

# **Policy Outcomes of the 8<sup>th</sup> UK-China Economic and Financial Dialogue**

## **UK-CHINA GLOBAL COMPREHENSIVE STRATEGIC PARTNERSHIP FOR THE 21<sup>st</sup> CENTURY**

1. The UK's Chancellor of the Exchequer Phillip Hammond and Chinese Vice Premier Ma Kai concluded the eighth UK-China Economic and Financial Dialogue on 10 November 2016, in London. They welcomed the highly successful State Visit by President Xi Jinping to the UK in October 2015 and reiterated the commitment to build a global comprehensive strategic partnership for the 21<sup>st</sup> Century. They were pleased to lead an ambitious Economic and Financial Dialogue which they agreed should help enhance bilateral trade, investment and innovation cooperation between our two countries as part of the global partnership.
2. The global economic recovery continues, but still falls short of expectations. The global economic environment is challenging and downside risks persist. Both sides will continue working closely together and with all international partners to strengthen macroeconomic policy coordination, to achieve the shared goal of strong, sustainable, inclusive and balanced growth of the global economy. In this context, both sides commit to proactively implement the consensus reached in G20 Hangzhou Summit.
3. Following the UK's vote to leave the European Union, the UK reiterates that its economy is fundamentally strong and open for business. The UK will build on existing partnerships, forge new relationships, and shape an ambitious global role for itself. China welcomes the UK's continued openness to trade and investment, will continue to encourage Chinese companies to strengthen their investment to the UK, and reaffirms that the UK continues to be China's leading economic partner in Europe.
4. The UK side welcomes the commitments China has made on economic reform, especially on supply-side structural reform, and progress achieved so far, including efforts to strengthen the fundamental role of domestic consumption in driving China's economic growth. China commits to steadfastly advance supply-side structural reform, concentrating on cutting excess capacity, reducing inventory, deleveraging, lowering costs, and enhancing support for addressing weaknesses in economic and social development, to support China's transition to a more sustainable growth path. China commits to use proactive fiscal policy to promote structural reforms in line with rebalancing plans and support household consumption as appropriate.

5. Both sides agree that the UK and China should invigorate bilateral trade and pursue closer trade and investment ties through concrete improvements in reciprocal market access. Building on the success to date, both sides commit to enhanced trade and market access to enhance cooperation in third countries, and to provide a fair and foreseeable investment environment. Both sides are committed to maintaining an appropriate, stable and predictable regulatory framework for all investors and take effective measures to protect investors' interest. As such, both sides will deepen collaboration on Rule of Law issues to support the development of a transparent, open and rules based business environment, where companies can be confident their operations are subject to laws that are uniformly and fairly enforced and which protect their legitimate interests.
6. China recognises that the UK remains the world's leading global financial services centre and welcomes the vital role that London has played in supporting internationalisation of the RMB. Both sides commit to enhancing financial services cooperation and market access and supporting London to remain the world's leading offshore RMB centre.
7. Both sides agree to strengthen the exchanges and collaboration between the macroeconomic policy research bodies of both countries, and support them to conduct joint research on issues of mutual interest, such as the finance and economy of the two countries, bilateral relationship, regional and global economic studies. To this end, the research body of the Ministry of Finance of China and that of HM Treasury of the UK will be designated as focal points to coordinate the exchanges and collaboration.
8. China and the United Kingdom reaffirm their commitment to enhancing cooperation in G20 and supporting G20 as the premier forum for international economic cooperation. China and the UK welcome the successful G20 Hangzhou Summit. The two sides commit to working with other G20 members to implement the outcomes of Hangzhou Summit and break a new path for world economic growth by taking forward the G20 Agenda including innovation, the new industrial revolution and digital economy, improving further global economic and financial governance including moving towards a more stable and resilient international financial architecture, revitalizing trade and investment as engines of growth, promoting inclusive and interconnected development, and continuing to contribute to an innovative, invigorated, interconnected and inclusive world economy that works for all. Both sides reiterate the essential role of structural reforms in boosting productivity and potential output and welcome the enhanced structural reform agenda developed under China's presidency, which will be actively implemented.

9. Both sides reiterate that development is an essential element to addressing many global challenges, and welcome the adoption of *the G20 Action Plan on the 2030 Agenda for Sustainable Development* – at the G20 Hangzhou Summit in September 2016. This Action Plan provides political impetus to the global implementation process. Both sides agree to strengthen coordination and cooperation on implementation of the 2030 Agenda for Sustainable Development, and provide support within their respective capability to other developing countries in this regard. Development Research Centre (DRC) of the State Council, China, and the Department for International Development (DFID) of the UK plan to hold the second China-UK Development Forum in early 2017, aiming at deepening cooperation in international development through exchanging and learning the international developmental experience and practices in China and the UK.
10. The UK and China both endorse the role of multilateral development banks (MDBs), including new banks such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB), in promoting long-term investment in developing countries. With the completion of dynamic formula, the UK and China support ongoing voice reform in the World Bank Group and the agreed shareholding review principles which aim to achieve an equitable voting power over time and reflect shareholders' rights and responsibilities towards the World Bank Group including contributing to its long term financial sustainability in line with shareholders' capacity to do so. Both sides welcome the World Bank Group Forward Look Process and the priority areas for reform it identified. Both sides will continue to hold regular dialogues in the future on MDB governance, reform and financial capacity, including possible future capital increases. Both sides agree to jointly support Multilateral Development Banks (MDBs) to optimize their balance sheets to increase lending capacity, support infrastructure investment, and promote south-south cooperation and tripartite cooperation with other developing countries.
11. In line with the consensus reached by G20, both sides will push forward the MDBs to deliver the commitments from the Joint Declaration of Aspirations on Actions to Support Infrastructure Investment, particularly, strengthening cooperation between existing and new MDBs. Both sides will support the World Bank as the secretariat to further the implementation of the Global Infrastructure Connectivity Alliance Initiative launched by G20 in 2016 and look forward to cooperation and synergy among different regional/national infrastructure connectivity initiatives.
12. Both sides support work to further strengthen the Global Financial Safety Net (GFSN), with a strong, quota-based and adequately resourced IMF at its center. Both sides strongly welcome the implementation of the 2010 quota and governance reforms at the start of this year. In this vein, both sides welcome the recent agreements to ensure the IMF's continued access to bilateral borrowing,

