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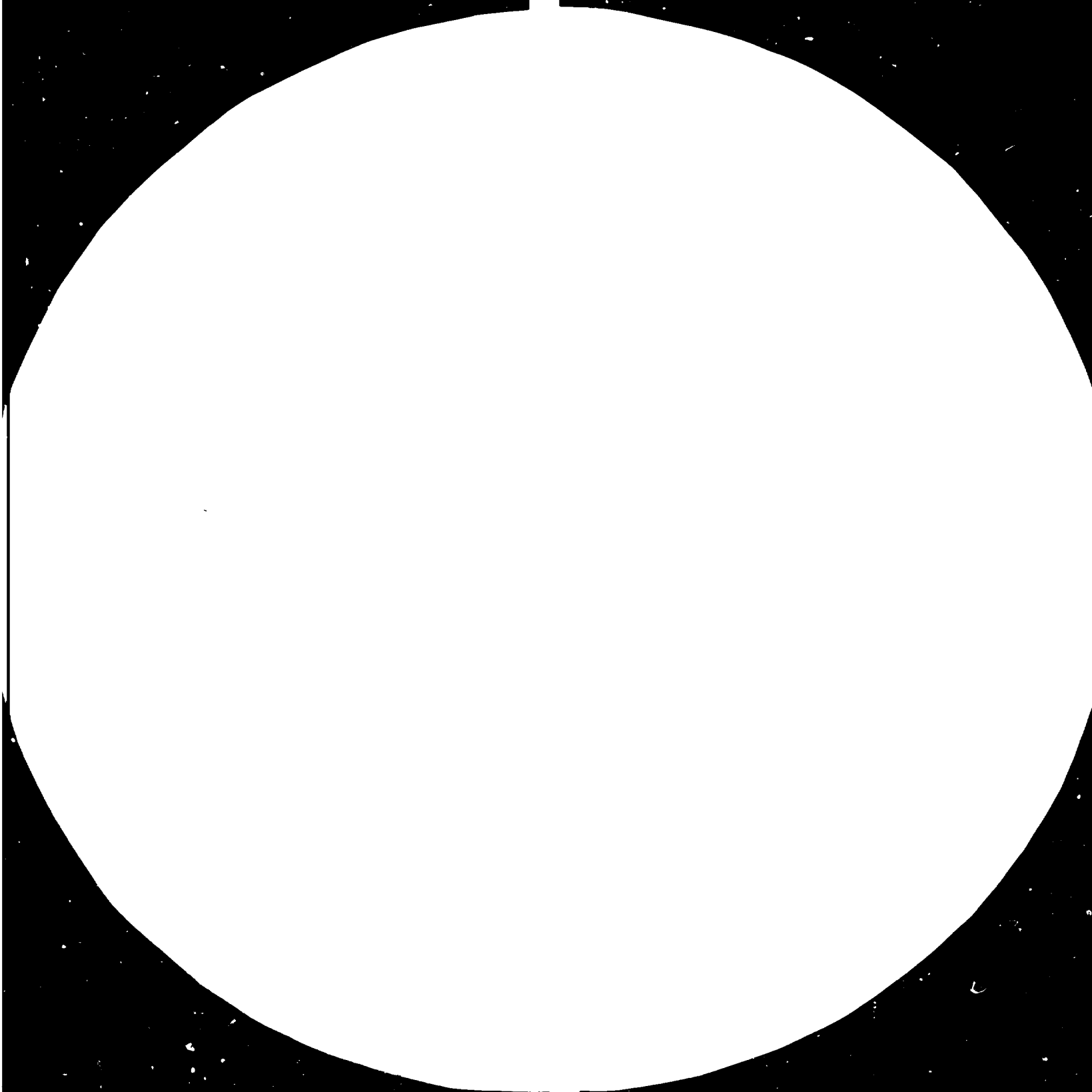
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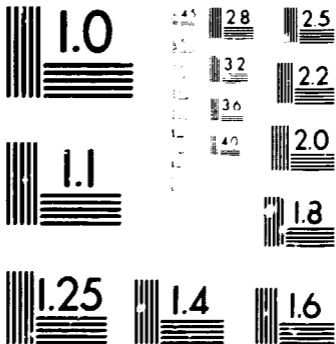
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TRENDS AND ISSUES IN CONTRACTUAL ARRANGEMENTS

