

COMMISSION ON TRANSNATIONAL CORPORATIONS

REPORT ON THE THIRTEENTH SESSION

(7-16 April 1987)

ECONOMIC AND SOCIAL COUNCIL

OFFICIAL RECORDS, 1987

SUPPLEMENT No. 9



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NOTE

Symbols of United Nations documents are composed of capital letters combined with figures.

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CONTENTS

<u>Chapter</u>	<u>Paragraphs</u>	<u>Page</u>
I. MATTERS CALLING FOR ACTION BY THE ECONOMIC AND SOCIAL COUNCIL OR BROUGHT TO ITS ATTENTION	1 - 5	1
A. Draft resolution	1	1
B. Draft decision	2	2
C. Matters brought to the attention of the Council	3 - 5	5
II. RECENT DEVELOPMENTS RELATED TO TRANSNATIONAL CORPORATIONS AND INTERNATIONAL ECONOMIC RELATIONS	6 - 16	9
III. ACTIVITIES OF THE UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS	17 - 59	12
A. General activities	18 - 28	12
B. Functioning of the Commission	29 - 59	15
IV. WORK RELATED TO THE CODE OF CONDUCT ON TRANSNATIONAL CORPORATIONS AND OTHER INTERNATIONAL ARRANGEMENTS AND AGREEMENTS	60 - 74	23
A. Code of conduct on transnational corporations	61 - 70	23
B. Other international, regional and bilateral arrangements and agreements related to transnational corporations	71 - 74	25
V. INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING	75 - 84	27
VI. TRANSNATIONAL CORPORATIONS IN SOUTH AFRICA AND NAMIBIA ..	85 - 96	29
VII. STRENGTHENING THE NEGOTIATING CAPACITY OF DEVELOPING COUNTRIES IN THEIR DEALINGS WITH TRANSNATIONAL CORPORATIONS	97 - 104	32
VIII. ONGOING AND FUTURE RESEARCH	105 - 115	35
IX. ROLE OF TRANSNATIONAL BANKS	116 - 132	39
X. COMPREHENSIVE INFORMATION SYSTEM	133 - 137	44
XI. WORK RELATED TO THE DEFINITION OF TRANSNATIONAL CORPORATIONS	138 - 139	46
XII. PROVISIONAL AGENDA FOR THE FOURTEENTH SESSION OF THE COMMISSION	140 - 141	47
XIII. ADOPTION OF THE REPORT OF THE COMMISSION	142	48

CONTENTS (continued)

<u>Chapter</u>	<u>Paragraphs</u>	<u>Page</u>
XIV. ORGANIZATION OF THE SESSION	143 - 157	49
A. Opening and duration of the session	143 - 144	49
B. Attendance	145 - 153	49
C. Election of officers	154	50
D. Agenda	155 - 157	50

Annexes

I. Agenda of the thirteenth session	51
II. List of documents before the Commission at its thirteenth session	53
III. Evaluation of the technical co-operation services of the United Nations Centre on Transnational Corporations	56
IV. Review of the functioning of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting	57

Chapter I

MATTERS CALLING FOR ACTION BY THE ECONOMIC AND SOCIAL COUNCIL OR BROUGHT TO ITS ATTENTION

A. Draft resolution

1. The Commission on Transnational Corporations recommends to the Economic and Social Council the adoption of the following draft resolution:

Activities of transnational corporations in South Africa and Namibia*

Recalling its resolutions on the activities of transnational corporations in South Africa and Namibia, in particular resolution 1981/86 of 2 November 1981, in which it requested the Secretary-General to make arrangements for the organization of public hearings on the activities of transnational corporations in South Africa and Namibia,

Noting with grave concern the continued deterioration of the situation in South Africa as evidenced by the escalating brutality, indiscriminate killings and mass arrest of innocent persons, including women and children, by the authorities of the racist minority régime,

1. Reiterates its condemnation of the racist minority régime in South Africa and its brutal perpetuation of the inhuman system of apartheid and the illegal occupation of Namibia;
2. Condemns those transnational corporations that, through their covert and overt activities in South Africa and Namibia, continue their systematic and clandestine circumventing of laws and measures imposed by Governments of home countries of transnational corporations, as well as the programmes of disinvestment of some transnational corporations, which are aimed at retaining their profitable economic links with South Africa;
3. Welcomes as an initial positive step the measures taken by Governments of home countries of transnational corporations to impose restrictions on further investments and bank loans to the racist oppressive régime of South Africa;
4. Reiterates that the continued activities of transnational corporations in South Africa and Namibia and their collaboration with the racist régime of Pretoria perpetuates the system of apartheid and the illegal occupation of Namibia;
5. Urges the Governments of home countries of transnational corporations that have not yet done so to adopt measures aimed at ensuring that transnational corporations do not contribute to maintaining the policies of apartheid and the illegal occupation of Namibia by South Africa;

* For the discussion, see paras. 94-96 below.

6. Notes that the Panel of Eminent Persons established to conduct the public hearings on the activities of transnational corporations in South Africa and Namibia proposed a deadline of 1 January 1987 1/ by which significant changes in the operations of transnational corporations in South Africa and Namibia should be effected;

7. Notes also that that deadline has not been met and urges Governments of home countries of transnational corporations and other bodies concerned to take appropriate measures towards the implementation of the recommendations made by the Panel of Eminent Persons; 2/

8. Reaffirms that to eliminate apartheid and to terminate the illegal occupation of Namibia by the racist régime will require an effective, concerted programme of international action, endorsed by the whole international community, supervised in a systematic manner by Governments and other bodies concerned, and supported by monitoring and follow-up activities;

9. Requests the Secretary-General:

(a) To continue the useful work carried out by the Secretariat on the activities of transnational corporations in South Africa and Namibia through the collection and dissemination of information;

(b) To report on an annual basis to the Commission on Transnational Corporations, the Economic and Social Council, the General Assembly and the Security Council on the implementation of the present resolution, until the abolition of apartheid and the termination of South Africa's illegal occupation of Namibia have been achieved;

(c) To prepare a more detailed and consolidated study on the activities of transnational corporations in South Africa and Namibia, in particular the impact of their disinvestment programmes and the replacement of investment by non-equity links and on the responsibilities of home countries with respect to the transnational corporations operating in South Africa and Namibia in violation of the relevant United Nations resolutions and decisions, bearing in mind the recommendations made by the Panel of Eminent Persons;

(d) To take all necessary steps to ensure the immediate implementation of the recommendations of the Panel.

B. Draft decision

2. The Commission on Transnational Corporations recommends to the Economic and Social Council the adoption of the following draft decision:

1/ E/C.10/1986/9, annex, para. 51.

2/ E/C.10/1986/9, annex, part III.

Provisional agenda and documentation for the fourteenth session of the Commission on Transnational Corporations

The Economic and Social Council approves the provisional agenda and documentation for the fourteenth session of the Commission on Transnational Corporations set out below.

PROVISIONAL AGENDA AND DOCUMENTATION FOR THE FOURTEENTH SESSION OF THE COMMISSION ON TRANSNATIONAL CORPORATIONS

1. Election of officers.
2. Adoption of the agenda and organization of work.
3. Recent developments related to transnational corporations and international economic relations.

Documentation

Report of the Secretariat on the fourth survey of transnational corporations in world development

4. Activities of the United Nations Centre on Transnational Corporations.

Documentation

Report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units with the regional commissions

Allocation of resources among the programme elements of the United Nations Centre on Transnational Corporations for the biennium 1986-1987

5. Work related to the code of conduct on transnational corporations and other international arrangements and agreements:
 - (a) Code of conduct on transnational corporations;

Documentation

Report of the Secretary-General on the progress made in the work on the code of conduct on transnational corporations

- (b) Other international, regional and bilateral arrangements and agreements related to transnational corporations.

Documentation

Report of the Secretary-General

6. International standards of accounting and reporting.

Documentation

Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its sixth session

7. Transnational corporations in South Africa and Namibia:

- (a) Activities of transnational corporations in South Africa and Namibia and collaboration of such corporations with the racist minority régime in that area;

Documentation

Report of the Secretary-General

- (b) Follow-up to the report and recommendations of the Panel of Eminent Persons established to conduct the public hearings on the activities of transnational corporations in South Africa and Namibia;

Documentation

Report of the Secretary-General

- (c) Responsibilities of home countries with respect to the transnational corporations operating in South Africa and Namibia in violation of the relevant resolutions and decisions of the United Nations.

Documentation

Report of the Secretary-General

8. Strengthening the negotiating capacity of developing countries in their dealings with transnational corporations.

Documentation

Report of the Secretary-General on experience gained in technical co-operation activities

9. Ongoing and future research:

- (a) Research results and current and future programmes;

Documentation

Report of the Secretary-General

- (b) Transnational corporations and issues relating to the environment.

Documentation

Report of the Secretary-General

10. Role of transnational corporations in services, including transborder data flows:

(a) Role of transnational banks;

Documentation

Report of the Secretary-General

(b) Role of transnational corporations in other services.

Documentation

Report of the Secretary-General

11. Comprehensive information system.

Documentation

Report of the Secretary-General

12. Question of expert advisers.

Documentation

Note by the Secretariat

13. Provisional agenda for the fifteenth session of the Commission.

14. Adoption of the report of the Commission on its fourteenth session.

C. Matters brought to the attention of the Council

3. The following decision adopted by the Commission is brought to the attention of the Council:

Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its fifth session and provisional agenda and documentation for the sixth session of the Group

At its 14th meeting, on 16 April 1987, the Commission on Transnational Corporations decided:

(a) To approve the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its fifth session (E/C.10/1987/6) and to commend the Group for its work;

(b) To approve the provisional agenda and documentation for the sixth session of the Group set out below.

PROVISIONAL AGENDA AND DOCUMENTATION FOR THE SIXTH SESSION OF THE
INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL
STANDARDS OF ACCOUNTING AND REPORTING

1. Opening of the session.
2. Election of officers.
3. Adoption of the agenda and other organizational matters.
4. Programme of work of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting:
 - (a) Review of important current developments in the field of accounting and reporting by transnational corporations, on the basis of documentation requested by the Group:
 - (i) With respect to the needs of users:
 - a. Home and host countries, especially developing countries;
 - b. Other users;
 - (ii) With respect to accounting and reporting:
 - a. Individual Member States;
 - b. Intergovernmental organizations:
 - i. Regional;
 - ii. International;
 - c. Non-governmental organizations:
 - i. National;
 - ii. Regional;
 - iii. International;

Documentation

Report of the Secretary-General (international survey, based on equitable geographical representation, of financial statements published by selected transnational corporations)

- (b) Discussion of issues of accounting and reporting identified during the fifth session:
 - (i) Issues related to the various technical aspects of the standard-setting process itself, for financial accounting and reporting and for non-financial reporting;

- (ii) Issues related to information to be provided in financial statements:
 - a. Consolidation procedures;
 - b. Segmentation of aggregate data;
 - c. Information disclosure requirements concerning the annual report of the board of directors;
 - d. Objectives of financial reporting;
 - e. Concepts underlying financial reporting;
- (iii) Issues related to information to be provided, other than in financial statements, of a financial nature and of a non-financial nature;

Documentation

Reports of the Secretary-General

- (c) Identification of issues of accounting and reporting for discussion on a priority basis during future sessions:
 - (i) Issues related to information to be provided in financial statements;
 - (ii) Issues related to information to be provided other than in financial statements:
 - a. Of a financial nature;
 - b. Of a non-financial nature;
- (d) Further steps to be taken in relation to the development of the comprehensive information system;

Documentation

Report of the Secretary-General

- (e) Accounting and reporting issues arising out of the future code of conduct on transnational corporations;
- (f) Appropriate measures to give effect to the work of the Group;

Documentation

Report of the Secretary-General

- (g) Ways and means of improving education, research and practical training in the field of accounting and reporting in Member States.

5. Consideration of the future work of the Group (Economic and Social Council resolution 1982/67)

In dealing with this item, the Group should bear in mind paragraph 4 (h) of Economic and Social Council resolution 1982/67, pursuant to which the Commission on Transnational Corporations shall, at its fourteenth session, review the mandate, terms of reference and achievements of the Group, with a view to deciding on the advisability of its continuation.

6. Adoption of the report of the Group on its sixth session.

4. The attention of the Council is drawn to the other decisions and recommendations of the Commission (paras. 15, 16, 28, 70, 74, 83, 84, 93, 104, 115, 129-132 and 137 below).

5. The attention of the Council is also drawn to the views and conclusions of the Commission to be submitted to the Special Commission of the Economic and Social Council on the In-depth Study of the United Nations Intergovernmental Structure and Functions in the Economic and Social Fields, established by the Council in decision 1987/112 (see paras. 29-59 below).

