

Trade & Manufacturing Alert

March 2, 2012

China Issues Its First Industry-Wide Plan To Promote Industrial Transformation And Upgrade Over The Next Five Years

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The State Council of China recently issued its first mid- and long-term plan for the entire industrial sector, the *Industrial Transformation and Upgrade Plan (2011-2015)*. The *Plan* is an important step, and the highest level guideline, for the Chinese government to carry out the industrial development goals and tasks set out in *China's National Economic and Social Development 12th Five-Year Plan*, covering the period 2011-2015 (see [the April 2011 issue](#) of the *Trade and Manufacturing Alert*).

The *Plan* indicates that the focus of China's industrial development over the next five years is to transform China's extensive development pattern to a new model driven by technological innovation and domestic demand and consumption, with an emphasis on environmental protection, intelligent manufacturing, and manufacturing services. Additionally, the *Plan* calls for fully optimizing China's industrial, technological, product, and organizational structures, as well as its industrial geographic distribution. The *Plan* continues to emphasize the significance of cultivating and expanding the strategic emerging industries (*i.e.*, energy-saving and environment protection industries, the new-generation information technology industry, the biology industry, the high-end equipment manufacturing industry, the new energy industry, the new materials industry, and the new-energy automotive industry, as reported in [the January 2011 Trade & Manufacturing Alert](#)), as well as upgrading traditional industries and developing services industries.

Despite the global financial crisis, the *Plan* sets an ambitious target of eight percent annual growth of industrial added value for the entire industrial sector, with strategic emerging industries accounting for fifteen percent of the total added value. The *Plan* mandates increasing support to encouraged industries and projects in order to accomplish this target. Encouraged industries are advanced equipment manufacturing industry, raw materials industries, consumer products industries, electronic information industry, national defense industry, and manufacturing-related service industries. Encouraged projects include independent innovation projects, technological renovation projects, green and low-carbon projects, and brand name cultivation projects. Such support will take the shape of special funds, tax incentives, and preferential financing policies, among others. Following the central government's direction and lead, local governments have formulated various preferential policies to support enterprises within their jurisdictions in order to undertake industrial transformation and upgrade projects to maintain steady and fast industrial development in accordance with the *Plan*. For example, Zhejiang Province gives priorities to key industrial transformation and upgrade projects in allocating industrial-use land. Wuxi City of Jiangsu Province plans to establish a special fund of 10 billion RMB to fund industrial transformation and upgrade projects over the next five years. Shenzhen City of Guangdong Province plans to establish a similar special fund providing no less than 500 million RMB per year to support Shenzhen companies undertaking industrial transformation and upgrade projects, in addition to other subsidy programs.

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