

July 2020

South-South Integration and the SDGs: Enhancing Structural Transformation in Key Partner Countries of the Belt and Road Initiatives

UNCTAD/BRI PROJECT/RP11

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China's Industrial Policy: Evolution and Experience

Abstract: China has made great achievements in industrial development. This is not only due to market-oriented reform and a more open domestic market, but also due to the correct industrial development strategy and the changing industrial policies. This report reviews the changes in China's industrial policies over the past 40 years of reform and opening up. Based on factors such as the process of reform and opening up, the stage of economic development, changes in the international environment and major events, the changes of industrial policies are divided into four stages: system transition period (1978 - 1991), the period of initial establishment of market economy system (1992-2001), the period from China's accession to WTO to the 18th National Congress of the CPC (2001-2012) and the period since the 18th National Congress (2012-2019). Besides, the report analyzes the focus of industrial policies in different stages, and evaluated the effects of industrial policies, as well as the significance of China's industrial policy practice to developing countries.

Key words: China, Industrial policy



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Acknowledgements

This paper has been prepared under the project South-South Integration and the SDGs: Enhancing Structural Transformation in Key Partner Countries of the Belt and Road Initiative, funded by UNPDF Sub-Fund for SDG.

Introduction

Industrial policy refers to the intervention (such as guiding, encouraging, supporting, coordinating, promoting or restricting) of a government on industries, enterprises, factors and products for certain purposes (such as economic growth, structural optimization, competitiveness improvement, innovation, improvement of resource allocation efficiency, sustainable development, etc.).¹ During these more than 40 years of reform and opening up, China has made great achievements in industrial development. This is not only due to market-oriented reform and a more open domestic market, but also due to the correct industrial development strategy and the changing industrial policies.

This report reviews the changes in industrial policies over the past 40 years of reform and opening up. Based on factors such as the process of reform and opening up, the stage of economic development, changes in the international environment and major events, the changes of industrial policies are divided into four stages: system transition period (1978 -1991), the period of initial establishment of market economy system (1992-2001), the period from China's accession to WTO to the 18th National Congress of the CPC (2001-2012) and the period since the 18th National Congress (2012-2019). Besides, the report analyzes the focus of industrial policies in different stages, and evaluated the effects of industrial policies, as well as the significance of China's industrial policy practice to developing countries.

1. Industrial Policy in the Early Stage of Reform and Opening up (1978-1991): Promote major adjustment of industrial structure and correct imbalance of major proportion of industrial structure

The convening of the Third Plenary Session of the 11th Central Committee of the Chinese Communist Party in 1978 marked China's entry into the era of reform and opening up. From 1978 to 1991, during the period of system transition of the national economy, the industrial policy focused on correcting the imbalance of major proportions in the industrial structure, promoting the accelerated development of short-term industries, inhibiting the development of long-term industries, which could adjust the imbalance in all aspects. During this period, the market economy system has not yet been fully established. The government plays a great role in promoting the adjustment of industrial structure and industrial development. The measures of industrial policy are mainly direct interventions such as government investment, bank credit, taxation and certain plans, supplemented by indirect interventions.

¹Wei Jigang, et al., Thoughts on China's Industrial Policy Adjustment in The New Era, Research Report of the Development Research Center of the State Council, 2018

1.1 Industrial policy from 1978 to 1985: To solve the serious imbalance in the development of agriculture and industry, light industry and heavy industry, raw material power industry and other industries

At the beginning of the reform, the proportion of China's national economy was seriously out of balance, which includes the proportion of agriculture and industry, light industry and heavy industry, raw materials and power industry and other industries. Thus, the overall operation and development of the national economy is unsustainable. It is urgent to make major adjustments to the industrial structure.

In April 1979, the Central Working Conference put forward 12 principles and measures to adjust the proportional relationship: "efforts should be concentrated on promoting agriculture and adjusting the relationship between agriculture and industry; speed up the development of textile and light industry, coordinate the proportion of light and heavy industries, and adapt the supply of commodities to the growth of domestic purchasing power and foreign exports; the production and construction of coal, electricity, oil, transportation and building materials industries should be strengthened in the heavy industry to ensure the development of other industries and the whole national economy. According to the needs of national economic development and the possibility of fuel power and raw material supply, industrial enterprises should be carefully adjusted; Resolutely shorten the basic construction line to so adapt the construction scale to the supply of steel, cement, timber, equipment and funds; the introduction should be carried out step by step, linking up every step from the beginning to the end with patience; introduce more advanced foreign technologies, and the most reliable and main way is to expand exports. "

In June 1979, the eight-character policy of "adjustment, reform, reorganization and improvement" for improving the national economy was raised in the government work report. It requires to adjust the proportion consciously in view of the serious imbalance in the economic proportion, so as to enable the agricultural, light and heavy industries as well as various departments to move forward in a relatively coordinated manner and maintain a reasonable proportion between accumulation and consumption.²

In February 1980, the central government decided to implement the "six priorities" for the textile industry, which include the supply of raw materials, fuel and electricity, technical measures to tap the potential, innovate and transform, capital construction, bank loans, foreign exchange and technology import, as well as the transportation.³

In September 1982, the 12th National Party Congress pointed out in its report that "in order to ensure the national economy to develop at a certain speed, energy development must be strengthened, energy consumption must be vigorously saved, and at the same time, the construction of transportation and post and telecommunications must be vigorously strengthened". "In the next 20 years, the fundamental links of agriculture, energy and transportation, education and science must be firmly grasped, and take them as strategic priorities for economic development". "Opening up to the outside world and expanding economic and technological exchanges with foreign countries in accordance with the principle of equality and mutual benefit are our unswerving strategic policy. We should promote

²Hua Guofeng: Government Work Report of the State Council of the PRC, 1979

³Yao Yilin: Government Work Report of the State Council of the PRC, 1980

domestic products to enter the international market, expand foreign trade, and use as much foreign capital as possible for construction”.

After several years of adjustment, the serious imbalance in the major proportion of the national economy was reversed by the end of 1982, and the long-standing serious backwardness of light industry has fundamentally changed. In the four years from 1979 to 1982, the average annual growth rate of light industry was 11.8%, exceeding the average annual growth rate of 3.4% for heavy industry. The proportion of light industry in industry increased to 33.4%.

In order to consolidate the achievements of structural adjustment, the central government continued to attach importance to the development of light industry in the following years. At the same time, the slow development of basic industries has aroused great concern of the central government. The application of high technology is also on the agenda.

In June 1983, the government work report of the State Council put forward that "in the next five years, we must first ensure the coordinated progressive development of agriculture, light industry and heavy industry production", "we must guide heavy industry to better help agriculture, light industry and technological transformation, adhere to the principle of giving priority to the needs of light industry in the supply of energy and raw materials, transportation conditions, distribution of investment and loans, and use of foreign exchange", "we must vigorously strengthen the key construction of energy and transportation, and actively promote the technological transformation of existing enterprises".⁴

In May 1984, the government work report of the State Council put forward that "when arranging energy and transportation construction, we should adhere to the policy of combining large, medium and small sized enterprises, and giving consideration to both the long-term and short-term aspects". Considering the limited financial resources, "the local and the public are encouraged to put a considerable portion of financial and material resources on the construction of small and medium sized energy, transportation and communication projects".⁵

In March 1985, the government work report of the State Council pointed out that the national economy had achieved remarkable results in the coordinated development of agriculture, light and heavy industry, but at the same time there were some noticeable problems such as "the supply of energy, transportation and raw materials is still not enough, and the structures of industry and product are not reasonable enough".⁶

In this period, although China did not clearly put forward the concept of industrial policy, it implemented the function of industrial policy through planning means.

⁴Zhao ZiYang: Government Work Report of the State Council of the PRC, 1983

⁵Zhao ZiYang: Government Work Report of the State Council of the PRC, 1984

⁶Zhao ZiYang: Government Work Report of the State Council of the PRC, 1985

1.2 Industrial Policy from 1986 to 1991: Support the development of basic industries and control the excessive growth of processing industry

With the rapid development of China's economy and the deepening of economic system reform, as well as the increasing opening up, coupled with new problems in industrial development, the study of industrial policy is more urgent. At this time, the "miracle of East Asia" and the East Asian model have attracted the attention of the world and as well as China's economic sector and economic workers, and the East Asian model of market economy development led by the government has gradually been recognized by domestic parties. The model of industrial policy leading industrial development, industrial structure adjustment and even economic development can not only introduce market mechanism, but also retain the government's intervention in economic activities. This mode coincides with the general reform ideas of "planned commodity economy" and "the state regulates the market and the market guides the enterprises". Since 1986, the Development Research Center of the State Council, together with relevant units, has carried out a systematic study of industrial policies, trying to study industrial policies from the perspective of development and reform, planning and market, competition and intervention, macro and micro, and from the perspective of national development. It holds that the national industrial policies are aimed at development, guaranteed by reform, combined with the use of price, finance, tax, credit and a series of economic leverages are used to coordinate policies related to planning and market, macro and micro, state and local, short-term and long-term. The achievements of the Development Research Center of the State Council on industrial policy were recognized by the central government leadership at that time, and the industrial policy mode became an important way to promote the gradual transformation from planned economy to market economy.

