

Thriving in the face of competition

By **ALDERMAN NICK ANSTEE**

LORD MAYOR OF THE CITY OF LONDON



NICK ANSTEE

was educated at Stamford School and qualified as a Chartered Accountant in 1982. He has served the City for 22 years, first as a Councilman in 1987, then as Alderman for the Ward of Aldersgate in 1996, then for three years as Chairman of the Corporation's Central Markets Committee, and as Sheriff of the City of London in 2003-04. He completed an Executive Education Programme at INSEAD in 2000 and was awarded an honorary Corporate Finance qualification by the ICAEW in 2006. He joined the global professional services firm Arthur Andersen in 1994, becoming a Partner in its Corporate Finance practice. He is now a Senior Director at the international law firm SJ Berwin.

2010 has so far been a truly remarkable year for China. China overtook Japan to become the world's second largest economy. The Shanghai Expo, which ended last month, was a huge success and offered a unique opportunity for China to showcase to the world it is open for business. The City has a long-standing relationship with China and has established representative offices in Beijing and Shanghai since 2005. We have also signed a Memorandum of Understanding with both Shanghai and Shenzhen. It is our aspiration that our engagement with China promotes partnership and a two-way exchange of trade and investment in financial and professional services.

Our long-term commitment led to the creation of the first ever City of London Advisory Council for China this month. The Council aims to guide the City's engagement with China by providing a platform for high-level engagement between policymakers and key industry players in both countries.

The nine distinguished leaders from the Chinese financial services sector who serve the council on a pro bono basis are:

- Mr GAO Guofu – Chairman, China Pacific Insurance (Group) Co. Ltd.
- Professor LI Yang – Vice President, Chinese Academy of Social Sciences
- Mr LI Jiange – Chairman, China International Capital Corporation
- Mr LIU Mingkang – Chairman, China Banking Regulatory Commission
- Mr MA Weihua – President & CEO, China Merchants Bank
- Ms Katherine TSANG – Chairperson of Greater China, Standard Chartered
- Mr WANG Jianxi – Executive Vice President and Chief Risk Officer, China Investment Corporation
- Mr ZHANG Hong – Vice President, China Reinsurance (Group) Corporation, and Chairman, China Property & Casualty Reinsurance Company
- Mr ZHANG Yujun – President, Shanghai Stock Exchange.

The Council is led by my colleague Stuart Fraser, Policy Chairman at the City of London Corporation, who also sits on the Shanghai International Financial Advisory Council set up by the Shanghai Mayor. We are both pleased that the Council will play a unique, strong role in engaging with the Chinese financial

sector and will undoubtedly add a new dimension to UK-China relations.

The establishment of the Council follows the success of my recent visit to China. As Lord Mayor of London I am responsible for representing, supporting and promoting all UK-based financial services around the world – spending around 100 days in more than 20 countries during my year in office.

In September, I visited Hong Kong, Shenzhen, Chongqing, Chengdu, Beijing and Shanghai. I was accompanied by over 50 business delegates – accountants, bankers, asset managers, lawyers, insurance specialists, maritime services practitioners and representatives of the London Stock Exchange, to promote the City and its significant ties with these important Chinese cities.

I met key Chinese industry figures as well as political leaders in each location, including the three key regulatory bodies (China Banking Regulatory Commission, China Securities Regulatory Commission and China Insurance Regulatory Commission), the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong; and the two major Chinese Sovereign Wealth Funds. I spoke at over 15 major events, focusing on areas including asset management, mergers and acquisitions, the financing of green solutions, rural finance legal services and maritime services. In total, I engaged with over 2,000 business and government representatives.

All of the above events were part of the UK financial and professional services week at the Shanghai Expo, which helped City businesses build closer ties with our Chinese partners and provided an enduring legacy to help China translate its unquestionable economic strength into a thriving financial industry. I was also fortunate enough to witness the iconic UK Pavilion first-hand. The award-winning architectural design embodied some of the very best features the UK – and the City – has to offer the world.

