

Combined Policy Outcomes of the 7th China-U.K. Economic and Financial Dialogue

21 September, 2015

Part I: Policy Outcomes

Chinese Vice Premier Ma Kai and the UK's Chancellor of the Exchequer George Osborne concluded the meeting of the Seventh China-UK Economic and Financial Dialogue on 21 September, 2015, in Beijing. The UK and China welcome the continued strengthening of bilateral relations. They look forward to a successful State Visit by President Xi Jinping to the UK. The visit will usher in a golden era in relations and provide a platform for the strongest possible political, economic, financial, trade and investment relations and people-to-people exchanges in the decade ahead.

I. Macroeconomic Situation and Policies

1. Both sides will continue to strengthen macroeconomic policy coordination, and take appropriate policy measures in line with the development and change of the economic and financial situation at home and abroad, promote strong, balanced and sustainable growth of both countries and global economy.
2. Both sides agree to strengthen cooperation in the G20 and to support G20 as the premier forum for international economic cooperation, and will work together to make G20 Antalya Summit successful. The UK looks forward to and actively supports China successfully hosting the 2016 G20 summit. The two sides commit to fulfilling the commitments made in the previous Summits and meetings of Finance Ministers and Central Bank Governors, working closely together with other G20 members to enhance cooperation in macroeconomic policy to achieve strong, sustainable and balanced growth.
3. China and the UK commit to strengthening their cooperation in the IMF. Over the coming period, IMF members will consider how to continue improving the IMF's quota and governance structure. Both sides urge members who have yet to ratify the 2010 quota and governance reforms to do so without delay to further enhance the voice of emerging markets and developing countries. China and the UK welcome the efforts to pursue an interim solution, which aims to converge quota shares to the extent possible to the levels decided under the 14th review. However, the interim solution should not constitute or be seen in any way as a substitute for implementation of the 2010 IMF reforms. Both sides committed all efforts to ensure the completion of the 15th general quota review. The two sides reaffirm the importance of maintaining a strong and adequately resourced IMF, as a quota-based institution.
4. The UK and China both endorse the role of international financial institutions multilateral development banks (MDBs) in promoting long-term investment in developing countries. We agree that the MDBs should seek to strengthen their lending capacity and their effectiveness, including mobilising private sector financing and promoting South-South co-operation. Greater attention should be given to improving the effectiveness of the multilateral system in catalysing investment in infrastructure in developing countries, and Low Income Countries in particular. Both sides welcomed the consensus that had been reached by the Board of Executive Directors of the World Bank Group to implement the 2015 Shareholding Review. Both sides agreed to hold regular dialogues in the future on MDB governance and reform.
5. UK welcomes China's initiative to set up the AIIB. China welcomes the UK's decision to become the first major Western country to become a prospective founder member of the AIIB. Both countries look forward to the AIIB being operational by the end of this year, and affirm their commitment to support the AIIB's aim to be a professional, accountable, transparent and efficient infrastructure financing platform for win-win outcomes. The UK and China share an aspiration for the AIIB to be an integral part of the global financial system as a multilateral development bank that addresses Asia's infrastructure needs and support the aim for the AIIB to be "lean, clean, and green".

6. Both sides agree to continue cooperation on taking measures to tackle cross-border tax evasion and tax avoidance, support the G20 commitment with regard to promoting tax transparency and automatic exchange of tax information and strengthen their communication and cooperation under the G20/OECD BEPS Programme. Both sides will continue to enhance the exchange and cooperation in the areas of tax reform and tax policy research. Both sides look forward to the success of the forthcoming UK-chaired Plenary of the Forum on Tax Administration to be held in Beijing in May 2016. To prepare for the 2016 G20 summit chaired by China, both sides agree to thoroughly communicate and collaborate on tax topics.
7. The UK and China reaffirm their commitment to the implementation of the Post-2015 Development Agenda, and agree to maintain close consultation and cooperation.
8. Under the framework of the 2014 UK China Joint Climate Change statement, both countries will continue to work closely through policy dialogue, low carbon development cooperation, increasing energy efficiency, developing carbon capture, utilisation and storage, promoting renewable energy, climate risk and resilience to climate change and developing low carbon business to business links.

