NEGOTIATING GROUP I, on the question of the system of exploitation, initiated discussions on April 17, under the chairmanship of Frank Njenga.

The Delegation of Denmark, on behalf of the EEC, introduced a new proposal on technology transfer. Technology transfer turned out to be the main subject of this negotiating group. The proposal is attached. My personal opinion is that the proposal is inadequate and not apt to advance a compromise -- if there can be a compromise at all. The provisions for "voluntary transfers" are fundamentally unacceptable to developing countries. Conciliation is weaker than arbitration and, therefore, likewise, unacceptable. The proposal does not provide the linkage between access to resources on the one hand, and access to technology on the other, that the developing countries had been seeking.

The proposal was supported by a rather elaborate statement by the U.K., defining the nature of technology and the inherent difficulties of transfer. The U.K. statement (attached) added nothing new.

The EEC position was defended by Italy, the German Federal Republic; also the U.S. and Japan expressed support.

The proposal was categorically rejected by Iraq, Tunesia, Trinidad and Tobago, Libya, Jamaica, Brazil. Only Peru seemed to discover a "glimmer of hope" in it.

The discussion on technology transfer was lengthy but revealed nothing new. Most speakers stressed the crucial importance of technology transfer in making the parallel system viable. Only the U.S. de-emphasized its importance. The problem, the U.S. delegate stressed, can be solved with money: If the Enterprise is adequately financed, it can acquire all the technology it requires at commercial conditions. And he referred back to the Kissinger and Richardson statements, without, however, further elaborating on them.

Joint ventures were mentioned by several delegations as the most promising means to achieve technology transfers (US, Trinidad, Columbia, Jamaica. Jamaica, in a very interesting way, reversed the sequence of the ICNT which provides a parallel system for 20 years, followed by a unitary joint venture system imposed by

the Review Conference, by suggesting a unitary joi t venture system for a first phase, to effect technology transfers, followed by a parallel system!)

The discussion was abstract, remote from reality, and did not do anything to reconcile the two positions.

The Group also dealt with other aspects of Article 151.

There seemed to be a consensus on the point that the Article should be re-titled as "System of Production" and that para.s 7 8 and 9, without being sacrificed, should be separated and re-located. Para.s 7 and 8 should be amalgamated, respectively with the arti cles dealing with technology transfer and scientific research.

The whole section could be regrouped under the heading "Functions of the Authority" (Jamaica, Trinidad and Tobago).

A number of pertinent and critical questions were addressed to the EEC countries, especially by Singapore and Jamaica, but no new idea orssolution emerged.

The USA suggested 5 minor changes in the text of Article 151, and suggested that Article 151 really was not the place for dealing with technology transfer; that a package should be negotiated consisting of Art. 144, Annex II, and sections of Part XIV. The basic point that should be concentrated on was the relevance of technology transfer to our fundamental task of making the dual system workable. The Enterprise must have the necessary technology. The answerto this problem is: money. In spite of that, however, the contrators must have certain obligations. They must be obliged to seel to the Enterprise at fair prices in a fair time.

Technology consists of hardware and of know-how. Know-how means training programs. The best way to get the job done is through joint ventures. They should be encouraged maximally, both for the reserved and the nonreserved areas (this was a step forward in the American position).

China made one only statement during the discussion, stressing the linkage between access to the resources and access to technology.

When the discussion on Article 151 was concluded, it was decided to take up the relevant paragraphs of Annex I_i, especially 4,5,6, and 11, and then to come back to Articles 152 and 153,

on revision and review.

The U.K. made a number of minor points on paragraph 4 of Annex 2. The discussion, on the Annex, as always, seemed to move in a vacuum, very remote from reality.

The Delegate of the U.K. stressed that "joint arrangements" must be optional, "if the applicant and the Authority are ready to enter into such agreements." He also suggested that reserved areas must not remain frozen for ever. That is, if the Enterprise is not in a position to explore and exploit them, they should, after a certain period, cease to be reserved areas.

The Netherlands pointed out that the position of the Enterprise must be clarified. It should be provided that Annex II applies also to the Enterprise, with certain specified exceptions, i.e., the banking system, technology transfer, and training of personnel. He suggested the following formulation:

"Except for para.s 4 cii, 5ji, and 9, the provisions of this Annex shall equally apply to the Enterprise. To this end, the term "contractor" shall be deemed to include the Enterprise and the term "contract" shall be deemed to include the arrangements, including the plan of work, between the Enterprise and the Authority."