



Newsletter

Außenwirtschaft

Dear readers,

This year was very much dominated by the Sino-US trade war which now seems to result in a phase one trade deal or just a ceasefire for as long as the New Year celebrations, meaning Western and Chinese New Year, will last. Trade with the US has shrunk. China's share of US good imports has fallen from a peak of 22.5% in late 2017 to 17.4%, the lowest figure since 2008. Economic growth in China is decelerating, and China is definitely headed for lower growth, but as probably rightly said during a recently Economic Outlook event: not a crisis but a slow down with experienced stakeholders (government, corporate, etc.) with the will to overcome. This leaves us quite optimistic for the coming year.

Foreign Trade and FDI:

- Exports: 212.9 USD in October, down 0.9%, 221.7 USD in November, down 1.1%
- Imports: 170.1 USD in October, down 6.4%, 183.0 USD in November, up 0.3%
- FDI: 107.28 billion USD from January to October, up 6.6% y-o-y, October alone, FDI climbed 7.4% y-o-y to 69.2 billion RMB
- High Quality Border Trade: Customs data shows that in 2019 trade with the US has fallen (11% y-o-y Jan-Nov) while trade with ASEAN has risen (12.7%). Seeking stability amidst trade tensions, MoFCOM and other agencies have proposed measures to boost border trade. Preferential tax, tariff, and regulatory measures will first be tested in Free Trade Zones (FTZs) located in border provinces and Cross-Border Economic Zones.

For VDMA China and our dedicated teams in Beijing and Shanghai, 2019 again has been an eventful year. Following our **2019 activities at a glance**:

- ✓ 13 sector specific China Management Meetings in Beijing, Shanghai, Qingdao, Suzhou, Taicang, Foshan and Guangzhou
- ✓ Six annual events like Annual Dinner, Technical Networking Meeting, Flagship Industry 4.0, VDMA China Mechanical Engineering Summit, Technical Brainstorming, and the Smart Manufacturing Forum
- ✓ Eight Roundtable Meetings and CEO Briefings
- ✓ Four Trainings on Import-Export, Tax, Finance and Leadership Challenges
- ✓ Three surveys about Business Climate and Policy Impact
- ✓ Over 150 individual company inquiries
- ✓ Numerous sector reports and quarterly industry briefings
- ✓ And furthermore, our VDMA Executive Director, Mr. Thilo Brodtmann, visited China to talk to high level government bodies, member companies and the European business community to get firsthand information about the current economic situation in this important market.

Please don't hesitate to contact us in case of any requests!

VDMA China wishes you and your family a lovely holiday season filled with joy and meaning. Merry Christmas and Happy New Year!

