

# The benefits of global partnership

By **H.E. BARBARA WOODWARD CMG OBE**

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



**BARBARA WOODWARD** holds an MA in History from St Andrew's University and in International Relations from Yale. She joined the Board of the Foreign & Commonwealth Office as Director General Economic & Consular in October 2011, where she worked on economic diplomacy and emerging powers. Ms Woodward has worked on economic and security aspects of foreign policy in China (where she was Deputy Ambassador from 2007-09) and Russia (1994-98), as well as in the EU and at the UN. She took up her current post as HM Ambassador to the People's Republic of China in February 2015.

In recent months we have been talking about a golden year for UK-China relations. President Xi Jinping's State Visit to the UK is a once in a decade opportunity to embark on a new chapter in our relationship with our sights set even higher. As we move forward together to embrace the opportunities and challenges of the 21st century, I believe we can turn a golden year into a golden era.

It has been quite a year for the UK-China relationship. It began for me with the first visit to China by His Royal Highness The Duke of Cambridge. In my first week as Her Majesty's Ambassador to China I accompanied the Duke in Beijing as he met President Xi Jinping, to Shanghai to open the GREAT Festival of Creativity and launch the first ever UK-China Year of Cultural Exchange, and finally to Xishuangbanna in Yunnan province to see efforts to combat the illicit trade in endangered wildlife species.

August saw the first visit to China by a Foreign Secretary for 5 years for our Strategic Dialogue with China. Then, in September, I was part of one of the most ambitious and rewarding weeks I have experienced in UK-China relations. The Chancellor of the Exchequer, George Osborne's delegation for the 7th UK-China Economic and Financial Dialogue, co-chaired by Vice Premier Ma Kai, included three Secretaries of State, three Ministers of State, the Deputy Governor of the Bank of England, Heads of the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA), a FTSE 100 business delegation, a Northern Powerhouse business delegation, a Cultural Leaders Delegation, a Northern City Leaders Delegation and an accompanying media delegation. Across five days and seven cities, I saw numerous examples of our ties with China and our commitment to broadening and deepening them. The Chancellor's commitment that the United Kingdom wanted to be China's "best partner in the West" echoed from Shanghai to Urumqi and from London to the Northern Powerhouse.

Meanwhile, the All Party Parliamentary Group on China and the Lord Mayor of London with another business delegation were here for separate programmes.

All this came immediately after a highly successful

People to People Dialogue (P2P) in London, Cardiff and Oxfordshire, with a delegation led by Vice Premier Liu Yandong – China's most senior female politician. The P2P covers a range of knowledge economy and social policy issues: health, science, education, culture and creative industries, tourism, sport, youth and regional cooperation. These ministerial-level talks showcased the breadth of our co-operation and looked to the future with a large number of agreements that helped cement the United Kingdom as China's partner on innovation.

## Looking Back

When President Hu Jintao visited the UK in 2005 China's economy was growing at 10 per cent a year. The Global Financial Crisis was three years away. UK exports to China were worth £4 billion a year. Ten years on, the UK economy has emerged from a difficult period to grow faster than any other major developed country for the past two years. China is embracing a 'new normal' of slower, more balanced growth.

Over that time, through political ups and downs, financial shocks and changes of leadership in both countries, our economic relationship has continued to grow. In 2014, our two-way trade reached an all-time high of US\$80 billion. UK exports to China have quadrupled in value to £18.2 billion.

We are doing more trade and more investment with China than ever before. The opportunities are not confined to the first tier cities of Beijing, Shanghai and Guangzhou (or to London and the South East). The bulk of China's new, estimated 600 million middle class consumers by 2020 will be living in second and third tier cities.

## Coming together

Our two governments recognised several years ago that our economies were becoming more and more complementary. Together they coined the term 'partners for growth'. Each country had a long-term economic plan and vision for economic reform. There was a natural fit between our two economies. As growth slowed or went into reverse in other parts of the world, China could become an important new market for UK exports. Our companies, technology and services could complement China's development and help it achieve its ambitions.

