



China's Strategic Emerging Industries: Policy, Implementation, Challenges, & Recommendations

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Executive Summary

- China's central government has identified seven "strategic emerging industries" (SEIs) that officials hope will become the backbone of China's next phase of industrial modernization and technological development.
- Many of these policies are still being drafted or are in the early stages of implementation. Foreign companies have increasingly sought to understand how these policies may affect them and what market opportunities may exist within these sectors.
- Senior leaders have noted on several occasions that foreign-invested enterprises should enjoy equal treatment in regards to all SEI policies. However, past experience with central government industrial plans that have placed limits on foreign companies' opportunities to participate in key markets has led companies to be cautious about current opportunities.
- While central and local governments will both play important roles in developing SEI policies, provincial and municipal governments will be the primary drivers of SEI implementation nationwide and have significant authority to draft plans, funding schemes, preferred technology catalogues, and pilot projects.
- Local government transparency about local implementation strategies varies greatly by province or municipality. Most provinces appear to lack coordination with regard to implementing SEI development policies, and only limited government information is publicly available, making information gathering difficult.
- Local government financial subsidies will be a primary incentive for companies to develop new products and technologies in SEI sectors. Access to special funding in certain localities seems to favor domestic enterprises by requiring locally owned and registered intellectual property (IP).
- US-China Business Council (USCBC) members indicate that current SEI-related incentives and programs do not drive their strategy and investment decisions and are not vital to their business development. At the same time, USCBC members would like to see current and future SEI incentives and programs offered on a non-discriminatory basis, to ensure that foreign companies are not unfairly disadvantaged and can participate if they choose to do so.
- USCBC recommends that SEIs policies and projects be open to both domestic and foreign-invested enterprises – both in policy and in practice – at both the central and local level. We also encourage SEI policymakers to ensure that these policies do not violate international trade rules on national treatment or use discriminatory tools such as local IP requirements.

Overview of Selected Agencies Involved in Strategic Emerging Industries		
Central-Level Agency	Provincial Level Equivalent	General Responsibilities
Ministry of Finance (MOF)	Local MOF offices are referred to as “departments of finance”	<ul style="list-style-type: none"> Serves as the primary agency managing available funds for SEI development
State Intellectual Property Office (SIPO)	Local SIPO can be referred to as “intellectual property bureau” (IPB) or “intellectual property administration” (IPA)	<ul style="list-style-type: none"> Focuses on emphasizing protecting intellectual property rights (IPR) within the SEIs Coordinates with other agencies to protect IPR in SEI policy implementation

Within the government agencies that are broadly involved with SEI planning and implementation, various bureaus and departments have defined responsibilities, both for specific industries that fall under the SEI framework and for different elements of SEI implementation. Different agencies assign SEI-related responsibilities in different ways. For example, NDRC assigns much of its SEI-related oversight to the Department of High-Tech Industry, which maintains general oversight for promotion of all SEI industries based on its oversight of the IT, biotechnology, aerospace, new materials, new energy, marine, and high-tech services industries. Two other NDRC departments – the Department of Resource Conservation and Environmental Protection and the Department of Basic Industries – handle specialized pieces of the SEI landscape: energy efficiency and environmental protection, and high-end manufacturing related to transportation. In contrast, MIIT is more compartmentalized, with several separate departments responsible for planning, policy, and standards within their respective SEI sectors, such as the Department of Equipment Industry and the Department of Software Services.

Key Government Policies

Since 2010, various agencies have published SEI-related policy guidance:

- State Council Decision on Accelerating the Development of Strategic Emerging Industries (http://www.gov.cn/jzwgk/2010-10/18/content_1724848.htm), October 2010
 - Identifies the seven specific strategic emerging industries (see Appendix 1 for more details on industry breakdown)
 - Establishes a quantitative target for SEIs to account for 8 percent of GDP by 2015 and 15 percent by 2020
 - Stresses that R&D and indigenous innovation are core features of SEI development
- NDRC Implementing Opinions on Encouraging and Guiding Private Enterprises to Develop the Strategic Emerging Industries (http://www.ndrc.gov.cn/zcfb/zcfbtz/2011tz/t20110815_428464.htm), July 2011
 - Policy framework governing private company participation in China's seven SEIs
 - Requires that future policies remove any existing market-entry thresholds – such as those governing registered capital, total investment, and land supply – that apply specifically to private companies
 - Requires that private companies have equal access to public financing and other government funds earmarked for SEI projects
 - Requires local officials and other relevant regulators to solicit comments from private enterprises on future policies and must take comments and recommendations “seriously”
 - Chinese term for “private” industry does not include foreign investment

