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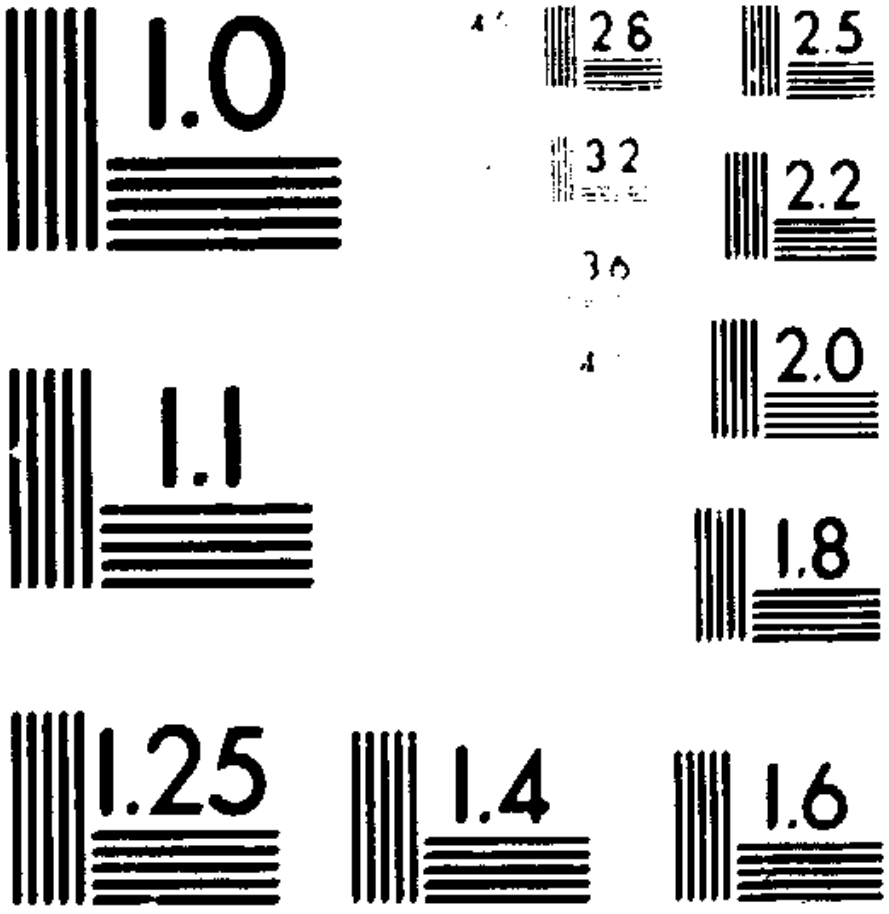

TIES NEWSLETTER.

TECHNOLOGICAL INFORMATION EXCHANGE SYSTEM

Issue Number 23 | November 1983

Dear Reader,

I am happy to report that the Eighth Meeting of Heads of Technology Transfer Registries held in Caracas, Venezuela, from 17 to 20 October was successfully concluded. Some 26 countries were represented and the lively discussions indicated that the TIES movement is alive and well. The Government of Venezuela, through the Superintendencia de Inversiones Extranjeras, had provided excellent conference facilities and support staff which greatly contributed to the good outcome.

Apart from the increased particpation in the information exchange on technology transfer contracts, the challenging task of the development of a co-operative comprehensive training programme for technology transfer contract evaluation was discussed and agreed upon.

For the benefit of our readers we are reprinting the recommendations of the meeting in this Newsletter, in order that you may be made aware of the future course of the TIES movement. Please do not hesitate to contact us for any additional information.

G.S. Gouri
Director
Division for Industrial Studies

UNIDO activities

CONCLUSIONS AND RECOMMENDATIONS OF THE EIGHTH MEETING OF HEADS OF TECHNOLOGY TRANSFER REGISTRIES

a) The Meeting recommended that in view of the need for increased participation in the exchange of information on technology transfer contracts, a minimum set of data should be defined in order to make it possible for an active participation of many more developing countries. This minimum level should closely follow the TIES II format.

b) The UNIDO secretariat is requested to investigate different means of increasing the quality of information exchange on a regular basis, over and above the minimum TIES information. Bearing in mind that special requests for information is one of the most likely areas for expanding the TIES system, the UNIDO secretariat is requested to present a broad exchange as soon as possible, as well as a framework for such, taking into consideration regional and subregional requirements. TIES members also urged prompter attention to answering requests.

c) The UNIDO secretariat is urged to define a comprehensive training programme for registry personnel as soon as possible. In particular, it is recommended that a time schedule for such training activities be presented as soon as possible and that funding for such a training scheme be established. Furthermore, it is recommended that these training programmes be focused towards regional needs.

d) It was agreed that South-South technology transfer should be given special attention by the member registries and the UNIDO secretariat is requested to investigate means whereby such transfers may take place.

e) Since regional co-operation will considerably improve the efficiency of the various TIES activities, the UNIDO secretariat is requested to investigate ways in which co-operation could take place, without losing the advantage of global co-operation through TIES.

f) The Meeting commended UNIDO efforts to prepare a periodical, comprehensive review of technological development and transfer. As a minimum contribution to this review the TIES members will supply country profiles on a yearly basis.

g) The UNIDO secretariat is requested to utilize a variety of communication channels to provide TIES member institutions with information on the activities of UN organizations in the area of technology transfer.

h) It is also requested to assist TIES members in the establishment of regional computerized information systems, taking into consideration the minimum set of information to be exchanged among TIES members and standard international classifications.

i) A final version of the study on contractual arrangements for the transfer of technology in the hotel industry should be prepared by the UNIDO secretariat for the Ninth Meeting of TIES. Special attention ought to be given to the effects of international hotel chain operations on the balance of payments, on payments for services provided by foreign partners and guidelines on contractual provisions safeguarding the interests of hotel owners. Relevant background material should be provided by the member countries in accordance with the format to be designed by the UNIDO secretariat.

