



ECONOMIC AND SOCIAL COUNCIL

FIFTY-THIRD SESSION

OFFICIAL RECORDS

Friday, 14 July 1972
at 3.15 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, E/L.1501)

1. Mr. SANTA CRUZ (Chile), introducing draft resolutions E/L.1500 and E/L.1501, said that a number of points had emerged from the general discussion of agenda item 2. The over-all picture of conditions in the developing world, given at the third session of UNCTAD, had been confirmed by the countries concerned, accepted by all the socialist countries and not seriously disputed by any country. Furthermore, the overwhelming majority had considered that it was the responsibility of the international community to tackle that problem in order to achieve the objectives of the Second United Nations Development Decade.

2. There had been general agreement on the need for developing countries to participate fully in the multilateral trade negotiations to be held in GATT in 1973 and in those on monetary reform. There had also been general agreement that the results of the third session of UNCTAD had been varied. In his view, one positive aspect was that, during the Council's general discussion, the European market-economy countries had insisted that the Conference had not been a failure because it had opened fresh approaches which might lead to a new policy on the part of the developed countries. The final verdict on the Conference would depend on the decisions taken over the coming months.

3. The need to reform the Economic and Social Council and its subsidiary bodies had also been generally agreed upon, but at the same time most members of the Council had considered that such changes should be a means to an end: the important point was that the Council should discuss major contemporary issues and should work out proposals for dealing with them. Furthermore, a coherent central policy followed by United Nations bodies, each keeping within the limits of its respective competence, would largely solve the problem of co-ordination.

4. The purpose of draft resolution E/L.1501 was to give effect to the general support expressed by the Council for resolutions 82 (III) and 84 (III) of UNCTAD¹ referring

respectively to the participation of developing countries in the GATT multilateral trade negotiations and in the discussions on the reform of the international monetary system. Since that draft resolution merely recorded the majority view of the Council, it might perhaps be possible to dispose of it without referring it to the Economic Committee.

5. He had referred earlier in the general discussion (1822nd meeting) to the attempt made by ITT to overthrow the democratically elected President of Chile. In July 1972, in Geneva, a working group set up jointly by the International Metalworkers' Federation and the International Union of Food and Allied Workers Associations, which represented a total of 400,000 workers from nine countries employed by the ITT group, had adopted a resolution pressing for public control of multinational corporations and specifically condemning ITT's intervention in Chile.

6. The growing influence of multinational corporations, which were undermining national sovereignty and independence, had increasingly occupied the attention of responsible circles in all countries. At the third session of UNCTAD their influence had been discussed in relation to manufactures, transfer of technology, commodity policies, financing and invisibles. The matter would also be raised at the forthcoming conference on natural resources. In fact, countries were losing control of key sectors of their economy to foreign interests, whose policies were decided elsewhere at some central point and which paid scant attention to the policies of national Governments.

7. According to an article which had appeared recently in *Newsweek*, multinational corporations were also responsible for massive transfers of capital which had serious repercussions on parities and which could not be controlled by the countries affected. According to some estimates, the Eurodollar market had now risen to \$71,000 million. The United Kingdom representative had made it clear in the Council's general discussion (1820th meeting) that the virtual devaluation of the pound, at a juncture when the United Kingdom economy had been healthy, had been due to a loss of \$2,500 million from the reserves in one week. Any agreement by the Council, UNCTAD and IMF would be a dead letter if the activities of multinational corporations, veritable economic super-powers, remained unchecked. The effects of the generalized system of preferences and commodity agreements could also be nullified by their intervention.

8. If the Economic and Social Council, the principal organ of the United Nations entrusted with the creation of conditions of economic stability and the promotion of economic and social welfare, ignored such a threat, it would be abdicating its responsibilities. The Under-Secretary-

* Resumed from the 1826th meeting.

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.