II. Trade and Investment

9. The UK and China both agree on the importance of the multilateral trading system for supporting economic growth and job creation and are committed to pushing forward the DDA to a substantial outcome so as to ensure a successful MC10 in Nairobi. In this context, both China and the UK look forward to the early entry-into-force of the Trade Facilitation Agreement.
10. Both sides support the rapid progress towards the conclusion of an ambitious China-EU investment agreement. Both sides called on conducting a joint feasibility study of China-EU FTA at an early date, so as to achieve the goals set out in the 17th China-EU Summit Joint Statement, that is, once the conditions are right, to build a deep and comprehensive FTA, as a longer term perspective.
11. Both sides encouraged their respective aeronautical authorities to maintain close communication, with a view to facilitating the ongoing development of UK-China air services, further improving connectivity and delivering a wider choice for consumers in both countries.
12. The UK and China welcome the policy suggestions that the UK have provided to the Chinese Pilot Free Trade Zones and commit to replicating the success of our collaboration, with The City UK and China Britain Business Council, in Shanghai by identifying areas of cooperation in the new Pilot Free Trade Zones in Guangdong, Fujian and Tianjin. This will include work on financial leasing and supply chains in Tianjin. The UK further welcomes the Ministry of Commerce's and NDRC's appreciation of many of the recommendations included in the papers so far within the SFTZ. The UK and China are delighted to see that cooperation has been carried out in the settlement of commercial disputes. Both sides welcome support on policy communication that the UK is providing in the Shanghai FTZ and agree to work together on further improving the ease of business registration.
13. Both sides are willing to explore enhanced cooperation in the fields of water management, water-related disasters and mitigation research, the water-energy nexus and challenges of Climate Change impacts on the water sector. Both sides will deepen collaboration and commercial exchanges within the framework of the China-Europe Water Platform to tackle sustainable challenges and sustainable development.
14. Recognising that the EU decarbonisation strategy shares the same environmental and climate objectives of the dual efficiency strategy of China, the UK will continue assist the EU in its engagement with China on proposed new regulation in this area. In particular, both the UK and China will strengthen the discussion on the new regulation on phase IV fuel efficiency regulation for cars taking account of the diversity of the market, including regulatory burdens on small volume automotive manufacturers.

15. Both countries recognised enhanced opportunities for UK-China collaboration and welcomed the launch of the Research and Innovation Bridges Programme, which will bring together UK and Chinese researchers and businesses to develop solutions to global challenges. Both sides welcomed the significant progress made under the UK-China Research and Innovation Partnership Fund. Both sides will continue to implement collaboration in fields of research, translation and people exchange, and promote joint-funding schemes in priorities including health, environmental technologies, food and water, urbanisation, energy, and education. The UK and China recognised the importance of substantial investment in large-scale facilities for pioneering research and future technologies
16. China welcomes that the UK has been China's second largest sourcing and largest receiving country within EU for 5 years. Both sides agree to hold the first meeting of China-UK Bilateral Investment task force in coming weeks to exchange the latest policies and situations, and facilitate bilateral investment, and optimize the investment environment. China is willing to continuously encourage Chinese enterprises strengthening their investment towards the UK. The UK and China agree to continue dialogue regarding the Investment Catalogue, highlighting areas that the UK can provide assistance.
17. The UK and China are committed to addressing businesses concerns regarding market access and regulations, and to promote transparency in development and implementation of rules and regulations. Both sides continue to support a fair and transparent business environment, including fair access to a transparent dispute settlement mechanism, in accordance with the principle of providing a level playing field for all investors and effectively protecting the interests of all investors. The UK government is committed to maintaining an appropriate, transparent and predictable regulatory framework. The UK and China also agree to closer collaboration on Standards and agree to a Joint Standards Commission.
18. The UK and China recognise the importance of working collaboratively in pursuing sustainable urbanisation as an impetus to promote growth, tackle pollution, ensure energy security and improve the lives of ordinary citizens. Both sides are committed to deepen cooperation on green and low carbon urbanisation building on the UK-China Memorandum of Understanding signed last year, and agree to strengthen partnerships at city, institutional, and business levels. UK and China are committed to work collectively on development of city clusters, and welcome the establishment of a mechanism to deepen this collaboration. Both sides are committed to promote cooperation between Chinese city clusters and the UK's Northern Powerhouse, as well as other city clusters. Both sides have committed to supporting long-term R&D collaboration through funding joint research programmes by the UK Research Councils and the National Natural Science Foundation of China on low carbon cities and urban transformations launched in 2015. Both sides will renew and expand their technical collaboration and joint research, including but not limited to in the areas of urban planning, urban design, urban infrastructure, regeneration, and urban resilience. Both sides welcomed the training aspects of this collaboration including through the successful delivery of the mayors training programme in the past two years.
19. The UK and China agree to strengthen communication and deepen collaboration on Smart City development in the areas of construction, joint academic research, and business cooperation taking forward existing successful models such as partnerships between Manchester-Wuhan, Guangzhou-Bristol and Manchester SMEs - Digital China.
20. The UK and China agree to further strengthen cooperation in emerging industries, focusing on areas of mutual benefit and complementarity between China's seven Strategic Emerging Industries and the UK's equivalents. Following previous negotiations between the Department for Business, Innovation and Skills and the National Development and Reform Commission, both sides agreed that mechanisms for collaboration should be strengthened in the areas of life sciences, satellite applications, new energy, new energy vehicles, and ICT. Both sides agree to sign an MOU to formalise this collaboration on the upcoming occasion of the State Visit of President Xi to the UK.
21. In the field of energy: The UK and China agreed that energy collaboration continues to be a key pillar of the bilateral relationship. The UK and China will discuss and study experiences of power

