

## Concept Note for Ministerial Breakfast – AMR 2013

### Trade in Ideas

#### **Access to competitive technology by means of a mechanism of exchange in human ideas: Evaluation of the Potential for Developing Nations**

##### **Main idea**

Access to competitive technology is essential for nations, businesses and individuals in order to develop products and services with global market access yielding economic development. Technology allows for increased productivity and efficient use of natural resources and human capacity in turn allowing for more *time* to invest in creating new inventions intended to further develop competitive innovations, engage in higher education, research and basic professional training.

*A mechanism of exchange in human ideas*, based on the patent system – treated as a trade system – and human capital formation empowered by Information and Communications Technology (ICT), is proposed as a basis for this discussion<sup>1</sup>. Such a mechanism together with investment in human capital has the promise of gains for nations supporting the further development of institutions to structure the international exchange between inventors, businesses and universities, each benefitting from each others specialized knowledge<sup>2</sup>.

Formal exchange in technical ideas has taken place between nations, firms and individuals since the creation of the first patent system in Venice in 1474. Motivated by a desire to *import* productivity enhancing technology to the then emerging manufacturing, this economic policy started the impersonal exchange in ideas. The system has been used to break up guilds, state granted monopolies and privileges ever since and give incentives to make trade secrets public information, teaching the world about the state of the art, in exchange for an excluding and *tradable* right.

This mechanism for exchange has created a dynamic competition in technology created based on exchange with the state for disclosure and between individual inventors, firms and nations through patent transfers and patent licensing. Making this mechanism more open and accessible for individuals and SMEs in the developing world is a goal of this policy discussion, consistent with sustainable global development and the MDGs. The current post 2015 discussion may benefit from insights from the potential of the discussed exchange.

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<sup>1</sup> Ref. Ullberg, 2011, *Trade in Ideas: Performance and Behavioral Properties of Markets in Patents*, Springer NY

<sup>2</sup> Exchange holds the promise of gains from specialization in knowledge. See for example (Smith, 2004, *Human nature: an economic perspective*, p 67), “...exchange promises gains that humans seek relentlessly in all social interactions.”

## **North-South exchange potential**

The mechanism is *two way* with a sustainable development perspective, where the developing countries, including the LDCs, can leverage their human capital formation, and key first-hand knowledge of technical problems on the ground, through exchange of home grown technology in the South to get access to technology from the North, needed for a broader and deeper economic development. Such a dual policy and strategy enables nations to capitalize on the creativity of their own people by selling, through exchange, technology to a for all practical purposes unlimited global market in exchange for technology useful in other areas, broadening the technology base, often lacking in developing nations. Taking the first steps in this direction is the purpose of this forum.

Many developed countries have benefitted from a more open process of technology development and road towards increasing their technology through coordination of diverse firms, and research institutions through exchange. The proposal here is to evaluate the potential for developing nations today, including the LDCs. Focus areas are proposed to cover:

- 1) Food (agricultural technology)
- 2) Energy (energy technology to power development, including ICT infrastructure)
- 3) ICT (for economic and social services like price information, transactions, business services, banking and healthcare).

This policy does not preclude other forms of coordination such as hierarchy (FDI through multinational firms), networks of inventive and innovation companies (which may or may not use patents as means of coordination), technology transfers (limited long-term effects since firms reluctant to transfer competitive technology) or one-way licensing (typically expensive and unsustainable), but instead complements other policies. A third dimension of trade in ideas is added to trade in products and services as means of market access.

## **A five country pilot-study**

A pilot-study is proposed as a first step in evaluating and developing a social and economic policy, the first goal being to gather data on the potential in the focused fields of technology. The data collection will take place through extant statistics but primarily through a series of workshops (about 5) in the participating countries.

The project will define measures on the value of trade in ideas to complement traditional measures.<sup>3</sup> The data is intended for input for policy but also for a broader international policy discussion. This second phase would lead to recommendations at the national, and the international level, possibly towards more tradable rights, a more individualized system accessible for individual inventors (often the case in developing countries), small

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<sup>3</sup> The recent world bank report on development leaves this point for further development. A possibility is to integrate such novel measures in a broader framework of policy information in a future step.

and mediums sized businesses as well as large corporations. A third step would be to invest in "technology hubs" or "clubs"<sup>4</sup>. The purpose here is to provide for the infrastructure to trade patented technology and create a "hub" for such exchange to the world on one side and internal to the developing country on the other. Such facilitation could be a follow-on implementation to the broader policy and measuring discussions.

## Questions

- The patent system is very complex and used sometimes for litigious purposes and not negotiation purposes. However, there are ways that developing nations can use the system as is, for example through patent portfolios, spreading the risk over many technologies. The system also provides learning. What are some national and bilateral initiatives that can be taken to establish an infrastructure of judges (enforcement), learning of and from the system (business) and inclusion in curriculums of honoring the local inventor (education)?
- The patent system is today very accessible for large and international firms (who have a developed hierarchy) but less so for SMEs and individual inventors (who would need to network and trade in ideas). What could be done to adjust the patent systems of the world to a more inclusive access, i.e. making the system accessible for the individual and SME inventors, both at the national and international levels towards exchange and markets? Would including these items on the Doha list be helpful in a second step?
- What in terms of international contracts and cooperation could be developed as a third step?
- What possibilities exist in coordinating policies in the area of patent system, licensing and education systems for developing countries?
- What existing sources of national statistics need to be complemented to include IP related measures
- Which technology focus areas would be most relevant to focus the evaluation effort on?
- What could be some key steps towards a more formalized market in ideas, an exchange mechanism open to all developing nations?
- New, untapped sources of information on industry structure,
- This initiative has a relation to the broader rule of law initiatives on the international institutional development agenda. What could be some synergies here, in particular in terms of steps toward more efficient international institution building like contracts or agreements?
- Which five nations would be interested in participating in and supporting this pilot-study?

## Chairpersons

Essimi Menye, Minister of Agriculture and Rural Development, Republic of Cameroon

Eskil Ullberg, PhD, Visiting Senior Research Scholar and Visiting Assistant Professor,  
George Mason University

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<sup>4</sup> Ref. to UN/Second Committee meeting on Nov 16, 2012. Presentation by E. Ullberg, discussion.