

Monthly Report

Topics from China; Oct. 2023

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China Macroeconomy

China Strongly Dissatisfied with the EU's Anti-subsidy Probe into Chinese Electric Vehicles

On October 4, China's Ministry of Commerce (MOFCOM) expressed serious concerns and strong dissatisfaction on the European Union's decision on the same day to launch an anti-subsidy probe into Chinese electric vehicles.

The MOFCOM stated the key points in its response:

- Lack of sufficient evidence:**
 It's emphasized that EU's decision to launch the investigation was based on subjective judgments and lacked sufficient evidence to support the claims of subsidy programs and threats of harm, were not in accordance with the relevant rules of the World Trade Organization (WTO).
- Short notice for consultations:**
 The EU requested China to engage in consultations within a very short timeframe. This quick demand for negotiations was noted by the MOFCOM, suggesting that it may not have provided sufficient time for China to adequately prepare for discussions.
- Lack of effective negotiation materials:**
 It's also mentioned that the EU had not provided effective negotiation materials, which could imply that the EU had not presented clear documentation to support its case during the initial stages of the investigation.

Overall, the MOFCOM's response suggested that China viewed the EU's anti-subsidy investigation as problematic and lacking in solid grounds, and they expressed their strong objections to the process and demands placed upon China.

On the same day, the China Association of Automobile Manufacturers (CAAM) also issued a statement titled "Strongly Opposing Trade Protectionism, Cooperation for the Future" to express its position on behalf of the Chinese automotive industry. The CAAM clearly put forward the resolute opposition to trade

protectionism, and pointed out that the Europe-China automobile industry will have the future only through the strengthened cooperation.

The VDA, at the same time, also expressed its position via stating that "relying solely on anti-subsidy investigations would not help address the challenges to competitiveness currently faced in the European region, and one must also consider potential retaliatory measures by China." VDA believes that the EU should focus on creating conditions for the success of European participants, including measures such as reducing electricity costs and reducing bureaucratic barriers.

Policy and Regulation

MOFCOM: Guidance on Promoting the High-Quality Development of the Automotive Aftermarket

On October 12, China's Ministry of Commerce (MOFCOM), along with 8 other Ministries, jointly issued the "Guidance on Promoting the High-Quality Development of the Automotive Aftermarket" (hereinafter the "Guidance"), which outlined the overall objectives and main tasks for the development of the automotive aftermarket.

The Guidance systematically lays out plans to promote high-quality development in the automotive aftermarket, facilitate steady growth in market size, continuously improve market structure, elevate standardization levels, and enhance the overall automotive usage environment to better meet the diverse consumer demands for automobiles.

Specially, the "Guidance" introduces the following seven policy measures:

- **Optimizing the automotive parts distribution environment**, including standardization for automotive aftermarket parts circulation and encouragement of chain operations, to ultimately promote the standardized, transparent, and efficient development in parts circulation.
- **Promoting the quality of automotive repair services**, which involves constructing the technical standards for the repair of new energy vehicles, strengthening post-sales repair training, fostering green automotive repair, enhancing digital service capabilities, and better supporting the development of the new energy vehicle industry and the protection of vehicle owners' rights.
- **Establishing a multi-level automotive racing landscape**, including support for new types of events such as new energy vehicles and intelligent and connected vehicles, as well as the development of international and national-level automotive events.
- **Accelerating the development of traditional automotive industry**, with a focus on researching and formulating domestic management and import policies for classic car models.
- **Supporting the construction of campsites for leisure accommodation vehicles**, with enhanced policy support to promote leisure accommodation vehicle related consumption and tourism.
- **Enriching the automotive cultural experience**, including support for local initiatives such as automotive museums and automotive cinemas, as well as the organization of automotive culture exchange activities.
- **Optimizing automotive finance services**, with encouragement for financial institutions to provide improved financial services for automotive usage and consumption, under lawful, compliant, and risk-controlled conditions.

To conclude, the "Guidance" emphasizes the importance of grasping the key trends in the automotive market and fully recognizing the positive significance of automotive aftermarket development. Besides, it calls for the acceleration of the construction of relevant regulations and standards systems, certification systems, and legitimate administration systems. Furthermore, it highlights the role of industrial organizations as bridges, to promptly reflect the demands of industry enterprises and establish platforms for industry exchange.

MOFCOM & GAC: Announcement on Optimizing and Adjusting Export Control Measures for Graphite Items

On October 20, China's Ministry of Commerce (MOFCOM) and General Administration of Customs (GAC) jointly issued the "Announcement on Optimizing and Adjusting Temporary Export Control Measures for Graphite Items" (hereinafter the "Announcement"), which will officially come into effect on December 1, 2023.

The global trade in graphite items has become a matter of concern due to their applications in various industries, including aerospace and electronics. In response to these concerns and to ensure national security and compliance with international regulations, China, as the world's largest producer and exporter of graphite, introduced measures to regulate the export of certain graphite items.

