Law of the People's Republic of China on Promotion of Small and Medium-sized Enterprises

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Chapter I General Provisions

Article 1 This Law is enacted for the purpose of improving the business environment for small and medium-sized enterprises, promoting their sound development, creating more job opportunities in both urban and rural areas, and giving play to the important role of such enterprises in national economic and social development.

Article 2 For purposes of this Law, small and medium-sized enterprises refer to the different forms of enterprises under different ownerships that are established within the territory of the People's Republic of China according to law, that help to meet the social needs and create more job opportunities, that comply with the industrial policies of the State and that are small and medium-sized in production and business operation.

The criteria for determining small and medium-sized enterprises shall be laid down by the department under the State Council in charge of work in respect of enterprises, on the basis of the number of employees, volume of sale, total assets, etc. of an enterprise and in light of the characteristics of different trades and shall be submitted to the State Council for approval.
Article 3 With regard to small and medium-sized enterprises, the State applies the principles of active support, strong guidance, perfect service, lawful standardization and guaranteed rights and interests, in order to create a favorable environment for their establishment and development.

Article 4 The State Council shall be responsible for formulating policies regarding small and medium-sized enterprises and make overall planning for their development.

The department under the State Council in charge of work in respect of enterprises shall arrange for the implementation of the State policies and plans concerning the small and medium-sized enterprises, making all-round coordination and providing guidance and services in the work regarding such enterprises throughout the country.

The related departments under the State Council shall, according to the policies and overall planning of the State for small and medium-sized enterprises and within the scope of their respective functions and responsibilities, provide guidance and services to such enterprises.

Local people's governments at or above the county level, the administrative departments under them in charge of work in respect of enterprises and other departments concerned shall, within the scope of their respective functions and responsibilities, provide guidance and services to small and medium-sized enterprises located within their respective administrative areas.

Article 5 The department under the State Council in charge of work in respect of enterprises shall, according to the industrial policies of the State and in light of the characteristics of the small and medium-sized enterprises and the conditions of their development, determine the key ones for support by formulating a catalogue of small and medium-sized enterprises to be provided with guidance for their industrial development or by other means, in order to encourage the development of all such enterprises.

Article 6 The State protects the lawful investments made by small and medium-sized enterprises and their investors, as well as the legitimate profits earned from the investments. No unit or individual may infringe upon the property and lawful rights and interests of such enterprises.

No unit may, in violation of laws and regulations, charge fees to or impose fines on small and medium-sized enterprises, nor collect money or things of value from them. The enterprises shall have the right to refuse to make the payment and the right to report and accuse violations of the provisions mentioned above.

Article 7 Administrative departments shall safeguard the lawful rights and interests of small and medium-sized enterprises, protect their right to participate in fair competition and transaction according to law, and they may not
discriminate against the enterprises or add unequal conditions to their transactions.

Article 8 small and medium-sized enterprises shall observe State laws and regulations governing occupational safety, occupational health, social security, resources, environment protection, product quality, public finance, taxation, finance, etc., and manage business according to law, and they may not infringe upon the lawful rights and interests of their employees or impair public interests.

Article 9 small and medium-sized enterprises shall observe professional ethics, abide by the principle of good faith, work hard to raise their business level and increase the ability to develop themselves.

Chapter II Funding

Article 10 In the budget of the Central Government there shall be a heading for small and medium-sized enterprises, under which to arrange special funds for supporting the development of such enterprises.

Local people's governments shall, in light of actual conditions, provide financial support to small and medium-sized enterprises.

Article 11 The special funds provided by the State for supporting the development of small and medium-sized enterprises shall be used to promote the establishment of a service system for such enterprises, to carry out work in their support, to supplement their funds for development and to support their development in other areas.

Article 12 The State establishes development funds for small and medium-sized enterprises, which are composed of the following:

(1) the special funds arranged in the budget of the Central Government for supporting the said enterprises;

(2) profits yielded by the funds;

(3) donation; and

(4) others.

The State encourages donations to the development funds for small and medium-sized enterprises through taxation policies.

Article 13 The State development funds for small and medium-sized enterprises shall be used to support the following fields of endeavor:

(1) instructions on and services for establishment of enterprises;
(2) establishment of a credit guaranty system for the enterprises;

(3) technological innovation;

(4) encouragement for their specialization and their cooperation with large enterprises;

(5) personnel training and information consultancy, etc. provided by the service institutions for the enterprises;

(6) creation of international market;

(7) cleaner production; and

(8) others.