- State Council 12th Five Year Plan (FYP) on Development of Strategic Emerging Industries (http://www.gov.cn/zwgg/2012-07/20/content_2187770.htm), July 2012
 - Taps NDRC as the leader of an interagency central government taskforce to develop national SEI plans and policies
 - Lays out detailed goals, sub-industry priorities, key projects, and supportive policies
 - Lists large projects the government wants to promote during the 12th FYP period (2011-15)
- MIIT Notice on the First Batch of Key SEI Technologies and Products for Targeted Promotion (also known as Notice 318, <http://www.miit.gov.cn/n11293472/n11293832/n12843926/n13917012/14713132.html>), July 2012
 - Contains two appended catalogues, one of SEI technologies and one of SEI products that potentially could be used as reference in SEI policy implementation (see Appendix 2 for more details)
- MIIT Classification Catalogue of Strategic Emerging Industries (<http://www.miit.gov.cn/n11293472/n11293832/n12845605/n13916913/14990105.html>), November 2012
 - Provides systematic identification of specific industries to be considered for SEI-related policy implementation
- MOF and NDRC Interim Measures for the Administration of Special Funds for Strategic Emerging Industries (http://jjs.mof.gov.cn/zhengwuxinxi/zhengcefagui/201301/t20130124_729883.html), December 2012
 - Manages and standardizes SEI funding allocation across central government agencies
 - Lays out principles to guide funding, stating that funding should be market-driven
 - Specifies that funding should facilitate significant technology breakthroughs, the industrialization of critical sectors, the establishment of industry value chains, and innovation-oriented development
- NDRC Guiding Catalogue for Strategic Emerging Industries' Key Products and Services (http://www.ndrc.gov.cn/zcfb/zcfbgg/2013gg/t20130307_531611.htm), February 2013
 - Provides detailed list of technologies and products under each SEI and its sub-sectors
 - Does not include specific policies, funding, additional investment incentives for companies or technologies, or any criteria or other information about how either foreign-invested or Chinese companies might be able to participate in the development of these products and services
 - Provides cover note to encourage investment in these sectors, and as a baseline for provinces and ministries to develop their own specific lists of SEI products and services

Provincial and municipal governments also have their own policies and regulations designed to promote the SEIs, including local catalogues, funding plans, project announcements, and regulations. To better understand local policies and implementation USCBC interviewed local government agencies and analyzed local SEI-related policies and regulations across 12 cities and provinces. Appendix 3 provides examples of SEI policies, funding, and implementation plans in these select provinces and cities.

New energy

- Research and develop new-generation nuclear power technology and advanced reactors;
- Accelerate the application of solar-power technologies and explore diversified power-generation markets of solar photovoltaic and photo-thermal energy;
- Improve wind-power technology equipment to promote large-scale development of wind power and to develop an intelligent grid as well as new-energy systems; and
- Explore and use biomass energy according to local conditions.

New materials

- Develop new materials such as rare earths, high-performance membrane materials, special glass, functional ceramics, and semiconductor lighting materials;
- Develop advanced structural materials, such as high-quality special steel, new-mode alloy material, and engineering plastics;
- Develop high-performance fiber and composite materials, such as carbon fiber, aramid fiber, and ultra-high molecular weight polyethylene; and
- Research general and basic materials such as nano-, super-conductor, and intelligent materials.

New-energy vehicles

- Make core technology breakthroughs in motor batteries, drive motors, and electronic controls to promote the application and commercialization of plug-in hybrid and pure electric vehicles; and
- Research leading and core technologies for fuel-cell vehicles; and vigorously promote low-emissions, energy-efficient vehicles.

Source: PRC State Council Decisions on Accelerating the Development of Strategic Emerging Industries; Adapted from USCBC China Market Intelligence (<https://www.uschina.org/members/publications/cmi/2010/october/27/02.html>)