



Foreword by
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The Prime Minister's official visit comes at an important time. China's National People's Congress selected Vice Premiers and Ministers in March of this year after naming Xi Jinping as President and Li Keqiang as China's Premier. The United Kingdom's coalition government clearly understands the importance of building strong bilateral relations with the People's Republic of China. The strength of this strategic partnership has also been underlined by the successful and recent visits by Chancellor George Osborne, and the Mayor of London, Boris Johnson.

China is now the world's second largest economy, the biggest exporter and the world's second largest importer of goods and services, accounting for around 10 per cent of total world trade. China's significant growth record has continued in 2012 with a real GDP growth rate of 7.8 per cent and an industrial production growth rate of 8.1 per cent. Expanding our international trade and investment links with China is playing a key role in the government's economic and financial strategy.

The Prime Minister's official visit to China is particularly timely and will help focus the attention of business leaders and policy makers on the many investment opportunities that exist in China. Personally, I have a deep fascination with China past, present and future. It was my first posting when I entered the diplomatic service in 1954. I also accompanied Sir Edward Heath and Margaret Thatcher on what were for them their first visits to China. I learned then the crucial importance of these bilateral contacts at a high level.

As China moves into the next stage of development there will be important

opportunities for further strengthening the bilateral business relationship. Our high technology and research-based industries will find opportunities to co-operate further with Chinese partners. Britain's financial and banking services, as well as the retail and creative sectors, will identify enormous opportunities as China's consumers increase their purchasing power. Both countries also share the desire to move to low-carbon sustainable economies. To Chinese business leaders the United Kingdom represents an ideal gateway to Europe for Chinese exports and investment.

The growth in trade and investment between the United Kingdom and China has been impressive. UK exports to China were £10.5 billion in 2012, an increase of 13 per cent over the previous year. At the end of 2012, China was the UK's 7th largest export market and UK services exports to China were £3.1 billion in 2012. It has been estimated that the UK was the second largest EU investor in China with a cumulative direct investment value of US\$18.76 billion. London now accounts for 62 per cent of offshore renminbi trading outside Hong Kong and mainland China.

Exports of British goods to China hit £1 billion per month earlier this year and the UK is making good progress towards meeting the ambitious target set by the Prime Minister in 2010 of doubling UK trade with China to US\$100 billion by 2015. With the latest bilateral trade valued at nearly US\$75 billion it is possible that this goal will be exceeded.

The UK has also attracted significant Chinese investment which has increased by 95 per cent year on year, with the UK becoming the most popular European destination for Chinese investment in 2012. This year has witnessed a range

of billion-pound deals including the redevelopment of London Royal Albert Docks and significant investment in The South Bank. Huawei, the leading Chinese telecommunications company, has announced the construction of a new £125 million UK research base. Also, two Chinese nuclear energy providers have joined the consortium to finance the new Hinkley C nuclear power station.

There are many other investment opportunities for British Companies in China. As Chinese cities continue to grow there will be demand for UK expertise in urban planning, architecture and infrastructure development. These opportunities will provide important economic benefits to British companies prepared to think strategically.

The strategic partnership with China also covers significant co-operation in education – over 130,000 Chinese students study in Britain and an increasing number of British students are attending courses in China. These links in education are paving the way for greater cultural and scientific

exchange for our mutual benefit.

The Prime Minister's visit will provide an exceptional opportunity to build relationships between UK and Chinese businesses and will highlight fine examples of UK business in top-level manufacturing, financial, professional and legal services, digital media and those involved in creating low-carbon cities. The visit will underline how UK and Chinese businesses can work more closely together and secure new commercial opportunities.

The Prime Minister's visit to China, while providing an opportunity for private discussions, will give us all an opportunity to study what is happening in China and to weigh carefully the opportunities for our countries to work together even more closely.

We at FIRST are delighted to have been asked to produce this official publication to mark the visit and hope that it contributes, in a small way, to its success and the further development of the bilateral relationships, especially in trade and investment. **F**

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Britain's Prime Minister, David Cameron, meets China's President, Xi Jinping