



**Margaret Thatcher Conference on China and Britain
Guildhall, London
Tuesday 19 June 2018**

Panel Two: Doing Business in China

The video recording of these remarks is available on the [CPS YouTube channel](#).

James Sassoon: Ladies and gentlemen, thank you very much. I'd like to get our afternoon session underway. Slightly different format to this panel session. We will have some opening remarks from Mark Field, who is the Minister of State for Asia and Pacific at the Foreign Office, and then has to run away and do his democratic duty, unfortunately. But we will follow that up with a discussion featuring some of the leading figures in business, both in the UK and in China, in terms of analysing the relationships between our countries from an economic and business point of view. Peter Budd of Arup; Dr. Xiang Bing, the founding dean of the Cheung Kong Graduate School of Business; Sir Gerry Grimstone, who's the chairman of Barclays Bank PLC and Standard Life Aberdeen; Sun Yu, who is the chief executive of the Bank of China UK and one of the most respected Chinese business figures in London; and Sherry Madera, of our hosts at the City of London, who is the expert's expert on all these issues.

So without further ado, I'd like to welcome the right honourable Mark Field.

Mark Field: Distinguished guests, ladies and gentlemen, welcome to London, for those who are not already resident here. And indeed, of course, welcome to the heart of my own parliamentary stamping ground here at the Cities of London and Westminster, which I've represented for the last 17 years in Parliament.

Now, I must say, I feel particularly blessed as a politician, as in my view I do represent the single most prestigious constituency in the United Kingdom. Now, I appreciate that said opinion, but it's hotly contested by at least 649 people working nearby. But as the Minister of State for Asia and the Pacific, I also have the privilege of representing the government and UK interests in the most dynamic region on earth. Without doubt, I needn't say to all of you here, much of that dynamism over the past decade or so, and indeed in the decades to come, emanates from China.

So I want to thank the Centre for Policy Studies and the Corporation of London for bringing us all together here today. It is always a great pleasure to get together with others who share my innate enthusiasm for China and my determination to build the strongest of partnerships between our countries. I must confess, I had visited China on three occasions prior to becoming a minister and, of course, have done so twice since, and will look forward a third visit in July. But I regret, and apologies already in advance, because of votes in the House I'm unable to stay for the panel discussion.



But nevertheless, I am very pleased to have this opportunity, if I may, to illustrate that doing business with China and developing a strong people-to-people relationship between our two countries is front and centre of the government's priorities for this relationship. The government is helping to broaden and to deepen the relationship with China across a whole range of fronts. When our own Prime Minister visited China earlier this year, she set out her clear aspiration for the UK and China to be partners for the long term. Like all friendships, of course, this requires both parties to commit to work together, but also to make space for differences. And there are always going to be differences to be aired and talked through. And I'm very pleased to say that she and President Xi were in absolute agreement about that.

Now, as a politician, building a strong partnership with China is, of course, a personal priority. That's because China so patently has a major role to play in so many of the pressing issues that affect the future, not just of this nation but of the world at large. And I've seen that in much of the work I've done deputising for the Foreign Secretary at the UN Security Council, where it's fair to say that China as a P5 member has tended, in the past, to hide itself slightly under a bushel, and it is doing a little less of that now. I wouldn't say it's being overly assertive, but it nonetheless recognises that an orderly world beyond its own borders is very much in its own interests going forward.

So we look at tackling the global challenges, threats that lie before us, how we can grow our respective economies in the years ahead and ensure that all of our peoples become more prosperous. Clearly, the relationship between the UK and China will only become more important as the UK pursues its future beyond the European Union. Now, thanks to the efforts of this government, our push to strengthen the relationship starts from a very sound base. The UK is already one of China's most important investment partners. Bilateral trade, as many will know, is at a record level. China is, at the moment, our third largest trading partner behind the EU and the United States respectively. And British exports to China have grown by almost two-thirds since 2010.

We are and remain the destination for more Chinese investment than any other European country, bar the Netherlands. And this investment is providing a boost across the regions of the UK as well as close to home here in the financial and professional services centre that is the City of London. But a lot of that work includes new work in nuclear power in the west country, scientific research in Manchester, and manufacturing in Scotland. Investment has not been blown off course by the result, the surprise result of the EU referendum. Indeed, far from it. In the two years since that vote, Chinese investors have demonstrated their confidence in the UK's economic future, with acquisitions of Odeon and UCI, and major investments in the construction sector in Sheffield and in Croydon.

And may I also say this. One thing that's been very evident to me in all of my visits, not just actually to China, but within the Asian region, we have to recognise that the big job produced to the future will be in areas such as the fourth industrial revolution, whether that's robotics, AI, whether it's in medical



diagnostics, in pharmaceuticals. A lot of these are areas, particularly, obviously, in the technology area, where there is no great regulation or compliance that is in place. This is relatively green field site in regulatory terms. That provides an opportunity, an opportunity, I think, to work with China above all to try and have a set of rules that works for decades to come, but also puts into perspective the real idea that actually leaving the European Union means we're leaving behind a lot of rules in a whole range of services and goods that will be industries of the past rather than of the future.

President Xi is committed to continuing China's economic opening up, and the UK, I believe, is very well positioned to work with China on that journey, not least in relation to the hugely ambitious Belt and Road Initiative. We will continue to bring expertise in many areas that are key to China's plans, from our world-leading financial and professional services to cutting-edge scientific and creative industries. Indeed, I believe it was these assets that helped the Prime Minister to seal commercial deals worth over £9 billion during that visit back in February.

And it's not just the big names that are getting in on the action. In the Prime Minister's largest ever business delegation, two in every three of the delegates represented a small or medium-sized enterprise, a really encouraging sign. I accept that that process will take a little longer than we might all hope, but we have to start somewhere, and I think that has been an encouraging development.

