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In Support of Market Driven Standards

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The Geopolitics of Technical Standards

Countries competing for a bigger say in technical standard settings:

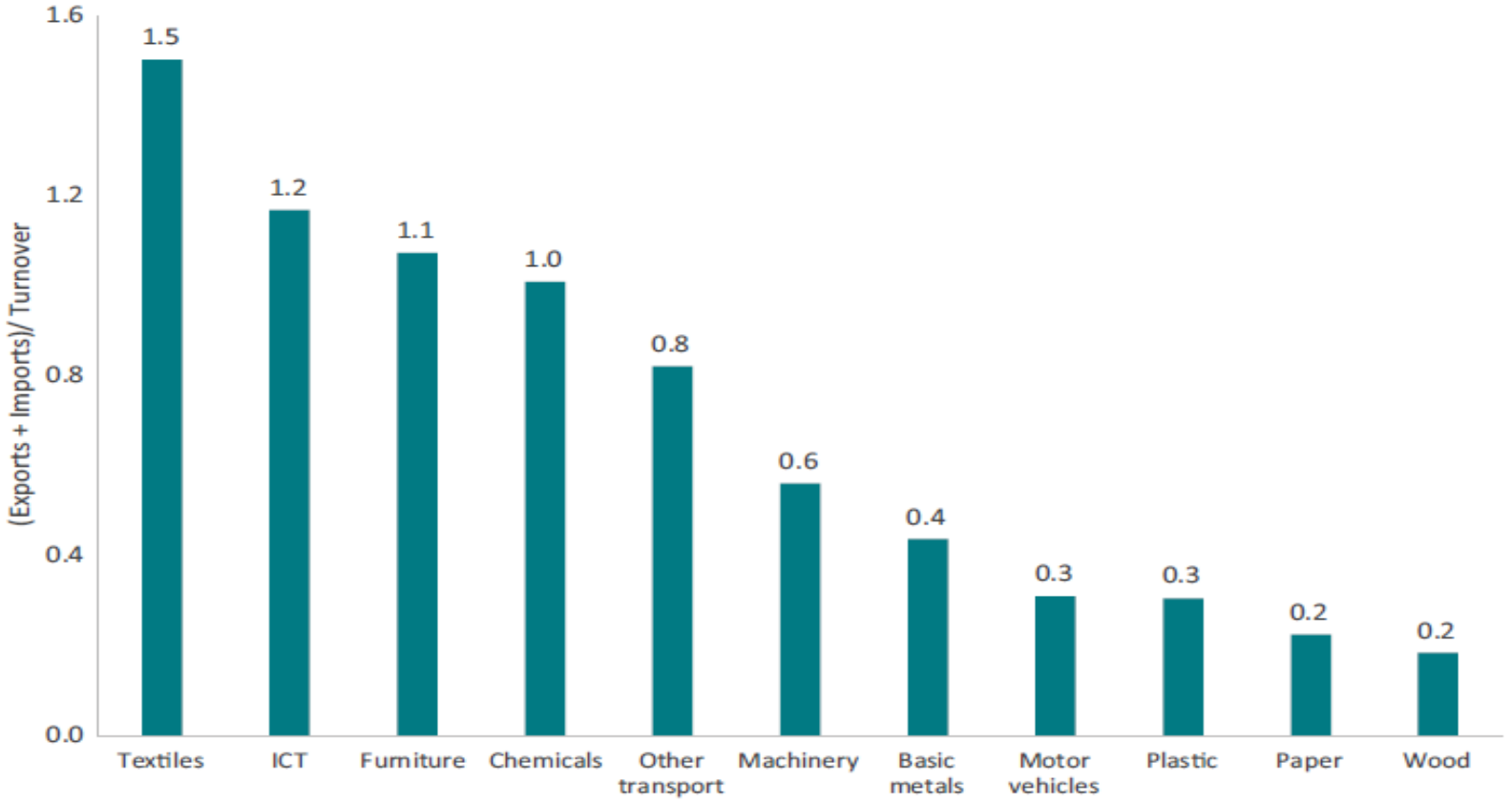
- China Standards 2035.
- EU-US Trade and Technology Council (TTC).
- EU New Standardisation Strategy.

Why?

