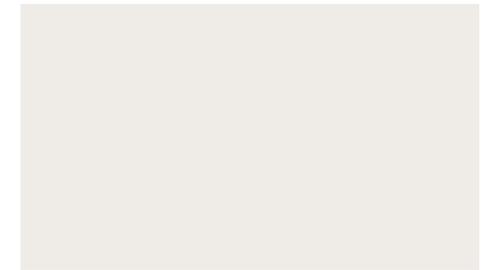


Made in China 2025

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

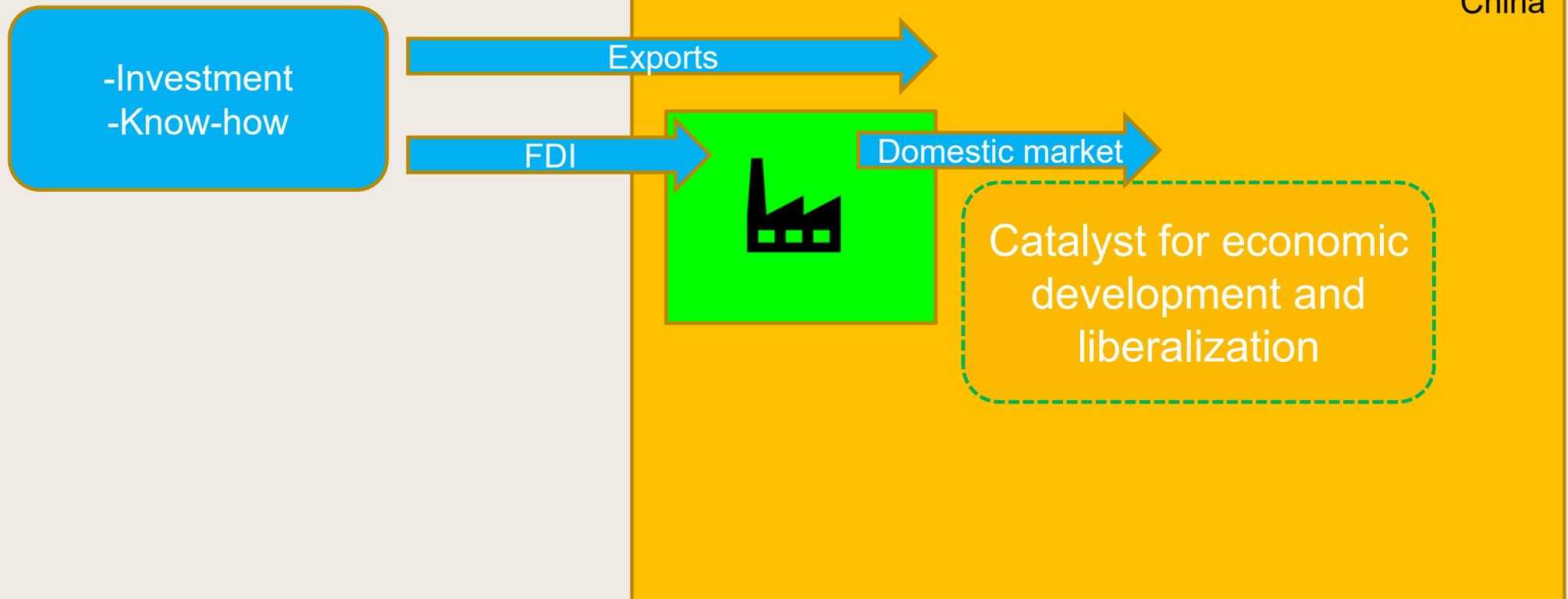


Max J. Zenglein
29. Juni 2018

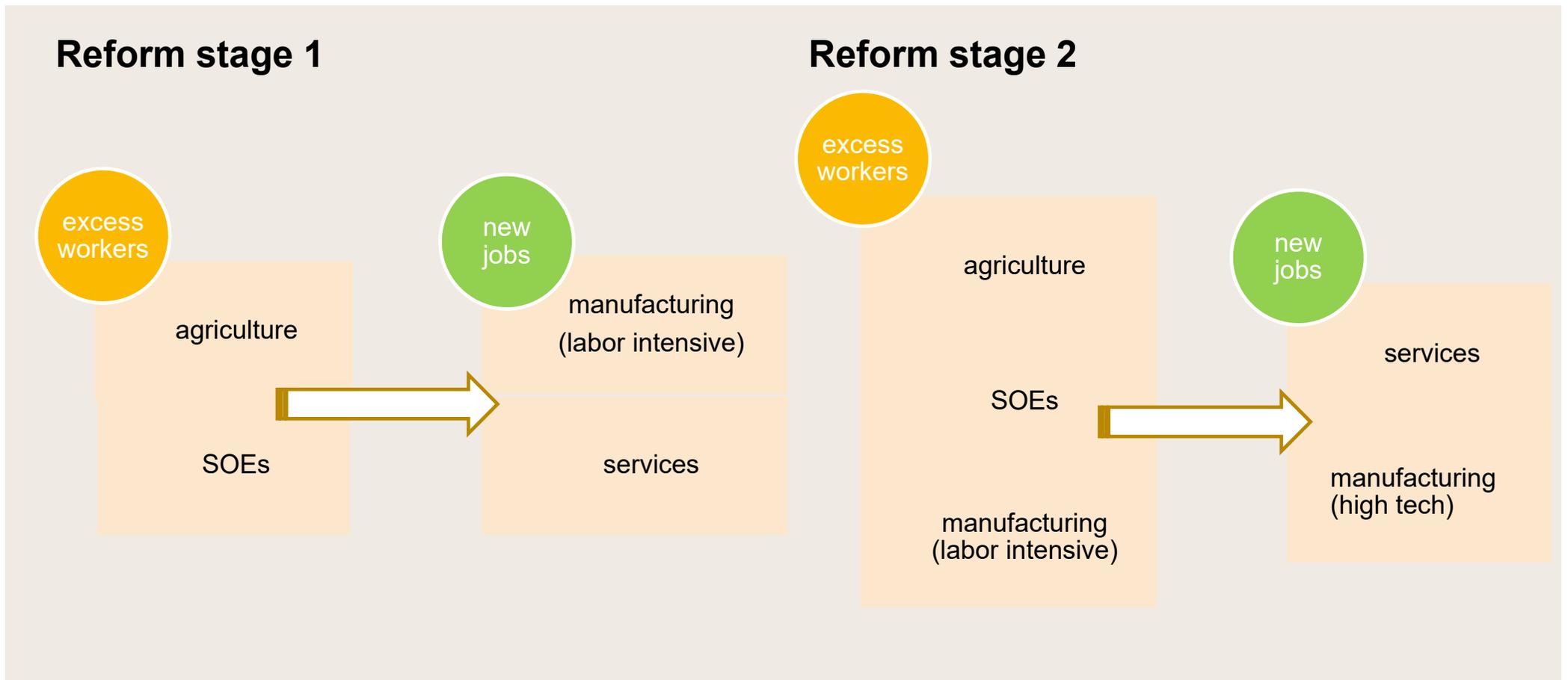


High hopes in China's opening up and reform process

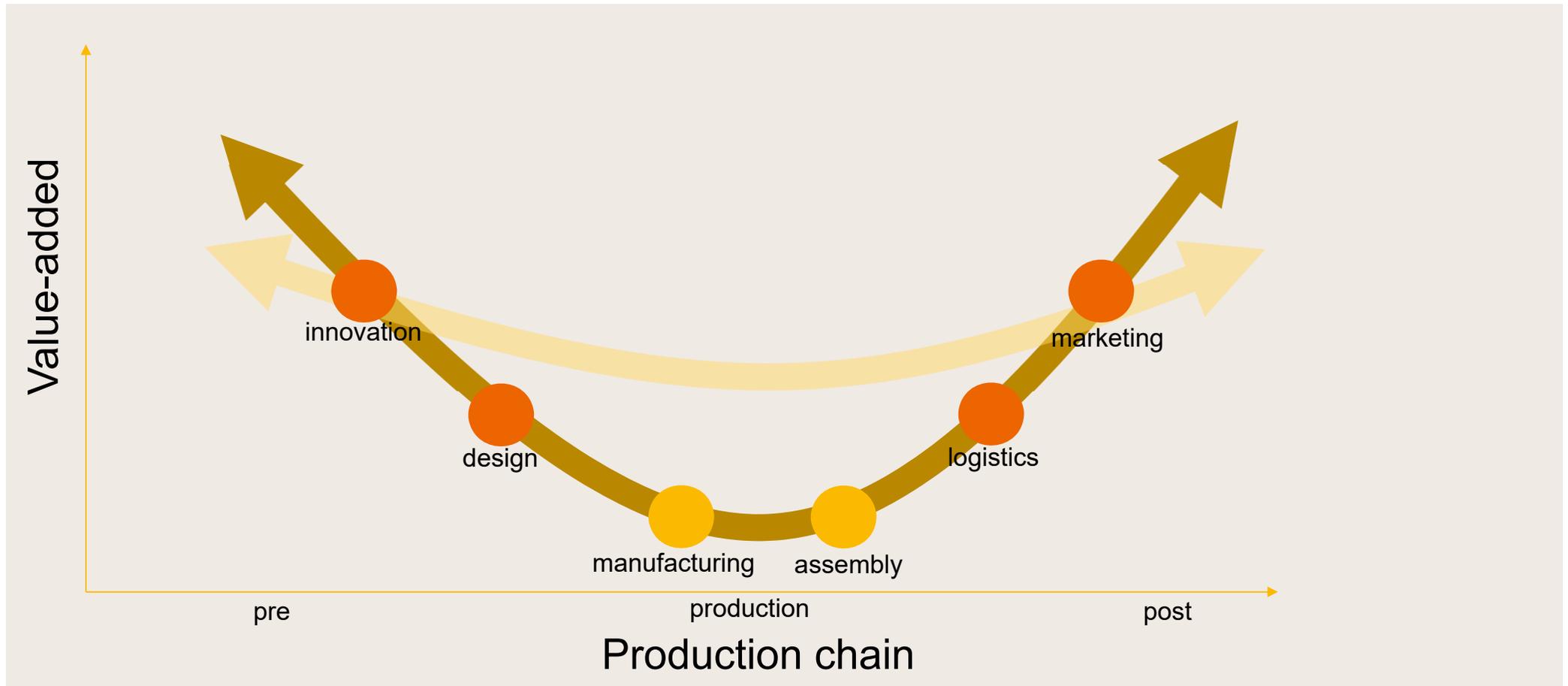