I'm sure all of you are well aware that personal relationships are, and will remain, absolutely crucial to doing business in China. And that's why we work hard to maintain and develop those personal friendships between our cabinet and top leaders in China through regular policy dialogues and visits. I myself met the party secretary, Xi Chen, who was in London only last week, and I look forward, as I say, to visiting China and meeting my opposite numbers in Beijing, Shanghai, and elsewhere later in July.

Plans are also in place for the Foreign Secretary and the Chancellor of Exchequer to meet their opposition numbers in Beijing very soon. And we hope that the Chinese Premier, Li Keqiang, will be visiting the UK himself in the near future. Our network of five diplomatic posts, and please, may I ask all of you, please utilize that network, that FCO network of those five diplomatic posts on the Chinese mainland, hosting staff from no fewer than 18 different Whitehall departments. That helps us to identify opportunities, to build links, to build trust, confidence, and ambition right across China.

We want to open doors for all the businesses and sectors that wish to benefit from a win-win corporation between our two companies. And I hope to visit many of those diplomatic posts on my forthcoming visits to China, to continue promoting and supporting our work throughout the entirety of that nation. The relationships between our peoples, our communities, our institutions, and our business will be just as important to the success of the future partnership as



this political engagement. And that's why I believe events such as this today are so very important in helping to make and also to build and to put foundations towards those relationships.

So if you haven't already done so, I very much hope you will use the opportunity today to plot your path towards closer links with China and become a part of this ever-growing success story. You can count on the support of this government, our diplomatic posts, and indeed me personally, to help fulfil all of those ambitions. Good luck.

Peter Budd:

Lord Saatchi, distinguished guests, friends, it's a great pleasure to be here this afternoon and to address you. Indeed it's quite daunting in this great space. I think we've heard in the earlier sessions about the background, the build-up of the political background to what I care about, which is actually doing business and doing business, particularly, with China. I started on that road in the early 1980s, at the beginning of it opening up. And my goodness me, how it's changed, how it's matured. The one thing you can guarantee is what happens today will not happen tomorrow. So you have to be very fickle. But I do believe, as Lord Sassoon mentioned earlier, that we are living in a very special time. It's very uncommon to have Chinese leaders talking about golden era, golden fruit, profound friendship. But the big question is, how do we move from those very high-level objectives to real business opportunities? And that's really what my panel this afternoon is going to address.

We are going to talk about the UK as an attractive destination for Chinese business, and indeed for China being an attractive destination for British business. We're gonna give some examples of the challenges of expanding a business into China. How big is the services industry, really? Is it really opening up? And of course you couldn't have an event like this, inviting business people to speak, if we don't mention Belt and Road, which I think is the most significant strategic infrastructure proposition that the world has ever seen. How can the UK actually benefit from this amazing opportunity?

Well, my panel is really outstanding. I've asked them to actually draw from personal experience and give some concrete examples of things that they've done, perhaps things that have gone well and not so well, so that we can learn for the future. So my first panellist, Dr. Xiang Bing, is no stranger to us here in London. Founding dean and professor of China Business and Globalisation at the Cheung Kong Graduate School of Business, he is a respected academic globally, and has also served as a board member, independent board member, on a number of listed companies in Hong Kong, the mainland, and indeed in the US. His research areas have covered a wide band of business-related activity, specifically China looking at state and business relations, reform of state-owned enterprises, and the role of the private sector in China's development. All matters which are pertinent to our discussion today.

Sir Gerry Grimstone really needs no introduction. He's one of the UK's most eminent business leaders. Of course, he chairs Standard Life Aberdeen and



Barclays Bank PLC. Importantly, he also chairs Standard Life's joint venture in China, Heng An Standard Life. And I think he might make reference to his experiences there specifically. Sir Gerry has also given generously of his time supporting wider UK business initiatives, chairing the City UK CBBC China Market Advisory Group, which supports coordination of financial and professional service activity between China and the UK. We look forward to your contribution, Sir.

Well, Sherry Madera, Sherry needs no introduction at all, really. I mean, this is her place, her town. And of course, I think as many of you know, she leads the City of London's policy and trade strategy for Asia. And previously, as ex-minister councillor and director at our embassy in Beijing, promoting trade and investment between China and the UK, she paid particular attention to financial and business services and the technology centres. She's just returned from a trip to China, and I look forward to hearing from her on her insights into the changing regulatory environment relating to investment and doing business.

And finally, but certainly not least, we are really pleased to have with us Sun Yu, general manager of the Bank of China here in London. A great friend of the UK and leader of one of our most respected international banking institutions here in the city. Of course, the bank's been here for quite a long time, he's almost a London resident. You should have citizenship, Mr. Sun. But of course, before coming here he had a number of senior roles in the bank. He spent a long time in Shanghai as deputy general manager, and indeed in Hong Kong as the head of the portfolio management division in the Treasury Department. Now, there's some good news and some bad news about Mr. Sun being here today. Unfortunately, he's going to be leaving London and he will be sorely missed, but he is taking up a very senior position in the bank, and we look forward to inviting him back here to talk about his new position and to point out, with his usual clarity, what we're doing right and what we're doing wrong. So Mr. Sun, we're really grateful for you being here this afternoon.

Now that's enough from me. So the format of the panel is very similar to the one this morning. I'm going to invite the panellists to speak for five minutes, we will have a discussion, and then some time to close out, giving each of our speakers a chance to make a short statement. So Dr. Xiang, would you like to start?

Xiang Bing: Okay, thank you so much.

Peter Budd: I think we'll sit down.