and gas market reforms to support the implementation of China's Energy Revolution. The two countries agreed to improve understanding of each other's markets and capabilities as a way to deliver mutual commercial opportunities in China, the UK and third markets.

Both sides agreed to set up a long-term cooperation mechanism to drive down the costs of a low carbon transition. Specifically, the UK and China agreed to work together to reduce the global costs of Offshore Wind deployment significantly over the next five years.

China welcomed the UK's policy support to develop road maps for more rapid deployment of Offshore Wind in China. Both sides welcomed the establishment of a Chinese Industry Advisory Group on offshore wind to work with its UK counterpart as a way to improve efficiency and reduce the costs of offshore wind deployment. On the basis of industry advice, the UK and China agreed to explore what mechanism, for example a joint centre, would best facilitate UK-China sharing of experience on the technical issues involved in offshore wind deployment.

On the commercial front, the UK welcomed Chinese investment in offshore wind installations, and agreed to work together with Chinese companies on the practical issues of investing in the UK. China encouraged UK consultancies and developers to partner with firms in China to share the lessons learnt from the UK's rapid offshore wind development.

- 22.** In the important field of nuclear energy: Both sides welcome the strengthening of the partnership in civil nuclear energy since the signing of the Memorandum of Understanding on civil nuclear energy cooperation dated October 2013. The UK side warmly welcomes and supports Chinese investment and participation in the Hinkley Point C project and progressive involvement in the UK nuclear new-build market, including leading the development of other U. nuclear site(s) as fast as practicable, and supports the deployment of Chinese nuclear reactor technology, subject to meeting the requirements of the UK's independent regulators. The China National Energy Administration and the UK Department of Energy and Climate Change agreed to enhance communication with each other with a view to facilitate the enterprises of both sides to explore cooperative opportunities in China, UK and other third countries, and to assist Chinese investors with understanding UK requirements and coordinating on regulatory, legal and electricity market issues, flowing from investment in UK new nuclear build.
- 23.** The UK and China welcomed the extensive collaboration carried out across the nuclear fuel cycle, including in decommissioning, nuclear fuel transportation, and waste management under the MOU on Enhancing Cooperation in the Field of Civil Nuclear Industry Fuel Cycle Supply signed in June 2014. CAEA and DECC will continue to strengthen coordination to support relevant enterprises to secure more tangible results from cooperation in this area and looked forward to the signing of further commercial agreements/contracts. Both sides agreed to explore further the potential synergies between the UK's Northern Powerhouse and China's the Belt and Road Initiative, recognising the significant regional clusters of nuclear expertise established in British and Chinese regions, and welcomed the development of deeper regional ties between the UK and China in nuclear industry. China and the UK both welcomed the the first regional agreement between Sichuan Province and Cumbria, bringing together the UK's Centre of Nuclear Excellence to deepening commercial links with China's National Nuclear Corporation's established cluster of expertise in Sichuan.
- 24.** The UK and China note previous agreements signed between respective research institutes in the field of nuclear scientific research and intend jointly to establish a new research and innovation centre for nuclear. Both sides will engage further to agree details of the programmes for the centre which will carry out joint research in areas of shared interest with academia and industry.
- 25.** The UK welcomed China's increasingly close cooperation with the IEA including the proposed IEA Association initiative. Both countries will strengthen cooperation on global energy governance issues. They recognised that this in the interests of the UK's and China's Energy Security. The UK looks forward to China hosting productive energy discussions during its G20 Presidency, and welcomes China's proposals for covering a wide range of energy issues.

