



ECONOMIC AND SOCIAL COUNCIL

FIFTY-THIRD SESSION

OFFICIAL RECORDS

Monday, 24 July 1972
at 3.30 p.m.

PALAIS DES NATIONS, GENEVA

President: Mr. SZARKA (Hungary)

*Message of condolence on the death
of H.M. the King of Bhutan*

1. The PRESIDENT suggested that he should send a message of condolence on behalf of the Council to the Permanent Representative of Bhutan on the death of H.M. King Jigme Dorji Wangchok of Bhutan.

It was so agreed.

*Tribute to the memory of Mr. Csatorday,
Deputy Minister for Foreign Affairs of Hungary*

2. Mr. AMERASINGHE (Ceylon), Mr. NESTERENKO (Union of Soviet Socialist Republics), Mr. DRISS (Tunisia), Mr. KULAGA (Poland), Mr. BORCH (Observer for Denmark), Mr. FRAZÃO (Brazil), Mr. OGISO (Japan), Mr. ODERO-JOWI (Kenya), Mr. VERCELES (Observer for Philippines) and Mr. SANTA CRUZ (Chile) paid a tribute to the memory of Mr. Csatorday, Deputy Minister for Foreign Affairs of Hungary, and requested the President, as Head of the Hungarian delegation, to convey their condolences to Mr. Csatorday's family and to the Government and people of Hungary.

AGENDA ITEM 2

General discussion of international economic and social policy (*continued*) (E/L.1500/Rev.1/Add.1, E/L.1500/Rev.2, E/L.1501, E/L.1506, E/L.1507)

3. Mr. AHMED (Secretary of the Council) said that the statement of financial implications contained in document E/L.1500/Rev.1/Add.1 related to draft resolution E/L.1500/Rev.1 and was based on the supposition that the proposed group would consist of 14 persons. In operative paragraph 1 of the new draft (E/L.1500/Rev.2, however, it was stated that the group might consist of between 14 and 20 persons. Accordingly, the Secretary-General wished to indicate that the travel and subsistence costs for 20 participants in the one-week session would be \$29,900 and in the two-week session \$35,800; in other words, the total financial implications would range between \$45,900 for 14 participants, as indicated in document E/L.1500/Rev.1/Add.1, and \$65,700 for 20 participants.

4. Mr. SANTA CRUZ (Chile), introducing draft resolution E/L.1500/Rev.2, said that of the 28 delegations that

had participated in the debate, 25 had expressed their support for the proposed study of the action of multinational corporations. A few, including the delegations of Argentina, Brazil, Kenya and Greece had suggested amendments, but they did not affect the substance of the draft resolution. Of the remaining three delegations, the United Kingdom appeared to be against the proposal on the grounds of alleged duplication, while Canada and Japan had not spoken on the substance of the draft but had merely requested that it be referred to the Economic Committee. It was, therefore, clear that the Chilean proposal was supported by the overwhelming majority of delegations, a situation which should be reflected in a decision by the Council.

5. He was well aware that some sections of the Council, influenced by political and other considerations, would like to prevent adoption of the draft resolution. There were a number of ways by which unpalatable proposals could be frustrated and there was no gainsaying that the draft resolution, although supported by the majority of delegations, was being placed in jeopardy by such devices. There was clear evidence, for example, of a desire to cause procedural delays in the fact that after two days of full discussion of a draft which did nothing more than call for the study of a matter of prime importance, some delegations were arguing that the proposal should first be discussed by the Economic Committee, while others were calling for the formation of a contact group. As far as the latter procedure was concerned, he wished to make it clear that his delegation would not participate in such a group. As to referring the matter to the Economic Committee, he wished to say, particularly in reply to the Canadian representative, that the question seemed to him to be one for the Council to decide. He would, indeed, welcome the opportunity of having the draft resolution adopted by the Committee with its larger membership — provided, of course, that the Committee gave it priority. On the other hand, the Council was under no legal obligation to refer the matter to the Committee, as was clear from Council resolution 1623 (LI). Furthermore, paragraph 4 of Council resolution 1621 A (LI) made an exception of the general debate in regard to the rule covering allocation of substantive items to the sessional committees. More generally, it was a legal principle that any body establishing a rule falling within its own prerogative was entitled to repeal the rule, to modify it or to make exceptions to it. He concluded that the Council was absolutely free to decide whether or not to refer the draft resolution to the Committee.

6. As to the question of duplication raised by the United Kingdom representative, he would suggest that the Under-Secretary-General for Economic and Social Affairs and the

Secretary-General of UNCTAD might indicate how they envisaged the co-ordination of the activities of their respective bodies. The Council could also state in its report that the two studies should be complementary and avoid unnecessary duplication.

