

## **Policy Outcomes of the 10<sup>th</sup> UK-China Economic and Financial Dialogue**

The UK's Chancellor of the Exchequer and Chinese Vice-Premier Hu Chunhua concluded the 10<sup>th</sup> UK-China Economic and Financial Dialogue on 17 June 2019, in London. They welcomed the 65<sup>th</sup> anniversary of the exchanging of Chargés d'Affaires and reiterated their commitment to foster a global comprehensive strategic partnership for the 21<sup>st</sup> Century. Both sides attach great importance to the "Golden Era" of UK-China relations, agree to deepen strategic economic collaboration, boost bilateral trade and investment, and deepen financial links, and are committed to work together towards the UN sustainable development goals, actively promoting equality and diversity, and creating a prosperous society for all. Both sides are committed to supporting multilateralism, respect international law and fundamental norms governing international relations with the United Nations (UN) at its core. Both sides are committed to upholding the UN Charter and international law, and all three pillars of the UN system, namely peace and security, development, and human rights.

Both sides agreed that the Economic and Financial Dialogue had delivered significant successes to the benefit of both economies over the past decade, including: the UK joining the Asian Infrastructure Investment Bank (AIIB), the establishment of an RMB clearing bank in London, the first ever issuance of a Chinese sovereign bond outside of China in London, the launch of London-Shanghai Stock Connect, the issuance of Panda Bonds by British banks, bilateral cooperation in the fields of science and technology, joint investment into a greener future including Hinkley Point C, electrical vehicles and offshore wind power, as well as significant progress on boosting bilateral trade and investment. The 10<sup>th</sup> 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. Building on this, both sides committed to continue to strengthen the mechanism to support the further development of a "Golden Era" of UK-China relations.

## **I. MACROECONOMY AND GLOBAL ECONOMIC GOVERNANCE**

1. Both sides note that global economic momentum is softening, and while the shift in the policy outlook may provide support, near-term risks, notably from global trade tensions, remain. Both sides will continue working closely together and with all international partners to strengthen macroeconomic policy coordination and promote openness to achieve the shared goal of strong, sustainable, balanced and inclusive global growth.
2. Both sides agree on the importance of transparency of economic policymaking to enhance policy credibility, and the value of open exchanges. Both sides agree to establish a joint expert group, bringing together Chinese and UK economists, to provide insights into areas of mutual interest, and commit to produce further joint policy research between HM Treasury and the Ministry of Finance, building on the recent joint research on budget performance management.
3. China welcomes the UK's commitment to boosting employment and increasing productivity, so as to sustainably improve living standards in the long term. China also supports the UK's commitment to reducing government debt, while supporting public services, and investing in the economy and infrastructure. As the UK prepares to leave the European Union, the UK will remain open to foreign investors around the globe. The UK welcomes China's commitments on economic reform and opening up, and progress achieved to date. The UK supports China's increasing focus on high quality development, and welcomes further efforts to promote structural deleveraging, allow the market to play a decisive role in resource allocation, further pursue supply-side structural reform, and promote the steady growth of consumption. Both sides agree on the importance of boosting productivity to secure future prosperity.

### **Multilateral cooperation**

4. The UK and China agree to continue 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 and financial organisations that underpin it. Both sides 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, Hamburg and Buenos Aires Summits, including building an open world economy, improving the multilateral trading system, and promoting international cooperation in areas including structural reform, opportunities and challenges presented by the digitalised economy, sustainable development, enhancing international financial architecture, financial sector issues, high-quality and sustainable infrastructure investment, and anti-corruption.

5. Both sides are willing to strengthen communication and cooperation on international development, promote global poverty reduction, jointly address global challenges, such as public health and climate change, according to common and differentiated responsibilities and promote global growth and development in developing countries in particular. Both sides reiterate commitment to the 2030 Agenda for Sustainable Development and the Paris Agreement and strengthen communication and cooperation on their implementation.
6. Both sides support the International Monetary Fund (IMF) and World Bank as key pillars of global economic governance:
  - i) 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. Both sides agree to promote the completion of the 15<sup>th</sup> General Review of Quotas (GRQ) no later than the 2019 Annual Meetings. Both sides call for the IMF board to reach agreement on IMF resources and governance reforms. We reaffirm that any realignment of quota shares as part of a GRQ is expected to result in increased quota shares for dynamic economies in line with their relative positions in the world economy, and hence likely in an increase in the share of emerging market and developing countries as a whole. Both sides support the IMF's efforts to improve the international monetary system by examining possible broader use of Special Drawing Rights (SDR).
  - ii) both sides support the World Bank Group (WBG) to complete the implementation of capital package for IBRD and IFC following the agreed principles. Both sides support the WBG's efforts to end extreme

poverty and boost shared prosperity, ensure no-one is left behind and respond to global challenges, including fragility, crises, climate change and regional integration. Both sides welcome the WBG's progress against the Forward Look and expect further progress in all areas, including better serving all clients, leading on the global public goods agenda, creating markets and continually improving the business and operational model. Both sides welcome ongoing discussions on the replenishment of IDA, and call on the WBG to strengthen emphasis on jobs and economic transformation in IDA countries, one of the IDA19 special themes.

