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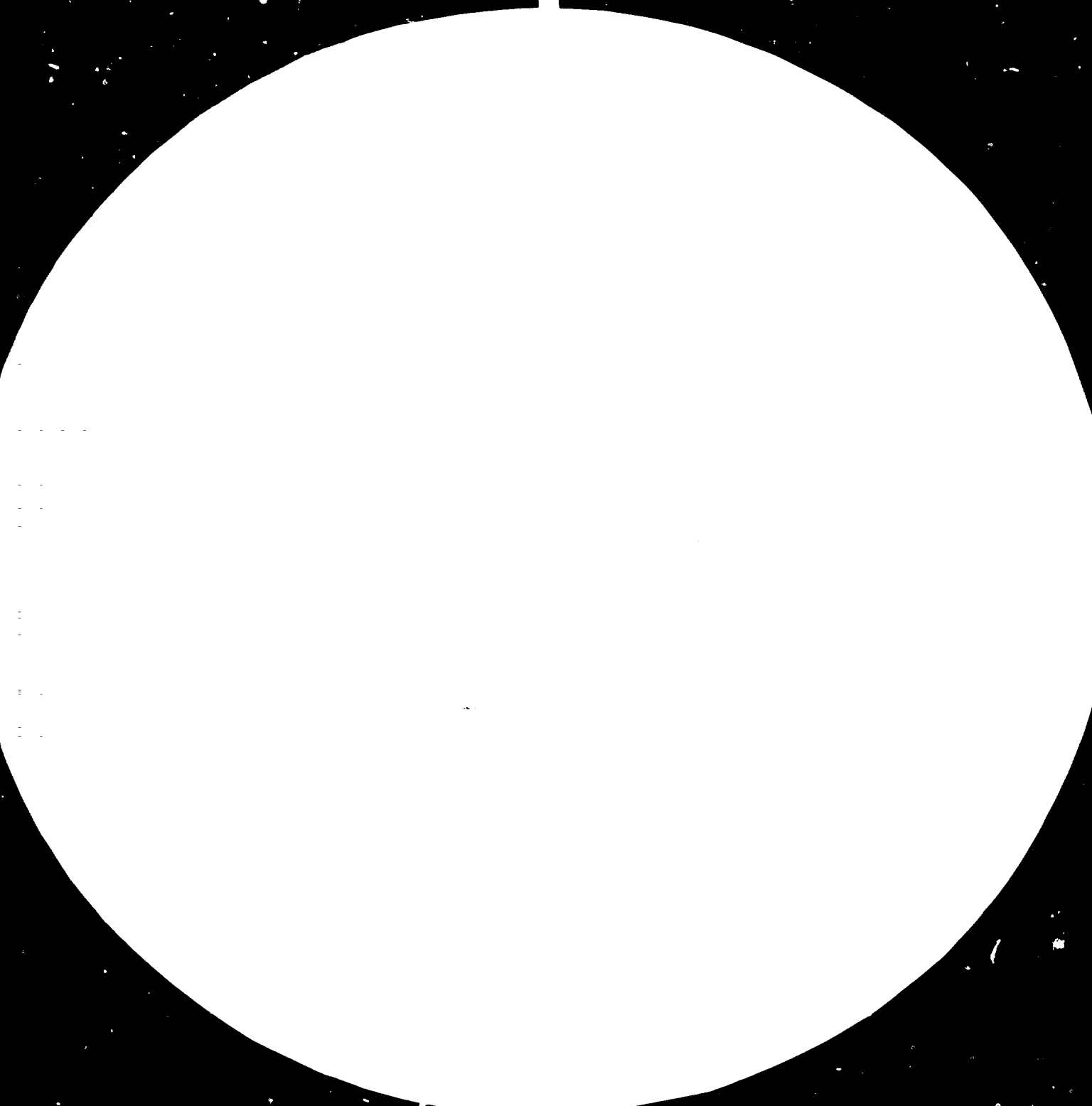
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TECHNOLOGICAL ADVISORY SERVICES (TAS)
AND OTHER RELATED ACTIVITIES*

Note by UNIDO secretariat

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INTRODUCTION

According to the data available to UNIDO secretariat, the international flows of technology constitute an important element of industrialization, not only in industrialized countries but, even more so, in developing countries.

In principle, the following basic channels, non-commercial and commercial, are used for the transfer of technology:

- educational systems;
- migration of skilled and unskilled labour;
- technical and patent literature;
- direct foreign investment (dfi);
- joint-ventures
- know-how and licensing arrangements;
- equipment and turn-key deliveries.

