

# **'Britain, China & The Wider West'**

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It is a great pleasure to address you today. But some of you may be wondering why you are hearing from me at all.

I freely admit that I am not a China specialist. As a career foreign service officer, I have spent many years in Iran, Turkey, France and the United States. I don't profess to be a Sinologist, although two decades ago I did have the privilege of taking part in some of the negotiations for the handover of Hong Kong. Since then I have visited China again, both as a senior official based in London and when then-Foreign Secretary David Miliband asked a group of senior British ambassadors to go to Beijing to brainstorm for a couple of days on global issues with the Chinese authorities.

So I feel I have at least some personal right to express opinions on the subject. More importantly, the rise of China is now a subject too vital to ignore.

Both the US and the UK are truly global players, economically and in terms of our security. Our friendship involves matters that range far beyond our respective borders. At the Embassy, for example, I have dedicated policy teams handling regions as far flung as Europe, the Middle East and, yes, Asia. And I have had the pleasure of discussing global affairs with my Chinese counterpart on a number of occasions.

My Prime Minister, David Cameron has said that:

*"China's rise is one of the defining facts of our lifetime."*

That is as true in London as it is in Washington. A strong China is also not a surprise. A fifth of all human beings on the planet live there. And, as Henry Kissinger likes to remind us, China's economy has been the world's largest for 18 of the past 20 centuries.

China lies at the heart of a region that is increasingly central to the interests of the UK as a trading nation, as a global financial hub, and as a leading member of both the UN Security Council and the European Union.

In dealing with the new dynamics in Asia, the UK benefits from a unique set of historical, cultural and diplomatic ties – especially with Commonwealth countries like Malaysia, Singapore, Australia, New Zealand and, of course, the world's other emerging giant, India. I hope to demonstrate this afternoon that Britain also has a unique voice within China itself.

*History*

The history of my country's relationship with China is not long by local standards – a mere 377 years.

In 1637, the first Englishmen arrived. Like their descendants after them, they sought trade with the Middle Kingdom. But the methods of these 'Red-Haired Barbarians,' as the Chinese called them, left much to be desired by modern standards, as river forts were attacked and Guangzhou was, in effect, forced to trade with them.

The next major contact, the McCartney Embassy of 1793, got so bogged down in abstruse debates over Imperial protocol that it failed to achieve much.

Sino-British relations have come a long way since then. Like the United States, we have long since realised that we have far more to gain from China's success than from its failure. We no longer seek to impose our way of doing things. But neither are we so deferential as to avoid discussing difficult issues altogether.

When we urge change upon China, as we sometimes do, it is because we know from our own experience the benefits that free speech, human rights and open markets can bring; and we want China and its people to benefit in the same way.

#### *Prime Minister's visit*

In December of last year, David Cameron visited China. He brought with him six senior ministers and representatives of more than 100 British firms.

The list of items for discussion reflected the depth of Britain's relationship with China. As well as commerce, the agenda included innovation, cross-border crime, people-to-people links, cyber security, human rights and other issues. It was, in other words, the same kind of full-spectrum agenda the US pursues with China.

Over the two days of the Prime Minister's trip, the UK and China signed more than forty agreements covering trade, low-carbon technology, cultural projects and educational initiatives.

The PM announced that Britain would open a new consulate in Wuhan, our fifth post in the country.

He even started his own Sina Weibo account, which prompted one member of the British Embassy's staff in Beijing to post:

"Big Boss has come to Weibo!"

Premier Li noted that the relationship between the UK and China is indispensable for both countries.

A few days after the Prime Minister left, a Royal Naval vessel, HMS Daring, arrived on the Shanghai Bund for a goodwill visit hosted by the PLA Navy.

So our relationship has matured a lot in 377 years.

#### *Diplomatic*

Since 2010, the UK has been investing strongly in our diplomatic network in China and throughout Asia. We are one of very few European countries with an Embassy in every ASEAN country. By the end of next year we will have opened five new diplomatic posts in the region. We have increased by 50% the number of Mandarin speakers among our staff, and added 60 new staff to our posts in China.

We have also built up our specialist Asia teams in Brussels as well as here in Washington – something that reflects how closely we work with our American and European allies on these issues.

#### *Economic*

Economically, our relationship with China continues to mature. Between 2005 and 2012, trade between the UK and China went up 150%. Admittedly, like many other Western countries, we still have a substantial trade deficit. But our exports are increasing much faster than our imports. In fact, they almost doubled between 2009 and 2012.

China recently overtook the UK as the biggest market for the British carmaker Jaguar Land Rover, which will open a new factory in Changshu next year specifically to serve the local market. I might add that with their sales in the US up 15% last year, JLR are doing pretty well here too.

The UK is both the largest European investor in China and the biggest destination in Europe for Chinese investment. Chinese companies have invested in our airports, nuclear power stations and other parts of our infrastructure.

