

Made in China 2025

Risks & Opportunities
MNC's

American Chamber of Commerce - Nanjing

January 9, 2019 – Speaker : Jens Ewert

Setting the scene

Reading with different lenses

Reality check

To sum-up

Setting the scene

Introduction : Setting the scene

Made in China 2025 - Media & Statements : until G20 dinner

“Since the beginning of industrial civilization, it has been proven repeatedly by the rise and fall of world powers, that without strong manufacturing, there is no national prosperity.” Those words are drawn from the preamble of Made in China 2025. Back in 2015, when China’s State Council released the policy blueprint, it didn’t get a lot of attention outside of specialist circles. Three years later, with fears about China’s sudden rise spurring a protectionist backlash in the U.S., it has started to get a lot.

Implicit in the plan is the idea that the world is in the middle of a Fourth Industrial Revolution—a confluence of industrial robots, artificial intelligence, big data, and cloud computing remaking manufacturing. In the view of China’s industrial planners, domestic factories are “large but not yet strong.” By attempting

Bloomberg Businessweek _ Nov 5 ,2018

"The Chinese figured out that technology is the key to wealth and power, and the source of technology is still the West for China," says Lewis. The question is: "How do they get their hands on that Western technology?"

<https://www.npr.org/2018/10/07/654339389/china-makes-a-big-play-in-silicon-valley>

Former Treasury Secretary Lawrence Summers, however, the long-term impact will depend on how the Chinese government interprets the intention behind Trump’s policies.

The true intention of Trump, reported by [Bloomberg](#), is aiming at 'Made in China' 2025 plan – the timeline that China may take the lead in global high-tech industries. Correspondingly, Beijing also stated that the ten high-tech industries that U.S. may impose tariffs on China are coincidentally the same with main proposals of 'Made in China' 2025 plan released by Chinese government.

<https://insights.jumoreglobal.com/targeting-made-china-2025-plan-no-excuse-can-hide-growing-fears-u-s-china/>

Some assessments of the MIC 2025 plan warn of possible negative outcomes. For example, a 2016 study by the Mercator Institute for China Studies warned: “Chinese high-tech investments need to be interpreted as building blocks of an overarching political program. It aims to systematically acquire cutting-edge technology and generate large-scale technology transfer. In the long term, China wants to obtain control over the most profitable segments of global supply chains and production networks.”

https://chinatradeextra.com/sites/chinatradeextra.com/files/documents/2018/sep/wto2018_0402.pdf

Introduction : Setting the scene

Made in China 2025 - Media & Statements : what happened since...



On Dec 19, 2018, Spokesperson and Director-General of the Information Department of the Chinese Foreign Ministry Lu Kang, gave an exclusive interview to NHK

- **Not a policy but a development design, which is not much different from other countries'**
- **It's natural for China to continue upgrading its designs**
- **As for MIC 2025, China always seek cooperation with the rest of the world and want progress through reform and opening up rather than developing in isolation**



Made in China 2025 – What is it actually ?

Facts

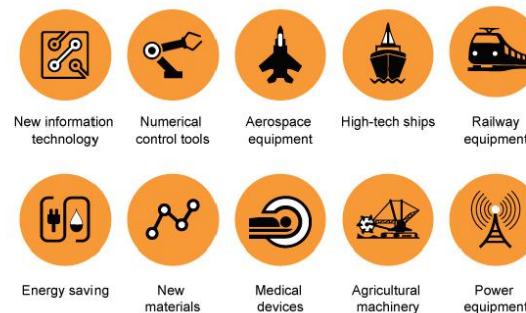
Made in China 2025 (MIC 2025) is a 10-year Master plan announced in 2015 focusing on **10 strategic sectors** representing 40% of China's entire industrial value-added manufacturing through **9 priority tasks**:

1. Improving manufacturing innovation
2. Integrating technology and industry
3. Strengthening the industrial base
4. Fostering Chinese brands
5. Enforcing green manufacturing
6. Promoting breakthroughs in 10 key sectors
7. Restructuring the manufacturing sector
8. Promoting service-oriented manufacturing and manufacturing-related service industries
9. Internationalizing manufacturing

MIC 2025 - The Four Advantages



The Ten Key Sectors



Institute for Security & Development Policy – www.isdp.eu



Increase domestic innovations in order to create Chinese companies that can **compete both domestically and globally**



Reduce / End China's reliance on foreign technology imports with its own innovations and ensure Self Sufficiency

MIC 2025 – What is it actually ?

Key facts

The innovation imperative (and focus) in China is resulting from

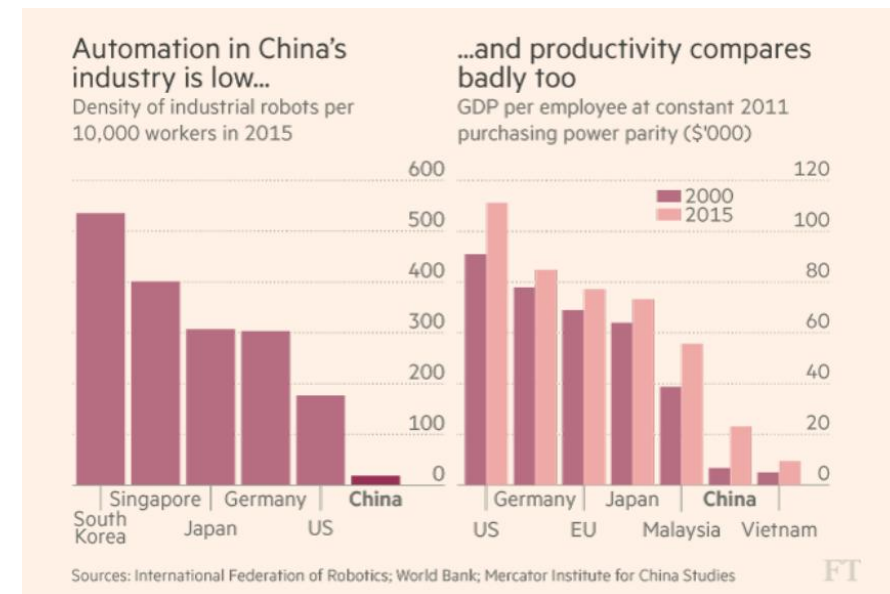
- The labor force is no longer growing
- Return on fixed assets is declining

The motivation for MIC 2025 is to avoid hitting the so-called “**middle-income trap**”. China is able to reach middle-income levels, but eventually the factors that produced that growth can no longer be sustained or the economic returns started to diminish by 2015 (and before).

