

# Report

## from China; June-2022

### Content

|   |   |
|---|---|
| <b>China Macroeconomy</b>   | 1 |
| State Council: China to Continue Measures and Policies in Greater Support of Automobile Consumption | 1 |
| <b>Policy and Regulation</b>  | 2 |
| SAMR & CAC: Notice of Carrying Out the Administration and Certification of Data Security            | 2 |
| Standing Committee of the NPC: China Revises Anti-Monopoly Law to Come into Effect on August 1      | 2 |
| <b>Standardization</b>  | 3 |
| Standard Drafts for Public Comments   | 3 |
| Final Approval for Data Security Standard by TC260  | 4 |
| Special Subject on GB Software Update and GB Cybersecurity  | 4 |
| <b>Automotive Industry Topics</b>   | 4 |
| VDA-EV100 Supply Chain Webinar  | 4 |

## China Macroeconomy

### State Council: China to Continue Measures and Policies in Greater Support of Automobile Consumption

On June 22, the executive meeting of the State Council, decided on **policies in greater support of automobile consumption**. The meeting still highlighted consumption as a main driving force for the economy and an important lever to bring economic activity back onto the normal track. All pro-consumption policies available will be rolled out.

The potential of automobile consumption will be further tapped by:

- Boosting used car markets**

The acceleration of the used car circulation is an effective approach to promote purchase of new automobiles to replace old ones. Starting from August 1, restrictions on cross-regional transfer of noncommercial light-duty vehicles that meet national stage V emission standards will be lifted nationwide.

This move is the concrete implementation with explicit date of the related measures from “a slew of targeted, strong and effective actions to stabilize its economic fundamentals” released by the State Council on May 23.
- Supporting NEV markets**

It’s explored in light of current conditions to extend tax exemption policy, which is set to expire by the end of this year and remove of local protectionist measures on new energy vehicle market.

The later action contributes to promoting the efficient circulation and expansion of the domestic market, exactly echoes the “guideline on accelerating the establishment of a unified domestic market” jointly released by the Communist Party of China Central Committee and the State Council on April 10.
- Promoting parallel import policy and parking lot construction**

Attentions are also being paid to other related areas and supplementing infrastructures by the government and policy maker.

Since the pilot of 2014, the parallel import market of automobile has been largely expanded. It’s 22 out of the 29 vehicle import ports are carrying forward the parallel import business at

present, which plays a role in promoting institutional innovation, invigorating the auto market, and meeting the diversified needs of consumers.

It's forecast that these policies, once enforced, are to increase auto and related consumption by about 200 billion yuan (about \$29.8 billion).

"Consumption remains a weak link at present, with further decline of offline consumption," Premier Li said. "We must roll out all necessary policies to promote consumption, to spur fairly rapid expansion of consumer spending in the second half of the year and boost jobs and economic growth."

## Policy and Regulation

### SAMR & CAC: Notice of Carrying Out the Administration and Certification of Data Security

On June 10, the State Administration for Market Regulation (SAMR) and the Cyberspace Administration of China (CAC) jointly released a notice of carrying out the administration and certification of data security, attached with the "Implementation Rules of Data Security Certification" (hereafter "Rules"), where network operators are encouraged to standardize their data processing activities and strengthen network data security through certification.

The Notice and Rules, for the first time, propose the technical requirements and certification approach regarding data security from market regulation point of view. The Rules outline the following key messages:

- **Applicable scope**  
The certification is targeted at network operators' activities, including data collection, data storage, data application, data processing, data transfer, data provision, data disclosure, etc.
- **Technical requirements**  
Besides the related data regulation, the technical requirements are mainly specified by the standard GB/T 41479, drafted by the National Information Security Standardization Committee (TC260).
- **Certification process and approach**  
The certification is composed of 3 perspectives: technical verification, on-site audit, and post-certification supervision.  
While the 3-year valid period of the certificate, the certification authority will keep monitoring the network operator to make sure their continuous compliance with certification requirements and proper use of the certificates in the advertising campaign.
- **Detailed specification for operation**  
It's also declared that the certification body shall, in accordance with the Rules, refine and publish the detailed specification for certification operation procedures, which should be scientific, reasonable, and feasible.

This move of the authorities is regarded as to unfold a new phase of data security administration in China. Though not being part of the China Compulsory Certification (CCC) system yet, the approach is showing the gesture of the government to explore more concrete way to manage the data security, taking network data as a beginning. The further actions, if automotive data is involved, will be closely watched by the VDA.

### Standing Committee of the NPC: China Revises Anti-Monopoly Law, to Come into Effect on August 1

On June 24, the 35<sup>th</sup> meeting of the 13<sup>th</sup> National People's Congress (NPC) Standing Committee voted to amend the Anti-Monopoly Law of China, which is to establish and improve a fair competition review system, formulate, and implement competition rules that are compatible with China's socialist market economy.

To recap the history, the current Anti-Monopoly Law came into effect on August 1, 2008. The draft amendment was submitted to the 31<sup>st</sup> meeting of the 13<sup>th</sup> NPC Standing Committee in October 2021, marking the first revision of the law since its implementation, which is now approved to take effect from August 1, 2022.

The Anti-Monopoly Law is regarded as a set of traffic lights for the market, telling market entities what they can and cannot do. The new version of the law has further provided up-to-date rules to guide enterprises to both undertake legitimate operation and obtain legal profits against the new market environment, including:

- The revised law comes up with a particular **emphasis on regulating the overall platform economy** with standardized rules, such as operators can't use data, algorithms, technology, capital advantage and platform rules to engage in monopolistic practices.
- It also puts up the **requirements to the nation's antitrust authorities** to unify and strengthen anti-monopoly enforcement.
- The **major industry players** can continue to evolve based on the principle of high-quality development while expanding in accordance with the law.
- The amendment also gives more space for promoting the sustainable development of **domestic small- and medium-sized enterprises (SMEs)**, encouraging them to continuously innovate.
- The **legal liabilities and penalties** are also further revised and specified based on the cases and problems accumulated during the years' anti-monopoly enforcement.