j) The UNIDO secretariat was also asked to complete the final version of the study on

Compiled by the Technology Group of UNIDO P.O. Box 300, A-1400 Vienna, Austria

contractual arrangements for the transfer of technology in the fast food sector. It should include country studies on the effects of these chain operations and additional background material (samples of contracts, etc.) were to be provided by TIES member countries.

k) The Meeting further requested the UNIDO secretariat to elaborate on the monitoring of technology transfer agreements, particularly with regard to the establishment of approval criteria for the renewal of technology agreements.

l) The UNIDO secretariat was asked to expand the concept of technolgoy payment evaluation taking into account the specific characteristics of sectors to be studied.

m) A study on the evaluation of engineering and consultancy fees with particular emphasis on selected sectors and type of agreements was also requested of the UNIDO secretariat.

n) It was the consensus of the Meeting that the issue of guarantees in technology transfer deserves more detailed investigation and the Registries welcomed the efforts of UNIDO and the International Centre for Public Enterprises in Developing Countries (Ljubljana, Yugoslavia) in preparing a manual guide on the subject. It is hoped that this manual guide will be presented in its final form at the next TIES meeting, and that the various comments made at the present meeting will be taken into account when drawing up the final document.

o) The TIES members asked that the UNIDO secretariat keep them informed of recent UNIDO activities in the pharmaceutical industry and specifically on the results and recommendations of the Second Consultation Meeting on the Pharmaceutical Industry. They also recommended that further studies on contractual arrangements on transfer of technology in that industry be conducted in close harmony with the recommendations of the said Second Consultation Meeting.

p) The Meeting made a recommendation to the Second Consultation Meeting for the Pharmaceutical Industry, to be held in Budapest, Hungary, from 21 to 25 November 1983, that it considers TIES assistance in obtaining information on technologies for the production of bulk chemicals identifiable by their generic names which were already applied in TIES member countries, including the names of the owners of the technologies and the restrictive business practices applied to the contracts by these owners. For this purpose UNIDO should supply the TIES members with the generic names in question.

q) UNIDO is requested to present a study on the evaluation of contractual arrangements for technology transfer in the area of computer software and food-processing to the Ninth Meeting of TIES.

r) The Meeting requested the UNIDO secretariat to take due consideration of technology transfer regulations as an important policy instrument for the development of technological capabilities in developing countries, in the preparatory activities for the Fourth General Conference of UNIDO, and as such recommended that measures be considered to strengthen and expand the Technological Information Exchange System (TIES).

s) The Meeting further recommended that a comprehensive historical study be undertaken on the evaluation and development of technology transfer regulation with special attention being paid to the atmosphere in which changes occurred.

INTERNATIONAL CENTRE FOR GENETIC ENGINEERING AND BIOTECHNOLOGY

The Ministerial-Level Plenipotentiary Meeting on the Establishment of the International Centre for Genetic Engineering and Biotechnology (ICGEB) was held in two parts at Madrid, Spain, from 7 to 13 September 1983; the first part being a high-level meeting to resolve outstanding issues and the second part being a ministerial-level plenipotentiary meeting to adopt and sign the statutes establishing the ICGEB.

The first part of the meeting was held from 7 to 12 September 1983. It submitted a report to the second part of the meeting, i.e. the Ministerial-Level Plenipotentiary Meeting, which was held from 12 to 13 September 1983.

Present were delegations of 43 countries, observers from seven countries and observers from interested United Nations agencies and other international organizations.

Statutes establishing an International Centre for Genetic Engineering and Biotechnology were adopted at the close of the meeting by 25 countries, namely, Afghanistan, Algeria, Argentina, Bolivia, Bulgaria, Chile, China, Congo, Cuba, Ecuador, Egypt, Greece, India, Indonesia, Italy, Kuwait, Mauritania, Mexico, Nigeria, Spain, Sudan, Thailand, Trinidad and Tobago, Yugoslavia and Zaire.

According to the statutes, the Centre will promote international co-operation in developing and applying peaceful uses of genetic engineering and biotechnology, especially for developing countries. It will assist them in strengthening their scientific and technological capabilities in the field and helping with activities at the regional and national levels. In this regard, the Centre is expected to act as a focal point for a network of affiliated research centres. Existing national, subregional, regional and international networks will serve as "affiliated networks". The Centre will also serve as a forum for exchange of information among scientists of member states.

Aside from R and D, training of scientific and technological personnel from the third world, both at the Centre and elsewhere, will be one of its main functions. Advisory services will be provided to members to develop national technological capabilities. Among the Centre's other functions are a programme of bioinformatics and the collection and dissemination of information.

All rights deriving from the Centre's work will be vested in the Centre, the policy being

to obtain patents and interests on patents on the results of its projects. Access to intellectual property rights will be granted to members, as well as to non-member developing countries in accordance with international conventions.

A Board of Governors, consisting of a representative of each member together with the head of UNIDO serving in an ex-officio capacity, will set general policies and principles. It will admit new members and approve the work programme and budget, among other tasks. A council of scientific advisers will be set up, consisting of up to 10 scientists and technologists elected by the Board. Its responsibilities include examination of the draft work programme and budget, as well as reviewing implementation of the approved work programme. A director, appointed by the Board, will serve as chief scientific/administrative officer, legal representative of the Centre and secretary of the Council.

Financing for the Centre will mainly come from initial contributions for its establishment, annual contributions by members and voluntary donations. Least developed countries may become members of the Centre on the basis of more favourable criteria to be established by the board. The regular budget of the Centre during the first five years will be based on the amount pledged annually by each member for those years. After this period assessed annual contributions may be considered.

The statutes will enter into force when at least 24 states have deposited instruments of ratification and sufficient financial resources are ensured.

Although consensus could not be reached on selecting a site for the Centre, the meeting agreed on the creation of a committee to further preparatory work for the Centre's eventual establishment. It will be composed of States that have signed the statutes until their entry into force. Among its tasks is examination of the location of the Centre "in different locations and components", to be completed by 31 January 1984. The resulting report will be circulated to all interested governments, with the committee possibly recommending a date and place for reconvening of a plenipotentiary meeting.

