

Monthly Report

Topics from China; Mar. 2024

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China Macroeconomy

2024 Government Work Report from the “Two Sessions”

Between March 5th and March 11th, the key annual events on China's political calendar, the Chinese People's Political Consultative Conference (CPPCC), the top political advisory body, and the National People's Congress (NPC), the national legislature, known as the "Two Sessions", took place in Beijing, calling on political advisors to contribute to great unity and solidarity and pool strength for advancing Chinese modernization. The gathering of thousands of delegates saw discussion on a wide range of topics, emphasizing the **new quality productive forces** and the **high-level opening up**.

The year 2024 marks the 75th anniversary of the founding of the People's Republic of China and stands as a pivotal year for achieving the goals and tasks outlined in the 14th Five-Year Plan (2021-2025), which is a crucial period for consolidating and deepening reform and opening up.

Premier Li Qiang delivered the Annual Government Work Report (hereafter “Report”) at the opening meeting of the first session. The Report touched all major aspects of the economy and trade, i.e., foreign investment, financial stimulus, and technological innovation, and outlined the key socio-economic targets and priorities for 2024:

- Target GDP growth around 5%, inflation rate, or increase in consumer price index (CPI) around 3%, and deficit-to-GDP ratio around 3%.
- Stimulate employment and domestic consumption, e.g., create around 12 million urban jobs and target a surveyed urban unemployment rate of around 5.5%.
- Maintain RMB exchange rate generally stable at adaptive and balanced level and effectively prevent and defuse risks in major areas.
- Attract and utilize more foreign investment and raise the quality of foreign trade.
- Refine the real estate sector policies and meet related enterprises' reasonable financing needs.

- Accelerate the development of new quality productive forces with particular emphasis on upgrading industrial and supply chains, focusing on emerging industries, future-oriented industries, and growing digital economy.

In the perspective of automotive industry, the following key messages are perceived from suggestions and proposals from auto entrepreneurs:

- **Improving carbon management**
Li Shufu, founder and chairman of Geely, suggested establishing a unified carbon footprint management system to promote the international mutual recognition. He also stressed the importance of establishing carbon management policies for specific industries and setting up regulations for digital carbon management.
- **Regulating autonomous driving**
Feng Xingya, president of GAC Group, suggested formulating specific laws and regulations on defining and accepting autonomous driving at the legal level, with a clear boundary of responsibilities for autonomous driving in the Road Traffic Safety Law of the People's Republic of China.
- **Accelerating technology breakthroughs**
Lei Jun, founder, chairman and CEO of Xiaomi, emphasized the importance of cultivating artificial intelligence (AI) talent with the involvement of the universities and enterprises to meet requirements of the technology revolution.
Zhang Xinghai, chairman of Seres Group, stated the roadblocks of the talent shortage in the development of electrification and intelligent technology should be removed by creating a favorable environment for talent cultivation.
He Xiaopeng, CEO of Xpeng, suggested establishing a unified civil aviation regulatory and management system to promote the low-altitude economy.
- **Promoting data management and legislation**
Zhu Huarong, chairman of Changan, suggested accelerating the establishment of data flow platforms and mechanisms to clarify the boundaries of personal information and property rights ownership at the legislative level.

2024 China Development Forum (CDF 2024)

On March 24th and 25th, themed “The Continuous Development of China”, the 2024 China Development Forum (CDF 2024) took place in Beijing, hosted by a major think tank - Development Research Center (DRC) of the State Council, focusing on various issues including China's growth drivers and prospects, carbon neutrality, big health, digital transformation of industries, and new consumption, with senior Chinese officials, leaders of multinationals, and representatives from international organizations offering insights into China's development and its global impact.

Following are the key takeaways from their speeches and viewpoints shared during the two-day conference:

- **Major contributor to global growth**
In the medium and long-term, China will continue to be a key contributor to global economic growth, most foreign investors expressed optimism regarding China's future growth prospects, attributing it to a comprehensive package of pro-market reforms.
- **New growth drivers**
Making strides in new quality productive forces, featuring high-tech, high efficiency, and high quality is high on China's agenda this year. The advancement of new quality productive forces in China means strategic opportunities in upgrading industrial and supply chains, fostering emerging and future industries, and driving innovative development of the digital economy.
- **Expanding opening up**
Highlighting China's commitment to further opening up, affirming the country's willingness to offer more opportunities for foreign investors to engage in deeper operations in China. China will continue efforts to optimize its business environment, pursue higher-standard opening up, strengthen international sci-tech cooperation, and accelerate the formulation of the 2024 negative list for foreign investment.

