

Report

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China Macroeconomy

State Council: Guideline on Further Unleashing Consumption Potential to Promote Recovery of Consumption

On April 25, the General Office of the State Council, China's Cabinet, released a Guideline on **“further unleashing consumption potential to promote sustained recovery of consumption”**, as the follow-up of the document of the other day on **“accelerating the establishment of a unified domestic market”**, both of which echoed on invigorating the market and speeding up the circulation.

The new Guideline is to boost consumption as the pandemic continues to cause losses and damages nationally, with a raft of detailed measures to tackle short-term bottlenecks and boost consumption in the long term, including:

- Intensify assistance to enterprises and real economy, especially the **manufacturing sector**, micro and small-sized enterprises and the self-employed via taxes and fees reduction and other financing support such as lowering loan interest rates.
- **Stabilize supplies** of consumer goods and their prices, for example, to build warehouses in the suburbs of large and medium-sized cities to ensure the supply of daily necessities.
- Tap the consumption potential in townships and rural areas, focus on **new energy vehicles** sales promotion and construction of charging piles and other supporting facilities.
- Foster new forms and models of consumption to adapt the regular epidemic prevention based on leverage of **new technologies** like big data, cloud platform and artificial intelligence
- Further improve e-commerce and **logistics systems**, strengthen trans-regional connection, keep logistics channels unblocked, and expedite the establishment of a reliable and efficient globe-spanning logistics network.
- Promote the **green consumption and circular economy** by accelerating the establishment of a recycling system for used materials, automobiles, batteries, electronic products, etc.

After the Guideline, on May 13, while chairing a State Council executive meeting, Premier Li underlined the efforts to **expand consumption in key areas**, and particularly mentioned **the**

automobiles and home appliances promotion in rural areas. It's expressed that the restrictions on vehicle purchasing will be relaxed, and the NEV charging infrastructure construction will be supported.

On May 23, the State Council, in quick succession, also unveiled the plan to take a slew of targeted, strong, and effective actions to stabilize its economic fundamentals. It decided to implement 33 measures in six areas. From the automobile perspective, it's further decided to apply a phased purchase **tax reduction amount to 60 billion yuan** targeting at a portion of passenger vehicles, as well as release **90 billion yuan in loans** for goods wagon.

On the top of this, over the next few days, the **local governments** of different provinces, cities and even some subordinate districts also released their **superimposed incentive measures** in a variety of ways to further stimulate the regional vehicle sales, including Shanghai, Guangzhou, Liaoning, Jilin, Hubei, Hainan, Shandong, Shanxi, etc. Moreover, some **carmakers**, taking advantage of this tide, launched their **corporate promotional campaign** at the first time.

NDRC: Catalogue of Industries for Encouraging Foreign Investment (2022) _Draft for Comment

On May 10, the National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM) jointly released the drafted 2022 version of "**Catalogue of Industries for Encouraging Foreign Investment**" (hereafter "Catalogue") to solicit the public comments until June 10, which is further implement the spirit of President Xi Jinping's important speech at the opening ceremony of the fourth China International Import Expo.

The Catalogue includes an industry item list for encouraging foreign investment nationwide and a list of advantageous industries for foreign investment in the country's central, western, and northeastern regions. The 2022 draft, compared to 2020 edition, will **add 238 more items and up to 114 existing ones will be modified with expansion**.

The purpose of the revision is expected to give better play to the positive role of foreign investment in China's industrial development, technological progress, and structural optimization, especially in **manufacturing, production-oriented services in the central, western, and northeastern regions**, according to the spokesperson of NDRC.

Specifically, the Catalogue 2022 is to add or expand the items that are:

- Related to electron component, accessories, and equipment manufacturing, etc.
- Related to professional design, technical service, technical development, etc.
- Based on the advantages and characteristics of regional labor force, resources, and investment needs.

Foreign direct investment (FDI) into the Chinese mainland, in actual use, expanded 25.6 percent year on year to 379.87 billion yuan (\$56.18 billion) in the first quarter of this year, as per the MOFCOM.

Policy and Regulation

MOF: Announcement of Reducing the Purchase Tax Partially for Some Passenger Vehicles

On May 31, a circular on halving the purchase tax for a defined scope of passenger vehicles was jointly issued by the Ministry of Finance (MOF) and the State Taxation Administration, to further implement the consumption-promoting resolution from the State Council Executive Meeting on May 23, to apply purchase tax reduction amount to 60 billion yuan for passenger vehicles.

The promotional scope is defined as the passenger vehicles that are:

- Priced not exceeding 300,000 yuan, excluding the value-added tax (VAT).
- Purchased between June 1 and December 31 of 2022, subject to the date of invoice or other valid credentials.
- With 9 seats and below and with displacement of 2.0 liters and below, subject to the data on "Qualified Certificate of Vehicle" for domestic vehicles and "Vehicle Information Sheet" for imported vehicles.

