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GENERAL

E/C.10/1983/S/4
21 January 1983

ORIGINAL: ENGLISH

COMMISSION ON TRANSNATIONAL CORPORATIONS

Special session

7-18 March and 9-20 May 1983

Item 4 of the provisional agenda*

COMPLETION OF THE FORMULATION OF THE CODE OF CONDUCT
ON TRANSNATIONAL CORPORATIONS

Draft Code of Conduct for Transnational Corporations

Proposed by Venezuela on behalf of the Group of 77
(22 May 1981)

PREAMBLE

The Contracting States,

Reaffirming United Nations General Assembly resolutions 3201 (S-VI) and 3202 (S-VI) of 1 May 1974, containing the Declaration and the Programme of Action on the Establishment of a New International Economic Order, 3281 (XXIX) of 12 December 1974, containing the Charter of Economic Rights and Duties of States, 3362 (S-VII) of 16 September 1975 on development and international economic co-operation, and 35/56 of 5 December 1980, containing the International Development Strategy for the Third United Nations Development Decade, which, inter alia, emphasize the need to regulate and supervise the activities of transnational corporations and to formulate, adopt and implement an international code of conduct regarding those corporations,

Recalling Economic and Social Council resolutions 1721 (LIII) of 28 July 1972, 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, which lead to the establishment of the Commission on Transnational Corporations to deal with the entire range of issues related to the activities and operations of transnational corporations,

* E/C.10/1983/S/1.

Recalling the decision of the Commission on Transnational Corporations, approved by the Economic and Social Council in decision 180 (LXI) of 5 August 1976, which assigned the highest priority to the formulation of a code of conduct and established the Intergovernmental Working Group on a Code of Conduct to elaborate and submit to the Commission on Transnational Corporations and the Economic and Social Council a final draft of a code of conduct,

Recalling also Economic and Social Council decision 271 (LXIII) of 4 August 1977, and resolution 1978/73 of 4 August 1978, 1979/75 of 3 August 1979 and 1980/59 of 24 July 1980 on the activities of transnational corporations in southern Africa and their collaboration with the illegal minority régime in that area,

Bearing in mind the work by other bodies of the United Nations system relevant to transnational corporations, in particular the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices, adopted by the General Assembly in resolution 35/63 of 5 December 1980, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy adopted by the Governing Body of the International Labour Office, and the work of the United Nations Conference on an International Code of Conduct on the Transfer of Technology, of the Ad Hoc Intergovernmental Working Group on the Problem of Corrupt Practices and the Committee on an International Agreement on Illicit Payments, pursuant to Economic and Social Council resolution 2041 (LXI) of 5 August 1976 and of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, pursuant to Council resolution 1979/44 of 11 May 1979;

Conscious of the world-wide growth of transnational corporations, the diversity of their operations and their impact in the political, economic and social systems of the countries in which they operate, as well as their role in the utilization of capital, technology and human resources, their impact on international relations and their influence on the development process of the countries in which they operate, particularly developing countries;

Noting that transnational corporations in organizing their operations may lead to abuse of concentrations of economic power and to conflicts with national policy objectives,

Recognizing that transnational corporations might bring benefits to the countries in which they operate if their activities are carried on in conformity with the development policies, objectives and priorities of those countries,

Noting that the nature, influence and activities of transnational corporations have caused concern in the countries in which they operate and led to action towards the regulation and monitoring of those corporations;

Considering that the complexity of operations and the international structure of transnational corporations may circumvent national measures and policies,

Noting that the economic situation of developing countries makes them particularly vulnerable to the impact of the activities of transnational corporations and may put them at a disadvantage in their dealings with such corporations,

Reaffirming that the individual and collective self-reliance of developing countries should be enhanced, inter alia, by strengthening their negotiating capacity in their dealings with transnational corporations, particularly in the fields of financing and investment, science and technology, management, production and marketing, and by improving their capacity to regulate and accordingly monitor the activities of transnational corporations,

Recognizing that the regulations of transnational corporations at the international level will constitute a significant step in the establishment of the new international economic order, thereby also contributing towards the achievement of the individual and collective self-reliance of the developing countries,

Underlining that measures for controlling transnational corporations should cover comprehensively the various forms of their activities in the different economic sectors, their methods of operation and their ability to adapt to the various economic, political and social situations,

Convinced that a universally adopted and effective Code of Conduct establishing international standards concerning the activities of transnational corporations will usefully supplement, where necessary, measures and provide a framework for international co-operation on issues relating to transnational corporations,

Conscious of the need for a universally adopted, effective and comprehensive Code of Conduct to serve as a basis for the further elaboration of arrangements or agreements on specific aspects relating to the activities of transnational corporations,

Agree to adopt this universally applicable Code of Conduct.