Without new sources of growth, much slower economic growth rates (or stagnation) can occur, preventing China from transitioning to a high-income economy – and creating potentially larger difficulties.

If successful,

- ü China would move up to the value-added chain,
- ü Repositioning itself from a low cost manufacturer to a direct competitor like South Korea / Japan / Germany
- ü Would be self sufficient / less dependent, preserving the country from seismic social/ political / economical risks.



“As two sources of growth – labor force expansion and heavy capital investment – fade, innovation will need to contribute up to half of GDP growth by 2025, or \$3 trillion to \$5 trillion in value per year.”

McKinsey Institute

MIC 2025 – What is it actually ? The announced targets

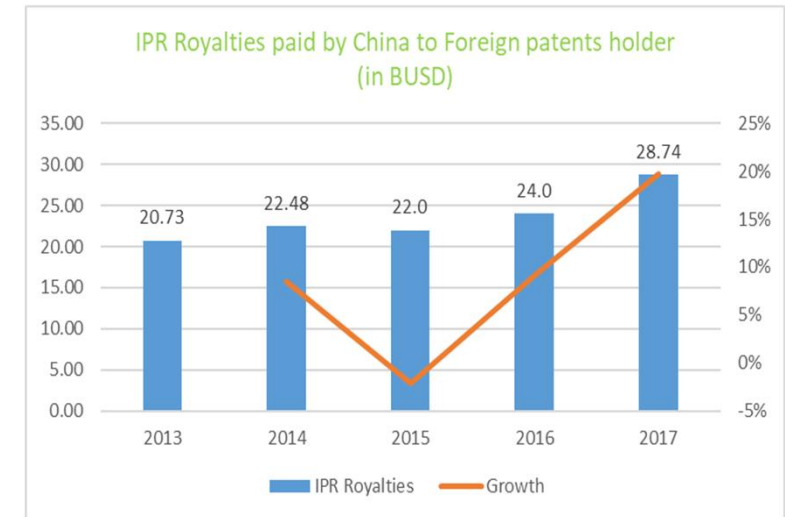
Targets & Policies

Source: Bloomberg



SECTOR	2025 TARGET		POLICY
Advanced rail transportation equipment	40%	Share of revenue from other countries	Subsidies for state-owned giant China Railway Construction Corp.; “Belt and Road” initiative
Automation and robotics	70%	Domestic market share	Subsidies to manufacturers and end users
New-energy vehicles	80%	Domestic market share	Subsidies to electric-vehicle makers; purchasing mandates for government fleets
Aerospace and aeronautical equipment	10%	Domestic market share	Set up Commercial Aircraft Corp. of China; prod local airlines to buy Chinese-built aircraft
Maritime equipment and shipping	40%	Global market share	More funding for research projects and investment in national research centers
Advanced information technology	50%	Domestic market share	National and local funds provide billions of yuan in subsidies
Power-generation equipment	90%	Domestic market share	Direct government purchases
Agriculture equipment	95%	Domestic market share	Subsidies and tax exemptions; establishing national research centers
New materials	90%	Domestic market share	Money for major research projects, subsidizing startups, and setting up industrial funds

NB : BioPharma is missing above : 70% targeted domestic market share. Local production requirements to access State insurance Fund & Government procurement conditions for local content



• Dependency



• Innovation



MIC 2025 – Inside / Outside view

View from the Outside

Global ambitions built on local protections

The plan represents a state-directed industrial policy intended to artificially bring Chinese firms to a dominant position although such targets violate WTO rules

Preferential treatment for Chinese businesses

Auto manufacturing/civil aviation/telecom/ship building/ railway equipment have foreign equity restrictions or joint venture requirements. It blocks opportunities for foreign companies or create a de facto technology transfer

Massive technology transfer

Chinese tech investments is a strategy to systematically acquire cutting-edge tech and generate large-scale technology transfer. China might obtain control over the most profitable segments of global supply chains and production networks

Distortion on global markets

State-backed subsidies and funding could create excess capacity in the industries targeted by MIC 2025, artificially reduced prices, costs jobs globally

Retaliation

Although retaliation is supported, it's not without risk. Increased tariffs may have a negative impact on US-related sectors that utilize China as part of their global supply chain network /may reduce investments in these technologies in the US thus decreasing US productivity. What is the alternative?

View from the Inside

International partnerships

and acquisitions, with significant public funding, are the primary tool for accessing foreign intellectual property, which is then used to further enhance the capabilities of Chinese companies

Emergence of national champions

Explicit global sales growth and market share targets that are to be filled by domestic products have been set for domestic companies. National champions like Alibaba, Tencent are models

Pressure manufacturing industry faces from 2 sides

the more industrialized economies and the low-cost manufacturers. This makes an effective strategy of this scale difficult to implement. State officials recognize that even a successful MIC 2025 would only partially develop Chinese industry

Unbalanced economic growth

As a high middle-class economy, China faces economic challenges such as high corporate debt, severe pollution, declining working age population, very demanding middle-class. Here is lying a social risk with rapid rise in living standards with soaring rents and a plunging stock market. Middle class has to face more uncertainties, therefore many are trying to save money, giving rise to "consumption downgrades".