World / developed markets



China's economy in transition

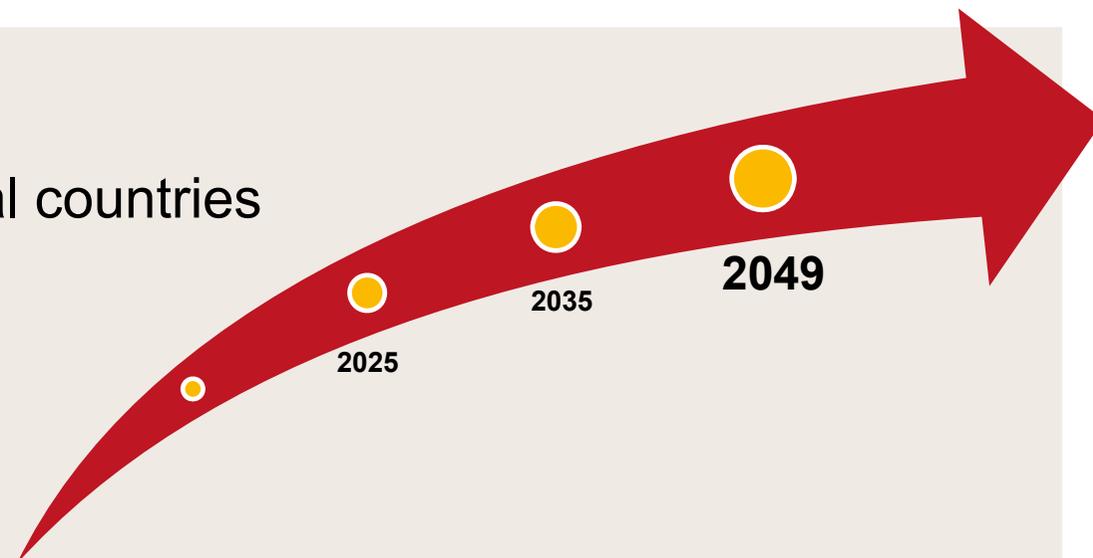


Departing from the world's work bench

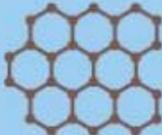


Made in China 2025 road map

- **2025**
 - Catch up with developed industrial countries
- **2035**
 - Expand competitiveness
- **2049**
