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COMMISSION ON TRANSNATIONAL CORPORATIONS

Fifth session

SUMMARY RECORD OF THE 55th MEETING

Held at Headquarters, New York,
on Tuesday, 15 May 1979, at 10.30 a.m.

Chairman: Mr. HEININGER (German Democratic Republic)

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The meeting was called to order at 11 a.m.

ELECTION OF OFFICERS (continued)

1. Mr. SEPULVEDA (Mexico), speaking on behalf of the Group of Latin American countries, nominated Mr. Rodriguez Mendoza (Venezuela) for the office of Vice-Chairman.
2. Mr. RUBIN (United States of America) seconded the nomination.
3. Mr. Rodriguez Mendoza (Venezuela) was elected Vice-Chairman by acclamation.
4. Mr. NISAIF (Iraq), speaking on behalf of the Group of Asian countries, nominated Mr. Bhatt (India) for the office of Vice-Chairman.
5. Mr. SCHCHETININ (Union of Soviet Socialist Republics) seconded the nomination.
6. Mr. Bhatt (India) was elected Vice-Chairman by acclamation.
7. The CHAIRMAN said that, since there were no nominations for third Vice-Chairman, the election of the third Vice-Chairman would be postponed to the afternoon meeting.
8. Mr. BHATT (India) nominated Mr. Levy (Switzerland) for the post of Rapporteur.
9. Mr. MUELLER-THUNS (Federal Republic of Germany) seconded the nomination.
10. Mr. Levy (Switzerland) was elected Rapporteur by acclamation.

REPORT ON THE ACTIVITIES OF THE CENTRE ON TRANSNATIONAL CORPORATIONS (continued)
(E/C.10/45)

11. The CHAIRMAN recommended that the Commission adopt the procedure suggested by a number of speakers that it consider the various issues raised in the Secretary-General's report on the activities of the Centre (E/C.10/45) under the relevant items of the Commission's agenda. At the same time, since the Commission wished to make an over-all assessment of the work of the Centre and its priorities, and in particular to consider issues which were not included under other agenda items such as the joint units, the evaluation of the programmes on transnational corporations and, especially the budgetary and financial implications of the Centre's work, he suggested that the Commission should concentrate on those aspects in considering the report.
12. Mr. BHATT (India) said that, bearing in mind the resources situation described in paragraph 3 of document E/C.10/45, his delegation believed that the role of the joint units should be strengthened by making maximum use of their services to implement technical co-operation programmes and by decentralizing as many of the Centre's activities as possible. That should, of course, be done without detracting

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(Mr. Bhatt, India)

from the lead role which the Centre must play as the organ responsible for supervising all United Nations activities in the area of transnational corporations. The units could also be very useful in collecting, analysing and disseminating information on transnational corporations in the various regions, for they were continuously in touch with the relevant governmental and non-governmental organizations. Finally, in the research area, the joint units could gather extremely valuable information on the activities and functioning of transnational corporations currently operating in the various regions.

13. For those reasons, his delegation suggested that the Commission should recommend strengthening the role of the joint units and delegating to them any functions which could be performed at local or regional level.

14. Mr. KAABACHI (Tunisia), speaking on behalf of the Group of 77, said that in considering the report contained in document E/C.10/45, the Group had noted with great satisfaction the diversity and importance of the functions being carried out most effectively by the Centre on Transnational Corporations. That diversity of functions was reflected in activities such as co-ordination between the Centre and the relevant organizations within and outside the United Nations system; the establishment of joint units between the Centre and the secretariats of the regional commissions; the assistance provided by the Centre to the Intergovernmental Working Group on a Code of Conduct; the technical co-operation activities carried out by the Centre; major research work; the creation of a comprehensive information system on transnational corporations and the dissemination of information on transnational corporations in The CTC Reporter.

15. With a view to improving the valuable services provided by the Centre, the Group of 77 wished to suggest that, bearing in mind the diversity and the importance of the Centre's activities, the Commission should consider the possibility of enabling the Centre to expand those activities by augmenting its financial resources.

