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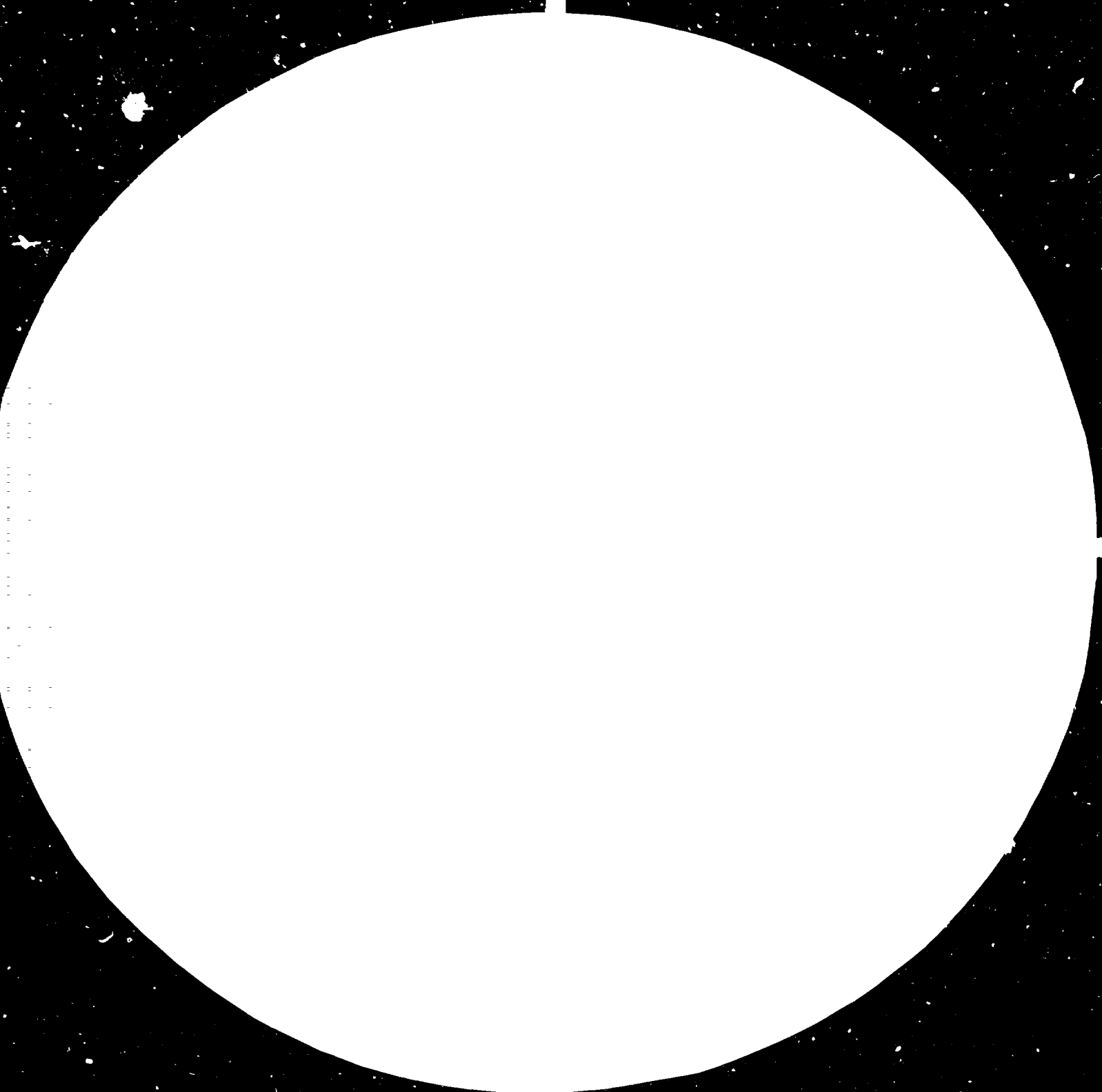