While in terms of the volume dfi, no doubt leads the pack, very significant amounts of technology flows, by use of know-how and licensing arrangements as well as related often to joint ventures.

If in 1965 the overall technology flows (in forms of know-how and licensing) has been estimated at ca. 2.5 billion dollars, with the developing countries' share at ca. 8-9%, this amount increased to ca. 11-12 billion dollars in the year 1975, with the developing countries' share increasing to 1.5 billion.

The careful forecast for the year 1985 indicates an increase of those amounts to 40-45 billion dollars and ca. 6-7 billion dollars.

The above brief indications and data, limited only to one channel of the flows of technology, shows us clearly the overall dependance of the developing countries on the importation of foreign technology, as the outflow of technology from developing countries reached in 1980 the level of only 150 million dollars.

Furthermore, in order to visualize the overall long term needs of the developing countries in terms of investments, taking into account the Lima target, this calls for 450-500 billion dollars by the year 2000 of annual manufacturing investments: ^{1/}

UNIDO, being an UN agency dealing with the problems of industrialization, realizes fully the need to assist the developing countries in digesting all those inflows of technology and that was the reason why it established, late 1978, a specialized service called Technological Advisory Services ^{2/}.

This brief paper will deal with the review of ongoing UNIDO activities in respect to advisory services, the training activities including the preparation of materials for this purpose as well as the information schemes of interest and service to developing countries.

TECNOLOGICAL ADVISORY SERVICES - TAS

Bearing in mind, on one hand the amount of technology acquired by developing countries in its various forms and, on the other, the conditions under which this technology is being supplied, the secretariat of UNIDO came to the conclusion that a specialized advisory service could be offered to the Governments of developing countries to provide rapid, objective and impartial advice in contracting major industrial projects (joint-ventures, turn-key and licensing agreements) in all fields of UNIDO activities

The services of TAS, provided in principle by UNIDO staff, with a small group of carefully selected outside consultants (predominantly from other developing countries) concentrate in the following areas:

- (i) preparation for negotiation of major contracts in the field of joint ventures, turn-key deliveries, licences, know-how, management and franchizing services including financial arrangements:

^{1/} G. S. Gouri, "Challenges to the Third World" in LES Nouvelles, Volume XV, No. 4, Dec. 1980.

^{2/} Executive Director's Bulletin - UNIDO/Ex/8.10.78

- (ii) assistance in drafting of agreements, enumerated under (i) above:
- (iii) advice during negotiations or re-negotiations of contracts enumerated under (i), above;
- (iv) other contractual areas.

As a principle, all Governments of developing countries may request UNIDO for the TAS services: public and private corporations of developing countries may also request such assistance, provided their Governments endorse such requests.

All services provided by UNIDO under the TAS scheme, are to be reimbursed by the requesting party, upon delivery of the services. The services are reimbursed at actual costs incurred by UNIDO.

For the purpose of launching the TAS, a small revolving fund has been established at UNIDO from which the services are financed.

BRIEF REVIEW OF THE DELIVERY OF THE TAS - 1979-1981

Provision of TAS services has been initiated only in 1979 and it should be stressed that they are delivered at a modest scale on a selective basis.

So far the TAS services have been used by the following countries: Algeria, Dominican Republic, Ecuador, Egypt, Kuwait, Malaysia, People's Republic of China, Philippines, Portugal, Republic of Congo, Turkey, Venezuela Kenya and Tanzania.

In view of the fact of the strict confidentiality of those services, there is no possibility to describe in much detail the services provided and the results achieved. The current overview will be provided only in a general manner. One of the most interesting cases has been the assistance for almost 2 years to a Government in negotiating 500 million \$ investment in the automotive sector which included the revision of contracts to establish a joint holding company, manufacturing facilities, credit agreements and licence agreements for the manufacturing of a range of models with leading manufacturers of cars.

Another example was the revision of a series of licensing agreements with major suppliers of petrochemical and refining processes with a state oil company.

Another case was to prepare and advise during the negotiations for the formation of a joint-venture company and then turn-key delivery of a pharmaceutical glass plant worth ca. 50 million \$.

Yet another example was to review a series of offers for turn-key supply of cement plants with Government participation and long term management agreement.

According to our statistics, the majority of the TAS services were provided in the area of turn-key and licensing agreements, with joint-ventures and investment following immediately.

In terms of the achieved results, the TAS may claim substantial improvement of contractual conditions (in all cases) and quite significant cost reductions, even in cases where the suppliers had been chosen by Governments prior to the receipt of the TAS.