We do not view those investments as a threat. On the contrary: investors are welcome, whatever their nationality, so long as they obey British law and international law. We believe in a level playing field, and we feel that should apply just as much to Chinese investors as to anyone else.

Fifty-eight Chinese firms are listed on the London Stock Exchange. London handles 60% of Renminbi trading outside Hong Kong. Uniquely, firms based in London can now apply for licenses to invest Renminbi directly into China. London is therefore helping to advance the Renminbi's emergence as a global currency.

Britain also enjoys a unique historical, cultural, diplomatic and, yes, economic relationship with Hong Kong. We know that Hong Kong is crucial to China, too, not least as a gateway to the world for Chinese companies.

Since the handover from the UK in 1997, Hong Kong's development has been a continuing success story – not just for the UK-China relationship, but for the international economy. In 2013, Hong Kong ranked second in the World Bank's Ease of Doing Business index, benefiting from a potent combination of China's dynamic economy with a strong rule of law. And it still handles one fifth of all China's foreign trade.

It is in the interests of both China and the UK that Hong Kong be well governed. The best way to preserve Hong Kong's immense strengths is through a transition to universal suffrage in 2017 that matches the aspirations of its people. There is no perfect model for democracy. But the people of Hong Kong are entitled to a genuine choice and a real stake in the outcome.

In the economic reforms agreed by the Third Plenum, China's leaders have decided to allow markets to play a "decisive" role in setting prices, to strengthen regulation in the financial sector, and to establish the next generation of free trade zones.

We think the UK's experience and expertise can help put these decisions into practice. At the end of last year we held a Sino-British symposium to discuss the possibilities.

There is a lot to gain all round. Despite the fact that China's outward investment has more than tripled since 2007, the country still possesses vast untapped potential. China's economy is three times the size of the UK's, yet its overseas investment stock is less than one third of ours.

On a broader level, talks are now underway on a Bilateral Investment Treaty between China and the EU.

Ultimately, Britain would like to see a full EU-China Free Trade Agreement.

China is not, of course not a member of the Trans-Pacific Partnership. But we see that deal – along with its transatlantic cousin, TTIP – as complementing European efforts with China. If the members of TTIP and TPP bring their regulatory standards closer together, many Chinese manufacturers will no longer have to produce multiple versions of the same products. That's one reason why independent estimates suggest that TTIP alone could add around \$140 billion to the GDP of countries beyond the transatlantic zone.

### *Security*

Today's trade routes circle the globe. International prosperity depends as much on East Asia's security, stability and freedom of navigation as on the region's economic success.

We encourage China's growth as a responsible security partner, both in the region and around the world.

The search for Flight MH370, which has involved many countries, including Britain, the US and China, has shown that our armed forces can collaborate peacefully in the Asia Pacific region.

Farther afield, China has been an important partner in the unprecedented multinational fight against piracy in the Indian Ocean.

China is an international power of growing consequence. It is addressing that role with increasing seriousness, and is beginning to see the benefits that accrue from more engaged multilateralism. China has been a key participant in the Iran nuclear negotiations. It has worked to resolve the brutal conflict in South Sudan. Like many others in the international community, China now faces hard choices in framing its policy on North Korea and Ukraine.

Clearly, though, we have our concerns. Tensions in the South and East China Seas worry the UK and Europe as much as they do the US. Others in the region are concerned about China's greater assertiveness and what they see as a lack of transparency in its military development.

We believe that the best way of dealing with these issues is to engage frankly and constructively. Britain doesn't take a position on the underlying issues of sovereignty. But we do encourage all countries in the region to build mutual trust, work for regional stability, and settle disputes in accordance with international law.

Here, too, our voice complements that of the United States. Like America, Britain wants to strengthen the rules-based international system. That does not mean seeking to impose our ideas upon China. It means working with China to shape the international order, both bilaterally and through institutions like the UN, the WTO and the IMF.

As my friend and immensely distinguished colleague, Deputy Secretary of State Bill Burns, noted in a speech to the Asia Society two weeks ago, out of today's crisis in Europe:

"comes an important opportunity, a powerful reminder of the enduring value of commonly-accepted rules of the road and a regional architecture of cooperation that will benefit the entire Asia Pacific."

And he went on to say, a little later:

"All countries, big and small, stand to lose if rules are devalued, dialogue breaks down, misreading and misinterpretations multiply, and fear and tensions spiral."

We, too, profoundly hope that out of present tensions key lessons will be learnt.

### *Climate Change & Energy*

Among the most urgent of the issues we face is climate change. The world needs China to act on the environment, just as we need other big emitters like the United States and the European Union to act.

The people of China know better than anyone the urgency of dealing with pollution in our air and water. Environmental degradation costs China almost a tenth of its GDP and suppresses life expectancy in the North by more than 5 years.

