

# Dancing with the dragon 与龙共舞

By **STEPHEN K GREEN**

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**STEPHEN GREEN**

is Group Chairman of HSBC Holdings plc, the world's third largest banking and financial services company. Established in 1865, the Group has been present in mainland China for over 140 years, where it has the largest network of any foreign bank. Mr Green has degrees from Oxford University and Massachusetts Institute of Technology. He joined The Hongkong and Shanghai Banking Corporation Limited in 1982 and has held several senior positions in the HSBC Group's treasury, capital markets, private banking and investment banking operations. Mr Green became Group Chief Executive on 1 June 2003 and Group Chairman on 26 May 2006.

China's re-emergence as a major global power has been the most important economic story of the last quarter century. This is partly why I chose to visit China again on my first significant business trip overseas after becoming Chairman of HSBC in May.

The other reason is that China holds a special significance for HSBC. Our origins lie in China: we were founded simultaneously in Hong Kong and Shanghai in 1865, and we are proud to have maintained a continuous presence there ever since. More important still, we see China as a country with a great future, which is why we have invested significantly in developing our business in China.

There is barely an individual or company around the world who has not been affected by China's move towards a more market-oriented economy, which has generated extraordinary GDP growth of over 9 per cent a year for the last decade.

As a major manufacturing base for the world, China has brought significant benefits to consumers in the form of lower prices on a vast array of goods. It is largely due to China that inflation has remained low for so long.

Overseas companies have also benefited, both from an enhanced manufacturing capability and through the improved access to China's domestic market. Today, China's middle class is estimated at around 200 million people – a relatively small proportion of China's total population, but a large number in absolute terms, and one that looks set to grow quickly.

The combination of a rapidly growing economy and an increasingly affluent domestic market makes China a unique opportunity in the world today. Many of our corporate customers are already operating successfully in the region, and many Chinese companies are successfully spreading their wings abroad.

As China's economy grows, we also anticipate strong growth in financial services products: as the Chinese government seeks to rebalance its economy away from investment-led growth and towards personal consumption-led growth, consumers will need credit cards, debit cards and the full range of retail banking services, which have yet to develop fully in China.

Equally, as China's financial markets and institutions develop, savers will want access to longer-term financial products such as pensions, insurance and asset management products. As China modernises and opens

its financial services sector, I have no doubt that, as we have seen here in the UK, competition for business will become increasingly robust, bringing better deals for customers, a wider product range and a stronger financial system generally.

And of course, China's rise has lifted literally hundreds of millions of her people out of poverty. China is notable among emerging economies for her attention to education, healthcare and the development of a social support network, and investment in these areas is paying handsome dividends. The emphasis on raising education standards means that China is not just a manufacturing powerhouse, she is today producing some of the world's brightest graduates, which is why many multinational companies have established sophisticated R&D labs in China. Some of the brightest graduates joining HSBC's international management programme today are from leading Chinese universities.

Of course, China also faces enormous challenges in its modernisation, such as how to balance the pace of growth with the quality of life and the environment, and how to ensure that growth and prosperity are shared right across the country, both geographically, and between the rural and urban populations. These are major issues, which China is tackling at a much earlier stage of modernisation than many other countries have done in the past.

Much has been said about how the UK can best network with this new China. But sometimes the focus seems to be simply on 'how we can penetrate this massive market more effectively'.

I am sure this question will be part of many a company's strategy. But it is not enough. Companies that wish to prosper in China need to develop friendships and networks, in order to really understand what is happening in China – the nature and pace of the change. This is why HSBC is proud to be supporting Mandarin teaching in UK schools; it is why we are a founder member of the Confucius Institute for Business in London; it is why I am chairing the 2008 China Now festival in the UK.

I have no doubt that a stronger relationship between China and Britain will lead to new business opportunities for companies worldwide. But friendship and understanding need to come first. Hence, we warmly welcome Premier Wen's visit, which will further enhance the already close relations between China and the UK.