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INTRODUCTION

THE IMPACT OF TECHNOLOGICAL CHANGE ON DEVELOPING COUNTRIES

*J. Michael Robinson**

I am Michael Robinson. I am supposed to preside over this session, which has quite a fancy title. I am not exactly sure what it means. It is The Impact of Technological Change on Developing Countries. I do not think that means that Canada is a developing country in Henry's view, although many Canadians still think it is.

Henry has kept the U.S./Canadian balance when he included me as a presider. I hope that does not mean that Henry thinks that Canada either has no technology to send to developing countries, or Canadians are so ungenerous that they will not send any to those countries.

Let me first introduce the speaker, and then, to give a little bit of a Canadian flavour to it, I will make a few comments about what is going on in Canada in this field as far as I understand. I mainly work in the international area in trade, not trade litigation, but buying and selling things, joint ventures and international infrastructure projects, some of which are high-tech.

Eric Biel is now Acting Director of the Office of Policy and Strategic Planning in the U.S. Department of Commerce. Sometimes, we Canadians have a little problem with that department, but I am sure that is not going to be relevant to this session. He is currently working in this capacity with the Secretary of Commerce, Mr. William M. Daley, and Administration officials on issues involving international economic policy, which certainly relates to emerging markets.

Previously, in 1997, he served as a Special Counselor in the Executive Office of the President, working with the Trade Counsel to the Senate Finance Committee. Prior to that he was in private practice in Washington with two leading firms, Arnold & Porter and Mayer Brown & Platt.

His educational background is fascinating. He attended three very important eastern colleges: Johns Hopkins University for undergrad, Yale Law

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School, and then he received a Master of Public Affairs from Princeton University.

I am going to take my prerogative as presider to say a bit about what is going on in Canada. I know Eric is going to be talking not just about technology transfers from the United States to developing countries, but the information technology revolution and what it can mean for many developing countries and how the United States, and I guess Canada, too, can play a role in assisting with that.

The good news about being a presider is you do not have to write a paper. The bad news is you are not supposed to speak very long, so I will not. I will tell you that I did speak for Canada on venture capital and technological change quite a few years ago and presided over a similar session a couple of years ago. So let me just give you a little update on what may have happened in Canada since that time.

As you heard this morning in the discussion on venture capital, our alphabet soup of government programs, such as DIP, GAP, and GAB, are pretty well gone, and they have been replaced, in part, by our technology partnerships which those in the trade law area will know got a good slam from the WTO recently on the basis that they were too export-oriented. I was involved in the controversy between Embraer of Brazil, who was attacking Canada for subsidies, and Canada, led by Bombardier, who was attacking Brazil for its subsidies.¹ I think both lost in that one. What we do have still is an interesting phenomena at the Ministry of Economic Development, Trade and Tourism, our development entity, which is essentially called "CEDA, Inc." They will finance particularly small-to-medium-sized enterprises in business for development-related goods, sales, and service activities and other projects in developing countries. It has been reasonably successful, although perhaps not adequately publicized.

The Export Development Corporation (EDC) has newly expanded powers as of five years ago, and it has a sunset clause in its statute, so it is coming up for review now. Of course, it is looking for further expanded powers which could be of real significance in providing financing for technology transfers and exports for Canadians. But again, the WTO took a good shot at an aspect of EDC on that aircraft financing decision recently saying that the Canada account, which is sort of a slush fund that EDC can use by tapping into the Consolidated Revenue Fund of Canada through a cabinet decision, smelled a little of inappropriate export financing. When Canada said, oh, no, no, no, we only lend at OECD consensus rates, the WTO's response was probably appropriate in the circumstances. They said, if you Canadians keep

¹ See Heather Scoffield, *Brazil Skirting Trade Rules, Ottawa Says*, GLOBE & MAIL, June 3, 1999, at B9.

telling us that all of your cabinet decisions are secret, and you will not give us any of the information, what else are we supposed to think? If you just tell us that you are nice guys and do not subsidize your exports, but do not give us any evidence, we are not going to believe you. That one has not quite been solved yet.

Where is the private capital in Canada for financing technology exports and transfers or joint ventures abroad? Well, it just is not there, as you probably heard. Our labor-sponsored funds, which are an interesting venture capital initiative in Canada that you heard described this morning, are having enough trouble finding the expertise to make the start-up investments domestically and indeed are not making enough of them. They are sitting on excess capital which they cannot get out. They have almost no expertise for doing anything offshore, which I know because I have been banging on their doors on behalf of clients for some time. It is a bit of a desert in that respect.

I will leave you with one story. People have been talking about bank bashing in Canada, complaining about the absence of private capital financing. I was getting on a plane to go to London, taking a client who was raising funds, both development and long-term, for a power project in Asia. It was a small to medium-sized project, so we only needed about \$400 million. That is real money, by the way, U.S., not Canadian. In the lounge waiting to board, I ran into an old friend who then was a senior officer at one of the major investment dealers in Canada, which, as was also explained this morning, is owned by the bank. The banks bought up all the investment dealers. We do not worry about problems in that regard in Canada.

So I said, "John what are you doing? Why are you going to London?" He said, "Well, this is Fred here. He is a nice young man, and he's closing a fifty million dollar, year-old Canadian deal here. I am just taking him over to show him how it is done. Why are you going?"

So I kind of let him have it and said, "Well, I'm going even though I shouldn't be going because we cannot find any money for this project in Canada. What the heck is going on?" and "the bank owns you" and "you're a securities dealer, and you have merchant banking expertise, so why isn't it happening?"

When I tell you his answer you will know why I did not name him. He said, "Michael, we make so much money in Toronto, London, and New York, we just can't be bothered to learn about all these difficult foreign jurisdictions. It's just not worth the trouble."

"Well," I asked, "why don't you hire all those red suspender guys from London, or at least a couple of them, give them their Porsche signing bonus, and bring them over and let them do it?"

“Oh, no, they wouldn’t integrate well into our culture.” And so that is the sad story.

Now, Eric is going to tell you, I am sure, a much more optimistic story about all the wonderful things that are being done in the United States to provide technology to emerging markets.