Self sufficiency

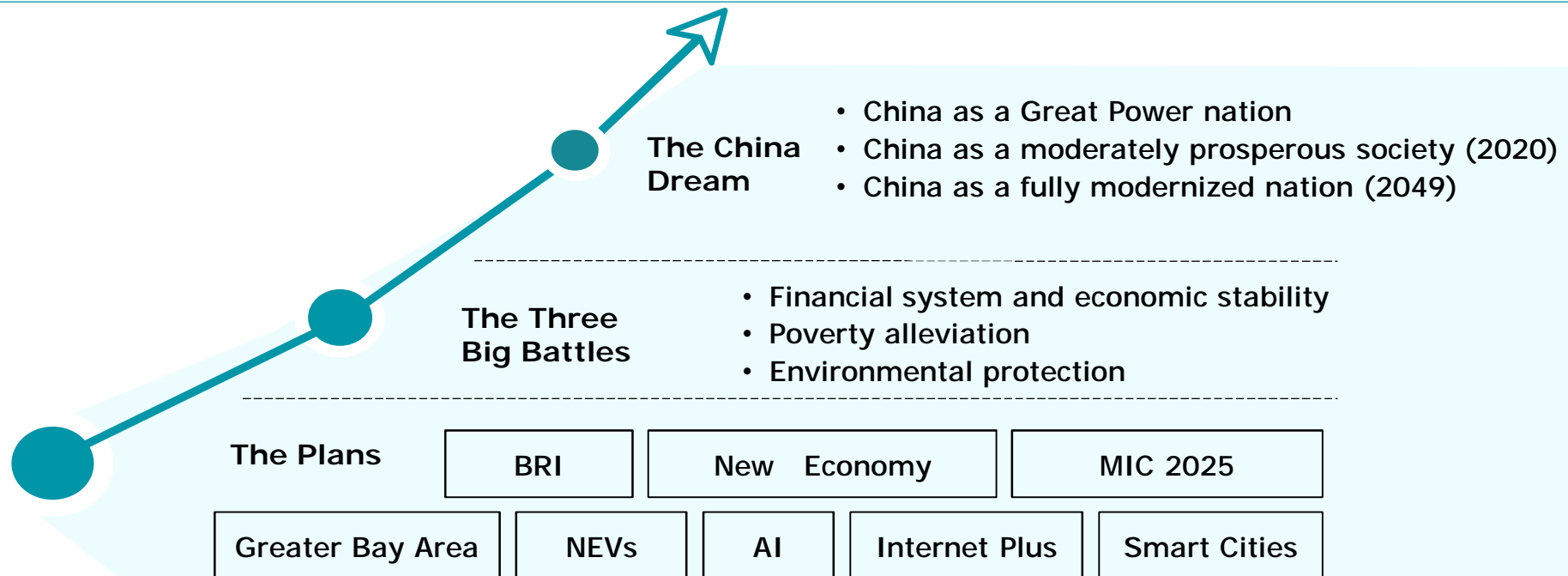
Self sufficiency is a matter of national security. What starts as an economic target become a political imperative.

Reading with different lenses

New Era : Central Planning and Expanding SOE roles

New Era policy environment

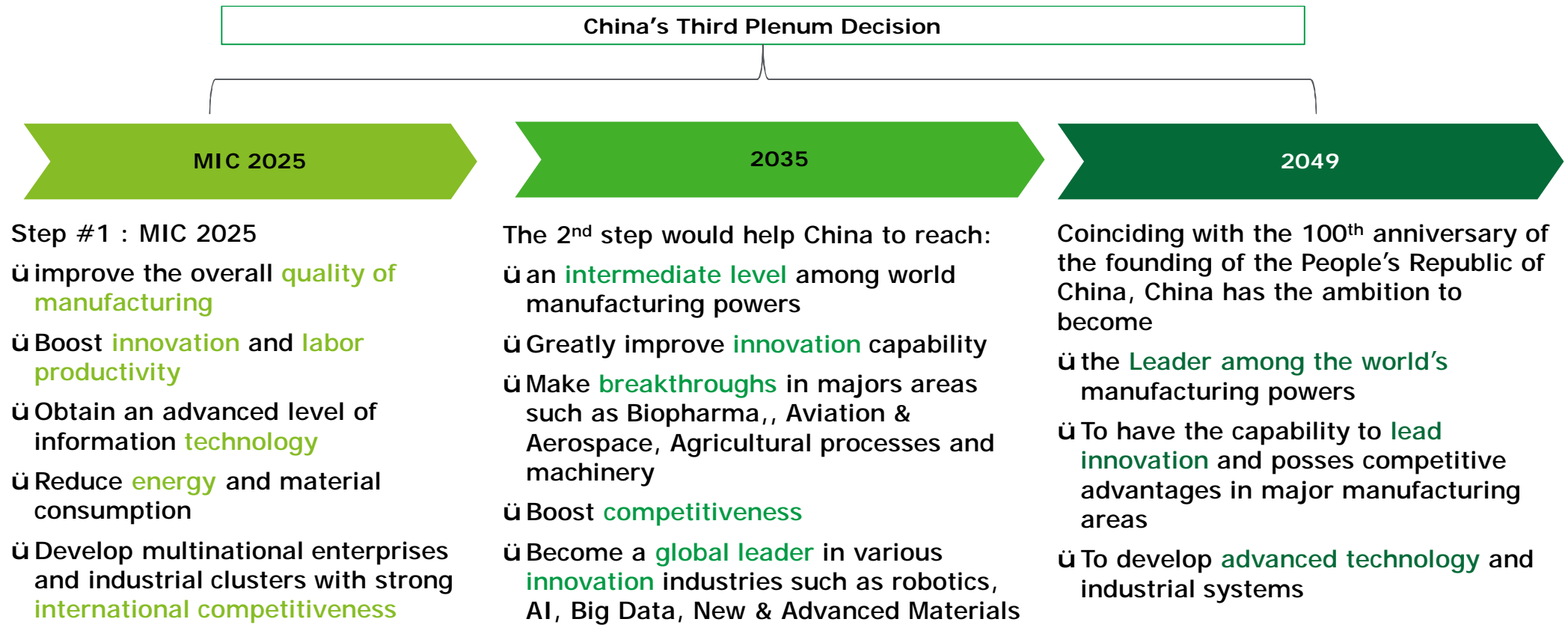
- Centralized
 - One-voice
 - Much stronger control environment, Party everywhere
 - More cohesion: top level design and comprehensive planning
 - More overtly nationalist/mercantilist than ever
- *A big change from DXP*



Source: The Conference Board China Center, Deloitte Analysis

MIC 2025 – Reading with different lenses – The perspective

A three-step Strategy to transform China into a leading manufacturing power



"China's manufacturing sector is large but not strong, with obvious gaps in innovation capacity, efficiency of resources utilization quality industrial infrastructure and degree of digitalization. The task of upgrading and accelerating technological development is urgent"

MIC 2025 Plan, Introduction note

China MIC 2025 – Local innovations thrive

Reducing dependency at all costs and speed – already underway **TODAY**



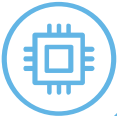
Global Navigation System

- The American GPS is the most commercially used navigation system, setting international time and frequency standards

How?

