

Guideline on the Development of High-Quality Manufacturing Enterprises

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On July 2nd 2021, six Chinese governmental institutions, namely Ministry of Industry and Information Technology (MIIT), Ministry of Science and Technology (MoST), Ministry of Finance (MoF), Ministry of Commerce (MOFCOM), State-owned Assets Supervision and Administration Commission (SASAC), and the China Securities Regulatory Commission (CSRC), jointly released the **Guideline on Accelerating the Cultivation and Development of High-Quality Manufacturing Enterprises** (hereinafter called **the Guideline**).

By supporting high-quality manufacturing enterprises, **the Guideline aims to boost the modernisation of industrial value chains**, so as to further develop China's manufacturing industry.

Spotlight of the Guideline

Echo of the national strategy

This Guideline was published as a follow-up of **China's 14th Five-Year Plan and the 2035 Long-Range Objectives** (hereinafter called **FYP**). With the release of the FYP in March 2021, the Chinese central government and the State Council continue to promote the development of high-quality enterprises. The FYP emphasizes to “*deepen the implementation of the Manufacturing Powerhouse Strategy*” (*third chapter, article VIII*)¹. It also describes the necessity to support a group of leading enterprises with ecological leadership and core competitiveness. Furthermore, small and medium-sized enterprises (SMEs) and the cultivation of “Little Giant Enterprises” and “Single Item Manufacturing Champions” are promoted.

Core of the Guideline - a three-fold cultivation approach:

1.) “Little Giant Enterprises”

focus on market segments with strong innovation capabilities and good growth potential, providing key components and supporting products to large enterprises and projects.²

2.) “Single Item Manufacturing Champions”

focus on specific product segments in the manufacturing industry, demonstrating internationally leading production technologies, and ranking among the top in the world regarding their market share of specific products.³

3.) Industrial Chain Leading Enterprises

characterized by international influence and competitiveness in domestic and foreign technologies, standards, and markets.

¹ The full text of the 14th Five Year Plan can be accessed [here](#). The Sino-German Industrie 4.0 project has also published another Policy Update on China's 14th Five Year Plan, accessible [here](#).

² Please refer to the detailed selection criteria (in Chinese) of “Little Giant” Enterprises [here](#).

³ Please refer to the detailed selection criteria (in Chinese) of “Single Item” Manufacturing Champions [here](#).

Still a gap to close

In 2020, profits of Chinese manufacturing enterprises with annual main business revenue of 20 million yuan or more increased by 7.6%.⁴ Despite the growing momentum of the manufacturing industry, there is still **a gap between the status quo and the goal of building a high-quality manufacturing sector** as described in China's dual circulation strategy that aims for more autonomy and autarky. To put it in numbers: 133 Chinese companies leaped into the Fortune Global 500 in 2020, but their average income and profits were only 81% and 60.3% of the listed US companies. Among the 133 Chinese companies, only 31 had their profit margins exceeding 5% and only a total of 7 came from the manufacturing industry. This gap indicates the urgency to accelerate the development of high-quality manufacturing enterprises in China.⁵

Why is it worth noting?

These categories were not firstly initiated by *the Guideline*. Rather, they were proposed throughout different MIIT policies in recent years. In 2016 and 2018, the selection of “**Single Item Manufacturing Champions**” and “**Little Giant Enterprises**” was successively launched. In 2019, the cultivation of **Industrial Chain Leading Enterprises** was initiated.

For the first time, *the Guideline* gathers the three concepts together and clarifies their gradient relations, depicting a roadmap for the development of manufacturing enterprises. **With MIIT and SASAC in charge, it sets the goal to develop ten thousand "Little Giant Enterprises", one thousand "Manufacturing Champions", and a number of "Industry Chain Leading Enterprises" by 2025.**

Highlighted Measures and Policy Supports

Compared to the FYP, *the Guideline* more strongly **emphasizes the leading role and impact of high-quality enterprises**, particularly in terms of stimulating autonomous innovation, strengthening industrial chains, and achieving integral development. The highlighted measures include to:

- form **innovation consortia or technological innovation strategic alliances** headed by leading enterprises, to carry out **collaborative innovation**;
- encourage leading enterprises to **reorganise industrial resources** through merger and restructuring, capital operations and strategic cooperation, **to enhance the competitiveness and resilience of the whole industrial chain**;
- **support leading enterprises to cooperate with SMEs to build advanced manufacturing clusters, strategic emerging industry clusters and innovative industry clusters**, so as to open up resources to upstream and downstream enterprises and **build a new industrial development ecosystem** featuring innovation collaboration, capacity sharing, and supply chain interoperability.

To fully implement the above measures government institutions will provide **further financial, fiscal and talent support**. Specifically by providing guidance funds, awards and subsidies to enterprises, promoting listings and industry integration for SMEs. Also it is planned to support the cooperation with universities and research institutions to build manufacturing talents training programs.

⁴ Data retrieved from National Bureau of Statistics of China, accessible [here](#).

⁵ The full list of Fortune Global 500 companies in China in 2020 can be accessed [here](#).

In addition, *the Guideline* also introduces **targeted services** to enterprises, including the establishment of a high-quality enterprise cultivation pool involving different levels of enterprises, **to boost their cooperation efficiency, creativity and publicity.**

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