General for Economic and Social Affairs had drawn attention to the danger at the third session of UNCTAD.²

9. The draft resolution on the impact of multinational corporations on the development process and on international relations among States (E/L.1500), was of broad scope to match the far-reaching ramifications of the problem. The United Nations Conference on Trade and Development at its third session had already adopted resolution 73 (III),³ under which it decided to establish an *Ad hoc* Group of Experts on Restrictive Business Practices to identify and study such practices followed by multinational corporations. In the Chilean draft resolution, however, the proposal was that the Secretary-General of the United Nations should appoint a group of persons of the highest moral and intellectual character and of international repute in their various fields, to be drawn from developed market-economy countries, developing countries and socialist countries, and to include representatives of student movements whose future was at stake. The terms of reference of the group would be to study the problem of multinational corporations in depth, a task which might take up to two years. A time-limit was set in the draft resolution, and the Council was to receive at least a progress report at its fifty-sixth session.

10. There had been some comment on the phrase “to make recommendations concerning possible guidelines for appropriate national, regional and international action” in that it might imply interference in the internal affairs of States. There had, however, been many examples in the history of the United Nations of groups of experts being requested to suggest national and international measures, including recommendations on full employment and measures to hasten economic and social development. By “national action” was meant the action undertaken by Governments themselves. With regard to international action, he recalled the suggestion made by the Under-Secretary-General for Economic and Social Affairs that negotiations might lead to international agreements on restrictive practices and on anti-trust policies, or to the drafting of an international code.

11. If the Council felt that the complexity of the subject made it desirable for the draft resolution to be considered by the Economic Committee, he would have no objection, but he hoped that a preliminary debate would be held forthwith in plenary.

12. Mr. CASTAÑEDA (Observer for Mexico) said that his delegation would support draft resolution E/L.1500. The increasingly complex structure of the world economy had

given birth to multinational corporations and the only limit to their expansion was the question of profitability. Their activities were constantly being diversified and sometimes they entered politics to the detriment of national sovereignty, as the President of Mexico had pointed out in his address to UNCTAD at its third session.⁴ All developing countries relied on foreign capital to assist them and the multinational corporations could make a great contribution in that respect provided their activities were subject to international control. An international code of conduct was required, as had been suggested by the Under-Secretary-General for Economic and Social Affairs and the representative of Chile. As a first step, the Mexican delegation fully supported the proposal in the draft resolution, for the appointment of a group of eminent persons.

13. Mr. ROUANET (Brazil) said that his delegation supported draft resolution E/L.1501. It considered that the proposal to extend the participation of developing countries, which had already been accepted with regard to the GATT trade negotiations and the negotiations on monetary reform, to cover all major negotiations and decisions bearing on their trade and economic interests constituted an important new general principle. Operative paragraph 3 of the draft resolution also provided for action to be taken by GATT and UNCTAD which would make such a principle workable in practice.

14. The draft resolution on multinational corporations (E/L.1500) had far-reaching implications which his delegation was still considering. It supported the procedural suggestion by the representative of Chile that the matter should be discussed in plenary and reserved the right to speak on the substance of the draft resolution at a later date.

15. Mr. EFFAH-APPENTENG (Ghana) said that the draft resolution E/L.1500 reflected an admirable concern on the part of the Chilean delegation for the future of the third world. Stability, which was a prerequisite for all social and economic development, was rightly mentioned in the first preambular paragraph; indeed, one of the purposes of the draft resolution was to institute a study by the international community of the causes of instability, and in particular to establish whether the activities of multinational corporations were among the causes. The draft resolution was of great importance to the developing countries, dependent as they were on external sources of financing, because instability discouraged foreign investors. The draft resolution could therefore be regarded as a test of the sincerity of those who were constantly emphasizing the need for stability in the developing areas. It did not represent a new departure since, as was pointed out in the last preambular paragraph, UNCTAD had already decided that an *Ad hoc* Group of Experts should be set up to study,

² For the summary of the statement made by the Under-Secretary-General for Economic and Social Affairs at the 89th plenary meeting of the Conference, see *Proceedings of the United Nations Conference on Trade and Development, Third Session*, vol. IA, *Plenary Meetings* part one, “Statements by Heads of delegation”.

³ 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.