The administrative measures for establishment and use of the development funds for small and medium-sized enterprises shall be formulated separately by the State Council.

Article 14 The People's Bank of China shall give better guidance in credit policies and help improve the financing environment for small and medium-sized enterprises.

The People's Bank of China shall give more vigorous support to small and medium-sized financial institutions and encourage commercial banks to readjust their credit structure and provide greater credit support to small and medium-sized enterprises.

Article 15 All financial institutions shall provide financial support to small and medium-sized enterprises, make efforts to improve financial service, change their style of service, enhance their awareness of the importance of service and improve service quality.

All commercial banks and credit cooperatives shall improve credit management, expand the areas of services and develop financial products that are suited to the development of small and medium-sized enterprises, readjust their credit structure, and provide the enterprises with such services as loans, balancing of accounts, financial consultancy and investment management.

State policy-oriented financial institutions shall, within their business scope, provide financial services to small and medium-sized enterprises.

Article 16 The State takes measures to broaden the channels of direct financing for small and medium-sized enterprises and gives them active guidance in their efforts to create conditions for direct financing through various ways as permitted by laws and administrative regulations.
Article 17 The State, through taxation policies, encourages various kinds of risk investment institutions established according to law to increase investment in small and medium-sized enterprises.

Article 18 The State promotes the development of the credit system for small and medium-sized enterprises by establishing a collection and assessment system of credit information, in order to socialize the inquiry about and the exchange and sharing of credit information concerning such enterprises.

Article 19 People's governments at or above the county level and related departments shall promote and arrange for the establishment of a credit guaranty system for small and medium-sized enterprises, encourage credit guaranty for them and create conditions for their financing.

The administrative measures for credit guaranty for small and medium-sized enterprises shall be formulated separately by the State Council.

Article 20 The State encourages all kinds of guaranty institutions to provide credit guaranty to small and medium-sized enterprises.

Article 21 The State encourages small and medium-sized enterprises to enter into different forms of mutual-help financing guaranty according to law.

Chapter III Support for Establishment of Enterprises

Article 22 The government departments concerned shall actively create conditions to provide necessary and suitable information and consultancy and, when working out plans for urban and rural construction, make rational arrangements for the necessary places and facilities to meet the needs for the development of small and medium-sized enterprises and support the establishment of such enterprises.

Where unemployed or disabled establish small and medium-sized enterprises, the local government shall actively support them, provide conveniences and better guidance.

The government departments concerned shall take measures to broaden channels for the small and medium-sized enterprises to employ graduates of colleges and specialized secondary schools.

Article 23 The State supports and encourages, through relevant taxation policies, the establishment and development of small and medium-sized enterprises.

Article 24 With regard to the small and medium-sized enterprises that are established by unemployed persons or that employ laid-off workers in the year of their establishment, the number of whom reaches the percentage fixed by the State, the ones that use new and high technologies and conform to State policies for supporting and encouraging the development of such enterprises the ones
that are established in minority ethnic areas and poverty-stricken areas, and the ones that provide jobs to disabled persons, the number of whom reaches the percentage fixed by the State, the State reduces the rate of tax or exempts them from income tax during a certain period of time, and adopts preferential taxation policies.

Article 25 Local people's governments shall, in light of actual conditions, provide persons who establish enterprises with policy consultancy and information services concerning industrial and commercial administration, public finance, taxation, financing, labor, employment, social security, etc.

Article 26 Government departments in charge of enterprise registration shall, in compliance with the statutory requirements and procedures, handle registration for the small and medium-sized enterprises established, increase their work efficiency and provide conveniences to the registrants. They may not impose preconditions for registration of enterprises beyond the provisions of laws and administrative regulations; and they may not collect fees beyond the ones or rates specified by laws and administrative regulations.

Article 27 The State encourages small and medium-sized enterprises, in accordance with the State policies for the use of foreign funds, to introduce foreign investment and advanced technology and management expertise and to establish Chinese-foreign equity joint ventures and contractual joint ventures.

Article 28 The State encourages individuals and legal persons, in accordance with law, to take part in the establishment of small and medium-sized enterprises by investing their industrial property right, non-patented technology, etc.

Chapter IV Technological Innovation

Article 29 The State formulates policies to encourage small and medium-sized enterprises to develop new products and to adopt advanced technology, manufacturing technique and equipment to meet market needs and to improve product quality and make technological progress.