On this issue, too, we see ourselves in the UK as a natural partner. Britain was the first country to set a legally binding emissions target. We are a leader in renewables and the low-carbon economy. Already, the UK and China are sharing expertise on offshore wind power, carbon capture and storage, and low-carbon manufacturing.

China, the US and the EU are, respectively, the world's first, second and third largest emitters. All three are increasingly aware that substantial progress on a binding global deal cannot be made unless they agree. Last month, the EU hosted bilateral summits with Heads of Government from the US and China, and agreed to strengthen cooperation with both. We hope to see more in the run up to the Paris Conference in 2015.

The problem is urgent, the need for action is global, and our knowledge and experience are complementary.

#### *Cyber & IP*

We also believe that we can find common ground in cyberspace.

Like most countries in the world, we are extremely worried about cyber-security breaches and theft of intellectual property. Good cyber-security is now vital to prosperity around the world, including in China itself.

We should use that mutual interest as the basis for progress. Last month we held the first UK-China Cyber Dialogue. We hope that these discussions will form the basis for mutually beneficial cooperation in cyberspace.

#### *Cultural*

Our cultural links are also key to bringing Chinese and British people closer together. We are proud to have been one of the first three countries to establish a people-to-people dialogue with China.

The British Council, the cultural arm of our diplomacy, is one of the leading providers of English language exams in China.

Almost 300,000 Chinese tourists visit the UK every year — despite the fact that in Mandarin slang Big Ben is sometimes referred to as “big stupid clock.”

British television exports to China went up 90% in 2012 alone, thanks in part to China's insatiable appetite for *Downton Abbey*. 30 million Chinese viewers watched the Royal Wedding live on television.

It remains to be seen whether they prefer the US or UK version of *House of Cards*. I hope neither is taken as too literal a rendering of how western democracies actually function.

#### *Universities*

Then there are our academic exchanges, which are increasingly high-tech. The UK is now China's second-largest foreign partner in academic research.

Peking and Manchester Universities are developing a partnership in genomic medicine. The University of Nottingham has established a centre in Guangdong that will train 2,000 Chinese financial specialists each year.

And of course, like the US, we are welcoming more Chinese university students to our shores. In 2013, they numbered 130,000 – about six times the total student body at Georgetown.

But we also want our young people to learn more about China. We plan to increase the number of Brits studying or gaining work experience in China to 80,000 a year by 2020.

In the words of Confucius:

“It’s delightful to have friends visit from far away.”

### *Values*

As more Chinese tourists, business people and students visit the UK, we hope that they will be impressed by the value and resilience of an open society. We know from our own historical and current experience that the most successful economies are the most open ones – and that an open economy requires an open society.

Both the UK and China have made international commitments to uphold human rights. Indeed, both are members of the UN Human Rights Council this year. We believe those rights underpin peace and prosperity, globally as well as locally. It is in that spirit that we continue to engage China on issues that concern us.

When we have seen signs of progress – for example on arbitrary detention, judicial reform and family planning – we have said so.

But of course we still have concerns. Particularly around freedom of expression, the treatment of human rights defenders, religious freedom and minority rights. We have not shrunk from voicing these in many ways, including at the highest levels.

Like the US, we have no desire simply to nag or preach from the sidelines. In any event, I doubt whether that would achieve much. At the same time, we will not, and should not, ignore issues of legitimate international concern. We want a strong, stable, prosperous China. That is in everyone’s interests. And the best way to achieve that is for China to strengthen the rule of law, increase rights and freedoms, and establish greater transparency.

Lao Tzi wrote that:

“The more prohibitions rule all beneath heaven, the deeper poverty grows among the people.”

We know from our own history that the inverse is also true: the more freedom people have, the more prosperous they will be. By far the biggest beneficiaries of greater openness in China have been the Chinese people themselves.

## *Conclusion*

In one of his first speeches on becoming General Secretary in 2012, Xi Jinping said:

“Our people expect better education, more stable jobs, better income, more reliable social security, medical care of a higher standard, more comfortable living conditions, and a more beautiful environment. They hope that their children can grow up better, work better and live better.”

Remarks which could just as easily have been made by President Obama or my Prime Minister.

People in Britain, America and China have the same aspirations, and we have a common interest in helping them reach their goals.

Earlier this month, my Chinese counterpart, Cui Tiankai, stood on this podium and said:

“No country can confront all challenges single-handedly. If we don't cooperate we probably will be overwhelmed.”

But, he added:

“Cooperation in areas where we agree helps deal with areas where we differ.”

Britain and America need not fear China's re-emergence onto the global stage. We can work together with China – we must simply proceed with pragmatism and deliberation. One might even say that we need to “Cross the river by feeling the stones.”