



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

Introductory comments from Lord Saatchi, Catherine McGuinness, and Mark Tucker, and keynote speeches from Martin Jacques and Dr Dambisa Moyo

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

Robert Colvile: My Lords, Ladies and gentlemen, distinguished guests, it's an honour and a pleasure to welcome you here to the Margaret Thatcher Conference on China and Britain. My name is Robert Colvile. I'm the director of the Centre for Policy Studies and my job is to usher onto the stage our distinguished guests over much of the course of the day. We're starting with three of the people who made today possible and who will set the tone for what I hope will be an extremely interesting and extremely important discussion.

Lord Saatchi is the chairman of the Centre for Policy Studies. Mark Tucker is chairman of HSBC, but first, Catherine McGuinness the chair of the Policy and Resources Committee here at the City of London who are generously hosting us today.

So please welcome Catherine McGuinness.

Catherine M.: Well, good afternoon, everyone. A very warm welcome here to Guild Hall. I am, as you have heard, the chair of the City's policy and Resources Committee, that means I am effectively the political leader of this organization, the elected authority that looks after the Square Mile and does a great deal more besides, particularly in supporting and promoting the financial and related professional services sector which carries our name. On behalf of the City of London Corporation I'm absolutely delighted to welcome you to the Centre for Policy Studies Margaret Thatcher Conference on China and Britain.

Given the rise of China, this is one of the biggest questions facing the future of British foreign policy and indeed of our economy. We are very pleased to be hosting the Centre for Policy Studies once again following previous successful events such as the Margaret Thatcher Conference on Liberty, and last year's Margaret Thatcher Conference on Security. I should just add for those who don't know, we have a very fine statue of Margaret Thatcher here, just along the hall, past the art gallery, and I do recommend going to visit it if you have time.

She visited this building many times, as you would imagine for a Prime Minister. Many times, including, for example, in 1998 when she spoke in this very hall, probably under that canopy over there, alongside President Ronald Reagan during his state visit. Before that in 1982, she spoke here following the Falklands War victory parade of British armed forces through the city. That same year,



1982, she became the first British prime minister to visit China. Her negotiations with Deng Xiaoping leading to the Sino-British declaration on the future of Hong Kong.

In the years since the handover of Hong Kong, China and the UK have become much more inter-connected. We've seen that in the City itself. More than 30 Chinese financial institutions are now based here and more are in the process of opening representative offices. It's something that we very much welcome and they are very important parts of the City community.

I was in Shanghai and Beijing just last week to celebrate the 10th anniversary of our own offices in those two cities. In these last 10 years we've seen a number of firsts. In 2012 the City of London launched an RMB initiative with HSBC issuing the first RMB bond outside China and the UK being the first Western country to issue an RMB bond in 2014. London has been establishing itself as the largest offshore hub for RMB outside Asia with the first overseas issuance of a sovereign RMB bond from China itself, taking place here in London in 2016.

And of course the UK was the first country outside Asia to sign up to the Asian Infrastructure Investment Bank headquartered in Beijing and that was in 2015. I'm sorry for all these statistics but I think it just shows you the building relationship that we've seen over this past decade and we strongly believe that there are opportunities for further partnership, particularly in promoting sustainable finance and in supporting the soft infrastructure in helping to build capacity for China's Belt and Road Initiative. Where better than this centre for infrastructure finance, for professional services and advice, where better to support the Belt and Road Initiative from outside Asia than here? Indeed, last week we ourselves launched a small publication Belt and Road London on the Map which highlighted the potential role of London in Belt and Road so far, and some of the opportunities for the future.

This year, people will remember, is the 40th anniversary of the beginning of the current round of economic reforms in China, and the transformation since then has been incredible. I hope that today's conference can help us consider what further changes we're likely to see and how we can best respond to them for a lasting, successful relationship between the UK and China.

So thank you for listening and it is now my pleasure to hand over to Lord Saatchi, Chairman of the Centre for Policy Studies. Maurice.

Lord Saatchi:

Good morning everyone. Being such a big crowd here today, I'm very proud of the CPS, very proud of the City of London Corporation, and all our speakers. Yes I do have something in particular which I'd like to say to introduce this conference if you will allow me. The last time I stood here, a year ago, as Catherine was saying, was to introduce Henry Kissinger who opened the Thatcher Conference on Defence and Security. He said, in a very memorable speech as always, "We need a new world order." He said if we didn't get a new world order we would have chaos. I think he's right. This Thatcher Conference,



I would say, is marking a historic transition from, it's a name change, really, what used to be known as the West, to in future be known as the Old West. It won't go away completely, it'll just be like the old black and white movies, the Westerns.