16. The Group of 77 welcomed the establishment of the joint units and believed that they should be expanded, given their importance and effectiveness in studying the specific problems facing each region with regard to transnational corporations. It also commended the Intergovernmental Working Group on a Code of Conduct and the substantial progress it had made and attached great importance to the expeditious drafting and entry into force of that Code.

17. As the Committee on an International Agreement on Illicit Payments had still not been able to make significant progress, the Group believed that it was still too early to decide to convene a conference of plenipotentiaries on that issue. The Group of 77 was completely satisfied with the progress made in technical co-operation activities, which was reflected in the considerable increase in the number of completed projects, and believed that those activities were of special importance to the developing countries since they provided training and advanced training for specialists in transnational corporations. In that connexion, it urged the Centre to include in its future work activities involving technical co-operation among developing countries.

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(Mr. Kaabachi, Tunisia)

18. The Group commended the excellent quality of the Centre's activities in the area of studies and research on transnational corporations, and believed that the publication of those studies would provide valuable information to the countries in which those corporations operated. The development of a comprehensive information system must respond to Governments' needs with regard to the collection and analysis of information. The Centre must have as much detailed and analytical information as possible available on each sector of activity, as well as information on the socio-political impact of transnational corporations in countries where they operated. The Group of 77 welcomed the agreement reached in the Economic and Social Council to set up a Group of Experts on International Standards of Accounting and Reporting. The Centre should convene that Group as soon as possible so that it could prepare a report for submission to the sixth session of the Commission on Transnational Corporations.

19. The Group of 77 requested the Executive Director of the Centre to provide more information on the content of paragraph 12⁴ of document E/C.10/45 and, in particular, on the evaluation of the impact of the Centre as a whole and of each subprogramme separately.

20. Mr. PAPIES (German Democratic Republic) said that there was no doubt that transnational corporations continued to use their predominant financial and technological position in the interest of their centralized business strategy, often with negative effects for the host countries, particularly developing countries. Those adverse consequences were particularly evident with regard to the struggle for the strengthening of international security and for disarmament. The extremely profitable conditions in the arms industry were increasing the activities of transnational corporations in that field, thereby giving further impetus to the arms race. The latest study by the Centre on the role of transnational corporations in the industrial, mining and military sectors of southern Africa showed that a great deal of foreign technology had been provided by transnational corporations to local producers of military equipment in South Africa. In stepping up its work on the political and social implications of transnational corporations, the Centre should give due regard to the influence of those corporations on international political relations.

21. It was his delegation's hope that the Commission on Transnational Corporations would be able, within the framework of its possibilities, to make its contribution to the question of disarmament, which was the main issue of the present time. An in-depth analysis of the negative effects of the activities of transnational corporations, particularly their interference in the internal political affairs of States, was one of the Centre's basic tasks directed toward strengthening the negotiating capacity of host countries, particularly developing countries. His delegation welcomed the progress report on the activities of the Centre relating to political, social and legal aspects of the operations of transnational corporations; the report could serve as a first step towards a more specific framework for the Centre's work in that field.

22. His delegation noted with interest the programmes carried out by the joint units, which could promote fruitful co-operation between the Centre and the regional commissions. It felt in particular that the studies already published by the

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(Mr. Papies, German Democratic Republic)

joint units were of special value, not only to the Governments of the regions concerned but also to other countries. It would be useful to have the studies prepared by those units available at the coming session for the information of interested delegations.

23. It was to be regretted that the Centre had been unable at the current session to submit to the Commission detailed information on the next biennium budget for the programme on transnational corporations, although the Commission had requested that information at the previous session. It was necessary to have specific information on the cost of each item of the Centre's activity. With such information the Commission would have a clearer picture of the Centre's work and its various tasks and would then be able to decide on new priorities. His delegation regretted that the Commission had not received the documents of the session in all of the official languages well in advance. It requested the Executive Director to take the necessary steps to improve the situation for future sessions of the Commission. Lastly, his delegation thanked the Centre for its very useful work relating to the preparation of comprehensive documentation for the Commission; in that connexion he said that The CTC Reporter was a valuable publication and source of information on the work of the Centre and the activities of transnational corporations.

