



## ECONOMIC AND SOCIAL COUNCIL

FIFTY-THIRD SESSION

OFFICIAL RECORDS

Thursday, 20 July 1972  
at 3.10 p.m.

PALAIS DES NATIONS, GENEVA

*President:* Mr. SZARKA (Hungary)

## AGENDA ITEM 2

**General discussion of international economic and social policy (continued) (E/L.1500/Rev.1 and Add.1, E/L.1501)**

1. The PRESIDENT drew attention to draft resolutions E/L.1500/Rev.1 and E/L.1501 submitted by the Chilean delegation. Document E/L.1500/Rev.1 was a revised version of the draft resolution already put forward by Chile on the impact of multinational corporations on the development process and on international relations among States. The financial implications of the text were set out in document E/L.1500/Rev.1/Add.1.

2. Mr. SANTA CRUZ (Chile), introducing draft resolution E/L.1500/Rev.1, said that the previous version had provoked the following comments: first, it had been said that the text was a little vague, in so far as it did not adequately define the scope of the study requested; second, that the problem it dealt with was not new and was not within the Council's jurisdiction; third, that the problem therefore did not deserve special attention and had more-over been considered by other bodies, including UNCTAD, which had asked for a special study of the matter; fourth, that a mere study would not be enough to end that type of interference in the economic and political life of the developing countries and that specific action would have to be taken to defend their sovereignty.

3. As far as the last comment was concerned, he had already said that he agreed with the representative of Kenya and he was ready to support any resolution that the Kenyan delegation put forward on permanent sovereignty over natural resources. However, he did not think the question could be introduced into the Chilean draft resolution, which was more specific.

4. The other arguments had been quite confuted by the clear and logical statement of the Under-Secretary-General for Economic and Social Affairs, who had drawn attention in the previous meeting to the importance accorded to the problem in university publications and in the press, adding that he had himself been obliged to decline many invitations to participate in seminars on the subject.

5. The Chilean delegation had itself accumulated a considerable amount of documentation on the question. He drew attention to a publication by Professor Kindelberger on a seminar on multinational operations held in the spring of 1969 at the Sloane School of Management of the Massachusetts Institute of Technology, with the partici-

pation of university professors from the United States of America and the United Kingdom and representatives of the Federal Reserve Bank and the First National City Bank of New York. One common opinion had emerged from the variety of views expressed on that occasion, namely, that multinational corporations were a very important economic and political phenomenon in the world and merited the attention of Governments and of the international community as a whole.

6. ICFTU had published a report on the subject<sup>1</sup> containing the conclusions of its World Economic Conference held at Geneva from 24 to 26 June 1971. It was recognized in the report that multinational corporations had interested themselves in the developing countries chiefly in order to exploit their natural resources and that their activities had not been designed to promote sound and balanced economic and social development in those countries. He quoted the example of the Chuquicamata mine in Chile, where Anaconda Copper had exploited the best seams, and ignored the rest. The pamphlet also said that multinational corporations were beginning to show an interest in the production of manufactures — in Asia and Latin America, for example — but that often the aim was to produce for export, using cheap labour, rather than for the local market. That picture of multinational activities drawn up by the workers of the capitalist countries was difficult to dispute.

7. Some three or four years previously the present Ambassador of the United States, Mr. Phillips, who had then represented ICC, had said that the value of United States companies' production abroad was \$120,000 million. It was now more than \$300,000 million, a figure higher than total United States exports. Such production had risen by 20 to 30 per cent a year over the last few years, while the rate of growth of the United States GNP had not been more than 5 per cent. As the representative of the Soviet Union had pointed out (1831st meeting), the income of many of those corporations was greater than the national income of many countries. The United Kingdom economist Levinson had shown that in 1969 the gross output of General Motors was almost equal to that of Australia, Mexico, the Netherlands, Spain and Sweden and higher than that of Argentina, South Africa and Switzerland. The gross output of Standard Oil and Ford Motors was greater than that of Austria, Denmark, Pakistan and Turkey. The gross output of ITT had been \$5,400 million in 1969, in other words as much as the national income of Chile, and it had since risen to \$7,300 million. Obviously, the gross output of those large corporations was out of all proportion to that of the relatively less developed countries.

<sup>1</sup> ICFTU, *The Multinational Challenge*, ICFTU World Economic Conference, Report No. 2 (Brussels, September 1971).

8. The great multinational corporations also sought political power. He cited the well-known example of the activities of ITT in Chile and the case of the International Petroleum Company, which had tried to force Chile to adopt economic sanctions against Peru, and had exerted such pressure on Iraq that the Government had been forced to nationalize its undertakings. He also mentioned the activities of the Anaconda and Kennecott Copper Companies, which, after Chile had nationalized its copper, had used all their influence to get sanctions applied against it. Lastly, he reminded the Council of the enormous influence of the United Fruit Company on the political and economic life of Central America and the Caribbean, and the part it played in respect of the relations of countries in that region with Cuba. Multinational corporations, as the President of Chile had stated in his inaugural address to the third session of UNCTAD,<sup>2</sup> had their own international policy and their own view of the world, and were the invisible elements in the structure of third world dependency – the submerged part of the iceberg.

9. He rejected the argument that the study requested in the draft resolution would duplicate other activities. A distinction must be made between a limited study of the kind being carried out by UNCTAD, which related to the activities of multinational enterprises in regard to restrictive business practices, and a study of the kind envisaged in the draft resolution which had political, financial and technological implications and implications for employment, the law of the sea and international relations. In order to make the distinction quite clear, the Chilean delegation had reproduced the whole of the paragraph of UNCTAD resolution 73 (III)<sup>3</sup> dealing with that body's study (sixth preambular paragraph). The UNCTAD study was to be completed in a year, and could not in any way detract from the value of the global study that Chile was requesting. Nor was it necessary to wait until the UNCTAD study was completed before beginning the new global study; it would merely be necessary to see that the two were properly co-ordinated.

