

Improving Innovation Environment Making China an Innovative Nation

—excerpts from speeches at the High-level Forum on the 10th Anniversary of QBPC

On March 25th, the “Improving Innovation Environment & Making China an Innovative Nation” high-level forum was held during the 10th anniversary of QBPC. The guests made wonderful speeches and held in-depth discussions on how to improve the implementation of innovation policy, attract foreign capital to invest on R&D in China, strengthen intellectual property (IP) protection, and build a solid foundation to make China an innovative nation. The following are excerpts from on-site speech or simultaneous interpretation without examination by the speakers.

Mr. Gan Shaoning, Deputy Director of State Intellectual Property Office of the P.R.C.

Over the past ten year, QBPC has made great contribution to IP protection in China, played as the bridge of IP protection exchanges between China and other countries, and witnessed the development of China’s IP protection.

2009 is the starting point of the comprehensive implementation of national IP protection strategy. A strategic system under the guidance of the State Council, with the coordination of ministerial meetings and respective efforts from different regions and departments has been formed. Seven ministries under the State Council has establish a leading organization to carry out the Program, 15 departments have formulated implementation guideline and working plans, 18 provinces and autonomous regions have put forward strategies, and 28 members have jointly formulated 2009 National IP Protection Strategy Implementation Promotion Plan and 2009 China IP Protection Action Plan. According to the plan, members of the joint-conference have accomplished more than 200 projects in the plan, revised more than 50 IP related regulations and standard documents, promulgated 20 major policy measures, and carried a lot of IP campaign, talents education and foreign exchanges. All have yield impressive achievements.



At present, 2010 National IP Protection Strategy Implementation Promotion Plan and 2010 China IP Protection Action Plan have been approved at the joint-conference and will be issued soon. Centered at the principle of “improve system, strengthen enforcement, put priority, promote coordination, increase campaign, standardize management”, the 2010 China IP Protection Action Plan put forward specific measures in ten aspects. What I want to emphasize is that China is unswervingly committed to IP protection, and we will continue our right-safeguarding efforts and strengthen IP protection. I hope that we can build a sound innovation institutional environment and market environment for market players through the implementation of IP protection, encourage improvement and extensive application of innovative fruits, give full play to the market in allocating resources, encourage enterprises to become main players in IP creation and application and enhance their market competitiveness. Meanwhile, we will actively build IP protection culture in the society where knowledge is respected, innovation admired, honesty treasured and laws obeyed so that we can accelerate building China an innovative nation and promote sustainable economic development.

Mr. Li Xinnan, Director of Department of Policy, Regulations and System Reform of Ministry of Science and Technology of the P.R.C

In the trend of globalization, we should pay attention to two things. First, all the countries have taken scientific innovation as national development strategy. Second, under the trend of global economic integration, the categories of industrial division are changing profoundly.



Human civilization has never been in such urgent need of innovation than today. All the problems that related to resources, environment, population and imbalanced development all have to depend on innovation for resolution. China proposed long-term and medium-term Development Plan on Science and Technology in 2006. Japan formulated the long-term and medium-term Development Plan on Innovation in 2007. UK issued National White Paper on Innovation in 2008. EU put forward policy report on an innovative Europe in 2006. The United States Council on Competitiveness delivered the policy report on innovative U.S. in December, 2004. Amidst the financial crisis, President Obama proposed to lead U.S. into a new era by innovation, and he also suggested self-innovation. He wishes to maintain U.S.'s leadership innovation by these administrative programs. In my opinion, all the facts show that all the countries have taken innovation as a major development strategy. It is no longer confined to one nation or one region but common around the world. So it is true in many emerging countries.

Another trend of globalization is the changes in the categories of industrial division. In the past, we could simply put industry into three categories: labor-intensive, technology-intensive and capital-intensive. However, from the perspective of the trend of scientific and economic integration, the boundary between different categories is disappearing. New changes have taken place in the categories in terms of specific industrial chain. Take IT industry as an example. The high-end design in this industry can be technology-intensive, knowledge-intensive, or capital-intensive while it can be labor-intensive in the sector of processing and equipment. It is also true with traditional industries such as textile industry. In design, it may be knowledge-intensive and technology-intensive while it is labor-intensive in terms of simple processing. Therefore, new differentiation in new value chain has appeared in terms of the layout of the industrial chain. Thus, I think when we consider innovation environment and policy, we should take into consideration of the changes and reality brought by economic integration.

Mr. Meng Pu, Senior deputy president of Qualcomm, president of Qualcomm in Greater China

Against the backdrop of knowledge-base economy and globalized economy, the importance of IP to innovative society is self-evident. Over the past ten year, China's IP protection cause has made huge progress both in the government effort and the awareness in the society. IP is crucial to foreign brand, to Chinese enterprises and also high-tech industry like Qualcomm.



