

A robust economic relationship

By **RICHARD LAMBERT**

DIRECTOR-GENERAL, CBI



RICHARD LAMBERT graduated in history from Balliol College, Oxford. He began his career at the Financial Times in 1966, editing the Lex column in the 1970s before becoming financial editor in 1979. After a spell as New York Bureau Chief he became Editor of the paper in 1991, a post he held for ten years. A member of the Bank of England's Monetary Policy Committee from 2003 until 2006, he took up the post of Director-General of the CBI in July the same year.

The partnership that exists between the UK and China has continued to strengthen and deepen throughout 2010. This was particularly apparent to me at the celebrations held on 8th September to mark the UK's national day at Shanghai EXPO.

The UK Pavilion, one of the top sites at EXPO, provided a spectacular showcase exhibiting the very best of UK creativity and design. Incredibly, the seven millionth visitor to the Pavilion visited on 18th October. Supported by well established UK investors in China that included AstraZeneca, BP, Barclays, Diageo and GKN, the Pavilion is a clear reminder that UK business has been and continues to be extraordinarily successful in China.

During my September visit I was impressed by the sheer range and diversity of UK businesses developing their China business. From educational start-ups to financial giants such as Standard Chartered – all were on display at the British Business Awards held in Shanghai in September.

UK exports to China recovered strongly during the first half of 2010 totalling £3.5 billion, whilst Chinese imports stood at £12.47 billion. However, these figures

do not tell the whole story. Many UK investments to China are channelled via Hong Kong or, in the case of Rolls-Royce's engines on Airbus aircraft, are counted as a French export. Thus the underlying strength of the UK's economy, particularly in high-end engineering and services, is rarely reflected accurately in bilateral trade statistics. The UK's economic and business commitment to China remains robust and it is this practical partnership which has forged equally strong ties with Chinese businesses investing into the UK. A total of 74 inward investment projects were recorded for the financial year 2009-10 with some 55 Chinese listings on the London Stock Market valued at £14.12 billion by July 2010.

With a competitive economy and open investment environment, the UK has welcomed large Chinese investors such as Huawei, ZTE, Alibaba, Bank of Communications and China Shipping. Not only have these companies a well established British presence but they are increasingly using the UK as a springboard for further European expansion. BT, for example, is working closely with Huawei as the company grows its business in Eastern Europe. And UK businesses such



Richard Lambert visits BP's Lubricant Technology Centre in Shanghai

as Arup and Benoy continue to supply the very best design and city master-planning expertise in country. Increasingly, their experience is highly sought after by Chinese businesses expanding around the world.

Rolls-Royce has built an unrivalled reputation in high-end engineering with its jet turbines powering China's new fleet of Airbus and Boeing aircraft. With advanced manufacturing and service hubs in Xian, Shenyang and Shanghai the company has forged close and productive alliances with its Chinese partners.

UK financial groups such as HSBC, Standard Chartered, RSA and Lloyds have continued to develop tailor-made services for the China market. With multi-branch networks across the PRC, their experience and expertise offers extra choice to the domestic market. However, as Prime Minister David Cameron has said, the UK's exports to the Republic of Ireland exceed those to all the BRIC countries – Brazil, Russia, India and China – combined. Clearly there are still plenty of opportunities for UK companies to do more business in China.

One of the challenges for UK business operating in China is the regulatory environment. I hope that some of these issues will be addressed and even resolved at the Joint Economic Trade Committee taking place on 8th November in Beijing. Nevertheless, there is a great deal of opportunity to further increase our bilateral trade – particularly in UK exports of goods and services to China. My hope is that the UK business delegation to China in November will lead to increased trade between our two nations. The strong bond between the

UK and China is not just limited to trade and business. With more than 85,000 Chinese students studying in the UK in 2010 the UK's universities and schools are providing a world class education to China's next generation of entrepreneurs and business leaders. And more UK students are either studying Chinese in the UK or taking up Chinese language courses in China. The FCO-sponsored Chevening Scholars programme has been a very successful educational programme providing world-class training to the next generation of China's leaders.

The CBI established its presence in China with a Beijing office nearly five years ago. Our presence has provided our members with valuable insights into the challenges and opportunities that exist in China. None of this would have been possible without the generous support of our many members, strategic partners and strong working relationship with both the UK and Chinese governments.

A particular thanks to the China Britain Business Council, the British Chamber of Commerce, the China Council for the Promotion of International Trade, the Ministry of Commerce UKTI and the British Embassy's consular teams in Beijing, Shanghai, Guangzhou, Hong Kong and Chongqing.

Finally, I would also like to congratulate FIRST on publishing this issue to commemorate the UK Prime Minister's first trip to China. Partnerships are key to establishing long-term growth and we look forward to continuing working closely with both our Chinese and UK partners in the years ahead. 

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The UK Pavilion at Shanghai EXPO, designed by Thomas Heatherwick, celebrates both British innovation and tradition