When launching projects for technological innovation and projects for technological updating in support of the products of large enterprises, small and medium-sized enterprises may enjoy the policy of discount interest on loans.

Article 30 The government departments concerned shall give policy-related support to small and medium-sized enterprises in terms of planning, land use and finance, promote the establishment of different kinds of technical service institutions and establish centers for advancing the productive forces and bases for creating science- and technology-oriented enterprises, in order to provide small and medium-sized enterprises with services relating to technological information, consultancy and transferring and services for the development of products and technologies, and to help promote the transformation of scientific
and technological achievements and upgrade the technology and product of the enterprises.

Article 31 The State encourages technological cooperation, development and exchange between small and medium-sized enterprises on the one hand and research institutions and institutions of higher education on the other, in order to promote the industrialization of scientific and technological achievements and actively develop small and medium-sized enterprises that make use of scientific and technological achievements.

Chapter V Market Development

Article 32 The State encourages and supports large enterprises to establish, on the basis of resources allocation by the market, stable relations of cooperation with small and medium-sized enterprise in respect of the supply of raw and semi-processed materials, production, marketing, and technological development and updating, in order to help promote the development of small and medium-sized enterprises.

Article 33 The State gives guidance to, promotes and regulates the restructuring of the assets of small and medium-sized enterprises through merge, purchase, etc., in order to optimize the allocation of resources.

Article 34 When purchasing goods or service, the government shall give first priority to small and medium-sized enterprises.

Article 35 The government departments and institutions concerned shall provide guidance and assistance to small and medium-sized enterprises to stimulate the export of their products and promote their economic and technological cooperation and exchange with other countries.

The policy-oriented financial institutions of the State concerned shall, by means of providing loans for import and export, export credit insurance, etc., support small and medium-sized enterprises in their efforts to develop market abroad.

Article 36 The State formulates policies to encourage qualified small and medium-sized enterprises to invest abroad, participate in international trade and develop international market.

Article 37 The State encourages the service institutions for small and medium-sized enterprises to hold exhibitions and fairs for their products and to conduct information consultancy activities.

Chapter VI Public Services

Article 38 The State encourages all sectors of the society to establish and improve the service system for small and medium-sized enterprises and to provide them with services.
Article 39 The government shall, in light of actual needs, support the institutions established in the service of small and medium-sized enterprises and see that they provide top-notch services to the enterprises.

The service institutions for small and medium-sized enterprises shall make full use of computer networks and other advanced technologies to gradually establish and improve the information service system opening to the entire community.

The service institutions for small and medium-sized enterprises shall contact the various kinds of public intermediary agencies and encourage them to serve such enterprises.

Article 40 The State encourages the various kinds of public intermediary agencies to provide the small and medium-sized enterprises with such services as instructions on establishment of enterprises, business consulting, information consultancy, marketing, investment, financing, credit guaranty, property right transaction, technological support, bringing in of talents, personnel training, cooperation with other countries, exhibitions, fairs and legal advice.

Article 41 The State encourages related institutions and institutions of higher education to train managerial, technical and other personnel for small and medium-sized enterprises, in order to help raise the enterprises' level of marketing, management and technology.

Article 42 The self-regulating trade organizations shall actively serve the small and medium-sized enterprises.

Article 43 The self-regulating organizations in charge of the self-restricting and self-serving small and medium-sized enterprises shall safeguard the legitimate rights and interests of the enterprises, express their suggestions and requirements, and serve them in market development and increase of their management ability.

Chapter VII Supplementary Provisions

Article 44 The provinces, autonomous regions and municipalities directly under the Central Government may, in light of the conditions of the local small and medium-sized enterprises, formulate measures for implementation of this Law.

Article 45 This Law shall go into effect as of January 1, 2003.
SME Development Policies in China

A Country Paper for the Workshop on
SME Development and
Regional Economic Integration

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Overview

I. Definition of SME in China. SME criteria are different from other countries. The criteria were designed in accordance with the SME Promotion Law. Major elements of consideration cover the payrolls, revenue and total assets of enterprises. The criteria apply to industrial sectors (including mining, manufacturing, power, gas and water utilities), construction, transportation and posts, wholesale and retail, and hotels and restaurants.

For example, industrial SMEs should employ less than 2000 people, or with annual revenue less than RMB 300 million, or with total assets less than RMB 400 million. Medium-sized enterprises in the category should employ 300 or more people, with annual revenue and total assets exceeding RMB 30 million and 40 million respectively. The rest are classified as small enterprises.

