

**Vice Chairman Wan Jinzhen's Speech in 2nd Annual Global Forum on Innovation,
Creativity and Intellectual Property Protection**
(Feb. 26th, Mumbai)

Thanks, Ambassador Schaffer.

Good afternoon, it's my great pleasure to attend this historic event. I'm Wang Jinzhen, Vice Chairman and Secretary General of the China Council for the Promotion of International Trade. We are the largest trade promotion organization in China. We have two subsidiary law firms delivering high quality IPR registration and protection service. The two firms are CCPIT Patent and Trademark Office and China Patent Agent (H.K.) Ltd. We also successfully co-hosted the 1st Global Forum on Innovation and Intellectual Property Protection last year.

The theme of this session is "the Process of innovation". As representative from China, I will focus on China's experience.

In the past 30 years, China has successfully maintained a rapid and healthy growth momentum. The annual GDP growth rate is 9.7%. The trade volume has grown from 20.6 billion USD to 1.76 trillion USD. The residents' actual consumption has enlarged over 4 times.

However, China is still a developing country. The GDP per capita is just over 2240 USD in 2007 and only ranks No. 104, far lagged behind developed countries like U.S., Japan and E.U. countries. With the largest population of 1.3 billion in the world, China's per capita economic index is not competitive even against major developing countries. There are still 100 million rural residents and 20 million city residents living in poverty. To further develop the economy and improve household's living standard is still the top priority of China. Meanwhile, we fully understand China is such a populous country with so limited natural resources. China's development cannot rely on traditional manufacturing industries which consume lots of energy and discharge pollutants. We need to update China's industrial model, develop a sustained economy and bring full play of innovation.

Innovation is the core of the nation's competitiveness and the strategic motif of the future science and technological development. The core technologies cannot be purchased but can only be achieved by independent innovation. Chinese government is fully aware of the importance of innovation and has outlined major tasks and work plans for building an innovation-oriented country.

The basic tasks of innovation are to seek leapfrog development in key areas, to make breakthroughs in key technologies, to conduct basic research with the long-term perspective. Against the backdrop of global warming, surging energy price and climate change, the priorities should be given to energy, water reservation and environment protection related innovations.

Building an innovation-oriented country should be the coordinated endeavor.

Public and private inputs are the key elements for fostering innovation. The government should play the leading role in increasing spending in R&D, formulating innovation friendly laws and regulations and promoting pro-innovator value.

Companies are the principal players in innovation. As innovation doesn't equal to invention, companies play a very important role in turning the scientific and technological achievements into productive forces and bringing real benefits to economic development and the whole society. Research institutions and universities give full play to their roles as educators, researchers and inventors in the process of innovation.

Due to the time limit, I will focus on government policy issue.

The reform and development of IPR system is the key to fostering innovation-friendly market rules and environment.

Intellectual property has played an increasingly prominent role in world economy, science and technology and trade, as well as a vital factor behind a nation's economic growth. To strengthen IPR protection has become a natural choice for countries to develop science and technology and their economies, and to enhance national strength. Japan has explicitly put forward the basic state policy of "building the country through intellectual property" replacing the previous one of "building the country through science and technology". The U.S. takes intellectual property as a fundamental national strategic resource. It identifies IPR protection as an important tool for competition, and deepening IPR management, especially patent management, as a significant instrument to guide technological innovation, economic restructuring and optimization and upgrading of industrial technological structure. In this global context, the coverage of IPR protection is widening, the level of protection is becoming higher, and competition centering on IPR is getting fiercer and fiercer. Intellectual property has become a bridge linking technology, economy and trade.

In the past two decade, intellectual property has gained overall development in China. Chinese government has listed IPR protection among its top priorities. In just two decade, China has established its own IP legal framework. Since joining the World Trade Organization, China has finished intensive work in amending its IPR laws and regulations to comply with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Last year alone, China has drafted, formulated and revised 14 laws, regulations, rules and administrative measures on trademark, copyright, patent and customs protection as well as 7 judicial interpretations and guidelines.