RECENT DEVELOPMENTS RELATED TO TRANSNATIONAL CORPORATIONS
AND INTERNATIONAL ECONOMIC RELATIONS

6. The Commission considered item 3 of its agenda at its 1st to 3rd meetings, on 7 and 8 April 1987. It had before it the reports of the Secretary-General on recent developments related to transnational corporations and international economic relations (E/C.10/1987/2) and on data on foreign direct investment, including capital inflows and outflows, and other aspects of the activities of transnational corporations (E/C.10/1987/3).
7. At the 1st meeting, the Executive Director of the United Nations Centre on Transnational Corporations made an introductory statement. He said that the world economy remained in a precarious state and that most developing countries had not yet recovered from the recession of the early 1980s. External debt, falling primary commodity prices, protectionist measures and harsh domestic policies had limited whatever growth prospects might have existed. The flow of investment therefore continued to be directed towards developed economies, particularly the United States of America, rather than to developing ones. Japan was emerging as a significant home country. Japanese firms invested in the United States and Western Europe to preserve export markets threatened by protectionism, to take advantage of assets that had declined in price in terms of the yen, and to gain a foothold in the markets of other developed countries. He noted that, in spite of measures adopted in many developing countries to improve the investment climate, the flows of foreign direct investment to those countries had continued to decline since the early 1980s. He concluded that, while domestic policy changes were necessary to increase foreign direct investment inflows, other macro-economic variables appeared to be more fundamental determinants. China was an exception to the rule, since it had been able to attract large flows of foreign direct investment in the 1980s essentially through policies to improve the investment climate. China also had certain attractions for foreign investors (for example, a huge domestic market and varied natural resources unmatched by other countries). Most developing countries were still caught in a vicious circle of slow growth and low investment, which only bold new international policy initiatives, including the adoption of the code of conduct on transnational corporations, could hope to break.
8. Almost all delegations commended the objectivity and high quality of the documentation submitted. All the delegations that spoke attached high priority to the speedy adoption of the code of conduct. Many delegations saw in the code an instrument to stimulate larger flows of foreign direct investment to developing countries and to improve their developmental impact, while minimizing the negative consequences.
9. Most delegations deplored the state of the world economy and its impact on developing countries. They noted with concern that foreign direct investment flows to developing countries had declined sharply in the 1980s. The same delegations considered that the negative world economic environment made development prospects grim. The debt crisis, high interest rates, worsening terms of trade, protectionist measures adopted by developed countries and reverse transfers of financial resources from developing to developed market economies were inhibiting growth. Some delegations singled out the negative effects on domestic demand of the structural adjustment policies required to service external debt. Other

delegations suggested that transnational corporations contributed to the present state of the world economic situation. Weak demand was having a negative impact on any investment, whether domestic or foreign. For all those reasons, they stressed the interrelationships between foreign direct investment, trade, debt and development.

10. Noting that foreign direct investment was being given increased attention by many developing countries, most delegations agreed that such investment could play a beneficial role, but that its contribution should be seen in the proper perspective. Foreign direct investment was not a substitute for other external resources, such as official development assistance or bank lending, but rather a complement to them. Moreover, foreign direct investment was marginal in relation to the needs of developing countries. It was also cyclical in nature and responded more to economic conditions, both in the host country and in the international economy, than to national policies. Most delegations agreed that while favourable national investment policies were a necessary condition, they were not sufficient to encourage larger flows of foreign direct investment because of the factors already described. They stressed that developed countries had to take more active measures to encourage foreign direct investment flows to developing countries, including policy initiatives aimed at improving the global economic environment. Many delegations described how their countries had liberalized their national policies towards foreign direct investment. In spite of doing so, however, foreign direct investment continued to flow to the developed market economies in record amounts.

11. A number of delegations were of the view that the international economic situation had to be seen in a different way. They stressed the importance of joint efforts by developed and developing countries to overcome the present debt problems. In their view, the reduction of interest rates and the slowing down of inflation facilitated the global adjustment process under way. Those delegations maintained that increases in flows of foreign direct investment to developed countries had not taken place at the expense of flows to developing countries. They asserted that appropriate policies in developing countries could make a significant impact in attracting larger flows of foreign direct investment. In the view of one delegation, foreign direct investment was not marginal in relation to the needs of developing countries. One delegation from a developed market economy country referred to the case of the newly industrialized countries and that of his own country, which had been able to attract large flows of foreign direct investment as a result of an improved investment climate brought about by a number of policy changes - including policies by which foreign direct investment was welcomed - and in spite of being affected by adverse external conditions. Some other delegations also disagreed with the idea that liberalization of foreign investment policies in developing countries did not contribute significantly to increased flows.

12. A number of delegations stressed the negative aspects of the activities of transnational corporations and their decisive role in the internationalization of the world economy, as well as the destabilizing impact of transnational corporations in the world economy and their pervasive socio-cultural-political effects on host countries. Those delegations expressed concern about the new strategies being adopted by transnational corporations in response to changed economic and technological conditions, leading towards cartelization and oligopoly. They stressed that an analysis of the activities of transnational corporations could not be made without analysing the negative impact of the arms

race on the world economy. They emphasized the importance of improving the international political and economic situation to create appropriate conditions for normal, correct and secure co-operation among States. They highlighted such principles as stability, predictability, reliability and mutual profitability, which were at the basis of the concept of international economic security.

13. One of the expert advisers to the Commission made a statement on behalf also of all the expert advisers. He said that the expert advisers deplored the decline in the flows of foreign direct investment to developing countries and concluded that larger flows, while not a panacea, could make important contributions to the development process as far as modern technology and marketing and management skills were concerned. He emphasized that foreign direct investment flows were influenced both by broad macro-economic conditions and by the environment in host countries (including economic stability, personal security and an adequate infrastructure).

14. In his closing remarks, the Executive Director noted that, in comparison with past sessions of the Commission, there appeared to be a clear movement towards convergence in the views of delegations. He welcomed that movement as a sign of objectivity in dealing with issues relating to transnational corporations.

Action taken by the Commission

15. The Commission took note of the report of the Secretary-General on recent developments related to transnational corporations and international economic relations (E/C.10/1987/2). It decided to request the Secretary-General to prepare for its fourteenth session a further study on the subject, which should be based on Transnational Corporations in World Development: Fourth Survey, 3/ and take into account the comments made by delegations at the thirteenth session.

16. The Commission also took note of the report of the Secretary-General on data on foreign direct investment, including capital inflows and outflows, and other aspects of the activities of transnational corporations (E/C.10/1987/3). It decided to request the Centre to continue its efforts to improve the data on foreign direct investment, in collaboration with Member States and appropriate international organizations.

3/ To be issued as a United Nations publication.

Chapter III

ACTIVITIES OF THE UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS

17. The Commission considered item 4 of its agenda at its 7th and 9th to 11th meetings, on 10, 13 and 14 April 1987. It had before it the report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units with the regional commissions (E/C.10/1987/4 and Corr.1) and the addendum to the provisional agenda (E/C.10/1987/1/Add.1), in which the Commission's attention was drawn to Economic and Social Council decision 1987/112 on the in-depth study of the United Nations intergovernmental structure and functions in the economic and social fields.

A. General activities

18. In his introductory remarks, the Executive Director of the Centre noted that, since the twelfth session in 1986, the recruitment freeze had continued, as had some financial reductions, especially with respect to consultants' budget. As a result, a number of projects could not be carried out or had to be postponed. The Centre had therefore increased its efforts to obtain extrabudgetary resources. He also noted that the question of the biennialization of the sessions of the Commission was to be considered by the Commission. The Centre itself had made some efforts to rationalize its work and documentation; for instance, by combining reports to the Economic and Social Council with reports to the Commission. He emphasized that considerable progress had been made in further integrating the work of the divisions dealing with research and advisory and information services, as well as the work of the joint units and the Centre. One of the unique characteristics of the Centre was that it combined analytical research work with practical technical assistance, and that the combination had a regional dimension as well. Such combinations created synergies that were of great importance for the Commission's and the Centre's role in the United Nations system as the focal points for all matters related to transnational corporations.

19. Almost all delegations supported the work of the Centre and, in expressing their appreciation, noted the high quality of the documentation. Many delegations expressed their concern that the current financial constraints facing the Organization might have a detrimental effect on the Centre's work in the future, signs of which were already visible in the lack of global coverage in a few instances. Specific activities that were particularly useful were cited by several delegations. Most delegations praised the quality of the Centre's work in research, information analysis and technical assistance, stating that those activities had made a useful contribution to the understanding of issues that were of the utmost importance for developing countries. Some delegations expressed regret that some studies had had to be postponed because of budgetary cut-backs or had been given low priority. One delegation, speaking on behalf of many, and another delegation, speaking on behalf of several, expressed the view that the Centre's autonomous status had served the Commission and the Centre well and had enabled them to implement their work programmes efficiently; another delegation supported that view. In the view of those delegations that status should therefore not be changed. They expressed the hope that the Centre's financial, administrative and institutional capabilities would be strengthened, so as to allow it to continue, and even intensify, its services.

20. Many delegations placed particular importance on the Centre's programme of technical co-operation as constituting a valuable service to developing countries and stated that the programme should be given the highest priority. In that connection, some delegations expressed their appreciation of the scope of the advisory and information activities undertaken by the Centre in the various regions. In that context, one delegation expressed its hope that all regions would benefit as much as possible from the Centre's technical co-operation activities. A few delegations, however, expressed the view that the Centre should confine itself to general advice and should not go too far in assisting countries in specific negotiations with transnational corporations, as too intimate an involvement would raise questions of accountability and legal and financial responsibilities. One delegation, attempting to resolve the differences of opinion, suggested that the most useful technical assistance was specific in character, since it was difficult to give practical advice in general terms. The role of the Centre had to be clearly delineated, however, in the sense that the Centre should not represent a Government in specific negotiations or make decisions on its behalf. Some delegations expressed the view that the Centre should prepare a report on its technical co-operation activities for the fourteenth session of the Commission, giving detailed information on the modalities and guidelines it followed in providing technical assistance to individual Governments and on the extent of the Centre's involvement in individual negotiations. In the opinion of two expert advisers, the advisory services rendered had contributed towards promoting an understanding of transnational corporations by host Governments.

21. Most delegations commenting on the information system noted the usefulness of the system, as exemplified by the increase in requests from Governments. One delegation, however, considered that the Centre should evaluate the information system, since the majority of requests came from non-governmental organizations in the developed market economy countries.

22. A number of delegations emphasized the importance they attached to the universality of the Centre's work, stating that the Centre should include in its activities all enterprises engaged in transnational operations, regardless of their form of ownership and country of origin. Those delegations affirmed that the description of the activities of socialist country enterprises contained in the report of the Secretary-General (E/C.10/1987/4 and Corr.1) was a step in the right direction, but that greater efforts were needed to include enterprises from socialist countries in all aspects of the Centre's work. They stated also that, although the relative importance of such enterprises in world foreign direct investment was still small, it was growing rapidly. They called on the Centre to report on such new and interesting developments. Those delegations considered that it was incorrect to assume that the purposes of foreign direct investment made by enterprises from socialist countries were different from the purposes of foreign direct investment by transnational corporations. Other delegations, however, contested that point of view and the relevance of universality as applied to the work of the Centre and the Commission. They stated that there was a principal difference of character of a socio-economic nature between enterprises of socialist countries abroad and transnational corporations. They referred to the report of the Secretary-General, noting that the share of those enterprises in the total foreign direct investment stocks of the world was less than 0.2 per cent. Those facts should be duly taken into account by the Centre in future reports.

23. Some delegations questioned the criteria applied by the Centre in choosing its studies and in conducting its technical assistance programme and stressed the need

for the Centre to be selective and to set priorities for its research activities, particularly in the light of the severe financial constraints facing the Organization. They also emphasized the need to avoid duplication and overlap with the work being undertaken by other international organizations, pointing out that the Centre's activities should be limited to issues relating directly to transnational corporations. In that connection, they specifically referred to the Centre's work related to the environment (see chap. VIII below), transnational banks (see chap. IX), industry studies and investment promotion services, where they saw the danger of duplication with similar studies and activities undertaken by other bodies. Several delegations, however, pointed out that they were encouraged by the continuing efforts of the Centre to co-ordinate its activities with those of other entities of the United Nations system. Many delegations expressed the view that the priorities were set by the Commission and the criteria provided by its mandate, and suggested that if any duplication were observed, it would be advisable to look at the mandates of other bodies, since it might be those other bodies that were trespassing on the activities of the Centre, which was the sole body in the Organization dealing exclusively with transnational corporations and foreign direct investment.

