

Techno-industrial policies. term paper sample

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Institutional Structures Favoring Business in China

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China's ability to attract domestic entrepreneurs, multinational companies, and international investors has been associated with business-friendly institutional structures established by the Chinese government. These institutional structures include techno-industrial policies, financial regulation, and influence of political class.

Chen and Naughton (2013) observed that there has been dramatic changes in Chinese policy in the areas of technology development and innovation and which attract businesses. Although technology development has been one of the main objectives of the Chinese leadership, the new policy allows for more government intervention for specific sectors that favor industrial development. The government's medium and long term programs of science and technology has been putting a lot of emphasis on indigenous innovation which has continued to attract both domestic entrepreneurs, multinational companies, and international investors. Policies aimed at promotion of rapid technology development enjoys a lot of support from political elite class. The policies are in such a way that they not only increase investment in scientific research and education but also to encourage engineers and scientists to commercialize their innovations. The continuous investment in human capital has encouraged businesses to also invest in R&D and eventually commercialization of output from R&D. Techno-industrial policies involve protection of property rights. Businesses may shy away from investing in countries where there is little regard to property rights. There has been

awareness and laws about property rights and it is expected that business both local businesses and international investors would find it a step in the right direction.

Strong financial institutions and capital markets

Financial services have been gradually liberalized in China. Improvements in the financial regulatory mechanisms and capital markets have not only attracted foreign direct investments and multinational corporations, but also local entrepreneurship. For example, the banking sector in China has been improving over time and after 2006, foreign banks were allowed to carry out business involving foreign currency. The banking sector also allows businesses to conduct business using local currency with international investors or individuals (Poon, 2009). The capital markets of China has put in place good systems to offer supervisory services for securities markets in stock and bonds. The China Securities Regulatory Commission (CSRC) has been instrumental in not only building the regulatory framework but also brought about corporate governance reforms targeting not only periodic scandals but also correction of market irregularities. All these has led to the attraction of both Multinational Corporation and foreign direct investors. .

Influence of Political Institutions

Studies have shown that even in an economy with market-oriented systems in place, businesses rely on government to create conditions that are conducive of successful markets. For some time, the political class in China has been actively engaged in establishing structures that promote economic development. For example, the Chinese leadership initiated market reforms

in 1978. There has been continuous efforts to reorganize the country's economic bureaucracy and thereby increase efficiency (Pearson, 2005). Increased efficiency of operation attracts local investors as well as foreign investors. The political class also proposed the formation of regulatory commissions to handle various issues. These include regulatory commissions to oversee financial services (banking, securities, and insurance) and infrastructure industries (electric power, aviation, and telecommunication). The two regulatory commissions have played a great role in ensuring the financial services are reliable and accessible but also to ensure that the key infrastructure favorable business was established. The political class further suggested the elimination of the monopolies that create healthy competition among both local international investors.

References

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