IN THE FOOD-PROCESSING INDUSTRY \*

Note by  
UNIDO Secretariat

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## Introduction

With the exception of export-processing enclaves the involvement of the local enterprises in the food manufacturing industry in developing countries in various forms of international co-operation is marginal. This is mainly due to the limited scale of operation, simplicity of technology used, lack of experience, etc. In the recent years however an upward trend in that area could be observed mostly as a result of the rapid expansion of production and sales of branded food products. Technology transfer regulatory agencies observed an increasing number of food-processing companies from developing countries enter into various types of contractual arrangements with foreign partners.

In the process of evaluation of such contracts in the food-processing industry the registries encountered several problems and obstacles. In view of that, the Eighth TIES meeting requested the UNIDO secretariat to present a study on the evaluation of contractual arrangements in this sector. 1/

Simultaneously, the first consultation on the food processing industry, held in The Hague, in November 1981, recommended that the UNIDO secretariat undertakes activities aimed at improving contractual framework for international co-operation at the enterprise level. 2/

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1/ Report of the Eighth TIES meeting, Caracas, Venezuela, 17-20 October 1983, para 3(p).

2/ Report of the First Consultation on the Food Processing Industry, The Hague, Netherlands, 9-13 November 1981, UNIDO.ID/278, para 6, para (2).

As a first step towards complying with the above recommendations, the UNIDO secretariat has undertaken an empirical study in order to assess the experience of developing countries entering into contractual arrangements with foreign counterparts in the food-processing sector.<sup>1/</sup> The study was a joint undertaking of the Development and Transfer of Technology Branch (Division for Industrial Studies) and the Negotiations Branch (Division of Policy Co-ordination). The results of the survey will be simultaneously presented to the Second Consultation on Food Processing Industry held in Copenhagen in October 1984 and the Ninth Meeting of Heads of Technology Transfer Registries.

This empirical survey provided a framework for the identification of:

- principal characteristics of contractual arrangements used in the food processing sector;
- functions, structure and common elements of the most popular types of arrangements;
- critical issues with the view of the interest of the local partners in developing countries entering into such arrangements.

In order to collect background information for the study, the UNIDO secretariat requested technology transfer registries participating in the Technological Information Exchange System (TIES) to share their experience on the contractual arrangements used in the food processing sector with special emphasis on vegetable oils and fats, dairy, fruit processing, meat and sugar industries. <sup>2/</sup> As a result of the positive response, the following types of data have been obtained:

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<sup>1/</sup> ID/WG.427/11 - Trends and Issues in Contractual Arrangements in the Food-Processing Industry

<sup>2/</sup> The analysis has been limited to ISIC category 311-312 "food manufacturing".

- basic information (including type of contract, industry branch, duration, origin of the foreign partner, mode and level of payment) on 198 contracts from Andean Pact countries, Argentina, Brazil, India, Malaysia, Nigeria and South Korea. This information has been used primarily for identifying general trends and principal characteristics of contractual arrangements in the food processing sector;
- the copies of 16 contracts and their combinations. The access to the copies of contracts enabled more detailed analysis of their structure, functions, common elements as well as identification of the critical aspects of contractual arrangements used in the food processing industry.

The survey, which will be distributed as a separate document concluded that in the process of conducting the empirical survey no significant differences were found between food processing and other sectors of manufacturing industry as to the types, structure and formats of contracts used. At the same time it has been revealed that the problems of critical importance for the integrated development of the food processing industry were not adequately formulated in the majority of contracts. It is therefore recommended that for the elaboration of background studies, checklists, etc. in this sector, priority be given to such critical areas as the extension of services to the local suppliers of raw materials, training, quality control, export restrictions, the role of trademarks, etc. The list of problems to be dealt with is by no means exhaustive and the final identification of critical issues and priorities as well as methods of work and forms of presentation of the results should be extensively discussed and decided by the TIES meeting in Beijing.

The empirical analysis helped to identify not only negative but also positive examples of contract provisions which permitted efficient co-operation and safeguarded the interest of partners from developing countries.