10. He also noted that the fourth preambular paragraph of the revised text reproduced two pertinent sentences from the *World Economic Survey, 1971* (E/5144). The Chilean delegation had thought in that way to take into account the positive effects of the activities of multinational corporations. It should be noted, however, that the transfer of technology also posed problems for the developing countries. Those problems had been analysed in section G of the Action Programme of Lima.<sup>4</sup> On that

occasion, the Group of 77 had stressed the need to elaborate the bases for new international legislation on the transfer of technology, including related commercial and legal aspects of such transfer. The matter had also been taken up in UNCTAD resolution 39 (III).<sup>5</sup> In point of fact, some of the most serious abuses committed by the multinational corporations were in the field of the transfer of technology. Contracts included many restrictive clauses which hampered the import and export policies of the developing countries. They also established a monopoly by the multinational corporations over the technical processes, specifications and know-how used by the developing countries. That aspect of the matter had been studied by the Andean Group countries – Bolivia, Chile, Colombia, Ecuador and Peru.

11. The revised text of the draft resolution provided that the report on the activities of multinational corporations should be submitted to the Council at its fifty-seventh session and that, in the meantime, the Council should be kept regularly informed of the progress being made. That alteration had been made in order to take into account the fact that the group of eminent persons could not be constituted before 1 January 1973, as the Under-Secretary-General had pointed out. He appreciated the reasons for the delay but considered that the Secretary-General should take advantage of it to assemble all the material which the group of eminent persons might need and also to consult Governments on the question of the composition of the group.

12. He was sure that the Council would agree to his delegation's proposal. World opinion would not accept any other decision. For the time being, it was not necessary to define the terms of reference of the group beyond what was envisaged in the draft resolution. The Secretary-General should appoint a group of 15 to 20 experts of the highest intellectual and moral qualifications and with wide experience in the matter, so that the report would have the necessary objectivity. The work of those experts would make it possible to draw up legal instruments, and, as it were, an international code of conduct for large corporations – a code which would be imposed upon them, he trusted, by their own countries of origin. The Council would be taking a historic step in adopting draft resolution E/L.1500/Rev.1. The mere fact of announcing the study in question would give rise to second thoughts among certain multinational corporations which sought to usurp the powers of Governments and peoples, and would thus help to provide protection against attempts of the kind recently made by ITT.

13. Mr. FRAZÃO (Brazil) said that Brazil's position with regard to multinational corporations derived from three basic considerations. First, at its present stage of development, Brazil was still in need of foreign capital, technology and know-how in order to maintain its high rate of growth. Secondly, the participation of foreign investment had to be fully compatible with the promotion of national develop-

<sup>2</sup> For the full text of the statement made by the President of Chile, see *Proceedings of the United Nations Conference on Trade and Development, Third Session*, vol. I, *Report and Annexes* (to be issued as a United Nations publication), annex VIII.

<sup>3</sup> *Ibid.*, annex I.

<sup>4</sup> Declaration and Principles of the Action Programme adopted at Lima by the Second Ministerial Meeting of the Group of 77 (TD/143). The text will be reproduced in *Proceedings of the United Nations Conference on Trade and Development, Third Session*, vol. I, *Report and Annexes* (to be issued as a United Nations publication).

<sup>5</sup> *Ibid.*, annex I.

ment, as defined by national priorities. Thirdly, foreign companies which fulfilled those conditions, whether multinational or not, should not be subject to any kind of discriminatory treatment.

14. Brazil followed a policy based on those three considerations both at the national and international levels. At the national level, it considered that appropriate legislation, fiscal or otherwise, and incentives for the establishment of new forms of association, offered concrete possibilities for disciplining the activities of multinational corporations. In the fiscal area, for example, Brazil levied a 25 per cent income tax on profits transferred abroad by companies, and any profits so transferred in excess of 12 per cent were subject to a progressive income tax. In order to avoid evasion of that requirement through remittances made under the heading of "technical assistance", which was a practice commonly followed by subsidiaries of foreign companies, all licensing agreements and contracts for the provision of technical assistance were screened by the competent authorities, who could reject or amend them. Such screening was also an effective way of checking on restrictive business clauses. Brazil controlled the common restrictive business practice of overpricing by requiring that applications for import permits should specify the prices of inputs and raw materials used in production under licensing agreements. Such prices were then compared with the ones prevailing on the international market. The Brazilian Government also concluded bilateral treaties to avoid double taxation.

15. Brazil's policy was not limited to what foreign companies should not do. It also attached increasing importance to what they should do in order to fully integrate their activities with its national economic objectives. Brazil was taking the necessary steps to ensure that foreign enterprises should orient their operations towards areas of new technology, rather than towards areas already covered by national enterprises with adequate know-how and investment capacity. It also considered it imperative that multinational corporations should help improve the balance of payments by diversifying exports and producing goods which could be substituted for imports. Its national development plan laid down guidelines for the full integration of foreign companies into its national export strategy. According to that plan, subsidiaries of foreign companies should conclude agreements with their headquarters for the foreign sale of the components or final products in the production of which they were competitive.

