

Client Alert

International Trade & Litigation Practice Group

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Made In China 2025 Plan Designates Unmanned Aircraft As A Key Sector

Support Includes Government Funding, Policy Bank Loans, And Preferential Tax Policies

On May 19, 2015, China's State Council issued a long-range planning document that specifically designates China's unmanned aerial systems (UAS) industry as a "key sector" to benefit from significant funding and other targeted support by the Government of China (GOC) for decades to come.

The *Made In China 2025* Plan creates a blueprint for the first phase of the GOC's 30-year strategy to transform its manufacturing sector by 2049, which marks the 100th anniversary of the founding of the People's Republic of China. The *Made In China 2025* Plan was drafted "in line with the rapid advances in science and technology" to promote "breakthroughs in ten key sectors," including UAS and other aerospace equipment.

In order to effectuate these policy goals, the *Made In China 2025* Plan calls for increased lending by GOC policy banks and commercial banks to UAS and other key sectors, increased research and development funding, and the adoption of preferential taxation policies to stimulate further growth in the targeted sectors. These support mechanisms are similar to other programs provided to preferred industries by the GOC since China's accession to the World Trade Organization in 2001.

The *Made In China 2025* Plan also identifies nine tasks as priorities: (1) improving manufacturing innovation; (2) integrating technology and industry; (3) strengthening the industrial base; (4) fostering Chinese brands; (5) growing green manufacturing; (6) promoting breakthroughs in UAS and other key sectors; (7) advancing restructuring of the manufacturing sector; (8) promoting service-oriented manufacturing and manufacturing-related service industries; and (9) internationalizing manufacturing.

In sum, the GOC has identified UAS as a key driver of manufacturing growth. The *Made In China 2025* Plan sets out clear policy goals and multiple financial support tools to effectuate those goals, including government loans and preferential tax policies. The GOC's decision to directly participate in the development and funding of Chinese UAS

For more information, contact:

Patrick J. Togni
+1 202 626 2958
ptogni@kslaw.com

Christine E. Savage
+1 202 626 5541
csavage@kslaw.com

J. Michael Taylor
+1 202 626 2385
jmtaylor@kslaw.com

Lingna Yan
+1 202 626 5615
lyan@kslaw.com

King & Spalding
Washington, D.C.
1700 Pennsylvania Avenue, NW
Washington, D.C. 20006-4707
Tel: +1 202 737 0500
Fax: +1 202 626 3737

www.kslaw.com

manufacturing could have profound consequences for UAS manufacturers and associated industries around the world.

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