7. Both sides recognise and 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. Creditor coordination is important for ensuring timely and effective debt restructurings when borrowers enter distress.
8. 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 the G20 standards for international tax transparency including automatic exchange of information. Both sides will continue to contribute to the OECD work on addressing the tax challenges of the digitalised economy and work together to create a fair and transparent international tax environment.
9. Both sides welcome the important progress made by the AIIB, and expect the AIIB to continue expanding its business and enhancing its international influence in the year of 2019. Both sides welcome the AIIB's inaugural global bond issuance in London, reaffirm their commitment to the AIIB's shared vision, and will continue to strengthen all-round cooperation and partnership under the framework of the AIIB.
10. Both sides recognise the unique potential of the proposed Multilateral Cooperation Centre for Development Finance as a mechanism for bringing together multilateral institutions, recipient governments, and other investors to promote the use of international standards and increase high quality

infrastructure and connectivity investments in developing countries. By promoting information sharing, project preparation, and capacity building, the multilateral development banks should support sustainable infrastructure development and connectivity programmes and help to promote the use of international standards on transparency, debt sustainability, environmental impact including carbon emissions, and social impact. Subject to continuing discussions on governance, project standards and development impact, the UK will consider supporting the MCDF Financing Facility.

## **II. TRADE, INVESTMENT AND MAJOR PROJECT COOPERATION**

### **Future UK-China Trade Relationship**

11. Both the UK and China, as outward-looking global trading nations, support a modern, comprehensive trading relationship fit for the 21<sup>st</sup> Century. Both sides fully confirm the important role played by the China-UK Joint Trade and Economic Committee (JETCO) in promoting bilateral trade and investment and look forward to the convening of the 14<sup>th</sup> session of the JETCO in the UK later this year. Both sides agree JETCO is an opportunity to keep up momentum on our future and global trade objectives and to deliver market access results. Both sides welcome progress made so far through the Trade Working Group discussions under the JETCO to explore future opportunities for further collaboration following the UK's exit from the EU, consistent with both sides' relationship with the EU. Both sides will step up efforts to conclude the UK-China Joint Trade and Investment Review.
  
12. Both sides fully recognise the importance of strengthening economic cooperation and working relationships at the regional and local level and of creating synergy between the UK's and China's regional industrial strategies, including through the China-UK Region to Region Working Group. Both sides will broaden collaboration, including efforts to increase practical trade and investment cooperation, exploring opportunities for trade and investment missions, facilitating national and local governments to identify peer partners to drive pragmatic and ongoing cooperation in the development of their industrial sectors, and exploring options for stronger bilateral partnerships within China's regional development strategies, such as an increased UK presence in the Greater Bay Area.

### **Multilateral Trade**

13. Both sides reaffirm their support for the rules-based, non-discriminatory, open, inclusive and transparent multilateral trading system with the World Trade Organisation (WTO) at its centre. Both sides will continue their cooperation in the WTO, including in support of the UK's smooth transition to full independent WTO membership with its own schedules of concessions, ensuring minimal disruption to the UK-China trading relationship. China and the UK will work together and with other members on WTO reform to improve the WTO in its three functions (rule making, dispute settlement, monitoring) while upholding its core values and fundamental principles, and tackle current and future global trade challenges. Both sides commit to:
- (i) ensuring full compliance with WTO obligations, including transparency and notification commitments;
  - (ii) strengthening efforts to help de-escalate global trade tensions and working to resolve the current crisis at the WTO Appellate Body as a priority;
  - (iii) welcoming the commitment made at the EU-China Summit to “intensify the discussions with the aim of strengthening international rules on industrial subsidies”; and
  - (iv) updating the WTO rulebook to better address 21<sup>st</sup> century trade issues, including on e-commerce, trade in value added, and services trade.
14. Both sides recognise the mutual benefits to be derived from membership of the Government Procurement Agreement (GPA). The UK supports a renewed, ambitious application from China to join the GPA as soon as possible. Both sides agree to strengthen the communication and cooperation on government procurement.
15. Both sides welcome the first China-UK dual-use export control dialogue held in London last December, and are pledged to continue the bilateral dialogue on export control of dual-use items.
16. The General Administration of China Customs and Her Majesty’s Revenue and Customs reiterate their commitment to implementing their 2015 and 2018 MOUs along with Port Twinning as indicated in the Exchange of Note signed

in London in November 2018; previous EFD outcomes; 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 laws and to provide feedback on the outcome of intelligence, information and assistance provided. Both sides will:

- (i) cooperate to ensure the provision of guidance to Chinese and UK businesses in relation to appropriate national customs legislation, to ensure the facilitation of a legitimate, compliant, transparent, enabling and predictable trading environment.
- (ii) seek to complete in advance of the UK leaving the European Union (EU), the negotiation and entry into force process on transitioning the EU-China Customs Cooperation and Mutual Administrative Assistance (CCMAA) Agreement to a new UK-China CCMAA agreement and agree to promote Authorised Economic Operators (AEO) Mutual Recognition between the two countries' customs authorities.
- (iii) explore opportunities to advance and expand UK-China Port Twinning beyond the completion of the current Port Twinning Arrangement which is due to finish in August 2019.