Xiang Bing: Yes. Thank you so much for the kind introduction. I have three points to share at a philosophical level. Number one is one essential teaching Confucius. Harmony and diversity, or harmony without uniformity, in Chinese we call the *he er butong*. A philosophical level, we're fundamentally different from American philosophy, especially by Professor Fukuyama, the end of history argument. Even today, we have a conference of so many transformative



changes, whether technological, cultural, political, global governance, global trading systems. For the future, not gonna be one system that will solve all the problems for all of us. Not gonna be the one system, be better than the others. That's a central teaching of Confucius. You have to be different to be harmonious. I think we should stop trying to come up with one system that will solve all the problems for us. We should respect differences. We should promote differences, different kinds of experiments for many of the challenges we have, for number one.

Number two is also teaching. Not so famous one, but also teaching from Confucius. In Chinese, we say [Chinese], loosely translating, in the company of three, there must be one you can learn much from. So for the future, we have to hide away some of our pride and prejudices. Be humble and learn from each other. Today, really great occasion for me, for the Chinese and a Chinese scholar, to appreciate the impact of the British on China's economic development. Why I say that? For the past three or four decades, the three tide forms. Tide forms, you know. And one is a neoliberalism that's coming from Lady Thatcher, 1979. President Reagan was a big fan of Ms. Thatcher. Neoliberalism also shaped China's reform in a fundamental way. China and the US embraced neoliberalism better than any countries, one might argue.

The second tide form, a new wave of globalization. The third tide form, invention Internet. You can trace all of them here. China, economy succeeded, partly, maybe fundamentally, because the three tide forms here. So we owe a lot to the British, not only the Hong Kong ones, you know. The Hong Kong today is probably the best city in China with the rule of law, and Xinjiang could become a global centre for high-end manufacturing if you give another five, 10 years. But without Hong Kong, difficult to envision all of that.

Thirdly, neoliberalism. Neoliberalism may have run its course in UK and US, but neoliberalism has much, much room to develop for the future of China. Because we have so many sectors remain to be deregulated. Telecom, financial service, media, culture, and the creative sectors. Many, many, many. China succeeded because of neoliberalism. China may become one of the most capitalist countries on earth, maybe the one, because we don't have universal healthcare. Our education system only covers ninth grade. We don't have unemployment insurance. We don't have a universal transit system. Our Gini coefficient, measuring income inequality, for 2008 was .491 by statistic book of China, that the government own.

You look at many measures, you might argue China may have become one of the most capitalist countries on earth. China succeeded because of that. China's challenge in income, wealth inequality and a diminishing social mobility partly may have derived from that as well. So for the future of China, China has much to learn, not only from experiment of UK in particular, the social welfare program of many of the European countries. I argue China succeeded as the combination neoliberalism and a state capitalism. For the future, the social democracy of the European model has so much to offer. China continues to learn from that as well.



Yes, China will offer many things for UK, some of the European countries learn. For example, China may be the country that promoted much of the disruptions I'm talking about. Without disruptions, it's difficult to think about economic development. Because in China you contain wealth as the families. Look at that for the past 30, 40 years. There's always a sea change, always a sea change. That's a fundamental difference in China's economy and India economy, maybe European economy. How do you facilitate this wave of disruptions? I think that's a key to the future. At the same time, how do you manage this income, wealth inequality and diminishing social mobility? Those are my two sentences to begin with. Thank you.

Peter Budd: Thank you, Doctor. Gerry?

Gerry Grimstone: Thank you, and thank you for inviting me here this afternoon. It's fantastic to see such a great crowd here. I'm gonna very quickly tell you what my credentials are for talking to you, and I think I'm the only global Fortune, one of very few global Fortune 500 chairmen who also chairs their onshore business in China. I have a pensions and savings, Standard Life Aberdeen, we have a pensions and savings business in China, a joint venture with our friends in Xinjian. We employ nearly 10,000 people, we have over nine million customers, and I have branches in over 80 cities throughout China. And that is probably the largest, one of the largest geographical footprints of any Western financial services company in China. We have an asset management business in Shanghai, wholly foreign-owned enterprise selling investment products to our Chinese friends.

I first went to China over 25 years ago, I've been more than 200 times to China, I try to go to China every month. I've been with the last four British Prime Ministers to China, Tony Blair, Gordon Brown, David Cameron, and Theresa May. I first went to help with state enterprise reform, because in the 1980s I worked for Margaret Thatcher, particularly pleased to be here today because of that, and I was in charge of state enterprise reform in the United Kingdom. And the work I did then, a small group of experts were assembled by [Chinese], and we did the plan which became the party's plan for state enterprise reform in the third plenary in 1993.

I'm an ex-banker, and always bankers like unique selling points. And I think my unique selling point's been my father was a senior member of the UK Communist Party. And as you can imagine, as an ex-banker, I've magnified that to make it appear that he was on the long march with Chairman Mao. This has stood me in very great stead always in China.

So what's it like being the chairman of a business in China? First of all, thanks to the Confucian hierarchy, it's wonderful fun being a chairman in China. I speak to me general manager every few days, and he will start his speech by saying "Chairman, I would like to give you a full report of what I have done since we last spoke. On Monday morning I did this, on Monday afternoon I did this." I say this to my UK CEOs and they look at me in astonishment, as to how could that



possibly be a way of conducting a business. But what it shows is, to my mind, is the tight unification you see in Chinese companies. The board of our company is - because it's a fifty-fifty joint venture - it's fifty-fifty Chinese and colleagues from Britain. We run it to exactly the same standards of corporate governance as we do our businesses in the UK. And we are regularly marked top by the CILC for governance and regulation in China. That's been very important, because quality has become increasingly important in China.

The China consumer has become very litigious. We are frequently taken to court by individual Chinese customers throughout the company complaining about the terms of a policy or whether our surrender values have been fair or what have you. This has become a very consumer-savvy, aware society. My people work extraordinarily hard, they will work six days a week, seven days a week, but with a tremendous loyalty and a tremendous spirit to want to improve themselves and work hard.