24. Several suggestions were made regarding the future work of the Centre, which was also discussed in the context of the proposed programme for the biennium 1988-1989 (which was before the Commission in a working paper) and the medium-term plan for 1990-1995 (E/C.10/1987/CRP.1). Many delegations expressed support for the Centre's work as proposed in both those texts. The importance they attached to continued work on the code of conduct was stressed. In that connection, one delegation noted that the inclusion of the treatment of transnational corporations in the code could not change the initial objective of the code, namely, to eliminate the negative effects of the activities of transnational corporations. A number of delegations stressed that the Centre should continue work on the role of transnational corporations in services and on the role of transnational banks, and that the Centre's report on transnational banks should be updated and expanded. Other delegations observed that the parts of the proposed programme and the medium-term plan dealing with environmental and banking issues should be amended to reflect the suggestions they had made to limit the Centre's involvement in those areas while supporting work done elsewhere. Many delegations emphasized the importance they attached to continued work on trends in foreign direct investment and the role of transnational corporations in international trade, as well as on issues relating to transnational corporations and the environment. Many delegations suggested that the Centre should study the nature and consequences of the switch from equity to non-equity links on the part of transnational corporations in South Africa. Some delegations noted that little progress had been made in the Centre's research work on the political, social and cultural effects of transnational corporations on host countries, particularly developing countries, and that greater attention should be given to that subject in the future.

25. With regard to organizational matters, many delegations opposed the biennialization of the Commission's sessions on the grounds that it would weaken the Commission and that the issues included in the agenda required more frequent discussion. Some other delegations expressed strong support for biennialization of the Commission's deliberations as a cost-cutting measure.

26. A number of delegations stated that the joint units established with the regional commissions had played a most useful role with regard to research and technical assistance for interested countries in their regions. They recommended that the role of the joint units be strengthened.

27. The Executive Director assured delegations that their comments would be taken fully into account in the Centre's future work.

Action by the Commission

28. The Commission:

(a) Took note of the report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units with the regional commissions (E/C.10/1987/4 and Corr.1);

(b) Commended the Centre and its joint units with the regional commissions for the quality of their work and called upon them to continue their work at the same level;

(c) Noted that, under Economic and Social Council resolutions 1913 (LVII) and 1986/53, the Centre had adequate ways and means by which it could take into account in its work the roles of enterprises engaged in transnational operations, regardless of form or nature of ownership and country of origin, but with due regard to their relative weight and influence in the world economy and to the importance of minimizing their negative effects while maximizing their positive effects. The Commission expected the Centre to make full use of that mandate in its research, information analysis and technical assistance activities;

(d) Requested the Secretary-General to submit to the Commission at its fourteenth session a report on the activities of the Centre and the activities of the joint units with the regional commissions;

(e) Noted the need for the Secretary-General to submit to the Commission at its fourteenth session a detailed report on the Centre's technical co-operation activities, taking into account the views expressed by delegations at the thirteenth session.

B. Functioning of the Commission

29. The Commission reviewed its functioning in a working group chaired by its Vice-Chairman, Mr. Jorge Valdez (Peru).

30. Pursuant to Economic and Social Council decision 1987/112, the Commission conducted a careful review of its terms of reference; the mode of conducting its deliberations and decision-making, including the periodicity and length of its sessions and the documentation prepared for it; its relationship with the special session of the Commission on the code of conduct on transnational corporations, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting and the United Nations Centre on Transnational Corporations; and its effectiveness as a forum for the comprehensive and in-depth consideration of issues related to transnational corporations. The review was conducted with reference to Council resolutions 1908 (LVII), 1913 (LVII) and 1961 (LIX), by which the Centre, the Commission and the joint units with the regional commissions had been established.

1. Basis for the assessment

31. It was the view of the Commission that transnational corporations had significant economic, social, political and legal effects on both home and host countries. In fact, the increased role of transnational corporations in the world economy and the increased interest of countries from all regions in the resources mobilized by those corporations made world-wide co-operation on the subject indispensable.

32. Given the multi-faceted role of transnational corporations, it had been found necessary to establish forums both under the Economic and Social Council and within the Secretariat: the Commission on Transnational Corporations established by Council resolution 1913 (LVII) as the advisory body to the Council in matters related to transnational corporations; and the United Nations Centre on Transnational Corporations established by Council resolution 1908 (LVII) as the focal point within the Secretariat for all matters related to transnational corporations.

33. Upon request of the Council, the Commission, at its second session, had adopted a work programme for itself and the Centre containing the following objectives, which remained valid:

(a) To further understanding of the nature and the political, legal, economic and social effects of the activities of transnational corporations in home countries and host countries, and in international relations, particularly between developed and developing countries;

(b) To secure effective international arrangements for the operation of transnational corporations designed to promote their contribution to national developmental goals and world economic growth while controlling and eliminating their negative effects;

(c) To strengthen the negotiating capacity of host countries, in particular the developing countries, in their dealings with transnational corporations. 4/

34. In the light of those objectives, the basic programme of work of the Commission had focused on the following five areas related to transnational corporations:

(a) Work for the purpose of formulating a code of conduct;

(b) Establishment of a comprehensive information system;

(c) Research on the political, economic and social effects of the operations and practices of transnational corporations;

(d) Organization and co-ordination, at the request of Governments, of a technical co-operation programme concerning transnational corporations;

4/ Official Records of the Economic and Social Council, Sixty-first Session, Supplement No. 5 (E/5782 and Add.1-3), para. 6.

35. The interest in the work of the Commission and the Centre was evident from the large number of States, international organizations and non-governmental organizations participating in the sessions of the Commission; from the increasing frequency with which host countries requested technical co-operation and information services; from the widespread interest in the Commission's work on the code of conduct on transnational corporations; and from the increasing demand for the Centre's publications throughout the world. The attention of the Special Commission was also drawn to an independent evaluation report undertaken by the Office for Programme Planning and Co-ordination of the United Nations Secretariat contained in document E/AC.51/98/Add.2. (The part of that report dealing with the Centre's technical co-operation programme is reproduced in annex III to the present report.) The Commission noted, however, that its sessions had not always attracted the participation of high-level specialists from the various fields of activity covered by the Commission, as requested by the Council in its resolution 1913 (LVII).

2. Review of the work of the Commission and the Centre

36. While considering that no fundamental changes in the functioning of the Commission were warranted, the Commission concluded that a detailed examination by the Commission of its effectiveness and that of the Centre in respect of the functions specified in Council resolution 1913 (LVII) showed the need for some practical improvements. The improvements are spelt out below in connection with a review of the implementation of the work of the Commission and the Centre.

(a) Acting as the forum within the United Nations system for the comprehensive and in-depth consideration of issues relating to transnational corporations

37. Since its first session in 1975, the Commission was the only body within the United Nations system mandated to deal with the comprehensive and in-depth consideration of the entire range of issues related to transnational corporations.

38. Although other bodies of the United Nations also dealt with specific matters in which there was a transnational corporation element, the distinct approach of the Commission and the Centre was to look at every matter from the perspective of the involvement of transnational corporations. As a result, the Commission considered that special emphasis had to be placed on co-ordination, bearing in mind the role of the Commission and the Centre as the focal points for issues related specifically to transnational corporations. The Commission and the Centre made every effort to ensure effective co-ordination with other intergovernmental bodies and secretariats on all matters related to transnational corporations and, in particular, assisted the Council in that regard. At the intergovernmental level, such co-ordination took place during the sessions of the Commission through the participation of representatives of other organizations, although it was considered desirable for those organizations to participate more actively in the work of the Commission. At the Secretariat level, such co-ordination took place through direct

5/ Ibid., para. 7.

contacts between its various organs (e.g., the Department of International Economic and Social Affairs, the regional commissions, the United Nations Conference on Trade and Development, the United Nations Environment Programme, the Special Committee against Apartheid, the United Nations Council for Namibia and the United Nations Development Programme) as well as with the secretariats of the specialized agencies (e.g., the International Labour Organisation, the Food and Agriculture Organization of the United Nations, the World Health Organization, the World Bank, the International Monetary Fund, the United Nations Industrial Development Organization and the General Agreement on Tariffs and Trade), through concrete joint projects in particular areas and through the distribution of the Centre's semi-annual work programme to all appropriate organizations. The Special Commission may wish to consider those interrelationships with a view to determining the appropriate division of labour between the Commission and other organizations, determining whether activities overlap and, through improved co-ordination, strengthening the specific role of the Commission and making it as effective as possible.

39. The Commission had been assisted in its work by the joint units established with the regional commissions. The joint units served as focal points for the Commission's and the Centre's activities in each region and provided the Commission with a unique regional perspective on the overall role of transnational corporations in development, thus complementing the work of the Centre. The units had accomplished considerable work in the area of technical co-operation, research, information analysis and the dissemination of information related to the code of conduct. The important work being carried out by the joint units furthered the principle of decentralization promoted by the Council.

(b) Promoting the exchange of views among Governments, intergovernmental and non-governmental organizations, trade unions, business, consumers and other relevant groups through the arrangement, inter alia, of hearings and interviews

40. The Commission and the Centre had become the principal link between the United Nations on the one hand and the transnational business sector on the other, particular attention being given to developing countries. The link was made operational through the participation of representatives of the business sector (the International Chamber of Commerce and the International Organisation of Employers, for example) in the sessions of the Commission and, especially, through the numerous workshops that the Centre organized and the technical co-operation projects it undertook.

41. Through the establishment of the unique institution of expert advisers, the Commission obtained advice from a group of high-level persons drawn from business, trade unions, academic and other backgrounds. The value of the expert advisers was, for instance, shown by the role they played in the negotiations on the code of conduct and in their contributions to the discussions during sessions of the Commission.

42. The Commission had conducted hearings on the activities of transnational corporations in South Africa and Namibia, and the Centre had, on many occasions, consulted with the representatives of trade unions, business, consumer and other appropriate groups on matters related to transnational corporations.

43. Nevertheless, the Commission considered that more could be done to strengthen the ties between the Commission and the Centre on the one hand and non-governmental

organizations, trade unions, business, consumer and other appropriate groups on the other. It also considered that the role of the expert advisers in the work of the Commission could be further strengthened.

(c) Providing guidance to the United Nations Centre on Transnational Corporations, on the rendering of advisory services to interested Governments and promoting programmes of technical co-operation

44. Between the inception of the technical co-operation programme and the end of 1986, the Centre had undertaken some 600 advisory projects involving foreign direct investment by transnational corporations in developing countries estimated to exceed \$20 billion. During the same period, the Centre had implemented 152 training workshops, which had been attended by 5,050 officials from over 70 developing countries. Under the technical co-operation programme, many developing countries had received assistance enabling them to better integrate foreign direct investment in their development processes.

45. Throughout the existence of the Commission and the Centre, the Centre, under its technical co-operation programme, had, within the broad framework established by the Commission, responded to requests from developing countries and had consistently received support from all groups of countries. The Centre's work in that area had been improved in the past year through the introduction of a project design and evaluation system and should be further strengthened.

(d) Conducting inquiries on the activities of transnational corporations, making studies, preparing reports and organizing panels for facilitating discussions among relevant groups

46. The Commission and the Centre had become the principal source of studies related to transnational corporations, drawing, where available, on relevant materials prepared inside and outside the United Nations system. During the existence of the Commission, some 500 reports, 120 sales publications and nearly 200 background papers for workshops had been prepared by the Centre. The Commission's evaluation of the studies prepared by the Centre had been, in most instances, a positive one, a view broadly shared, as evidenced by reviews of the Centre's work in the academic press and, above all, by the responses of recipients of the Centre's technical assistance reports and of the participants in workshops organized by the Centre. The close integration of the Centre's activities in policy analysis and in advisory and information services had been the key to that performance. At the same time, the Commission considered that, in the future, it should give the necessary guidance to the Centre with regard to priorities in those areas.

(e) Undertaking work which might assist the Economic and Social Council in evolving a set of recommendations which, taken together, would represent the basis for a code of conduct dealing with transnational corporations

47. The Commission had always given special importance to the formulation of a code of conduct on transnational corporations. Many of the provisions of the code had been agreed upon ad referendum, although the principal issues still required resolution. Many elements discussed in the code negotiations appeared to have influenced national legislation and regulations related to foreign direct investment. However, the special session of the Commission - in which the code was being negotiated - had not succeeded in finalizing the code of conduct on transnational corporations for submission to the Economic and Social Council.

(f) Undertaking work which might assist the Economic and Social Council in considering possible arrangements or agreements on specific aspects relating to transnational corporations with a view to studying the feasibility of formulating a general agreement and, on the basis of a decision of the Council, to consolidating them into a general agreement at a future date

48. The Commission had made an effort to formulate an international agreement on illicit payments pursuant to Council resolution 1978/71. Further progress would depend on a decision by either the General Assembly or the Council on the action to be taken.

