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Introduction

The story of the month covers new guideline explains criteria for registering an office and operating on the mainland have been issued. The central government released a set of guidelines to encourage rural residents to explore entrepreneurship and innovation. Beijing sets to put QR codes on public facilities. Baidu, China Unicom partner to promote artificial intelligence. China is to reform its income distribution system for science and technology (S&T) personnel to better value their contributions. Alibaba Health is expanding its pharma e-commerce business. China is producing a record number of patents in a deliberate push toward innovation, but experts warn it may be focusing on quantity over quality. Shanghai helps foreign students find internships. Tech sector urged to focus on health.

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New guideline explains criteria for registering an office and operating on the mainland

China's top security authority has issued a guideline for overseas NGOs to operate on the mainland, providing detailed rules for them to register a representative office and organize events.

The Ministry of Public Security published the guideline on 28 November on its website, saying the document was rolled out in accordance with a law on the management of overseas NGOs that was passed by the top legislature in April.

The law, which will take effect on Jan 1, designates the Ministry of Public Security and provincial police authorities to be in charge of the registration and management of overseas NGOs on the Chinese mainland.

In the guideline, the ministry lists the qualifications and procedures for NGOs to register or to close their offices as well as the documents needed for an annual review of their operation.

According to the provisions, overseas NGOs must be legitimately established outside the Chinese mainland and be able to bear civil liability independently, and they must have operated for at least two years before applying to set up an office on the mainland.

Also required for registration are the organization's charter, the source of its funding and its planned location on the mainland. Additionally, the organization's chief representative in China must not have a criminal record.

While registering, an overseas NGO should specify the region where it plans to conduct activities in China, either within a single provincial-level region or across more than one such region. The area should be in line with its scope of business and actual needs, the guideline says.

Liu Taigang, a professor of governance at Renmin University of China, said clearer, more transparent rules for the performance of NGOs have been introduced, which is an important step in advancing the rule of law.

"Since the guideline was made public, it is more convenient for parties concerned to get access to the detailed information. It clearly explains the criteria for setting up a representative office, lists all the documents needed for registration and provides even the telephone number of the management office for NGOs under the Public Security Ministry," he said.

On Nov 8, the ministry and the Shanghai Public Security Bureau jointly organized a meeting to brief consulates in Shanghai about the detailed rules.

The law caused some concern among overseas NGOs during its drafting, since they worried that their operations and activities would be restricted.

Zhang Yong, deputy director of the Legislative Affairs Commission of the Standing Committee of the National People's Congress, said such worries were "totally unnecessary if (the overseas NGOs) follow Chinese laws".

(http://www.chinadaily.com.cn/china/2016-11/30/content_27521814.htm)
News

1. **China encourages entrepreneurship, innovation in rural areas**  
   *(Xinhua, 29-11-2016)*

The central government on 29 November released a set of guidelines to encourage rural residents to explore entrepreneurship and innovation.

According to a State Council document, the government will roll out policies to encourage migrant workers, college graduates, retired servicemen, scientists and technicians to start up businesses in the countryside to aid rural economic development.

The government expects them to work together and inject new energy into the rural economy by introducing modern technology, systems and management concepts to the countryside, which would make China's agricultural sector more competitive and increase farmers' income.

New agribusinesses including large-scale farming, farm produce processing, leisure agriculture, rural tourism, producer and consumer services are priorities of the policy support, it said.

The government will also encourage new types of business entities like family farms and farming cooperatives and online businesses.

Specific measures include easing market access, improving rural financial services, increasing fiscal support, providing entrepreneurship and innovation training and perfecting social safety net, it said.  

2. **Beijing sets to put QR codes on public facilities**  
   *(Xinhua, 25-11-2016)*

From dustbins to street signs to bus stations, public facilities across Beijing will soon have their own QR codes, meaning the public can access the "identity information" or interact with the city management.

All facilities will have a QR code before 2018, the municipal urban management commission said 25 November.

Currently, 50 streets including Beijing's central thoroughfare of Chang'an Avenue have major public facilities with QR codes. When scanned, the code opens an information page on the smart device, which includes contact details for whoever is responsible for maintenance or repair.

Public facilities are often vandalized or defaced with fly-posters.

Yao Liang with the commission said the QR codes have been rolled out so that problems can be solved swiftly.

