

# Evaluation of Policy Implementation to Support Innovation in Industrial Sector: A Case Study of the Textile Industry in Inner Mongolia, China

**Siqintana, Oyuntsetseg Luvsandondov, Batkhuyag Ganbaatar, Saiyinjiya & Bolor Khurelchuluun**

## Abstract

In the contemporary context, innovation stands as the primary propulsive agent in steering the course of social and economic advancement within any given nation. In accordance with prevailing global trends, nations have attained noteworthy accomplishments through the formulation and execution of innovation policies designed to enhance the progress of their domestic and sector-specific landscapes. The efficacy of any policy hinges upon its formulation with a forward-looking vision, steadfast implementation, and rigorous evaluation of outcomes. Innovation policy, as a pivotal instrument, assumes a guiding role in the advancement of a nation, region, and industry, informed by scientific and technological achievements, knowledge reservoirs, and innovative endeavors. Commencing in the latter part of the 1970s, China embarked upon a trajectory characterized by the implementation of an open economic policy. Within this overarching framework, notable emphasis has been placed on the widespread assimilation of scientific and technological progress, with particular emphasis on the industrial domain. This commitment to fostering technological prowess culminated in the formal adoption of the "Innovation-Oriented Economic Development Strategy" in the year 2006. This milestone document represents the government's inaugural articulation of its primary policy directive pertaining to innovation-driven economic development. The focus of this study centers on the examination of relatively large factories engaged in the production of wool and cashmere products within the textile industry of Inner Mongolia, China. The research encompasses an investigation into the developmental experiences related to innovation within this sector. Furthermore, it includes an analysis of the innovation policy endorsed by the government for this industry, along with an evaluation of its practical implementation.

**Keywords:** *Industrial sector, Innovation, Implementation of innovation, Innovation policy, Textile industry, Production of wool and Cashmere products.*

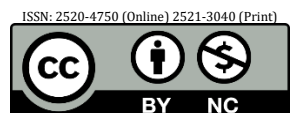


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## 1. Introduction

China is currently transitioning from a phase characterized by high economic growth to one focused on qualitative development. In the 2022 special report on China's high-quality development, it emphasized that "the primary objective of building a modern socialist nation comprehensively is the construction of high-level and high-quality development." The government is committed to supporting enterprises comprehensively, ensuring the provision of accessible and efficient infrastructure to promote the creation of sustainable value, establishing a sophisticated institutional framework, and cultivating a favorable policy environment" (China, 2022). In its assessment of global country competitiveness, the Swiss Institute for International Management Development (IMD) assigns considerable importance to the evaluation of government policy formulation and its subsequent execution. As per the institute's 2022 report, China attained the 29th position among 63 nations in the category of government performance. This ranking reflects a noteworthy upward trajectory in China's performance over the past decade. Particularly noteworthy is China's achievement of the 4th position in terms of the likelihood of successfully implementing government policies, underscoring its proficiency in policy execution (IMD, 2022; Choi et al., 2011). Moreover, the resolution passed during the 20th National Congress of the Communist Party of China in October 2022 underscores the critical significance of "ensuring transparency in government policies and operations." It places strong emphasis on the accessibility of policies, legal documents, rules, regulations, and standards at all organizational levels, not only for public access but also for international scrutiny. This approach seeks to foster opportunities for global engagement and international accessibility (China, 2022). This represents a pivotal objective within the country's new stage of development strategy. Science and technology innovation policy serves as a crucial strategic instrument for fostering innovation within enterprises and organizations. It has been characterized as the most significant exogenous variable in this context (Cirera et al, 2020; Wu, 2022; Choi et al., 2011). As the quantity and breadth of policies expand, the intricacies associated with the implementation of innovation concurrently rise. Within this context, it becomes imperative to undertake a comprehensive evaluation encompassing both the current state and the efficacy of innovation policies in practical application (Wu, 2022). In this context, initial methodologies for evaluating innovation policies, as adopted by international organizations and developed nations, are informed by reference and support policies aimed at stimulating the adoption and progression of innovation within enterprises. For instance, publications such as the "Frascati Guide" and the "Oslo Guide," issued by the Organization for Economic Co-operation and Development (OECD), underscore the paramount importance of research and analysis in innovation policy. These guides offer comprehensive guidance on fundamental analytical techniques geared toward fostering innovation within organizations and enterprises (OECD, 2015; OECD, 2018). Therefore, it is imperative to undertake research focused on the implementation of policies designed to bolster innovation development within China's industrial sector. In 2022, according to the Global Innovation Index (GII), China secured the 11th position, marking a significant advancement of 23 places compared to its 2012 ranking, when it stood at 34th. Notably, in terms of policy indicators, China was ranked 42nd out of 132 countries, a significant improvement of 19 places compared to the previous year (WIPO-PUB, 2022). Hence, investigating the government's policies for fostering innovation in China's industrial sector, evaluating their implementation status, and analyzing the outcomes becomes of paramount significance from both theoretical and practical perspectives. Guided by the innovation system

theory, this study was undertaken with the primary objective of elucidating the nature of policy support and its practical implementation at the industrial and enterprise levels.

## **2. Literature review**

The textile industry holds a pivotal role in both the global economy and the economic landscape of Inner Mongolia, China. This literature review aims to provide an in-depth exploration of the nexus between innovation policies, their implementation, and their consequences within the context of the textile industry in Inner Mongolia. Drawing upon an extensive body of research, this review highlights key themes and insights into the multifaceted relationship between innovation, policy, and the textile sector.

### **Innovation Policies: Catalysts for Progress**

In today's global economy, innovation stands as a cornerstone for economic growth and competitiveness (Chesbrough, 2003). Innovation policies, therefore, serve as essential instruments to foster an environment conducive to technological advancement and economic development. These policies encompass a wide spectrum of initiatives, including substantial investments in research and development (R&D), intellectual property protection, and support mechanisms for technology adoption across various industries (Mowery, 2010).

### **Policy Implementation: Navigating Challenges**

The successful implementation of innovation policies is paramount for realizing their desired impact. However, policy implementation is a complex and intricate process fraught with multifarious challenges (Sabatier, 1986). Bureaucratic impediments, resource constraints, and resistance to change are among the factors that can hinder the translation of policy objectives into tangible outcomes (Pressman & Wildavsky, 1973). An in-depth comprehension of these implementation challenges is essential for a comprehensive evaluation of innovation policies in Inner Mongolia's textile industry.

### **Textile Industry in Inner Mongolia: An Evolving Landscape**

Inner Mongolia's textile industry, with its unique blend of nomadic heritage and economic transformation, provides a distinctive backdrop for examination. Historically renowned for producing high-quality wool and cashmere products (Mackerras, 1972), the industry has traversed a transformative journey from traditional craftsmanship to modern industrialization. This evolution has been influenced by a fusion of local cultural heritage and global market dynamics (Chuluun, 2015).

### **Innovation-Driven Development in China: A National Imperative**

China's commitment to fostering innovation has been central to its economic strategy (National Development and Reform Commission, 2016). Landmark initiatives such as the "Made in China-2025" program and the "Innovation and Entrepreneurship Action Plan" underscore the government's dedication to promoting innovation across sectors, including textiles (State Council, 2015). To comprehensively assess their impact, it is imperative to discern how these national-level policies are transmuted at the regional and industry-specific levels.

### **Case Studies and Empirical Insights: Unveiling Practical Implications**

Several studies have delved into the intricate relationship between innovation policies and China's textile industry. Research by Jiang et al. (2018) scrutinizes the effects of government

subsidies on innovation performance within textile firms, providing practical insights into policy support. Furthermore, Li et al. (2019) investigates the role of intellectual property protection in nurturing innovation within the textile sector.