- China has launched **19 BeiDou satellites** with a full commercial coverage excepted for 2020 and more specific channels for military use.
- China is offering to build **ground-equipment** bases in Pakistan and south-east Asian nations in exchange for a higher-precision BeiDou service to military and government users.
- A global BeiDou would require to adapt, meaning everything from Air-control towers to autonomous vehicles would need to be equipped to receive BeiDou satellite signals through a **specific semi-conductor**. China may require **planes** built outside China to use the Beidou navigation system.

Budget of
\$10.5 bn
by 2020



Semiconductors

- In 2017, China imported US\$260 billion worth of semiconductors
- China relies on semi-conductors imports for more than 95 % of manufacturing for products such as airplanes/aircraft engines/cars/IoT

How?

- **58.5% of the world's** memory, logic and analog chips for value around \$200 bn is destined to flow to China but, China produces only about **16% of semiconductors**.
- As part of a massive push to lower foreign semiconductor dependence China will invest massively in the **130 Taiwanese semi-conductors producers** among other producers.
- China tried to buy its way to the top but bottomless pockets suffice: even for a recent mid-tier smartphone, the main chip cannot be produced yet in China because of **technology acquisition issue / talent management**.

\$305bn of
output
by 2030



Medical appliance:

- China's market for medical devices is worth Rmb462bn (\$74bn) / growing at 20 % a year
- China imported more than \$20bn of high-end medical devices last year, with sales of higher technology devices dominated by foreign groups.

How?

- Beijing wants to increase the use of domestically produced devices in hospitals to 50 % by 2020, and 70 % by 2025, as it seeks to create **national champions** that can conquer export markets.
- Government encourages local production and pushing multinationals to evolve their business model to **localize the value chain** in China.
- The battle will be over **top-end devices**. The focus is the big equipment used by hospitals like diagnostic machines.

\$100bn
spent
in 2017

China MIC 2025 – Local innovations thrive

Reducing dependency at all costs and speed- ... and TOMORROW



New Generation Nuclear Energy: The Fusion

- China builds an 'artificial sun' that can hit temperatures of 100 million C° in order to comprehend nuclear fusion process before building a full reactor.
- China becomes the first country to design and develop such an equipment on its own.

Why?

- Alternative energy source in the future to reduce dependency from fossil energy
- The process promises more power and is far (potentially) safer than nuclear-fission (producing almost no dangerous nuclear waste)
- Very scalable (large) baseload energy production with raw materials, deuterium/tritium required for nuclear fusion are almost inexhaustible in the ocean.

How much?

Still a long list of budgetary and feasibility issues but no budget announced yet even if strongly supported by authorities.

"Co-dependency is when two partners draw more from each other than from their own inner strength. [...] The relationship becomes highly reactive and fraught, with mounting tensions. Invariably, one partner hits a limit and seeks a new source of sustenance. This leaves the other [...] with a vindictive urge to lash out in response"

[Stephen Roach, Yale University](#)

From the G20, Buenos Aires:

- ü *Despite the recent lift on tariffs, The U.S. is restricting Chinese investments in Silicon Valley, planning new limits on exports of advanced technology products, rethinking student and scientific visas and still accusing China of "economic aggression."*
- ü *China could move quickly to pick up stalled negotiations for a treaty that would encourage investment by granting foreign and domestic firms equal treatment. China also could rethink its limits on foreign ownership of joint ventures.*

Reality check

MIC 2025 – Reading with difference lenses : Reality check #1

Steps to Success or Failure

TALENT	INNOVATION / R&D	PUBLIC vs PRIVATE	RULES & REGULATIONS
<ul style="list-style-type: none"> Students graduating in science and engineering in China has quadrupled in 12 years 30,000 PhDs in science and engineering are granted to Chinese citizen every year 351,000 Chinese students have been admitted to U.S. colleges/universities in 2017 	<ul style="list-style-type: none"> China invest 2% of GDP in R&D has doubled R&D investment In 2014, China processed 34.6 % of all patent applications in the world The country processed 160 % more patent application than the US and leads the world in patent applications 	<p>China reform objectives include:</p> <ul style="list-style-type: none"> Phasing out some SOE's to make room for the private sector Reducing corporate debt stock Modernizing the state-managed financial sector Establishing the right partnership between private and public sector 	<p>Quote : "The innovation battle unfolds best in a context of clear and predictable rules and institutions.</p> <p>Not just IP protection, but the role of courts, labor legislation, environmental and healthcare regulations and more."</p>
<p>Highly-skilled human capital outflow outweighs the inflow in China.</p> <ul style="list-style-type: none"> Only ca. 20% Chinese study abroad students had returned to their home country (2015) Attracting foreign talent, retaining local ones and fostering innovation remains a struggle 	<ul style="list-style-type: none"> The country spends more than \$200 billion annually on R&D BUT no Chinese industry in this area has captured more than 12% of global revenues Turning innovation into reality: except in areas where domestic market is enough to stimulate innovation –such as consumer business- no major breakthrough in biopharma/automotive/aviation 	<ul style="list-style-type: none"> The proportion of SOEs remains high and in increase if firms ultimately controlled by the state via complicated shareholding structures are included. 28% of China's industrial assets are SOE's industrial but contribute only 18% of total profit Despite SOEs' return on assets — 3.9% compared with 9.9% for private firms—they present RMB 100 trillion (\$15 trillion) in debt by the end of 2017, equivalent to 120% of national GDP 	<ul style="list-style-type: none"> 60% of FIEs find that China's regulatory environment lack of transparency 62% blame a lack of IPR protection and enforcement

MIC 2025 – Reading with different lenses : Check #2

Stress testing



National Special Development Zones

These Zones are set to **break manufacturing bottlenecks** and to build advanced manufacturing development models in the country. The **evaluation system** focuses on innovation, quality & effectiveness, green development, industrial optimization & upgrading, talents, implementation, and synergetic development. In March 2018, some cities and clusters have been reviewed and the review result are yet to be published...