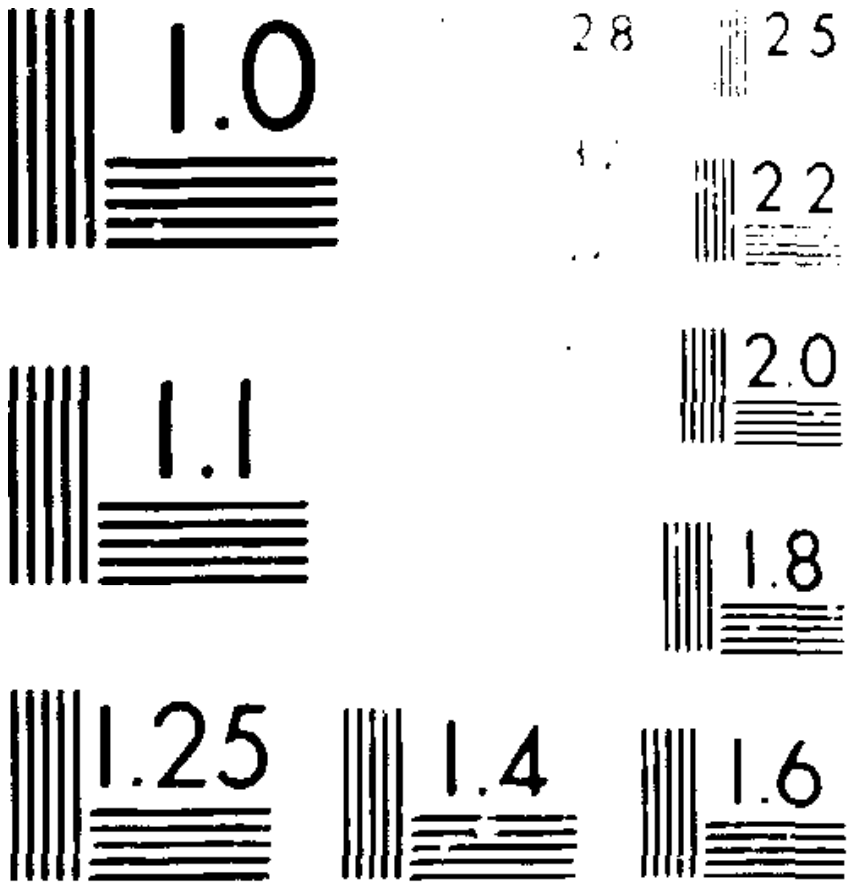
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TIES NEWSLETTER

TECHNOLOGICAL INFORMATION EXCHANGE SYSTEM

Issue Number 7 | 12036 | January 1981

Dear Reader,

I wish to extend to our readers my best wishes for a happy and prosperous 1981. With the beginning of the new year, it is appropriate to look at some of the challenges which face us in the 1980s. The following speech is one which I gave in October 1980 to the Licensing Executives Society USA/Canada Annual Meeting in Orlando, Florida which I believe addresses some of the critical issues we will face in the coming years.

G.S. Gouri
Senior Technical Advisor
in charge of the
UNIDO Technology Programme

The decade of the Seventies clearly demonstrated that the great economic boom since the end of World War II has not only come to a close but also that global international economic relations are at a crossroads. The industrialized countries are reeling under the pressure of recession, inflation, and steadily growing unemployment.

The Third World countries are battling with the enormity of problems imposed by the growth of population and very high unemployment, foreign debt, and gradual restriction of markets of the industrialized countries for their manufactured products, etc. all of which contribute to the aggravation of acute poverty.

The world is increasingly polarized between "haves" and "have nots", the North and the South and between those few which control the world's technology resources and assets and the many who are trying to acquire them within the shortest period possible. The prosperity of the present world build on the indiscriminate use of scarce resources of the planet without due regard to the needs of future generations is creating concern among those who have such resources and wish to preserve them.

The call for a New International Economic Order in securing just and adequate returns in trade, as well as a share in the economic decisions governing global recovery and re-adjustment has been a subject of intense argument and debate during the last few years. Some have even argued that the world economy today faces the gravest crisis since World War II, because many of the structures and institutions established since have been crumbling.

There is thus a serious reassessment of the economic health of the world in the world fora, not only in terms of the analysis of the present malaise but more so in terms of building a healthy and interdependent planet with the objectives of maintaining equity and justice and concern for the human being as distinct from machines, structures and institutions bearing in mind and respecting individual cultures, ideals and life styles of the respective nations.