Moreover, innovation policies are a driving force behind economic development and technological progress in Inner Mongolia's textile industry. Nonetheless, their effective implementation remains a formidable challenge. This literature review underscores the significance of comprehending the intricacies of policy execution within the unique cultural and economic milieu of Inner Mongolia. By synthesizing a diverse body of research, this study endeavors to contribute to a nuanced assessment of policy implementation and innovation in the textile industry of Inner Mongolia, thereby offering invaluable insights for policymakers, industry stakeholders, and scholars.

### **3. Research Methodology**

Qualitative research methods, encompassing the case study approach (both qualitative and quantitative), document analysis, content analysis, expert evaluation, and interviews, were employed in the research study (Wang et al., 2015; Yu, 2013). In the research, legal documents and reports pertaining to the policies and activities of government institutions in China and Inner Mongolia, relevant ministries, and local administrative institutions were examined. Furthermore, data sourced from the National Statistics Committee and information obtained from wool and cashmere product manufacturers such as "Ordos Cashmere" Group and "Dongli Cashmere" LLC were utilized in the study (Liu, 2019). In the research, the two aforementioned companies were examined as case subjects, and an expert evaluation study was conducted, involving the management teams of these companies, to evaluate the degree of implementation of the innovation support policy. The expert evaluation method, which has become a widely used assessment approach, was employed in this context (Szmanda et al., 2020; Benke, 2012). The primary variants of this method encompass the individual evaluation method, expert interview method, and Delphi method. The individual evaluation method primarily relies on the assessment provided by managers with a deep understanding of enterprise operations and processes (Xiaoting et al., 2016; Karetnikov et al., 2021). Therefore, in this research, we examined the degree to which innovation support policies were implemented in two companies. Additionally, we aimed to assess the policy's outcomes by soliciting evaluations from the management teams of these companies. Research scientists have conducted numerous studies on innovation support policies, developing and proposing various indicators to assess their implementation from multiple perspectives. These indicators encompass areas such as the evaluation of science, technology, and innovation policies, particularly those related to human resource policies, government initiatives, pre-tax deductions for research and development (R&D) expenditures, tax incentives, technology funding, and policies facilitating the transformation of scientific and technological achievements into innovation. These diverse aspects have been examined as tools and indicators for assessing policy support (Wu, 2015; Yu, 2013). Furthermore, Zhang (2018) has categorized science, technology, and innovation policies into five distinct categories, which include policies designed to promote talent acquisition, subsidies, preferential tax policies, public procurement initiatives, and policies related to service outsourcing (Zhang, 2018). Furthermore, J.Oyuntsetseg (2019) evaluated both financial and non-financial facets of innovation policy support in Mongolia. These encompass direct investment support, grants, concessional loans to state-owned enterprises, subsidies, price regulation, tax reductions, customs duty reductions, exemptions, and 14 other

indicators of support, including foreign trade regulation, government procurement, intellectual property support, innovation market development support, human resource training and development support, market and sales support, export support, and innovation product sales and service support (Oyuntsetseg, 2019). The study's comprehensive analysis has yielded a set of 14 primary criteria encompassing various forms of policy support, both financial and non-financial. These criteria encompass a wide range of mechanisms, including government direct investment support, grants, discounted loans to state-owned enterprises, subsidies, price regulation, discounts and exemptions from taxes and customs duties, regulation of foreign trade, government procurement, intellectual property support, support for innovation market development, human resource training and development support, market and sales support, export support, and innovative product sales and service support.

**Table 1 . Expert evaluation questionnaire**

No	
<b>Policy Supports</b>	
1	How does the company's management evaluate the direct investment support provided by the government to the company?
2	How does the management of the company evaluate the grants and grants provided by the government to the company?
3	How does the management evaluate the subsidized loan support provided by the government to the state-owned enterprises?
4	How does the management evaluate the subsidy support provided by the government to the company for the development of innovation?
5	How does the management of the company evaluate the price regulation support provided by the government to the company?
6	How does the management of the company evaluate the state tax and customs tax concessions and exemptions provided by the government to the company?
7	How does the management of the company evaluate the impact of foreign trade regulations implemented by the government on the company?
8	How does the management of the company evaluate the state and government purchases made by the company?
9	How does the company's management evaluate the support given by the government to the effectiveness of enterprise innovation and protection of intellectual property?
10	How does the company's management evaluate the government's support for the development of the innovation market provided to the company?
11	How does the company's management evaluate the government's support for human resources training and development provided to the company?
12	How does the management of the company evaluate the market and sales support provided by the government to the company?
13	How does the management of the company evaluate the export support provided by the government to the company?
14	How does the management of the company evaluate the support of innovative products and services provided by the government to the company?
<b>Triple Helix</b>	
15	How does the company's management evaluate its collaboration with universities and academic institutions?
16	How does the company's management evaluate government support for innovation partnerships and cooperation with universities and academic institutions?
17	How does the company's management evaluate the policy and regulation of relations between corporate governance and universities and academic institutions?

Furthermore, the study acknowledges the vital role of government policy in facilitating industrial sector development, aligning with the Triple Helix model's principles involving collaboration with universities and academic institutions (Etzkowitz, 2003). Additional criteria were introduced to evaluate this dimension, encompassing the level of collaboration with universities and research institutions, government support for university partnerships, and the

extent of coordination among enterprises, government entities, and universities and academic institutions. These criteria, totaling 17, were subjected to rigorous assessment by the two organizations' managers, as outlined in Table 1. This comprehensive framework provides a robust foundation for evaluating the multifaceted landscape of policy support within the industrial sector, ensuring a nuanced and holistic perspective in our research.

Top-level management employees of the companies, including heads of research and development (R&D), technical departments, financial departments, and other relevant departments, used the following criteria for evaluation (see Table 2).

**Table 2 . Criterion level of expert evaluation**

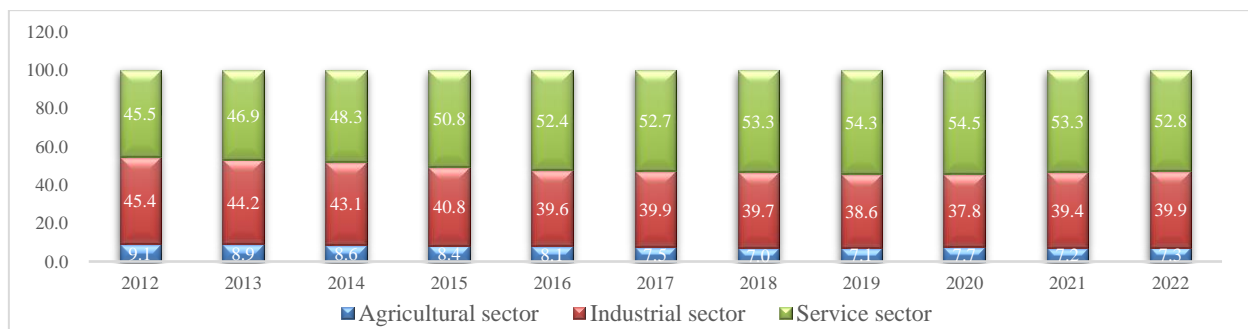
No	Evaluation percentage	Level	Evaluation result
1	[75.0 - 100]	High	Excellent policy implementation
2	[50.0 - 75.0]	Relatively High	Good policy implementation
3	[25.0 - 50.0]	Average	Moderate policy implementation
4	[0 - 25.0]	Below	Poor policy implementation

Source: Researcher processing

#### 4 . Research Results

##### Economic situation of China and Inner Mongolia

As of 2022, when analyzing the composition of China's economy across its three primary sectors, the agricultural sector accounted for the smallest portion of the GDP, constituting 7.3 percent. In contrast, the industrial sector represented 39.9 percent of the GDP, while the service sector claimed the largest share at 52.8 percent. Over the past five years, the distribution of these sectors within the GDP has exhibited relative stability (see Figure 1).



