

**USCC REPORT: The Rise of China in Technology Standards**

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Today the U.S.-China Economic and Security Review Commission released a report entitled "[The Rise of China in Technology Standards: New Norms in Old Institutions](#)" that examines the implications for U.S. firms from China's increasing participation in international technology standard-setting. The report was written by Dan Breznitz and Michael Murphree of the Sam Nunn School of International Affairs at the Georgia Institute of Technology.

The report finds that while U.S. firms place a high value on intellectual property protection, China has adopted a fundamentally different approach to intellectual property rights that disadvantage U.S. companies. Meanwhile, Chinese firms are becoming more aggressive in setting technology standards to gain an advantage in China's markets and elsewhere.

According to the report, Chinese firms have developed an expertise in the legal and policy aspects of technology standards development that is largely lacking in their American counterparts. Chinese firms keenly understand how to interpret international practices, which gives them the upper hand when facing challenges from U.S. firms in third country markets. In disputes, the winning side will usually be the one that most completely understands the regulatory system in which they are trying to operate. China's growing sophistication for operating within the international standardization systems means that China's perspective on issues important to U.S. firms, such as determining the value of intellectual property, has become more influential.

The report also details how China's efforts to develop unique or exclusionary technology standards have proven effective at driving down the royalty rates of foreign sources of technology for Chinese firms. By providing an alternative to global standards, China has been able to push holders of intellectual property to preemptively cut their own royalty rates in hopes of preventing the Chinese standard from gaining traction. This reduction in royalty rates has provided an indirect trade benefit to Chinese companies by cutting their costs for foreign technologies, at the expense of the foreign intellectual property rights holders.

The report details the legal underpinnings of China's technology standardization system and the significant challenges this system poses for U.S. firms. The full report can be viewed on the Commission's [website](#).

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