Made in China 2025

China’s path towards tech leadership and its impact on Europe

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High hopes in China’s opening up and reform process

World / developed markets

- Investment
- Know-how

FDI

Exports

China

Domestic market

Catalyst for economic development and liberalization
China’s economy in transition

Reform stage 1

Excess workers

Agriculture

SOEs

New jobs

Manufacturing (labor intensive)

Services

Reform stage 2

Excess workers

Agriculture

SOEs

New jobs

Manufacturing (high tech)

Services
Departing from the world’s work bench

Source: based on Stan Shih
Made in China 2025 road map

- **2025**
  - Catch up with developed industrial countries

- **2035**
  - Expand competitiveness

- **2049**
  - Technological leading industrial country
10 key industries in Made in China 2025

<table>
<thead>
<tr>
<th>Industry</th>
<th>Icon</th>
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<tbody>
<tr>
<td>New generation information technology</td>
<td><img src="image1.png" alt="Icon" /></td>
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<tr>
<td>High-end computerised machines and robots</td>
<td><img src="image2.png" alt="Icon" /></td>
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<tr>
<td>Space and aviation</td>
<td><img src="image3.png" alt="Icon" /></td>
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<tr>
<td>Maritime equipment and high-tech ships</td>
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<td>Advanced railway transportation equipment</td>
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<td>New energy and energy-saving vehicles</td>
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<td>Energy equipment</td>
<td><img src="image7.png" alt="Icon" /></td>
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<td>Agricultural machines</td>
<td><img src="image8.png" alt="Icon" /></td>
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<td>New materials</td>
<td><img src="image9.png" alt="Icon" /></td>
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<td>Biopharma and high-tech medical devices</td>
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Source: CKGSB
MIC2025: China aims to close the gap to global tech leaders

- **Government driven plan**
  - Strengthening of China’s economic system

- **Strengthening and upgrading of key industries**
  - High-tech and sophisticated industrial sectors

- **Modernization of industrial production**
  - Similarities with Industrie 4.0

- **Catch up with highly developed industrial countries**
  - Establish position in upper range of the value chain
The state determines the direction

- **Government and quasi-government targets**
  - Supported by massive government funds

- **Companies pursuing national targets**
  - Establish national champions
  - Aligning private and state companies in core areas / next generation tech

- **Strategic OFDI**
  - Government sets investment priorities
  - Focus on M&A in technology sector
The state, not the market decides

Examples of state funds (2014/2015)

Fond for "advanced manufacturing"

Fond for "newly emerging industries"

Fond for semiconductors

20 Mrd CNY

40 Mrd CNY

139 Mrd CNY

Source: MERICS research
High-tech ambitions will change global trade flows

Targets for domestic market share of Chinese technologies

- Mobile Devices
- Chips for Mobile Devices
- Long-Distance Planes
- Industrial Robots
- Power Equipment
- Combustion Engine Vehicles
- New Energy Vehicles
- Connected Cars Technology
- Medical Devices

Source: Made in China 2025 Technology Roadmap
Example e-vehicles: Impacting global innovation

- Government sets priority on battery powered vehicles and provides massive support
- Large market size provides leverage
- Window of opportunity for local brands
- China begins to set industry standards
- Build value chain in China

planned battery capacity

China
130 GW

Rest of the world
42 GW

Source: Bloomberg
Not the liberalization that was hoped for

Market economy model → CCP control of market → Non-market/state capitalism model

World

China

Areas
market mechanisms used to improve economy
China’s rise puts pressure on industrialized countries
Industrial policy will impact Europe’s workers

- State-led Made in China 2025 facilitates new overcapacities
- Innovation environment under threat

**Impact on:**
- Pressure on company profits
- Ability to stay innovative under threat
- Declining export markets in China and globally
- Downward pressure on workers’ wages

- **Industrial jobs in Europe face rising competition**
  - Workers
  - Engineering/R&D
China is rapidly changing as an economic partner

- **Breaking point for division of labor**
  - Shift from labor intensive to high-tech manufacturing

- **China needs to move up the value-chain**
  - Increased competition in high-value added sectors

- **Stalling reform and opening process in China**
  - Strengthening of state-capitalism

- **Looming clash of economic systems**
  - Issues need to be addressed
Thank you