It is in this context, that this meeting has a special significance as it looks at the next decade and particularly to the international technology market in which the members of the Licensing Executives Society are important actors. It is all the more important, as it has been quoted that a major part of the world's technology contracts are in one way or another handled by the members of the LES (Licensing Executives Society).

Thus, the LES as a group has a major stake in the emerging world international technology order of the 1980s and beyond. Since they are instruments of a system which is undergoing change, or some critics would say, refusing to undergo change, it is necessary to review the situation and to examine how one can play a useful role for the benefit of humanity.

From a long-term point of view, the strategy for world industrialization and more specifically for the Third World, is contained in the Lima Declaration and Plan of Action adopted by the Second General Conference of UNIDO in April 1975. Briefly, it calls for a share of industrial production of the world emanating in the Third World to reach 25% by the year 2000. The corresponding trade target of about 30% has been discussed in UNCTAD and UNIDO conferences in 1979 and 1980.

In financial terms, it means that the annual manufacturing investment by the year 2000 will be $450 to $500 billion (at 1975 prices). Thus, direct foreign investment in terms of the target may have to increase up to 10 times the present level. This gives an idea of the technology market in the Third World by the year 2000. The achievement of such targets is possible only if the North and South firmly believe and follow policies and frameworks for global interdependence, Third World collective self-reliance and appropriate national industrial development strategies.

The need for global unity and the paramount importance of mutuality of interest are further analyzed in the report entitled, "North-South - A Program for Survival" and popularly known as the Brandt Commission Report.

This report states, "We stick to the thesis that these are growing international interests. We are becoming more aware that a quickened pace of development in the South also serves the people in the North."

"The possiblity of looking into the future, together" has been echoed by the Secretariat of the Commission of the European Economic Community.

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It has also been pointed out that, during the past six years, the Third World's sustaining buying power has been an important factor in mitigating the recession of the North. To quote once again the report of the Brandt Commission, "The international debate on development at the threshold of the 80s deals not just with assistance and aid, but with new structures. What is now on the agenda is a rearrangement of international relations, the building of a new order and a new kind of comprehensive approach to the problems of development."

What does it mean to all of us? How do we approach this challenge although it might not directly hurt us in the next few years? Shall this problem be glossed over and passed on to the politicians, and international organizations involved in the deliberations? The answer, in my opinion, is clearly no.

Since you are very directly involved in negotiation of contracts and sale and purchase of technology, the beginning of a mutual, beneficial and harmonious relationship among companies, groups of individuals, it is imperative to be not only aware of and concerned with global problems, but also to strive to foster harmony of relationships through the better utilization of technology.

As mentioned above, the opportunities for technology transfer and taking full advantage of the technology market are manifold. While the financial data serve to indicate some orders of magnitude, it is necessary to look at the character and content of the technology market in the light of the requirements of the Third World.

It is a matter of common knowledge that technology when implanted without due regard to size, markets, skill availability, cultures and traditions has failed to meet the aspirations of the Third World. There is therefore a need for adapted, suitable or appropriate technologies. The energy situation of the planet and more so of the developing countries has affected the demand for such technologies which are energy-efficient. Perhaps the small industry which possesses technological sophistication will occupy the important place in the structure of industry of the 1990s. The trend away from bigness will also be reflected in the type and nature of technologies.

What is more important is the influence of technology breakthroughs on the structure of production and ultimate technology transactions. Everybody is aware of the influence of microelectronics on industrial operations. But not all today appreciate the tremendous impact of the developments in the field of genetic engineering. The use of microorganisms for large-scale reproduction in areas of fermentation, pharmaceuticals, and direct fixation of nitrogen, some beneficiation of ores and releasing energy from plants (wastes) trapped from the sun, are not just dreams any longer. They are in the laboratories. Their transition to commercial production may be much quicker than we all think.

While the world owed much to metallurgists and mechanical engineers in the early part of the century, to the chemists and chemical engineers in the middle part of the century, the world will owe much more to bioengineers and genetic engineers. We may not have to wait till the end of this century.

