

COMMISSION ON TRANSNATIONAL CORPORATIONS

REPORT ON THE FOURTEENTH SESSION

(6-15 April 1988)

ECONOMIC AND SOCIAL COUNCIL

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NOTE

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

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Chapter I

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

A. Draft resolutions

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

DRAFT RESOLUTION I

Activities of transnational corporations in South Africa and Namibia*

The Economic and Social Council,

Recalling its resolutions concerning 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 and Namibia, as evidenced by the escalating brutality, indiscriminate killing and mass arrest of innocent persons, including women and children, by the authorities of the racist minority régime,

Noting with concern that the deadline of 1 January 1987 proposed by the Panel of Eminent Persons established to conduct the public hearings on the activities of transnational corporations in South Africa and Namibia to effect significant changes in the operations of transnational corporations in South Africa and Namibia has not been met,

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 profitable economic links with South Africa;
3. Welcomes as an initial step the measures taken by some Governments of home countries of transnational corporations to impose restrictions on

* For the discussion, see chap. VI below.

further investments and bank loans to the racist oppressive régime of South Africa and, in the light of new investments and contractual arrangements through which South Africa continues to have access to investments, technologies and resources, calls upon home countries to ensure full and effective compliance with the measures adopted, such as disinvestment;

4. Appeals to Governments of home countries of transnational corporations to impose similar and additional measures on transnational corporations operating in Namibia;

5. Reiterates that the continued collaboration with the racist régime in South Africa, especially by transnational corporations, through trade and various traditional and innovative investments and contractual arrangements, helps perpetuate and strengthen the apartheid régime in its war of aggression, its acts of destabilization against front-line States and other neighbouring countries and in the illegal occupation of Namibia and urges all countries to desist from taking such actions;

6. Urges the Governments of home countries of transnational corporations that have not yet done so to adopt measures aimed at ensuring that transnational corporations cease to contribute to maintaining the policies of apartheid and the illegal occupation of Namibia by South Africa;

7. Urges all transnational corporations to stop immediately all forms of collaboration with the racist régime in South Africa as a measure to force the racist régime to abandon apartheid policies and to terminate the illegal occupation of Namibia, which constitute a crime against humanity and an affront to human dignity, in accordance with the provisions of General Assembly resolutions in this regard;

8. Reaffirms that the elimination of apartheid and the termination of the illegal occupation of Namibia by the racist régime will require an effective, concerted programme of international action, endorsed and supervised in a systematic manner by the United Nations, Governments and other relevant bodies, and supported by monitoring and follow-up activities;

9. Requests the Secretary-General to take all necessary steps to establish a panel of eminent persons to conduct public hearings in Europe by 1989 on the activities of transnational corporations in South Africa and Namibia, with a view to further mobilizing public opinion to induce home Governments and transnational corporations to cease any kind of collaboration with the South African régime;

10. Further 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 take all necessary measures to publicize the list prepared by the United Nations Centre on Transnational Corporations in its report on the follow-up to the recommendations of the Panel of Eminent Persons established to conduct the public hearings on the activities of transnational corporations in South Africa and Namibia (E/1988/23 and Corr.1 and 2), with a view to

mobilizing public opinion in home countries of transnational corporations still operating in South Africa and Namibia;

(c) To report annually 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;

(d) To prepare an updated 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;

(e) To include in this updated study an examination of which countries have become the main home countries of transnational corporations operating in South Africa and Namibia;

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

DRAFT RESOLUTION II

Role of the Commission on Transnational Corporations in the promotion of alternative and new forms of international economic co-operation*

The Economic and Social Council,

Reaffirming its resolutions 1908 (LVII) of 2 August 1974 and 1913 (LVII) of 5 December 1974,

Reiterating the important role of the United Nations in promoting equitable and mutually beneficial international economic co-operation as a major factor of world economic development and well-being, in particular of developing countries,

Noting with appreciation the important role of the Commission on Transnational Corporations and the United Nations Centre on Transnational Corporations in strengthening the capacity of developing countries in their dealings with transnational corporations by promoting, in accordance with their mandate, technical co-operation, research and information activities,

Recognizing that alternative and new forms of international investment, scientific and technical exchanges and equity and non-equity co-operation, including joint ventures, should contribute to sustained growth and development world wide, particularly that of developing countries,

* For the discussion, see chap. III below.

1. Calls for a further strengthening of the role of the Commission on Transnational Corporations and the United Nations Centre on Transnational Corporations as the focal points within the United Nations system for issues related specifically to transnational corporations and for the co-ordination with other intergovernmental bodies and secretariats on all matters in that regard;

2. Emphasizes the need to enhance the work of the Centre in providing consultative, advisory and other types of technical assistance to developing countries and in conducting analytical research and studies and in gathering and disseminating information related to the development of new forms of international investments, scientific and technological exchanges and other alternative arrangements, including joint ventures pertaining to the operations of transnational corporations, particularly in view of the development needs of the developing countries;

3. Requests the Secretary-General to report to the Commission at its fifteenth session on the implementation of this resolution, including the improvement of system-wide co-operation and co-ordination, in accordance with the mandate of the Centre.

DRAFT RESOLUTION III

Strengthening the role of the Commission on Transnational Corporations and the activities of the United Nations Centre on Transnational Corporations in support of developing countries*

The Economic and Social Council,

Reaffirming its resolutions 1908 (LVII) of 2 August 1974 and 1913 (LVII) of 5 December 1974 on the impact of transnational corporations on the development process and on international relations,

Having examined the reports of the Secretary-General submitted to the Commission on Transnational Corporations at its fourteenth session,

Noting the important contribution made by the Commission and the United Nations Centre on Transnational Corporations to furthering the understanding of the operation of transnational corporations and the effects of their activities on the developing host countries and on the international economic situation,

1. Reaffirms the validity of the mandate of the Commission on Transnational Corporations and the United Nations Centre on Transnational Corporations;

2. Emphasizes the need for the Centre to reinforce its role in strengthening the capacity of developing host countries in their dealings with transnational corporations by providing to those countries, at their request,

* For the discussion, see chap. III below.

advisory services through the Centre's technical co-operation programme, and urges all funding agencies of the United Nations, in particular the United Nations Development Programme, to co-operate actively in that task;

3. Requests the Centre to continue its studies on political, economic and social issues and on the impact of the global trends and determinants of the flow of foreign direct investment and the expansion of transnational corporations on developing countries;

4. Requests the Centre, in the continuation of its work in the area of transnational corporations in services, to prepare a comprehensive report in co-operation with the appropriate bodies, organs and organizations of the United Nations system on the relationship between developing countries and transnational corporations from the perspective of developing countries;

5. Reaffirms the importance of continuing its consideration of the issues related to the activities of transnational banks and their corporate strategies and to the different mechanisms currently envisaged to alleviate the debt problem and their potential impact on the capital accounts of developing countries; in that context, consideration should also be given to the effective repayment capacity of debtor developing countries while allowing for the maintenance of satisfactory growth rates in their economies;

6. Recognizes that debt other than bank lending, such as supplier loans and export credits handled by transnational corporations, is of concern to developing countries, and requests the Centre to study such forms of debt comprehensively, with a view to providing concrete proposals on ways and means of making the modalities and terms of payments coincide with the capacity of developing countries to pay and with their growth and development process;

7. Expresses concern that some transnational corporations have relocated environmentally dangerous operations and processes in developing countries, and, in that context, requests the Centre to intensify its study of the environmental impact of the operations of transnational corporations in developing countries and to provide technical assistance to developing host countries, at their request, to develop adequate environmental protection policies relating to the operations of transnational corporations;

8. Requests the Centre to assist in the preparation of the report on the question of illegal traffic in toxic and dangerous products and wastes in accordance with General Assembly resolution 42/183 of 11 December 1987 and to ensure the expeditious publication of the fourth issue of the consolidated list of products of which consumption and/or sale have been banned, withdrawn, severely restricted or not approved by Governments;

9. Also requests the Centre to study the role of transnational corporations in the least developed countries in a comprehensive manner and to submit a report thereon to the Commission at its fifteenth session;

10. Reiterates the need for the Centre to intensify its technical co-operation with host developing countries in dealing with transnational corporations in services, at their request;

11. Reiterates also the importance of the expeditious finalization of the code of conduct on transnational corporations, and requests the Secretary-General to continue to assist the Chairman presiding at the special session of the Commission in the implementation of the tasks assigned to him in Economic and Social Council resolution 1987/57 of 28 May 1987;

12. Requests the Secretary-General to report on the implementation of the present resolution to the Commission at its fifteenth session under the appropriate agenda items.

B. Draft decisions

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

DRAFT DECISION I

Contribution of the United Nations Centre on Transnational Corporations to the review and appraisal of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990*

The Economic and Social Council, in accordance with its resolution 1988/1 of 5 February 1988, decides:

(a) To request the Secretary-General to include in the report to the Ad Hoc Committee of the Whole that has been entrusted with the review and appraisal of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 the contribution made by the United Nations Centre on Transnational Corporations from June 1986 to July 1988 in support of the implementation of the Programme;

(b) To request the Secretary-General to prepare a report giving concrete and innovative proposals on ways and means by which transnational corporations might increase foreign direct investment, transfer of technology and human resources development in Africa and increase its access to foreign markets and credit, with a view to stimulating Africa's recovery and development and to submit the report to the Ad Hoc Committee of the Whole for the mid-term review of the Programme of Action.

DRAFT DECISION II

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

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

* For the discussion, see chap. III below.

** For the discussion, see chap. XII below.

PROVISIONAL AGENDA AND DOCUMENTATION FOR THE FIFTEENTH 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 Secretary-General 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

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 seventh 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. Provisional agenda for the sixteenth session of the Commission.
13. Adoption of the report of the Commission on its fifteenth session.

C. Matters brought to the attention of the Council

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

Resolution 1988/1. Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting*

The Commission on Transnational Corporations,

Recalling Economic and Social Council resolutions 1979/44 of 11 May 1979, 1982/67 of 27 October 1982 and 1985/71 of 26 July 1985,

Having considered the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its sixth session (E/C.10/1988/6),

Acting upon the recommendation of the Group concerning its future work,

1. Decides that the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting should continue to meet on the basis of its existing mandate;

2. Agrees that the results of the work of the Group should be brought to the attention of Governments, standard-setting bodies, the accountancy profession, transnational corporations and other interested parties through United Nations publications, advisory services and technical co-operation.

4. The following decisions adopted by the Commission are brought to the attention of the Council:

* For the discussion, see chap. V below.

Decision 1988/1. Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its sixth session and provisional agenda and documentation for the seventh session of the Group*

The Commission on Transnational Corporations decides:

(a) To approve the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its sixth session (E/C.10/1988/6) and to commend the Group for its work;

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

PROVISIONAL AGENDA AND DOCUMENTATION FOR THE SEVENTH 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;

* For the discussion, see chap. V below.

c. Non-governmental organizations:

- i. National;
- ii. Regional;
- iii. International;

Documentation

Reports of the Secretary-General (review of current developments and an 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 sixth 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. Accounting for inflation and changing prices and market and historical values of assets and liabilities;
 - b. Accounting for pension costs;
 - (iii) Issues related to information to be provided, other than in financial statements, of a financial nature and of a non-financial nature;

Information disclosure requirements concerning the annual report of the board of directors;

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.

Documentation

Report of the Secretary-General

5. Provisional agenda for the eighth session of the Group.
6. Adoption of the report of the Group on its seventh session.

Decision 1988/2. Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting*

The Commission on Transnational Corporations decides that, in order to give effect to the work of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, the following measures should be taken:

- (a) A promotional brochure explaining the background of the Group and its accomplishments should be published for dissemination among organizations of the United Nations system; such a brochure may stimulate interest in the work of the Group and result in the filling of vacancies and better participation; it may also facilitate contact with Governments, transnational corporations, professional groups and others interested in the harmonization of accounting and reporting standards;
- (b) The working paper containing the Group's agreed conclusions, prefaced by an introduction, should be issued for dissemination to interested parties, including Governments, standard-setting bodies, transnational corporations, professional associations of accountants and auditors and accounting educational institutions;

* For the discussion, see chap. V below.