People can also use the social-networking app WeChat to report any issues to the management or search for the nearest toilet or metro stations.  

3. **Baidu, China Unicom partner to promote artificial intelligence**  
   *(Xinhua, 03-11-2016)*

Chinese Internet giant Baidu inked a strategic partnership with leading telecom company China Unicom on 3 November with the aim of applying artificial intelligence (AI) and other leading technologies to future products and services.
The two companies will leverage their expertise and advantages in online and offline services to cooperate on projects in mobile Internet, AI, big data and telecom services.

Baidu will help China Unicom put the services of more than 10,000 brick-and-mortar outlets and 300,000 franchised stores online. China Unicom will offer Baidu stronger telecom infrastructure support such as Internet data centers and information and communication technology.

Robin Li, Baidu board chairman and CEO, said his company already cooperates closely in linking mobile search, mapping and group buying services with China Unicom's services, and Baidu is looking forward to impressive results from AI technology.

Wang Xiaochu, board chairman of China Unicom, called the move an important step for cross-sector cooperation between Internet companies and telecom firms in line with the government's "Internet Plus" proposal to upgrade traditional sectors with IT technology.

The latest quarterly financial statements showed that Baidu had steady profit growth in the third quarter while China Unicom suffered a heavy drop in profit growth year on year in the first three quarters, which put more pressure on the company to upgrade its products and services.

(http://news.xinhuanet.com/english/2016-11/03/c_135803175.htm)

4. China highlights contribution in S&T income system to boost innovation

(Xinhua, 07-11-2016)

China is to reform its income distribution system for science and technology (S&T) personnel to better value their contributions.

"Opinions on Implementing Distribution Policy to Focus on Value of Knowledge" was published on 7 November by the general offices of the Communist Party of China (CPC) Central Committee and the State Council.

Noting current issues such as the imbalance between S&T workers' contribution and their income, the document attempts to tie earnings to scientific, economic and social value.

According to the document, distribution policies should factor in the characteristics of different jobs and fields, with improved medium- and long-term evaluation of staff performance and their contributions.

"In addition to more material and economic stimulus, greater efforts should be made to honor S&T workers who have done outstanding work," it said.


5. Alibaba Health to expand its pharma e-commerce business

(SCMP, 24-11-2016)

Alibaba Health Information Technology, the Hong Kong-listed health care flagship of Alibaba Group, is gearing up to expand its pharmaceutical e-commerce business after reporting an interim loss in the six months ended September 30.

The company has been looking to swiftly diversify its operations, following the China Food and Drug Administration’s decision in February to end mandatory use by drug trading enterprises of its product identification, authentication and tracking system on the mainland.

It started an online retail pharmacy for over-the-counter drugs in August, when it completed the buyout of licensed online drug retailer Guangzhou Wu Qian Nian Pharmaceutical Chain Company.
“This business will quickly grow to become the most important source of operating revenue for the group,” Alibaba Health chief executive Wang Lei said in the company’s filing to the Hong Kong stock exchange on 24 November.

Wang pointed out the company plans to deliver “a more transparent supply chain of health care products through internet-based solutions”.

“There is still much room for improving efficiencies in the pharmaceutical products supply chain,” he said.

Alibaba Health posted a slightly higher interim net loss of 102.39 million yuan, compared with a 100.48 million yuan deficit in the same period last year, on increased administrative and product development expenses.

Revenue climbed 220 per cent to 55.03 million yuan from 17.19 million yuan, which the company attributed to a 185 per cent year-on-year growth in income to 31.79 million yuan from its drug-tracking system, which saw a high number of medical institutions and pharmacies start using it in the second half of last year.

Wang said Alibaba Health has developed a new online service called Ma Shang Fang Xin to assist enterprises – including those from the drug, food and nutritional supplement industries – in tracking the full life cycle of their products, which will help fulfil the regulatory compliance needs of those companies.

“The [mainland] government still requires enterprises to be responsible for adopting tracking systems for their products,” Wang said.

He said the company’s Alihealth Pharmacy on Alibaba online retail platform Tmall.com has rapidly grown since it was launched, supported by an extensive warehousing, logistics and customer service. New York-listed Alibaba owns the South China Morning Post.

