Business Relationship Is Essential

Direct, continuous dialogue necessary to narrow gap between developed, developing countries; relationship must be mutually beneficial

BY WILLIAM S. ANDERSON*

On at least one point all nations agree: Capital and technology are the primary ingredients for economic growth and improved living standards.

Unfortunately, both capital and technology are in short supply in most of the 150 countries that comprise today's world community.

The pressing capital needs of less-developed countries in particular are universally recognized. Progress in meeting those needs has been slow, but progress is being achieved. Can we say the same about their acquisition of needed technology?

I doubt it. Even as the Third World strives to acquire more technology, the technically advanced countries grow increasingly apprehensive of sharing their industrial and scientific knowledge.

The reasons for this approaching impasse are not obscure. Many developing countries, for example, believe that:

—The current process of technology transfer tends to perpetuate the know-how "monopoly" of Western industrial nations.

—Poorer nations are paying too high a price to acquire technology, worsening their already critical balance-of-payments problems.

—Countries seeking additional know-how are at the mercy of suppliers because lack of technical expertise precludes their negotiation of fair agreements.

Thus, many Third World countries tend to view technology transfer as simply a new, more subtle form of colonialism.

Brute Force

In a growing number of cases this is prompting legislation which seeks to regulate technology transfer by brute force. Restrictions on licensing payments, duration of agreements, and suppliers' proprietary rights are typical of such legislation. Frequently, governments cancel at will agreements previously entered into in good faith by both parties. And at the international level, various "codes of conduct" are being advanced as cure-alls for the Third World's technological gap.

There is growing doubt whether such simplistic solutions are the answer, or even partial answer, to a problem of almost infinite complexity.

Consider, for example, the almost diametrically opposed viewpoints of technology suppliers. In the main, these are privately-owned companies which, rather than enjoying a monopoly, operate in fiercely competitive markets. They understandably worry about the boomerang effect of sharing trade secrets and the expertise they have acquired at heavy expense. This same concern is shared by their governments which fear that accelerated technology transfer would seriously impact employment levels and tax revenues.

In addition, technology suppliers and their governments question whether hard-pressed developing countries understand that reward for innovation is the mainspring of any free-market economy and that diminution of such incentives weakens the economic vitality of both the supplier company and country.

Misunderstandings

The controversial facets of technology transfer are further complicated by widespread misunderstandings.

Many developing countries view technology transfer as a business in itself. But is it? Multinational corporations that develop and manufacture products abroad, thereby transferring technology, do so to compete in markets they cannot effectively cover through exports. Technology transfer is thus subordinate and largely incidental to their basic objectives.

Also, business management does not own the technology for which developing nations are clamoring. It belongs to shareholders who feel no compulsion to scatter that technology around the world and who expect a reasonable return on the investment they have made on its development.

An additional question posed by technology suppliers is whether the expertise being sought by many developing countries can actually take root and produce the economic fruits that are envisioned. Does a country in an early stage of industrial development, for example, have the trained people and necessary technical infrastructure to produce the most powerful computers, the fastest aircraft, the most efficient atomic power plants, and the newest miracle drugs?

Assuming such latent capability exists, does it make economic sense for them to do so? Where will the markets to provide the essential economies of scale come from?

**Chairman of the Board, NCR Corporation, Dayton, Ohio.*

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And can the sought-after technology actually make a meaningful contribution? The machinery and know-how to create a massive highway system is of little use in a country with virtually no motor vehicles.

Fuzzy Definition

Unfortunately, in many developing countries there is only a fuzzy definition of national objectives and widely differing opinions regarding the types of technology most urgently required. A major objective of almost every country, for example, is economic self-sufficiency. But what country is self-sufficient? Even the United States, generally regarded as the world's richest and most technologically advanced country, is heavily dependent on other nations.

Perhaps the most difficult aspect of the problem is that many fields of technology today have become a moving target. A generation ago the blueprints, tools, dies and know-how for the production of a small business machine could be readily transferred to almost any country. That technology was then usable for 10 to 15 years. This is no longer true. Today, the technology of the business equipment industry is moving so rapidly that by the time a small computer system could be put into production in some countries it would already be obsolete.

Can the gap between the world's potential technology users and its potential technology suppliers ever be narrowed? It must be, not only for obvious humanitarian reasons but because the economic and political future of much of the world hangs in the balance.

If this is to be accomplished, new levels of understanding will be required on the part of both suppliers and potential users.

A First Step

As a first step, developed countries must face up to the need for developing nations to improve their living standards through more productive employment and other benefits of industrialization.

Developed countries, which have so successfully marketed their products and services worldwide, also face a new kind of selling challenge. It is to convince the Third World that there are valid reasons for suppliers maintaining reasonable control over the transfer of their technology and for receiving fair compensation for its use.

In addition, countries and companies with exportable know-how must recognize that it cannot long be hoarded. Certainly no country or company has a monopoly on innovation. A technological advance provides the innovator with only a temporary competitive edge. Thus, if a developing country cannot get the technology it wants from one source it can eventually get it from another.

It is a paradox that most technologically advanced countries, including the United States, lack overall national policies on technology transfer except where such transfers could affect national security. Yet no reasonable government or company questions the necessity for developing nations to achieve economic progress or the vital role of technology in that evolutionary process.

And what about the developing countries? Too often such countries assume that their intense desire and obvious need for technology justify "forcing" its transfer. But in almost every case such measures are self-defeating.

Mounting government intervention in the transfer process only makes delivery of the technology more difficult and thus more expensive. And regulations that cause suppliers to lose control over their own technology or dictate its transfer at bargain - basement prices only serve to diminish or shut off entirely the flow of know-how.

Technology transfer can be compared with a marriage. The partners in any marriage agree to live together for better or worse. The marriage cannot long survive if either partner rushes to the divorce court the first time there is disagreement.

In similar fashion, the marriage cannot thrive if one partner is constantly and arbitrarily changing the rules. Yet this is happening with increasing frequency in many developing countries. The technology supplier is simply informed that if this rule change is not accepted, he will be expropriated or otherwise penalized.

Despite the vaunted but largely illusory power of multinational companies, such disputes are a conflict between unequals. Any government, no matter how small the country, can write any rules it chooses and the most influential company is helpless to prevent the change. Under those circumstances the "marriage" quickly becomes a fiction.

It should therefore surprise no one that technology suppliers tend to look before they leap. Expertise is their most valuable asset. If they are going to share that expertise, they understandably seek out only those marriages in which there is balance in the give - and - take relationship and a good chance for a lasting relationship.

Establish Dialogue

An essential step to narrow the current technological gap is to establish more direct, more continuous dialogue between the developed and the developing countries. Little will be accomplished by white papers or codes of conduct which reflect only the views of one government or group of governments. Any business relationship — and technology transfer is essentially a business relationship — must be mutually beneficial and mutually nurtured.

Unless such relationships are permitted to develop, those countries with the bulk of the world's technology will have little or no incentive to transfer their technology and thereby help to correct the present imbalance among nations. And those countries with too little technology will be thwarted from gaining the economic development they seek and require.

Former Secretary of State Kissinger said recently that "No issue is more important to the future vision of international order than the ways in which the world will manage the output and distribution of goods and services."

To carry that thought an additional step: No issue is more important to managing the world's output and distribution of goods and services than achieving a more satisfactory technological balance among nations. It is an elusive goal but one we must all strive for.