



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

**Keynote speech by Carrie Gracie, former BBC China Editor,
and closing comments from Lord Saatchi, CPS Chairman**

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

Lord Strathclyde: Now there may be some of you who are here hoping to listen to Brandon Lewis, who was going to be our closing speaker. Unfortunately he sent a message to us from the House of Commons, to say that he's stuck and needs to vote, and therefore will not be coming. But there's no need to leave because we've now got Carrie Gracie, who is going to speak. Carrie is the former China editor of the BBC, and like me, she is blessed, because she was born in Scotland. She comes from the northeast and I come from the west, I think I've got one up, but she may not. Now in her career at the BBC, it has been a tremendous one.

For several years she anchored the morning slot on the BBC news channel, and hosted the weekly BBC World Service program, *The Interview*. In 2014, she took up a newly-created post as BBC China editor. She's also made documentaries about China for BBC TV and Radio, winning prizes, including a Peabody and an Emmy. In January 2018, Carrie left her post as BBC China editor in protest at unequal pay, publishing an open letter to BBC audiences on the subject and appearing before a parliamentary select committee. But she has since returned to BBC HQ as a news presenter, and continues to campaign for an equal, fair and transparent pay structure at the BBC. This evening, she is here, and please join me in giving her a very warm welcome.

Carrie Gracie: So, yeah, I thought that was a really fascinating panel. It's a pleasure for me to have an opportunity to talk about China and think about China, because it's not what I'm doing every day, which is sad. And obviously because I'm not working on China every day, I feel a slight imposter syndrome coming to talk to you about China today. But I think that once you get embedded in the China story, it never leaves you, and I've been embedded in it in one way or another for 30 years. I thought some of the things that we heard the panel say just now, were very fascinating. I agree with much of what Neil Ferguson was saying. I think Ant Financial is an amazing company, and that Chinese fintech is absolutely incredible, and that the world doesn't really know what's about to hit it. One of the things I'm sad about not getting round to doing before I climbed on my barricade and shouted, "I'm quitting", was I was intending to make a series about, I hadn't really decided what to call it, but roughly, it was going to be about being modern the China way.

Because I do think whenever all of us, in this room, in this hall, who go to China on and off, will know that being China the modern way is very fascinating and



worth everybody else in the world paying attention to, but there's still not enough awareness of that, for my audiences often, anyway, on the BBC, I feel. I thought it was interesting the idea that with the right kinds of narratives and that somehow a commonwealth structure, and that the UK as the heart of the Commonwealth, could start creating right kind of narratives. I think that the right kind of narratives on China are, it's just such an interesting question, the narrative, because obviously it's a contested narrative, and China does narratives in a very different way from the kind of contentious quarrelsome rumbustious way that we do narratives. So, I think it's always a danger, and one I've tried to avoid – it's got me into a lot of trouble in Beijing, in trying to kind of stick by a narrative that I think is true, whether it's disobliging on any given day to any given individual in the Chinese power structure.

So I think the right kind of narrative is an interesting question, but I generally think having a sceptical open mind, at a time of enormous changes, is vital. I thought the point about a plausible Chinese narrative on openness, globalization, free trade, getting onboard with world institutions, versus an inflammatory, somewhat chaotic message coming out of the US, was a very real dilemma, and that you can see it in opinion surveys. The Pew Survey, which obviously goes on year in, year out, now shows US and China level pegging in some ways, in terms of global favourability rankings, which is, it's still pretty new, but it's a trend in China's favour, and that's very interesting. I think we're, you know, obviously on the brink, or stepping over the brink of a US-China trade war, so I'd like to look at the big ideological questions briefly. Before I do that, can you all just start waving at me to shut me up in a minute because I didn't actually bring a clock up here, so if I start becoming boring and droning on, just start to nod off or wave at me.

I was going to say, it's one, it's an interesting day when Steve Bannon and Hillary Clinton agree on anything, but that Hillary Clinton calls it a new global battle between the US and China, and Steven Bannon says that, "China is a far greater threat to the US than Japan, the Soviet Union, or any historical rival. A competitor with an economy that could be vastly larger than the US. Confrontation on a global scale between two systems." So, you know, Steve Bannon, Hillary Clinton, not the most obvious of bed fellows, but agreeing on the enormous challenge that China presents to a US world view, and to a certain period of history – rather echoing as well the view that we heard from Neil Ferguson. I mean it's not quite clear, at present, exactly what the US system is, or what the Chinese system is. They're both on the move, and they both kind of say one thing, and do another.

