

Policy Outcomes of the 9th UK-China Economic and Financial Dialogue

Chinese Vice Premier Ma Kai and the UK's Chancellor of the Exchequer Phillip Hammond concluded the ninth UK-China Economic and Financial Dialogue on 16 December 2017, in Beijing. They welcomed the 45th anniversary of the establishment of UK-China Ambassadorial Diplomatic Relations and reiterated their commitment to foster a global comprehensive strategic partnership for the 21st Century, to deepen strategic economic collaboration, boost bilateral trade and investment and deepen financial links. The ninth dialogue marked wide ranging and positive progress in areas including macroeconomic policies, trade, investment, finance, industrial strategies, Belt and Road Initiative and third-party markets. The two sides reached a series of new agreements on deepening economic and financial cooperation and providing new impetus to the development of "Golden Era" of UK-China relations.

I. Macroeconomic Situation and Policy

1. The global economic recovery continues, but growth remains below pre-crisis levels and is still faced with many uncertain and unstable factors. Both sides will continue working closely together and with all international partners to strengthen macroeconomic

policy coordination and improve global economic governance to achieve the shared goal of strong, sustainable, balanced and inclusive global growth.

2. The UK side acknowledges the successful conclusion of the 19th CPC National Congress, welcomes the accompanying reports' focus on improving the quality of economic growth, and looks forward to strengthening concrete cooperation with China to achieve mutual economic benefit. The UK side welcomes and supports China's achievements and ongoing efforts in transforming and upgrading its economy, in particular efforts to place China's economy onto a more sustainable medium-term footing. China commits to continue to deepen its supply-side structural reform; including phasing out excessive capacity and reducing leverage, and strives to develop a modernized economy with better quality, higher efficiency, and more robust drivers for a sustained and sound economic growth. As part of this, the UK looks forward to further steps to strengthen the role of the market in determining the efficient allocation of resources and to ensure all foreign companies registered in China will be treated equally.

3. Both sides agree to establish deeper expertise sharing and cooperation through creating a new joint expert group that could exchange views on macro-economic and fiscal policies.

4. The UK and China agree to work together to address major global economic challenges. Both sides reaffirm their commitment to the rules-based international economic system, and to the international economic organizations that underpin it. Both sides will commit to continue to work closely through the G20 as the premier forum for international economic cooperation. Both sides commit to implement the outcomes of the Hangzhou and Hamburg Summits, including building an open world economy, supporting the multilateral trading system, and promoting international cooperation in the areas of structural reform, digital economy, sustainable development, international financial architecture reform, infrastructure investment and anti-corruption, to deliver a global economy that works for everyone.

5. Both sides commit to promote the implementation of the G20 Action Plan on the 2030 Agenda for Sustainable Development. Both sides agree to enhance coordination and cooperation, including through regular exchanges, in implementing the 2030 Agenda, support the United Nation's important role in international development cooperation, and commit to provide, within their respective capabilities, support and assistance to developing countries in their implementation.

6. The UK and China are committed to sustained action and to

maintain global political momentum to combat climate change through respective actions and bilateral cooperation. The UK and China underline their highest political commitment to the full, effective and timely implementation of the United Nations Framework Convention on Climate Change and its Kyoto Protocol and Paris Agreement, in accordance with its principles including equity and common but differentiated responsibilities and respective capabilities, in the light of different national circumstances. Both sides reaffirm their commitment to completing the work program related to the implementation of Paris Agreement by 2018, and advancing the work program in a balanced manner regarding all its elements. Both sides emphasize that pre-2020 implementation and ambition are very important and that enhanced pre-2020 ambition can lay a solid foundation for enhanced post-2020 ambition. The UK and China are determined to forge ahead with further policies and measures for the effective implementation of their respective nationally determined contributions. Accelerating action will provide all countries with significant opportunities for transitioning their economies, enhancing competitiveness and securing the wider socio-economic benefits of clean energy. The UK and China have committed to build on their significant bilateral collaboration on the climate agenda including on green finance, emissions trading, carbon capture utilization and storage and the clean and low-carbon energy transition. Both sides recognize the increase in the frequency

and severity of extreme weather events and the risks posed by dangerous climate change to people's lives and livelihoods and undertake to collaborate to build resilience, understanding of those risks and the case for greater action.

7. Both sides agree to maintain close cooperation in the field of multilateral taxation to combat cross-border tax evasion and avoidance and prevent tax base erosion and profit shifting (BEPS). Both sides agree to continuously support the implementation of G20 standards for international tax transparency including automatic exchange of information. Both sides will continue to contribute to the study and formulation of taxation rules for digitalization of economy and work together to create a fair and transparent international tax environment.

8. Both sides support the World Bank Group (WBG) to complete the implementation of 2015 Shareholding Review following the agreed principles. Both sides welcome the World Bank Group's Forward Look and expect further progress in all areas, including better serving all client segments and targeting International Bank for Reconstruction and Development's (IBRD) resources towards areas of the world that need funding most and have least access to capital.

9. Both sides support maintaining a strong, quota-based and adequately resourced IMF to preserve its role at the centre of a strengthened global financial safety net, and support IMF's efforts to improve the international monetary system by promoting the quota reform and examining the possible broader use of the Special Drawing Rights (SDR). Both sides look forward to the completion of the 15th General Review of Quotas by the 2019 Spring Meetings and no later than the 2019 Annual Meetings. We reaffirm that a realignment of quota shares is expected to result in increased shares for dynamic economies in line with their relative positions in the world economy, and hence likely in the share of emerging market and developing countries as a whole.

10. Both sides welcome the significant strides made by the Asian Infrastructure Investment Bank (AIIB) in 2017 as it has increased its lending activities and welcomed more new members from around the world. Both sides will continue to strengthen all-round cooperation and partnership on the AIIB. To this end, the UK is pleased to announce that it has signed a “Contribution Agreement” with the AIIB, formalising its commitment to provide \$50m to the AIIB’s Special Fund for Project Preparation, matching China’s commitment of the same. The UK will work together with China and the AIIB to ensure that the Special Fund works effectively in enabling the AIIB to expand its operations quickly into less

developed countries. Together with other members and consistent with the strategic priorities of the AIIB, both sides will draw upon good practice and experience of existing Multilateral Development Banks (MDBs) to foster the AIIB's own advantages and specialties, support innovative governance and operations and continuously enhance institutional capability so as to jointly build the AIIB into a 21st century MDB. Both sides renew their commitment to this shared vision of the AIIB and look forward to the Bank continuing to grow its operations and international presence in 2018.