The use of technology breakthroughs in industrial production will spread both in the North and in the South. This may not happen in the 1980s, but the 1990s will witness major changes.

Thus, the 1980s are critical. This decade provides the preparatory stage for the expansion of the technology market later as well as adjustment of institutions, laws and regulations and more particularly attitudes - which unfortunately still are influenced by the past. Yet, the 1980s will be influenced by the challenges of the future.

The transferor-transferee relationships have been discussed extensively. But in the context of the new, challenging and changing situation I would like to suggest that the responsibility of the owners and transferors of technology will assume a new dimension. I would like to say that their responsibilities will be even larger than those of the politicians, and they will have a stake in building a harmonious and interdependent world. While there has to be a greater understanding of the aspirations of the Third World, there will also have to be a spirit of partnership which will have to be fostered with patience.

It is here that I would like to emphasize that the Licensing Executives Society has a significant role to play. Such a role could be:

1. To encourage the flow of technologies to the Third World, taking into account their aspirations and needs.
2. To examine and suggest new ways of financing such flows.
3. To act jointly with UNIDO in providing a forum for discussions and review of the various aspects of technology transfer.

The recent dialogue between LES, UNIDO and technology registries has shown that the information and knowledge of each others' wishes and activities is lacking. With a little patience, effort and dialogue a number of misconceptions can be removed. The way can be paved for effective co-operation. Some members of LES and UNIDO are becoming increasingly convinced that every effort should be made to strengthen technological capacities of the Third World so that they can not only become better and equal business partners but also contribute to the achievement of the Lima target and the attainment of the goals outlined by the Brandt Commission.

Registry activities

(The following background article on the "Club of 15" or TIES system recently published in the Investment Review of Egypt will be of interest to some of our newer readers.)

The situation of developing countries in the process of technology transfer is characterized by an overwhelming dependence on foreign technology and rather limited indigenous technological capacities. Among developing countries, however, there is an emerging group of some fifteen countries, including Egypt, who have already reached a considerable industrial level and indigenous technological base.

A number of developing countries, where industrialization has reached a significant level, have introduced policies and administrative measures aimed at regulating the inflow of technology at the one hand, and at encouraging and facilitating indigenous development on the other. The increased role of governments in regulating the flow of foreign technology has been largely initiated in order to secure equitable terms of technology transfer, and to channel the flow of appropriate technology to priority fields in various countries. According to UNIDO estimates, at present some 30 developing countries exercise a considerable degree of governmental control in the field of technology transfer.

Governmental regulatory activity relating to the flow of technology has generally taken the form of specific administrative measures requiring review and approval of technology-supply arrangements by specialized offices of the government.

Through the exercise of such reviewing functions, these regulatory agencies have become repositories of considerable information and valuable data regarding technology contracts and arrangements in various sectors. It was argued, however, that the effective role of such institutions could be greatly enhanced by adequate flow of information related to the contractual arrangements under which such technologies may have been acquired in other developing countries. Such flow of information necessitated a collective approach to the sharing of information and experience between developing countries.

It was under this assumption, that a decision to develop the Technological Information Exchange System (TIES) was made at the first meeting of Heads of Technology Registries held in Vienna in 1978, sponsored by the United Nations Industrial Development Organization (UNIDO). Countries represented at the meeting included Egypt, Peru, Ecuador, Mexico, Iraq, Malaysia, India, South Korea, Argentina, Philippines, Spain, Algeria, Venezuela and Portugal.

The Meeting or the so-called "The Club of 15", recommended that the programme for exchange of information should be on a reciprocal, equal and mutually beneficial basis.

The nature and scope of the information collected should serve to strengthen the negotiation position of the participating countries and enlarge the scope of available technological options in specific areas. With the co-operation of the participating countries, UNIDO has developed the TIES system to the point where it is now a fully operational computer system with data on some 3300 contracts. The system is expected to increase by 2000-5000 contracts per year.

Three follow-up meetings of the TIES participants have been held to explore areas of further co-operation amongst the Registries.

At the last meeting held in Buenos Aires (15-19 September 1980) it was recognized by the participating countries that the system should grow from the stage of information-exchange to higher levels. The aim should be to evolve the system into an instrument for aiding policy-makers in developing countries in the field of technolgy transfer.

