



The Margaret Thatcher Lecture Series

First Lecture
By Sir John Bond

March 12, 2002

With an introduction by
William R. Miller OBE
ESU Chairman

Introduction

William R. Miller OBE

It is my privilege to welcome you tonight to this first presentation in the Margaret Thatcher Lecture Series. I would especially like to welcome some special guests: Sir Jeremy Greenstock, British Ambassador to the United Nations, and Lady Greenstock; the British Consul General in New York, Sir Thomas Harris, and Lady Harris; and of course Mr. Youssef Nasr, President and CEO of HSBC Bank, USA.

Ladies and gentlemen, before we begin the evening's program, I'd like to make some brief remarks about The English-Speaking Union itself. I feel sure that our illustrious speaker will not object, as Sir John has told me that he himself is a product of the ESU system. But more about that later.

The English-Speaking Union was founded immediately after World War I to maintain the bonds of friendship between Britain and the United States. It was certainly clear to us, in the aftermath of September 11th, how important that alliance continues to be. It was the U.K. that came first to our aid, to share our grief and to support President Bush's determination to ferret out these madmen and bring them to justice.

But let me return to the ESU, and try to tell you a little bit about the kind of work we do. When Lady Thatcher graced us with this series' inaugural presentation, she told us that she was "a staunch believer in the ESU and the ideals for which it stands." She said, "There was simply no other group that does the same good work in bringing together the English-Speaking peoples. Throughout this tumultuous and often calamitous 20th century, the ESU has been vital in strengthening the important ties that bind us."

English happens to be the tie that binds the ESU's 76 American Branches and 50 international ESUs. Our common mission is to create global understanding through the language we share. We try to accomplish that by offering a unique menu of educational programs for both students and teachers: international exchanges and scholarships; language and literature programs; book exchanges; speakers who lecture our 11,000 members across the country on contemporary British life; and conversation practice for non-native English speakers.

As the world metaphorically shrinks, the ESU of the United States has expanded, embracing our sister ESUs around the globe and collaborating with them in programs that support the learning and use of English through the global ESU network. At the same time, we have never forsaken allegiance to our original partner.

Our Branches host scholars from Argentina and New Zealand, who come to the States to study developments in their special fields, *and* they continue to provide scholarships to teachers for study at Oxford or the Globe Theatre in London.

Branches annually send sets of award-winning books about American life and culture to ESUs from Tokyo to Sao Paulo to Katmandu; those same Branches welcome British lecturers and authors who travel to the States under the Evelyn Wrench speaker program.

Even our National Shakespeare Competition has gone global. For almost 20 years, high school students from around the country have recited monologues and sonnets at school and Branch competitions, hoping to be one of the lucky finalists to perform here at New York's Lincoln Center. For the last four years, groups of those teens have worked online with students in Bucharest, Moscow, St. Petersburg and Sydney in a unique collaboration, using Shakespeare as the common theme.

We are proud to say that our work makes a difference, that we are affecting lives, that we are changing with the times. The English-Speaking Union has moved into its 82nd year with a renewed sense of purpose, with a vigorous intellectual curiosity on how to tap into the endless possibilities that are open to us. English is the world's language and we intend to continue to create new ways to make it accessible to all.

We have invited alumni and participants in several of our programs to be with us tonight. They represent our Treadwell British University Summer School Scholarships for American teachers; our English in Action program, which provides conversational English practice to newcomers to the country; our Luard scholarships, which provide a junior year in the U.K. for students from United Negro College Fund schools; our National Shakespeare Competition for American high school students; and our Secondary School Exchange program, which allows British and American teenagers to spend a post-high school year in each others' country. Could I ask these scholars to stand up now?

Earlier, I spoke of Sir John Bond as a product of the ESU system. He is, in fact, an alumnus of our Secondary School Exchange program. He spent his 13th year at the Cate School in California, and has been kind

enough to say that the English-Speaking Union provided him with “the most formative year of his life.” My fervent wish is that every individual who participates in an ESU program can say the same.