(c) The United Nations Centre on Transnational Corporations should establish contact with national and regional associations of users and preparers of financial statements and standard-setting bodies, particularly in developing countries, to inform them of the Group's work and to assess their needs and problems in the areas of standard setting and accounting education;

(d) The Centre should extend its advisory services and programme of technical co-operation to include accounting issues and report to the Group on those activities.

5. The attention of the Council is drawn to the other decisions and recommendations of the Commission (paras. 12, 28, 46, 49, 55, 56, 64, 78, 83, 95, 103, 107, 114 and 118 below).

Chapter II

RECENT DEVELOPMENTS RELATED TO TRANSNATIONAL CORPORATIONS AND INTERNATIONAL ECONOMIC RELATIONS

6. The Commission considered item 3 of its agenda at its 1st to 4th meetings, on 6 and 7 April 1988. It had before it the report of the Secretary-General on the fourth survey on transnational corporations in world development (E/C.10/1988/2), which summarized the main findings of the Centre's fourth quinquennial survey, Transnational Corporations in World Development: Trends and Prospects (ST/CTC/89).

7. At the 1st meeting, the Executive Director of the United Nations Centre on Transnational Corporations made an introductory statement. He said that the process of transnationalization had continued throughout the 1980s, but that there had been important changes in the location and form of the activities of transnational corporations, specifically the emergence of the United States of America as the largest host country, the growth of Japan as a major home country, the growing competitiveness of transnational corporations based in Japan and Western Europe, the spread of new technologies, the growth of transnational corporations in services, and the widening use of non-equity forms of transnational expansion. At the same time, those new developments had not led to an increase in world-wide economic growth, nor to an increase in foreign direct investment flows to developing countries. The Executive Director said that a major priority was progress in resolving the debt issue facing many developing countries. However, even while playing a critically important role in certain situations, transnational corporations still would not be able to meet the capital needs of developing countries. He said that the policy initiatives taken by developing countries had had mixed success in attracting foreign direct investment, and that it might be more effective to seek a variety of inputs from transnational corporations according to a particular situation.

8. Many delegations commended the high quality of the documentation and the usefulness of the data and analysis presented in the survey. Other delegations, however, regretted that in some cases the documents were incomplete, conclusions were simplistic or insufficient in certain areas and lacking in scientific evidence; in short, the report could have been more sharply focused from the perspective of developing countries. Several delegations noted the continuing growth of transnational corporations despite the decline in international economic conditions. Those delegations noted the decline in foreign direct investment to developing countries. The same delegations expressed their concern about the need for workable policy solutions to alleviate the continued slow growth of most developing countries. Some delegations described new and pragmatic steps being taken by some developing countries and centrally planned economies regarding foreign direct investment and transnational corporations. A number of delegations agreed with the conclusion of the survey that bilateral investment agreements per se did not induce new investment.

9. Many delegations commented favourably on the new spirit of pragmatism in relations between transnational corporations and host developing countries, and the new sense of realism in evaluating the positive and negative effects of transnational corporations on world economic development, with a view to minimizing the negative and maximizing the positive effects. Some delegations stated that the importance of foreign direct investment in economic development had been

understated. Those delegations, along with one expert adviser, also noted the importance of host country conditions in encouraging capital inflows. Most delegations said that the international economic environment, not the domestic policies of developing countries, was the most important constraint on capital flows to developing countries. Those delegations mentioned the debt crisis, fluctuations of exchange and interest rates, growing protectionism and low prices of commodities as some of the factors contributing to such an environment. Some of those delegations also mentioned policies contributing to financial imbalances in major economies and the net outflow of resources from developing countries. In that context, a number of delegations advocated the concept of international economic security as a means of ensuring predictability and stability in the world economy. A large number of delegations declared that the debt question and its relationship to transnational corporations required more innovative treatment; some of them urged that such treatment take into account the payment capacity of debtor countries. One delegation recalled its proposal, made at the forty-second session of the General Assembly, to elaborate a programme of action to ease the debt burden. Some delegations questioned whether the Commission was the appropriate forum to address the debt question. Some delegations stressed the reliance upon transnational corporations and market forces to reactivate growth, but most questioned that approach and suggested the need for a strengthened international regulatory framework. The increasing instability of international financial markets and the importance of transnational banks to economic development were cited in that regard. Some delegations noted that many developing countries had reduced their regulation of transnational corporations and questioned whether more regulation was needed. Many delegations stated the need for a generally accepted set of international norms regarding the activities of transnational corporations. A large number of delegations said that the speedy completion of the United Nations code of conduct on transnational corporations was a matter of high priority.

10. Several delegations and one expert adviser noted the possibility that rapid technological change by transnational corporations would have adverse effects on employment and suggested that it was important to develop policy initiatives in that regard. Some delegations stated that the spread of labour-saving technology was not proceeding as rapidly as had been widely portrayed and that the expansion of service industries, with their relatively high labour content, could be an important stimulus to growth. A number of delegations noted the importance of the transfer of technology by transnational corporations to developing countries and suggested the need for policy initiatives in that area. A question was raised regarding the advantages and disadvantages of a liberalization of services; one delegation considered it to be premature to answer that question in view of the ongoing negotiations within the framework of the Uruguay Round of multilateral trade negotiations. One non-governmental organization stated that transnational corporations had not done enough to promote the employment of women.

11. In his concluding remarks, the Executive Director, drawing on the material presented in the survey, pointed out that foreign direct investment represented a relatively small share of both long-term capital inflows and gross capital formation for developing countries, but that foreign direct investment and the activities of transnational corporations could be qualitatively important in key sectors. He stated that there were a large number of policy implications that could be derived from the analyses of the present condition of developing countries, but those issues were extremely complex and the achievement of solutions was a difficult process. The Executive Director said that the present need for establishing international norms and institutions was historically consistent with

developments over the past four decades, from the Havana Charter through the Uruguay Round of multilateral trade negotiations. Recently, several of the largest developed market economies had noted the need for greater international co-ordination in the regulation of financial markets. He stated that additional research was needed on the social and cultural impact of transnational corporations in developing countries. It was clear that the influence of transnational corporations on consumption patterns was complex and substantial.

Action taken by the Commission

12. The Commission took note of the report of the Secretary-General on the fourth survey on transnational corporations in world development (E/C.10/1988/2). It decided to request the Centre to prepare for its fifteenth session another study on recent developments related to transnational corporations and international economic relations, taking into account the comments made by delegations at the fourteenth session, and requested the Centre to prepare the fifth survey on transnational corporations in five years' time (1993). It was decided to discuss Transnational Corporations in World Development: Trends and Prospects at the fifteenth session.

Chapter III

ACTIVITIES OF THE UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS

13. The Commission considered item 4 of its agenda at its 9th, 10th 11th, 13th and 14th meetings, on 12, 13 and 15 April 1988. It had before it the reports of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions (E/C.10/1988/3) and on the utilization of regular budget resources for the programme of the United Nations Centre on Transnational Corporations during the biennium 1986-1987 (E/C.10/1988/4).

14. In introducing the item, the Executive Director of the Centre reviewed the work of the Centre. In view of the current financial situation of the Organization he was particularly grateful to the Governments that had provided extrabudgetary resources to the Centre. He also thanked those Governments that had sponsored associate experts to work in the Centre and its joint units or had expressed their commitment to do so. He stated that the Centre continued to co-ordinate its work with other international organizations, for example, by making its work programme available to them to avoid overlap and by means of joint implementation of specific projects with other bodies. The challenge for the future lay in maintaining the quality of research and publications and improving the Centre's data bases. Work on strengthening the capability of developing country Governments in negotiating with transnational corporations continued. A new dimension of that work was the publication of practical training materials in the Centre's advisory series, based on materials prepared for workshops, to make them available for wider use.

15. All delegations supported the work of the Centre and commended the efficient utilization of limited resources despite the difficulties under which the Centre had operated during the past year. The increase in extrabudgetary contributions over the years was viewed as a recognition of the high quality and usefulness of the Centre's work. One delegation suggested that the Centre keep the utilization of resources under constant review and further strengthen its co-ordination with other organizations in view of the current financial crisis. Another delegation expressed the view that the Secretary-General should apply cuts flexibly in order to enable the Centre to continue with its activities at full strength.

16. Several delegations placed particular importance on the continuing work on the code of conduct on transnational corporations and expressed the hope that the consultations to be conducted in the future would be productive. They stressed their support for an early adoption of the code, although one delegation expressed its regret for the lack of interest displayed by some delegations in the expeditious finalization of the code.

17. Support was also expressed for the work performed by the Centre and by the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting. It was mentioned that internationally agreed standards would lead to greater transparency and a better flow of information in that area.

18. Many delegations expressed appreciation for the impressive list of high quality research publications issued by the Centre. Various suggestions were offered for further improvements. It was observed that there was a need to focus

more on the specific problems faced by developing countries in their dealings with transnational corporations. Some of the delegations stated that the research activities of the Centre should lead to policy recommendations that would strengthen the negotiating capacity of host countries, in particular developing countries, in the interest of stable, long-term relationships between transnational corporations and host countries. In addition, some delegations stated that further work by the Centre should focus on the social and cultural impact of transnational corporations in host developing countries. Other delegations were of the view that, in certain instances, the analyses lacked sufficient depth. Other delegations stressed that the Centre should be guided in its research work by Economic and Social Council resolution 1986/53 of 26 July 1986.

19. The issue of research on the role of transnational corporations within the context of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 and how transnational corporations could assist African Governments in reactivating their recovery and promote their development process was raised and information was requested on the status and results of the work in that area.

20. Several delegations expressed their satisfaction with the work of the Centre on the activities of transnational corporations in both South Africa and Namibia and stressed that the work should be continued.

21. Many delegations supported the work of the Centre on transnational banks and expressed the wish that the Centre continue to study the reverse transfer of resources in consequence of debt repayment and to suggest measures for the solution of debt problems faced by developing countries. The same delegations said that that was consistent with the Centre's responsibility to contribute to discussions within the United Nations system on matters pertaining to international economic relations. Some delegations, however, pointed out that the Centre had no expertise to carry out work in that area. In their view, such work was better dealt with by other organizations.

22. With regard to the Centre's work on the environment and transnational corporations, some delegations expressed their support for the Centre continuing work in that area. One delegation attributed the trend of transferring hazardous materials to developing countries to the lack of information in developing countries on the dangers of the use of hazardous materials by transnational corporations and proposed that the Centre provide information and advice to developing countries on preventing ecological problems that could be created by transnational corporations and on ways and means of preventing damage to the environment by technology used by those corporations. It was suggested that a study be conducted of environmental laws of the home countries of transnational corporations in order to augment the baseline of information and adapt it to the needs of the host countries. Another delegation supported the Centre's work in that area, with a view to developing a framework of international rules and norms on the impact of the activities of transnational corporations on the environment. Reference was made to the useful work of the Centre and the Joint Unit with the Economic and Social Commission for Asia and the Pacific on the handling and distribution of toxic products and hazardous technologies and the environmental consequences of the operations of transnational corporations in developing countries. Several delegations expressed the wish to see the momentum of such activities with the joint units maintained and suggested that new areas of concern to developing countries be explored. Dissatisfaction was expressed by one

delegation with the publication of the consolidated list of products whose consumption and/or sale have been banned, withdrawn, severely restricted or not approved by Governments, about which its Government had received complaints from companies. The same delegation urged that the work be discontinued. Other delegations, however, urged that it be continued.