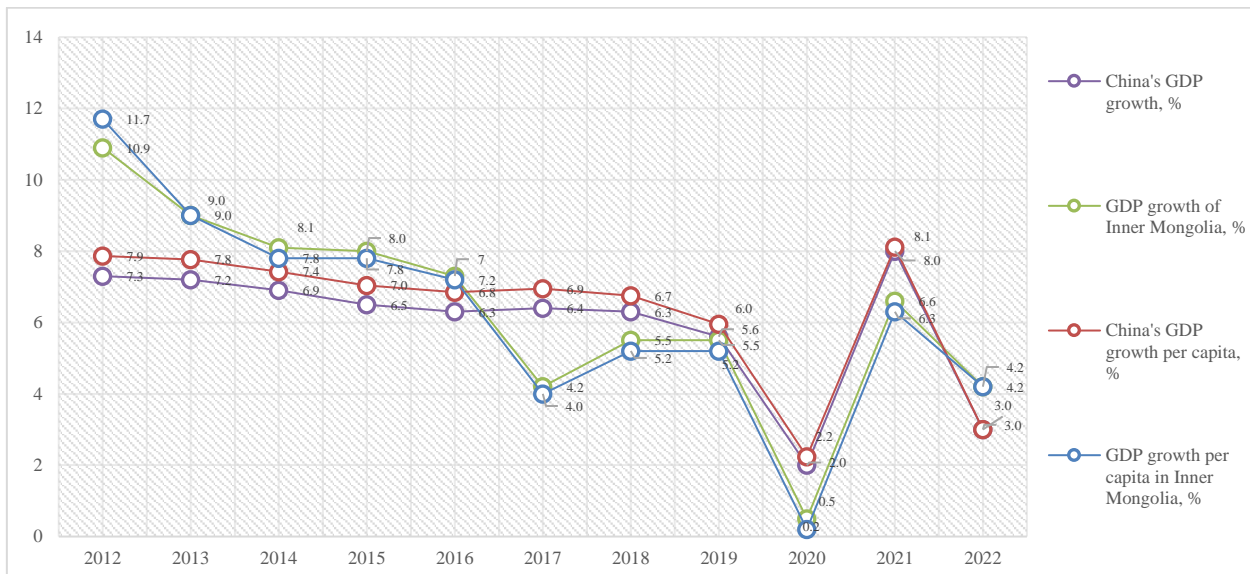
Source: National Statistics Committee data, 2022

**Figure 1 . The structure of China's GDP sector, in percent, 2012-2022**

In 2022, the added value of the industrial sector amounted to 7,189.0 billion USD (48,316.4 billion RMB)<sup>1</sup>, marking a 3.8% increase from the previous year. The agricultural sector's added value reached 1,314.5 billion USD (8,834.5 billion RMB), reflecting a 4.1% increase from the previous year. The service sector's added value reached 9,503.2 billion USD (63,869.8 billion RMB), showing a 2.3% increase from the previous year (National Statistics Commission of China, 2022). According to national statistics, both China's GDP and GDP per capita, as well as those of Inner Mongolia, exhibited a general downward trajectory from 2012 to 2020. However, they experienced a significant upswing in 2021 following the COVID-19 pandemic. Nevertheless, in 2022, these figures declined compared to the preceding period. Over the past

<sup>1</sup> In 2022 (1 RMB=0.14879 USD).

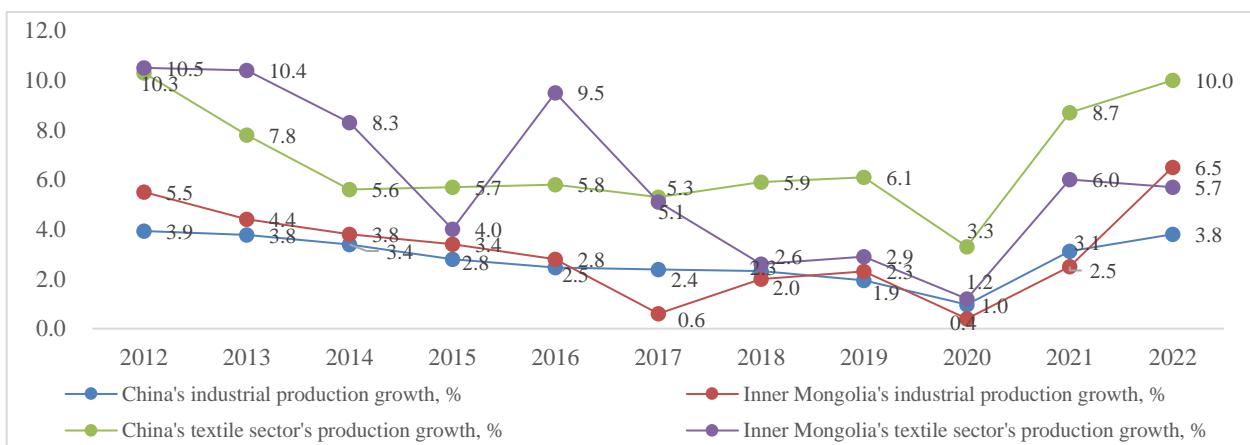
decade, from 2012 to 2022, China's GDP witnessed an average annual growth rate of 6.5 percent, and its GDP per capita grew by an average of 6.9 percent. In the case of Inner Mongolia, the average annual growth rate for GDP was 6.4 percent, with GDP per capita also growing at an average rate of 6.9 percent during the same period (see Figure 2).



Source: National and Inner Mongolia Statistical Committee data, 2022

**Figure 2 . China and Inner Mongolia GDP and GDP per capita dynamics, 2012-2022**

Regarding the industrial sector, the production dynamics of products showed a decline from 2012 to 2020 but began to rebound in 2021. As of 2022, China's industrial sector saw a 3.8% increase in output, while Inner Mongolia experienced a more substantial growth of 6.5%. Looking specifically at the textile industry, both China and Inner Mongolia exhibited strong growth in 2012, with rates of 10.3 percent and 10.5 percent, respectively. However, these growth rates gradually declined and reached between 1.2 and 3.3 percent in 2020, which was influenced by the COVID-19 epidemic. In contrast, Inner Mongolia's textile industry maintained a growth rate of 5.7 percent during 2022 (see Figure 3).



Source: Data from the National Statistics Committee, China, 2022

**Figure 3 . Dynamics of production in the industrial and textile sectors of China and Inner Mongolia, 2012-2022**

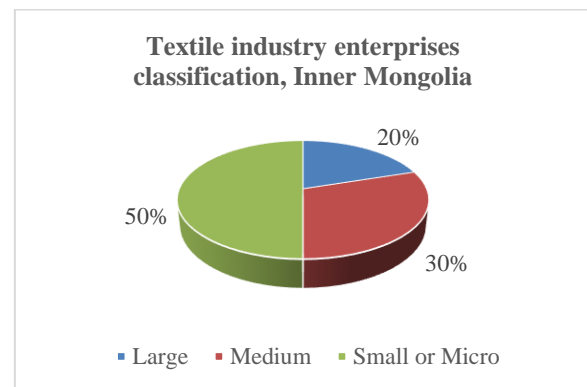
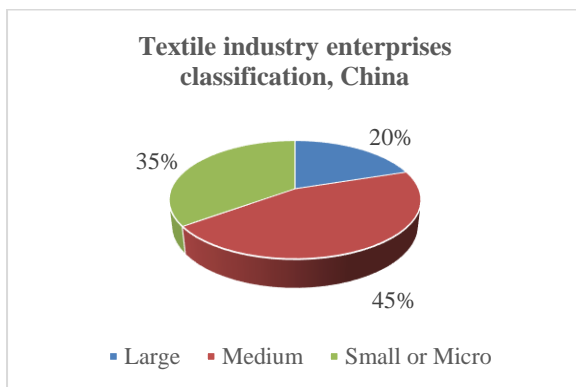
Based on the information provided, it is evident that the textile industry has maintained a relatively high growth rate. As of 2022, the total production of the textile industry in China reached 335.7 billion USD, accounting for 4.7 percent of the total output of the industrial sector. In the case of Inner Mongolia, the industry's total production amounted to 84.4 billion USD, representing a substantial 25 percent of the country's textile industry. Currently, there are a total of 42,000 enterprises operating in China's textile industry, employing over 1 million people. In Inner Mongolia, there are nearly 2,000 enterprises in this sector, providing employment to more than 40,000 people (see Table 3).