Recent publications

ID/253 Mineral processing in developing countries

ID/WG.330/28 Argentina: The status of its agricultural machinery industry

ID/WG.318/12 Issues affecting development of the fertilizer industry in the 1980s

ID/WG.333/5 Safety systems involved in handling, storage and transportation of liquid ammonia including ammoniacal solutions. Interregional Meeting on Safety in production, transportation and storage of fertilizers, New Delhi, India, 8-10 December 1980

ID/WG.327/9 Plastics in world agriculture, 1980. Eighth International Congress on the Applications of Plastics in Agriculture, Lisbon, Portugal, 6-11 October 1980

ID/WG.324/1 The production of capital goods in developing countries at an intermediate state of development; the cases of Guatemala and Peru

ID/WG.324/10 Types of technologies in the service of the capital goods industry's development

IS/SER.M/5 Industry and Development No. 5 (80.II.B.4)

ID/WG.330/13 Necessity of, and practical possibilities for, co-operation in the agricultural machinery industry from the viewpoint of the industrialized countries

ID/WG.330/28 La Argentina - estado de su industria de maquinaria agrícola

ID/WG.330/29 Expériences acquises dans la mise en place d'une industrie des machines agricoles - Algérie

ID/WG.331/1 Preparation of guidelines. Summary and main conclusions. First consultation meeting on the pharmaceutical industry, Lisbon, Portugal, 1-5 December 1980

ID/WG.331/2 Relevant issues to be taken into account when negotiating transfer of technology agreements

ID/WG.331/4 The pricing and availability of intermediates and bulk drugs

ID/WG.331/5 The availability, terms and conditions for the transfer of technology for the manufacture of essential drugs

UNIDO/IOD/376 Compiled data on the license manufacture of woodworking machines in developing countries

UNIDO/ICIS/175 Country industrial development profile of the Philippines

Colombia

Decisions of the Comité de Regalías of Colombia for the first six months of 1980

Industrial Sector	Object of Contract	Supplier Country	Royalty % on Net Sales Proposed by Parties	Decision	Royalty % on Net Sales Approved by Government	Duration Approved (years)
Confectionary	Trademark	USA	None	Approved	None	2
Food Products	Trademark	USA	None	Approved	None	2
	Trademark	Switzerland	None	Approved	None	2
Textile Fibers	Technical Assistance	USA	2 (Domestic Sales) 3 (Exports)	Approved	2 (Domestic Sales) 3 (Exports)	3
Wearing Apparel	Trademark, Technical Assistance	USA	2 (Domestic Sales) 3 (Exports)	Approved	2 (Domestic Sales) 3 (Exports)	2
	Trademark	USA	2 (Domestic Sales 3 (Exports)	Approved	2 (Domestic Sales) 3 (Exports)	2
	Trademark	France	6 plus $US 150	Rejected	-	-
Paper Manufacture	Technical Assistance	USA	1	Approved	1	5
	Know how, Technical Assistance	USA	2	Approved	1	2
	Trademark, Technical Assistance	Austria	2.5	Approved	2.5	3
Paper Products	Trademark	USA	None	Approved	None	1
Chemical Products	Trademark, Technical Assistance	USA	3	Rejected	-	-
	Technical Assistance	USA	5	Rejected	-	-
	Trademark, Technical Assistance	USA	2.5	Approved	2.5	5
	Trademark	USA	None	Approved	None	-
Pharmaceuticals	Trademark	USA	None	Approved	None	2
	Technical Assistance	UK	2.5 (Exports)	Approved	2.5 (Exports)	3
	Trademark	UK	None	Approved	None	3
	Trademark	Switzerland	None	Approved	None	3
	Trademark	F.R.G.	None	Approved	None	3
	Trademark	Italy	None	Approved	None	2