II. Important roles. SMEs are playing important role in achieving the economic miracles by some counties and regions. In China, they also are plying an increasingly essential role in economic prosperity, employment increase, innovation promotion and new industries creation, and have become an important driving force behind economic and social development.

III. Main difficulties. However, SMEs are facing some difficulties and problems in the course of development. The main ones are as follows: in light of external environment, laws and regulations are not sound and the policy system is not perfect; enterprises have difficulties in obtaining financing, loans and guarantee; the service system is not sound and the public service system is still in the initial stage. Enterprises have prominent problems such as low level of overall quality, the extensive mode of growth and irrational structure.
IV. Framework of SMEs’ development policies. The Chinese government attaches great importance to SMEs. On Jan. 1\textsuperscript{st}, 2003, the Promotion Law on SMEs became effective. In Feb. 2005, the State Council issued Several Opinions on encouraging, supporting and guiding the development of self-employed and private economy and other non-public sectors of the economy. It was stated in the outline of the 11\textsuperscript{th} five-year plan, the SME Growth Project will be carried out. Meanwhile, the State Council approved and established the National Leading Group for promoting SMEs headed by Ministry of Industry and Information Technology and constituted 14 ministries including the Ministry of Finance, the Ministry of Science and Technology and the Ministry of Agriculture. The Leading Group is strengthening the overall coordination, organization and guiding of SMEs. The external environment for SMEs has been strengthening, and financing service of SMEs service system for SMEs has been improving.

So, SMEs have finally become fashionable. Now, I will introduce some policies and practice for SMEs’ development in China.

Improving Business Support Services for SMEs

In recent years, the Chinese government, in accordance with the principles of socialization, specialization and market-orientation, has vigorously developed various business support service organizations, and improved the service system for SMEs, providing SMEs with convenient, efficient, and high-quality services.

First, actively promote financing and credit guarantee systems to ease SME’s difficulty of financing. Regarding indirect financing, a series of polices have been issued by the People’s Bank of China and China Banking Regulatory Commission to guide and encourage financial
institutions of the banking sector to improve financing services for SMEs, and accelerate the innovation of financial products and services for SMEs. These policies have helped increase the proportion of credit for SMEs gradually. Relevant policies for the promotion of SME credit guarantee system have been formulated, exempting qualified credit guarantee agencies for the turnover tax, greatly driving their development. By the end of 2006, there were 3300 SME credit guarantee agencies providing guarantee services for 38,000 SMEs and for loan RMB 55 billion in total. Regarding direct financing, we opened the SMEs Board on Shenzhen Stock Exchange, set up the Share Transfer System of Securities Companies in Zhongguancun, Beijing. SMEs are encouraged to raise funds in overseas capital markets.

Second, increase support for business startup, and expand employment through business creation. To encourage business startup, we actively support the development of training programs, entrepreneurship mentoring, and service agencies handling administrative matters for SMEs. Intermediary service agencies are encouraged to provide business startup services. With government support, a group of business startup bases have been established. At present, there are over 500 technology incubators established across the country, which have incubated a large number of technology SMEs. The National People’s Congress passed the Employment Promotion Law, defining the government’s responsibilities in promoting employment and improving relevant policies for employment promotion.

Third, strengthen market expansion and facilitate trade among SMEs. The Fund for SME International Market Development was launched in 2000 to support SMEs to participate in overseas exhibitions and fairs. The China International SME Fair has been held annually since 2003, providing a platform for SMEs to develop market and strengthen trade and economic cooperation. Large enterprises are encouraged to set up stable collaborative
relationship SMEs. According to the *Government Procurement Law* and other laws and regulations, efforts have been made to continuously raise the proportion of SME products and services in government procurement.

**Fourth, strengthen industry-academia linkage and improve the system for technological innovation of SMEs.** SMEs are encouraged and supported to build linkage with universities and research institutes by jointly setting up labs and R&D centers and through joint or commissioned R&D. Technology intermediary agencies have been developing rapidly, including SME service centers, productivity centers, technology consulting organizations, and technology exchange markets. Technology service facilities such as research institutes and national engineering centers are now open to SMEs. All these developments have facilitated the commercialization of research results and the transfer of technologies. Efforts have been made to encourage the R&D, application and production of new products and new technologies and to promote the establishment of platforms of business support services in industrial clusters, providing technical services such as product testing and inspection, industrial design, consulting and diagnosis.