and support the need for continued access to multilateral borrowing agreements. We also welcome the replenishment of the IMF's Poverty Reduction and Growth Trust. China and the UK are working towards the completion of the 15th General Quota Review. Both sides reaffirm that the distribution of quota is expected to continue to shift towards dynamic emerging markets and developing countries to better reflect the relative weight of IMF members in the world economy.

13. The UK welcomes the inclusion of RMB into the Special Drawing Rights (SDR) currency basket on October 1st and supports the ongoing examination of broadening the use of the SDR, such as broader reporting in the SDR and the issuance of SDR-denominated bonds, as a way to enhance resilience. Both sides welcome the recent issuance of SDR bonds by the International Bank for Reconstruction of the World Bank Group in China's interbank market.
14. We welcome ongoing work by the IMF, Financial Stability Board (FSB) and OECD to improve the analysis and monitoring of capital flows and management of risks stemming from excessive capital flow volatility. Both sides look forward to the IMF's review of countries' experiences and emerging issues in handling capital flows by year-end
15. We support the Paris Club's discussion of a range of sovereign debt issues, and the ongoing work of the Paris Club, as the principal international forum for restructuring official bilateral debt, towards the broader inclusion of emerging creditors. The UK welcomes China's participation in Paris Club meetings. China will continue participation in Paris Club meetings on a regular basis and play a more constructive role, including further discussions on potential membership.
16. Both sides agree to strengthen coordination and cooperation under the framework of Asian Infrastructure Investment Bank (AIIB), and together with other members commit to build AIIB into a 21<sup>st</sup> century new Multilateral Development Bank that is an integral part of the International Financial System. The UK welcomes the Chinese contribution that established the AIIB's Project Preparation Special Fund and will consider a contribution, and will support the growth of AIIB. China and the UK encourage AIIB to take advantage of world class financial and professional services sectors including London.
17. Both sides affirm their commitment to development in Africa and the importance of a multilateral approach through G20 initiatives such as G20 Initiative on Supporting Industrialization in Africa and LDCs (and the Addis Tax Initiative). Both sides welcome the good ongoing cooperation on manufacturing investment and job creation in Africa, under the partnership launched during President Xi's State Visit to the UK in 2015. They note the importance of Foreign Direct Investment (FDI), particularly in manufacturing, to economic diversification and job creation in Africa,

and the potential contribution of both Chinese and UK firms and investors to making this happen. They agree to build on the cooperation already underway to jointly identify and address bottlenecks to investment, such as exploring innovative financing instruments including co-finance with MDBs and China-African Industrial Capacity Cooperation Fund, and consider broadening their cooperation to additional African countries.

## TRADE AND INVESTMENT

18. The UK and China welcome the meaningful outcomes achieved in G20 under the Chinese Presidency, including strengthening G20 trade and investment cooperation, G20 Strategy for Global Trade Growth, G20 Guiding Principles for Investment Policy making. The UK and China recognise the huge benefits of an open world economy and the essential role of trade and investment in supporting global economic growth and innovation. Both sides acknowledge the contribution that the multilateral trading system has made to the strength and stability of the global economy and reiterate their commitments to safeguard the system and abide the WTO rules. Both sides commit to working together to achieve positive outcomes at the 11<sup>th</sup> Ministerial Conference and to advance an ambitious Environment Goods Agreement.
19. Both China and the UK are committed to strengthening communication and cooperation to find a solution for continuing the Doha Development Agenda, realizing the development target of the Doha Development Agenda at an early date and to safeguarding and strengthening the multilateral trading system.
20. Both sides commit to invigorating and significantly increasing trade between our two countries, exploiting potentialities of bilateral trade, improving reciprocal market access for both trade and investment, expand the cooperation of businesses of both countries worldwide and supporting businesses from both countries to enter their respective markets on a level playing field. In this respect they will:
  - i. Enhance their dialogue on trade policy and market access issues, including through high level discussion and monitoring at the EFD, a strengthened Joint Economic and Trade Commission (JETCO) between the Department for International Trade (DIT) and MOFCOM, and through policy discussions at other high level dialogues.
  - ii. Intensify trade discussions through a working group under the JETCO including to explore future opportunities following the UK's exit from the EU and consistent with its current membership obligations.
  - iii. Continue to support progress on the EU/China investment agreement;
  - iv. MIIT and Department for Business, Energy and Industrial Strategy recognise the importance of establishing a dialogue mechanism and agree to discuss the next steps regarding the mechanism to deepen exchanges on regulatory issues, innovation and industrial strategy.
  - v. Both sides value the NDRC Ministerial Exchange which is considered to have enhanced communication and exchange on macroeconomic policies and mid-to-long-term strategies, and have played an important role in promoting China-UK joint growth and an inclusive development partnership.

