a more strategic, long-term UK-China relationship

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Good afternoon. On behalf of HSBC, let me also thank you for being here.

Before we hear from our keynote speakers, I would like to explain why HSBC is involved with this Conference.

There are two reasons.

The first is HSBC's heritage.

HSBC was founded in 1865 to finance trade between customers in China and the rest of the world.

While the Bank's roots are in Asia, the UK has always been at the heart of our ability to complete that mission.

From the earliest days, the UK has played a critical role in the Bank's history, as well as providing access to the world's leading financial centre.

Our headquarters are in London, and the flourishing trade and investment corridor between the UK and China is absolutely central to the global network that has established HSBC as the world's leading international bank.

The second reason is that the time is right for the UK and China to develop a more strategic, long-term approach.

That is what I want to focus on today.

From a business perspective, the role of government is to engage other countries on our behalf, using the machinery of the State to open doors, undertaking meaningful dialogue on issues that affect us and marketing the products, services and expertise of the UK to other countries.

I was pleased to join the Prime Minister on her first bilateral visit to China in January.

It was evident then that both governments and the private sector were committed to extending two-way trade and investment.

I also took part in the Economic and Financial Dialogue in Beijing last year, which has been instrumental in agreeing a wide range of measures to strengthen UK-China collaboration and in aiding London's development as a leading offshore renminbi centre.

I look forward to welcoming our Chinese counterparts to London later this year to build on these important discussions.

Of course, it is important to be aware that all of this is happening at a time when both China's and the UK's relationships with the world are evolving.

2018 marks the 40th anniversary of the beginning of China's reform and opening up process.

This has been a complex and enormous task.

Given the scale of the challenge, it is unrealistic to expect that reform process to be linear.

We have seen China deliberately slow the rate of reform when it has needed to stabilise growth – for example by focussing on certain types of capital flows, before accelerating again when it is able to do so.

The outcome is that China has opened up remarkably over the last two decades in particular, creating unparalleled opportunities for firms with the sophisticated goods and services that its maturing markets increasingly demand.

This process continues.

Last week at the Lujiazui Financial Forum in Shanghai, further steps were announced to open up access to China's capital markets and ease restrictions on foreign institutional investors.

This process of gradual, controlled opening up is part of China's foreign policy, which is to engage with its external environment in a way that supports both international cooperation and its own economic and social development, achieves stability at home and aids its growth towards becoming a high-income country.

The Belt and Road Initiative is another expression of this.

Most people now recognise the extensive and significant scale and ambition of Belt and Road.

It aims to promote trade and economic integration between China and the rest of Asia, the Middle East, Africa and Europe. Our discussions indicate that up to 100 countries are now involved.

Building the physical infrastructure that will improve overland and maritime links is the immediate focus of Belt and Road.

This is creating significant new economic ecosystems.

And while there are a number of important issues that need to be resolved as Belt and Road proceeds, these new ecosystems are already facilitating greater cross-border co-operation on many different levels.

For example the Digital Silk Road involves co-operation across many different sectors – from the construction of international telecommunications networks and electricity grids, to scientific collaboration, and smart agriculture systems that enable resources to be used more efficiently.

Meanwhile the Polar Silk Road – which will see goods shipped from Asia to Northern Europe through the Arctic Sea across the top of Russia – is ushering in a new era of China-Russia relations, as seen in the recent meeting between President Xi and President Putin.

Both the UK and China have thrived as outward-facing trading nations.

Brexit itself does not necessarily change this.

As the UK proceeds towards leaving the European Union in March 2019, its relationships with key partners matter more to it than ever before.

And the terms of many of these relationships will require renegotiation.

Establishing a long-term, strategic plan for trade and investment with China is vital to clarifying and securing the UK's place in the world.

I believe that the UK's relationship with China is particularly well suited to a long-term strategic approach.

However, this long-term strategic approach and perspective will require a different mindset, as strategic initiatives like Belt and Road lay the foundations for sustainable growth for decades to come.

I will briefly highlight three potential areas for greater collaboration.

The first is infrastructure.

As Belt and Road begins to take shape around the world, UK financial and professional services companies are already providing expertise in areas such as governance, financing and programme management that helps to make projects investible, legal, deliverable and sustainable.

China's ambition of conforming to the highest international standards is matched by the UK's expertise for meeting them.

Post-Brexit, the UK would be wise to continue to find ways to strengthen its involvement in Belt and Road.

Related to this, the second potential area is sustainability.

The actions taken by China to tackle pollution will largely determine whether the world can deliver the two-degree commitment that global leaders signed up to in Paris.

We simply can't afford to see large sprawling cities powered by coal and connected by roads full of cars driven by internal combustion engines.

What we need are well designed urban developments that use clean energy and with efficient mass transit systems.

Helping China to meet its long-term environmental needs will create significant export opportunities for the UK's broad range of low carbon industries.

The City of London's connectivity and expertise in sustainable financing means it is ideally positioned to support China's environmental objectives.

Finally, the third potential area is further market opening.

The productive dialogue between China and the UK means there are expectations that the stock trading tie-up between Shanghai and London could launch by the end of the year.

As the first scheme of its kind to extend outside Asia, Stock Connect is a significant milestone for China, the UK and global investors.

Looking ahead, it is essential that the UK keeps pace with China's financial reforms.

Doing so will require a fine balance between demonstrating even greater ambition on the one hand – and on the other maintaining the high standards that the UK has come to expect.

It is possible to do both.

Indeed, it is necessary to sustain London's status as the world's leading financial centre.

In conclusion, I believe the time is right for China and the UK to work together to develop a long-term strategic approach and relationship.

There is a strong foundation on which to build this long-term vision of China and the UK as strategic partners, and the political will and determination to make it happen.

HSBC stands ready to support this process.

And I look forward to discussing today how we can work together to do just that.