Overall, the key messages show that the recovery of the Chinese economy is strengthening, the country's high-quality development is accelerating, and the long-term development should not be seen as a mere defense of the prospects of the Chinese economy, but a show of the policymakers' full confidence in the growth potential of the world's second-largest economy in the future.

Policy and Regulation

State Council: Action Plan on Large-scale Equipment Renewal and the Trade-in of Consumer Goods

On March 7th, the State Council issued the “Action Plan on Large-scale Equipment Renewal and the Trade-in of Consumer Goods” (hereafter “Action Plan”), which aims to increase the production capacity and consumption of higher quality and durable consumer goods, resulting in the improved production efficiency, energy savings, and reduced carbon emissions.

According to the Action Plan, by 2027: the level of investment in equipment in sectors such as industry, agriculture, construction, transport, education, culture, tourism, and medical care will increase by more than 25 percent compared to 2023; the recycling volume of scrap vehicles will roughly double compared to 2023, the number of used car transactions will increase by 45 percent, and the recycling of used household appliances will increase by 30 percent.

The specific measures include:

- **Supporting equipment renewal projects**
Accelerate the updating of equipment in key sectors and municipal infrastructure to promote new industrialization and construct new urbanization. Continue to promote the electrification replacement of urban buses and strengthen the industrialization capacity of green aviation equipment such as electric and hydrogen energy.
- **Organizing trade-in of consumer goods**
Implement nationwide trade-in programs for automobiles, household appliances, and home decoration consumer goods. Encourage related enterprises to conduct promotional activities and manage orderly competition.
- **Establishing recycling systems**
Set up the recycling platform for used products and equipment to achieve remanufacturing and cascade recycling. Promote the circulation and trade of used goods and develop the export business of used automobiles.
- **Introducing relevant technical standards**
Accelerate the improvement and formulation of standards on energy consumption and product technology, strengthen the connection and alignment between domestic and international standard systems in key areas.
- **Strengthening policy support**
Improve and perfect fiscal and tax policies to ensure the implementation of programs.

Especially, the Action Plan is closely related to automotive industry from the following aspects:

- Set the target volumes of scrap and used cars in 2027.
- Support the renewal of urban buses with electric ones and the update of power batteries.
- Encourage automobile enterprises to promote trade-in schemes.
- Accelerate the disposal of diesel commercial vehicles of “China III” or even lower emission standards and the in-use cars which have met mandatory scrapping standards.
- Tailor automobile purchase policies to local conditions of different areas.
- Establish the platform to manage the entire life cycle of automobiles.

The equipment renewal and trade-in of consumption goods are effective ways to boost domestic demand, phase out outdated production capacity, promote industrial structure upgrading, and achieve high-quality development. This round of equipment renewal focuses on reducing energy consumption and improving efficiency, and emphasizes high-end, intelligent, green and digital, which is conducive to cultivating new quality productive forces.

NDRC: Measures for the Supervision of Fully Guaranteed Purchase of Renewable Energy Electricity

On March 18th, the National Development and Reform Commission (NDRC) released the “Measures for the Fully Guaranteed Purchase of Renewable Energy Electricity” (hereafter “Measures”), which takes effect from April 1st. Compared with the last version issued in 2017, the new Measures are to fit in the current macro environment and industry situation of renewable energy development and to meet the actual administration of the energy industry.

The Measures are composed of 24 guidelines, highlighting 3 aspects:

- **Clarifying the intension of guaranteed purchase**
Purchasing responsibility is shared by multiple stakeholders of the electricity market, such as electricity sellers and electricity users, to further complete the optimization and consumption of large-scale resources, thereby ensuring the full collection and utilization of renewable energy electricity.
- **Refining the division of responsibilities**
The National Energy Administration and its delegated agencies are responsible for monitoring the full guaranteed purchase of renewable energy electricity by relevant market stakeholders.
- **Strengthening accountability**
Clear accountability mechanisms are being established by taking strict corrective and punitive measures. Electricity market participants who refuse to comply with the government's requirements, resulting in the failure to purchase renewable energy, will be liable for compensation.

