A Dissertation on the Supply-side Reform of China’s Manufacturing Industry

GUOGANG LI and YUQI CHEN

ABSTRACT

In 2015, the "supply side reform" reform route put forward by China’s top executive become the hot high frequency words of people. Supply side reform, also known as "supply side of structural reform", is an economic reform strategy put forward by Chinese leadership under the current situation. As a pillar industry of China's economy, China’s manufacturing industry is facing the lack of effective supply of the situation at this stage. The main performance contains the low-end products overcapacity, high-end product capacity is insufficient or missing, the overall quality of the product is poor. In order to improve the effective supply of China's manufacturing industry, China should promote the spirit of artisans and innovative spirit in the enterprise, to promote the upgrading of manufacturing industries. In addition, China should encourage scientific and technological achievements into a sound patent protection system for the development of high-end manufacturing industry to provide good soil.

KEYWORDS
Supply-side reform; effective supply; craftsman spirit; innovation.

INTERPRETATION OF SUPPLY - SIDE REFORM

In November 2015, the 11th meeting of the Central Finance Leading Group proposed to "strengthen the structural reform of the supply side". In the subsequent introduction of the "thirteen five" plan, also clearly put forward "must be in the appropriate expansion of aggregate demand at the same time, efforts to promote the supply side of the structural reform."

"Supply school "is a school of economics that emerged in the United States in the 1970s. At that time the Keynesian demand management policy lapsed and the U.S. economy was in a state of "stagflation. "In order to solve the problem of economic stagnation, the supply school proposed Reform measures from the perspective of supply, emphasized the supply will automatically create demand and it will automatically adapt to changes in supply, hence the school of supply has its name. In a speech, President Xi Jinping explicitly pointed out: "China's supply-side structural reform is not the same as the Western supply-side theory. It cannot be regarded the supply-side structural reform as a replica of the western school of supply. We should also prevent some people from using them to promote neo-liberalism, take the opportunity to create negative public opinion. "

Guogang Li, 623398477@qq.com, Yuqi Chen, 531250980@qq.com, School of Tianjin University, Tianjin 300384, China.
Supply and demand are the two fundamentals of the inherent relationship of the market economy. They are both opposed and unified, and are inseparable from each other. Both supply-side management and demand-side management are macroeconomic regulation and control measures that need to be judged on the basis of the macroeconomic situation of a country. It is one-sided and undesirable to put aside the demand and talk about the supply or to leave the supply and talk about the demand. The supply school only focuses on supply and neglects the demand. The emphasis is on tax reduction and over-emphasis on tax rates. The method of thinking is relatively absolute, paying attention to market function and ignoring the role of the government, which leads to a great one-sidedness and limitation of its theory. The supply-side structural reform proposed by our country is based on the current national conditions of our country. While moderately expanding total demand, we are making efforts to promote the supply-side structural reforms, which emphasize both supply and demand. It is a more comprehensive reform strategy.

THE NEED FOR SUPPLY-SIDE REFORM

In recent years, many imported products are in short supply in China and the overseas purchasing industry is booming. Many people even frantically purchase various daily necessities such as rice cookers, toilet seats, baby formula, baby bottles, etc. when traveling abroad. On the one hand, various news media have reported that many industries are overcapacity in China. On the other hand Chinese consumers are consuming excessively abroad and show superb purchasing power. It is estimated that in 2016 Chinese tourists spent about 1.2 trillion yuan overseas. Another example is the steel industry. On the one hand, China's steel production capacity is seriously excessed. On the other hand, China still needs to import large quantities of fine steel and special steel from Germany and Japan each year because most of its production is crude steel and rebar. Facts have proved that the main problem of our economy at this stage is not the overcapacity caused by the lack of demand, but the mismatch between supply and demand. The demand of the nationals has changed. However, the supply of domestic products has not changed, and the quality and services have not been kept up. The mismatch between supply and demand leads to the shortage of effective supply capacity, while the shortage of effective supply capacity leads to a large amount of "demand spillover" and a serious outflow of spending power.

Insufficient effective supply capacity, mainly reflected in the following two aspects:

Overcapacity in low-end products, high-end products capacity shortage or missing

China is a manufacturing powerhouse. However, many products it manufactures are low-value-added low-end products. Although some industries produce end products in China, their upstream core technologies have been monopolized by foreign manufacturers. Take the ball-point pen as an example. Nowadays, 80 to 90 percent of the world’s ball-point are made in China. For the ballpoint pen this simple commodity, we are sure feel that there is not much technical content, China will certainly be able to create, but the fact is unexpected. In January 2016, Premier Li Keqiang revealed a "secret "at a meeting in Taiyuan: Last year, we imported some special-quality high-quality steel despite the serious over-production of steel. We do not yet have the ability to produce tool steel, including ball-point pen on the ball, which still need to be
imported”. If not, Premier Li Keqiang himself said, I believe that not many people will notice this detail. Although we produce the vast majority of ball-point pens in the world, we cannot afford to be shocked by the fact that we cannot produce small balls as a core accessory. For a product, the value of its core components often accounts for a large proportion of its total value, and thus manufacturers of core accessories are often the ones that make more money in the production chain. From this, we can see that even for such a low-end product such as a ball-point pen, we still need a large proportion of profits to “give up” to foreign manufacturers, let alone other higher-tech products. Core technology represents the core competitiveness. If China wants to achieve sustainable development and wants to maintain its own industrial advantages and competitive advantages, it should master the corresponding core production technologies.