16. There were, however, some matters in which Governments could not interfere and which therefore concerned the international community. Brazil had often requested that such matters should be considered by international organizations. For example, as early as 1961, it had been instrumental in the adoption of General Assembly resolution 1713 (XVI), which had led to the preparation of a report on *The role of patents in the transfer of technology to developing countries*<sup>6</sup> which was something of a classic in the economic thinking of the United Nations. The

Brazilian Government had also been the initiator of UNCTAD resolution 25 (II) relating to restrictive business practices,<sup>7</sup> which had opened up a completely new field of activity for UNCTAD. At the third session of UNCTAD, Brazil had played an active part in the negotiations leading to the adoption of resolution 73 (III)<sup>8</sup> on the same subject. It had also systematically advocated that UNCTAD should study the marketing and distribution networks for basic commodities in order to improve its knowledge of the practices of international companies operating in that sector of trade. Brazil had participated actively in the negotiations leading to the adoption of UNCTAD resolution 78 (III),<sup>9</sup> which contained a specific reference to the monopolistic practices of multinational companies that affected the price levels of commodities. His delegation had also helped to secure the adoption of operative paragraph 9 of UNCTAD resolution 39 (III),<sup>10</sup> which called for a study of the possible bases for new international legislation to govern the transfer of patented and non-patented technology, including the commercial and legal aspects of such transfers. In shipping, Brazil had been at the forefront of endeavours to bring the practices of large shipping concerns under some form of international regulation, an effort which had led to the adoption of UNCTAD resolution 66 (III).<sup>11</sup>

17. All those initiatives were aimed at learning more about the practices of companies whose field of activities was beyond national jurisdiction, and they were based on the awareness that national action, essential as it was, was not sufficient to cope with complex conglomerates having ramifications in many countries and foreign-based decision-making machinery. Indeed, those difficulties affected even the largest industrialized countries, where multinational corporations, through speculative capital movements and financial manipulations, had aggravated, if not actually generated, the current monetary crisis.

18. In the light of those considerations, his delegation could not but react favourably to the Chilean draft resolution. It wished, however, to make some suggestions which would make the text more comprehensive. First of all, he was glad that, in the fourth preambular paragraph, the Chilean delegation had included a more complete quotation of the World Economic Survey in order to take into account the positive aspects of the activities of multinational corporations. However, in order to formulate that idea in more direct language, he thought that a new operative paragraph should be added, which would be

<sup>7</sup> See *Proceedings of the United Nations Conference on Trade and Development, Second Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.68.II.D.14), annex I, p. 38.

<sup>8</sup> *Ibid.*, Third Session, vol. I, *Report and Annexes* (to be issued as a United Nations publication), annex I.

<sup>9</sup> *Ibid.*

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

<sup>6</sup> United Nations publication, Sales No. 65.II.B.1.

worded in the spirit of paragraph 3 of UNCTAD resolution 56 (III)<sup>12</sup> and would read as follows:

*“Recognizes that private foreign investment by multinational companies must be subject to national decisions and priorities, facilitate the mobilization of internal resources, generate inflows and avoid outflows of foreign reserves, incorporate adequate technology and enhance savings and national investment.”*

19. Brazil also welcomed the two other changes in the revised text, namely, the new version of the sixth preambular paragraph, which now contained a fuller reference to UNCTAD resolution 73 (III), and the postponement of the submission of the report until the fifty-seventh session of the Council.

20. Secondly, he would also like the draft resolution to refer to the role which should be played by multinational corporations in the export field. Those companies often limited the export of their products to certain markets through market-sharing and other restrictive practices. An appropriate preambular paragraph should be added for that purpose.

21. His delegation had some doubts about the recommendation in paragraph 1 that the study should include the impact of multinational companies on relations between States. That might tend to limit the developing countries' ability to exercise their sovereign rights vis-à-vis multinational companies operating on their territories.

22. Lastly, great care would have to be taken to avoid overlapping between the study requested in the Chilean draft resolution and the study called for in UNCTAD resolution 73 (III). It was particularly important that the latter study should be submitted to the competent organs of UNCTAD for immediate decision, and that it should not be subordinated to the action which might be envisaged by the “group of eminent persons”. That should be reflected in the draft resolution.

23. He concluded by expressing the hope that the study requested by Chile and the UNCTAD study would make it possible to formulate international regulations which would safeguard the interests of all countries, and, in particular, those of the developing countries, while allowing for the legitimate activities of multinational companies. Some codification of rights and obligations would thus be introduced in a field which had so far remained outside the scope of international law. It was essential to set in motion the process which would make it possible to eliminate the “aberrations” and “distortions” referred to in the previous meeting by the Under-Secretary-General for Economic and Social Affairs.

24. Mr. ANTEQUERA (Observer for Spain) had taken note with interest of the Chilean draft resolution and thought that it would be possible for the Council to reach a consensus despite some differences of opinion concerning drafting. The unexpected growth of multinational corporations in recent years posed serious problems of which the

international community was increasingly aware. Because of their great power and complex structure, those companies had so far escaped all controls and could take decisions regardless of the policies adopted by the Governments of the countries where they were established. There was thus no doubt that the question warranted study and the Council was clearly the only body which could consider the problem in a truly comprehensive manner.

25. However, such consideration should not be limited to defining the problem and listing the negative and positive aspects. The group of eminent persons whose establishment had been proposed should also be requested to produce new ideas on ways of overcoming the difficulties caused by the vast uncontrolled power of multinational corporations without foregoing the concentration and pooling of means and efforts which had become necessary for economic progress. It should also consider the new ideas which were developing at present in response to the challenge with which new technology confronted those responsible for the organization of production.

26. During recent visits to Latin America, the Spanish Minister for Foreign Affairs had put forward the idea of a new type of multinational enterprise whose profits would be equitably divided among the countries concerned and which would be placed under joint control. That idea, which had been well received, was being studied in Spain by experts who would make concrete proposals in that connexion. Similarly, research was being carried out within EEC on the establishment of “community” or “European” enterprises.

27. If constituted in that way and properly controlled on the basis of international legal rules, multinational corporations could offer great advantages to all countries by promoting the flow of technology, inflows of capital to support domestic saving, increased employment opportunities and the exploitation and equitable distribution of natural resources.

28. In conclusion, he considered that the future group of eminent persons would have a difficult task, but not an impossible one. In a rapidly changing world, only bold and generous ideas warranted consideration.

