

**Welcoming Remarks
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Good morning and welcome!

We all know that standards are of critical importance for innovation, economic growth and the smooth functioning of international trade and investment. But we also know that there are a number of unresolved issues. We have chosen the format of a private workshop to enable a frank and open exchange of ideas. So let's use this opportunity for constructive brainstorming! And let's explore together what adjustments are necessary in national standards and innovation policies so that we can all share the benefits of the emerging global knowledge economy.

Message

When I accepted the invitation to lead this project, it was with the explicit understanding that the focus of research will be on the **international dimension**. This means that our main task is to explore the **challenges for national standards and innovation policy that result from fundamental changes in the international standardization landscape**.

Let me explain what this means.

Anyone involved in standardization knows how difficult it is to cope with the rapid pace of technical change. Take information and communication technology, where increasingly complex *interoperability* standards are critical for designing and manufacturing digital computing, communication and consumer devices and to address their increasingly demanding performance requirements.

For instance, the number of standards required for a single mobile handset has grown exponentially. Today's typical high-end smart phone combines hundreds of standards, coming from dozens of standard-setting organizations, for camera, video, web browser, PDA, WIFI, Bluetooth, Linux, USB etc.

It doesn't require rocket science to see that growing technological complexity has made standards development more complicated and difficult to manage. **But equally important are fundamental transformations in the international economy and shifts in market power, the rise of new players from emerging economies, as well as new developments in the regulatory environment and new approaches to business organization.**

For instance, globalization now covers all stages of the value chain, including R&D. Global corporate networks of production and innovation interact with the growing importance of emerging countries, giving rise to a **globalizing knowledge economy**. This adds additional layers of complexity to standards development.

The spread of global networks implies that R&D, information flows and knowledge exchange must conform to standards that meet the needs of foreign R&D teams and customers at multiple locations around the globe.

At the same time, new players from emerging countries are entering the international standardization game who can challenge the existing rules and institutions.

Focus

We look at these challenges from a comparative perspective, focusing on China and the US, two major players in future negotiations on standards development.

Specifically, we seek to identify core policy issues that need to be addressed in both countries.

We all know that China and the US display quite substantial differences in their approaches to standards and innovation policy. These differences are hardly surprising – they reflect unique features of the history of both countries, of their development models and economic institutions. But we also know that China and the US both need a robust international standards system. Hence, both countries will need to take a hard look at what adjustments might be necessary in their respective standards and innovation policies in order to achieve this goal. We are lucky to have top experts who are well placed to address these issues.

Let me repeat the main argument in a nutshell: **the international standardization landscape is in flux, and established approaches to standards and innovation policy may have to be revisited.**

I believe that this is true both for the US and China. Today, US-China economic relations have evolved from asymmetric dependence to interdependence. As a result, neither the incumbent leader nor the newcomer is strong enough to impose her rules. As President Obama put it in his recent speech to the UN:

“Power is no longer a zero sum game. No one nation can or should try to dominate another nation. No world order that elevates one nation or group of people over another will succeed.”(FT, September 24, 2009, p.1)

It seems to me that this statement also applies to our subject. In other words, the real challenge is to search for new ways of sharing the benefits of the emerging global

knowledge economy by developing new and innovative approaches to national standards and innovation policies.

Our agenda today

In **session I**, we will look at the forces that are transforming the international standardization landscape and explore what this implies for standards and innovation policy. Specifically, we will discuss the following questions:

- What do we know about the forces that are transforming the international standardization landscape?
- What are the resultant requirements for future standards development?
- What are the new challenges that the US Standards System is facing in the emerging Global Knowledge Economy?
- And what are possible new approaches for developing Open Standards?

In **Session II** we will take a closer look at the new challenges for standards and innovation policy, with a focus on the following questions:

- What is China's approach to the development of standards-related intellectual property rights?
- What are possible approaches to the challenge of patent governance in ICT standards?
- There is a broad consensus that "openness" is the overriding principle that is required to make standardization work. Yet, there is a lot of confusion out there about what "openness" really means. What, then, is an operational definition of "open standards"?

- What are ways to balance the interests of licensors and licensees in standards-related intellectual property rights?
- And how does the growing importance of intellectual property rights for standards affect international trade and competition?

As our luncheon speaker, we are delighted to have one of the drivers behind China's WAPI standard, Mr. CAO Jun, the CEO of Xidian Jietong Wireless Network Communications. He will talk about achievements of China's WAPI standard and its challenges.

In **Session III**, we are lucky to have top experts who will discuss the achievements and unresolved issues of China's strategy and policies on standards and innovation. There have been impressive achievements. China's rapid growth and its deep integration into the international economy have fundamentally transformed almost every aspect of the country's economic structure and social fabric. But it will take time for China's institutions and policies to adjust to such fundamental transformations.

Key questions include:

- Given China's efforts to develop its innovative capabilities, what is the potential for standard setting?
- How do standards affect innovative capabilities of Chinese firms?
- What lessons can be drawn from the TD-SCDMA standard for China's future standards and innovation policy?
- And how is China's standardization strategy responding to new challenges?

Finally, the workshop will conclude with a **panel discussion** that examines broader implications for public policy, with speakers from diverse countries and institutional backgrounds.

The discussion will focus on three questions:

- What changes are necessary (if any) to establish and maintain an open, equitable, non-discriminatory standardization system as a critical enabler of innovation? In which areas is there scope for collaboration between the US and China? And what would be pragmatic first steps?
- What role can standards consortia play relative to SDOs and national standards organizations? What improvements are necessary? And is there scope for collaboration between the US and China?
- How to deal with hot button policy issues? (standards as trade barriers; standards and government procurement; what are open standards; IPR policy for standards)