 - Technological leading industrial country



10 key industries in Made in China 2025

 <p>New generation information technology</p>	 <p>New energy and energy-saving vehicles</p>
 <p>High-end computerised machines and robots</p>	 <p>Energy equipment</p>
 <p>Space and aviation</p>	 <p>Agricultural machines</p>
 <p>Maritime equipment and high-tech ships</p>	 <p>New materials</p>
 <p>Advanced railway transportation equipment</p>	 <p>Biopharma and high-tech medical devices</p>

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

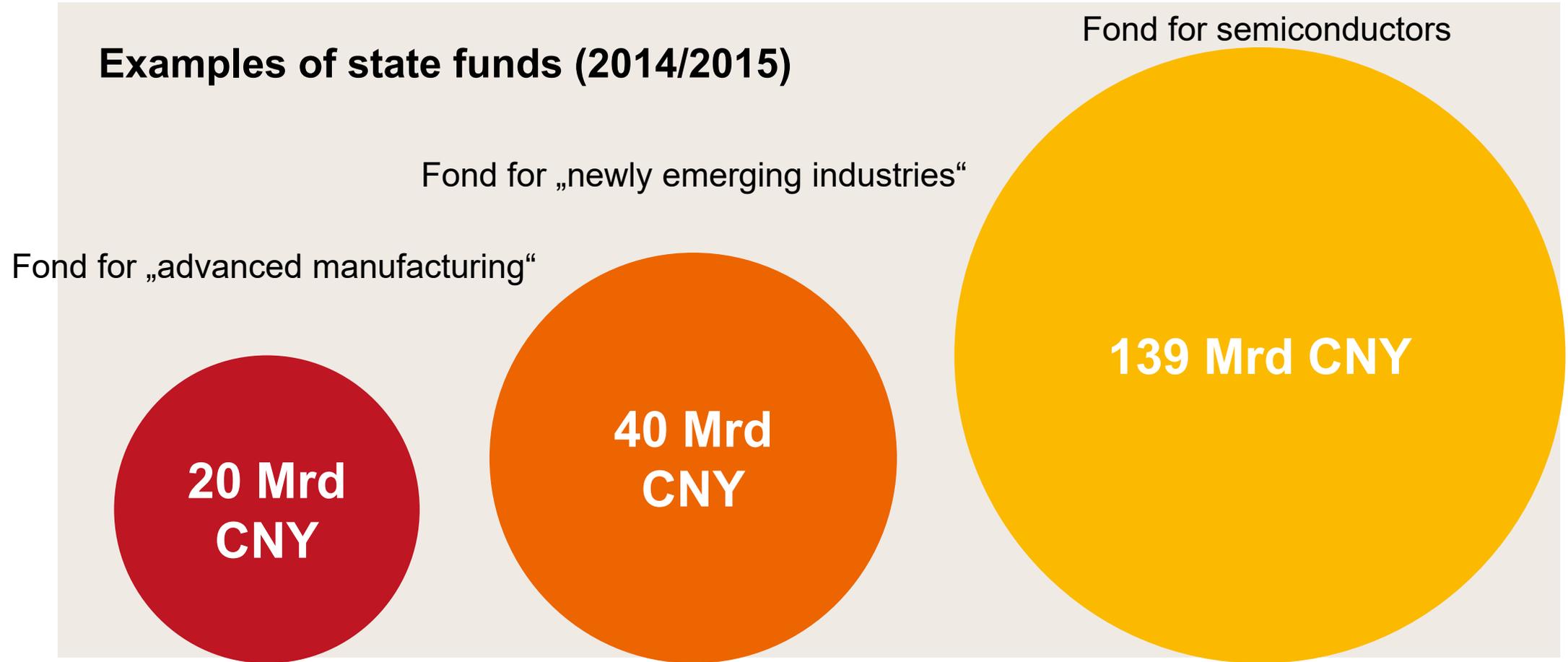
- **Government and quasi-government targets**
 - Supported by massive government funds