So, you can understand that I am both honored and gratified to introduce to you Sir John Bond, whose English-Speaking Union experience was one important step on his remarkable journey. His is a success story of which anyone connected with the ESU should be proud.

After finishing his postgraduate year at the Cate School, he worked passage on a cargo ship bound for Hong Kong and, at the age of 19, began work at The Hongkong and Shanghai Banking Corporation. And there he stayed for 25 years, coming back to the States for a brief four-year stint, before moving to London in 1993.

Aristotle Onassis once said that the secret of business is to know something that nobody else knows. Sir John obviously knows a *lot* that nobody else knows. That wisdom, along with his considerable intelligence and skill, have moved him steadily up the corporate ladder in a dizzying succession of roles:

- Executive Director of The Hongkong and Shanghai Banking Corporation from 1988 to 1992;
- President and Chief Executive Officer of Marine Midland Bank – now known as HSBC USA, Inc. – from 1991 to 1993;
- Group Chief Executive, 1993 to 1998; and Group Chairman, HSBC Holdings, since 1998.

Sir John’s tenure has been called “the quiet revolution at HSBC.” But he is no revolutionary – he believes, instead, in *evolution*. His vision, his extraordinary negotiating skills, his strategic savvy have transformed an historically conservative institution into a world-class business with a global reach.

Simply put, Sir John’s aim is to turn HSBC into the world’s leading financial services company. And he seems to be well on his way to accomplishing that. Since becoming Group Chairman, he has taken HSBC to unimaginable heights, strategizing an overhaul of the company that included the acquisition of the U.K.’s Midland Bank; the French bank, CCF; and the Republic National Bank of New York.

But success in business is not just about acquiring. It requires acute knowledge of customers’ needs and imagination about how to meet those needs – *and* how to do it better than your competitors. Sir John recognized that the borderless world of the Internet had unlimited growth potential for business and that HSBC could branch out in areas unheard of for commercial banks. And so, in April 2000 HSBC joined forces with investment giant Merrill Lynch to create an online banking and investment service for affluent individual customers around the world. In one stroke of the pen, this new venture made HSBC and Merrill Lynch “global players in e-commerce, reinventing the way that banking and investment services are delivered.”

The world is changing at an almost alarming pace. Thanks to cell phones, you can be available 24, 7. The Internet allows us direct access to information and instant communication with far-flung friends and colleagues. Doing business around the world has become as commonplace as doing business across the street.

HSBC is a stunning example of how far a company can go in this new world. Sir John sees the key to its future success as “preparing his team for a constant diet of change, which means communication, persuasion and imagination to see what lies around the corner.” I am pleased and proud to introduce to you now a man who sees possibilities around *every* corner, Sir John Bond.

SIR JOHN BOND
GROUP CHAIRMAN
HSBC HOLDINGS PLC

THE FIRST LECTURE
OF
THE MARGARET THATCHER LECTURE SERIES
OF
THE ENGLISH-SPEAKING UNION OF THE UNITED STATES

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A TALE OF TWO CONTINENTS OR PERHAPS THREE

Good Evening Ladies and Gentlemen. Thank you for those kind words Bill. My father would have been amazed, and my mother might have believed every word.

Let me start by thanking the English-Speaking Union of the United States for inviting me to be the first speaker in the Thatcher Lecture series after the Iron Lady herself – I am deeply honored. Margaret Thatcher was a woman who had a very clear view of the World. It is my job tonight to give you some idea of HSBC's view of the world.

I should say it is never a hardship to be in New York and it is a real pleasure to see this gutsy city come back after the appalling events of last September. New York, New York, it is a truly wonderful city.

When Bill Miller first wrote to ask me to speak, I did wonder why I had been chosen. And I decided there were two reasons. First I have the privilege to lead an international organization with strong roots in both the UK and the US.

And second, as an English-Speaking Union scholar, Bill knew that I owe a huge debt to the ESU in America and so this was certainly an offer I couldn't refuse!

The English-Speaking Union was founded in 1918 and the English-Speaking Union of the United States two years later. The first edition of the ESU magazine outlined the central purpose; "to promote by every means in our power a good understanding between the peoples of the USA and the British Empire".