Sincerely,

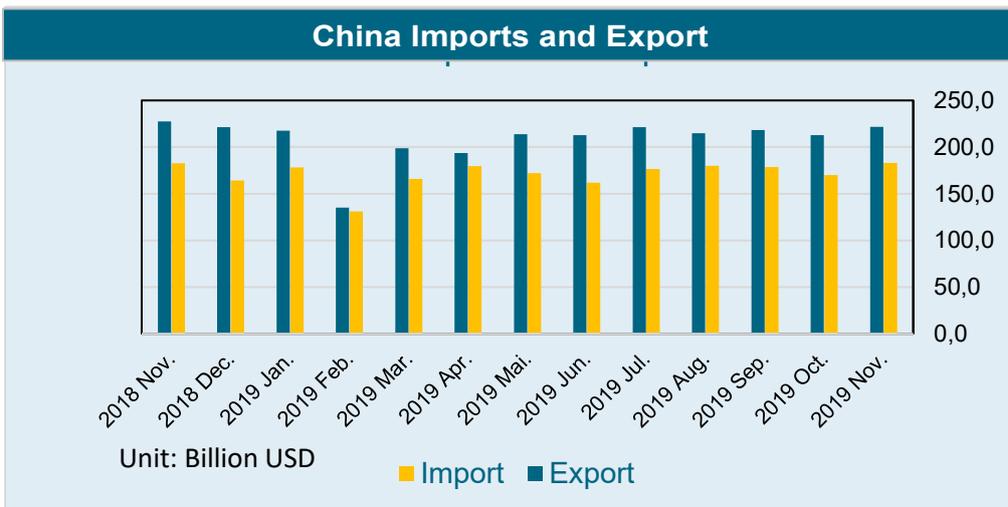
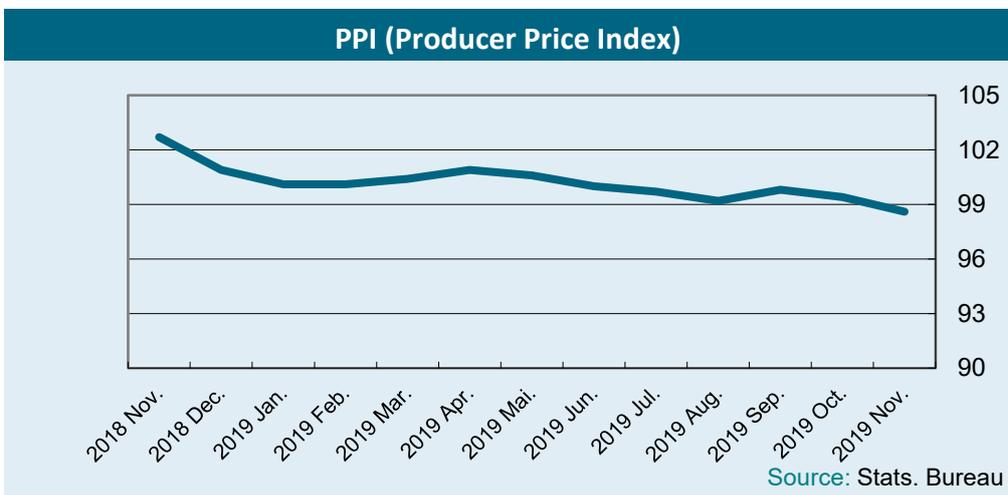
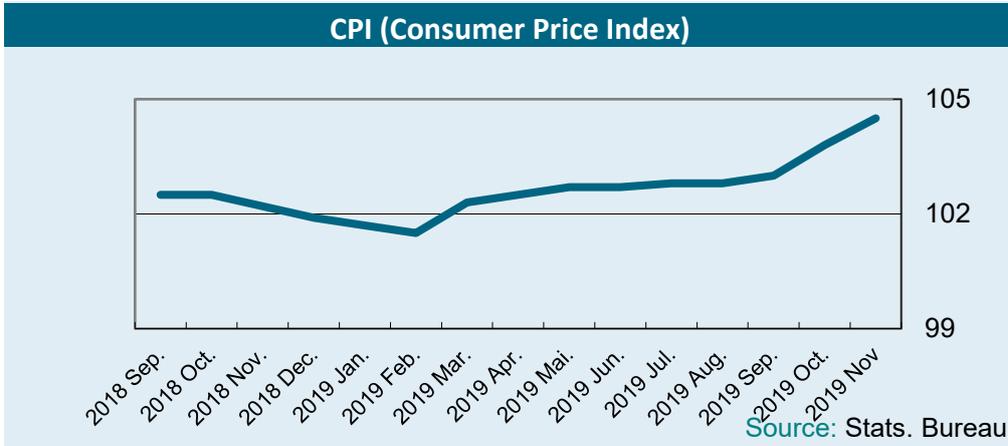
Claudia Barkowsky

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1) China Macro Economic Scenario

1.1 General Data and Figures



1.2 Macro Economic

The 4th plenum

The just-concluded Central Committee 4th Plenum Session of 19th CPC Central Committee (October 28-31) focused more on politics than policy, revolving primarily around modernizing governance. The core sent strong messages is that the Party fully understands how to rule China: Xi Jinping's political program now delivers 'modern governance'. China need no longer consider external models. Economic, environmental, and social issues are flagged in the small print, but do not attempt to break new ground.

- The term 'China-governance' (Zhongguo zhi zhi), taking the China 'solution' to a new realm, and decisively superior to Western alternatives.
- Letting the market play a decisive role' (reframing a core theme of the 2013 3rd Plenum) and 'building a modern economic system'.
- Environmental policy reiterated 'ecological civilization', in line with Xi Jinping's focus on the ecology of the Yellow and Yangtze rivers.
- New technologies will play a large role in modernizing governance.
- On trade, the Plenum's focus on upgrading governance underlines the imperative to create a better domestic business climate. Free trade zones were noted as crucial.

CEWC (Central Economic Work Conference)

The Central Economic Work Conference (CEWC) wrapped up on December 12. Facing the slow down, there are new policy mantra from the key messages that are sent.

- Broad money: to keep liquidity abundant to help struggling banks
- Tight credit: to keep an overall lid on credit growth (and debt)
- Loose fiscal: to keep the fiscal firepower coming

In summary, the Party is doubling down on its new approach to economic management in sacrifice of a short-term growth, hopefully in return of China's medium-term growth stability.

China, US reached phase one trade Deal

On December 13, China and the US announced that – at long last – they have agreed to a phase one trade deal.

- The US agreed not to proceed with a new escalation in levies on 156 billion USD of Chinese consumer goods planned for Sunday, and it will cut tariffs on 120 billion USD of Chinese imports that were introduced in September to 7.5% from 15%.
- China will import various U.S. goods and services over the next two years in a total amount that exceeds China's annual level of imports for those goods and services in 2017 by no less than 200 billion USD.

China also agreed to:

- Better protect intellectual property
- Not force technology transfers
- Remove barriers to imports of US agricultural goods
- Open its financial services sector
- Not engage in currency manipulation

Advanced batch of special bonds to stabilize H1 2020 economy

On November 27, Ministry of Finance (MoF) announced the advanced patch of 2020 special bonds (SPBs) quota for localities. In contrast to previous market anticipation of 1.29 trillion RMB, MoF approved only 1.0 trillion RMB, which is 47% of 2019's 2.15 trillion RMB total. Localities are urged to plan for SPBs usage to ensure effective support for economy by early 2020. State Council executive demands SPBs can only be used for critical infrastructure.