Look at the semiconductors' sector

Analysts say that what is missing for the Chinese is mastery over "process technology" — the cluster of skills needed to pack billions of transistors into a fingernail-sized chip. Even with money, there's a lot of integrated disciplines to perform in semiconductors' technology. But, as the world's biggest consumer of semiconductors by value, China also has market power it can use to encourage offshore groups to share their technology.



Is an aircraft 100% Chinese possible?

COMAC was established in 2008 and China wants to do what took almost a century for Boeing and Airbus in just eight years. It's impossible to develop the talent, expertise and knowledge and bring together hundreds of suppliers to make a commercial aircraft without the potential for major delays or even complete failure in such a short period of time. Rather than buying globally, COMAC has mandated local production of every major component and subsystem, with no/limited intellectual property protection for the partners transferring the necessary technology. Very few have been tempted (MIC 2015 target objective is set at 10% - only...

19 National Data lab's have been created.

ALI's cloud business is participating in two of them : One to support 'Online data mining and cloud processing for the industrial sector' Another to build a platform for 'big data software' solutions

Xiaomi received support from Beijing district (~1BRMB) to develop the company's first smartphone processor.

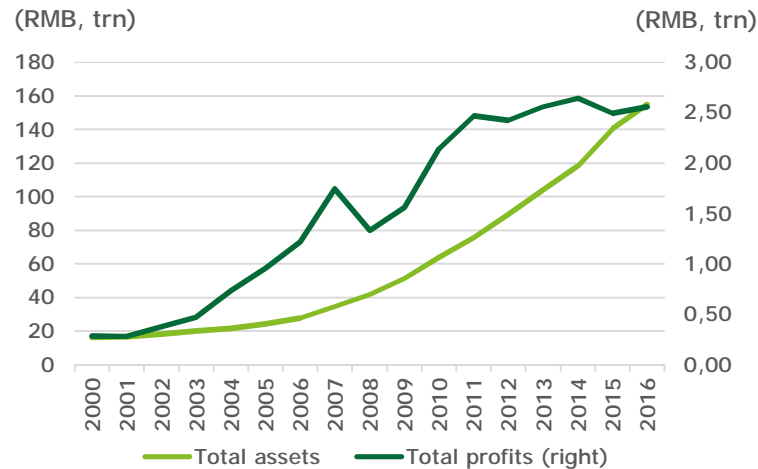
Hikvision the largest 'smart camera maker in China (facial recognition) shares dropped severely (Nov 17) as soon as its reliance on US chipmakers has become clear.

Jiading district has been set up for self-car driving testing with a budget of 500 MRMB in cooperation with **Huawei** and **Beidou**

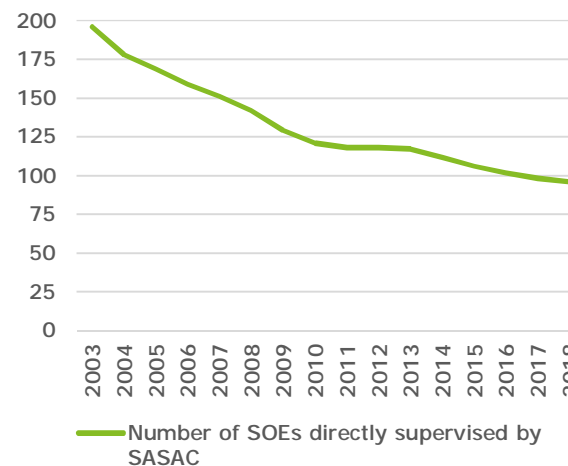
MIC 2025 – Economic system with Chinese Characteristics

Combining MIC with the position of the SOE : China's view

Vast assets of SOEs



Restructuring of central SOEs



Source: Ministry of Finance, Xinhua, SASAC

Beijing asks more private and foreign companies to help reform SOEs

*Domestic and foreign enterprises of all types of ownership **are welcome to participate** in the reform of central SOEs and explore more ways and modes (equity fund, capital market, etc.) of deep cooperation. They are also welcome to **share more of the achievements** of central SOEs' reform and development.*

Mr. Xiao Yaqing, Chairman of SASAC, addressed Chinese Central SOE International Cooperation Forum at the 1st CIIE

Caixin

China's State Financial Assets Worth About Half of Global GDP

By Ke Dawei



Assets of State-Owned Financial Enterprises

	Total assets (Trillion yuan)	%	State-owned assets	%
Financial enterprises (banks, etc.)	214.7	89.1	13.4	82.7
Financial infrastructure institutions (e.g. clearing houses, stock exchange payment systems)	1.7	0.7	0.6	3.7
Nonfinancial centrally administrated enterprises	24.6	10.2	2.2	13.6
Total	241	100	16.2	100