23. Most delegations expressed their support and satisfaction with the Centre's technical co-operation activities, which they considered a crucial aspect of the Centre's work. The work of the Centre during the past year with regard to devising investment policies, structuring sector-specific investment régimes, business negotiations and advisory and training services deserved appreciation and should be continued. One delegation urged greater co-operation with the private sector in technical assistance projects, such as the round table in China. A number of delegations expressed their satisfaction with the training seminars and workshops held under the Centre's technical assistance programme and requested expansion of both advisory and training services. One delegation said that there should be a closer linkage between the research work and analysis produced by the Centre and its technical assistance programme. One delegation suggested that the Centre intensify its technical co-operation programme in developing countries on the role of service transnational corporations with a view to enhancing the capability of the developing countries to deal with them. Another delegation suggested that workshops for smaller countries on a more regional basis be conducted and that further training programmes be held in African countries, focusing on such issues as acquisition of technology and human resources development. Another delegation, while expressing the confidence shown by its Government in the work of the Centre through extrabudgetary contributions for technical assistance and the sponsoring of associate experts, suggested that sectoral themes of interest to developing countries, such as human resource problems, regional south-south market developments and the effects of new technologies on the reduction of employment, be emphasized. In the context of financing technical assistance projects, one delegation requested clarification of the criteria for deciding whether a project would be financed from the Trust Fund for the United Nations Centre on Transnational Corporations or United Nations Development Programme (UNDP) resources. Questions were raised about the geographical distribution of resources, the large differences in expenditures among advisory projects and the percentage of the Trust Fund that was applied to the financing of advisory projects.

24. Several delegations expressed their satisfaction with the Centre's information system and commended the Centre's dissemination of information on transnational corporations. One delegation stressed the importance of the creation of a comprehensive information system. Another delegation commended the Centre's UNCTC Bibliography 1974-1987 as representing interesting and useful sources of information. It wished to see further development of the system and supported the Centre's work in that regard, as described in the report of the Secretary-General (E/C.10/1988/3). Work on the numerical data bases on the largest transnational corporations and on service transnational corporations was encouraged. One delegation asked why there was no African country among the 24 countries for which the Centre collected data from national sources.

25. Many delegations welcomed the intensified efforts to co-ordinate work with other bodies. The seminar on services held at Lima was cited as an example of welcome co-operation with bodies such as the General Agreement on Tariffs and Trade (GATT) and the United Nations Conference on Trade and Development (UNCTAD), in the light of the recommendations contained in the Final Act of the seventh

session of UNCTAD. The usefulness of the work of the Centre and the joint units, which could have closer contacts with Governments dealing with transnational corporations, was reiterated. One delegation requested further details on how the joint units served the basic objectives of the Centre.

26. Several delegations stressed the importance of greater representation in the roster of experts and consultants from developing countries, in particular from Africa and Asia. One delegation requested that in future the consultants be listed by programme element and that such information as their nationality and the reasons for engaging them be provided.

27. In his concluding remarks, the Executive Director expressed satisfaction at the comments of the members regarding the quality of the Centre's work and reiterated his determination to effect further improvements. He responded to some specific questions raised during the discussion. He stressed that both the Trust Fund and UNDP resources were for the exclusive use of developing countries and that the use of the Trust Fund rather than UNDP was mainly for low-income developing countries, as desired by most donors. In addition, the Trust Fund permitted the quickest responses to urgent requests from Governments. With regard to the non-inclusion of African countries among the countries for which data on foreign direct investment was collected from national sources, he pointed to the small share of foreign direct investment in Africa and the relatively underdeveloped state of statistics on foreign direct investment in that region. However, the Centre intended to extend its data base in that area in collaboration with Governments. He acknowledged the need to do more on activating the flow of foreign direct investment in the context of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990. He agreed that there was a need for further regional workshops but pointed out that this could militate against addressing country-specific problems dealt with in national workshops. Responding to the comment that the consolidated list contained errors, he stressed that the Centre thoroughly verified the information to be included in the list with the transnational corporations concerned prior to publication. He did not assume that those companies wanted to discontinue the opportunity for verification as it was in everybody's interest to have the most accurate information possible. With regard to discontinuing the publication of the list, he stated that until another organization relieved the Centre of that work, the Centre would continue with the work conscientiously under the mandate given by the Economic and Social Council. Finally, he stressed the importance of the work done by the joint units but pointed to the difficult circumstances under which they were working owing to limited resources.

Action taken by the Commission

28. The Commission:

(a) Took note of the reports of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions (E/C.10/1988/3) and on the utilization of regular budget resources for the programme of the United Nations Centre on Transnational Corporations during the biennium 1986-1987 (E/C.10/1988/4);

(b) Requested the Secretary-General to submit a report to the Commission at its fifteenth session on the activities of the Centre, including the activities of the joint units established with the regional commissions;

(c) Requested the Centre to take into account in its future work the views expressed by delegations at the fourteenth session.

Contribution of the United Nations Centre on Transnational Corporations to the review and appraisal of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990

29. At the 10th meeting, on 13 April, the representative of Nigeria, on behalf of Benin, Burundi, Cameroon, Egypt, Ghana, Kenya, Nigeria, Sierra Leone, Swaziland, Tunisia, Uganda and Zaire, introduced a draft decision (E/C.10/1988/L.4) entitled "Contribution of the United Nations Centre on Transnational Corporations to the review and appraisal of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990".

30. At the 12th meeting, on 14 April, the representative of Nigeria orally revised the draft decision as follows:

(a) In paragraph (a) the words "the United Nations Centre on Transnational Corporations to submit a" were replaced by the words "the Secretary-General to include in the", and the word "on" before the words "the contribution" was deleted;

(b) Paragraph (b), which read:

"to request the Centre to submit a study on non-debt-creating resource flows to stimulate Africa's recovery and development to the Ad Hoc Committee of the Whole for the mid-term review of the Programme of Action",

was replaced by the following text:

"To request the Secretary-General to prepare a report giving concrete and innovative proposals on ways and means of increasing the foreign direct investments of transnational corporations, transfer of technology, human resources development and access to foreign markets and surplus credit to Africa, with a view to stimulating Africa's recovery and development and to submit it to the Ad Hoc Committee of the Whole for the mid-term review of the Programme of Action."

31. At the same meeting, the Commission adopted the draft decision, as orally revised (see chap. I, sect. B, draft decision I).

Role of the Commission on Transnational Corporations in the promotion of alternative and new forms of international economic co-operation

32. At the 12th meeting, on 14 April, the representative of the Union of Soviet Socialist Republics introduced a draft resolution (E/C.10/1988/L.6) entitled "Role

of the Commission on Transnational Corporations in the promotion of new forms of international economic co-operation".

33. At the 14th meeting, on 15 April, the representative of the Union of Soviet Socialist Republics orally revised the draft resolution as follows:

(a) In the title, the words "alternative and" were inserted after the words "promotion of";

(b) A new first preambular paragraph was added which read:

"Reaffirming its resolutions 1908 (LVII) of 2 August 1974 and 1913 (LVII) of 5 December 1974";

(c) The second preambular paragraph, which read:

"Noting with appreciation the important contribution of the Commission on Transnational Corporations and the United Nations Centre on Transnational Corporations in promoting, in accordance with their mandate, technical co-operation, research and information activities, thus strengthening the capacity of host countries, in particular developing countries, in their dealings with transnational corporations",

was replaced by the following text:

"Noting with appreciation the important role of the Commission on Transnational Corporations and the United Nations Centre on Transnational Corporations in strengthening the capacity of developing countries in their dealings with transnational corporations by promoting, in accordance with their mandate, technical co-operation, research and information activities";

(d) The third preambular paragraph, which read:

"Recognizing that new forms of investment, scientific and technical exchanges and equity and non-equity co-operation, including joint ventures, can contribute to the acceleration of growth and development world-wide, and especially that of developing countries",

was replaced by the following text:

"Recognizing that alternative and new forms of international investment, scientific and technical exchanges and equity and non-equity co-operation, including joint ventures, should contribute to sustained growth and development world wide, and particularly that of developing countries";

(e) Operative paragraph 2, which read:

"2. Emphasizes the need to enhance the work of the Centre in providing consultative, advisory and other types of technical co-operation, especially with developing countries, as well as in conducting research and information activities related to the development of new forms of international economic co-operation, including joint ventures",

was replaced by the following text:

"Emphasizes the need to enhance the work of the Centre in providing consultative, advisory and other types of technical assistance to developing countries and in conducting analytical research and studies and in gathering and disseminating information related to the development of new forms of international investments, scientific and technological exchanges and other alternative arrangements, including joint ventures pertaining to the operations of transnational corporations, particularly in view of the development needs of the developing countries";

(f) Operative paragraph 3, which read:

"3. Requests the Executive Director of the Centre to report to the Commission at its fifteenth session on ways and means of strengthening United Nations activities in these fields, including the improvement of system-wide co-operation and co-ordination",

was replaced by the following text:

"3. Requests the Secretary-General to report to the Commission at its fifteenth session on the implementation of this resolution, including the improvement of system-wide co-operation and co-ordination, in accordance with the mandate of the Centre".

34. At the same meeting, the Commission adopted the draft resolution, as orally revised (see chap. I, sect. A, draft resolution II).

Strengthening the role of the Commission on Transnational
Corporations and the activities of the United Nations
Centre on Transnational Corporations in support of
developing countries

35. At the 13th meeting, on 15 April, the representative of Tunisia, on behalf of the States Members of the United Nations which are members of the Group of 77, introduced a draft resolution (E/C.10/1988/L.7) entitled "Strengthening the role of the Commission and the activities of the United Nations Centre on Transnational Corporations". The draft resolution was also relevant to items 5, 8, 9 and 10.

36. At the 14th meeting, on 15 April, the representative of Tunisia, on behalf of the sponsors, orally revised the draft resolution by adding the words "in support of developing countries" at the end of the title.

37. At the same meeting, the representative of Switzerland proposed that consideration of the draft resolution be postponed to the fifteenth session of the Commission. Following a statement by the Chairman of the Commission, the representative of Switzerland said that he would not press for action on his proposal.

38. At the same meeting, the Commission adopted the draft resolution, as orally revised, by a vote of 30 to 6, with 5 abstentions (see chap. I, sect. A, draft resolution III).

39. After adoption of the draft resolution, statements were made by the representatives of Turkey, China, Japan, Norway, the Netherlands, the United States of America, the Federal Republic of Germany, Canada, France, Switzerland, the United Kingdom of Great Britain and Northern Ireland, the German Democratic Republic (on behalf also of the Byelorussian Soviet Socialist Republic, Czechoslovakia, Poland and the Union of Soviet Socialist Republics), the Union of Soviet Socialist Republics and Tunisia (on behalf of the States Members of the United Nations which are members of the Group of 77).

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

40. The Commission considered item 5 of its agenda at its 6th meeting, on 11 April 1988. It had before it the reports of the Secretary-General on the code of conduct on transnational corporations (E/1988/39 and Add.1) and on international arrangements and agreements related to transnational corporations (E/C.10/1988/5).

41. In his introductory statement, which addressed both sub-items 5 (a) and 5 (b) of the agenda, the Executive Director of the Centre noted the effect that the liberalization policies on foreign direct investment adopted by both developed and developing countries had on increasing the internationalization of business activities. That trend, in turn, had intensified the need of Governments to strengthen their co-operation to resolve questions of concern to both home and host countries. He referred to the continuing efforts at the bilateral, regional and multilateral levels to elaborate principles on the treatment of transnational corporations by countries. At the same time, the process of elaboration of prescriptions for specific activities of transnational corporations had progressed through new arrangements or as part of the follow-up mechanisms of existing ones. Observing that the standards of treatment and conduct were complementary in their effects, the Executive Director stressed the need to adopt a comprehensive statement setting forth those principles, currently emerging, in a coherent and balanced manner. He observed that the code of conduct on transnational corporations was the most important effort in that respect. He added that the existence of such a framework, even if of a non-legally binding nature, would greatly help to prevent conflicts between transnational corporations and States, while permitting the smooth interaction of national and international systems. The Executive Director gave a brief account of recent developments in the code negotiations and expressed concern that after 12 years the code had still not been finalized, despite the unflagging support of business organizations, labour, consumers and others. He called upon delegations to be flexible and make a real effort to reach a compromise on the remaining unsettled questions, in order to complete the code.