49. The Commission had played a considerable role, through its Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, in exchanging views designed to achieve the international harmonization of accounting practices. The Group had helped some developing countries to develop their own accounting and reporting standards. (The work of the Group is considered in para. 51 below.)

(g) Recommending to the Economic and Social Council the priorities and the programmes of work on transnational corporations to be carried out by the Information and Research Centre on Transnational Corporations

50. Since its first session in 1975, the Commission had met annually and, at each session, had reviewed the programme of work of the Centre and established the broad priorities for its work. The Centre, in turn, facilitated the work of the Commission by providing it with the background documentation requested. The reports of the Commission on its sessions were submitted to the Economic and Social Council and approved by the Council. The Special Commission might wish to consider whether the present arrangements had proved satisfactory.

3. Subsidiary and related bodies of the Commission

51. The Commission currently had only one subsidiary body, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting. A detailed examination was made by that Working Group of its own work in the light of recommendation 8 of the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations. (The views and conclusions of the Working Group are presented in annex IV to this report.) It was the Commission's intention to examine the role of the Working Group carefully at its fourteenth session.

52. The Commission had been holding a special session open to the participation of all Member States to negotiate the code of conduct on transnational corporations. There was consensus that the special session was the most appropriate forum for the negotiations.

4. Periodicity and length of sessions

53. It had been the experience of the Commission that eight working days were necessary to cover its agenda satisfactorily during its regular sessions; in particular, to provide sufficient time for the exchange of information and discussions of the broad range of issues before it. Considerable time was required to review the work of the Centre and to provide guidance to it.

54. While the Commission had decided at its twelfth session to accept the principle of biennialization as contained in General Assembly decision 38/429 and resolution 39/217 and in Economic and Social Council decision 1984/104, most delegations made the implementation of that decision dependent, among other things, on the adoption of the code of conduct and on the activities of transnational corporations in South Africa and Namibia. Some delegations preferred the immediate biennialization of the work of the Commission. The possibility was mentioned of biennializing consideration of certain items on the Commission's agenda and adapting the length of the Commission's sessions accordingly. The Commission invited the Special Commission to consider the matter thoroughly.

55. The frequency and length of the special sessions of the Commission were determined by the Council in the light of the status of the negotiations. Since progress in the negotiation process was difficult to predict, the Commission could make no precise recommendations on how often future special sessions should take place and for how long. There was general agreement, however, that no organizational or procedural considerations should override the need for a special session when such a session was required.

5. Documentation

56. The Commission was aware that it generated a large volume of documentation, which was necessitated by the wide-ranging role of transnational corporations and the complexity of their impact. At the same time, the Commission considered it most important that the documents submitted to it focused only on the specific role on transnational corporations in a given area and not on broader socio-economic or political issues.

57. The Commission recognized that the Centre had made an effort during recent years to reduce the number of documents submitted to it or to combine them with documents to be prepared for other bodies (the Council, for example) in order to reduce the overall volume of documentation to be prepared. The Commission and its Working Group would continue to make a conscious effort to rationalize and further reduce the amount of documentation at subsequent sessions.

6. Conclusion

58. The general view of the Commission, taking into account the above considerations, was that the Commission and the Centre, while implementing a major programme of the United Nations, were performing an important service to the United Nations and its Member States in an effective and efficient way and that no substantial changes in its functions, basic agenda or composition were warranted. It considered that the important role of transnational corporations in world development required an advisory body that reported to the Council - the policy-making body in those matters to which the Commission was to recommend a detailed programme of work for formulating policies - and brought to bear a special mix of professional skills and perspectives on highly complex and specialized legal, economic and other questions that a generalist body would not be able to provide. Such an advisory body also required an appropriate support structure.

59. It was recommended that no fundamental changes in the Commission's and the Centre's mode of work be made, apart from practical adjustments. Most delegations said that the Commission's and the Centre's status have served them well in the implementation of their work programmes and that no changes in their status should be made. Some other delegations did not want to express themselves on issues related to the status of the Commission and the Centre since the status of all subsidiary bodies and their secretariat support services would be considered in the context of the overall reform process in the economic and social sectors of the United Nations. Different points of views continued to be expressed on the question of the periodicity of the sessions of the Commission and alternatives had been discussed, as described above.

WORK RELATED TO THE CODE OF CONDUCT ON TRANSNATIONAL CORPORATIONS
AND OTHER INTERNATIONAL ARRANGEMENTS AND AGREEMENTS

60. The Commission considered item 5 of its agenda at its 7th meeting, on 10 April 1987. It had before it the report of the Secretary-General on the code of conduct on transnational corporations (E/1987/9) and on international arrangements and agreements related to transnational corporations (E/C.10/1987/5).

A. Code of conduct on transnational corporations

61. The Commission considered item 5 (a) in conjunction with item 12. In connection with item 12, it had before it the report of the Secretary-General on the question of the definition of transnational corporations (E/C.10/1987/15).

62. In his introductory remarks, the Executive Director of the United Nations Centre on Transnational Corporations recalled that the international debate on foreign direct investment and transnational corporations began with the creation of the Commission on Transnational Corporations, which was given the mandate, as its main priority, to establish an international framework in that area. Noting the changes in the attitudes and policies of Governments with respect to foreign direct investment and transnational corporations and the decline of foreign direct investment flows to developing countries, he stressed the importance of concluding the code of conduct so that, among other things, countries desiring larger flows of foreign direct investment could obtain them. The Executive Director expressed the opinion that the conclusion of the negotiations was a realistic goal, bearing in mind that the objectives of the code were more important than the compromises required. He drew the attention of delegations to the statement adopted at the high-level Round Table on the Code of Conduct held at Montreux, Switzerland, on 3 and 4 October 1986 (E/1987/9, annex), in which the benefits of the code for the international community were stressed. He expressed the view that the draft resolution approved unanimously at the Commission's special session on the code of conduct (6 April 1987) calling for an expeditious finalization of the negotiations on the code could provide a new impetus to the negotiations (see E/1987/40, chap. I).

63. All delegations that spoke reaffirmed the importance of adopting a multilaterally agreed code of conduct on transnational corporations and confirmed their support for and willingness to co-operate with the procedures recommended at the special session aimed at attaining a speedy adoption of the code.

64. One representative, speaking on behalf of many delegations, expressed concern that no significant progress had been made on the resolution of the outstanding issues and stressed the need to give new impetus to the negotiations. To that end, he recommended that the Commission hold a special session not later than the beginning of 1988, preceded by intensive preparations to be carried out by the Chairman of the special session, together with the Bureau of that session and the Secretary-General. He called upon delegations to lend the necessary support to the Chairman of the special session in his task and emphasized the importance of delegations being represented at an adequate political level. He reiterated that the position of the delegations on whose behalf he spoke was reflected in the

proposals made by Venezuela in 1981 (E/1986/50, annex I). He stressed the willingness of those delegations to exercise the utmost flexibility in the next round of negotiations and urged other delegations to do the same. Some of those delegations stressed that the lack of political will of a few delegations was undermining the objectives of the code and hindering the efforts of international co-operation in that respect.

65. Several delegations reiterated their position on the objectives of the code and drew the attention of the Commission to the fact that a great number of provisions had been already agreed upon in principle. The remaining issues were very few, but important. They recalled that there had been several attempts to reach a compromise on those issues and that many countries had made substantive concessions. The first such compromise was Economic and Social Council resolution 1980/60, which provided for the inclusion in the code of a section on the treatment of transnational corporations. The second compromise was the Chairman's package of 1983 and the third the text submitted by the expert advisers in 1985 (E/1986/50, annex I). They expressed regret that a number of delegations had not responded to those concessions. With regard to the report of the Secretary-General submitted to the Commission at its reconvened special session (E/C.10/1986/S/2), they pointed out that the suggested texts on various outstanding issues were not the result of intergovernmental negotiations but reflected completely informal suggestions made by the Secretariat on the basis of the consultations it had undertaken. They emphasized the importance of the continuation of the intergovernmental negotiations on the code and welcomed the provisions of the draft resolution approved by the Commission at its reconvened special session on 6 April 1987 in that regard.

66. Drawing attention to the last paragraph of the statement adopted by the Round Table, one representative observed that a satisfactory resolution of the outstanding issues required recognition of the sovereign rights of host countries, which did not mean that transnational corporations could be dealt with arbitrarily. The question of implementation by States of their international obligations had to be seen from a pragmatic point of view - it should be recognized not only that international obligations arose from different sources but also that they had to be accepted by States before becoming applicable to them.

67. Another representative expressed his delegation's satisfaction that countries were adopting more positive attitudes towards transnational corporations. He stressed the need for a mechanism to ensure checks and balances on the relationships between transnational corporations and host countries. He observed that the questions arising out of those relationships were practical in nature and required practical solutions. In that regard, he noted that the present imbalance in the world economy could only be addressed by implementation of various well-synchronized economic measures in order to achieve a more equitable distribution of wealth.

68. Another delegation emphasized that the special session was the best forum for the negotiations on the code. It noted with appreciation the important contribution made by the Round Table in giving impetus and a fresh and more flexible spirit to the negotiations, a view that was not entirely shared by some other delegations. Another delegation, while reiterating its support for the draft resolution adopted at the special session, urged strongly that the informal consultations to be carried out by the Chairman of the special session, together with the Bureau of that session and the Secretary-General be taken very seriously as the most practical way to ensure success.

69. An expert adviser to the Commission noted that there were reasons for monitoring transnational corporations not only in developing countries but in developed market economy countries as well.

Action taken by the Commission

70. The Commission took note of the report of the Secretary-General on the code of conduct on transnational corporations (E/1987/9) and requested the Centre on Transnational Corporations to update the report for submission to the Commission at its fourteenth session and to do its utmost to assist the Chairman of the special session in the implementation of the tasks assigned to him in the resolution approved by the Commission at its special session on 6 April 1987 for adoption by the Economic and Social Council (see E/1987/40, chap. I).

B. Other international, regional and bilateral arrangements and agreements related to transnational corporations

71. In his introductory remarks, the Executive Director of the United Nations Centre on Transnational Corporations referred to the report of the Secretary-General (E/C.10/1987/5), which contained a survey of several international instruments related to transnational corporations that had been elaborated in the past two years. He noted that all those instruments intended to establish international norms dealing with some aspects of foreign direct investment and transnational corporations. Some of the instruments attempted to close in part the gap resulting from the absence of an international global framework. The existing multiplicity of instruments dealing with different aspects of the activities of transnational corporations emphasized the need to establish such a framework. He said that while the instruments surveyed in the report were complementary to the code of conduct, they could not be a substitute for it and suggested that the code would reinforce the effectiveness of other international arrangements.

72. Several delegations observed that bilateral treaties had been concluded mainly between developed market economies and developing countries in order to introduce and promote investments in developing countries. However, the treaties were concluded on the basis of standardized provisions prescribed by the developed countries and were heavily weighted in their favour. The time had come to draft bilateral treaties in a more balanced manner, taking into account the needs of developing countries. The code of conduct could help to re-establish that balance. The same delegations suggested that the Commission undertake the task of drafting a model bilateral agreement at the same time as it completed its work on the code of conduct. While welcoming the initiative on the Multilateral Investment Guarantee Agency (MIGA) as a means to promote flows of foreign direct investment, they suggested that the provisions on settlement of disputes might pose a problem for those countries that insisted on exhausting local remedies. MIGA could facilitate the conclusion of the code of conduct. Other delegations stated that the activities of MIGA were not substitutes for the work on the code of conduct.

73. A few delegations observed that bilateral treaties for the promotion and protection of investment had become an important factor in investment relations. Because such treaties were complex and negotiated between sovereign States, those delegations did not consider it appropriate for the Centre to be involved in negotiations on them or for work to be undertaken on a model text.

Action taken by the Commission

74. The Commission took note of the report of the Secretary-General on international arrangements and agreements related to transnational corporations (E/C.10/1987/5) and requested the Centre to continue its work on international arrangements and agreements and to update the report for submission to the Commission at its fourteenth session.

Chapter V

INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING

75. The Commission considered item 6 of its agenda at its 7th and 14th meetings, on 10 and 16 April 1987. It had before it the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its fifth session (E/C.10/1987/6).

76. The Director of the Advisory and Information Services Division of the United Nations Centre on Transnational Corporations addressed the Commission. He said that the importance of accounting and reporting could best be appreciated in the context of information disclosure. Corporate records were an important source of information on the global operations of transnational corporations. How much of the information in the possession of transnational corporations should be disclosed remained an issue of continuing concern to both home and host countries, particularly with respect to capital flows, technology transfers, management policies, corporate relationships, marketing strategies and personnel deployment. He pointed out that the Group had agreed on a number of items for general purpose reporting, as well as on the concept that there should be disclosure by both the enterprise as a whole and the individual member enterprise. The Group had paid much attention to disclosure of financial information. He urged that more attention be given to the disclosure of non-financial information items, as well as to the disclosure of information concerning the foreign operations of transnational corporations.