I know how the ESU can provide a life transforming experience. The ESU brought me to America at 18, it was the most formative year of my life. I was bowled over by the space, the energy, the can-do and the confidence.

At Cate School in California in 1959 I learnt many important things. I learnt that a culture different from my own could teach me much about both its own culture and also my own. It took American teaching to show me that Shakespeare could be fun.

I learnt that the sun could shine every day and that surfing was fun! Oh yes, and I learnt that George

the Third lost the American colonies, something unaccountably missing from my education in Britain.

I hope that Carl Fudge and Julia Bruce – here tonight on the same ESU scholarship as I was – have as fruitful a year as I did. I think the founding fathers of the ESU might well be surprised if they could witness today how far the ESU and the English language has spread beyond Britain and the United States.

How important is language? Sir Peter Medawar, the Nobel Laureate said, “what is characteristic of human beings considered as animals is not the making and use of tools but the communication from one person to another, specially in the next generation, of the knowledge and know-how required to do so....

“...This system of evolution is the characteristic to which we owe our clear-cut biological supremacy over all other organisms, because it has conferred almost unlimited capabilities upon us, including even that of leaving the earth and going to live elsewhere in the solar system.”

Indeed the social philosopher George Steiner refers to man as a “language animal” rather than as a “tool-making animal”. Of course anyone who is owned by a dog, like me, will know that other animals have language too. But the transmission of knowledge through generations is uniquely human. Our cultural evolution absolutely depends on it. Writing about scientific progress, Sir Isaac Newton described himself and other scientists as “pygmies standing on the shoulders of giants”. Language is the stepladder that lets us climb those heights.

And English appears to be one of the best languages – full of richness and flexibility – to do this internationally. If language is an operating system, then English appears to be Windows. Except, of course, that no-one had the foresight to collect the intellectual property rights for English!

Nobody knows how many people speak English in the world today. Estimates range hugely but a reasonable guess is that a quarter of the world’s population – some – one-and-a-half billion people – are able to communicate in some form of English.

When the Secretary General of the United Nations recorded a greeting from the people of earth to travel to space on Voyager One, he did so in English. English is an official language in over 70 countries. It is the de facto working language of 98 percent of German research physicists. It is the language of maritime communication and international air traffic control. And it is the lingua franca of international business and globalization, whether spoken in the boardrooms of the world or daubed on protesters’ placards.

English was once the language of a people from a small island. It has spread by colonialism, by emigration, by technology – films, television, internet – by culture – Lawrence Oliver and Tom Cruise, the Beatles and Elvis Presley.

Once it was exported with the British Empire. In the last century – the American Century – it was the language of the world’s superpower.

So much so that, around the time the ESU was being created, Mark Twain said, “The King’s English is not the King’s. It is a joint stock company, and Americans own most of the shares”.

Today, English does not belong to the English, nor to the Americans. Twenty-five times more people use English in India than spoke it in the entire world when Shakespeare was writing the line “to be or not to be”. Three times as many in Pakistan, six times as many in the Philippines, as many in Zimbabwe.

So if English was a joint stock company in Mark Twain’s time, today it is a co-operative with a vast ownership reaching all around the globe.

Why is English so successful? For many interlocking historical, cultural, political and sociological reasons. But what it does provide is a competitive advantage for people trying to improve their economic

The English-Speaking Union of the United States

Creating Global Understanding Through English

prospects, which is why up to a billion people are learning it today.

The ESU estimated that today more people are learning English in China than speak it in the USA. HSBC's Chinese website introduced an online English course last year. The month before we got 130,000 hits, the month after we got more than two million.

Language is one form of influence in the world today. But in a globalized world where we trade with each other more than ever before, economic forces define the landscape.

And the more interconnected the world has become, the more important that economic power has become. In the 19th century, empires were based on military power.

Today, the USA is the world's superpower, not just because it is the world's number one military force – which of course it is – but because the economic dynamo that has powered much of the world's economy for decades.