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

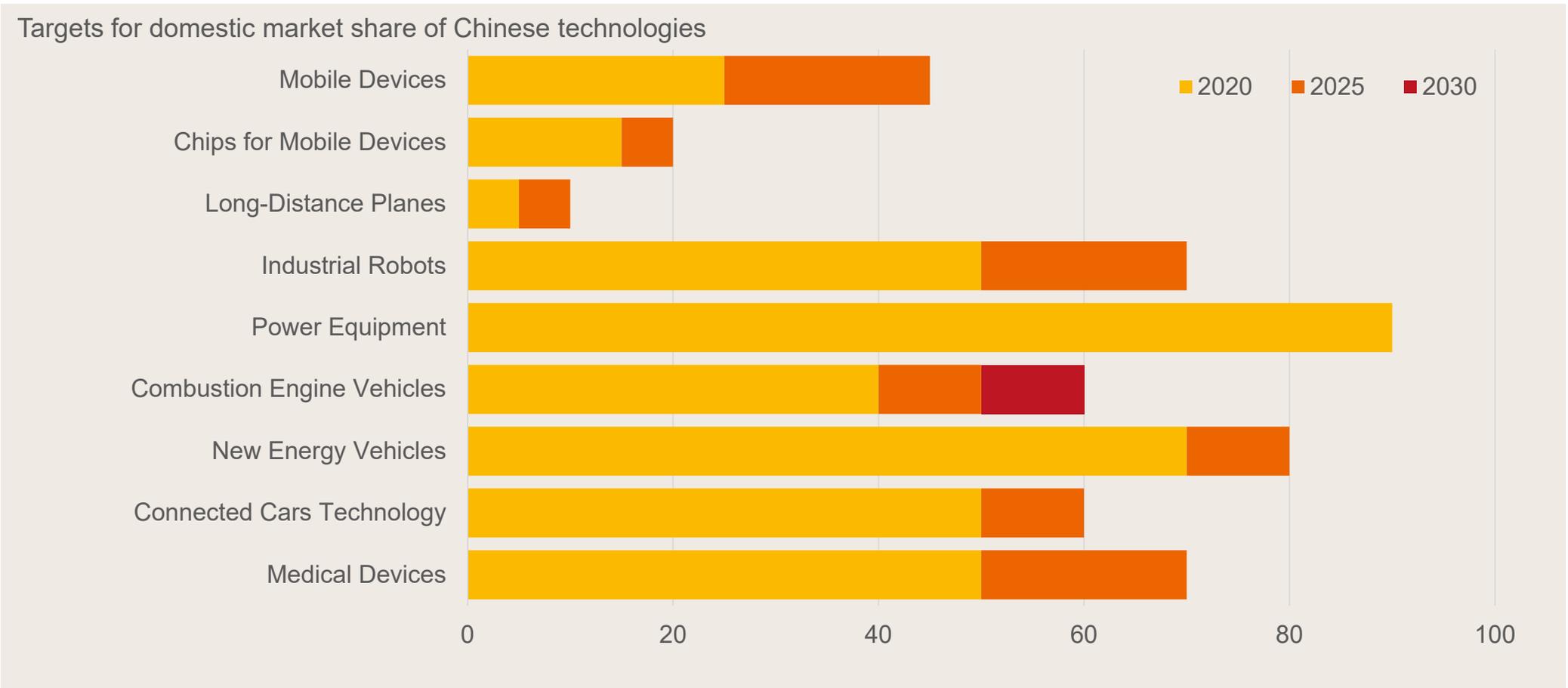
- **Strategic OFDI**
 - Government sets investment priorities
 - Focus on M&A in technology sector