26. The UK and China agreed that the Memorandum of Understanding on Space Cooperation between CNSA and UKSA would continue to guide and promote bilateral space cooperation. Both sides agree to establish a joint committee to promote on space cooperation including on testing facilities. Both sides agreed to seek ways to enhance research and cooperation in fields including Earth observation for climate science and agriculture, satellite applications, deep space exploration, space science and education. They recognised space co-operation as an important component of our work to tackle global challenges and welcomed two new UK-China programmes: on Remote Sensing for agritech (£12m UK funds plus matched resources from China); and on unmanned agricultural vehicles using space technologies. The UK and China agreed to make full use of the space science and technology joint laboratory as a platform to actively promote cooperation, and welcomed the 10th China-UK workshop on space science and technology cooperation as a means to bring together our joint ambitions in using satellite (including micro-satellites) for services and application developments in agriculture, climate change and air quality. Both sides welcomed their continued close co-operation as partners on the Square Kilometre Array project, recognising the need for all global partners to work together and make an early financial commitment to the project. Both sides agreed to facilitate the cooperation on Solar wind Magnetosphere Ionosphere Link Explorer (SMILE) between the institutes of UK and China.
27. Both sides encourage British and Chinese business cooperation in production capacity in the third-party markets, following the principles of mutual benefit, openness and inclusiveness. This cooperation will combine China's strong production capacity and equipment manufacturing with the UK's areas of expertise together with market demand of developing countries, enabling joint promotion of infrastructure construction, industrialization process and poverty reduction in developing countries, and achieving triple-win results. China and the UK support collaborative initiatives between British and Chinese businesses including joint venture bidding, joint production and joint investment. Both sides agree there are significant benefits to an open approach to collaboration through multilateral and international organisations.
28. 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, care quality assessment and global health security, especially in the field of antimicrobial resistance (AMR); and will support the World Health Organization and the international community to carry out constructive cooperation in above-mentioned areas, in particular working together to implement the recommendations from the Global Action Plan on AMR adopted by the 68th World Health Assembly, push for a UN Resolution at the UN General Assembly in 2016, and engage in multilateral fora to advance global solutions and practical action on AMR.
 - ii. Continue to implement the China-UK Global Health Support Programme and support the new Sustainable Development Goals. Both sides will support the African Centre for Disease Control and work together on post Ebola health system strengthening in Africa. We will collaborate to improve the global response to health emergencies, strengthen the dialogue for effective global health governance, and work to increase global resilience to the spread of infectious diseases, including through better surveillance and data sharing.
 - iii. Further strengthen their cooperation in medicines and medical devices to improve the product safety and harmonise standards for medicines and medical devices. Further promote the exchange and cooperation on the areas of cosmetics animal alternative test. 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.
29. The UK and China recognise the important role of intellectual property in promoting technological innovation and economic growth. Both sides will work together to provide better services and increase mutual understanding amongst users of IP systems and the public in both countries. Both sides agree to work together to improve the IP outcomes of British companies in China and Chinese companies in the UK, including through the 3rd UK-China Intellectual Property Symposium, to be held in London in later this year.
- i. Both sides recognise that cooperation on work-sharing mechanisms and more efficient IP services can be beneficial for users of the patent system and bring wider economic benefits for both countries.