A. Code of conduct on transnational corporations

42. Most delegations that spoke on the sub-item stressed the importance of the timely conclusion of the code of conduct. Many delegations stated that one of the fundamental and high-priority tasks of the Commission was the drafting of the code of conduct on transnational corporations. They supported the continuation of consultations to reach that goal. Some of those delegations noted that the text of the draft code circulated by the Chairman of the special session reflected more than 10 years of intensive negotiations. One of those delegations expressed its concern at the lack of international consensus on what constituted international legal rules and international legal principles in the area of foreign direct investment and called for an unambiguous statement in the code on the competence of the laws and regulations, courts and authorities of the country in which transnational corporations operated. Some of those delegations expressed concern about the question of national treatment. However, all delegations agreed to the course of action proposed at the informal consultations of the enlarged Bureau,

while reiterating the view that the special session was the proper forum for the continuation of negotiations on the code.

43. Referring to the text of the draft code, which had been circulated to facilitate the informal consultations, one delegation observed that the text had taken into account the positions of all parties and was more balanced than previous versions. However, more discussion was needed to bring about consensus. Although that delegation did not oppose certain formulations on the treatment of transnational corporations, it recalled that one of the main purposes of the code was to improve North-South economic relations and to help channel more foreign direct investment to developing countries. Some delegations emphasized the need for the code in the present economic situation and expressed the hope that recent trends in flows of foreign direct investment and future changes in national policies might contribute to a better understanding of the outstanding issues and eventual agreement.

44. One expert adviser expressed his disappointment at the inability of the Commission to conclude the code, particularly in view of the pressing need to redress the economic situation in many developing countries. He referred to the texts submitted by the expert advisers a few years earlier which had provided a fair and balanced compromise solution to the outstanding issues. The representative of a non-governmental organization observed that if the international community were left without a framework on transnational corporations for much longer the result could be total ignorance by those entities of such important issues as democratic control over economic and social development by elected bodies. He also referred to the increasing unemployment rates in both developed market economies and developing countries and the need to redress that situation through appropriate international standards.

45. In his concluding remarks, the Executive Director of the Centre observed that, while the adoption of the code was long overdue, there had been substantial progress in the negotiations and, as a result, the differences between various countries had narrowed considerably. He expressed the hope that the code could be adopted expeditiously, in light of recent and anticipated changes in the attitudes of Governments.

Action taken by the Commission

46. The Commission took note of the report of the Secretary-General on the code of conduct on transnational corporations (E/1988/39 and Add.1). It requested the Centre to prepare for its fifteenth session another report on the subject.

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

47. After the Executive Director's introductory comments on developments in other forums, the only delegation that spoke on this sub-item expressed its disappointment at the lack of appropriate reference in the report of the Secretary-General (E/C.10/1988/5) to the work of the Organisation for Economic Co-operation and Development (OECD) on the question of national treatment. The delegation also observed that it was difficult to draw a distinction between the

role of bilateral and multilateral instruments in establishing standards for the protection and promotion of foreign direct investment.

48. In his concluding remarks, the Executive Director pointed out that the work of OECD illustrated that national treatment was not a universally accepted principle. Regarding bilateral investment treaties, he explained that, without detracting from the current and potential benefits of those agreements to the countries involved, the Centre had pointed out in a recent publication that those treaties had not dealt with the concerns of developing countries in as comprehensive a manner as the code had.

Action taken by the Commission

49. The Commission took note also of the report of the Secretary-General on international arrangements and agreements related to transnational corporations (E/C.10/1988/5). It requested the Centre to update that report for its fifteenth session.

INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING

50. The Commission considered item 6 of its agenda at its 5th meeting, on 8 April 1988. It had before it the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its sixth session (E/C.10/1988/6).

51. The Executive Director of the United Nations Centre on Transnational Corporations informed the Commission that the Group had drafted a number of resolutions and decisions which it hoped would give effect to its work. The most important resolution concerned the renewal of its mandate. The Commission should bear in mind that the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting was the only intergovernmental body working in the field of accounting and reporting in which both developing and developed countries were represented; other organizations were regional or private in character. The universal nature of the Group had recently been enhanced by a new member from the socialist countries of eastern Europe. The field of accounting and reporting was continuously evolving, and a number of complex items remained to be tackled. Moreover, in light of recent economic developments, some of those issues had gained added urgency (for example, off-balance-sheet items). The Commission should also note that many countries, especially developing countries, had not yet established standard-setting bodies and the work of the Group, if properly disseminated, could help many countries in formulating their own or common accounting standards. Finally, it was the view of the Group that, in order to fulfil its mandate, it should continue to meet until the major issues on harmonization had been settled. If the Commission agreed with the renewal of the mandate, then it should accept the Group's report and approve its provisional agenda for the seventh session.

52. All delegations taking the floor expressed their satisfaction with the work and the accomplishments of the Group. Many of them commended it for the business-like atmosphere with which it conducted its deliberations. This had allowed the Group to produce impressive, tangible and useful results which could facilitate the process of harmonization. In particular, the delegations were of the opinion that the recommendations of the Group, to give effect to its work, namely, the publication of its agreed conclusions and promotional brochures, as well as the extension of the Centre's advisory services to the area of accounting, would have positive impacts.

53. The Commission attached particular importance to making the work of the Group more operational. One delegation affirmed that its practical materials should be designed for use in training government officials, employees and their representatives in the analysis of corporate accounts. It was the general consensus of those speaking that the Group had found its appropriate role and had well-defined ideas of the work that remained to be done. One delegation expressed its satisfaction that the Group might consider in the future information disclosure requirements by transnational corporations on environmental measures. That delegation was of the opinion that that would be an excellent tool for environmental assessment. In addition, the consideration of non-financial information was entirely within the Group's mandate since it covered both accounting and reporting. Transnational corporations often disclosed non-financial

information in their annual reports or in the reports of the board of directors. Most delegations agreed that the mandate of the Group should be renewed, its provisional agenda adopted and the measures to give effect to its work accepted. One delegation observed, on the question of the renewal of the Group's mandate, that, as an expert group, its future work (and, therefore, its mandate) should be task-specific.

54. In his concluding remarks, the Executive Director stressed the useful work of the Group and assured delegations that it would receive the support necessary to carry out its work effectively.

Action taken by the Commission

55. 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 sixth session (E/C.10/1988/6).

56. At its 14th meeting, on 15 April, the Commission adopted a draft resolution entitled "Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting", and two draft decisions, entitled "Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its sixth session and provisional agenda and documentation for the seventh session of the Group" and "Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting" (see chap. I, sect. C., resolution 1988/1 and decisions 1988/1 and 1988/2).

Chapter VI

TRANSNATIONAL CORPORATIONS IN SOUTH AFRICA AND NAMIBIA

57. The Commission considered item 7 of its agenda at its 7th, 8th, 10th and 14th meetings, on 11, 12, 13 and 15 April 1988. It had before it the following documents:

(a) Report of the Secretary-General on the follow-up to the recommendations of the Panel of Eminent Persons established to conduct the public hearings on the activities of transnational corporations in South Africa and Namibia (E/1988/23 and Corr.1 and 2);

(b) Report of the Secretary-General on the activities of transnational corporations in South Africa and Namibia and the collaboration of such corporations with the racist minority régime in that area (E/C.10/1988/7);

(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.10/1988/8).

58. In introducing the item, the Assistant Director of the Policy Analysis and Research Division of the United Nations Centre on Transnational Corporations noted that, as a result of international pressure and a further deterioration in the international economic and political situation in South Africa, an increasing number of transnational corporations had terminated their operations in that country. However, recent disinvestments by transnational corporations in South Africa and Namibia had had an ambiguous effect, since transnational corporations continued to maintain their links with South Africa through licensing agreements and other non-equity arrangements. Those corporations wishing to disinvest from South Africa appeared to prefer one of the following four modes of disinvestment:

(a) Closing down the local operation altogether;

(b) Selling the local operation to another company;

(c) Selling the local operation to local management under a management buy-out agreement;

(d) Transferring the assets of the local operation to a trust fund.

The Assistant Director stated that a number of countries had continued to broaden the scope of their economic sanctions against South Africa and Namibia and had adopted measures to increase their effectiveness. Those measures differed considerably not only in their substantive import but also in their follow-up and implementation mechanisms.

59. Many delegations stressed that the international community had a joint responsibility to implement the resolutions and decisions adopted by the General Assembly and the Security Council with a view to helping dismantle the system of apartheid in South Africa and ending the illegal occupation of Namibia. They regretted the failure of the Security Council to impose comprehensive mandatory

sanctions against South Africa and reiterated the view that mandatory global economic sanctions were the most effective form of pressure against South Africa. They noted with satisfaction the additional measures adopted by some countries and local authorities during the past year and stressed that the responsibilities of the home countries of transnational corporations went beyond passing legislation into monitoring the implementation of those measures and ensuring that they had the desired effect. Additional efforts should also be channelled into helping the victims of apartheid and the population of the occupied territory of Namibia.

60. Most delegations said that actions by transnational corporations to replace equity with non-equity links with South Africa, as aptly demonstrated in the documentation of the Centre, undermined the effectiveness of economic measures and that those corporations seemed primarily interested in effecting official 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 pull out altogether so as to discontinue the supply of essential products, equipment and technology to South Africa. They also called upon transnational banks to discontinue their loan exposure to South Africa, as a means of exerting pressure on the South African régime. Many delegations expressed their disappointment that the foreign trade of South Africa with certain countries had recently been increasing and that the oil embargo imposed by the oil-exporting States had not been effective because it had not been adhered to by certain shipping States.

61. One delegation noted the expanded economic measures jointly adopted by a group of countries in recent years, in addition to the codes of conduct for companies operating in South Africa. That delegation summarized the findings of the report prepared on the implementation of the codes, which stressed the efforts of transnational corporations to improve the living and working conditions of the black community. Another delegation, while joining in the condemnation of apartheid, observed that it supported the presence in South Africa of those companies that adhered to the Sullivan Principles and expressed doubts about the effectiveness of economic sanctions, noting also their potential negative effects on the black community.

62. One delegation suggested the convening of another series of public hearings on the activities of transnational corporations in South Africa and Namibia, to be held in Europe. Another delegation stated that, although its trade with South Africa had registered an increase, the increase was in dollar terms only, as a result of the depreciation of the dollar vis-à-vis its own currency, and that measures had recently been taken by its Government to restrain its trade with South Africa. A few delegations emphasized the importance of continuing the efforts of the Commission in that area and stated that the Centre should continue its study of the shift by transnational corporations into links of a non-equity type, the impact of such links and the effects of economic sanctions. Most delegations expressed their appreciation for the high quality of the Centre's documentation in that area.

63. The Executive Director, in responding to issues raised during the discussion, emphasized the difficulties of compiling information for the list of transnational corporations operating in South Africa and Namibia, as had already been noted by one delegation, and ensured the Commission that an exhaustive procedure of verification had been instituted for that purpose.

Action taken by the Commission

64. The Commission took note of the reports of the Secretary-General on the follow-up to the recommendations of the Panel of Eminent Persons established to conduct the public hearings on the activities of transnational corporations in South Africa and Namibia (E/1988/23 and Corr.1 and 2), on the activities of transnational corporations in South Africa and Namibia and the collaboration of such corporations with the racist minority régime in that area (E/C.10/1988/7) and 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.10/1988/8).

Activities of transnational corporations in South Africa and Namibia

65. At the 10th meeting, on 13 April, the representative of Tunisia, on behalf of the States Members of the United Nations which are members of the Group of 77, introduced a draft resolution (E/C.10/1988/L.5) entitled "Activities of transnational corporations in South Africa and Namibia".