Because there is no sign of Henry Kissinger's new world order. The G7 irrelevant, apparently. NATO, unsustainable. The European Union, Brexit will soon see to that. The Franco-German alliance, well that's done with, France wants the power now. Capitalism, now we're talking, well the word "capitalism" now always has before it defensive prefixes like "caring" capitalism or "compassionate" capitalism or "inclusive" capitalism. You've heard them all. I would say now, instead of the new world order that Henry Kissinger called for, I would say we have something closer to W. B. Yeats, "Things fall apart; the centre cannot hold; Mere anarchy is loosed upon the world."

In the meantime, we have in front of us with so many distinguished representatives of the country here today, China which has brought about what must be the greatest political change in all our lifetimes. The economic, diplomatic, intellectual, military, technological, and financial rise and rise and rise of China. A self-confidence that I perceive which those in the Old West can only envy. It was best expressed by President Xi himself when he addressed the 19th Party Congress, I'm very pleased that our director Robert Colville was there at the invitation of the Chinese government. As people have spoken about capitalism in China, President Xi expressed very simply and straightforwardly what the Chinese view was. The phrase was, a new phrase which he put forward, "Socialism with Chinese characteristics." This rise, I'd like to put to you, is not an accident. This is the result of long term strategic thought.

That's what the Chinese ambassador meant when he addressed the all-party parliamentary group on China a short time ago. He said that there was great interest in Britain in what he called the governance, philosophies and policies of the Chinese government. And here I'd like to very briefly answer a question with may be in your mind, which is what is the connection between the Centre for Policy Studies, Mrs. Thatcher, and China. Catherine made some important points on that. I would like to tell you what the origin was inside the CPS. A few years ago we had a visit from the state councillors to the state council of the People's Republic of China. These are the advisors to the state council which is the governing body. There were about 17 professors, all academics. They were on a tour of the world, of the academic institutions of the world and the only academic institution they came to see in Britain was the Centre for Policy Studies.

So a group of us met them, this was some time after Mrs. Thatcher had died. I said to them, "Well, why are you here? The views of Mrs. Thatcher in relation to politics would be quite different from yours. Why have you come to the Centre for Policy Studies, her creation?" To which the answer was, amazing and brilliant, "We're interested in Mrs. Thatcher, because we're interested, " I'm quoting exactly, "in the impact of rapid economic growth on social cohesion." So today China I would say has followed, I hope all the ministers here will agree



with me, has been a very good student of Mrs. Thatcher and the Centre for Policy Studies. They like her favourite parable of the Good Samaritan which is that first you have to have the money to do the good works. That was her favourite. They like what she had to say about wealth creation, which was very simply again, if you want a bigger slice of cake the best thing to do is bake a bigger cake then everyone gets a bigger slice. It's not complicated, is it.

As a result of the passage of all these years Britain and China, thanks to the tremendous work of both governments and many of you here today, the relationship is closer than it's ever been, it is I would say what everyone describes, as a golden era for Anglo-Chinese trade and investment. The Belt and Road Initiative, which you all will know about and Catherine referred to, well here you are. A trillion dollars, by far the biggest infrastructure project in the world, and it's a source of great pride for the CPS that one of our directors, Sir Douglas Flint, has just received his knighthood as you know, is the British leader of the relations between China and Britain on that Belt and Road Initiative.

So for all these reasons I would like to thank you all for being here. I'd like to thank you for helping us to arrange the timing and the staging of this conference. And there's certain people I would like to thank in particular if you'll allow me one more second. I must thank the City of London Corporation and Catherine McGuinness who has been a tremendous supporter and friend of the CPS, as she was saying, for many years now. The Daily Telegraph is one of our principle sponsors, I'd like to thank Lord Black for serving as the editor, and the whole of the Barclay family. I would like to thank HSBC because Sir Sherard Cowper-Coles and his whole team at HSBC have worked closely with us and the Chinese embassy in order to bring all this great day about. The Chinese ambassador who I mentioned earlier and all his ministerial team have been a symbol of what I would regard as great professionalism and dedication in bringing about today's events. I want to thank Lord and Lady Salisbury for a spectacular dinner which they gave for us and some of our distinguished speakers at Hatfield last night. And to say a tremendous thank you to our team at the CPS which, you will see, has proved itself to have not just great convening power but great skill in management.