New version negative list for market access

China has released a shorter version of the nationwide negative list for market access on November 22, in a move to further promote market opening for foreign investors and create a modern market system of opening-up and orderly competition. The shortened list contains 131 administrative measures on investment, a reduction of 20 (13%) from the 2018 version.

World Bank upgraded China in Doing Business Study 2020

China's business environment showed one of the strongest improvements worldwide in the 12 months ending. China's ranking in the World Bank Group's Doing Business 2020 study climbed to 31st place in terms of ease of doing business, up from 46th a year earlier and 78th in 2017, the bank said.

1.3 Environmental Protection

Yangtze River Delta Integrated Development Guidelines

State Council approved the Plan for Yangtze River Delta green and integrated development demonstration zone (Note: this policy is not yet released) on October 29, specifying objectives

- achieving unity of green economy, high-quality life and sustainable development
- co-construction among administrative regions with balanced socioeconomic growth
- Shanghai, Jiangsu and Zhejiang provincial governments to improve working mechanisms and support policies to ensure tasks are completed on schedule
- State Council departments to strengthen implementation coordination and guidance
- NDRC and Promoting Integrated Development of Yangtze River Delta Leading Group Office to enhance analysis and supervision of implementation

NDRC launch ecological compensation pilot

NDRC issued 'Ecological compensation pilots' on Nov 20, stipulating

- targets, by 2022
 - strengthening resilience of ecological protection regions
 - ecological compensation mechanism in line with local economic development
- key tasks
 - innovating forest eco-compensation
 - eco-compensation between upstream and downstream river parties
 - developing eco products
 - institutionalizing ecological compensation
- 50 pilot counties were selected from ten provinces

2019 Combating Marine Plastic Waste Forum

East China Normal University and UNESCO Intergovernmental Oceanographic Commission Marine Waste and Micro Plastics Training and Research Centre jointly hosted '2019 Combating marine plastic waste forum' in Shanghai on November 4-5. The forum discussed domestic and international experiences in

- research, planning and policymaking
- international agreement compliance
- waste sorting
- circular economy solutions
- waste reduction
- sustainable life-cycle management of plastics

2) General Industry News

2.1 General Industry Figures and News

Since September 2018 no updated data of individual machinery sectors has been published. Older data please refer to the edition 4 2018.

Q1-Q3, overall industrial profit fell, high-end manufacturing industry grew

On October 27, according to the financial data of industrial enterprises in the first three quarters released by the National Bureau of Statistics,

- Total profits of industrial enterprises at national scale were 4593.35 billion RMB, with a y-o-y decrease of 2.1%.
- The industrial added value at national scale increased by 5.6% y-o-y
- The total profits of industrial enterprises at national scale shows a narrowing trend quarter by quarter, including the decline of 3.3% in the first quarter, 1.9% in the second quarter and 1.8% in the third quarter.
- Affected by the profit recovery in automobile industry and electronic industry, the profit of the equipment manufacturing industry increased 0.9% in the first nine months from a decline of 0.7% in the first eight months.
- Structurally, the profit growth of the high-tech manufacturing industry and strategic emerging industries accelerated. Q1-Q3, the equipment manufacturing industry and the high-tech manufacturing industry grew rapidly, of which their added values increased 6.0% and 8.7% year on year respectively.

Revisions to industrial structure adjustments guiding catalogue

NDRC released the revised 'Industrial structure adjustments guiding catalogue' on 5 Nov 2019. Meanwhile, the 2011 version is abolished. Artificial intelligence (AI) debuts as a separate category, consisting of 15 sub-industries.

Manufacturing gains help bolster confidence

The Chinese General Manufacturing PMI rose for the fourth straight month to 51.7 in October and to 51.8 in November, the highest level since February 2017. The stronger expansion of the manufacturing sector came as market conditions improved and client demand increased both at home and abroad. The increases show that both foreign and domestic demand is improving. Both imports and export sub-sections in the NBS PMI improved by 2.9 and 1.8% respectively. Rising exports are attributed to Christmas orders abroad and increasing optimism surrounding a China-US trade deal, while counter-cyclical adjustments, like Single's Day (China's 11 Nov online shopping holiday), and accelerating infrastructure activity led to increasing domestic demand.

2.2 Innovation and R&D

150 billion RMB manufacturing transition fund to support

NDRC and 14 other agencies issued opinions promoting integrated enterprises, platforms and demonstration zones. Raw materials, consumer goods, equipment and car manufacturers are to become service companies, while R&D, logistics, software and financial services companies are to link up with manufacturers. A 150 billion RMB manufacturing transition fund, established by Ministry of Finance with state-owned and private contributors, will prioritise new materials, new-generation ICT and electrical equipment.