Source: Comprehensive Report on the Management of State-Owned Assets in 2017

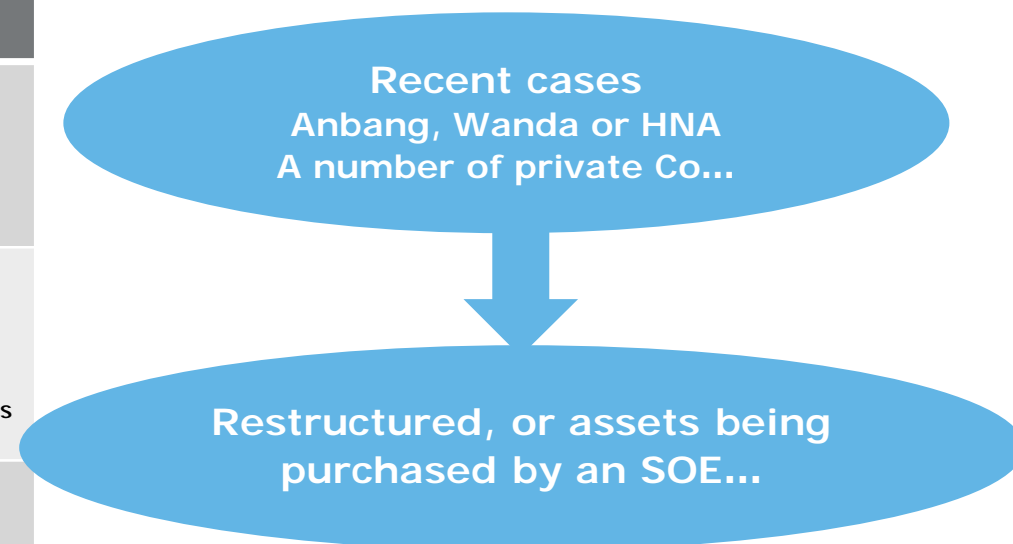
MIC 2025 – Risks & Opportunities for MNC's

SOEs Reforms

*"We [should] taking a clear stand to oppose all forms of privatization."
Xinhua News Agency, Sept. 2015*

1990	Consolidating State Control over larger SOE and opening to private ownership smaller / non strategic ones (ie. Wahaha)
2006	Determination of 7 key sectors in which the State will retain control, and 9 other sectors in which the State will participate actively in development
2015	Determining 'core industries' for the SOE's and assigning specific objectives : commercial sectors should focus on profitability and efficiency; key & pillar sectors should streamline and focus; public service should focus on cost control and service efficiency
2018	Establishing a 'mixed ownership' objective in 7 out of 8 key industries. Allowing access to capital markets and local governments get authority to direct restructuring, financing and combination with private enterprises

SOE Classification	Reform objectives	Ownership structure	Evaluation
Commercial Competitive areas	Shareholding reforms	New capital: state or private	Operating performance
	Push for IPO and holding company's group IPO	State controlling: absolute – relative or minority	Returns on state asset
Commercial Strategic areas	Open competitive areas of monopolies for private capital	Private capital participation allowed	Operating performance
		State capital: still a controlling stake, SOE should invite other state capital	ROI Strategic objectives
Public Welfare Public Goods & Services	Introduce market mechanism	Wholly State-owned Private capital for investment/operation	Cost cuts Service quality, operation efficiency



MIC 2025 – Risks & Opportunities for MNC's

Policies for specific regions or cities

Pilot demonstration city for MIC 2025

Cities: Ningbo, Quanzhou, Shenyang, Changchun, Wuhan, Qingdao, Chengdu, Wuzhong, Ganzhou, Guangzhou, Hefei, Huzhou

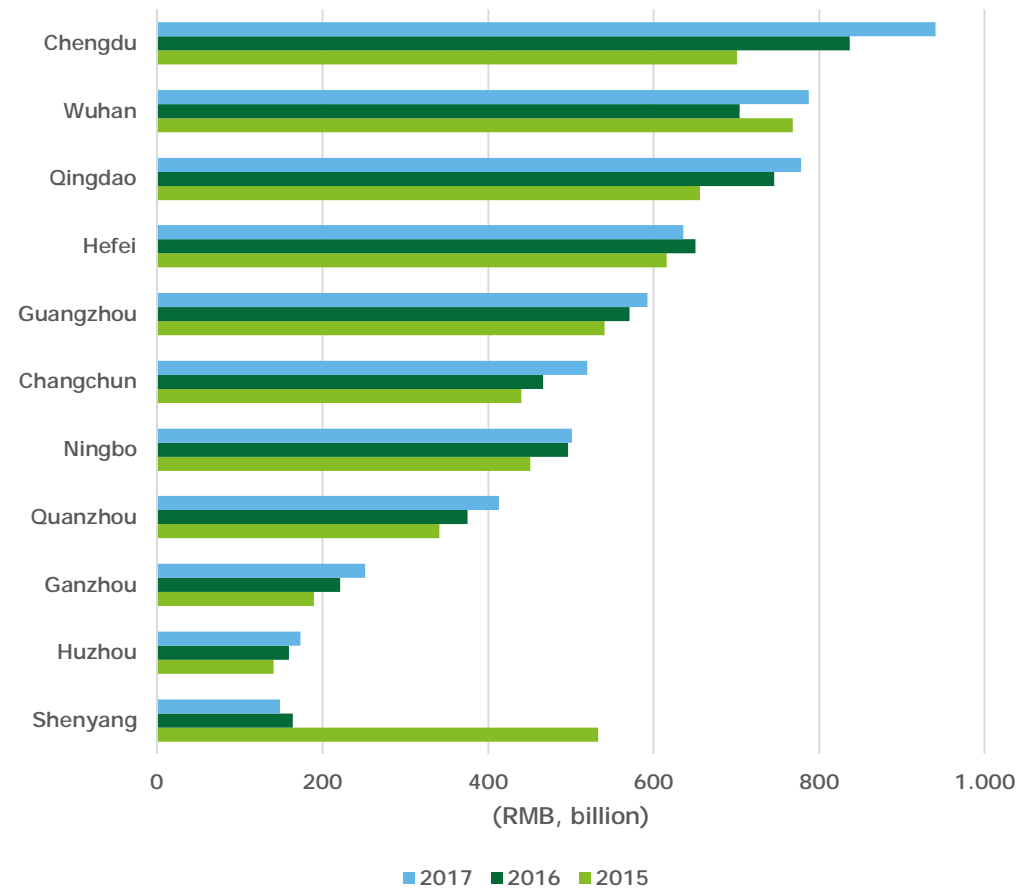
City clusters: southern Jiangsu, west bank of Pearl River, Hunan Changsha-Zhuzhou-Xiangtan-Hengyang, Henan Zhengzhou-Luoyang-Xinxiang

Policy support

- Ø Greater financial support
- Ø Streamlined administrative procedures
- Ø Professional training programs
- Ø Strengthened land safeguard

Strategic well thought location section for new businesses is becoming more critical then ever

Fixed assets investment of these cities



To Sum-up Risks & Opportunities

MIC 2025 - Risks & Opportunities for MNC's

"Self-determination and innovation is the unavoidable path [...] to climb to the world's top as a leading player in technology.