11. Both sides support the ongoing work of the Paris Club, as the principal international forum for restructuring official bilateral debt, towards the broader inclusion of emerging creditors. China intends to continue its regular participation in Paris Club meetings, including further discussions on potential membership.

12. The UK and China agree to work together to seize the opportunities presented by the UK's new Multi-Year Prosperity Fund China Programme to support sustainable economic development and shared prosperity. Both parties encourage the Fund to enable further bilateral cooperation, trade and investment.

II. Trade and Investment

13. China and the UK each recognise the huge benefits of an

open world economy, and oppose trade and investment protectionism. Both sides reaffirm their support for the World Trade Organisation (WTO) as the central pillar of a rules-based, transparent, open, inclusive and non-discriminatory multilateral trading system, and will work together to preserve the core values and principles of the WTO. Both sides will:

i. support the UK's smooth transition to fully independent WTO membership with its own schedules of concessions, ensuring minimal disruption to the UK-China trading relationship.

ii. recognise the mutual benefits to be derived from membership of the Government Procurement Agreement (GPA). China welcomes the UK's intention to maintain its participation of the GPA when it leaves the EU, and the UK welcomes China's intention to join the GPA in due course.

iii. reaffirm the importance of tackling global overcapacity in the steel sector, and welcome the substantial report with concrete policies and measures formulated by the Global Forum on Excess Steel Capacity on November 30, 2017. Both sides commit to continued engagement with the Global Forum, and continued efforts to tackle the underlying causes of overcapacity.

iv. welcome the work done through the UK-China Standardisation Cooperation Commission and look forward to building on current programmes to explore further opportunities in new and innovative areas.

14. Both sides agree to strengthen the trade and investment partnership to increase two way trade and investment, deliver jobs and growth, and support economies that work for everyone. Both sides commit to making concrete improvements towards equal market access and to giving businesses from both countries equal treatment through a transparent business environment.

China will host the China International Import Expo starting from 2018 and welcomes the UK side to participate. Both sides can take this as an opportunity to further explore new growth areas of trade.

15. The UK is committed to a smooth and orderly transition to a new relationship with the EU, and to strengthen bilateral links with key partners, including China. The UK will continue to provide reassurance and certainty to partners and investors, both on medium-term growth given the strong fundamentals of the UK economy, and on the trade and investment environment. China wishes a smooth transition of relations between UK and the EU, and expects to see a prosperous, stable and open UK and Europe.

16. The UK welcomes China's efforts to relax restrictions on market access including on services, and welcomes China's commitments to equal treatment and opening up. China notes the publication of UK position papers and White Papers on trade and

customs as the UK prepares to leave the EU. Both sides agree to strengthen trade and investment policy collaboration. Both sides will:

i. set the ambition for the bilateral trade relationship through a strengthened Joint Economic and Trade Commission (JETCO), including ongoing discussions on market access and business environment policies, high level discussion at the EFD, and through policy discussions at other high-level dialogues.

ii. welcome the meeting of the trade working group under the JETCO on December 15th to discuss the future trade relationship and undertake joint analysis on the opportunities and areas for further collaboration, consistent with both sides' relationships with the EU.

17. Both sides agree to enhance collaboration on the opening up of China's services sector. Both sides will:

i. exchange views on China's plans to further open the services sector, and further develop it including under the Master Plan for Developing the Services Sector in an Innovative Manner (2017-2025).

ii. utilise other forums for elevating our discussions on this issue including the Trade in Services working group to be held under the JETCO.

18. Both sides commit to bilateral dialogue on dual-use export

controls, so as to better facilitate and encourage bilateral high-tech trade.

19. Based on the principles of equality and mutual benefit, China Ministry of Finance (MOF) and the HM Treasury (HMT) will continue to strengthen Public-Private-Partnership (PPP) cooperation by organizing mutual visits and training programs, sharing knowledge and experiences, and promoting project cooperation and practical cooperation between Chinese and British companies. Both sides welcome the collaboration of ARUP with Chinese cities including Wuhan and Chengdu to work together to develop bankable infrastructure projects in China and attract international investment and expertise into their delivery.

20. Both sides recognize it is essential to give consumers access to high quality, safe food products. Both sides understand that UK gives high priority to the issue of its beef export to China. Both sides acknowledge the progress that has been made to date, and agree to maintain communication on this issue at the technical level. China will send experts to UK by spring 2018 for an on-site evaluation in line with an agreed roadmap.

21. Both sides recognize the importance of the digital economy to global trade.

i. Both sides agree to enhance dialogue on digital economy and relevant regulations at Ministerial level, for example via the China-UK Internet Roundtable.

ii. Both sides stress the importance of an open and transparent approach to the formulation of cyber security-related policies and standards. Both sides agree to increase cooperation and exchanges on cyber security talent cultivation, publicity and education.

iii. Both sides agree to ensure the Digital Economy is effectively represented in global trading frameworks through modern and ambitious digital provisions recognising that the Digital Economy, and E-Commerce in particular, is an important driver to wider economic, inclusive growth.

22. Both sides recognize each country's attractiveness as a cross-border investment destination and the importance of high quality two-way investment as a driver of economic growth and job creation. Both sides will:

i. broaden and deepen the UK-China investment partnership, based on agreed principles, recognising the economic value of investment and committing both sides to deepening the bilateral investment relationship, including through reducing and clarifying restrictions; protecting investors and ensuring level playing fields between domestic and foreign companies; and maintaining open and frank dialogues.

ii. agree terms of reference for the China-UK joint investment working group previously agreed under the JETCO, identifying specific opportunities where cooperation would best enhance two-way investment.

iii. continue to support progress towards an ambitious EU-China Investment Agreement.

iv. continue to follow the G20 Guiding Principles for Global Investment Policymaking to maintain a favorable and open investment and business environment. China welcomes the UK's commitment to maintain open, fair and transparent investment policies after Brexit to effectively protect the interests of foreign investors in the UK. The UK welcomes China's commitment to adopt policies to promote high standard liberalization and facilitation of trade and investment.

v. welcome the continuing progress on the construction of the Hinkley Point C project.

