

China's strategic business context for European business at outset of 15th FYP (2026-2030)

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Corporate profile

- ✓ CMG is an agile, service-minded and innovative **management consulting and research firm**
- ✓ CMG serves **international corporate, investment and public sectors** on China related questions
- ✓ It specializes in aiding **strategic decision-making** of governance, executive and functional bodies
- ✓ CMG combines three **core capabilities**: policy (domestic + trade conditionalities), business and strategy
- ✓ CMG operates with presences in **Zurich, Munich and Shanghai**

How we work

«China inside-out»

Cross-cultural team, extensive networks in China, “reality checked” China analysis and also accountable to the Chinese discourse

Inter-disciplinarity

Business / strategy, public policy / political science, macro-economy, geopolitics / geopolitics / trade

“Multipolar” analytically

For geopolitical / geoeconomic analysis actively use, seek and iterate with expertise and views from different “poles”

Epistemological and dialectical values

Original, fact-based and calibrated
Dialectics seen as resource and a process principle

Professional services DNA

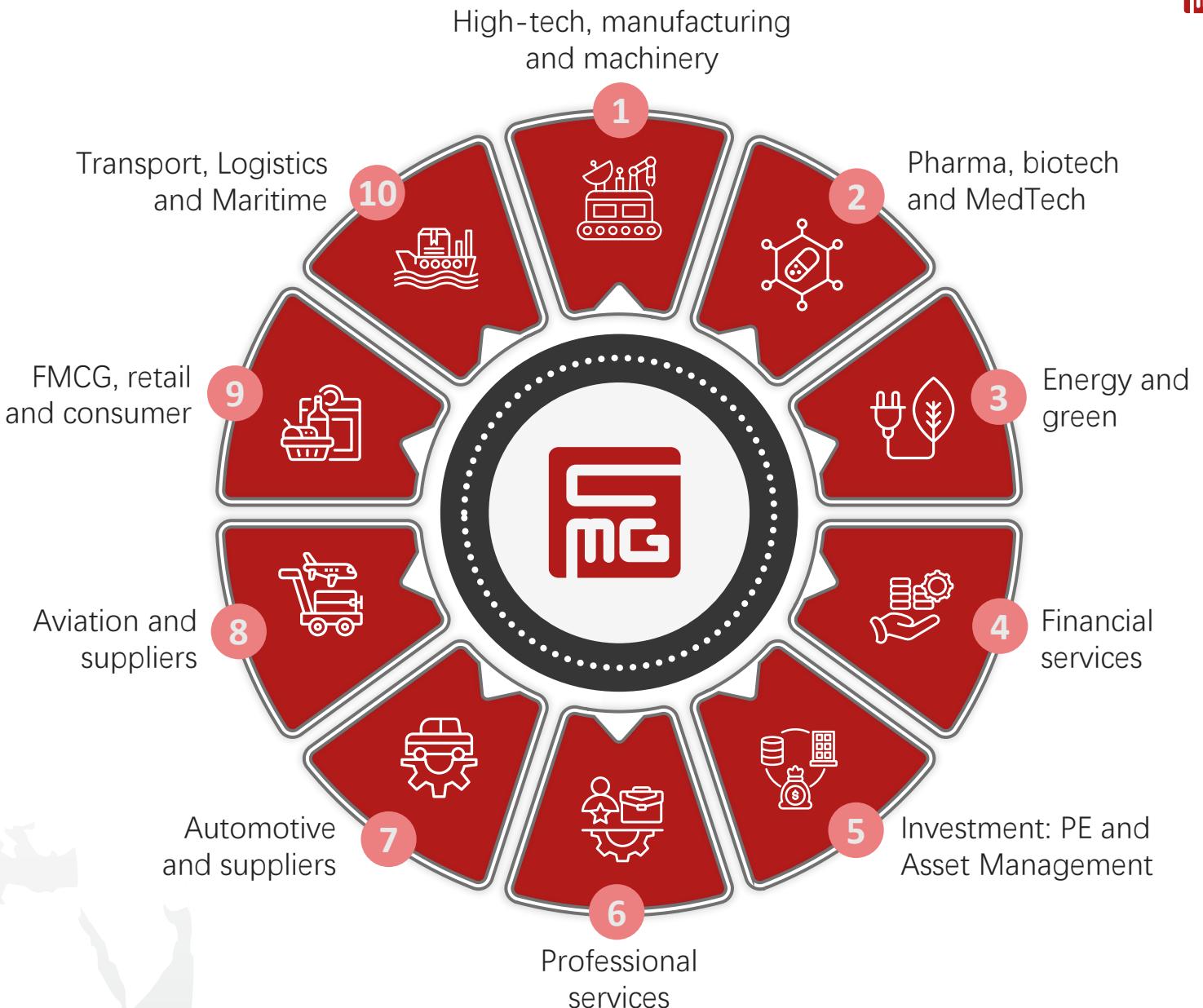
Listening, ownership and co-creation as foundation to build trusted and tailored collaborations

Our value proposition – 6 service areas

- 1 Consulting**
 - Strategy devising / review
 - HQ-subsidiary alignment
- 2 Briefing**
 - Strategic business context
 - Market / competitive trends
- 3 Sector/market/tech intelligence**
 - Value-chain, competitive and go-to-market
 - Tech, cluster and ecosystem analysis
- 4 Partnering with Chinese firms**
 - Partner mapping and evaluation
 - Collaboration concepts
- 5 Monitoring**
 - Policy / sector / market factors
 - Geopolitical / risk factors
- 6 Learning & curation**
 - Learning conferences / fact-finding
 - Trainings, events and moderations



China Macro Group – Business Sectors We Serve



At a glance – CMG's 17 major publications to date

Deep-dive analyses of key China policy and economic themes, events and developments relevant for international business



October 2022

Understanding process and key outcomes of China's 20th Party Congress



February 2023

Understanding the "Taiwan-issue" – context, influencing factors and outlook



March 2023

Chinese government remodelled at Two Sessions 2023 – policy, people and structure



May 2023

Understanding supply distortions of critical minerals powering the green energy transition



July 2023

EU-China relations – from economic integration to EU's strategic autonomy and 'de-risking'



September 2023

Sino-Swiss – from honing a "special relationship" to balancing new geopolitical complexities



January 2024

Understanding process and influencing factors of Taiwan's 2024 presidential election



March 2024

Two Sessions 2024 – Strengthening proactive and better coordinated economic policy



April 2024

EUCCC-CMG report "Riskful thinking – navigating the politics of economic security"



April 2024

China's risk management – 'Coordinate development and security'



July 2024

Xi's third 'Third Plenum' pivots to implementation, doubling down on China's industrial ambition



December 2024

Caixin Summit 2024 - CMG's analytical digest: slide deck and read-out webinar recording



January 2025

Understanding China's economy into 2025: Publication & read-out webinar



March 2025

2025 "Two Sessions" – implementing reforms as follow-through from the "Third Plenum" in the face of insufficient domestic demand and Trump 2.0



April 2025

CMG's external evaluation of the Swiss government's China Strategy (March 2021), mandated by the Swiss MFA



November 2025

"Fourth Plenum": towards more assertively shaping strategic conditions externally to better focus on "Chinese-style modernization" internally