29. Mr. NATORF (Poland) welcomed the fact that the Council was finally addressing itself to real problems instead of wasting time on sterile debates. The two issues raised in the Chilean draft resolutions were of concern to many countries. His delegation was prepared to support the draft resolution on trade and monetary questions (E/L.1501), subject to a modification to which it had already referred in a previous statement. The second draft resolution (E/L.1500/Rev.1) was particularly welcome since it dealt with a phenomenon which, in recent years, had had considerable effects on international economic and social relations and to which the Council had so far paid no attention whatsoever.

30. Multinational corporations had unprecedented economic and financial power. Some of them had greater assets than the national income of many countries. The annual increase in their production greatly exceeded the annual

<sup>12</sup> *Ibid.*

increase in world exports and they had become the chief means of penetrating foreign markets. The influence of those companies on the economic, political and social life of the developing countries was a particularly important aspect of the question because it interfered with the sovereignty of those countries.

31. Since profit was the main goal of multinational corporations, the purpose of their activities was not to promote those countries' development but rather to make away with the bulk of their resources. Although the corporations had for some time been taking an interest in manufacturing industries, trade and services, it was certainly not because of their concern for the development of the host countries. On the contrary, their basic objectives were to dominate newly established national markets by evading domestic protection measures, to obtain high yields from invested capital and to be able to withdraw such capital rapidly.

32. It was claimed that multinational corporations promoted the transfer of technology, but that was an accidental secondary effect. Those companies had no interest in developing the economies of the countries where they established their operations; on the contrary, the expansion of local means of production and the training of national cadres would lead to undesirable competition. It was well known that the withdrawal of foreign manpower was used as a means of slowing down production and creating difficulties for the economies of countries which might take protective measures against multinational corporations. In addition, the close relations between those companies and the banking system of various highly developed capitalist countries made it possible to exert pressure on financially weaker countries.

33. The size and characteristics of multinational corporations could only harm international economic relations. In the developing countries, those companies defended the interests of neo-colonialism and interfered openly in national politics in the most scandalous way. In addition, they had other activities which though less obvious were just as dangerous. For example, they encouraged the maintenance of backward social systems and anachronistic administrations, thus preventing the implementation of the basic democratic reforms necessary for development, and they were able to do so because of the close ties which united international capitalism and the most conservative elements in the developing countries.

34. Only full and complete sovereignty, including economic sovereignty, would enable the developing countries to choose their methods of development in accordance with the traditions, needs and aspirations of their people. He therefore fully supported the Chilean proposal to appoint a group of eminent persons selected on a broad geographical basis, who would be requested to make an objective study of the entire problem. The terms of reference of the group, as set out in the operative part of the draft resolution, was fully satisfactory and could be adopted without hesitation.

35. Mr. ARCHIBALD (Observer for Trinidad and Tobago) said that, in his opinion, the matter under

consideration was one of the most important which had been before the Council in recent years. It involved many aspects of economic and social life and concerned all countries.

36. Multinational enterprises had always existed. They reflected the desire to be forever conquering new fields - a desire which knew no bounds and which was the driving force of human activity. However, it was true that, recently, those enterprises had greatly expanded as a result of the progress achieved in technology and transport. It was that expansion that should receive the full attention of the Council, whose responsibility was not to analyse the past, but to prepare for the future. The arguments put forth against the establishment of the proposed group had been refuted. A study of the problem of multinational corporations at the international level was essential if a generally acceptable and comprehensive policy in that field was to be formulated.

37. In some cases, multinational corporations could constitute an important means of transferring capital and know-how to the developing countries. Not all of them sought to interfere in the affairs of States, but there were undeniably some cases of interventions and any interference of that kind with the sovereignty of countries was to be strongly condemned. His own country had sometimes been beset by threats to its independence and it therefore supported the draft resolution submitted by Chile.

38. Mr. TODOROV (Observer for Bulgaria) said that the Chilean proposal was extremely useful; the world was at present witnessing a concentration of multinational corporations and their penetration of foreign countries, where they were exerting a considerable influence on political, economic, social and cultural life, endangering democratic development and national independence. The less developed a country was, the more complete was the control exercised. His delegation agreed with the Chilean, Peruvian, Mexican and French delegations that the problem was urgent and ought to be studied in depth. There was no valid reason for not making such a study, since it would unquestionably be both advisable and useful for the developing countries.

39. He was therefore surprised to find that the delegations displaying reluctance were precisely those which had consistently favoured United Nations attempts to associate multinational corporations more closely with United Nations assistance to the developing countries. On the proposal of those delegations, meetings were organized in which executives of various multinational corporations and leaders of developing countries participated. Those meetings, which were held under United Nations auspices and in which the Secretariat played an active part, discussed questions connected with the direct investments of multinational corporations in the developing countries. His country had always opposed such activities. Moreover, in both the Council and the General Assembly many delegations had advocated investments by multinational corporations in the developing countries, asserting that it was the best way of securing the transfer of technology to

those countries; that view had often been upheld by the Centre for Economic and Social Information. In addition, lengthy consideration had given to the assistance possibilities offered by multinational corporations to the developing countries, and a number of delegations had urged those countries to seek assistance from such corporations.

40. Now, however, that the developing countries, anxious to have a clear idea of the favourable and unfavourable effects of the activities of multinational corporations, were requesting that a study should be made of their role, those same delegations were raising objections. Some claimed that such a study would not be objective, although the wording of paragraph 1 gave absolutely no grounds for thinking that only the negative aspects of the activities of multinational corporations would be considered. What, moreover, was meant by "objective study"? Did it mean that the findings had to be positive? Paragraph 1 in no way prejudged the outcome of the proposed study, and it might well be asked whether the delegations concerned, having ample information on multinational corporations, were not already convinced that the conclusions of the study would be unfavourable to such corporations. Another argument put forward was that of the complexity of the problem. It would not, however, be the first time that the Council and the Secretary-General would be tackling a complex problem. It had also been said that the problem was too delicate, and it was true that the Chilean proposal had certainly placed some delegations in a delicate position, since their point of view was difficult to defend. The argument concerning respect for national sovereignty was, in fact, an argument in favour of the proposed study, which would do much to safeguard that sovereignty; it could, in fact, be said that the draft resolution reflected a very keen awareness of the nature of national sovereignty. Reference had also been made to the difficulty of finding experts, of obtaining the necessary funds, and so on. His delegation associated itself with the replies which had already been given to objections of that kind.