23. The General Administration of China Customs and Her Majesty's Revenue and Customs reiterate their commitment to implementing the 2015 Memorandum of Understanding (MoU) on Cooperation and Mutual Administrative Assistance in Customs Matters and to exchange information, including intelligence, risk and trend information and risk analysis indicators, with the aim of preventing, detecting, suppressing and investigating breaches of

Customs Legislation and provide feedback on the outcome of intelligence, information and assistance provided. Both sides:

i. reiterate their commitment to eliminate the illicit trade in tobacco products and continue to take actions to tackle the global problem presented by illicit tobacco through policy measures and effective international co-operation and mutual assistance.

ii. seek to agree an Operational Protocol to the 2015 MOU that will facilitate increased intelligence and information exchange on suspected customs related fraud.

iii. utilize agreed bilateral legal instruments to secure and share evidence on suspected customs related crime.

iv. cooperate to ensure the provision of guidance to Chinese and UK businesses in relation to appropriate national tax and customs legislation, to ensure the facilitation of a legitimate, compliant, transparent and enabling trading environment, particularly in the area of e-commerce.

v. In partnership with the United Kingdom's Border Force, both sides will continue to strengthen law enforcement cooperation to combat smuggling in all its forms. All parties reiterate their support for cooperation through the Smart and Secure Trade Lane (SSTL) pilot project and the mutual recognition of Authorized Economic Operators (AEO) and will seek to advance seaport twinning cooperation.

vi. Strengthen cooperation on risk targeting and risk control

through the sharing of expertise and officer exchanges.

III. Financial Services

Financial Regulatory cooperation

24. Both sides recognize that China and the UK have an unparalleled financial partnership and commit to deepening and expanding that relationship. China recognizes that the City of London is and will continue to be the world's leading global financial centre given its history, market depth and global talent and will remain China's partner of choice on financial service collaboration.

Both sides welcome the continued cooperation between the UK's and China's regulators and welcome the first meeting of the Bank of England and People's Bank of China Joint Symposium, chaired by Governor Mark Carney and Governor Zhou Xiaochuan to discuss UK-China regulatory cooperation, macro-prudential frameworks, financial stability and green finance.

i. Both sides continue to support implementation of the Strategic Plan. China welcomes and supports the UK's Multi-Year Prosperity Fund Programme for Financial Services to support greater sharing of expertise between the UK and China on regulatory reform, market development and opening-up.

ii. In an effort to implement the plans on opening China wider to the outside world as set out during the 19th CPC National

Congress, China has made the following decisions: raise the cap on direct or indirect equity ownership by single or multiple foreign investors in joint ventures securities, fund management and futures companies to 51%, and there will be no equity cap limit on such investments three years after the implementation of aforementioned measures; ease the 20% cap on a single foreign investor's stakes in Chinese banks and financial asset management companies and the 25% cap on multiple foreign ownership to apply the same rules of equity investment to domestic and foreign investors in the banking sector; and ease the cap on single or multiple foreign investors' stakes in life insurance companies to 51% in three years and remove the cap in five years. The UK side welcomes this commitment and looks forward to further details on approval criteria and implementation timetable.

China recognises the strengths of UK financial services companies across these sectors, and the mutual benefit in their greater engagement in the Chinese market. China welcomes and encourages UK financial firms to take early advantage of this opening up to invest and expand their operations in China.

25. Based on the principles of mutual respect for each other's sovereignty and laws and regulations, both sides agree to further strengthen regulatory cooperation and knowledge sharing:

i. Banking regulatory authorities in China and UK will continue to improve the mechanism of having regular negotiations and dialogues to promote close communication and cooperation in cross-border regulation. Both sides seek to further strengthen communication and cooperation on cross-border payment supervision and conduct supervision and consumer protection, which include conduct supervision frameworks and tools, financial ombudsman (the third-party dispute resolution) regime, financial literacy and education, evaluation for the performance of financial consumer protection as well as FinTech related consumer protection.

ii. Both sides agree to promote cooperation on anti-money laundering supervision and information exchange. The People's Bank of China and the Financial Conduct Authority will further strengthen supervisory cooperation and actively promote the signing of Anti-Money Laundering and Counter-Terrorist Financing cooperation agreement.

iii. Both sides agree to promote cooperation on audit oversight based on mutual respect for each other's national sovereignty and domestic laws. Both sides also agree to progress towards a bilateral cooperation agreement on the exchange of information on the monitoring of the quality of audit work.

iv. Both sides agree to further strengthen regulatory cooperation and experience sharing on futures and OTC derivatives markets, promote communication, training and research in derivatives

markets, and attract UK institutional investors to trade in designated futures products in China.

v. China and UK insurance regulatory authorities are willing to further intensify regulatory and supervisory cooperation, technical exchange and experience sharing and to jointly hold supervisory conference on technical matters and issues of shared supervisory interest.

vi. Both sides agree to strengthen communication and cooperation on anti-counterfeit currency techniques.