- vi. Use the example of the financial services sector, including the UK-China Financial Services Summit, as a model to forge deeper regulatory and policy collaboration, and improved market access.
21. The UK supports the EU's efforts to bring its anti-dumping practices into compliance with its obligations under the provisions of the WTO, including its obligations of Article 15 of China's WTO Accession Protocol.
22. Both sides welcome the G20 Leaders' conclusion on tackling excess capacity, and will work with other G20 members and interested OECD members to form the Global Forum on Steel Excess Capacity facilitated by the OECD at the earliest opportunity.
23. Under the framework of the Memorandum of Understanding between the Ministry of Finance and HM Treasury, both sides agree to establish a regular consultation mechanism, have frequent visits and exchanges, accelerate UK-China cooperation in the areas of PPP policy research, training and consultation, information exchange, and project cooperation, for mutual benefit.
24. Both sides hope to carry out service industry statistics cooperation and communication under the framework of *the Memorandum of Understanding of China-UK statistical cooperation*.
25. China and the HM Revenue and Customs will implement the *Memorandum of Understanding on Cooperation and Mutual Administrative Assistance in Customs Matters* between the General Administration of Customs of China and Her Majesty's Revenue and Customs of the UK by increasing intelligence and information exchange and by cooperating to combat Customs related crime including combat tobacco smuggling and commercial fraud, including undervaluation, in order to build a sound and enabling trade environment. Both sides will continue their cooperation in the mutual recognition of the Authorized Economic Operators (AEO), and will work with relevant government departments and agencies to further cooperate in the control of hazardous wastes and intellectual property rights protection. Both sides are committed to advancing sea port twinning cooperation, so as to secure and facilitate trade.
26. Both sides agree to continue the cooperation in the fields of Competition and Consumer Protection. The Competition and Markets Authority of the United Kingdom will work towards signing three new *Memorandums of Understanding on Cooperation with the National Development and Reform Commission, with the Ministry of Commerce, and with the State Administration for Industry and Commerce*.

## FINANCIAL SERVICES

27. Both sides recognise that China and the UK have an unparalleled financial partnership. Recognising London role as the world's leading global offshore RMB centre, both sides have published a Strategic Plan for Financial Services (Annex A) to pursue closer UK-China regulatory and commercial collaboration. It will support the integration of China's financial markets into the global market through London's financial centre, exchange of expertise and increase market access. This Plan will include established areas of asset management, banking, capital markets, insurance and pensions, as well as the UK and China jointly leading on new areas of financial services including green finance, Belt & Road financing, Fintech and financial inclusion.
28. To help deliver this strategic vision both sides agree to establish a UK-China Financial Services Summit. This Summit will be led by senior leaders from the UK and China financial services sector, with government sponsorship. It will be led by the UK's China Market Advisory Group, and China's China-UK Financial Innovation Advisory Group, and will include government participation from both sides. This Summit will establish a number of working groups to provide recommendations to both the Chancellor and Vice Premier ahead of each EFD to support both sides on strengthening financial services collaboration across all areas covered in the Strategic Plan, including ways to support the China Free Trade Zones and providing recommendations on pilot projects to open up financial channels.
29. Both sides also welcome the launch of a Bank of England and People's Bank of China Joint Symposium to discuss UK-China regulatory cooperation, and monetary policy, financial stability, payment and market infrastructures. The first seminar will be held in 2017.

### *Capital markets*

30. Both sides agree to deepen collaboration and market access in the field of capital markets, recognising the unrivalled depth and liquidity of London's capital markets and the opportunities for raising finance. Both sides agree that this will be complemented by enhanced cross-border regulatory dialogues and to strengthen regulatory cooperation mechanisms between both sides' respective authorities to ensure the regular sharing of information necessary for deeper cooperation between the two markets.
- i. Both sides welcome the substantial progress that has been made with the joint feasibility study on the Shanghai-London Connect conducted by the London Stock Exchange and Shanghai Stock Exchange. Both sides agree

- in the next step to proceed to research and prepare viable rules and implementation arrangements.
- ii. To help international institutions to better access and manage exposure to Chinese capital markets, both sides agree to strengthen exchange and cooperation on the development and supervision of exchanged traded derivatives, recognising the on-going cooperation between FTSE Russell and the China Financial Futures Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange. Both sides welcome an increased number of mainland Chinese fund managers to list FTSE Russell-benchmarked fund products
  - iii. China and the UK will jointly advance cooperation with respect to financial market infrastructure. The UK welcomes the intention of Shanghai Clearing House to establish its London representative office in 2017
  - iv. Both governments look forward to engaging with CCP12 in the areas of standard setting, regulatory policy dialogue and major theoretical research
  - v. Both sides affirm the success of China's first RMB sovereign bond issuance outside of China, issued in London with a value of RMB 3 billion, and the PBOC's issuance of RMB 5 billion short-term central bank notes bill in London. It reflects the increasingly close China-UK economic relationship and the deepening of bilateral economic and financial cooperation. Both sides welcome all kinds of market entities to actively consider the issuance of RMB bonds in London, in order to increase RMB liquidity, products and services to deepen the offshore RMB market.
  - vi. The UK strongly welcomes China's recent reforms to liberalise access to China's inter-bank bond market. Both sides welcome UK issuers' participation in China's interbank bond market and encourage UK institutional investors to actively participate in the trading and other services in China's interbank markets. China welcome the UK institutional investors participate in the exchange traded bond market through QFII and RQFII.
  - vii. Both sides note the importance of securing a more diverse investor base in China's domestic bond market, in particular in relation to local government debt markets. The UK welcomes China's decision to grant qualified British banks an underwriting licence to allow lead underwriting of panda bonds in the China interbank bond market.
  - viii. The UK and China welcomes the continued work by NAFMII and the International Capital Markets Association (ICMA) to advance China's panda bond market through ongoing reports and research. Both sides welcome the new panda bond market guiding documents published by NAFMII to help facilitate greater issuance of panda bonds. Both sides welcome Shanghai and Shenzhen Stock Exchanges to publish relevant market guiding documents.
  - ix. Both sides welcome the cooperation agreement reached between the Shanghai Lujiazui Financial City Authority and ICMA to share expertise on