The state, not the market decides

Examples of state funds (2014/2015)



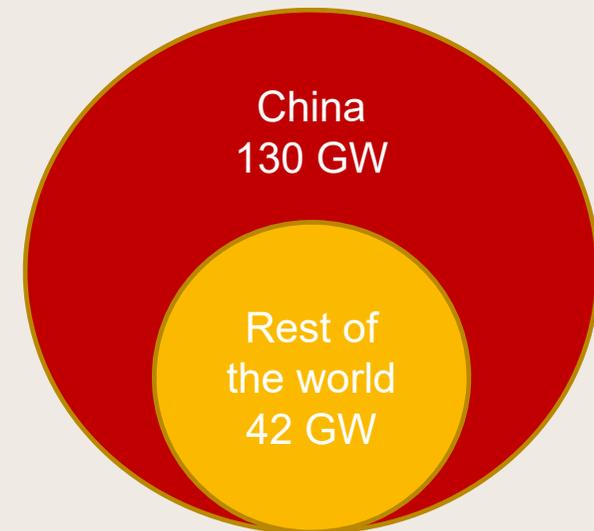
High-tech ambitions will change global trade flows



Example e-vehicles: Impacting global innovation

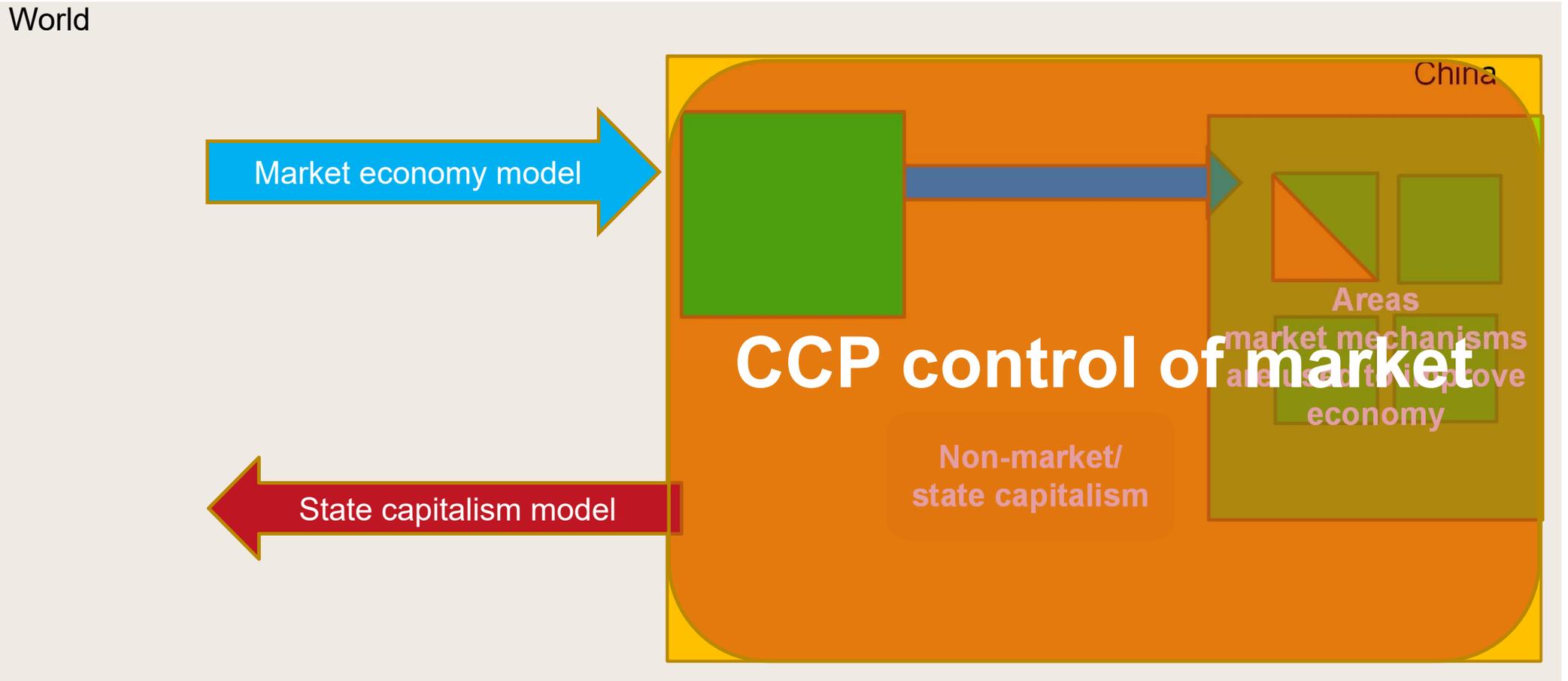
- Government sets priority on battery powered vehicles and provides massive support
- Large market size provides leverage
- Window of opportunity for local brands
- China begins to set industry standards
- Build value chain in China