The meeting also adopted a resolution on international co-operation for strengthening developing countries' technological capabilities in genetic engineering and biotechnology. All countries were urged to become members of the Centre as soon as possible, while the international scientific and technological community was asked to assist the Centre. UNIDO was requested to continue to help in establishing the Centre as well as the preparatory commitee in its work.

Governments were invited to make voluntary contributions for facilitating UNIDO's work in this field. United Nations bodies were called on to continue their support for the Centre's establishment. They and other regional, international and non-governmental agencies were asked to contribute financially to activities in biotechnology and genetic engineering.

The President of the ministerial-level session was Jose Maria Maravall Herrero (Spain) and of the high-level session was Emilio Muñoz Ruiz (Spain). The Vice-Presidents were J.K. Kimani (Kenya), Rudolfo Gonzalez Guevara (Mexico), Richard Bouveng (Sweden), F.B. Straub (Hungary) and Hu Zhaosen (China). The Rapporteur was Nizar Mulla Hussein (Kuwait).

* * *

The following three summaries are herewith reprinted for the benefit of our readers. They have been taken from papers presented at the Eighth TIES Meeting of Heads of Transfer of Technology Registries held in Caracas, Venezuela, from 17 to 20 October 1983. The full list of documents is printed at the end of this Newsletter, together with their symbol numbers, and may be supplied free of charge upon request.

SUMMARY OF PAPER ON CONTRACTUAL ARRANGEMENTS FOR THE TRANSFER OF TECHNOLOGY IN THE HOTEL INDUSTRY, BY J. CIESLIK

During recent years a rapid development of international tourism to developing countries has taken place which has led to the expansion of transnational hotel chains. Towards the end of the 1970s, there were 16 transnational hotel chains with 8 or more associated hotels in developing countries.

The inflow of technology in this sector is being accomplished principally through non-equity arrangements. Among such arrangements the management contracts play a dominant role. Except for arrangements in a "pure" form, there are a variety of combinations widely used in the hotel industry. This seems to be of advantage for developing countries as it allows them a choice taking into account the availability of local skills and resources.

With respect to the foreign participation (equity and non-equity) in the hotel industry, it is recommended that developing countries follow a flexible attitude towards such participation, weighing positive and negative aspects of various options in each individual case. Non-equity forms of foreign participation should be definitely preferred. The popularity of management contracts reflects the present stage of development of an outward-looking hotel industry in developing countries. However, ad hoc technical assistance and franchise agreements may gain importance in the future whereas the role of leasing may diminish and such arrangements should be avoided by developing countries. Therefore, the contractual arrangements used in the hotel industry should be subject to scrutiny by technology registries in the respective developing countries.

The contractual provisions in the management contracts and franchise agreements are usually drafted in such a way as to protect the interest of the foreign partner and not the owner. Thus, the obligations of the foreign partner are stipulated in general terms unlike the obligations of the owner, in which case strict formulations are usually applied.

The variety of forms of remuneration used in management contracts is detrimental to the owner which makes it difficult to evaluate and control the execution of the agreement with respect to the equitable sharing of profits between the management company and the owner. It often happens that the revenues and profits which are satisfactory for the manager are far behind that which would be required for ensuring an adequate return on the owner's investment. Therefore, the provisions safeguarding minimum payments for the owner are of crucial importance. It is recommended that guidelines for the payments evaluation in the service agreements in the hotel industry should be elaborated along the lines of those already applied in the manufacturing sector.

Bearing in mind the future development of the outward-looking hotel industry in developing countries and the projected growth of the number of contractual arrangements covering the transfer of technology in this industry, it is recommended that the activities of UNIDO in that field, through TIES, should be continued. The effectiveness of the work of UNIDO might be substantially increased by the active participation of the member countries and by establishing close contacts with other international organizations, i.e. United Nations Centre on Transnational Corporations and the World Tourism Organization.

SUMMARY OF PAPER ON CONTRACTUAL ARRANGEMENTS FOR THE TRANSFER OF TECHNOLOGY IN THE FAST FOOD SECTOR, BY J. CIESLIK

The expansion of transnational fast food chains, although concentrated in developed countries, has been recently visible in developing countries as well, especially in Latin America and South-East Asia. Large fast food chains either operate their outlets abroad or franchise the system to the independent restaurant operators. In addition, mixed-type arrangements are used in this sector, i.e. equity participation in combination with franchise agreements. Therefore the franchise contracts which are the most popular arrangements used in the fast food sector should be looked at within a broader context of the overall relationship between franchisor and franchisee.

Prior to formulating specific regulations and guidelines, developing countries should define their general attitude towards transnational fast food chains. Although there are many positive aspects, the negative implications of the expansion of the chain operations in developing countries are also very serious. Both positive and negative effects should be weighed with due account of the specific conditions prevailing in a given country. Taking into account the economic, financial and socio-cultural implications of the fast food chain operations, it is recommended that all contractual arrangements used in this sector are subject to scrutiny by the technology transfer registries in developing countries.

The study has revealed that the franchise contract plays the key role among contractual arrangements used in the international fast food chain operations. However, the function of such arrangements is entirely different depending on whether it is a "pure" franchise or it supplements equity ownership. Therefore franchise contracts should be always evaluated within a broader context of the overall relationship between franchisor and franchisee. The principal differences between various types of franchises should also be taken into account.

Since the provisions of the standard franchise agreements used by transnational fast food chains are drafted in such a way as to protect the interest of the franchisor, a co-ordinated effort of the franchisee and respective government agency in the process of negotiation is necessary in order to improve the position of the local restaurant operator vis-à-vis head company of the chain system. Higher precision is necessary especially with respect to clauses defining the scope of services and conditions under which such services are provided to the franchisee. This may help avoiding additional, unnecessary payments to the franchisor.