CHAPTER I

OBJECTIVES

The Code of Conduct is based on the following objectives:

(a) To contribute to the establishment of the new international economic order and to the achievement of the individual and collective self-reliance of the developing countries;

(b) To establish international standards and arrangements regarding the activities of transnational corporations with a view to controlling and eliminating the negative effects as well as resolving difficulties which may arise from the activities of those corporations and promoting the contribution of transnational corporations to the economic and social development of the countries in which they operate;

(c) To facilitate co-operation among States on issues relating to transnational corporations and resolve difficulties stemming from the transnational character of those corporations;

(d) To reaffirm that transnational corporations shall respect national sovereignty, jurisdiction, laws and regulations of the countries in which they operate, as well as the policies of those countries and the right of States to regulate and accordingly monitor the activities of transnational corporations;

(e) To proscribe interference in the internal affairs of States, subversion and other inadmissible activities by transnational corporations which aim to undermine the political and social systems of the countries in which they operate;

(f) To prevent the collaboration of transnational corporations with the illegal racist minority regime of apartheid in South Africa and its continued illegal occupation of the Territory of Namibia;

(g) To help create conditions conducive to the promotion of beneficial relations between transnational corporations and the countries in which they operate, under which the laws and regulations regarding the activities of transnational corporations in those countries would be equitably applied;

(h) To help ensure that the activities of transnational corporations are carried out in conformity with and contribute to the development policies of the countries in which they operate, in particular, developing countries;

(i) To contribute to strengthening the negotiating capacity of developing countries in their dealings with transnational corporations;

(j) To improve the understanding of the nature, structure and effects of transnational corporations by all parties concerned with their activities by establishing adequate standards and mechanisms for the disclosure of information by transnational corporations;

(k) To establish a focal point for international arrangements and agreements relating to transnational corporations in close co-operation with other bodies within the United Nations system;

(l) To make adequate arrangements for the effective implementation of the Code of Conduct at the national, regional and international levels, including procedures for revising and supplementing the Code as required in the light of experience and evolving circumstances, thus giving the Code an evolutionary character.

CHAPTER II

DEFINITIONS AND SCOPE OF APPLICATION

1. For the purposes of the Code,

(a) The term "transnational corporation" means an enterprise, comprising entities in two or more countries, regardless of the legal form and the fields of activity of those entities, which operates under a system of decision-making, permitting the exercise of influence by one or more decision-making centres over the entities, leading to common policies and a global strategy and in which the entities are so linked, by ownership or otherwise, that one or more of them may be able to exercise a significant influence over the activities of the others, and, in particular, to share knowledge, resources and responsibility with the others. The term "transnational corporation" refers to the enterprise as a whole or to its various entities irrespective of the actual distribution of responsibilities among them.

(b) The term "entities" in the Code means parent entities, that is, entities which are the main source of influence over the others, and branches, subsidiaries, affiliates or other arrangements directly or indirectly controlled by them.

(c) The term "home country" means the country in which the parent entity of a transnational corporation is located. The term "host country" means a country in which an entity other than the parent entity is located.

(d) The term "country in which a transnational corporation operates" means a country in which an entity of a transnational corporation conducts operations. The term includes home as well as host countries.

2. The Code applies to all enterprises as defined in paragraph 1 of this chapter.

3. The Code is universally applicable in and open for adoption by all States, regardless of their political and economic systems and their level of development.

CHAPTER III

ACTIVITIES OF TRANSNATIONAL CORPORATIONS

A. General and political

Respect for national sovereignty and observance of domestic laws, regulations and administrative practices

1. Transnational corporations shall respect the national sovereignty of the countries in which they operate and the right of each State to exercise its full permanent sovereignty over its natural resources, wealth and economic activities within its territory.

