

SUMMARY RECORD OF THE FOUR HUNDRED AND THIRTY-NINTH MEETING

Held on Tuesday, 14 May 1968, at 11 a.m.

Chairman:

Mr. BILLNER

Sweden

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ARRANGEMENTS FOR THE TRANSFER OF OPERATIVE TECHNOLOGY TO DEVELOPING COUNTRIES (E/4452 and Add.1 and 2, Add.3 and Add.3/Corr.1, Add.4 and 5; E/4461/Add.1, TD/37 and Corr.1) (continued)

Mr. BHOURASKAR (Secretariat) said that the report prepared by the Fiscal and Financial Branch of the Department of Economic and Social Affairs for the second session of UNCTAD (TD/37) submitted to the Council together with the Secretary-General's report (E/4452) gave a comprehensive picture of the progress registered so far. Paragraphs 35 to 44 of the former report contained a description of some of the technical assistance activities undertaken in connexion with the transfer of operative technology to developing countries. Technical assistance was to be provided with a view to strengthening and updating patent legislation in those countries in co-operation with the International Bureau for the Protection of Industrial Property (BIRPI). The Secretary-General, in co-operation with BIRPI and the International Patent Institute (IIB) of The Hague, had initiated work on two projects in connexion with patent administration, one of which provided for the setting up of regional patent co-operation centres (TD/37, para. 40) and the other for the founding of an international training centre for industrial property administration (para. 41). It was also intended to extend the benefits of the BIRPI plan for a patent co-operation treaty (para. 42) to the developing countries.

Referring to the project's financial implications in respect of the preparation of country case studies on the arrangements made for the transfer of technical knowledge, he indicated that local costs consisted chiefly of administrative support, the translation of documents and the preparation of reports, and that the United Nations would undertake to pay the fees and travel costs of the advisers called upon to assist the various national research bodies in selected countries.

Mr. PLEHN MEJIA (Mexico) emphasized the importance of the subject under consideration, since the gap between the developed and the developing countries was widest in technology. In view of the fact that his country had been the subject of one of the case studies (E/4452/Add.3) on arrangements for the transfer of operative technology, his delegation wished to comment on that document.

The problem was complex and difficult and should be regarded from the point of view of the country benefiting from the transfer and from that of the country from which the transfer was made. One of the chief difficulties of introducing new methods and setting up new machinery to facilitate the transfer arose from an

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exaggerated and deeply rooted sense of ownership with regard to technical knowledge which was considered and treated as a mere commodity in the pursuit of profit and material gain.

The example of Mexico might be considered as representative of the particular case of the developing countries. The difficulties confronting those countries arose from the fact that they were poor, that the goods which they had to obtain in those circumstances were expensive, and that they lacked the experience which could only be acquired at great sacrifice.

His delegation therefore considered that it would be better to study arrangements in force in the rich countries which had the technical knowledge. In the last analysis, it was on those countries that the success or failure of the measures suggested by the Secretary-General depended.

More thorough studies should be carried out in Mexico. His delegation stressed that, in all preliminary studies, such as the one in progress, the first problem which arose concerned the figures and statistics constituting the basis for research. His delegation therefore considered that the study in question could be extended on the statistical side. The information on Mexican research centres and institutions, such as the Mexican Institute for Technological Research, should also be supplemented.

The problem of technology should not be considered as a whole but should be divided up into elements corresponding to the chief sectors of economic activity in the country concerned. Hence, in the case of Mexico, the various arrangements for the transfer of technical knowledge could be studied individually, particularly in the following sectors: chemistry and petrochemistry, electrotechnology and electronics, the metal-transforming industry and the food industry.

Consideration should be given not only to the transfer of technology from highly industrialized to developing countries, but also to the exchange of knowledge between the developing countries themselves. Mexico had established co-operative links with bodies in other Latin American countries. Assistance had been provided for the founding of institutes of study and research, and fellowships had been granted as also technical aid for the prospecting of resources. One example was the co-operation between Mexico and Colombia in the establishment of new industries aimed at bigger markets.