66. At the 14th meeting, on 15 April, the representative of Tunisia, on behalf of the sponsors, orally revised the draft resolution as follows:

(a) In operative paragraph 3, the word "technologies" was inserted after the words "access to investments", the words "measures adopted, such as" were inserted before the word "disinvestment" and the words "campaigns and their objectives" were deleted after the word "disinvestment";

(b) In operative paragraph 4, the words "sanctions or restrictions and disinvestment measures" were replaced by the words "and additional measures";

(c) Operative paragraph 5, which read:

"5. Reiterates that any form of collaboration with the racist régime in South Africa, through trade and various traditional and innovative investments and contractual arrangements, perpetuates and strengthens the apartheid régime in its war of aggression, its acts of destabilization against front-line States and other neighbouring countries, and in the illegal occupation of Namibia",

was replaced by the following text:

"5. Reiterates that the continued collaboration with the racist régime in South Africa, especially by transnational corporations, through trade and various traditional and innovative investments and contractual arrangements, helps perpetuate and strengthen the apartheid régime in its war of aggression, its acts of destabilization against front-line States and other neighbouring countries and in the illegal occupation of Namibia, and urges all countries to desist from taking such actions";

(d) In operative paragraph 6, the words "do not" before the words "contribute to" were replaced by the words "cease to";

(e) In operative paragraph 9, the words "a European capital" were replaced by the word "Europe" and the word "pressure" was replaced by the word "induce".

67. At the same meeting, having heard a statement by the Executive Director of the Centre on the programme budget implications (see annex III) of the draft resolution, the Commission adopted the draft resolution, as orally revised, by a roll-call vote of 33 to 3, with 5 abstentions (see chap. I, sect. A, draft resolution I). The voting was as follows:

In favour: Bangladesh, Benin, Brazil, Byelorussian Soviet Socialist Republic, Cameroon, China, Colombia, Cuba, Czechoslovakia, Egypt, Fiji, German Democratic Republic, Ghana, India, Indonesia, Iraq, Italy, Jamaica, Kenya, Mexico, Nigeria, Norway, Peru, Philippines, Poland, Suriname, Swaziland, Trinidad and Tobago, Tunisia, Turkey, Uganda, Union of Soviet Socialist Republics, Venezuela.

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

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

68. After the draft resolution was adopted, statements were made by the representatives of Switzerland, Canada, the United Kingdom of Great Britain and Northern Ireland, the Netherlands, Norway, Italy and the Union of Soviet Socialist Republics.

Chapter VII

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

69. The Commission considered item 8 of its agenda at its 8th and 9th meetings, on 12 April 1988. It had before it the reports of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions (E/C.10/1988/3) and on experience gained in technical co-operation activities (E/C.10/1988/9).

70. In introducing the item, the Director of the Advisory and Information Services Division of the Centre highlighted the rationale for and parameters of the Centre's technical co-operation programme and the nature and extent of the assistance provided by the Centre in specific projects involving transnational corporations. He concentrated his remarks on the advisory role of the Centre, in particular, expert assistance in individual transactions. In that regard, the Director pointed out that the Centre's role took different forms depending on the needs of the recipient Government. The Centre might, for example, simply supply information, or it might advise on project evaluation or negotiation. In describing the role of the Centre in negotiations, he pointed out that the Centre was never itself a party to negotiations, and experts funded by the Centre did not take positions of their own in exchanges with transnational corporations or seek to act as mediators. He illustrated the Centre's advisory assistance by referring to the Centre's work in various African and Pacific countries. He concluded by thanking the Commission for its support of that programme, in particular the generous contributions of donors to the Trust Fund for the United Nations Centre on Transnational Corporations.

71. All the delegations that took part in the discussion stressed the importance they attached to the Centre's technical co-operation programme. Delegations speaking on this item unanimously acknowledged the contribution of the Centre's technical co-operation programme to improving the negotiating capacity of developing countries and, consequently, to improved relations between developing countries and transnational corporations. Several delegations whose Governments were recipients of the Centre's technical co-operation expressed appreciation for the concrete advice and training rendered by the Centre. A few delegations encouraged the Centre to widen its distribution of information on the technical services available from the Centre.

72. The Centre's role in advising on specific investment projects was the major subject of discussion under this item. A few delegations expressed some concern about the involvement of the Centre's experts in specific negotiations between Governments and transnational corporations. Those delegations wondered whether it was appropriate for United Nations experts to be involved in such negotiations.

73. In considering the Centre's role in negotiations, some delegations agreed that the Centre should confine itself to advising Governments and avoid taking decisions or negotiating on a Government's behalf. Other delegations suggested that in situations where a Government required the Centre's advice during a negotiation, the Centre should ensure that its experts acted under the leadership of the recipient Government. One delegation stressed the importance of the Centre's assistance in specific projects. That delegation stated that the Centre would

always have to exercise judgement in that rather delicate area, but that the Commission should refrain from articulating general rules before there was an indication that a concrete problem existed.

74. Many delegations expressed the view that expert advice in structuring and negotiating specific investment projects was the most important aspect of the Centre's technical co-operation programme. Those delegations noted that the Centre had served as a vital, and for many countries the only, source of information and expertise necessary to negotiate from a position of strength and confidence. Those delegations stated that only with such support could developing countries negotiate enduring and equitable agreements with transnational corporations. They further noted that, as with all United Nations technical co-operation activities, the priorities and needs of developing countries must determine the standards and criteria for the Centre's involvement. Accordingly, they strongly endorsed the Centre's role in negotiations and urged that its technical assistance be strengthened and expanded.

75. Concerning extrabudgetary resources, most delegations stated that they considered it vital that the Centre have adequate resources to support its technical co-operation programme. A number of beneficiaries of the Centre's advisory, training and information services said that the Trust Fund in particular was an important source of expeditious and high calibre expertise. They expressed the hope that contributions would continue and expand. Donors and beneficiaries alike expressed satisfaction with the increasing number of countries making donations to the Trust Fund. One delegation announced that its Government intended to make a contribution to the Trust Fund and was considering making available an associate expert to the Centre's technical co-operation programme.

76. Regarding other operational matters, a number of delegations noted with satisfaction the Centre's co-operation with other agencies. A few other delegations urged the Centre to use, where appropriate, qualified experts from developing countries. A few delegations noted that the Centre should be concerned with the impact of investment projects on sustainable development in such issues as the environment.

77. In his concluding remarks, the Executive Director thanked the delegations for their support for and confidence in the Centre's technical co-operation programme. He expressed the hope that the debate on the Centre's advisory assistance in negotiations would serve to illuminate the nature of the Centre's role and to clarify any misunderstanding in that regard. He affirmed that the Centre's role in advising on specific projects and assisting in negotiations fell clearly within its mandate, namely to provide technical assistance to strengthen the negotiating capacity of developing countries in their dealings with transnational corporations. In performing that role, the Centre had relied expressly on the specific terms of the host Government's request, which was the only viable criterion in defining the scope of technical assistance. As to the appropriateness of the Centre's role, he asserted that there was nothing in the United Nations regulations governing the provision of technical assistance that prevented the Centre from advising on specific negotiations. Furthermore, the Centre had been open in the past about its advisory role on specific investment projects and would continue to be so. He also assured the Commission that the Centre's experts always acted under the leadership of government officials and confined themselves to a purely advisory role. It was highly significant that throughout the history of the Centre's technical co-operation activities there had been no complaints from either Governments or companies about the conduct of the Centre's experts in that regard.

Action taken by the Commission

78. The Commission took note of the report of the Secretary-General on the experience gained in technical co-operation activities (E/C.10/1988/9), requested the Secretary-General to submit a report on that subject to the Commission at its fifteenth session and reaffirmed the importance it attached to the Centre's technical co-operation programme.

Chapter VIII

ONGOING AND FUTURE RESEARCH

A. Research results and current and future programmes

79. The Commission considered item 9 (a) of its agenda at its 4th meeting, on 7 April 1988. 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 established with the regional commissions (E/C.10/1988/3) and the report of the Secretary-General containing a summary of selected research studies (E/C.10/1988/10 and Corr.1).

80. In introducing the item, the Director of the Policy Analysis and Research Division of the Centre noted that the Centre's main research efforts during the past year had been devoted to completing the fourth survey, Transnational Corporations in World Development: Trends and Prospects (ST/CTC/89). One of the main themes of the survey was the importance of revolutionary technological changes that were occurring in new materials, biotechnology and micro-electronics. Those changes were affecting products, methods of production and the location of production; such changes were analysed in the Centre's current study of the automobile and automobile components. The Director said that the Centre would continue to study the link between new production technologies and the location of investment, as any such link raised important issues for the ability of developing countries to attract new foreign investment. The Director stated that the growth of transnational corporations from developing countries would be examined in future research. That was another theme of the fourth survey, and was illustrated in the Centre's current study of the plastics industry. The Director noted that in the light of the more pragmatic relations between transnational corporations and developing countries, it might be appropriate for the Commission to monitor and discuss that evolving relationship and possibly formulate a programme for the most effective use of the resources of transnational corporations to accelerate the transfer of technology, skills and investment capital to developing countries. Such a programme should also aim at minimizing any negative effects that might be associated with increased activity by transnational corporations.

81. Several delegations noted the quality of research output and the co-ordination of the Centre's research efforts with other international bodies, including United Nations bodies. One delegation said that duplication in research efforts should be avoided. It also said that, based on available anecdotal evidence, the impact of technological change in automobile production was not clear-cut, and that it was important to avoid import-substitution and protectionist policies. A number of delegations said that greater research efforts could be made in areas such as the social and cultural impacts of transnational corporations, the outflow of financial resources from developing countries and new forms of international economic co-operation. One delegation suggested that research be conducted on the role of transnational corporations in the arms race. Another delegation pointed to the need to study the role of transnational corporations in sectors in which those corporations were particularly important (such as telecommunications, biotechnology and informatics) and the means of renewing foreign direct investment flows to developing countries, all of which were areas worthy of additional research.

82. In his concluding remarks, the Executive Director of the Centre took note of the comments made by delegations; he assured them that the comments would be reflected in the future work of the Centre.

Action taken by the Commission

83. The Commission took note of the report of the Secretary-General containing a summary of selected research studies (E/C.10/1988/10 and Corr.1) and requested the Centre, in preparing its report to the Commission at its fifteenth session, to take into account the views expressed by delegations.

B. Transnational corporations and issues relating to the environment

84. The Commission considered item 9 (b) of its agenda at its 4th and 5th meetings, on 7 and 8 April 1988. It had before it the report of the Secretary-General on transnational corporations and issues relating to the environment (E/C.10/1988/11).

85. In her introductory remarks, the Assistant Director of the Policy Analysis and Research Division of the Centre noted the increasing awareness of the international community of the need for environmental protection, as was highlighted by the General Assembly in the consideration at its forty-second session of the report of the World Commission on Environment and Development (A/42/427, annex) and of the Environmental Perspective to the Year 2000 and Beyond (see General Assembly resolution 42/186, annex), and the adoption of resolutions concerning the environment. Transnational corporations play a critical role in the international diffusion of industrial technologies and high research-oriented products. Health risks and environmental hazards resulting from the transnationalization of manufacturing and extractive industries may arise in separate locations of the world without adequate mechanisms to obtain the necessary safety information on time, or the proper procedures to prevent and respond to major accidents. To address those issues, a new framework for assessing risks and disclosing relevant safety information was being developed. The report of the Secretary-General (E/C.10/1988/11) attempts to explain the environmental policies and practices of transnational corporations, examines the dilemmas facing many developing countries in their formulation of national environmental policies and discusses the issues of allocation of responsibilities and of international compensation for environmental damage. The report also identifies the responses of transnational corporations in the 1980s to avoid industrial accidents or to minimize their consequences and concludes with a survey of some of the recent policy approaches of various Governments and organizations for improving the environmental practices of transnational corporations.

86. Almost all delegations expressed support for the work of the Centre relating to transnational corporations and environment issues. Most delegations confirmed that the Commission and the Centre had an important role to play in that area and further affirmed that the activities of the Centre did not overlap with the work of specialized agencies but rather supplemented it.