41. It had been suggested that the draft resolution should be referred to the Economic Committee. His own view was that the Council was in a position to take a decision itself, since the relevant agenda item was not new and had already been considered in plenary.

42. Mr. NAIK (Observer for Pakistan) said that he had already stressed the need for the developing countries to participate in the trade negotiations scheduled to take place under the auspices of GATT. The Chilean draft resolution reflected a similar concern and had Pakistan's full support, particularly as it dealt with a fundamental problem which had been raised on many occasions by the leaders of the non-industrialized countries.

43. The establishment of foreign corporations could be of very great value, not only for the developing countries, but also for other countries; that kind of relationship could be instituted on a mutually beneficial basis and Pakistan for its part wished to derive full benefit from foreign investments. When the Government of Pakistan had undertaken a series of reforms and had taken over control of several important sectors of the economy, it had been careful not to harm the

interests of foreign companies, at the same time obtaining guarantees in regard to local participation and the repatriation of profits. Difficulties could, however, arise; some corporations might exceed their rights, and Pakistan shared the concern which had led Chile to submit its draft resolution. There was an urgent need to make a global study of the question and to establish positive and negative aspects, particularly in view of the unexpected expansion of multinational corporations in recent years. In that context, it would be useful for the United Nations to formulate guidelines and principles to govern relations between States and multinational corporations. His country fully supported the Chilean draft resolution, which would be an important first step in that direction.

44. Mr. PATAKI (Hungary) said he thought that the purpose of draft resolution E/L.1500/Rev.1 was quite modest; the well-known activities of some corporations such as ITT would justify stronger action. He also thought that the expression "multinational corporations" was not altogether satisfactory, since the corporations in question were, in the last analysis, dominated by a few citizens of one and the same country. In any case, his delegation unreservedly supported the Chilean draft resolution, which was concerned with a very serious and increasingly disturbing phenomenon.

45. According to OECD statistics, multinational corporations had invested some \$30,000 million in the developing countries since 1966, thereby exercising both economic and political influence over those countries. In a report prepared on behalf of OECD in 1971, it was stated that the power of multinational corporations gave rise to conflicts with the host countries, whose authority was often challenged, especially where the objectives of those corporations did not accord with the socio-economic goals of the country concerned. It could also be emphasized that the laws and policies of the country in which the corporation had its headquarters often influenced the activities of its subsidiaries abroad. Thus the developing countries found their sovereignty infringed by powerful corporations which had no political and social responsibility towards the people of the countries concerned.

46. All those problems – and many others – ought to have been considered much earlier by the international community. Referring to paragraph 37 of the International Development Strategy, he stressed that it was for the Council to take action as soon as possible. UNCTAD had long since established the scope of the problem and had urged that it should be tackled. The International Labour Conference, at its fifty-sixth session, had considered the social problems posed by multinational corporations; during the discussions emphasis had been laid on the need to reaffirm the principles of democracy and freedom for the third world in the face of the growing influence of multinational corporations, and it had been stated that such corporations very often used their power in the interests of countries other than the host country. In the case of Africa, the activities of some corporations were also contributing to the maintenance of *apartheid*.



47. Other arguments could be given in favour of the Chilean draft resolution, but he would confine himself to pointing out that the Council was far from being the first intergovernmental body to take measures in that field. Unless it wished to lose all its prestige, it was vital that it should act at the right moment and not let itself be overtaken by events.

48. In regard to procedure, there was absolutely nothing irregular in considering the Chilean draft resolutions and in taking a decision on them in plenary, without referring them to the Economic Committee; the Council was free to organize its work as it saw fit, and since all its members had been present at the discussions in plenary, it would be pointless to re-open the debate. Furthermore, the draft resolutions had been submitted under agenda item 2, which the Council was to consider in plenary. Common sense therefore dictated that a decision should be taken immediately.

49. In regard to the financial implications of the draft resolution, his delegation believed that it would involve only modest expenditure, spread over a long period. A slight change in the order or priorities would make it possible to make funds available from existing resources. The problem was primarily of concern to the developing countries, and it would be regrettable if the final decision was determined by financial considerations.

50. The oral amendments proposed by the Brazilian delegation appeared to weaken the draft resolution, and it might be asked whether they were not intended to change the whole orientation of the text. He therefore urged the Brazilian representative to withdraw his amendments.

51. Finally, his delegation was also ready to support draft resolution E/L.1501, together with the amendments proposed during the discussion.

52. Mrs. ZAEFFERER de GOYENECHE (Observer for Argentina) said she supported the draft resolution submitted by Chile, since it was essential that the role of multinational corporations, which had so great an economic and political impact on the life of both developed and developing countries, should be elucidated. The proposed study was of interest to all States, whether they had socialist or market economies, but it was primarily of interest to the market-economy countries, because certain multinational corporations were monopolies which sapped the very foundations of the Western free-trade system. Rational measures must be taken against those monopolies in order to avoid the need for drastic steps such as expropriation, nationalization, or State control, as had happened in a number of cases in Latin America. Furthermore, some developing countries, through mistrust of multinational corporations, were declining certain foreign investments despite the inadequacy of their own resources. Capital was then concentrated in the developed countries, causing an inflation harmful to their economies. Moreover, in the developing countries public opinion often confused the activities of multinational corporations with those of the States in which they were based, a situation which could result in coolness between friendly nations.