Analysts noted the implementation of the law marks a new era for the nation's antitrust enforcement and another major move to reasonably regulate the development of the platform economy amid China's rapidly growing digital industries.

Meanwhile, it provides the possibility that SMEs, as the major market entities, will be more actively seeking out new innovations, which is beneficial to boost the market economy over the long run guaranteed by the revised Anti-Monopoly Law.

## Standardization

### Standard Drafts for Public Comments

In June of 2022, MIIT and CATARC released following drafts of standard for comments:

| NO. | Name   | Release date | Deadline for comments | Note                               |
|-----|--|--------------|-----------------------|------------------------------------|
| 1   | GB XXXX-xxxx<br>General technical requirements for software update of vehicles                       | 2022-06-17   | 2022-08-17            | UN ECE R155 as reference           |
| 2   | GB 15740-xxxx<br>Protective device against unauthorized use of motor vehicles                        | 2022-06-17   | 2022-08-17            | UN ECE R18, R97, R116 as reference |
| 3   | GB 14166-xxxx<br>Safety -belts and restraint systems for occupants of power-driven vehicles          | 2022-06-17   | 2022-08-17            | UN ECE R16 as reference            |
| 4   | GB 14167-xxxx<br>Safety -belts anchorages, Restrain systems for occupants of power-driven vehicles   | 2022-06-17   | 2022-08-17            | UN ECE R14, R145 as reference      |
| 5   | GB 27887-xxxx<br>Restraining devices for child occupants of power-driven vehicles                    | 2022-06-17   | 2022-08-17            | UN ECE R129 as reference           |
| 6   | GB 17354-xxxx<br>Front and rear protective devices for passenger cars                                | 2022-06-17   | 2022-08-17            | UN ECE R42 as reference            |
| 7   | GB 26134-xxxx<br>Roof crush resistance of passenger cars   | 2022-06-17   | 2022-08-17            | FMVSS 216a as reference            |
| 8   | GB/T XXXX-xxxx<br>Safety requirements for occupant injury caused by cargo movement of passenger cars | 2022-06-28   | 2022-08-27            | ISO 27955:2011 IDT                 |

## Final Approval for Data Security Standard by TC260

TC260, based in China Electronics Standardization Institute (CESI), is drafting the GB/T Information security technology-Security requirements of automotive data processing to further support and refine the requirements from the Cyberspace Administration of China (CAC) Provisions.

In early June, this GB/T draft was finalized by TC260, and it has been submitted to SAC for the final approval. Technical requirements are also modified and aimed at corresponding to terms and articles of CAC Provisions, including the requirements on personal information processing, cabin data processing, no collection by default, notification of personal information processing, etc.

Previously VDA China has provided the common position as the feedback on the draft to TC260. VDA China will keep close communication with TC260 in terms of data and cybersecurity area and take actions actively together with members to guarantee the transparency of information.

## Special Subject on GB Software Update and GB Cybersecurity

The 2 GBs of Cybersecurity & Software Update by CATARC are regarded as the most important and critical standardization projects from ICV market access perspective. Although they have been to a great extent harmonized with ECE R155&156 after the long communication with CATARC, there are still strong concerns that the possible deviation of the technical requirements and short lead time may cause compliance risk.

VDA has initiated several actions since this March including:

- The weekly meeting of the internal taskforce to evaluate the deviation and potential risks according to the progress of the test pilot, so to define VDA comments.
- Continuous communication with CATARC and other testing agencies, to provide early input and recommendations.

Regarding the pilot project, the conclusion and VDA position has been formulated as below:

### **GB Software Update:**

- Current draft of GB SU is acceptable.
- VDA will continuously follow up the implementation.

**GB Cybersecurity:** generally, so far, no critical challenges have been found that led to compliance risk in GB CS, which is better than previous evaluation in March.

- CSMS
  - The draft content of CSMS is quite acceptable.
  - Instruction/ guideline documents are needed for CSMS to ensure the consistence of the audit without deriving new requirements, which shall be released as soon as possible.
- Vehicle Test
  - There are no critical deviations identified so far which may lead to compliance risk.
  - Although there are still concerns regarding to the requirements of the 79 test items, it is still believed that the risk is relatively under control.

As the follow-up, on the one hand, VDA China will continue to monitor the progress of drafting and keep close communication with CATARC to facilitate the smooth development of the drafts. On the other hand, VDA China will initiate the communication with EIDC and CNCA through Sino-German Working Groups to avoid any big risks in the implementation phase.

## Automotive Industry Topics

### VDA-China EV100 Supply Chain Webinar

On June 17, China EV100 and VDA China co-organized a webinar among supplier companies on the theme of "Ensure the Stability of Supply Chain and Strategic Consideration under Regular Pandemic Prevention and Control". Executives from Bosch, Schaeffler, Webasto, Rheinmetall, Bühler Motor, IFA

Group, KAMAX, Weber Plastics, CATL, Jing-Jin Electric had a lively discussion on how to manage the operation during the pandemic resurgence as well as their localization strategy, including localization of talents, raw materials and supply chain, and customers, to improve their ability for risk resistance and further enhance their competitiveness. In the long run, these German suppliers still hold confidence in the Chinese market.

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