

# Leading the global recovery

By **SIR DAVID BREWER CMG**

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**SIR DAVID BREWER** is a graduate of Grenoble University and has spent his career in insurance broking with Sedgwick and Marsh. He was elected Alderman in 1996, a Sheriff of the City of London in 2002 and served as Lord Mayor from 2005-06. He is Chairman of the China-Britain Business Council (CBBC), President of the EU-China Business Association, Vice President of the GB-China Centre and a 'Think London' International Envoy for London. He was appointed Her Majesty's Lord-Lieutenant of Greater London in 2008.

As the US and Europe remain mired in the economic doldrums, burdened by sovereign debt and sluggish growth, so, once again, it is Asia that is leading the way to global recovery. In the 1980s it was the Asian 'tiger' economies, including Hong Kong that sparked the revival. This time around, the two economies that are shining the way forward are Hong Kong and mainland China.

Hong Kong, as it has done so often in the past, has shown not just resilience in the face of challenging economic conditions, but has adapted to changing markets. If there is a market to be won, Hong Kong business will find ways to win it. The proof of that is in the SAR's growth this year of more than 6 per cent, following on from 7 per cent growth in 2010.

It is also evidenced by the surge in inward investment. Hong Kong is now the world's third largest recipient of foreign direct investment: in 2010, US\$68.9bn was poured into the SAR, almost a third more than in 2009.

What is different with this downturn from previous ones is the pivotal role that China is playing in securing the recovery — whenever that happens. China's GDP is just under US\$6 trillion, making China the second largest economy in the world. China has foreign exchange reserves alone of more than US\$3 trillion. China's overseas investment could reach two trillion dollars in the next decade.

Hong Kong has been instrumental, in large measure, in the development of the mainland Chinese economy. It is China's principal entrepot. It is China's third largest trading partner for direct imports and exports. And Hong Kong has always been China's largest investor, cumulatively investing more than US\$450bn in China.

The Pearl River Delta has boomed on the back of Hong Kong money, enterprise and industry, which, thanks to the inspired 9+2 policy, is extending the Hong Kong miracle deep into China's interior.

The Mainland-Hong Kong Closer Economic Partnership Arrangement (CEPA) is facilitating ties in the service sectors, to add to the freedom to do business in manufacturing.

Hong Kong has now become the principal offshore capital-raising centre for Chinese enterprises. By the end of last year, nearly 600 mainland Chinese companies were listed in Hong Kong, comprising more than half the total market capitalisation.

More and more mainland Chinese are visiting the SAR. In 2010, mainland arrivals reached 22.7m, up a quarter on 2009.

The two economies are becoming increasingly entwined, as China grows and liberalises. In April the Hong Kong Stock Exchange listed its first renminbi-denominated initial public offering, almost certainly paving the way for future similar issues and throwing open a potentially huge new equity market.

The renminbi is increasingly being used as the currency in which the countries of Asia conduct their trade. As part of longer-term plans to allow the Chinese currency to be freely convertible for both the trade and capital accounts, China aims to establish Hong Kong as the international centre for trade settlement and investment.

## Boosting UK trade with China and Hong Kong

That is why the Hong Kong and China markets are important to the UK. Direct UK exports to China increased by more 40 per cent last year, and were up by 20 per cent in the first five months of this year, year on year. UK exports to Hong Kong last year were up by 15 per cent.

However, the potential has nowhere near been realised: Hong Kong is the UK's 13th largest, and China its 9th largest export market. It is our goal at CBBC to see those rankings improve.

I am looking forward to visiting Hong Kong, in late September, as part of a delegation I am leading on behalf of CBBC to China's regional cities and Hong Kong. Hong Kong's key advantage in a place to do business and as platform from which to do business with both the mainland, and with the rest of Asia remain to the fore.

In mainland China, CBBC delegations will visit Nanjing, Beijing, Jinan, Weifang, Qingdao, Urumqi, Changchun, Xiamen, Tianyuan, Chengdu, and Guangzhou.

CBBC is delighted to work closely with UKTI, the British Embassy and the Consulates General in China and Hong Kong, the Hong Kong Trade Development Council, the Hong Kong Economic and Trade Office, the British Chamber of Commerce in Hong Kong and others to ensure that UK businesses can take full advantage of the business opportunities in China.

I wish Donald Tsang every success in his visit, and congratulate FIRST for producing this Special Report to mark the occasion.

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