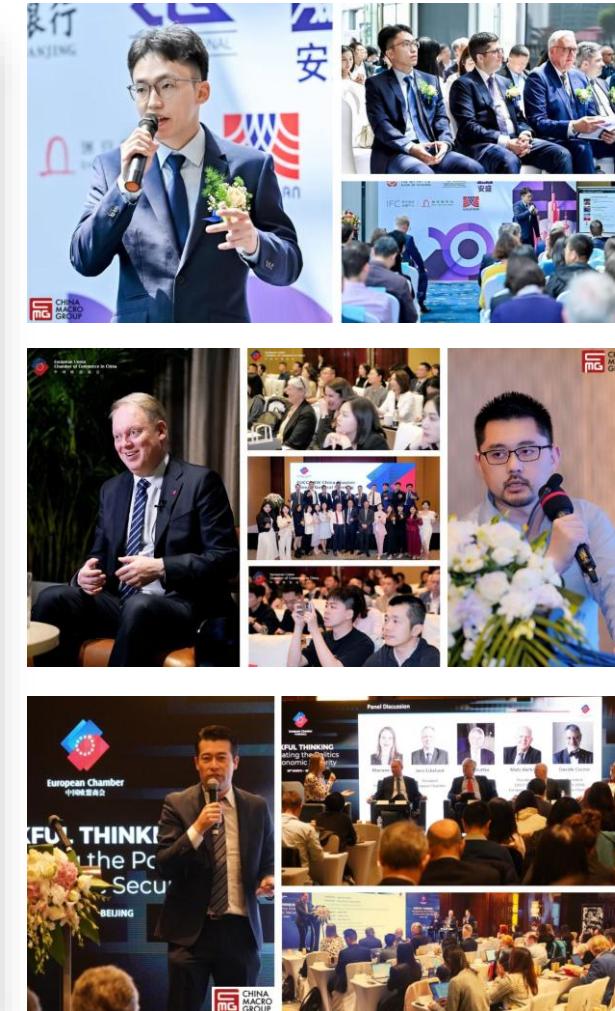
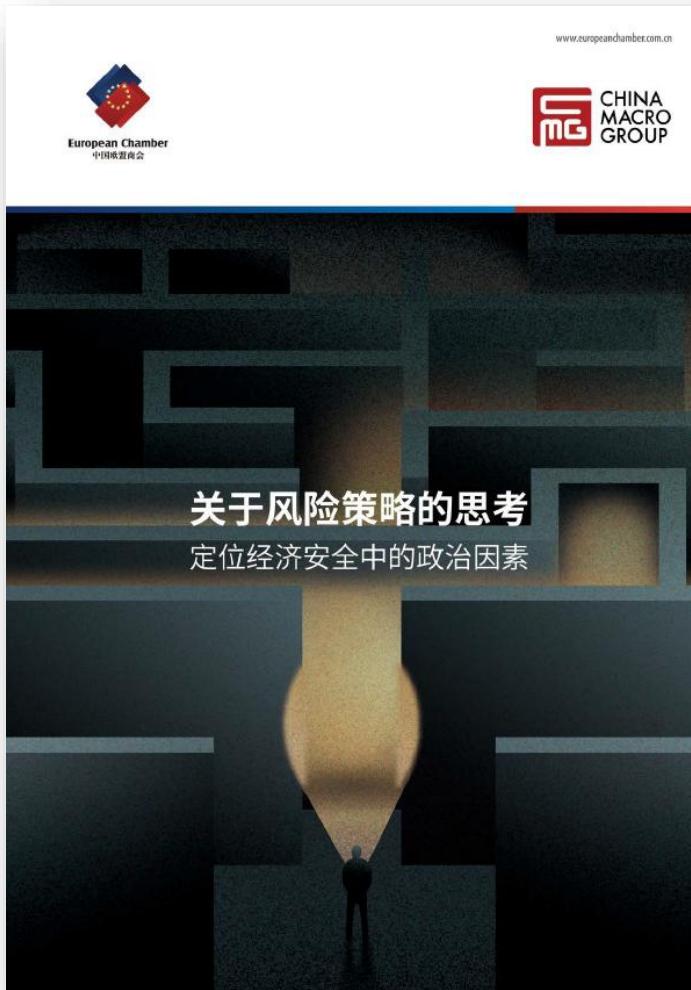
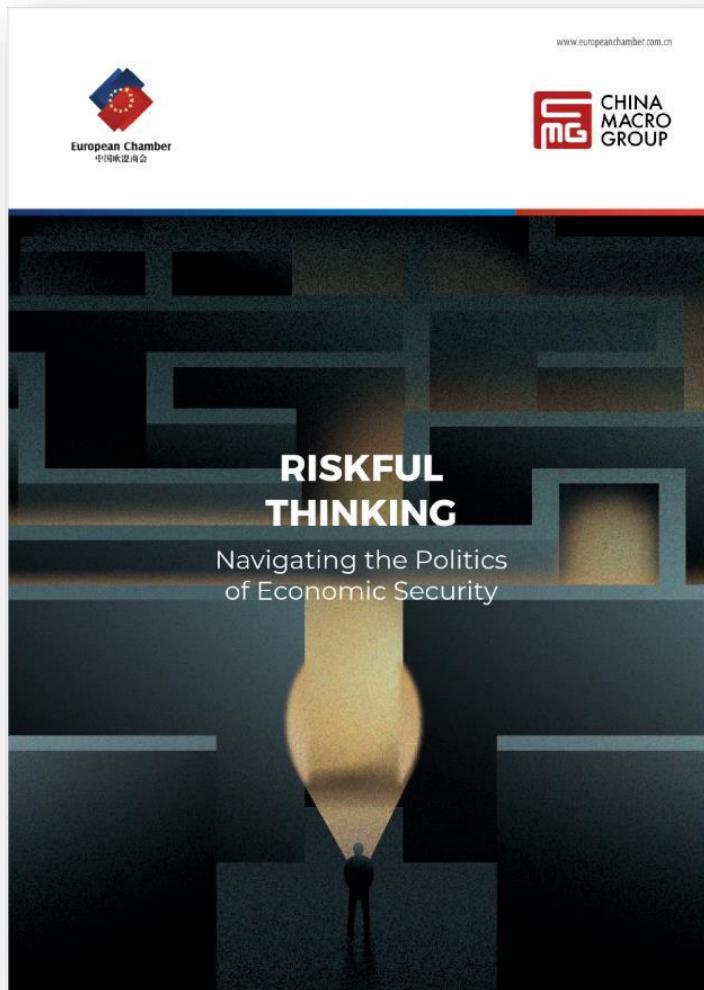
December 2025

New

New CMG Primer, analyzing China's evolving approach to export controls



CMG publication reference: EUCCC-CMG report “Riskful Thinking – Navigating the Politics of Economic Security”



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report here**

Chinese Academics and Policy Guest Speakers in our past webinar series



- **YAO Yang**, Professor and Dean of the Dishuihu Advanced Finance Institute at the Shanghai University of Finance and Economics and former Dean of Peking University's National School of Development (NSD)
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- **XIE Danxia**, Associate Professor at the Institute of Economics, Tsinghua University
- **ZHU Guangyao**, Vice Chairman of CCIEE and Former Vice Minister of Finance

- **DA Wei**, Director of Center for International Security and Strategy (CISS) and Professor of International Relations, Tsinghua University
- **WANG Yong**, Academic Deputy Dean of the Institute of New Structural Economics, Peking University
- **LU Feng**, Emeritus Professor of Economics and former Deputy Dean of the National School of Development, Peking University
- **WANG Zhengxu**, Professor at Department of Political Science, School of Public Affairs, Zhejiang University

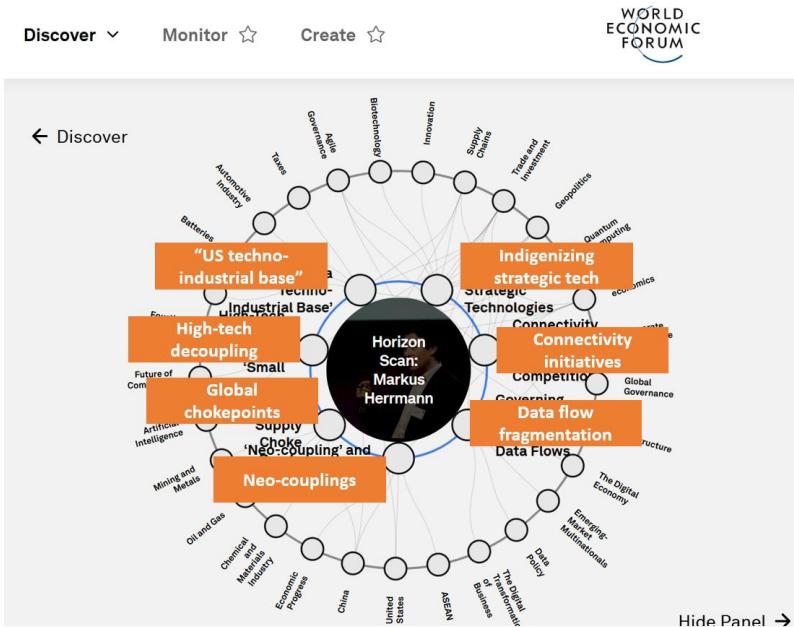
- **LI Shi**, Dean of Institute for Common Prosperity and Development, Zhejiang University
- **YU Miaojie**, President and University Chair Professor of Liaoning University, and Liberal-Art Chair Professor of Peking University
- **BAI Chong-En**, Mansfield Freeman Chair Professor; Dean, School of Economics and Management, Tsinghua University
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- **JIA Qingguo**, Member, Standing Committee of the 11th–14th National Committee of the CPPCC (2008–); Member; Director of the Center on Global Governance of Peking University; Former Dean, School of International Studies, Peking University
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- **ZHA Daojiong**, Professor, Department of International Political Economy, School of International Studies, Peking University

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“Summer Davos” – a multi-year partnership engaging international Executives on China analysis

Tianjin 2023



Predictions and insights on seven emerging geoeconomic trends



Dalian 2024



Six building blocks for effective corporate strategy-making in China today



Tianjin 2025



Agenda

1

China's macro policy factors

- Recap: policy trajectory since 14th Five-Year-Plan
- CCP Fourth Plenum “proposition” to anticipate the 15th Five-Year-Plan (2026-2030)

2

Macroeconomic factors: post-Covid recovery, growth and structural challenges

3

Geopolitical scenarios and China's evolving approach to export controls

Considerations for international business

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2020: China's 14th Five-Year-Plan is seen as of historic importance and representing a “strategic shift”



Party School of the Central Committee of C.P.C



LI Junru

Former Vice-President of the Central Party School, in an interview with China News Service's "China focus face to face" (中国焦点面对面) on 26th October 2020

*"The core of the **[14th Five-year] plan** is to realize the **biggest strategic shift since** the Third Plenary Session of the 11th Central Committee [in **1978**] and the establishment of a market economy system. [...]*

*Now China clearly wants to promote the transformation of the economy from high-speed growth to high-quality development in accordance with the **new development concept**.*

“规划核心要义就是实现(十一届)三中全会以来、建立市场经济体制以来**最大的一个战略转移**[...] 现在中国明确要按照新发展理念推动经济从高速增长到高质量发展转变。

2021: “Dual Circulation” as core of 14th FYP’s realizes “strategic shift” with 3 new top-level policy dimensions

Six policy dimensions of “Dual Circulation”...		... manifested shift per dimension
	Social “rebalancing”	<ul style="list-style-type: none"> “Common prosperity” Social fairness and social protection Balanced regional and urban-rural development <p>Elevate social policy to the level of economic policy</p>
	Domestic demand system (内需体系)	<ul style="list-style-type: none"> Expand domestic consumption Build unified national market Increase efficiency and return of public investment <p>Make household consumption core driver of economic growth</p>
	“De-risking” (统筹发展与安全)	<ul style="list-style-type: none"> Protect 17 key security needs (e.g. food security) Increase resilience of governance and economy Build towards more technological “self-reliance” <p>Top-down and systemic risk management</p>
	Industrial upgrading	<ul style="list-style-type: none"> Enhance indigenous innovation SSSR*, modernized and complete industrial system Unleash growth potential of service sector <p>Improve function/role of government (政府起到的作用)</p>
	Market-oriented reforms	<ul style="list-style-type: none"> SOE reform to sharpen SOE competitiveness Unleash the potential of all types of market entities Market governance progression <p>Add focus on market governance (“visible hand”)</p>
	High-level opening-up	<ul style="list-style-type: none"> Broaden opening-up in more sectors Facilitate Chinese ODFI and more trade integration More active participation in global governance <p>Continue open-up “unilaterally” and “autonomously” (自主)</p>