53. For all those reasons it was necessary to make an objective and comprehensive study which would enable Governments to adopt measures in keeping with their national interest and to take appropriate regional and international action. In that connexion, her delegation would like the words "concerning possible guidelines" in paragraph 1 to be deleted, in order to highlight the need for the effective adoption of measures.

54. Mr. IGNATIEFF (Observer for Canada) thought that the Council must bear in mind paragraph 4 of resolution 1621 A (LI) concerning the membership of the Council and its sessional committees. He hoped that Governments would quickly ratify the amendment to the Charter of the United Nations providing for the enlargement of the Council's membership, in order to put an end to the interim situation in which some delegations were members of the sessional committees but not of the Council itself.

55. In view of the importance of the question, it was absolutely essential that the text of the Chilean draft resolution should be studied in depth and as a matter of priority by the Economic Committee. That procedure would not involve any real delay since, under paragraph 3, the Council did not have to be informed of the progress made in the implementation of the resolution until its fifty-fifth session.

56. Mr. ODERO-JOWI (Kenya) said that an interesting idea was emerging from the discussion, namely, that multinational corporations, despite the disadvantages to which the Chilean draft resolution rightly drew attention, were not entirely harmful. Attention should be drawn to that point as well as to the need for an accurate definition of the multinational corporation.

57. The draft resolution raised two interdependent problems: foreign control over the economy of small developing countries, and the sovereign rights of those countries in face of the growing interference of foreign corporations. Those two problems were essentially one and the same and involved national sovereignty over natural resources. The General Assembly and the Economic and Social Council had considered the question, but more precise principles should be formulated on the basis of the relevant resolutions. For example, when natural resources were explored and exploited by foreign enterprises, the cultural and economic rights of the host country must be respected. Contracts and investments must be based on recognition of effective sovereignty and of the right of countries to establish investment priorities in keeping with their development programmes. Every investment must be carefully evaluated in the light of criteria which might be drawn up by the Council on the basis of considerations such as: a study of capital movements due to foreign investment; the contribution of such investment to the balanced development of the economy, particularly the rural sector; the contribution made by the exploitation of natural resources to the mobilization of other national resources; the technological contribution of foreign investment (transfer of technology and improvement of the infrastructure); and the social aspects of such investment,

particularly in regard to vocational and professional training.

58. In the light of those fundamental considerations, his delegation wished to suggest a number of amendments to the draft resolution with a view to giving it greater force. The first amendment would be to insert, between the first and second preambular paragraphs, a new paragraph recalling all General Assembly resolutions regarding permanent sovereignty over natural resources by developing countries and Council resolution 1673 D (LII), in which the Secretary-General was requested to undertake a study of all aspects of the principle of that sovereignty. The second amendment was a natural consequence of the first: it was to insert a reference to the conclusions of the study referred to in that resolution after the words "the conclusions of the Group of Experts established by UNCTAD" in paragraph 2.

59. He hoped that those amendments, which were designed to give greater weight to the draft resolution and to bring out more clearly the close relationship between the impact of multinational corporations and national sovereignty, would meet with the approval of the Chilean delegation.

60. Mr. OGISO (Japan) said that the draft resolution before the Council was of great importance, since it dealt with questions which would be in the forefront of international attention in the immediate future, in the context of the multilateral trade negotiations in GATT and the possible reform of the monetary system. His delegation had voted in favour of the UNCTAD resolution referred to in the preamble and had supported the measures which had since been taken to associate the developing countries with all negotiations on trade and monetary questions. It therefore endorsed the revised draft resolution submitted by Chile.

61. However, as many delegations had pointed out, the problem was a complex one which did not have only negative aspects, and any study on multinational corporations would have to take account of their real contribution to the economic development of the third world. His delegation accordingly agreed with the observer for Canada that the question should be referred to the Economic Committee for detailed consideration before the Council took a decision.

62. Mr. OLMEDO (Bolivia) said that, since the Lima meeting of the Group of 77, his delegation had always subscribed to the principles set forth in the draft resolution contained on document E/L.1501.

63. With regard to draft resolution E/L.1500/Rev.1, he was in favour of its being considered in plenary. Multinational corporations undoubtedly constituted an appreciable source of capital and technology. However, those two elements had unfortunately become commodities whose marketing left something to be desired, owing to the existence of monopolies and the lack of bargaining power, and their exact cost was not known. A clear-cut approach should therefore be laid down for the sectors in which those two factors were to be applied and rules should be

drawn up to govern the role they should play. His delegation endorsed the draft resolution before the Council, since it considered it desirable that detailed information should be available on the activities of multinational corporations.

64. Mr. CARANICAS (Greece) drew attention to a point which seemed to have escaped some members of the Council, namely, that multinational corporations came under criticism in the developed as well as the developing countries – in the United States for example, they were the target of attacks by the trade unions, which accused them of exporting jobs. Moreover, the Under-Secretary-General for Economic and Social Affairs had rightly drawn attention to certain aspects of the matter not connected with national sovereignty. There was a tendency to exaggerate somewhat, both among the opponents of the multinational corporations, who vied with each other in enlarging upon their economic misdeeds, and among their supporters, who sought to minimize their political impact.

65. At all events, the Greek delegation agreed with the comments of the Brazilian representative and felt that it rested primarily with the various countries to exert the appropriate control. He did not, however, agree with the Brazilian representative that responsibility for the international monetary crisis was to be attributed to the financial transactions of the multinational corporations. The crisis resulted solely from the economic situation of the world in general and of certain countries in particular, and it was idle to believe that speculative capital movements could be prevented by controlling the multinational corporations. Undoubtedly the activities of some of them were not always in the interests of the host country, but others had a beneficial effect, on exports for example; as the representative of Japan had rightly stated, any judgment on them had to be qualified.