In September, Alibaba Health started to provide outsourcing and so-called value-added services, such as online merchants’ business development and technical support, for certain pharmaceutical-related categories on Tmall. It receives a 21.5 per cent cut of the fees paid by the merchants to Tmall.

The company has also taken the lead in establishing a Chinese pharmaceutical online-to-offline alliance with more than 100 traditional pharmacy chains across more than 100 mainland cities.

In addition, Wang said Alibaba Health is continuing its efforts to build an internet-based “tiered medical services” system in the country’s rural areas. The firm has organised certified doctors and pharmacists to provide online health consultation services, allowing users to easily obtain real-time professional guidance.

According to Deloitte, public hospitals remain the mainland’s “dominant care purveyors”, where health care spending is forecast to reach US$892 billion in 2018.

It said the mainland had a large health care demand gap due to an ageing population, growing urbanisation, proliferating lifestyle diseases, rapidly increasing consumer wealth and advances in universal health care insurance coverage.


6. Chinese innovation is on the rise, but is it a case of quantity over quality?  
( SCMP, 30-11-2016)

China is producing a record number of patents in a deliberate push toward innovation, but experts warn it may be focusing on quantity over quality.

The country filed almost 940,000 patent applications in the first nine months of the year, putting it well on track to surpass last year’s record-breaking 1 million applications, according to data from the State Intellectual Property Office (SIPO).

In 2015, China’s total patent filings almost matched that of the US, South Korea and Japan combined, a recent report from the World Intellectual Property Organisation (WIPO) revealed.

“The figures for China are quite extraordinary,” WIPO director general Francis Gurry said at a press conference the last second week of November. “It is growing, continues to grow at an extraordinary rate.”
But while innovation in China appears to be growing at a faster rate than countries such as the US, it still faces many challenges, according to Georges Haour, a professor and author of Created in China: How China is Becoming a Global Innovator.

Chinese companies, particularly state-owned enterprises (SOE), are not yet as agile and market-oriented as foreign firms, he said.

“The number one difficulty is learning how to innovate effectively,” Haour told the Post by phone from Switzerland. “The PRC has a pretty big middle class and is trying to change from a foreign investment driven economy to an internal market driven economy. This is a very difficult transition to make.”

A telling statistic which underlines these challenges is the comparatively low number of patent applications China files overseas, which are not subsidised by the state, according to Mark Cohen, an adjunct professor at the Fordham Law School.

Only 4 per cent of Chinese applications are filed outside of the country, whereas 45 per cent of global foreign filings are from companies in Japan and the US, according to the WIPO report.

The US remains the largest filer of patent applications externally.

“[China] has a very domestically oriented patent system, largely because it's dependent on state subsidies,” Cohen said by phone from the US.

Raw patent numbers are similar to steel production during the Great Leap Forward, he said, with an overproduction that doesn’t necessarily reflect quality.

The government’s intense focus on quantity of innovations even extends to an incentive for prisoners to get out of jail early in return for filing patent applications.

How to get out of jail early in China: buy an inventor's idea and patent it

An investigation carried out by the Beijing Youth Daily last year found several intellectual property agents openly advertising patents to inmates seeking to lessen their jail time, with prices of applications issued on behalf of prisoners ranging from 6,800 yuan to 60,000 yuan.

They were taking advantage of a law which offers sentence reduction for “important technical innovations”, as proven by a patented invention.

Additionally, the country’s intellectual property system and culture favours incremental over ground-breaking innovation, which gives way to copycat products and ideas, Cohen said.

“Things are changing,” he said. “But you still have legacy issues where there’s still a lot of copying, or there are legislative incentives to take bureaucratic short cuts.”

The system has fundamental weaknesses, he said, suggested by the concentration of patents in the hands of a few Chinese companies, such as smartphone maker Huawei and telecommunications company ZTE.

But ultimately, it isn’t the total number of patents China has that is impressive, but its rapidly growing number of new services and products, many of which are not or cannot be patented, Haour said.

“Chinese companies are really more concerned about going fast, and coming up with the new thing,” he said. “There’s no fear of failure.”

The country is in a unique situation to grow in terms of its capital, regulations, and a leadership that supports indigenous innovation, according to Haour.

The Chinese government’s “Made in China 2025” initiative is part of its strategic plan to become a global manufacturing powerhouse, in part by prioritising its manufacturing innovation capacity.