The survey of the sample of the franchise agreements revealed that a substantial degree of control is being exerted upon a franchisee's operations by the franchisor. While evaluating the respective provisions, registries should look with special care into the clauses requiring the approval by the franchisor of all sources of supply of ingredients, equipment, etc. Such clauses play a similar role to the tie-in provisions in the licensing agreements as those approved are usually foreign suppliers.

Future work of UNIDO on the transfer of technology in the fast food sector should concentrate on two areas. First, those TIES member countries having extensive experience with fast food chain operations should conduct field studies on the possible implications of such operations (i.e. technological, economic, financial, socio-cultural etc.). Secondly, after collecting additional information on the franchise agreements used in the fast food sector, the UNIDO secretariat should elaborate detailed guidelines for the negotiation and evaluation of such agreements.

* * *

TECHNOLOGICAL SERVICES DELIVERY SYSTEM (TSDS)

The Advisory Committee on Science and Technology for Development recently held a meeting in Lima, Peru, on the reinforcement of linkages between research and development activities and the production system, at which UNIDO presented a paper on the technological services delivery system. Briefly, the paper describes the objectives of TSDS, its modalities for implementation and a report of two pilot schemes in the Caribbean and Philippines. Should any readers of the TIES Newsletter wish to obtain a copy of the complete paper, this can be obtained by writing to Mr. W.H. Tanaka, Head, Development and Transfer of Technology Branch, UNIDO, P.O. Box 300, Vienna International Centre, A-1400 Vienna, Austria.

COUNTRY PROFILE - PHILIPPINES

Legislation

A) Foreign Investments
1) Laws and regulations in force

The laws governing the entry of foreign investment are embodied in the Omnibus Investment Code, as amended by the New Investment Incentives Policy Act. The Code contains, among others, the regulations for the entry of foreign investments and incentives given to preferred areas of activities for domestic export and agricultural projects.

In addition to the provisions under the Code, Art. 14, Section 5, 8 and 9 of the Philippine Constitution, it sets forth the limitation on foreign equity participation in such areas as ownership of land, disposition, exploration, development, exploitation, or utilization of natural resources, and operation of public utilities and educational institutions.

2) Registration

1. Part III of the Omnibus Code provides for the treatment of foreign investments not otherwise registered under Book I (Investment and Export Incentives) of the Code, and where no incentive for the entry thereof is given by the Philippine government.

2. Central Bank Circular No. 361 requires the registration of the inward remittance of foreign investment to enable the investor to remit dividends and profits out of the Philippines.

3) Scope

Part III of the Omnibus Code regulates the entry of foreign investments into the country where such foreign investments exceed 30 per cent of the outstanding capital. Specifically, it extends different degrees of treatment of foreign investments as follows:

a) Permitted investments, which are 30 per cent or less of the outstanding capital of the enterprises where such investments were made and where no registration but mere reporting to the Board of Investments is required;

b) Permissible investment, if the investment made by a non-Philippine national exceeds 30 per cent, and should thus, be registered with the Board of Investments.

B) Industrial Property
1) Laws and regulations in force

1.a.) R.A. No. 165 - The Patent Law, as amended, and its Revised Rules of Practice

1.b.) R.A. No. 166 - The Trademarks, Tradenames and Unfair Competitions, as amended, and its Revised Rules of Practice

1.c.) R.A. No. 3134 - The Copyright Law of the Philippines, as amended, and its Revised Rules of Practice

2) Scope[1/]

R.A. 165 creates the Philippine Patent Office which is in charge of approving and registering patent applications. Under the law, any invention of a new and useful machine, manufactured product or substance, process or an improvement of any of the foregoing shall be patentable.

Any invention, however, which is contrary to public order or moral or to public health or welfare, or if it constitutes a mere idea, scientific principle or abstract theorem not embodied in an invention, or any process not directed to the making or improving of a commercial product shall not be patentable.

Aside from inventions, letters patent may also be applied for industrial designs and utility models.

R.A. 166, on the other hand, provides for the registration and protection of trademarks, tradenames and service marks. It also defines unfair competition and false marking.

R.A. 3134, sets forth the provisions for the registration and protection of copyrights.

C) Technology Transfer
1) Laws and regulations in force

- Presidential Decree 1520, Section 5
- Rules and regulations to impelement the intent and provisions of Section 5 of P.D. 1520, October 1978.

2) Regulation

The Technology Transfer Board, created by decree 1520, shall formulate its rules and regulations, such as requiring registration of technology transfer agreements entered into directly or indirectly with foreign companies or foreign owned companies.

3) Scope[2/]

1. License of patents, trademark, technical know-how, model instruction sheets, formulae, specifications and training of personnel.

2. Technical consultancy services.

4) Restrictive practices[3/]

1. Post-expiry restriction in use of technology.

2. Restrictions in access to improvements.

1/ Indication for which sectors trademark and patent registration are allowed.

2/ Reflects the scope of the registration with regard to type of agreement and sectors (ISIC).

3/ Clauses which are not allowed to appear in contracts by law or regulation.

3. Grant-back.

4. Restrictions in contesting patent validity.

5. Restricitons in obtaining competitive technology in a non-exclusive licence.

6. Tie-in.

7. Export restrictions.

8. Limitations on research.

9. Limitations on the scope, volume or production or the sale or resale of prices of the products manufactured by recipient.

10. No warranty or a disclaimer on the suitability, etc.

5) Remuneration[4/]

1. Payments for patent and industrial property rights after expiration or invalidation.

2. The rate of payment for contracts involving manufacturing or processing technology shall not go beyond the rate established by the Board for the specific technology or industrial right to be transferred. Royalty base commonly used is net sales which is defined as: invoice value based on actual sales minus: a) trade, quantity or cash discounts and broker's or agent's commission, if any; b) return credits and allowances; c) tax, excise or other government charges; and d) freight, insurance and packaging expenses. In some cases, local value added is used as base, hence, the landed cost of imported raw materials and components is further deducted from sales.

