

Weekly China Insight

Beijing, 3 January 2025

China rolls out implementation measures for later retirement age

On 1 January, the Chinese ministry of human resources and social security (MoHRSS), the Party's Organization Department, and the finance ministry (MoF) jointly issued provisional implementation measures for the gradual extension of retirement age – a decision that was announced by the national legislature (NPC) in September 2023. The measures went into effect immediately. According to the measures, over the next 15 years, the retirement age will rise from 60 to 63 for male workers and from 50/55 to 55/58 for female workers. The measures allow eligible workers to retire up to three years earlier or later than the statutory retirement age, provided specific conditions are met.

The staggered delay of the retirement age represents a balanced approach to address China's aging population and shrinking workforce. Its phased implementation will help test employer readiness and social acceptance, while buying time for the government to reinforce support mechanisms for older workers and retirees.

China reforms currency cash pools, enhancing financial flexibility for multinational corporations

On 18 December, the Chinese central bank (PBoC) and the State Administration of Foreign Exchange (SAFE) announced expansion of the pilot program for integrated domestic and foreign currency cash pools, extending the preferential policy to 10 regions, including Shanghai, Beijing, Guangdong, Shenzhen, Jiangsu, Zhejiang, Hainan, Shaanxi, Ningbo, and Qingdao. The pilot program allows intra-company cross-currency lending, simplifies administrative procedures, and grants multinational companies (domestic and foreign) greater autonomy in determining foreign debt and overseas lending ratios.

Since its launch in 2021, the pilot program has facilitated cross-border fund transfers totaling USD 467 billion, benefiting over 3,000 multinational companies. The program's continued reform and expansion reflect Beijing's commitment to offer multinationals greater efficiency in managing global funds.

China outlines three-year plan to modernize raw materials industry

On 17 December, the Ministry of Industry and Information Technology (MIIT) and three other government agencies jointly released a three-year action plan to upgrade China's raw materials industry by 2027. The plan targets key sectors, including petrochemicals, chemicals, steel, non-ferrous metals, rare earths, and new materials, with goals to enhance supply chain security, improve industry standards, promote green development, accelerate digitalization, and bolster production safety.

The action plan reflects China's intent to transform its raw materials industry into higher-value production while addressing environmental and technological challenges. The emphasis on standards making and low-carbon development positions the raw materials sector to meet global standards to reinforce China's role in the global supply chain.

Xi Jinping's 2025 New Year address emphasizes resilience and reform

On 31 December, President Xi Jinping delivered his New Year address, reflecting on China's achievements in 2024 and outlining priorities for 2025. Xi pledged continued reform and opening-up to drive Chinese modernization, a mantra repeated by Chinese leaders since the mid-70s. Xi addressed economic challenges and external uncertainties, urging collective effort to maintain progress. He reiterated commitments to improving livelihoods through enhanced pensions and streamlined healthcare access and reaffirmed China's dedication to reunification, global cooperation, and peace.

Xi's address contained little that was new, although he was frank in acknowledging challenges. The emphasis on reform and domestic resilience aligns with broader efforts to navigate a complex global environment and bolster long-term economic and social stability.

Xi emphasizes rural economy's role in stabilizing employment and stability

On 17 and 18 December, the Party's annual Central Rural Work Conference (CRWC) convened in Beijing to set priorities for agricultural and rural development in 2025. In a memo to the conference, President Xi emphasized rural reform and revitalization in maintaining economic and social security, stabilizing employment, and stimulating growth. Xi called for enhancing food security by safeguarding arable land, promoting high-standard farmland construction, and boosting agricultural technology.

The CRWC underscores the strategic importance of rural policies in stabilizing China's economy and mitigating external risks. Successful implementation of rural priorities this year will be pivotal to maintaining food security, raising rural incomes, and strengthening resilience in the face of growing global uncertainties, especially trade conflicts with the US.

Chinese airlines started rerouting flights to avoid Russian airspace

On 2 January, reports emerged that several Chinese airlines have begun rerouting flights to avoid southern Russian airspace. Despite the rerouting, flight times remain largely unchanged.

The rerouting reflects heightened aviation safety concerns as the Russia-Ukraine conflict increasingly impacts civilian airspace. The rerouting will lead to increased operational costs for Chinese airlines.

China imposes dual-use export ban on 28 US entities, citing national security concerns

On 2 January, China's commerce ministry (MofCOM) added 28 US companies to an export control list for dual-use materials, including major defense contractors such as General Dynamics, Lockheed Martin, Raytheon Missiles & Defense, and Boeing Defense. The action follows recent US arms sales to Taiwan. In addition, 10 of these companies were placed on China's unreliable entities list, forbidding them from trade and investment activities in China and restricting their executives from entering the country.

The trade and investment ban is merely symbolic as these US defense companies have little to no operations in China, but underscores escalating tensions in US-China relations, particularly over Taiwan. More significant are the export control measures, which could disrupt supply chains for the defense contractors, signaling Beijing's growing willingness to leverage economic tools in geopolitical disputes.

On the Horizon...

The 14th Chinese People's Political Consultative Conference (CPPCC) starts on 4 March 2025, and the third session of the 14th National People's Congress (NPC) starts on 5 March 2025, in Beijing. The two annual gatherings of China's top advisory body (CPPCC) and the national legislature (NPC) are known collectively as the "Two Sessions", which offers an important window to monitor China's key economic targets, policy directions, legislative agenda, and governance reforms, reflecting insights into the leadership's priorities and strategies for the year ahead. It also serves as an opportunity for policy advocacy for many multinational corporations

The Party will release **2025's No. 1 Document** in the next few weeks, to lay out more detailed targets and directions for this year's agricultural and real policy.