

GUIDELINES FOR FOREIGN COLLABORATION PROPOSALS

The Central Government has issued the following guidelines in connection with the formulation of proposals and agreements of foreign collaboration :

- i) Alternative sources.-The collaborator should explore, to fullest extent possible, alternative sources of technology, evaluate them from a techno-economic point of view and furnish reasons for preferring a particular technology and the source of import.
- ii) Other arrangement.-There should not be any restriction on the Indian Company in the matter of procurement of capital goods, components, spares, raw materials, pricing policy, selling arrangement, etc.
- iii) Sub-licensing.-The Government expects that the technical collaboration agreement should generally not prohibit sub-licensing of the know-how, product-design or engineering design under agreement, to other Indian parties. Such sub-licensing, when it becomes necessary, is subject to terms to be mutually agreed by all parties concerned, including the foreign collaborator, and is subject to the approval of the Government. The collaboration agreements should not place any export restrictions to countries except where the collaborator has a sub-licensing agreement.
- iv) Minimum royalty.-There should be no requirement for the payment of a minimum guaranteed royalty regardless of the quantum and value of production.
- v) Exports.-To the fullest extent possible, there should be no restriction on free exports to all countries.
- vi) Brand names.-There should be no provision for the use of the foreign brand names on the products for internal sale, although there is no objection to their use on products to be exported.

vii) Training-Research and development.-Adequate and suitable provisions should be made for the training of Indians in the fields of production and management. There should be adequate arrangement for research and development, engineering design, training of technological personnel, and other measures for the absorption and adoption and development of the imported technology. Such measures can be undertaken through in house facilities of the entrepreneur or in collaboration with recognised engineering design consultancy, research and development organisations in the public or private sectors, and recognised scientific and educational institutions where the necessary facilities exist.

viii) Consultancy service.-In case any consultancy is required to execute the project, it should be obtained from an Indian engineering consultancy firm. If a foreign consultancy firm is also considered necessary, an Indian consultancy firm should, nevertheless, be the prime consultant.

ix) Patent laws.-If the proposed item of manufacture is to be covered by a patent in India, it should be ensured that the collaboration agreement includes a clause to the effect that the payment of royalty for the use of the patent rights till the expiry of the life of the patent, and that the Indian party would have the freedom to produce the item even after the expiry of the collaboration agreement without any additional payment.

x) Indian laws.-Collaboration agreements will be subject to Indian laws.

xi) Extensions.-Government does not favour requests for extensions of the duration of collaboration proposals. All efforts should, therefore, be made to assimilate the technology within the initial duration of the agreement.