In April 1986, the "Seventh Five-Year Plan" mentioned "industrial policy" for the first time at the national level, and proposed the direction and principles of industrial structure adjustment: "On the premise of continuing to maintain the overall growth of agriculture and promoting the stable development of light and heavy industry, the improvement of their respective internal structures should be emphasized; speed up the development of energy and raw materials industries, and at the same time properly control the growth of production in general processing industries so that the proportional relationship between the two will gradually tend to be coordinated; to give priority to the development of transportation and communication; vigorously develop the construction industry; speed up the development of the tertiary industry which serves the production and life; actively use new technologies to transform traditional industries and products, focus on developing knowledge-intensive and technology-intensive products, strive to open up new areas of production, and systematically promote the formation and development of a number of emerging industries".⁷

In March 1987, the government work report of the State Council put forward the policy of "three guarantees and three suppression" to "guarantee the construction within the plan and suppress the construction outside the plan; guarantee productive construction and suppress non-productive construction; guarantee key construction, suppress non-key construction".⁸

⁷the 7th Five Year Plan of the People's Republic of China for Economic and Social Development

⁸Zhao ZiYang: Government Work Report of the State Council of the PRC, 1987

In this period, with the rapid progress of reform and opening up, the impact of the world new technology revolution and world industrial development trend on China's domestic industrial development is increasing day by day.

In October 1987, the report of the 13th National Congress proposed to "maintain the basic balance between the total demand and the total supply of the society as well as rationally adjust and transform the industrial structure" and "China's economic construction shoulders the dual task of not only pushing forward the traditional industrial revolution but also catching up with the world's new technological revolution". "Further expand the breadth and depth of opening up to the outside world, and continuously develop economic and technological exchanges and cooperation with foreign countries". "The ability to earn foreign exchange through export largely determines the extent and scope of China's opening up to the outside world and affects the scale and process of domestic economic construction. According to the needs of the international market and the country's advantages, we must actively develop competitive, effective and efficient export industries and products, vigorously improve the quality of export commodities, reasonably arrange the structure of export commodities, and explore the international market in all aspects in order to strive for rapid and sustainable growth in export trade".

In March 1988, the government work report of the State Council pointed out that "in terms of the construction of basic industries, we must first speed up the energy construction centered on electricity and give full play to the enthusiasm of the central government, local governments and enterprises in electricity service, "we must speed up the development of transportation, post and telecommunications. Actively develop comprehensive transportation, combine railway, highway, waterway, aviation, pipeline and other transportation facilities, properly divide responsibilities, reasonably divide the traffic, and strive to improve the comprehensive efficiency of transportation", "vigorously revitalize the machinery and electronics industry, promote horizontal integration and specialization and cooperation, and provide more advanced technology and equipment for the technological transformation of the entire national economy and expansion of exports", "the textile industry should strive to improve the grade of products, increase the variety of colors, meet the needs of people's consumption, and strive for more access to the international market". "Attention should be paid to the formulation of medium-and long-term industrial policies".⁹

The Decision of the State Council on Key Points of Current Industrial Policy was promulgated in March 1989. "We must start from the current actual situation and rationally formulate industrial policies. While lowering and controlling the total demand in the society, we should make great efforts to adjust and transform the industrial structure in order to prevent economic stagflation and improve the quality and efficiency of the national economy on the basis of optimizing the structure", "The basic direction and task of formulating industrial policies and adjusting the industrial structure at present and in the future are as follows: Focus on the development of basic industries such as agriculture, energy, transportation and raw materials, strengthen industries that can increase effective supply, and enhance future economic development potentials. At the same time, control the development of general processing industries so that they are coordinated with the development of basic industries". The document reflects three fundamental changes in industrial policy. The first change was due to the fact that the supply capacity of general processing industry

⁹Li Peng: Government Work Report of the State Council of the PRC, 1988

changed from insufficient supply capacity in the early stage of reform and opening up to excess supply capacity in the late 1980s, and industrial policy also changed from actively encouraging its development to controlling its development. The second change is from emphasizing the coordination of heavy industry with light industry in the early stage of reform and opening up to that of general processing industry in coordination with the development of basic industry. The third change is from "giving full attention" to basic industries such as agriculture, energy, transportation and raw materials to "concentrating on development".

In March 1989, the government work report of the State Council clearly stated that "the basic direction and task of the current restructuring is to concentrate on the development of basic industries such as agriculture, energy, transportation and raw materials, strengthen industries and products that can increase effective supply, and enhance future economic development potentials. At the same time, control the scale and speed of development of the processing industry so that they are coordinated with the development of basic industries".¹⁰

In March 1990, the government work report of the State Council pointed out that "efforts should be made to develop new products and varieties, produce more high-quality products of the brand and products in short supply in the market, especially those goods for everyday consumption that meet the needs in rural areas. Actively increase the production of export products and products that can replace imported products. All departments and regions shall, in accordance with the state's industrial policies and market demands, list the catalogue of products that restrict production, eliminate production and ensure production, and adopt measures combining guarantees and suppression and treating them differently in terms of capital, energy, raw material supply and transport capacity".¹¹

In March 1991, the Central Committee's Report on the Ten-Year Plan for National Economic and Social Development and the Outline of the Eighth Five-Year Plan pointed out that "great efforts should be made to adjust the industrial structure, promote the rationalization of the industrial structure and gradually move towards modernization", and "the adjustment of the industrial structure should be placed in a prominent position in the economic construction in the next ten years".¹²

The practice of industrial policy in this stage shows that since the mid-1980s, the Chinese government has shifted from giving priority to supporting the development of light industry to supporting the development of basic industry and controlling the excessive growth of processing industry. It is also at this stage that China begins to implement industrial policies in an all-round way. Industrial policies exist widely in many fields and become an important tool for China's economic management and economic regulation.

¹⁰Li Peng: Government Work Report of the State Council of the PRC, 1989

¹¹Li Peng: Government Work Report of the State Council of the PRC, 1990

¹²the 8th Five Year Plan of the People's Republic of China for Economic and Social Development

2. Industrial policies during the initial establishment of the market economy system (1992 -2001): attach importance to basic industries, support the development of tertiary industry, high-tech industry and pillar industry, and promote the strategic restructuring of key industries

1992 was a year of Deng Xiaoping's visit to the South and the 14th National Congress, when the pace of reform and opening-up was significantly accelerated, and the establishment and improvement of the socialist market economic system became an important task and a clear goal of the reform. After the adjustment of the industrial structure in the 1980s and the development of various industries to different degrees, the goals and main tasks of the industrial policy in the 1990s are quite different from those in the early days of the reform.

The industrial policy at this stage continues to emphasize the adjustment of industrial structure and the upgrading of industrial structure. At the same time, it focuses on promoting the development of various industries, attaches great importance to the development of basic industries, pillar industries and high-tech industries, and pay attention to the transformation of growth patterns in industrial development. During this period, the market economy system was gradually established, industrial policies with a large number of direct intervention methods gradually reduced, and guiding indirect intervention methods increased continuously, using a combination of economic, legal, administrative and other means.

2.1 Industrial policies from 1992 to 1997: attach importance to basic industries, support the development of high-tech industries, accelerate the development of tertiary industries, and accelerate the development of pillar industries

In March 1992, the government work report of the State Council pointed out that "enterprises with excess production capacity, overstock of finished products, backward technology and long-term losses shall be gradually shut down, suspended, merged and switched to other production", and "investment in fixed assets shall be mainly used in basic industries such as energy, transportation, communications, raw materials and agriculture, water conservancy, etc. to support the development of high-tech industries and accelerate the construction of residential buildings. Actively develop the rich resources in the central and western regions to promote the economic development of these regions. Both capital construction and technological transformation should set priorities, focus on concentrated investment to form economies of scale. The processing industry is mainly developed through technological transformation. For the blind competition for investment and projects that has occurred at present, we must strictly implement the national industrial policy, strengthen the scientific demonstration and management of projects, control the scale of credit, and effectively stop such behaviors".¹³

¹³Li Peng: Government Work Report of the State Council of the PRC, 1990

In June 1992, the Decision of the CPC Central Committee and the State Council on Accelerating the Development of the Tertiary Industry put forward that "in the 1990s, the tertiary industry should be accelerated while the primary and secondary industries are being developed to promote the national economy to a new level every few years. For this reason, the growth rate of the tertiary industry should be higher than that of the primary and secondary industries. The proportion of the added value of the tertiary industry to the Gross National Product and the number of employed people accounting for the total number of social workers should strive to reach or approach the average level in developing countries".