It would be hard to imagine anyone from whom one could learn more about Britain and China than the speaker who is going to address us now. Mark Tucker is the new chairman of HSBC. HSBC is fully involved in the Belt and Road Initiative. From the point of view of both parties, all three parties, the Chinese government, the British government, and HSBC shareholders, I think they are extremely fortunate in having Mark Tucker as the new chairman. Mark will you come up and talk to us.

Mark Tucker:

Maurice, thank you, and good afternoon, ladies and gentlemen. Before we hear from our keynote speakers today 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 and its role was 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 essential to the global network that has established HSBC as the world's leading international bank.

The second reason is the time is right for the UK and China to develop a more strategic long term approach and 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 machinery of the state to open doors, undertaking meaningful dialog 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 and 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 dialog 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 off-shore RMB centre. I look forward to welcoming our Chinese counterparts to London later this year to build on these important discussions.

Of course it's important to be aware that all of this is happening at a time when both China's and the UK's relationship with the world are evolving. As Catherine says 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's needed to stabilise growth. For example by focusing on certain types of capital flows before accelerating again when it is able to do so. The outcome is that China's opened up remarkably, over the last two decades in particular, creating unparalleled opportunity for firms with their sophisticated goods and services that it's maturing markets increasingly demand. And this process continues.

Last week at the Lujiazui financial forum in Shanghai, further steps were announced with the opening up of access to China's capital markets and easing of restrictions on foreign institutional investors. This process of gradual, controlled opening up is part of China's foreign policy, which is to engage with external environments in a way that supports both international cooperation, and its own economic and social development, achieve 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 recognize 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. 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 telecommunication 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 now more than ever before. The terms of many of these relationships will require renegotiation. Establishing a long term strategic plan for trade and investment with China is vital in our view to clarifying and securing the UK's place in this 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.

Let me 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 program management. It helps to make programs 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 will be wise 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 environment 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 dialog between China and the UK means that our expectations of the stock trading tie-up between Shanghai and London could launch by the end of this 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 the UK has come to expect. It is possible to do both. Indeed it is necessary in order 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 there is also 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 all work together to do just that.

Thank you.

Lord Saatchi: Thank you, very much, Mark. Thank you, Catherine.

I'm going to introduce you to somebody of whom it has been said he is the prophet of China's rise. So many people during the early years of China's rise were mystified or puzzled or sceptical. But this is Martin Jacques and he is, as you are about to find out, he was and is the prophet of China's rise. Martin.

Martin Jacques: I'd like to start by congratulating the Centre for Policy Studies and Lord Saatchi for this tremendous initiative. I've been waiting for something like this to happen. It's a great achievement and I think with a really big follow through this is going to have a big impact on the society and our political culture.

We are all now familiar with China's extraordinary economic rise. Of course as you know there was a great deal of scepticism for a long time but the scepticism is in retreat in the face of reality. For a long time many people were saying, "It's unsustainable." There'll be a big economic crisis in China. Unfortunately ... fortunately there wasn't one in China, but there was one in the West in 2007, 2008. Or the political system is absolutely unsustainable it cannot sustain an economic transformation of this kind, until the political system changes, there will be no successful economic transformation of China. Well, there's been no political crisis of this kind in China, but in the West there has been a rolling political crisis which began to develop I suppose around 2015.

So I think we are now in a situation where there is a strong consensus about, a growing consensus about the success and the prospect in the future for China's economic transformation. Now having said that I just want to strike a note of scepticism about our own culture with regard to China. I still think, and I liked your words very much about the Old West and West and so on, it's in that context that I make this point, as a country, for obvious reasons, for natural reasons, for strong historical reasons, we are a very, very Western-centric country. But the world is changing and we are still somewhat anachronistic in



a lot of the things that we do and say. For example I hear countless times politicians and the media talking about the international community as if it is synonymous with the West when the West, in demographic terms, accounts for about 15% of the world's population and now not much more than one-third of global GDP. We have to learn to think in a different way.