## **Business Environment**

17. Both sides agree that stable, fair, non-discriminatory, and transparent business environment and ensuring a level playing field is crucial to the promotion of China-UK economic and trade cooperation. Both sides will enhance cooperation in this field.

- (i) Both sides recognise that competitive neutrality principle is an important principle that ensures enterprise under all forms of ownership are treated equally in areas such as market access and licences, business operations, and government procurement;
- (ii) Both sides welcome the progress made by the China-UK Standardisation Cooperation Commission and commit to strengthening cooperation on adopting international standards, in particular through expanding the list of mutually recognised standards. Both sides welcome each other's businesses and other

interested parties to participate in related standardisation activities in each other's countries.

- (iii) Both sides reaffirm their commitment that technical standards and guidelines regarding data security should be open and transparent.

## **Investment and Market Access**

18. Both sides are committed to promoting an open, fair and non-discriminatory investment environment, safeguarding the legitimate rights and interests of investors, implementing an appropriate, stable and predictable regulatory framework, and developing a reasonable and proportionate regime to review investment for risks to national security. In addition:

- (i) both sides will broaden and deepen the UK-China investment partnership, based on agreed principles, recognising the economic value of investment, reducing and clarifying restrictions, protecting investors and ensuring level playing fields between domestic and foreign companies.
- (ii) China will implement its commitments to promote further opening up of services, manufacturing and mining in the next revision of the current Negative List.

19. The UK and China will cooperate to agree a bilaterally recognised list of investment projects in which both governments support investment by each other's companies. China will ensure that UK companies can legitimately repatriate profits made in China back to the UK.

20. To achieve further opening up, China agrees to expand market access in the following areas of goods trade:

- (i) both sides welcome the signing of the protocol for the export of UK beef to China, with a view to approving beef export to China by the end of 2019.
- (ii) China agrees to send experts to the UK to carry out technical exchanges on scrapie by autumn 2019, in order to study and formulate evaluation criteria for ban-lifting on UK lamb exports;



- (iii) both sides agree to continue to promote the lifting of the Avian Influenza ban on British poultry and poultry products;
- (iv) both sides welcomes the recent approval and registration of UK pork plants, and look forward to further approval of qualified UK pork plants by the end of the 2019, to enable exports based on market demand;
- (v) both sides agree to strengthen communication and cooperation on the research and application of alternatives to animal testing on cosmetics. Both sides agree to work together so that cosmetics products exporters can meet import regulations and standards. Both sides will review progress at the next appropriate ministerial opportunity; and
- (vi) both sides welcome UK and Chinese enterprises to make investment into each others' biofuel markets.

21. Both the UK and China recognise the crucial role played by services in each other's economies, including the role of services liberalisation to promote high quality development, and agree to a high level of ambition for future services cooperation. Both sides agree to enhance collaboration on the opening up of China's services sector and expand services trade, including as part of the bilateral Trade in Services Working Group as part of the Joint Economic and Trade Commission.

- (i) Both sides agree to promote cooperation on accounting standards, and promote cross-border cooperation on accounting supervision. The UK and China welcome recent research and collaboration between the Ministry of Finance, the World Bank, the Association of Chartered Certified Accountants and the Shanghai National Accounting Institute to support the international growth and development of China's CPA profession.
- (ii) As per the recently signed MoU between MOHURD and DIT, to enhance bilateral trade and investment in each other's infrastructure sectors, both parties will cooperate to confirm the areas of the construction market that can be opened to each other's companies.

- (iii) Both sides agree to work together to pursue Chinese government recognition of UK Further Education Colleges as well as more English tests offered by British ELT providers.

### **III. FINANCIAL REFORM AND FINANCIAL MARKET DEVELOPMENT**

#### **Financial regulatory cooperation**

- 22. The UK welcomes the breakthroughs made in the opening up of China's financial sector since the 9<sup>th</sup> EFD. China recognises that the City of London is the world's leading global financial centre and remains China's partner of choice for financial services collaboration. Both the UK and China welcome the outcomes from the previous UK-China Financial Services Summit, and agree to consider and take forward recommendations from the Summit and encourage UK and Chinese business to further deepen collaboration.
- 23. Both sides welcome the second meeting of the Bank of England and People's Bank of China Joint Symposium as a forum to discuss macro-prudential frameworks and green finance and to further support UK-China regulatory cooperation. Both sides agree to strengthen cooperation on anti-counterfeit currency. Both sides agree to enhance dialogue on central bank digital currencies and the implications of innovations in crypto-assets and stable coins. Recognising China's priority to strengthen financial consumer protection and the UK's financial consumer protection expertise, including the UK's Financial Ombudsman, both sides agree to cooperate on this area.
- 24. The UK welcomes China's Presidency of FATF and looks forward to strengthening cooperation on the implementation of China's FATF presidency priorities in the coming year. Both sides agree to actively work towards signing an MoU on Anti-Money Laundering Cooperation between People's Bank of China (PBoC) and FCA and continue to work on an MoU on information and intelligence exchange on Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT). Both sides agree to continue to maintain close cooperation and agree to collaborate on the role of financial and regulatory technology in the context of anti-money laundering.