Banking

26. Both sides continue to support increased presence and activity of Chinese banks in the UK and UK banks in China. Both governments encourage their respective banks to deepen cross-border collaboration to support the sustainable implementation of the Belt & Road.

i. China and the UK commit to strengthen information sharing to promote the study on China's close-out netting rules, including by establishing a UK-China Netting Working Group led by CBRC and China Banking Association (CBA) along with Asia Securities Industry and Financial Markets Association (ASIFMA) and International Swaps and Derivatives Association (ISDA).

ii. The UK welcomes the China Investment Corporation's efforts to open its London office, supporting the City of London to play an active role under the Belt & Road Initiative.

iii. Both sides welcome the Prudential Regulation Authority and Financial Conduct Authority's decision to authorise branch license for Agriculture Bank of China-London Branch. Both sides welcome the continuing interest by firms in submitting applications to establish branches and subsidiaries in the UK, and the commitment of the Prudential Regulatory Authority (PRA), Financial Conduct Authority (FCA) and China Banking Regulatory Commission (CBRC) to work together to ensure an effective review of all proposals.

iv. Both sides welcome the opening of the China Banking Association (CBA) London Office. The UK side commits to work with the CBA to further deepen UK-China banking ties.

v. The UK welcomes China's commitment to open its domestic bank card clearing market to foreign firms. China welcomes wholly-foreign-owned or joint-venture suppliers of electronic payment services (EPS) to apply for bank card clearing licenses locally.

Capital Markets

27. China reaffirms its commitment to support further internationalization of the RMB, to continue exploring channels for

enhancing bilateral and multilateral capital flows, and to leverage the unrivalled depth and liquidity of London's markets to support RMB usage and Chinese firms to raise capital in London.

i. Both sides welcome the progress that has been made on preparation for viable rules and arrangements for the implementation of the Shanghai-London Stock Connect, conducted by the London Stock Exchange and Shanghai Stock Exchange. Both sides agree to further research into realising the connect by listing on each other's market depository receipts that represent shares from eligible issuers of listed companies in both markets. Both sides also welcome China and the UK regulators to work on mutually agreed regulatory arrangements on cross-border securities enforcement cooperation, accounting standards, and auditing supervision under the framework of the Shanghai-London Stock Connect. Both sides agree to accelerate the final preparations and to review, when conditions permit, the timeline for launching the London-Shanghai Stock Connect.

ii. Both sides welcome the cooperation agreement between the London Stock Exchange Group ELITE Programme and Shenzhen Stock Exchange V-Next Alliance to facilitate cross-border capital formation in innovative sectors in UK, Europe and China. Both sides support the inaugural Commercial Road Show that will take place in Beijing and Shenzhen allowing UK and European based companies to forge links with the community of investors in China.

iii. The UK welcomes the opening of China's bond market to international investors and launch of the Hong Kong-Shanghai Bond Connect scheme. Both sides welcome the establishment by National Association of Financial Market Institutional Investors (NAFMII), International Capital Markets Association (ICMA) and City of London of the International Working Group to promote research and cooperation on bond market opening and development.

iv. Both sides agree to launch a working group and feasibility study to establish a UK-China bond market connect arrangement to help facilitate greater two-way investment into each other's bond markets.

v. Both sides agree to strengthen the communication and cooperation on regulation of financial market infrastructures.

vi. Both sides recognize the importance of securing a more diverse investor base in China's bonds markets. The UK welcomes China's decision to grant HSBC a licence and its decision to grant further qualified British banks an underwriting licence to allow lead underwriting of panda bonds in the China interbank bond market.

vii. Recognizing London's strength as a leading global centre for capital raising, its long history of developing innovative debt products, and its status as a leading offshore RMB centre, both sides welcome Chinese entities to strengthen their issuance of a full range of financing instruments including green bonds, in London.

viii. China will continue to work towards reform to improve the management of the QDII quota system, including to harmonize the scheme across domestic regulators.

ix. Except for the special administrative measures adopted by the state, China agrees not to put other restrictions on the foreign ownership limit, both for single investors and for all foreign investors in total, in listed companies.

28. Both sides encourage the UK institutional investors to actively participate in the trading and related services in China interbank markets. China will further improve the QFII and RQFII schemes, and encourage UK investors to invest in Chinese capital markets, including the Chinese bond markets. China welcomes qualified UK companies to issue Panda Bonds in the Chinese bond markets.

29. Both sides welcome the National Association of Financial Market Institutional Investors (NAFMII) and the International Capital Market Association (ICMA) to further deepen cooperation under the framework of their MOU.

Asset Management

30. Both sides recognize the UK's position as the world's second largest asset management centre, and China welcomes UK

firms to enter and support the development of China's domestic market.

i. Both sides welcome the communication between the FCA and CSRC to facilitate mutual understanding on asset management industries and regulatory regimes in both markets and agree to deepen cooperation in this area by launching a feasibility study on mutual recognition of funds.

ii. CSRC welcomes Man Group's registration of products as a private fund. The CSRC also welcomes the registration of Winton Capital, Schroders and Aberdeen Standard Investments with Asset Management Association of China (AMAC) as Private Fund Managers. China Securities Regulatory Commission (CSRC) also welcomes the application from Eastspring Investment to establish an investment management WFOE in Shanghai.

iii. CSRC welcomes foreign invested private fund management WFOEs to apply for private fund management business subject to meeting criteria as outlined in the private fund management regulations. Both sides agree to deepen regulatory and business engagement to explore further opportunities for UK private fund management business in China.

iv. Both sides agree to strengthen cooperation and explore increased participation of qualified foreign firms in domestic and cross-border custodian business. China welcome qualified UK-invested banks in China to apply for custodian licence. China

will review related regulations, including giving appropriate consideration to the parent company's overseas assets.

v. The UK government and China government support the Alternative Investment Management Association (AIMA) and Asset Management Association of China (AMAC) to work together under MOU of AMAC and AIMA signed in 2014 and launch education program and research projects focusing on capital market and asset management industry.