- ii. Both sides recognise the importance of design in promoting innovation and growth. The UK and China will continue to exchange information on improving the design system as an important element of bilateral cooperation on intellectual property. The UK and China are committed to ensuring domestic and international applicants benefit from effective protection of design rights in both countries, and both sides are preparing entry to the Hague System for the International Registration of Industrial Designs.
 - iii. Both sides value cooperation on trade marks. The UK and China will continue exchanges on issues related to ensuring applications are made in good faith, including on oppositions, cancellations and other review procedures; and well-known trade marks.
 - iv. The UK and China recognise the economic and social harm caused by intellectual property infringing goods and agree to cooperate to achieve a more favourable online IP environment, increasing consumer confidence in e-commerce. Both parties are willing to have further discussions on measures to improve the situation.
 - v. The UK and China recognise the depth and impact of recent bilateral cooperation on copyright legislation and enforcement. Both sides recognise the importance of an effective collective licensing system for the development of creative industries and access to copyright works; and agree to further share best-practice on regulation and governance. Recognising the burden on rights-holders, law enforcement agencies and courts, both sides agree to share information on proving copyright infringement and related evidence procedures in the digital environment.
- 30.** The UK committed to work with China on the Belt and Road Initiative, and China committed to supporting the UK's Northern Powerhouse. Both countries will explore win-win synergies in these two initiatives and strengthen policy and projects alignment. The two sides reaffirm the importance of ongoing investment cooperation between the two countries and with the EIB, EBRD and AIIB.
- 31.** Recognising the complementarity between China's Belt and Road Initiative and the Northern Powerhouse Initiative, both sides will strengthen commercial cooperation, between those two initiatives and in third markets. Both sides will discuss an Infrastructure Alliance under existing mechanisms. This will include training and guidance for Chinese infrastructure enterprises investing in the UK's Northern Powerhouse regions, promotion of UK-China commercial cooperation in each others' markets, and in third markets, including in areas covered by the Belt and Road Initiative.
- 32.** The UK and China agree that the technical cooperation on Public-Private Partnerships (PPP) between relative agencies has made positive achievements and this should be enlarged. Both sides encouraged financial institutions and non-financial corporations to participate in PPP projects of each other's infrastructure and public utilities arenas through investment and undertaking projects, consistent with open, fair and transparent procurement processes. The UK and China agreed to jointly launch a large-scale national training programme, coordinated by China's PPP Centre and Infrastructure UK, on PPP for central and local government officials, with a view to potentially expanding the coverage of the programme to include officials from elsewhere in Asia at a later date.
- 33.** Both sides agreed that the railway working group established in April, 2015 had been successful. In the first joint working group conference, both sides have conducted exchange on the UK high-speed rail HS2 project with regard to overall plan, related policies, high-speed railway design, construction and operation capacity. Both sides will take the joint working group as the platform to encourage firms and financial institutions from both sides to deepen their cooperation and participation in the HS2 project. The UK is willing to provide necessary support and information for all participating entities, including Chinese enterprise consortium, bidding for HS2, including but not limited to HS2 bidding information, tender pattern, applicable regulations and qualification criteria.
- 34.** Both sides encourage China Development Bank and UKTI to jointly build and oversee an investment/financing cooperation platform to include both UK and Chinese Financial institutions in order to enhance project information exchange in the fields of infrastructure and energy, and encourage the prospect of proactive and innovative packaging and structuring of infrastructure investments in the UK to best serve both UK and Chinese investors. This will support the UK's open investment environment and Northern Powerhouse initiative as well as opening wider infrastructure financing discussions to support third country projects including China's the Belt and Road Initiative.

III Financial Sector Regulation, Development and Cooperation

35. The UK and China recognised the continuing importance of regulatory cooperation between their respective authorities. To further underpin this, both sides welcome agreement between the China Banking Regulatory Commission and the Prudential Regulatory Authority to sign the Memorandum of Understanding in October 2015. Based on this framework, both sides encourage the banking institutions to develop cooperative channels and enhance the communication and collaboration at multiple levels and in various areas. Both the Chinese and the UK's supervisory authorities agree to promote mechanism to enhance cooperation towards their aligned objectives of promoting the safety and soundness of firms in many fields such as supervision on P2P lending, financial support to technological innovation enterprises, banking consumer protection and alternative dispute resolution.
36. China and the UK will jointly advance cooperation with respect to financial market infrastructures, including facilitating the realization of mutual recognition of Qualified Central Counterparties (QCCPs) between China and the EU through sharing experiences and views on the steps required, and will strengthen information exchange in exchange-traded and OTC derivatives markets
37. Both sides agree on the importance of tackling illicit financial activities and to closer cooperation on anti-counterfeiting of currencies including through a Bank of England hosted workshop on counterfeit banknotes.
38. With respect for each other's sovereignty and laws, both sides will seek to promote audit oversight cooperation through greater sharing of expertise and communication and cooperation between the relevant UK and Chinese agencies.
39. The UK recognises that, as China opens up, the RMB will become increasingly important as a global currency. The UK supports the inclusion of the RMB into the SDR basket subject to meeting existing criteria in the IMF's upcoming SDR review. Both countries commit to respecting the IMF's procedures and process in the SDR review, and to enhancing their communication on this issue.
40. China recognizes that the UK and China have an unparalleled financial partnership which both sides look forward to further deepening in a number of new areas. China recognises that London is one of the most vibrant and important RMB trading centres and offshore RMB markets and supports all kinds of issuers to issue RMB bond in London taking advantage of London market.