⁴ For the summary of the address by the President of Mexico at the 92nd plenary meeting of the Conference, see *Proceedings of the United Nations Conference on Trade and Development, Third Session*, vol. IA, *Plenary Meetings*, part one, “Statements by Heads of delegation”.

among other matters, multinational corporations. His delegation hoped that the Council would adopt the draft resolution, which would make it possible for the international community to study the problem in all its aspects.

16. Mr. RAZAFINDRABE (Madagascar) said that at the present stage the operations of multinational corporations affected Madagascar primarily in respect of marketing, in that it had no say in determining the prices of its commodities, but he realized that his and other developing countries might be affected in the same way as Chile in coming years. It was therefore essential that the problem should be considered in all its aspects, including production, marketing, transport and services. Operative paragraph 1 of the draft resolution provided for a thorough study of the question, which would precede the adoption of any international code of conduct for multinational corporations. That approach was in keeping with his Government's present policy, which was to explore every avenue of consultation and negotiation before undertaking radical surgery which might have irreversible effects on international relations. In the light of those considerations, his delegation was glad to give its full support to the draft resolution.

17. Mr. NESTERENKO (Union of Soviet Socialist Republics) said that his delegation supported draft resolution E/L.1501. The need for the full participation of developing countries in all major negotiations and decisions concerning international economic relations and having a bearing on their trade and economic interests was beyond dispute, but that need was not limited to the developing countries. In order, therefore, to ensure an over-all consideration of the subject by the Council and to give due recognition to the principle of universality, his delegation proposed that the words "and all other countries which have expressed an interest" should be inserted after "developing countries" in operative paragraph 1.

18. Turning to draft resolution E/L.1500, he said that he had noted certain nuances in the comments of previous speakers. The representative of Brazil had said that his delegation was still considering the problem. The USSR delegation would have expected Brazil to have had time to go into such a problem long since, but that was of course the concern of the delegation in question. The representative of Madagascar was right to say that due caution should be exercised before resorting to major surgery, but the USSR delegation wished to support the draft resolution in more positive terms. The problem was a serious one and it deserved serious consideration. The proposals in the draft resolution for study of the activities of multinational corporations could be of great value to the developing countries. Moreover, the proposals were entirely consonant with the responsibilities of the Council, which included action to protect the interests of developing countries against international capital. They served once again to underline the fact that economic problems could not be considered in isolation from their political aspects.

19. The international economic and political ramifications of capital were no new phenomenon. They were

characteristic of a particular form of organization of capitalist production and had been noted in the nineteenth century not only by professional economists but also by novelists. He would not go into the question whether the hopes of the developing countries that they would receive modern technology and capital from the industrialized capitalist countries were justified, but there was undoubtedly a close link between multinational corporations and the largest monopolies, and the former could readily become the means by which the latter pursued their interests at the expense of the developing countries. In other words, the corporations could readily become the juridical representatives of large-scale foreign capital in the developing countries. There was cautious recognition of those dangers even in the *World Economic Survey, 1971* in which it was stated, that while those corporations were frequently effective agents for the transfer of technology as well as capital to developing countries, their role was sometimes viewed with awe since their size and power might surpass the host country's entire economy (see E/5144, p. 10). An example of such disproportion was ITT, whose assets exceeded \$8,000 million, a sum which was greater than the GNP of a number of countries, including Chile, Ghana, Malaysia and Tunisia. There were other even more powerful corporations, such as General Motors, whose sales for 1971 had exceeded \$28,300 million and were thus greater than the GNP of 110 out of the 136 States Members of the United Nations. The rate of profit on private capital investment differed widely from region to region: in Canada it ran at a level of about 7 per cent, in Western Europe 10 per cent, in Africa 24 per cent, in Asia 30 per cent and in the Middle East 70 per cent.

20. It was clear that capital was being drained in the largest measure from the countries that could least afford to part with it.

21. The adverse effects of the activities of multinational corporations were not, however, confined to the economic sphere but were also apparent in the political sphere. It was a matter of history that some large corporations had become so powerful as to be able to influence the composition of governments in certain countries. The need for the Governments of the developing countries to regulate the activities of such corporations was therefore obvious.