Of course, and I'm on record of saying that the stability of China for a company like myself, is an important factor in operating there. I won't say how much we're looking forward to that same level of predictability coming back into the United Kingdom, I mean, sort of market. Because predictability for a business is very important. Of course there are laws and regulations, no better, no worse than here. The insurance regulator, soon to be the insurance and banking regulator, is just as skilled as the regulators are here. A different approach, but just as skilled. And China has been very good at sucking in regulatory experience from around the world and redeploying it in the Chinese context. If there are any insurance people in the room, the Chinese version of Solvency II, C-ROSS, was adopted in four or five years by them, where it took us, having learnt from us and others, a lot longer to do that.

We benefit greatly from the golden era of UK-China relationships. I keep my fingers crossed that the Dalai Lama doesn't pay a surprise visit to the United Kingdom, because even in a golden era of Chinese relationships, one is always conscious that there is a political environment in which we are operating. And that goes for the same, I think, for both countries. I absolutely support British companies operating there. It is complicated, you have to put in the time as I do. You have to be prepared to build personal relationships. The one thing I won't do is to eat sea cucumber. I think there's a limit to how far you can push personal relationships. But other than that, when I'm in China, of course I live the life of my Chinese friends. I drink bijou, and in the insurance business you have to drink a lot of bijou. And I join in. And again, I think that is very much an important ingredient of success in China, which is, whilst preserving our standards, our governance, our approach to business, and not relaxing those at all, we are absolutely as conscious of treating customers fairly. You know, standards in China, as well in the UK, but we do it in the Chinese way to our standards. And I think that's an interesting kind of maxim to take with us today, if one wants to be successful in China.

Peter Budd:

Thank you, Gerry. Sherry?



Sherry Madera:

Well, Sir Gerry, as always, a hard act to follow. But I think that we agreed that we were gonna start thinking about the opportunities in China, and you'll forgive me if I focus primarily on financial and professional services, what with me carrying a city card. I should actually say thank you, welcome to all of you, to the Guildhall. It's not surprising to me at all that we're sitting here in this venue. And some might say "You know, this is so steeped in tradition. There's so much history here." And yet we're talking about the future of a relationship with China, which is very much new, changing, and evolving. But actually, that partnership of the old and new, I think, is one of the things that reinforces what Gerry was saying about trying to pull together and be able to learn from each other, different cultures, appreciation.

But I think that we're actually in a really interesting time at the moment, particularly from a financial services perspective. There's been quite a few number of decades that we've been talking to China and trying to collaborate, in terms of being able to get access to that huge and growing Chinese marketplace for financial services. And already, seeing that Sun Yu and other Chinese banks have been doing great business here in the city, we're really welcoming that collaboration back here in London.

And why I say we're in a step change is, I think that when we look at what's happened recently, Gerry was at the Boao Forum recently, where President Xi announced some reforms. And I was very honoured to be there as well. And I think that it became one of those moments that we'll look back on as being a pivotal point, that China not only talks about reforms and talks about how it is that we're going to embrace opening up and capital market efficiency, but actually, it was starting to happen right there in front of us.

And what I mean by that is, there were a series of very specific announcements that were made by both President Xi and redoubled on the next day by the new governor of the PBOC, the People's Bank of China, Yi Gang. And those included the ability for foreign institutions to come into China and own 100%. So those caps about ownership have pretty much been lifted, or a path to 100% ownership, were very much supported and announced during that time period. You know, frankly, I'm not sure what we're going to do in our next economic and financial dialogue, because these were some of the things we've been asking for for many years.

But if you think about the insurance ... if you think about securities companies, banking, asset management, these are all now opening to foreign investors without having to have a minority stake. This has been something that hopefully will encourage our markets here to take China out of that "too difficult" box and at least think again about what the opportunities are there, as the reforms are changing.

There's also quite significant changes to the, what is currently a impermeable capital account. So the stock connect, the bond connect, which are currently up and running, with the Shanghai-Hong Kong connect, the Shenzhen-Hong



Kong connect for equities, and also the bond connect for fixed income. All, on that day, were announced to go up by fourfold in terms of quotas. So I think there's a real demonstrable interest in opening up and encouraging foreign investors to really participate in those marketplaces.

Of course, the Chinese bond market is the third largest in the world, and that's growing rapidly. Already the doors were flung open. When I was living in Beijing we were all taken a bit by surprise at how open that bond market became, and the announcement came very quickly. However, the stampede of international investors into that bond market hasn't quite happened yet. And of course, this is becoming a narrative, a dialogue, a journey for us to work very closely with Chinese colleagues, policy makers, institutions, to find out ways that are, it's not just about opening out. It's about education, it's about creating efficiency, and making sure that some of those barriers to the real business, for example, profitability, become known to the very experienced, and I totally concur with Gerry, very, very educated and knowing regulators that are managing an incredibly complicated market opening up in China.

There's also specific reference during that Boao speech for things that are new opportunities for international players. Things like payments, like credit rating agencies, like credit cards, like clearing systems. These were all referenced as now being able to be opening up for foreign participation. So if we're thinking about "Well, what's different between now and this time last year?" There are real opportunities for foreign players to come into the Chinese market quite significantly.

Of course, foreign exchange reforms, and that opening up of the capital account, are going to be critical. As we all know, there's been a very tight capital market right now in China. That's something that has persisted since 2015. Some of our great asset managers, who have boldly gone in, and insurance companies who have gone into China, are still waiting on quotas to be able to make the most of that ownership and that structure.