New policy dimension

New policy emphasis

2024: CCP Third Plenum—Trump's re-election as strategic premise, deciding broad reform accelerations



Socialist market economy

- Equal treatment
- POE vs. party reconciliation
- National unified market

Opening-up – to non-US

- In- and out-bound
- «Proactively align with high-standard international economic rules»

«NQPF»

- Next-level industrial policy
- Innovation value-chain
- «Jiaotong pilot»

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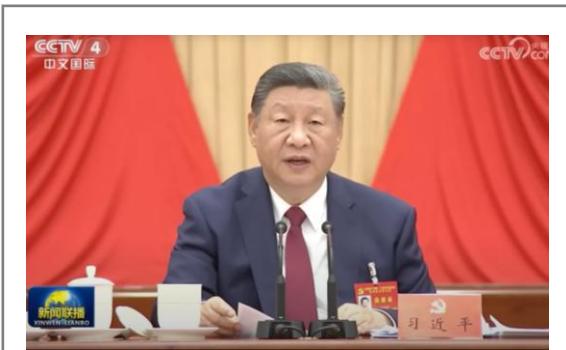
“Fourth Plenum” (Oct. 20-23, 2025): “Plenum” unfolds over 4 days, producing the 15th FYP “Proposition” (建议)



Xi Jinping, followed by Li Qiang, Zhao Leji, Wang Huning, etc. entering the **Opening Ceremony**



168 CC members, **147** CC alternate members, CCDI SC members and grass-root delegates, **attending Plenum**



Xi Jinping delivering the **work report** entrusted by the Politburo at the beginning of “Fourth Plenum”



Attendees of the “Fourth Plenum” **deliberating and passing “the proposition”** for the 15th FYP



Xi Jinping delivering a speech as (verbal) **“explanation”** (说明) of the **“proposition”** (建议) for the 15th FYP



Deliberation and passing of CCDI’s and CMC’s punishment decisions to **expel** 14 people from the CCP



Closing of the “Fourth Plenum” with all participants standing and playing L’Internationale



Press Conference on 24th October by select senior CCP politicians and selective ministers of government

"Fourth Plenum" frames external environment and China's agency very differently from "Fifth Plenum" (2020)

Dimension	"Proposition" (建议) of "Fifth Plenum" – Oct. 2020	"Proposition" (建议) of "Fourth Plenum" – Oct. 2025
State of external environment	<p>From a cautiously optimistic...</p> <ul style="list-style-type: none"> International environment going through "<i>turbulent transformation period</i>" (动荡变革期) and globalization "<i>counter-currents</i>" (逆流) Yet: "<i>Peace and development remain the themes of our times</i>" (和平与发展仍然是时代主题) 	<p>... to a more pessimistic view</p> <ul style="list-style-type: none"> <i>"World in turmoil and turbulence intensifying"</i> (世界变乱交织、动荡加剧); the international economic order facing "<i>severe challenges</i>" (严峻挑战) <i>"Geopolitical conflicts have become more frequent and easily triggered"</i> (地缘冲突易发多发)
China's general agency...	<p>From believing in constructive outcome...</p> <ul style="list-style-type: none"> <i>"Actively creating a favourable external environment"</i> (积极营造成良好外部环境) <i>"Uphold the banner of peace, development, cooperation, and mutual benefit"</i> (高举和平、发展、合作、共赢旗帜) 	<p>... to a more realist/sober view and assertive posture</p> <ul style="list-style-type: none"> <i>"Proactively shaping external environment and international space"</i> (主动运筹国际空间、塑造外部环境) <i>"Resolutely oppose hegemonism, power politics, and bullying"</i> (坚决反对霸权霸道霸凌行径)
... specifically on global governance reforms	<p>From a participant...</p> <ul style="list-style-type: none"> <i>"Actively participate in global governance reform"</i> (积极参与全球治理体系改革) 	<p>...to a leader of reforms</p> <ul style="list-style-type: none"> <i>"Lead international order towards a more just and equitable direction"</i> (引领国际秩序朝着更加公正合理的方向发展)
China's key IR reference system	<p>From UN-centricity...</p> <ul style="list-style-type: none"> <i>"Uphold UN-centered international system"</i> (维护以联合国为核心的国际体系), underpinned by international law 	<p>... to highlighting the focus on "Global South"</p> <ul style="list-style-type: none"> <i>"Support the Global South's collective self-strengthening"</i> (支持全球南方联合自强)

Note: words in "x" are direct quotes/use of wordings by XI Jinping in his "explanation" or in "the proposition" document



China seems to further elevate importance of more assertively shaping its strategic conditions externally, beyond relationship with US

“Proposition” (建议): we identified five key new political economy trends, compared to 14th Five-Year-Plan



The “Proposition” for the 15th FYP, as key output of the CCP 20th Central Committee’s “Fourth Plenum”

#1-#2 = paradigm shifts

#3-#5 = addressing systemic issues



#1 Changing from factor-input-led to TFP-led industrial policy, centered on the “NQPF”*

- Evidence: (1) new top-level goal to grow TFP; (2) new goal to leverage overarching tech enabler esp. AI+ to upgrade industries; (3) enhanced market-driven allocation of factors, with data and tech market as new reform areas; (4) future industries more on-the-ground, newly positioned as economic growth driver; (4) traditional industries newly targeted at maintaining global competitiveness;

Deep-dive 1

#2 Shifting security logic from “domestic resilience” to geoeconomic power

- Evidence: (1) new goal to strengthen capacity to defend national security interests in foreign affairs; (2) new goal to improve tools to deal with foreign sanctions of foreign influence e.g. export control, investment screening

Deep-dive 2

#3 Demand expansion via industrial-upgrading-led income rise and “invest in people”

- Evidence: (1) new top-level goal to increase consumption’s share and household income’s share in GDP; (2) calibrated supply-demand dynamics—from supply-led to demand-led market; (3) new approach to boost consumption by improving welfare incl. to build up all-life-cycle support system for all demographic groups; (4) shifted investment focus—increasing public investment to people’s welfare

Deep-dive 3

#4 Reform tax system for stronger central fiscal spending and autonomous local revenues

- Evidence: (1) new goal to broaden fiscal responsibilities for central government and increase central fiscal spending; (2) new goal to increase fiscal autonomy for local governments; (3) new approach for local revenue enhancement—activating idle state-owned assets

#5 Systemically addressing China’s overcapacity issue as source of deflationary pressure

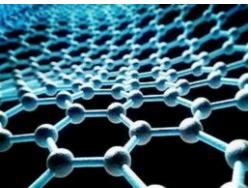
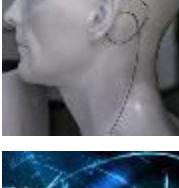
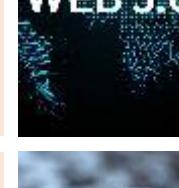
- Evidence: (1) Enhanced market governance efforts to address “involution” types of competition (内卷); (2) more explicit policy tone to promote gradual outsourcing of industrial capacity to overseas

Note*: NQPF = “New-quality productive forces”, China’s new industrial policy concept introduced in 2023, focusing on innovation-driven industrial upgrading

Overall, the 15th FYP is expected to recalibrate policy importance of “security” in policymaking, re-elevating focus on “development”

“New-quality productive forces” (NQPF) is China’s next-level industrial policy program, succeeding “MIC25”

8 “emerging industries”* - mature, or soon at maturity (新兴产业)

	New-gen IT <ul style="list-style-type: none">5G telecomSemiconductorInternet of things		NEV <ul style="list-style-type: none">Motor, controllerVehicle batteryVehicle software		Metaverse <ul style="list-style-type: none">IndustrialCommercialEntertainment		Humanoid <ul style="list-style-type: none">Perception systemStructural component		Next-gen display <ul style="list-style-type: none">Display materialsDisplay environments
	New energy <ul style="list-style-type: none">Renewable energy power generationPower grid		Green industry <ul style="list-style-type: none">Green manufact.Energy savingCarbon mitigation		Civil aviation <ul style="list-style-type: none">Commercial-use aircraftAero engine		Brain-computer interface <ul style="list-style-type: none">Signal in-/outputSignal encoding		Generative AI <ul style="list-style-type: none">AlgorithmsMulti- and cross-model dataset
	New materials <ul style="list-style-type: none">PetrochemicalAdvanced steelComposite fiber		Marine engineering <ul style="list-style-type: none">High-end ship makingOffshore equip.		Quantum tech <ul style="list-style-type: none">ComputingCommunicationMeasurement		Bio-manufacturing <ul style="list-style-type: none">BiosensorBioreactor		Next-gen network <ul style="list-style-type: none">Internet infrastructureWeb 3.0
	High-end equipment <ul style="list-style-type: none">Industrial roboticsCNC machineryAdditive manufact.								Next-gen energy storage <ul style="list-style-type: none">Hydrogen fuel cellSodium-ion battery

* Note: emerging vs future industries defined by *Standardization Pilot Program for New Industries (2023-2035)*, issued jointly by MIIT, MOST, Standardization Administration of China

'Invest in people': 5 key policy pillars to improve people's livelihood – only 4 of 14 measures fully implemented