State drafts robotics industry plan towards 2035

The state is drafting a robotics industry development plan towards 2035, according to China Robot Industry Alliance. Relevant government agencies and his organisation have been conducting research in the Yangtze and Pearl River Deltas over the past two months, with Ministry of Industry and IT (MIIT)'s support. Areas of potential growth include:

- elderly and disability care services robots given China's ageing society
- housework, companionship and entertainment robots given consumption upgrading
- specialised robots in research, aerospace, deep-sea exploration and rescue missions

Blockchain seen as crucial in innovation

Xi Jinping urges efforts to expedite the growth of blockchain technologies and industries in a group study session of the Political Bureau of the CPC Central Committee on the development and trend of blockchain technology end October. He pointed out that blockchain is at the crux of several key technologies that, if mastered, could give China a major competitive edge, including: digital finance, intelligent manufacturing, IoT, AI, and big data.

MIIT supporting industrial 5G use towards 2022:

MIIT issued a Plan on 5G+Industrial Internet Development on November 11, and will guide local policy development and promote best practices. Goals for 2022:

- key technology breakthroughs supporting industry development, focusing on
 - standards
 - R&D
 - industrialization
 - business models
- five industry public services platforms
- 10 5G intranet upgrading projects among key industrial internet firms
- 20 representative application scenarios

2.3 Cyber Security

Cryptography Law

National People's Congress passed the *Cryptography Law* on October 26. The law stresses party leadership, regulates cryptography use and safeguards internet and information security. The mandatory certification system aims to safeguard cryptographic quality and does not limit market and industry growth, the official stresses.

Call for comments on the Classification Guideline on the Cyber Security of Industrial Internet Enterprises

The MIIT is seeking public consultation on the Classification Guideline on the Cyber Security of Industrial Internet Enterprises (Trial) (Draft for Comments). Deadline is December 25th. According to the draft, there are altogether four classifications regarding to the relevance of the data for national, public and commercial security: low relevance, middle relevance, high relevance and crucial relevance Enterprises, those who are higher than the level 2 are obligated to go through very strict official as well as third party evaluation and assessment. Enterprises of mechanical engineering industry all belong to the level 2 and level 3.

3) Individual Industry News

3.1. Automobile

Sales figures from Jan-Nov 2019:

- VW: -5%, in total 3,19 million vehicles
- Daimler: 17%, in total 494,000 vehicles
- BMW: 18%, in total 444,000 vehicles
- Honda: +11%, in total 1,3 million vehicles
- Toyota: +7%, in total 1,14 million vehicles
- Nissan: -1%, in total 1,07 million vehicles

Catalogues of New Energy Vehicles Exempted from Vehicle Purchase Tax

On November 25, 2019, MIIT, in collaboration with the State Taxation Administration, issued the Catalogue of New Energy Vehicles Exempted from Vehicle Purchase Tax (the 27th Batch) and the Name Change List of Automobile Manufacturer, and revoked the Catalogue of New Energy Vehicles Exempted from Vehicle Purchase Tax.

FCVs get indirect central support as NEVs in general, but stays Plan B

The state will support the FCV (Fuel Cell vehicles) sector indirectly through tax breaks for manufacturers, subsidised infrastructure and R&D funding. MoST (Ministry of Science and Technology) awarded 653 million RMB in 2018 and 438 million RMB in 2019 to projects under the 'renewable energy and hydrogen technology' NKP (National Key R&D Program). The NKP will hold a new round in 2020 but has not stated an overall budget. Since January 2019 NSFC (Natural Science Foundation of China) has allowed fuel cell projects to apply for funding with the China Automotive Industry Innovative Development Joint Fund. MoF also remarked in July that the technology is also supported through the National Fund for Technology Transfer and Commercialisation, which manages 25 billion RMB, and the Central Earmark Fund for Local Sci-tech Development, which planned to invest 2 billion RMB in 2019.

Most pilots focus on buses, and to a lesser extent trucks, where hydrogen has the potential to outperform batteries in power density, mileage and refuelling speed. In this niche market, however, FCVs will still face challenges from battery swapping, fast charging and other improvements to EVs, as well as cleaner internal combustion engines and alternative fuels like methanol and synthetic gasolines ('liquid sunshine').

Industry group predicts more precipitous drop in NEV sales

Sales of new energy vehicles are likely to see negative growth this year in the world's largest vehicle market, said the CAAM. The sector has plunged for four consecutive months since the Chinese government cut subsidies in June. According to statistics released by the CAAM last week, the NEV sales were 75,000 units in October, slumping 45.6% y-o-year. Total sales of the first 10 months reached 947,000 units, only accounting for 63% of CAAM's predictions from earlier this year. The association said results were hurt by direct cuts to government subsidies and the impact has been beyond their imagination.

NEVs to make up 25% of car sales by 2025

MIIT issued *Draft NEV industry development plan 2021-2035*, largely resembling an earlier draft leaked online in October 2019. The plan sets target for NEVs to make up 25% of car sales by 2025 (note: NEVs currently make up about 5%). Compared to the leaked draft, the plan

- stresses branding, smart manufacturing and safety development
- emphasises NEV public procurement in selected areas by 2021 and fully electrify all public service vehicles by 2035
- strives to break local protectionism and set up a unified market
- incorporates NEV R&D into state-owned enterprise evaluation

The profits of 80% of the Chinese automobile enterprises declined

According to the statistics from the CAAM, in the first three quarters, the production and sales volume of the self-owned automobile in China reached 18.149 million and 18.371 million units respectively, down 11.4 % and 10.3 % from the same period last year. Among the 13 major listed companies of passenger car, seven automobile enterprises made losses in the first three quarters, with the profit decline of nearly 80 % automobile enterprises.