7. In the new revised version (E/L.1500/Rev.2) he had gone as far towards meeting the various objections raised as was possible without abandoning the basic objective of the proposal.

8. The amendments submitted by the delegation of Kenya (E/L.1507) might give rise to debate on extraneous matters and confuse the central issue. For that reason, although no other country had been firmer than Chile in its support for the principle of sovereignty over natural resources, he had felt unable to include them in his revised text. If they were put to the vote, however, he would support them.

9. In response to the suggestion by the representative of Brazil, he had modified the wording of operative paragraph 1 so as to avoid any suggestion that the group should be expected to study the role of multinational corporations in relations between States, and had restricted the reference to "implications for international relations", but he was unable to make any further concessions on that point. It was recognized by economists and political scientists that the activities of multinational corporations were having increasingly obvious effects upon international relations. He regretted that he was unable to accept the other suggestion by the representative of Brazil that paragraph 3 of resolution 56 (III) adopted at the third session of UNCTAD¹ be inserted in the draft resolution. The paragraph did not mention multinational corporations and was concerned with formulating a code of conduct for private investment in general. Although nothing would please his delegation more than to see the Council approve the paragraph, which Chile had strongly supported in the Pre-Conference Meetings and at the third session of UNCTAD, almost all the industrialized countries with market economies that were members of the Council had not supported the paragraph in UNCTAD. Its inclusion in the draft would, consequently, reduce the chance of achieving the desired consensus.

10. He had been glad to accept the Argentine representative's suggestion that a clear distinction be made in the second part of operative paragraph 1 between the role of the study in relation to national and to international measures.

11. Finally, he had accepted the suggestion made by various delegations, including that of Greece, that the membership of the group should be between 14 and 20 persons, a range which would give the Secretary-General the necessary flexibility.

12. By setting up the group, the Council would be returning to the great traditions which had enabled it in past years to approach important new problems, such as

full employment and economic development, on which groups of experts had carried out studies which had served as a basis for numerous international agreements and recommendations. In conclusion, he said that whatever the procedure adopted, a clear decision should be reached as soon as possible.

13. Mr. VERCELES (Observer for Philippines), said, with respect to draft resolution E/L.1501, that his delegation welcomed the inclusion of operative paragraph 5 since it thought that the Executive Secretaries of the regional economic commissions should be more involved in trade negotiations and monetary reform than in the past. As the link between the regions and the United Nations as a whole, they had a vital part to play.

14. As for draft resolution E/L.1500/Rev.2, his delegation supported it in principle. It had also supported UNCTAD resolution 73 (III) on restrictive business practices.² The draft resolution before the Council, however, included a new element in its reference to "international relations among States". That element gave it political overtones and could have an undesirable effect on the proposed study, which ought to be a dispassionate inquiry into the impact of multinational corporations on the development process. There was a danger that the study would be politically suspect from the outset and that the "eminent persons" mentioned in operative paragraph 1 would have to work in an atmosphere of political bias. Such circumstances would be extremely inauspicious.

15. He welcomed the fact that operative paragraph 1 had been modified, since his delegation had had some difficulty with the corresponding paragraph of the first revised version. Nevertheless, his delegation did not like the expression "to formulate conclusions" in the second revised version and would prefer the words "to make recommendations". Such a wording would allow for the existence of national laws and regulations. The Philippines had such laws and regulations and would not take kindly to interference with its freedom of action, however well-intentioned the motives.

16. The text would be far more balanced, and thus more acceptable, if it included the additional paragraph proposed by Brazil at the 1832nd meeting. The wording might leave something to be desired, but that could easily be remedied by drafting changes.

17. As for the procedural question concerning the way in which the two draft resolutions were to be handled, his delegation assumed that they would be submitted to the Economic Committee for its consideration, in accordance with paragraph 4 of Council resolution 1621 A (LI).

18. Mr. CARANICAS (Greece), speaking on a point of order, noted that the Philippines was not a member of the Council. Before any other non-members of the Council spoke on the subject, the Council should decide whether the draft resolutions were to be considered in the plenary or referred to the Economic Committee.

¹ 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 I.

² *Ibid.*

19. Mr. AKRAM (Observer for Pakistan), said that his delegation generally supported both the draft resolutions before the Council, but thought that some of the proposed amendments should be adopted.