Social policy pillar	High-level policy measure	Policy maturity?	Implementation?
 Residency / "Hukou"	1) Lower threshold for rural migrants to acquire urban residency 2) Easier access for rural migrants to social security and public service at their residence place	Comprehensive framework	Nationwide roll-out
	3) Ensure job creation and stabilize employment 4) Protect the unemployed individuals and support their re-employment	Comprehensive framework	Nationwide roll-out
 Employment & income	5) Protect the labor rights including in salary payment, injury insurance, holidays, etc. 6) Increase labor income and broaden income sources, esp. capital gain 7) Ensure income equality through redistribution mechanism	New single policies	Early pilot phase
	8) Education: easier and more regionally equal access to basic education opportunities 9) Healthcare: reduce people's healthcare payment burden by enhancing medical insurance 10) Housing: expand supply of affordable housing	Building towards framework	Continued piloting
 Public service	8) Education: easier and more regionally equal access to basic education opportunities	Building towards framework	Continued piloting
	9) Healthcare: reduce people's healthcare payment burden by enhancing medical insurance	Comprehensive framework	Nationwide roll-out
 Social security	10) Housing: expand supply of affordable housing 11) Broaden pension coverage and enhance cross-region redistribution of pension funds 12) Enhance social assistance and welfare programs for venerable groups	New single policies	Early pilot phase
	11) Broaden pension coverage and enhance cross-region redistribution of pension funds	Comprehensive framework	Nationwide roll-out
 Aging / fertility	12) Enhance social assistance and welfare programs for venerable groups 13) Fertility support through subsidies and expanding public child-care services 14) Elderly-care support through expanding public elderly-care service	Comprehensive framework	Continued piloting
	13) Fertility support through subsidies and expanding public child-care services	Comprehensive framework	Early pilot phase

Note: red fonts = most critical policy factors to help release household consumption potential in the near-term

Source: CMG synthesis on formal policy documents released on gov.cn

Systemic “anti-involution” policy, complemented by market trends, seeks to address China’s overcapacity issue

Policy measures	Systemic level						
	Restriction of local gov. policy	<ul style="list-style-type: none"> Limit local governments from offering excessive preferential policy incentives to attract investment 					
Sector-level	“Price war” governance	<ul style="list-style-type: none"> Provide government or regulatory guidance to curb destructive price competition in key industries and stabilize market prices 					
	Domestic demand expansion	<ul style="list-style-type: none"> Stimulate domestic consumption to support market growth 					
	Overseas support	<ul style="list-style-type: none"> Assist firms in expanding internationally to reduce domestic overcapacity pressure 					
	Sector-level	Steel	Cement	Chemicals	NEVs	Batteries	Solar (PV)
	Industry-association price coordination	●	○	○	○	○	●
	Export management	○	○	●	●	●	●
	Capacity offshoring	○	○	●	●	●	○
	Raising industrial standards	●	○	●	●	●	●
	Industry-association capacity coordination	●	○	●	○	○	●
Market trends	Consolidation	●	○	○	○	○	●
	OFDI	○	○	○	○	●	○
	Price stabilization	●	○	○	○	○	●
Aggregated effect		Strong	Limited	Mid	Mid	Strong	Strong

Raising industrial standards seems most commonly used policy measure adopted across sectors – price coordination least

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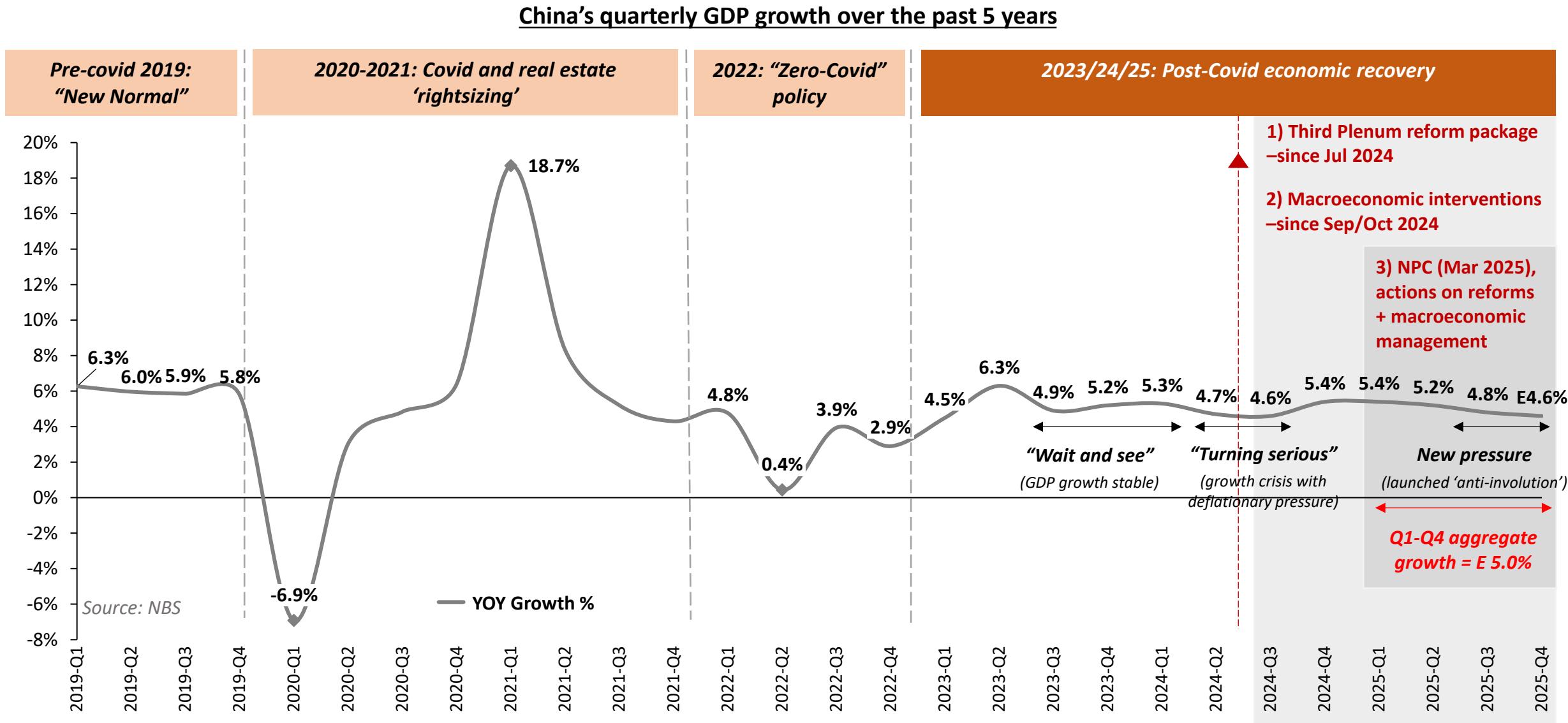
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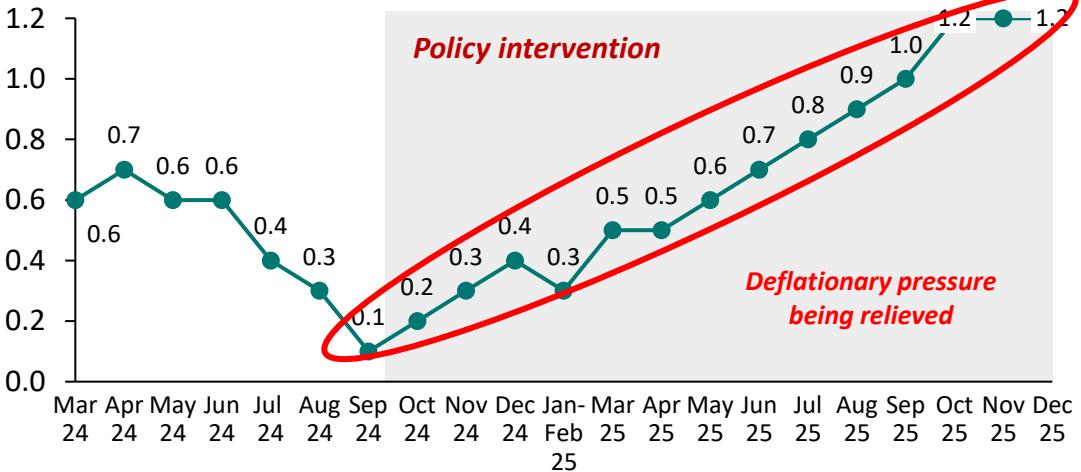
Big picture: prioritized structural reforms, tolerated slow recovery until intervening in mid-2024 'growth crisis'



Intervention effectiveness: demand-side recovering positively, while supply-side negative trend slowing

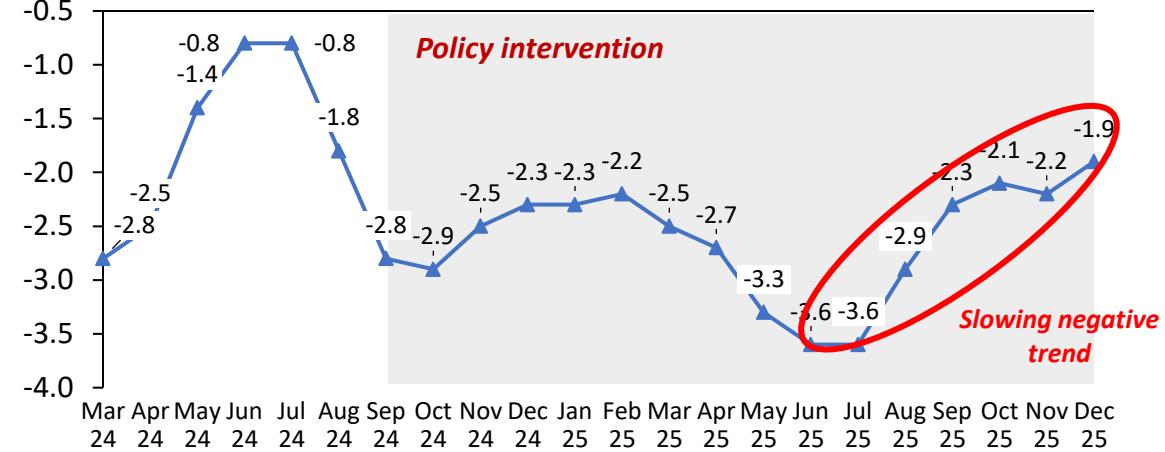
Demand-side indicators

Core Consumer Price Index (monthly YOY change in %)

