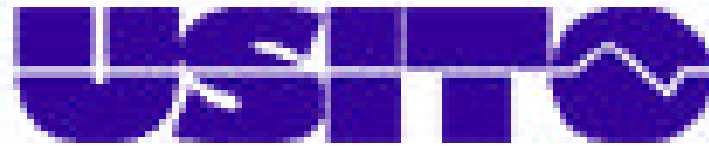




East Meets West

facing challenges  
making connections



## China's Standards Strategy: Losing an Opportunity to Lead

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# Panel III Wireless/Telecom Case Study

- Context: China's drive for innovation
  - Universities in business
  - R&D reform
  - The new "military-industrial complex"
- Goals of Chinese Standards Efforts
  - Reducing prices
    - Pay TV and DVB
    - DVD and MPEG
    - 3G IPR Group
  - Creating opportunities for Chinese vendors
    - NGN/IPv6
    - SCDMA
    - Linux
  - Perceived security needs
    - WAPI
- Lost Opportunities to Lead
  - Pay TV
  - Cellular technology
  - Graphics applications in IC design market



# The Drive for Innovation

*Pulling out of the cinctured middle of the value chain*

- Universities in business
  - New policies giving private rights to university IP
  - Tongfang, Jade Bird, Founder, and other university companies
- R&D Reform
  - Pressure to survive without subsidies and find markets
  - Special political access at R&D institutes
- The Military-Industrial Complex
  - New policies on civilian production for the military
  - Pressure on formerly protected military producers and institutes
  - New government funding programs—targeted at replicating successful technologies



# Standards Development Goals: Price Reduction

- Pay TV and DVB
  - Refusal to accept and pay for European standard has retarded and fragmented market development
  - Lack of process to develop viable substitute
- DVD and MPEG
  - MPEG and 6C/3C dispute has driven DVD manufacturing into lower-end, fly-by-night companies
  - Substitute technology efforts have been a failure
- 3G IPR Evaluation Group
  - Aimed strictly at reducing royalties



# Standards Development Goals: Opportunities for Chinese vendors

## ■ NGN/IPv6

- Legitimate complaint about lack of Chinese name space has become an opportunity to drive Cernet business to favored university-owned companies

## ■ SCDMA

- Clearly inferior technology, clearly less popular with consumers, but mandated to effect a listing of a favored Chinese company and a bailout of TD-SCDMA

## ■ Linux



# Standards Development Goals: Domestic security

- WAPI: the centrality of the encryption issue
- The “Wintel” platform and perceived foreign control



# Lost Opportunities to Lead

- Pay TV
  - Analogue set-top basically dead
  - Internet set-top never happened
  - Digital set-top stuck at max. 400,000 boxes in a market of 100 million cable TV customers
- Cellular technology
  - Virtually all revenue from voice, very little VAS
  - Destructive price competition, dropping margins
- Graphics applications in IC design market
  - Promoted companies making commodity technology
  - Innovative companies, especially in graphics applications, small and without official support



# Conclusions

- Government support for specific technologies actually hampers innovation
- Government focus on reducing licensing costs for Chinese companies contributes to the drive to the bottom
- But, standards structure is changing, being enriched by lateral contacts with companies
- True innovation is occurring, mostly in private companies. The government's task is to stand aside.