High-tech industry is of heavy investment and high risk. In this industry, not to advance means going back. Without good IP protection policies, a lot of innovative high-tech in the world would not appear. One client of Qualcomm is one of the biggest Chinese companies in communication electronic product. The company has done very well both in Chinese market and foreign market. We usually have the impression that foreign countries attach more attention to IP protection. However, in my view, this company has the most vigorous awareness and system of brand protection among all the companies that I have seen. As some outsider stole their IP because of inadequate IP protection policies and measure, they finally had to adopt a very extreme method to forbid all outsiders bringing computer or any related electronic devices.

This example shows that Chinese high-tech companies have already learned the importance of IP protection in their development. Therefore, when formulating policies, we should consider how to meet the demands of the development of enterprises. This is a question that all parties including the government should consider. In the past, when talking about brand protection, we usually relate it to foreign brand. Yet, I think if we fail in IP protection, it would have bigger influence on Chinese brands. For instance, cheap copy mobile phones have violate the law and regulations without any authorization from department concerned and have also evaded taxes. However, we sometimes come across the saying that cheap copy mobile phones are good things which only have some disadvantages in the development. I think it is a matter of principle. We should never say an illegal product is good. Only when the relevant departments of the government and media are able to tell right from wrong can we exert positive impact on the society. In the past, cheap copy mobile phones only influenced Chinese consumers. But now, they are known around the world. Many articles in foreign magazines use Shanzhai to refer to this kind of products made in China. This is not what we should be proud of. In globalized economy, we should look at competition and cooperation from the perspective of industrial chain. For example, Qualcomm is a semiconductor producer of mobile phone chips, and we are competitors with many enterprises doing similar business like us. However, we have also a lot of partnership in this chain. Chinese mobile phone producers have had very close cooperation and we support Chinese enterprises to bring out good products. Many of our partners have done very well both in Chinese market and global market as a whole. I think it is attributed to cooperation in the industrial chain.

Go back to the important topic as for why brand protection is so crucial to Chinese brand. At the end of last year, we saw the advertisement film on “Made in China”. However, even more advertisements can’t outweigh the negative impact of cheap copy mobile phones nor can they make up the image loss of companies like Huawei, ZTE, and Haier in the world. Therefore, I think we should discuss how to strengthen cooperation in the global environment, and strengthen protection of IP in terms of policy formulation and law enforcement. It requires all the parties in the society join hands together to work for the goal.

Doctor Jiang Zhipei, professor of Renmin University of China (former member of the Judicial Committee of the Supreme Court, director of the Court of Intellectual Property)

In 1883, the first international convention on trademark and patent protection was signed in Paris. In 1985, China became a member of Paris Convention. There were many important reasons for China to join the convention, one of which is the principle of national treatment. Thirty years has passed since we adopted the policy of reform and opening up. Our legislation and jurisdiction has got help and guidance from international invention in establishing IP protection from the very beginning. Why did we need such international convention in reform and opening up? Because we need advanced technology and capital from other countries to develop ourselves and we must pursue reform and opening up. Time flies. Now thirty years have passed and China’s development has reached an inflexion which requires us to go on the path of innovation defined clearly by China’s high-level. We should try to make China into an innovative nation. I believe the significance, overall importance and profundity of the strategy is no less than that of reform and opening up. Therefore, we must go on the path of innovation and make China an innovative country. Although still there are many key factors in the international area that constrain China, we have to follow the path. China has made impressive achievements over the past thirty years’ development. But we should be fully aware that we are still far behind developed countries in the level and application of science and technology, in the maturity of the market and in the management of economic development pattern.



Mr. Robert Goldberg, charge d’affaires ad interim of Embassy of the United States in China

We all know that innovation is the driver to economic growth. However, it requires an environment where entrepreneurs, independent thinking and information exchanges and cooperation are encouraged. Many American companies are members of QBPC and they are all fostering and promoting innovation in China. The future is closely related to the outcome of our joint innovation.



I have visited a lot of factories in Guangzhou. It is fair to say that China is very successful. I have also seen how governmental officials in Guangdong began to rethink the development model featuring labor-intensive, resource-intensive or energy-efficient. China is moving to the upstream of the industrial value chain. Therefore, we are facing a long-term goal which requires us to make joint effort with our member companies to further improve IP protection framework, take action to implement and enforce law. It also requires us to create adequate conditions to encourage innovation. History shows that IP and innovation can promote a nation's economic development and a lot of innovation has already helped us to lead a better life. For example, entrepreneurs like Bill Gates and Steve Jobs are turning their innovative ideas into reality. IP concerns many industries and the development of IP depends on a systematic law enforcement system. Over the past year, China continued to revise legal framework of IP. We welcome Chinese government's effort for the reversion, and this will further strengthen China's legal system. In addition, I want to say that law enforcement and framework are both useful. Without enough action or law enforcement, China would hardly reach its development goal to move up the value chain.