We [should] hold innovative development tightly in our own hands, put much effort in key areas where we are facing bottlenecks [...] and make breakthroughs as soon as we can."

Xi, Jiping, May 2018

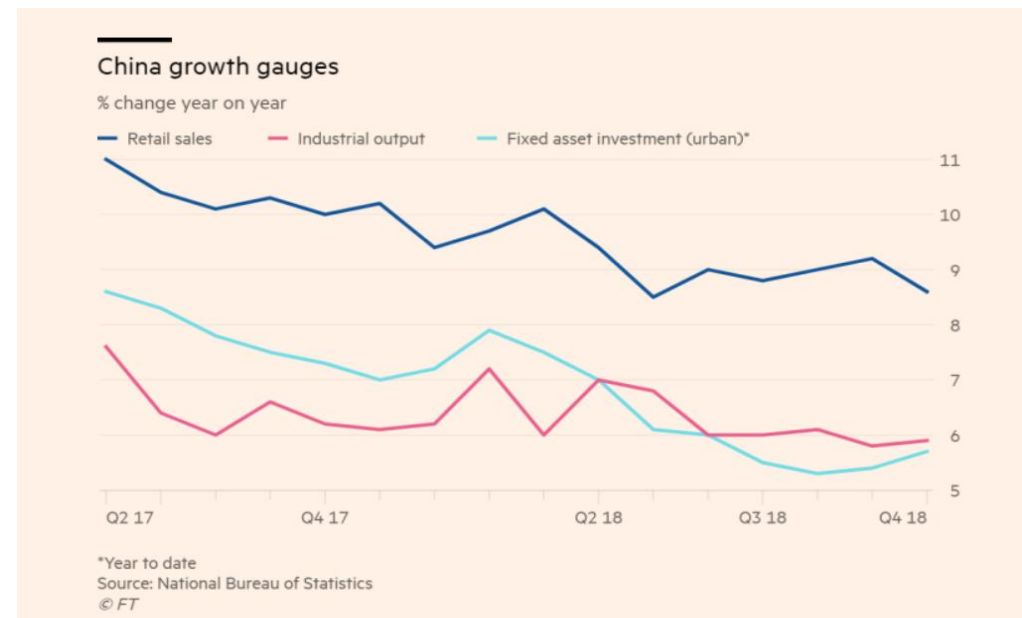
Risks & Opportunities for MNC's

Concluding thoughts

- Realization that innovation cannot be 'ordered'
- Efficiency of investments needs to increase (reduce wastage)
- Social risks are rising as wealth gap is becoming huge
- Catching up has a high cost of capital
- Recognizing that China's economy is globally connected, except some sectors (Data etc..)

Innovation cannot rely on official documents, leadership instructions or grand plans such as "Made in China 2025," renowned Chinese economist Fred Hu said at the 9th Caixin Summit in Beijing on Monday.

"If innovation could rely on plans or instructions under the government's 'visible hand,' the Soviet Union would have been the world's leading innovation power," he said.
(extracts CAIXIN – November 18, 2018)



Risks & Opportunities for MNC's

KPI's and objectives provide a visible insight where and how MNC's can/should play and win

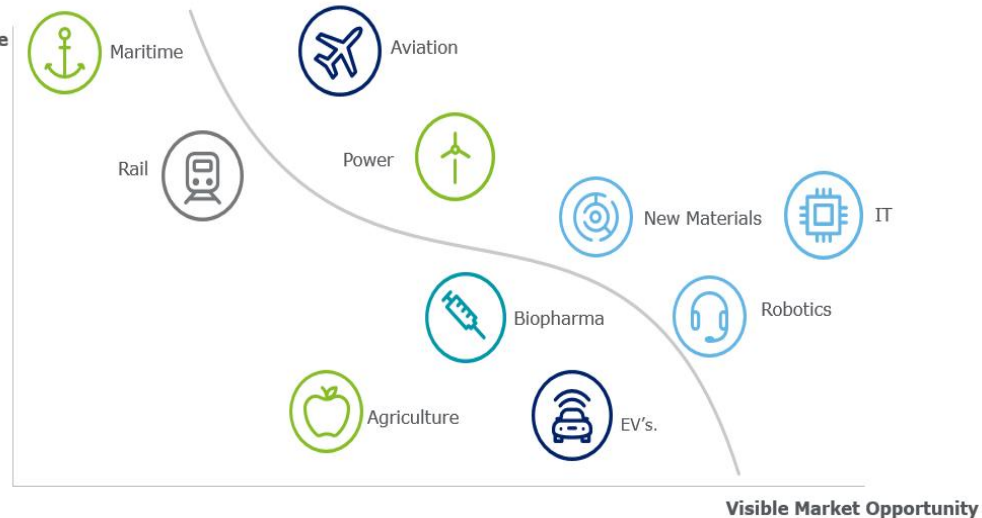
	Indicator	2013	2015	2020	2025
Innovation	Expenditure on R&D as % of revenue	0.88%	0.95%	1.26%	1.68%
	Valid invention patents per RMB 100 millions in revenue	0.36%	0.44%	0.70%	1.10%
Quality	Manufacturing quality competitiveness index	83.1	83.5	83.5	85.5
	Manufacturing value added ratio	-	-	Up to 21% from 2015	Up to 4% from 2015
	Labour productivity growth rate in manufacturing	-	-	7.5% (2016-2020)	6.5% (2021-2025)
Industrialization & Informatisation	Fixed broadband penetration rate	37	50	70	82
	Penetration rate of digital research tools	52	58	72	84
	Average level of digitization of key production and work processes	27	33	50	64
Green Manufacturing	Industrial value-added energy consumption	-	-	Down 18% from 2015	Down 34% from 2015
	Carbon dioxide emission per unit of industrial value added	-	-	Down 22% from 2015	Down 40% from 2015
	Water compensation per unit of industrial value added	-	-	Down 23% from 2015	Down 41% from 2015
	Utilization rate of industrial solid waste	62%	65%	73%	79%

