

Technology Licensing In Egypt

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Role of technology licensing growing rapidly for benefit of society as well as business

When I was kindly asked by the Presidency at LES Arab countries to give some closing remarks in this requested session, I accepted the offer gladly and without hesitation. One of the reasons, is that I could not only be speaking to you as a parliamentarian, but also as an individual who believes firmly in the importance and the benefits of technology transfer. This field can no longer be ignored by any firm or any country in today's complex, interdependent world.

It is evident there is a general shift worldwide from hard industries to industries that rely on innovation, skills, and services. This means countries can no longer rely on their natural resource endowments or on favorable capital/labor ratio alone to promote the structure of their foreign trade. The patterns of trade are now determined by the ability of countries and firms to master technological innovations.

The commercial transfer and acquisition of technology is an important method of achieving economic development. It has become the key to the competitiveness of the business and the economy. Among its well known effects is its impact on the physical stock of productive factors, and its exploitation at the existing businesses through the creation of more job opportunities. Moreover, it is an indispensable element without which a serious growth of productivity of existing resources can not take place.

On the micro-level as well, new technology can provide more efficient ways of performing work and open new paths for human activity. It also offers possibilities for im-

proving the quality and productivity and for shortening the time it takes to get a product to the market.

Of course any person can educate himself on his or his own by studying books and periodicals. Yet, that is not enough. He or she will not be able to completely master the knowledge of the technology in question.

Here in Egypt, we recognized the implication of successful technology transfer, and we encouraged it wholeheartedly. Therefore, it is not surprising these licensing activities, as you may have noticed, have shot up in Egypt in the last few years. This is especially true in the food and restaurant business.

Licensing has had a positive impact on the Egyptian economy, especially that involving the transfer of "know-how." The know-how that is acquired is not limited to physical documents of manufacturing, but exceeds that to advice and consultancy. Such activities improve the subject projects and transfer valuable knowledge and experience to the licensees.

Preserving the secrecy of know-how, as you know, is essential. It helps preserve the licensee's leadership and competitive in the field.

The fact that new licensing activities take place every day suggests that business are comfortable with their Egyptian partners in the sense that there have been no problems of trust. Egyptian licensees have demonstrated that they are trustworthy. They have been very careful about not disclosing the valuable information to third parties.

In return, the licensee respects the know-how that has been acquired and actually work well and produce the expected product. In other words, licensing is a partnership that includes a set of mutual re-

sponsibilities and obligations.

Therefore, it can be safely stated that such needs the other. Whereas the licensee needs the licensor's trust and expertise, the licensor benefits from the licensee's knowledge of the local market and the country's legal system. The licensee may be able to provide vital data about the local value of a given technology. Such calculations are important. If the cost of the technology that is transferred exceeds that of its value in the local market, the country's economy might suffer seriously from results, such as depletion of natural resources or an unfavorable balance of trade.

EGYPT'S ROLE

No matter how harmonious the relationship between licensee and licensor, benefits be achieved if the local conditions of the country are not favorable. The Egyptian government has long been aware of this. Thus, it has been striving over the past few years, under the leadership of its President, to provide a better environment. It has been strengthening the basic institutions that are involved in the process, through founding scientific centers, universities, and industrial research and development laboratories.

The privatization process that was initiated a few years ago has also lowered the entry barrier for finished products. Thus, restrictions on the freedom of the parties to determine the terms and subject matter of their agreement were

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invited. The reasons for these changes are multiple.

The changes are a response to the evolutionary process in Egypt has strengthened its technological capabilities and industrial development. And they are part of the broader macroeconomic and institutional change that is aimed at giving more room to market forces. It has been proven, however, that it is the entrepreneurs and the businessmen who are the most successful in the process of technology transfer, especially if compared to the state, because they have their own interests at stake. The general rule of letting market forces find the way applies just as much to technology transfer as to anything else.

Egypt's priority has always been the development of human resources in the country. It is humans that are the social carrier who can apply the knowledge. Without developing human resources first, any other efforts will be futile.

In addition to financial and administrative support, the Egyptian government has been trying to initiate favorable laws that will regulate the economic activities in a better way. It realizes that by enhancing the mechanisms for technology diffusion, the benefits of technology transfer will exceed those of the

importing firm and spread to the country's industrial and service foundation and substance.

WHAT EGYPT NEEDS

As I stated earlier, technology transfer is a partnership, a process of cooperation. This process must include the state, and therefore its interests must be considered. That is why a licensee in particular must keep its needs in mind, especially that technology transfer is a sword with two edges. Hence, a list of requests has to be given to the type of transaction in which technology is transferred, in the sense that long-term and complex transactions should be encouraged. These packaged, more involving transactions are more important because they assure that the links between the supplier and the receiver are longer lasting and deeper, involving more knowledge. Simple one-shot transactions do not provide that. Therefore, these benefits are more limited.

Actually, developed countries can participate in that process too. Thus, they should focus their attention on supplying countries like Egypt with direct foreign investments that is inclusive of technology.

In all cases, whether it is a licensee or a licensee, the following

elements have to be taken into consideration when transferring technology. The effect of the balance-of-payments, the impact on job opportunities, the influence of technology transfer on wages and salaries, domestic competition, and the local resources. Since our resources are limited, we should focus on acquiring industry that will improve our national economy and the quality of life of our citizens. Sometimes, the most useful is not the most automated, especially in a case like ours, where it is more appropriate to acquire the more labor-intensive versions.

I am not trying to suggest in any possible way that the decision-making process with regard to technology transfer is easy. On the contrary, it includes as many complex technicalities and issues as one's heart can take. Surely, mistakes are made, and the wrong decisions are taken. Yet, I believe that the most active and most dynamic the technology transfer process is, the less complicated the whole operation will become. The first step in that direction, though, is to stick to a set of values and principles — the principle that one's own individual interests are not the only thing that matters, but that of the citizens we live among as well.