The US of course used to say and do one set of things, which didn't always map onto each other, but were relatively close. Now, it says and does different flip-flopping things day by day, which often don't map, which is very confusing for everybody. China, yeah, they're saying one thing and doing another, still goes on, in a way that we will have to measure. Both have protectionist tendencies obviously, which is common for economies on the way up, and common for economies on the way down, and obviously China's is one and the US is the other. As Neil pointed out, you know, 69%, China's economy now on



the US one coming from way behind. But China is our topic, so let's focus on that rather than the US one, and it's clear to me, and that China does use trade as a geopolitical tool. You only have to think about the unofficial boycott of South Korean goods and services from fridges to boy bands and pianists, in response to the THAAD US, deployment of THAAD US missile system, to remember that having a free trade agreement with China is not going to cure all of our post Brexit difficulties.

The Australians obviously also finding that having a free trade agreement is not a cure to all problems, because China does use trade, and well it certainly does at the moment, and this may change, but currently uses trade as a diplomatic and geopolitical instrument. It controls its markets as well, it extracts intellectual property from foreign firms on their way in. So far, America demands that it stops subsidizing industries that it deems strategic is an absolute non-starter. This trade war, if it really gets going, is only going to make Beijing accelerate the push for the 21st century's technological commanding heights, the quantum supremacy and everything else that we were just hearing about. That is a message that was of course driven home only a few weeks ago by the US move to block American exports of inputs for ZTE products. Because *that* is something that will give China pause for thought, if the US is prepared to weaponize high tech exports, including semiconductors, then possibly it might someday weaponize its financial service industry too, and as we were just hearing, the financial sector is one where probably US influence outweighs its military influence.

China's got to stop and think, it's only natural, it's not China's, any sensible great power, rising great power, would do the same. If somebody's going to weaponize their semiconductor exports, or their financial, the global financial structure against me, I need to think about alternative architecture, and I need to think about commanding those global heights. So, China still needs foreign technology, as we were hearing, and if it can't get it from the US, then it will be looking for it elsewhere. That is to a degree an opportunity for Europeans and for the UK, it gives other advanced economies some leverage. But then, how can they survive as traders and as businesses functioning in China if they sell the crown jewels? Do they make enemies among their allies if we choose China, in that kind of idea of a dilemma of choosing one or the other? What does that do to our strategic alliances? The questions are very huge. But I think it's worth saying that obviously to conduct an effective trade war against China for the United States, and on the 19th of June we have to look at this question. The US needs a united front from its allies. If it thinks it doesn't need a united front from its allies, I think it's not going to conduct a very successful trade war against China. Because, frankly, you know, Beijing has been gaming this ever since they saw Donald Trump on the horizon, if not before. They've thought about this hard, and they will have the moves well planned. China does need to stop antagonism coalescing among those advanced economies from which it needs technology and whose markets it needs. But seeing as they're all busy antagonizing each other, right now it doesn't need to do too much. I mean look at the row at the G7, and look at the tariffs on, that Trump has imposed on his own allies. That's not, that fear of being united against, is not



one that China needs to take terribly seriously at this precise moment. China's leverage on corporate actors is obviously very easy to see. The US has called it Orwellian nonsense when Beijing insisted that its, that international airlines rebranded their websites Taiwan, comma, China. The US said that it was a trend by the Chinese Communist Party to impose its views on US citizens and companies. Yes, but what we also saw was that it could do that, it could achieve that, and that is a measure of its leverage. China is the fastest growing big market, as we all know, for American companies from Apple, to General Motors. And if the US starts closing its markets via tariffs, then this just gives China a new incentive obviously for looking for other markets. That's a long game, that's a Belt and Road game, and a long game in many directions, but we see it's already started. Effectively football fans getting a World Cup education in Chinese TVs, mobile phones, dairy products, Hisense, Wanda, they're all, I don't know how much of the World Cup you've all been watching, but you can see those companies highly visible. All of that brings us to Belt and Road directly. I think, I'd just like to say a couple of words on this. I'm sure you've heard a lot about Belt and Road over the course of the day.