In October 1992, the 14th National Congress reported that "the industrial structure should be adjusted and optimized, agriculture should be attached great importance to, and the development of basic industries, infrastructure and tertiary industries should be accelerated". "Further expand the opening to the outside world and make better use of more foreign capital, resources, technology and management experience".

In March 1993, the government work report pointed out that "to strengthen the leading position of agriculture", and "to speed up the construction of infrastructure and basic industries", with special emphasis on "with the acceleration of economic growth, infrastructure, especially transportation, has become a major constraint on the development of the national economy. To speed up the railway construction, strengthen the tapping of potential and transformation of the existing railway; Focus on the construction of a number of ports, the transformation of a number of old ports, increase throughput capacity; To speed up the construction of high-grade highways, develop inland river shipping, increase the capacity of ocean and coastal transportation", "strengthen energy construction, and implement the policy of paying equal attention to development and conservation", "infrastructure and basic industrial construction need a large amount of funds, and a new investment mechanism should be formed through reform and multi-channel collection", "the tertiary industry should be actively developed, the growth rate of the tertiary industry should be higher than that of the Gross National Product, the role of various economic components should be brought into play, and the tertiary industry should be established by relying on social forces".

In March 1994, the government work report put forward that "according to the needs of the domestic and foreign markets, we will actively adjust the product structure, try our best to produce marketable products, continuously develop new products, and enhance our market adaptability and competitiveness. Governments at all levels should attach importance to commercial work, break through the urban and rural markets, further enliven the circulation and smooth the flow of goods". "The technological transformation of enterprises should focus on optimizing product structure, improving product quality, reducing consumption and reducing costs. Basic industries should improve their production capacity through technological transformation, while processing industries should rely on technological transformation for development. We should attach importance to and support the transformation of old industrial bases so that they can continue to play an important role in the national economy".¹⁴

¹⁴Li Peng:Government Work Report of the State Council of the PRC, 1994

In March 1994, the State Council issued the Outline of National Industrial Policy for the 1990s. In the 1990s, the national industrial policy should address the following important issues: "continuously strengthen the leading position of agriculture and develop the rural economy in an all-round way; Vigorously strengthen the basic industry, and strive to alleviate the serious lag of infrastructure and basic industry; To speed up the development of pillar industries and promote the overall revitalization of the national economy; Reasonably adjust foreign economic and trade structure, enhance the international competitiveness of our industry; Speed up the development of high-tech industries and support the development of emerging industries and new products. Continue to vigorously develop the tertiary industry. At the same time, we should optimize the industrial organization structure, improve the level of industrial technology, and make the industrial layout more reasonable".

In March 1995, the government work report put forward that "efforts should be made to adjust the investment structure and increase the proportion of investment in basic industries and infrastructure such as agriculture, transportation, communications and energy, as well as technological transformation", and "through adjusting the industrial structure and product structure, strengthen management, promote technological progress and improve enterprise efficiency. We should vigorously develop high-tech industries and transform traditional industries with advanced technologies".¹⁵

In March 1996, the "Ninth Five-Year Plan" proposed to "actively promote the transformation of the mode of economic growth and take improving economic efficiency as the center of economic work", and "continue to strengthen infrastructure and basic industries; we will concentrate our efforts on building a number of key backbone projects in a planned way, avoid blind development and repeated construction", "revitalize pillar industries, adjust and improve the textile industry", and "actively develop the tertiary industry".¹⁶

In March 1997, the government work report stated that "the scale of investment will continue to focus on agriculture and water conservancy construction, as well as the infrastructure, basic industries and pillar industries supported by the state, and the central and western regions", and "a number of key state projects will be completed that will play a significant role in restructuring. Start to build a batch of projects that are of great significance for optimizing the industrial structure and improving the regional layout", "speed up the construction of ordinary residential buildings is not only an urgent requirement of the majority of urban residents, but also can promote the development of related industries and foster new economic growth points". "Effectively implement the policy of changing the mode of economic growth, strictly control the general processing industry projects, enterprises should pay attention to their own advantages and take on different responsibilities, avoid blind duplication of construction". "We should formulate plans for structural adjustment and technological transformation, guide enterprises to take market demand as the direction, actively adjust the product structure, strive to improve product quality, develop new products, develop famous brands, and enhance market competitiveness. Pay attention to the development of service, tourism and information industries".¹⁷

¹⁵Li Peng:Government Work Report of the State Council of the PRC, 1995

¹⁶the 9th Five Year Plan of the People's Republic of China for Economic and Social Development

¹⁷Li Peng:Government Work Report of the State Council of the PRC, 1997

The 15th National Congress was held in September 1997, which the report proposed to "implement the strategy of rejuvenating the country through science and education and the strategy of sustainable development". "Start from the needs of the country's long-term development, we should formulate a long-term scientific development plan, take a holistic view of the overall situation, highlight key points, do something and leave something undone, strengthen basic research and high-tech research, and accelerate to realize high-tech industrialization". "Strive to improve the level of opening to the outside world. Opening to the outside world is a long-term basic national policy. We should take a more active attitude towards the world, improve the all-round, multi-level and wide-range opening-up pattern, develop an open economy, enhance international competitiveness, and promote the optimization of economic structure and the improvement of the quality of the national economy".

2.2 Industrial Policy from 1998 to 2001: Promote the Reform of Key Industries and Strategic Restructuring of Economic Structure

The outbreak of the financial crisis in Asian in 1997 and the insufficient domestic demand exposed by the domestic economy, together with the problems existing in the early industrial structure and industrial development, have made the industrial policies since 1998 play a greater role in stimulating domestic demand besides continuing to focus on structural adjustment.

In March 1998, the government work report put forward to "promote the reform and development of key industries and enterprises. In key areas of some important industries, we will encourage the formation of large enterprise groups to enhance their competitiveness in domestic and foreign markets". "Vigorously promote advanced and applicable technologies", "promote the commercialization of scientific and technological achievements, especially information technology achievements", "accelerate the pace of high-tech industrialization, transform traditional industries with high-tech technologies, pay attention to solving the key technological problems faced by industrial restructuring and sustainable development, and build a better national high-tech industrial development zone".¹⁸

In March 1999, the government work report pointed out that, except for a few marketable projects with improved technology and upgraded products, all levels of government should stop approving industrial construction projects and banks should also stop lending to such construction projects. We should continue to reduce the excess production capacity in textile, coal, metallurgy, petrochemical, building materials, electromechanical, light industry and other industries. In accordance with the principle of breaking monopoly and encouraging competition, enterprises with high technological level and competitive ability should be formed through coalition, merger and reorganization". "We should promptly formulate and implement industrial and technological policies to adapt to the new situation. Focus on capturing a number of key technologies. Strengthen engineering research and promote industrialization of scientific and technological achievements. Support the development of small and medium-sized scientific and technological enterprises".¹⁹

¹⁸Li Peng: Government Work Report of the State Council of the PRC, 1998

¹⁹ Zhu Rongji, Government Work Report of the State Council of the PRC, 1999

The government work report in 2000 required to "vigorously promote the strategic adjustment of the economic structure". The industrial structure "should focus on optimizing the structure, improving the quality and efficiency, and enhancing the international competitiveness, especially the four links. First is to follow the laws of the market economy and comprehensively use various means to restrict the production of products that have no market. Second is to take effective measures to speed up the technological transformation of enterprises and to favor more old industrial bases. Third is to actively develop emerging industries and high-tech industries, especially information, bioengineering, new energy, new materials and environmental protection industries. At the same time, pay attention to the development of labor-intensive industries. Fourth is to continue to push forward the restructuring of the industry, promote key industries to improve economies of scale and optimize layout. Efforts will be made to improve the production technology level of major equipment technology and basic materials industry".