24. Mrs. ARIGA (Japan) praised the work accomplished by the Centre and drew attention to the Secretary-General's efforts to increase the Centre's budget in conformity with the recommendation of the Committee for Programme and Co-ordination. She was convinced that the work of the joint units was extremely important and made a valuable contribution to technical co-operation which was of direct use to the Commission in attaining its objectives. She noted, however, that the increase in resources allocated to the joint units had been modest. In her view, the Commission's programme should be divided into two basic sectors: the work of the Centre and the work of the joint units. However, as the Centre's budget was limited, an increase in resources allocated to the joint units would have a negative impact on the funds allocated for the rest of the work. In order to make it possible to deal with the question more thoroughly, the Secretary-General should submit a detailed report on the matter spelling out the activities of the Centre and the corresponding allocation of resources.

25. Mr. SHCHETININ (Union of Soviet Socialist Republics) joined other delegations in stressing the importance of greater clarity with regard to the Centre's budgetary allocations. Given the lack of adequate information on the subject, a number of questions arose concerning the way in which expenditures were currently being made and their effectiveness. It should be pointed out, in the first place, that there was no priority list of the political problems on which the Centre was to focus its work, and, in addition, that there was a tendency to focus on matters of secondary interest. The necessary changes should be made in that connexion in order to ensure better use of resources. Secondly, he drew attention to the lack of the necessary co-ordination between the Centre and other bodies dealing with related matters and the failure to make use of material prepared by

(Mr. Shchetinin, USSR)

trade unions in connexion with their activities against transnational corporations: the Commission should have more precise information on that subject. Thirdly, there should be greater clarity with regard to the allocation of resources to the joint units. In the absence of adequate information on those units, it would be premature to make any statement concerning their future development.

26. His delegation hoped that the Centre would aim its policies towards assisting the Commission to adopt practical measures that would enable countries in which transnational corporations operated to exercise their sovereign rights.

27. Mr. HUSSON (France) welcomed the Secretary-General's report on transnational corporations and the statement made by the Executive Director of the Centre. In the view of his delegation, the Commission should facilitate the Centre's task, for example by working out precise objectives and by establishing work priorities. The purpose would be to avoid dispersion and possible ineffectiveness in the Centre's activities. However, given the existing budgetary constraints, the Centre must establish its basic orientation and decide on the best utilization of its resources. In his view, the work of the Commission would be facilitated if additional information on the budgetary situation could be obtained. His delegation joined others which had drawn attention to the importance of having documentation available sufficiently well in advance and in all languages. Although he understood the difficulties of the Secretariat and was grateful for its efforts in that connexion, he stressed that documentation was indispensable if the Commission was to carry out its work.

28. Mr. SANDERS (Netherlands) noted the development of the joint units on transnational corporations in the regional commissions since the previous session. That development was to some extent like the establishment of a kind of transnational corporation within the Centre itself, to which some of the principles envisaged for incorporation in the code of conduct should be applied, for example with regard to the disclosure of information. It was especially necessary to have more information on the functions of the joint units. In establishing those units, the Centre had decentralized a part of its work relating to research, technical co-operation and the establishment of the comprehensive information system in co-operation with the regional commissions, and it was necessary to lay down more detailed guidelines on the competence to be assigned to each body.

29. The Commission should bear in mind at all times the budgetary implications of its decisions. It should be realistic and remember that financial limitations also limited the scope of its decisions. More detailed information would have to be made available concerning the cost of the Centre's various activities, especially the comprehensive information system and technical co-operation activities, since priorities could not be established if the financial resources available were not known.

