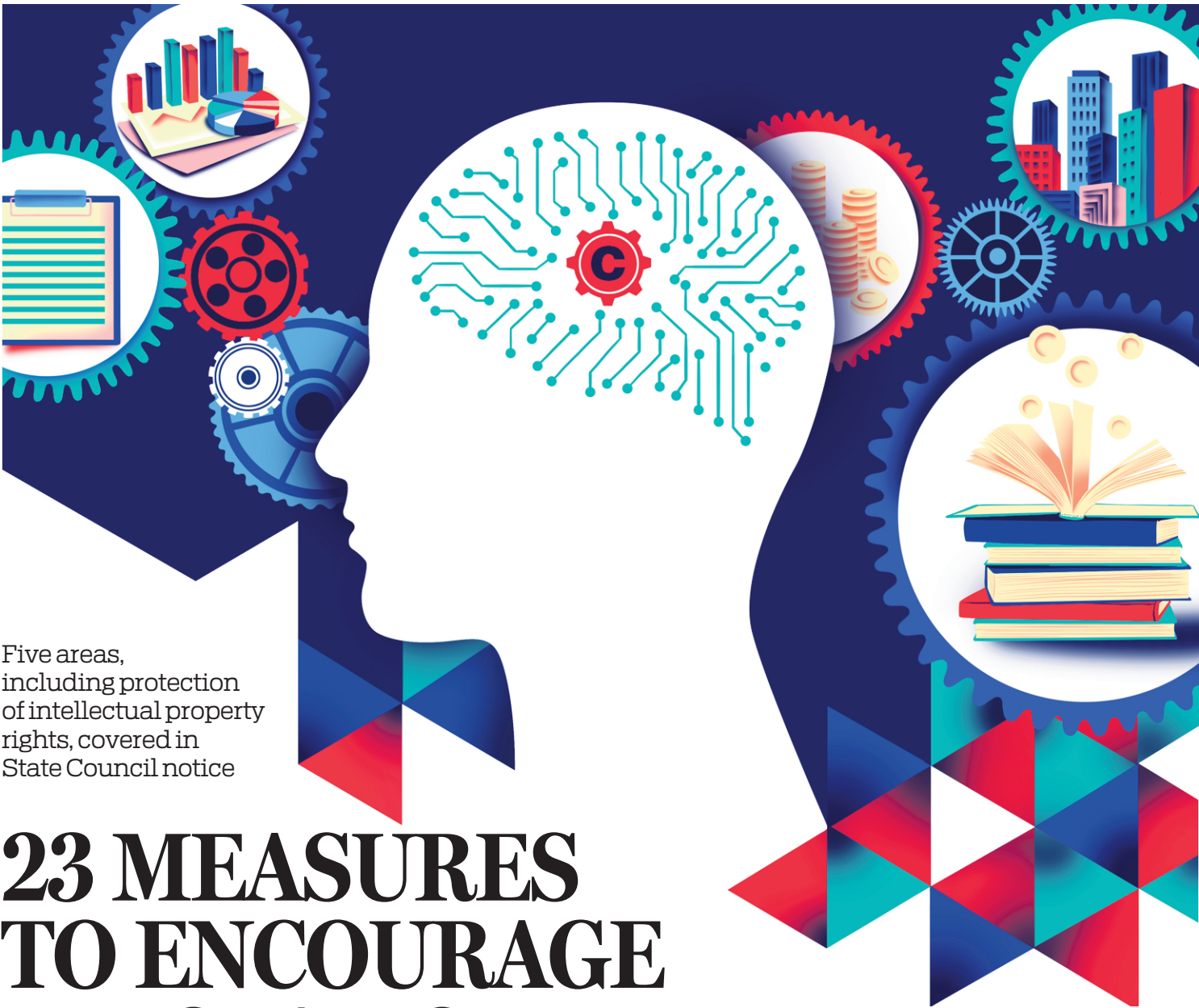


POLICY REVIEW



Five areas, including protection of intellectual property rights, covered in State Council notice

23 MEASURES TO ENCOURAGE INNOVATION

By HU YONGQI
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A second wave of measures has been released to encourage Chinese innovation by promoting intellectual property rights protection, transforming technological achievements into products, and delegating more power to universities and research professionals.

The goals were disclosed last week in a notice issued by the General Office of the State Council, China's Cabinet, to promote a second round of innovation-related measures nationwide or in eight pilot zones, following the first such move promulgated in September 2017.

The 23-clause notice covers five areas: intellectual property rights protection; incentives to promote the transformation of technological achievements into real products; technological and financial innova-

tion; military-civilian integration; and management innovation.