**Table 3 . Some Key Performance Indicators of the Textile Industry, as of 2022**

№	Indicator	China		Inner Mongolia	
		Amount	Share of the Industry (%)	Amount	Share in the textile industry (%)
1	Total output of the textile industry ( billion RMB/usd)	2256.0/335.7	4.7	567.2/84.4	25.0
2	Number of employees (thousand)	1100.0	2.1	40.0	3.7
3	Number of textile industry enterprises	42000	10.0	1982	4.7

Source: National and Inner Mongolia Statistical Committee data, China, 2022

In the textile industry, enterprises are categorized as follows: large enterprises constitute approximately 20% of the sector, medium-sized enterprises account for around 45%, and small and micro enterprises make up roughly 35% of the industry at the national level. Interestingly, in Inner Mongolia, approximately half of the enterprises within the sector fall into the small or micro enterprise category, surpassing the national average (Notice, 2022) (see Figure 4).



Source: National Statistics, 2022

**Figure 4. Textile industry enterprises in China and Inner Mongolia categories and percentages**

The two enterprises selected for the research exhibit distinctive characteristics. "Ordos Cashmere" Group is classified as a large enterprise, while "Dongli Cashmere" LLC falls into the medium-sized enterprise category. Established in 1980 and located in Ordos, Inner Mongolia, "Ordos Cashmere" Group not only stands as the largest factory in the city but also enjoys global recognition as a prominent brand specializing in wool and cashmere products. Moreover, it holds the prestigious distinction of being among China's top 100 private sector enterprises. As of 2022, the production volume of cashmere products originating from Ordos City accounts for 52% of Inner Mongolia's production, 22% of the national production, and 13% of the global production (Baidu, 2020). Notably, "Ordos Cashmere" Group plays a significant role in these



figures, contributing 35% to Inner Mongolia's production, 14% to the national production, and 13% to the global production, further solidifying its prominent position in the industry (a 10% share of Inner Mongolia, 14% of the national production, and 13% of the global production) (Ordos Statistics Department of Inner Mongolia, 2022). "Dongli Cashmere" LLC is situated in Chifeng, Inner Mongolia, and it holds a significant position as one of the top 50 private sector enterprises in China and one of the top 10 export brands in the country's cashmere industry. As of 2022, the total revenue generated by "Dongli Cashmere" LLC represents 22.4% of Inner Mongolia's production, 5.8% of the national production, and 0.2% of the global production. The company primarily exports more than 70% of its products to countries and regions including Italy, Switzerland, the United Kingdom, the United States, Canada, Germany, France, Japan, and Hong Kong (Dongli Cashmere, 2022). In the same year, 2022, "Ordos Cashmere" Group reported a sales revenue of 305.7 million USD, reflecting an 18.3% decrease compared to the previous year. On the other hand, "Dongli Cashmere" LLC achieved a sales revenue of 80.9 million USD, indicating a notable increase of 31.4% compared to the previous year (see Table 4).

**Table 4 . General information about companies**

No	Content	"Ordos Cashmere" group	"Dongli Cashmere LLC"	Sum	Percentage (%)
1	Production volume (billion RMB/usd)	382/ 56.8	20/ 3.0	59.8	70.8*
2	Number of employees	3638	1200	4838	12.1*
3	Share of cashmere products in production, %	35% of Inner Mongolia, 14% of the country, 10% of the world	22.4% of Inner Mongolia, 5.8% of the country, 0.2% of the world	57.4%	57.4*
4	Operating income (billion RMB/USD)	33.3/ 5.0	5.4 / 0.8	38.7/5.8	24.3*
5	The total land area of the enterprise (thousands of m <sup>2</sup> )	1000	19.8	1019.8	0.09**

Source: Output of the study

**Note:** \*The share of Inner Mongolia's textile products in the total production

\*\*Share of the total land area of Inner Mongolia

The two chosen enterprises, the focal points of our research, hold immense significance in the textile industry of Inner Mongolia. Their combined influence is undeniable, accounting for a substantial share of the region's textile industry. Remarkably, these enterprises contribute to a remarkable 70.8% of Inner Mongolia's textile industry production, underscoring their pivotal role in the sector's manufacturing landscape. Furthermore, they represent a substantial 24.3% of the total sales revenue in the textile industry, illustrating their considerable economic footprint. Beyond this, they provide employment opportunities for 12.1% of the total workforce in the textile industry, highlighting their importance as major employers within the region. In this context, the influence of government policies on industrial innovation is paramount. As we delve into our research, we recognize the pivotal role that government regulation mechanisms play in nurturing and steering innovation within the industrial sector, ultimately contributing to the remarkable impact of these enterprises. According to research findings, government regulation related to innovation primarily focuses on the following areas: **Regulation of Innovation Policy and Strategy:** This encompasses several facets, encompassing the anticipation of future perspectives in the realms of science, technology, and innovation development, charting the trajectories of technological advancement, crafting national innovation policies and strategic blueprints, delineating priorities within the domains

of science, technology, and innovation, instigating programs and projects, and instituting the National Innovation System. Furthermore, it entails the formulation and execution of mechanisms aimed at addressing challenges, including the establishment of a vibrant innovation ecosystem.

**Law and Regulation of Innovation:** Legislation plays a pivotal role in supporting different facets of innovation. This includes the enactment of laws related to science, technology, innovation, entrepreneurship, startup businesses, intellectual property protection, utilization of intellectual property, standardization, metrology, quality assurance, labor safety, consumer interests, environmental protection, standards, methodologies, and recommendations. These legal frameworks serve as solutions and mechanisms for the development and implementation of innovation-related initiatives.

**Financial and Economic Regulation of Innovation:** Within this framework, economic incentives are provided to support participants engaged in science, technology, and innovation activities. These incentives can include measures such as tax credits, exemptions, government procurement and orders, financial and capital support, innovation funds, venture capital funds, equipment leasing, and rental options, as well as the development of innovation infrastructure, clusters, and science and technology parks.

**Regulation of Innovation Statistics and Information:** This domain concentrates on the regulation of data and information pertaining to innovation. It encompasses a wide array of dimensions, including the results of scientific research, scientific and technological accomplishments, the progression of innovation, participation in science, technology, and innovation endeavors, technological advancements, methodologies, equipment, intellectual property rights, patents, and the legal framework governing innovation. It also encompasses the compilation of data associated with regulatory aspects, innovation requirements and requisites, market trends, and the establishment of a statistical database encompassing activities in the realms of science, technology, and innovation.