- best international market practice to benefit the further development of Shanghai as an international financial centre.
- x. Following on from the commitment made at last year's EFD, the UK welcomes the opening of CFETS branch office in London to promote cross border investment to the global investor community via the UK through education, transparency and access.
  - xi. Both sides welcome two countries' regulatory authorities to make audit oversight arrangement for British financial institutions and other corporate issuers to issue RMB bonds in China. With respect for each other's sovereignty and laws, both sides agree to strengthen experience sharing, and communication and cooperation in audit oversight. In that context, both sides welcome bilateral talks between the Chinese and UK regulatory authorities on establishing relevant bilateral audit regulatory arrangements.
  - xii. Both sides agree to provide appropriate support to financial institutions and their branches established in each other's territory according to relevant domestic rules and regulations.

### *Asset Management*

31. Both sides agree to support enhancement of communication and cooperation on asset management and OTC markets between the financial industries and financial institutions of both countries. Both sides welcome the Asset Management Association of China and the Department for International Trade's willingness to strengthen cooperation and communication, establish a formal dialogue.
- i. Both sides agree, building upon the consensus reached in last year's EFD on mutual fund recognition, to strengthen communications between the FCA and CSRC, and facilitate mutual understanding on asset management industries and regulation systems of the two countries
  - ii. Recognising that foreign participation in securities and fund management services can enhance the competitiveness and international influence of the industry, China commits to gradually raise the permitted equity holding of qualified foreign financial institutions in securities and mutual fund companies.
  - iii. The CSRC supports Qualified WFOE and joint ventures to apply for registration of private fund management entities to engage in private securities fund management business, according to relevant domestic regulations.
  - iv. The CSRC and the AMAC support Aberdeen Asset Management to apply for registration of private fund management entities with the AMAC, and welcome Aberdeen Asset Management to launch private fund products after the registration.

- v. Both sides agree to strengthen cooperation and explore increased participation of qualified foreign firms in domestic and cross-border custodian business.

### *Insurance*

32. Recognising the need to increase provision of insurance and pension products, both sides welcome increased participation of foreign firms in each other's insurance market on an equal footing. So that long-term connections can be built and maintained between the China and UK insurance markets.
- i. Both sides are willing to intensify communication between insurance regulators in both countries, conduct experience and technical information sharing on issues of common interest, including on the prevention of cross-border risk transmission, and reinforce cooperation on international insurance regulatory reform.
  - ii. The UK and China welcome the collaboration of Chinese insurers and reinsurers, with UK insurers and reinsurers, including Lloyd's of London, on Belt & Road projects with an aim to ensure adequate and effective insurance for all elements of projects in this initiative.
  - iii. CIRC welcomes and encourages qualified UK firms to apply for licenses and do business in China through WFOE and JV companies.
  - iv. Both sides welcome the initiative to create a joint taskforce between the UK and China on insurance and commercial pensions to include both countries' regulators and industry participants, and as part of the UK-China Financial Services Summit. Results of initial findings will be presented at the next UK China EFD.
  - v. CIRC agrees to strengthen cooperation and share expertise with the UK on the C-ROSS capital requirements on foreign re-insurers and their branches in China in order to maintain a fair and level playing field.
  - vi. The UK welcomes CIRC's commitment to consider the suggestions raised by UK and other insurers operating in China on the Provisions on Insurance System Informatization (Draft).
  - vii. As agreed at last year's EFD, CIRC will positively consider the application submitted by Heng An Standard Life for a Pensions license.
  - viii. Recognising that foreign participation in life insurance services can enhance the competitiveness and international influence of the industry, CIRC is willing to work towards increasing foreign ownership of life insurance companies conducting business in China.
  - ix. Both sides welcome China Life to open its London office on 10 November 2016.

## *Banking*

33. Both sides continue to support increased presence and activity of Chinese banks in the UK, and UK banks in China. Recognising the need to increase diversity in China's banking market and in sources of lending, China welcomes increased business by foreign firms in its banking market. To this end:
- i. Both the Chinese and the UK banking supervisory authorities agree to further enhance supervisory cooperation and communication, especially in the area of guarding against systemic and regional risks, enhancing compliance management of banking institutions and promoting supervisory staff training.
  - ii. The UK and China welcome the Prudential Regulation Authority and Financial Conduct Authority's decision to authorise branch licences for Bank of Communications Co., Ltd and China Merchants Bank – London Branch. Both sides welcome the continuing interest by firms, including Agricultural Bank of China (UK), Shanghai Pudong Development Bank, and others, in submitting further applications to establish branches in the UK, once they are ready to make applications, and the commitment of the PRA, FCA and CBRC to work together to ensure an effective review of all proposals.
  - iii. Following on from the commitment made at last year's EFD, CIC is continuing its efforts to open its London office.
  - iv. Following on from the commitment made at last year's EFD, the UK welcomes the China Banking Association decision to open its London office when conditions permit.
  - v. Both sides welcome the UK-China Financial Services Summit to undertake further work to investigate financing mechanisms to support the Belt and Road, and to provide a liquid market in London for Belt and Road financial assets.
  - vi. Both sides support the expansion of UK and China's payment card clearing institutions in each other's respective market under each other's regulatory framework, including UnionPay card acceptance among UK merchants. Both sides support card issuance and closer cooperation between local card issuers.
  - vii. Both sides agree to strengthen cooperation on anti-counterfeiting of banknotes, including holding a workshop.