2. Transnational corporations shall observe the laws, regulations and administrative practices of the countries in which they operate. Transnational corporations shall be subject to the jurisdiction of the domestic courts of those countries.

3. Transnational corporations shall respect the right of each State to regulate and monitor accordingly the activities of their entities operating within its territory.

Adherence to economic goals and development objectives, policies and priorities

4. Transnational corporations shall carry on their activities in conformity with the policies, objectives and priorities of the countries in which they operate. Transnational corporations shall make a positive contribution towards the achievement of economic goals and support the development efforts of those countries and participate in these efforts at the national and, where appropriate, at the regional level within the framework of regional economic co-operation and integration programmes. Transnational corporations shall consult and co-operate fully with governmental authorities of the countries in which they operate in making maximum contributions to the development processes.

5. Transnational corporations shall agree and co-operate with the Governments or governmental agencies in renegotiating contracts concluded earlier under conditions of duress, and between unequal parties or when the terms and conditions upon which such contracts were based have undergone a change, rendering the contract unfair in its impact on the economies of the countries in which they operate. Review and renegotiation of such contracts shall be subject to the policies and laws of those countries.

Adherence to socio-cultural objectives and values

6. Transnational corporations shall respect the social and cultural objectives, values and traditions of the countries in which they operate. While economic and technological development is normally accompanied by social change, transnational corporations shall avoid practices, products or services which cause detrimental effects on cultural patterns and socio-cultural objectives as determined by Governments. For this purpose, transnational corporations shall respond positively to requests for consultations from Governments concerned.

7. Transnational corporations shall respect human rights and fundamental freedoms in the countries in which they operate. In their social and industrial relations, transnational corporations shall not discriminate on the basis of race, colour, sex, religion, language, social, national and ethnic origin or political or other opinion. Transnational corporations shall conform to government policies designed to extend equality of opportunity and treatment.

Non-collaboration by transnational corporations with racist minority regimes in southern Africa

8. In conformity with the efforts of the international community to eliminate the illegal racist régime of apartheid in South Africa and its continued illegal occupation of the Territory of Namibia:

(a) Transnational corporations shall progressively reduce their business activities in South Africa and immediately cease all business activities and make no further investment in Namibia;

(b) Transnational corporations shall refrain from collaborating directly or indirectly with that régime, especially with regard to its racist practices in South Africa and illegal occupation of Namibia, to ensure the successful implementation of United Nations resolutions in relation to those two countries.

Non-interference in internal affairs

9. Transnational corporations shall not interfere in the internal affairs of the countries in which they operate. Transnational corporations shall refrain from any activities which affect the established political and social systems of those countries.

10. Transnational corporations shall not engage themselves directly or indirectly in activities of a political nature which are inconsistent with the policies, laws and administrative practices of those countries.

Non-interference in intergovernmental relations

11. Transnational corporations shall not interfere in the affairs which are the concern of Governments.

12. Transnational corporations shall not act, directly or indirectly as instruments of the foreign policy of any Government. Transnational corporations shall carry on their operations in conformity with the intergovernmental co-operative arrangements to which the Governments of the countries in which they operate are parties and shall implement the concerted measures taken by them.

13. Transnational corporations shall not request Governments to use coercive measures of an economic or political character in support of their interests.

14. Transnational corporations shall exhaust means provided by local laws, policies, regulations and administrative practices of the countries in which they operate before having recourse to other procedures which may be admissible in cases in which the internal legislation of the host country so permits.

Abstention from corrupt practices

15. Transnational corporations shall refrain, in their transactions, from the offering, promising or giving of any payment, gift or other advantage to or for the

benefit of a public official as consideration for performing or refraining from the performance of his duties in connection with those transactions.

16. Transnational corporations shall maintain accurate records of payments made by them, in connection with their transactions, to any public official or intermediary. They shall make available those records to the competent authorities of the countries in which they operate, upon request, for investigations and proceedings concerning those payments.

B. Economic, financial and social

Ownership and control

17. Transnational corporations shall allocate the decision-making powers among their entities with a view to enabling them to contribute to the economic and social development of the countries in which they operate.

18. The entities of transnational corporations shall co-operate with one another so that each entity can meet effectively the requirements established by the laws, policies and regulations of the country in which they operate.