77. A statement was delivered on behalf of the Chairman of the fifth session of the Group, in which he expressed the view that the reports of the Group, which showed that much had been accomplished, should serve to gain due recognition for its work. The Group had demonstrated its competence in dealing with issues affecting information disclosure. To date, it had considered a number of accounting concepts, bases and methods of measurement as well as definitions of terms and it had identified divergent accounting and reporting practices, which indicated that there was scope for harmonization. It had also agreed on information items for general purpose reporting. Furthermore, the Group had provided the Centre with advice and suggestions with regard to the development of the comprehensive information system on transnational corporations.

78. All delegations that spoke noted with satisfaction that the Group had achieved tangible results. They commended the Group for its accomplishments, as evidenced by the convergence of views in a number of areas with regard to the harmonization of international standards of accounting and reporting.

79. One representative, speaking also on behalf of many other delegations, commended the Group for its efforts in dealing with two important issues: accounting harmonization and information disclosure. He noted with concern that divergent accounting and reporting practices continued to prevail in a number of areas, indicating that there was scope for harmonization. He encouraged the Group to make further progress towards the long-term objective of international harmonization of accounting and reporting. He noted that the gap between the demand and supply of information on the operations of transnational corporations continued to be a matter of concern at both the national and international levels. He was pleased that the Group had agreed on a number of information items for

general purpose reporting, which could serve as a basis for bridging the communication gap between transnational corporations and users of information. He requested that the agreed items be given due recognition and recommended them for appropriate action by Governments, standard-setting bodies, the accountancy profession and transnational corporations.

80. Another representative, speaking also on behalf of several other delegations, welcomed the positive trend evident in the increased representation at the fifth session of the Group. He expressed the view that some specific agreements had been achieved and that in general the work of the Group was useful. With respect to the Group's request that the Centre conduct an international survey, based on equitable geographical representation, of financial statements published by transnational corporations, he stressed the need for the survey to provide a balanced view of financial disclosure by transnational corporations from various regions, based on selected agreed items in previous reports of the Group and its predecessor, the Ad Hoc Group. Finally, he expressed support for the issuance of a consolidated publication comprising all the reports of the Group and the Ad Hoc Group, the exact form of which would be decided upon by the Group at its sixth session.

81. Another representative expressed the view that progress had continued to be made by the Group in terms of reaching agreement on issues before it, particularly with regard to business combinations, revenue recognition, non-operating gains and losses, and valuation of inventories. Concrete results had been achieved in the area of harmonization, and the Group and the Centre were to be congratulated on their efforts. He stressed that the Group was the only intergovernmental body working in the field of accounting and reporting whose membership was open to all States. He agreed that a publication consolidating the reports of the Group and its predecessor should be prepared.

82. The Executive Director of the Centre thanked the Government of Finland for its generosity in having contributed to a trust fund to be used for accounting and reporting. Money allocated from that fund had been used to defray the costs of developing country participation in the work of the Group, thereby allowing greater representation at the fifth session.

Action taken by the Commission

83. The Commission took note with appreciation of the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its fifth session (E/C.10/1987/6).

84. At its 14th meeting, on 16 April, the Commission approved a draft decision for adoption by the Economic and Social Council entitled "Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its fifth session and provisional agenda and documentation for the sixth session of the Group", recommended by the Group for adoption by the Commission (E/C.10/1987/6, sect. I.A) (see chap. I, sect. C).

Chapter VI

TRANSNATIONAL CORPORATIONS IN SOUTH AFRICA AND NAMIBIA

85. The Commission considered item 7 of its agenda at its 5th, 6th, 11th and 12th meetings, on 9, 10, 14 and 15 April 1987. It had before it the following documents:

(a) Report of the Secretary-General on the follow-up to the public hearings on the activities of transnational corporations in South Africa and Namibia (E/1987/13);

(b) Report of the Secretary-General on the activities of transnational corporations in South Africa and Namibia and collaboration of such corporations with the racist minority régime in that area (E/C.10/1987/7);

(c) Report of the Secretary-General on the responsibilities of home countries with respect to the transnational corporations operating in South Africa and Namibia in violation of the relevant resolutions and decisions of the United Nations (E/C.10/1987/8).

86. In introducing the item, the Executive Director of the United Nations Centre on Transnational Corporations noted that many changes had taken place in South Africa since the Panel of Eminent Persons had conducted public hearings and issued its recommendations on the activities of transnational corporations in South Africa and Namibia. The Government of South Africa, however, showed no sign of being willing to negotiate fundamental changes in apartheid. He drew the attention of delegations to the deadline of 1 January 1987 proposed by the Panel of Eminent Persons for significant changes in the system of apartheid. Since that deadline had clearly not been observed, the issue before the Commission was what to do in that regard. The Executive Director reported that an increasing number of home countries had adopted economic measures against South Africa, that a growing number of transnational corporations with operations in South Africa had taken actions in opposition to apartheid and, in a number of instances, transnational corporations had decided to disinvest from South Africa. In many cases, however, transnational corporations were selling their assets while maintaining a variety of non-equity links with South Africa, including exporting and licensing arrangements. The Executive Director stated that it was too early to judge the effectiveness of economic measures and disinvestment in terms of their impact on the eventual dismantling of apartheid, but that the actions on the part of many transnational corporations to substitute non-equity for equity links could require some rethinking of international policy measures.

87. All the delegations that took part in the discussion expressed their strong condemnation of the system of apartheid. Most delegations condemned the illegal occupation of Namibia, both as a flagrant violation of basic human rights and as an imminent threat to international peace and security. Many delegations expressed their dismay at the fact that the Security Council had not yet agreed to pass comprehensive mandatory sanctions against South Africa and urged the General Assembly and the Security Council to call upon the international community to implement the measures recommended by the Panel of Eminent Persons, especially in view of the fact that the deadline of 1 January 1987 set by the Panel had not been met. Some delegations emphasized the fact that the Security Council had not passed

comprehensive mandatory sanctions against South Africa because of the resistance of a few developed countries.

88. Most delegations stated that only concerted policies endorsed by the whole international community would bring to an end the system of apartheid in South Africa and terminate the illegal occupation of Namibia by South Africa. They stressed the fact that current economic measures were incomplete and insufficient and needed to be made more comprehensive, mandatory and reinforced by additional measures to cover existing or potential loopholes, and that the continuing presence of transnational corporations in South Africa perpetuated the system of apartheid and the illegal occupation of Namibia. They expressed disappointment that economic measures currently in force and those recently adopted frequently covered South Africa but not Namibia. They also emphasized that the Commission, being the only body in the United Nations system dealing with transnational corporations, should continue its efforts in that regard.

89. Most delegations said that action by transnational corporations to replace equity with non-equity links with South Africa undermined the effectiveness of economic measures and that those corporations seemed primarily interested in making only cosmetic or symbolic changes so as to retain their profitable economic links with South Africa. Reaffirming that disinvestment meant the cutting of all ties, they called upon companies to discontinue the supply of essential products, equipment and technology to South Africa. In that context, a few delegations referred to specific corporations having business ties to South Africa. They called for further research on the extent of non-equity links between transnational corporations and the South African economy.

90. A number of delegations noted the wider application of economic measures against South Africa undertaken by countries, in particular the new and stronger measures adopted by the European Economic Community, the Commonwealth countries, and other home countries. One delegation outlined the comprehensive new law recently adopted on economic sanctions against South Africa - including a legal ban on investment and on the transfer of patent and production rights - which had recently been introduced on a unilateral basis, pending the adoption of comprehensive mandatory sanctions. Several delegations described the new measures adopted jointly or unilaterally since the twelfth session of the Commission and the strengthening of the codes of conduct for transnational corporations operating in South Africa.

91. One delegation stated that transnational corporations had spent significant sums of money in improving economic and social conditions for blacks in South Africa and had frequently provided legal assistance for them. Another delegation noted that the Centre, in its documentation, had incorrectly stated that a transnational corporation from its country was expanding its investments in South Africa. Another delegation pointed out that there were no uranium-processing companies in its country; rather, the company mentioned used enriched uranium hexafluoride produced in various other countries.

92. The Executive Director, in responding to issues raised during the discussion, apologized for the error in the documentation and noted that the Centre conducted its research under a tight time schedule and had to rely on indirect but usually reliable newspaper sources for the most recent information.

Action taken by the Commission

93. The Commission took note of the reports of the Secretary-General on the follow-up to the public hearings on the activities of transnational corporations in South Africa and Namibia (E/1987/13), on the activities of transnational corporations in South Africa and Namibia (E/C.10/1987/7) and on the responsibilities of home countries with respect of the transnational corporations operating in South Africa and Namibia in violation of the relevant resolutions and decisions of the United Nations (E/C.10/1987/8).

Activities of transnational corporations in South Africa and Namibia

94. At the 11th meeting, on 14 April, the observer for Guatemala, 6/ on behalf of the States Members of the United Nations that are members of the Group of 77, introduced a draft resolution (E/C.10/1987/L.5) entitled "Activities of transnational corporations in South Africa and Namibia".

95. At the 12th meeting, on 15 April, the Commission adopted the draft resolution by a roll-call vote of 31 to 3, with 5 abstentions (see chap. I, sect. A). The voting was as follows: 7/ 8/

In favour: Algeria, Argentina, Bangladesh, Benin, Brazil, Bulgaria, Canada, China, Cyprus, Czechoslovakia, Egypt, German Democratic Republic, Ghana, India, Indonesia, Iran (Islamic Republic of), Iraq, Jamaica, Mauritius, Mexico, Nigeria, Norway, Pakistan, Peru, Suriname, Swaziland, Tunisia, Turkey, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, Venezuela.

Against: Switzerland, United Kingdom of Great Britain and Northern Ireland, United States of America.

Abstaining: France, Germany, Federal Republic of, Italy, Japan, Netherlands.

96. After the draft resolution was adopted, statements were made by the representatives of Canada, the United States of America, the United Kingdom of Great Britain and Northern Ireland (on behalf also of the Federal Republic of Germany, France, Italy and the Netherlands), Norway, Switzerland and Japan, and by the observer for Zambia.

6/ In accordance with rule 72 of the rules of procedure of the Economic and Social Council.

7/ After the voting the representative of Cuba indicated that his delegation's vote had inadvertently not been taken into account but that his delegation was in favour of the draft resolution.

8/ The representative of Fiji subsequently stated that, had his delegation been present during the voting, it would have voted in favour of the draft resolution.

Chapter VII

STRENGTHENING THE NEGOTIATING CAPACITY OF DEVELOPING COUNTRIES IN THEIR DEALINGS WITH TRANSNATIONAL CORPORATIONS

97. The Commission considered item 8 of its agenda at its 8th meeting, on 13 April 1987. It had before it the report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units with the regional commissions (E/C.10/1987/4 and Corr.1), which included information on developments in the Centre's technical co-operation programme, and the report of the Secretary-General on experience gained in technical co-operation activities (E/C.10/1987/9).

98. In his introductory statement, the Director of the Advisory and Information Services Division of the Centre summarized the main features of the current environment for relations between host developing countries and transnational corporations. A prominent aspect of the environment was what could be termed a new pragmatism, within which both parties sought practical solutions to investment questions. That approach was manifested in the trend towards liberalization of host country investment requirements and the emergence of a new generation of contractual forms governing mining and petroleum projects. A number of factors were cited as contributing to the development of the new set of attitudes. The Director then described the ongoing technical co-operation requirements of developing countries in the current environment. He stressed the developing countries' need for information and expertise in structuring projects in which the foreign partners held a minority equity stake. He concluded by thanking the members of the Commission for their past support of the Centre's technical co-operation activities and gave particular thanks to those countries making contributions to the Trust Fund for the United Nations Centre on Transnational Corporations.

99. All the delegations that took part in the discussion expressed their support for the Centre's programme of technical co-operation. Many delegations highlighted the persistent need of developing countries for outside expertise to augment local resources. In that regard, delegations cited the importance of the Centre's technical co-operation programme in providing information and technical skills to developing countries doing business with foreign investors. Those delegations emphasized the contribution that the programme could make to the establishment of stable, equitable and mutually beneficial investment arrangements in developing countries and a more constructive atmosphere for business negotiations. Several delegations stated that their countries had been direct beneficiaries of the Centre's technical co-operation services. They indicated their satisfaction with those activities and endorsed the strengthening of the programme. A number of other delegations suggested that the Centre should direct its resources to the practical needs of developing countries in their search for foreign investment that would complement national development objectives.

