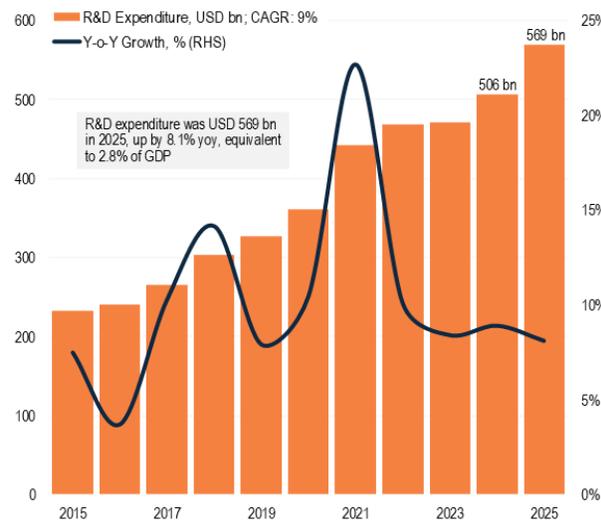


China Is Rewiring Its Innovation Model for Higher-Value Output

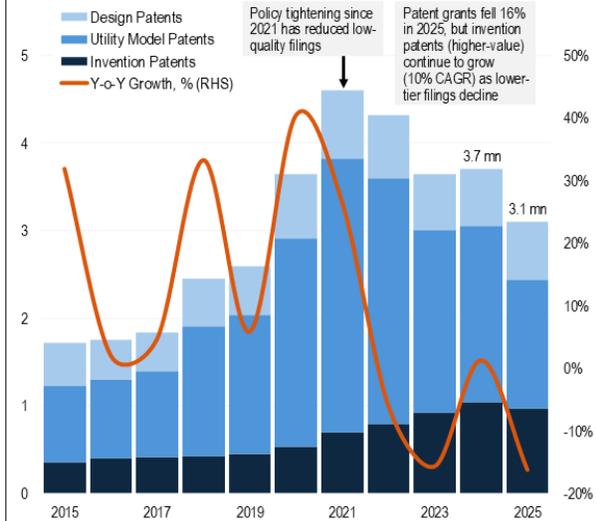
Sustained growth in R&D investment alongside declining filings suggests tighter standards and a reorientation toward higher-quality, application-driven innovation.

China R&D Expenditure, USD bn, and YoY Growth, % (RHS) (2015-2025)



Source: China National Bureau of Statistics, WIPO, World Bank, ANDAMAN PARTNERS Analysis

China Patents Granted by Category, Mn, and YoY Growth, % (RHS) (2015-2025)



China's innovation system is entering a more disciplined and commercially oriented phase. Research & Development (R&D) spending continues to expand at scale, reaching USD 569 billion in 2025, equivalent to 2.8% of GDP, placing China close to OECD levels and second globally in absolute terms behind only the U.S. Crucially, this expansion is increasingly enterprise-led, with firms driving a growing share of investment, an important signal that China's technological capabilities are deepening and becoming more commercially focused.

At the same time, the patent landscape is shifting. Headline patent volumes have declined since their 2021 peak, but this does not signal weakening innovation. Rather, it reflects policy tightening and the deliberate reduction of low-quality filings. Utility model patents fell sharply in 2025, while invention patents, which are typically higher-value and more commercially relevant, continued to rise. From 2015 to 2025, invention patents grew at a 10% CAGR, outpacing utility model patents (5%) and design patents (3%). The broader direction is clear: China is moving away from filing volume as an end in itself and toward more selective, defensible and application-oriented innovation.

The implication is that China is no longer optimising for scale alone, but for usable, defensible innovation with commercial and industrial relevance. That strengthens its position in advanced manufacturing, AI and industrial technologies, where R&D is increasingly tied to real-world deployment. It also raises the competitive bar for foreign firms, which are more likely to face

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technologically capable, IP-driven Chinese rivals. In practical terms, China's innovation system is becoming more sophisticated, more commercially relevant and more consequential for global industrial competition.

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