19. Transnational corporations shall co-operate with Governments and nationals of the countries in which they operate in implementing national objectives for local equity participation.

20. Transnational corporations shall ensure effective exercise of the control shared by local partners of entities in accordance with the terms and conditions of equity participation or contracts in non-equity arrangements.

21. Transnational corporations shall adjust their personnel policies with the national policies of each of the countries in which they operate, giving priority to the employment and promotion of its nationals at all levels of management and direction of the affairs of each entity so as to enhance the effective participation of those nationals in the decision-making processes.

22. Transnational corporations shall contribute to the managerial and technical training of nationals of the countries in which they operate and facilitate their employment at all levels of management of the entities and enterprises as a whole.

Balance of payments and financing

23. Transnational corporations shall carry out their operations in accordance with the policy objectives relating to balance of payments of the countries in which they operate, particularly those of developing countries. The corporations shall in accordance with Government regulations contribute to the promotion of exports and the diversification of imports and exports of those countries. They shall adopt measures to make increased utilization of goods, services and other resources available in those countries.

24. Transnational corporations shall abide by the policies of the countries in which they operate relating to the repatriation of capital in the event of disinvestment and regulations relating to remittances of accumulated profits, dividends or intra-corporate payments. Transnational corporations shall respond to the request by Governments of host countries, particularly developing countries, for gradual repatriation of capital and remittances of profits, especially when the size and timing of such transfers would aggravate serious balance-of-payments problems of such countries.

25. Transnational corporations shall not defer or advance their short-term capital transactions, including current intra-corporate payments, in a manner that would increase currency instability and thereby aggravate balance-of-payments positions of the countries in which they operate.

26. Transnational corporations, in respect of their intra-corporate transactions, shall not impose, in contravention of the development objectives of the countries in which they operate, any restrictions on their entities regarding the transfer of goods, services and funds, which would adversely affect the balance-of-payments situation of those countries.

27. Transnational corporations shall, in accordance with the policies of the countries in which they operate, refrain from activities that would adversely affect the working of the capital market of those countries, thereby restricting availability of funds for domestic enterprises. When issuing in accordance with governmental policies shares to nationals of host countries in order to increase local equity participation in entities operating in such countries, transnational corporations shall consult with the Governments concerned on the effects of such transactions on the local capital markets.

28. Transnational corporations and their entities shall consult and co-operate with Governments of countries in which they operate, in order to alleviate the severity of the problems relating to balance of payments and financing of enterprises in those countries and to contribute to the achievement of the national goals of those countries.

Transfer pricing

29. Transnational corporations, in respect of their intra-corporate transactions, shall not use pricing principles which in effect modify the tax base on which their entities are assessed, avoid or evade exchange controls or adversely affect competition, technological development and employment and other social conditions in the countries in which they operate.

30. Transnational corporations shall use, in their intra-corporate transactions, pricing policies based on international market prices or in the absence of such prices, the "arms length" principle.

31. Transnational corporations shall disclose to the public the principles applied by them in determining transfer pricing in intra-corporate transactions and supply to the competent authorities all relevant information relating to such transfer pricing.

Taxation

32. Transnational corporations shall provide to the Governments of home and host countries, upon request, and on a regular basis as specified by those Governments, all relevant information required for purposes of tax assessment in accordance with the laws, regulations and administrative practices of the countries in which they operate.

33. Transnational corporations shall not use their corporate structure and modes of operation, such as resort to tax havens or intra-corporate pricing not based on the "arm's length" principle, with a view to modifying the tax base on which they are assessed, thereby contravening the laws and regulations of the countries in which they operate.

Competition and restrictive business practices

34. Transnational corporations shall conform to the laws and regulations relating to restrictive business practices in the countries in which they operate and consult and co-operate with the competent authorities of those countries in charge of controlling restrictive business practices.

35. Transnational corporations shall refrain from restrictive business practices adversely affecting international trade, particularly that of developing countries and the economic development of those countries.

36. Transnational corporations, in their intra-group transactions and in their dealings with other enterprises, shall adhere to the relevant provisions of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices, adopted by the General Assembly in resolution 35/63, and in particular refrain from the practices listed in section D thereof containing principles and rules for enterprises including transnational corporations.

