



**United Nations Conference
on Trade and Development**

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Trade and Development Board
Investment, Enterprise and Development Commission
Expert Meeting on the Contribution of Foreign Direct Investment
to the Transfer and Diffusion of Technology and Know-how for
Sustainable Development in Developing Countries,
Especially Least Developed Countries
Geneva, 16–18 February 2011
Item 2 of the provisional agenda

Provisional agenda and annotations

I. Provisional agenda

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II. Annotations to the provisional agenda

Item 1. Election of officers

1. It is recommended that the expert meeting elect a Chair and a Vice-Chair-cum-Rapporteur.

Item 2. Adoption of the agenda and organization of work

2. The provisional agenda for the expert meeting is reproduced in chapter I above. A detailed programme will be available one week before the meeting.

Documentation

TD/B/C.II/EM.2/1 Provisional agenda and annotations

Item 3. Foreign direct investment, the transfer and diffusion of technology, and sustainable development

3. In its fiftieth executive session, on 8 July 2010, the Trade and Development Board approved a single-year expert meeting on the contribution of foreign direct investment (FDI) to the transfer and diffusion of technology and know-how for sustainable development in developing countries, especially least developed countries, to be held and to report to the Investment, Enterprise and Development Commission.

4. The purpose of this single-year expert meeting is to bring together experts, government policymakers and representatives from transnational corporations (TNCs), as well as civil society and academia, to address the relationship between FDI and technology transfer, in particular its development implications. The focus is FDI, but other models of TNCs' international expansion including non-equity modalities are also considered. Among others, the meeting aims to identify and investigate successful cases at different levels, including at the firm, industry and country levels. By exploring the role of government policies, it aims to contribute to the achievement of a "practical/actionable" outcome (as identified in para. 207 of the Accra Accord), including specific forward-looking, action-oriented policy recommendations for developing countries, especially the least developed countries (LDCs).

5. Technological progress is critical to economic growth and welfare for any country, regardless of levels of development. Given fast technological change in the more advanced economies, closing the technological capability gap that separates them from developing countries, and particularly the LDCs, is a necessary condition to put the latter on a path of sustainable development and poverty reduction. For most low-income countries, technological progress is mainly a process of adoption and adaptation of technologies from abroad rather than the creation of new technologies. Therefore, the transfer and diffusion of technology are crucial to building their domestic technological capabilities.

6. Some developing countries have made significant technological progress during the past two decades, but the technology gap between rich and poor countries remains wide in general. Being major creators of new and advanced technologies, TNCs have the potential to play an important role in narrowing this gap. Although TNCs are not the only source of technology, they are very important in high-technology activities and in providing an entire package of knowledge, and their research and development (R&D) activities are expanding to the developing world.

7. The generation of new and advanced technologies is concentrated in the developed world, and takes place mainly in large corporations. TNCs play a major role in global

innovation, accounting for about half of the world's total R&D expenditure and more than two thirds of the world's business R&D. In addition, foreign affiliates can diffuse technology and skills to local firms, particularly through backward linkages. These will be illustrated at the meeting with concrete examples at the firm, industry and country levels.

8. Acquisition of technology from TNCs is, however, not automatic and still largely confined to higher-income developing countries. Most LDCs are still not actively participating in global R&D networks for the creation of new technologies. In these countries, direct technology transfer by TNCs has been constrained by the limited size of FDI inflows and their bias towards activities focusing on natural resources. More importantly, lack of local capabilities and deficiencies in technological learning in these countries hinder the market dynamism necessary for continuous technological upgrading and prevent the indirect effects through linkages and spillovers from happening.

9. Based on discussion on the successful cases, the meeting will consider how policies at the national and international level help make the best use of TNC-mediated technology transfer and diffusion. To effectively leverage FDI as a means to achieve technology transfer and diffusion, developing countries need to (a) establish an effective national innovation system which provides an interface for technology-related TNC activity; (b) supports the development of the absorptive capacities of domestic enterprises and their linkages with TNCs; and (c) provides a regulatory framework, including a balanced framework for intellectual property that enables the development of a knowledge base and technological capacities. The coherence between FDI policy and other relevant policies (especially innovation and science and technology policy) is important in this regard; and home country policies and international support can also play a role.

10. To facilitate the discussions, the UNCTAD secretariat has prepared an issues note on foreign direct investment, the transfer and diffusion of technology, and sustainable development. In addition, experts are encouraged to prepare brief papers on the subject under discussion. These papers will be made available at the meeting in the form and language in which they are received.

Documentation

TD/B/C.II/EM.2/2 Foreign direct investment, the transfer and diffusion of
technology, and sustainable development

Item 4. Adoption of the report of the meeting

11. The report of the expert meeting will be submitted to the Investment, Enterprise and Development Commission at its next session. The expert meeting may wish to authorize the Rapporteur, under the authority of the Chair, to prepare the final report after the conclusion of the meeting.

Inputs from experts

Experts nominated by member States are encouraged to submit brief papers (approximately five pages) as contributions to the work of the meeting. The papers should be submitted to the UNCTAD secretariat in advance of the meeting. Papers – which will draw on national, public sector experience and public-private partnership – will be made available at the meeting in the form and language in which they are received.

Experts are requested to submit papers by 7 February 2011. Papers should be forwarded to Mr. Masataka Fujita, Head, Investment Trends and Issues Branch, Division on Investment and Enterprise, Palais des Nations, CH-1211 Geneva 10, Switzerland; fax: +41 22 917 0122; e-mail: masataka.fujita@unctad.org.