

# Increasing complementarity

## INTERVIEW WITH H.E. SEBASTIAN WOOD CMG

AMBASSADOR OF THE UNITED KINGDOM TO THE PEOPLE'S REPUBLIC OF CHINA



SEBASTIAN WOOD CMG has been Britain's Ambassador to China since January 2010. While this is his first Ambassadorial appointment, he has held a succession of other senior appointments with the Foreign and Commonwealth Office, some with a strong China focus. Ambassador Wood is married with four children, learnt Mandarin at the beginning of the 90s, before serving in the Joint Liaison Group in the run-up to the handover of Hong Kong. His other China-related work also included a posting in Washington specialising in US foreign policy in Asia, and latterly he was the FCO's Asia-Pacific Director before secondment to Rolls Royce.

**Three years is a long time in politics and international diplomacy. How would you compare the state of UK-China relations today to when the Prime Minister last visited in 2010?**

The most striking change is in our economic relationship. Trade has grown very fast and last year we were the only EU country that saw a rise in both imports and exports with China. And over the last year and a half we've seen a huge leap in Chinese inward investment. According to China's own figures, Chinese investment in the UK has almost doubled in one year, making us the most popular investment destination in Europe, with more investment than the next three most popular EU destinations combined. Investment plans include exciting new areas like civil nuclear. We've overtaken Japan to become second only to the US in the number of our joint research publications with China. More than 60 per cent of all renminbi trading outside mainland China and Hong Kong now happens in London. We have over 100,000 Chinese students in the UK, and numbers are still rising at a healthy rate. Tourism from China to the UK is rising at about 30 per cent year on year. We've also boosted the British Embassy network in China. We've got 60 additional staff from what we had 3 years ago and that's given us the ability to project the UK to more cities across China.



**The announcement of the Prime Minister's visit took many people by surprise. How significant is the timing of the visit, and what do you hope it will achieve?**

It didn't take me by surprise! We had always been working towards this visit taking place before the end of the year and that's what's happening. I don't want to pre-empt any announcements but look for clear steps up in cooperation in areas which are crucial for reform and for prosperity on both sides. The Prime Minister will bring a very large business delegation with him. Look for evidence that we are doing valuable business today but also creating the platform for even faster growth in bilateral business in future.

**China has become one of the UK's fastest-growing export markets in recent years, with trade doubling between 2009 and 2012. To what do you attribute this growing enthusiasm for UK products and services?**

It's about increasing complementarity between our two national economies. We are a strong knowledge economy with globally competitive services, advanced manufacturing, and top-end brands. We have particular strengths in areas like healthcare, ICT, the digital economy and green growth. We have a great creative sector and a really strong record on innovation. Meanwhile, China is trying to urbanise faster than any country in history, but also wants to protect the environment more. It's moving its industry up the value chain. It needs to develop services more. It needs to become more innovative. A more prosperous population is ready to start consuming more. Put these two pictures together and they fit remarkably well – it's an economic 'marriage made in heaven.' So I'm not at all surprised that more UK companies are successfully selling goods and services here. For many British companies, though, lack of knowledge of the

Chinese market, and fear of losing valuable intellectual property, remain significant obstacles. These are barriers which we can help companies overcome. But we also strongly hope that China will continue to improve the climate for foreign business here.

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**At the same time, Chinese investment into the UK has increased by 95 per cent, and this trend looks set to continue, following the signing of the recent Civil Nuclear MOU and Royal Albert Dock development agreement. What are the main factors driving this appetite for UK assets?**

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Your readers don't need me to tell them why the UK is a great place for foreign investment – our transparency, low corporate tax rates, position in the central time zone, possession of the world's top financial services hub and so on. I think that China has been a little cautious about making big investments in Western economies. There have been one or two previous cases elsewhere when their proposed investments were rebuffed. I think the Chinese government and investors now understand that when we tell them we are open to Chinese investment, we mean it. Our public are relaxed. Our political parties welcome it. Much of our infrastructure and our most competitive industry is owned outside the UK. Just look at our automotive industry, for example. And we will not treat investment from China any differently from investment from the US, or from France. That penny has dropped in Chinese minds. We are now in a virtuous circle. The more Chinese enterprises come to the UK and have a good experience, the more will follow them. I expect to see sustained, high inflows of Chinese investment into the UK from now on. We will do all we can to help Chinese enterprises address the market in the UK.

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**Much has been made of the UK's soft power internationally, boosted by the success of the London Olympics and other cultural exports. How important is this to the Government's efforts to promote UK business in China?**

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Soft power is a very interesting concept and a lot of people think that the UK does soft power very well. It's a real asset for the UK, including in China, and I think a lot of that is because it comes from the private sector not the government. It comes from our culture and institutions, many of whom are respected because of their strong independence. Think of the BBC, the Financial Times, the Economist, our great Museums and Orchestras, our wonderful authors, our world leading universities and scientists, our vibrant youth culture, our wonderful actors and directors and TV producers – British TV is increasingly popular here in China, by the way. All these things are immensely beneficial to the image and influence of the UK. The

Olympics, with its wonderful opening ceremony, certainly helped modernise perceptions of the UK in China. We are increasingly seen here as a creative country, and that's the way it should be.

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**Next week's visit will include the Prime Minister's first bilateral meeting with President Xi Jinping. Which topics do you expect to be top of the agenda?**

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In fact they have met before, including recently at a G20 Summit, but this will be their first meeting in China since Xi Jinping became President of China. The Summit gives both sides an opportunity to take stock of our relationship at the highest level – to reflect on its significance for both countries, and on the potential of a relationship which has global as well as bilateral significance.

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**How significant are the reforms announced in the recent Third Plenum, from a British perspective? What are the main implications for UK investors in China?**


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We've been looking closely at the outcomes from the Third Plenum and there are many important new reform initiatives in prospect. It will certainly be an important area of discussion between the Prime Minister and Chinese leaders. In principle, many of the key reforms should mean even more opportunity for partnership between the UK and China. As part of the programme we're going to be holding a symposium on the Shanghai Free Trade Zone in Shanghai – the agreement to hold this symposium, which is the first event on it that China has held with another country – was an outcome from the successful visit of the Chancellor of the Exchequer to China a few weeks ago.

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**Last week's visit to China by a high-level DfID delegation demonstrates the increasingly close cooperation between the two countries in the field of international development. Where do you see the greatest potential for joint action in this regard?**

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The Department for International Development has a big programme here. It's not a programme of aid to China – that stopped some time ago. But development cooperation is very important between the UK and China and we have a programme of collaboration with China on other countries and on global development issues. This kind of work is the first of its kind and so this is a pilot programme for DfID. We've already come up with some extremely good projects with China, and our head of DfID in China was in Malawi just a few weeks ago to open a large joint Malawi/China/UK project. So this is a very exciting part of our collaboration particularly in Africa where both sides have different experiences and strengths to bring to the table. 

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Opposite:  
ABP (China) Holdings Group Chairman Xu Weiping and Mayor of London Boris Johnson at the signing ceremony for the Royal Albert Dock Project. Also present are Communities Secretary Eric Pickles and China's Ambassador, Liu Xiaoming