The Announcement will result in the implementation of export control measures on certain items, as outlined below:

- **Prohibition of export without permission:**
The announcement stipulates that certain graphite items meeting specific criteria may not be exported without obtaining the necessary permits. These criteria include high purity (>99.9%), high strength (>30Mpa), and high density (>1.73 grams/cubic centimeter) for artificial graphite materials and their products. Additionally, natural flake graphite and its derivatives are subject to these export controls.
- **Lifting of temporary controls:**
In addition, the announcement also declares the lifting of temporary export controls on other graphite-related items that were previously regulated under Announcement No. 50 of 2006. This reflects China's commitment to aligning its export control measures with international norms.
- **Export permit procedures:**
Exporters are required to follow specific procedures to obtain export permits. They must apply to the provincial commerce authorities and submit necessary documentation, including export contracts, technical specifications, proof of end-users, importer information, and identification documents of key personnel of the exporter. Then, the MOFCOM will review the export application documents and make timely decisions on permit approvals. For items with significant national security implications, the Ministry will coordinate with relevant departments and report to the State Council for approval.

From the industrial perspective, graphite is a critical resource in the fields of new energy vehicles, high-end equipment manufacturing, strategic emerging industries, and nuclear power. Therefore, as the spokesperson for the MOFCOM has stated, implementing export controls on specific graphite items is a common international practice.

In 2010, the EU included graphite in its list of 14 critical mineral resources. In 2013, the US designated graphite as one of its strategically important minerals. In 2016, China included crystalline graphite in its strategic mineral resources catalog. Now China officially added three highly sensitive graphite items to its dual-use item export control list.

At present, with the rapid growth of the new energy vehicle market, the consumption of power batteries alone accounts for over 50%, making it the largest consumption area for graphite. Graphite has become one of the important raw materials to ensure stability and enhance the core competitiveness of the new energy vehicle industry chain, so the VDA will pay close attention to the following brewing of this policy and the influences on the automotive industry.

Automotive Industry Topics

The 24th VDA Round Table of Presidents/CEOs of German Suppliers in China took place Hybrid online and onsite in Deqing, Zhejiang Province, Oct 17th

The 24th VDA Round Table of Presidents/CEOs of German Suppliers in China was held in a hybrid format both online and onsite in Deqing, Zhejiang Province on Oct 17th.

The event featured various key figures including Dr. Patricia Flor, the German Ambassador to China, Mrs. Hildegard Müller, President of the VDA, Mr. Andreas Rade, Managing Director of the VDA, Dr. Marcus Bollig, Managing Director of the VDA, Dr. Manuel Kallweit, Head of the Department of Economic Intelligence at the VDA, Dr. Shanzhi CHEN, EVP R&D and CTO of China Information and Communication Technology Group Co., Ltd (CICT), Dr. Xueming JU, CEO of LiangDao Intelligence, Mr. James YU, Co-founder & CEO of QCraft, and Ms. Maggie Qiu, Co-founder & COO of SemiDrive, Mr. Lin ZHANG, Vice President of VDA China, along with over 60 participants, elaborated from the political, academical and industrial perspectives regarding the topic of Cooperation or/and competition under the context of technological innovation. These discussions underscored the significance of collaboration, adaptability, and continuous innovation within the ever-evolving automotive industry.

The event indeed fostered a dynamic exchange of insights, showcasing the importance of global partnerships and innovation in shaping the future of mobility.

VDA China are committed to propelling German suppliers in their pursuit of innovation, maintaining strategic positioning, and fostering excellence across the transformation of the automotive industry in China.

The VDA Welcomed Mr. AN Tiecheng, President of CATARC's Visit in Berlin on Oct 20th

Dr. Marcus Bollig, Managing Director of the VDA, warmly welcomed Mr. An Tiecheng, President of CATARC, during his visit to the VDA Berlin office on October 20th.

The transformation of the global automotive industry necessitates cooperative efforts among relevant organizations and enterprises across various countries. Over the years, VDA and CATARC have collaborated closely in the realm of regulation and standardization, with a specific focus on ICV, E-Mobility, and Automotive Decarbonization, establishing a robust foundation for cooperation. During the meeting, both parties reviewed the successful Sino-German cooperation to date and addressed topics such as synthetic fuels, alternative energy, autonomous driving, carbon boundaries, and carbon accounting, etc. The consensus was reached to strengthen regular communication mechanisms between the VDA and CATARC, as well as among Chinese and German enterprises.

