

THE NEED FOR INNOVATION-BASED GROWTH IN CHINA



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David Harmon, Vice President Global Public Affairs at Huawei asserts the significance of innovation. Photo: VI

© Innovation is vital to sustain China's economic growth and productivity, particularly since China's growth has now slowed from the long 10% per annum period, potentially hindering its moving into the next phase of the transformation process. During the on-site seminar the delegation learned about companies' contribution to an innovation-based growth including a visit to China's "Silicon Valley" Shenzhen.

The current developments in China illustrate that the country has reached a challenging transition phase: After decades of rapid economic growth, the mainland's growth engine continues to cool off, with last year's growth rate of 6.7% being the slowest pace in more than 25 years. Once attractive for its cheap labour force, the world's second largest economy is squeezed between low-wage developing countries and highly advanced economies with fast-moving innovators. As a result, China risks being in the middle-income trap; a situation in which a country's growth slows after reaching middle-income levels, while entering the next stage into a high-income country becomes unattainable. Injection of innovation is considered as a key factor and guarantees that the mainland moves up the income ladder into the ranks of the world's advanced economies.

The assertion that China is a copycat nation is long out of date. Investments in R&D activities and newly developed innovation policies in the last decade show that China emphasises innovation. According to David Harmon, Vice President Global Public Affairs at Huawei, China continuously encourages innovation and Chinese firms are increasingly focused on innovation rather than copying. "China has evolved from imitation to innovation and is working hard to promote innovation"

Harmon said. Yet, the shift away from a resource-driven growth represents an enormous challenge in the upcoming years. Companies in China are doing their utmost to strengthen innovation, and the conditions that allow China's transformation to growth based on innovation and high productivity are certainly present.

WAVES OF INNOVATION FROM SHENZHEN

Only a short distance from Hong Kong, Shenzhen has become the centre of attention as Chinese authorities recognise Shenzhen as a role model of economic transformation and wealth accumulation that defies the current economic slowdown in most other parts of the mainland. The city has grown from a small fishing village into an innovation hub and epicentre of modern technology. In the recent years, the number of independent innovators, start-ups and large high-tech companies in the city has increased remarkably, highlighting the widespread and growing appeal of the metropolis. It comes as no surprise that Shenzhen is called "the new Silicon Valley", since many of today's frontrunners in the tech industry such as Huawei, Tencent or DJI use Shenzhen for their headquarters. The philosophy from "Made in China" to "Invented in China" has been seen most clearly during Insight China's company visits in Shenzhen. While Harmon outlined in his presentation the futuristic vision of 5G technology that enables further flexibility and reliability, DJI continually reinvent themselves and widen the use spectrum of their drones. Ultimately Shenzhen is a successful example of innovation emphasis that is required to overcome the middle-income trap. If other mainland cities succeed the same way, it could pave the way for sustainable growth and possibly mark a key chapter in China. ● VI



DJI is one of many tech companies with its headquarter in Shenzhen. Photo: CK