Still, although many people know a lot more about China than they did, there is still a level of ignorance on the lack of coverage and sometimes the backward looking nature of the coverage. I'm a keen riser to the Today program every morning but its record on China remains essentially almost absent when it comes to this. So I think that our culture needs to stop looking backwards, it'll take time, but it needs to stop looking backwards framing itself in the context of our history. And it needs to grasp the present and above all, register the kind of future that we need to have for ourselves in the context of such a profoundly changing world.

Now let's just remind ourselves about China's rise. However many times you say it, it's still remarkable. 1980 the Chinese economy was just 1/20 of the size of the American economy. In 2014, by the World Bank international comparison program, China's GDP measured by purchasing power parity overtook that of the United States. And looking forwards, 2030 the world is going to look something like this. Of course, it's a projection for the future, it will not be exactly like this, but by and large I think the world is going to look something like this. Look. China accounting for one-third of global GDP. Larger, twice as large as the United States, larger than the United States and Europe put together. Imagine.

Of course, in that context, China will have by far the largest market in the world. There's been much talk, of course, and it's a real problem, and the Chinese are always realistic, they're always very professional about problems. Acknowledge it. Can the Chinese economy keep the dynamic. It started off essentially as a cheap-labour, low-capital economy. Can it translate itself in much more ... Increasingly to a value-added economy. I just wanted to ... I'm more optimistic, I've always been on the optimistic side in relation to China, but I did have pause to see in regard to how they would achieve this. And I'm very encouraged by what's been happening. I mean, look at this. 10 years ago China was not in the tech league. These are figures from the economy since.

The top six tech companies in the world, you'll see two of them, Tencent and Alibaba are Chinese. Or even better, this is something I picked, I know you won't be able to read it there, but I'll tell you the gist of it. I picked it up off the internet, off Twitter. Because it is so interesting, and I was unaware of the extent of this. In 2013 of the top 20 internet companies in the world, 18 were American, 2 were Chinese, and none were European. As of the last month or so, the latest market valuation, the top 20, 11 are American, 9 are Chinese and none are European. So you can see the speed of change, not only in the traditional terms that we've witnessed and become accustomed to in China, but reaching out into new areas. And of course the Made in China 2025 program is really pushing this development very hard.



Now just one word about the tariff war. Is that going to make a difference? What difference is it going to make? To be honest, I'm not surprised. From Trump's Republican campaign, I thought that a tariff war was likely, and I've never changed my mind about that. Now, unfortunately we seem to be on the verge of it. I greatly regret, I think it's going to harm the American economy, it's going to harm the Chinese economy, it's going to harm the global economy. But I would say this. For those in America who think that they are going to stop the rise of China or reverse the rise of China, they're living in dreamland. That is not going to happen. It is going to damage China. But in the long run it will damage the United States more, because the great American problem is, that it is a declining economy. It's got weakening productivity, a weakening economic performance. In contrast China is on the rise in all sorts of ways, as had been eloquently described by Lord Saatchi, and Mark Turner, just now.

Now let me just ... To capture the way the world is changing, I'm sorry that this is difficult to see, and I haven't got a laser light here. But Danny Quah who is a professor until recently at the London School of Economics has been plotting where the centre of the global economy is, sort of year by year. In the mid 1970s he regarded it to be in the mid-Atlantic ocean, you see those two yellow dots in the Atlantic ocean. Naturally. Because at this point the global economy was essentially a trans-Atlantic economy as it had been actually for several centuries. But what has been happening steadily is that centre has been moving eastwards. Quah thinks, you see there's a couple of dots above the Arabian peninsula. That is where he thinks the centre of the global economy is now. And by 2050, he has it on the Indian-China border. This is a completely different world. The trans-Atlantic economy is yesterday. The Eurasian economy is the future.

And as Mark Turner very eloquent words in my view, with regard to Belt and Road, Belt and Road is the most extraordinary idea. It's a concept. It's not a plan, it's a concept, it's an idea of how the Eurasian land mass, the largest land mass in the world, 65% of the world's population, with Europe right there on the Western edge of it. Can it be transformed. It's learning from China's own experience of economic growth. How did it achieve it? The Chinese think we achieved it above all by high levels of investment in infrastructure largely carried out by the government, but not only by the government. If it worked for China, why can't it work for the countless developing, many often poor developing countries in the Eurasian landmass.

So I think the future, and I have no doubt ... I don't know how successful it's going to be, but basically it's going to be a success. Basically it's going to transform Eurasia. And in transforming Eurasia it will transform the world. So this is a very different future to anything we're used to in our own history or indeed in our own history books.