TRAINING PROGRAMMES

As it is easy to imagine, the advisory activities under TAS may cater only in an ad-hoc manner to the problems developing countries are facing when contracting technology, be it in a form of joint-venture, licensing or turn-key delivery.

In order to solve some of the long term problems, particularly in the area of negotiations for the above contractual arrangements, UNIDO has developed quite substantial training programmes, specifically designed to meet the needs of the developing countries.

Those programmes, in principle, contain the three basic channels of flows of technology:

- formation of joint-ventures:
- negotiating of licensing and know-how agreements:
- negotiation of turn-key contracts.

It should be stated in all fairness that regular programmes in this area have been developed, first of all for negotiations of know-how and licensing agreements and here UNIDO organizes per annum, between 6 and 10 training workshops on the negotiation of such agreements. Those programmes are designed to last 3 days up to 6 weeks (depending on the level of the participants) and cover all ranges of legal, financial and technical issues.

For example, only in 1981, such workshops were organized in the People's Republic of China (2), Portugal, Philippines and Egypt, to which ca. 250 participants, attended.

The workshops usually include simulated contract negotiations on a basis of special material prepared by UNIDO, IMEDE and LES.

As those programmes are rather successful and demand is growing, UNIDO has already commissioned preparations of material for simulated negotiations of turn-key agreements and formation of joint-ventures.

For illustrative purposes, some of the materials used in these training programmes are available to participants of this expert group.

Finally, UNIDO successful Manual for the establishment of joint-ventures, has been put under review and a revised version should be available later this year or early next.

INFORMATION SERVICES

There is no doubt that many developing countries turn to UNIDO for information as to terms and conditions of a variety of contractual arrangements and the secretariat attempts at providing such information to its best ability.

In this connection, it is necessary to mention briefly two of our initiatives of which one is fully operational since more than 3 years, while the other will start its pilot scheme.

Since early 1978, UNIDO operates the Technological Information Exchange System (TIES) which is an information system providing data on terms and conditions of licensing, know-how and technical assistance agreements entered into by the developing countries participating in the scheme.

The system, which is based on confidentiality, mutuality and reciprocity allows participating countries to have access to information on contracts signed by other participants. At present, data is available on ca. 10,000 agreements with the following countries participating in the scheme: Mexico, Guatemala, Venezuela, Peru, Ecuador, Colombia, Argentina, Nigeria, Cameroon, Egypt, Portugal, Spain, Iraq, India, Malaysia, Philippines, Republic of South Korea and People's Republic of China.

The observer status has been granted to: Algeria, Togo, Yugoslavia, Poland, Indonesia and Ethiopia.

Through TIES, the central regulatory bodies (in respect to technology flows) in participating countries, obtain valuable information, both on terms and conditions of import of technology but also comparable data as to their own performance.

Another system which at present is being tested is called TIEN, that is Technological Information Exchange Network and is designed to be used by Industrial Development Finance Institutions whose financial analysis of credit policy are faced with technological problems.

In order to provide those institutions with access to technological (technical and commercial) information, the TIEN has been established and the pilot operation with the participation of selected, small groups, will start very soon.

Finally, in terms of provision of overall industrial information, one should not fail to mention UNIDO's INTIB of which, both TIES and TIEN are integral parts.

No doubt, those information services provided by UNIDO assist many developing countries, but that does not mean that UNIDO has exhausted its potential or all needs have been fully met.

We believe that this meeting will assist the secretariat to identify further needs and even more important, to identify areas of action to meet those needs.

PRELIMINARY CONCLUSIONS

It is believed that the TAS services, when provided, have been found extremely useful and successful. As mentioned earlier, the scope, purposely, is limited to more complex and difficult cases due to, inter alia, shortage of staff and limited financing available. While at the beginning the TAS services were used primarily by more developed countries, at present, more and more, less developing countries are using the service which is still not widely known (for example, in comparison with similar services offered by UNCTC in the area of foreign investments).

It is expected that the TAS will grow, both in terms of amount and assignments as well as in number of countries served, provided more promotional efforts are made at the end of UNIDO.

No doubt, the increase of involvement of TAS in the field of the establishment of joint-ventures will be a welcomed extension of this service.

It is expected that the TIES system will grow further and will ultimately include all countries where Governments have assumed a direct regulatory role in inflows of foreign technologies.

Once this level is reached, it will be the time to design systems by which other countries will be in a position to have access to TIES' data base.

We believe also that TIEM, after the pilot operation is over, will develop into a meaningful information system for industrial financing institutions.

Finally, in respect of the training programmes, it is hoped that soon UNIDO may offer a full-fledged assistance covering all aspects of technology flows.

