

FDI AND TECHNOLOGICAL CAPABILITIES IN THE BRAZILIAN INDUSTRY

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ABSTRACT

Over the last fifty years, multinational companies (MNCs) have played an important role in the development of the Brazilian industry. With regard to technology, it has been argued often that MNCs positively affect the technical change process in the country. In fact, the introduction of new technologies by MNCs has currently favoured a so-called modernization process of products and productive activities in the local industry. However, an important related issue remains not much addressed: the local generation of technology. That is, the meaning of the inward FDI in terms of creating new knowledge in Brazil. Generally, the studies on the influence of MNCs upon the Brazilian technological development have assumed by technical progress the local adoption and use of technology. Therefore, the focus of the debate has been on the use of technology. The importance of moving away from this narrowed focus toward a broader debate on the technological implications of the heavy presence of MNCs has been intensified since 1994, by a new wave of inward FDI, attracted by the stabilisation and the warm up of the huge Brazilian market. The research we are developing is an attempt to throw some light on this issue, dealing with it from the technological capability approach's perspective. Then, the paper aims to contribute to a further understanding of the increased MNCs' stake for deepening and strengthening technological capabilities of the Brazilian industry, exploring how these firms can help the Brazilian industry to evolve from the main status of foreign technology user, toward a more active position as an original generator of knowledge. Based on an innovation survey database, which was carried out in the State of São Paulo, it presents some proxies for technological capabilities, both for foreign- and domestic-owned firms. Also, the proxies are computed for firm size and for industrial sector. It then draws a comparison of those proxies, in an attempt to find out some signs of the relative effects of MNCs for the technological development of the Brazilian industry. The paper also suggests a classification of TCs, which a central aspect is a distinction between meta-TCs and the functional-TCs.

The findings we have made so far, farther demonstrating a low performance of technological activities in Brazil, point to a moderate TCs-building process, both by MNCs and by domestic firms. This suggests that the increased FDI inflow into the Brazilian industry do not *per se* means the local accumulation of deeper technological capabilities.