

‘Every door is an entrance as well as an exit’: A new era for China-UK relations

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Your Excellency, Secretary of State,
distinguished guests...

Good afternoon, and on behalf of everyone at HSBC, a very warm welcome to this Chinese New Year lunch.

Xin Nian Kuai Le!

We are delighted to welcome our guests of honour – His Excellency Liu Xiaoming, Ambassador of the People’s Republic of China, and Liz Truss, the International Trade Secretary.

We are grateful for their presence and look forward to hearing His Excellency’s thoughts.

I want to start by saying a few words about the coronavirus outbreak.

Chinese New Year should be a time for celebration with family and friends.

So our thoughts are with all those affected by the coronavirus in Wuhan, across China and beyond.

As the largest foreign bank in China, we are of course monitoring the situation very closely.

Our first priority is always the wellbeing of our staff and customers.

We are doing all we can to ensure their safety, and to support them through this very difficult time.

Our lunch today marks the beginning of the Year of the Rat.

The Rat is the first sign of the Chinese zodiac. It represents the start of a new cycle in the Chinese lunar calendar and is therefore associated with new beginnings.

This is of course highly relevant here with the UK leaving the European Union tomorrow night.

From my perspective – both as Chairman of the HSBC Group and also of TheCityUK – it is very important that the final agreement on relations between the UK and the EU27 does all it can to protect and further develop the many benefits that UK financial and related professional services bring to the UK and to the EU.

These benefits include: tax revenue; jobs and inward investment; helping individuals and businesses save, grow and prepare for the future; promoting financial literacy and financial inclusion; and also vital work to tackle financial crime and supporting the transition to a low-carbon economy

Looking beyond Europe, the UK’s relationships with its key global partners are also entering a new era.

After more than 30 years living in Asia, I know that many things are best expressed by thousand year-old Chinese proverbs.

The Chinese proverb that best comes to mind is: “Every door is an entrance as well as an exit”.

I believe it is particularly relevant to UK-China relations.

Over the last decade, rapid growth in bilateral trade and investment, as well as in cultural, education and other links, have created a strong and wide-ranging UK-China relationship.

I believe that relationship can become even stronger, even more comprehensive and even more mutually beneficial – and I would like to use my remarks today to highlight three ways in which this can be achieved.

First, I have long argued for the need to strengthen the strategic planning for trade and investment between the UK and China.

The UK’s relationship with China will greatly benefit from a long-term perspective.

In the coming years, China will continue to grow in geopolitical and economic weight, and open up its markets to foreign companies and investors.

With the new UK Government in place for at least five years, the time is now right for government and business to work much more closely together and to develop a strategic, long-term, approach that takes the UK-China relationship to the next level.

A strategic approach would complement the Chinese emphasis on long-term planning.

China's Five-Year Plans – of which there have now been 13 – clearly indicate its priorities for investment and development.

The UK can choose to align itself with these priorities by focusing on relevant industries and initiatives, and creating a supportive environment of policy and regulation for their further development.

Many of the areas in which we engage with China are well suited to long-term collaboration, particularly the opening of financial markets and infrastructure development.

One of the obvious benefits would be the flow of Chinese investment into the UK, particularly into the North and the Midlands.

A longer-term perspective is also beneficial when considering the challenges and opportunities in sustainable finance and in digital technology.

With China hosting COP15 on biodiversity in October and the UK hosting the COP26 meeting in November, we are joined together this year by UN climate change activities, and we share the responsibility of accelerating progress to protect the environment around us.

And while it is of course right that any risks are managed, Britain stands to benefit immensely from the pioneering innovation of world-leading Chinese companies in areas like e-commerce, advanced manufacturing, artificial intelligence and telecommunications.

That need for a strategic perspective is why I understand the British Government's decision to allow Huawei – subject to important safeguards – to continue to supply equipment and expertise for building the non-core elements of the UK's 5G network.

HSBC is committed to help develop and deliver a longer-term UK-China plan, including strategic objectives and clear milestones based on commercial opportunities.

Second, building greater mutual understanding between the UK and China is essential to a relationship that benefits the economies and societies of both countries.

British companies are now using new trade corridors being opened up by the Belt and Road Initiative. Chinese firms are bringing capital, jobs and expertise to the UK. And London has become the leading offshore RMB centre outside Asia.

But it is also the case that our understanding in the UK of China is not as wide and deep as it should be for a country of China's significance for the future of the world.

Understanding China is even more important at times when risks may appear to be heightened.

In 2019 the Chinese economy grew at a slower rate than in previous years.

Trade tensions impacted the global economy and also formed part of intensified competition between the US and China across a number of fronts.

And social unrest in Hong Kong has both weighed on the local economy and dampened confidence.

So some concerns are not unreasonable.

Those of us who regularly engage with China are very aware that China is already the 2nd largest economy in the world, and remains on track to overtake the US ...

... Mainland China and Hong Kong combined are already the UK's 3rd largest trading partner ...

... China's present economic and foreign policy is entirely consistent with the reform and opening-up journey on which China embarked more than 40 years ago...

... and Hong Kong remains the gateway connecting trade and capital flows between Mainland China and the rest of the world, which is why it is so important that a solution to the ongoing unrest is found under the 'One Country, Two Systems' framework.

This all underlines the responsibility that all of us who regularly engage with China have to help others navigate the risks and opportunities – and to encourage them to engage with China themselves, to build their own networks and deepen their understanding of one of the UK's most important partners.

This brings me to the third way that we can support the development of the UK-China relationship.

There is much we can learn by sharing the experience and expertise of our governments, our cities and our leading businesses.

Although the circumstances are often unique, we face many common challenges and could share solutions tailored to the particular circumstances.

For example, the UK and China have a shared interest in supporting small and medium-sized enterprises.

At the 3rd UK-China Financial Services Summit held last year alongside the 10th UK-China Economic and Financial Dialogue, we were pleased to share our experience of the Business Growth Fund – a successful financing model for SMEs in the UK which HSBC was instrumental in developing.

I am excited about taking this work forward, as well as about further opportunities to share our experiences, including at the next UK-China Economic and Financial Dialogue in Beijing scheduled for later this year.

HSBC is also very pleased to be working with CIC – China's Sovereign Wealth Fund – on the development of a new £1bn UK-China Fund.

The purpose of the Fund is to invest in UK SMEs with growth linked to China.

This an important strategic initiative for both CIC and HSBC – who will be the two anchor investors in the Fund – and will further promote trade and investment between the two countries.

We have appointed Charterhouse – one of the most well-known and long-standing private equity firms in the UK – as managers of the Fund, and I am pleased that Lord Patten and James Cocker from Charterhouse are here today.

I am also looking forward to taking part in the Mayor of Beijing's International Business Leaders Advisory Council in March, and its Shanghai counterpart later this year.

These forums have long shown how committed China is to engaging with business and to learning both from what has worked – and from what has not worked – in other cities around the world.

As the world's leading financial centre, a hub for sustainable finance and the home of world-class, high capacity infrastructure projects, London's experience can continue to add value to China's leading cities.

Your Excellency, as you understand better than anyone, the time is right for us all to work towards a more strategic UK-China relationship.

It needs to be underpinned by greater mutual understanding and the sharing of our respective experience and expertise.

I look forward to a new and even stronger UK-China relationship during the Year of the Rat.

Gong See fa tsai!

And I would now like to invite His Excellency – our good friend – Liu Xiaoming to the podium.