## *FinTech*

34. Both sides welcome the report produced by Ernst and Young, *China and UK FinTech: Unlocking Opportunity*. Recognising that the UK and China are global leaders on FinTech both sides announce the launch of a FinTech Bridge between the UK and China.
- i. The UK and China welcome the establishment of the UK-China FinTech Bridge, which will encourage closer regulatory and government-to-

- government cooperation. UK and Chinese FinTech firms will cross the Bridge to access investment and information on market trends, and to establish a presence or scale-up in the Chinese or UK market. As a first step towards this Bridge, both sides welcome the cooperation agreement signed between the FCA and PBOC, and welcoming participation of the other Chinese regulators.
- ii. The UK and China commit to deepening business-to-business cooperation to allow UK and Chinese FinTechs to collaborate and find investment opportunities and to provide practical support for those looking to establish a presence or scale-up in each market. To this end, both sides agree to hold a FinTech Innovation Dialogue including both regulators and industry from both sides.
  - iii. The UK and China agree to work together to investigate how FinTech can support the aim of financial inclusion in both markets.
  - iv. Shanghai Financial Authority welcomes and will positively consider a future application by World First to set up a Wholly Foreign Owned Enterprise the Shanghai Free Trade Zone

### *Green Finance*

35. Both sides welcome the close cooperation between the UK and China through co-chairing the G20 Green Finance Study Group, led by the People's Bank of China and the Bank of England. Both sides look forward to continuing this close cooperation to foster a global consensus on developing green finance under the German Presidency, to improve the capacity of financial institutions in analysing environmental risks, and to improve the availability and accessibility of environmental information by financial market participants. Both sides support UK and China to become innovation centres of green finance.
- i. Both sides welcome ICMA's continued cooperation with the Green Finance Committee of China Society for Finance and Banking to study best practices and devote resources to capacity building for international green bond issuance. Both sides also welcome the green bond market report by ICMA and NAFMII that identifies current practices and recommendations for both international and Chinese green bond markets.
  - ii. Both sides agree to develop channels and financial products for cross-border investment in green bonds, including potential new channels and platforms, in line with the overall strategy of China's financial market opening, to facilitate international investment directly into eligible green and climate-aligned securities in China's interbank bond market via the City of London, supported by private sector participants.
  - iii. Both sides welcome the cooperation between the City of London's Green Finance Initiative and the Green Finance Committee of China Society for

- Finance and Banking to work jointly to enhance knowledge sharing and capacity building, support cross-border green financial flows, develop mutually agreeable product frameworks and address market impediments.
- iv. Both sides will support Chinese financial institutions and enterprises to issue green bonds and other green financial products in the UK, and encourage British and international institutions to issue green bonds and to invest in green projects in China. In particular, both sides agree to work together to develop solutions for the financing and delivery of smart and green cities, including realising London's potential as a market for Chinese issuers to raise green finance. Both sides welcome Bank of China's landmark issuance of a Chinese green covered bond in London, and look forward to further such innovative cross-border financial transactions.

# INFRASTRUCTURE AND ENERGY

## *Infrastructure*

36. Both sides continue to recognise the synergies between the UK's regional development including the Northern Powerhouse and China's Belt and Road Initiative, and commit to working together to explore and strengthen policy and projects alignment. In particular China encourages enterprises to raise finance for Belt and Road Initiative projects in London. Both sides recognise the UK's strategic ambitions in transforming the Northern Powerhouse and welcome Chinese investment in projects launched in the new Northern Powerhouse Investment Portfolio and other UK regeneration projects.
37. The UK will maintain its status as an attractive destination for FDI, including in areas such as clean energy and high-speed railway. China Development Bank (CDB), as a leading infrastructure financier, commits itself to such investment opportunities, including the HPC Project. Both sides welcome the opening of CDB's representative office in London, the Bank's first such representative office in a developed Western country
38. Both sides welcome the UK-China Infrastructure Alliance as a key platform to enhance UK-China commercial cooperation in infrastructure in each other's markets and in third countries. The Alliance's co-sponsors will be the Chancellor of the Exchequer of the United Kingdom and the Chairman of the National Development and Reform Commission of the People's Republic of China.
- i. Both sides welcome the establishment of the Infrastructure Academy in the UK. The Academy will provide valuable training and guidance for Chinese infrastructure enterprises entering and investing in the UK.
  - ii. Both sides welcome the growing cooperation between NDRC and the UK led by the Infrastructure Projects Authority (IPA). They welcome the ongoing training programme on PPP provided by the IPA, and the discussions between the Department for International Trade and the Hangzhou Development and Reform Commission to collaborate on a regional pilot. Both sides also agree to explore the possibility of establishing a UK-China PPP training centre in China.
  - iii. Both sides are committed to facilitating UK-China infrastructure collaboration in third countries, in order to promote 'win-win-win' outcomes. They agree to establish a Hub in Beijing, and explore the possibilities of setting up Satellite Offices in the related regions. Both sides are committed to encouraging their organisations and business to engage with the establishment of the Hub and to promote UK-China collaboration in third countries.

39. Both sides are willing to deepen the pragmatic cooperation in railway sector, to further expand the cooperation in fields of railway construction, design, equipment supply, R&D, product and service supply to third parties, including high-speed railway, to promote ongoing cooperation between China and the UK. Both sides continue to support closer cooperation on high speed rail and welcome the ongoing collaboration through the Railway Working Group.