And actually, from my trip last week and speaking to both the government as well as regulators and participants in the market, these challenges are well known. These are not things that are not being discussed. They're, in fact, being actively pursued in terms of asking for interest, guidance, suggestions, collaboration. And we're very proud here in the City of London to be seen as a global financial centre that can provide some of this suggestion, not only from our big UK financial institutions and advisors and ecosystem, but because we are also incorporating those of our international counterparts. JP Morgan, Credit Suisse, BNP Paribas, you know, some might say "Oh, well, is that a city institution?" Of course it is. That is what makes us global and that is what we're also sharing with China, to make sure that that path towards reform becomes something that's appreciated by international investors.

I think the devil is in the detail. I don't want anyone to say "Wow, she's all positive on this." You know, certainly I think that there will be some bumps in the road.



I think that it means that we need to be even more communicating what it is that industry needs and what the real economy is actually looking for in terms of raising funds in various denominations. But certainly, as the largest centre for RMB, offshore, here in London, it's something that we know a bit about. Foreign exchange, and we do the most foreign exchange of anywhere in the world, that's been the case for many decades. And hopefully it'll be the same in many decades to come. And it's something we can collaborate, again, with China, thinking about how it is that slowly, surely, safely, and logically, that market can open up both the foreign exchange flotation and rates across the borders.

I do want to say something about the Belt and Road, because I can't believe I've spoken for a few minutes and not mentioned it yet. Having been in China last week, I timed it. The longest it took for someone to mention it in the room in any meeting was 4 1/2 minutes. So I think the point that Peter made earlier about it being very important and strategic going forward is absolutely right. Chinese counterparts are looking at how they can build this big, ambitious initiative. However, there is no roadmap. So it's something to be inspiring and something to be inspired by, as opposed to following a rote as to what happens next.

So I think that there are opportunities for this marketplace to engage, for the UK to share some knowledge and learn at the same time. And I think there are five of those we can concentrate on outside of the fact that we're already a big financial market that has deep liquid markets. The first is green finance, the second is that foreign exchange and RMB conversion ability to be here in London. The third is legal services and thinking about how the rule of law can help and apply across a huge swathe of the world. Insurance and risk management, London is a very recognised leader in world insurance and specialty insurance. And finally, that project advisory and design.

Notice I don't really mention the shovels and the hard hats and the construction. Because, goodness, there are incredible skills and efficiencies that are already going on in China. So my point is, let's try and find where it is that we can add value, and how it is that we can be involved so that we're actually real partners in making that a success. Thank you.

Peter Budd:

Thank you, Sherry.

Sun Yu:

Okay, so finally it's my turn. It's always difficult to be the last one to make the address in the panel, because not too much left for you to talk about. But the good thing is that I have the excuse to make it really short. So today we got the topic, doing business in China. Maybe we should imagine doing business with China. Because here what we imagine is not only doing business in China, but also doing business in UK with China. So every people may have different perspective understanding the China-UK relationship. You know, from as a bank, Chinese banker being based here in London, I always believe that what's



behind is a golden era of the so-called relationship, actually, is strong, the fundamentals, which is actually, is a big picture of China's internationalisation.

You know, this year is the 30-years anniversary for China to start to pursue the policy of the open reform. And recently, President Xi emphasized that the door for the Chinese opened up. We will not be closed and we will open even wider in Boao Forum. I think that's a very clear message that the internationalisation of the Chinese economy will continue and even accelerate. And given the size of the Chinese economy and given how deeply China is already involved in the international division of labour, so we can imagine the impact and the opportunities brought by Chinese internationalisation is huge. The opportunities offered is enormous. And do not forget, UK historically did a great job in embracing new commerce, international business, talking about financial industry. Both US banks and the Japanese banks started their international business here in London, here in the city, and eventually made London the hub to cover the old era business, or even the global business.

So that's the big fundamental between China and the UK relationship. You know, looking ahead, China has ... we can talk about the new era of China's internationalisation. You see lots of different characteristics. You can talk about the transformation from speed China to quality China. As Sir Gerry just now mentioned, the Chinese people are searching for high quality products and service. China is becoming the biggest consumption market in the world. We have the so-called 200 million, 300 million middle-class people in China. And you know, that kind of a transformation can offer great opportunity to UK, of course.

And we are talking about RMB internationalisation. Countries of focus, actually, has opened up of onshore capital market. As Sherry mentioned, that we got the second largest equity market, although sometimes performance are not very good. We have the third largest fixed-income market, and opened up of onshore capital market means huge leap to market to players here in London. And you can, of course, talk about Belt and Road. I think in the past a few years, UK did a great job in embracing all the opportunities offered by this process. And looking ahead, the area I mentioned just now, I think there's still lots of potential UK can do. Of course, UK is equally valuable to China as well, because when China is going international, we also need a platform, it is the right of counterparties. I think that's a fundamental reason why we have so many matching points between the two countries. I've tried to make it very short, thank you.

Peter Budd:

Thank you very much, Mr. Sun. Well, we've talked quite a bit about this huge market in professional services, finance in particular. How big do you think it really is for the UK as a special partner? Do we have any attributes, other than the City of London, that make us the best player on the block for China to collaborate with? Perhaps, Mr. Sun, you might ...



Sun Yu:

Yeah. Maybe, we must understand in the broader, you know, as a perspective. For example, talking about the internationalisation of the Chinese banks. Bank of China, as you introduced, we've been here for 90 years. But currently we got more than 10 Chinese banks opening branch or subsidiary here in London. But even now, if you combine all Chinese banks together, of asset, are still below 1% of the banking assets here in London, which is not the match with overall size of the Chinese banks. ICBC's been called the biggest bank in the universe, in the university, you know. So all Chinese banks are huge, but I would say we are just at the very initial stage to go international. Even for Bank of China, you know. The way our tiny portion in terms of overall profitability here in London.