Chinese government at all levels has taken every possible measure to raise the public awareness of IPR. Officials, business executives, students as well as common people

now understand the importance of IP and start to refuse pirated products on their own initiatives. More and more people underscore the value of innovation as the key to success.

Chinese government has routinely launched IP law enforcement campaign to fight against IP infringements and piracy activities. The government has organized dozens of dedicated campaigns to crack down cyber infringement, pirated textbooks, DVDs, software as well as IP infringement in the trade shows.

All these efforts not only benefit foreign and domestic right holders but also encourage more innovation. In the past two decades, the domestic invention patent applications have grown by nearly 44 times. Last year alone, China's Intellectual Property Office received 153,060 domestic invention patent applications. But in 1986, such number was just less than 3500. In term of received invention patent applications, China ranks No.4 globally. The hi-tech industry output has reached 472 billion USD, accounting for 15.5% of China's overall manufacturing output. The overall import and export volume of hi-tech products has exceeded 528.8 billion USD in 2006.

Despite of the endeavor, China still has lots of work ahead to perfect its IP protection framework. Vendors selling fake goods and pirated DVDs can still be found in the streets, while illegal use of unauthorized software can still be detected in the internet. Public IP awareness need to be further enhanced.

Government continuous spending on R&D is one important way to keep a country's cutting edge advantage. Average spending on R&D was 1.9 percent of gross domestic product (GDP) in the E.U. in 2004, compared to 2.59 percent in the U.S. and 3.15 percent in Japan. In Europe, 46 percent of that expenditure was financed by governments. In the U.S., 37 percent of R&D was financed by government. As a developing country, Chinese government is a generous spender in innovation. In 2006, government allocation for technology research has reached 20.6 Billion USD, accounting for 1.4 percent of China's GDP. In term of expenditure on technology, China ranks No. 5 globally after major world economies like US, Japan and EU countries.

Education is the key element in leading the innovation competition. Mr. Deng Xiaoping, the pioneer and architect of China's reform, outlined the importance of technology and education 30 years ago. Since then, China's education has maintained a rapid growth momentum. Now China has built the world's largest technician workforce, the number was 35 million in 2006. China has trained 1.42 million R&D researchers, only next to US. Chinese government's expenditure on education was 80.5 billion USD, accounting for 3.01% of its GDP. The number of enrolled university students was over 25 million in 2006, which ranks China No.1 in the world.

Chinese government is now also urging companies to increase R&D investment and build public awareness of innovation. Although government is leading the effort of building

innovation oriented country practice, companies' participation is also an inseparable part of R&D investment. Taking Japan for example, its 75% R&D expenditure was financed by the business in 2004. As Chinese government has underscored companies' unique role in innovation, the government has started to formulate and revise related policies and incentives so as to lure more companies' investment in innovation.

China's strategy of building the innovation friendly country has started to produce visible effects. Last year, China successfully launched its first lunar orbiter Chang'e I, which was other achievements after China became only the third country in the world after the United States and Russia to put its own astronauts into space in 2003.

China's innovation is part of its overall reform and opening up strategy. The strategy of building the innovation oriented country doesn't automatically refuse any international cooperation. On the contrary, China welcome technology exchanges on the basis of mutual benefits and equality. Chinese history has already proven the importance of opening up. China always abides by the international rules and practice. We are ready to any kind of innovation related cooperation. We are open to any suggestions or even complaints. As globalization has become today's trend, no country can solely rely on its own strength to develop itself. China's economic success should be attributed to reform and opening up policy. We can realize the goal of building the innovation oriented society by further opening up and cooperating with all countries in world.

Finally, I would like to thank the host country India. As the largest two populous countries in the globe, China and India have become good neighbors and reliable partners. Famous Chinese companies like Lenovo, Huawei and ZTE have already made heavy investment here in India. The bilateral trade relation has been steadily improving. As another host, US is also actively improving its relations with both China and India. The trilateral cooperation between the largest developed country and two most populous countries will not only benefit the three countries but the whole world at large.

Thank you.