- These policies will provide an advantage to their national companies.
- Technical standards at the core of new technologies and future defence products.

The Power of Technical Standards: Openness

FIGURE 1: EXPORTS AND IMPORTS OVER TOTAL TURNOVER ACROSS EUROPEAN ECONOMIC SECTORS IN 2019



Source: Eurostat. Author's calculations.

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The Power of Technical Standards: Market Specialisation

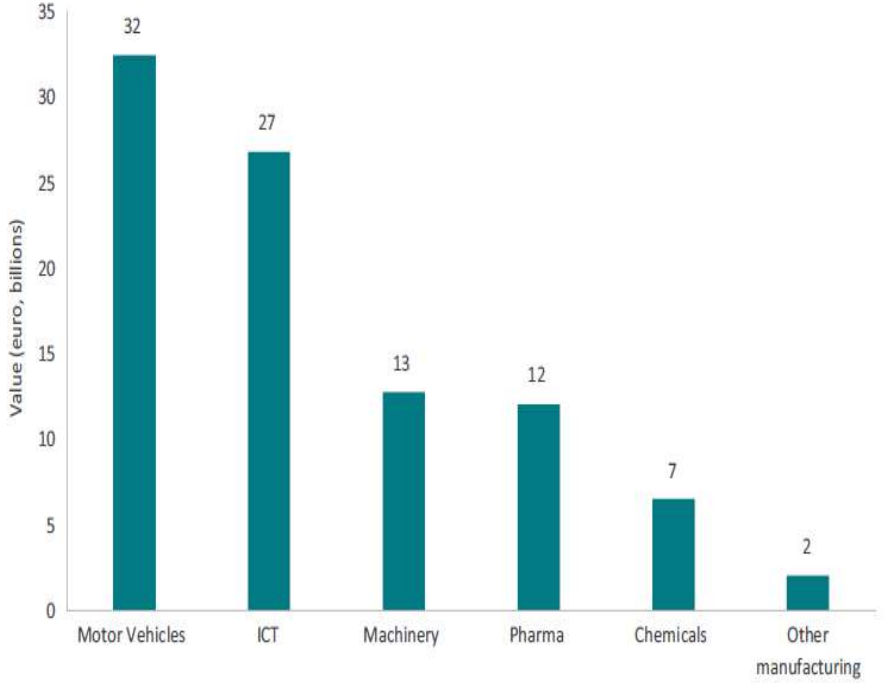
A global market for innovation is a powerful incentive for researchers and engineers to innovate.

How do firms meet higher demand for innovations?

- Equity strategy: inserting their own technology in their own downstream products.
- Outsourcing: R&D activities by specialised firms that deliver new technologies mostly or exclusively to them.
- Market for technology: thanks to technical standards (and SEPs) a diverse ecosystem of companies emerges with multiple business relations, with the advantage of competition between innovators in the upstream side of the market.

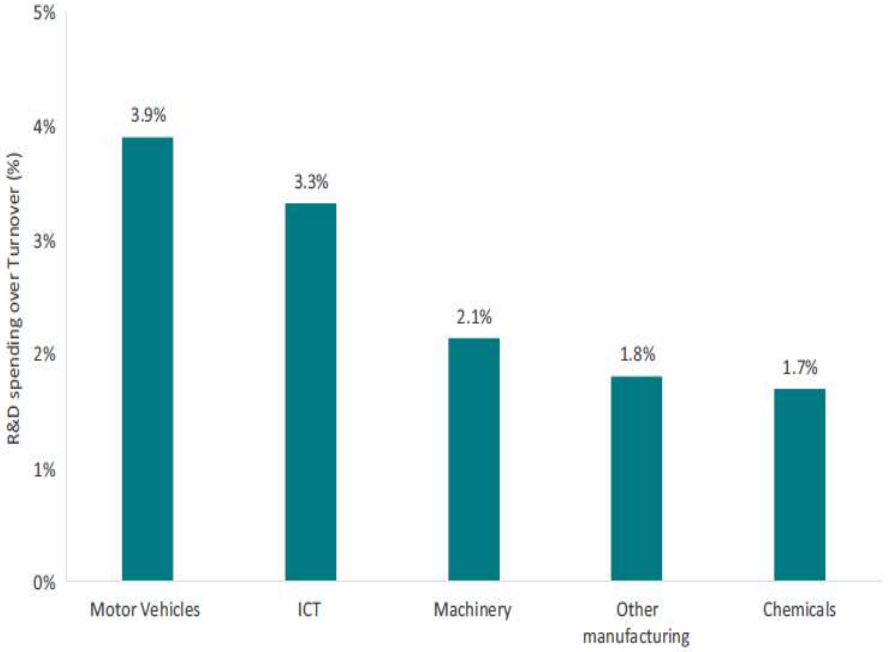
The Power of Technical Standards: R&D Spending