These regulatory domains collectively establish the framework through which governments foster and promote innovation within the industrial sector, cultivating an environment conducive to technological progress and economic expansion. Government support for advancing innovation within the industrial sector can manifest in diverse forms, encompassing both financial and non-financial measures. As revealed by the research, the Chinese government has established an extensive regulatory framework comprising over 2,400 policy and legal documents aimed at facilitating the development of the industrial sector, science, technology, and innovation. These documents are categorized according to the findings of content analysis. As of the present, the Chinese government has ratified more than 2,400 policy and legal documents to facilitate the growth of the industrial sector, science and technology, and innovation. Our exhaustive content analysis encompassed a wide spectrum of crucial aspects related to government support and regulation of innovation within the industrial sector in China. This analysis included a thorough examination of three primary categories of documents: Legislation, Government policy and strategic planning documents, and Guidelines, procedures, and standard documents. The distribution of these documents revealed a nuanced approach by the Chinese government to stimulate and oversee innovation. Legal Documents, constituting a modest 5.6% of the total, lay the foundational legal framework upon which innovation policies are constructed and enforced. In contrast, Government Policy and Strategic Planning Documents, comprising a substantial 32.9% of the total, outline the overarching strategic vision and direction employed by the government to catalyze innovation and

industrial growth. The majority of the documents, accounting for a significant 61.5% of the total, fall under the category of Guidelines, Procedures, and Standard Documents. These documents play a pivotal role in the everyday implementation of innovation policies, offering comprehensive guidance and setting crucial standards for enterprises and institutions alike. This diversity and abundance of policy and legal instruments underscore the multifaceted and comprehensive approach taken by China's government to both support and regulate innovation within the industrial sector. Furthermore, it underscores the government's commitment to leveraging a combination of legal and non-legal mechanisms to cultivate an environment conducive to technological progress and robust economic development.

**Table 5 . Policies and legal documents for the development of industrial sector, science and technology and innovation**

No	Legal documents	Documents	Percentage (%)
1	Legislation	140	5.6
2	Policy and strategic planning	818	32.9
3	Guidelines, procedures and standard documents;	1528	61.5
	Total	2486	100

Source: Output of the study

China's approach to regulating its industrial sector, science, technology, and innovation is characterized by a diverse array of legislation, policy directives, and strategic initiatives. Within the legislative realm, key laws such as the Industries Act of 2009, PRC SME Promotion Law of 2017, National Science and Technology Awards Procedure Act of 2020, and Copyright and Intellectual Property Law of China in 2020 lay down the legal foundations for various aspects of industrial development, intellectual property protection, and support for small and medium-sized enterprises (SMEs). The Law on the Advancement of Science and Technology of China (2021), Patent Law of China (2021), Government Procurement Act (2022), Trademark Law of China (2023), and China Technology Contract Law (2023) further contribute to the regulatory landscape governing innovation, technology transfer, and intellectual property rights.

Complementing this legislative framework, China has crafted a host of strategic and policy documents that guide the nation's journey towards technological advancement and industrial growth. These encompass a wide spectrum, from the National Science and Technology Small and Medium Enterprise Development Policy of 2008 to the XIV Five Year Plan (2021-2025) adopted in 2020, which outlines comprehensive development goals for science and technology. Initiatives like the "Made in China-2025" program (2015) and the "Innovation and Entrepreneurship Action Plan" (2015) provide roadmaps for fostering innovation, while funding policies like the SME Innovation Fund Policy (2019) and the Technology Innovation Fund Policy to Support SMEs (2019) serve to fuel technological progress. Moreover, guidelines, procedures, and standards play a pivotal role in shaping the innovation landscape, as evident from the Regulations for the Implementation of Public Procurement Policy to Support Domestic Innovation (2006) and the Rules for Establishing New Model Industrial Zones (2012). These regulations, along with others such as the Regulations on Infrastructure Construction for Innovation and Entrepreneurship Development (2015), contribute to the systematic development of innovation ecosystems and research infrastructure. On a regional level, Inner Mongolia's government has taken decisive steps to stimulate its textile industry, especially in the production of wool and cashmere products. These local policies and planning documents, detailed in Table 6, exemplify the region's commitment to aligning with national strategies for

technological development and innovation, emphasizing sustainability and growth in the textile sector. Together, these diverse instruments underline China's dedication to promoting innovation, fostering technological advancement, and steering industrial development on both a national and regional scale.

**Table 6 . Inner Mongolia and local government policy and strategy documents**

No	Year	Documents
<b>Policy, strategy and planning documents:</b>		
1	2022	China's Cross-Border E-Commerce Comprehensive Pilot Zone Plan in Ordos (Government)
2	2021	The 14th Five-Year Plan for Industrial and Information Development in Inner Mongolia (Government)
3	2021	Development Plan for the Green Agriculture and Animal Husbandry Raw Materials Processing Industry in Inner Mongolia (2021-2025) (Government)
4	2020	Action Plan for the Progressive Development of the Traditional Industrial Sector in Inner Mongolia (Department of Industry and Information Technology)
5	2023	5-Year Plan for the Development of Chifeng High-Tech Zone (2023-2027) (Government)
6	2023	Chifeng Industrial Park Development Action Plan (2023-2025) (Government)
7	2023	Action Plan for the Intensification of the Wool Processing Industry in Chifeng City (2023-2025) (Government)
8	2021	The 14th Five-Year Plan for the Development of the People's Economy of the People's Republic of China: Development of the Industry and Information Technology Sector (2021-2025) (Government)
9	2018	Action Plan for Green Transformation in Traditional Industries of Chifeng City (Government)
10	2023	Work Plan to Support Enterprises in Ordos City to Overcome Difficulties (Government)
11	2022	Ordos City and Management's Main Focus on Industrial Enterprise and Industrial Park Work Plan (Government)
12	2022	Some Implementation Policies of Ordos City for the Quality Development of the National and Inner Mongolia Service Industry (Government)
<b>Guidelines, procedures, and standards:</b>		
13	2021	Government Instructions on the Distribution of Responsibilities and Related Materials for Inner Mongolia's Main Industrial Chains
14	2021	General Regulations on the Implementation of Inner Mongolia's 14th Five-Year Science and Technology Reform Plan
15	2021	Regulations on Strategic Planning for the Recovery and Improvement of Cashew Production in Inner Mongolia (Department of Agriculture and Livestock)
16	2021	Ordos City Private Sector Economy Support Procedure (Ordos City IV People's Congress)
17	2021	Government Implementation Instructions for the 14th Five-Year Period to Intensify the Development of Scientific and Technological Innovation
18	2020	Government Instructions on the Intensification of High-Quality Development of Agriculture and Animal Husbandry

Source: Output of the study

When analyzing the content of the aforementioned more than 2400 policies and legal documents, various types of financial and non-financial support for innovation activities in the industrial sector were identified. Provisions related to financial support constitute 31.3% of these documents, while provisions related to non-financial support make up 68.7%. Among these, measures and regulations related to intellectual property support account for the highest share at 20.2% (see Table 7).

The support provided in the aforementioned documents of laws, policies, and planning related to the development of the industrial sector, science, technology, and innovation can be summarized as follows, for example: Promoting technological innovation and invention by establishing an optimal protection mechanism for patents of useful models and designs and granting patent and trademark privileges. Increasing investment in science and technology to create a favorable environment for innovation and to train creative and skilled experts who can support industrial and technological innovation. Supporting the increase of research and

analysis investment by enterprises and enhancing technological innovation capacity through measures such as tax relief, science and technology innovation funds, and financing for science and technology projects.

