

**ATPS-Tanzania Workshop: Foreign Direct Investments (FDIs)  
and Technological Capability Building, Thursday June 2<sup>nd</sup>, 2011,  
Regency Park Hotel, Dar es Salaam**

**Speech by the Guest of Honor, Honorable Dr. Cyril Chami (MP), Minister for  
Industry, Trade and Marketing (MITM)**

**Read on his behalf by Dr. Consolata Ishebabi, Director for Small and  
Medium Enterprises (SMEs), MITM**

Chairman, Professor Samuel Wangwe, Executive Director, REPOA

Prof. Banji Oyeyinka, Director, UN-Habitat,

Dr. Adalgot Komba, Chairman, ATPS-Tanzania

Dr. Bitrina Diyamett, Executive Director, ATPS-Tanzania

Distinguished Workshop Participants

Ladies and Gentlemen

I am pleased to be here today to officiate this very important workshop on Foreign Direct Investments and their roles in Local Technological Capability Building. This is a very important workshop at a point in time when globalization has boosted FDI flows all over the world, and almost all countries of the world are striving to attract and retain more foreign direct investments in their jurisdictions.

This is also a point in time where the role of technological capability in economic development is becoming very important – two most important major issues facing the world economic system today are the globalization and the technological change. Both of them create and foreclose opportunities for the developing countries to enhance their technological capabilities for much needed competitiveness. We at the ministry do understand that competitiveness does not only mean catching up with others or leading, but it is at the heart of the very

survival of our companies; and by implication our nation. Competitiveness of our companies must therefore be enhanced and safeguarded at any cost.

**Ladies and Gentlemen,** It is understood that foreign direct investments have many potential roles that they can play in host economies. These roles include but are not limited to employment creation, foreign exchange earnings, technology transfer and technological capability building, superior production skills and organization, provision of investment capital, granting of market access, enhancing efficiency and supporting community development projects.

**Ladies and Gentlemen,** in line with the workshop theme let me put emphasis on the role of foreign direct investments on technology transfer and local technological capability building.

Foreign direct investments have become important sources of new technology as technical change accelerated, and are presumed to be important channels through which international diffusion of knowledge and technology takes place. Multinational Enterprises have the potential to transfer technological practices to developing countries, which may lead to higher technological capabilities and innovations. These investments are thought to be the easiest way to build local technological capabilities for least developed countries such as Tanzania. More over FDI is a package, which along with much needed capital, it comes with expertise in management, technology and skills. Experience in developing countries suggests that borrowing capital from international banks, purchasing technology through licenses and negotiating management agreements are less efficient in terms of gains in productivity, than unbundling an FDI package.

**Ladies and Gentlemen,** It is to be understood that all of the above roles of foreign direct investments are only potential. In order to be able to actualize these potentials, a number of conditions are necessary. Among these conditions

include appropriate policies. Such policies are those that make sure that appropriate types of foreign direct investments are attracted and investment environments are conducive for both foreign and local investors. Such policies must also ensure harmony and linkage between the foreign direct investments and the rest of the economy. In the context of this workshop, such policies should ensure that there is harmony and interactive linkage and technological learning between local companies and foreign direct investments.

I therefore call upon all stakeholders responsible for FDI policies, including policy researchers, scholars in the academia and research institutions to play their part in ensuring increased Inflow of foreign direct investments is associated with benefits, both for the foreign and local investors themselves, and country in general. The Government in general and my ministry in particular is committed to playing its part, especially as far as appropriate policies are concerned. But policy researchers, scholars in the academia and research institutions have crucial role to play - any good policy requires evidence on the ground. Let me raise very crucial questions as far as technological capability building through foreign direct investments is concerned:

- What attracts foreign investors to a particular country and how will they be persuaded to direct finance that increases the value-addition and deepening of technological capabilities in the country?
- How do we improve harmony and interactive learning among foreign and local investors? Because this is at the heart of local technological capability building through FDI

**Ladies and Gentlemen,** there are many questions that can be raised and answered that are crucial for good FDI policy, and as you all know, there is no short cut in raising and answering such questions, but in-depth research. It is for this reason that I congratulate ATPS-Tanzania for taking initiatives in undertaking research on foreign direct investments and technological capability building in Tanzania. It is my belief that they have raised and answered policy relevant

questions in the area, and it is my sincere hope that the findings of this research will be widely disseminated and used in various areas including in informing various policies.

I am made to understand that among other paper presentations there will be a book launch and a presentation from a renowned Professor of Innovation Systems – Professor Oyelaran Oyeyinka who is the Director of research at the UN-HABITAT and a Professorial Fellow at the UNU-MERIT – the former United Nations University, Institute for New Technologies, who is the author of the book. I have personally glanced at the book; one of the research countries is Tanzania. The book can therefore provide answers to some of our burning policy questions in the area of technology and innovation. I therefore I urge everyone here present to listen attentively to the presentations and most importantly contribute actively in the discussions that will follow.

Finally, let me take this opportunity to thank and congratulate all those who have made it possible for this workshop to be a reality. These include the funding organizations, the researchers and paper writers and presenters as well as the author of the book to be launched. I wish you all nice and fruitful deliberations.

I now declare this workshop officially opened.

Thank you.