Creativity, innovation, and sustainability all have a vital role to play in meeting current and future global challenges. Such strengths were present in abundance when I visited the UK Pavilion, as well as the Liverpool, London and China Pavilions. Many other countries around the world who presented at the Shanghai Expo are eagerly beating a path to China to demonstrate what they can offer in practical terms.

By sharing our experiences and expertise we can overcome bottlenecks and help China fulfil its ambitious targets

When it comes to the UK, our financial and professional industry remains world-class despite the effects of the global crisis. The City has rebounded strongly, having taken on board the lessons of the recent past. And, contrary to what some people suggest, the industry makes a substantial contribution to the UK economy – amounting to £61.4bn in 2008-09.

Some people argue that China's rapid growth is a threat to our success but I see the changing financial landscape as an opportunity for closer partnership, even though London may lose market share as Chinese centres grow. The trade and investment flows between our two countries – worth some £7.8bn in 2009 – are mutually beneficial. The City welcomes foreign business with open arms, helping to explain why UK imports of services from China reached £1.27bn in 2008, an annual increase of 29 per cent.

To highlight this fact, China's sovereign wealth funds are becoming increasingly active in the UK, highlighted by China Investment Corporation recently putting US\$956 million into Apax Partners. Meanwhile, we have welcomed a number of Chinese financial services firms in recent years including China Merchants Bank, China Unionpay and China Construction Bank.

So, while people often talk about the future when it comes to China, there is real business being done between us right now. With the markets showing resilience (18 new companies listed on AIM in the second quarter of 2010, compared to eight last year), the UK's offer when it comes to financial and professional services remains second to none. Of course, we are facing a period of growing competition as the likes of Shenzhen and Shanghai develop their exchanges. But the City has always thrived in the face of global competition and such conditions only serve to improve the quality of financial products.

Having held talks with key interlocutors across six cities it is clear to me that China has made astonishing progress since I visited in 2003. Hong Kong is already established among the top three centres in the world alongside London and New York; while the municipal government is taking steps towards realising its vision of Shanghai becoming an international financial centre and shipping hub by 2020; whereas Shenzhen – an emblem for China's remarkable recent progress – has been transformed from a small fishing village in the Pearl River Delta to China's fourth richest city in 30 years.

People often focus on Hong Kong's booming growth and Shanghai's grand plans. But there is no reason why China cannot sustain all three centres as long as they are differentiated and complementary. In terms of capital markets, Shenzhen is now focusing primarily on SME listings, Shanghai on larger IPOs, and Hong Kong has long served as an international foothold into Asia.

The domestic marketplace in China is certainly large enough to cater for all three, with cross-border

transactions – an area many City firms have considerable experience in – helping to drive growth forward. By sharing our experiences and expertise we can overcome bottlenecks and help China fulfil its ambitious targets. There remains significant scope for further development and we can further accelerate this progress by working closely together to meet the challenges – and opportunities – of the future. The partnership between the UK and China is one of mutual benefits, of sharing knowledge and skills to enhance the development of financial and professional services in both our countries.

City firms are ideally placed to use their vast experience to help develop the innovative financial products and improved corporate governance that will be needed as China's financial services industry continues to expand. For instance, in the strong – and growing – demand for services in the Chinese rural banking and green finance sectors.

UK-based firms can help develop banking capacity in Western China and other rural areas, thus increasing opportunities for people who are currently unbanked and do not have access to financial services. The UK also has a well-established track record for offering pioneering, capital raising solutions such as carbon emissions trading. By utilising the City's expertise, China can fulfil this largely untapped potential; continue to grow its economy in a sustainable fashion and overcome challenges that could threaten to constrain future growth.

There is tremendous goodwill towards the City thanks to our historic ties, and we stand ready to help China meet burgeoning demand through close partnership. This is why partnership between the City and China is the way forward – both now and in future – because the growth of the global financial industry will create a bigger pie for us all to compete over.

Lord Mayors will continue to visit regularly, especially Beijing, Shanghai, Shenzhen, Chongqing and Hong Kong. The next Mayoral visit to China will be in April 2011. F



Lord Mayor Nick Anstee addresses the 4th Annual China Bankers Forum, held at the China Europe International Business School, Shanghai