87. Some delegations maintained that the issues discussed in the report of the Secretary-General were remotely related to the activities of transnational

corporations and questioned the need for further work by the Centre on the environment. In that context, those delegations expressed concern that the current work of the Centre duplicated efforts made elsewhere in the United Nations system. The same delegations also made reference to the positive contributions that transnational corporations could make to the protection of the environment, for example, in the establishment or improvement of local expertise and infrastructure in the field of environment. At the same time, a few of those delegations noted that the report was a balanced one.

88. Several delegations were of the view that the issue of environmental impact of transnational corporations was complex and continued to be unresolved. They specifically referred to the transnationalization of environmental issues and the allocation of responsibilities. In that regard, those delegations called for a continuation of systematic work, review and debate on questions of international concern, and contributions by transnational corporations and Governments in that area.

89. Many delegations defended the idea that transnational corporations should not be allowed to carry out activities in host countries which were forbidden by the legislation of their home countries. Those delegations also affirmed that parent transnational corporations should not be allowed to disown responsibility for their foreign affiliates. Some delegations approved the extraterritorial application of legislation of home countries to activities in host countries.

90. Many delegations stated that the Centre should assist host countries in developing their environmental policies relating to the activities of transnational corporations, in analysing the contribution and impact of those corporations in environmental protection, and in increasing environmental and technological safety awareness of transnational corporations at their management level. A number of delegations supported the Centre's view concerning the need to develop an international set of norms and standards for the regulation of environment-related activities of transnational corporations. In their view, such a set of norms and standards would also contribute to international environmental security and sustainable development. Information from the Centre should also be made available to Governments concerning environmental protection and industrial safety as they relate to transnational corporations. One delegation referred to General Assembly resolution 42/183 on the question of traffic in toxic and dangerous products and wastes, in which transnational corporations played a role. The Centre could include a reference to that problem in its future work and assist the United Nations Environment Programme and other agencies in their work in that regard.

91. Many delegations were of the opinion that the Centre could contribute substantially to the implementation of the goals of the Environmental Perspective to the Year 2000 and Beyond and the recommendations of the report of the World Commission on Environment and Development, in particular as they relate to transnational corporations in sustainable development. In that regard, the Centre should undertake more empirical research on innovative approaches adopted by major transnational corporations in the area of international environmental management. Some delegations expressed concern that the Centre did not have adequate resources to cover comprehensively the wide range of issues in the area of environment and that it was necessary for the Centre to work in close collaboration with other agencies and organizations.

92. Several delegations emphasized the need for a comparative study of existing national environmental regulations to assist Governments in choosing the most appropriate policy options. One delegation stressed the need to undertake work on developing environmental accounting so as to better evaluate the performance of transnational corporations.

93. Many delegations expressed support for the Centre's contribution to the preparation of the third edition of the consolidated list of products whose consumption and/or sale have been banned, withdrawn, severely restricted or not approved by Governments and called for the expeditious publication of the fourth edition of the list.

94. In his concluding remarks, the Executive Director of the Centre expressed his appreciation for the substantial interest the Commission had shown in the consideration of transnational corporations and issues relating to the environment. He said that the Centre did not work on environment issues *per se*, but only on those aspects that relate to the role of transnational corporations in the environment. The Centre did its utmost to avoid any duplication of the work of other United Nations agencies. He emphasized that the Centre was fully aware of its resource constraints and therefore focused only on those aspects that stem directly from, or relate to, the operations of transnational corporations as the main vehicle for technology transfer from developed to developing countries.

Action taken by the Commission

95. The Commission took note of the report of the Secretary-General on transnational corporations and issues relating to the environment (E/C.10/1988/11). It encouraged the Centre to assist host Governments in integrating the activities of transnational corporations in a policy of sustainable development, and requested the Centre to take into account the resolutions concerning the environment adopted by the General Assembly at its forty-second session and to report to the Commission at its fifteenth session on the question.

Chapter IX

ROLE OF TRANSNATIONAL CORPORATIONS IN SERVICES, INCLUDING TRANSBORDER DATA FLOWS

96. The Commission considered item 10 of its agenda at its 6th and 7th meetings, on 11 April 1988. It had before it the reports of the Secretary-General on transnational banks in developing countries (E/C.10/1988/12) and on transnational corporations in services other than banking (E/C.10/1988/13).

97. In introducing the item, the Acting Assistant Director of the Policy Analysis and Research Division of the Centre said that a shift of international direct investment towards services was brought about not only by service transnational corporations but also by industrial corporations, the latter of which might account for up to one half of foreign direct investment in services. Among service transnational corporations, banks are particularly important. The character of their operations has undergone substantial changes with the onset of the debt crisis, new developments in international financial markets and the introduction of communications technologies. The relative importance of developing countries in the activities of transnational banks appears to have declined; there has been a net reduction of the number of affiliates of transnational banks located in developing countries and, more importantly, the flow of funds from transnational banks to developing countries has been sharply reduced. The Acting Assistant Director noted that, as in banking, in virtually all other service industries it was only a handful of firms that accounted for the lion's share of transnational activities. Other important features of service transnational corporations include a tendency towards diversification into related activities and the frequent use of non-equity forms of investment. Service transnational corporations as a group lag far behind their industrial counterparts in terms of the degree of transnationalization, which probably means that there is considerable room for continued rapid growth in foreign direct investment in services in the future.

A. Role of transnational banks

98. Most delegations observed that the report of the Secretary-General on transnational banks in developing countries (E/C.10/1988/12) provided a useful basis for discussion. It contained valuable information regarding the global network of transnational banks and salient changes in transnational banking.

99. Many delegations expressed the opinion that the question of external debt remains a matter of central concern in the relationship between transnational banks and developing countries and the Centre should continue to undertake in-depth analysis of the debt issue as it relates to transnational banks. Such analysis should focus on the role of transnational banks in the debt crisis faced by developing countries, the incidence of reverse flow of resources from developing countries to developed countries as a consequence of debt repayment, the examination of alternative mechanisms of debt relief, including conversion of debt into long-term loans with low interest rates and sale of loans to other transnational corporations, the conditionalities attached to new loans, the interaction between transnational banks and international financial institutions such as the International Monetary Fund in negotiating debt, and the regulations in developed countries which restrain transnational banks from reducing the burden of

external debt of developing countries. They were of the view that in several instances the report did not sufficiently elaborate the implications of salient trends in transnational banking for developing countries. Among those cited were the concentration of financial markets, the increased securitization of international financial markets and the greater integration of those markets through the application of new technologies. Some of those delegations also observed that parts of the report tended to create an impression in favour of deregulation of transnational banks by developing countries. They held that such regulations evolved in response to the particular requirements of those economies. Those needs were not addressed in the report, nor was there an analysis of how to avoid the negative consequences of the operations of transnational banks in developing countries against the backdrop of the finding that even in the offshore developing country financial centres with the most liberal regulatory régimes, transnational banks remain strictly segregated from domestic banking activities. Those delegations also stated that the research on transnational banks at the Centre should lead to suggestions for policies to avoid the negative impact of transnational banks, to reinforce developing countries' negotiating capacity with transnational banks with a view to strengthening the domestic banking systems, to induce transnational banks to engage in development financing and to reactivate the flow of funds to developing countries. It was also pointed out that the Centre should strengthen its technical assistance programme along those lines. One delegation suggested that in addition to developing countries' debt associated with bank lending, the Centre should study other forms of debt such as suppliers' loans and export credit in which transnational corporations play a major role; those forms of credit are of great significance, particularly in the African region.

100. Some delegations expressed the view that the general issues of debt and finance were being dealt with by other international organizations and did not fall within the mandate of the Commission and the Centre. According to them, the Centre should limit its work to the technical aspects of the operations of transnational banks. An appropriate subject of study could be an examination of the policy objectives underlying the restrictions imposed by developing countries and an assessment of how far those restrictions succeeded in achieving the objectives of host countries in comparison with countries where such restrictions were not in force. Other suggestions for future work by the Centre related to the potentials for developing countries to benefit from the financial, managerial and educational resources of transnational banks and their role in developing local financial markets and in promoting investments in developing countries.

101. One delegation pointed out that the capital assets of banks in his country were greater than indicated in the report because of the non-inclusion of latent reserves or hidden assets. Another delegation informed the Commission that contrary to the finding in the report on the basis of data for the 100 largest banks, the banks from his country had increased their foreign presence during the 1980-1985 period.

102. The Executive Director stated, in his reply, that the discussion at the present session, like that at the thirteenth session, reflected divergent positions by different groups of delegations. On the one hand, some delegations were of the opinion that the role of banks in external debt was outside the purview of the Centre, while others felt strongly that the Centre should investigate their role in the debt crisis. He informed the Commission that developing countries' concerns with respect to the debt question were not addressed in the report because some of those concerns were dealt with in chapters VII and IX of the fourth survey,

Transnational Corporations in World Development: Trends and Prospects (ST/CTC/89). In addition, a study carried out by the Centre in conjunction with the Joint Unit established with the Economic Commission for Latin America and the Caribbean and the joint units established with other regional commissions was expected to be completed soon and that study would deal with some of those concerns at greater length. Referring to the many suggestions for future work, he stated that, in view of the availability of modest resources and the short time intervening between the sessions of the Commission, the Centre would be forced to make choices.

Action taken by the Commission

103. The Commission took note of the report of the Secretary-General on transnational banks in developing countries (E/C.10/1988/12). It requested the Secretary-General to continue further studies on the role of transnational banks in developing countries in the light of the discussion at the fourteenth session of the Commission and to report thereon to the Commission at its fifteenth session.

B. Role of transnational corporations in other services

104. Most delegations acknowledged the importance of transnational corporations in services other than banking, and in particular in producer services. Those delegations agreed that, given the growing role of transnational corporations in the services sector, the Centre should continue its work on transnational corporations in services. While the report of the Secretary-General (E/C.10/1988/13) helped to better understand the process of transnationalization of the services sector, the focus of the Centre's future work should be on the impact of service transnational corporations in host developing countries and on the assessment of the advantages and disadvantages of those corporations to the development of the services sector of those countries. That work should be policy-oriented. One delegation considered it premature to reach conclusions regarding the question of liberalization of services in view of the ongoing discussions within the framework of the Uruguay Round. All delegations stressed the need to intensify the technical co-operation component of the Centre's work on services to increase the capacity of developing countries to deal with service transnational corporations more effectively.

105. Some delegations, while supporting research in those areas, added other areas to be studied. They stressed that research should focus on specific service industries (e.g., tourism, advertising and producer services) important to developing countries. One delegation attached importance to the improvement of statistics on foreign direct investment in services and to technical co-operation in that area. Another delegation expressed the view that the Centre should avoid duplication of and overlapping with the work of other organizations, for example, international trade in services, which is covered by other international organizations. Other delegations suggested that certain aspects of the activities of transnational corporations (e.g., distribution of profits and benefits between transnational corporations and host countries and transfer of technology) be studied taking into account not only considerations of economic efficiency but also the socio-cultural and political dimensions of some service industries. The same delegations stated that the Centre's work should help the developing countries to acquire effective producer services, to protect their infrastructure and to develop

the domestic services sector. Given the complexity of services, several delegations considered it important that the Centre undertake joint programmes with other organizations.

106. In response to some of the issues raised during the discussion, the Executive Director said that the Centre was conscious of the need to avoid duplication in its work on services and on several occasions took the initiative to involve in its projects other appropriate bodies (e.g., the United Nations Conference on Trade and Development and the General Agreement on Tariffs and Trade). The Centre was also asked to make contributions to the work of other organizations regarding services. In addition, the Acting Assistant Director pointed out that, in defining a service transnational corporation, the Centre followed the conventions established in the literature on the subject. In many cases, however, the Centre's work was entirely dependent on the definitions provided by national statistical offices. He said that the most important impact of data services was on the increased efficiency of transnational corporations to manage their transnational activities and on rendering many services tradable on a wider scale. He noted the views of those delegations that had stressed the need to focus the Centre's research on the impact of service transnational corporations on host countries, resulting in policy recommendations and the necessity of strengthening the technical co-operation programme in the area of services.