100. A number of delegations endorsed the general approach taken in the documentation presented under agenda item 8, especially in document E/C.10/1987/9. Within the general expression of support, a number of specific comments were made. One representative suggested that host country investment policies played a key role in a transnational corporation's evaluation of a host country's investment climate. Another noted that the growth of mutual understanding on the part of

developing countries and transnational corporations and a real appreciation of mutual benefits to be gained from well developed investment projects were important factors in explaining the emergence of a more pragmatic approach to foreign investments. Another representative commented that the trend towards liberalization of host country policies highlighted the need to ensure that transnational corporations lived up to their commitments in contributing to national economic development.

101. Referring to the broader question of criteria used for defining the Centre's overall work programme, a number of delegations raised the issue of the criteria employed by the Centre in implementing its technical co-operation programme. Some of those delegations expressed the view that the Centre should avoid providing direct technical assistance with respect to the negotiation of specific investment projects. Those delegations expressed reservations on the participation of the Centre in negotiations between transnational corporations and host country entities. On the same subject, a number of delegations questioned the appropriateness of the Centre's undertaking technical co-operation activities on the question of privatization and encouraged the Centre to avoid areas where other organizations, such as the United Nations Industrial Development Organization or the United Nations Environment Programme were active, or areas not directly related to transnational corporations. In that connection, a number of delegations requested information on the proportion of the Centre's resources allocated to technical co-operation activities. Many other delegations did not agree with the views expressed and stated that the Centre's technical assistance in negotiating individual investment projects was precisely what developing countries needed and wanted in order to strengthen their negotiating capacities so that they could deal on an equal footing with transnational investors.

102. Addressing some of the organizational aspects of the Centre's technical co-operation programme, a number of delegations welcomed the Centre's efforts to co-operate and co-ordinate its activities through regional and subregional groupings. A few delegations cited the need for the Centre to be attentive to the technical requirements of low-income countries. A number of delegations expressed satisfaction with the Centre's development of a project design and evaluation system.

103. In response to the question raised in the discussion, the Director of the Advisory and Information Services Division informed the members of the Commission that approximately 35 per cent of the Centre's resources were devoted to its technical co-operation programme. Regarding the criteria used in the implementation of technical co-operation activities, he stated that the Centre confined its programme to situations in which transnational investors played a concrete role. On the question of privatization, he assured the Commission that the Centre's work focused only on those instances where a transnational corporation was a party to the transaction and avoided the general policy issue of whether and when privatization should be undertaken. Finally, he indicated that the Centre's technical co-operation programme had, since its inception, provided assistance to developing countries in their efforts to evaluate, structure and negotiate foreign investment projects in accordance with the Centre's mandate and had always informed the Commission of those activities.

Action taken by the Commission

104. The Commission:

(a) Took note of the report of the Secretary-General on the experience gained in technical co-operation activities (E/C.10/1987/9);

(b) Reaffirmed the importance it attached to the technical co-operation programme of the United Nations Centre on Transnational Corporations;

(c) Requested the Secretary-General to report to the Commission at its fourteenth session on the programme of technical co-operation of the Centre and to continue to review experience gained in that programme.

Chapter VIII

ONGOING AND FUTURE RESEARCH

105. The Commission considered item 9 of its agenda at its 3rd and 4th meetings, on 8 and 9 April 1987. It had before it the following documents:

(a) Report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units with the regional commissions (E/C.10/1987/4 and Corr.1), which included information on the Centre's comprehensive information system;

(b) Report of the Secretary-General containing a summary of selected technical papers (E/C.10/1987/10);

(c) Report of the Secretary-General on the role of transnational corporations in services, including transborder data flows (E/C.10/1987/11);

(d) Report of the Secretary-General on transnational corporations and issues relating to the environment (E/C.10/1987/12).

106. In introducing the item, the Director of the Policy Analysis and Research Division of the Centre noted that in 1987 the major research effort of the Centre would be to produce the fourth of its quinquennial surveys of transnational corporations in world development. The survey was intended to highlight the relevant major developments of recent years and to assess how they had affected the world economy and, in particular, developing countries. It would stress changes in the relationship between developing countries and transnational corporations and would explore policies that could lead to more fruitful co-operation in the future. Noting the importance of transnational corporations in the development and transfer of technology, he stated that the strengthening of the capabilities of the domestic enterprises in developing countries to negotiate with transnational corporations was crucial to their success in absorbing technology. The Centre intended to continue its research in that area in order to identify the conditions necessary for the successful transfer of up-to-date technology to developing countries. With regard to the service sector, which had been absorbing a growing share of foreign direct investment going to both developed and developing countries, the report of the Secretary-General (E/C.10/1987/11) considered the international service sector in an integrated manner from the point of view of the role of foreign direct investment and transnational corporations. It did not deal with trade matters, since they were being dealt with in other forums. The report of the Secretary-General on transnational corporations and issues relating to the environment (E/C.10/1987/12) presented a typology of the approaches currently used in the development of international standards for industrial process safety as they affected the operations of transnational corporations. It also reported on recent activities in other organizations and identified some of the issues related to the allocation of responsibilities for environmental protection as they affected transnational corporations.

107. Most delegations generally commended the research work of the Centre. They considered that the studies of new areas of involvement by transnational corporations should be of interest to developing countries in increasing their knowledge and capabilities. A few delegations expressed concern that a great deal

of basic research had not been completed because of the financial crisis of the United Nations and asked about the criteria that had governed the postponement of certain studies. Some delegations expressed the view that duplication of effort with specialized agencies should be avoided and that, given the limitation of resources, the subjects chosen for study should relate directly to transnational corporations and be of direct relevance to developing countries and that criteria be established for determining the future research work of the Centre. They expressed concern about the far-flung nature of the research activities of the Centre and requested information on the priorities that governed the choice of subjects. Some delegations expressed concern about having insufficient information on the fourth survey. They hoped that the survey would deal with the role of transnational corporations in various global issues and, in particular, the task of ensuring stability and predictability in the world economy.

108. Referring to the role of transnational corporations in services, including transborder data flows, many delegations acknowledged the growing role of services in total foreign direct investment and of service transnational corporations in the world economy. One representative, speaking also on behalf of many delegations, stated that that subject should be given the highest priority in the Centre's work. The Centre should concentrate its research on understanding the importance of services and the impact of the activities of service transnational corporations on the development process of developing countries. The focus of research should be on the developmental impact of the activities of transnational corporations in services. Research on services should include in particular data services (transborder data flows), the role of service transnational corporations in the transfer and dissemination of technology and managerial know-how in the service sector, and the boundary lines between individual service industries as well as between trade and foreign direct investment in services. Some other delegations, while supporting research in those areas, added other areas to be studied. One delegation considered important the contribution of transnational corporations operating in the service sector to the transnationalization of the world economy and the impact of those corporations on the emerging international division of labour. The same delegation also attached importance to the analysis of new forms and mechanisms in the strategies of transnational corporations. Some other delegations expressed the view that the Centre should confine itself to the investment-related issues of international transactions in services and should de-emphasize its work on transborder data flows. One representative expressed reservations about the Centre's work on trade and investment issues in services, since they were being taken up in the General Agreement on Tariffs and Trade (GATT). He also questioned the usefulness of some programme elements contained in the report of the Secretary-General and expressed the opinion that the Centre should select issues for further research carefully. Some delegations stressed that the possibility of arriving at a set of multilateral rules on trade in services was being explored within the Uruguay round of multilateral trade negotiations in an ad hoc juridical frame of reference outside GATT, since GATT had no competence in the area of services.

109. Most delegations expressed support for the work of the Centre on the role of transnational corporations and issues relating to the environment, and suggested that it should continue in view of its practical usefulness to host developing countries in their dealings with transnational corporations. Some delegations pointed out that the importance of the subject could not be overestimated. In the view of those delegations, the environmental aspects of the activities of transnational corporations were not confined to host developing countries only but were increasingly becoming a matter of concern to developed countries as well.

110. Most delegations suggested that transnational corporations should assume responsibility for the damage done to health and the environment in the course of their foreign operations and that parent companies should not be absolved of their responsibility with regard to the actions of their affiliates. In that regard, they also emphasized the importance of relevant national laws and regulations and expressed the hope that the Commission would be able to contribute to the development of a balanced international framework of rights and duties of corporations and Governments in the area of industrial process safety and environmental protection. Those delegations stressed the fact that developing countries were generally not sufficiently well informed or well equipped to handle effectively process safety at industrial facilities that were hazardous or potentially hazardous. They welcomed the Centre's intention to provide support to Governments seeking to integrate environmental assessments, health and safety concerns, and hazard analysis into their review of proposals for foreign direct investment and technology acquisition. Those delegations stressed the importance of the Centre's participation, in co-operation with other entities of the United Nations system, in the preparation of the consolidated list of products whose consumption and/or sale had been banned, withdrawn, severely restricted or not approved by Governments, and requested the Centre to continue its work in that area.

111. A number of delegations considered that environmental issues were of general importance to both domestic and transnational enterprises and did not see the need for the Centre to engage in work in that area, particularly since there was a specialized body within the United Nations system specifically mandated to deal with environmental issues. A number of delegations commented on the allocation of responsibilities and liabilities between transnational corporations and Governments with regard to environmental accidents. Those delegations objected to the assignment of responsibility for environmental norms to home countries, since that would involve the unwarranted extraterritorial application of national law. Some delegations expressed concern about the value of the Centre's future contribution in that area, given its complexity and the intricate technical nature of the issues involved and suggested that it should simply support work under way elsewhere with information specific to transnational corporations.

112. Those delegations also pointed to the proliferation of activities on industrial process safety within the United Nations system and in some other international organizations. They stressed that the work of the Centre in that area should be carried out in close co-operation with other international organizations and should continue to concentrate specifically on issues related to transnational corporations, such as the environmental implications of the transfer of technology via transnational corporations and the allocation of responsibilities for safeguarding the environment between parent companies and their affiliates.

113. An expert adviser to the Commission with long experience in the international chemical industry considered that the report of the Secretary-General (E/C.10/1987/12) was comprehensive, clear and balanced. But he questioned whether, with its limited resources, the Centre should maintain an independent capability in the highly complex area of industrial process safety and hazards. The subject was broad in scope and not limited to transnational corporations. With regard to the parent-subsidiary relationship in that area, he noted that the acceptance of the unqualified responsibility of parent companies for environmental safety went against the interest of developing countries in having subsidiaries gain the maximum decision-making capability. Local managers were acutely aware of environmental policies and sensitivities. Companies were in favour of clear and

unqualified responsibility devolving upon local management because that arrangement was more likely to ensure safety. Therefore, he counselled against establishing unqualified group responsibility in response to a tragedy that might have occurred in a national company or outside the framework of the market economy.

114. In responding to some of the questions raised during the discussion, the Executive Director said that as far as the priorities governing the choice of subjects for study were concerned, the Centre was guided by the wishes of the Commission itself and, where there was no clear guidance from the Commission, by the importance of a particular subject for developing countries. With regard to duplication of work with other organizations, the Executive Director explained that the Centre was in continuous communication with other organizations of the United Nations system and that it concentrated its research efforts in any particular area on aspects related to transnational corporations. He noted that some studies had been postponed owing to the financial difficulties confronting the Organization. The studies that had been postponed were generally those that needed substantial additional work before they could be completed.

Action taken by the Commission

115. The Commission:

(a) Took note of the report of the Secretary-General containing a summary of selected technical papers (E/C.10/1987/10) and requested the Centre, in preparing its report to the Commission at its fourteenth session, to take into account the views expressed by delegations;

(b) Took note of the report of the Secretary-General on the role of transnational corporations in services, including transborder data flows (E/C.10/1987/11) and requested the Centre to continue its work thereon and to submit a report to the Commission at its fourteenth session;

(c) Took note of the report of the Secretary-General on transnational corporations and issues relating to the environment (E/C.10/1987/12) and requested the Centre to continue to concentrate its work in that area on specific issues of particular relevance to the activities of transnational corporations and to report thereon to the Commission at its fourteenth session, taking into account the comments made during the thirteenth session.

Chapter IX

ROLE OF TRANSNATIONAL BANKS

116. The Commission considered item 10 of its agenda at its 4th, 5th, 12th and 14th meetings, on 9, 15 and 16 April 1987. It had before it the report of the Secretary-General entitled "Transnational banks: operations, strategies and their effects in developing countries" (E/C.10/1987/13).

117. In introducing the item, the Assistant Director of the Policy Analysis and Research Division of the United Nations Centre on Transnational Corporations said that transnational banks were among the most important of transnational corporations, and that their impact on international capital flows went far beyond their physical presence in foreign countries. The growth of transnational banks, the increasing integration of world financial markets and the importance of securitized lending were major recent developments analysed in the report of the Secretary-General. The Assistant Director noted the importance of transnational banks in the context of the debt crisis facing many developing countries. He emphasized that the issue for the future was not to apportion blame for the debt crisis but to achieve effective solutions to a situation that contained risks for the entire international community.

