

## Translation



*The following document, issued by the predecessor office of China's State Administration for Science, Technology and Industry for National Defense (SASTIND) in 2007, lays down general guidance for private companies that wish to participate in the PRC defense S&T industry.*

### Title

Guiding Opinions on the Participation of the Non-Publicly-Owned Sector in National Defense Science, Technology and Industry Construction  
关于非公有制经济参与国防科技工业建设的指导意见

### Author

PRC Commission of Science, Technology and Industry for National Defense (COSTIND; 国防科学技术工业委员会; 国防科工委). COSTIND was eliminated in a ministry reorganization in 2008, when most of its functions were moved to the newly created State Administration of Science, Technology and Industry for National Defense (SASTIND; 国防科技工业局; 国防科工局).

### Source

PRC Central Government website, uploaded February 5, 2008. The website cites the General Office of the State Council (国务院办公厅) as the source of this document. The State Council is the executive branch of the PRC government and also functions as China's cabinet. This document is also referred to as "(2007) Document No. 179" (科工委【2007】179号).

*The Chinese source text is available online at:*

[https://web.archive.org/web/20201118182944/http://www.gov.cn/ztl/kjfzgh/content\\_883645.htm](https://web.archive.org/web/20201118182944/http://www.gov.cn/ztl/kjfzgh/content_883645.htm)

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### Editor

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To the Commissions (Offices) of Science, Technology and Industry for National Defense of all provinces, autonomous regions and province-level municipalities, and all defense industry group companies and units under the administration of said Commissions:

Since the beginning of reform and opening up [in 1978], China's individual (个体) sector, private (私营) sector and other non-publicly owned sectors (非公有制经济) have developed and expanded continuously, and have become an important component part of the socialist market economy and an important force for advancing the development of social productive forces (社会生产力). The participation of the non-publicly owned sector in national defense science, technology and industry construction is beneficial in terms of promoting development and fostering competition, and taking better advantage of the market's fundamental role in allocating resources. It helps promote technical progress, strengthens independent innovation (自主创新) capabilities, and raises the capacity and level of weapons and equipment development and production. It helps promote institutional and mechanism innovation in national defense science, technology and industry, and has important significance for

accelerating the establishment of a great system of socialized collaboration (社会化大协作体系) in national defense science, technology and industry.

In order to put into practice the spirit of the document *Certain Opinions of the State Council on Encouraging, Supporting and Channeling the Development of Individual and Private Sectors and Other Non-Publicly Owned Sectors* ([2005] No. 3), and to encourage, support and channel participation by the non-publicly owned sector in national defense science, technology and industry construction, we hereby put forward the following opinions:

1. Non-publicly owned capital (非公有资本) should be encouraged and guided to enter national defense science, technology and industry construction fields. We should: Gradually expand the fields for investment by private capital in the national defense science, technology and industry, forming a regulated, orderly development pattern for unclassified (开放性) national defense science, technology and industry. Non-publicly owned capital should be allowed to invest in military product scientific research and production projects and infrastructure, and the specific fields and modes of investment should be in accordance with relevant national regulations.

2. Non-publicly owned enterprises (非公有制企业) should be encouraged and channeled to participate in competition and project collaboration for military product scientific research and production tasks. Non-publicly owned enterprises can take on tasks to develop weapons and equipment subsystems and supporting products, with the specific scope of tasks undertaken implemented in accordance with the Catalog of Weapons and Equipment Scientific Research and Production Subject to Licensing, issued by the national defense science, technology and industry authorities, and relevant administrative measures. Non-publicly owned enterprises that are to engage in product (technology) scientific research and production activities listed in the Catalog of Weapons and Equipment Scientific Research and Production Subject to Licensing must obtain a license for the scientific research and production of weapons and equipment.

Participation by non-publicly owned enterprises in defense S&T innovation activities by means of industry-university-research institute (产学研) collaboration should be encouraged and supported.

3. Non-publicly owned enterprises should be encouraged and channeled to participate in the reorganization and restructuring of military industry enterprises. They should be allowed to participate in the shareholding reform of military industry enterprises, other than core and key military-supporting enterprises (核心重点保军企业) that undertake weapons and equipment production, are related to national strategic security, and involve core state secrets. Non-publicly owned enterprises should be encouraged to participate through various forms of investment—minority equity investment, controlling equity investment, mergers and acquisitions, etc.—in the reorganization and restructuring of military industry enterprises that are mainly civilian or engaged in the production of dual-use products, general weapons and equipment, and supporting products. Non-publicly owned enterprises should be encouraged to participate in restructuring of military industry enterprises to separate their social function work (社会职能工作) and side businesses. The specific scope, methods and procedures for

participation in the reorganization and restructuring of military industry enterprises should be in accordance with relevant national regulations.