30. Mr. MUELLER-THUNS (Federal Republic of Germany) said that, as developing and developed countries had recognized by common agreement in other international

(Mr. Mueller-Thuns, Federal
Republic of Germany)

forums, direct foreign investments played an important complementary role in the economic development process, in particular through the transfer of resources, managerial and administrative expertise and technology to developing countries, the expansion of productive capacity and employment and the establishment of export markets. Transnational corporations played an important role in that process and the Economic and Social Council had correctly decided in 1972 to establish effective machinery to deal with the full range of issues relating to the activities of those corporations.

31. The Secretary-General's report on the activities of the Centre on Transnational Corporations (E/C.10/45) showed that much progress had been made by the Intergovernmental Working Group on a Code of Conduct. Although the well-known fundamental differences still remained, the fact that the Working Group had been able at its most recent session to discuss for the first time the formulation of a code was a big step forward. His delegation would continue to participate in a constructive manner in those efforts.

32. On the other hand, what was happening with regard to the comprehensive information system was discouraging. Comprehensive, accurate and up-to-date information on the transnational corporations was essential for the achievement of the Commission's aims but unfortunately no agreement had yet been reached on precise guidelines and procedures for the collection of information by the Centre. It was to be hoped that such agreement would be reached at the current session, especially with regard to accuracy and verification, about which almost nothing was said in the agenda in the Secretary-General's report (E/C.10/45) and the documents relating to agenda item 6.

33. The work of the expert advisers was of great value to the Intergovernmental Working Group on a Code of Conduct. It was to be hoped that the decisions to be adopted by the Commission in that connexion at the current session would maintain the necessary continuity, especially for the forthcoming drafting sessions on the code of conduct.

34. Mr. ODOI (Ghana) concurred with the general views expressed by the representative of Tunisia on behalf of the Group of 77. The report on the activities of the Centre on Transnational Corporations (E/C.10/45) showed that it had done extremely useful work. The co-operation of the expert advisers had also been very helpful, especially when provided in written form, which would permit it to be used as reference material after the session. The expert advisers should be encouraged to make further written contributions, which would be especially useful in the forthcoming phase, the drafting of a code of conduct in suitable legal language. For that task, lawyers should also be included among the expert advisers.

35. The Intergovernmental Working Group on a Code of Conduct had made steady progress, but the pace was so slow that it did not seem likely to conclude its work in the next few years. Meanwhile, transnational corporations continued to

(Mr. Odoi, Ghana)

engage in fixing of transfer prices, tax evasion, restrictive trade practices, and so forth. By the time the Code was completed, the transnational corporations would probably have evolved new methods which would make it obsolete ab initio. The Commission should set a date for the Working Group to conclude the preparation of the Code. Although the task was linked with those of other bodies over which the Commission had no control, it was imperative that the Commission should complete its share of the work promptly so that development would not continue to be disrupted by the world strategy of the transnational corporations.

36. Mr. OKWARO (Kenya) concurred with the views expressed by the representative of Tunisia on behalf of the Group of 77 and fully supported the establishment of the joint units, which would contribute to eliminating some of the harmful effects of transnational corporations in the respective regions. Especially praiseworthy was the work of the joint unit functioning in the Economic Commission for Africa (ECA); notice should be taken of the very useful profiles it had prepared of some transnational corporations, as well as its research on the impact of transnational corporations on banking, tourism, balance of payments and intra-African trade and economic co-operation. For all those reasons it was to be hoped that more resources could be allocated to the joint units.

37. He requested that the Executive Director of the Centre should clarify whether the instructions relating to the preparation of the budget (E/C.10/45, para. 2) were addressed exclusively to the Centre or to all United Nations bodies in general; he did not recall the General Assembly having adopted a restrictive criterion of that kind. He also wished to know whether, in the judgement of the Centre, any of its major programmes would be undermined by the budgetary restrictions in question.

38. Mr. SAHLGREN (Executive Director, Centre on Transnational Corporations), replying to the questions raised regarding budgetary matters, said that the Centre would shortly issue a document concerning the allocation of resources. He had also requested advice on certain legal aspects of the competence of the Commission in budgetary matters and would report on that matter at a forthcoming meeting.