20. With regard to procedure, the Council was bound to submit the topic to the Economic Committee if it was to comply with the decision it had taken in resolution 1621 A (LI), which had been endorsed by the General Assembly. The resolution stated that all substantive items except for the general debate would be considered by the sessional committees. The draft resolutions submitted by Chile were of a substantive nature. It would be unwise to be too ingenious in interpreting the reference to the "general debate". If there was any ambiguity in the Council resolution, it should be interpreted in accordance with the spirit rather than the letter. The sessional committees had been expanded to 54 members as an interim measure pending the amendment to the Charter necessary to increase the size of the Council itself. It was clear, therefore, that the purpose of resolution 1621 A (LI) was to ensure that all substantive measures were considered in the wider forum.

21. Mr. PATAKI (Hungary) said that in view of the pressure of business, he would refrain from replying in detail to the comments made on his previous statement and would merely state that he could have done so if there had been time.

22. Mr. MacINNES (United Kingdom) said that his delegation would introduce its amendments to the two draft resolutions at a later stage, presumably in the Economic Committee, to which consideration of the matter should be referred. He suggested that the Committee should consider the two drafts separately.

23. He supported the idea of studies on multinational corporations, but was anxious to ensure that there was no duplication of research being undertaken in UNCTAD or elsewhere. There was no evidence to support the assertion that certain delegations were against studies in that field.

24. At the third session of UNCTAD, the Soviet delegation had joined the delegations of France, the United States and the United Kingdom in entering reservations concerning the financial implications of establishing the *Ad hoc* Group of Experts on Restrictive Business Practices set up under Conference resolution 73 (III). He therefore looked forward with interest to hearing the Soviet representative's comments on the financial implications of the proposed study as set out in document E/L.1500/Add.1.

25. He was somewhat puzzled at the low estimate of \$45,900 for such an important study as compared with, for example, the estimate of \$82,500 in connexion with the proposal regarding the convening of a panel of experts on water resources submitted by Brazil, France, New Zealand, the United States of America and the United Kingdom at the fifty-second session of the Council.³ The low estimate was based on the assumption that common costs, documen-

tation and consultant services would be met from the 1973 budget appropriations, which had not yet been approved or even published in estimate form. When the United Nations changed over to programme budgeting, the true cost of such studies would be revealed.

26. His delegation was not opposed to work in the field in question but it was concerned about the cost, which might prevent the United Nations from carrying out other research work of equal importance.

27. Mr. MUÑOZ LEDO (Observer for Mexico) speaking at the invitation of the President, said that there had already been a long discussion on the subject of the two Chilean draft resolutions and, if a consensus could be reached, there was no point in referring them to the Economic Committee for a repetition of the debate.

28. Mr. BORCH (Observer for Denmark) supported the Canadian representative's proposal that draft resolution E/L.1500/Rev.2 should be referred to the Economic Committee for discussion at an early stage. Under rule 75 of the Council's rules of procedure a Member of the United Nations invited to participate in the Council's deliberations could submit proposals, which could be put to the vote by request of any member of the Council. He hoped that one of the Council's members would make such a request. The 27 additional members of the sessional committees had attended the session on the understanding that the Council would abide by the decision it had taken in paragraph 4 of resolution 1621 A (LI). Moreover, the majority of the Council's members were in favour of referring the subject to the Economic Committee to enable those 27 delegations to discuss it on the same basis as the Council's members. The arguments that such a procedure would delay a decision on the draft resolution or that the Economic Committee would be less receptive to the proposal were unfounded. The proposal was timely and constructive and the suggested procedure appropriate.

29. Mr. ODERO-JOWI (Kenya) said that the close link between the operations of multinational corporations in developing countries and the question of those countries' sovereign rights over their natural resources was indisputable and it would be dangerous to omit all reference to it in the draft resolution. The proposed study would be unrealistic if it ignored that issue, as it was only natural resources and markets which interested multinational corporations in developing countries. The amendments he had proposed were therefore most important.

30. Mr. FRAZÃO (Brazil) explained to the Chilean representative that the wording he had suggested was intended to be in the spirit of paragraph 3 of UNCTAD resolution 56 (III), not a verbatim quotation from it. With regard to the procedural issue, he failed to see how a decision taken by the Council and endorsed by the General Assembly could be ignored. The principle underlying resolution 1621 A (LI) was that the Council could not take decisions on matters of substance until they had been discussed in the sessional committees, where all 54

³ E/AC.6/L.442/Rev.1. See also E/AC.6/SR.561.

members could express their views and participate in a decision as equals. There were no legal grounds for denying them that opportunity. Moreover, there was every reason to expect draft resolution E/L.1500/Rev.2 to receive as much support in the Economic Committee as in the Council. Brazil would support the draft resolution because it considered the study necessary. It would be wise to establish a contact group including the sponsor and the proposers of amendments, especially the Philippines, to examine the possibility of reaching a consensus.