Local R&D Centers

Increase local productivity

Build sustainable operations

State interference



Source: National Manufacturing Strategy Advisory Committee, European Chamber / MIIT 2017

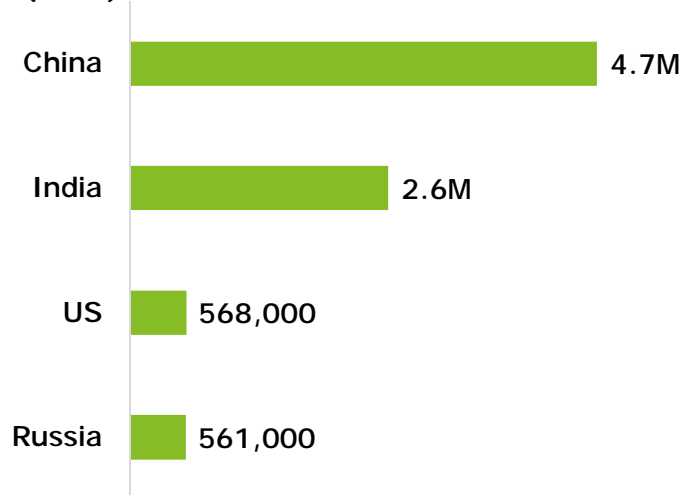
Partnering and teaming to win (participate) in the competition for resources

Current state and trend of STEM* graduate production in China

* Science, Technology, Engineering and Mathematics

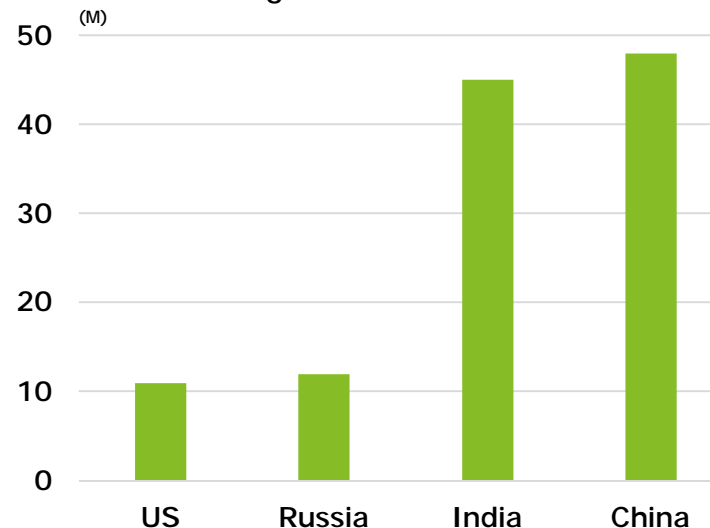
- China leads the world's count of STEM graduates, with over 4.7 million in 2016
- MNC executives have cited the abundance of specialized STEM workforce as a major reason for China's continued attraction as an investment destination
- Providing future jobs for STEM and other Chinese college graduates will be a major challenge, with overall youth unemployment expected to rise to 14% by 2030

Recent STEM graduates by country (2016)



Source: World Economic Forum

Total # of STEM graduates 2015-2030 (M)



Source: Economist Intelligence Unit

Attract the best talent

Provide a better space for the new talent pool

Partnering and teaming to win (participate) in the competition for resources

Encouraging entrepreneurs and startups

- As of 2017, China had around 3,500 incubators and 4,000 makerspaces, and aims to grow the combined total to more than 10,000 by 2020
- According to the Ministry of Science and Technology's Torch Development Center, reaching this target will help create three million job opportunities and 2,000 listed companies
- Incubators and accelerators are a pivotal component of the 13th Five Year Plan and other centrally-led initiatives, giving local governments a powerful incentive to invest and promote development
- Venture capital funding has also increased, with Chinese startups receiving a greater volume of VC dollars than US and Canada-based startups in 2018 Q2
- The growth in makerspaces is very recent, only seriously taking off in 2015. China's push towards a homegrown maker culture is showing signs of an early bubble, and it remains unclear if momentum can be sustained or contribute significantly to innovation and job creation in the long run

The three 'private' new economy giants are encouraged to help the local innovation space

(all 3 CEO's have just been awarded the special prize by the 1st party Secretary of CPC of contributions to the New China Model)

How to keep independent from the B3

How to participate & benefit

Source: Xinhua, China Daily, TechCrunch, Sixth Tone

© 2019. For information, contact Deloitte China.

Amcham Nanjing January 9, 2019 – China Manufacturing 2025

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Risks & Opportunities for MNC's

Concluding thoughts

The strong & challenging goals and ideal outcomes of China's leaders are the opportunity to MNCs

1. Mind the Gaps

The gap between indigenous capabilities and policy objectives defines the play-space for foreign investors.

It always has.

2. Pick the Space



3. Build Around Strong Defense

- Own the business plan
- Operate controls
- Compartmentalized IP exposures
- China savvy team
- Create value & alignment with champions



*Smart manufacturing pilot projects: <http://www.miit.gov.cn/n973401/n1234620/n1234621/c6285195/part/6285201.pdf>

Risks & Opportunities for MNC's

Concluding thoughts

- Ø China's development model is built on industrial policies ? Names are unimportant.
- Ø Subsidies & support toolbox ? Creativity and innovation on all fronts
- Ø Have top leaders read Made in China 2025 ? What about provincial leaders?
- Ø Consensus building vs. slogans
- Ø China is likely to tone it down but unlikely to abandon it

Connectors with regulators become more important and can accelerate success

Operations need to take full advantage of favorable policies

Review continuously market strategy and remain agile

Past transparency in objectives is ending, need for local savviness increases

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