The "Tenth Five-Year Plan" raised in March 2001 proposed that "in the next five years, efforts should be made to adjust the industrial structure, regional structure and urban-rural structure, with the adjustment of industrial structure as the key. We should consolidate and strengthen the basic position of agriculture, speed up industrial restructuring and structure upgrading, vigorously develop the service industry, speed up the national economy and social informatization, continue to strengthen infrastructure construction", "vigorously promote the optimization and upgrading of industrial structure", "upgrade traditional industries through the transformation of high-tech and advanced applicable technologies", "comprehensively use economic, legal and necessary administrative means, continue to close factories and mines with inferior product quality, waste of resources, serious pollution and no conditions for safe production in accordance with the law, eliminate backward and reduce excess production capacity, and strictly prohibit the transfer and reconstruction. Actively clear and gradually standardize the channels for enterprises to withdraw from the market", "develop high-tech industries and drive industrialization by informatization", "strengthen infrastructure construction such as water conservancy, transportation and energy, attach great importance to resource strategy issues", "accelerate the development of service industries".²⁰

²⁰the 10th Five Year Plan of the People's Republic of China for Economic and Social Development

3. Industrial policies since China's accession to the WTO and before the 18th National Congress (2001-2012): Expand the scope of opening up, take a new road to industrialization, speed up the adjustment of industrial structure and the construction of independent innovation capacity, and promote the industrial competitiveness

3.1 Industrial Policy from the accession to the WTO to the International Financial Crisis (2001-2008): Take a New Road to Industrialization and Change the Mode of Economic Growth

China's accession to the WTO in 2001 was a milestone when China began to fully integrate into the world economic system and deeply participate in economic globalization, marking the beginning of a new stage of China's reform and opening up. The industrial policy in this stage is mainly manifested in two aspects: first is to implement the free trade concept, fulfill the WTO commitments, continuously expand the areas of opening up, and revise relevant domestic policies in accordance with WTO requirements. Chinese enterprises are facing more and more competition from foreign enterprises or products in the domestic market, and more and more enterprises are participating in the competition in the international market. Second, under the background of China's full integration into the world economy and a greater degree of openness, promote the adjustment, optimization and upgrading of the industrial structure and enhance the competitiveness of the industry. According to the requirements of taking the new road of industrialization and changing the mode of economic growth, we should not only attach importance to the rationalization of the industrial structure, but also accelerate the optimization and upgrading of the industrial structure, guide and promote the improvement of the internal quality of the industry, and promote the promotion of the status of domestic industries in the global industrial chain and the improvement of international competitiveness by encouraging independent innovation. Energy conservation, environmental protection and other factors have become important targets for industrial restructuring. The main reason for the adjustment of policy objectives is that China's industry is facing some new problems while the old problems have not been completely solved. The main reason is that the task of industrial structure adjustment and optimization and upgrading is still very heavy. At the same time, the constraints of land, resources, energy and environment are more obvious. Some deep-seated contradictions between industrial structure and various industries to a higher level have become prominent. In addition, there are regional disparities, urban-rural disparities, social contradictions, intensified international competition and increasing uncertainties in economic and social development. It also puts forward higher requirements for the goal, task, direction and measures of industrial policy in this period. During this period, the market economy system has been initially established. Industrial policies pay more attention to the role of market mechanism and interest-oriented mechanism, the guidance of the behavior of market subjects, and comprehensively apply economic, legal, environmental protection and necessary administrative measures.

In March 2002, the government work report pointed out, "accelerate the optimization and upgrading of industrial structure. First, high and new technologies and advanced applicable technologies should be adopted to transform and upgrade traditional industries. Second, we should speed up the development of information, biology, new materials and other high-tech industries. Third, we must actively develop the tertiary industry, especially the modern service industry".²¹

In November 2002, the 16th CPC National Congress was held, which the report puts forward that to "take a new road to industrialization, vigorously implement the strategy of rejuvenating the country through science and education and the strategy of sustainable development", and "to realize industrialization is still an arduous historical task in the modernization process of our country. Informationization is an inevitable choice for China to accelerate its industrialization and modernization. Adhere to drive industrialization by informatization and promote informatization by industrialization, in order to build a new way of industrialization with a high level of science and technology, good economic benefits, low resource consumption, less environmental pollution, and the advantages of human resources can be given full play to". "Promote the optimization and upgrading of the industrial structure to form an industrial pattern with high-tech industries as the forerunner, basic industries and manufacturing industries as the support, and service industries developing in an all-round way". "Adhere to the combination of "bringing in" and "going out" to comprehensively improve the level of opening to the outside world. We will further attract foreign direct investment, improve the quality and level of foreign capital utilization, and gradually open wider the service sector".

It should be said that taking the road of new industrialization is a major development strategy put forward in the new historical period on the basis of summing up the positive and negative experiences of industrial development in the past 20 years of reform and opening up, and plays a guiding role in guiding industrial policies for a long period in the future.

In March 2003, the government work report stressed that "according to the requirements of taking a new road to industrialization, we will speed up the adjustment of industrial structure". Actively develop high-tech industries that have a significant driving effect on economic growth. Widely adopt advanced and applicable technologies to transform traditional industries and strive to revitalize the equipment manufacturing industry. Do a good job in planning and adjusting the development of steel, automobile, building materials and other industries to prevent blind development and disorderly competition. Further eliminate backward production capacity. Actively develop modern service industry and tourism. Attaches great importance to the development of community service industry".²²

In March 2004, the government work report pointed out that "in the process of accelerating economic development, there have been some new contradictions, especially the large scale of investment, blind investment in some industries and regions, low-level repeated construction, and the tight supply and demand relationship among energy, transportation and some raw materials". "Improve industrial policies and industry planning, perfect the industry information release system, and correctly

²¹Zhu Rongji: Government Work Report of the State Council of the PRC, 2002

²²Zhu Rongji: Government Work Report of the State Council of the PRC, 2003

guide the direction of social investment. Pay close attention to the formulation and improvement of industry access standards and strict market access. Strengthen land use management according to law. For construction projects that do not conform to the national industrial policies and industry access standards, land use shall not be approved. Strengthen credit audit and supervision. Develop serious tax system, resolutely prohibit and correct the unauthorized introduction of preferential tax policies".

In March 2005, the government work report pointed out that "we will accelerate the adjustment of economic structure and the transformation of growth patterns. Promote the optimization and upgrading of industrial structure. Adhere to the new road of industrialization. Rely on scientific and technological progress, focus on improving the ability of independent innovation, and promote structural adjustment. Speed up the development of high and new technologies that have a significant driving effect on economic growth, as well as common technologies, key technologies and supporting technologies that can promote the upgrading of traditional industries. Vigorously develop high-tech industries and actively promote national economy and social informatization. Speed up the transformation of traditional industries with high and new technologies and advanced applicable technologies".²³

The 11th Five-Year Plan proposal raised in October 2005 pointed out that to "promote the optimization and upgrading of industrial structure" and "promote the level of industrial technology through independent innovation". Accelerate the development of advanced manufacturing industry; Accelerate the development of the service industry; Strengthen the infrastructure construction of basic industries".²⁴

In December 2005, the State Council issued the Interim Provisions on Promoting Industrial Structure Adjustment, which clearly stated that the objectives of industrial structure adjustment are: to promote the optimization and upgrading of industrial structure, to promote the healthy and coordinated development of primary, secondary and tertiary industries, to gradually form an industrial pattern based on agriculture, led by high-tech industries, supported by basic industries and manufacturing industries with a fully developed service industries, and to adhere to a resource-saving, clean and safe development to realize sustainable development.²⁵

In March 2006, the government work report put forward that "efforts should be made to upgrade the industrial level and technical level. Speed up the development of advanced manufacturing industry, high-tech industry and modern service industry, continue to strengthen transportation, energy, water conservancy and other basic industries and infrastructure construction, promote the national economy and social informatization"; "Promote the adjustment of some industries with excess capacity. We should comprehensively use economic, legal and necessary administrative means to give full play to the role of the market. The main measures are: conscientiously implement the national industrial policy, strictly enforce market access standards and control new production capacity; Promote mergers and acquisitions, reorganization and combination of enterprises, support advantageous enterprises to become stronger and bigger, and improve industrial concentration; According to the law, enterprises that destroy resources, pollute the environment and do not meet the conditions for safe

²³Zhu Rongji:Government Work Report of the State Council of the PRC, 2004

²⁴the 11th Five Year Plan of the People's Republic of China for Economic and Social Development

²⁵Wen Jiabao:Government Work Report of the State Council of the PRC, 2005

production shall be closed down and backward production capacity shall be eliminated".²⁶

In March 2007, the government work report proposed that "we should accelerate the upgrading of industrial structure and independent innovation. Adhere to the new road of industrialization and strive to optimize the industrial structure. The key is to vigorously develop the service industry, upgrade the level of industry, and continue to promote national economy and social informatization. We should encourage and support the accelerated development of the service industry by reforming the system, increasing investment and improving policies, especially the development of modern service industries such as logistics, finance, information, consulting, tourism and community services. Speed up the development of high-tech industries, revitalize the equipment manufacturing industry, actively develop renewable energy, orderly develop those alternative energy, and extensively apply advanced technology to upgrade traditional industries. Accelerate the adjustment of industries with excess capacity. In optimizing the industrial structure, we should pay attention to the use of economic and legal means to strengthen the guidance of industrial planning and policy".