One result of America's success is that the world has finished with the capitalist/communist debate. The fall of the Berlin Wall meant that capitalism had won that argument decisively. The debate has now moved on to the best forms of capitalism.

Sir Winston Churchill, himself a former Chairman of the ESU, described Britain and America as two countries separated by a common language.

If you will permit me an aside here, let me tell you a true story of the tomahto-tomatoe variety. When on my scholarship, I went to a Christmas ball in Pasadena in 1959 and sat next to a very attractive young lady who got up to dance.

In order to talk to the person next to her, I sat on her chair. And when she came back from her dance I said, "I'm frightfully sorry, did I pinch your seat?"

She looked at me and said, "not that I felt!"

In a similar vein I can describe Europe and America as two places divided by a common capitalism. Broadly speaking, capitalism has two distinct branches: the more social democratic capitalism of Europe and the free market capitalism of America.

Why the different approaches? There are some very good reasons why Europe and America approach capitalism in different ways. Let me give you two quotations that perhaps encapsulate some of the differences between Europe and America.

Somerset Maugham said, "it is bad enough to know the past; it would be intolerable to know the future".

By contrast, Franklin Delano Roosevelt said, "the only limit to our realization of tomorrow will be our doubts of today".

Those differing views of the future owe much to the past.

Europe, since the French revolution in 1789, had seen the transition from absolute monarchies to democracies, the transition from agricultural economy to industrial, the creation of the states of Italy and Germany and the rise and fall of the Napoleonic Empire and the Austro-Hungarian Empire and the bitter rivalry between the empire-builders of France, Germany, Russia and Britain.

While Europe was struggling with these, often bloody, transitions, America has had the opportunity in the past 220 years or so to write its own destiny - and how magnificently has this been done - from the words of the constitution through to the present day. It is a huge testament to what talented and free people can achieve.

In the immediate post-war generation of Europe, there was a consensus. Of prime importance was

that Europe should never go to war again; and secondly that employment was a higher priority than effective use of financial capital.

The post-war political history of Europe has been largely governed by these factors and led to a thirty-year experiment in socialism and social democracy.

Why were these tenets so deeply ingrained? France and Germany had gone to war in 1870, in 1914, and in 1939. As technology advanced the effectiveness of war, so the human costs became higher. There were some 200,000 French and German casualties in the Franco-Prussian War, over three million French and German dead in the First World War and more than seven and a half million dead in World War II.

The economic upheavals resulting from war – hyper-inflation, food shortages, unchecked disease – left deep psychological scars that drove the political process in Europe and the legacy exists to some extent, today.

The beginning of integration in Europe can be dated from the establishment of the European Coal and Steel Community, proposed in 1950. For the first time sovereign countries in Europe gave up control of an area of economic policy to a supranational organization.

This was not a decision made on economic grounds; it was explicitly political as a way of placing the parts of French and German industry involved in armaments under a common authority. Robert Schuman, the French foreign minister, said, “War between the two would then be not merely unthinkable but materially impossible”.

The history of European integration dates from 1950 and continues through the Treaties of Rome in 1958 which formed the European Economic Community, then the creation of the European Community in 1965, to the treaty of Maastricht in 1992 which formed the European Union and agreed the introduction of euro.

At each step the political agenda has been to bind the member countries closer together, and the process been a delicate balancing act for each country acting in its self-interest, while at the same time giving up elements of sovereign control for the common good. If I may quote Churchill again, “to jaw-jaw is better than war-war”.

The economic history of Europe has therefore been complicated by its political heritage. Meanwhile across the Atlantic, over the same post-war period, America has by-passed the ideology debate and enjoyed a sustained commitment from both leading political parties to economic growth and free market capitalism.

These two different approaches have important implications for us today. Some European leaders and the media foster discussions of “the United States of Europe” and how Europe will compete as an economic area with the USA. I think this comparison has limited validity.

In essence, America was created by people who didn’t want to live in Europe. They wanted a different kind of society. And you have one.