The incentive policy is seeking to revive vehicle sales undermined by the anti-pandemic measures. According to the data of the Passenger Association, the sales of domestic passenger cars in April were 1.043 million, down 35.5% year-on-year and 34% month-on-month, which is the lowest monthly sales volume in the domestic car market in the past decade. In May, car sales are still bleak.

The analysis from the relative institutes of CATARC shows that this move mainly benefits the mainstream joint ventures and local brands and will improve the competitiveness of A-class and partial B-class passenger vehicles, by involving in total over 11 million vehicles on the market. It's also forecast, based on the previous market data with the variation of purchase tax policies between 2006 and 2022, that the tax reduction will largely drive the market in the first three months after releasing the policy, and sales growth may reach 1.5-2 million vehicles.

MIIT-EIDC: Notice of Carrying Out the Accounting and Review of Dual Credit Data of 2021

On May 13, to implement the Parallel Administrative Method on Corporate Average Fuel Consumption of Passenger Car and New Energy Vehicle Credit (hereafter "dual credit"), EIDC released a notification, entrusted by MIIT, that the accounting and review of the dual credit data of 2021 are being carried out via dual credit management platform.

The notice is targeted at all passenger vehicle manufactures of domestic, authorized, and unauthorized import enterprises. **Enterprises are required to submit the confirmation letter by May 27 once the accounting results are confirmed. Otherwise, it's needed to submit the review application by May 20.**

MIIT-EIDC: Notice of Strengthening Management of Coordination Platform for Automobile Industrial Supply Chains

On May 16, entrusted by MIIT, EIDC released a notification to further specify the measures of registering and using the coordination platform for automobile industrial supply chains, that had been officially launched on April 11, to accurately collect and efficiently resolve the issues of resumption of production, logistics and transportation of automotive industry.

Regarding the registration objects, it's clarified as only the domestic vehicle manufactures and the relevant administrative departments of MIIT. The subsidiary companies and part suppliers will need to submit feedback via the registered vehicle manufactures.

It's also released a format of report for the registered vehicle manufactures to feed back problems and issues, ensuring that the information provided is true, accurate, standardized, and comprehensive.

Standardization

Standard Drafts for Public Comments

In May of 2022, CATARC released following drafts of standard for comments:

NO.	Name	Release date	Deadline for comments	Note
1	GB/T XXXX-xxxx Testing methods of hydraulic braking systems for motor vehicles	2022-05-07	2022-07-06	ISO 6597:2005 as reference
2	GB/T XXXX-xxxx Passenger cars – Driver hand control reach	2022-05-12	2022-07-11	ISO 3958:1996 as reference
3	GB/T XXXX-xxxx Road load reproduction on chassis dynamometer for light-duty vehicles	2022-05-12	2022-07-11	ISO 10521-2:2006 as reference
4	GB/T XXXX-xxxx Intelligent connected vehicle – Symbols for controls, indicators, and tell-tales	2022-05-20	2022-07-19	

Kick-off of “Sino-German ICV Data Compliance Standardization Demand Research Project”

In order to implement the "Joint Declaration of Intent on the Cooperation in the Area of Automated and Connected Driving" between the German and Chinese governments and the spirit of the "Sino-German Standardization Cooperation Committee", to further strengthen the cooperation in the automotive industry between the two sides, VDA China and the National Automotive Standardization Technical Committee (SAC/TC114), under the guidance of governments from both sides, on May 20 organized the 1st meeting of Sino-German ICV Standardization Working Group online which is also as the initiation meeting of “the Sino-German ICV Data Compliance Standardization Demand Research Project”.

More than 40 experts from German and Chinese companies and institutions participated the meeting. The meeting focused on communication and exchanges on the research project and issues related to ICV data compliance. Faced with the current problems and status quo of data compliance with characteristic of “many requirements”, “complex scenarios”, “long cycles”, and “fragmentation”, the report aimed to draw industry recommendations for data compliance standardization proposals through analysis of data compliance management processes and key technologies, etc. The participating experts unanimously agreed to launch the research project under the Sino-German ICV Standardization Working Group.

The initiation of the "ICV Data Compliance Standardization Demand Research Project" has further enhanced the depth and breadth of cooperation between the two parties in the area of ICV standardization. In the future, VDA China and the Sub-Committee on ICV of the Automotive Standards Committee (SAC/TC114/SC34) will continue to organize enterprises to implement work plans under the guidance of governments.

SAC/TC114/SC34 CS WG Meeting

On May 27, the Cybersecurity Working Group Meeting of Sub-Committee on ICV of the Automotive Standards Committee (SAC/TC114/SC34) was held online with participants from OEMs and suppliers.

The summary and plan were reported by the representative of SC34. It was emphasized that the standardization system of cybersecurity and data security is accelerating for the establishment. It was also summarized the conclusion of pilot of verification test of GB CS and GS SU; accordingly, the draft will be refined based on the summary. The timeline as target still sets at end of 2022 for final approval of the draft.

VDA China is closely monitoring the standards' status under SC34 together with members. Regular meetings will be held to synchronize the progress of standard drafting and evaluate the technical challenges.

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