Financial reports of Chinese auto parts companies: only three of them got profit growth

In November, 12 listed of auto parts companies in China published the performance report of the first three quarters in 2019. The achievement was mixed. In the first three quarters of this year, 12 auto parts companies achieved a total of operating revenue of 229.004 billion RMB and a total net profit of 12.119 billion RMB. 7 companies that achieved y-o-y revenue growth, including Joyson Electronics, CATL, Ningbo Huaxiang, Shanghai Daimei, Wanliyang, NavInfo and Dongan Auto Engine; and 5 companies declined y-o-y, including Huayu Automotive, Anhui Zhongding, Wanxiang Qianchao, Tuopu Group and Desay SV. Among them, there are four companies with operating revenue of more than 10 billion RMB, namely

- Huayu Automotive, 105.596 billion RMB, down 11.11% y-o-y.
- Joyson Electronics, (45.806 billion RMB, up 16.2%
- CATL, 32.856 billion RMB, up 71.7%.
- Wanxiang Qianchao, 11.714 billion RMB, up 9.33%

In terms of net profit in the first three quarters, among the 12 auto parts enterprises, only three achieved net profits

- CATL, 3.464 billion RMB, up 45.7%.
- Ningbo Huaxiang, 670 million RMB, up 32.9%.
- Shanghai Daimei, 480 million RMB, up 7.8%

FAW-Volkswagen and Volkswagen Group Signed Memorandum of Cooperation on Import Procurement

On November 6, the Forum on China-Foreign Enterprises Cooperation organized by SASAC was held at the 2nd CIIE. At this forum, FAW-Volkswagen Co., Ltd and Volkswagen Group signed Memorandum of Cooperation, it is expected that in 2020, FAW Volkswagen will purchase imported CKD parts and Audi imported vehicles from Volkswagen Group of Germany, so as to meet the increasingly rich production demand of the product line.

BAIC planned to double its shares in Daimler to be the largest shareholder

According to Reuters, two unconfirmed sources said BAIC Motor Group planned to double its share in Daimler from the existing 5% to about 10%, and obtained the seat of board of directors of Daimler, so as to surpass Geely to become the largest shareholder of Daimler (currently, Geely does not have one), so that it could be regarded by Daimler as the most senior partner in China. BAIC Motor is currently the third largest shareholder of Daimler, once the shareholding ratio reaches 10%, it will become the first largest shareholder. Daimler said it had not received any notification about BAIC's intention to further increase its shares.

Mercedes launches first electric SUV in China

Mercedes-Benz launched its China-made and first electric model, the EQC SUV, in Beijing on Friday, underscoring its efforts to blaze a trail in the competitive new energy vehicle segment of the world's largest car market. China overtook the United States as the biggest market for new energy vehicles in 2015. From January to November, such vehicles' sales in China totaled 872,000, up 20.8% year-on-year, according to the China Association of Automobile Manufacturers.

3.2. Infrastructure

Infrastructure investment continues to slow in October

National Bureau of Statistics data shows national fixed asset investment grew 5.2% y-o-y in January-October, dropping 0.2% points compared with January-September. Infrastructure investment growth was 4.2 percent, 0.3% points lower than January-September data. Consumption and above-scale industry growth rates were 7.2 and 4.7% in October, dropping by 0.6 and 1.1 percentage points respectively. Only manufacturing investment growth saw improvement, up 0.1 % points compared to the January-September levels, reaching 2.6%.

Sales of small excavators increased in November

According to the industry statistics data of the China Construction Machinery Association, 19,316 units of excavating machinery products were sold in November 2019, with a y-o-y increase of 21.7%, and the proportion of small excavators increased. Industrial analysts pointed out that at present, the production scheduling of core parts manufacturers was strong, and the excavator sales are expected to usher in a good start in 2020. The y-o-y growth in the first quarter of next year is expected to reach 10% -20%.

The NDRC frequently approved the rail transit projects, and the investment of capital construction was speeded up at the end of the year

Since the second half of this year, the NDRC has approved dozens of infrastructure projects, including 18 railway projects and subway projects in multiple cities, involving an investment of nearly 500 billion RMB. As the conversion period adjustment intensifies, the investment of capital construction has accelerated to pick up, as evidenced by the recent approvals for multiple rail projects.

Beijing-Zhangjiakou automatic high-speed railway to open soon

The Beijing-Zhangjiakou high-speed railway is expected to go into operation by the end of the year, enabling people to take the automatic trains to go skiing, a senior railway engineer said. The 174-kilometer railway, which will shorten the travel time between Beijing and Zhangjiakou in Hebei province to 50 minutes from the current three hours or more, will be an essential piece of the transportation system for the Beijing 2022 Winter Olympic Games. The railway will be the smartest one in the country, supported by 67 smart technology projects, including autopilot and auto-dispatching systems.