Made in China, uneven quality, the situation is worrying

It is often said that shopping to choose inexpensive products, as opposed to cheap, Walmart is actually more important, in many cases cheaper just back to the next choice. In recent years, with the improvement of people's income level, people's consumption needs have also changed. They pay more attention to the quality and design of the product, and pursue the taste and grade. However, many Chinese enterprises are not aware of this change. They are still pursuing only output rather than quality, making a lot of mistakes, and some even resort to extremism in the pursuit of immediate benefits. In the past decade, the food industry has experienced frequent accidents because of product quality problems: from "Sudan Duck" to "Melamine Milk Powder", from "waste oil" to "lean pork", from "sulfur smoked ginger" to "Fu excessive rice." In March 2016, a problem vaccine incident took place in Shandong. In early June, another poisonous playground occurred in Beijing. The nerve of the Chinese people was stabbed by product made by china again and again. Facing with this situation, many frustrated Chinese consumers have to look to foreign product markets. Many people shop crazy when they outbound travel, there are many people choose Amoy sea or overseas purchasing.

SUGGESTIONS ON THE SUPPLY SIDE REFORM IN MANUFACTURING INDUSTRY

Learning Japan's craftsmanship and improving the overall quality of the manufacturing industry

When it comes to craftsmanship, the first reaction of many people is made in Japan, because many Japanese-made products reflect the craftsmanship of the Japanese masters. So what is the spirit of craftsmen? Striving for excellence and to achieve extreme quality of product and this is the artisan spirit. Quoting financial economist Wu Xiao Bo’s words, the spirit of craftsmen is: to do rice cooker, the rice can be crystal clear and do not load the pot; to make hair dryer, the hair dryer make the hair dry and smooth blowing; make kitchen knife, the knife make every housewife Hands up and down, easy and effortless; to do the mug, the mug make every traveler drink hot water in the snow; Why do so many Chinese want to go to Japan to buy toilet covers, buy thermos cups and rice cookers? In the final analysis because of the quality of products made by the Japanese people is better, people feel more comfortable and more at ease.
If we want to maintain China's advantage as a manufacturing power, if we want to promote industrial upgrading, we should learn from Japan's craftsmanship and do everything in our heart. We should transform artisan spirit into entrepreneurial spirit and turn "Made in China" into "Quality in China". In addition, the craftsman's spirit should not only be aimed at the high-end products, but also middle and low-end products. Since the middle and low-end products are the main body of the market, the effect of the supply-side reform can be truly reflected only by raising the overall level of the manufacturing industry in mid-lower end.

Encouraging innovation and promoting manufacturing transformation and upgrading

China is now the second largest economy in the world and the top two importers and exporters. However, so far, the economic achievements made by China are mainly based on a large amount of relatively cheap labor, relying on a large amount of resources and energy consumption instead of Scientific and technological innovation. This extensive model of economic development has played a significant role in economic development for a certain period of time. However, it is impossible for this model to be sustainable and to really bring the Chinese to the wealthy. To achieve sustainable economic development, China must implement an innovation-driven development strategy. The Outline of the 13th Five-Year Plan states: Innovation is the first impetus to development. We must put innovation at the core of the overall national development and constantly promote theoretical innovation, system innovation, technological innovation, New and cultural innovations, and make innovations run through all the work of the party and the state so that innovation can become common practice in society as a whole. So, what is innovation? Innovation is a conceptualization process characterized by new thinking, new inventions, and new descriptions. It originated in Latin, has three meanings: first, updating; second, creating new things; third, changing. In short, innovation can be summarized as two words “invention” and “creation”, any ideological or material inventions, can be regarded as innovation. Innovation is the power of human development. Innovation can lead the consumer trend. It is because of the great invention and creation again and again that human society can develop to such a prosperous state today. China is one of the four ancient civilizations. The four great inventions of ancient China were even more famous in the world. However, since the modern era, China has lagged far behind the Western countries in innovation. At present, China's economic development has entered a bottleneck period. How to break the bottleneck and catch up with the Western countries is only the road of innovation and development.

Encouraging the transformation of scientific and technological achievements, attaching importance to patent protection, and providing a good soil for the development of high-end industries

When it comes to innovation, what we cannot but say is the transformation of scientific and technological achievements, which is also a hot topic in the present China. China has the largest number of highly efficient graduates, engineers and doctors in the world. However, the ranking of China's economic innovative competitiveness has made people feel ashamed. The World Economic Forum released the Global Competitiveness Report in 2014, and the competitiveness of China in the whole of 49 major countries
and regions ranked 28th, belonging to the lower-middle level. In order to constantly inject power into economic development, we must constantly inject new ideas into innovation. To transform innovation into productive power, we need to have a smooth mechanism for transforming scientific and technological achievements. We must encourage and maintain the enthusiasm in innovation and sound Patent protection mechanism is also essential.

REFERENCES