**Fifth, place emphasis on education and training and improve the human quality of SMEs.** We have developed a SMEs training framework that meets multiple needs and covers a wide scope, by making full play of the guiding role of fiscal funds, mobilizing resources of all stakeholders and relying on universities and other institutes. The SME Galaxy Training Program has been in implementation since 2003, and it offers training in business administration, safe production, industrial policies and etc.

**Sixth, step up the construction of information networks and provide all sorts of free information service for SMEs.** The government established China SMEs Information Portal (www.sme.gov.cn) and its
branch websites in various provinces and municipalities, providing information services for SMEs regarding policy, regulation, market and cooperative opportunities. The government has also guided large IT companies such as China Mobile, China Netcom, and China Post to provide SMEs with IT solutions.

II. Improving SME’s Capacity of Technological Innovation

With unique advantages, technological innovation by SMEs is an important source of economic vitality of China. In face of emerging global challenges in resource, environment, ecology and population, it is of realistic significance to enhance SMEs’ capacity of technological innovation. During their course of technological innovation, SMEs are confronted with many difficulties and problems, such as inadequate policy and legislation framework, shortage of talents and capital, insufficient business support services and etc. Such problems call for high attention and serious solution on the part of the government. Now I would like to brief on practices and experiences in promoting SMEs technological innovation.

First, improve relevant policies. This is an important guarantee for SMEs innovation. At present, the Chinese government is vigorously implementing The Outline of National Medium and Long-Term Plan for Sci-Tech Development and setting up a market-oriented national innovation system that features enterprises as main players and linkage between industry and academia. A series of policies have been implemented, such as encouraging R&D investment, accelerating commercialization of sci-tech achievements and government procurement of domestic innovation products. For instance, new corporate income tax rate to be implemented in 2008 will stand at 25%, while that for accredited hi-tech enterprises reduced to 15% and that for micro enterprises with modest profits 20%. Enterprises are
allowed to intensify the depreciation of their R&D equipment, and increase
the percentage of pre-tax deduction for R&D investment.

Second, strengthen financial support. Shortage of capital is an
outstanding problem for SMEs technological innovation. In recent years, the
Chinese central government and some provincial and municipal
governments have established such special funds as Technological
Innovation Fund for technology SMEs and SME Development Fund. Thus
these government funds play a role of guiding investment in innovation. The
government has made regulations for venture capital enterprises, set up
guidance funds for venture capital investment and strengthened taxation
support for venture capital enterprises. The SME Board has been opened on
Shenzhen Stock Exchange and pilot projects have been conducted for the
Stock Transfer System of Securities Companies in Zhongguancun, Beijing
and for joint bond issuance by small enterprises. The credit guarantee
system for SMEs has been improved, satisfying the capital demand of
growing SMEs.

Third, consolidate various resources. It is an effective way for SMEs
to realize technological innovation by making full use of various
technological resources. We encourage universities, research institutes, and
large enterprises to open their research facilities to SMEs, encourage SMEs
to establish long-term cooperative relationship with universities and research
institutes and enhance linkage between industry and academia. We
encourage intermediary agencies of science & technology to provide
services fitting with SMEs. Now there are over 1,200 productivity
promotion centres which provide all kinds of technological services for
about 100,000 SMEs every year. In this information era, information
technology has become an important factor bearing on enterprises’
innovative capacity. We implemented the SMEs Informatization Program
and the Project of IT Application Training for One Million SMEs, uplifting
the informatization level of SMEs.

**Fourth, actively promote the platform of business support services.**
The practices by many countries have shown that consolidating the platform
of business support services plays an important role in enhancing SMEs’
technological capacity. In recent years, we have established platforms for
business support services in the regions where SMEs concentrate, provided
SMEs with services such as testing and inspection, R&D, industrial design,
and centralized pollution treatment. For example, from a sectoral
perspective, in the textile industry alone, platforms of business support
services have been developed in over 130 production zones, providing
services such as fashion design, fabric R&D, product testing and inspection,
and market information. From a regional perspective, more than 100
platforms of business support services have been set up in Zhejiang
Province, including industrial design centres, logistic centres, marketing
centres, electroplating centres and centralized sewage treatment facilities.