I just want to say a word about understanding China. One of the Western problems about China has been the belief that it should be like us. We project our values on to China and we require China to conform. We tell the Chinese, we often lecture the Chinese, well you should be like us. In a month of Sundays



China is never going to be like us, quite frankly. It never has been, it isn't, and it never will be. Because it comes from utterly different historical and cultural roots. China is different and will persist in being different.

What does that mean? Well, for example, China is, let's face it, the size of a continent. It's much bigger than Europe, both demographically and physically. China has a very different relationship between the state and society. The state and the society and the individual. You can't start criticizing China without knowing this history and understanding this history. China has a very, very different pattern and system of governance. This is true.

I would remind you that China, almost certainly should be regarded, as the founder of state [inaudible] form of governance. In fact I will go further than that. I would say that the Chinese government is actually the most skilful exponent of governance in the world. And my final point is this. Don't think China is a nation state. You know nation states came in, with the Westphalian, over a process of several centuries, but especially during the 19th century and so on. Actually China is no really primarily a nation state. China should not be seen in these terms. It is a nation state but primarily it's a civilization state. What's a civilization state? I'm not going to talk about that now because it will take me a long time to talk about it. But it is a challenge to us intellectually and politically that if we are to understand China we need a different kind of conceptual apparatus to that we've used for understanding ourselves.

What is say in dealing with China, in working with China, in analysing China, we need to understand it and we need to learn from it. Just as the Chinese from the late 18th century, 19th century, right the way down to the present, as you said, Lord Saatchi, the Chinese have had to learn from us. But increasingly, I warn you, the boot's gonna be on the other foot. We'll be doing more of the learning in the future, from China.

To conclude. In Britain ... As we know very well, is in a difficult position. We have decided we're going to leave the Europe Union. We need new bearings, a new sense about our place in the world. A new configuration, we need to reinvent ourselves. We need to find new markets. But what do we mean by new markets. I remember listening to the referendum campaign and quite rightly people said the biggest spending markets are not in Europe any more, blah, blah, blah. True, true, true. But I rarely heard anyone say what the countries were. And the crucial country when we're talking about the markets of the future, is China. China is going to be one-third of the global economy. If we don't have China absolutely at the centre of our strategy, for the future of global Britain then we cannot realize the possibilities of the future.

I just indicate two encouraging things in relation to this. One is this. Chinese overseas investment in the EU between 2000 and 2016, and the largest slice of that was in the UK by quite a long way. 23% compared with Germany next at 18.5%. But even more encouraging I regard to be something that you mentioned earlier in your talk which was the AIIB. I was deeply impressed when the



Cameron/Osborne government said they wanted ... Britain would join the Asian Infrastructure Investment Bank. This was a brave, courageous, step. It involved at that time, if you remember, the Americans were against it. But Britain was brave, it stepped out. It took the lead, the lead was so important that ... Look, that's in October 2014, I think it was, when the AIIB was first formed. There were 22 countries. When Britain decided it was going to join, made it public, all those countries joined afterwards. This was first mover advantage. This was Britain showing real leadership. And I think in terms of Belt and Road and lots of other things, this is what we need to do. To see Britain's relationship with China, dynamic and growing. Thank you very much.

Robert Colvile: Thank you very much to Martin Jacques. I'd now like to introduce one of the world's, not just the country's, one of the world's most eminent authors and economists and has been named one of the 100 most influential people in the world, Dr. Dambisa Moyo.

Dambisa Moyo: Good afternoon. Our ability to create and sustain economic growth I believe is the most challenging and defining issue of our time. Unless and until we create sturdy and sustainable economic growth, we will not be able to address a multitude of issues that continue to pervade the global economy and society today. From health care to education to the lack of economic development and poverty reduction issues, environmental concerns, and I'll go as far as to say the challenge of terrorism.

The question before us is how are we going to create economic growth. Over 10 years since the financial crisis that has left developed countries such as Britain but also across Western Europe and the United States, facing enormous debts and deficits. In addition, struggling with real issues in the labour market regarding the quality and the quantity of the workforce but also as mentioned a moment ago a real concern that productivity is declining and has been declining for the last decade. Meanwhile, we continue to also struggle in the face of the fact that across the emerging markets where 90% of the world's population lives, these economies where 60% to 70% of the population is less than 25 years old. Continue to struggle to generate economic growth of at least 7% which is what is required in order to double per capita incomes in one generation. Just today the British Chamber of Commerce has announced that they have downgraded the forecast for economic growth for Britain to an estimate of about 1.3% for 2018. According to estimates this will be the lowest statistic since the 2009 crisis.