Transfer of technology

37. Transnational corporations shall conform to the transfer of technology laws and regulations of the countries in which they operate. They shall co-operate with the competent authorities of those countries in assessing the impact of international transfers of technology in their economies and consult with them regarding the various technological options which might help those countries, particularly developing countries, to attain their economic and social development.

38. Transnational corporations in their transfer of technology transactions, including intra-corporate transactions, shall avoid practices which adversely affect the international flow of technology, or otherwise hinder the economic and technological development of countries, particularly developing countries.

39. Transnational corporations shall contribute to the strengthening of the scientific and technological capacities of developing countries, in accordance with the science and technology policies and priorities of those countries.

Transnational corporations shall undertake substantial research and development activities in developing countries and make full use of local resources and personnel in this process.

Consumer protection

40. Transnational corporations shall carry out their production and marketing operations in accordance with national laws, regulations, administrative practices and policies of the countries in which they operate and also relevant international standards in order to ensure that those operations are in no way injurious to the health and safety of consumers or bring about variations in quality of products in each market to the detriment of consumers.

41. Transnational corporations shall supply to the authorities of the countries in which they operate all relevant information concerning:

(a) Features of their products and services which may affect the health and safety of consumers;

(b) Prohibitions, restrictions, warnings and other regulatory measures imposed in other countries on grounds of health and safety protection on products which they produce or market or propose to produce or market in the countries concerned;

(c) Experimental uses and related aspects of products which they propose to produce or market in the countries concerned.

42. Transnational corporations shall disclose to the public in the countries in which they operate all appropriate information on the contents and possible hazardous effects of the products they produce or market in the countries concerned by means of proper labelling, informative and accurate advertising and other appropriate methods. Packaging of their products should be safe, and the contents of the product should not be misrepresented.

43. Transnational corporations shall be responsive to requests from Governments of the countries in which they operate and be prepared to co-operate with international organizations in their efforts to develop and promote national and international standards for the protection and safety of consumers and to meet the basic needs of consumers.

Environmental protection

44. Transnational corporations, in carrying out their production activities, shall comply with national policies, laws and regulations of the countries in which they operate with regard to preservation of the environment. They shall take steps to improve the environment and make efforts to develop and apply adequate technologies for this purpose.

45. Transnational corporations shall supply to the authorities of the countries in which they operate all relevant information concerning:

(a) Features of their products or processes which may harm the environment and the measures and costs required to avoid harmful effects;

(b) Prohibitions, restrictions, warnings and other regulatory measures imposed in other countries, on grounds of protection of the environment, on products and processes which they have introduced or intend to introduce in the countries concerned.

46. Transnational corporations shall be responsive to requests from Governments of the countries in which they operate and be prepared where appropriate to co-operate with international organizations in their efforts to develop and promote national and international standards for the protection of the environment.

C. Disclosure of information

47. (a) Transnational corporations shall disclose on a regular basis, but at least annually, to the public in the countries in which they operate, by appropriate means of communications, clear and comprehensive information on the structure, activities, policies and practices of the transnational corporations as a whole.

(b) The information required in the above subparagraph shall include financial and non-financial items, be presented in a consolidated or integrated form, be accompanied by suitable explanatory notes and include:

- (i) The structure of the transnational corporation, showing the name and location of the parent company, its other entities, its percentage ownership, direct and indirect, in those entities, including shareholdings between them;
- (ii) Income statement and balance sheet;
- (iii) Operating results and sales;
- (iv) Allocation of profits, including the amount remitted abroad;
- (v) Statement of the sources and uses of funds;
- (vi) New capital investments and long-term plans;
- (vii) Employment policies and practices;
- (viii) Research and development expenditure;
- (ix) Policies adopted in respect of transfer pricing;
- (x) Shareholdings or other arrangements allowing for participation in the decision-making process of other transnational corporations operating in the same country where the information is to be disclosed, including operational arrangements and structural links between them, and

- (xi) Accounting principles used in compiling and consolidating the information published.

(c) The above information shall be broken down by geographical area, country of operation and major lines of business. The method of breakdown as well as details of information required shall be determined by the nature, scale and interrelationships of the transnational corporations' operations so as to ensure the understanding of the structure, activities, policies and practices of the transnational corporations in all the countries in which they operate.