Action by the Commission

107. The Commission took note of the report of the Secretary-General on transnational corporations in services other than banking (E/C.10/1988/13). It requested the Secretary-General to conduct further research and strengthen technical co-operation in the area of services, taking into account the deliberations of the Commission, and to submit a report thereon to the Commission at its fifteenth session.

Chapter X

COMPREHENSIVE INFORMATION SYSTEM

108. The Commission considered item 11 of its agenda at its 9th meeting, on 12 April 1988. 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 established with the regional commissions (E/C.10/1988/3), which included information on the Centre's comprehensive information system, and the report of the Secretary-General on the experience gained in the use of the information system on transnational corporations (E/C.10/1988/14).

109. In his introductory statement, the Director of the Advisory and Information Services Division noted that, in recent years, many delegations had expressed their satisfaction with the selectivity, accuracy and timeliness of the information that the Centre had collected on foreign direct investments and related flows, national laws and regulations relating to transnational corporations, contracts between transnational corporations and host countries, individual transnational corporations and their activities in specific industries and sources of data and information on transnational corporations. He also described the role of the information system in the technical co-operation programme of the Centre. The system provided information on countries and on national laws to the Centre's experts and on industries and companies to Governments. He concluded by noting that the technical co-operation programme and the information system were interdependent and inseparable and that both served to increase the negotiating capacity of developing countries.

110. All the delegations that intervened expressed their satisfaction with the information component of the Centre's technical co-operation programme, stressed its importance and acknowledged the difficulties that the system faced. They supported in particular the collection of laws and regulations relating to transnational corporations and the creation of a computerized index to their contents.

111. Several delegations supported the Centre's proposal to speed the delivery of information services by applying modern technology to the organization of its information resources. They welcomed the organization of seminars for developing countries on national information systems. Some delegations expressed appreciation for the systematic way in which the information system was being developed. They supported the collection and computerization of data on the largest transnational corporations in the manufacturing and extractive sectors and noted that experience with the use of the data would indicate whether additional variables would be needed. The same delegations suggested that a similar data base be created on transnational corporations in the service sector, especially on banking.

112. One delegation questioned whether the collection of information might affect the objectivity of the Centre's technical co-operation activities. The same delegation asked whether the computerized components of the information system were available to all developing countries and whether, in its advisory services, the Centre presented alternatives or only the best solution. Another delegation noted problems with the comparability of statistical data on foreign direct investments and offered to exchange information with the Centre on the sectoral composition of

investment agreements and on individual transnational corporations. The same delegation pointed out that the work of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting would serve to improve the transparency of data on individual transnational corporations.

113. The Director of the Advisory and Information Services Division, in responding to questions that had been raised, noted that the computerization of laws and regulations was still in the planning stage. He stressed that the objectivity of the technical co-operation programme was not affected by the collection of information since the Centre responded to the needs of the requesting Governments. An array of alternative solutions or a single best solution might be offered, depending on the approach of the Government. He noted that the Centre attempted to collect agreements by sector, but agreements in the petroleum sector were more readily available than those in manufacturing. He concluded by thanking the delegations that had offered to exchange information with the Centre.

Action taken by the Commission

114. The Commission took note of the report of the Secretary-General on the experience gained in the use of the information system on transnational corporations (E/C.10/1988/14) and requested the Centre to submit a report to the Commission at its fifteenth session on the manual that the Centre was preparing based on the needs of developing countries for information on transnational corporations.

Chapter XI

QUESTION OF EXPERT ADVISERS

115. The Commission considered item 12 of its agenda at its 9th meeting, on 12 April 1988. It had before it a note by the Secretariat (E/C.10/1988/15 and Add.1).

116. The Executive Director of the Centre on Transnational Corporations indicated that this year the Commission was requested to elect new expert advisers who would be serving the Commission for the next two years. He reminded the Commission of the invaluable resource it had in the expert advisers, as exemplified by the important contributions made by them during the past two years to the work of the Commission and the Centre. He expressed gratitude to the retiring expert advisers for their dedication and expertise and hoped that they would continue to lend their support to the Commission and the Centre. In introducing the list of proposed expert advisers to be appointed by the Commission, the Executive Director observed that the name of one candidate who had a business background was not included in the list since the nomination could not be confirmed in time before the meeting. Therefore, he proposed that the Commission leave that position open and authorize the Chairman of the Commission, in consultation with the Executive Director of the Centre, to fill that position as soon as the nomination was confirmed. Lastly, he proposed that, should an expert adviser be unable to continue serving the Commission before the expiration of his or her term, the Commission authorize the Chairman, in consultation with the Executive Director, to fill that vacancy without delay.

117. The delegations that spoke on this item stressed that the expert advisers were an important element in the work of the Commission and, as previous experience had demonstrated, they could provide valuable assistance in devising comprehensive and workable policies and directions. Their impressive range of expertise was a remarkable strength not only during the formal meetings of the Commission but also in providing advice and guidance to the Centre throughout the year. The delegations expressed their appreciation to the retiring expert advisers.

Action taken by the Commission

118. The Commission:

(a) Thanked the retiring expert advisers for their valuable contribution and decided to select the following expert advisers to serve until the end of the sixteenth session: 1/

1/ The curricula vitae of the expert advisers are contained in the note by the Secretariat (E/C.10/1988/15 and Add.1).

Business background 2/

Peter Frerk (Federal Republic of Germany)

Laurence McQuade (United States of America)

William Robbins (United Kingdom of Great Britain and Northern Ireland)

L. M. Thapar (India)

Trade union background

Mark Anderson (United States of America)

Roland Guyvarc'h (France)

Alexis Sierralta (Venezuela)

Hassan A. Sunmonu (Nigeria)

Kari Tapiola (Finland)

Academic or other background

Ernst-Otto Czempiel (Federal Republic of Germany)

Kamal Hossain (Bangladesh)

Wang Linsheng (China)

Ali Mazrui (Kenya)

Raul Trajtenberg (Uruguay/Argentina)

Nikolai G. Zaitsev (Union of Soviet Socialist Republics)

(b) Authorized the Chairman of the Commission, in consultation with the Executive Director of the Centre, to fill any vacancy should need arise.

2/ One additional expert adviser is to be selected in consultation between the Chairman and the Executive Director of the Centre.

Chapter XII

PROVISIONAL AGENDA FOR THE FIFTEENTH SESSION OF THE COMMISSION

119. The Commission considered item 13 of its agenda at its 12th and 14th meetings, on 14 and 15 April 1987.

120. The Chairman of the Commission opened the discussion and stated that the present agenda of the Commission emphasized process rather than issues and policy recommendations. The Commission might wish to revitalize its deliberations by identifying issues of immediate and direct concern to member countries and by pronouncing itself on the policy implications of those issues. The Chairman said that that could be approached by either adding items to the agenda or by modifying item 3 of the agenda, entitled "Recent developments related to transnational corporations and international economic relations", to cover fewer issues in greater detail with an emphasis on policy implications. Some issues that could be discussed included the determinants of foreign direct investment flows to the least developed countries, the impact of transnational corporations on domestic enterprises and the growth of non-equity arrangements. The Chairman stated that the Centre could prepare analytical, policy-oriented studies for the Commission to use in adopting conclusions directed to national policy makers.

121. Several delegations supported the Chairman's desire to streamline and rationalize the Commission's agenda. Several delegations emphasized the need to reaffirm the purposes and mandate of the Commission and to carry out changes in the agenda in that light. Several delegations urged that the substantive work of the Commission and the Centre be focused on the impact of transnational corporations on developing countries. Some delegations suggested an increased focus on the regional and sectoral impacts of transnational corporations and foreign direct investment. Several delegations recommended additional work on non-equity forms of transnationalization. One delegation suggested the need for research on how small and medium-sized transnational corporations could contribute to economic development. Other delegations stressed that any change in the agenda should not imply a deviation from the mandate of the Commission. Those delegations also stressed that the agenda should not address the promotion of transnational corporations' activities or foreign direct investment nor should it discuss the macro-economic policies of developing countries as conditions for an increase in transnational corporations investments.

122. Many delegations stated that research reports prepared by the Centre should be more analytical and contain an explicit focus on policy implications. Those delegations also considered it important that analyses of trends and policy aspects be considered simultaneously on the agenda. Many delegations stated that separate agenda items should be retained on transnational corporations in South Africa and Namibia and on the code of conduct on transnational corporations. Those delegations recommended the retention of the following agenda items: (a) recent developments related to transnational corporations and international economic relations; (b) code of conduct on transnational corporations; (c) transnational corporations in South Africa and Namibia; (d) role of transnational corporations in services and (e) activities of the United Nations Centre on Transnational Corporations. A number of delegations expressed concern that other items on the current agenda not be deleted.

123. In his concluding remarks, the Chairman said that he was encouraged by the discussion. He said that there appeared to be general agreement among the delegations that all decisions and activities should reflect the Commission's mandate, that a more analytical approach to the issues should be adopted, that future discussions should be held on clusters of items and that the agenda items on the code of conduct and on transnational corporations in South Africa and Namibia should be retained. The Executive Director of the Centre presented an informal proposal for the agenda of the fifteenth session, which would include the code of conduct, activities of transnational corporations in South Africa and Namibia, activities of the Centre, including all procedural items, and recent developments. The agenda item on recent developments would include three reports: an analytical report on foreign direct investment and transnational corporations, with emphasis on sectoral and regional issues, a report on several specific impacts of the activities of transnational corporations and a report on policy impacts in both host and home countries.

124. At its 14th meeting, on 15 April, the Commission had before it a draft provisional agenda and list of documentation for its fifteenth session (E/C.10/1988/L.8), submitted by the Secretariat in compliance with paragraph 3 of Economic and Social Council resolution 1894 (LVII).

125. At the same meeting, the Commission, on the proposal of the Chairman, decided to recommend to the Council the adoption of a draft decision by which the Council would approve the provisional agenda and documentation for the fifteenth session of the Commission (see chap. I, sect. B, draft decision II).

Chapter XIII

ADOPTION OF THE REPORT OF THE COMMISSION

126. At its 14th meeting, on 15 April 1988, the Commission considered its draft report (E/C.10/1988/L.3 and Add.1-12) and adopted it as amended during the discussion.

Chapter XIV

ORGANIZATION OF THE SESSION

A. Opening and duration of the session

127. The Commission on Transnational Corporations held its fourteenth session at United Nations Headquarters from 6 to 15 April 1988. The Commission held 14 meetings.

128. The session was opened by the temporary Chairman, Chinmaya Rajaninath Gharekhan (India).

B. Attendance

129. The following States members of the Commission attended the session: Antigua and Barbuda, Bangladesh, Benin, Brazil, Burundi, Byelorussian Soviet Socialist Republic, Cameroon, Canada, China, Colombia, Cuba, Cyprus, Czechoslovakia, Egypt, Fiji, France, German Democratic Republic, Germany, Federal Republic of, Ghana, India, Indonesia, Iran, Islamic Republic of, Iraq, Italy, Jamaica, Japan, Kenya, Mexico, Netherlands, Nigeria, Norway, Peru, Philippines, Poland, Republic of Korea, Sierra Leone, Suriname, Swaziland, Switzerland, Trinidad and Tobago, Tunisia, Turkey, Uganda, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela, Zaire.

130. 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), Celso Lafer (Brazil), Luis Enrique Marius Martinez (Uruguay/Italy), 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), Kari Tapiola (Finland), Teng Weizao (China), L. M. Thapar (India), Raúl Trajtenberg (Uruguay/Argentina), Vasiliy P. Trepelkov (Union of Soviet Socialist Republics).

131. The following States Members of the United Nations were represented by observers: Algeria, Argentina, Austria, Belgium, Bulgaria, Costa Rica, Denmark, Gabon, Guyana, Hungary, Mongolia, Paraguay, Ukrainian Soviet Socialist Republic, Yugoslavia.