## Capital Markets

25. Both sides agree to support further internationalisation of the RMB and recognise the unrivalled depth and liquidity of London's markets. Both sides agree to enhance cooperation on capital market connection, financial market infrastructure and regulation and cross-border use of RMB. 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 commit to support UK RMB clearing banks to expand business, continue to promote development of the off-shore RMB market in London, and encourage innovation of RMB-denominated financial products. Both sides agree to promote RMB bonds as common qualified collateral accepted by the UK market. China welcomes more qualified British commercial banks and market infrastructure companies to join Cross-border Interbank Payment System.
26. Both sides recognise that British institutional investors are among the biggest QFII and RQFII players, and agree to continue cooperation to help British investors take full advantage of QFII and RQFII schemes. China welcomes British investors to invest in China's capital market via QFII, RQFII, Stock Connect and other channels. China agrees to allow greater access for qualified UK financial institutions to China's commodity futures markets and to approve and issue QFII and RQFII quotas for UK groups.
27. Both sides welcome the official launch of the London-Shanghai Stock Connect and the listing of Global Depository Receipts (GDR) on the London Stock Exchange (LSE) by Huatai Securities as the first GDR product under the London-Shanghai Stock Connect and welcome qualified LSE-listed companies to list China Depository Receipt (CDR) on Shanghai Stock Exchange. Both sides welcome the signing of MoU on regulatory cooperation between the CSRC and FCA for the purpose of supporting the smooth operation of London-Shanghai Stock Connect after its launch. Both sides agree to promote bilateral audit oversight cooperation based on each other's domestic laws and regulations, and to reach an audit oversight cooperation agreement as soon as possible. Both sides agree to take the official launch of the London-Shanghai Stock Connect as a good opportunity to deepen bilateral securities and audit oversight cooperation. Both sides welcome qualified companies to list in each other's capital market so as to support sound and stable development of the real economy in both countries. Both sides

welcome the continued cooperation under the alliance between LSE ELITE programme and the Shenzhen Stock Exchange V-Next. Following the second ELITE company roadshow, both sides look forward to welcoming Chinese companies to London enabling them to forge links with ELITE's community and actively explore the construction of cross-border equity investment and financing functions.

28. Both sides welcome progress made by the UK-China Bond Connect Working Group. To better enable connectivity, both sides agree to continue the feasibility study on UK-China bond market connect arrangement, including the potential extension of CFETS trading hours. The UK welcomes feasibility studies on the fungibility across QFII/RQFII, CIBM Direct and Bond Connect. Both sides support qualified Chinese-funded custodian banks to provide bond custodian services for investors. The UK welcomes developments in the opening-up of China's bond market, and both sides welcome active consideration by FTSE Russell on inclusion of China's bond market into its World Government Bond Index. 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.
29. China welcomes qualified British banks to develop lead underwriting business for non-financial debt instrument in the China Interbank Bond Market (CIBM). The UK welcomes China to consider issuing sovereign bonds and RMB PBoC bills in London and the Bank of England will consider their inclusion into its eligible collateral list. China welcomes qualified British enterprises to issue panda bonds, and is willing to build practical audit regulatory cooperation mechanisms regarding bond issuance with the UK.
30. Both sides welcome the progress made by the UK-China Close-out Netting working group over the last year. The UK supports China's continued efforts to explore the way forward to clarify close out netting within the existing legal and regulatory framework. Both sides encourage cooperation between financial market infrastructure including OTC derivatives markets and work towards an equivalence decision of each other's regulatory frameworks for central counter parties. Both sides support cooperation between CFETS and IHS Markit to provide post-trade processing services for cross border OTC derivatives transactions.

31. Both sides welcome the establishment of a Capital Markets Working Group between financial participants of the two countries. Both sides agree to discuss connection of the two capital markets under this framework, and welcome recommendations to further increase foreign participation in China's capital markets.
32. China welcomes UK eligible financial institutions to set up majority ownership securities, futures, and fund management companies in China, subject to China's opening-up commitments. Both sides welcome qualified UK firms to take part in the competitive negotiation to ship gold domestically for the Shanghai Gold Exchange. Both sides welcome the application of the Chinese subsidiary of Standard Chartered Bank to become a member of Shanghai Futures Exchange, in accordance with applicable Chinese laws and regulations. China welcomes qualified British financial institutions to actively participate in the trade of designated products opened to foreign investors including crude oil, iron ore, and PTA. The financial regulatory agencies of both countries agree to enhance their cooperation on cross-border supervision and enforcement in derivatives sector and welcome futures exchanges in both countries to be registered by each others' regulators in accordance with laws and regulations.
33. The UK and China welcome the opening of the Shanghai Stock Exchange representative office in London. China and the UK agree to deepen collaboration on foreign exchange markets. Both sides support financial technology companies in the UK to participate in the development of CFETS's G10 market, welcome XTX Markets to become the first foreign non-bank market maker on CFETS's G10 market, and actively prepare for such cooperation.

## **Banking**

34. Both sides support Industrial Bank to establish a representative office in London. Both sides welcomed China CITIC Bank's upgrading of its representative office to a branch. Both sides welcome the opening of the representative office of the China Banking Association in the UK.

35. Recognising the UK's experience in providing equity finance to SMEs through the Business Growth Fund (BGF), both sides agree to work together to conduct research and share experiences in this field.