118. Almost all delegations commended the quality of the documentation submitted under the item. They agreed that transnational banks played an important role in the world economy.

119. Many delegations emphasized the importance of studying the debt issue within the context of the behaviour of transnational banks, since the Commission was the only international body with a specific mandate to study banks, as opposed to international finance in general. They recommended that the topic of transnational banks should be a regular research activity of the Centre. According to those delegations, the report of the Secretary-General made an important contribution to the understanding of the debt issue as it related to transnational banks. However, some delegations stated that the analysis of the role of transnational banks in the debt crisis contained in the report did not go far enough in clarifying its causes. They were of the opinion that transnational banks had played a key role in both precipitating and prolonging the debt crisis, but that role had not been sufficiently emphasized in the report. They stressed that it was within the competence of the Commission and hence of the Centre to study transnational banks. Most delegations affirmed that the work of the Commission and the Centre should include all aspects of relevance to the activities of transnational banks, their role in the international financial system and their impact on the world economy as a whole and on developing countries in particular. They expressed the wish that further research be of a more global nature, taking into account the various aspects and activities of transnational banks and their impact on developing countries, including such areas as credit practices and criteria, capital formation, the role of transnational banks in international financial markets, and the financing of development projects commensurate with the development objectives and priorities of developing countries. They stressed, however, that far more important than the participation of transnational banks in the financial markets of developing countries was their role in mobilizing financial flows to developing countries whether they were physically present in the country concerned or not.

120. Most delegations emphasized the importance of re-apportioning the burden of adjustment so that it fell more evenly on both creditors and debtors, rather than mostly on the debtor countries, as was currently the case. Recent innovations, such as debt-equity conversions, were not seen as providing sufficient relief to the heavy adjustment burdens currently borne by debtor developing countries. In that regard, a review of existing proposals and initiatives was recommended as a step towards seeking general solutions to the debt problem.

121. A number of delegations questioned whether there was sufficient clarity in the definition of what constituted a transnational bank to justify a discussion of banks involved in international lending. They stated that, since external lending by transnational banks did not necessarily require the establishment of subsidiaries or branches abroad, the discussion of problems arising from such lending was outside the mandate of the Commission, and that such discussion would inevitably lead to an analysis of broad issues of international finance and debt that were adequately dealt with by other bodies, including other organizations of the United Nations system. Those delegations also stated that the report prepared by the Centre strayed from subjects related to transnational corporations and discussed issues such as international finance and debt that were outside its competence or mandate; they expressed opposition to further work in those areas.

122. Some delegations mentioned the reference in the report of the Secretary-General to the use of the case-by-case approach to solving the debt crisis. They took issue with the contention in the report that the debt crisis was not a passing cash flow problem to be solved on a case-by-case basis. They considered that the existing approach of dealing with the debt problem on a case-by-case basis was justified, as each situation was unique and no valid generalizations could be made. Some delegations noted that there was a tendency to place too much of the blame for the debt crisis on the lending policies of transnational banks and to ignore unwise decisions and policies adopted by some debtor countries. The positive aspects of bank lending in promoting investment were not dealt with in the report. Since the policies of different countries were quite different, a case-by-case approach was warranted.

123. The same delegations affirmed that the work of the Commission and the Centre on transnational banks should be limited to an examination of how the activities of transnational banks, in particular their subsidiaries and affiliates in developing countries, contributed to achieving development objectives. In addition, such work could be productive and beneficial to developing countries. They suggested that studies should focus on how those entities could, within the parameters of existing national rules and regulations, improve the functioning of financial markets in developing countries and generally promote the mobilization of savings and their channelling into productive job-creating investment.

124. Because the role of transnational banks in the world economy was changing rapidly, one delegation stated that further research on the issue should be considered a preliminary step towards a more thorough definition and analysis of transnational banks. The delegation considered that more time was required to develop new ideas to deal with the technical aspects of transnational banks and their role in international financial markets.

125. Several delegations, while agreeing with many of the conclusions contained in the report of the Secretary-General, expressed the opinion that the report did not deal adequately with some extremely important phenomena, particularly the negative

net transfer of resources from developing countries to transnational banks. This view, however, was not shared by other delegations. The previous delegations observed that the substantial changes in the structure of international financial markets had brought about a further strengthening of a small number of transnational banks, which had led to an oligopolistic structure in decisive markets. Since transnational banks were playing a key role in the transnationalization of the world economy, they stressed that the Centre should continue to study the subject and that the item on the role of transnational banks should remain on the agenda of future sessions. They also stated that the debt crisis, though of a complex nature, was directly connected with the activities of transnational banks; it was, therefore, an appropriate subject for discussion by the Commission and for study by the Centre.

126. Some delegations noted the absence of any discussion on the international activities of banks based in socialist countries; other delegations questioned the usefulness of such a discussion. Many delegations suggested that the technical assistance available from the Centre to aid developing countries in their negotiations with transnational banks be expanded. Several delegations noted the absence in the report of a discussion of the interaction of transnational banks and the International Monetary Fund in debt renegotiations, as mandated in Economic and Social Council resolution 1986/54.

127. The Assistant Director responded to many of the issues raised during the discussion. He said that, although the issue of definition did raise some analytical problems and further work did need to be done, that did not imply it was beyond the Centre's mandate to conduct research on transnational banks. He noted that most of the banks that had large foreign loan portfolios also had a large number of branches and subsidiaries abroad. While it was not the Centre's role to recommend solutions to the debt crisis, problems related to debt were part and parcel of the operations of transnational banks and hence legitimate subjects for attention. The Assistant Director said that the major emphasis in the preparation of the report before the Commission had been on updating the 1981 industry study, Transnational Banks: Operations, Strategies and Their Effects in Developing Countries, 9/ as requested by the Council in resolution 1986/54.

128. The Executive Director of the Centre also responded to issues raised during the discussion. He described several technical assistance projects the Centre had with developing countries regarding their negotiations with transnational banks. He said that industry studies focused on the largest enterprises and that the international activities of banks based in socialist countries were too minor to be mentioned specifically.

Action taken by the Commission

129. The Commission took note of the report of the Secretary-General entitled "Transnational banks: operations, strategies and their effects on developing countries" (E/C.10/1987/13). It requested the Secretary-General to continue to study the role of transnational banks in developing countries and to report thereon in the framework of its next report to the Commission on the basis of the discussion held during its thirteenth session.

9/ United Nations publication, Sales No. E.81.II.A.7.

Role of transnational banks

130. At the 12th meeting, on 15 April, the representative of Mexico, on behalf of Mexico and Peru, introduced a draft resolution (E/C.10/1987/L.6) entitled "Role of transnational banks", which read as follows:

"The Economic and Social Council,

"Recalling its resolution 1986/54 of 22 July 1986,

"Taking note of the report of the Secretary-General concerning the operations and strategies of transnational banks and their effects in developing countries (E/C.10/1987/13),

"Considering that the activities of transnational banks, which are of a global nature, have an impact on the development process of developing countries,

"Requests the United Nations Centre on Transnational Corporations to continue its review of the various aspects of the activities of transnational banks, to report thereon to the Commission at its fourteenth session and to review in the report the following issues:

"(a) The evolving activities and strategies of transnational banks and their impact on the international financial system and the world economy;

"(b) The activities of transnational banks in development projects in developing countries;

"(c) The credit practices and lending criteria applied by transnational banks to developing countries, including conditionality, the fixation of interest rates and spreads, and specific provisions in contracts for fresh credit;

"(d) The role of transnational banks in the reverse transfer of resources from developing to developed countries."

131. In introducing the draft resolution, the representative of Mexico orally revised it as follows:

(a) The following preambular paragraph was inserted before the first preambular paragraph:

"Recalling General Assembly resolutions 3201 (S-VI) and 3202 (S-VI) of 1 May 1974, containing the Declaration and the Programme of Action on the Establishment of a New International Economic Order";

(b) In operative subparagraph (b), the word "activities" was replaced by the word "role" and the word "projects" by the word "processes";

(c) The following operative subparagraph (e) was added:

"(e) The role of transnational banks in the economic recovery process in the countries of Africa".

132. At the 14th meeting, on 16 April, the representative of Mexico, on behalf of the sponsors and in the light of informal consultations, withdrew the draft resolution.

Chapter X

COMPREHENSIVE INFORMATION SYSTEM

133. The Commission considered item 11 of its agenda at its 8th meeting on 13 April 1987. It had before it the report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units with the regional commissions (E/C.10/1987/4 and Corr.1), which included information on the Centre's comprehensive information system, and the report of the Secretary-General on the needs of developing countries for information on transnational corporations (E/C.10/1987/14).

134. In his introductory statement, the Director of the Advisory and Information Services Division of the Centre described the plight of the many developing countries whose lack of basic company, industry and market information placed them at a disadvantage in their negotiations with transnational corporations. He noted that the continuous growth in the number of inquiries that the information system received from Governments of developing countries reflected a growing awareness on their part of the need for information for decision-making and for action. That had led to a marked increase for assistance in developing information systems for governmental organizations in developing countries. Such systems, in a network with the Centre's system, would strengthen the negotiating capabilities of host Governments and provide improved information on the activities and impact of transnational corporations. He informed the Commission that, to develop the legal component of its information system further, the Centre had undertaken to centralize its collection of the texts of national laws and regulations related to transnational corporations, to catalogue it and to create a subject and geographical index to its contents. The Centre would fill the gaps in the collection and update it on a regular basis. The Director concluded by extending an invitation to the Chairman, and through him to delegations, to view a demonstration of the Centre's microcomputer-based data base of selected numerical data on the world's largest transnational corporations. The data base, which was continuously updated, contained figures for 1971-1985 and provided useful indicators of trends in the transnationalization of the world economy.

135. Several delegations expressed satisfaction with the information services of the Centre, especially as they supported the Centre's technical co-operation programme. It was noted, however, that in naming the sources of information on transnational corporations, the report of the Secretary-General had not included transnational corporations themselves. They wondered, therefore, whether the information provided by the Centre was up to date. It was stated that the report on the information needs of developing countries should be expanded, issued as a United Nations publication in the form of a manual and distributed to all governmental officials responsible for policies related to transnational corporations.

136. Responding to the point regarding transnational corporations as a source for the information system, the Director said that the information system relied mainly on primary sources, including the reports of the corporations themselves and data supplied by Governments.

Action taken by the Commission

137. The Commission took note of the report of the Secretary-General on the needs of developing countries for information on transnational corporations (E/C.10/1987/14) and requested the Centre to report to it at its fourteenth session on experience gained with the use of the information system and on the progress made in the preparation of a manual for governmental officials on the needs of developing countries for information on transnational corporations.

Chapter XI

WORK RELATED TO THE DEFINITION OF TRANSNATIONAL CORPORATIONS

138. The Commission considered item 12 of its agenda at its 7th meeting, on 10 April 1987, in conjunction with item 5 (a) (see chap. IV above). It had before it the report of the Secretary-General on the question of the definition of transnational corporations (E/C.10/1987/15).

139. One representative recalled that the definition of transnational corporations for the draft code of conduct had been agreed upon ad referendum. While not necessarily disagreeing with that statement, another representative, speaking also on behalf of many delegations, stressed the fact that all principal outstanding issues in the negotiations of the code had to be seen in relation to each other.

Chapter XII

PROVISIONAL AGENDA FOR THE FOURTEENTH SESSION OF THE COMMISSION

140. The Commission considered item 13 of its agenda at its 11th and 14th meetings, on 14 and 16 April 1987. It had before it a draft provisional agenda and list of documentation for its fourteenth session (E/C.10/1987/L.4).

141. The Commission approved the provisional agenda and list of documentation for its fourteenth session, as amended during the discussion (see chap. I, sect. B).

Chapter XIII

ADOPTION OF THE REPORT OF THE COMMISSION

142. At its 13th and 14th meetings, on 16 April 1987, the Commission considered its draft report (E/C.10/1987/L.3 and Add.1-11) and adopted it as amended during the discussion.

Chapter XIV

ORGANIZATION OF THE SESSION

A. Opening and duration of the session

143. The Commission on Transnational Corporations held its thirteenth session at United Nations Headquarters from 7 to 16 April 1987. The Commission held 14 meetings.

144. The session was opened by the temporary Chairman, Patrick Robinson (Jamaica).

B. Attendance

145. The following States members of the Commission attended the session: Algeria, Bangladesh, Benin, Brazil, Bulgaria, Canada, China, Cuba, Cyprus, Czechoslovakia, Egypt, Fiji, France, German Democratic Republic, Germany, Federal Republic of, Ghana, India, Indonesia, Iran (Islamic Republic of), Iraq, Italy, Jamaica, Japan, Mauritius, Mexico, Netherlands, Nigeria, Norway, Pakistan, Peru, Republic of Korea, Sierra Leone, Suriname, Swaziland, Switzerland, Tunisia, Turkey, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela, Zaire.