4. Non-publicly owned enterprises should be encouraged to participate in the development of dual-use high technology and its industrialization. In keeping with the requirements to increase independent innovation, develop high technology, promote industrialization, and increase industrial scale, non-publicly owned enterprises should be encouraged to research and develop dual-use high-tech products with high S&T content and good market prospects, and participate in the development of integrated military-civilian high-tech industries such as civilian nuclear energy, civilian aerospace, civil aircraft, and civilian ships.

5. Non-publicly owned enterprises must: Fully recognize the particularities of undertaking military product research and production tasks; strictly implement the state secrecy system, military product research and production quality management regulations, work safety management regulations, technical standards, military industry equipment and facility management regulations, etc.; establish and improve relevant internal systems; strictly perform contracts; and complete military product scientific research and production tasks in a quality-assured, quantity-assured and timely fashion.

When non-publicly owned enterprises apply to take on military product scientific research and production tasks or participate in the reorganization and restructuring of military industry enterprises, they shall be registered and put on file at their local managing department for national defense science, technology and industry; where they have already taken on military product scientific research and production tasks or participated in the reorganization and restructuring of military industry enterprises, they shall promptly report the details of progress on military product scientific research and production or reorganization and restructuring to the filing department.

6. Units that propose military product scientific research and production tasks to non-publicly owned enterprises shall, in accordance with law, sign contracts with the units undertaking such tasks and strictly perform the contracts, and follow up on the progress of the tasks in a timely fashion; with regard to significant circumstances that affect completion of military product scientific research and production tasks, corresponding measures shall be adopted, and they shall be reported to the department (unit) in charge, in a timely fashion.

7. Non-publicly owned enterprises that undertake military product scientific research and production tasks may, in accordance with relevant regulations, use existing S&T resources such as state-funded and established laboratories, and military-specific testing and experimentation facilities.

8. Supporting policies should be refined, and a good policy environment should be created for participation by the non-state-owned sector in national defense science, technology and industry construction. Within the scope permitted by national policies, non-publicly owned enterprises should be treated the same as state-owned military industry enterprises in aspects such as access to military product markets, competition for tasks, and participation in the

reorganization and restructuring of military industry enterprises. Based on the nature and characteristics of the military product scientific research and production tasks undertaken by non-publicly owned enterprises, the necessary supportive conditions should be provided to non-publicly owned enterprises for completing military product scientific research and production tasks using multiple approaches, including loan subsidies and capital injections, as well as leasing, borrowing, and allocation adjustments. The military product scientific research and production bidding and tendering system should be refined, so as to encourage non-publicly owned enterprises to actively participate in bidding and tendering for military product scientific research and production tasks.

9. The information dissemination system should be refined, and an information exchange and sharing platform should be built that is suited to the development characteristics of the non-publicly owned sector. There should be timely and well-targeted dissemination of information such as policies and regulations, the Catalog of Weapons and Equipment Scientific Research and Production Subject to Licensing, the guidance catalog of fields for social investment,<sup>1</sup> the guidance catalog for the shareholding reform of military industry enterprises, military industry product and technology needs, technical standards, etc., so as to guide non-public enterprises in strengthening communication of information with military industry scientific research and production units.

10. Intermediary service institutions (中介机构) should innovate in terms of service methods, standardize service conduct, and provide services for the non-publicly owned sector's participation in national defense science, technology and industry construction, including policy consultation, management consultation, exchange of S&T achievements (科技成果交流), personnel training, S&T innovation, technology support, information exchange and sharing, project incubation, fundraising and financing, and certification and accreditation.

11. Government regulation of non-publicly owned sector participation in national defense science, technology and industry construction activities should be strengthened. National defense science, technology and industry administration departments at all levels must perform their supervision and management functions in accordance with the law, refine the relevant systems, improve regulatory methods, and provide a high level of regulation. For non-publicly owned enterprises that undertake military product scientific research and production tasks, supervision and inspection should be carried out on such aspects as contract execution, product quality, classification, and qualification criteria, as well as their management and use of military equipment and facilities; there should be prompt early warnings of risks, and violators of relevant national regulations should be investigated and punished according to the law.

Local national defense science, technology and industry administration departments must strengthen their guidance of non-publicly owned enterprises that undertake military product

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<sup>1</sup> Translator's note: The Chinese term 社会投资, translated literally as "social investment," and its synonyms 社会资本 "social capital" and 社会资金 "social funding," refer to any source of funding outside of government budget outlays. These terms encompass investment by private individuals and private institutions. However, investment from state-funded entities such as state-owned enterprises (SOEs), including state-run banks, also falls under the umbrella of "social capital" or "social funding."

scientific research and production tasks in their respective regions. They must help non-publicly owned enterprises resolve the problems they encounter in the course of their participation in national defense science, technology and industry construction, and must, in accordance with relevant regulations, coordinate implementation of policies that non-publicly owned enterprises should enjoy in areas such as investment, taxation, land use, etc.