132. The World Food Council was represented by an observer.

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

134. The following specialized agencies were represented: International Labour Organisation, International Monetary Fund, International Fund for Agricultural Development.

135. The European Economic Community, an intergovernmental organization, was represented by an observer.

136. 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 Organization of Employers, World Federation of Trade Unions.

C. Election of officers

137. At its 1st meeting, on 6 April, the Commission elected the following officers:

Chairman: James Victor Gbeho (Ghana)

Vice-Chairmen: Horst Heininger (German Democratic Republic)
H. H. de Brabander-Ypes (Netherlands)
Raj Singh (Fiji)

Rapporteur: Fernando P. de Mello Barreto Filho (Brazil)

D. Agenda

138. At its 1st meeting, on 6 April, the Commission adopted the agenda contained in document E/C.10/1988/1 (see annex I to the present report).

139. At the same meeting, the Commission adopted the organization of work set out in document E/C.10/1988/L.2.

Annex I

AGENDA OF THE FOURTEENTH 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.
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) Transnational corporations and issues relating to the environment.
10. Role of transnational corporations in services, including transborder data flows:
 - (a) Role of transnational banks;
 - (b) Role of transnational corporations in other services.

11. Comprehensive information system.
12. Question of expert advisers.
13. Provisional agenda for the fifteenth session of the Commission.
14. Adoption of the report of the Commission on its fourteenth session.

Annex II

LIST OF DOCUMENTS BEFORE THE COMMISSION
AT ITS FOURTEENTH SESSION

<u>Document number</u>	<u>Agenda item</u>	<u>Title or description</u>
E/1988/23 and Corr.1 and 2	7 (b)	Follow-up to the recommendations of the Panel of Eminent Persons established to conduct the public hearings on the activities of transnational corporations in South Africa and Namibia: report of the Secretary-General
E/1988/39 and Add.1	5 (a)	Code of conduct on transnational corporations: note by the Secretary-General
E/1988/45	4	Review of recurrent documents and publications
E/C.10/1988/1	2	Provisional agenda
E/C.10/1988/2	3	Fourth survey on transnational corporations in world development: report of the Secretary-General
E/C.10/1988/3	4, 8, 9 (a) and 11	Activities of the United Nations Centre on Transnational Corporations and the activities of the joint units established with the regional commissions: report of the Secretary-General
E/C.10/1988/4	4	Utilization of regular budget resources for the programme of the United Nations Centre on Transnational Corporations during the biennium 1986-1987: report of the Secretary-General
E/C.10/1988/5	5 (b)	International arrangements and agreements related to transnational corporations: report of the Secretary-General
E/C.10/1988/6	6	Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its sixth session

<u>Document number</u>	<u>Agenda item</u>	<u>Title or description</u>
E/C.10/1988/7	7 (a)	Activities of transnational corporations in South Africa and Namibia and the collaboration of such corporations with the racist minority régime in that area: report of the Secretary-General
E/C.10/1988/8	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.10/1988/9	8	Experience gained in technical co-operation activities: report of the Secretary-General
E/C.10/1988/10 and Corr.1	9 (a)	Summary of selected research studies: report of the Secretary-General
E/C.10/1988/11	9 (b)	Transnational corporations and issues relating to the environment: report of the Secretary-General
E/C.10/1988/12	10 (a)	Transnational banks in developing countries: report of the Secretary-General
E/C.10/1988/13	10	Transnational corporations in services other than banking: report of the Secretary-General
E/C.10/1988/14	11	Experience gained in the use of the information system on transnational corporations: report of the Secretary-General
E/C.10/1988/15 and Add.1	12	Question of expert advisers: note by the Secretariat
E/C.10/1988/L.1	2	Organization of the work of the session: note by the Secretariat
E/C.10/1988/L.2	2	Organization of the work of the session
E/C.10/1988/L.3 and Add.1-12	14	Draft report of the Commission

<u>Document number</u>	<u>Agenda item</u>	<u>Title or description</u>
E/C.10/1988/L.4	4	Benin, Burundi, Cameroon, Egypt, Ghana, Kenya, Nigeria, Sierra Leone, Swaziland, Tunisia and Zaire: draft decision
E/C.10/1988/L.5	7	Tunisia on behalf of the States Members of the United Nations which are members of the Group of 77: draft resolution
E/C.10/1988/L.6	4	Union of Soviet Socialist Republics: draft resolution
E/C.10/1988/L.7	4	Tunisia on behalf of the States Members of the United Nations which are members of the Group of 77: draft resolution
E/C.10/1988/L.8	13	Draft provisional agenda and documentation for the fifteenth session of the Commission: note by the Secretariat

Annex III

PROGRAMME BUDGET IMPLICATIONS OF DRAFT RESOLUTION I ON ACTIVITIES OF TRANSNATIONAL CORPORATIONS IN SOUTH AFRICA AND NAMIBIA

A. Requests contained in the draft resolution

1. Under the terms of operative paragraph 9 of the draft resolution contained in document E/C.10/1988/L.5, the Economic and Social Council would request the Secretary-General to take all necessary steps to establish a panel of eminent persons to conduct public hearings in Europe by 1989 on the activities of transnational corporations in South Africa and Namibia, with a view to further mobilizing public opinion to induce home Governments and transnational corporations to cease any kind of collaboration with the South African régime.

B. Relationship of proposed requests to approved programme of work

2. The activities proposed would fall under chapter 23, Transnational corporations, subprogramme 2 (Minimizing the negative effects of transnational corporations and enhancing their contribution to development) of the medium-term plan for the period 1984-1989. It would also fall under section 9, Transnational corporations, subprogramme 2 (Minimizing the negative effects of transnational corporations and enhancing their contribution to development), programme element 2.7 (Transnational corporations in South Africa and Namibia) of the programme budget for the biennium 1988-1989.

C. Activities by which the proposed request would be implemented

3. Should the request of the Commission be implemented, the planning session and public hearings would be held at Geneva in June 1989. The planning session would be held on a Friday, followed by two days of informal consultations. The public hearings would be held during the following five days. A post-session meeting would be held in August 1989.

4. The planning session, public hearings and post-session meeting would be attended by the 11 personalities forming the panel, which would require the provision of travel and subsistence costs. The public hearings would be attended, inter alia, by representatives of national liberation movements, representatives of non-governmental organizations and individuals, numbering approximately 150. It would be necessary to cover the travel and subsistence costs of approximately 30 of those persons.

5. There would be 150 pages (four documents) of pre-session, 70 pages (four documents) of in-session and 70 pages (four documents) of post-session documentation to be issued in the six official languages of the Geneva session. Three work-months of consultants would be required to assist in preparing the pre-session documentation. For the public hearings, interpretation would be provided in the six languages and summary records in three languages.

6. To prepare and administer the public hearings, the United Nations Centre on Transnational Corporations would require, in 1989, temporary assistance for nine months at the P-3 level. Seven staff members of the Centre would participate in the planning session and the public hearings at Geneva.

7. The public hearings would be supported by an appropriate publicity programme, which would have to be prepared by the Centre and the Department of Public Information.

D. Modifications required in the approved programme of work

8. Should the activities referred to in paragraphs 3 to 7 above be undertaken, the following output would be added to the programme budget for section 9, Transnational corporations, subprogramme 2, programme element 2.7:

(iii) Substantive servicing of the public hearings on the activities of transnational corporations in South Africa and Namibia (1989).

E. Additional requirements at full cost

9. The requirements for undertaking the activities referred to in paragraphs 3 to 7 above are estimated as follows:

United States dollars

Planning session

(Geneva, June 1989, 3 days)

Subsistence of 11 representatives	4 400
Subsistence of seven staff members	
(Travel costs are attributed to the public hearings, which would immediately follow the planning session)	2 800

Public hearings

(Geneva, June 1989, 5 days)

Travel and subsistence of 11 representatives	32 200
Travel and subsistence of 30 participants	90 800
Travel and subsistence of seven staff members	16 300

Post session

(New York, August 1989, 2 days)

Travel and subsistence of 11 representatives	34 900
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Supplementary staff and other expenditures

Temporary assistance for administrative support of the public hearings (P-3 salary and common staff costs, 9 work-months)	42 200
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Consultants to assist in preparing four substantive pre-session documents (12 work-months at \$4,000 each)	48 000
	271 600

<u>Conference-servicing costs</u>	378 700
(For breakdown, see appendix, part A)	

Publicity programme

The programme budget implications of the publicity programme are still to be determined and will be submitted to the Commission on Transnational Corporations at its fifteenth session. Based on previous experience, the estimated cost would amount to approximately \$120,000.

10. It should be noted that a decision to hold the public hearings would constitute an exception to paragraph 4 of General Assembly resolution 40/243 of 18 December 1985, according to which "United Nations bodies shall plan to meet at their respective established headquarters". Since the substantive secretariat for this meeting is located in New York, the established headquarters of the public hearing would be New York. The conference-servicing requirements for holding the meeting in New York are shown in part B of the appendix. Should the public hearings be held in New York, no travel and subsistence costs would result for staff members (\$19,100) and additional costs for travel and subsistence for representatives (\$9,400) and participants (\$19,200) would be required.

F. Potential for absorption

11. In the programme budget for the biennium 1988-1989, no provisions have been made under section 9 for additional requirements in travel and subsistence, temporary assistance and consultants.

12. The cost estimates for conference-servicing are based on the theoretical assumption that no part of the conference-servicing requirements would be met from within the permanent capacity of the Department of Conference Services and would require additional resources for temporary assistance for meetings. The extent to which the permanent capacity of the Department needs to be supplemented by temporary assistance resources can only be determined in the light of the calendar of conferences to be approved by the General Assembly. However, as indicated in paragraph 29.6 of the proposed programme budget for the biennium 1988-1989 and as adopted by the General Assembly in its resolution 42/226, part A, the 1988-1989

requirements under temporary assistance for meetings have been estimated on the basis of a five-year average of appropriations and actual expenditure for the period 1982-1986, and included in the Secretary-General's initial estimates. In other words, provision has been made in the programme budget not only for meetings known at the time of budget preparation but also for meetings that would be authorized subsequently, provided that the number and distribution of meetings and conferences in the next biennium is consistent with the pattern experienced over the past five years. On that basis, it is estimated that no additional cost would be incurred under section 29 of the programme budget for the biennium 1988-1989.

Appendix

ESTIMATED COSTS OF CONFERENCE SERVICING OF THE PUBLIC HEARINGS
ON THE ACTIVITIES OF TRANSNATIONAL CORPORATIONS IN SOUTH AFRICA
AND NAMIBIA

United States dollars

A. Conference-servicing costs, Geneva

<u>Pre-session documentation</u> (New York) (150 pages, 4 documents, A,C,E,F,R,S)	154 300
<u>Meeting servicing</u> (Geneva) (10 meetings, A,C,E,F,R,S)	41 800
<u>In-session documentation</u> (Geneva) (70 pages, 4 documents, A,C,E,F,R,S)	48 200
<u>Post-session documentation</u> (New York) (70 pages, 4 documents, A,C,E,F,R,S)	73 000
<u>Summary records</u> (Geneva) (10 meetings, A,C,E,F,R,S)	50 100
Requirements of the Office of General Services (Geneva)	<u>11 300</u>
Total	<u>378 700</u>

B. Conference-servicing costs, New York

<u>Pre-session documentation</u> (New York) (150 pages, 4 documents, A,C,E,F,R,S)	154 300
<u>Meeting servicing</u> (New York) (10 meetings, A,C,E,F,R,S)	52 100
<u>In-session documentation</u> (New York) (70 pages, 4 documents, A,C,E,F,R,S)	71 600
<u>Post-session documentation</u> (New York) (70 pages, 4 documents, A,C,E,F,R,S)	73 000
<u>Summary records</u> (New York) (10 meetings, A,C,E,F,R,S)	75 400
Requirements of the Office of General Services (New York)	<u>13 100</u>
Total	<u>439 500</u>

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