

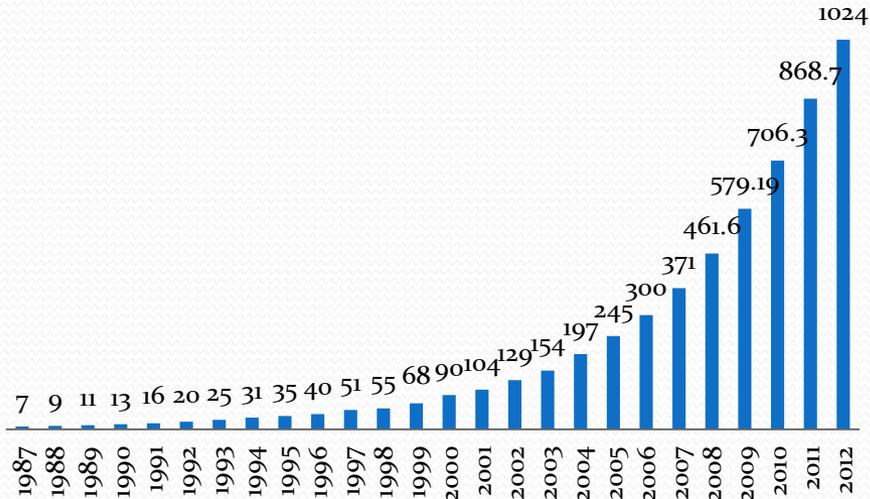
# China's Quest for Innovation:

the Gap between Expectation and Reality

Xiaolan Fu  
Oxford University

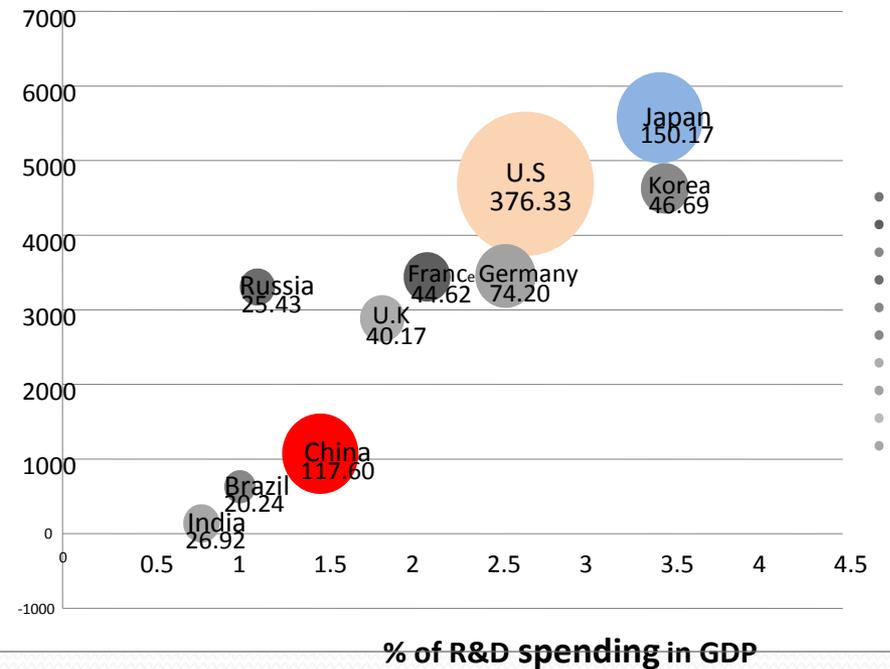
# Rapid Growth in R&D Investment in China

R&D expenditure of China, 1987-2012  
(bil yuan)