Cosmetics	Trademark, Technical Assistance	France	3 (Domestic Sales) 7.5 (Exports)	Approved	3 (Domestic Sales 7.5 (Exports)	2
	Trademark, Technical Assistance	France	3 (Domestic Sales) 7.5 (Exports)	Approved	3 (Domestic Sales 7.5 (Exports)	2
	Trademark	France	5 (Domestic Sales) 7.5 (Exports)	Approved	5 (Domestic Sales 7.5 (Exports)	2
	Trademark, Technical Assistance	USA	2.25 (Domestic Sales + Exports)	Approved	2.25 (Domestic Sales + Exports)	2
	Trademark, Technical Assistance	USA	5 (Domestic Sales) 7.5 (Exports)	Approved	5 (Domestic Sales 7.5 (Exports)	2
	Trademark	USA	5 (Domestic Sales) 7.5 (Exports)	Approved	5 (Domestic Sales 7.5 (Exports)	1
	Trademark	USA	5 (Domestic Sales) 7.5 (Exports)	Approved	5 (Domestic Sales 7.5 (Exports)	2
Coal By-products	Patent	USA	-	Approved	3	3
Plastic Products	Trademark, Technical Assistance	USA	4	Approved	4	3
Glass	Patent, Technical Assistance	USA	1	Approved	1	2
Non-Metallic Mineral Products	Technical Assistance	Liechtenstein	1	Approved	0.5	2
	Technical Assistance	USA	4	Approved	3.5	3
Metal Products	Technical Assistance	USA	$US 1,120,000	Approved	$US 1,120,000	2
	Technical Assistance	USA	-	Approved	4	5
Electric Apparatus and Supplies	Trademark, Technical Assistance	Brazil	2.5 plus $US 3,000	Approved	2	3
	Technical Assistance	Bahamas	2	Approved	1.5	3
Transport Equipment	Technical Assistance	USA	3	Approved	3	3
	Technical Assistance	USA	2.5	Approved	2.5	2
Administrative Services	Technical Assistance	USA	5	Approved	5	3

Service Contracts Approved by the Oficina de Cambios of Colombia for the first six months of 1980

Supplier Country	Object of Contract	Technicians	Unit Cost	Total Cost
Agro-industry				
UK	Study on production development	- 0 -	- 0 -	$US 218,592 (2)
F.R.G.	Overhaul and repair	- 0 -	DM 1,515/ manday	DM 47,612 (1) (5)
USA	Overhaul	- 0 -	$US 75/ manhour	$US 24,000 (1) (5)
Paper Industry				
USA	Installation and start up	- 0 -	$US 420.72	$US 50,484 (1) (5)
USA	Consulting on purchase of detailed engineering	Specialized engineers	- 0 -	$US 363,636 (1)
Chemical Industry				
USA	Technical Assistance in construction and start up	- 0 -	- 0 -	$US 100,000 (1)
USA	Installation and start up	- 0 -	$US 332.50/ manday	$US 108,900 (1) (5)
Italy	Set up	- 0 -	- 0 -	$US 1,952,030 (1)
Switzerland	Set up supervision	- 0 -	$US 642/ manday	$US 96,300 (1) (5)
USA	Repair	- 0 -	- 0 -	$US 317,829 (4)
Sweden	Analysis	- 0 -	- 0 -	SK 93,333 (1)
USA	Project Evaluation	- 0 -	- 0 -	$US 24,857 (1)
USA	Set up and testing	- 0 -	- 0 -	$US 427,544 (1) (5)
Coal Mining				
USA	Consulting	- 0 -	- 0 -	$US 307,367 (1)
USA	Consulting	- 0 -	- 0 -	$US 97,424 (1)
USA	Engineering	- 0 -	- 0 -	Actual costs and expenses
Rubber Industry				
USA	Process Consulting	- 0 -	$US 21/ manday	$US 12,096 (1) (5)
Glass Industry				
USA	Facilities enlargement	Project engineer	$US 44.25/ manhour	$US 21,727
		Design engineer	$US 20.00/ manhour	$US 71,820
		Mechanical engineer	$US 32.00/ manhour	$US 288
		Instrument-ation system	$US 48.50/ manhour	$US 11,252