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Finally, a study should be made of the experience acquired in the use of the German patents which had been released at the end of the Second World War, and also of the possibilities of improving arrangements for the transfer of technology. His delegation was prepared to support any measure which the Council saw fit to adopt as a result of the suggestions he had put forward.

Mr. SULEIMAN (Libya) said he was pleased to see what the Secretariat had done in implementation of Council resolution 1201 (XLII). His delegation had already emphasized how important it was to create favourable conditions in the developing countries for the assimilation of modern techniques. It considered that the institutional and material conditions existing in those countries should serve as a frame of reference for any serious study of the transfer of technical knowledge. That was why his delegation had joined the other members of the Council in requesting the Secretariat speedily to prepare a number of studies on carefully selected cases. The countries thus chosen should present the general characteristics of under-development and the relevant case studies should show how they had assimilated modern techniques having regard to their cultural and scientific environment. The case studies on Brazil and Mexico were very well documented in that respect and he hoped that they could be expanded in order to provide a more analytical and less descriptive account of present and past conditions. Other countries lent themselves to the same kind of study, but his delegation wished to stress in that connexion that the case study on Israel (E/4452/Add.2) was quite irrelevant to the subject under consideration.

Actually, Israel cadres and technicians had received their training in the developed countries of Europe, in the United States and elsewhere, and had been purely and simply transplanted from their country of origin to Israel. That was not a case of the transfer of technical knowledge to a developing country. The example of Israel was closer to that of Australia, New Zealand, South Africa and the United States. It was simply a matter of a large-scale emigration of highly skilled specialists and technicians of various levels. The developing countries to which help should be given were not in such a favourable position.

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He quoted the following passage from the case study on Israel (page 17): "In the small enterprises in Israel, the technical level of human potential is superior to the standards in similar enterprises in developing countries. In the big enterprises and research institutions there is a human potential on an international level...", which showed the difference in technological levels between the developing countries and Israel which had benefited from the inflow of specialists and technicians who had been trained at the expense of other countries, whereas the developing countries, on the other hand, had to struggle and invest considerable capital in order to improve their ability to assimilate modern techniques.

Moreover, in the following sentence, the author of the case study recognized that from the technological-scientific viewpoint, Israel did not really belong either to the class of developing countries or to that of developed countries. It might therefore be asked why the Secretariat had selected Israel for a study of the transfer of technology, especially since foreign exchange from various sources was available to that country, unlike the States of the third world. Israel also enjoyed the unique advantage of having ethnic and political links with powerful professional and industrial groups in the advanced countries which enabled it to acquire technology on much more favourable terms than the developing countries. Therefore, the Libyan delegation strongly recommended that the case study on Israel should not be pursued any further. The Secretariat should choose studies the results of which could be applied as extensively as possible to the developing countries. He stressed the need for ensuring more effective co-ordination and a better distribution of work between the United Nations bodies concerned with the transfer of technology to the developing countries.

Mr. ZAKHAROV (Union of Soviet Socialist Republics) emphasized the importance which his country attached to the work relating to the transfer of technology to the developing countries. The latter were faced with a complicated task, namely, that of building a viable and diversified economy. Independence had not freed them from foreign domination which continued in disguised forms.

Building a viable and diversified economy gave rise to many problems, the solution of which depended not only on the political conditions of the country

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concerned and on its internal evolution, but also on external conditions of major importance, among which might be included the transfer of technology and co-operation.

External relations in the transfer of technology were important for several reasons. The state of dependence in which the developing countries found themselves was due to the backwardness of their economies, which were, in most cases, based on a single crop, to the domination of foreign monopolies and to the lack of equipment and skilled personnel. It was increasingly evident that those countries should not have to pass through all the stages of development which the industrialized countries had known and that their advancement should be based on modern scientific foundations. One way of helping them to make up for their backwardness was to let them benefit from the technological progress which had already been achieved. Assistance in the transfer of technology was one of the conditions essential for solving their problems.