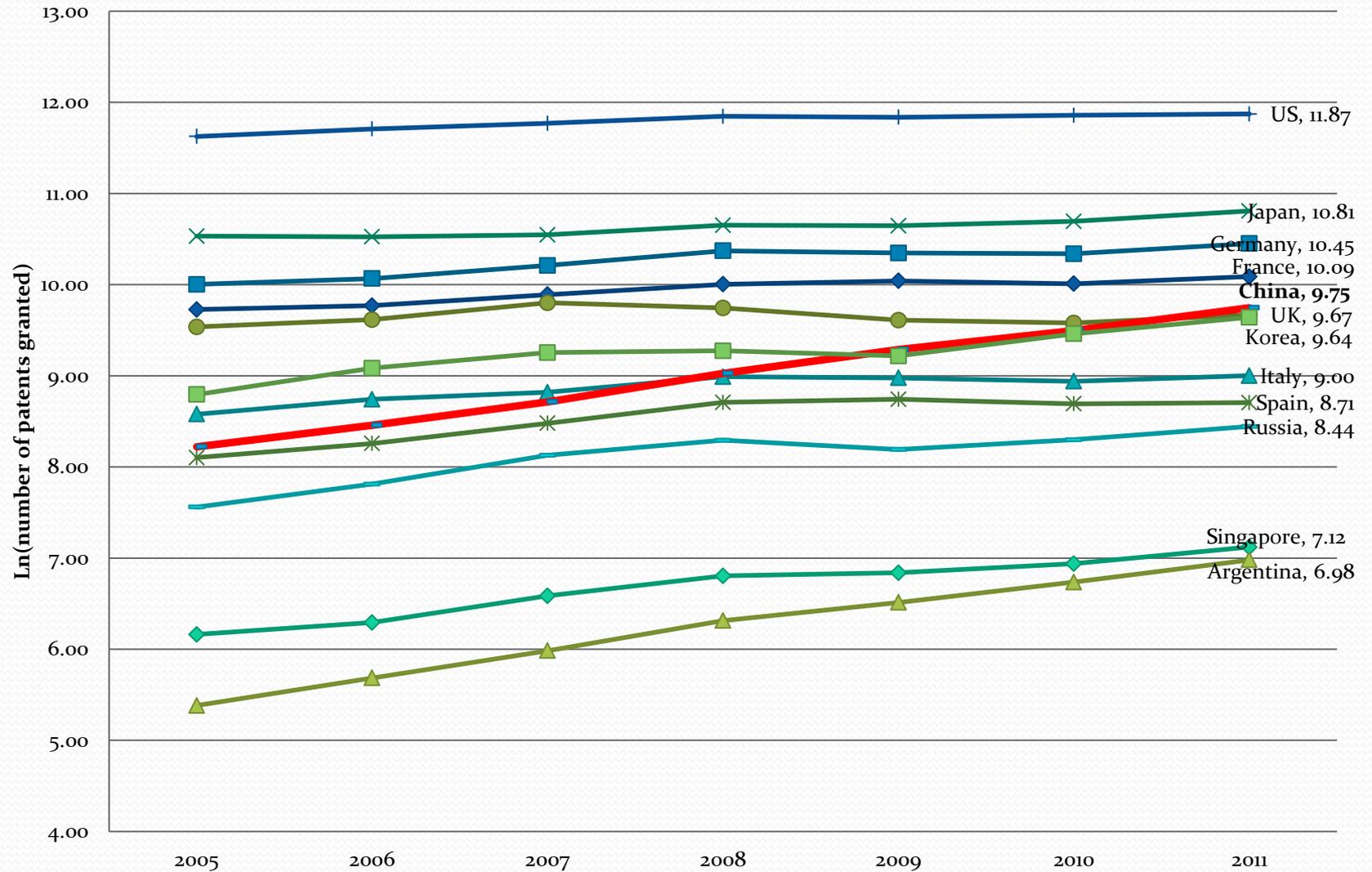


## R&D inputs compared BRIC vs G5

in billions of 2008 PPP

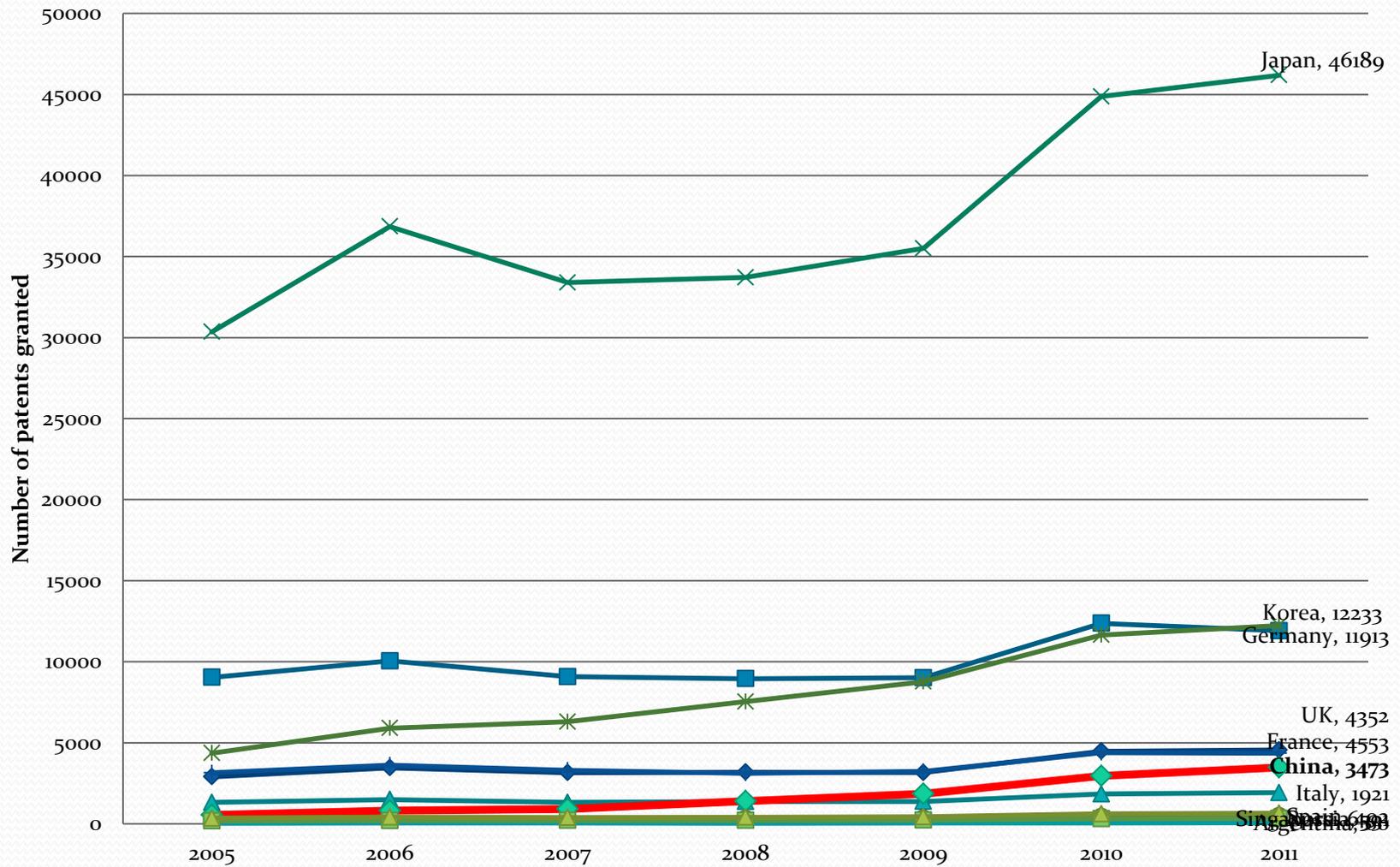


# Expected Innovation Capacity

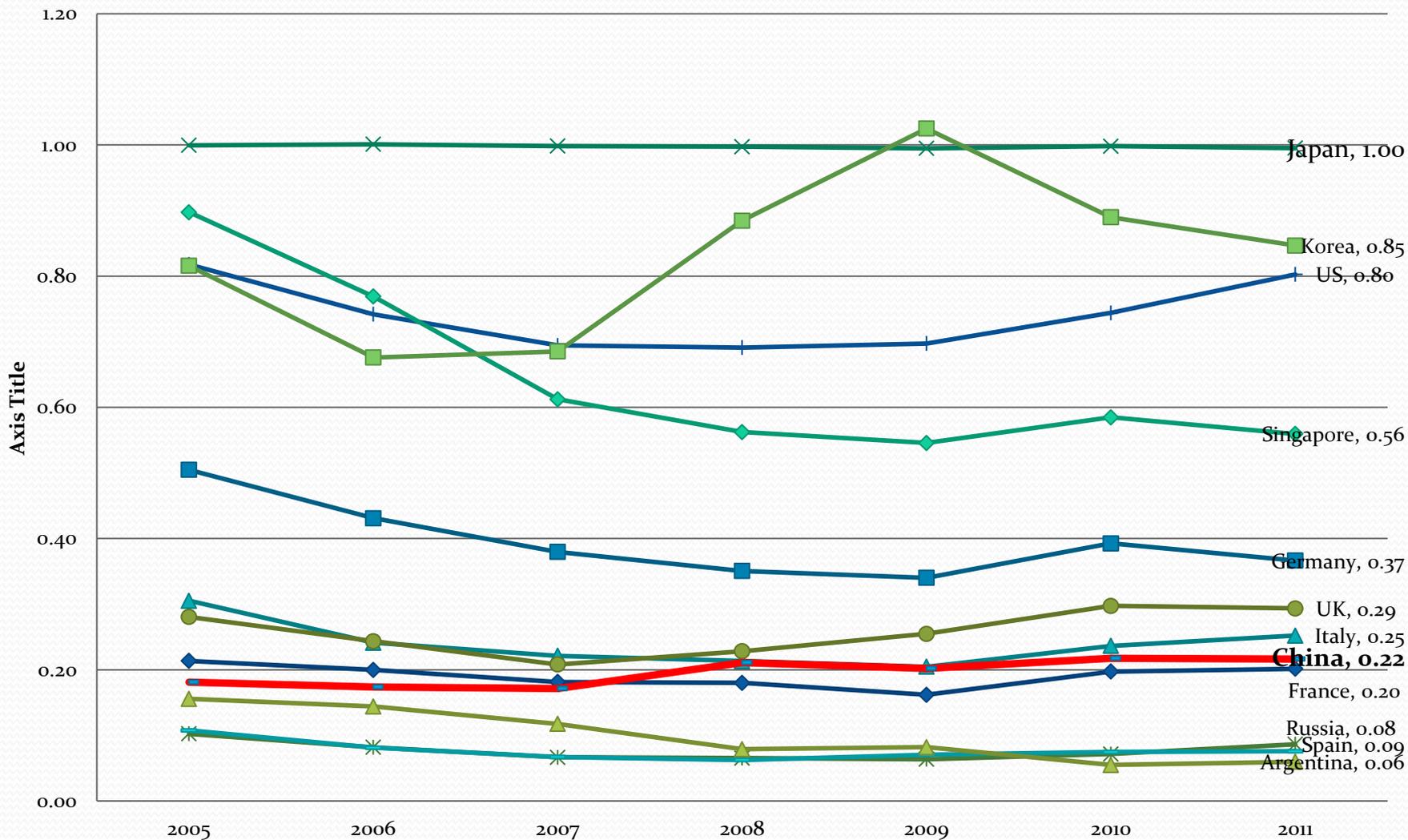