The promulgation of the Measures provides a solid basis for the supervision of the fully guaranteed purchase, helping to ensure the full consumption of renewable energy and ensuring the healthy development of the industry.

State Council: Action Plan for Solidly Promoting High-level Opening Up with Great Efforts to Attract and Utilize Foreign Investment

On March 19th, an action plan named "Solidly Promoting High-level Opening Up with Great Efforts to Attract and Utilize Foreign Investment" (hereafter "Action Plan") was released by the State Council, China's cabinet, which includes 24 points to enhance the appeal and effective utilization of foreign investment, as part of the country's efforts to harness and share its huge market potential.

The Action Plan mainly highlights the following 5 key messages:

- **Expanding market access**
China will reasonably shorten the negative list for foreign investment, remove restrictions on foreign investment in manufacturing, expand opening-up in telecommunications and healthcare, and promote access for foreign financial institutions to banking and insurance sectors with the broadened business scope in the domestic bond market.
- **Enhancing appeal to foreign investment**
China will increase fiscal and tax support and provide optimized policy for attracting foreign investment, especially in advanced manufacturing and environmental protection.
- **Fostering a level playing field**
China will ensure the fair treatments in government procurement, standards formation, and supportive policies.
- **Facilitating the flow of innovation factors**
China will support the data flow between foreign-funded enterprises and their headquarters, facilitate international business personnel exchanges, and encourage innovative cooperation between domestic and foreign institutions.
- **Improving alignment of domestic and international trade rules**
China will ensure the protection of intellectual properties of foreign enterprises and implement more pilot projects on cross-border data flows and high-standard international trade rules.

From the VDA's perspective, a series of new policy measures taken by the State Council to promote high-level opening up and make greater efforts to attract and utilize foreign investment will not only promote the high-quality development of China's economy, but also build up the confidence of multinational enterprises in China and facilitate their greater presence in the Chinese market.

Data released by the Ministry of Commerce (MOFCOM) showed that in the first 11 months of 2023, China registered a historical high in foreign investment, especially in the service and high-tech manufacturing sectors, which saw the establishment of 48,078 new foreign-invested enterprises, an increase of 36.2 percent year-on-year.

CAC: Regulations on Promoting and Regulating Cross-border Data Flows

On March 22nd, the Cyberspace Administration of China (CAC) issued a set of "Regulations on Promoting and Regulating Cross-border Data Flows" (hereafter "Regulations"), clarifying clearer thresholds for

the security assessment of data cross-border and the scenarios that are exempt from relevant security approvals.

The Regulations are the final version with immediate effect after calling for comments last year in September. Compared with the initial document, the final Regulations extend the validity period to 3 years (from 2 years) for the results of the security assessment and update the requirements for data security assessment and standard contracts for personal information.

Specifically, the Regulations emphasize the following contents:

- **Exemptions from 3 data cross-border transfer mechanisms**
The exemptions apply to international business from operational, transactional, and academic scenarios, as well as the roundtrip data (excluding important data or China domestic personal information) and the specific scenarios of B2C contract signing and employee data.
- **Easing thresholds and cascading transfer mechanisms**
Data processors should identify and declare important data in accordance with the relevant provisions. Data processors who transfer the non-sensitive personal information of over 1 million individuals overseas or the sensitive personal information of over 10,000 individuals since the beginning of a given year must declare the data for security assessment, and they shall sign the standard contract when providing non-sensitive individuals' personal data for more than 100,000 (relaxed from 10,000) and less than 1 million or less than 10,000 individuals' sensitive personal data since the beginning of the given year.
- **Clarifying the determination of important data**
Important data are informed, identified, or publicly announced by 3 main methods: from the guidelines and rules at the national level, the catalogues issued by regulators in certain industries, and the catalogue issued by Free Trade Zones (FTZ). At the same time, the relevant responsible parties need to take timely action in the process of compiling and updating the list of important data.

With the publish of the Regulations, the Data Export Security Assessment, Personal Information Export Standard Contract, and Personal Information Protection Certification can be of more flexibility to be selected by different types of organizations or individuals, providing legal protection for cross-border business cooperation and promoting the free flow of data and the development of the digital economy.