planned battery capacity



Source: Bloomberg

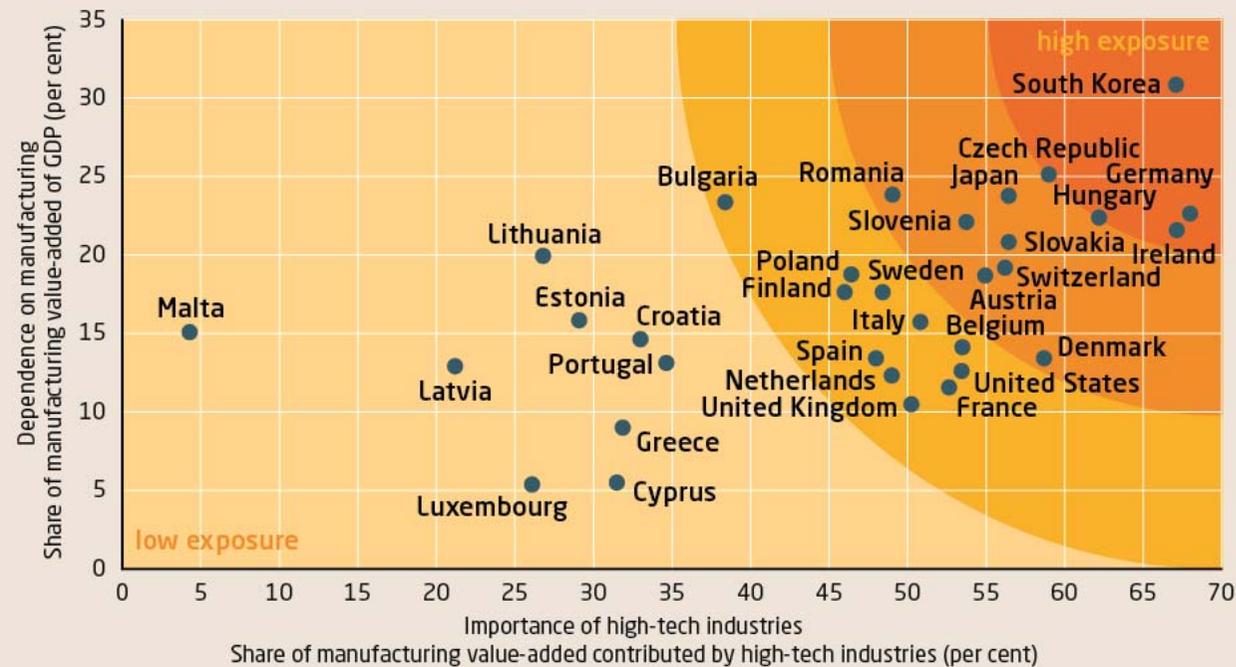
Not the liberalization that was hoped for



China's rise puts pressure on industrialized countries

Under Pressure: Industrialised countries will feel the heat of Made in China 2025

Vulnerability of select industrial countries to Made in China 2025



Source: MERICS

© MERICS

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