Insurance and Pensions

31. Both sides recognize the value of participation of foreign firms in China's insurance market to help increase financial inclusion and resilience of individuals, families and firms in China.

i. Both sides are committed to enhancing disaster insurance protection domestically and worldwide. China welcomes launch of the new regulatory and supervisory framework for Insurance and Securities (ILS) in the UK, and the UK welcomes launch of China's Institute for Disaster Risk Management and Catastrophe Insurance, and the State Council's pilot disaster insurance zones. China and UK commit to jointly explore development of products, and assess feasibility of Chinese entities mitigating exposure via catastrophe bond issuances in London when time is proper.

ii. China Insurance Regulatory Commission (CIRC) agrees to review and calibrate credit risk factors based on updated market

conditions and industry data, providing opportunity to consult industry, including foreign-invested insurance companies in China, in order to more objectively measure the differences between the off-shore and on-shore reinsurance counterparties default risk.

iii. The UK welcomes CIRC's early and positive consideration of Heng An Standard Life's pensions licence application. China's Ministry of Human Resources and Social Security will give due consideration to an application by the firm for an annuities licence for market entry in accordance with China's laws and regulations.

iv. CIRC welcomes the Shanghai representative office opening by Pacific Life Re.

v. Both sides agree to deepen cooperation on health insurance and China encourages qualified UK insurers specialised in health insurance to set up health insurance companies in China.

vi. The UK welcomes China's plans to revise overseas investment regulations for insurance funds to increase the scope of overseas investment.

vii. Both sides welcome closer cooperation between the National Council for Social Security Fund (NCSSF) and the UK insurance and pensions asset management industry to share expertise on asset allocation and management, including through overseas allocation of public pension funds.

RMB Internalization

32. Both sides welcome the internationalization of the RMB and recognize London's vital role in supporting global use of the RMB and facilitating international access to China's domestic capital market. Both sides agree to jointly host a UK-China RMB Internationalisation Dialogue in London in 2018, to promote London's premier role as a Western Hub for RMB and encourage greater use of RMB in international markets.

33. Both sides agree to continue to promote the China-UK cross-border RMB business and support the use of RMB as the settlement currency in bilateral trade and investment. Both sides support the UK RMB clearing banks to fulfil their role to promote the development of the off-shore RMB market in London. China welcome qualified British commercial banks and financial market infrastructures to join CIPs.

Financial Services Summit

34. Both the UK and China welcome the outcomes from the first year of the UK-China Financial Services Summit, led by the UK's China Market Advisory Group and China's China-UK Financial Innovation Advisory Group. Both sides agree to consider and take forward recommendations from the Summit and encourage

UK and Chinese business to further deepen their collaboration and partnership to help deliver the Strategic Plan.

FinTech

35. Both sides welcome the progress on the UK-China FinTech Bridge agreed at last year's Dialogue including the collaboration between the FCA and PBOC to share experience and expertise on the regulation of FinTech, and commit to deepen this partnership to facilitate two-way market entry by UK and Chinese firms.

i. Both sides welcome deeper cooperation and exchange on the FCA's Sandbox approach to regulation of FinTech and will explore opportunities to develop a similar approach in China to ensure safe market access and effective regulation of domestic and foreign firms.

ii. Both sides welcome the agreement reached between Shanghai Clearing House and R5, the London based Capital Market Fintech, and the Shanghai Clearing House, to create a Cross Border FX Clearing Solution. Both sides welcome the establishment of WorldFirst's office and WFOE in Shanghai and the PBOC welcomes WorldFirst to apply for a payments licence and to conduct cross-border payments business in compliance with laws and regulations.

36. Both sides expect to continue to strengthen regulatory under the framework of China-UK Fintech Bridge. To promote Fintech companies and non-bank payment institutions in both countries to conduct business in compliance with laws and regulations, both sides will strengthen bilateral regulatory cooperation and information sharing on cross-border non-bank payment business. Both sides agree to strengthen research and cooperation on Fintech and welcome the agreement between the FCA and PBOC to work toward beginning a Fintech secondee programme, beginning with sending an FCA secondee to China to work closely with the PBOC on Fintech. Both sides agree to strengthen cooperation on digital currency research. Both sides agree to further improve the communication mechanism on FinTech and RegTech innovation under the framework of China-UK Financial Services Summit, and promote communication, cooperation and common development between regulatory authorities and companies from the two countries.

Green Finance

37. The UK and China recognise each other as their primary partner in green finance for capital raising, product innovation and thought leadership. China and the UK have been jointly playing a leading role in driving global green finance development including through co-chairing the G20 Green Finance Study Group under the

Chinese and German Presidencies. Both sides are committed to further work in this area to further develop the commercial drivers behind a more sustainable financial system.

38. Both sides welcome the work of the China-UK Green Finance Taskforce, established by the Green Finance Committee of China Society for Finance and Banking and the Green Finance Initiative of the City of London. As part of its 2018 programme, the China-UK Green Finance Taskforce will, with support from the PBOC, HMT and Bank of England as well as other Chinese and UK actors to: lead the discussions on voluntary guidelines on green Belt & Road investment for Chinese and UK investors, research on measures to promote green asset securitisation in China and the UK, conduct pilot projects on environmental information disclosure consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations by financial firms in both countries, promote analysis to demonstrate a positive correlation between ESG and financial performance.

39. Both sides support the development of Green Bonds Market, encourage the cross-border issuance of Green Bonds by qualified Chinese and British companies. China welcomes the British institutional investors to invest in the Chinese Green Bonds Market.

40. The UK and China welcome the establishment of the Green Investment Group's presence in Beijing and its collaboration with Chinese partners and regional investors to share green finance expertise.

IV. Infrastructure and Energy

41. Both sides continue to support delivery of 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. Both sides welcome the successful delivery of the first two courses under the UK-China Infrastructure Academy, on Infrastructure and Regeneration, and welcome the next round of courses on Energy and Rail in 2018.

42. Both sides will continue to support closer cooperation on high-speed rail projects and welcome the ongoing collaboration through China-UK Joint Working group on Railway Cooperation including progress made at the working group meeting in Qingdao in July this year. To achieve concrete results on China-UK railway cooperation, NDRC and UK Department of Transport will hold the fourth meeting of the China-UK Joint Working group on Railway Cooperation in UK in 2018. The two sides will continue to promote China's participation in the HS2 phase 2 projects, and deepen cooperation in multiple areas including information on railway

development plans, laws and regulations, railway construction, design, equipment supply, cooperation on technical services and in third-party markets. Both sides will continue to work to develop the joint working group as a platform to strengthen information sharing, and promote progress in practical cooperation between China and the UK, and will work together in third-party markets where we can bring both countries complementary skills sets to deliver international projects.