		Piping system	$US 43.00/ manhour	$US 12,427
		Purchase consulting	$US 32.00/ manhour	$US 19,200
		Set up supervision	$US 80.50/ manhour	$US 19,320
			TOTAL	$US 56,034 (1)
Public Works				
USA	Construction services	- 0 -	- 0 -	$US 21,855,000 (1)
Electric Industry				
UK	Inspection	- 0 -	£ 440/ manday	£ 13,640 (1) (5)
Japan	Training, Maintenance, Installation	- 0 -	- 0 -	$US 423,659 (1)
F.R.G.	Design, Manufacture, Set up and start up	- 0 -	- 0 -	DM 258,257 (1)
F.R.G.	Design, Manufacture, Set up and start up	- 0 -	- 0 -	DM 424,602 (1)
Switzerland	Design, Manufacture, Set up and start up	- 0 -	- 0 -	SF 1,245,663 (1)
USA	Consulting Services	- 0 -	- 0 -	$US 1,567,760 (1)
Japan	Supervision, Installation and Training	- 0 -	- 0 -	$US 65,689 (1)
Italy	Installation	- 0 -	- 0 -	$US 24,300 (1)
USA	Auditing consulting	- 0 -	- 0 -	$US 113,636 (1)
Japan	Installation and start up	- 0 -	- 0 -	$US 360,408 (1)
USA	Design	- 0 -	- 0 -	$US 107,958 (1)
Brazil	Supervision	- 0 -	$US 68.95/ manhour	$US 6,985 (1) (5)
USA	Overhaul	- 0 -	- 0 -	$US 10,500 (1)
Iron and Steel Basic Industries				
USA	Project Revision	- 0 -	$US 1,042/ manday	$US 10,420 (1) (5)
USA	Property Appraisal	- 0 -	- 0 -	$US 201,400 (1)
USA	Inspection	- 0 -	$US 616/ manday	$US 18,480 (1)
USA	Conceptual and detailed engineering	- 0 -	- 0 -	$US 196,590 (1)
France	Set up and start up supervision	Engineering supervisor	$US 649.10/ manday	$US 116,910
		Engineering supervisor of tire transport	$US 617.33/ manday	$US 18,250

		Engineering supervisor of electrical equipment	$US 938.38/ manday	$US 34,720
		Engineering supervisor general	$US 971.00/ manday	$US 58,260
			TOTAL	$US 228,410
Aeronautics				
USA	Leasing	- 0 -	$US 32,000/ month $US 475/ additional hour	(1)
France	Repair	- 0 -	- 0 -	FF 662,460 (1)
Israel	Overhaul	- 0 -	- 0 -	$US 657,500 (4)
Brazil	Repair	- 0 -	- 0 -	$US 90,250 (4)
UK	Spare parts	- 0 -	- 0 -	$US 185,000 (4)
USA	Leasing	- 0 -	$US 123,700/ month (plane) $US 50/ additional hour $US 7,000/ month (motor) $US 35/ additional hour	
Naval				
USA	Repair	- 0 -	- 0 -	$US 451,000 (4)

Key

(1) Includes income and remittance taxes of 40% and 12% respectively.

(2) Includes 12% remittance tax as per law 54 of 1976.

(4) Taxes not included as they are payable abroad.

(5) Total contract price estimated based on unit cost and duration.

- 0 - Not specified

DM - Deutsche Mark, SK - Swedish Kroner, £ - Pounds Sterling, SF - Swiss Francs, FF - French Francs

UNIDO activities

Analysis of Case Study on Technology Transfer

In Issue Number 5 (September 1980) of the TIES Newsletter, we presented a case study on technology transfer and requested analyses of the study from our readers. In this issue, we are pleased to publish an analysis by the author of the case study, Mr. Gustavo Flores (staff member of the Junta del Acuerdo de Cartagena in Lima, Peru). Analyses received from other readers will be published in future issues of the TIES Newsletter.

Please refer to Issue 5 for the text of the case study.

Author's Analysis

In evaluating this contract, one must bear in mind various aspects related to the governing legislation at the time the contract was in force. In 1965, when the contract was signed, there existed no legal ruling in Peru regulating such international transactions or remittance of payments abroad. Thus the contract was valid in that the parties agreed to it and there existed no possibility for intervention by any external agent including the Peruvian government.

In June 1971, the Peruvian Government enacted as law Decision 24 of the Cartagena Agreement which opened up the possibility for intervention by the competent national organization created for the evaluation and registration of transfer of technology contracts.

