China: the deafening silence

From David Worsfold, AEJ Treasurer and insurance industry journalist
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All journalists know that covering China presents challenges. One of the most pervasive is the extensive self-censorship that makes striking a balance between many strong opinions when writing about China very hard to achieve.

I was shocked recently to find out how far this malaise has gripped businesses in the UK's financial services sector.

I was asked by the leading insurance industry publication *Insurance Post* to provide an analysis of how businesses with Chinese clients or operations in China are dealing with the many critical uncertainties surrounding the country. Good business continuity planning demands these issues are addressed. The growing threat of Communist China to Taiwan, China's human rights record and the expanding influence of the Chinese Communist Party over businesses have made robust scenario planning for firms with interests in the region more important than ever.

The potential consequences for the insurance market of any escalation of tensons between the major western democracies and China are huge. Global brokers have very significant footprints in China and deep relationships with Chinese businesses around the world, many major insurers have spent decades courting Chinese regulators to establish a presence in the country and Chinese money has flowed into the London insurance market in premiums and direct investment.

In short, China matters.

Take any other major risk or geo-political threat to the insurance industry and the wider financial services sector and there would be regular discussions, joint market committees and conferences. People would talk and share intelligence to help everyone understand the issues and the risks better. Resilience is a popular buzzword among business planners and they are usually keen to talk about how they can withstand all manner of shocks. Not when it comes to China.

The silence from the market on the risks China poses was deafening. No-one would talk about it.

Never in almost 40 years of writing about the insurance industry have I come up against an issue no one in the market will discuss. There is a palpable sense of fear when it comes to China. People fear for their hard-won business relationships. They fear for their staff and their families. Many firms I spoke to cited genuine concerns for the safety of their staff in China or the families of London-based Chinese staff if they were seen to venture opinions that might be interpreted as hostile in Beijing.

I did find people to talk to me but they were all from outside the market and could nearly all be considered critics of China. One of them was economist George Magnus, an associate at the China Centre, Oxford University and author of *Red Flags: Why Xi's China is in Jeopardy*. He will be familiar to AEJ-UK members as we had talk from him last year.

"It tells us that the political sensitivity and the risks that insurers face are political risks and they are very difficult to evaluate. The reluctance to discuss these issues is predicated on fear and self-censorship", said Magnus.

"Businesses are increasingly coming up against political decision making and they are not very comfortable in that space. Regulations and laws implemented by China are starting to conflict with laws here. They do not want to have to choose whose laws to follow and whose laws to flout."

This deafening silence leaves the crucial question at the heart of the article unanswered: how do financial institutions plan for the worst while hoping for the best when it comes to China? The failure of anyone to answer that raises an even more disturbing question: are they planning at all or is open, honest discussion of China within firms prohibited?

David Worsfold adds:

"I appended an author's note to the article:
'To anyone who finds the absence of market voices in this article makes it unbalanced, I agree. But no-one – no insurer, no broker, no lawyer, no market association and no service provider – would speak to me. It is their silence that is to blame for any lack of balance.'
Normally, such criticism of a market within its leading publication would provoke robust responses. You've guessed it: more silence. That has become the story."

China - Implications of uncertainty, Insurance Post, 10 January 2022