22. While he agreed that the study requested in operative paragraph 1 of the draft resolution should be carried out on a broad geographical basis, he thought that there would be little point in consulting representatives of private capital, since it was foreseeable that their reaction would be that there should be no interference in their activities. In his view, the developing countries should affirm their will to put an end to the invariably adverse impact of the operations of the corporations on their economies. Seen in that light, the proposals in the draft resolution were very modest, since all they asked was that the situation should be thoroughly studied. In supporting the draft resolution, therefore, his delegation regarded it as merely a first step towards an ultimate solution of the problem. He thought that it should be possible for the report requested to be submitted to the Council at its fifty-fifth session, but, provided the study was an objective and thorough one, no

great harm would be done if it did not prove possible to submit the report until the fifty-sixth session.

23. Mr. FRAZÃO (Brazil), speaking on a point of order, requested the USSR representative to repeat the reference he had made to Brazil in his statement.

24. Mr. NESTERENKO (Union of Soviet Socialist Republics) said that he had expressed regret that the delegation of Brazil was not able to speak upon draft resolution E/L.1500 at the meeting.

25. Mr. FRAZÃO (Brazil) said that, as it appeared that the USSR representative had not correctly understood the Brazilian delegation's statement, he would repeat what his delegation had said: namely, that it was not in a position to make its comments on the substance of the draft resolution at that stage in view of the far-reaching importance of the subject and that it would speak on the substance on a later occasion. The Brazilian delegation had also thought that the Chilean delegation did not want immediate approval of the draft but a discussion on its substance. As he had understood the USSR representative, his remarks had been to the effect that Brazil as a country deeply affected by such matters, should have found time to study such an important resolution, but that that was a matter of its own concern. If the gist of the USSR representative's statement was as he had just indicated, the Brazilian delegation was bound to say that it considered those observations pertinent. His delegation would speak on the substance of the draft resolution when it saw fit and it was not for any other delegation to tell it whether or not it was in a position to do so.

26. Mr. DRISS (Tunisia), speaking on a point of order, requested the USSR representative to clarify the reference he had made to Tunisia.

27. Mr. NESTERENKO (Union of Soviet Socialist Republics) said that he would be glad if the Tunisian representative could tell him that he had been mistaken, but he had said that the annual turnover of certain large multinational corporations was greater than the GNP of Tunisia.

28. Mr. DRISS (Tunisia) said that he might wish to return to that matter at a later stage. He was grateful to the USSR representative for his friendly concern, but Tunisia was well able to defend its own interests and to speak out against monopolies when it chose to do so.

29. If draft resolution E/L.1500 had been confined to a statement of principles, his delegation would have been prepared to support it as an expression of its solidarity with the Chilean delegation. The fact was, however, that the specific study envisaged in the draft resolution was fraught with difficulties. It was remarkable that, on the one hand, the developing countries appealed for external capital to strengthen their economies, while on the other hand they complained about the consequences of such investment. In requesting the Secretary-General to appoint a group of eminent persons to carry out the study, the draft resolution

imposed a heavy responsibility upon him. It was far from clear to which countries the Secretary-General should turn to find suitable persons. He thought that other means might be found of achieving the same end. The regional economic commissions might, for example, be asked to consider the activities of multinational corporations and to carry out relevant studies, which could then be discussed by the Council. The whole question was a delicate as well as an important one and it should be approached with due circumspection.

30. His delegation supported draft resolution E/L.1501, although it would have preferred the text to include a reference to the desirability of greater attention being given to trade and monetary problems by the Council itself, which was an ideal forum for the discussion of such matters, not only because of its particular responsibilities but also because it included in its membership centrally planned and market-economy countries from the industrialized world as well as developing countries. Another possibility which might have been mentioned was that the Council should convene a general conference on international monetary problems; a third possibility was that the Council should ask the General Assembly to include that matter on its agenda.