### **Asset Management**

36. The UK welcomes China's decision to broaden the scope of permitted PFM business, which includes: providing investment suggestion services to affiliated companies or third parties. Both sides welcome further discussion on the extension of the 'One plus One rule' to cover qualified foreign financial institutions. China welcomes eligible foreign managers to convert their PFM WFOEs into an FMC, whilst allowing for continuity of business. Both sides look forward to the findings of the feasibility study into the UK-China mutual recognition of funds programme.

37. The UK welcomes the continued issuance of QDLP and QDIE licences to qualified UK institutions. The UK welcomes China's reform to improve the management of the QDII quota/RQDII system, and expects qualified Chinese institutions to take advantage of these schemes to invest in related financial instruments in the UK.

38. The UK side welcomes China Investment Corporation's efforts to open its London office. Both sides welcome the initiative of China Investment Corporation (CIC) and HSBC, with their partner Charterhouse to set up the UK-China Cooperation Fund, which will invest high-quality UK companies and help them explore business and market potentials in China.

39. Both sides welcome qualified UK financial institutions, when compliant with relevant registration requirements, to be registered by AMAC as a WFOE or joint PFM, investment suggestion service providers and fund accounting and transfer agency private fund service provider.

### **Insurance and Pensions**

40. Both sides welcome qualified British insurers to set up wholly-owned insurance holding companies in China, and welcome Chinese insurers and reinsurers to carry out reinsurance business in the UK. Both sides welcome and support communication and cooperation between the insurance

associations from China and the UK. Both sides welcome the study on pension scheme reform in China with the Ministry of Human Resources and Social Security, learning from UK regulatory and commercial experience. The UK and China will collaborate on exploring possibilities of auto-enrolment pilots of the second pillar of the pension system in China.

41. Both sides welcome discussion on the possibility of investing pension assets in offshore markets. Both sides welcomed the approval of establishment of HASL Pension Insurance Company Limited. China welcomes HASL Pension Insurance Company Limited to participate in the bidding process for an annuities licence. UK welcomes China's newly announced opening-up measures, including allowing foreign business to own up to 51% of shares in life insurance joint ventures and phase out the cap over 3 years (2021). China welcomes UK insurance companies to submit applications in line with the relevant laws and regulations.

## **FinTech**

42. Both sides expect to strengthen cooperation under the framework of China-UK Fintech Bridge. Both sides agree to provide a facilitating policy environment for Fintech enterprises' development in both countries' markets, and for them to serve the real economy in joint efforts with incumbent financial institutions. Both sides agree to improve cooperation between regulators, including through the fintech secondee programme, and share experiences on Open Banking, Sandbox, Pilot project and Trial mechanism. Both sides agree to provide sustained guidance to Fintech enterprises in terms of compliance, data security and privacy. Both sides support financial institutions and Fintech enterprise of both countries to enhance cooperation, to provide innovative solution for global digital economy, especially for digital financial inclusion in developing countries. The PBoC and the Financial Conduct Authority (FCA) agree to sign the MOU on Non-bank Payment Institution Supervision, to enhance cross-border regulatory collaboration and information sharing on payment institutions. Both sides welcome the signing of MOU between the National Internet Finance Association of China and Innovate Finance. Both sides welcome the planned collaboration between NIFA and UK PE/VCs to promote communication and cooperation between Fintech companies from both countries.

43. Both sides agree to actively work together to ensure smooth transition for Chinese financial institutions in the UK during the EU withdrawal process. Both sides welcome the proposed collaboration between NIFA and UK Fintech companies including Brismo to help promote the sustainable development of the Chinese P2P market. China welcomes the applications of eligible UK Fintech companies for non-bank payments licenses. China welcomes qualified UK financial institutions in China to apply for a licence to distribute funds.

## **Green Finance**

44. The UK and China restated their recognition of each other as their primary partner in green finance, for capital raising, product innovation and thought leadership. Both sides welcomed the significant progress made by the UK-China Green Finance Taskforce. Both sides welcomed the launch of the UK-China Green Finance Centre in London, which will form a key function of the UK's Green Finance Institute once established. Both sides welcome and support the work of the UK PACT China Green Finance Programme on green finance capacity building in China and beyond. Working with the UK-China Green Finance Taskforce the Programme will: support the Global Green Finance Leadership Programme; work on harmonisation of green standards; broaden the TCFD alignment work to more sectors; further work to demonstrate that green finance is cost effective; develop innovative products; focus on capacity building at provincial/city level; and support initiatives to green Belt and Road investments.

45. Both sides welcome the launch of the Green Investment Principles, an important initiative that will contribute to the greening of infrastructure and other investments. Drawing on the two countries' green finance expertise and leadership, both sides agree to bolster robust implementation and governance of the principles by establishing a secretariat with offices in London and Beijing. The secretariat will support signatories to share their knowledge and collectively raise ambition for green, low-carbon and climate-resilient investment. Both sides agree to accelerate cooperation to scale-up investments in green and sustainable technologies through the London-Beijing Green Technology Investment Gateway in Tongzhou, Beijing and London. Both sides will create investment platforms driven by the private sector to support and invest in UK green technology firms to scale-up in new



markets, including China. Both sides welcome the collaboration between UK and Chinese financial institutions on the issuance of offshore green asset-backed securities in the UK and other markets.