#### *Energy and climate change*

40. The UK and China reaffirmed that energy cooperation is a core element of the Global Partnership. The UK and China welcomed progress made to develop the UK-China Clean Energy Partnership which was signed during President Xi's State Visit to the UK last year. Both countries reiterated the importance of bringing all relevant Ministries, researchers and businesses together to develop the innovative policies, technologies and business models needed for the energy transition. Within the agreed framework, each government will work to implement the Partnership. The UK and China have complementary strengths and agreed the importance of mutually beneficial policy and commercial cooperation including on:

- i. energy strategy and planning
- ii. effective legislation,
- iii. regulation
- iv. market reform, including in the gas and power sectors
- v. stimulating the energy technologies of the future

41. The UK and China will explore the possibility of regulatory cooperation on energy pricing. Both sides will aim to share experience on power transmission and distribution pricing, electricity power market and renewable energy electricity pricing so as to enhance cooperation between the two countries

42. China recognised the UK's leading expertise in the development and deployment of offshore renewable energy technologies, including offshore wind and marine energy. Both countries acknowledged the successful outcomes from the UK-China Joint Offshore Wind Industry Advisory Groups. Implementation of the Groups' joint workplan to facilitate increased industrial collaboration and elimination of policy hurdles should lead to significant reductions in the costs of offshore wind deployment in both countries. The UK and China welcomed the investment of £420m by China's State Development Investment Corporation into UK offshore wind assets. Both countries agreed to support further Chinese investment into UK offshore wind farms and their supply chains, develop opportunities for UK companies to supply offshore wind projects in China, and explore turbine testing and demonstration projects in the UK.

43. Both countries acknowledged that reducing emissions, securing energy supplies and increasing affordability requires concerted action from industry and government. Both governments agreed to share experiences on energy regulation to support sustainable shale gas development.
44. The UK and China welcomed the Final Investment Decision and signing of the contractual documentation for the Hinkley Point C nuclear power station. Both sides welcomed the minority investment from China General Nuclear in the project and recognised the significance of Hinkley Point C as an example of UK-China-France collaboration. Both sides also welcomed the proposals for projects at Sizewell C and Bradwell B, the latter of which will be led by CGN in partnership with EDF and at which it is intended to deploy HPR1000 technology subject to it meeting regulatory and other requirements.

Both countries welcomed the future submission of the HPR1000 reactor technology to the Generic Design Assessment process. Both sides recognised the independence of the UK's regulators and the robust and transparent nature of the GDA process, and noted that UK and Chinese companies are well placed to support the Requesting Party.

Both sides reemphasised the Statement of Cooperation in Civil Nuclear Energy signed during President Xi's State Visit in October 2015. In particular both sides noted the importance of 'win-win' collaboration in supply chain partnerships, making use of each side's respective advantages. Both countries also welcomed opportunities to develop joint projects related to the HPR1000 reactor in the UK, China and third countries.

45. Recognising the importance of nuclear research and innovation to clean energy systems of the future, the UK and China welcomed the continued development of the UK-China Joint Research and Innovation Centre (JRIC) to be jointly established by the National Nuclear Laboratory Limited and China National Nuclear Corporation and encouraged its progress on R&D projects. The UK and China announced the intention to jointly develop detailed guidance for Intellectual Property covering the JRIC.
46. The UK and China acknowledged the importance of waste management and decommissioning solutions for a sustainable nuclear energy sector. Both sides welcomed the on-going commercial collaboration between respective enterprises in the back-end of the nuclear fuel cycle and re-affirmed their support for the Memorandum of Understanding Concerning Enhancing Cooperation in the Field of Civil Nuclear Industry Fuel Cycle Supply Chain signed in 2014. Both sides noted the respective unique experience of both countries in this field and encouraged further collaboration on a 'win-win' commercial basis. In particular both sides noted

the UK's experience in vitrification technology and welcomed the UK's on-going participation in China's plans.

47. Both sides recognise the worldwide benefits that nuclear power can bring in terms of reducing carbon emissions, limiting air pollution, providing a secure reliable source of electricity and promoting sustainable economic development. Likewise both understand the global responsibility that exporting civil nuclear powers have in ensuring the highest safety and security standards. Public confidence in nuclear power in the UK, China and internationally depends on the transparent application of international standards in all countries that choose to utilise nuclear power. The two countries commit to seeking collaborative opportunities in order to further these benefits and mitigate the risks. Both sides agree to strengthen cooperation between nuclear safety regulators.
48. The two sides recognise the important role of the Green Climate Fund and Global Environmental Facility in assisting developing countries in responding to climate change, and implementing the Paris Agreement.
49. The UK and China recognise the continued threat of climate change as one of the greatest global challenges we face. Both sides welcome the historic Paris Agreement and its early entry into force. Both sides acknowledge China's early ratification of the agreement, and recognise the UK's intention to complete domestic ratification before the end of the year. Both sides emphasise the importance of making progress on the negotiations for the implementation of the Paris Agreement and accelerating implementation of commitments and actions in the pre-2020 period, to reflect equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances. Both sides also welcome the adoption of the HFCs amendment to the Montreal Protocol and the outcomes of the 39th Assembly of the International Civil Aviation Organization. The UK and China continue to take ambitious domestic climate action to implement robust Nationally Determined Contributions (NDCs) to promote green, low-carbon and climate-resilient development. Both sides recognise the importance of the continued UK and China bilateral cooperation in delivering the innovation and investment to implement their respective NDCs across a number of areas including emissions trading, carbon capture and storage (CCS), and climate legislation and commit to further expanding the collaborative partnership. Both sides recognise that the likelihood of extreme weather events, which threaten lives, property and wider economic growth have increased. The UK and China will explore the cooperation on climate risk to include those sectors such as the insurance and engineering industry which play a key role in managing the impact from climate change.