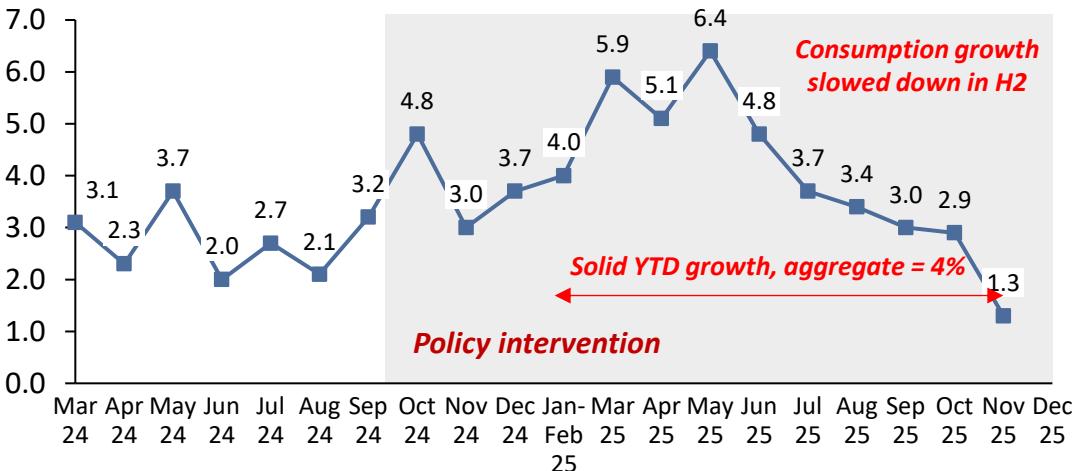


Supply-side indicators

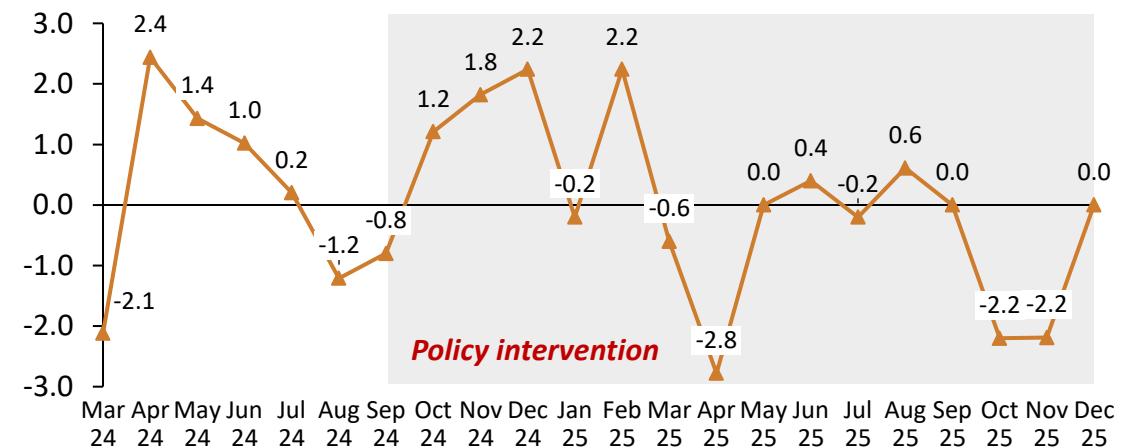
Producer Price Index (monthly YOY change in %)



Social Retail Sales (monthly YOY change in %)



Manufacturing Purchasing Manager's Index (monthly YOY change in %)



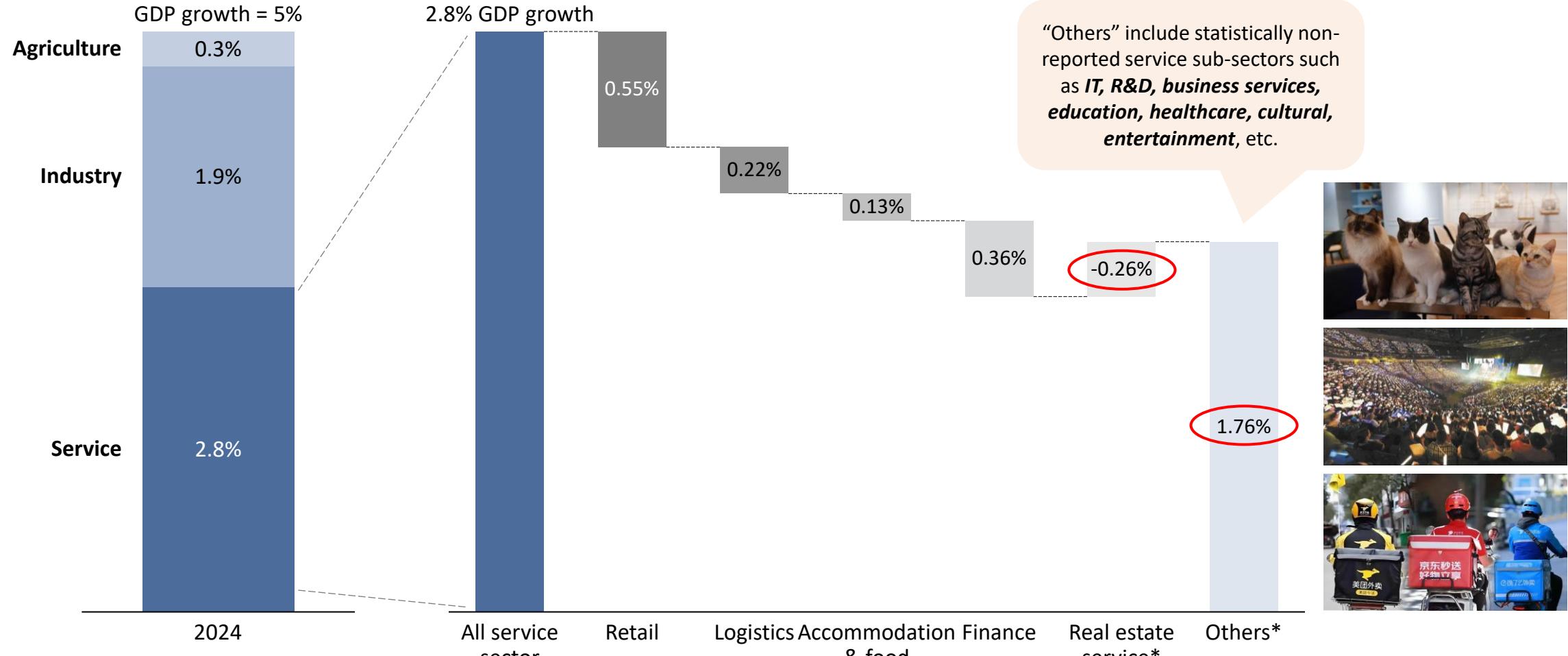
After third year of recovery, both short- and long-term efforts are made to tackle five biggest economic issues

Key economic issues	Status and trend to date	CMG view	Outlook
Real estate “rightsizing”	<ul style="list-style-type: none"> Slowing of negative trend seen earliest in 2023, but remains a drag to economy; stocks being consumed, but very gradually 	<ul style="list-style-type: none"> Real estate “rightsizing” is driven by social policy intent—“house is for living, not speculation” China could have been able to more smoothly address negative impact of “rightsizing”, but Covid created a timing-wise unlucky demand shock 10% GDP lost 2020-2024 compensated by 4% NQPF, 2% services, 1.6% net export and ~2% TFP 	→
Industrial overcapacity	<ul style="list-style-type: none"> Low capacity utilization rate plus “price war” in both traditional (e.g. cement) and in emerging sectors (e.g. EV, solar, battery) 	<ul style="list-style-type: none"> Caused by mismatch between consistent industrial capacity expansion and weak demand—both globally and domestically—since Covid and real estate crisis Systemic “pro-supply” incentives for both local governments and business to expand supply Solutions: domestic demand expansion, capacity off-shoring, market governance incl. standard 	→
Local debt burden	<ul style="list-style-type: none"> Debt burden accumulated in past decade, esp. “hidden debt” Initial effectiveness of debt-swap is observed 	<ul style="list-style-type: none"> Caused by debt-based local investment—local revenue shortage as biggest issue Debt-swap program as short-term measure relieved some fiscal pressure of local governments, but more structural efforts needed for fiscal system reform China total debt level below G20 average; ~400T CNY state assets vs ~100T CNY total debt 	↗
Unemployment	<ul style="list-style-type: none"> Unemployment pressure since 2023, as an after-effect of Covid Overall stabilizing since 2025, but pressure in youth unemployment 	<ul style="list-style-type: none"> 4 labor-demanding areas: military (demand intact), agriculture (demand intact, absorbing some factory workers), factories (demand growth slowed), higher education (under demand) Dragging factors: slower economic growth, skill mismatch (lacking high-end and vocational) Solutions: job creation—NQPF, service, “going-out”; talent supply—high-end, vocational 	↗
Insufficient domestic demand	<ul style="list-style-type: none"> Dangerous signal of deflationary pressure detected in H1 2024 Positive trend esp. since 2025, but net sustainability still uncertain 	<ul style="list-style-type: none"> Caused by Covid after-effect and “negative wealth effect” of real estate asset bubble burst Beyond short-term stimulus, more structural measures needed e.g. higher income jobs for middle class (via NQPF, replacing asset-backed wealth), subsidies to the poor, social security Biggest potential in service consumption, incl. entirely new demand e.g. “emotion economy” 	→