The question is, how are we going international? The London City is ideal place for us to choose it as a hub, to build a [inaudible] centre. I have to talk about Brexit, I'm surprised nobody talking about Brexit. You know, that's outgoing, and the time-consuming, expensive divorce mean uncertainty in the cost for all the business. For Chinese banks, who are so unique, for all the other banks that are already very large here in London, I think it's relatively easy for us to make a decision. Because they just want to minimise the actions they must take regarding the Brexit.

Of course, they have to take some ... for us, we are not utilising the passport a lot. But for the future, consolidation of our businesses has gotten more difficult. So that's why talking about that particular topic, I think how to handle the uncertainty and the making the business environment more predictable is something very important. But think about the size of all Chinese banks. It's not surprised in the following five years, we are becoming 5% or even 10% of the banking assets here, which means five times or 10 times bigger than our current size. That means a lot for the financial industry here in London, that's for sure.

Peter Budd:

Thank you. Sherry?

Sherry Madera:

Well, there's a number that the China Market Advisory Group put together, thinking "Well, what about the Belt and Road?" You know, it seems to be the driving initiative on some of the thinking around China. How much is that worth to the UK? And those much more clever than I quoted £1.8 billion per year additional GDP to the UK economy on engagement in the Belt and Road. Now, I mean, even if that isn't the right number, it starts giving you some inspiration that this is something that we need to start thinking about, and a lot of that does come from services. We shouldn't shy away from the fact that the UK's a strong service economy. And I think that we can add an incredible amount of value to that.

Of course, that's something that is often not just in China. It's about third countries, so it's about that collaboration and really expanding the relationship. So it's not just going into China when we talk about these things. It's about collaboration all along the Belt and Road.

Peter Budd:

Gerry.



Gerry Grimstone:

I'll give you two quick examples from my area. You look at investment portfolios in China. They're still massively undiversified internationally, because it's not so many years ago where the Chinese insurance companies, Chinese banks were obliged just to invest in China. Now, eventually, because of the need to diversify risk, maybe 20% of Chinese investment portfolios will be overseas. What opportunity I see for London, to manage that money coming out of China to invest globally? And Sherry and myself, we're constantly positioning London as being one of the global gateways for China.

My company, Standard Life Aberdeen, we have some hopes to be the first foreign company to be given a pensions license in China. And like many other countries in the world, even with as many resources as in China, the government can now offer what used to be called the Iron Rice Bowl, where the Chinese government would provide everything for its citizens. Things are having to be transferred to the private sector. Imagine what the size of the private pension industry is going to be in China in due course once that happens. And you can replicate these points over many sectors, many, many companies and industries.

Peter Budd:

Indeed. Dr. Xiang.

Xiang Bing:

Well, I have a few points to share. Number one, this is four, five years ago. I was giving a talk to this country managers, European companies, American company in Shanghai. And during a coffee break, the French and a Swiss company came over, said "Well, it costs 20% more to manufacture in the city neighbouring Shanghai, Kunshan, than what we do in France". I said "Well, then why you invest in China? Why you make them in China?" And then they said "Because after 2008, China by far the largest, fast-growing market for them. We have to make the product close to the market." So the China story itself has become the market itself, not its low-cost manufacturing now. That's number one.

Number two, the British expertise, I think, the relevance of that to China, go way beyond the financial services. You look at a supply-side reform in China, whether it is the technology side, industrial design side. UK has so much talent and expertise to offer, you know. And thirdly, you know, this is one of the American companies, and we had a dinner together. The local chairman said "Well, what do you teach?", "I teach globalisation, Chinese company to the Chinese audience." He said "Well, I have interest in that as well." I said "Why?" He says "You Chinese, not very experienced going global. We don't need a competing China. We can go global together, we can go to Africa market, you know, the other emerging, together. We're far more experienced than you are." I bet the British companies have so much to offer as well, even for the Chinese company to go global. They have to become IBM, GE, HSBC, you know, insurance companies here.



So I think, not just the Belt and Road, but the whole process going global. I'm very positive the amount of opportunities to collaborate between the Chinese and British companies.

Peter Budd: Thanks very much. Maybe, could I ask our Chinese panellists a specific question? So what surprised you when you first came? What was the biggest sort of surprise for you when you came to set up your responsibility for your business here in London?

Sun Yu: That's a good question, actually. When you wear different clothes, you sometimes need black tie, sometimes white tie, so ... but anyway, for any Chinese business going really international, normally we choose Hong Kong as a first stop, you know, to start international business. That's why Hong Kong offers great value for Chinese business, to start international business. But London is the ideal stop, next stop to going truly global. You know, with Bank of China we've been here for 90 years. We got the perfect mixture of staff, you know, we got the local Chinese, local non-Chinese, and less than 10% ex-pat staff. But for a manager like me, I've been working in Hong Kong for 7 and a half years, you know. It's still quite a challenge for me first to come here.

I think, you know, the true difficulty is that you cannot use the practice in mainland China, even in Hong Kong, to do business here. For example, to be fair, in [inaudible], China, you know, you may ask your staff to work longer times, but here, for the local staff, it's got more difficult.

Peter Budd: Yeah.

Sun Yu: And sometimes, for the mandate from headquarter, I think I'm just acting as a kind of cushion, because I need to try to tailor-made into the practice here, to make sure it's implemented. But meanwhile, it seems a [inaudible], the UK here. Of course, you know, speak English all day is not easy for my ... my native language is still Mandarin. That's also challenging, to be frank, for all of Chinese staff. The culture is different as well. But all in all, I think if you have ambition to become a truly international business, you must have ambition and the courage to embrace to be localised. I think that's something truly important.

Peter Budd: You're right. Dr. Xiang, you're an independent director on American companies. What did you find most shocking?