The PBOC will issue a RMB denominated central bank note in London in the near future, the first outside of China. Both sides acknowledge that this will be instrumental in increasing liquidity management tools, high credit-rating investment products and collaterals to deepen the RMB offshore market, cement London as an important global offshore RMB centre, and support wider use of the RMB in Europe and in the world at large.

The Bank of England (BoE) and the People's Bank of China (PBOC) will push forward increase in the maximum value of the RMB/GBP swap agreement.

41. The UK and China agree to strengthen long term cooperation in the field of capital markets, recognising the unrivalled depth and liquidity of London's capital markets and the opportunities for raising finance. This will need to be complemented by cooperation between regulatory authorities, who will need to ensure the regular information sharing necessary for deeper cooperation between the two markets. For this purpose:
 - i. Both sides support the Shanghai Stock Exchange (SSE) and the London Stock Exchange Group (LSEG) to carry out feasibility study on a stock connect.
 - ii. China recognises London's prominence as a destination for listing and trading ETFs, and both sides welcome the increased number of Chinese asset managers listing ETF products in London, including in RMB.

- iii. To help international institutional investors to better access and manage exposure to Chinese capital markets, both sides agree to strengthen exchange and cooperation on the development and supervision of the exchange-traded derivatives, recognizing the on-going cooperation between FTSE 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-benchmarked products in China.
 - iv. Both sides welcome deeper dialogue between two leading open access OTC clearing houses, Shanghai Clearing House and LCH.Clearnet Group.
 - v. The UK welcomes China's moves to provide options for commodity exchange denominated in RMB in gold, gas and oil. Recognising London's position as a key offshore RMB centre, both sides agree to continue to work together to support the development of these markets.
42. Both sides agree to further strengthen cooperation and welcome the following announcements:
- i. Both sides welcome that the China Development Bank will open up a Representative Office in the UK as soon as possible, according to procedures.
 - ii. The UK welcomes China Investment Corporation to open its London office, which China Investment Corporation will positively consider.
 - iii. Both sides welcomed the decision by ICBC, CCB and Bank of China - three of the world's largest banks - to strengthen their foreign exchange trading business in London. This will help cement London's role as a global FX hub, accounting for nearly half of the world's foreign exchange trading.
 - iv. China Banking Association plans to set up an office in the UK when conditions permit.
 - v. Both sides support China Foreign Exchange Trading System (CFETS) plans to establish a presence in London, further helping to promote the development of the London RMB market.
43. Recognising the UK's expertise in debt capital markets, the UK and China acknowledge the significant potential to work together and develop China's bond markets. Both sides acknowledge that further openness will help improve market liquidity and resilience, whilst also supporting the international use of the RMB. To strengthen this further:
- i. Both sides acknowledge the significant potential to develop China's local government debt markets, noting the importance of securing a wider and more diverse investor base in local government debt, as afforded by London's markets. They agree to work together to facilitate greater international private sector investment into this market. The UK will continue to support development of framework of Chinese local governments borrowing through sharing of expertise.
 - ii. Following China's recent reforms to liberalise access to the inter-bank bond market for sovereign wealth funds, central banks and international financial institutions, both sides commit to work together to facilitate greater investment by qualified institutional investors into this market. The UK welcomes China's commitment to ease the quota restrictions on non-sovereign investment by qualified institutional investors.
 - iii. Both sides welcome the continued development of China's capital markets, and the efforts made by both International Capital Market Association (ICMA) and National Association of Financial Market Institutional Investors (NAFMII) to facilitate exchanges and cooperation of both markets, including the publication by the ICMA-NAFMII working group of a comparative analysis of primary debt capital market practices in the international and Chinese inter-bank markets. This working group will continue to assist the development of all aspects of China's onshore bond market, including green finance, as well as to help drive the harmonization between the onshore and offshore market.
 - iv. Both sides welcome that China Development Bank is set to issue foreign-currency denominated bonds in London.
 - v. The UK welcomes China's fulfilment of its pledge in the 2014 Economic and Financial Dialogue to actively consider the participation of foreign banks in underwriting bonds in China through supporting Standard Chartered Bank (China) to obtain a non-financial enterprise debt financing instrument underwriting licence subject to existing market criteria.
 - vi. China welcomes qualified UK companies and locally-incorporated UK-invested companies to issue corporate bonds in the exchange traded bond market.
 - vii. China welcomes the UK institutional investors to participate in the exchange traded bond market through QFII, RQFII and the free trade account in the Shanghai Pilot Free Trade Zone.

