

CHINA'S INDIGENOUS INNOVATION STRATEGY

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Executive Summary

1. The Chinese government introduced the “indigenous innovation” strategy in 2006 to bolster national technological capabilities, and to transform China into an “innovation-oriented” nation by 2020 and a global leader in science and technology by 2050.
2. The strategy aims to achieve sustainable development through technological advancement and industrial upgrading. One of the most significant moves is the decision to develop seven strategic emerging industries.
3. China has long been at the low end of the industrial chain and high technology has yet to become the major driver of economic growth. Most technology-intensive manufacturing is set up and managed by foreign investors.
4. To boost indigenous innovation, Beijing decided to make a strategic shift from the current resource intensive or input-driven type of development to a technology-intensive one.
5. The Chinese government has been actively developing technology policies to facilitate the transition, including the promotion of its own technology standards and the requirement of domestic innovation for government procurement.
6. These indigenous innovation policies created deep concerns among foreign businesses and governments in the post-crisis era. The technology standards strategy was seen as a new form of protectionism in violation of World Trade Organization terms.
7. The linkage between government procurement and indigenous innovation also met with loud cries of foreign protest. China was accused of erecting regulatory barriers discriminatory against foreign high-tech companies.

8. As a result, the Chinese government decided to drop the controversial policies and delink indigenous innovation from government procurement. However, doubt still remains as to how it will be implemented at the local level.
9. Despite the policy reversals, Chinese technology policies have been heatedly debated upon. Techno-nationalism, or neo-techno-nationalism with global integration, is believed to have dominated China's technology policy-making.
10. The policy reversals during the past decade reflected how China went through a trial-and-error and adjustments phase to achieve a balance between fostering indigenous innovation and maintaining open markets.