The studies called for in Council resolution 1201 (XLII) would facilitate an objective evaluation of the effectiveness of the links established for that purpose between the developed and the developing countries. Different forms of foreign aid were not all or always favourable to the recipient countries. Such aid should encourage the mobilization and rational utilization of national resources and it could stimulate the economic growth of the developing countries only if it was in accordance with their interests and the targets they had set themselves.

If that aid was to supplement effectively the efforts of the countries which received it, the latter must above all be able to receive it freely and on favourable commercial terms, free from all political or other pressure.

In that connexion, he drew the Committee's attention to the case study of Mexico (E/4452/Add.3). In paragraph 16, mention was made of a considerable increase in the foreign exchange cost of technology per unit of new foreign investment, and, in paragraph 18, it was said that the feeling was spreading throughout the country that Mexico paid too much for technology acquired abroad through enterprise-to-enterprise arrangements.

Those observations were valid not only for Mexico but also for other countries. It was a fact that the developing countries were complaining more and more of the

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high cost of acquiring technology and, as the case study in question recommended in paragraph 18, the cost of foreign technology to Mexico and other developing countries must be lowered. There was a danger, however, that the arrangements for the transfer of technology might subject countries to foreign technological domination. Indeed, the contractual agreements for the transfer of technology - even the simplest among them such as the granting of licences - often resulted in the foreign supplier occupying a strong position in relation to the local enterprise which sought to acquire new technology, which enabled it to control the latter even if local financial participation was predominant. The foreign enterprise exercised control either by demanding managerial functions or by forbidding the recipient enterprise to export its production.

The United Nations could use the case study on Mexico as a basis for the formulation of measures and recommendations concerning the transfer of operative technology to the developing countries. The Soviet delegation thought that, in that connexion, it was important to take a number of factors into account. Firstly, agreements should respect the principle of the equality of the parties and that of non-interference in internal affairs, and the parties must derive mutual advantages from them. It was also important to respect the principle of freedom of access to technology and to guarantee to the party acquiring it the most favourable commercial terms. Secondly, the agreements should be drawn up in such a way as to accelerate the building of a viable economy in the developing countries based on the progress resulting from the modern technological revolution.

He said that he was satisfied with the case studies of Brazil and Mexico, and regretted that, owing to lack of time, the Secretariat had not been able to submit to the Council the case study on India, a country which had acquired valuable experience by maintaining, unlike other countries, very close links with States with different economic systems.

The USSR had accumulated vast experience of international co-operation in the transfer of technology to the developing countries of Africa, Asia and Latin America, and its assistance was increasing and improving each year. Although it took different forms, it always rested on the same basis, namely, the concern to

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help in establishing the foundations of national economic development, in accelerating the rate of growth, and in enabling countries to win their economic independence while raising the level of living of their populations. In that respect, the important technological progress achieved by many countries of the third world was largely due to the assistance of the USSR, especially to the co-operation of Soviet scholars and technicians. The USSR had thereby not only extended the scope of the transfer of technology to the developing countries, but had also introduced new principles of co-operation with those countries, thus putting an end to the imperialist monopolies and forcing the Western countries to revise their own principles of assistance. In that connexion, the Soviet delegation wished to mention two cases in which Western monopolies had tried to impose extremely harsh terms on India for the construction of metallurgical plants, terms which included a very high rate of interest and the participation of Western firms in the operation of the plants. In both cases, on the basis of a Soviet-Indian agreement on co-operation, India had been able to refuse the demands of the Western monopolies and thus obtain much more favourable terms. Those two examples illustrated the influence of the socialist countries on the imperialist monopolies and the role which they played in introducing principles of justice and equality into international relations. Nevertheless, although the capitalist monopolies had been forced to adapt themselves to the new conditions introduced by the socialist world and to satisfy the real needs of the developing countries, they had not, for all that, renounced their aims of domination. But, in present conditions, and whatever their intentions, the countries which had economic relations with the USSR could at least henceforth defend their position vis-à-vis the West in economic, technological and scientific relations. It was, moreover, in that spirit that the USSR conducted its assistance operations with the developing countries of Africa, Asia and Latin America.

