# Developing countries may not benefit from adopting international treaties

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A new study by an Oregon State University business professor has found that developing countries that adopt major international economic treaties do not necessarily gain more foreign direct investment.

In fact, in some cases adopting these treaties can hurt, not help a developing country, contrary to what agencies such as the World Trade Organization (WTO) espouse. The study, published in the current online version of the *Journal of World Business*, has major implications for Latin American and Caribbean intellectual policy reform

Ted Khoury, an assistant professor in OSU's College of Business, spent more than 12 years in private industry managing intellectual property and research and development strategies at various firms. He is the inventor of 43 issued United States patents and more than 70 international patents in areas related to micro/nanotechnology and semiconductor manufacturing.

Khoury wanted to know when developing countries in Latin America adopt intellectual property treaties such as the Paris Convention if their inbound investment from foreign countries increases. Mike Peng from the University of Texas at Dallas contributed to the research.

"Basically, I wanted to know when developing countries take on the rules of the wealthy, developed nations, do good things happen to them?" Khoury said. "And in many cases, the answer is no."

Khoury looked specifically at the Paris Convention treaty, which was renewed in 1967. He found that countries that did not have a significant invention and scientific research base did not financially benefit from adopting the treaty, and in some cases found their economic situations worsen.

The OSU professor pointed out that developed countries such as the United States encourage others to adopt the treaties because they want to be able to file their patents in countries where there may be a market for their product, or perhaps where there may be a manufacturing workforce to make the product.

As the inventor of more than 100 domestic and international patents, Khoury saw this issue come up frequently when he was filing for patents in other countries. Companies file international patents to protect their invention and make sure competitors in other countries do not copy the product; and they want to ensure that they can sell, market or manufacture the product overseas.

Looking at the data over a 14-year period in 18 Latin American and Caribbean countries, Khoury found that countries that adopted the Paris Convention early - such as Colombia, Ecuador and Uruguay - had an inflow of foreign direct investment if they increased innovation, which he measured by the number of scholarly journals published and number of patents filed from that country. So in some cases, adoption of international intellectual property rights treaties may have helped a developing nation.

But in countries with the lowest innovation base - including El Salvador, Honduras and Paraguay - early adoption did not increase investment in those countries.

"Countries that do not adopt are threatened with sanctions and other types of coercion," Khoury said. "This explains why so many developing nations adopt treaties that are, quite frankly, not beneficial to them and in some cases only helps larger, multinational corporations within more industrialized countries."

Khoury explained that developing countries often struggle to stay in harmony with international treaties that are designed as "one-size-fits-all." In many cases, he added, developing nations may see much larger economic benefits from delaying participating with economic treaties such as the Paris Convention and waiting until they have increased their domestic innovation base.

Provided by Oregon State University

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