# Actual performance: Patents granted in USPTO

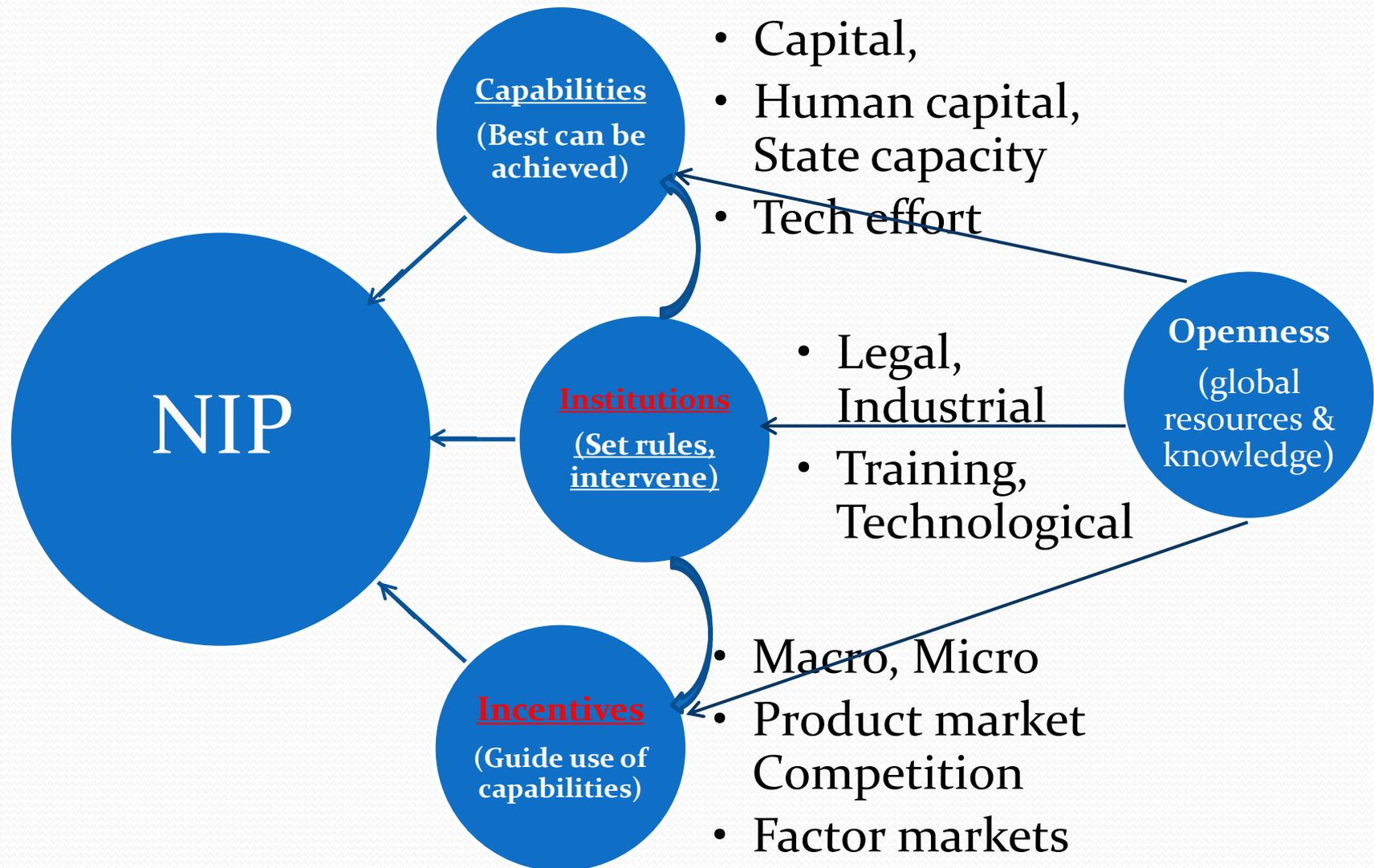
(US doubles Japan's level)



# Innovation efficiency (Japan=100)



# National Innovation Performance



Source: Fu (2013) modification & extension based on Lall (1992)

# Strengthen incentives at multiple levels

- Macro: competition and resources allocation.
- Meso: R&D funding system and appraisal methods
- Micro: use of human resource management practices
  - Wage system
  - Appraisal, reward and promotion criteria  
(quality, sensible target, time span, impact evaluation)
  - Tolerance to failure
- Conditions: Culture, honesty and reputation

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