43. The UK and China reaffirmed that energy cooperation is a core element of the Global Partnership. Both sides welcome the outcomes of the 2017 Energy Dialogue. The UK and China renewed and expanded their commitment to clean energy, through the launch of an Action Plan for the UK-China Clean Energy Partnership (CEP). Within the agreed framework, each government will work to implement the Partnership, to raise the level of cooperation to deliver the CEP. The UK and China have complementary strengths and agreed the importance of mutually beneficial policy and commercial cooperation including on:

- i. clean Technology, including offshore wind, civil nuclear power.
- ii. supporting replacement of coal with electric power and gas, supporting natural gas development.
- iii. market reform, including in the gas and power sectors.

iv. stimulating the energy technologies of the future, including low carbon transport and smart grid technologies.

v. UK-China collaboration in international energy governance, including commitments under Mission Innovation.

44. China recognizes the UK's advanced experience in the power market reform, design and regulation. The UK welcomes the achievements China has made in the transmission and distribution price reform. The two sides acknowledge the effective results of the exchanges organized in 2017 on transmission and distribution price regulation and power market reform and agree to explore further opportunities for collaboration in this field. Both sides will discuss action plans to strengthen cooperation and share experience on the reforms of transmission and distribution price, electricity market and renewable energy prices.

45. Both sides reemphasized the Statement of Cooperation in Civil Nuclear Energy signed during President Xi's State Visit in October 2015. The two countries commit to seeking collaborative opportunities to further the benefits and mitigate the risks of nuclear power.

Recognizing the importance of building mutually beneficial and win-win cooperative relations in the field of nuclear safety regulation, both sides agree to further strengthen cooperation

between nuclear safety regulators, to promote the implementation of Agreement for the Exchange of Information and Cooperation in the Safety Regulation of Nuclear Energy Use for Peaceful Purposes Between the National Nuclear Safety Administration of the People's Republic of China and the Office for Nuclear Regulation of Great Britain and to develop a steering committee meeting mechanism on nuclear safety cooperation.

46. Both sides welcome the commencement of the Generic Design Assessment (GDA) for HPR1000 by the UK nuclear regulatory authorities. Both sides agree to enhance mutually beneficial cooperation on the efficient and timely processing of all export control applications and Government to Government Assurance requests relating to the export of nuclear materials, equipment and technology, taking practical steps to achieve this immediately, and in the longer term, with a view to agreeing a Memorandum of Understanding on this. Both sides agree to conduct cooperative activities by making full use of the HPR1000 Design-specific Working Group under the mechanism of Multilateral Design Program (MDEP), and to strengthen the communication on technical information and regulatory experience concerning HPR1000 within the Working Group based on the principle of openness and transparency.

47. Both parties expressed a desire to support joint research in civil nuclear energy, compatible with Government funding regulations in both markets, government priorities for civil nuclear research in both markets, and mutually acceptable arrangements on the treatment of intellectual property.

48. Both sides acknowledge the importance of waste management and decommissioning solutions to a sustainable nuclear energy sector. Both parties recognize the potential for UK experience in nuclear waste management and decommissioning to support China's nuclear sector development. Both sides welcome the on-going commercial collaboration between companies in the back-end of the nuclear fuel cycle and re-affirmed their support for the MoU Concerning Enhancing Cooperation in the Field of Civil Nuclear Industry Fuel Cycle Supply Chain signed in 2014. With their respective unique experiences in this field, both sides encourage further collaboration on win-win and commercial basis. China is willing to actively cooperate with the UK in the areas of decommissioning and decontamination of nuclear facilities, including participating in commercial opportunities in each other's markets and in third-party markets together.

49. Both sides agreed that the China-UK Energy Dialogue and the Civil Nuclear Working Group are effective mechanisms for

promoting collaboration across the civil nuclear sector between our two countries. Both sides welcomed the outcomes of the most recent meetings of the Dialogue and the Working Group. Both sides recognized the potential for further mutual beneficial commercial partnerships in the UK, China and third countries.

50. The UK welcomed China's existing and future investment into oil and gas production and decommissioning in the UK Continental Shelf, and into UK refining. Both parties endorsed continued collaboration in the UK, China and third-party markets to reduce costs in the oil and gas supply chain and increase production efficiency.

51. Both countries acknowledged the importance of the Joint UK and China Offshore Wind Industry Advisory Groups. Both sides agree to support the implementation exchanges in priority areas outlined during the Offshore Wind Advisory Group's third meeting in October 2017. The UK and China welcome China Three Gorges Corporation's recent investment 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.

52. Building on their experience in infrastructure financing, Chinese Institutional Investors, including the China Development Bank will promote China-UK cooperation in the clean energy and high speed railway sectors, including such projects as Hinkley Point C, the envisaged High Speed 2 phase 2b project, , and UK's electric vehicle charging infrastructure fund.

V. Industrial Strategy

53. China welcomes the UK's new Industrial Strategy and recognises the opportunities it presents for deeper UK-China economic partnership. Recognising the direct economic benefits of cooperation, shared global challenges, and opportunities to learn from one another's experiences, both sides agree to build on these synergies and explore opportunities for cooperation across the five themes of the UK's Industrial Strategy; Ideas, People, Infrastructure, Business Environment and Places.

54. Both sides welcome the achievements of the Ministerial Exchange between National Development and Reform Commission (NDRC) and the UK. The two sides held the sixth Ministerial Exchange in Beijing this December, and had in-depth exchanges on bilateral investment, regional cooperation and industry strategy.

55. Recognising the importance of international collaboration

in research and innovation, both sides reaffirm their commitment to the UK-China Joint Strategy for Science, Technology and Innovation Cooperation launched on 6 December 2017 during the UK-China High Level People to People Dialogue. Both sides agree to further develop research and industrial cooperation. Building on the successful cooperation of 15 academia-industrial projects under the Research and Innovation Bridges programme, both countries welcome the three competitions organised and funded by Innovate UK and Jiangsu, Shanghai and Guangdong which will promote innovation cooperation.