All issues are intertwined, hence a more systemic approach plus strong policy coordination needed by 15th FYP to handle complexity

Service economy: increasingly a crucial growth driver, consisting 2.8% out of China's 5% GDP growth in 2024

Breakdown view of China's GDP growth by sectors (year 2024)



Source: National Bureau of Statistics



Driven by people's need for a "better life", growth of services consumption focuses on better education, healthcare and leisure/culture

Central Economic Work Conference (Dec. 2025): restoring domestic demand surfaces as the most urgent to-do



Status perception

- 'Extremely difficult' 2025
- Continuously deteriorating external environment

Policy making principles

- More forceful structural reform
- Cyclical interventions being only tactical

2026 priorities

- Domestic demand boost
- «Anti-involution»
- «NQPF»
- Fiscal expansion as focus of macroeconomic management

Agenda

1

China's macro policy factors

- Recap: policy trajectory since 14th Five-Year-Plan
- CCP Fourth Plenum “proposition” to anticipate the 15th Five-Year-Plan (2026-2030)

2

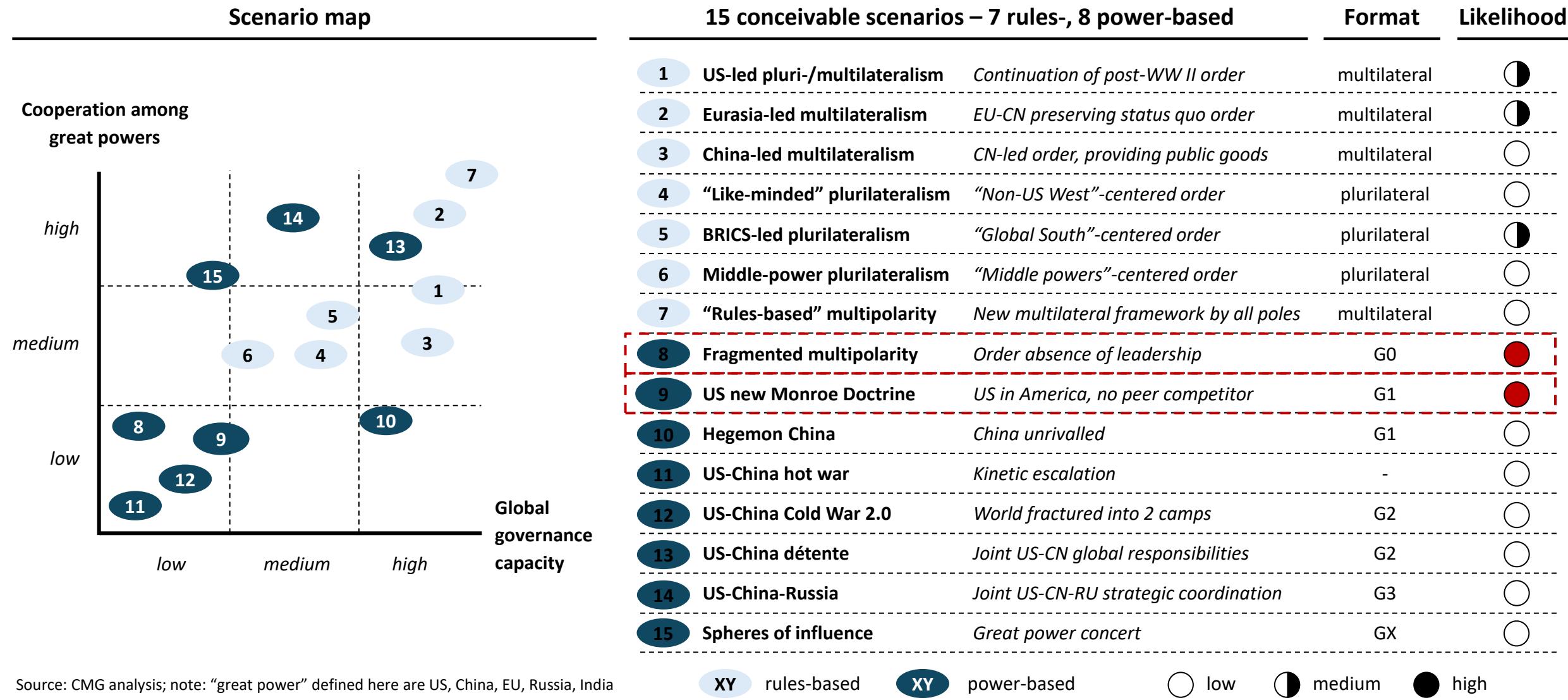
Macroeconomic factors: post-Covid recovery, growth and structural challenges

3

Geopolitical scenarios and China's evolving approach to export controls

Considerations for international business

Recap: 15 conceivable geopolitical scenarios for future world order identified – S8 and S9 most likely



China's strategic playbook: shaping towards multipolarity and China-backed economic globalization

China's strategic goal for international political order: ensuring "equal and orderly" multipolarity

1

Strengthening China-led cooperation

- Non-Western/regional governance formats: SCO, BRICS+, ASEAN-GCC, «community of shared future with neighboring countries», RCEP-led trade integration in Asia-Pacific
- “Global South”: support “collective self-reliance”
- **Belt-and-Road**: multi-dimensional connectivity

2

Projecting China as “constructive force”

- **WTO**: relinquishing ‘developing country’ status to signal commitment to global trade rules
- «**NQPF**»: sharing access to emerging/future tech with developing countries
- **Sense of responsibility**: China halting trade escalation with US, declaring 120% tariffs as ceiling

3

China shaping global governance

- **Global cooperation**: GDI (development delivery), GSI (security cooperation), GCI (civilizational dialogue), and GGI (governance reform)
- **New IOs**: International Organization for Mediation (IOMED) to promote peaceful conflict resolution; proposal to set up China-UN Global South-South Development Support Mechanism

China's strategic goal for international economic order: ensuring unabating, China-backed “inclusive” economic globalization

4

Deepening integration with world economy

- **High-standard international economic rules**: «Proactively align» («Third Plenum», July 2024), ongoing WTO compliance audit, CPTPP application
- **2-way opening-up**: ‘autonomous’ market access, unilateral tariff / FDI cancellations, simplified OFDI approvals, «holistic overseas support»
- **Domestic level playing field**: equal treatment and lawful business environment

5

Building structural geoeconomic power

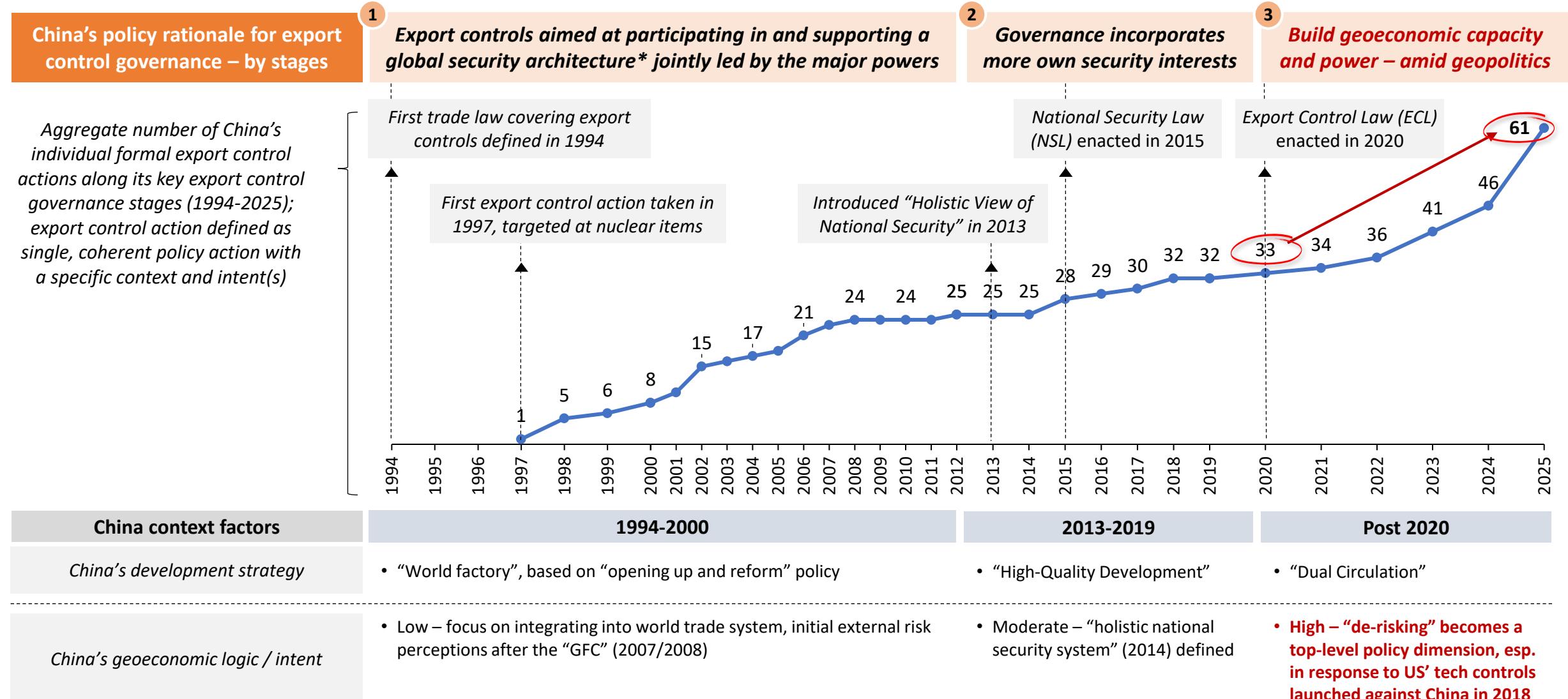
- **WTO reforms**: reform for better compatibility with China's economic model
- **FTAs/RTAs**: expand China-centered trade networks
- **Standard setting**: shape standards of «future tech»
- **Internationalizing RMB**: in transactions and as reserve currency, reducing «USD hegemony»
- **CIPS**: building non-SWIFT payment infrastructure

6

Building geoeconomic control points/tools

- **Export controls**: evolve export control practice to include geoeconomic control points and tools
- **In- / outbound FDI screening**: protect critical infrastructure and national security domestically and control on strategic capital outflow
- **Sanctions**: deter coercion + retaliatory capacity
- **Cross-border data**: control ‘important’ and ‘personal’ data outflows for digital sovereignty

China's approach to export controls underwent 3 stages, focus on geoeconomic capacity and power since 2020



*Note: China is subject to international obligations defined by a set of international treaties, including but not limited to NPT, CWC, BWC, CTBT, UNSCRs, MTCR, NSG, Wassenaar Arrangement

Typology: 8 types discerned amid China's export control practice, 4 new geoeconomic control types since 2020...

