

**PREPARATIONS FOR THE FOURTH SESSION OF THE MINISTERIAL CONFERENCE**

Proposal for the Establishment of a Working Group for the Study of the  
Inter-relationship between Trade and Transfer of Technology

*Communication from Cuba, Dominican Republic, Honduras, India, Indonesia, Kenya, Malaysia,  
Pakistan, Sri Lanka, Tanzania, Uganda and Zimbabwe*

The following communication, dated 31 July 2001, has been received from the Permanent Mission of Pakistan.

**Rationale**

1. Technology is a key global resource for job and wealth creation and for shared prosperity in an interdependent world. The impact of technology on economic growth and development is well recognized. This impact results from a complex process involving the interaction of both national and international actors, including governments, businesses, academia and international institutions. Appropriate international arrangements particularly can facilitate the efficient and effective generation, application, transfer, and diffusion of technology. As knowledge increasingly becomes a key strategic resource for national economic development, there is a need to identify means to facilitate the transfer of technology to the presently technology-poor developing countries.

2. Issues related to transfer of technology on the one hand and, international trade liberalization and foreign direct investment, on the other, are closely interlinked. Acquisition, adaptation, and diffusion of technology improve competitiveness in the traditional manufacturing sectors, which are the mainstay of many developing country economies. Technology is also a major contributor to higher value addition in manufacturing. Technological improvement is perhaps the only way for developing countries to improve their terms of trade in traditional manufacturing exports. Otherwise, they will remain locked into low value-added production and exports.

3. Importance of technology is even greater in the services sector where innovation and informatics play a critical role. Developing country participation in the production, supply, and export of competitive services is quite limited and will remain so without access to relevant technologies and information networks.

4. There is a real danger that in the "new economy" the old division of haves and have-nots will be replaced by a division between "knows and know-nots" with developing countries permanently locked into an unequal trade and economic relationship with developed countries. This is a major challenge to the international trading system, which should effectively address the issue of transfer of technology to developing countries to ensure that they become equal partners in the global efforts for world prosperity.

**Transfer of technology and the WTO**

5. The Marrakech Agreement recognizes the need for special efforts designed to ensure that developing countries, and particularly the least developed among them, secure a share in the growth in

international trade commensurate with the needs of economic development. The achievement of this goal is clearly not possible without bridging the technology gap between developed and developing countries. This is the reason for a number of provisions in multilateral trade agreements related to transfer of technology to developing and least developed countries.

6. Following is a brief summary of these provisions.

General Agreement on Trade in Services (GATS):

7. The GATS recognizes that increasing participation of developing countries in world trade in services needs to be facilitated. This will require the strengthening of the capacity and competitiveness of their services sectors, inter alia, through access to technology on a commercial basis. The GATS also obliged developed countries to establish contact points for the availability of services technology. The GATS contains an obligation in Article IV paragraph 2 as follows : developed countries to establish contact points to facilitate the access of developing country members' service suppliers to information related to their respective markets concerning the availability of services technology.

Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS):

8. The TRIPS Agreement contains standards that affect transfer of technology and a number of provisions related to directly transfer of technology. The stated objectives of the Agreement include that the "... protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology...". Similarly, the Article on Principles states that Members may adopt measures to promote technological development provided these measures are consistent with the provisions of the TRIPS Agreement. The TRIPS Agreement also stipulates that "developed-country Members shall provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer to least-developed country Members in order to enable them to create a sound and viable technological base".

Agreement on Technical Barriers to Trade (TBT):

9. The Agreement on TBT recognizes "the contribution which international standardization can make to the transfer of technology from developed to developing countries".

Agreement on Sanitary and Phytosanitary (SPS) Measures:

10. The relevant Article in the Agreement on SPS Measures promises the provision of necessary technical assistance to developing countries, including in the areas of "processing technologies, research, and infrastructure".

11. However, the lack of full and faithful implementation of these provisions by developed countries have not allowed developing countries to fully benefit from the growth in international trade.

**Proposal**

12. In view of the foregoing, it is proposed that the 4th Ministerial Conference of the WTO agrees to establish a WTO Working/Negotiating Group, open to all Members, with the following mandate:

13. The Working Group should be assisted by the WTO Secretariat as well as by other relevant international organizations (e.g. UNCTAD) to collect information on existing flows of transfer of technology to developing countries, legal and administrative frameworks particularly in technology-exporting countries and existing financing mechanisms.

14. The Group's work should be identify both needs and the constraints which will include:
- Carrying out assessment of needs of developing countries for transfer of technology;
  - Identifying the problems and constraints faced by developing countries in gaining access to the needed technology available in developed countries including pricing policies.
  - Examining all the WTO Agreements to identify any constraints that certain provisions in these Agreements may be creating against transfer of technology to developing countries;
  - Assessing the implementation by developed countries of all WTO provisions related to transfer of technology to developing countries with a view to identifying the needs for appropriate changes/strengthening of these provisions; and
  - Studying the design of instruments and incentives, including tax incentives, that developed countries could grant to enterprises and institutions in their own territories in order to disseminate and transfer technology to developing countries.
  - For examining channels including foreign direct investment for transfer of technology.
  - Impact of TRIPS on competition policy and balance of payments.
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