

# Comments on "From "Made in China" to "Innovated in China": Necessity, Prospect, and Challenges"

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May 19, 2017

- The question:
  - What are the sources of China's economic growth in the past?
  - Why they are unlikely to provide the same kind of boost in the future?
  - Can China transition to a more innovative economy?
    - Growth of innovation by Chinese firms
    - Drivers of China's innovation growth
- Main findings:
  - ① China has exhibited a surge in patent activity
  - ② Rising wages and expanding markets are the main drivers
  - ③ Correcting resource misallocation can further improve innovation outcomes

- Has the growth of patenting been driven by firms' innovation and upgrading or their greater propensity to apply for patents?
- Non-innovation related forces influenced the propensity to apply for patents while the underlying rate of innovation has not changed that much
  - Government policies
  - Reputation building

- Government policies promoting patent application:
  - Patent subsidy programs:
    - Encourage patenting through deductions and reimbursements of application fees
    - Started since 1998, 29 out of 30 provinces had launched the program by 2007
  - Target of patenting:
    - Set in the 12th Five-Year (2011-2015) Plan for Science and Technology Development
    - Increase the number of SIPO invention patents in force per 10,000 people from 1.7 in 2010 to 3.3 in 2015
    - Local governments have introduced incentives to promote patent applications
- Potential tests to do:
  - Correlation between R and D and patents
  - Impact of patents on productivity

- Motives for firms to patent: reputation building
  - Jefferson et al IPR survey: 2009-2010, 300 domestic and foreign firms in Beijing and Shenzhen
  - Motives for patenting:
    - ① Enhance reputation
    - ② Prevent copying and prevent lawsuits about equal
    - ③ limit entry and sales by competitors
  - Private firms have more incentive to build reputation than SOEs

- Misallocation: would giving private firms more subsidy necessarily lead to more innovation?
- Total government subsidy or R and D subsidy?