The report of the 17th National Congress raised in October 2007 called for "vigorously promoting the strategic adjustment of the economic structure, paying more attention to improving the independent innovation ability, improving the level of energy conservation and environmental protection, and improving the overall quality of the economy and international competitiveness". "Increase investment in independent innovation and strive to break through key technologies that restrict economic and social development". "Adhere to the new road of industrialization with Chinese characteristics", "Develop the modern industrial system, vigorously promote the integration of information and industrialization, promote the transformation of industry from big to strong, revitalize the equipment manufacturing industry, and eliminate backward production capacity; Promote high-tech industries and develop information, biology, new materials, aerospace, marine and other industries; Develop modern service industry and raise the proportion and level of service industry; We will strengthen infrastructure construction in basic industries and accelerate the development of modern energy industry and comprehensive transportation system. Ensure product quality and safety. Encourage the development of large enterprise groups with international competitiveness". "Expand the breadth and depth of opening to the outside world and raise the level of an open economy. Expand the field of opening up, optimize the structure of opening up, improve the quality of opening up, as well as internal and external linkage, mutual benefit and win-win, safe and efficient open economic system, and form new advantages in participating in international economic cooperation and competition under the economic globalization".

In March 2008, the government work report put forward that "the promotion of independent innovation should be the central link in the transformation of the mode of development" and "the new road of industrialization with Chinese characteristics should be followed to promote the integration of informatization and industrialization. Focus on the development of high-tech industries, vigorously revitalize the equipment manufacturing industry, transform and upgrade traditional industries, and accelerate the development of service industries, especially modern service industries". "Give full play to the gathering, leading and radiating functions of the national high-tech

²⁶WenJiabao:Government Work Report of the State Council of the PRC, 2007

development zone. We will promote independent research and development and localization of major equipment, key parts and components around key areas such as large-scale clean and efficient power generation equipment, high-grade numerical control machine tools and basic manufacturing equipment".²⁷

3.2 Industrial Policy from the International Financial Crisis to the 18th National Congress (2008-2012): Implement Revitalization of Key Industries, Cultivate and Develop Strategic Emerging Industries

The global financial crisis that broke out in 2008 has brought about major changes in the international and domestic situation facing China, and economic development has encountered major difficulties and challenges. On the one hand, international market demand is shrinking, global deflation is obvious, trade protectionism is on the rise, the external economic environment is grim, and uncertainties are increasing significantly. On the other hand, the domestic economic growth rate has obviously slowed down. Institutional and structural contradictions that have long restricted the healthy development of China's economy still exist. Some industries have overcapacity, the development of the tertiary industry lags behind, the ability of independent innovation is not strong, the consumption of energy resources is high, environmental pollution is heavy, and the gap between urban and rural development and regional development is still widening. In this situation, the importance of real economic development is highlighted. Maintaining growth, expanding domestic demand and adjusting structure have become important goals of industrial policy. The Chinese government recognizes that, from the perspective of maintaining growth, traditional pillar industries are the main body of the national economy. From the perspective of structural adjustment, emerging industries are the leading force in the future, the key measure to get rid of the crisis and grasp the opportunity of a new round of scientific and technological revolution. Industrial policies need to be promoted from the revitalization of traditional industries to the overall development of emerging industries.

The central economic working conference in December 2008 pointed out that "we must adhere to the organic combination of maintaining growth, expanding domestic demand and restructuring. Take strengthening the coordination and sustainability of development and improving the ability of independent innovation as the goal, through expanding the final consumption demand to drive the intermediate demand, effectively absorb and consume the domestic production capacity to form new advantages of development", "take improving the ability of independent innovation and enhancing the coordination of the three industries as the focus, optimize the industrial structure. Efforts will be made to break through key technologies that restrict industrial transformation and upgrading, carefully cultivate a number of strategic industries, speed up merger and reorganization of enterprises, support technological transformation of key enterprises, speed up the development of producer services and life services, and strengthen infrastructure construction such as railways and water conservancy. We should comprehensively strengthen the work of energy conservation, water conservation, land conservation, material conservation and comprehensive utilization of resources, and emphasize the construction of key projects for energy conservation, emission reduction and ecological environment protection".

²⁷WenJiabao: Government Work Report of the State Council of the PRC, 2005

In March 2009, the government work report put forward that "we should focus on maintaining growth and promoting upgrading, with emphasis on industrial restructuring" and "we should conscientiously implement the restructuring and revitalization plans for key industries such as automobiles, steel, shipbuilding, petrochemical, light industry, textiles, non-ferrous metals, equipment manufacturing, electronic information, and modern logistics. Efforts should be made to solve the outstanding contradictions and problems in the development of these industries, promote structural adjustment, optimization and upgrading", and "accelerate the development of modern service industries. We will promote the development of financial and insurance, modern logistics, information consulting, software and creative industries, and expand new service areas. Promote the traditional service industry"; "Vigorously promote scientific and technological innovation", "Select some projects with strong driving force, wide influence and quick results to carry out work, strive to breakthrough a number of core technologies and key common technologies as soon as possible, drive industrial transformation and technological upgrading, and support industrial revitalization and long-term economic development".²⁸

In March 2010, the government work report proposed that "we should vigorously promote the economy to enter the track of innovation-driven and endogenous growth" and "continue to promote the adjustment and revitalization of key industries. Increase the intensity of technological transformation. Promote merger and reorganization of enterprises. Improve the quality of products in an all-round way "; "Vigorously cultivate strategic emerging industries", "Vigorously develop new energy, new materials, energy conservation and environmental protection, bio-medicine, information network and high-end manufacturing industries. Actively promote new energy vehicles and the integration of "three networks" to make substantial progress and accelerate the research and development and application of the Internet of Things"; "Accelerate the development of service industry. We will further improve the level of development of the service industry and its proportion in the national economy. Vigorously develop production-oriented service industries such as finance, logistics, information, research and development, industrial design, commerce, energy conservation and environmental protection services, and promote the organic integration of service industries and modern manufacturing industries".²⁹

In March 2011, the government work report put forward that "to speed up the construction of a modern industrial system and promote industrial transformation and upgrading. Reform and upgrade the manufacturing industry. Accelerate the cultivation and development of strategic emerging industries. Vigorously develop the service industry. Strengthen the construction of modern energy industry and comprehensive transportation system. Adhere to the overall planning of land and sea, and promote the development of marine economy".

The outline of the 12th Five-Year Plan raised in March 2011 pointed out that "we should adhere to the new road of industrialization with Chinese characteristics, adapt to changes in market demand, give full play to the comparative advantages of China's industries in the global economy according to new trends in scientific and technological progress, and develop a modern industrial system with optimized structure, advanced technology, clean and safe, high added value and strong absorptive capacity of

²⁸WenJiabao:Government Work Report of the State Council of the PRC, 2009

²⁹WenJiabao:Government Work Report of the State Council of the PRC, 2010

employment". First is to "transform and upgrade the manufacturing industry. Optimize the structure, improve the quality of varieties, enhance the supporting capacity of industries, eliminate backward capacity, develop advanced equipment manufacturing industry, adjust and optimize the raw material industry, transform and upgrade the consumer goods industry, and promote the manufacturing industry to grow from bigger to stronger". Second is to "cultivate and develop strategic emerging industries. On the basis of major technological breakthroughs and major development needs, we will promote the deep integration of emerging technologies and industries, and on the basis of continuing to strengthen and expand high-tech industries, we will cultivate and develop strategic emerging industries into leading and pillar industries". Third is to "promote the transformation of energy production and utilization. Adhere to the priority of conservation, based on domestic environment, we will develop in a diversified way and protect the environment, strengthen international mutually beneficial cooperation, adjust and optimize the energy structure, and build a safe, stable, economic and clean modern energy industry system". Fourth is to "build a comprehensive transportation system. According to the principle of moderate advance, we will coordinate the development of various modes of transportation, basically complete the national rapid railway network and expressway network, and initially form a comprehensive transportation system with matching network facilities, advanced and applicable technology and equipment, and safe and efficient transportation services". Fifth is to "comprehensively improve the informatized level. We will speed up the construction of a broadband, integrated, secure and ubiquitous next-generation national information infrastructure, promote the in-depth integration of informatization and industrialization, and promote informatization in all fields of economy and society". Sixth is to "promote the development of marine economy. Adhere to the overall planning of land and sea, formulate and implement marine development strategies, and improve the developing, controlling and comprehensive managing capabilities of marine resources". "Create an environment to promote the development of service industry, which is regarded as the strategic focus of the optimization and upgrading of the industrial structure. Create the policy and institutional environment conducive to the development of the service industry, expand new fields, develop new formats, cultivate new hot spots, promote the scale, branding and networking of the service industry, and continuously improve the proportion and level of the service industry".³⁰