146. The following expert advisers attended the session: Mark Anderson (United States of America), Thomas J. Bata (Canada), Ernst Otto Czempel (Federal Republic of Germany), Kamal Hossain (Bangladesh), Luis Enrique Marius Martinez (Uruguay/Italy), Ali Mazrui (Kenya), Brian Price (United Kingdom of Great Britain and Northern Ireland), John Bower Rhodes (United States of America), William Robbins (United Kingdom of Great Britain and Northern Ireland), Hassan Sunmonu (Ghana), Kari Tapiola (Finland), Teng Weizao (China), L. M. Thapar (India), Raul Trajtenberg (Uruguay/Argentina), Vasiliy P. Trepelkov (Union of Soviet Socialist Republics).

147. The following States Members of the United Nations were represented by observers: Austria, Barbados, Belgium, Byelorussian Soviet Socialist Republic, Costa Rica, Democratic Yemen, Finland, Guatemala, Lesotho, Mongolia, Morocco, Mozambique, Oman, Philippines, Poland, Trinidad and Tobago, Uganda, United Republic of Tanzania, Yugoslavia, Zambia.

148. The following non-member State was represented by an observer: Holy See.

149. The following units of the United Nations Secretariat were represented: Economic Commission for Europe, Economic and Social Commission for Asia and the Pacific, Economic Commission for Latin America and the Caribbean, Economic Commission for Africa, United Nations Conference on Trade and Development.

150. The United Nations Council for Namibia was represented by an observer.

151. The following specialized agencies were represented: International Labour Organisation, World Health Organization, World Bank.

152. The following intergovernmental organizations were represented by observers: European Economic Community, Organisation for Economic Co-operation and Development.

153. The following non-governmental organizations in consultative status, category I, with the Economic and Social Council were represented by observers: International Chamber of Commerce, International Confederation of Free Trade Unions, International Organization of Consumers Unions, International Organisation of Employers, World Confederation of Labour.

C. Election of officers

154. At its 1st meeting, on 7 April, the Commission elected the following officers:

Chairman: C. R. Gharekhan (India)

Vice-Chairmen: Michael O. Ononaiye (Nigeria)
Jorge Valdez (Peru)
Vincenzo Petrone (Italy)

Rapporteur: Günter Schumann (German Democratic Republic)

D. Agenda

155. At its 1st meeting, on 7 April, the Commission adopted the agenda contained in document E/C.10/1987/1 and Add.1 (see annex I to the present report).

156. At the same meeting, the Commission adopted the organization of work set out in document E/C.10/1987/L.2.

157. At its 7th meeting, on 10 April, the Commission decided to establish an informal open-ended working group on item 4 (b).

Annex I

AGENDA OF THE THIRTEENTH SESSION

1. Election of officers.
2. Adoption of the agenda and organization of work.
3. Recent developments related to transnational corporations and international economic relations.
4. Activities of the United Nations Centre on Transnational Corporations:
 - (a) General activities;
 - (b) Functioning of the Commission.
5. Work related to the code of conduct on transnational corporations and other international arrangements and agreements:
 - (a) Code of conduct on transnational corporations;
 - (b) Other international, regional and bilateral arrangements and agreements related to transnational corporations.
6. International standards of accounting and reporting.
7. Transnational corporations in South Africa and Namibia:
 - (a) Activities of transnational corporations in South Africa and Namibia and collaboration of such corporations with the racist minority régime in that area;
 - (b) Follow-up to the report and recommendations of the Panel of Eminent Persons established to conduct the public hearings on the activities of transnational corporations in South Africa and Namibia;
 - (c) Responsibilities of home countries with respect to the transnational corporations operating in South Africa and Namibia in violation of the relevant resolutions and decisions of the United Nations.
8. Strengthening the negotiating capacity of developing countries in their dealings with transnational corporations.
9. Ongoing and future research:
 - (a) Research results and current and future programmes;
 - (b) Role of transnational corporations in services, including transborder data flows;
 - (c) Transnational corporations and issues relating to the environment.

10. Role of transnational banks.
11. Comprehensive information system.
12. Work related to the definition of transnational corporations.
13. Provisional agenda for the fourteenth session of the Commission.
14. Adoption of the report of the Commission on its thirteenth session.

Annex II

LIST OF DOCUMENTS BEFORE THE COMMISSION AT ITS THIRTEENTH SESSION

<u>Document number</u>	<u>Agenda item</u>	<u>Title or description</u>
E/1987/9	5 (a)	Code of conduct on transnational corporations: report of the Secretary-General
E/1987/13	7 (b)	Follow-up to the public hearings on the activities of transnational corporations in South Africa and Namibia: report of the Secretary-General
E/C.10/1987/1 and Add.1	2	Annotated provisional agenda
E/C.10/1987/2	3	Recent developments related to transnational corporations and international economic relations: report of the Secretary-General
E/C.10/1987/3	3	Data on foreign direct investment, including capital inflows and outflows and other aspects of the activities of transnational corporations: report of the Secretary-General
E/C.10/1987/4 and Corr.1	4, 8, 9 (a) and 11	Activities of the United Nations Centre on Transnational Corporations and the activities of the joint units with the regional commissions: report of the Secretary-General
E/C.10/1987/5	5 (b)	International arrangements and agreements related to transnational corporations: report of the Secretary-General
E/C.10/1987/6	6	Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its fifth session
E/C.10/1987/7	7 (a)	Activities of transnational corporations in South Africa and Namibia and collaboration of such corporations with the racist minority régime in that area: report of the Secretary-General

<u>Document number</u>	<u>Agenda item</u>	<u>Title or description</u>
E/C.10/1987/8	7 (c)	Responsibilities of home countries with respect to the transnational corporations operating in South Africa and Namibia in violation of the relevant resolutions and decisions of the United Nations: report of the Secretary-General
E/C.10/1987/9	8	Experience gained in technical co-operation activities: report of the Secretary-General
E/C.10/1987/10	9 (a)	Summaries of selected technical papers: report of the Secretary-General
E/C.10/1987/11	9 (b)	Role of transnational corporations in services, including transborder data flows: report of the Secretary-General
E/C.10/1987/12	9 (c)	Transnational corporations and issues relating to the environment: report of the Secretary-General
E/C.10/1987/13	10	Transnational banks - Operations, strategies and their effects in developing countries: report of the Secretary-General
E/C.10/1987/14	11	Needs of developing countries for information on transnational corporations: report of Secretary-General
E/C.10/1987/15	12	Question of the definition of transnational corporations: report of the Secretary-General
E/C.10/1987/CRP.1	4	Medium-term plan for 1990-1995: transnational corporations
E/C.10/1987/L.1	2	State of preparedness of documentation for the session: note by the Secretariat
E/C.10/1987/L.2	2	Organization of the work of the session: note by the Secretariat
E/C.10/1987/L.3 and Add.1-11	14	Draft report of the Commission
E/C.10/1987/L.4	13	Draft provisional agenda and documentation for the fourteenth session of the Commission: note by the Secretariat

<u>Document number</u>	<u>Agenda item</u>	<u>Title or description</u>
E/C.10/1987/L.5	7 (a)	Guatemala on behalf of the States Members of the United Nations that are members of the Group of 77: draft resolution
E/C.10/1987/L.6	10	Mexico and Peru: draft resolution

Annex III

EVALUATION OF THE TECHNICAL CO-OPERATION SERVICES OF THE UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS

The following is an extract from the report of the Secretary-General on the evaluation of the programme on transnational corporations carried out by the Office for Programme Planning and Co-ordination of the United Nations Secretariat; the extract relates to the evaluation of the technical co-operation services of the United Nations Centre on Transnational Corporations (see E/AC.51/98/Add.2, annex IV):

- (i) Advisory projects - policy advice, comments on draft laws/agreements/contracts and staff work in support of negotiations - have been reported by recipient Governments to have significantly strengthened their capabilities in negotiating with transnational corporations;
- (ii) Training projects - general and specialized workshops - have, in the view of participants from developing countries, been of great use in improving their capabilities for dealing with the various matters arising in their countries' relations with transnational corporations;
- (iii) Round-table meetings and assistance to educational institutions have served as very useful mechanisms for the exchange and dissemination of experience and the latest developments in relations between host countries and transnational corporations;
- (iv) Information supplied to Governments, in particular copies of foreign investment laws and regulations and of contracts and agreements, have given recipients useful background and perspective on practices in other countries.

REVIEW OF THE FUNCTIONING OF THE INTERGOVERNMENTAL WORKING
GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING
AND REPORTING

The following is an extract from the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its fifth session (E/C.10/1987/6):

48. Pursuant to paragraph (i) of Economic and Social Council decision 1987/112 on the in-depth study of the United Nations intergovernmental structure and functions in the economic and social fields, the Group conducted a review of its functioning, following the guidelines provided in recommendation 8 of the Group of High-level Intergovernmental Experts to Review the Efficiency of the Administrative and Financial Functioning of the United Nations. a/

49. The Group pointed out that it had been established by the Economic and Social Council in its resolution 1982/67. Under its mandate, the Group met annually and reported to the Commission on Transnational Corporations on further steps to be taken in pursuit of the long-term objective of international harmonization of accounting and reporting within the scope of the work of the Commission.

50. The Group reached a number of conclusions with regard to paragraphs 3 (a), (b) and (c) of recommendation 8 of the Group of High-level Intergovernmental Experts. Paragraphs 3 (d), (e) and (f) were not considered applicable.

Paragraph 3 (a)

51. The Intergovernmental Working Group was the only intergovernmental body working in the field of accounting and reporting, and its membership was open to States Members and States not Members of the United Nations. The Group was of the view that its structure and composition should remain unchanged. It would continue to carry out its mandate within the scope of work of the Commission on Transnational Corporations on the understanding that duplication of work should be avoided. The Group did not perceive any overlapping of activities or the need to merge with another body.

Paragraph 3 (b)

52. By paragraph 4 (h) of its resolution 1982/67, the Economic and Social Council had stipulated that the Commission on Transnational Corporations should review the mandate, terms of reference and achievements of the Group after three years with a view to deciding on the advisability of its continuation. The Group had discussed the matter at its third session, in 1985, and was of the view that it should continue its work, since it was the

a/ Official Records of the General Assembly, Forty-first Session, Supplement No. 49 (A/41/49), para. 24.

only intergovernmental body working in the field of accounting and reporting in which both developing and developed countries were represented. The Commission had shared that view and recommended that the Council should decide that the Group should continue its work under the same mandate and terms of reference. The Council, by its resolution 1985/71, had decided that the Group should continue to meet on the basis of its existing mandate.

Paragraph 3 (c)

53. Accounting and reporting were issues of a technical nature and were continuously evolving. The Group, by its mandate, was requested to take into account other relevant activities in the field and consult the appropriate international bodies on matters pertaining to the development of international standards of accounting and reporting. The Group, on several occasions, had elicited views of other interested bodies on specific issues and was able to reach consensus on many of them, as clearly demonstrated in its reports. Several international bodies working in the field of accounting and reporting participated actively in the deliberations of the Group.

54. At each of its sessions, including the current one, the Group had agreed on a number of information items for disclosure by transnational corporations. b/ The Group had also identified further items to be discussed in the future, including questions of scope, objectives, concepts, criteria, bases, methods and definitions.

55. The Group was requested to express its views on some issues of importance to other bodies of the United Nations. It had done so.

56. The Group considered that it had the experience and expertise to deal with matters of accounting and reporting. It had reached a consensus on several issues that could serve as a basis for bridging the information gap between transnational corporations and users of information.

57. It was common knowledge that many countries, especially developing countries, had not established standard-setting bodies, and that some had done so with limited resources. The results achieved were in many cases of limited value. The question was what could be done in the most efficient and economical way to help all countries achieve the goals of standardization and harmonization of standards that would affect the availability and comparability of information. The work of the Group could help many countries, especially developing countries, in formulating their own or common accounting standards, which in itself was a long-term process.

* * *

58. For all the above-mentioned reasons, the Group was of the view that no essential change in its mandate or terms of reference was needed. It noted that the periodic examination of its mandate, terms of reference and achievements would be conducted at its sixth session, in 1988. At that time, the Group intended to give the matter thorough consideration once again.

b/ See the reports of the Group on its first to fifth sessions (E/C.10/1983/8, E/C.10/1984/9, E/C.10/1985/12 and Corr.1, E/C.10/1986/14 and E/C.10/1987/6).

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