**Table 7 . Key measures to support innovation activities in the industrial sector**

No	Measures to support innovation	Number of clauses	Percentage (%)
<b>I. Financial support</b>		<b>778</b>	<b>3 1.3</b>
1	Government Direct Investment Support	79	3.2
2	Grants	44	1.8
3	Discounted Loans to State-Owned Enterprises	136	5.5
4	Subsidies	152	6.1
5	Price regulation	267	1 0.7
6	Discounts and Exemptions from Taxes and Customs Duties	100	4.0
<b>II. Non- financial support</b>		<b>1708</b>	<b>6 8.7</b>
7	Regulation of Foreign Trade	227	9.1
8	Government Procurement	81	3.3
9	Intellectual Property Support	501	20.2
10	Support for Innovation Market Development	314	12.6
11	Human Resource Training and Development Support	117	4.7
12	Market and Sales Support	85	3.4
13	Export Support	205	8.2
14	Innovative Product Sales and Service Support	178	7.2
Total		2486	100

Source: Output of the study

Providing financial support to science and technology enterprises through government science and technology and innovation funds. Implementation of Industrial Innovation Policy The Chinese government has placed significant emphasis on the effective and continuous implementation of policies to support the industrial sector, science, technology, and innovation. When examining the outcomes of these policies, it's evident that substantial progress has been made. For instance: By 2022, China's R&D investment had reached 3.09 trillion RMB (\$0.5 trillion USD), tripling since 2012, making it the second-highest in the world. The share of research and development (R&D) investment in GDP increased from 1.91% in 2012 to 2.55% in 2022, surpassing the average level of European Union member states. Funding for basic research amounted to 195.1 billion RMB or \$29.0 billion USD, a 3.9-fold increase since 2012, accounting for 6.32% of total R&D investment and maintaining over 6% growth. In 2022, state support for innovation in the industrial sector amounted to 4,016.4 billion RMB or \$597.6 billion USD, a 3.4% increase from 2021. The national program "Made in China-2025" aims to support the transformation and innovation of traditional manufacturers and the development of strategically important new enterprises. By 2022, new factories contributed 14.1% of the total value of the national industrial sector. To foster the science, technology, and innovation sector, the government introduced the "Thousand Specialist Program" and "Ten Thousand Specialist Program" to attract top domestic and foreign experts to the country and localities, strengthening innovation human resources. The "Thousand Specialist Program," initiated in 2008, invited skilled engineers and scientists abroad to return and work in China, addressing issues related to working conditions, salary provisions, and social concerns. As a result, approximately 2,000 top experts were recruited and employed in innovation sectors and high-tech industrial development zones, each receiving a 1 million RMB (US\$148.79) bonus from the government. Since 2012, the national special program "Ten Thousand Specialist" has been implemented to support high-level domestic experts, aiming to

enhance the national workforce in science, technology, industry, and innovation by developing local talent. Over the ten years of the program's implementation, around 10,000 experts have received 1 million RMB (US\$14,879) each to support their research and team formation. Local governments provide grants and additional support. China has successfully attracted approximately 6,000 high-level skilled professionals from abroad. Considering the results of the comprehensive financial and non-financial support provided by the government within the framework of policies and strategies for the development of the industrial sector, science, technology, and innovation, the total amount of support reached \$584.2 billion USD as of 2022 (see Table 8).

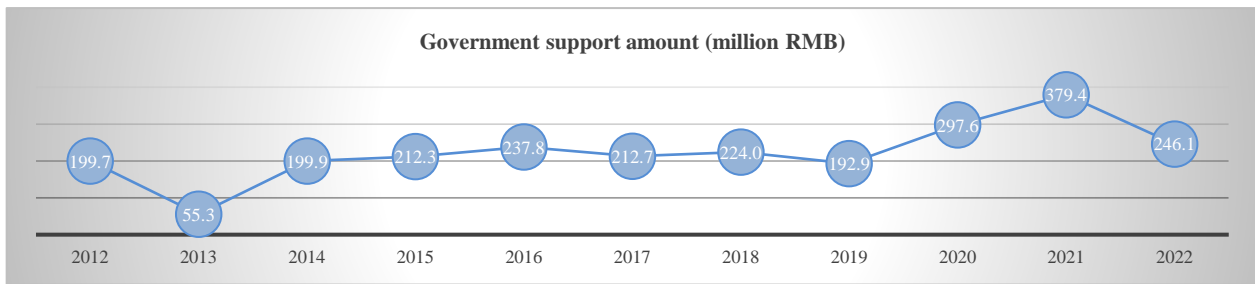
**Table 8 . The amount financed by the state budget for the main measures to support innovation activities in the industrial sector, as of 2022**

No	Measures to support innovation	China's total budget funding*	
		Amount (billion RMB/ billion USD USD)	Percentage of Total Cost (%)
1	Government Direct Investment Support	780/116.1	19.2
2	Grants	860/128.0	21.0
3	Discounted Loans to State-Owned Enterprises	3/0.5	0.06
4	Subsidies	5/0.7	0.1
5	Price Regulation	15/2.2	0.4
6	Discounts and Exemptions from Taxes and Customs Duties	2/0.3	0.04
7	Regulation of Foreign Trade	400 /6.0	9.9
8	Government Procurement	640 /95.2	15.8
9	Intellectual Property Support	6 /0.9	0.1
10	Support for Innovation Market Development	500 /74.4	12.4
11	Human Resource Training and Development Support	10 /1.5	0.2
12	Market and Sales Support	68 0/101.2	16.9
13	Export Support	15 . 2 /2.3	3.7
14	Innovative Product Sales and Service Support	10 /1.5	0.2
Total		3926.2/584.2	100.0

Source: Output of the study

**Note:** \*- Total funding from the State budget provided by the government for the development of the industrial sector, development of science, technology and innovation

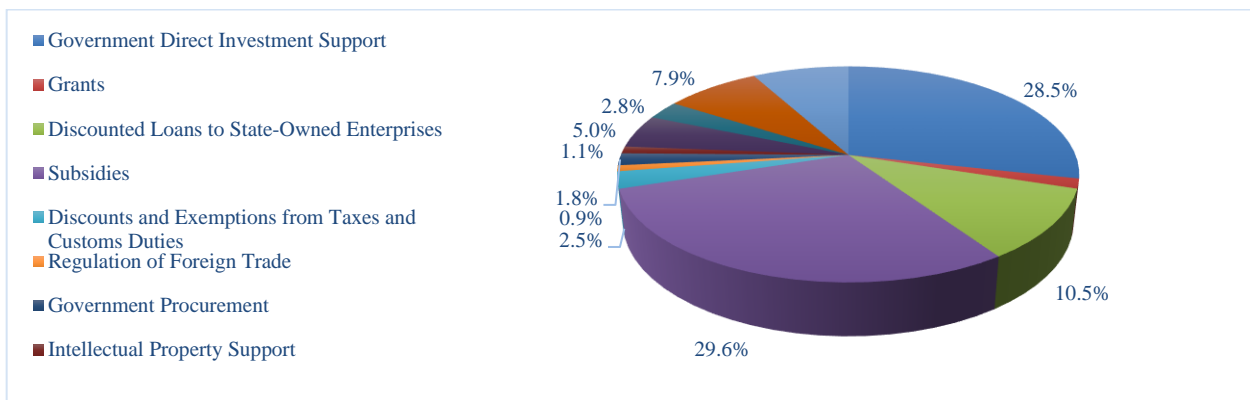
In the context described, the Chinese government has demonstrated a strong commitment to fostering innovation in the industrial sector, and its extensive policy and legal framework has yielded significant results. This has been instrumental in propelling the country's overall development. Notably, these policies have played a pivotal role in advancing the processing industry, including the textile sector, high-quality wool and cashmere product manufacturing, establishing a prominent global presence as a renowned brand. The study's findings on the implementation of innovation development policies at the enterprise level, focusing on "Ordos Cashmere" Group and "Dongli Cashmere" LLC, both leading producers of wool and cashmere products in Inner Mongolia's textile industry, are summarized below. For the "Ordos Cashmere" Group, it received a total of 2,457.7 million RMB in government support from 2012 to 2022. In 2022 alone, it received 246.1 million RMB or 36.6 million USD (see Figure 5).