With regard to the countries chosen to serve as a testing ground for the transfer of operative technology, in accordance with Economic and Social Council resolution 1201 (XLIII), the Soviet delegation was surprised that the Secretariat had selected Israel, since it was an aggressor State, and it hoped that the work planned on the case study would be carried no further.

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Lastly, with regard to the financial implications of the arrangements for the transfer of operative technology to developing countries he referred to the second sentence of paragraph 1 of document E/4452/Add.5 and expressed the hope that, for the preparation of country case studies, it would be possible to call on other sources than the United Nations regular budget, which was intended for different purposes. He suggested that the necessary funds should be drawn from the voluntary contributions to UNDP.

Mr. AKSIN (Turkey) stressed the growing gap between developed and developing countries, which was particularly obvious with regard to technology, an area in which the developing countries were unable to keep pace with the rapid progress made by the industrialized countries.

The Turkish Government therefore attached great importance to the transfer of technology to countries seeking to industrialize themselves and to the need to facilitate and accelerate that process. The United Nations had a role to play in that area, and all the bodies attached to it, particularly the Advisory Committee on the Application of Science and Technology to Development, must continue to grant high priority to the transfer of technology. There were various aspects to the question.

Firstly, it was necessary that the technology best suited to the conditions and needs of the developing country concerned should be transferred, through various means such as the training of students abroad, the services of experts, the use of foreign technological documentation, and particularly through enterprise-to-enterprise agreements between developed and developing countries.

In addition, apart from the resulting financial implications for the recipient enterprise and for its country's balance of payments, the question had various legal aspects, particularly with regard to the administrative and legal protection of the modern technology transferred and of the patents for which the recipient countries had obtained licences.

Although the United Nations had been concerned with such matters for only a few years, his delegation was pleased that General Assembly resolution 2091 (XX) requested the Secretary-General and the competent international bodies to continue activities in that area and to ensure the necessary co-ordination.

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(Mr. Aksin, Turkey)

He expressed his satisfaction with the preliminary studies before the Committee, which had been prepared pursuant to General Assembly resolution 2091 (XX) and Economic and Social Council resolution 1201 (XLII), and expressed the hope that further studies would follow. Their practical value was unquestionable and, among other things, they highlighted the role of foreign technology in the establishment and development of industry in the recipient countries, the methods used to determine the technology best suited to local conditions, the nature of agreements between enterprises, the impact of the acquisition of technology on the research activities of the recipient country, the costs to which it led, etc.

He agreed with the representative of France that a uniform methodology should be used in preparing the case studies. He would also favour the organization of an interregional seminar, provided that the project received the support of other developing countries and that it was well planned in advance.

Mr. ABE (Japan) thanked the Secretariat for the series of reports it had prepared on the transfer of technology to the developing countries and said that his country was keenly interested in the problem. The rapid growth of industry in Japan merely increased the need for modern foreign technology. He was pleased that the case studies emphasized the need for countries receiving foreign technology also to improve local conditions, such as legislation - particularly patent protection - and to expand facilities for training and research. Such measures would also contribute to the progress of national technology at the same time.

Although the three preliminary studies submitted to the Committee could serve as a basis for subsequent studies, there was some lack of uniformity in the methodology used to study the different countries, and he agreed with the representatives of France and Turkey that even though conditions differed from one country to the next, all the case studies should be based on the same guiding principles so as to permit a comparative study at the international and interregional levels. On the basis of the preliminary surveys, it should be possible to adopt a common methodology for subsequent studies.