6) Taxation[5/]

The licensor is required to shoulder the withholding tax on royalty fees. The Internal Revenue Code provides for a 35 per cent withholding tax on royalty and technical service fee payments except where there is an existing tax treaty between the Government of the Philippines and the Government of the technology supplier in which case the tax rate may be lower.

Institutional arrangements

A) Competent Approval Authority

Technology Transfer Board
385 Buendia Avenue
Makati, Metro Manila

Tel: 85-64-87 or
818-1831 extn. 282 and 283

Telex: 45555 MIPM

Lilia R. Bautista

B) Office Staffing

Management - 2 (Chairman and Vice-Chairman/
Acting Executive Director)
Evaluation - Engineers: 3
Lawyers: 1
Economists: 5

C) Competence

Technology Transfer Board is competent authority for:

1. Formulating technology transfer policies;

2. Issuing rules and regulations for implementing such policies;

3. Establishment or co-ordination mechanism with other government institutions;

4. Screening and approving technology transfer agreements entered into with foreign owned and/or controlled companies.

D) Co-ordination

Co-ordination through the composition of the Board with:

Ministry of Trade and Industry
National Economic and Development Authority
National Science and Technology Authority
Central Bank of the Philippines
Board of Investments
Technology Resource Center
Philippine Patent Office

E) Evaluation[6/]

The appraisal takes into account the appropriateness of the technology under consideration, as well as the reasonableness of the payment in relation to the value of the technology to the technology recipient and the national economy. Minimum royalty provisions are discouraged. Royalties as a percentage of sales are acceptable including payments expressed as lump sum fees. A fixed contract term of five years is allowed with renewals subject to prior Board approval. In addition, a training obligation for key personnel of the recipient company is demanded.

TIES/SAIT CO-OPERATION

At the third meeting of the Co-ordination Committee on Technology Transfer Contracts of the Andean Technological Information System (SAIT), which was held in Bogotá, Colombia, from 24 to 26 October, the member countries of SAIT (Bolivia, Peru, Ecuador, Colombia and Venezuela) adopted measures which make the exchange of information possible with TIES member countries. The information to be made available to the TIES members will cover some 2,000 contracts registered in these

4/ Technology payments restrictions by law or regulation.

5/ Taxation policies on technology transfer payments.

6/ Major evaluation criteria should include internal guidelines for royalty rates (definition), forms of payment preferred, restrictive practises other than covered by Law/Regulations, etc.

countries from 1971 onwards. Further areas of co-operation, specifically in the area of training of registry personnel have been identified and specific proposals are under preparation.

THAILAND

Two senior officials of the Board of Investments of Thailand visited the technology transfer registries of Portugal, Brazil, Argentina, Venezuela and Mexico in order to obtain detailed information on the operational aspects of technology transfer regulation.

Mr. Chira Panupong, Deputy Secretary of the Board of Investments and Mr. Sompong Wanapha, Senior Investment Officer, visited UNIDO prior to their visits.

Thailand is considering introducing a legislation on foreign investment and technology transfer, and through an assessment of the experiences of other developing countries it is hoped that an appropriate legislation can be drafted.

VENEZUELA

The office of the Superintendent of Foreign Investment (SIEX) published the first issue of a Technology Bulletin in September this year. This new publication was prepared in order to supply the national entrepreneur with information on the demand and supply of local and international technology as an additional instrument for the appropriate selection of technology.

At the same time the bulletin will be utilized by SIEX to inform the national entrepreneurs about new legal dispositions related to technology importation and orientation will be given on such aspects as negotiation and drafting of technology transfer agreements.

BACKGROUND INFORMATION ON REGISTRIES

Egypt - history of G.O.F.I.

The General Organization for Industrialization (GOFI) was established in 1958 as a government agency belonging to the Ministry of Industry and Mineral Wealth. GOFI is managed by a Board of Directors, the Chairman of which is the Minister of Industry and Mineral Wealth. The Deputy Chairman manages and directs the day to day executive functions of GOFI.

GOFI employs 1,300 persons out of which 800 are engineers, technicians and commercial staff.

The Ministry of Industry and Mineral Resources is presently responsible for industrial activities, and hence the role of GOFI is presently confined to the following main functions for those activities:

1) Formulation of industrial development plans and defining industrialization policies, to serve the public and private Egyptian sectors, as well as the joint venture sector.

2) Collecting data concerning industrial production and assistance in the dissemination of information on technical and technological innovations and know-how.

3) Examining the most efficient utilization of new and existing industrial capacities and assistance in solving technical and technological problems.

4) Identification of investment opportunities based on available local and natural resources.

5) Carrying out pre-investment opportunities based on available local and natural resources.

6) Participation in negotiating and concluding agreements on technical and economic co-operation and obtaining external financing for industrial development with international organizations, foreign governments, and private enterprises.

7) Studying applications submitted by Arab and foreign investors to the General Authority for Arab and Foreign Investment and Free Zones for establishment of industrial joint ventures and giving recommendations as regards the viability of the proposals within Egypt's social and economic targets.

8) Examining applications submitted to the Ministry of Industry for obtaining licenses for establishing or expanding national industrial private enterprises. GOFI's recommendations are given in the light of certain consideration of the internal economic situation and the need of local consumption and exports.

9) Participation with concerned companies, in preparing specifications and general terms of tendering and in the conclusion of contracts for delivery of machinery, equipment, accessories and spares as well as know-how and technical assistance for the establishment, renewal or expansion of industrial projects to ensure the most favourable contract terms.

10) Follow-up of implementation of industrial projects.

11) Promoting local manufacture of machinery and equipment through control of import requests to exclude items for which established local industries can serve the same purpose.

12) Promotion of industrial design in the mechanical, electrical and electronic fields through two specialized centres serving the above activities.