In Europe history has engendered a greater willingness to trade-off economic growth in absolute terms for social cohesion, represented by greater state intervention in many areas of life and greater levels of spending on social issues. There is a large body of opinion in Europe that would not regard economic growth as the be-all and end-all.

There is an interventionist thread in much European thinking. And this harks back to two strands, first the egalitarianism of Europe’s political thinking from the French revolution onwards, and secondly memory of the depression of the twenties and thirties engendered a penchant for state ownership of key industries. Nobody can argue that the intentions were anything but laudable, but the methods have to be

subjected to questioning.

It seems to me that there is an important distinction to be made between equality of opportunity and equality of outcome. This is well understood here in the States, less so in Europe.

And the other thing that is less well-understood in Europe is that government is not the natural creator of wealth. Of course, it plays a vital role but its task is to ensure fair play and a level playing field.

In Europe, government has directly, or indirectly, attempted to be involved in the creation of wealth, with mixed success. Large parts of the financial services industry across Europe are still in the hands of the state or mutual ownership.

What are the consequences of this interventionist philosophy? Well, the EU has some 80,000 pages of treaties, regulations, directives and opinions as its body of law, so people like me are kept busy reading new regulations!

And many areas of life are more highly-regulated than in the USA, in particular the workplace.

Let me give you an example. France has introduced a maximum working week of 35 hours, beyond which you can take time off for every extra hour worked.

The intent is to create more jobs; the reality for an individual is the need to work longer if they wanted the same pension. And for business the result is a less flexible and productive labor market.

And a less flexible labor market has important consequences for employment. The US and the UK both have longer working weeks and lower unemployment than in the euro-zone. The irony is that legislation with the intention of reducing European unemployment – one of the key political drivers – actually has the opposite effect. There are dozens of examples of legislation that bemuse the market.

A direct consequence is that since 1992, Gross Domestic Product for the EU as a whole has risen by 20 percent. In Britain, the figure is 30 percent. And GDP in the USA in the same period was almost 40 percent, close to double that of Europe.

Again in interventionist mode, Europe gives more state aid to industry than the US does, around 1.5 percent of GDP against 0.25 percent in the US; but overall Europe invests less in business R&D at around 1 percent, half that of the US. And tellingly European productivity levels are 40 percent less than in the US.

America continues to lead the world in technological revolution. This is not an accident. There is nowhere else in the world that can match its flexibility, entrepreneurialism and technical expertise. Europe has a comparable population and many immensely talented people producing technological innovation, but we have never produced anything like Silicon Valley.

Unemployment in the USA and Britain stands around 5 percent; in the euro-zone it's around 9 percent. That's a dilemma for British voters as they look at joining the euro.

The issue for Britain is to what extent it continues to integrate with Europe; and if it continues to do so, can it change Europe or will it be changed?

These challenges are daunting. We are a long way from integration. We still have dozens of stock exchanges in Europe, we don't have a European Air Traffic Control system; it's split up on national boundaries; every country has a national airline.

It was president de Gaulle of France who observed how hard it was to govern a nation with 246 varieties of cheese! And he was talking about one country. If we multiply that by the 15 countries in the EU today and maybe 25 in two decades, we have an idea of the scale of integration needed.

Twenty-five sovereign states. Twenty-five cultures, nationalities, twenty-five or more languages, it's

a hugely difficult task. Perhaps we should not be surprised at how little progress has been made; perhaps we should be impressed that there has been so much.

And we should remember the prime achievement is that the EU and its forebears are the only political constructs ever that have managed to avoid war on member nations' soil for 50 years. I am the first generation in my family who has not been to war for a very long time.

So far, I have talked only about the USA and Europe. But the title of this speech is a tale of two continents – or perhaps three. The two are America and Europe; the third perhaps is Asia and in particular, China.

My life has been spent in all three. Let me admit some bias here. I think it's clear that I have had a love affair with America ever since I first arrived in 1959 – so much so that I have a home here.

When I received my knighthood – which represents the achievements of my colleagues in HSBC, not my own – I found out that I was entitled to a family coat of arms. This is in case I go to war in a suit of armor; I need a chain-mail address.

