

POLICY REVIEW

Innovative approach to boost businesses

Investment, tax policies among new key measures

By XU WEI
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The unleashing of policies by the State Council to boost the innovation capacities of businesses indicated the country's resolve to move its manufacturing sector up to the medium-high end of the global value chain, according to experts and officials.

The Cabinet decided at an executive meeting, chaired by Premier Li Keqiang, on May 14 that a host of steps will be adopted to see that businesses can increase their investment in research and development. The meeting also pledged better implementation of policies to support the innovation efforts of businesses of various ownerships.

To ensure that enterprises can take up a principal position in technological innovation, more favorable tax policies, mainly in the form of tax-deductible R&D costs, will be rolled, according to a statement released after the meeting.

More fiscal and tax support will be extended to business, with the growth of venture capital investment funds set to receive more incentives. Financial institutions will also be incentivized to improve the percentage of medium- and long-term loans to the manufacturing sector to support innovations, the statement said.

"The measures, all concrete and forceful, have shown the resolve and confidence of China to accelerate the fostering of new growth engines and promote high-quality development of the manufacturing sector," said Huang Libin, head of the bureau for operations, monitoring and coordination under the Ministry of Industry and Information Technology.

The Cabinet has also called for efforts to promote the sharing of innovation resources, such as major facilities for scientific research as well as ground research platforms, which has shown that the government has attached more impor-



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tance to giving play to the market mechanism in promoting innovation, he said.

The meeting has also urged greater efforts to achieve breakthroughs in core technologies and make the manufacturing sector smarter, greener and better integrated with the service sector in its upgrading process.

The construction of new infrastructure, such as the industrial internet, will be advanced together with technological innovations in the manufacturing sector, the statement said.

Li Xiaohua, a researcher on the industrial economy with the Chinese

Academy of Social Sciences, said it is a crucial measure for the country to encourage innovation in core technologies against an international background of rising protectionism.

"The emerging of new business models has also made it difficult for the government to predict the direction of future innovations. Thus it is important to encourage businesses to boost their innovation activities," he said.

Innovation is also the key to seizing new opportunities arising from the latest round of technological revolution and to narrowing the gap in key technologies with

developed economies, he added.

The meeting also decided on measures to step up services for the innovation of small and medium-sized enterprises and speed up the transformation and promotion of innovation outcomes.

It stressed the need to enhance protection of intellectual property rights and step up punishments on infringements.

Li, the researcher, said better protection of IPR can incentivize businesses to increase their investments in R&D, and will benefit the country's innovation capacities in the long term.

"For businesses, the more they devote to innovation, the greater the risks will be. Thus, it is important to ensure their innovation benefits could be fully protected," he said.

Technological advances contributed to 58.5 percent of China's economic growth last year, according to the Government Work Report this year.

Last year, the country spent 1.96 trillion yuan (\$291.58 billion) on research and development, or 2.18 per cent of its GDP, an 11.6 per cent increase from 2017, according to data from the National Bureau of Statistics.

Zhang Peng, a senior statistician with the NBS, said in a report in August that the country's input in R&D has been on a steady increase in recent years.

However, the R&D by non-manufacturing enterprises took up only 14.9 percent of the total input in 2017, which is far below the United States' level of 33.1 percent, he said.

"The allocation of R&D resources should be further optimized so that businesses could take up a more dominant role and innovation activities can be more market oriented," he said.

POLICY RESPONSE

Ministries respond to issues

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A public housing project nears completion in Beijing's Daxing district. YUAN XUEJIN / FOR CHINA DAILY

Several ministry-level departments, including those for finance, market regulation, and housing and urban-rural development, have responded recently to issues of public concern.

China will improve the supply chain of agricultural products in a bid to increase farmers' income, the Ministry of Finance said in a statement on May 14.

The central government will allocate a two-year fund of 200 million yuan (\$28.9 million) to each provincial-level region that gets its respective plan approved, the ministry said.

The fund will be used to improve the weak links and key areas in the agricultural product supply chain, the statement said. It added that more support will be extended to building farm produce processing facilities and developing cold-chain logistics.

The standardization and branding of produce that are local specialties will be further promoted, the authority said.

The ministry also called for local authorities to conduct strict supervision over the use of the funds, with third-party agencies set to be assigned to evaluate the progress and results.

The State Administration for Market Regulation unveiled a new regulation for imported medicinal materials on Friday to ensure the quality of products.

The new regulation, to be enacted in 2020, has come up with stricter standards for imported materials and

enhanced the management of import sources, according to a notice released by the administration.