Pakistan

The Republic of Pakistan came into being in 1947. Its total land mass is 796,096^2 kilometres, with 20.33 million hectares under cultivation (14.1 irrigated and 6.1 unirrigated). The population is 88.8 million and is growing at the rate of 3.0 per cent per annum. The gross national product increased by 15.8 per cent in 1981-1982 and the country has a per capita income of Rs 3,706 per annum. Pakistan has a large agricultural sector producing two seasonal crops in a year (Kharif and Rabi). Its principal agricultural products are wheat, rice, sugar-cane, tobacco, maize, cotton and fruits of all types. There are now 22 dams to cater to agricultural and power generation requirements. At its inception,

Pakistan had few manufacturing establishments, but the country has now substantial capacities in cotton, textiles, sugar, cement, fertilizers, leather and leather products, carpets, vegetable ghee and some engineering goods. The first Industrial Policy Statement of Pakistan was made in 1948, whereby free play was to be given to private enterprise and individual initiatives and foreign private investment was encouraged.

In view of the liberal investment policy, a phenomenal increase occurred in approved investments, and investments sanctioned during the fifth Five Year Plan (1978-1983) amounted to Rs 36,307 million as against the planned target of Rs 19,500 million, 186 per cent higher than the Fifth Plan target.

As from July 1983 Pakistan launched its sixth Five Year Plan with a new strategy to mobilize resources both in the public and private sectors. In order to accelerate industrial growth, the Plan is a major departure from the past in respect of private investment and envisages an increase of 14 per cent per annum, a growth that would be twice as fast as in the last five years.

The strategy to be adopted in the sixth Five Year Plan for the expansion of the manufacturing sector would be based on the following four major points:

i) Highest priority is accorded to steel based engineering goods industries. This is a large area and presents considerable scope for expansion to meet a rapidly rising domestic demand.

ii) The projected high growth in agriculture is expected to expand opportunities for investment in processing industries for export markets. Among these, cotton, textiles, sugar, cement and fertilizers are already established.

iii) Agricultural inputs provide a major growth point for industrial expansion. During the Fifth Plan, the main emphasis was on the setting up of fertilizer factories to meet the demand for this key input. During the Sixth Plan, mechanisation of agriculture would provide the major link between agriculture and industry.

iv) The progress of industrialization will be along the lines of already discovered and proved resources of minerals. The potential in coal development will be utilised rapidly for power and for coal based industries.

To encourage and assist industrialization, the concept of pioneer industries will be developed and the term will be defined as "industry which is not being carried out in the country on a scale adequate to the economic needs of the country and for which there are favourable prospects for development". Such industries will become eligible for all facilities and incentives from the Government and will be subject to the minimum scrutiny and control.

Salient features of Pakistan's foreign investment policy

The Pakistan Government's policy towards foreign investment is "very liberal" and joint ventures in the form of technical collaboration, financial participation, market sharing and buy-back contracts are welcomed.

Full repatriation facilities of capital and dividends are available to foreign investment and for this purpose a legal framework exists in the form of the Foreign Private Investment (Promotion and Protection) Act 1976.

Almost all fields of industry are open to foreign investment for joint ventures and normally there is no restriction on the choice of industries.

Preference is given to investment in industries which are capital-intensive and involve sophisticated technology.

There is no restriction on the ratio of foreign equity to local equity in any industrial project. All the concessions and incentives are available to local investors in the form of excise duty concessions, tax exemptions, liberal depreciation allowances etc. which are equally available to foreign investors without any reservation.

Development of less developed areas is encouraged and the import of machinery in such areas is exempt from taxation. Investors are also exempt from income tax for a period of five years.

There is a vast scope to set up plants for the dressing, concentration and pelletization of minerals, which could be exported. Mineral based industries such as gypsum refractories, grinding aids, porcelain insulators, ceramic wares, sheet glass, silica-lime bricks, prefabricated building elements, and ferro-chrome, coal carbonisation also are rapidly developing.

BACKGROUND PAPERS PRESENTED AT THE EIGHTH MEETING OF TIES BY Z. BOGDANOWICZ (POLAND) AND A. ILIC (YUGOSLAVIA)

Computerized registry information system in Poland by Z. Bogdanowicz (Poland)

I. General remarks

In recent years, many countries became increasingly aware of the need to control and regulate the overall flow of technology having in view its importance in the development process. This problem gained importance for the planned development of the socialist countries in the early seventies, when many of those countries opened their economies and started to buy foreign technology.

In order to control and regulate technology transfer some countries established technology transfer registries, serving as a data base for policy decision. A salient feature of technology transfer registries in socialist countries is that they are designed for provision of information evaluation and control of technology transfer programmes. Technology transfer programmes are the result of planning procedures aimed at making decisions on the scope and structure of technology imports.

The Polish experience in setting up technology transfer registries is rather limited and the results obtained are by no means satisfactory. However the Foreign Trade Data Centre, responsible for maintaining the technology transfer registry, i.e. Central Licence Register, has gathered considerable experience in introducing such information systems and expanding them from the early stages of their implementation. The Foreign Trade Data Centre is ready to share its experience in that respect with other countries, especially developing ones, possibly through the existing UN system.

II. The scope and structure of the Polish technology transfer registry

The Polish technology transfer registry, called the Central Licence Register, was established by decree of the Minister of Foreign Trade and Maritime Economy in 1976, based on paragraph 10, point 2 of the decision of Council of Ministers of the same year. The Register consists of two parts: information on licenses and information on technical documentation. The data are provided by foreign trade enterprises and most of the data are of a confidential character. That is why only authorized government agencies have access to information contained in the Register.

The information on individual technology transfer contracts is supplied on special application forms. The data required could be grouped in three parts: basic information about the contractual provisions, information on payments of fees and royalties and information on the implementation of a given technology. The application form contains only two first types of information while the third are rendered by foreign trade enterprises in the form of a report.

Basic information about the contractual provisions is to be entered on application forms as follows: technical description of technology acquired, name of the licensor, licensee, total value of the contract, fees and royalties, duration of the contract, restrictive clauses contained in the contract etc.