66. Economic interdependence was a fundamental characteristic of the present-day world, and no country, rich or poor, could be completely self-sufficient. The international community must accept that idea, adapt itself to it, and adopt a conciliatory approach. He wished, therefore, to congratulate the Chilean representative on the moderation displayed in his draft resolution, which would, moreover, make it possible to define the problem more closely.

67. The revised text was more balanced than the original version, since it took into account both the positive and negative aspects of multinational corporations. Perhaps the Chilean delegation would be able to amend its text still further so as to secure general agreement. He regretted that the amendments suggested during the meeting had not been submitted in writing. He himself would like to make a few minor changes in the draft resolution, of which he was, in principle, in favour. In paragraph 1, the resolution might refer to a "small" group or give some figure indicating the size of the group. He did not understand the reference to "international policy" at the beginning of the paragraph and suggested it would be better to speak of "international trade policy". Lastly, the purpose of the reference to relations between States at the end of the paragraph was not clear to him. In paragraph 2, mention should be made



of the ILO, which had set up a group to study the impact of multinational corporations on social policy, in view of the size and complexity of the employment problem. He would have liked paragraph 2 to be shorter, and in that respect the original version had perhaps been better. In paragraph 3, he would prefer to speak of "comments or recommendations" by the Secretary-General rather than "comments and recommendations", and he would also prefer the reference to those comments or recommendations to come after the passage relating to the report to the Council on the progress made in implementing the resolution.

68. As regards the definition of a multinational corporation, a point mentioned by a number of representatives, he thought that in order to merit that name a corporation should be truly international in terms both of its capital and of its general policy. At present it was rather a question of national corporations operating abroad.

69. Lastly, the financial implications of the proposed study should cause no concern, for, given the importance of the problem, there could be no doubt that the Council and the General Assembly would approve the expenditure that would have to be incurred to carry out the study as rapidly as possible.

70. In conclusion, the Greek delegation supported the broad outlines of the draft resolution submitted by Chile but would like it to receive more detailed consideration. Since time was growing short, it would be better to refer it not to the Economic Committee but to a small working group, open to all who wished to participate in it, which would prepare a revised text for a plenary meeting of the Council.

71. Mr. McCARTHY (United Kingdom) welcomed the revised text, which seemed to him to have taken into account, by and large, the points brought up during the discussion. He did not agree with the Hungarian representative that the amendments submitted by Brazil weakened the draft resolution and should be withdrawn. The United Kingdom delegation respected the intention behind the Kenyan amendments, but would find it difficult to accept them because it did not think they would serve any useful purpose.

72. The revised draft resolution gave a more detailed description of the scope of the study assigned to an expert group at the third session of UNCTAD. The United Kingdom, which had submitted a good deal of information for the purpose of that study, wished to stress the need to avoid any duplication between the UNCTAD project and the study envisaged in the draft resolution. It could hardly be argued that the latter would not involve heavy expenditure and that the Secretary-General would be able to finance it from the regular budget, because its scope and importance still had to be decided.

73. He supported the idea of referring the draft resolution to the Economic Committee for consideration, or, better still, to a smaller drafting group.

74. Mr. ZAGORIN (United States of America) objected to the amendment proposed by the Soviet Union (1831st

meeting), with the support of several other delegations, to paragraph 1 of draft resolution E/L.1501. For the same reasons as the Canadian delegation, he thought that that draft resolution — as well as draft resolution E/L.1500/Rev.1 — should be referred to the Economic Committee, unless the latter decided to set up a drafting group. By doing so, the Council would be respecting the spirit of its resolution 1621 A (LI): in point of fact, the draft resolution contained two substantive questions which, according to that resolution, should be allocated to the Economic Committee.

75. He paid a tribute to the sponsor of draft resolution E/L.1500/Rev.1 and said he was gratified by the high level of the discussion to which it had given rise. He regretted, however, that the Hungarian delegation should have seen fit to make insinuations against a particular country and corporation. He rejected those insinuations and stressed that the proposed study of multinational corporations should not be used as an occasion to incriminate any special country or multinational corporation. Hungary, incidentally, could not be completely disinterested in the matter, since a multinational corporation had undertaken to explore the petroleum and natural gas resources of an Eastern European country.

76. He found the comments of the Polish representative on the impact of multinational corporations unacceptable, as being both partisan and doctrinaire.

77. The Bulgarian representative had shown himself to be more objective, in admitting that the proposed study would not necessarily produce only negative results, and the representative of Kenya had recognized that the question had many aspects, not all of which could be bad.

78. The United States delegation was in favour of the Brazilian amendments to the fourth and sixth preambular paragraphs, which it felt improved the text, and of the change made by the Chilean representative in paragraph 3. He could not, however, accept the inclusion, either in the text of the preamble or in the operative part, of terms taken from UNCTAD resolution 66 (III), against which his delegation had voted. He also had certain reservations regarding the Kenyan amendments, although he intended to study them more closely.

79. He emphasized that the point at issue was neither to defend nor to attack multinational corporations but rather to carry out an objective study which would bring out the advantages that such corporations might present and show how the developing countries could derive greater benefit from them. The United States delegation was convinced that such a study could be useful, but knowing that budgetary funds were limited, it would like to be sure that the financial implications could really be met.

80. Mr. PATHMARAJAH (Ceylon) said he was in favour of the study. Since no delegation was fundamentally opposed to it, he thought the Council could forthwith adopt a resolution which would enable the study to be started without further delay.

81. Mr. FRAZÃO (Brazil) said he wished to revert to the question of whether it was for the Council or for the Economic Committee to take a decision on the draft resolutions under discussion. As he saw it, the Council could debate the matter but it was the Economic Committee which must take a decision.