## INDUSTRIAL STRATEGY

50. The UK and China agree to further strengthen cooperation in regional and industrial strategy. Both countries will focus on areas of mutual benefit between China's 13th Five Year Plan and the UK's equivalents, recognising the direct economic benefits of cooperation and the valuable opportunities to learn from the one another's experiences. Both China and the UK recognise the importance of science; balanced, green, and innovation-driven growth; modern industry; and regional balance, and will work closely on these areas.
51. Both sides are willing to enhance cooperation between Northeast and other old industrial bases of China and the UK. Both sides welcome collaboration between UK and Northeast Chinese enterprises, universities and research institutes that encourages innovation-driven economic development and generating new momentum for development. Both sides will promote the transformation of industrial cities mainly in Northeast China by sharing best practice and through capacity building measures such as training programmes and technical exchanges.
52. Both sides welcome the second China-UK Reform and Innovation Forum co-organised by the Development Research Center (DRC) of the State Council of the P.R.C and the Royal Institute of International Affairs (Chatham House) of the UK in China this November, which exchanged views on approaches to reform and innovation in relevant areas in the two countries including innovation of infrastructure investment and financing.
53. Both China and the UK will continue to promote local cooperation in trade and investment and fully utilise the existing working group, to boost communications between local governments and enterprises to enrich bilateral economic and trade relations.

### *Intellectual Property*

54. The UK and China recognise the important role of intellectual property (IP) in promoting technological innovation and economic growth. Both sides will work together to continue to provide better services for users of IP systems and the public from both countries.

Both sides agree to strengthen IP cooperation and mutual understanding, and help British companies protect and enforce IP in China and Chinese companies protect and enforce IP in the UK.

Both sides recognise the great success of the annual UK-China IP Symposium. The 2017 UK-China IP Symposium will be held in the UK and will further promote understanding of IP systems and business concerns, and facilitate mutually beneficial commercial and technological exchanges.

- i. The UK and China have agreed to hold exchanges on improvements to the patent and design systems, IP in emerging technology fields, IP operation (including IP finance, valuation and commercialisation) and other topics of mutual interest.
- ii. Both sides value cooperation in the field of trade-marks, and will continue to exchange views on the registration and enforcement of trade marks. Exchanges will cover Geographical Indications (GIs) and collective/certification marks; and changes to trade mark practice in China that will tackle systemic, bad-faith applications.
- iii. The UK and China will continue to exchange information on a range of copyright topics, including collective licensing, sports broadcasts and Artist Resale Right. The UK will participate as Country-of-Honour at a major international copyright exhibition in Guangzhou in December 2016.

China will urge copyright owners and broadcasters to timely perform their respective obligations in accordance with the Interim Measures for Payment of Remuneration by Radio and Television Stations for Broadcasting Sound Recordings.

Following exchanges earlier this year, the UK and China recognise the potential evidence burden for rights owners in administrative enforcement against online copyright infringement. Both sides will work together to promote flexibility where necessary (e.g., on proof of copyright ownership for large numbers of works) to enable effective online copyright protection.

- iv. The UK and China re-confirm their commitment to cooperate on IP protection on e-commerce and social network platforms. Both sides recognise progress from recent UK-China industry initiatives and will continue to support these where appropriate, to achieve the shared goal of a more favourable IP environment, increasing consumer confidence in e-commerce.

In particular, the UK and China are willing to discuss notice-and-takedown mechanisms; appropriate deployment of pre-emptive measures (or filters); and smooth links between on- and off-line enforcement.

### *Urbanisation, City Clusters and Smart Cities*

55. Both sides welcome the progress made since last year's EFD on sustainable urbanisation, including the launch of the Urbanisation Platform developed by China Centre for Urban Development. Both sides are committed to strengthening city to city and business to business collaboration under the sustainable urbanisation framework and particularly in the areas of city cluster development, urban planning and smart cities. Both sides are committed to deepen cooperation on urban regeneration based on UK's green and low carbon principles.
56. Both sides agree to work together to better enable UK cities and businesses to join together with their Chinese counterparts to tackle the global urban challenges through holistic and sustainable smart cities. Both sides welcome the work by Arup, HSBC and the China Centre for Urban Development on a UK-China Smart City Development and Investment Hub. Both sides will explore opportunities for longer term collaboration, and will consider recommendations from the UK-China smart cities cooperation report produced by the China Centre for Urban Development in support of the UK's Future Cities Catapult.
57. Both sides welcome closer cooperation between the NDRC and DCLG to work collectively on the development of city clusters, including establishing a city clusters partnership to deepen collaboration and promote cooperation in the areas of industrial clusters, transport, infrastructure and digital economy. Both sides will explore opportunities for collaboration and development between Chinese city clusters and the UK's Northern Powerhouse and the Midlands Engine

### *Health, Science and Innovation*

58. Recognising the valuable work led by China's G20 Presidency on the importance of innovation for strong, sustainable, balanced and inclusive growth, the UK and China commit to progressing the agreed innovation initiatives which will complement work already under way in both countries for their country growth strategies.
59. Both sides agree to further develop research and industrial cooperation on science, innovation and technology:
- i. Since the launching of China-UK Research and Innovation Partnership Fund, both sides have jointly funded collaborative research projects in a number of research fields, which made substantial progress in bilateral cooperation. Both sides will carry on the China-UK Research and Innovation Partnership Fund and agree to collaborate in the priority fields of health care (including antimicrobial resistance (AMR), agricultural technologies, food and water

security, climate change, energy (including renewables), urbanization, big data, new materials, ICT, space technology and the application of satellite technology.