If we analyze the contract in light of Decision 24, we find that it contains a series of clauses which impose restrictions on the management of the recipient company and limit the use of the technology purchased, clauses which are contrary to the Decision 24 legislation.

Firstly we find in Clause I that the license granted is conditional upon the limitation of product sales to Peruvian territory. This, besides restricting the possible future growth of the recipient company, is contrary in spirit and letter to Article 20 of Decision 24 which states that except in exceptional properly qualified cases, clauses which prohibit or limit in any way the export of products manufactured under the scope of a technology contract are not admissible.

In view of the fact that in 1970 both firms expressed their willingness to extend the contract to permit exportation to the rest of the Andean Pact countries, the contract could still be valid under the exception foreseen in Decision 24 which states that such a restriction can be accepted if it does not affect subregional commerce. Nevertheless, the negotiation completed by the local company was prejudicial to its own interests in that it accepted an increase in the royalty from 5% to 7% when the market was expanded. This aspect will be analyzed in more detail later on in the discussion.

Secondly, Clause IIIC prohibits the national company from manufacturing and selling products similar to those of the supplier and moreover prohibits the recipient from having direct or indirect interests in competitive companies. This type of restriction is also prohibited by the Decision 24 legislation but aside from that it attracts attention that the local company accepted the restriction as it limits the future development of the company.

Moreover, if we bear in mind that Clause XIII indicates that if the contract is rescinded for causes attributable to National (the recipient) National is prohibited for a period of 5 years from manufacturing apparatus which wholly or partially reproduces that licensed. We find that the local company has accepted a dependency relationship until such time as the supplier wishes to break it as in the contrary case the local company would be penalized.

Thirdly, Clause VIa is deceptively worded in that it indicates that both companies are obliged to reciprocally communicate the results of technical studies and research. This is equivalent to obliging National to grant to International (the supplier) at no charge, the results of any technological development they realize while the local company is paying royalties to receive this information from the foreign company as indicated in Clause II. The reciprocity as agreed is clearly beneficial to the foreign company.

Fourthly, in Clauses VII and VIII, the licensor is obligated to supply parts to the licensee which forms a tie which could generate hidden payments by the local company by virtue of overbilling of such parts.

Fifthly, Clause XIV submits whatever litigation which could arise over the contract to arbitration to take place in the supplier's country where both parties would select arbitrers resident there. This clause is contrary to Article 51 of Decision 24 which clearly indicates that a technology contract cannot contain clauses which remove possible conflicts from the jurisdiction of the recipient country. Moreover it is evident that in the conditions agreed upon any litigation that could arise between the two companies would likely be decided in favor of the supplier company who would have a clear advantage in presenting evidence.

To that could be added the fact that it might be so burdensome for the local company to send a representative before the arbitrers that it could induce it to give up any defense.

In that which refers to the royalties initially agreed upon and the later increase of royalites we can point out the following:

(a) The 5% royalty for an indefinite period is a payment for the rental of technology and not for its purchase.

(b) The increase from 5% to 7% for permission to expand the licensee's market is illogical and only explainable by the inexperience or lack of negotiating capability of the local company personnel. It is evident that the foreign company will benefit from the market expansion as the base for calculating royalties is sales. The greater the sales the greater the royalties. The licensee should have negotiated a reduction in the royalty.

(c) Clause XI obliges the local company to bill $100,000 in the first 24 months which constitutes a form of minimum royalty. If the sales volume does not reach $100,000 in practice, the royalty percentage will be higher. Moreover, Clause VII indicates that in order for the contract to take effect, the local company must make an initial payment of $10,000. This assures the licensor a payment independent of any future fulfillment of obligations regarding provision of technical information or assistance agreed upon.

Finally, it is worth calling attention to Clause II in which the supplier company is committed to supply patents without specifying if those patents are registered in Peru and if so if they are still valid or are already in the public domain at the time the contract becomes valid.

China Mission

Mr. G.S. Gouri, Senior Technical Advisor in charge of the UNIDO Technology Programme visited the China Peoples Republic during the first week of December, holding working sessions with a number of senior officials concerned with various aspects of technology transfer. As a result of this, the UNIDO programme on technology transfer will be considerably expanded in 1981 and years beyond.