

Committee(s): Public Relations & Economic Development Sub-Committee Policy and Resources Committee	Date(s): 10 th October 2019 17 th October 2019
Subject: Revised China Market Strategy	Public
Report of: Damian Nusbaum, Director of Innovation & Growth	For Decision
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Summary

China is the second largest economy in the world, after the USA, in absolute GDP terms, and has been one of the top priority markets for the UK financial and related professional services sectors (FPS).

The UK has been actively engaging with China through annual UK-China Economic and Financial Dialogues and regular ministerial level visits to promote closer financial links between the two countries. Over the years, financial cooperation has been a highlight and a strong growth for the bilateral relations.

Over 35 major Chinese financial institutions have set up subsidiaries/representative offices in London (majority are in the City) employing around 3,500 people. In recent years, led by the City of London's RMB Initiative, London has developed itself as the largest RMB offshore hub outside of Greater China, and the no.1 offshore RMB FX trading centre in the world which further cements London's position as world's top FX centre. There are now 113 dim sum bonds listed on London Stock Exchange, and the long-awaited Shanghai-London Stock Connect launched in June this year brought the two markets even closer. The UK-China Green Finance Taskforce co-chaired by CoLC has elevated the UK to China's primary partner in green finance.

UK was also the first country to appoint a special envoy to the Belt and Road Initiative, and the first major Western country to apply to join the Asia Infrastructure Investment Bank (AIIB). In 2016, the UK opened a FinTech bridge with China.

The City of London Corporation has been actively supporting the UK Government and UK FPS industry with engagement on China, particularly in areas such as RMB business and Green Finance, championing UK's thought leadership and collaboration with China which contribute to our vision of a global City of London. We have had dedicated offices in Beijing and Shanghai to support our China engagement since 2008, and have had a dedicated team in London managing relationship with Chinese investors from 2017. The more strategically planned Lord Mayor and Policy Chair's visits to China recently have also created a unique and premier venue for direct dialogues with senior Chinese officials and business leaders.

Challenges remain. We cannot ignore the negative impact to the Chinese economy caused by US-China trade war and the on-going political turmoil in Hong Kong. There

are clear signs of a broad slowdown in the world's second biggest economy. It is a challenging situation for Beijing to manage. To ease the pain from declining exports, the Chinese government is cutting taxes, easing restrictions on cross-border money flows and accelerating the opening-up of its financial and capital markets. These policies have created some new opportunities for UK FPS (see Annex B).

In responding to these rising opportunities and challenges, we have revised the City Corporation's China FPS Strategy, including stronger workstreams and delivery channels for members to agree. These are included in the annexes of this report.

Recommendation

Members are asked to approve the updated City of London Corporation China Strategy (Annex A).

Main Report

Background

1. Members approved the developing international strategy for IG as part of the business plan. The Mayoral Visits Advisory's Committee agreed in July for the Lord Mayor to visit China three times in 2020 (Jan, Mar & Sep). The Policy Chair also has planned visits to mainland China and Hong Kong in late Nov 2019 and Jun 2020. This Strategy provides the framework for these visits and wider engagement.

Objectives

2. Our overall China strategy is to position London as a top global financial centre and a supporter to China's financial reform and sustainable development priorities. It will focus on four core objectives:
 - **Investment:** To preserve current Chinese investment stock in the City and build new pipelines of future investment with a focus on higher value investors and large ticket projects e.g. institutional investors (asset management), global/regional corporate treasury centres, bond issuance and high-value FDIs such as China Investment Corporation (CIC) and AIIB establishing in London.
 - **Trade:** To promote to China the London/UK FPS offer with focuses on Capital Markets, Asset & Wealth Management as well as Innovation.
 - **Influence Future Policy Co-operation and Innovation:** To champion London's thought leadership on financial services with focuses on green finance, offshore RMB business, the sustainable development of the Belt & Road Initiative, and Capital Markets Innovation to protect and enhance FPS trade and investment, and influence the development of a modern Chinese financial services sector.
 - **Partnership / Soft Power:** To build strong business, government and UK-China partnerships to deliver investment, trade and policy cooperation.

Financial Implications

3. The estimated cost for the China Strategy is approx. £150k annually to come from existing resources within local risk budget. This figure covers only the programme element of the strategy but excludes staff costs and the running costs of the two CoLC offices in China.

Corporate Implications

4. This strategy delivers against 7b and 7c of the Corporate Plan under the objective 'To Support a Thriving Economy'.

Conclusion

5. China is a top tier priority market for the City of London Corporation, with large investments in the City, and at a crucial time through Brexit, it is important for the City Corporation to maintain active engagement with key stakeholders and investors to protect existing investments and support the growth of new trade and investment opportunities. Members are now asked to review the updated City Corporation Strategy on China and approve the changes.

Appendices

- **Annex A – China Strategic Plan**
- **Annex B – China Strategic Plan (NON-PUBLIC section)**
- **Annex C – Key Stakeholders List**
- **Annex D – China Engagement Plan**

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