31. Mr. CARANICAS (Greece) said that the Council should be cautious in dealing with a draft resolution on a problem which had far-reaching implications, some of them difficult to grasp. Many multinational corporations were wealthier than some of the countries they operated in and could strongly influence those countries' policies and economic structure. In some cases they seemed to undermine the Government's capacity to work for the welfare of its own people, and served as a vehicle for economic and political penetration by a foreign country. Governments naturally wished to be free to formulate their own policies and there was increasing concern about economic policy. In many Latin American and oil-producing countries, however, the big multinational corporations were on the defensive against government pressure rather than *vice versa*. It was an exaggeration to say that they could change governments; multinational corporations still had great political influence in the developed capitalist countries, but there was increasingly close co-operation between business and government, often resulting in dynamic development.

32. Size was the main criterion for determining the importance of multinational corporations; about 200 of them now had sales of over \$100 million a year. Their common feature was above-average growth and profits. They were mainly in high-technology industries and spent large sums on research and advertising. They therefore brought new technology and technical skills to the countries in which they operated.

33. Various forms of international jurisdiction over such corporations had been suggested. Operative paragraph 1 of draft resolution E/L.1500, about which the Tunisian representative had expressed some doubt, referred the surveillance and regulation measures. At a less formal level the International Chamber of Commerce already had a kind of "court of good behaviour" for Governments and

companies. He failed to see what contribution the student movements mentioned by the Chilean representative could make to the solution of such a complex and delicate problem, which would require a serious and thorough study by experts.

34. He would prefer the Council to take note of the problem of multinational corporations and refer it to the General Assembly for discussion. There would then be more time for reflection on the subject. The hasty adoption of a draft resolution along the lines proposed by Chile might place the Secretary-General in a difficult position; eminent persons with suitable qualifications could undoubtedly be found for the proposed study, but it would be difficult to ensure a measure of agreement among them.

35. He had no objection to draft resolution E/L.1501, the objectives of which were laudable. Operative paragraph 2, however, made no mention of the absence from GATT and IMF of certain countries with an increasingly important role in the world economy. It would be useful if all States Members of the United Nations could participate in the trade negotiations and the discussions on the reform of the international monetary system.

36. Mr. ODERA-JOWI (Kenya) expressed unqualified support for draft resolution E/L.1501. He also agreed with the spirit of draft resolution E/L.1500, but thought that the action envisaged was unlikely to be effective. Multinational corporations were not a new phenomenon and had indeed existed centuries earlier in the form of such undertakings as the East India Company. They had played a part in the colonization of many parts of the world and sometimes engaged in activities which could interfere with the basic rights of the countries in which they operated. The main purpose of their operations in foreign countries was to exploit natural resources and gain access to markets. The developing countries must determine the nature and extent of their sovereignty, especially in regard to natural resources, and learn to exercise it.

37. Mr. RUTTEN (Observer for the Netherlands) said that his delegation, like many others, would have to ask his Government for instructions before taking a position on draft resolution E/L.1500. He assumed that the proposed study was intended to be entirely objective and to cover all aspects, both negative and positive, of the impact of multinational corporations on the countries in which they operated. A biased, one-sided study would be unacceptable. It was also essential to decide what kind of multinational corporations were to be covered by the study and to give the group of eminent persons a clear definition of the kind of corporation envisaged in the draft resolution.

38. Mr. SANTA CRUZ (Chile), replying to a question by Mr. McCARTHY (United Kingdom), said that he thought that draft resolution E/L.1501, which was straightforward, might be dealt with at a plenary meeting of the Council after a short discussion, but if the Council felt it involved complex issues he had no objection to its being referred to the Economic Committee.

39. As he had said, he wished draft resolution E/L.1500 to be fully discussed at a plenary meeting, on the understanding that the Council might wish to complete its consideration in the Economic Committee. He would have no objection to such a procedure, provided that there was an opportunity for a full debate which would be reported in the summary records.