Although lack of time had prevented his delegation from studying the Secretary-General's statement of financial implications, it believed that those

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studies should be continued, provided that they did not place too great a burden on the United Nations budget and that they were co-ordinated. Finally, he was pleased to note that the preparation of four more country studies, along with those listed in document E/4452, would ensure more equitable geographical distribution; however, the number of studies should not be increased to such an extent that their effectiveness would suffer.

Mr. MOUNIR (Morocco) said that technological development had been accorded high priority in Turkey's last development plan and in the present five-year plan. Morocco was receiving valuable bilateral and multilateral aid from foreign countries, but it had to make a great financial effort, because of the high cost of acquiring foreign technology, unfavourable terms of trade and very strict terms for the granting of loans, which were being granted less and less frequently during the final years of the United Nations Development Decade.

He therefore hoped that the case studies prepared by the Secretariat would facilitate technological progress in some developing countries.

He was pleased with the case studies of Brazil and Mexico, but had serious reservations with regard to the suitability of the one on Israel. The opening of that survey stated that the main factors restricting the development of industry in developing countries were capital and "know-how". It was well known that Israel lacked neither. He thus found it difficult to understand how that country could serve as an example to other developing countries and he proposed that, in view of the fact that the case studies submitted were simply preliminary surveys designed to determine the usefulness of studies in depth, the study on Israel should be discontinued at the present stage.

Lastly, he agreed with the representatives of France, Turkey and Japan that the methodology followed in preparing the case studies should be standardized.

Mrs. KODIKARA (Philippines) said that certain methods and concepts used by developed countries were applicable to developing countries in agriculture as well as industry. Progress in agriculture would be impossible without research and technical know-how, which, in turn, would be impossible without industrialization.

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It was true that all countries had not reached the same scientific and technological level and that the problem was not only the gap between them in that respect, but also the utilization of know-how; machinery and technology meant nothing in themselves unless they were used by skilled personnel. When the contract of a foreign technical specialist drawn up under a transfer of technological know-how agreement expired, the project was often abandoned because there were no skilled personnel to take over. The transfer of know-how was limited by the capacity of the country concerned to mobilize its resources and local skills in support of technology, by its institutional arrangements and by its ability to assimilate new ideas and technology. The improvement of institutional arrangements was perhaps more important than the transfer itself.

Her delegation welcomed the case studies of Brazil, Israel and Mexico and looked forward to the publication of the one on India. The problems facing the Philippines and those countries were somewhat similar, although that did not mean that arrangements for the transfer of know-how should be the same for the Philippines as for them. It was to be hoped that the consultations undertaken with IBRD, UNESCO, UNIDO and other agencies would continue. The transfer of technological know-how depended in some cases on investment opportunities, which some countries encouraged, including the Philippines.

The transfer of know-how between the developing countries themselves should also be encouraged, since they could profit from their own experience and special knowledge. She hoped that new and more flexible principles and criteria would be adopted in the arrangements for more efficient application of foreign technology, on the basis of the case studies prepared in accordance with General Assembly resolution 2091 (XXII) and Economic and Social Council resolution 1201 (XLII).

Finally, her delegation proposed the insertion of the following two paragraphs in the part of the Committee's report relating to that matter:

"1. The Council took note of the related comments of the Advisory Committee on the Application of Science and Technology (E/4461/Add.1) and reaffirmed the importance to developing countries of securing effective access to foreign technology and of nurturing their own research and inventive capacity. The Council, therefore, requests the Secretary-General to continue the comprehensive country case studies on technology transfer arrangements.

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"2. For the development of principles and criteria for new and flexible arrangements which would permit a more effective application of foreign technology, the Secretary-General may convene, as soon as appropriate, an interregional meeting of experts to evaluate, in the light of the studies, the effectiveness and the cost of arrangements for the transfer of technology between enterprises as proposed by the Advisory Committee on the Application of Science and Technology to Development."