31. Mr. DRISS (Tunisia) suggested that, as there had already been an extensive debate on the substance of the matter, the Council should take a decision in principle on the proposal in draft resolution E/L.1500/Rev.2 and refer the matter to the Economic Committee for further detailed discussion if necessary.

32. Mr. SANTA CRUZ (Chile) said that the insertion of the paragraph suggested by the Brazilian representative, including the words "by multinational companies" would weaken support for the resolution and adversely affect the nature of the proposed study. He preferred to retain the present wording, although the substance of the amendment could perhaps be introduced in the form of an additional preambular sentence beginning with the word "*Recognizing*".

33. Referring to the point made by the observer for the Philippines, he said that any economic policy issue had political overtones and could not be properly examined in isolation from politics. It was impossible to request the kind of study envisaged without referring to political issues. He was glad to hear that the United Kingdom was not opposed to the study. He had not asked the representative of Kenya to withdraw his amendments, but would prefer not to incorporate them in the present draft unless that was the wish of the majority. The estimate of financial implications might have to be revised, as one week of meetings might not prove sufficient for dealing with the volume of material that would be available.

34. The PRESIDENT said that the Council could either continue its debate in plenary and take a vote on the draft resolution, or conclude the debate and refer the draft resolution to the Economic Committee for a decision. A decision to adopt the draft resolution in the Council would not, in his opinion, be contrary to the provisions of the Charter or to resolution 1621 A (LI).

35. Mr. SANTA CRUZ (Chile) said that there had been general agreement that draft resolution E/L.1501 should be referred to the Economic Committee, since there were a number of verbal amendments which could be dealt with more easily there.

36. Mr. ALZAMORA TRAVERSO (Peru) said that to refer the matter back to the Economic Committee would produce the opposite of the desired effect, although he understood the desirability of making it possible for all 54 sessional members to participate in the decision.

37. Mr. ZAGORIN (United States of America) said that he thought the matter could be dealt with speedily and unanimously in the Economic Committee. He therefore proposed that the Council should decide to refer draft resolutions E/L.1500/Rev.2 and E/L.1501 to the Economic Committee for discussion and decision. Since the Economic Committee was a subsidiary body, the final decision would remain with the Council.

38. Mr. NESTERENKO (Union of Soviet Socialist Republics) said that, under Article 62 of the Charter, the Council had full authority to take a decision on the draft resolutions; the matter had already been fully discussed and there was no need for further discussion in the Economic Committee.

39. Mr. WILDER (Observer for Canada) said that either the Council should decide to overrule the decision it had taken the previous year, which had been endorsed by the General Assembly, and thereby deprive half the members of the sessional committees of the right to participate fully in the consideration of the draft resolutions, or it should refer them without more delay to the Economic Committee. His delegation, like the great majority of the other delegations concerned, was eager to consider the substance of the draft resolutions both constructively and favourably.

40. Mr. CARANICAS (Greece), remarking that his delegation had not been in favour of increasing the membership of the Council, said that all delegations had been given an opportunity of expressing their views in the course of the present meeting. He did not think it was a good idea to refer the matter to the Economic Committee for further discussion, but he would support the proposal to do so in order to make it possible for members of the sessional committees to vote on the draft resolution.

41. Mr. ZAGORIN (United States of America) said that by referring the draft resolutions to the Economic Committee, the Council would be keeping faith with the spirit of its resolution 1621 A (LI). In accordance with rule 53 of the rules of procedure, he moved the closure of the debate on whether the draft resolutions should be referred to the Economic Committee.

42. The PRESIDENT read out rule 53 of the rules of procedure.

43. Mr. NESTERENKO (Union of Soviet Socialist Republics), speaking on a point of order, said that draft resolutions E/L.1500/Rev.2 and E/L.1501 had been submitted by the Chilean representative during the general discussion on agenda item 2. Was it the intention to close the debate on the entire agenda item? There was no way under the rules of procedure of closing the debate on only part of an agenda item.

44. After a further discussion on procedure, in which Mr. FRAZÃO (Brazil), Mr. PATHMARAJAH (Ceylon),

Mr. ODERO-JOWI (Kenya), Miss LIM (Malaysia), Mr. DRISS (Tunisia), Mr. ZAGORIN (United States of America) and Mr. NESTERENKO (Union of Soviet Socialist Republics) participated, the PRESIDENT

proposed that the meeting should be adjourned under rule 48.

It was so decided.

The meeting rose at 6.30 p.m.