In March 2012, the government work report stated to "promote the optimization and upgrading of the industrial structure. Promote the healthy development of strategic emerging industries. We will establish a mechanism to promote the use of new energy resources, strengthen overall planning, supporting projects and policy guidance, expand domestic demand, and prevent blind expansion of the manufacturing capacity of solar and wind power equipment. We will develop a new generation of information technology, strengthen the construction of network infrastructure, and promote the convergence of the three networks to achieve substantial progress. Vigorously develop high-end equipment manufacturing, energy conservation and environmental protection, bio-medicine, new energy vehicles, new materials and other industries. Expand the scale of special funds for technological transformation and promote the transformation and upgrading of traditional industries. Focus on automobile, steel, shipbuilding, cement and other industries, control increment, optimize stock, promote enterprise merger and reorganization, and improve industrial concentration and scale efficiency. We will implement and improve policies to promote the development of small and micro enterprises, further reduce the burden on enterprises, and stimulate the vitality of the

³⁰the 12th Five Year Plan of the People's Republic of China for Economic and Social Development

development of small and micro scientific and technological enterprises. We will implement fiscal, taxation and financial policies conducive to the development of the service industry, support social capital to enter the service industry, and promote the development of the service industry to speed up, increase its proportion and raise its level".³¹

4. Industrial policies since the 18th National Congress of the CPC (2012-2019): Center on the goal of becoming a strong industrial country, promote high-quality development and build a new modern industrial system; Implement a higher level and a wider range of opening-up to safeguard and promote global free trade.

Since the 18th National Congress, China's development strategy has made major adjustments and the domestic and foreign economic and trade situation has undergone major changes. On the one hand, China has become a major industrial country in the world, shifting from a stage of high-speed growth to a stage of high-quality development. Industrial power has become a strategic goal in the new stage of development. On the other hand, in the face of China's rapid development, the United States began to change its strategy towards China, setting China as a strategic competitor and carrying out various strategic containment. China is facing new mission, new situation, new challenges and new tasks. On the one hand, the industrial policy focuses on the goal of becoming a strong country and promoting high-quality development, defines development priorities, and makes it bigger, better and stronger. On the other hand, it will further expand its opening to the outside world, promote trade and investment liberalization, safeguard the world's multilateral free trade rules, and promote mutual benefit and win-win between China and other countries in the world.

The 18th CPC National Congress was held in November 2012. The report puts forward that "efforts should be made to build a new system for the development of modern industries, foster new advantages for the development of an open economy, make economic development more driven by domestic demand, especially consumer demand, more driven by modern service industries and strategic emerging industries, more driven by scientific and technological progress, improvement of the quality of workers, management innovation, and more driven by resource conservation and circular economy". "Implement innovation-driven development strategy", "implement major national science and technology projects to break through major technological bottlenecks. We will accelerate the research and development of new technologies, new products and new processes, and strengthen technological integration and business model innovation". "Promote strategic adjustment of economic structure". "Firmly grasp the solid foundation of developing the real economy, implement policies and measures that are more conducive to the development of the real economy, strengthen the demand orientation, promote the healthy development of strategic

³¹ WenJiabao: Government Work Report of the State Council of the PRC, 2012

emerging industries and advanced manufacturing industries, accelerate the transformation and upgrading of traditional industries, promote the development and growth of service industries, especially modern service industries, rationally distribute and build infrastructure and basic industries", "build the next-generation information infrastructure, develop the modern information technology industry system, improve the information security guarantee system, and promote the wide use of information network technologies". "We will comprehensively improve the level of open economy. In order to adapt to the new situation of economic globalization, we must implement a more proactive opening strategy and improve an open economic system featuring mutual benefit and win-win, diversified balance, safety and high efficiency".

In March 2013, the government work report stated that "we must accelerate the transformation and upgrading of traditional industries, vigorously develop high-tech industries, and improve product quality and market competitiveness. We will focus on expanding domestic market applications and tackling key technological problems to promote the healthy development of strategic emerging industries. Actively promote the integration of informatization and industrialization, accelerate the construction of a new generation of information infrastructure, and promote the wide application of information network technology. We will continue to attach equal importance to producer services and life services, as well as modern services and traditional services to further develop and expand services". "We must adhere to the basic national policy of saving resources and protecting the environment, and strive to promote green development, circular development and low-carbon development. Vigorously promote the conservation and recycling of energy resources, focus on energy conservation in industries, transportation, construction, public institutions and other fields, control the total amount of energy consumption, and reduce energy consumption, material consumption and carbon dioxide emission intensity".³²

In March 2014, the government work report proposed that "innovation is the driving force for economic restructuring and optimization. Innovation should be placed at the core of the country's overall development, science and technology should be closely integrated with economic and social development, and China's industry should be promoted to the high end of the global value chain". "Priority should be given to the development of productive service industries, pilot and demonstration projects for comprehensive reform of service industries should be promoted, cultural creativity and design services should be integrated with related industries, and service industries such as insurance, commerce, science and technology should be accelerated". Promote the deep integration of informatization and industrialization, encourage enterprises to speed up technological transformation, improve the level of accurate management, improve policies such as accelerated depreciation of equipment, and enhance the competitiveness of traditional industries. We will set up a platform for entrepreneurship and innovation in emerging industries to catch up with and lead future industrial development in the new generation of mobile communications, integrated circuits, big data, advanced manufacturing, new energy and new materials. For industries with serious overcapacity, we will strengthen environmental protection, energy consumption, technology and other standards, clear various preferential policies, consume a batch of stocks, and strictly control the new increase".³³

³²WenJiabao:Government Work Report of the State Council of the PRC, 2013

³³Li Keqiang:Government Work Report of the State Council of the PRC, 2014

In March 2015, the government work report proposed that "the industrial structure should be pushed to the middle and high end". "Made in China 2025" will be implemented. Adhere to innovation-driven, intelligent transformation, foundation strengthening and green development strategies, and the shift from a manufacturing power to a manufacturing stronger power will be accelerated. Insist on guarantees and controls, resolve excess capacity, support mergers and acquisitions of enterprises, and eliminate the inferior in market competition. We will promote the in-depth integration of industrialization and informatization, develop and utilize networking, digitization, intelligence and other technologies, and strive to take the lead and make breakthroughs in some key areas. Major projects such as high-end equipment, information networks, integrated circuits, new energy, new materials, bio-medicine, aero-engines, gas turbines and other major projects will be implemented to turn a number of emerging industries into leading industries. Formulate the "internet plus" action plan to promote the integration of mobile Internet, cloud computing, big data, Internet of Things and other modern manufacturing industries, promote the healthy development of e-commerce, industrial Internet and Internet finance, and guide Internet enterprises to expand the international market".³⁴

In October 2015, the 13th Five-Year Plan recommended that a new industrial system be established. Accelerate the construction of a powerful manufacturing country and implement Made in China 2020. We will guide the manufacturing industry to develop in the direction of detailed division of labor and close cooperation, promote the penetration of information technology into the market, design, production and other links, and push the transformation of production methods towards flexibility, intelligence and refinement. "We will support the development of strategic emerging industries, give full play to the functions of industrial policy guidance and competition promotion, give better play to the role of the national industrial investment guidance fund, and cultivate a number of strategic industries". "We will carry out actions to speed up the development of the modern service industry, relax control over market access and promote the high-quality and efficient development of the service industry. We will promote the transformation of producer services to specialization and high-end extension of the value chain, the transformation of life services to fine and high quality, and the transformation of manufacturing from production to service and production. Vigorously develop tourism".³⁵

In March 2016, the government work report put forward that "the structural reform on the supply side should be emphasized" and "supply and demand should be coordinated to promote economic development, increase total factor productivity, and continuously liberate and develop social productivity". "We should accelerate the growth of new technologies, new industries and new formats, promote shared economic development through institutional and mechanism innovation, build a shared platform, expand emerging industrial clusters such as high-tech industries and modern service industries, and create a new engine with strong power. We will use modern technologies such as information networks to push forward the transformation of production, management and marketing modes, reshape the industrial chain, supply chain and value chain, and transform and upgrade the traditional kinetic energy so as to make it full of new vigor and vitality". "Strive to implement the innovation-driven development strategy, promote the deep integration of science and technology with the economy, and improve the overall quality and competitiveness of the real economy".