To guide and assist data processors in standardizing their application of security assessments and standard contracts, CAC also updated the "Guidelines for Data Exit Security Assessments (Version 2)" and the "Guidelines for Filing Standard Contracts for Personal Information Exit (Version 2)" on March 22nd, explaining the specific requirements and optimizing the relevant materials to submit.

MIIT: Action Plan of Innovative Application of General Aviation Equipment (2024-2030)

On March 27th, the Ministry of Industry and Information Technology (MIIT), jointly with the Ministry of Science and Technology (MOST), the Ministry of Finance (MOF) and the Civil Aviation Administration of China (CAAC), announced the "Action Plan of Innovative Application of General Aviation Equipment (2024-2030)" (hereafter "Action Plan"), which promotes the research and development of flying car technology, product validation, and commercial application.

The Action plan sets the goal that by 2030, a new development model for the general aviation industry, characterized by high-end, intelligent, and green development, will be fundamentally established, supporting and ensuring the safe and efficient operation of the "Short-Distance Transportation + Electric Vertical Takeoff and Landing (EVTOL)" passenger transport network. The government will promote the airworthiness certification of a series of new consumer equipment, such as EVTOL, and explore the commercial application scenarios.

MNR: Regulations on the Management of Data Security in the Field of Natural Resources

On March 28th, the Ministry of Natural Resources (MNR) released a set of regulations named the "Management of Data Security in the Field of Natural Resources" (hereafter "Regulations"), strengthening data security management and guaranteeing data security. The Regulations emphasize the

responsibility system that the local authorities shall supervise and guide data security within the scope of their functions and duties.

The Regulations also clarify the concept and scope of natural resources data, which includes basic geographic information and remote sensing images. The “Management” is specified from the following 3 aspects:

- **Implementing classification and hierarchical data management**
Local authorities should classify natural resource data into general data, important data, and core data according to relevant guidelines, and keep catalogues up to date. The important and core data should be reported to the MNR in a timely manner.
- **Ensuring the full life-cycle data security management**
Data processors are responsible for the entire process of data collection, storage, processing, transmission, and destruction, which should be recorded and preserved.
- **Imposing data security monitoring, warning, and emergency management**
Authorities shall establish risk monitoring mechanisms and improve information sharing between relevant sectors.

The Regulations are aimed to enhance the capacity for data security and protect the rights and interests of countries, organizations, and individuals, and at the same time to promote the sharing, utilization, and innovative applications of natural resources data.

Standardization

Standard Projects for Approval

In March, SAC released the following standard projects for approval publicity:

NO.	Title	Publicity date	Deadline for comments	Note
1	GB/T 6791 - xxxx Road vehicles - sparkplugs and their cylinder head housing - basic characteristics and dimensions	2024-03-01	2024-03-31	To replace GB/T 6791-2012
2	GB XXXX - xxxx Safety requirements and test specifications of electric vehicle conductive supply equipment	2024-02-07	2024-02-18	
3	GB/T XXXX - xxxx Test and assessment method of headlighting systems photometric performance on vehicle	2024-03-01	2024-03-31	
4	GB/T XXXX - xxxx Road simulation bench test method for motor vehicle's structural durability	2024-03-01	2024-03-31	
5	GB/T XXXX - xxxx Road vehicles - brake lining friction materials -measurement method for wear particle emissions	2024-03-11	2024-04-10	TC 406
6	GB/T XXXX - xxxx Road vehicles - brake lining friction materials - metal pick-up test method for disc brake linings	2024-03-11	2024-04-10	TC 406
7	GB/T XXXX - xxxx Hydrogen injector for hydrogen vehicle engine	2024-03-11	2024-04-10	
8	GB/T XXXX - xxxx Road vehicles - automotive cables - part 7: dimensions and requirements for 30 V a.c. or 60 V d.c. round,	2024-03-11	2024-04-10	

	sheathed, screened or unscreened multi or single-core copper conductor cables			
9	GB/T XXXX - xxxx Road vehicles - automotive cables - part 8: dimensions and requirements for 30 V a.c. or 60 V d.c. round, sheathed, screened or unscreened multi or single-core aluminum conductor cables	2024-03-11	2024-04-10	

Standard Drafts for Public Comments

In March, CATARC released the following draft standards for public comments:

NO.	Title	Publicity date	Deadline for comments	Note
1	QC/T 326 - xxxx Numbering rules for automotive standardized parts	2024-03-11	2024-04-21	To replace QC/T 326-2013
2	QC/T XXX - xxxx Leaf spring trailing arm assembly for commercial vehicle air suspension	2024-03-11	2024-04-21	
3	QC/T XXX - xxxx Continuous damping control shock absorber assembly of passenger vehicle	2024-03-11	2024-04-21	
4	QC/T XXX - xxxx Air filter for fuel cell system	2024-03-12	2024-04-22	
5	QC/T XXX - xxxx Cooling water pump of fuel cell engine	2024-03-15	2024-04-24	
6	QC/T 266 - xxxx General rules of general tolerances for automotive parts	2024-03-22	2024-04-21	To replace QC/T 266-1999

Official Publication of Standards

In March, SAC officially published the following standards:

NO.	Title	Release date	Implementation date	Note
1	GB/T 43758.1-2024 Technical specifications for driving safety test environment for intelligent and connected vehicles - Part 1: Public Road	2024-03-15	2024-10-01	TC576
2	GB/T 43766-2024 Technical requirements for driving safety tests for intelligent and connected vehicles	2024-03-15	2024-10-01	TC576

SAMR: Implementation Plan for the 'National Standardization Development Outline' (2024-2025)

On March 18th, the State Administration for Market Regulation (SAMR) together with 17 other ministries and departments, jointly issued the second Implementation Plan to further support the "National Standardization Development Outline (hereafter "Outline")" issued by the State Council in 2021, which sets out specific tasks for the years 2024 to 2025 in line with the outlined objectives.

The Implementation Plan consists of 35 key tasks from 8 different aspects, including:

- Strengthening the integration between standardization and technological innovation.
- Enhancing the standardization level of modern industrial practices.
- Improving standardized support for green development.

- Promoting standardization in urban and rural construction as well as social development.
- Promoting the international standardization cooperation.
- Deeping standardization reform and innovation.
- Consolidating the foundation for standardization development.
- Promoting the future organization and implementation by strengthening the policy support.

The tasks related to the automotive industry are major led and promoted by the SAMR, the Ministry of Industry and Information Technology (MIIT), and the Ministry of Science and Technology (MOST), including the following four perspectives:

- Further refining standards for ICVs, charging piles, electric vehicles, and power batteries.
- Promoting the implementation and application of standards for high-power DC charging.
- Conducting research for the establishment of mandatory national safety standards for charging infrastructure.
- Revising and developing basic common standards for automotive chips and other key components.

In conclusion, the Implementation Plan aims to achieve the Outline's overall goals during the "14th Five-Year Plan" by advancing key tasks. VDA China will collaborate with member companies and Chinese counterparts to closely follow newly released standardization policies from SAMR, MIIT, and MOST, while continuously tracking the revision and development of standards in the automotive industry.

VDA-CAAM: Electric Vehicle Coolant Standard Workshop

On March 14th, VDA China and China Association of Automobile Manufacturers (CAAM) jointly held a workshop regarding the draft standard of *GB 29743.2 Motor Vehicle Coolant - Part 2: Electric vehicle coolant standard* (hereafter "Standard"), with more than 60 attendees primarily consisting of main OEM members of German and Chinese sides, which served as a platform for bilateral exchange of industrial insights, enabling a comprehensive understanding of the Standard's technical specification and potential impact at the whole vehicle level.

The meeting had sufficient opinion sharing and open discussion with all participants involved. An obvious consensus was that the Standard still has quite some issues to address, which require further verification and resolution, specifically echoing VDA's position on:

- Re-evaluation of the technical compatibility, application feasibility, and enforcement necessity.
- A rational transition period is needed by the OEM.
- The standard scope only targets BEVs, giving more flexibility to PHEVs, HEVs or FCEVs.
- A full exemption is given to in-used vehicles.

In the end, based on the exchange among the bilateral stakeholders, the meeting agreed that the following aspects could be strengthened from a broad industrial perspective:

- continuous communication with the Standard's drafting organization,
- further approach of the related authorities regarding the Standard's implementation and market supervision, and
- long-term collaboration of the VDA and CAAM on more industry-wide topics in the future.

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