(d) Transnational corporations shall, in providing this information, pay particular attention to the significance of the operations in each country in which they operate, irrespective of the relative importance of such operations for the transnational enterprise as a whole.

(e) The information herein required shall be in addition to the information required under national laws, regulations and administrative practices of the countries in which transnational corporations operate.

48. Transnational corporations shall supply to the competent authorities of the countries in which they operate, upon request or on a regular basis as specified by those authorities, all information relevant to the activities and policies of their entities in the countries concerned. Transnational corporations shall, subject to the provisions of the relevant national legislation of the countries concerned, supply to competent authorities in the countries in which they operate such information held in other countries relating to intra-group activities to enable them to obtain a true and fair view of the operations of the transnational corporation concerned as a whole.

49. Transnational corporations shall provide to the legally recognized trade unions or other representatives of employees in each of the countries in which they operate, by appropriate means of communication, information on activities dealt with in this Code so as to enable them to obtain a true and fair view of the performance of the local entity and, where requested, the enterprise as a whole, and provide to them the opportunity to discuss such information. The information shall include, inter alia, future plans of investment and policy options, having major effects upon the income and life of the employees.

CHAPTER IV

TREATMENT OF TRANSNATIONAL CORPORATIONS

A. General treatment of transnational corporations by the countries in which they operate

1. Competent authorities of the countries in which transnational corporations operate determine the role that such corporations may play in economic and social development and regulate the establishment or entry of transnational corporations,

including prohibitions or limitations on the extent of their presence in specific sectors.

→ 2. Transnational corporations should receive fair and equitable treatment under the laws, regulations and administrative practices of the countries in which they operate.

3. In accordance with the laws, regulations and administrative practices and subject to constitutional requirements and national needs to maintain public order and to protect national security interests of the countries in which they operate and with due regard to agreements on economic co-operation between countries, particularly developing countries, and in line with the efforts of those countries to achieve self-reliant development, entities of transnational corporations should be given the treatment accorded to domestic enterprises when the circumstances under which they operate are similar.

4. Information furnished by transnational corporations or their entities to the authorities of the countries in which they operate should be subject to safeguards provided under the national laws, regulations and administrative practices regarding its confidentiality in order to protect the position of the entities concerned in relation to their competitors.

B. Nationalization and compensation

5. In the exercise of its right to nationalize or expropriate totally or partially the assets of transnational corporations operating in its territory, the State adopting those measures should pay adequate compensation taking into account its own laws and regulations and all the circumstances which the State may deem relevant. When the question of compensation gives rise to controversy or should there be a dispute as to whether a nationalization or expropriation has taken place, it shall be settled under the domestic law of the nationalizing or expropriating State and by its tribunals.

C. Jurisdiction

6. Entities of transnational corporations are subject to the jurisdiction of the countries in which they operate.

7. Disputes between a State and a transnational corporation or one of its entities, which are not amicably settled between the parties, are subject to the jurisdiction of the courts and other authorities of that State and are to be submitted to them.

8. Where the exercise of jurisdiction over transnational corporations and their entities by more than one State may lead to conflicts of jurisdiction, adoption by the States concerned of mutually acceptable principles and procedures, bilaterally or multilaterally, for the avoidance or settlement of such conflicts, on the basis of respect for the interests of the States concerned serves to improve the relations among States.

CHAPTER V

INTERGOVERNMENTAL CO-OPERATION

1. States agree that intergovernmental co-operation is essential in accomplishing the objectives of the Code.
2. States agree that intergovernmental co-operation at the bilateral, regional, interregional and international levels should be strengthened with a view to promoting the contribution of transnational corporations to their development goals, particularly those of developing countries, while controlling and eliminating their negative effects.
3. States agree to exchange information, upon request, and to make appropriate arrangements for such an exchange, on the measures they have adopted to make the Code effective and on the experience gained regarding the observance of the Code.
4. States agree to consult on a bilateral or multilateral basis, as appropriate, on matters relating to the Code and its implementation, and with respect to the promotion of international agreements and arrangements on matters related to the Code.
5. States agree to take into consideration the relevant provisions of the Code when negotiating bilateral or multilateral agreements concerning issues related to the Code.
6. States agree to co-operate, within the framework of regional groupings, in making appropriate arrangements to assess the effectiveness of the application of the Code in the region.
7. Without prejudice to the intergovernmental co-operative arrangements to which they are parties, States agree that transnational corporations should not be used as instruments for the attainment of their foreign policy objectives.
8. States agree that Government action on behalf of a transnational corporation operating in another country shall be subject, first of all, to the exhaustion of the local remedies provided in such country and, when agreed among the Governments concerned, to procedures for the submission of international legal claims. Such action should not, in any event, amount to the use of coercive measures of an economic or political character.