- ii. China and the UK welcome the success of the Research and Innovation Bridges Programme under the framework of the China-UK Research and Innovation Partnership Fund to develop collaborative industrial research and development projects to stimulate innovation in response to both countries' societal challenges, translating existing research into commercial solutions, and look forward to further building on this.
- iii. Better exchange and cooperation on the study of key technologies including 5G will be supported by both sides between enterprises, universities and research institutes of and China and the UK.
- iv. Both sides will strengthen cooperation in promoting green industrial development by taking green manufacturing technologies and standards as the priorities to help their enterprises, research institutes, sectoral associations and industrial alliances carry out exchange and cooperation in a multi-dimensional manner.

60. Both sides agreed that the Memorandum of Understanding on Space Cooperation between CNSA and UKSA will continue to guide and promote bilateral space cooperation. Both sides agreed to use the platform between UKSA and CNSA will continue to guide and promote bilateral space cooperation. Both sides agree to use the platform of the RAL Space and Beihang University space science joint laboratory to promote the cooperation, and welcomed 5 new space projects supported by the China-UK Research Innovation Partnership Fund.

Both sides recognized that such collaboration between UK and China is benefitting from enhanced cooperation in fields as diverse as: remote sensing in agriculture; climate and air quality, satellite application; telecommunications; deep space exploration; space science; and education.

Both sides agreed with the arrangement in the European Space Agency-China Solar wind Magnetosphere Ionosphere Link Explorer (SMILE) project and the draft agreement from the 12th ESA-China space science bilateral meeting. Both sides agreed to facilitate the cooperation on SMILE between UK and Chinese institutes.

Both sides appreciated that Space Science Education and Research Week is held successfully under the cooperation framework of the UK-China space science and technology joint laboratory. It is agreed that this initiative should now involve more universities and primary and secondary schools in the space science education and research area.

As members of the International Charter on Space and Major Disasters, the UK and China agree to explore how they could offer additional space enabled data and services to developing economies.

61. The UK and China will build deeper collaboration in the health sector. They agree to:

- i. Continue to implement the *China-UK Memorandum of Understanding on Health Cooperation* signed in 2013, prioritizing cooperation on health policy, health informatics and global health including the antimicrobial resistance (AMR).
- ii. Further strengthen their *cooperation in medicines and medical devices to improve product safety and standard conformance* for medicines and medical devices. Continue to promote exchange and cooperation in the areas of cosmetics animal alternative tests. The UK and China will continue to collaborate and share best practice on pharmaceutical pricing and distribution in order to facilitate development of the Chinese market and support China's health reform strategy.
- iii. Continue to implement the China-UK Global Health Support Programme and support the new Sustainable Development Goals. Both sides will support an African Centre for Disease Control to add values within the international health architecture with WHO AFRO and other international partners. Both sides will work together on post Ebola health system strengthening in Africa. Both sides will deepen the collaboration on health in Sierra Leone to support national priorities outlined in the Presidency's national recovery plan. Both sides will collaborate to improve the global response to health emergencies, strengthen the dialogue for effective global health governance, and work to increase global capacity to contain the spread of infectious diseases, including through better surveillance and data sharing.
- iv. The UK and China agree to share experience on the regulation of traditional Chinese medicines.

62. Both the UK and China will strengthen discussions on the Low Carbon Economic Development Strategy and on the new fuel efficiency regulation for cars, taking account of the diversity of the market and regulatory burdens on small volume automotive manufacturers.

63. Both sides welcome the agreement recently reached to increase the bilateral air transport capacity for passenger services and eliminate capacity restrictions on all-cargo services, which will create more favourable conditions to promote the development of exchanges on economy, commerce and people between the two countries. Both sides agree that the civil aviation cooperation between our two countries will enter into a durable, open and mutually beneficial "Golden Era".

## **UK-China Strategic Plan for Financial Services**

1. The UK welcomes the progress that China has made to reform and liberalise its financial system. Recognising the UK as the world's leading offshore RMB centre, China welcomes the unparalleled financial services partnership between China and the UK.
2. Both sides recognise that continued reform and integration of China's financial system with the global economy and the continued openness of the UK's financial market are essential to increasing the efficiency and sustainability of both countries' financial systems.
3. Both sides agree to enhance our partnership through a UK-China Strategic Plan for Financial Services. The Plan sets out a vision for bilateral cooperation in the coming years to support the continued internationalisation of China's financial markets and currency and the UK's role as a world's leading financial centre through greater exchange of expertise, greater market access, and the promotion of a level playing field for domestic and foreign firms in China and UK.
4. A new UK-China Financial Services Summit led by senior leaders from the UK and China financial services sector, and with government sponsorship, will support this Strategic Plan by providing recommendations to the UK-China Economic and Financial Dialogue each year to
  - i. Increase opportunities to diversify Chinese investment by allowing greater market access for UK asset managers in China, and expand opportunities for Chinese asset managers to establish in the UK and invest in global markets.
  - ii. Establish deeper connections between UK and China's capital markets, which will increase the efficiency and liquidity of China's capital markets..
  - iii. Promote reciprocal market access to both countries' banking sectors to help increase diversity, market efficiency and financial inclusion. Encourage greater collaboration to support co-financing of infrastructure in the UK, China and third markets, including along the Belt & Road.
  - iv. Increase opportunities for UK and Chinese Insurers to provide services in China and UK to meet consumer and business demand for health, life, property, and environmental sectors. Support the development of China's private pensions market, including through development of national savings vehicles, along with greater opportunities for UK firms to provide private pensions services.
  - v. Increase FinTech collaboration to promote the establishment and expansion of UK and Chinese firms in each other's markets, and to help enhance financial infrastructures, increase business access to finance, and promote financial inclusion.
  - vi. Support the efforts of China and UK to green their financial systems, and together lead global efforts to grow the green finance market, through a UK-China Strategic Green Finance Partnership.