



# News Focus No.11 2015

## China’s State Council announced “Made in China 2025” plan switching the emphasis from made in China to made by China

On May 19 2015, China’s State Council unveiled a 10-year national plan, “Made in China 2025” (hereinafter “the plan”), focusing on promoting China’s manufacturing industries to be globally competitive. The plan emphasized the priorities of Chinese manufacturing industries shall be transformed from made in China to made by China, from speed to quality and from products to brands. We will be introducing the highlights of the plan in the following report.

### I Background

The plan was first mentioned at the annual session of the National People’s Congress on March 25 2015, initiated by Premier Li Keqiang in his Government Work Report. It called for greener, more intelligent manufacturing, with an emphasis on quality and adapting well to the trend of being increasingly integrated with the Internet. The plan is viewed by Chinese economists and industrial leaders as the nation’s answer to “Industry 4.0”, a concept about the future for industry that was first featured in a German government high-tech strategy in 2013.

As the Chinese economy slowly gets accustomed to the “New Normal” stage, which was a term referred by Chinese president Xi Jinping as a crucial rebalancing period when the country diversifies its economy and embraces a slower but more sustainable growth, new challenges arose for the manufacturing sector. Facing rising labour costs, slower investment and export growth and increasing competition from other countries, especially those in Southeast Asia, China’s manufacturing sector has to move up to the next level. The plan aimed to tackle those challenges and gave the manufacturing sector a radical makeover to be more competitive, innovative with more higher-value-added processes being created in China.

### II Highlights

According to the plan, China aims to achieve the basic industrialization by 2020 with highly advanced information technology; it will take a great leap in innovation as well as manufacturing efficiency by 2025; it will be able to compete with developed manufacturing powers by 2035; and leading the world’s manufacturing by 2049.

Please refer to below table for the tasks and priorities which were illustrated in the plan.

	Task & Priority
1.	Boosting manufacturing innovation
2.	Promoting the deep integration of information technology and industrialization
3.	Strengthening the fundamental capacity of industry
4.	Fostering Chinese brand quality
5.	Comprehensively enforcing green manufacturing
6.	Promoting breakthroughs in 10 key sectors including new-generation information

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	technology, high-end digitally controlled machine tools and robots, aviation and aerospace equipment, ocean engineering equipment and high-tech vessels, advanced rail transport equipment, energy-saving cars and new energy cars, power equipment, agricultural machinery, new materials, and biomedicine and high-performance medical devices
7.	Advancing the restructuring of the manufacturing sector
8.	Promoting service-oriented manufacturing and manufacturing-related service industries
9.	Accelerate the progress in manufacturing by greater opening up and internationalization

To realize mentioned tasks and goals, the plan put forward strategic support and guarantee policies in 8 aspects, including:

- Deepen the reform in system and mechanism
- Create a market environment of fair competition
- Improve the financial support policies
- Strengthen the support in fiscal and taxation policies
- Perfect the multi-tier personnel training systems
- Improve the polices for small and medium sized enterprises ( hereinafter “SME”)
- Further expansion on the manufacturing sector opening up
- Improve the organizational enforcement mechanisms

### III Comments

Miao Wei , the Minister of Industry and Information Technology, said at a press conference that the plan shared similar goals with Germany's "Industry 4.0", with both aiming to "deeply integrate" information technology with advanced manufacturing to drive a new wave of industrial development. By launching the plan, China might be able to quickly narrow its gap with developed nations by applying internet technology to manufacturing. However, the nation still faced many challenges, including a shortage of top-class talent, resources and environmental bottlenecks, and a shrinking supply of migrant workers. The official said, some Chinese companies have yet to go through the 2.0 and 3.0 versions, while most German manufacturers were in a stage somewhere between 3.0 and 4.0. Thus there is still long way to go before China can reach the top of world-class manufacturing business.

What`s more, Chinese government is demonstrating great efforts in pushing forward the national reform of high-quality brand building both in state-owned enterprise and SMEs. Coupled with infrastructure development brought by “One Belt and One Road” initiative, China is speeding up industry restructuring by eliminating outdated production capacity and supporting SMEs with preferential fiscal and taxation policies. Meanwhile, the integration of the Internet with other industries to cultivate new industries and new growth drivers is also encouraged. With the help of the rapidly growing e-commerce, the plan is expected to enable Chinese industries to move to a more modern culture of high quality, high investment and a brand-oriented business environment under the government`s continued guidance.

The interpretation and actual implementation of the plan should be worthy of attention. The up-to-date information will be provided continuously by our bank.

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