Debt-book diplomacy, people call it debt for equity, political influence, and strategic assets being bought with Chinese money. Well, of course. I mean is anyone surprised? That is what great powers do. I mean I don't think you could criticize China for doing that. It has its agenda, and it's not an either-or agenda. I mean obviously the target countries see benefits, and Chinese infrastructure is in many instances amazing. If you can have Chinese infrastructure funded by long-term debt, and it's the right infrastructure, in the right place at the right price, well, what is not to like? Of course, it's not all on, the issues are that Belt and Road is not all in that category. But it's not, nobody should be dismissing Belt and Road, in my view anyway, out of hand. I'm interested in whether Xi'an and Guanyong are going to be rivals to Silicon Valley and Bangalore, as Xi'an and Guanyong claim. Not yet, in my view. The digital Silk Road, a community of common and destiny and cyber space. I don't think that's happening anytime soon, but in general, people need to be pragmatic and realistic about the Belt and Road. It is a big baggy concept. It means whatever is useful at the time, and because it is Xi Jinping's signature project, and he is absolutely the man at the moment, and in charge, as we saw both at the Communist Party Congress last autumn, and again this spring at The National People's Congress, with the lifting of the two term limits. It's Xi Jinping's signature project, and everybody knows in China, from the top of the party, down to the lowliest official, in whatever county village township, that that means they need to get onboard. Everybody, if they want to get on, they need to have some useful Belt and Road projects, and that means opportunities, possibly, for British companies. A couple more words on that. I mean you just need to keep an eye on what Chinese private companies are doing, which is still, by and large, to seek out the more developed and stable markets with strict regulatory environments on the Belt and Road, and they are not going out into Central Asia that much. That is still the domain of the state enterprises, who obviously are financially backed by the Government.



But ultimately, they will have to align commercial interest with the Government's strategic priorities, so all British companies who are thinking about the Belt and Road, they just need to keep a close eye on things and look at what develops. But in the long term, those trade tensions with the United States does mean China focusing more on enhancing all these relationships across Eurasia, and that should mean opportunities. I could go on and on, but I think, I probably talked, nobody has waved at me yet, and you're all far too polite to look as if you're falling asleep. I think that must be my 10 minutes up, is it? Yeah. I would just say, so just a parting thought on strategic scale and divide and rule, I think, yes, it would be great, the rules-based order that the Western powers still talk about. Obviously it's very difficult to enforce that and urge that on China in the context of absolute chaos at a political level between European allies and the United States.

But in general, China has always said, since for a century and more, "It's dangerous being a loose plate of sand", and that is definitely so of liberal democracies and protection of values. If they become a loose plate of sand, and don't protect their values and the things matter about the rules-based order in the context of a rising China, then we will all, including China, in my view, be the poorer.

Lord Saatchi:

Well, everyone, I had the tremendous privilege of opening this conference this morning, and I'm going to try and close it now, and send you all on your way. I'd like to point out to you that two years before Mrs. Thatcher became prime minister, as leader of the opposition, she made her first trip to China, and there she held a reception. And the invitation said, "At home, Margaret Thatcher, the Great Hall of the People." And today I am, as we all know, Mrs Thatcher is always with us, but I'm sure she will be here today in this great hall of our people. I'd like thank you all for coming, it's been a most tremendously well-attended gathering. I'm going to thank now, if you will allow me, certain people who have been extraordinary in making this happen. And I'm going to thank Robert Colvile, who is the brilliant new director of the CPS. Jenny Nicholson, who is our deputy chairman. Devorah Margolin, who made, or really has been in charge of all the proceedings. Calum, who's been brilliant. Bryony, who's been brilliant, and the two Emmas, who have been brilliant, and really the whole team at the CPS, I hope you will agree, have done us proud. Will you join me? [applause]

As you've heard a lot of facts today, and I thought it might be more interesting if I leave you with a little anecdote to think about as you go home. So, as we all know, Margaret Thatcher's university was Oxford University, and Professor Ferguson referred to the importance of the universities and the work that the Confucius institutes do in the universities throughout the world. And I thought you might be interested to hear that in a recent conversation with one of the masters of the great Oxford Colleges, Mrs. Thatcher's university, the master said, "For 300 years, Oxford University has had a policy of admission on merit. Now this might have to change. Because if it doesn't change, by 2030, Oxford University will be 100% Chinese." He was saying, "We may have to have, at Oxford, a policy of positive discrimination, and a reverse quota system in favour of white Anglo-Saxon students." So, we will see.



I can only tell you, if I may just express a personal remark. It has been such a pleasure to work with the embassy teams and the Ministers that Sir Sherard has worked with us from HSBC to bring us to all together. It's hard to express my admiration for people who are as intellectually curious, and as self-confident, about their values and their mission. To meet such people running their country is really a remarkable experience. I hope you've had a wonderful day. The CPS has, as you are the proof, tremendous convening power, because of Mrs. Thatcher, and because of our board members, like the great Lord Strathclyde, who's in front of us now. Thank you all for coming, and soon again I hope. Thank you, and good night.