With the insertion of those two paragraphs in the report, the adoption of a further resolution could be avoided.

Mr. BLAU (United States of America) shared the Soviet representative's view that the problem of the transfer of technology had become particularly important on account of the rapid increase in technological knowledge. The Economic and Social Council, the organs of the United Nations and the specialized agencies must continue to study the ways in which the developing countries could be enabled to obtain the required know-how.

His Government appreciated the seriousness of the matter and had many arrangements, under its foreign aid programme, which enabled it to arrange the transfer of technology and often to bear the cost, after having ascertained, in each case, whether the cost was reasonable.

The Economic and Social Council, in order to study the way in which the transfer of technology took place, had requested the Secretary-General to prepare a number of case studies, three of which were now submitted for the Committee's appraisal. Several representatives had questioned the choice of countries. There was much to be said in favour of the technical arguments which the representatives of Libya and Morocco had advanced in support of their point, and in due course the Secretariat would probably give the reasons which had guided its choice. Nevertheless, his delegation thought that reasonable men could differ on the choice of countries to study. In fact, a useful study could have been made of Japan, a country which was technically advanced but which was a particularly revealing example of the various techniques for the transfer of technology, some of which might be of value to developing countries.

It should also be noted that those case studies and the ones now planned (except the one on Nigeria) all dealt with the most advanced of the developing

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(Mr. Blau, United States)

countries. His delegation would like the Secretariat to consider the possibility of studying other cases, so as to offer a wider choice.

He thought that of the three case studies submitted to the Committee, the one on Brazil was the most interesting, since it defined a method and arrangements which could be applied to other cases in the future. The other two case studies were interesting for their study of institutional problems, but were probably less capable of general application.

The work programme in the field in question must not be established until the results and the financial implications of those studies had been appraised. The completion of the case history on India under the conditions which applied to the three studies now before the Committee was acceptable to his delegation, which, however, agreed with the Soviet representative that field operations in particular should be financed not from the regular budget but by voluntary contributions. If these studies were to be operationally effective, the countries studied must participate fully, and the United Nations technical assistance programmes offered the best means for them to do so.

With regard to the proposed interregional seminar, the high authority of the Advisory Committee on the Application of Science and Technology to Development had been cited. Paragraph 119 of the Committee's report (E/4178) said that "an interregional seminar, held at the conclusion of the first series of contemplated pilot case studies, might usefully serve to analyse their results in terms of their effectiveness, their applicability to other industries and countries, and the usefulness and selection of additional pilot studies". The word "might", instead of "can", was well chosen. He therefore reserved his opinion concerning the desirability of organizing such a seminar, and thought that the sums available for technical assistance might be better employed.

The study proposed by the Secretariat on the enterprise-to-enterprise transfer of know-how seemed advisable since, in the United States at least, the Government exercised only limited control over technical know-how and its use.

The Soviet representative had stressed the high costs involved in the transfer of technical know-how, as well as the fact that it was on occasions made dependent on a share in running the industry so established. It was true that the cost of technical know-how should be reduced, but he did not regard the participation of the supplier company in the management of the works or enterprises so established

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as a bad thing in all cases. On the contrary, it often meant that suitable local staff could be trained and that, in the beginning at least, the enterprise could be run under better technical conditions and more profitably. Although care must be taken to ensure that arrangements for the transfer of technical know-how were fair and reasonable, it must not be inferred that participation in project management by the company supplying assistance should be categorically rejected, especially in cases of particularly advanced techniques. As a final point, the United Nations possessed neither the technical nor the legal knowledge to set itself up as an arbitrator and pass judgement on agreements concluded in that field; furthermore, there was no provision for such a role in the Charter. Any proposal to that effect would therefore be unacceptable to the United States delegation, which reserved the right to speak again on any resolution.

The meeting rose at 12.55 p.m.

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