³⁴Li Keqiang: Government Work Report of the State Council of the PRC, 2015

³⁵the 13rd Five Year Plan of the People's Republic of China for Economic and Social Development

"Focus on steel, coal and other difficulty-ridden industries to cut overcapacity. Enterprises as the main body, should be encouraged by the market, organized by the local, and supported by the central government. Use economic, legal, technological, environmental protection, quality, safety and other means to strictly control new capacity, resolutely eliminate backward capacity, orderly reduce excess capacity. Take measures including merger and reorganization, debt restructuring or bankruptcy liquidation to actively and steadily deal with "zombie enterprises". "Further promote "Made in China+Internet", build a number of national manufacturing innovation platforms, implement a number of intelligent manufacturing demonstration projects, and start major projects such as strong industrial foundation, green manufacturing and high-end equipment".³⁶

In March 2017, the government work report put forward that "improving the supply-side structure must be taken as the main direction, and through simplifying government policies, reducing taxes, relaxing access and encouraging innovation, to continuously stimulate the vitality of micro-subjects, reduce ineffective and inefficient supply, expand effective supply, and better adapt to and guide demand".³⁷

The 19th Party Congress was held in October 2017. The report pointed out that "socialism with Chinese characteristics has entered a new era, and the main social contradictions in our country have been transformed into the contradictions between the people's growing needs for a better life and the unbalanced and inadequate development". "China's economy has changed from a stage of high-speed growth to a stage of high-quality development. It is now in a crucial period of transforming its development mode, optimizing its economic structure and transforming its growth power. Building a modern economic system is an urgent requirement that passes the challenge and a strategic goal for China's development. We must adhere to the principle of putting quality first and giving priority to benefits, take structural reform on the supply side as the main line, promote quality change, efficiency change and power change in economic development, improve total factor productivity, and strive to speed up the construction of an industrial system with coordinated development of real economy, scientific and technological innovation, modern finance and human resources." "Accelerate the construction of a powerful manufacturing country, and the development of advanced manufacturing industry. Promote the deep integration of the Internet, big data, artificial intelligence and real economy, and foster new growth points and momentum in the fields of medium and high-end consumption, innovation leadership, green and low carbon, shared economy, modern supply chain, human capital services, etc. We will support the optimization and upgrading of traditional industries, accelerate the development of modern service industries, and aim at raising the level of international standards. We will promote China's industry to move towards the middle and high end of the global value chain and foster a number of world-class advanced manufacturing clusters". "Promote the formation of a new pattern of full opening up. China's open door will not close, but will only open wider and wider. We should focus on the construction of "the belt and road initiative" and insist on paying equal attention to both importing and going out. We should follow the principle of joint construction and sharing through consultation. We should strengthen the open cooperation of innovation ability and form an open pattern of linkage between mainland and overseas and mutual aid between east and west. We will expand foreign trade, foster new forms of trade, and promote the building of a strong trading nation. We will

³⁶Li Keqiang:Government Work Report of the State Council of the PRC, 2016

³⁷Li Keqiang:Government Work Report of the State Council of the PRC, 2017

implement a high-level trade and investment liberalization and facilitation policy, fully implement the pre-admission national treatment plus negative list management system, greatly relax market access, expand the opening up of service industries to the outside world, and protect the legitimate rights and interests of foreign investment. All enterprises registered in China should be treated equally. We will optimize the layout of regional opening and further open the western region to the outside world. We will give the Pilot Free Trade Zone greater autonomy in reform and explore the construction of a free trade port. We will innovate foreign investment methods, promote international cooperation in production capacity, form a global network of trade, investment and financing, production and service, and accelerate the cultivation of new advantages in international economic cooperation and competition".

In March 2018, the government work report stated that "we will vigorously promote high-quality development". "Deepen the structural reform on the supply side. We will continue to focus our economic development on the real economy, focus on the "capacity reduction, de-stocking, deleveraging, cost reduction and improving underdeveloped areas", vigorously streamline government policies, reduce taxes and fees, continuously optimize the business environment, further stimulate the vitality of market players, and improve the quality of economic development". "Accelerate the construction of an innovative country. Grasp the general trend of the world's new round of scientific and technological revolution and industrial transformation, thoroughly implement the innovation-driven development strategy, and continuously enhance economic innovation and competitiveness".³⁸

The Central Economic Work Conference in December 2018 pointed out, "China's development is still in and will remain in an important period of strategic opportunities for a long time. The world is facing unprecedented changes in a hundred years, with crises and opportunities coexisting. This brings great opportunities to the great rejuvenation of the Chinese nation. We should be good at turning crises into opportunities and turning crises into security. We should stick to the new connotation of important strategic opportunities, speed up the optimization and upgrading of economic structure, enhance the capability of scientific and technological innovation, deepen reform and opening up, accelerate green development, participate in the reform of the global economic governance system, and change pressure into the driving force for accelerating high-quality economic development". "The main contradiction in China's economic operation is still structural on the supply side. We must stick to the structural reform on the supply side as the main line, adopt more reform methods, make more use of market-oriented and rule-of-law methods, and work hard on the eight characters of "consolidation, enhancement, promotion and smooth flow".

In March 2019, the government work report proposed that "we should continue to adhere to the supply-side structural reform as the main line and work hard on the eight characters of "consolidation, enhancement, promotion and smooth flow". We will adopt more reform measures, make more use of market-oriented and rule-of-law measures, consolidate the achievements of "capacity reduction, de-stocking, deleveraging, cost reduction and improving underdeveloped areas", enhance the vitality of micro-subjects, raise the level of industrial chain, smooth the national economic cycle and promote high-quality economic development". "Promote the transformation and upgrading of traditional industries. Focus on promoting the high-quality development of manufacturing industry, strengthen the industrial foundation and technological innovation capability, promote the integrated development of advanced manufacturing

³⁸Li Keqiang: Government Work Report of the State Council of the PRC, 2018

industry and modern service industry, and accelerate the construction of a manufacturing stronger power. Build an industrial internet platform, develop "intelligence+" and empower the transformation and upgrading of the manufacturing industry". Promote the accelerated development of emerging industries. We will deepen research and development applications such as big data and artificial intelligence, foster a new generation of new industrial clusters such as information technology, high-end equipment, bio-medicine, new energy vehicles and new materials, and expand the digital economy". "Improve the ability of science and technology support. Step up support for basic research and applied basic research, strengthen original innovation and tackle key core technologies. Improve the innovation mechanism of industry-university-research integration with enterprises as the main body".³⁹

On June 28, 2019, the Chinese leader pointed out in his speech on the world economic situation and trade issues at the G20 leaders' summit that China will "further open up its market, actively expand imports, continuously improve its business environment, and completely remove restrictions other than the negative list of foreign capital access". On June 30, 2019, the Chinese government issued the Special Administrative Measures for Admission of Foreign Investment (Negative List) (2019 Edition) which only stipulated 40 aspects to prohibit foreign investment, greatly reducing the scope of foreign investment in China. Since China's accession to the WTO, the threshold for foreign investment to enter the Chinese market has become lower and lower, the restrictions are fewer and fewer, and the investment field has become wider and wider.

5. From a strategic perspective, industrial policies have strongly promoted China's industrial structure optimization, industrial competitiveness improvement and economic growth. From a tactical perspective, the problems of extensive industrial development and inefficient resource allocation have not been fundamentally solved.

China's development achievements in the past 40 years show that, from a strategic point of view, the objectives of the industrial policy have basically been achieved.

5.1 China has become a major industrial country with global influence. Its industrial scale ranks among the top in the world, forming a complete industrial system, and some industries have strong competitiveness.

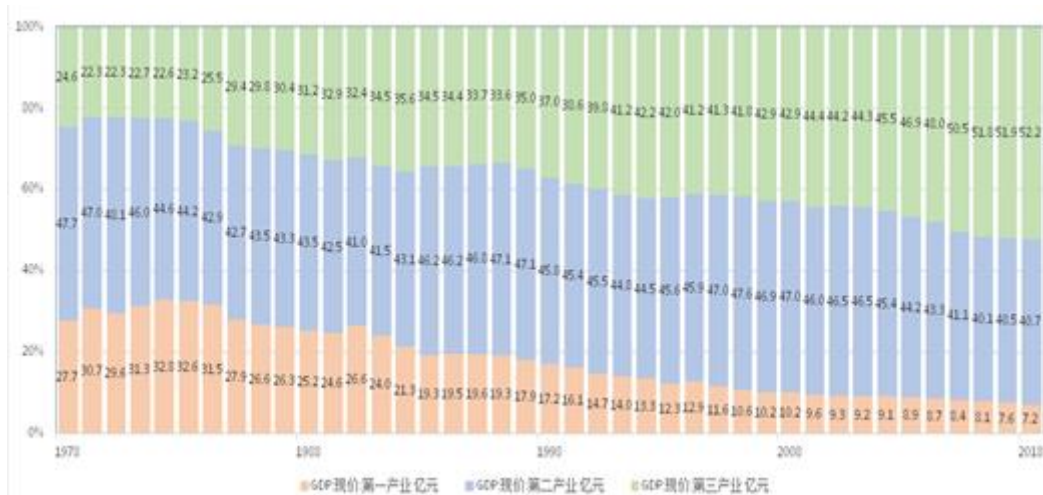
China overtook the United States to become the world's largest manufacturing country in 2010 and has kept that position till this day. In 2016, the size of China's manufacturing industry reached 3.7 trillion US dollars, 1.67 times that of the United States. Among the world's more than 500 major industrial products, China ranks first in

³⁹Li Keqiang: Government Work Report of the State Council of the PRC, 2019

the world in terms of output of more than 220 products and has become a veritable "world factory". Chinese products are distributed in more than 230 countries and regions in the world.