As China looked to put its huge foreign exchange reserves to work and its businesses sought new markets, the UK offered an economy with openness in its DNA and a direct route into China's biggest market, the EU. The result has been huge expansion in our trade and investment relationship. China (excluding Hong Kong) has become our 6th largest export market, second only to the US outside Europe. The Chancellor of the Exchequer has set the ambition that in ten years' time it should be our second largest export market globally.

The United Kingdom has established itself as by far the leading major European destination for investment from China. Investment has come from all major categories of Chinese investor, and flowed into a wide range of sectors, from energy to high-end manufacturing, real estate, retail, professional services and the digital economy. London has become the most dynamic hub for offshore RMB business outside Asia.

#### Win-Wins

This has been good for both countries. China is now Jaguar Land Rover's largest market. To keep up with demand, it has invested £520 million in the most modern engine plant in the UK, creating 1,000 new jobs. It has also opened its first ever overseas manufacturing facility in Changshu, East China. The Chinese car maker Geely rescued the London Taxi Company (LTC) from administration. It announced earlier this year it would invest £250m in a new factory, research & development centre and assembly plant to build the next generation of electric and low-emission vehicles in the UK, including the iconic black cab.

The Chinese rail company CSR Times Electric bought Dynex, a Rail semi-conductors business in 2009. The technology it acquired would have taken 15 years to develop. It has invested in R&D, new products and expanding Dynex's manufacturing facilities in Lincoln. This year it invested in SMD, a UK underwater robotics company in Newcastle, which will become the headquarters for its new global marine business. The 5GIC at the University of Surrey is the world's leading independent facility for researching and trialling 5G technologies. It is working with Huawei to develop the world's first 5G test bed – UK and China tech industry leaders working hand in hand to develop new technology.

#### Looking forward

These are just a few examples of the benefits of working together. I believe there is much more to come. China's progress in rail is astonishing. We want it to be part of the renaissance of our rail industry. Through encouraging Chinese investment in the HS2 project and the potential of HS3 we want to help open up China's supply chains for British companies.

When China sets up a manufacturing base in Europe, we want it to be in the UK.

Through investing in R&D to develop better engines, drive trains and electronic control systems and new energy vehicle technology, the UK and China can work together to develop globally competitive cars. We want the UK supply chain that provides up to half the content in an Airbus to help China develop its own aircraft build programmes. We want to increase the number of banks clearing RMB payments in London. We want more British brands to tap into the dramatic growth in Chinese consumption online and offline. Adidas has 8,400 stores in China. No UK consumer goods firm comes close. We want more Chinese tech companies to do their R&D in the UK. As demand for international standard hospitals and elderly care facilities grows, we want to work with China to deliver better healthcare and help create the medicines of tomorrow.

Our early support for the Asian Infrastructure and Investment Bank (AIIB) showed our commitment to better regional connectivity, economic co-operation and common development. We are putting in the groundwork so British companies are well placed to benefit from President Xi's flagship *One Belt, One Road* initiative. We want to encourage Chinese investment in UK regeneration, including the Northern Powerhouse, and National Infrastructure Plan projects such as transport hubs around HS2. And last but not least, we welcome and encourage Chinese involvement in the UK civil nuclear market.

#### A New Era

Our economic partnership is supporting jobs and prosperity in both countries. Even if China's economy grows by only 5 per cent this year, it would represent the same value increase in GDP as 10 per cent growth in 2007 when China's economy was half today's size, and a quarter of all global GDP growth in 2015.

The many exciting announcements this autumn will showcase the breadth and depth of our 21st century global partnership. They will symbolise our commitment to take a bold step forward together. There will be ups and downs in the years ahead, but by working together we can make this a golden era for the UK-China relationship for many years to come.

**China has become the UK's 6th largest export market, second only to the US outside Europe**

#### UK-China Economic Statistics 2014

- UK exports to China: £18.25 billion
- Bilateral trade: US \$80 billion
- Chinese investment received by the United Kingdom: US \$5.1 billion