In order to encourage drug imports, the new regulation has canceled items from the previous regulation that restricted the areas where the materials can be imported.

It also stipulates that the imported materials must fit into national standards or the standards at provincial levels.

In order to further reform to streamline administration, the authority of import approval has been delegated to the provincial drug administration departments, the authority said.

The new regulation also required that the imported medicinal materials could only be put on sale after going through the quarantine process at ports, and importers must ask for relevant materials from their suppliers during the purchasing process.

China will cut electricity costs for industrial and commercial users to further ease business burdens, the National Development and Reform Commission announced on Wednesday.

The NDRC said in a notice that the fees for funding major hydro-power projects will be reduced by 50 percent to lower electricity costs.

The country will also encourage industrial and commercial users to participate in spot-price trading of

electricity to further lower prices, the commission said.

The new measures, which will take effect on July 1, came as the central government pledged in March that the average electricity price for general industrial and commercial businesses will be cut by another 10 percent to reduce burdens on the real economy.

China will further standardize the development of public rental houses to solve the housing problems for low- and middle-income families in urban areas, according to a guideline released on Friday.

The guideline, jointly released by the Ministry of Housing and Urban-Rural Development and another three departments, called for cities with a large population inflow to increase their supply of public rental houses to meet growing demand.

Local authorities should conduct a thorough investigation into the housing situation of families receiving subsistence allowances and make sure that their housing demand could be met, the guideline said.

Based on the capacities of their fiscal income, local authorities should prioritize efforts to meet the housing demand of workers from public service sectors and key industries, it said. The supply of rental houses in the form of dormitories will also be increased for development.

4G technology boost for rural areas

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China will shore up the growth of digital technology in rural areas to help spur vitalization and accelerate agricultural development, according to a guideline published on Thursday.

The guideline, jointly issued by the general offices of the Communist Party of China Central Committee and the State Council, highlighted the importance of using information technology to improve the sense of gain, happiness and security among farmers.

It has set a target of making 4G internet accessible to more than 98 percent of the administrative villages before 2020 and speeding up the development of the digital economy in rural regions.

The guideline also called for the expansion of Internet Plus administrative services to rural areas and an in-depth promotion of poverty alleviation campaign online.

With the upgrading of internet technology, 2025 will see a notable narrowing of the urban-rural digital gap, the establishment of various entrepreneurial and innovation centers in rural areas,

and an intellectual rural logistics system, the guideline said.

By 2035, the country will basically realize rural and agricultural modernization and ensure that both urban and rural residents enjoy equal public services, under the guideline.

The completion of the development of digital villages by the middle of this century will advance rural revitalization.

To fulfill such targets, the country will accelerate the construction of IT infrastructure in rural areas, upgrading rural internet facilities and information services.

The country will step up efforts to bolster the rural digital economy, with wider use of digital technologies in agriculture and the development of e-commerce and various emerging creative industries in rural regions.

The guideline also stressed the importance of ecological protection in rural areas through the use of digital technologies.

The improvement of internet services in rural areas in poverty alleviation will also be a priority, and more information sharing will be conducted to further promote urban-rural integrated

development, the guideline said.

Mobile phone users nationwide will be able to switch service carriers without changing phone numbers by the end of November, the State Council decided at an executive meeting on May 14.

According to a statement released after the meeting, chaired by Premier Li Keqiang, the country will extend 1,000-megabyte broadband connection to more than 300 cities and cut the average service rates by 15 percent for small and mid-sized enterprises this year.

As part of efforts to improve services, the meeting urged telecommunication service providers to straighten out their service packages to trim the packages available by more than 15 percent within this year.

The country will extend 1,000MB broadband to more than 300 cities, with base stations for the mobile internet set to be upgraded with expanded capacity. The goal is to raise the speed of both fixed-line and mobile internet services to 1,000MB.

The meeting has also set a target of expanding the coverage of broadband networks to 97 percent of primary and middle schools nationwide this year, and dedicated internet services will be made available over time in hospitals and medical consortiums above the county level.

As part of efforts to further lower prices, the average broadband service rate for small and mid-sized enterprises will be cut by 15 percent this year, with the average rate for mobile internet services down by more than 20 percent, the statement said.

Meanwhile, roaming charges for internet traffic between the mainland and the Hong Kong and Macao special administrative regions will be cut by 30 percent, and a "floor-price" rate will be set for low-income and elderly populations.



Primary school pupils in Banmu village, Yunnan province, use computers in their class. Their village has access to 4G internet services. YANG ZONGYOU / XINHUA