56. The UK and China also agree to cooperate and support the Jing-Jin-Ji integration project. Both sides welcome the progress made in 2017 through cooperation between Northeast and other old industrial bases of China and will further cooperate in 2018 to generate innovation-driven economic development and new momentum for development. Both sides will continue to support further discussion on renewal cooperation pilots and transformation of old industrial areas. Both sides will continue to promote the transformation of industrial cities in Northeast China, in particular through the development of the UK-China (Dalian) Advanced Manufacturing Zone, sharing best practice through capacity building measures and technical exchanges on innovation, vocational education and other topics.

57. The UK Department for Business Energy and Industrial Strategy (BEIS) and China's Ministry of Industry and Information Technology (MIIT) agree to explore areas of collaboration in the UK's Industrial Strategy and China Manufacturing 2025, encouraging exchanges and dialogues. BEIS and MIIT conducted a fruitful dialogue on Green Manufacturing Innovation in London in July and agreed to establish a mechanism to further identify opportunities for industry and research cooperation in this area.

58. The UK and China recognize the importance of working collaboratively in pursuing sustainable urbanization as an impetus to promote growth, tackle pollution, and improve the lives of ordinary citizens. We welcome and commit to support development of a set of activities to achieve that with support from funding schemes including the UK's Multi-Year Prosperity Fund Programme in development.

We encourage cities, businesses, and research institutes to play a driving role in conducting these activities in the context of building longer term UK-China collaboration on smart green and inclusive future cities. We welcome deepened collaboration between China Centre for Urban Development and the Future Cities Catapult including through implementation of the MOU signed between them in March 2016.

59. The UK welcomes the advances in New Energy Vehicles (NEVs) and will continue to work collaboratively with Chinese manufacturers to design and develop NEVs for use in China and around the world to reduce the impact of Carbon emissions. Both sides agree to work collaboratively on Ultra Low Emission Vehicles (ULEV) technology, including through establishing an ongoing dialogue on achieving zero emission transport in both countries, investment in charging infrastructure, and through commitment to developing elements of the ULEV supply chain in the UK to facilitate the manufacture and supply of these vehicles. Both sides agree that particularly in the case of Small Volume Manufacturers (SVMs), access to markets should remain open and equal to all parties.

60. Both sides agree to further expand air traffic rights arrangements by increasing the capacity entitlement to 150 flights per week between China and UK.

61. Both sides agree to continuously guide and promote the China-UK space cooperation based on the MoU signed by the China National Space Administration (CNSA) and United Kingdom Space Agency (UKSA), and utilise the China-UK Space Science & Technology Joint Laboratory as a platform to drive bilateral cooperation. Both sides agree to facilitate a steering work-group as a

first step to formulate the China-UK space cooperation topics for the following five years as a guideline for bilateral cooperation in the future.

62. Both sides support China and the UK space agencies to jointly support satellite application services for developing economies through examples such as the UK International Partnership Program (IPP).

63. Both sides acknowledge that enhanced cooperation in the field of space applications such as agriculture remote-sensing and air-quality monitoring, will be beneficial to accelerate applications of space science and technologies in the social-economic areas. Both sides agree to promote cooperation projects under the framework of the China-UK Newton Fund. Both sides support the cooperation in the field of space science and promote research institutes in both countries to implement the Solar Wind Magnetosphere Ionosphere Link Explorer (SMILE) mission under the framework of China-ESA space cooperation. Both sides appreciate the successful holding of the 2nd China-UK Summer School of Space Education and Research under the framework of China-UK Space Science & Technology Joint Laboratory, and congratulate on the establishment of the China-UK Space Education and Culture Centre in the 12th China-UK Workshop of Space Science and Technology.

64. The UK and China recognise the important role of intellectual property (IP) in promoting technological innovation, economic growth, trade and investment. Both sides will further deepen cooperation on IP, including:

i. Working together to provide better services for users of IP systems and the general public in both countries. Both sides agree to strengthen IP cooperation, and help companies from both countries to protect and enforce IP. Both sides recognise the success of the annual UK-China IP Symposium. The 2018 UK-China IP Symposium will be held in China and will further promote dialogue between businesses, researchers and policymakers from both countries.

ii. The UK and China agree to hold exchanges on improvements to the patent and design systems; IP in priority technology fields such as biotechnology/pharmaceuticals; and Patent Prosecution Highway (PPH) and other work sharing mechanisms which improve efficiency for British and Chinese applicants that use both countries' IP systems.

iii. The State Administration for Industry and Commerce (SAIC) and the UK Intellectual Property Office (IPO) will continue to implement their bilateral Framework for Cooperation on trade marks in 2018. Both sides will continue to exchange views on examination and enforcement of trademarks and geographical indications (GI). The UK and China will further exchange

experience of how to maintain quality and consistency of examination, and on tackling bad-faith trade mark applications.

iv. Both sides attach importance to bilateral and multilateral copyright collaboration, and will continue to discuss and share information on issues of common concerns including copyright enforcement in the digital era and copyright collective management. Both sides recognise the potential to increase bilateral flows of copyright collective licensing royalties, and will support the development of collective licensing in China, and welcome further efforts to urge copyright owners and broadcasters to timely perform obligations in accordance with respective laws and regulations.

v. The UK and China will continue to strengthen cooperation on combating online piracy to better serve the rights holders from both countries. The two sides will further exchange experiences on online copyright protection, including initiatives with search engines and mobile applications.

vi. The UK and China welcome renewed UK-China industry initiatives on IP protection on e-commerce and social media platforms, and will continue to support these where appropriate, to achieve the shared goal of a more favourable IP environment which increases consumer confidence in e-commerce. In particular, the UK and China welcome efforts to develop SME-friendly notice-and-takedown mechanisms; more effective online protection for design rights; impactful preventative measures based on big data;

and smoother links between on- and off-line enforcement. Both sides agree to further strengthen bilateral cooperation on cross-border law-enforcement cooperation and exchanges to combat online piracy and counterfeiting. A coordination meeting on cross-border enforcement will be held in early 2018.