Information on payment of fees and royalties consists of the following items: planned payments, payments already made and outstanding payments. Every foreign trade enterprise is to update the above mentioned information twice a year. The Centre, on the basis of collected information, is to produce a general report, twice a year, on licence payments for specialized government agencies.

Information on the implementation of acquired technology is provided by licensees once a year in the form of a report. In this report the following points should be mentioned: value of products manufactured under licence, quality aspects of production, value of technology transfer generated imports, value of exports of products manufactured under licence and post-licence R and D expenditures.

Despite many deficiencies caused by the early stage of implementation of the Register, the current economic crisis in Poland and many other unfavourable factors, the three mentioned groups of information served as an effective tool for technology transfer regulation and control. Information about contractual provisions make it possible to avoid duplicate purchases and to improve negotiation procedures. Information on the payment of fees and royalties was necessary to monitor because of balance of payments reasons and expenditures for imports generated by purchases of foreign technologies. The data provided in the implementation of acquired technology reports constituted the basis for evaluation of individual contracts as well as for cross-sectional studies on the long-term results of technology transfer at the country level, which helped in technology transfer programming within the planning system.

III. The Central Licence Register and the TIES system

Taking into account the fact that Poland provides information at the TIES 1 level the Foreign Trade Data Centre has examined in detail, and compared, the Central Licence Register and the TIES system, and several similar features were found in both systems, but TIES is thought to give a wider scope of information. That is why the Polish Register is in the process of expanding its information input which involves not only changing the above-mentioned application form but also the procedures for collecting information, which, of course, takes time.

The expanded information and its use should be compatible with the new rules for technology imports, which are strictly bound to today's economic reform in Poland. It necessitates establishing a new system for collecting information for the Register and adjusting classifaction, nomenclatures etc. to the international standards used in TIES.

Last but not least is the problem of educating people how to use and how to make inputs to the Registry. This should be done by short training programmes with detailed instructions for filling in the new application forms.

"Agreements on the edge of technology", by A. Ilic (Yugoslavia)

It is evident that the number of franchise agreements is increasing, also in Yugoslavia. Some of these agreements are identified by their very title, while in some other instances such identification can only be made on the basis of their content. Joint characteristic of these agreements is a firm link to technology, in spite of the fact that they contain numerous elements of traditional sales, service, loan or operations agreements, etc. Another important feature of these agreements is that they are, as a rule, presented as civil-legal obligational agreements which provides a significant distance from proprietary relations among contracting parties.

Yugoslavia is of the opinion that franchise agreements fall within the legal category of mixed agreements. Franchise agreements, if they are to be recognized as dealing with technology transfer must have technology for their subject, while all other operations and relations come afterwards. It can also be

vice-versa, but in that case the question of the type of contract arises. No franchise agreement is accepted without restrictions, just as there are no restrictions without authorization. Registered right to technology represents an authorization which can bring about restrictions and it appears that the intention of a large number of such agreements is to underline the franchising right.

Yugoslavia is a signatory to the Paris convention on the protection of industrial property. According to this Convention, industrial property protection includes patents, service models, industrial samples and models, factory and trade marks, service marks, trade names and signs of origin, as well as supression of unfair competition.

As opposed to patents, models, samples etc. which can be recognized as subject to certain rights, unfair competition can only be identified as an activity against the owner of a technology. Bearing in mind that the owner does not keep technology physically in his possession, there are numerous instances of tendencies to permanently tie technology to the product. This is achieved through the so-called "protection package", wherein a combination of patents, models, samples, factory marks, trade marks, service marks, trade names and signs of origin are taken over from the technology and applied to the product. With the protection package, the product legally loses its material substance and is considered to be the result of technology rather than the result of work. This enables identification of entirely insignificant inventions, with important products being manufactured and marketed exclusively.

Commercial transactions are becoming increasingly overburdened with rights arising from the "protection package" such as:

- Acquisition of rights to use active substances and other specific additives in the chemical industry;

- Acquisition of rights to blend according to a prescription of medicaments, cosmetics and agricultural chemicals;

- Acquisition of rights to packaging/formulation of products according to their functional characteristics and commercial standards;

- Acquisition of rights for bottling of products of a plant's own make or obtained from the licensor;

- Acquisition of rights to use aromatics and other binding agents in the production of foodstuffs, cosmetics, tobacco and beverages;

- Acquisition of right of access to the family of users of particular services;

- Acquisition of rights to exclusive reprinting or reproduction of texts or pictures;

- Acquisition of rights to use applicative programmes - i.e., software;

- Acquisition of rights to use microprocessors in impulse and digital techniques for automation and computerized control of facilities, processes and systems;

- Acquisition of rights for processing technology from basic engineering.

Franchise agreements whose subject is not the assignment of protected rights to technology, are not approved in Yugoslavia and are therefore not listed in the registries. Such agreements can be freely implemented, but do not enjoy an adequate protection since it is not in the interests of the contracting parties, although it may satisfy their present requirements. There is no doubt that national legislations, Yugoslavia included, are still unprepared to accept franchise agreements as a type of agreement whose main constituent of contracting is based on compliance. The reasons for this are well known. Agreements concluded between parties engaged in economic activities in particular countries can influence the allocation of national resources and therefore, international economic exchange shows a growing tendency to control the will of contracting parties by administration.

Under such circumstances the franchise agreements with restrictions based not on the right of the franchisor but on the monopoly of the market are not welcome in numerous countries. Such agreements are the ones that are called "agreements on the edge of technology". The same is true of agreements on the exclusive marketing of exclusive products made possible by the application of protection packages.

Technology acquisition

CONTRACTS FOR THE CONSTRUCTION OF OIL AND GAS PIPELINES

The following is a summary of a paper prepared for the UNIDO/ESCAP Symposium on Contracts for the Construction of Oil and Gas Pipelines, held in Jakarta, Indonesia from 30 August to 2 September 1983. The full document may be had on request under the symbol IHT/SYM83/T15 from ESCAP, Bangkok.