Standardization

Standard Projects for Approval

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

NO.	Title	Publicity date	Deadline for comments	Project Pre-No.
1	GB/T XXXX-xxxx Road vehicle—General requirements for greenhouse gas management—Part1: Terms and definitions	2023-10-18	2023-11-17	
2	GB/T XXXX-xxxx Road vehicle—General requirements for greenhouse gas management—Part 2: Carbon footprint labels of road vehicle products	2023-10-18	2023-11-17	
3	GB/T XXXX-xxxx Road vehicles — Refrigerant systems used in mobile air conditioning systems (MAC) — Safety requirements	2023-10-30	2023-11-29	
4	GB/T XXXX-xxxx Road vehicles — Method for establishment of eyellipses for driver's eye location	2023-10-30	2023-11-29	
5	Revision of GB/T 34598-2017 Plug-in hybrid electric commercial vehicles-specification	2023-10-30	2023-11-29	
6	GB/T XXXX-xxxx Road vehicles — Liquefied natural gas (LNG) fuel system components —Part 1: General requirements and definitions	2023-10-30	2023-11-29	
7	GB/T XXXX-xxxx Road vehicles — Liquefied natural gas (LNG) fuel system components — Part 2: Performance and general test methods	2023-10-30	2023-11-29	
8	GB/T XXXX-xxxx Road vehicles — Liquefied natural gas (LNG) fuel system components — Part 4: Manual valve	2023-10-30	2023-11-29	
9	GB/T XXXX-xxxx	2023-10-30	2023-11-29	

	Road vehicles — Liquefied natural gas (LNG) fuel system components — Part 5: Tank pressure gauge			
10	GB/T XXXX-xxxx Road vehicles — Liquefied natural gas (LNG) fuel system components — Part 7: Pressure relief valve	2023-10-30	2023-11-29	
11	GB/T XXXX-xxxx Road vehicles — Liquefied natural gas (LNG) fuel system components — Part 8: Excess flow valve	2023-10-30	2023-11-29	
12	GB/T XXXX-xxxx Road vehicles — Liquefied natural gas (LNG) fuel system components — Part 10: Rigid fuel line in stainless steel	2023-10-30	2023-11-29	
13	GB/T XXXX-xxxx Road vehicles — Liquefied natural gas (LNG) fuel system components — Part 11: Fittings	2023-10-30	2023-11-29	
14	GB/T XXXX-xxxx Road vehicles — Liquefied natural gas (LNG) fuel system components — Part 12: Rigid fuel line in copper and its alloys	2023-10-30	2023-11-29	
15	GB/T XXXX-xxxx Road vehicles — Liquefied natural gas (LNG) fuel system components — Part 13: Tank pressure control regulator	2023-10-30	2023-11-29	
16	GB/T XXXX-xxxx Road vehicles — Liquefied natural gas (LNG) fuel system components — Part 14: Differential pressure fuel content measuring instrument	2023-10-30	2023-11-29	
17	GB/T XXXX-xxxx Road vehicles — Liquefied natural gas (LNG) fuel system components — Part 15: Capacitance fuel content gauge	2023-10-30	2023-11-29	
18	GB/T XXXX-xxxx Road vehicles — Liquefied natural gas (LNG) fuel system components — Part 16: Heat exchanger—vaporizer	2023-10-30	2023-11-29	
19	GB/T XXXX-xxxx Road vehicles — Liquefied natural gas (LNG) fuel system components — Part 17: Natural gas detector	2023-10-30	2023-11-29	
20	GB/T XXXX-xxxx Road vehicles — Liquefied natural gas (LNG) fuel system components — Part 18: Gas temperature sensor	2023-10-30	2023-11-29	
21	Revision of GB 38031-2020 Electric vehicles traction battery safety requirements	2023-10-31	2023-11-30	
22	Revision of GB 11555-2009 Motor vehicles — Windshield demisting and defrosting systems technical specification	2023-10-31	2023-11-30	

Standard Drafts for Public Comments

In October, CATARC released the following drafts of standard for public comments:

NO.	Title	Publicity date	Deadline for comments	Note
1	QC/T 935-xxxx Kitchen garbage vehicle	2023-10-16	2023-11-26	To replace QC/T 935-2013
2	GB/T XXXX-xxxx Road vehicles — Air and air/hydraulic braking systems of motor vehicles test procedures	2023-10-17	2023-12-16	Reference of ISO7635:2006
3	GB/T 25982-xxxx Limits and measurement methods for bus interior noise	2023-10-17	2023-12-16	To replace GB/T 25982-2010

Standard Drafts for Approval

In October, MIIT released a list of the following standards for approval publicity:

NO.	Title	Publicity date	Deadline for comments	Note
1	GB/T XXXX-xxxx Performance requirement and testing methods for rear cross traffic alert system of passenger cars	2023-10-19	2023-11-19	20205125-T-339
2	GB/T XXXX-xxxx Performance requirements and testing methods for door open warning system for passenger cars	2023-10-19	2023-11-19	20205126-T-339
3	GB/T XXXX-xxxx Performance requirements and testing methods for night vision system of passenger cars	2023-10-19	2023-11-19	20203963-T-339
4	GB/T XXXX-xxxx Performance requirements and testing methods for around view monitoring system of vehicles	2023-10-19	2023-11-19	20203958-T-339
5	GB/T XXXX-xxxx Performance requirements and testing methods for intelligent speed limit system of vehicles	2023-10-19	2023-11-19	20203961-T-339
6	GB/T XXXX-xxxx Intelligent and connected vehicle-terms and definitions	2023-10-19	2023-11-19	20203968-T-339

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