

**CHINA'S LONG MARCH TO GLOBAL
INNOVATION LEADERSHIP (II):
MAKING ECONOMIC IMPACTS**

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Executive Summary

1. China's two-decade endeavour under the *Kejiao Xingguo* (科教兴国, Strategy of Invigorating the Country through Science and Education) has substantially enhanced China's research and development (R&D) capacity and its status in the global ranking of scientific research and technological innovation.
2. The policy initiatives to facilitate the transformation of science and technology (S&T) achievements into real productive forces have borne fruits. The domestic market for technology transaction has grown 17 times since 1995.
3. The Chinese industries have quickly caught up with world-class technical sophistication and become internationally competitive in high-tech products. In the recent years, China has attained the largest market share in global high-tech trade, with its high-tech industry becoming the world's second largest by value added.
4. Every year since 2004, China has registered surplus in the trade of high-tech products. In many sectors, Chinese firms are pioneering the business world in improving consumer products and innovating marketing models.
5. These suggest that China is shifting from a "world factory" to a global hub of innovation. According to *Global Competitiveness Report*, China scores high in the transition from "efficiency-driven" growth towards "innovation-driven" growth.
6. China's enhanced innovation capacity, however, has yet to be translated into a powerful driver for productivity growth so far. To do so, structural reforms are needed to nurture a business environment conducive for entrepreneurial innovation.
7. China's legislature has recently passed laws or is making amendments to existing laws to improve the legal environment for technological innovation. The government has put forward policy initiatives to encourage "mass entrepreneurship" and "mass innovation" on its agenda.

8. In 2015 a three-year plan for trial reforms on “comprehensive innovation” was announced for several selected regions. These positive moves need time and efforts to take effect. Over time they may create new joint R&D projects for foreign firms, including those from Singapore.