China's Q1 GDP is estimated at 6.8%, even in China below the 7% magic number I mentioned a moment ago. And although it is worth us taking a pause to respect and appreciate that China continues to grow at such a rapid clip, there's still real questions about how and whether that type of a rate of growth is sustainable. Particularly in a world where protectionism is on the rise and there are deep concerns around populism which is also increasing across Western Europe.



But even beyond these economic challenges there are broader global economic issues that we have to consider. The risk of technology and the risk that technology brings a jobless underclass with it, according to some estimates for Oxford Martin School, up to 47% of jobs could be lost in the United States over the next decade. And a recent report by McKinsey estimates that 800 million jobs are under threat from automation.

Meanwhile demographic shifts that could lead the world's population to an estimated 11 billion people by the year 2100, suggests that the world's population will continue to grow at such a pace that it could create economic and political challenges. Countries like India are adding one million people a month to their population. And the global economy is continuing to add roughly 80 million people a year.

Of course the issues of income inequality have also come from being archaic policy discussions in academia into what I would argue, is a top-three issue that the world public policy makers are dealing with today. And yet we don't have an answer to solve income inequality.

We have already tried to solve income inequality by adopting tax and redistribution policies favoured by the left. That has not helped to stop the increase in widening economic inequality we've seen around the world. We have also tried more right-leaning policies. Supply side interventions that where taxes are kept low. That has also not stopped us from seeing what I would consider our increases in income inequality, particularly within nations and specifically in developed countries.

Whether it's income inequality, demographic shifts, the burden of disease, refugees and immigration crises where today 65 million people, the highest number on record according to some estimates are now displaced and seeking new places to live. These are the issues we need to continue to grapple with at a time when economic growth is slow and slowing.

So what can we learn from Britain? And what can we learn from China? At this time where we have seen multi-decade economic success from adopting the British or the Western model of economic growth, but we have also seen China in the last 30 years show legendary economic growth that Martin has just mentioned a moment ago. It would seem to me that what we could learn is that not only is it absolutely imperative that our government think long term and rather than be seduced by short term voters and ignore the trade-offs between today's voters and long term future generations, but I think it is also critically important that we start to think about innovating the private sector in a way that can create a sustainable path for economic success.

Just to give you some flavour of some of the innovations that I have seen around the world that I think are worth considering. In countries like Mexico and Brazil, but also in New York City, people have been exploring this idea for conditional transfers. The idea is that we would like to embed some of the ideas



from the market capitalist forces into social programs. How does this work? Very simply, the idea is you reward or compensate families for doing things that frankly many of us would think they should be doing anyway. Things like getting your children immunized, or ensuring that your children have some minimum standard of participation or attendance at school. These governments are using market forces to actually encourage better participation and ultimately what they see is possibly better outcomes.

Of course many of us in this room would be quite offended at the idea that government or public policy should be paying for those type of projects, but I urge you to be open-minded and innovative in your thinking, given that public policy has failed and continues to fail in many respects to address some of the challenges I outlined earlier.

Of course, on the left side we can also learn from China the importance of government. And government really being a key arbiter of capital and labour. Now this does fly in the face of many of the values that we hold dear. Certainly in the audience here but also for myself, who generally appreciate market capitalism and market forces as key drivers. But already we are seeing for corporations in the West, the utility function is moving away from just being one focused on financial returns into one that is now emphasizing the role as a good citizen, whether that's on pay equity or of issues around the environment, or even broader concerns around income inequality. China has taken the lead in this. The lines are generally blurred between government and state-owned enterprises or even the private sector in general. And I think there are some learnings for us to think about how we can actually adopt not just a more efficient government but also ensure governments take a much longer term approach to addressing economic and public policy issues.

May I conclude by stating one very fundamental point. Which is that ultimately, regardless of our ideological beliefs, we must recognize that ideology is the enemy of growth. And if we continue to discount the benefits of economic growth and certainly aspects the capitalist system have generated, ultimately this will be to our detriment.

I thank you for your attention and I appreciate your time. Thank you.