Intellectual Property, Innovation and Growth

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UK Commission on Intellectual Property Rights, 2002

“…strong IP rights alone provide neither the necessary nor sufficient incentives for firms to invest in particular countries… The evidence that foreign investment is positively associated with IP protection in most developing countries is lacking.”

Robert L. Ostergard, 2003

“…no consistent evidence emerged to show that IPR contributed significantly to economic growth cross-nationally. Furthermore, when the nations are split into developed and developing countries, results to suggest otherwise did not emerge.”
“Existing research suggests that countries that strengthen their IPR are unlikely to experience a sudden boost in inflows of FDI. At the same time, the empirical evidence does point to a positive role for IPRs in stimulating formal technology transfer.”

“Developing countries should carefully assess whether the economic benefits of such rules outweigh their costs. They also need to take into account the costs of administering and enforcing a reformed IPR system”

“We still know relatively little about the way technology diffuses internationally.”
Mascus, 2008 (On integrating IPRs into development policies)

“Middle income countries must strike a complicated balance between promoting domestic learning and diffusion, through limited IP protection, and gaining greater access to international technologies through a strong regime… it makes little sense for these nations to adopt the strongly protectionist IP standards that exist in the U.S., the EU and other developed economies. Rather, they should take advantage of the remaining policy space provided by the TRIPS Agreement.”

“It is questionable whether the poorest countries should devote significant development resources to legal reforms and enforcement of IPR.”
Overall, it is fair to say that the existing empirical evidence regarding the overall technology-transfer impacts of increased IPR protection in developing countries is inconclusive at this stage. What is not yet clear is whether sufficient information flows will be induced to procure significant dynamic gains in those countries through more learning and local innovation."

“Developing countries need not only to obtain foreign technologies but also to learn how to use them to their fullest potential. In this context, it is useful to make a distinction between the initial introduction of a technology into a country and its subsequent diffusion within the domestic economy.”
Koff et al., 2011 (Reporting on interviews with firms and govt. officials in countries with TRIPS-Plus FTAs)

- TRIPS-Plus IPRs viewed as “important, but not essential” for attracting investment. Many other factors matter (taxes, human capital, clustering, etc).

- Many countries had recently changed laws to comply with TRIPS, so changes for FTAs had a smaller effect on investment.

- The way in which the obligations were implemented was important. It is not wise to simply impose one legal framework on top of another. Implementation of FTAs requires taking specific nations’ legal systems into account.
## Foreign Direct Investment

<table>
<thead>
<tr>
<th>Country</th>
<th>2006</th>
<th>2010</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guatemala</td>
<td>11.13</td>
<td>12.90</td>
<td>1.77</td>
</tr>
<tr>
<td>Peru</td>
<td>12.03</td>
<td>11.71</td>
<td>-0.03</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>09.03</td>
<td>11.08</td>
<td>2.04</td>
</tr>
</tbody>
</table>

Source: World Bank Enterprise Survey. Percentage of respondents indicating that 10% or more of their firm was owned by foreign investors.
## Use of Foreign-Licensed Technology

<table>
<thead>
<tr>
<th>Country</th>
<th>2006</th>
<th>2010</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guatemala</td>
<td>23.64</td>
<td>15.58</td>
<td>-8.06***</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>t=-2.64</td>
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<tr>
<td>Peru</td>
<td>10.56</td>
<td>14.47</td>
<td>3.92**</td>
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<td></td>
<td></td>
<td>t=1.81</td>
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<tr>
<td>Nicaragua</td>
<td>6.84</td>
<td>12.80</td>
<td>5.96**</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>t=2.07</td>
</tr>
</tbody>
</table>

Source: World Bank Enterprise Survey. Percentage of firms which reported using technology licensed from foreign companies.
Thank You!

FOR MORE INFORMATION:
- infojustice.org/tpp
- twitter.com/info_justice

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