

China's new Silk Road to the West is an opportunity Britain must grasp

Sir John Peace
The Telegraph (London)
October 25, 2015

With the pomp and pageantry of last week's **state visit**, the UK's relationship with China has come centre stage. After so much effort to build our economic, strategic and cultural ties, many will be wondering what is next in order to develop our economic relationship.

The answer is President Xi Jinping's **One Belt One Road** initiative (OBOR), referred to in a number of last week's speeches and a driver of China's foreign policy. It could be a game-changer for China, and it could open up new opportunities for British business. It aims to boost trade and investment growth, through better infrastructure connectivity.

OBOR – envisaging a **new Silk Road** on land and at sea – is a throwback in time to the network of trade routes that formed the backbone of the British Empire, and can again provide economic stimulus for the UK.

OBOR spans 65 countries, with a total population of 4.4 billion people. That's over 60pc of the world's population, but the countries account for only 29pc of the economic contribution. A hugely ambitious project, it shows China's massive real commitment to opening up its borders and participating in the global economy.

Asia's economies have huge infrastructure requirements over the next decade, as countries seek to move up the value chain while absorbing fast-growing populations. China has spotted the opportunity: Asia has a desperate need for high-quality roads, railways, ports and other infrastructure to support their development. Boosting investment in infrastructure by 10pc is thought to result in returns of 1pc to economic growth, so these investments can drive tangible returns.

At the **UK-China Business Summit** at Mansion House last week, one of the events in a busy week for the China delegation, I challenged the City of London to see this as an opportunity to help finance infrastructure in Asia and beyond, just as the City and British construction firms were involved in large-scale projects in Asia and Africa in the 19th century.

We are already leading the way in supporting the internationalisation of China's currency, renminbi, and we can do more. We estimate that official financing for One Belt One Road could potentially top \$1 trillion (£653bn) in the next decade and, as the preeminent financial centre, London should be at the heart of that.

On a visit to Pakistan in April, President Xi announced \$46bn in investments and credit lines in a planned **China-Pakistan economic corridor**. Earlier this year, one of China's largest construction companies signed construction deals in Africa worth a combined \$5.5bn. Both are OBOR projects, providing a platform for the cash-rich Chinese to invest, as well as the opportunity to lift growth across the world.

As these countries benefit economically from the infrastructure investment, Britain should be poised to take advantage. The British government has already indicated its support for the Asia Infrastructure Investment Bank. British banks like Standard Chartered, which has had a continuous presence in China since 1858, are well placed to assist with the financing of OBOR.

It is not only financial services, but a range of British business that should invest in OBOR, harnessing our expertise in PPP, engineering and supply chains.

For example, last week's agreement signed by Standard Chartered and other banks with the London Metals Exchange reflects the increasing demand for commodities from OBOR projects.

The opportunities to invest in and support these infrastructure projects will be exciting.

We should endeavour to ensure British business is welcomed in these markets, ready to support them and trade with them as they establish themselves in the new world order. British luxury brand Burberry, for example, has been investing across south-east Asia, most recently opening a new store in Bangkok. It's a long-term investment, just as China is investing in OBOR for long-term prosperity.



Chinese President Xi Jinping shakes hands with Pakistani counterpart Mamnoon Hussain, left, in Rawalpindi Photo: AFP

The long-term fundamentals of China's economy are sufficiently strong that we should keep faith with it. China has overtaken the United States as the world's leading trade power. As a measure, 123 countries in the world have China as their leading trading partner, while the US can count only 64. Connecting China's less developed West to developed Europe as well as China's more affluent east to the fast-growing North Asia economic region presents exciting economic opportunities.

Last week saw almost £40bn of contracts signed between our two countries, which is impressive. The state visit has been a landmark occasion in UK-China relations, but we need to ensure that when the fanfare is over it leaves a lasting legacy.

Alongside crucial support for making renminbi international, OBOR offers an intriguing and compelling vision for **China's future** as an economic powerhouse and the opportunity for the UK to participate in future global success.

If you haven't looked at the OBOR routes and identified some future business development opportunities, now is the time to take a look.

Sir John Peace is the chairman of Standard Chartered

Source: <http://www.telegraph.co.uk/finance/china-business/11953922/Chinas-new-Silk-Road-to-the-West-is-an-opportunity-Britain-must-grasp.html>