China has formed a complete industrial system, with 41 major categories, 207 medium categories and 666 minor categories stipulated by the UN Industrial Classification. A perfect industrial system has greatly improved the speed and efficiency of products from the developing period to market, which is conducive to maintaining the stability of the industrial chain and supply chain, the production of high quality and low price products, and enhancing the international competitiveness of Chinese manufacturing. China not only has strong competitiveness in traditional industrial sectors such as light industry and textile, but also reaches or approaches the level of developed countries in some major equipment, consumer products and high-tech products, resulting in a number of leading manufacturing enterprises with strong quality competitiveness, brand influence and leading industry development. A number of advanced major equipment, represented by Shenzhou-10 manned spacecraft, "Jiaolong" manned submersible, J-15 fighter jet, Beidou satellite navigation system, supercomputer, high-speed rail equipment, high-voltage power transmission and transformation equipment, megawatt supercritical thermal power units and 10,000-meter deep-sea oil drilling equipment, have been produced.

Figure 1. Proportion of the added value in the three industries to GDP (1978-2019)



GDP current price; primary industry; 100million GDP current price; secondary industry; 100million GDP current price; tertiary industry; 100million

5.2 China's industrial upgrading has made significant progress and has entered a new historical stage of upgrading traditional industries and building an industrial power.

Although China's industry as a whole is still "big but not strong", the complete industrial system formed in the past few decades, the accumulated technological innovation capability of major industrial sectors, the large-scale medium and high-end technical and management talents, and the domestic consumption demand with a considerable amount and rising structure have all created the basic conditions for the structural upgrading of China's industrial sector.

In fact, China's industry has changed from the low-end assembly link in the global value chain to a major exporter with a rising proportion of medium-and-high-tech products. Since 2012, the proportion of high-tech manufacturing industry has increased, the proportion of medium-tech manufacturing industry has decreased, and the proportion of low-tech manufacturing industry has remained basically unchanged. From 2012 to 2017, the proportion of China's medium-tech manufacturing industry in the manufacturing industry decreased from 31.3% to 28.1%, the proportion of high-tech manufacturing industry increased from 44.1% to 47.3%, and the proportion of low-tech manufacturing industry remained almost unchanged. Correspondingly, the proportion of exports of primary products has dropped to single digits and that of manufactured goods has risen to more than 90%.

China has made remarkable progress in many new technologies and industries, laying the foundation for a new round of industrial revolution. The development of digital technologies such as the Internet, mobile Internet, big data, Internet of Things, cloud computing, artificial intelligence, robots and so on is especially remarkable, which makes China's position in the global digital economy increasingly improved. All this comes from the ever-increasing innovation ability. In 2009, China overtook Japan to become the world's second largest R&D input country. In 2017, the total social R&D expenditure reached 1.76 trillion, accounting for 2.15% of GDP. In 2015, it overtook the United States to become the largest patent applicant. At present, the number of applications for invention patents and the number of authorizations both remain the first, and the number of valid invention patents ranks the third in the world. It has the largest number of undergraduates majoring in science and engineering. China has embarked on a new journey towards an industrial power in an all-round way. From a global perspective, China is also a large developing country in the world that aspires to become and can become an industrial power.

5.3 Industrial policies have strongly promoted China's economic growth and modernization process

The optimization of China's industrial structure and the development of industry and service industry have strongly promoted China's economic growth, industrialization, urbanization and modernization, laying a solid industrial foundation for China to become the world's largest emerging economy and the world's second largest economy.

Figure 2.China's GDP Growth from 1978 to 2018



However, from a tactical point of view, China's industrial policy still has some obvious problems, such as imperfect system, improper government intervention, departmental interests, rent-seeking policies, and failure to effectively coordinate the division of labor between regions. The inefficient allocation of resources and serious duplication of construction have not been effectively solved. The role of industrial policies in promoting structural optimization and upgrading is not satisfactory. The lack of coordination between industrial policies and related policies and the insufficient opening up in some areas need to be solved through deepening reform and opening up.

6. Reference Significance of China's Industrial Policy Practice to Developing Countries

The current development tasks, difficulties, opportunities and challenges faced by developing countries have all been met in China's past practice. China's industrial policy practice and its experience are worthy of reference by developing countries. Among them, the following three points deserve special attention.

6.1 The development of a country needs an organic combination of market forces and government forces.

It needs to find a balance between an imperfect market and an imperfect government. Industrial policy is an important tool to realize this combination and balance. China's market-oriented reform has gone through the transformation process of decentralization, planned commodity economy, socialist market economy system, "to give full play to the basic role of the market in resource allocation to a greater extent" to "make the market play a decisive role in resource allocation". Accordingly, the function boundary of industrial policy is adjusted with the expansion of market function boundary. Many developing countries shoulder the dual mission of "system transition+economic catch-up". Industrial policies have multiple attributes and multiple goals. They are not only used to make up for the deficiency of market mechanism, but also a means to realize national strategy, promote economic growth, form competitive advantages of specific industries, promote rationalization of industrial structure, ensure industrial safety and increase employment.

6.2 Industrial policies should be "based on national conditions and change according to the situation" and cannot be simply copied.

Different national conditions, different economic and social structures, different situations and different tasks require timely adjustment of industrial policies. Industrial policies should be closely combined with the stage of economic development and the process of industrialization. Corresponding adjustments should be made according to the main tasks of different periods, especially major structural adjustments. Industrial policies can play the roles of "propeller" and "brake valve". For example, in the early 1980s, China attached great importance to the adjustment of the proportion of light and heavy industries, the development of basic industries, the development of pillar industries in the 1990s, the new industrialization road in the early 21st century, the introduction of ten major industries since the financial crisis and the development of strategic emerging industries, the introduction of made in China 2025 and the construction of a new modern industrial system in 2015.

6.3 Industrial policies should follow the principles of "centering on the national development strategy, making up for market defects, strengthening functional policies, optimizing selective policies, giving consideration to policy coordination, and realizing win-win internationalization".

Industrial policies should be guided by national strategic objectives. Industrial policies should make up for market failure and hedge the negative effects of market mechanism.

Cultivate and perfect market functions and realize the organic combination with market forces. Create a good environment for industrial development, encourage innovation and entrepreneurship, enhance the elements of industrial development and public service support, standardize the behavior of market players, etc. Reduce direct government intervention in specific industries and strictly limit the role of industrial policies to industries or areas that really need to focus on development or problem solving. We will make overall plans for different policies and promote the coordination of industrial policies with macro policies, open policies, regional policies, social policies and ecological and environmental policies. Combine domestic industrial upgrading with global industrial restructuring. Grasp the trend of international industry development, allocate resources globally, and promote international industry division and cooperation. According to the position of the domestic industry in the global value chain, the upgrading strategy and countermeasures should be established.

6.4 Industrial policies should be precise, systematic, open, fair and dynamic.

Precision, that is, focusing on promoting structural optimization, innovation, competitiveness, sustainable development, etc. Systematization means avoiding policy fragmentation. Policy design should not only fully consider major strategic issues such as system, structure and layout, but also coordinate value chains such as scientific discovery, technology research and development, technology transfer, industrialization and internationalization, so as to mobilize the enthusiasm of enterprises, universities, scientific research institutions, financial institutions, local governments and other entities. It is necessary to strengthen the connection between industrial policies and relevant policies, and form policy synergy, so as to effectively promote the deepening of division of labor among enterprises, industries and regions, and avoid repeated construction and vicious competition. Fairness, that is, to create a fair competition market environment, to strengthen functional industrial policies, to strengthen the compensation of market failure in industrial operation, so as to promote the market mechanism to play a more effective role. The government has turned to a more "unrestricted or permitted" negative list to guide industrial development. Openness, that is to say, policy-making should not only consider the periodicity of domestic industry itself, but also be based on the change of global industrial pattern and the relative stage and position of domestic industry in global development. Dynamic, that is, the implementation of policies should have a time limit, which is consistent with the economic development plan and the industry's own development cycle. It is too short for policy implementation to be effective; too long for policy lag due to changes in the situation and conditions. We should do a good job in policy evaluation. Through the policy evaluation, we can provide the basis for the dynamic adjustment of the future policy.

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