It has been traditional in the oil and gas industry, especially in developing countries, for the design and construction of facilities to be let on a 'turnkey' basis. This method of contracting has been used successfully to a point but has become increasingly less successful for oil and gas pipelines. The major problems peculiar to pipelines derive from the evolutionary basis of the design and the integration of the project with the terrain and population it traverses. It is common when a pipeline system is being contemplated that the system considerations and the market requirements can change substantially during the course of the project. When any pipeline system is being considered the initial response from governments is generally to integrate the right-of-way with other service corridors. The attempts to maximize these benefits generally result in considerable delays to the oil and gas pipeline.

The concept of the engineer manager providing a professional technical and managerial service to the client and not fully committing the capital structure of the project can lead to considerable benefits for the owner. Flexibility of design when survey and right-of-way problems are encountered generally allow a quicker solution under the engineer manager concept. The interest of a turnkey contractor may not always coincide with that of the owner and this becomes more apparent in the oil and gas pipeline industry. The paper concentrates on the benefits of an engineer manager, especially in the context of third world countries. These benefits can best be illustrated by examining the right-of-way and property management aspects and their integration with the engineering and contractual requirements of the project.

Publications

UNIDO/PC.25/Rev.1/ Corr.1	UNIDO model form of turnkey lump sum contract for the construction of a fertilizer plant including guidelines and technical annexures - Corrigendum.
UNIDO/PC.26/Rev.1/ Corr.1*	UNIDO model form of cost reimbursable contract for the construction of a fertilizer plant including guidelines and technical annexures.
UNIDO/PC.31/Add.2	Instructions and guidelines for the self-evaluation of UNIDO-executed co-operation field projects. Addendum. Common mistakes in project design and how to avoid them.
UNIDO/PC.73/Corr.1	Second draft of the UNIDO model form of licensing and engineering services agreement for the construction of a fertilizer plant including guidelines and technical annexures - Corrigendum.
UNIDO/PC.74	Second draft of the UNIDO model form of semi-turnkey contract for the construction of a fertilizer plant including guidelines and technical annexures.
UNIDO/PC.79	Risk analysis outline for the UNIDO insurance concept.
UNIDO/PC.80	Approaches to industrial training. Second conference of ministers responsible for human resources planning, development and utilization, Cairo, Egypt, 14-23 January 1984.
UNIDO/IO.559	Small-scale computer-based system for industrial management in developing countries.
UNIDO/IO.560	Energy conservation in non-metallic minerals based industries.
UNIDO/IS.406	The USSR forest and wood-working industries. Sectoral working paper series, No. 7.
UNIDO/IS.407	A survey of the Latin American agricultural machinery industry, Sectoral studies series No. 6.
UNIDO/IS.408	The agricultural machinery industry: an appraisal of the current global situation production and market outlook. Sectoral studies series No. 5, Volume I.
UNDIO/IS.408/Add.1	The agricultural machinery industry: an appraisal of the current global situation production and market outlook. Statistical compendium, Sectoral studies series No. 5, Volume II.
UNIDO/IS.409	Report - Meeting of selected heads of Technology Transfer Registries, 6-8 July 1983, Vienna, Austria.
UNIDO/IS.410	Occupational safety and health in the wood and wood products industries Sectorial working paper series No. 9.
ID/269 (81.II.B.3)	World industry in 1980. Biennial issue of the Industrial Development Survey.
ID/WG.393/15	The need for drug policies.
ID/WG.393/16	Summary of the industrial property protection on pharmaceuticals in developing countries.
ID/WG.397/8	Statutes of the International Centre for Genetic Engineering and Biotechnology.
ID/WG.400/8	Draft report - Second Consultation on the Agricultural Machinery Industry Buenos Aires, Argentina, 17-22 October 1983.
ID/WG.406/1	Investment and production costs for fertilizers.

* Reissued for technical reasons.

ID/WG.406/2	The changing structure of the international fertilizer industry.
ID/WG.406/3	The effect of energy and investment costs on total fertilizer production costs.
ID/WG.407/1	Heat treatment techniques applied in manufacture of tools and dies required for the production of engineering spare parts.
ID/WG.407/2	Manufacture and quality estimation of cast spare parts.
PI/76	UNIDO for industrialization. Building materials and construction industries.
PI/82	UNIDO for industrialization. Agricultural machinery and implements.
PI/83	UNIDO for industrialization. Metallurgical industries.
PI/87	UNIDO for industrialization. Foundry industry.
PI/91	UNIDO industrial training offer programme 1984.
ID/SER.G/291	Checklist of UNIDO documents. Documents distributed during 1-15 October 1983.

Meetings

14-16 November - Investment Promotion Meeting for Peru, Lima, Peru.

21-25 November - Second Consultation on the Pharmaceutical Industry, Budapest, Hungary.

21-27 November - Technical Congress in Conjunction with "Technology for the People" Fair, Manila, Philippines.

22-24 November - 1st Meeting of the Preparatory Committee on the Establishment of the International Centre for Genetic Engineering and Biotechnology, Vienna, Austria.

22-26 November - Sub-regional Meeting on the Promotion of Intra-African Industrial Cooperation within the Framework of the Industrial Decade for Africa, Addis Ababa, Ethiopia.

30 November-2 December - Dissemination Meeting on Japanese Energy Conservation Technology Experiences to Malaysia at National Level, Kuala Lumpur, Malaysia.

5-7 December - Dissemination Meeting on Japanese Energy Conservation Technology Experiences at ASEAN Group Level, Kuala Lumpur, Malaysia.

12-16 December - Sub-regional Expert Group Meeting on Intra-African Industrial Cooperation, Abidjan, Ivory Coast.

12-16 December - Seventh Session of the UNIDO Leather and Leather Products Industry Panel, Vienna, Austria.

19-21 December - Expert Group Meeting on Energy-related Technology and Equipment, Vienna, Austria.

23-27 January 1984 - Fourth Consultation on the Fertilizer Industry, New Delhi, India.

6-17 February 1984 - UNCITRAL - Working Group on International Contract Practices, seventh session, New York, USA.

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