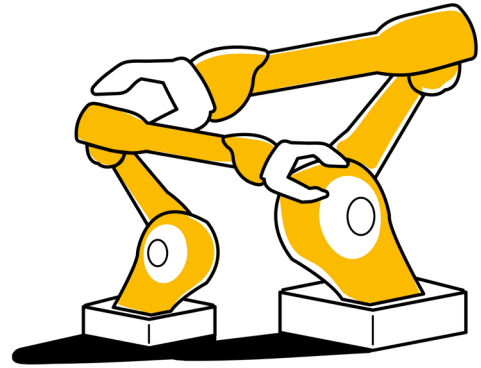


APRIL 10, 2024 (REPORTING PERIOD: FEBRUARY 27 - APRIL 2)

# MERICS

## China Industries



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## MERICS TOP 5

### 1. Beijing eases cross-border data flow requirements for foreign business

**At a glance:** The Cybersecurity Administration of China (CAC) published its Provisions on Facilitating and Regulating Cross-Border Data Flows. Effective immediately, they represent a significant relaxation of requirements for cross-border data transfers. The changes include the CAC:

- Waiving requirements for data processors to obtain clearance for the transfer of non-sensitive personal information of under 100,000 people (up from 10,000) and for the transfer of employees' personal data for human resource purposes;
- Restricting the requirement to file and obtain clearance to cases in which the data processor is designated a critical information infrastructure operator (CIIO), processes data explicitly designated as important, or exports large amounts of personal data (relating to one million or more people annually, or over 10,000 people if the data is sensitive);
- Exempting cross-border data transfers under common business scenarios such as cross-border manufacturing or e-commerce, if no personal or important information is involved.

**MERICS comment:** The new provisions show authorities want to reduce overhead for foreign companies working in China – the appeals by foreign business lobbies seem to have been heard. The title of the provisions suggests China is aware it needs to stem the dramatic drop in foreign investment it has seen in recent years. The published document mentions “Facilitating” first, while the draft had given pride of place to “Regulating”.

Previous regulations were requirements based on the Data Security Law (DSL) and the Personal Information Protection Law (PIPL), which created significant reporting overhead for foreign companies in China. Broadly, the changes lift reporting duties from smaller and medium-sized businesses, and business-as-usual cases of data transfer.

The definition of “important data” remains vague. Data deemed important triggers different reporting requirements and turns data operators into CIIOs. But the new rules allow companies to operate under the assumption that data is “non-important” until notified otherwise by industry regulators. Large multinationals in pharmaceuticals, finance and intelligent vehicles and other businesses that export large amounts of personal data will continue to face reporting obligations and security reviews before they can export data.

**Article:** Provisions on Facilitating and Regulating Cross-Border Data Flows (促进和规范数据跨境流动规定) ([Link](#))

**Issuing body:** CAC

**Date:** March 22, 2024

## 2. MIIT prepares “low-altitude economy” for lift off with new equipment plan

**At a glance:** The Ministry of Industry and Information Technology (MIIT) published a development plan for a new generation of aviation equipment. The policy focuses on short-haul transportation, electric vertical take-off and landing (eVTOL) aircraft, drones and other applications in the “low-altitude economy”. The plan, developed together with three government agencies, aims to apply unmanned, electric and smart technology to urban air transportation, logistics and distribution, and emergency services. Policymakers are aiming for a market worth a trillion yuan by 2030. Interim goals set for 2027 include:

- Developing advanced innovation capabilities, with a focus on key technologies such as precise positioning, obstacle avoidance and autonomous flight;
- Implementing large scale applications in aviation emergency rescue, logistics and distribution; beginning commercial operation for urban air traffic; identifying more than 20 replicable and scalable typical application demonstration projects;
- Cultivating more than ten leading aviation equipment enterprises, fostering a group of related companies designated as [Little Giant](#) and Manufacturing Champions.

**MERICs comment:** The government has recently sent clear signals in support of the “low-altitude economy”. The sector was mentioned as a new growth driver for the economy for the first time in the [Government Work Report](#) at the Two Sessions in March. In December, the [National Air Traffic Control Commission](#) designated a low-altitude flight space for eVTOL, light and small unmanned aerial vehicles, and general aviation.

China’s strength in drones and battery technology suggest it will be able to quickly make headway in airborne logistics and distribution. But advances in urban passenger air-transport will likely take appreciably more time. High safety standards for air travel in urban areas will pose a challenge for the frontrunners in this industry.

Foreign companies using tried-and-tested technologies to make components for low-altitude passenger aircraft could stand to gain, at least in the medium term. On the other hand, Chinese suppliers could also benefit by proving their own technologies in this segment and using it as stepping stone to supply passenger-jet manufacturers.

