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

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Summary

• 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
Main Comments

- 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?