- viii.** Both sides support the issuance of foreign-currency and RMB-denominated green bonds in London by Agricultural Bank of China.
44. Both sides recognise that the UK is a world leader in green and sustainable finance, with the City of London bringing together unparalleled expertise in financing, underwriting, legal and consultancy services. Both sides look forward to discussions co-chaired by the Bank of England and the People's Bank of China focused on identifying areas for international cooperation in advancing green finance. The PBOC and the BOE commit to promoting the global consensus on green finance and green investment, popularizing the green finance concept and related best practice. Both sides will promote to launch more active green finance policies, make green projects more attractive for investments, and raise the awareness of environmental protection and social responsibility of financial institutions, enterprises and the general public. Both sides support cooperation between ICMA and the Green Finance Committee of China Society for Finance and Banking on developing consistent global green bond standards, and will work towards further opening up of green capital markets for global investors. Both sides welcome the publication of the UK's Green Investment Bank's Handbook in Chinese, which will further enable the sharing of expertise and best practice in this area.
45. Both sides welcome the continued cooperation between China UnionPay and its UK partner institutions with a view to expanding use of UnionPay cards throughout the UK, supporting its use by Chinese tourists and the greater international use of RMB.
46. The UK and China recognise the significant opportunities for cooperation in asset management, and agree to further promote investment and capital flows between both markets. To this end:
- i.** Both sides welcome the initiative to establish, as soon as appropriate, a working group on mutual fund recognition to include regulators and industry participants from both sides.
 - ii.** China agrees to allow qualified foreign financial institutions to set up joint venture securities companies in the Shanghai Free Trade Zone, with foreign holding no more than 49% and the domestic shareholders not limited to securities companies.
 - iii.** China agrees to allow qualified locally-incorporated wholly foreign-owned or joint-venture private fund management institutions to engage in private security management businesses, including secondary market trading of securities, according to domestic regulations. The UK welcomes this development, and supports Aberdeen Asset Management (Shanghai), which has received a licence from State Administration of Industry & Commerce (SAIC) to operate as a Wholly Foreign Owned Enterprise, to apply to be registered with the Asset Management Association of China.
 - iv.** UK welcomes the initiative to simplify the licensing procedures for RMB Qualified Foreign Institutional Investors (RQFII) and Qualified Foreign Institutional Investors (QFII) licences.
 - v.** China agrees to increase the UK RQFII quota according to market demand. Both sides welcome China's RMB Qualified Domestic Institutional Investors (RQDII) scheme, which enables additional Chinese investment into the UK. Both sides strongly encouraged Chinese investors to take full advantage of these and future opportunities to access international capital markets through the UK as well as routing investment into UK infrastructure, regeneration projects and real estate.
 - vi.** Both sides welcome the collaboration undertaken under the Strategic Prosperity Fund which has encouraged Chinese asset managers to invest in the UK as well as UK funds to invest in China. Both sides agree to continue this collaboration, with a particular focus on fostering greater connections between our asset management industries.
 - vii.** Given its expertise of managing assets on an institutional basis, the UK welcomes the opportunity to assist and participate in the maturing and expansion of the Chinese Insurance asset management industry and extends its support in the form of expertise, knowledge sharing and, where appropriate, diversification opportunities. China also welcomes the involvement of UK asset management companies in its maturing pension's assets market.
 - viii.** China welcomes the FCA-UK's decision to grant asset management licence to the Harvest Fund Management Co. The UK will actively consider the application from GF International Investment Management Limited (UK) for asset management licence. Both sides support the Asset Management Association of China and the UK Trade & Investment to continue

strengthening cooperation and exchange, providing supports in areas as personnel recruitment, business consultancy and training to asset management companies for their market and business development in each other's market.