**Article:** General Aviation Equipment Innovation and Application Implementation Program (2024-2030) (四部门关于印发《通用航空装备创新应用实施方案（2024-2030年）》的通知) ([Link](#))

**Issuing bodies:** MIIT, MOST, MOF, CAAC

**Date:** March 27, 2024

### 3. State Council issues twenty-four more measures to bolster foreign investment

**At a glance:** China's State Council agreed to 24 measures to boost foreign-investor sentiment when it promulgated its ninth 国办发 "State Council Document" of the year. The steps are similar to (though more detailed than) 24 previous measures agreed by the same body in August 2023 and set priorities in several key areas by:

- Expanding market access, ensuring a level playing field and solving administrative issues in areas like data transfer and talent flows;
- Underlining Beijing's need to attract foreign technology to enter the market and localize production in areas in which China lags behind other countries;
- Signaling Beijing's continued interest in foreign investment to drive growth and business confidence when Beijing has limited resources to stimulate the economy.

**MERICS comment:** Like previous versions, these measures are unlikely to fully achieve their broad agenda. Commitments to a level playing field for foreign investors in general – and in areas like procurement in particular – have been made many times. Even the once much-touted Foreign Investment Law failed to move the needle on equal treatment.

However, these measures do drive progress at the margins and creative business leaders might be able to find new business opportunities as a result. Good areas to focus on could be those in which steady – albeit incremental – progress has been made over the years.

Market access, for example, has expanded as Beijing has steadily liberalized China's Foreign Investment Negative List and recently even released a separate list for foreign investment in the services sector. Such moves may only open up small niches (that may also be closed down again by secondary barriers), but companies should keep an eye on these lists in the event that they do provide new commercial opportunities.

Companies should also follow areas that look set to profit from multiple adjustments. For example, two measures focus on easing cross-border data flows (see the article above), which suggest China is making progress as its data-governance regime matures. Similarly, measures committing to easier flows of highly skilled workers should be taken seriously. The foreign business community in China remains hollowed out after the pandemic and Beijing wants to bring in new foreign talent. It has also signaled this by granting the citizens of more and more European countries [visa-free travel](#) to China.

**Article:** Action Plan to Solidly Promote High-level Opening Up and Enhance Efforts to Attract and Utilize Foreign Investment (扎实推进高水平对外开放更大力度吸引和利用外资行动方案) ([Link](#))

**Issuing body:** State Council

**Date:** March 19, 2024

#### 4. Standardization Action Plan supports China's tech development

**At a glance:** The State Administration of Market Reform (SAMR) and 17 other agencies issued an action plan on standardization (2024-2025). Key technologies like semiconductors, new materials, biotechnology, artificial intelligence and self-driving vehicles feature prominently, while the plan also mentions 6G, blockchain, the metaverse and other future technologies. Across science, industry, ecology and urban and rural development, the plan stipulates international engagement to:

- Increase China's influence in international forums, including those of UN-affiliated organizations, WTO subgroups and regional trade agreements like CPTPP and DEPA;
- Nurture Chinese international standardization teams in key areas;
- Support private enterprise to take the lead in international industrial and standard organizations;
- Promote synergies between domestic and international standards organizations, aiming for 90 percent consistency;
- Guarantee the equal participation of China-based firms with foreign ownership in domestic processes.

The action plan was issued alongside the [official 2023 yearbook on standardization](#). At its presentation, SAMR Standards Commission officials said they would next support:

- Trade-in programs for sub-standard appliances and equipment;
- High-quality opening up, including joining global standard setting platforms;
- Industry supply-chain security, including promoting indigenous innovation and technology self-reliance.

**MERICS comment:** Standards are a key industrial policy tool. As set forth in the 2021 National Standardization Outline, they allow the government to raise the criteria for state support, encouraging sectors to consolidate and pursue high-quality development. Beijing also presents standards as a measure of China's innovativeness. The official yearbook heralded that Chinese firms in 2023 had issued 1,400 standards that are global front runners. About 40 percent of these new standards were in the strategic emerging industries.

Market standards are a tricky issue for foreign firms active in China. On the one hand, Chinese policy seeks to assure foreign firms that they will not be excluded from standard-setting commissions and, by extension, from government subsidies and the domestic market. At the same time, Beijing treats standards as an instrument to achieve tech self-reliance and replace imports. 6G mobile data standards, scheduled for 2025, will likely be the next global flashpoint. The US has set up [6G alliances](#) that exclude most Chinese firms.