82. It had been asserted that there had been a decision to consider agenda item 2 in plenary. However, that implied only a general debate; if a specific question arose out of the discussion, clearly the Council could not disregard its resolution 1621 A (LI) and must refer the matter to the Economic Committee. It had also been asserted that the Economic Committee was already over-burdened, but that was not the case. Moreover, although, under the above-mentioned resolution, substantive matters had to be examined by the Economic Committee, it was nevertheless recognized that the Council could devote a general debate to such matters, while leaving a decision to the Economic Committee. As had been pointed out, the Council was master of its own procedure and it could therefore take the procedural decision to refer the matter to the Economic Committee, as it had in fact done in the case of agenda item 7.

83. It had been said that all the members of the Council could express their views; that was true, but it was also true that two categories of statement were involved, those by full members and those by observers, of whom there were 27. It would be preferable to allow the latter to state their opinions in the Economic Committee, where they could do so as full members.

84. After carefully examining General Assembly resolution 2847 (XXVI) which had been quoted in support of the suggestion that the matter should be directly dealt with in plenary, he could see nothing that could justify a decision to that effect. He proposed that the Council should refer the matter to the Economic Committee, for three fundamental reasons; legal reasons, because, under paragraph 4 of Council resolution 1621 A (LI), there was no alternative but to allocate the matter to the Economic Committee; political reasons, because it was inequitable to ask 27 sovereign States not to participate in the adoption of a decision on the draft resolution – if it was adopted by consensus, all countries should have an opportunity of stating their views, and if it was put to the vote, the 27 observer countries would not be able to vote; and lastly, psychological reasons, because a resolution would carry more weight if it was adopted by the 54 members of the Economic Committee than by the 27 members of the Council.

85. He suggested that the substantive debate on the matter, already well advanced, should be completed at the current meeting, and he did not think it would be necessary for the Economic Committee to go over all the arguments that had already been put forward. A group could be set up whose conclusions would be communicated directly to the Economic Committee, which would take a decision on that basis.

86. Since the Hungarian representative had asserted that the amendments submitted by the Brazilian delegation

would weaken the original text, he wished to emphasize that any careful and objective reading of the amendments would show the contrary. It was hard to see how the text of the draft resolution could be weakened by an amendment designed to specify, for example, that the investments of multinational corporations must be subject to national decisions and priorities, or that it might be dangerous to transpose the question of relations between Governments and multinational corporations to the level of relations between States, when it was well known how greatly negotiating powers could differ between one State and another, particularly when one of them was under-developed.

87. Mr. CAVAGLIERI (Italy) said that the debate brought out very clearly the two aspects of the problem of multinational corporations: on the one hand, the “aberrations” and “distortions” of which the Under-Secretary-General had spoken (1831st meeting) and, on the other, the undeniable role played by those corporations in efforts to combat unemployment, in the transfer of technology and in the provision of the capital needed for economic development.

88. The emergence of multinational corporations was a phenomenon which bore witness to the growing intensification of international economic relations, and which did not affect the developing countries only. It was an extremely complex phenomenon, the study of which would require the services of highly skilled experts.

89. It could be said of multinational corporations what was said of money, namely, that it was a bad master but an excellent servant. He therefore supported the idea of the draft resolution stating the principle that each State should enact its own rules in respect of multinational corporations and should engage in joint action at the international level to ensure that those rules were respected. The Italian delegation might revert to the various proposed amendments at a later stage.

90. In his opinion, the Council could not depart from the principle laid down in its own resolution 1621 A (LI) and must refer the draft resolution to the Economic Committee.

91. Mr. NESTERENKO (Union of Soviet Socialist Republics) thought it was somewhat artificial to quote Council resolution 1621 A (LI) to support the argument that the Council should not discuss substantive matters. In point of fact, operative paragraph 4 of that resolution stipulated that substantive items on the agenda should be allocated to sessional committees, but not for purposes of general debate. The Council was therefore empowered to hold general debates in plenary and to make decisions on the matter raised during such debates. After having discussed a question at length, it would be absurd for it to leave the decision to the Economic Committee. Moreover, the Council had not yet dealt with the substantive aspects of the question of multinational corporations; it had merely considered whether a study should be made of the question.

92. The Chilean delegation had made it clear that it was simply a question of studying the role of multilateral corporations without prejudging their negative or positive aspects. The Soviet delegation considered that if the study was truly objective, those aspects would be self-evident. Some delegations had reproached others with using clichés in the debate on multinational corporations to denounce the negative aspects of those corporations. If, however, clichés were sometimes used in the discussion, some of them — such as “capitalist exploitation”, for example — at least had a scientific foundation and some historical authenticity.

93. It had been pointed out that a Western European country and an Eastern European country had concluded an agreement on the establishment of a multinational corporation in the latter. It was the specific intention of the latter country, whose delegation was ready to support the draft resolution under consideration, to offer the developing countries the benefit of its experience in the matter in order to help them to establish mutually advantageous relations with States whose corporations established themselves in their territories.

94. He noted that delegations had divided into two camps during the discussion, the one consisting of those which wished to abandon the study for fear of the revelations it might yield about multinational corporations, and the other consisting of those which wished on the contrary to reveal the forces behind those corporations. A clear statement of those positions would be useful to the United Nations and to world opinion.

95. Mr. DRISS (Tunisia) thought that, under paragraph 4 of resolution 1621 A (LI) and paragraph 1 of resolution 1623 (LI), the matter should be dealt with in plenary, and he suggested that there should be consultations between delegations in order to reach a settlement.

96. In the meantime, he moved the adjournment of the meeting under rule 54 of the rules of procedure.

97. The PRESIDENT put the Tunisian representative's motion to the vote.

*The motion was adopted by 19 votes to none, with 3 abstentions.*

The meeting rose at 7.25 p.m.