China excels also in mobile internet services, with major companies such as ride-sharing service Didi Chuxing, smartphone maker Xiaomi, and global tech giant Tencent.
“The market is very large, very vibrant, very dynamic,” Haour said. “Entrepreneurs are very good at managing that growth, and are growing very, very fast.”

China could become a global innovation leader in the coming years, though this is “far from inevitable,” according to McKinsey Global Institute analysts.

While China was in the top 25 of the annual Global Innovation Index, the very top spots are still dominated by countries such as Switzerland, Sweden, the UK, and the US.

But the scale of China’s market and capital resources signals strong innovation growth for the future, according to Edward Tse, founder and chief executive officer of consulting firm Gao Feng Advisory Company.

“The allure of the China market's massive scale continues to attract numerous players and ignites intense competition,” Tse wrote in a Forbes article. “China has entered [a] new era.”

(Scmp.com/business/china-business/article/2050448/chinese-innovation-rise-it-case-quantity-over-quality)

7. Shanghai helps foreign students find internships

(Xinhua, 18-11-2016)

Shanghai municipal authority has organized a number of companies and institutions that will offer internships to thousands of foreign students.

The program, which is sponsored by the city's education commission, foreign affairs office and the public security bureau, named 11 companies and government entities that have intern opportunities for foreigners.

Among the employers are Shanghai Textile Group Co. Ltd., Shanghai Automobile International Trade Co. Ltd., Shanghai Ninth People's Hospital and Pujiang Hotel (also known as Richard's Hotel).

Starting from 2017, intern opportunities will be posted on www.study-shanghai.org, a website for foreign students.

There are more than 56,000 foreign students from 185 countries and regions studying in 39 universities and colleges in Shanghai, according to the municipal education commission.

A growing number of foreign students want to find jobs Shanghai after they graduate.

Michael Richard, who studied for his masters at Donghua University this year, told Xinhua that thanks to the city's favorable employment policies he obtained a full time job in July.

The American said his one-year internship with a logistic company was vital to securing a full time job, and helped him understand the Chinese economy and culture.

At Donghua University, there are 4,700 foreign students on campus. They are from 140 countries and regions.

(China Daily, 23-11-2016)

Baidu CEO and chairman Robin Li called on the technology sector on 22 November to "join hands" with the health sector to tackle more of the world’s health problems.

"If we can marry these two together then I think magic can happen. It's very exciting to think about the application of Internet Plus in health," Li said.
Speaking as part of a panel of experts at the Ninth Global Conference on Health Promotion in Shanghai, Li suggested that health companies utilize the openness of the internet and big data to empower people to lead healthier lives.

Li was joined on stage by Margaret Chan, director-general of the World Health Organization, who described healthcare as "one of the most, if not the most, conservative sectors". She said the sector needs the help of technological innovators to help countries achieve the Sustainable Development Goals set out in the UN's 2030 Agenda for Sustainable Development.

One of the issues Li has noticed during his recent forays into the health industry is the "low expectations" of the technology sector among medical professionals.

Making a medical database searchable, for example, can be solved by one server, Li said. "We have 500."

More than 60 million medical and health-related queries are performed on Baidu every day, according to Li, highlighting the growing reliance on the internet for self-diagnosis.

Providing authoritative information online has been a top priority for Baidu since Chinese internet regulators ordered the company to change the way it displays results following the death of a student who visited a healthcare provider found at the top of a search list in 2014.

In addition to strengthening its encyclopedic database, the company has rolled out a slew of initiatives aimed at the healthcare sector, including app Baidu Doctor, which allows patients to ask doctors questions, make medical appointments online and search for health information.

Earlier this year, Baidu began testing its "Medical Brain" system - artificial intelligence designed to help doctors avoid costly misdiagnoses - in hospitals across China.

"In 80 percent of cases in one hospital, the Medical Brain came to the same conclusion as the doctors. But we can go much further in precision medicine," Li said.

However, while China's hospitals begin to embrace innovation and big data, more work is needed to ensure they can communicate on both a local, national and international level.

Zhao Houlin, secretary-general of the International Telecommunication Union, said that countries should adopt an international standard and issue guidelines from the "top down" on how to connect hospitals with smart databases.

"To connect hospitals you need to have some kind of common standard," he said. "Telecoms authorities and healthcare authorities need to work together to keep these systems safe and reliable."