3.3. Energy

2020 renewables subsidy announced

MoF pre-allocated around 5.68 billion RMB of 2020 subsidies for renewable energy to 11 provinces' local grid companies, according to its Notice on 2020 budget for renewable power surcharge fund issued Nov 20. The subsidies include:

- 2.97 billion RMB for wind power
- 2.16 billion RMB for solar power
- 73 million RMB for biomass
- 477 million RMB for public renewable power systems operating independently of grids

Among the 11 provinces, Inner Mongolia received the largest subsidies, totaling 4.98 billion RMB making up 87.7% of the total. The pre-allocated amount, however is significantly lower than 8.1 billion RMB from the 2019 first batch of subsidies.

Production of above-scale industrial raw coal and oil accelerates and that of natural gas keeps faster growth

According to the news on Statistics Bureau website on December 16, production of above-scale industrial raw coal and oil accelerates, that of natural gas keeps faster growth and that of power grows steadily in November. From January to November:

- The raw coal output is 3.41 billion ton, with 4.5% y-o-y growth. The coal import is 0.299 billion ton, with 10.2% y-o-y growth.
- raw oil production is 174.95 million ton, with 1.0% y-o-y growth. Raw oil import is 461.88 million ton, with 10.5% y-o-y growth.
- Natural gas production is 157.5 billion m³, with 9.2% y-o-y growth. Natural gas import is 87.11 million ton, with 7.4% y-o-y growth.
- Power generation is 6500 kilowatt hour, 3.4% y-o-y growth. Growth speed of thermal power production slows down, hydropower drop expands, nuclear and wind powers accelerate, and solar energy power generation slows down slightly in November.

Clean energy grows rapidly 2019:

China's clean energy use grew rapidly and the energy consumption per unit of GDP continued to fall in the first three quarters. Dropped 2.7% y-o-y. The total energy consumption in the first three quarters grew by 3.3% y-o-y, while the growth rate was 0.1% lower y-o-y. The share of clean energy in the total energy consumption, including natural gas, hydropower, nuclear power and wind power, was 1.2% higher than the same period 2018.

China establishes a new state-owned enterprise to manage oil gas pipes

According to Britain Financial Times, China established a new state-owned enterprise to take charge of managing oil gas pipes nationwide on December 9. Currently, most operating pipes and infrastructures of CNPC, Sinopec and CNOOC will be transferred to the new company, which aims at providing fairer admission for participants in other industries. Initially, establishing China Petroleum and Natural Gas Pipe Network Group Co., Ltd. ("China Pipe Network Company" for short) was proposed by the policy maker about 2 years ago. One pipe of Russian Gazprom started to transmit gas from Siberia to northeast China one week before its official establishment. According to the report, China is reforming the petroleum and natural gas industries comprehensively and seeking for diversified natural gas import channels to ensure energy supply in order to reduce relying on coals that cause serious pollution. According to the data from Britain Wood Mackenzie, it is anticipated that natural gas demand to be disposed in Chinese gas transmission pipes will be 2.5 times of the current level by 2040.

NDRC announces 2020 mid to long-term coal contract rules

NDRC issued 'Notice on promoting signing and fulfilling of mid to long-term coal contracts 2020' on Nov 28 2019. Compared to 2019 guidelines, key changes in 2020 include

- requiring a y-o-y increase of 2020 contract volumes, compared to 'no less than last year' in 2019
- prioritising rail transport for contracts with 100,000 tonnes annual volume from industrial firms
- maintaining base price for ship transported coal at 2019 level, compared to 'no higher than the prior year's level' in 2019
- adding 80% quarterly compliance rate

New oil reserves found in Gansu

A big addition of 1 billion metric tons of oil to the geological reserves of the Qingcheng oilfield, Gansu province. PetroChina Changqing Oilfield Company, a regional branch of Petro-China, announced earlier that it had discovered new geological reserves of 1 billion tons of shale oil at its Qingcheng oilfield in the Ordos Basin, among which 358 million tons had been proved. That amount is equal to almost three times the refined oil China consumed last year, which was about 325 million tons, according to data from the National Development and Reform Commission.

3.4. Chemical Industry

MIIT Issued Standard Conditions of Graphite Industry (Draft for Comments)

According to the draft law, the Standard Conditions are applicable to the existing, newly-built and reorganization and expansion graphite mining and processing projects. The Standard Condition is a guiding document to encourage the technical progress and standardized development of the industry.

