

NBR PROGRAM NOTES

– NORTHEAST ASIA –

CHINA'S TECHNOLOGY STANDARDS POLICY WORKSHOP REPORT

A summary of the *China's Technology Standard Policy: Implications for the U.S. and China* workshop hosted by NBR at Tsinghua University on January 6, 2006. Presentations included:

- *The Growing Importance of Standards in the International Political Economy*—Linda Garcia & Kelsey Burns, Georgetown University
- *China's Evolving Standards System: Institutions and Strategy*—Zhao Chaoyi, China's National Institution of Standardization (CNIS)
- *Standards Development, IPR Regimes, and Anti-Trust Policies*—Mu Rongping, Chinese Academy of Sciences
- Case Study: *Telecommunications and 3G*—Alex (Zixiang) Tan, Syracuse University
- Case Study: *AVS and RFID*—Su Jun, Tsinghua University
- Case Study: *WAPI and IGRN-Home Networking*—Scott Kennedy, Indiana University
- *Keynote Addresses*: Gao Wen, Institute of Computing Technology & CASS; Lester Ross, Wilmer Cutler Pickering Hale & Dorr
- *Commentators*: An Baisheng, Ministry of Commerce (PRC); Chris Lanzit, Consortium on Standards & Conformity Assessment; Alison Birkett, EU Mission (Beijing); Gao Shi-ji, Development Research Center of the State Council; Ji Fusheng, Tsinghua University; Richard P. Suttmeier, University of Oregon

As Chinese high-tech industries develop and grow, the Chinese government has begun to promote indigenous standards development in areas such as software, wireless networks and internet protocols. Internationally, the role of standards is assuming a growing policy importance, especially at the intersection of national technology policies and international trade and investment. It is a priority issue for the U.S. government, especially since Beijing is in the process of developing a national standards strategy. The need to inform the policy debate is critical not only because of the direct implications of China's decisions for global business but also because of the potential impact on the future structure of the information standards setting community.

As follow-on research to the May 2004 *NBR Special Report* entitled, *China's Post-WTO Technology Policy: Standards, Software,*

*and the Changing Nature of Techno-Nationalism** (<http://nbr.org/publications/specialreport/pdf/SR7.pdf>), The National Bureau of Asian Research convened a workshop at Tsinghua University, Beijing on January 6, 2006. Under the leadership of Principal Investigators Richard P. Suttmeier and Alex (Zixiang) Tan, a distinguished binational team of top experts were assembled to examine key trends in China's technology standards development. The main themes discussed at the workshop are highlighted below.

Richard P. Suttmeier and Alex Tan will draw upon the workshop papers, discussions, and ongoing research to produce a final summary report to be published in English and Chinese and released in spring 2006. NBR plans to arrange briefings with policymakers in Beijing and Washington in conjunction with the launch of the forthcoming report.

KEY FINDINGS

- *Costs, "techno-nationalism" driving policies*: A desire to reduce "excessive" royalty fees, promote public interest, and enhance its capacity for innovation are considerations driving China's move to promote indigenous standards.
- *Greater openness, diversity*: Several unsuccessful efforts at standards development and the "globalization" of the makeup of competing groups have resulted in a more open, bottom-up, multi-standard approach.
- *International cooperation is key*: Global integration and a convergence of interests between foreign and Chinese companies are increasing, and promotion of these trends is in the interest of all concerned.

POLICY IMPLICATIONS

- *Focusing government's role*: China could better devote its time and limited resources to decreasing risk and encouraging private investment to encourage local innovation.
- *Globalizing participation*: As national standards become increasingly obsolete, fully incorporating China will benefit the global standards community.
- *Looking Beyond China*: While China's decisions will have immediate implications for global companies, further consequences may result from China's advancements in other developing markets.

KEY TRENDS IN CHINA'S "STANDARDIZATION"

Complex, evolving issue ∞ Standards strategy development is in transition and is growing increasingly complex. Case studies reveal common social and political dimensions that are playing a progressively important role within China. Growing integration of its economy with the global community has diversified stakeholder groups and presented additional complications. A lack of consensus on what constitutes an "international standard" adds an extra challenge to an already complex issue.

Costs, "techno-nationalism" driving policies ∞ A desire to reduce costs, boost profits, facilitate investment, enhance indigenous capacity for innovation, and promote overall economic development are considerations driving China's standards setting policies. Many in China perceive royalty fees as excessive, citing that twenty-five percent of Chinese exports face technology barriers and restrictions from patents. China also feels excluded from the international standards community. Bottom line considerations and national pride are driving China's efforts to enhance its capacity for standards development.

Greater openness, diversity ∞ The 2003-04 WAPI case raised concerns that China could use standards as non-tariff barriers to trade. Whether Beijing will continue to assert itself or adopt international guidelines remains a question, but a more open, bottom-up, multi-standard approach has been seen in the case of some recent standards-setting efforts. This is attributed to several unsuccessful efforts at state-controlled standardization and the globalization of the makeup of competing standards groups. Standards work is increasingly being delegated to industry associations, although foreign participation is as yet restricted.

Links with IPR, trade ∞ The relationship between standards and IPR, anti-trust, anti-monopoly issues, and broader political and economic issues is increasing. Friction between the view that an international standard is a public good and the need to protect IPR to promote innovation is complicating global standards-development efforts. IPR enforcement in China is spotty. As Chinese patents, intellectual properties, and technology standards increase, concern over protection will rise.

International cooperation is key ∞ There exist some signs that global integration is driving a shift from a nationally oriented approach toward standards development to an international approach, under which autonomy is sacrificed for the sake of

interoperability, cost savings, and safety. WAPI as a national standard may have persevered without Chinese industry opposition. China's participation in the international standards system is in the long-term interest of the U.S., China, and other nation.

IMPLICATIONS FOR CHINA AND OTHER ECONOMIES

Focusing government's role ∞ Bureaucratic intervention, protectionism, and poor interagency coordination are to be blamed for hindering local innovation. To date, China's efforts at standards setting have generated no royalties or cross-licensing benefits and little commercial success. The government should focus its energies on IPR enforcement, licensing, procurement, early-stage R&D funding, and other areas that would decrease risk and encourage private investment from both domestic and foreign companies.

Globalizing participation ∞ With increased integration of China's economy and the globalization of standards-setting groups, national standards are becoming increasingly obsolete. Failure to integrate Chinese government and corporate leaders into the international standards-making process could drive China to adopt an independent approach. Foreign companies and governments should actively support Chinese participation in international efforts. By the same token, China should give non-Chinese a greater voice in its internal debates to encourage greater foreign participation in its markets.

Looking Beyond China ∞ China's remarkable growth affords it special "celebrity" status in the global economy. As its economic clout rises, so does its potential to become a "standards setter" through the sale of its goods in new markets, particularly in the developing world. Accordingly, it is important to recognize that while China's decisions will have immediate implications for global companies in existing markets, they will also have indirect consequences as well. Accordingly, early integration of China and other emerging economies into international standards regimes should be encouraged.

* A Chinese version of this report is also available at:
<http://www.nbr.org/publications/specialreport/pdf/SR7Chinese.pdf>

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