46. Both sides support the work of the Central Banks and Supervisors Network for Greening the Financial System (NGFS), and welcome best practice sharing between the Bank of England and PRA, and the PBoC and CBIRC in enhancing regulatory oversight in managing environmental and climate-related risks. The UK government and the Chinese side are committed to embedding consideration of climate risk in the financial system. Both sides also recognise the need to explore whether financial disclosures should be expanded to other environmental considerations beyond climate, such as the environment and ecosystems. Both sides recognise the importance of promoting the development of international standards on sustainable finance.

#### **IV. STRATEGIC AND NEW AREA COOPERATION**

##### **The Belt & Road Initiative, infrastructure & third market cooperation**

47. The UK recognises the potential for the Belt and Road Initiative to contribute to prosperity and sustainable development in participating countries. China welcomes the active participation of the UK government and business community in the BRI, including UK attendance at the BRI Forum in April 2019. China recognises the value of UK engineering, legal and financial services in support of sustainable infrastructure projects in third markets. Both sides agree to facilitate market-led cooperation in third markets in line with G20 Principles for Quality Infrastructure Investment and the Debt Sustainability Framework for Participating Countries of the Belt and Road Initiative.
- (i) Both sides will encourage the sharing of information about potential projects for UK-China cooperation in third markets. To facilitate this, both sides welcome the signing of the DIT-NDRC MoU on third market cooperation.
  - (ii) Both sides welcome the launch of the UK Prosperity Fund Infrastructure Programme and will undertake technical cooperation, joint research, pilot projects, investment facilitation and pipeline

development with the aim of delivering sustainable, bankable infrastructure projects in third markets.

- (iii) Both sides agree to develop a three year work-plan to promote practical cooperation to deliver projects in the field of infrastructure in third markets in support of the development objectives of host countries.
- (iv) China and the UK will continue to hold investment and business forums under the framework of Partnership for Investment and Growth in Africa (PIGA), to help African countries to improve their supply capacity and better integrate into the global value chain.

48. Both sides recognise that addressing global infrastructure needs will require crowding-in of private finance.

- (i) Both sides welcome the appointment Dr Zhu Min, as China's counterpart to HM Treasury's Professional and Financial Services Envoy for the Belt and Road Initiative. Both sides welcomed the UK BRI Expert Board position paper, and will explore future cooperation.
- (ii) Both sides agree to explore financing mechanisms to crowd-in private investment to the BRI. As part of these mechanisms, China welcomes qualified British enterprises to issue RMB BRI bonds in China and both sides welcome ICBC as the first Chinese bank via its London Branch to make use of a green loan to support green projects and promote cooperation in green finance.
- (iii) Both sides encourage the City of London Corporation and Beijing Municipal Government to explore collaboration for the Belt and Road Initiative, to promote dialogues between the British and Chinese business communities and jointly support cooperation on BRI projects in third markets.
- (iv) The UK and China agree to further collaborate on using the expertise of the Private Infrastructure Development Group (PIDG) in upstream early stage project development and joint debt financing of private infrastructure projects in Africa and Asia.
- (v) Both sides welcome the signing of a memorandum of cooperation between the Export-Import Bank of China and the UK Export Finance

to support Chinese and UK exports in third party markets. China welcomes UK financial institutions to actively participate in the Belt and Road Inter-bank Regular Cooperation Mechanism initiated by Industrial and Commercial Bank of China, and enhance third market cooperation under this framework.

## **Industry and Innovation**

49. Both sides welcome the achievements of the Ministerial Exchange between NDRC and the UK. The two sides will hold the seventh Ministerial Exchange in London this June, and have in-depth exchanges on macro-economic performance and policy, investment and third market cooperation, and challenges of ageing society.

50. Both sides agree:

- (i) the importance of supporting role that science and technology plays in socio-economic development, through the UK-China Joint Strategy for Science, Technology and Innovation Cooperation, launched in 2017 and are willing to further implement the Joint Strategy together, including the Agri-tech and Healthy Ageing Flagship Challenges;
- (ii) areas for future cooperation following the 9<sup>th</sup> UK-China Joint Commission Meeting on Science, Technology and Innovation Cooperation held in London in November 2018, including agreement to extend the UK-China Research and Innovation Partnership Fund focusing on jointly tackling global challenges, and strengthening scientific and research cooperation in the areas of both sides' interests;
- (iii) to reaffirm that they welcome international students and academics to do studies in each other's country;
- (iv) to promote UK-China space cooperation based on the outcomes of the 2018 UK-China Space Workshop, which will identify a roadmap of cooperation with projects that are in the common interests of both sides. The UK-China Science and Technology Joint Laboratory will continue to provide an important platform for both sides to communicate in the space field. Both sides look forward to discussing emerging areas of

mutual interest such as space debris management and the norms of behaviour in space to ensure a sustainable outer space environment;

- (v) to support the continued cooperation on the Solar Wind Magnetosphere Ionosphere Link Explorer (SMILE) mission under the framework of China-ESA space cooperation framework; and
- (vi) that both sides are satisfied with the cooperation on the agriculture remote sensing projects, and agree to consider signing a Memorandum of Understanding between the China National Space Administration and the Science and Technology Facilities Council on Cooperation in the Space Science Activities.