Mr. Michael Pulch, deputy head of the Delegation of the European Union to China

Over the past 20 years, trade globalization has brought changes to the environment for innovation. The future innovators should focus on the global market. To innovate, they should comply with relevant rules including rules of international trade. The rules of foreign investment and new technology application also need a reliable system such as the rules of WTO. EU and China are both members of WTO. Innovation now is global which means the companies and people should learn how to survive in the globalized environment not under the shelter of protectionism.



We need to protect the environment of innovation. Only a reliable and fair environment of competition can protect innovation. Innovation has no borders. It should be built upon the foundation of legal system, free market. When government or enterprises purchase innovation, they should transcend national borders, make contribution to the world, increase tax venue, create jobs and enter new market. We need to create an environment where all enterprises are willing to take risk and cost to protect innovation, share and trade innovation outcomes and provide a predictable environment.

Mr. Myron Brilliant, Deputy Chairman of American Chamber of Commerce

To build an innovative society, we must establish a strong IP system including not only law enforcement but also a sound environment where people can undertake risk and get economic return.

As for the policy of independent innovation, what we concern is how China carries



out this policy. I think some foreign countries may have some misunderstanding of this policy. We wish this word doesn't mean prevention of fair and open participation of foreign countries and we wish Chinese government can encourage Chinese companies to innovate and will not limit the participation of foreign companies.

China also mentioned many innovation problems in the eleventh five year plan. China wishes to create an environment to further promote high-tech development. Now there is a fact that we can't accomplish innovation in one country or one region alone and we must rely on the R&D center of other countries. This is very important and we must take into consideration in building an innovative society. We must see that IP can't be created by single company or country in the value chain. A lot of high-tech products require companies to realize rapid innovation. Therefore they must produce products in a more innovative environment. Now, companies are considering how to satisfy clients and suppliers and how to enter the market. I believe this is a very sound environment and would become healthier with competition. We must create an innovative network. A lot of companies have participated in today's forum. They have established R&D centers in China and other countries. They talked about their current network and some problems they met in R&D. We also wish to be more flexible and meet the needs of clients in all countries and regions.

Mr. Ge Jun, executive director of Intel, China

Innovation is China's national policy and may be the only way for China to maintain its success in the future, and create enough fortune for Chinese people to lead a decent life.



China's entry into WTO has enabled it to follow international rules in the world platform. Now we can see that every day we are rethinking of our own legal environment and investment environment, revising laws, policies and regulations on investment. Recently, we have also seen a series of measures on independent innovation including standardize the definition of independent innovation and relevant products which have already yield some fruits. A good policy is bound to bring good results. For instance, China has provided a lot of favorable policies and measures including giving priority to IP protection. Thus, a lot of Top 500 multinational companies have been attracted to China to set up R&D centers. Take Intel for example, we enter China quite early and conducted R&D gradually. From the very beginning, our R&D institution was very small. But now, we have two major R&D centers respectively in Beijing and Shanghai with nearly 1000 Chinese engineers doing research and development. Besides, the outcome is being applied in China. It demonstrates that a good policy can bring good results.

We have also enhanced our R&D standard a lot. Last year, I tried to find out how many programs were under way by a certain period of time. We found that about 67 specific joint programs were under way at that time with 150 million dollars of promised investment.

The players in R&D cooperation are playing a role, and bringing great technology spillover effect. Our researchers cooperated with local system and enabled them to get to know the latest foundation in the world, and bring out new products to the society under cooperation with Intel. Our engineers also provided training to Chinese teachers and students. Over the past 10 years, we have trained 1.6 million teachers in China and established polycaryon labs in 102 universities. Recently, we set up labs based upon Intel Atom Processors in 26 universities. I believe with all these efforts foreign capital will surely promote changes to China's R&D environment and the investment environment and enable China to reach the fundamental goal of making itself an innovative nation.

**Doctor Wei Zhe, vice chairman of Patent and Innovation Committee of QBPC,
director of IP and Standardization Department of Siemens**

Just like other enterprises, we have a very strong R&D in China. We have conducted R&D in various fields including industry, energy and medical care, serving not only local market in China but also the global market. Cross-border and cross-industry R&D have already become a trend. We have a lot of R&D centers around the globe just like other transnational enterprises. Of course where to set R&D is a company's decision and behavior. However, it is closely related to the nation's R&D, market and comprehensive environment. Over of the past ten years, we have seen more and more R&D centers coming to China which is amazing. These centers are developing vibrantly with a lot of young and energetic engineers. Over the past several months, some people were worried about China's overall R&D environment. Looking back the past ten years, because of China's success, companies in Chinese market including domestic and foreign ones are prosperous. It would be a great pity if they think they are less welcomed now.