Source: Output of the study

**Figure 5. Amount of government support to "Ordos Cashmere" group, 2012-2022**

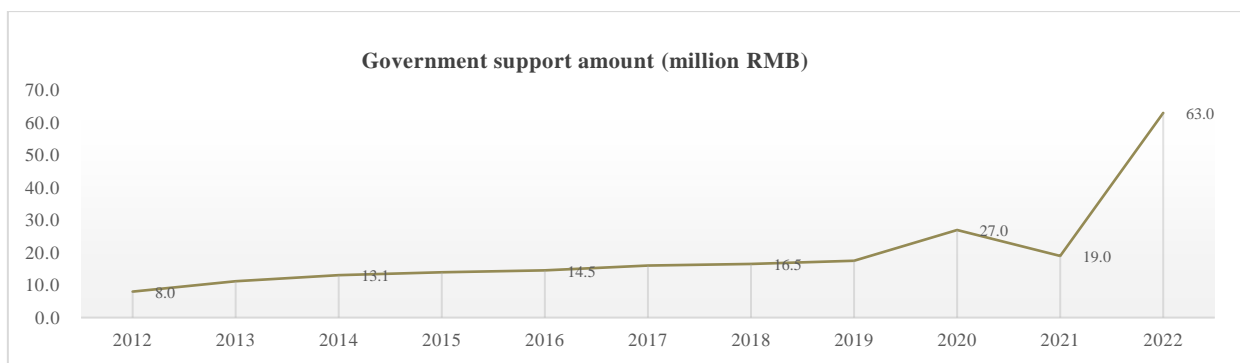
72.6% of the above total support is financial and 19.4% is non-financial support. Of this, subsidy support accounts for 29.6%, and direct government investment accounts for 28.5%, which is the highest amount (see Figure 6).



Source: Output of the study

**Figure 6 . Types of government support to "Ordos Cashmere" group**

Regarding "Dongli Cashmere" LLC, it has received a total of 161.1 million RMB in support since 2012, and the level of support has been increasing year by year. In 2022, the government allocated 63 million RMB or 9.4 million USD in support to the organization (see Figure 7).

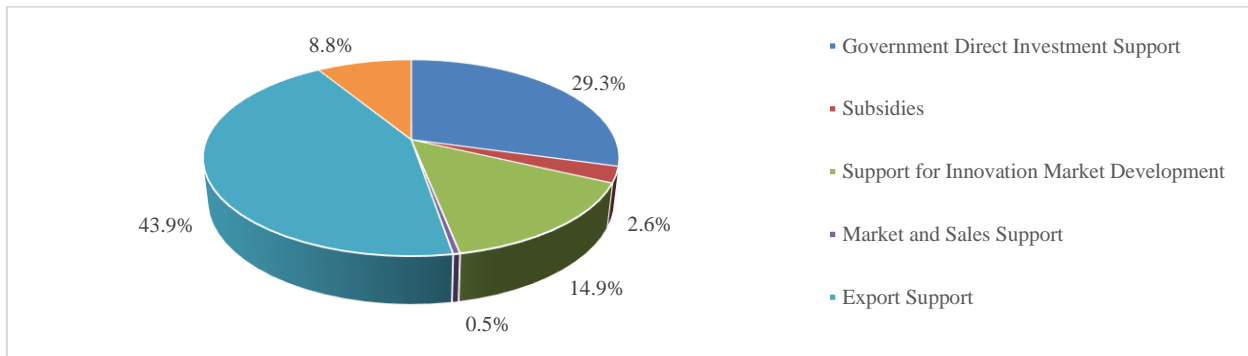


Source: Output of the study

**Figure 7. Amount of funding and investment provided by the government to "Dongli Cashmere" LLC 2012-2022**

32.0% of the government's support to the company is financial, while 68.1% is non-financial. Notably, foreign economy, trade development, and export promotion policy support make up

the largest portion at 43.9%, followed by government direct investment at 29.3% (see Figure 8).



Source: Output of the study

**Figure 8. Classification of financing and investment provided by the government to "Dongli Cashmere" LLC**

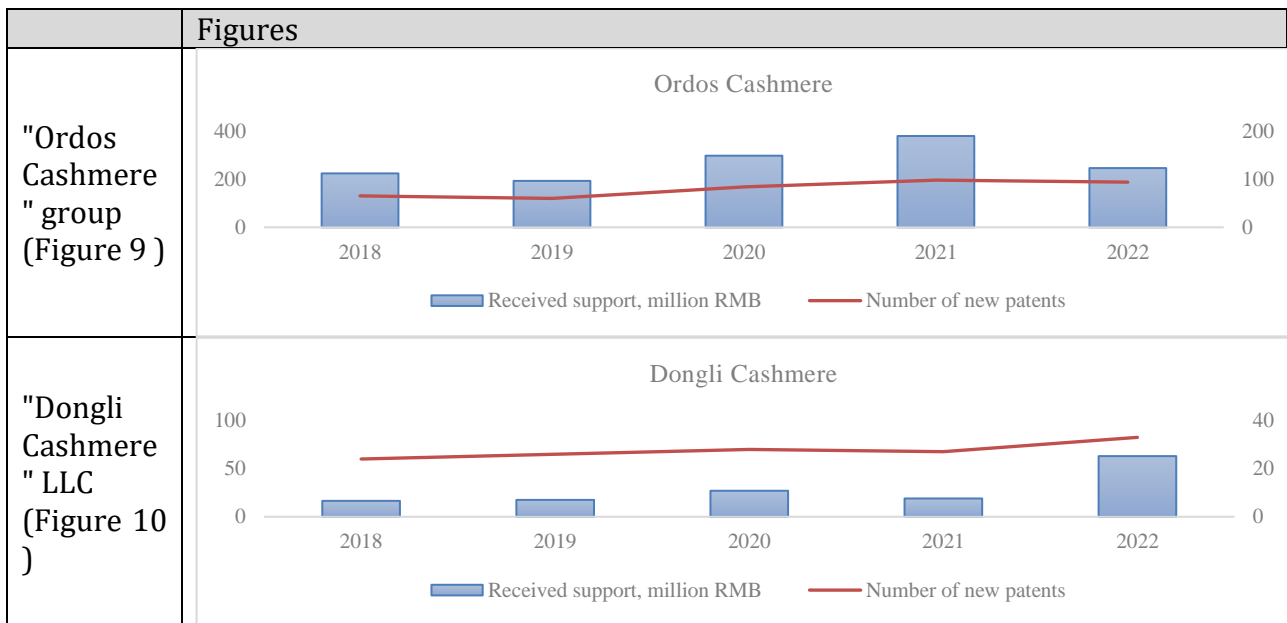
Based on the provided information, it becomes evident that government support for the "Ordos Cashmere" Group encompasses a notably diverse range of measures, prominently featuring subsidies, direct state investments, and concessional loans as significant components. However, support for intellectual property and innovation market development exhibits a relatively lower proportion in the overall support framework. In contrast, the lion's share of support allocated to "Dongli Cashmere" LLC assumes a non-financial character, with a pronounced focus on bolstering foreign trade and sales through export support, along with a concerted effort toward fostering innovation market development. Nevertheless, human resource support and intellectual property assistance receive comparatively less emphasis. This discernible distinction underscores the varying approaches adopted by the government concerning support for large enterprises as opposed to medium-sized enterprises. Over the past five years, the total government support for the industry has amounted to approximately 170.0 billion RMB. However, the combined support received by the two enterprises under study totals 1,465.6 million RMB. This substantial government backing has significantly contributed to the enhancement of these enterprises' results and performance (see Table 9).