Export control type	Example / (highest) frequency*	Checklist*: assess control actions along 4 criteria to determine <i>export control type</i>			
		Formal control purpose	Control design	Industrial policy logic	Political correlation
1 Activating a global "chokepoint" <i>Deep-dive</i>	<ul style="list-style-type: none"> REE export control in Oct 2025, triggered by expansion of US export control in Sep 10/61	<ul style="list-style-type: none"> National security Economic security 	<ul style="list-style-type: none"> Generic control that impacts all trade partners 	<ul style="list-style-type: none"> Mature industrial or protracted industrial policy priorities 	<ul style="list-style-type: none"> Triggered by foreign political, trade or economic measure(s)
2 China-led decoupling in "future tech"	<ul style="list-style-type: none"> Gene engineering tech included in 2020 list for tech export restriction 3/61	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> Tech control: <i>Tech Export Restriction & Ban Catalogue</i> 	<ul style="list-style-type: none"> Identified as "future industries" in "NQPF" classification 	<ul style="list-style-type: none"> n/a
3 Political deterrence by economic measures	<ul style="list-style-type: none"> Export control to TW entities in Jul 2025, as response to Lai's independence speech 1/61	<ul style="list-style-type: none"> National security 	<ul style="list-style-type: none"> Targeting specific entities or territory only 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> Asymmetric – "punish" political action(s) of a foreign country
4 Trade retaliation to foreign measures	<ul style="list-style-type: none"> Export control to US entities in Jan 2025, as retaliation to US sanction on CN entities 5/61	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> Targeting specific entities or territory only 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> Symmetric – respond to foreign trade or economic measure(s)
5 Protect indigenous tech	<ul style="list-style-type: none"> Traditional Chinese Medicine included as tech in 2002 list for tech export ban 5/61	<ul style="list-style-type: none"> Protect competitiveness of China's leading tech 	<ul style="list-style-type: none"> Tech control: <i>Tech Export Restriction & Ban Catalogue</i> 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> n/a
6 International obligations	<ul style="list-style-type: none"> Export control on nuclear dual-use items and related tech in 1998 32/61	<ul style="list-style-type: none"> International obligations 	<ul style="list-style-type: none"> Targeting officially defined dual-use + military-use items 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> n/a
7 Export market governance	<ul style="list-style-type: none"> Export restriction on electric passenger vehicles in Sep 2025 for market governance 12/61	<ul style="list-style-type: none"> Export governance Maintain export "orderliness" 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> n/a
8 Electronic information security	<ul style="list-style-type: none"> Export control on commercial cryptography in Dec 2021 1/61	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> Only targeting cryptography export 	<ul style="list-style-type: none"> n/a 	<ul style="list-style-type: none"> n/a

Note: Checklist* = each export control action is attributed to one or more export control types considering 862 controlled items assessed against 4-criteria of checklist; frequency* = how many times each export control type is identified amid 61 actions since 1997, one action can combine multiple types; delaying REE shipments to Japan in 2010 was not formally implemented as export controls; Three thorough examples of "China-led decoupling" = (1) gene-engineering (基因工程), (2) cell cloning and gene editing (细胞克隆和基因编辑), (3) battery cathode material making (电池正极材料制备)

6 control actions on critical minerals (战略性关键矿产) after July 2023 – 5 are activating “global chokepoints”

Chinese control action	Jul 3, 2023 (MOFCOM Annc. No.23) Export control on Gallium + Germanium	Oct 20, 2023 (MOFCOM Annc. No.39) Temporary export control on Graphite	Aug 15, 2024 (MOFCOM Annc. No.33) Export control on Antimony	Feb 4, 2025 (MOFCOM Annc. No.10) Export control on W, Te, Bi, Mo, In	Apr 4, 2025 (MOFCOM Annc. No.18) Export control on REEs (<i>Sm, Gd, Tb, Dy, Lu, Sc, Y</i>)	Oct 9, 2025 (MOFCOM Annc. No.56/57/61/62) Export control on REEs, equipment, tech
						
Political context	US export control on advanced chipmaking equipment on July 2	US export control on AI chips + chipmaking equipment on Oct 17	Officially stated to ensure non-proliferation of dual-used items	US announced 10% tariffs on imports from China on Feb 1	US announced “Liberation Day” tariffs on Apr 2	US announced OFAC 50% rule for export control on Sep 29
Control type assessment	Activating a “global choke-point”	Activating a “global choke-point”	International obligations	Activating a “global choke-point”	Activating a “global choke-point”	Activating a “global choke-point”
Formal control purpose	National security	National security	Non-proliferation	National security	National security	National security
China's industrial policy logic	Industrial policy priorities (advanced metal materials)	Matured industrial capabilities	Industrial policy priorities (advanced metal materials)	Industrial policy priorities (advanced metal materials)	Industrial policy priorities (advanced REE materials)	Industrial policy priorities (advanced REE materials)
Triggered by US actions	✓	✓	✗	✓	✓	✓
Impacted all trade partners	✓	✓	✓	✓	✓	✓
Control design	End-use/user clarification needed	✓	✓	✓	✓	✓
License required for all exports	✓	✓	✓	✓	✓	✓
License required for re-export overseas	✗	✗	✗	✗	✗	✓
Types of controlled items	Raw materials	Raw materials	Raw materials, materials, tech, equipment	Raw materials, materials, tech	Raw materials, materials	Raw materials, materials, tech, equipment

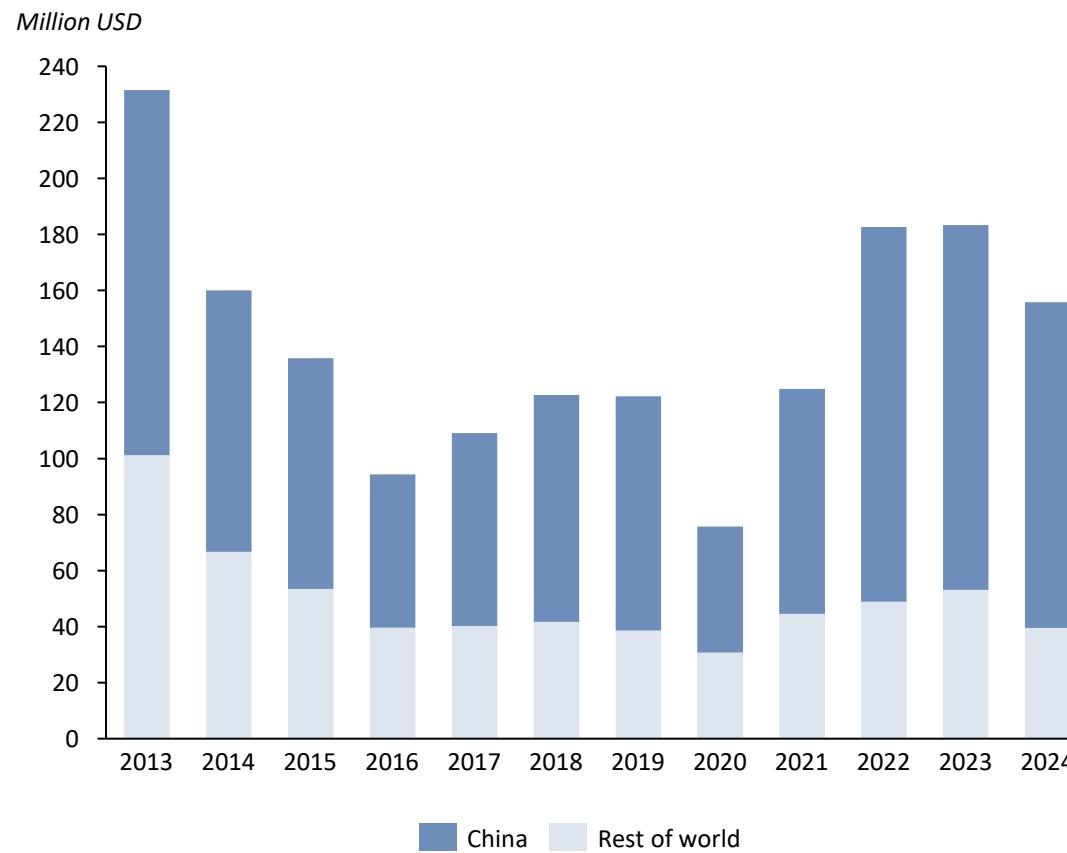
Oct 9 control 1st Chinese case of “long-arm jurisdiction” – after Xi-Trump meeting this control suspended on 8 Nov. 2025 until 10 Nov. 2026