Xiang Bing: Well, I have lot of respect for my American friends, especially in a nation in terms of the ability to innovate, ingenuity. They've done so many good things for humanity, no doubt about that. But sometime I find their thinking's more like a culture revolution. Sometimes the box, always uniformity. I mean, they have done a lot of wonderful things, but when I come to Europe, I feel at home. Firstly, so much culture heritage. That's China, because in Chinese standard, we have 3,000, 5,000-year civilization. Every major dynasty, 300 years a dynastic change. US has yet to complete first cycle yet in the standard. So ... it's true, you know. So I mean, for Europe I feel at home. There's a diversity, the history,



the culture heritage. You can look the issue long-term, really long-term. And then I like all of that.

And then 2006, my first time to real socialistic countries like Sweden, Denmark. I said "Oh, my God, I love socialism. This is real socialism." So I don't need the government, a party to preach about socialism after that experiment. I embrace socialism wholeheartedly, you know. But I want to see the competition from US and China, arguably two capitalist blocks, putting too much pressure on Europe. I see that the key fundamental imbalance of the global economy. I hope AI may save socialism one day. So I have a lot of affection for Europe. Not only the culture and the history side, but also this base for socialism in terms of income, wealth inequality, in terms of human dignity and fairness, in terms of where we're living. And America innovates too much, China is ... we've worked too hard. Many of us would like to spend money after we die, you know, we work so hard. It's a problem. That's the problem sometimes.

Peter Budd: But I do see the Chinese culture is changing. I mean, you had another holiday on Monday. I just can't...

Xiang Bing: Well, basically speaking, we still work too hard. We save too much sometime. Americans, they don't want to save, you know. Sometimes this is complimentary, but Trump, President Trump doesn't see that way.

Peter Budd: Yeah, no, he doesn't. Now, if there was sort of one thing that we could do in the UK to actually engage more positively with China, what do you think it would be, Gerry?

Gerry Grimstone: I think it is to understand them more. I mean, as we've heard, the Chinese have a great sense of history, a great sense of humour. They aren't as fascinated by the United Kingdom, because if you sit in a schoolroom in China and look at a map of the world, every country puts itself at the centre of that map of the world. Well, a Chinese map of the world, Great Britain is a tiny island in the top left-hand corner of the map. It is as far away from the centre of the world as you can possibly imagine. And the Chinese think it very, very curious, how did somewhere so far away from the centre become so powerful? What is the ingredient that is manufactured up there? So they're constantly looking to understand us, and I think equally, we have to constantly look to understand them.

And that is a complex thing. I mean, in China, no matter how many times you go there, it's like one of those video games where you can get into another room, but there's always another room beyond the room which you're in. And then I find this intellectual fascination of it. I don't know whether you feel the same thing.

Xiang Bing: Yes, I do.



Gerry Grimstone: But you never feel that you completely understand it. So I think all of us going down that journey as to how we can understand it better is important.

Peter Budd: What do you think, Sherry?

Sherry Madera: I agree. I think it's all about sharing. But I think that we're in a shift. I mean, 10 years ago, first time I went to China was 2003, and it was all about teaching China best practices. Telling China how it was done in the West. And actually, I just find every time I'm in China, I spent 50% of my time in Asia, and I learned something in a new way every time I'm there. And of course, you don't need to travel there, you just need to be open to hearing about what's happening. And I think particularly in this next phase, in the next five years, I think we need to do as much listening as we're doing talking. So that we can understand how it is that we can bridge what's happening in opening up ... you know, Gerry's point about when you think about all of these new opportunities that are going to be coming out and being able to be accessed, we need to understand from both perspectives how things like standards, how things like regulations, how things like culture all play a key role in making sure that everyone does good business together, and also that we maintain good, strong ties that have already been established.

You know, in terms of the direction of travel, I think President Xi has opened that direction of travel, and it is towards opening up. And as Sun Yu said, the question is wider and even with more pace. So we know the direction of travel, we know, speaking of it through financial services, who's driving the car, and the new governor, Yi Gang, is in that driving seat. And earlier this year, at Boao, the accelerator was pressed. So I think that we need to buckle up, and I think we need to listen to what's going on there.

Peter Budd: Mr. Sun, from a Chinese perspective, what do we need to do better?

Sun Yu: Of course, maybe two points. Number one, I think just talk about Brexit. I think for the financial industry, definitely this uncertainty, some say, you know, we need to handle it as slow as possible. Otherwise, it's difficult for decision-making sometimes. My career, I think immigration is still an issue in those ... Today I had a lunch with a Chinese girl who's studying at King's University here, college. She told me in his ... her major is statistics. In her class they got 60% Chinese overseas students. It's quite a surprise. 60% Chinese. But I guess none of them can stay in UK after graduation. I think it's a waste of resources. You know, those guys got this bilingual, bicultural skill, but the current visa policy is so difficult for them to stay. I think it's definitely a waste of ... And they are extremely, as the next generation, I think, is extremely important for the future relationship between the two countries.

Peter Budd: I think you're absolutely right. A lot of us in this room agree with you entirely. We've just got to keep the pressure on them. Dr. Xiang?



Xiang Bing: Well, in 2005, our business school brought in humanities, history, religion, philosophy to the curriculum, degree, non-degree program. We did that not only for business school. That's my belief for future. It seems that humanities is far more important than management, process, governance, finance, all of that. Because the humanities will help us to understand each other better. To me, probably the single most challenge if China survives globally is the valued connection. In order to do that well, it is humanities, not a technology, not management, not just some process, even governance. And so the sense of humanity will help us broaden our horizons, of better understanding each other, appreciating each other's positive aspects. That's my two cents.

Peter Budd: That's very nice. That's a very good point. Belt and Road, Gerry, do you see direct opportunity for your businesses at the moment, or is it something that will come in the future?