- The graphite project shall comply with national and local industrial policies and planning, overall land use planning, main functional area planning, local urban and rural construction planning, as well as relevant environmental protection, energy conservation, safety and other laws and regulations.
- It is prohibited to establish new mining enterprises in the forbidden mining areas stipulated by the state and local governments, and strictly restrict to establish new mining enterprises in the restricted mining areas stipulated by the state and local governments.
- The mining scale of the graphite mining project should be in line with the resource reserve scale and the relevant planning policies. The construction of the project shall conform to the Green Mine Construction Specification of Non-metallic Minerals Industry.
- It is encouraged to adoption of energy-saving and environmental protection technologies such as more crushing and less grinding, short process of grinding and floating, etc. It encouraged the adoption of large-scale crushing and grinding equipment, large-scale vertical mill, aerated agitated flotation machine, automatic plate and frame filter press, calender with desulfurization function and other advanced equipment.

3.5 Steel Industry

Steel prices rise in November 2019

Steel prices increased entering November: Rebar spot prices grew by C¥173 per tonne to over 3900 RMB as of 19 Nov 2019, according to Lange Steel, with average rebar spot prices in 10 key cities marking at 3972 RMB.

Prices increase is brought by more balanced supply and demand. The price rise is likely to continue, suggested Wang Guoqing, Lange Steel Research Centre director, and rebar spot prices are likely to rise over 4,000 RMB per tonne. However, steel prices may return to fluctuation, as demand will likely weaken over time, and resolved port congestion will alleviate the tight supply in the southern region.

2019 steel supply and demand overview

The largest steel industry consultant Mysteel released a report on 2019 steel demand and supply conditions end October. Regarding downstream industries on steel demand:

- despite slowing completed urban fixed-asset investment growth, infrastructure contributes to sound steel demand increase
- strong demand continues to come from real estate, despite restrictive policies
- gloomy automobile production and sales have dragged down demand for cold-rolled sheet
- demand from shipbuilding remains poor and will continue to face downward pressure
- the manufacturing sector remains weak, with machinery experiencing a significant drop
- the steel economy is unlikely to recover in the short-term
- although manufacturing will likely recover in Q4, infrastructure and real estate remain the primary drivers of steel demand

3.6 Electronics

Electronic information manufacturing surges

Revenue of China's electronic information manufacturing industry rose 5.4% y-o-y in the first three quarters of 2019. During this period, the total profit of these companies went up 3.6% y-o-y. Fixed-asset investment in the industry increase 11.6% y-o-y, according to MIIT.

Huawei increases domestic proportion to support local suppliers

Currently, overseas cellphone disassembling finds Huawei Mate 30, the latest products, have no U.S. components at all, which indicates Huawei terminals have got rid of the U.S. officially in terms of hardware. According to the other news, Huawei will reduce purchasing components from Samsung to support local suppliers.

Chinese chip technology announces conquering 2nm process

Recently, Chinese Academy of Sciences suddenly announces externally that they have conquered the process issue of 2nm chip manufacture. Meanwhile, some relevant research achievements have been published in IEEE Electron Device Letters, the top journal in the international microelectronics device field. The chip adopts a type of new vertical nanometer ring grid transistor, which is a significant technology of 2nm process in the future.

4) SOE Information

4.1. SOEs Reform

Environmental mixed-ownership firms emerging

Poten Environment Co. Ltd. received a capital injection from China Chengtong Ecology is the latest example of state and private collaboration. The agreement signed 28 Nov 2019. SOEs will become the pillar of the environmental sector, says Lei Ting China General Nuclear Power Group general manager, indicating the sector will see more mixed-ownership firms emerging. Since 2018, over 20 private environmental firms either introduced state capital or transferred a controlling stake to SOEs.

Major power central SOEs to merge coal-fired power assets

Five major power central SOEs will consolidate coal-fired power assets in Gansu, Shanxi, Xinjiang, Qinghai and Ningxia. The five power SOEs are:

- China Huaneng Group
- China Datang Corporation
- China Huadian Group
- China Power Investment Corporation
- China Energy Investment Group

All pilot regions coal-fired power plants owned by these corporations, except for captive power plants, coal-electricity integrated projects and new projects, must be merged. The three-year pilot program aims by end 2021 to

- reduce coal-fired generation capacity by a quarter to a third
- increase utilisation hours significantly
- reduce overall losses by over 50 percent

Industry insiders suggest that the pilot program is likely to expand to include other SOEs in the future. It also seeks to introduce external investors and drive the industry's 'clean and low-carbon' upgrade.

4.2 SOEs Introduction

Company Name	http://www.nokia-sbell.com
Headquarter Location	Shanghai
Total Number of Employee	15000
Number of Subsidiaries in China	15
Name of Chairman	Mr. Yuan Xin
Main business:	Nokia Bell Shanghai is the only joint venture among state-owned enterprises directly supervised by the State-owned Assets Supervision and Administration Commission (SASAC) and Nokia's exclusive operating

	platform in China. At present, its domestic sales and service network covers 31 provinces and cities, and its international business covers more than 50 countries and regions. The company provides tailor-made information and communication solutions and high-quality services for operators and non-operators, and leads the development of IP network, optical network, fixed network, and next-generation 5G network.
General Introduction	Scientific research, development, design, manufacture, system integration and sales of all kinds of information network and switched network both at home and abroad, the mobile communication network, data communication networks, access networks, rail transit signal system, all kinds of information communication terminal (including mobile phones) and light, electricity transmission network, network management and application, the enterprise and the community information communication network system, and very large scale integrated circuit and other Internet products, including the launch of a new generation of information, communication network and related products, and other telecommunications (but not including submarine cable and space satellite communication products).
Turnover in billion Euro	N/A
Website:	http://www.nokia-sbell.com