**Fifth, attach importance to training of innovative talent.** Sci-tech
innovation hinges on talented people as its foundation. Human resources
have become the most important strategic resources. To improve innovative
capacity of SMEs, we have attached more importance to vocational
education, continuing education and specialized training. Since 2003, we
have trained nearly one million managers and technicians through various
means and channels, and organized SMEs managers to participate in training
programs provided by prestigious universities such as Tsinghua University.
Besides, the environment for business start-up and innovation has been
actively improved, and outstanding Chinese students studying overseas are
attracted to return home and start up business. We endeavour to create a
favourable environment throughout the society for the growth of innovative
talents.

**Sixth, pay attention to Intellectual Property Rights (IPR) protection.**

To effectively protect IPR is an important guarantee to promote technological innovation. The Chinese government attaches great importance to the development of legal framework for IPR protection, consistently improves laws and regulations related to IPR protection, and severely cracks down on those IPR infringements according to law. In light of the existing problems in IPR protection related to SMEs, we have established markets for IPR trade, launched “A Tour of SMEs Patents,” and stepped up IPR protection.

**III. Developing Industrial Clusters and Invigorating Regional Economy**

Industrial clusters, characterized by the congregation of SMEs, draw increasing attention and have become the source of regional economic vitality and diversity. In the increasingly fierce global competition, single SME can hardly obtain competitive advantages. Thus, SMEs need to develop close partnership with each other, set up networks of production, technology and market, and give full play to the advantages of industrial clusters as a whole.

China has witnessed rapid growth of industrial clusters since the initiation of reform and opening-up. They now play a vital role in regional economic growth and industrial development. From a regional perspective, industrial clusters located in the eastern coastal provinces now account for more than 50% of industrial output of the region. Along with the implementation of China’s strategy of balancing regional development and the acceleration of regional economic restructuring, industrial clusters in the Central and Western Regions develop rapidly, while the clustering advantage of the equipment manufacturing industry are emerging in Northeast China.
From a perspective, industrial clusters exist in most traditional industries, including textile, apparel, leather, hardware, arts and crafts, and enjoy fast development in such high-tech and emerging sectors as information technology, bio-engineering, new materials, and the cultural creative industry.

According to China's practice and experience, industrial clusters demonstrate three features. First, "small products but big markets". The products from industrial clusters can be as small as buttons and zippers, but they take a large share in domestic and overseas markets. For example, the number of lighters produced in Wenzhou City, Zhejiang Province account for 80% of the domestic market and 30% of the international market. Second, "small enterprises but large-scale cooperation." Within the clusters there are many SMEs with a high level of specialization and collaboration. For instance, the socks clusters in Zhuji City, Zhejiang Province consist of over 3,600 enterprises, forming a network of sophisticated division of labor and collaboration. Third, "small clusters but great achievements" The development of industrial clusters expands employment, steps up the industrialization and urbanization in the underdeveloped regions, and enhances regional and industrial competitiveness. For example, in 2006, 40 industrial clusters located in the western Sichuan Province created about 400,000 job opportunities, promoting local economic and social development.

We think that industrial clusters are of great significance in helping SMEs pursue "Specialization, Excellence, Distinctiveness, Originality," strengthening their cooperation with large enterprises, and contributing to regional economic development. The government should facilitate and guide their development in the following aspects:

--- Actively advocate industrial clustering strategy. Since mid-
1990s, some countries and regions have started placing more emphasis on
the incubation, development, transformation and upgrading of industrial
clusters, and their efforts have led to achievements. We believe that, on the
basis of abiding by the rules of industrial cluster development, it is of
realistic importance to actively advocate and implement clustering strategy
for the development of regional economy and SMEs.

--- Facilitate innovation and upgrading of industrial clusters.
According to China’s practice and experience, the development of industrial
clusters faces such problems as underdeveloped technologies, insufficient
specialized services and slow brand building. Efforts must be made to take
advantage of regional characteristics, improve the level of specialization and
collaboration, improve the capacity of technological innovation, strengthen
the development of platforms for business support services, implement
brand strategies, and promote the transformation and upgrading of industrial
clusters.

--- Enhance the capacity of sustainable development. The
clustering development of SMEs is conducive to comprehensive utilization
of resources and development of the cyclic economy. However, it also
results in such negative effects as intensive pollution discharge and
environmental degradation. Efforts must be made to advocate concepts of
resource conservation, cyclic economy and environmental friendliness,
strengthen scientific planning, promote technologies of energy conservation
and pollution reduction, develop eco-friendly industry, adopt an integrated
approach to pollution control, and enhance the capability of sustainable
development.