FIGURE 4: BUSINESS SPENDING ON R&D ACROSS EUROPEAN ECONOMIC SECTORS IN 2019



Source: Eurostat, Author's Calculations. France, Estonia, Cyprus, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Slovakia, Sweden not included due to missing data.

FIGURE 5: BUSINESS SPENDING ON R&D OVER TOTAL TURNOVER BY EUROPEAN ECONOMIC SECTORS IN 2019



Source: Eurostat, Author's calculations. Bulgaria, Estonia, France, Cyprus, Ireland, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Slovakia, Sweden not included due to missing data. The Pharmaceutical industry was not included due to missing data.

EU New Standardisation Strategy (the what)

The strategy includes some good ideas (policies):

- Identification of gaps on technical expertise
- Prioritisation of future standardisation opportunities
- Speeding up the publication of standards in EU official
- Connecting EU R&D and standardisation initiatives

But changes to the rules governing EU technical standards are more problematic (regulation):

- To make EU member states National Standardisation Organisations the most important bodies in the EU standards' setting process (deciding standardisation requests, adoption, revision, and withdrawal).

EU New Standardisation Strategy (the why)

But why?

“European standards must be decided by European players”

“Avoid any undue influence of actors from outside the EU and EEA”

Is it a real concern?

For CEN and CENELEC the answer is no.

For ETSI: European NSO have the final say over adoption of Harmonised Standards (EC requested standards). However, the approval of a request is done by all ETSI’s members (not just European NSOs). Two points:

1. Half of ETSI members are from the EU.

2. Internationalisation of ETSI’s is the result of its own success. ETSI is a prime example of EU normative power.

Potential Effects of EU Standardisation Strategy

1. A European debate substituted by 30 national debates.

2. Slowing down the standardisation process.

3. Undermining the incentives to participate in market-driven and consensus oriented technical standards.

1. A European debate substituted by 30 national debates

At the moment most of the standardisation work is done at the level of ESOs.

The legislative changes will make NSO the most important bodies in the standards' setting process.

As a result, private companies will continue providing their expertise but this expertise will be channelled through NSOs rather than at the ESO level. This implies:

A. Undermining the say of small companies as they can only feed their expertise to a small number of NSOs

B. Providing an advantage to multinational companies which can be in multiple NSOs.

2. Slowing down the standardisation process

The EU Standardisation Strategy wants to speed up the creation of standards but the regulatory changes may lead to the opposite result.

A substantial amount of time is allocated to NSO to provide comments and vote on the proposed standards. In total, 24 weeks are allocated to these tasks.

Giving more say to NSOs will not shorten these time scales.

At the moment, smaller NSOs can rely on the comments provided by larger ones with specialised expertise.

The new strategy may force NSO to adopt a position on a standard extending the time required to approve it, without improving the quality of the technical standard.

3. Underminig the incentives to participate in technical standards

Weakening the current market-driven and consensus-based system could have implications on market specialisation and innovation.

If technical standards are fragmented, companies will need to spend more resources to accommodate their products to multiple technical standards and participate in multiple Standards Development Organisations rather than a single one. These additional costs and inefficiencies will divert resources from R&D spending.

A broader trend to make technical standards less technical and more political.

Policy Recommendations

1. If the EU is concerned about the growing role of non-EU companies it can support the participation of European companies in ESO

2. The EU Standardisation Strategy got some things right: importance of R&D and training on standardisation.

    2.A On R&D, EU spending on R&D below its 3% target and lower than Japan and the U.S.

    2.B On training, if the EU suffers from a lack of experts, discriminating against foreign companies is not the right course of action.

Thanks!

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