Company Name	State Development & Investment Corp.,Ltd. (SDIC)
Headquarter Location	Beijing
Total Number of Employee	40,000
Number of Subsidiaries in China	18
Name of Chairman	Mr. Shi Hongxiang
Main business:	Infrastructure-related industry refers to energy industries such as power generation, communication such as road and port and the development of strategic and rarely-existed mineral resources; Emerging industries on the synergy between fund investment and investment holding, targeting advanced manufacturing industry, health, municipal environmental protection, biomass energy, etc.; Financial such as securities, banking, security fund, trust, insurance, guarantee, futures, financial company, financial leasing, etc.; as well as consulting service refers to project engineering, asset management, consultancy, property management, etc.

General Introduction	Established in 1995, SDIC is a state-owned investment holding company approved by state council. SDIC has been graded A-class in the annual performance assessment conducted by SASAC for 14 consecutive years and appraised as “Excellently-Performing Enterprise” for four consecutive rounds.
Turnover in billion Euro	12.78 in 2017
Website:	https://www.sdic.com.cn/en

5) Our Resources

Source	Links	Language
China Briefing	www.china-briefing.com	EN
People Net	people.com.cn	CN
Mofcom Website	mofcom.gov.cn	CN,EN
Finance World	jrj.com.cn	CN
Chinese Customs	customs.gov.cn	CN
China Daily	www.chinadaily.com.cn	EN
National Petroleum Corp.	www.cnpc.com.cn	CN,EN
Ministry of Finance	mof.gov.cn	CN,EN
Sina News	news.sina.com	CN
China Policy	https://policy.cn.com/	EN
Machinery & Electronics Business	newspaper	CN
China Machinery Industry Federation	cmif.mei.net.cn	CN, EN
Yicai	https://www.yicai.com/	CN
Jiemian	https://www.jiemian.com/	CN
FTChinese	http://www.ftchinese.com/	CN, EN
Caixin	http://www.caixin.com/	CN, EN
LongRMB	http://qikan.com.cn	CN, EN
Huajx	http://www.huajx.com/	CN
DealGlobe	http://cn.dealglobe.com/	CN, EN
Enterprise M&A Network	http://www.zgqybg.com/	CN
China Autonews	http://www.chinaautonews.com.cn/	CN
Steel CN	http://shanghai.steelcn.cn/	CN
Belt & Road Official Site	https://www.yidaiyilu.gov.cn/	CN
21 Sun	http://news.21-sun.com/	CN

Note: (December 2019)

All information in the newsletter was provided at following exchange rate:

Exchange Rate	
EURO: U. S. Dollar	EURO: RMB
1 : 1.11	1 : 77

5) Calendar of Upcoming Events (VDMA China)

Event Name	Location	Date
China Management Meeting (CMM)		
Agricultural Machinery	Tianjin	16-Apr
Machine Tool	Shanghai	8-Apr
Plastic and Rubbery Machinery	Shanghai	20-Apr
Trade Fairs		
CIPPE	Beijing	26-28 Mar
Chinaplas	Shanghai	21-24 Apr
IAMD	Beijing	13-15 May

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6) Services of VDMA China Office

With 10 years of service experience in China, the **VDMA China Office**, namely **VDMA Beijing Representative Office** and **VDMA Shanghai Representative Office**, provides support for VDMA member companies in China. The VDMA China Office has a **strong focus & profound understanding** with regard to selected machinery industry sectors in China:

- **Agricultural Machinery**
- **Construction Equipment & Building Material Machinery**
- **Food Processing and Packaging Machinery**
- **Machine Tools and Manufacturing Systems**
- **Metallurgy (Foundry, Metallurgical Plants and Rolling Mills, Thermo Process Technology)**
- **Electronics, Micro & Nano Technologies**
- **Electrical Automation**
- **Plastics and Rubber Machinery**
- **Power Transmission Engineering / Fluid Power**
- **Robotics + Automation**
- **Textile Machinery**
- **Woodworking Machinery**

The VDMA China Office is established to act as a bridgehead for VDMA member companies. We support the following enquiries:

- **HR issues** (e.g. salary reports)
- **Translations** (e.g. company brochures, business cards, technical translations)
- **Trade Fairs** (e.g. booth at large scale VDMA-pavilion ("German pavilion"), speaker slots)
- **Seminars** (e.g. about debt collection, sales management)
- **Project Management** (e.g. business travel support, site investigation)
- **Market Entry Package** (e.g. market entry plan, personal one day support of Chief Representative)
- **Conformity and Standardization Issues** (e.g. local machinery norms and standards)

Our professional teams in Beijing and Shanghai are fluent in German, English and Chinese.

We look forward to serving you - please do not hesitate to contact us today!

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