**Table 9 . The results of the implementation of the innovation policy in the industrial sector**

Indicator	Year				
	2018	2019	2020	2021	2022
Government support to the textile industry, total (million RMB)	40000 .0	50000 .0	40000 .0	20000 .0	20000 .0
Some key performance indicators and support received by Ordos Cashmere Group					
Received support, million RMB	224.0	192.9	297.6	379.4	246.1
Sales revenue, million RMB	2465264.9	2282202.0	2314119.8	3647331.1	3639342.9
Number of products produced, million units	756.8	200.0	540.0	480.0	359.6
Number of new patents	65	60	84	98	94
Share of innovative products (%)	11.0%	3 7 .0 %	10.0 % _	12.0 % _	13.0 % _
Some Key Performance Indicators and Support Received by Dongli Cashmere" LLC					
Received support, million RMB	16.5	17.5	27.0	19.0	63.0
Sales revenue, million RMB	34900.0	36100.0	31783.6	37365.8	54351.5
Number of products produced, million units	34786	37543	31920	37243	54532
Number of new patents	24	26	28	2 7	33
Share of innovative products (%)	48.9%	48.1%	47.2%	47.3%	48.2%

Source: Output of the study





Source: Output of the study

In addition, the expert evaluation method was used to assess the state of implementation of the policies that supporting enterprises. The survey included members of the top and executive management teams of organizations, including the Chairman of the Board, General Manager, Heads of Finance, Human Resources, Marketing, Science and Technology functions.

**Table 10 . Number of management team members in expert group**

No	Enterprises	Total members of the management team	Members of expert group	Percentage (%)
1	"Ordos Cashmere" group	45	10	22
2	" Dongli Cashmere " LLC	20	10	50
<b>Total amount</b>		65	20	30.8

Source: Output of the study

The results of the analysis are summarized in the table below (see Table 11). Based on the information provided, the results of the government policy implementation were rated as "excellent" for "Ordos Cashmere" Group and "good" for "Dongli Cashmere" LLC.

**Table 11. Summary of the results of the implementation of innovation policies in the industrial sector (averaged)**

No	Evaluation question	"Ordos Cashmere" group	"Dongli Cashmere" LLC
1	How does the company's management evaluate the direct investment support provided by the government to the company?	0.70	0.65
2	How does the management of the company evaluate the grants and grants provided by the government to the company?	0.75	0.625
3	How does the management evaluate the subsidized loan support provided by the government to the state-owned enterprises?	0.70	0.65
4	How does the management evaluate the subsidy support provided by the government to the company for the development of innovation?	0.70	0.70
5	How does the management of the company evaluate the price regulation support provided by the government to the company?	0.75	0.70
6	How does the management of the company evaluate the state tax and customs tax concessions and exemptions provided by the government to the company?	0.625	0.6
7	How does the management of the company evaluate the impact of foreign trade regulations implemented by the government on the company?	0.725	0.675
8	How does the management of the company evaluate the state and government purchases made by the company?	0.75	0.65
9	How does the company's management evaluate the support given by the government to the effectiveness of enterprise innovation and protection of intellectual property?	0.65	0.70
10	How does the company's management evaluate the government's support for the development of the innovation market provided to the company?	0.60	0.70
11	How does the company's management evaluate the government's support for human resources training and development provided to the company?	0.65	0.625
12	How does the management of the company evaluate the market and sales support provided by the government to the company?	0.525	0.55
13	How does the management of the company evaluate the export support provided by the government to the company?	0.725	0.675
14	How does the management of the company evaluate the support of innovative products and services provided by the government to the company?	0.75	0.8
15	How does the company's management evaluate its collaboration with universities and academic institutions?	0.65	0.70
16	How does the company's management evaluate government support for innovation partnerships and cooperation with universities and academic institutions?	1.0	0.65
17	How does the company's management evaluate the policy and regulation of relations between corporate governance and universities and academic institutions?	1.0	0.65
<b>Integrated evaluation</b>		<b>0.75</b>	<b>0.66</b>
		<b>Policy implementation is "Excellent"</b>	<b>Policy implementation is "Good"</b>

Source: Output of the study

## 5. Conclusion

China is currently undergoing a transition from a phase characterized by high economic growth to one focused on quality development. The government's multifaceted support for enterprises in the realms of science, technology, and innovation encompasses the establishment of a stable value system, the provision of efficient infrastructure, and the creation of an advanced institutional framework. These endeavors collectively aim to cultivate a favorable policy environment conducive to innovation and sustainable development. Recent years have witnessed a heightened emphasis in China on innovation as a means to enhance national competitiveness. The implementation of well-crafted policies and strategic initiatives has resulted in remarkable achievements, exemplified by China's elevated position in the 2022 Global Innovation Index (GII), where it secured the 11th rank. This signifies a remarkable improvement from its 34th position in 2012. Notably, China excels in policy indicators, ranking 42nd out of 132 countries and demonstrating a noteworthy 19-place advancement from the preceding year. Additionally, the government's performance, including policy feasibility, is rated 29th out of 63 countries, with an impressive 4th place in policy feasibility. China's economic landscape is predominantly composed of the agricultural sector (51.3%) and the industrial sector (40.8%), albeit with a growing share in the service sector. Over the past decade since 2012, China has consistently maintained an average annual economic growth rate of 6.5%, accompanied by a substantial per capita GDP growth of 6.9%. Within the textile industry, a focal point of this research, China hosts approximately 42,000 enterprises, including nearly 2,000 in Inner Mongolia, collectively employing over 1 million individuals nationwide, with more than 40,000 located in Inner Mongolia alone. Notably, wool and cashmere product manufacturing assume a significant role in Inner Mongolia's textile industry, with "Ordos Cashmere" Group and "Dongli Cashmere" LLC, the subjects of this study, accounting for 70.8% of Inner Mongolia's textile industry production, 24.3% of total sales revenue, and 12.1% of the total workforce. Presently, the Chinese government has promulgated over 2,400 policy and legal documents encompassing the industrial sector, science and technology, and innovation. This corpus comprises 5.6% legal documents, 32.9% policy and strategic planning documents, and 61.5% guidelines, procedures, and standard documents. Among these documents, 20.6% are related to financial support, while 68.7% pertain to non-financial support for innovation activities within the industrial sector. The government's unwavering commitment to the effective implementation of policies supporting the industrial sector, science, technology, and innovation has yielded remarkable outcomes. By 2022, China's investment in research and development (R&D) had tripled since 2012, positioning it as the second-highest global contributor. The share of R&D investment in GDP reached 2.55%, surpassing the average of European Union member states. Funding for basic research witnessed a remarkable surge, growing 3.9 times since 2012 and constituting 6.32% of total R&D investment. In 2022, state support for innovation within the industrial sector amounted to \$597.6 billion, marking a notable 3.4% growth from the previous year. The Chinese government has placed particular emphasis on fostering innovation within the industrial sector, including industries such as textiles and the production of high-quality wool and cashmere products. These policies have propelled these sectors to achieve global prominence as renowned brands. The impact of these policies on innovation development within the industrial sector is exemplified through the experiences of "Ordos Cashmere" Group and "Dongli Cashmere" LLC, both major producers of wool and cashmere products in Inner Mongolia. "Ordos Cashmere" Group received ¥2,457.7 million in government support, while "Dongli Cashmere" LLC received ¥161.1 million between

2012 and 2022, significantly bolstering their key performance indicators. For instance, the number of new patents obtained by these enterprises surged from 89 in 2018 to 127 in 2022. Expert assessments of the implementation of state innovation policies to support enterprises have yielded an "excellent" rating for the "Ordos Cashmere" Group and a "good" rating for "Dongli Cashmere" LLC, underscoring the effectiveness of these policies in fostering innovation and growth within these enterprises.

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