After much I settled on a design which carries a picture of two buffaloes and a dragon, symbolizing the places that have had the greatest effect on me during my adult life: the USA and the Far East – my second love affair.

NAFTA and the EU are the two major economic zones in our world today. But, of course, the world never stands still. In this century, we will see other economies fulfilling their potential, developing greater wealth and, in turn, becoming magnets for people wanting a better life.

I would put “Greater China” on that list. The Western perception of China is often colored by its very recent history. We forget that it was the world's third-largest economy two hundred years ago, and that for much of recorded history it was civilized, when much of the West was barbarous.

China's leaders believe firmly in the need for stability and sovereignty: we could describe these as the two pillars supporting their political principles.

First stability; because China experienced complete lack of stability from the middle of the 19th century until the founding of the People's Republic in 1949. China knows that its people suffered appallingly during this period of turmoil; equally she knows she cannot regain a leading place in the world without a stable government.

Second, sovereignty is uppermost in the leaders' minds because ancestors and history are so important in Chinese society. Restoring China's border to their original and ancient boundaries is a matter of immense importance, hence the deep-rooted feelings about Taiwan and Macau.

The Emperors who lost these territories suffer badly in the history books; the leaders who restore them will be eulogized. That is why the reunification of the Hong Kong SAR is so important to the leadership.

So stability and sovereignty are the irresistible forces which drive China's leaders, they would lose the modern version of “the mandate of heaven” if they did not follow them.

In my view, China today is writing the textbook of how you move from a planned economy to a market economy. And it deserves credit – huge credit – for having traveled as far as it has, relatively painlessly.

Behind all this change are some compelling factors which drive China's leaders. With 1.2 billion inhabitants, China has 22 per cent of the world's population but only 7 per cent of the world's arable land. It must be engaged in international trade, because it needs to export in order to feed its people and to pay for its imports of refined oil. So joining the WTO is a landmark event.

I mentioned technology earlier. In the same way that America has been able to build a great highway system, whereas the European road system has to take account of long-established land ownership, similarly China has the chance to learn from other countries' experience and leapfrog onto the information superhighway. It is doing just this.

By 2004, China will be the world's largest market for mobile phones and digital cameras, and the second-largest for PCs. The pace of change is relentless. It took the US 50 years to reduce the workforce in agriculture from 70 per cent to 50 per cent. China did it in 17 years.

And it's not just technology where China has the chance to leapfrog. I talked to a think-tank in Beijing last November that was looking at agricultural reform. And they had studied in detail agricultural subsidies in Europe, the US and all around the world; and they were determined to learn from our experiences, which is a polite way of saying avoid our mistakes.

It's a bit like that answer you get in Ireland when you stop someone and ask the way to Dublin. To which you get the reply "Well, if I was going to Dublin, I wouldn't start from here!"

China has the opportunity to choose its starting point in the same way the USA did over 200 years ago.

Of course, China has immense challenges to face: separating the rule of law from a dominant party; dealing with migration from agricultural areas to urban ones; dismantling the legacy of a state owned economy; rooting corruption out of the system...

But as Premier Zhu said to me recently, when you consider how successful Chinese people have been in places like Singapore and Taiwan, and indeed the USA it would be ironic if they could not be successful in their own country.

Given the remarkable progress in the last twenty years, there is every chance that China will become the third major economic area of the 21st century and that Chinese will challenge English as an international language.

You may have seen that advertisement that predicts that Chinese will be the number-one web-language in 2007. And we should note that Chinese language users are already the second-largest group on the web and, since last year, for the first time English users are in a minority.

I said the world never stands still.

And having a tri-polar world will be a new experiment in geo-politics. And maybe it will produce an era of opportunity that didn't occur in a bi-polar world.

We will see three forms of capitalism at work in the 21st century. American capitalism will remain strong and vigorous, first among equals. Europe capitalism will continue to advance as it overcomes its historical legacy and the challenge of integrating Europe. And greater China will develop its own form with the chance to take the best from what it sees. It's going to be an interesting hundred years.