51. The UK and China recognise the important role of intellectual property (IP) in promoting technological innovation, economic growth, trade and investment. Both sides agree to strengthen IP cooperation and mutual understanding to provide better services for users of IP systems and the general public in both countries. The 2019 UK-China IP Symposium will be held in China and will further promote understanding of IP systems among, and dialogue between, businesses, researchers and policymakers from both countries. The UK and China will also exchange views on issues of mutual interest, including:

- (i) improvements to the patent, design and trademark systems, including in respect of the quality and timelines of examination and enforcement actions; and of work sharing mechanisms;
- (ii) strengthening of the copyright legal framework, collective licensing, and copyright enforcement;
- (iii) sharing of information, intelligence and feedback to further develop the combating of online piracy and counterfeiting; smoother links between on and off-line enforcement; and cross-border law-enforcement cooperation;
- (iv) the importance of flexibility for participants in collaborative research projects or cross-border technology commercialisation to negotiate IP agreements;

- (v) consistency in the granting, administration and enforcement of IP rights nationwide; and
- (vi) the impact of future technologies on IP rights, and the utilisation of IP rights and public services in IP.

52. On digital policy, cyber security, AI and internet governance, both sides agree to:

- (i) take forward the commitments made at the 2019 China-UK Internet Roundtable. Both sides recognise that technical standards and guidelines regarding data security should be open and transparent;
- (ii) ensure a security-first approach to the development of new technologies;
- (iii) work to understand the impact that new technologies including AI and big data will bring. Both stress the importance of prioritising and supporting an innovation-friendly economy that supports the responsible growth and ethical deployment of new technologies;
- (iv) reaffirm their commitment to enhance policy cooperation and experience sharing on digital transformation.

53. The UK welcomes Chinese companies to participate in the bidding of UK rail projects, including HS2. Both sides support the UK-China Railway Joint Working Group to promote cooperation in China, the UK, and in third countries under commercial principles.

54. Both sides reiterate their commitment to a BEIS-MIIT Dialogue to explore areas of collaboration in both countries' industrial strategies, enhancing exchanges for standards, regulations and policies and practical cooperation in the fields of automotive (especially in new energy vehicles and intelligent connected vehicles), aviation (in the framework of the UK-China Joint Economic and Trade Committee), green manufacturing, intelligent manufacturing and digital economy.

55. Both sides agree to enhance the exchange between the governments and the automotive industries, by organising consultative sessions on policies and regulations. Both sides agree to follow up from the 2018 UK Zero Emission Vehicle Summit to advance the development of NEVs, and promote a wide application of NEVs and achieve respective development and low CO<sub>2</sub> emission goals, with various measures including collaboration on battery technology, the roll out of charging infrastructure. Both sides welcome the industries from both countries to prepare to establish the UK-China Joint Automotive Innovation Centre. China is willing to work proactively in achieving the goals of strategic development plan for NEVs, and increase the proportion of NEVs for government and public institutions procurement. The UK side commits to all new cars and vans being effectively zero emission by 2040, and make the Government fleet of vehicles 100% Ultra-Low Emission Vehicles (ULEV) by 2030 as well as encourage business with large vehicle fleets to commit to the same target. Both sides agree to work together to promote international best practice sharing on NEVs. Both sides are willing to promote the development of ICV technology and its industrialisation, enhance exchanges on the formulation and coordination of intelligent connected vehicles' regulations under the framework of WP29, carry out the test and validation in closed fields and on public roads, and encourage discussions on practical application and business models in different scenarios.

56. Both sides support the establishment of “China-UK Industrial Cooperation Partnership (ICP)” initiated jointly by Center for International Economic and Technological Cooperation of the Ministry of Industry and Information Technology of China (CIETC), Confederation of British Industry (CBI) and China-Britain Business Council (CBBC). ICP encourages the industries from both countries to share best practices, establish business network and cooperation industrial clusters.

57. Regarding cooperation in the creative and sports sectors:

- (i) both sides recognise the increasingly important role that the cultural and creative sector plays in promoting economic and social prosperity and the wider development of the two countries. The Cultural Exchange Agreement from 2019-2023, based on the Agreement on Educational

and Cultural Cooperation signed in 1979, is a powerful signal to show that both sides are committed to further cooperation in the field of cultural and creative industries and are committed to sustainable development, cultural protection and exchanges and cooperation for the future; and

- (ii) the UK welcomes deepened collaboration between the UK and China on the Beijing 2022 Winter Olympic and Paralympic Games, including through the implementation of the MoU signed between them in 2016. The UK acknowledges China's efforts to grow grassroots and elite football and the wider development of the sports industry in China. The UK's strengths in the sports economy, and particularly football, offers the opportunity for cooperation.

58. Both sides reaffirm their shared commitment to tackling the global problem of AMR and progress made under the joint call of 2018 between China's Ministry of Science and Technology and the UK's Department of Health and Social Care. Both sides agree to continue to implement the China-UK MoU on Health Cooperation signed in 2016, prioritising cooperation on health policy, medical science and research and global health. Both sides welcome ongoing cooperation in the fields of primary care, oncology, patient safety and look forward to the fifth health policy dialogue.