47. The UK and China agree to enhance cooperation in the insurance sector. The UK recognises the implementation of an enhanced risk-based regulatory environment through C-ROSS as a welcome development in bringing Chinese reinsurance regulation in line with global standards. The UK and China commit to strengthen cooperation and share expertise on improving regulations on credit rating and capital adequacy requirements on foreign reinsurers and their branches in China based on effective regulation.
- i. Both sides recognise the importance of the health insurance market in China's development. Both sides agree to cooperate and share expertise to conduct studies on health insurance, including on regulation, in China.
 - ii. The UK welcomes the strong commitment of China to further develop its pension insurance market. Both China and the UK are committed to share best practices in order to explore areas for future market cooperation and foreign investment. CIRC will actively consider applications for pension insurance company licenses from UK companies, including from Heng An Standard Life
 - iii. The UK recognises the development of the Chinese insurance market, including the establishment of a national insurance platform in Shanghai. China commits to allow international businesses to join the platform in accordance with Chinese insurance laws and regulations. Recognising the importance of the marine insurance market to a variety of cities in China and the mutual work already undertaken on this issue, both sides agree to continued cooperation in this field to help the Chinese market align with international standards.
 - iv. Both sides will deepen the communication and cooperation in cross-border investment supervision, solvency reforms, promoting pension development to tackle the aging problem, where it could play an active role in reaching the development goal of economy and trade relationship between China and the UK.
48. Building on the UK's reputation as a world leader in financial innovation and centre for RMB business, both sides welcomed UK Export Finance's (UKEF) decision to issue the first ever RMB-denominated loan guarantee by an Export Credit Agency – a 12-year loan facility that helped China Southern finance delivery of an Airbus A330 aircraft. This represents a landmark transaction and China welcomes the future support UKEF can provide to Chinese buyers to finance contracts won by UK exporters across all sectors.

Annex

1. The UK and China highly value the UK-NDRC Ministerial Exchange on Economic Growth and Cooperation, 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 accelerating China-UK joint growth and inclusive development partnership. Both sides held the Fourth ministerial exchange in September this year to carry out in-depth communication of cooperation in the areas of bilateral investment, PPP and emerging industries of strategic importance. In these fields, the UK and China are primary and important collaboration partners.

2. To advance the Memorandum of Understanding signed between UK Department for Environment Food and Rural Affairs and the Chinese Ministry of Agriculture in January 2015, both sides will jointly establish China-UK Joint Committee on Cooperation in Agriculture (hereinafter referred as the JCCA) at Vice-Ministerial level during the State Visit. They will increase information exchange and collaborate to meet shared challenges in the agri-food sector in relation to food security. Both sides will also commit to strengthening collaboration in trade in agriculture, food and drink, and cooperating to deal with related inspection and quarantine issues in order to ensure the safety of traded food and agricultural products, facilitating issues including poultry, lamb, beef and other bovine products by completing the necessary inspection, registration and workshops.

3. China and the UK Customs are committed to the participation of the cooperation under the China-EU Customs framework for a more secured and facilitated bilateral trade, and agree to continue their active participation of the 3rd phase of the Smart and Secure Trade Lane (SSTL) Pilot Project, mutual recognition of "Authorized Economic Operators" (AEO), solid waste control and IPR protection cooperation between China and EU Customs. Meanwhile, both sides will continue cooperation in order to promote trade facilitation, and create a favourable and orderly environment for trade and combat cross border illegal activity. Chinese and UK customs authorities will strengthen bilateral engagement in the fight against tobacco smuggling and Customs fraud, by formalizing cooperation to enhance the mutual exchange of information through the establishment of a cooperation and feedback mechanism, subject to the EU-China Mutual Administrative Assistance Agreement

4. The State Administration of Tradition Chinese Medicine of PRC, the UK's Department of Health and Medicines and Health care Products Regulatory Agency agree to continuously strengthen communication and collaboration on the basis of the work already done, to promote rational application and scientific development of TCM in both China and the UK.

5. China and the UK have reached consensus on co-hosting the "China-UK Development Forum and China-UK Reform and Innovation Forum which will run alongside one another during the State Visit in October. The UK-China Development Forum will share the experience and practices of both countries on development issues, deepen the development cooperation between two countries, and the world at large. The Reform and Innovation Forum will share practical and innovative ways for both countries to reform governance structures relating to specific topics. In 2015, the topic will be resource governance and sustainability.