**Article:** Action Plan (2024-2025) for the Implementation of the National Standardization Development Program (关于印发《贯彻实施〈国家标准化发展纲要〉行动计划（2024—2025年）》的通知) ([Link](#))

**Issuing bodies:** SAMR, CAC, NDRC, MOST, MIIT, MPS, MCA, MNR, MOHURD, MOT, MWR,

MARA, MOFCOM, NHC, MEM, PBOC, SASAC, ACFIC

**Date:** March 18, 2024

## 5. The green machine - China boosts green manufacturing across sectors

**At a glance:** Seven government departments led by the MIIT issued guidelines to promote the green development of the manufacturing industry. The policy aims to forge new industrial advantages as China strives to meet its goals for peak carbon emissions and carbon neutrality. It aims by 2030 to:

- Increase the level of green development in traditional industries and optimize industrial structures and layout;
- Significantly raise the proportion of green and low-carbon energy use, improve the level of comprehensive utilization of resources and peak total carbon emissions;
- Support the rise of emerging industries as engines of green growth, improve scale and quality, and increase the proportion of green and low-carbon industries.

**MERICS comment:** China's goals for green manufacturing go far beyond standard green technologies such as solar panels, batteries and electric vehicles, they also apply to other emerging technologies and traditional industries.

Reluctant to let go of China's [low-end manufacturing](#) in sectors such as steel, petrochemicals, metals, textiles or machinery, policymakers are pushing for investment in equipment and quality upgrading, the adoption of low carbon fuels and improved recycling.

In addition to “future manufacturing industries” such as hydrogen energy, bio-manufacturing, and carbon capture, utilization and storage (CCUS), emerging technologies identified for more support include next-generation information technology, high-end equipment, aerospace and environmental protection equipment. The National Development and Reform Commission (NDRC) in March unveiled a number of demonstration projects to pilot [advanced green and low-carbon technologies](#) in areas like energy production, industry, construction and transport.

While some foreign firms are well placed to offer green technology solutions, they will need to balance sales prospects with the risks of bringing products and know how to China. In addition, tensions continue to fester over the trade imbalance between the EU and China, in particular regarding China's exports of low-cost green technologies such as [solar panels](#). This could further complicate government and corporate exchanges about and cooperation in these technology areas.

**Article:** Guiding Opinions on Accelerating the Green Development of Manufacturing Industry (工业和信息化部等七部门关于加快推动制造业绿色化发展的指导意见) ([Link](#))

**Issuing bodies:** MIIT, NDRC, MOF, MEE, PBOC, SASAC, SAMR

**Date:** February 29, 2024

## NOTEWORTHY

### Policy news

- *February 27:* The MIIT and three other government departments clarified the conditions under which companies that make industrial machines can enjoy the so-called tax super deduction for R&D expenses in 2023 ([MIIT notice](#))
- *March 12:* The Ministry of Education and seven other departments launched the National Recruitment Action program to boost employment for college graduates in 2024 ([MOE notice](#))
- *March 13:* The State Council announced a program to promote large-scale equipment updates and the replacement of consumer goods; the policy aims to increase the scale of equipment investment across several sectors – such as industry, agricultural and education – by 25 percent between 2023 and 2027 ([State Council notice](#), [Shanghai Securities News article](#))
- *March 14:* The NDRC issued instructions to support the access of domestic enterprises to foreign debts, particularly for those firms which contribute to the development of the real economy, i.e., hard technologies ([NDRC notice](#))
- *March 18:* Five government agencies led by the China National Intellectual Property Administration released an implementation plan to promote the growth of small and medium-sized enterprises through enhanced use and marketization of patented technology ([CNIPA notice](#), [Economic Information Daily article](#))
- *March 22:* The NDRC announced a continuation of existing formulation procedures, enterprise conditions and project standards regarding the provision of preferential tax treatment to integrated circuits and software companies in 2024 ([NDRC notice](#))
- *April 2:* The State Council announced a plan to create a financing and credit service platform targeted at small- and medium-sized enterprises; the aim is to enhance the collection and sharing of credit information ([State Council notice](#))

### Corporate news

- *February 28:* Huawei launched a new version of its AI large language model Pangu for commercial use in the telecom sector; the company said it can support service innovation, improve operations efficiency and enhance network productivity ([Caixin Global article](#), [Huawei press release](#))
- *March 7:* AstraZeneca announced plans to invest USD 475 million in a new small molecule drug plant in Wuxi ([Yicai article](#))
- *March 7:* Reuters reported that the NDRC has given the green light to the Stellantis-Leapmotor joint venture; the deal is also awaiting regulatory approval in other markets ([Reuters article](#))

- *March 26:* Alibaba canceled the planned listing of its logistics unit Cainiao due to challenging IPO market conditions ([Nikkei Asia article](#))
- *March 28:* Xiaomi launched its first electric vehicle, the SU7, and announced plans to begin mass deliveries by the end of April ([Bloomberg article](#), [The Paper article](#))
- *March 29:* Syngenta withdrew its application to list on the Shanghai Stock Exchange after deciding the move did not align with the current industry environment and the company's development strategy ([Syngenta press release](#), [South China Morning Post article](#))



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