Chinese export controls on REEs translated into leverage during trade dispute and deal exploration with US

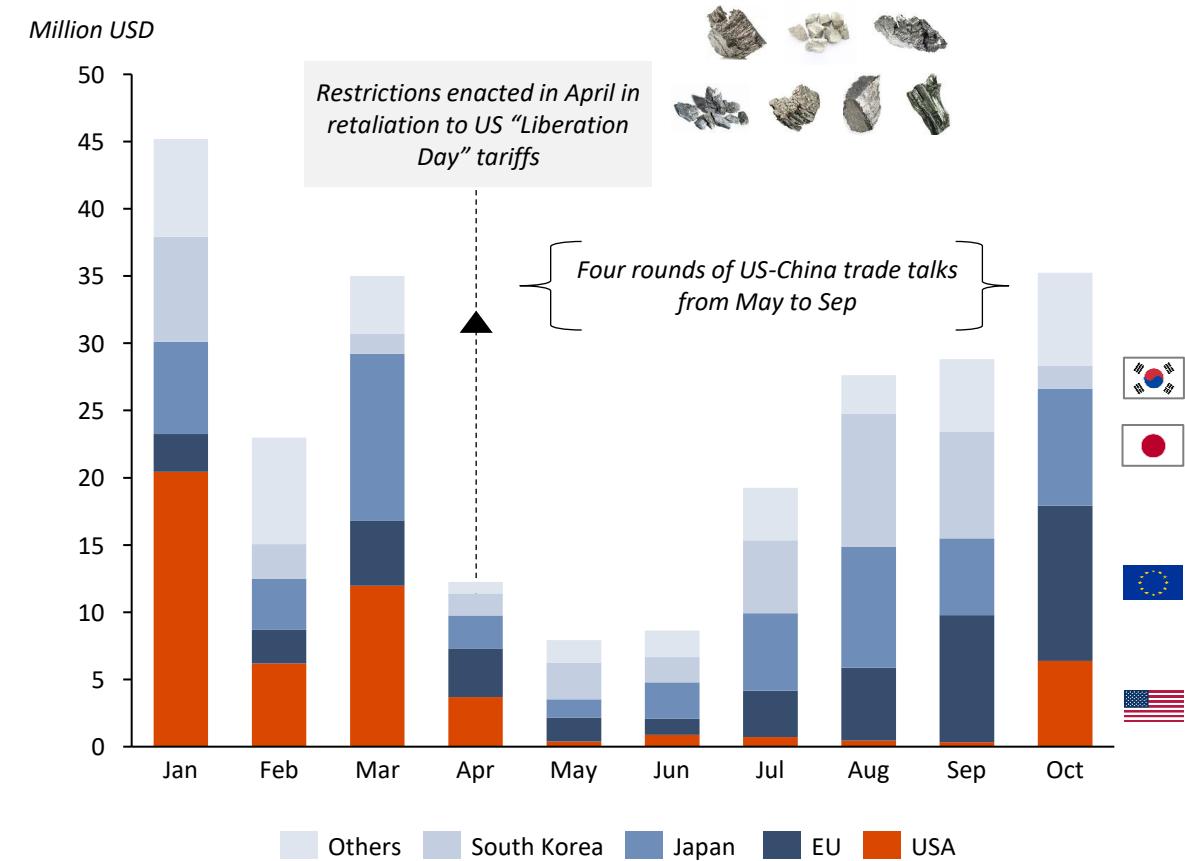
US dependence on China: US' REE sourcing as proxy

US REE imports: China vs rest of world, 2013-2024



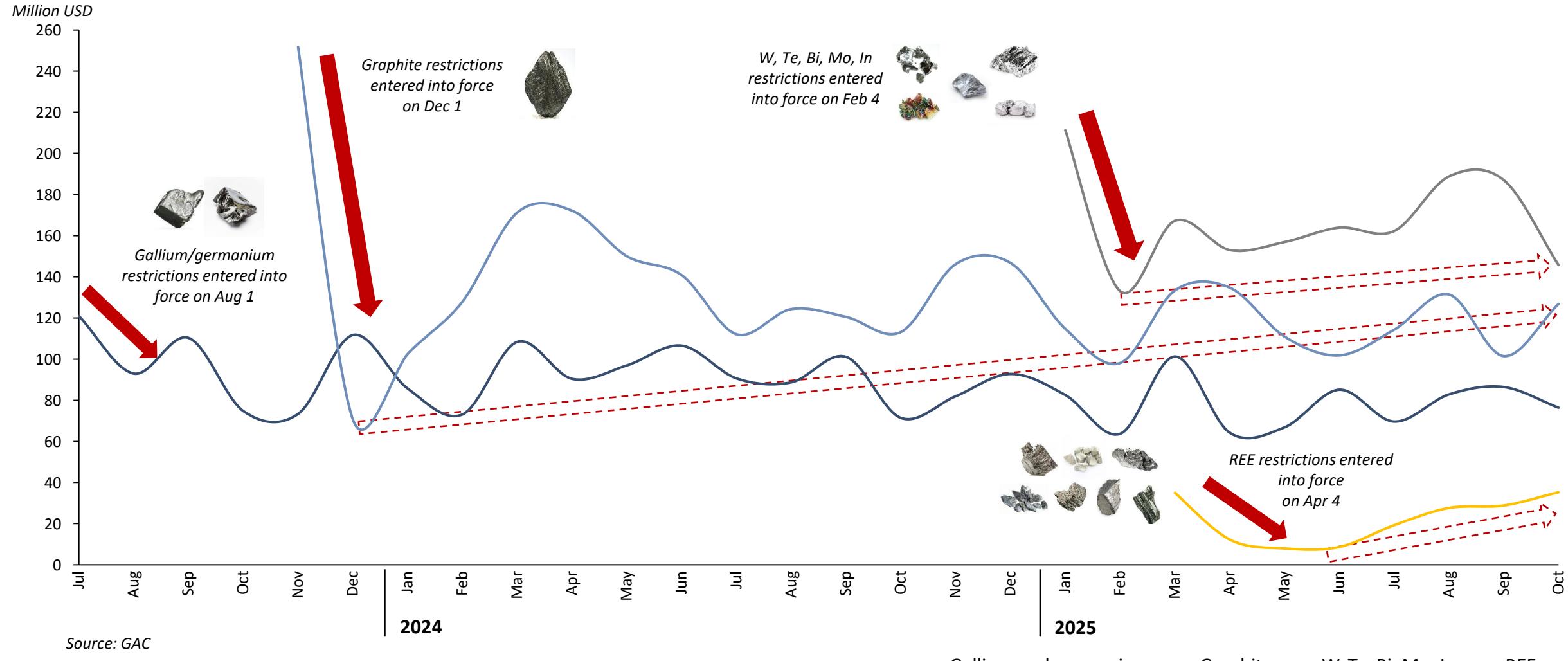
REE exports to US almost entirely collapsed due to licensing regime

China REE exports by country/region, Jan-Oct 2025



Though Chinese REE controls primarily used to retaliate against US, EU impacted with dramatic export contractions in May/June 2025

... causing sharp Chinese export declines – followed by partial rebounds and plateauing below pre-control levels



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HQ perspective: strategy considerations for international business—under more multipolar conditions

- **Weakening rationale for “internationalization” and “international market presence” as such**
 - “Synergies” of intra-regional market presence
 - HQ vs. third-country / China relationship
 - Governance / decision-matrix
 - Group-wide assets and processes (vs. group-internal “transacting”)
 - A stricter holding / PE investment logic at HQ?
- **Risk management – biggest non-operational risks**
 - Declining entrepreneurial “hunger” / PE mindset
 - Wrong / non-rational strategic / long-term decision-making
 - “Self-over-politicization”, betting on European protection(ism)
 - Lack of IR + country / China development macro scenarios
 - HQ not evolving to a “multipolar” mindset
- **China-specific**
 - Premises
 - Getting China right / “from within”
 - China as emerging tech winner?
 - Leverage China as a value creation system – not just “doing business in China”
 - Collaborating with Chinese (state) capital – in China, third-markets and home market?
 - Strategy
 - Strategic self-awareness – what was past business success in the Chinese market really driven by?
 - China strategy?
 - China-specific implementation KSFs
 - HQ-subsidiary alignment

CMG's “China strategy toolbox”: archetype strategies options / levers and China-specific implementation KSFs

Strategy options / levers

- CMG's high-level archetypical China strategies – combinations possible
 - 1) “Premium”/ innovation
 - 2) Growth / market presence
 - 3) Hibernation
 - 4) “Group value-added”
 - 5) Exit
- Key strategic levers:
 - China business strategy (vs. HQ-level strategy)
 - Footprint review / value-chain localization
 - E.g. leveraging Chinese innovation ecosystem
 - Portfolio reprioritization
 - Divest / discontinue single BUs / product groups
 - Business model innovation
 - Ownership re-configurations
 - Local listing vs. local JV
 - Other levers
 - Go-to-market strategy, e.g. leveraging Chinese connectivity with third-countries
 - Strategic partnerships, e.g. outsourced manufacturing
 - Resilience / “de-risking”
 - M&A (inorganic growth)
 - Cost reduction
 - Org effectiveness / agility
 - New capabilities

China-specific implementation KSFs

- Exemplary single strategic factors
 - Government relations
 - Corporate citizenship / CSR
 - Empowerment of local organization
 - Employer branding
 - Local-style networking
 - Policy alignment (e.g. subsidies, research programs)
 - Chinese government awards
 - MarComms vs. Corporate Comms
 - E.g. for policy alignment
 - Local digital capabilities (e.g. BigData, data trading)
 - (End-)consumer intelligence
 - ...
- Referentially: systematic assessment
 - “Operating like a Chinese companies”
 - Cf. CMG's framework

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