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TRADE AND DEVELOPMENT BOARD
Ad Hoc Working Group on the Interrelationship
between Investment and Technology Transfer
Second session
Geneva, 13 December 1993
Agenda item 5

**DRAFT REPORT OF THE AD HOC WORKING GROUP ON THE INTERRELATIONSHIP
BETWEEN INVESTMENT AND TECHNOLOGY TRANSFER ON ITS SECOND SESSION**

Held at the Palais des Nations, Geneva,
from 13 to 17 December 1993

Rapporteur: Mr. C. Correa (Argentina)

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INTRODUCTION

1. The Ad Hoc Working Group on the Interrelationship between Investment and Technology Transfer held its second session at the Palais des Nations, Geneva, from 13 to 17 November 1993.

2. In the course of its session, the Ad Hoc Working Group held ... plenary and ... informal meetings.

Introductory statement

3. The Deputy to the Secretary-General of UNCTAD said that the dominant technological paradigm today was significantly different from that prevailing when UNCTAD had been created. Today's competitive environment required, at the firm level, the acquisition of new technological and organizational capabilities. Competitiveness of firms required the adoption of flexible production systems, higher levels of investment in R&D, the accumulation of high-level engineering and management skills, the establishment of efficient distribution networks, responsiveness to customers' needs, speed of delivery and reliability of after-sales services. For all these, technology was an essential element. Traditionally, international competitiveness had been regarded as being primarily a question of prices, labour costs and exchange rates. Within this mode of competition, technological rents accrued through the ability to reduce production costs. Accordingly, policy recommendations concentrated on wage costs, labour productivity and the adjustment of export prices through periodic devaluations. Today, competition was based upon different patterns of consumption and production and management concepts. Shifts in consumer preference had given rise to market demands focused on product specialization, higher quality, shorter product life cycles and quick turnover. These changes in turn had meant that competitiveness was no longer based just on low production costs but also on continuous improvements in process and product, organizational flexibility and quality, and access to market information.

4. Over the last two decades, perceptions of technology transfer and technological development had also evolved, and the sources, range and quality of technologies available to potential recipients had widened. More importantly, technology transfer was now seen primarily as a means of accomplishing the goal of developing domestic technological capability rather than as an end in itself. The notion of technological capability-building itself was now viewed not simply as a means of accumulating engineering and technical know-how but as a way of capturing the great variety of knowledge and skills needed to acquire, assimilate, utilize, modify, change and create technology. Achieving this

objective would undoubtedly pose a challenge to developing countries which were currently in the process of restructuring their economies. In the new environment, attaining technological capability would require knowledge about technology suppliers, competitor firms, and user needs. It would also mean putting more emphasis on the acquisition of "soft" technologies and encouraging the development of multiple skills and life-time learning. In all these aspects, the role of the private sector would be crucial. The need to develop firm-level strategies and skills meant that private enterprises would be placed at the centre of technology transfer and technological capability-building processes. However, the role of government would also be vital in establishing support institutions dealing with R&D, information services, technology extension and standards. In practice, this entailed, inter alia, providing strong support to universities and other public and private research institutions but, more importantly, ensuring that strong linkages existed between them and the productive sector.

Chapter I

INTERRELATIONSHIP BETWEEN INVESTMENT AND TECHNOLOGY TRANSFER:

- (a) INVESTMENT FLOWS, TRANSFER OF TECHNOLOGY AND COMPETITIVENESS;
- (b) TECHNOLOGY CAPACITY-BUILDING IN DEVELOPING COUNTRIES, PARTICULARLY THE LEAST DEVELOPED COUNTRIES, AND IN COUNTRIES UNDERGOING THE PROCESS OF TRANSITION TO MARKET ECONOMY;
- (c) TRANSFER AND DEVELOPMENT OF ENVIRONMENTALLY SOUND TECHNOLOGIES

(Agenda item 2)

5. For its consideration of this item, the Ad Hoc Working Group had before it the following documentation:

"Review of the work of the United Nations system and selected organizations dealing with investment-related technology issues: report by the UNCTAD secretariat" (TD/B/WG.5/6);

"Fostering technological dynamism: evolution of thought on technology capacity-building and competitiveness - summary of the review and analysis of the literature: report by the UNCTAD secretariat" (TD/B/WG.5/7);

"Fostering technological dynamism: evolution of thought on technology capacity-building and competitiveness: bibliographical references" (UNCTAD/ITD/TEC/12) (background document).

6. At the 1st plenary meeting of its second session, the Ad Hoc Working Group decided to pursue its consideration of this item in informal meetings.

[To be completed]

Chapter II

ORGANIZATIONAL MATTERS

A. Opening of the session

7. The second session of the Ad Hoc Working Group was opened on 13 December 1993 by the Chairman of the Group.

B. Bureau

8. The Bureau of the Ad Hoc Working Group at the Group's second session was as elected at its first session, namely:

<u>Chairman:</u>	Mr. Masafumi Nagao	(Japan)
<u>Vice-Chairman:</u>	Mr. Paul Pennell Buck	(United Kingdom of Great Britain and Northern Ireland)
	Mr. Syed Jamaluddin	(Bangladesh)
	Mr. Euvgeni Manakine	(Russian Federation)
	Mr. Msuya Mangachi	(United Republic of Tanzania)
	Mr. Soenaryo Danusaputro	(Indonesia)
<u>Rapporteur</u>	Mr. Carlos Correa	(Argentina)

C. Adoption of the agenda and organization of work

(Agenda item 1)

9. At the 1st plenary meeting of its second session, the Ad Hoc Working Group adopted its provisional agenda (TD/B/WG.5/5), as follows:

1. Adoption of the agenda and organization of work
2. Interrelationship between investment and technology transfer:
 - (a) Investment flows, transfer of technology and competitiveness;
 - (b) Technological capacity-building in developing countries, particularly the least developed countries, and in countries undergoing the process of transition to market-economy;
 - (c) Transfer and development of environmentally sound technologies (The discussion will be based on the presentation of preliminary or final country case studies and other relevant reports.)

3. Provisional agenda for the final (third) session of the Working Group
4. Other business
5. Adoption of the report of the Working Group to the Trade and Development Board.

D. Provisional agenda for the final (third) session of the Working Group
(Agenda item 3)

[To be completed]

E. Other business
(Agenda item 4)

[To be completed]

F. Adoption of the report of the Working Group to the
Trade and Development Board
(Agenda item 5)

[To be completed]