Gerry Grimstone: Belt and Road, I know we're having another speaker subsequently, so I won't talk in too much detail about it. It is an enormous project, as Sherry said, for China. But it's a project, of course, which has a number of connotations as far as China is concerned. I mean, one is, and let's be blunt about it, and there's nothing wrong, Britain has done the same thing in the past. It's a way of extending Chinese political connectivity into other countries. You build a railway in a country, you lend that country money to build that railway, and of course it naturally is, you have someone there who is a friend of China, perhaps, going forward. We would do exactly the same thing in the past.

I mean, secondly, China, of course, has a lot of infrastructure capacity. It's been enormously successful putting infrastructure down in China, why not use some of that capacity to put down infrastructure elsewhere, doing the second point? The third point, of course there are some potential security issues attached with it. But again, just the same things that we would have done or the Americans would have done in the past. Unfortunately, and most importantly, you put in primary infrastructure, of course it benefits, it gives rise to economic activity. And I think for British companies, we have some fine companies like Arup who have been much involved in infrastructure, doing a tremendous business out of it. For a company like ours, it's always the secondary economic activity which this will create, which is the important investment opportunities.

Many of the countries which Belt and Road go through, which the British government have identified as being key partners to ourselves, are countries which we have very long, strong, historic relationships with. Think about cross rail going into east London to Stratford. And think about the economic activity building something like cross rail develops in that part of London. Equally, I believe there's tremendous investment opportunities arising from the Chinese generosity, in a sense, putting in the primary infrastructure, the amount of investment opportunities which come to us from that.

I think it's harder to find opportunities to invest in the core Chinese infrastructure, but I think certainly the ancillary infrastructure which countries



then need to put in to take full use of the core infrastructure, I think that's a really, really exciting opportunity for the United Kingdom.

Peter Budd: I agree entirely. This is not just a one-stage concrete farmer's dream. This is about all the opportunities that it creates.

Gerry Grimstone: Yes.

Peter Budd: So Mr. Sun, you've got the last slot, so I'm going to invite everybody to make two points, to draw our attentive audience's attention to in this session. So you get the first shot.

Sun Yu: You mean just the two points?

Peter Budd: Yes.

Sun Yu: Okay. I think ... maybe I will talk about Belt and Road. It's very short, you know. I think Belt and Road is a idea proposed by China to be shared with the rest of the world. From the commercial perspective, I think you know that Belt and Road, the biggest problem, how to manage the risk. That's why I think London is in a very unique position to play the role as a solution provider, because you do have the expertise here. Secondly, I think the reason why London is a global leading financial centre is only because it's international and inclusive. So I do think it can remain international and inclusive. Thank you.

Peter Budd: Thank you, Mr. Sun. Sherry?

Sherry Madera: I'm not sure if we've talked today enough about green finance and sustainability. I think that Belt and Road Initiative is a big, impactful, ambitious project, and getting it right should include making sure that it is not detrimental to environmental and social standards. And that's something I think that the Chinese are very, very keen to work and collaborate on, so I think that's an important point.

And the second one is to think about, taking the point further, what's the point of the Belt and Road? Well, the other big initiative that China has is Made in China 2025. When you think about generating some of those higher-value products and how it is that those transport and intellectual links start building up the ways of those products getting out into the other markets, it starts becoming quite logical. And then those other ancillary opportunities start becoming interesting for businesses in the UK.

Gerry Grimstone: I'll tell one very short story. I was with Prime Minister Gordon Brown when he met Premier Wen Jiabao, and our Prime Minister, to break the ice, said "I've got a very important statistic to tell you, Premier. We now have 20,000 children in British schools learning Chinese." Wen Jiabao looked at him and said "That's very interesting, Prime Minister. We have 50 million children in Chinese schools learning English."



Peter Budd:

Very good.

Xiang Bing:

Got your work to do, you see. And then, well, firstly, I have to say something about the Belt and Road. And you know, I grew up with my father, I've been to many of the poorest areas of China. And if you go by the Chinese experience, if you don't have infrastructure, you have nothing to talk about. When there's roads, bridges, airports, we can talk about second, third level of development. It's necessary. Let's not argue about that. Whatever nation, they need infrastructure. And there's enough statistics of the demand for infrastructure. And even on the infrastructure front, there's a lot of things maybe British can contribute. One example, you compare the Beijing airport and Hong Kong airport, see the difference. Go there, experience. You know, Beijing airport is so terrible. I mean, you go inside, so inconvenient, it takes you 10 minutes to get over where you want to go. So the Hong Kong one is much better. They look the same from outside, but inside, huge difference. I presume the British had more influence at Hong Kong airport, you know. You have a lot of expertise to contribute.

And the next layer of service will come up from ... you know, I think there's a lot of interest for British to play. And the second point on the people front, I think especially the chairman, the CEO. According to the experience of our school, you need to have some program together, even one or two days, not just a forum. No media, no nothing. You more frankly debate about your concerns, and then you become real friends. That will accelerate the negotiations and understanding of each other. So that's how we experienced, whether it was the Japanese, with the Koreans. After this, even one or two days the program, they become much better connected. I think that's something we can work on, to me. Thank you.

Peter Budd:

Thank you very much, Dr. Xiang. Well, it just remains to me to have the chairman's last word. I really don't think you can underestimate the importance of the golden era. It sounds awfully trite to us, but wherever I go in China, the people you deal with are aware of this special relationship. And it makes an excellent starting point for a business dialogue. So I think my message to everybody is, let's get on and make the best of it while we've still got it. Because others are very, very envious of the relationship that we have. So, it just remains to me, on your behalf, to thank your panellists. I think they've done a sterling job this afternoon, I hope you'll agree with me. So please join me in thanking them. Thank you.