Eighteen of the 23 measures will apply to all provincial-level regions. They include the introduction of patent insurance to reduce losses when patents are infringed, and the participation of technical officials in trials related to violations of intellectual property rights.

In another measure, professional researchers will be able to hold shares in their research institutions when they are turned into enterprises, increasing efficiency and the possibility of transforming research outcomes into products.

Three other measures will be implemented in eight pilot zones: the Beijing-Tianjin-Hebei cluster; Shanghai; the Pearl River delta in Guangdong province; the Hefei-Wuhu-Bengbu cluster in Anhui province; the Chengdu-Deyang-Mianyang cluster in Sichuan

province; Wuhan in Hubei province; Xi'an in Shaanxi province; and Shenyang in Liaoning province.

In the pilot zones, a certain proportion of the ownership of technological achievements will be awarded to research professionals as incentives before they actually participate in the projects, giving them greater motivation to transform such achievements into real products. Technological innovation boards will be set in regional equity markets, and local universities will be given autonomy in talent recruitment and academic title assessments.

The areas where two other measures, related to military-civilian integration, will be implemented were not specified.

The innovation-driven development strategy was introduced at the end of 2012, during the 18th National Congress of the Commu-

nist Party of China. In September 2017, the State Council released the first series of 13 measures to boost innovation, focusing on technological and financial innovation, recruitment of foreign talent, military-civilian integration, and startups and entrepreneurship.

Experts said the new notice is expected to accelerate the country's innovation-driven development, streamline administration and transform governmental functions. It is also designed to help build a globally leading business environment with fair competition, and stimulate market vitality and domestic consumption for sustainable and healthy social and economic development.

Wu Qi, a senior researcher at the Pangao Institution, a public policy think tank based in Beijing, said the measures focus on strengthening incentives and better protecting the legitimate rights of innovators.

The notice attaches great importance to building a law-based environment for innovation and improving the regulatory system

for innovation, Wu said, with more power to be delegated to local authorities and universities. Market-oriented risk control and sustainability are also targeted in specific clauses, he added.

Song Ruili, a senior analyst in the National Information Center's economic forecasting department, said the measures are expected to provide new momentum for economic growth, and promote supply-side structural reform and high-quality development.

For example, one measure called for different error-tolerance rates to be set for local equity funds' seed capital for business startups to encourage venture capital to invest in embryonic enterprises.

Song said the differentiated rates will be beneficial in breaking down barriers faced by local equity funds and expanding the supply of seed capital and venture investment. They can also improve the efficiency of capital and investment, making financing chains in the industrial life cycle work better, he added.

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POLICY RESPONSE

Mine safety, health scams and false data targeted

By XU WEI
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Several ministry-level departments, including the National Coal Mine Safety Administration, State Administration for Market Regulation and the National Health Commission, have responded recently to issues of public concern.

Regulation limits number of workers at coal mines

The National Coal Mine Safety Administration said on Wednesday that it has issued a regulation limiting the number of workers working in a single shift at coal mines.

The regulation, which divides coal mines into seven tiers based on production capacity, stipulates that the number of workers working in a single shift at coal mines where

work safety risks are high cannot exceed 850. The limit for other coal mines is 450.

The regulation, which will take effect this month, also imposes limits on the number of workers in individual work units at coal mines.

The administration said coal mine enterprises will be required to make their production plan in accordance with the regulation, and local authorities should step up safety checks.

Coal mines that fail to abide by the regulation will not receive approval to increase their production capacity. Those that do not meet its requirements in 2021 will be closed, the administration said.

Crackdown on health product scams launched

China's market regulator said on Wednesday that it has launched a nationwide campaign to crack down on wrongdoing in the health product market.

The three-month campaign was launched by the State Administration for Market Regulation together with 12 other central government departments.

The administration said that

during the campaign, law enforcement officers will focus on food, equipment, daily necessities, small home electrical appliances, wearable articles and service producers that claim to promote health. Violations such as false advertising, the sale of counterfeit and low-quality products and illegal direct selling and pyramid selling will be targeted.

The move follows the launch of an investigation last month into Quanjian Nature Medicine Technology Development, a health product company based in Tianjin, that was accused in an online report of making exaggerated claims in advertisements and being involved in a pyramid scheme. After the investigation by local authorities, 18 suspects, including the chairman and founder of Quanjian, were detained on suspicion of organizing a pyramid scheme and engaging in false advertising.