59. Both sides are ready to further strengthen cooperation in rural development, agriculture green development, and farmers' cooperative organisations. Particularly promoting policy, technology, and personnel exchange in such areas as rural development planning, infrastructure development, agri-tourism and eco-friendly agriculture. Both sides are ready to further strengthen science and technology cooperation in agriculture, with the support of the China-UK Sustainable Agricultural Innovation Network (SAIN) and encourage more agricultural research and educational institutions to conduct collaborative research in advanced agricultural technologies, so as to deliver stronger science and technology support to agricultural development.

60. Both sides agree to explore cooperation on the UK government's Prosperity Fund China programmes, which aim to foster sustainable inclusive economic growth in China and/or third countries, closer cooperation on global

challenges and greater trade and investment. In particular, both sides welcome and support the following programmes: Infrastructure; Energy and Low Carbon Economy; Financial Services, on which both sides signed an MoU; Business Environment; Health Programme; Skills Development; Future Cities; and Global Partners.

## **Energy**

61. Both sides welcome the convening of the 6<sup>th</sup> UK-China Energy Dialogue, Offshore Wind Industry Advisory Group Meeting, and UK-China Civil Nuclear Energy Working Cooperation Group Meeting, and commit to the joint implementation of the Clean Energy Partnership Work Plan for 2019-2020. Both sides support mutually beneficial and pragmatic cooperation in areas including Clean Technologies, Pathways to a Clean Energy Transition, System Reform and International Governance and Engagement.
62. Both sides attach importance to cooperation in the field of civil nuclear energy, and are willing to ensure the China-UK Civil Nuclear Energy Cooperation Working Group is meaningful and mutually beneficial, in a bid to deepen existing cooperation, including on Hinkley Point C, Sizewell C and Bradwell B and especially welcome the progress being made in construction of Hinkley Point C and recognise the investment and track record of experience China is bringing to support this project. Both sides recognise the potential for further mutual beneficial commercial partnerships in the UK and China. Cooperation in new fields and new projects, including nuclear energy supply chain, nuclear environmental protection will also be sought by both sides.
63. Both sides recognise the importance of and the benefit from cooperation of nuclear waste management and decommissioning for sustainable development of both countries and encourage commercial collaboration between respective enterprises under the MoU concerning Enhancing Cooperation in the Fields of Civil Nuclear Industry Fuel Cycle Supply Chain.
64. Both sides welcome the progress on the HPR1000 Generic Design Assessment (GDA) and the continuation of the GDA technical exchange based on the agreement on government to government assurance, in line with the China-UK Intergovernmental Agreement on Peaceful Uses of Nuclear



Energy Cooperation, and the Nuclear Suppliers Group Guidelines. Both sides agree to efficient and timely processing of all export controls applications relating to the export of nuclear materials, equipment and technology. 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.

65. Both sides agree to work together to deepen the clean energy partnership, and support a structured energy transition, reducing the proportion of coal consumption and increasing the proportion of non-fossil energy consumption. Both sides will take steps to support the design and implementation of competitive, transparent and well regulated gas and electricity markets, to faster deploy and integrate variable renewable energy including offshore wind, to accelerate the reduction of high carbon resource in the energy mix, and to work together internationally including in third markets to support the global energy transition.
66. Both sides agree that clean and sustainable projects will be prioritised in overseas energy investment.

## **Climate Change & Environment**

67. 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 as well as the 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 are committed to working together to deliver successful and positive outcomes at the UN high-level political forum and Climate Action Summit in September 2019. The UK and China welcome the agreement of a robust Paris Agreement Work Programme at COP24 in Katowice whilst noting the importance of finalising outstanding work. Both sides are determined to forge ahead with further strengthened policies and measures for the effective implementation of their respective nationally determined contributions. The UK and China also agree to work towards the Paris Agreement goal of making finance flows consistent with a pathway towards low greenhouse gas emissions, and climate resilient

development. Mobilising support and accelerating action globally will provide all countries with significant opportunities for transitioning their economies and enhancing competitiveness and securing the wider socio-economic benefits of clean energy as well as building climate resilient economies and eco-systems for sustainable development. Both sides also agree to work together to improve the effectiveness of the Green Climate Fund in its first replenishment period.

68. As a demonstration of the significant bilateral collaboration on the environment and climate agenda, both sides look forward to the signing of an expanded UK-China MoU on the Environment and Climate Change; re-launching the working group when the MoU on Environment and Climate Change is signed; and working together to deliver a successful Convention on Biological Diversity. The last 18 months have seen an increase in the frequency and severity of extreme weather events and the risks posed by dangerous climate change to the economy and people's livelihoods. The UK and China intend to expand their joint work on Climate Risk Assessment and Management.

69. The UK and China highlight the need for the success of the Fifteenth Conference of the Parties to the Convention on Biological Diversity in Kunming in 2020. Both sides will work together for an ambitious and realistic post-2020 global biodiversity framework at the Conference hosted by China in 2020. Both sides recognise the importance of cooperation in addressing global environmental challenges, including pollution and marine plastics. Both sides are willing to deepen cooperation on issues such as green supply chains, halting biodiversity loss, including through nature based solutions, CITES implementation and enforcement, combating illegal trade in wildlife and wildlife products, sustainable forest management and combating illegal logging and its associated trade.