Mr. JIMENEZ (Deputy Executive Director, United Nations Centre on Transnational Corporations), replying to questions raised concerning the joint units, said that, in accordance with resolution 1961 (LIX) of the Economic and Social Council, the joint units were to serve as support and liaison units of the Centre in the regional commissions, in carrying out the programme of work adopted by the Commission on Transnational Corporations. Accordingly, their functions were: (a) either to carry out or to help the Centre carry out case studies in countries of the region connected with research projects mandated by the Commission; (b) to collect information in the countries of the region for the Centre's comprehensive information system concerning in particular policies, laws and regulations, contracts and agreements, and corporate profiles; and (c) to support the Centre's technical co-operation programme in the region and to provide liaison with Governments and public and private institutions in the countries of the region.

39. A narrow interpretation of that mandate could lead to undesirable duplication by requiring other units to deal with issues related to transnational corporations

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(Mr. Jimenez)

which arose in the regional commissions. To prevent that, the joint units had been dealing with such issues. The report prepared for the evaluation of the programme on transnational corporations by the Committee for Programme and Co-ordination had recognized that problem and recommended that the mandate of the joint units should be widened. If that was approved, the joint units would also act as focal points in the region for all issues related to transnational corporations and related matters, and carry out studies or projects mandated by the regional commissions, in close co-operation with the Centre.

40. In view of the wide variety of tasks that the Centre and the joint units were asked to carry out, and the marked differences between regions, it was preferable to adopt not a general division of functions but a case-by-case approach, with frequent consultations to ensure close co-ordination. At a recent technical meeting between Headquarters units and representatives of the regional commissions to discuss decentralization of activities, relations in the area of transnational corporations had been cited as a model of effective co-ordination.

41. The Centre stood ready, as suggested by some delegations, to make available to the Commission, in a centralized way, the very valuable documentation prepared by the joint units.

42. Mr. BHATT (India) noted with satisfaction that the joint units would be empowered to act as co-ordinating centres for all matters of interest to the regional commissions in the field of transnational corporations, and requested further details concerning the documents prepared by the joint units which the Centre would make available to the members of the Commission.

43. Mr. JIMENEZ (Deputy Executive Director, Centre on Transnational Corporations) said that, at the Commission's afternoon meeting, he would be able to provide a full list of those documents, among which were various studies on trade between East and West, commodities, metals and banking activities.

44. Mr. SANDERS (Netherlands) said that, if possible, the Commission should be provided with information in writing on the structure and organization of work of the joint units and their co-operation with the Centre. It had been stated inter alia, that the joint units had the task of collecting information, and he wished to know whether they were also engaged in the dissemination of that information and, if so, how, and what guidelines had been provided by the Centre in that regard.

45. Mr. HARRIS (Canada) said that the list of documents to be furnished to the Commission at its afternoon meeting was of special interest to his delegation because it included a study by ECLA on Canadian foreign investment. He would like to receive that document as soon as possible.

46. Mr. JIMENEZ (Deputy Executive Director, Centre on Transnational Corporations), replying to the request of the representative of the Netherlands, said that, together with the list of documents prepared by the joint units, the members of the Committee would receive information in writing concerning the work of the joint units and their co-operation with the Centre.

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47. Mr. SAHLGREN (Executive Director, Centre on Transnational Corporations), replying to requests for information concerning the allocation of funds in the Centre, said that regulations 3.6 of the Financial Regulations and Rules of the United Nations prohibited the submission of the proposed programme budget before the publication of the report of the Advisory Committee on that budget. Since the Advisory Committee had not yet considered the proposed programme budget for the programme on transnational corporations, it was not possible to provide a copy to the Commission. However, the Office of Financial Services would provide ample information that afternoon concerning the Centre programmes contained in the budget, and information regarding the estimates for staff and consultants on which the 1980-1981 budget was based, in order to help the Commission as much as possible.

The meeting rose at 12.50 p.m.