Statistics bureau takes aim at falsification of data

The National Bureau of Statistics will step up efforts to prevent and punish the falsification of data and other fraudulent practices in an

effort to ensure the authenticity of data, the bureau's head, Ning Jizhe, said on Thursday.

Ning said the bureau will launch a supervision campaign targeting statistical work this year to punish illegal practices and improve the quality of statistics.

It will enhance inspection and law enforcement, expand the exposure of wrongdoers and hold them accountable, Ning said at a national work conference.

There were 27 illegal statistical cases exposed around the country last year, and 118 firms found guilty of serious doctoring of data were punished.

China introduced an updated detailed guideline for implementing statistics laws in 2017 to prevent data fraud.

2020 target date for better hospitals in poor regions

China will step up poverty alleviation efforts in the healthcare sector and ensure all medical institutions at various levels in impoverished areas reach set standards by 2020, a National Health Commission spokesman said on Thursday.



As part of poverty reduction efforts, high-level hospitals will help their county-level counterparts in poor regions build up their talent, and each township-level institution will have one general practitioner by 2020, spokesman Hu Qiangqiang said.

The commission will make efforts to ensure that telemedicine services cover all township-level hospitals in poor regions. Breast and cervical cancer screening for women living in rural areas and screening for newborns in poor areas will see further progress, he said.

More incentives will be offered to medical professionals working at grassroots-level hospitals, and individuals who are impoverished by major or chronic diseases will receive greater compensation, Hu said.

Policy digest

Special local government bonds to provide a boost

The State Council has called for special local government bonds to be put to good use as part of efforts to boost employment and consumption, a statement released after a meeting on Wednesday said.

The State Council executive meeting, chaired by Premier Li Keqiang, called for the acceleration of the issuance and use of 1.39 trillion yuan (\$205.6 billion) in special local government bonds, it said.

The plan for distribution of the bonds will be finalized as soon as possible, and their issuance will be completed by the end of September, the statement said.

The issuance of the bonds, which was approved by the Standing Committee of the National People's Congress, is part of a more proactive fiscal policy launched by the government to support ongoing infrastructure programs, the statement said.

The meeting also called for efforts to give play to the role of the bonds in stabilizing investment and promoting consumption. The funds raised from the bonds should primarily be used in ongoing projects and to extend support to major projects, as well as solving the problems of debt defaults in government programs.

The meeting also called for the launch of a number of major programs in the transport, water resources, and ecology and environment protection sectors in areas where conditions are met.

It also called for coordinated monetary and credit policies, with the issuance of bonds to support the financing of projects. Financial institutions will be encouraged to step up their services to ensure the financing of major programs.

The management of special local government bonds will be better regulated, and hidden government debts will be put under strict control, the statement said.

The meeting also heard reports on ensuring the payment of migrant workers and called for more efforts to prevent delays in their salary payments, the statement said.

Local authorities must prioritize efforts to solve back pay problems related to government-invested programs. Enterprises found to have back pay problems will be given a fixed period of time to solve them before being subject to harsh penalties.

Bigger tax cuts rolled out for small businesses

The State Council executive meeting on Wednesday rolled out bigger tax cuts and tax exemptions for small and micro-sized enterprises.

A statement released after the meeting said the eligibility of small and low-profit businesses for preferential corporate tax will be significantly expanded, and deeper cuts to corporate tax will be introduced.

Small and low-profit businesses with annual taxable incomes of less than 1 million yuan (\$146,250) will be eligible to have their tax based on 25 percent of their taxable income, which is expected to reduce the tax burdens on such enterprises to 5 percent. Businesses with annual taxable incomes of between 1 million and 3 million yuan will be eligible to have their tax calculated on 50 percent of their taxable income, reducing their tax burden to 10 percent. The adjusted tax incentives are expected to cover 95 percent of corporate taxpayers, 98 percent of them private businesses.

Meanwhile, the value-added tax threshold for small-scale taxpayers, which mainly includes small and micro-sized enterprises and individual businesses and individuals, will be raised from 30,000 yuan to 100,000 yuan in monthly sales, the statement said.

Provincial-level governments will also be given the authority to cut taxes by up to 50 percent for small-scale VAT taxpayers under several local tax items, including resources tax, as well as education and local education surcharges.

The scope of tax incentives applied to investment in high-tech startups will be expanded to give more tax breaks to venture capital firms and angel investors investing in these businesses, the statement said.

The tax incentives will cover all taxes incurred since Jan 1, and will be effective for the next three years. They are expected to save small and micro-sized businesses about 200 billion yuan a year, the statement said.

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