CHAPTER VI

IMPLEMENTATION AND INSTITUTIONAL MACHINERY

1. States agree that action at the national and international levels is required for the effective implementation of the Code.

A. Action at the national level

2. States agree to take, inter alia, the following measures:

(a) To publicize, disseminate and promote the Code through official policy statements and other means and review its application within their territories;

(b) To report to the United Nations Commission on Transnational Corporations every second year, or upon its request, on the action taken at the national level to promote the Code and experience gained from its application, the form and the structure of such reports to be recommended by the Commission;

(c) To take no action contrary to the objectives of the Code and to take the Code fully into account when introducing, implementing and reviewing laws, regulations and administrative practices relevant to the application of the Code with a view to facilitating its observance.

B. Institutional machinery for the application
of the Code at the international level

3. States agree that the institutional machinery for the application of the Code at the international level will consist of the United Nations Commission on Transnational Corporations, which may establish the subsidiary bodies and specific procedures it deems necessary for the effective discharge of its functions in this respect, and the United Nations Centre on Transnational Corporations, which will act as the secretariat to the Commission. The Commission when meeting as the institutional machinery for the implementation of this Code will be open to the full participation of all States which have adopted it.

4. The Commission will act as the focal international body for all matters related to the Code. It will establish and maintain close contacts with other United Nations organizations and specialized agencies dealing with matters related to the Code and its implementation with a view to co-ordinating steps taken for the promotion and application of the Code. When matters covered by international agreements and arrangements which have been worked out in other United Nations forums, specially referred to in the Code arise, the Commission will forward such matters to the competent bodies charged with the implementation of such agreements or arrangements.

5. States agree that the Commission will have the following functions:

(a) Annually discuss all matters related to the Code. If agreed by the Governments concerned, the Commission shall facilitate intergovernmental consultations on specific issues related to the application of the Code.

(b) Review every two years after the adoption of the Code its application, such reviews being based on reports submitted by Governments and supplemented by documentation from non-governmental organizations and United Nations organizations and specialized agencies performing work relevant to the Code, as well as by studies prepared for this purpose by the Centre upon the request of the Commission.

(c) Provide, upon the request of a Government, clarification of the provisions of the Code in the light of actual situations in which the applicability and implications of the Code have been the subject of intergovernmental consultations. In clarifying the provisions of the Code, the Commission shall not draw conclusions concerning the conduct of the parties involved in the situation which led to the request for clarification. The clarification is to be restricted to issues illustrated by such a situation. The detailed procedures regarding clarification are to be determined by the Commission.

(d) Conduct inquiries on matters related to the application of the Code.

(e) Report annually to the General Assembly, through the Economic and Social Council, on the results of its discussions and periodic reviews, and the recommendations made in regard to revising the Code.

(f) The Commission will undertake the promotion of intergovernmental arrangements or agreements on specific aspects relating to transnational corporations.

6. States agree that the United Nations Centre on Transnational Corporations will have the following functions:

(a) To collect and analyse information with regard to the promotion and application of the Code on the basis of reports submitted to the Commission by Governments and documentation supplied to the Commission by governmental and non-governmental organizations and specialized agencies.

(b) To conduct research and surveys concerning the substantive issues relating to the Code as directed by the Commission.

(c) To carry out activities upon the request of Governments supporting the application of the Code at the national or regional level.

(d) To provide other assistance as required by the Commission and its subsidiary bodies.

C. Review procedure

7. Subject to the approval of the General Assembly, four years after the adoption of the Code of Conduct, a United Nations conference shall be convened by the Secretary-General of the United Nations for the purpose of reviewing all the aspects of the Code. Towards this end, the Commission on Transnational Corporations shall make proposals to the conference for the improvement and further development of the Code, taking into account relevant activity in other United Nations organizations and specialized agencies performing work relevant to the Code.