65. The UK and China will build deeper collaboration in health sector. Both sides will:

i. continue to implement the China-UK MoU on Health Cooperation signed in 2016, prioritizing cooperation on health policy, medical science & research and global health.

ii. continue to implement the China-UK Global Health Support Program and support the 2030 Sustainable Development Goals. Both sides will collaborate to improve global health governance and the response to health emergencies, and work to increase global capacity to contain the spread of infectious diseases through better surveillance and data sharing.

iii. welcome the Opinions on Deepening Review and Approval System Reform and Encouraging Drug and Medical Device Innovation issued by the Chinese side, including considering clinical trials data obtained in overseas multi-centres.

iv. continue to maintain and strengthen bilateral exchanges on alternative methods to animal testing, including its research, development, and validation. Both sides will communicate with each

other about the research progress, policies and regulations and the development and application of related technologies and methods of alternative methods to animal testing through appropriate channels including personnel exchanges and trainings and welcome continued discussions on cosmetics safety risk assessment.

VI. Belt and Road Initiative and Cooperation in Third-party Markets

66. Both sides agree to strengthen cooperation on the Belt and Road Initiative on the basis of extensive consultation, joint contribution and shared benefits. UK welcomes the Belt and Road Forum for International Cooperation held in Beijing in May this year. The two sides look forward to strengthening official exchanges and dialogue on opportunities for further cooperation on the Belt and Road Initiative.

Both sides recognise the synergies between China's and UK's capabilities around the delivery of infrastructure, and agree to give full play to their respective strengths and utilise UK's expertise in many areas, in particular in financing, public-private partnership, insurance, green finance and legal and professional advisory services for the successful plan and implementation of international infrastructure projects. Both sides will cooperate to promote outcomes which are commercially, environmentally and socially sustainable.

Both sides will enhance concrete cooperation in areas such as infrastructure connectivity, and equipment manufacturing, finance, investment, and explore cooperation in third-party markets along the Belt and Road routes in order to foster positive and sustainable trade, and economic development and security outcomes under the framework of the UK-China global comprehensive strategic partnership for the 21st century.

67. Based on the principle of achieving shared growth through discussion and collaboration, both sides agree to implement the "Belt and Road Financing Guiding Principle" and promote cooperation on investment and financing under the Belt and Road Initiative.

i. Both sides agree to encourage the development and policy financial institutions to play an active role, and to jointly promote China Development Bank, Export-Import Bank of China, Silk Road Fund, and the Department for International Development of UK to strengthen cooperation on development financing.

ii. Both sides encourage financial institutions in the UK and China to explore commercial opportunities associated with the Belt & Road Initiative. Both sides welcome financial centres in both countries, including the City of London, Shanghai and Hong Kong, to play an active role in the Belt & Road Initiative.

iii. Both sides agree to support companies of both countries to

cooperate in third-country markets under the Belt and Road Initiative, and to share experiences. Both sides welcome China Africa Development Fund (CADF) and the Department for International Development of UK (DFID) to hold the China-Africa-UK Investment Forum jointly with China Council for the Promotion of International Trade (CCPIT) and International Trade Centre (ITC) in the last quarter of 2018 in China.

iv. Both sides agree to encourage private investment in supporting the Belt and Road Initiative. Both sides agree to jointly conduct a research and feasibility study on a mechanism to help attract private capital investment into the Belt & Road.

v. Both sides agree to encourage greater UK-China business to business engagement and encourage respective Embassies, commercial sections and business organizations to promote trilateral cooperation.

vi. As agreed in the "Belt and Road Financing Guiding Principle", both sides underscore the need to strengthen the social and environmental impact assessment and risk management of projects, improve cooperation on energy conservation and environmental protection, fulfill social responsibilities, promote local employment and ensure sustainable economic and social development. Debt sustainability will also be taken into consideration in mobilizing finance.

68. Both sides agree to deepen cooperation on the Belt and Road project identification, research and capacity building.

i. Both sides continue to recognise the synergies between China's Belt and Road Initiative and UK's regional development strategies including the Northern Powerhouse and commit to work together to strengthen policy and projects collaboration.

ii. The two sides will jointly identify the Belt and Road pilot projects and establish a mechanism to facilitate joint identification and evaluation of potential pilot projects in order to deliver concrete UK-China cooperation on Belt & Road infrastructure projects.

iii. Both sides agree to conduct the Belt and Road research programmes, jointly and individually, and to exchange and share research results. The two sides will conduct research on the mechanism, approach, and selection criteria of pilot projects for the Belt and Road project cooperation, focusing on major areas that the two sides can complement each other with their respective strength. The two sides will conduct policy research and capacity building on areas including project preparation, financing, risk management, standards to support the implementation of Belt and Road projects.

69. China welcomes the announcement by UK Export Finance (UKEF) that it has capacity to support up to £25bn of new business in support of projects along the Belt & Road in Asia. Both sides welcome further work between UKEF, Sinosure and other export

agencies to consider and develop coinsurance or reinsurance structures for projects involving exporters from both countries. UKEF welcomes the opportunity to support potential investments by UK companies in the Belt & Road through Overseas Investment Insurance. Being an official export credit agency, the Export-Import Bank of China has long been dedicated to financing projects in infrastructure, energy, manufacturing and industrial capacity and can actively support cooperation in the international markets by companies of both sides in the future.

70. Both sides welcome the proposal for a bi-lateral UK-China investment fund with an initial round of \$1 billion USD. The Fund will be led by a number of institutions in the UK and China, with the involvement of former Prime Minister, The Rt Hon David Cameron, and will be established and operated on a commercial and market-orientated basis. It will invest in innovative, sustainable and consumption-driven growth opportunities in the UK, China and third markets to create employment and boost trade links, supporting the Belt and Road Initiative.

71. Both parties encourage China Development Bank and the UK side to discuss the possibility of establishing investment funds to better promote the exchanges and cooperation between Chinese and British companies.

72. UK private sector organisations including the City of London, China Britain Business Council, City UK and London & Partners will host a Belt & Road Forum in the UK in 2018 to profile the UK's expertise as a global leader in infrastructure project structuring and financing for Belt & Road projects, and welcome the China side to participate.