40. Mr. McCARTHY (United Kingdom) recalled that the Council had decided that new proposals should be dealt with a committee before they were taken up at a plenary meeting. If that procedure was adopted for draft resolution E/L.1501, the text should first be revised by the sponsor. It was expressed in moderate terms, but there were points which needed clarification. Operative paragraph 3, for example, seemed to be a compressed version of a corresponding provision in resolution 82 (III) on multilateral trade negotiations adopted at the third session of UNCTAD, and gave the impression that it went beyond that provision. If the text was discussed in one of the committees, his delegation might have more comments to make. Meanwhile, it would need a few days in which to consult its Government.

41. Draft resolution E/L.1500 dealt with a much wider and more complex problem with long-term implications. If the Council was to take up that issue, members should be given time to think about it; it should then be dealt with properly and not hastily. He was not in favour of simply referring the matter to the General Assembly. An *Ad Hoc* Group of Experts had already been formed by UNCTAD to study restrictive business practices affecting the trade of developing countries and there were other studies on the transfer of technology, marketing and distribution. The question of multinational corporations was much wider and affected both developed and developing countries. If a wider and more difficult study of such a kind was undertaken, that material would be most useful.

42. The draft resolution seemed to imply that there was no element of national decision in the matter and that multinational corporations were beyond the control of governments, but it should be borne in mind that, under the United Nations Charter, which respected national sovereignty, governments had the right to decide what should happen in their countries. A government was responsible for deciding whether or not its people were benefiting from the operations of a foreign company. That was not the concern of other countries. He suggested that the sponsor of the draft resolution should consider the comments made so far, especially by the representatives of Tunisia and Kenya, before placing it before the Council in plenary. It would be wise to take the matter up in one of the committees. He hoped that the discussion would not consist of arguments about individual countries' disputes with multinational corporations and that the Council would try to reach a decision on a basis which it knew to be reasonable. Lastly, he drew attention to the financial implications of the draft resolution.

43. Mr. ALZAMORA TRAVERSO (Peru), supporting draft resolution E/L.1500, emphasized that the problem of multinational corporations should be studied fully, objec-

tively and with a sense of responsibility, taking into account their role in the transfer of technology, trade promotion and marketing. The study must establish whether those corporations observed the rules of international law and really helped developing countries to develop their economies. Multinational corporations were acquiring increasing economic and political power, and their operations sometimes encroached on the sovereignty and national jurisdiction of the countries in which they operated, undermined their economic and political independence and disrupted their friendly relations and co-operation arrangements with other countries. They were sometimes used by the country in which they originated or had their headquarters as a means of economic domination or penetration. Their operations did not always involve the responsibility of their country of domicile and there was an obvious need for some measure of control over their activities or some international code of conduct for them.

44. Mr. VIAUD (France) said that he was not in a position to express an opinion on all aspects of the Chilean draft resolution (E/L.1500) but agreed that it was essential to define clearly what was meant by the term "multinational corporation" for the purpose of the study, perhaps on the basis of size and power as had been suggested. Otherwise the draft resolution might be interpreted as applying to all companies with foreign subsidiaries. The study, if undertaken, must be of a technical character and should not go into the political implications of the issue, for that would lead to a result which he was sure Chile had not intended. The group carrying out the study should be small and its members should be chosen in accordance with all the relevant criteria. He agreed that the study must be thorough and objective, covering all good and bad aspects of the role of multinational corporations. In view of the apprehensions expressed by several speakers, the Council should not take a hasty decision but should consider the matter most carefully.

45. Mr. PATHMARAJAH (Ceylon) said that in many joint ventures one party tended to be the loser and it would be useful if the proposed study could show how the joint ventures of developing countries and multinational corporations could be made more equitably beneficial. The members of the group carrying out the study should be chosen in such a way as to ensure that the conclusions that were reached were realistic and of some practical value. He would have more comments to make if the subject was taken up in one of the Committees.

46. Mr. SANTA CRUZ (Chile) agreed to add the words suggested by the USSR representative to operative paragraph 1 of draft resolution E/L.1501. He had not anticipated any discrimination at important international negotiations. He would also accept any addition along the lines suggested by the representative of Tunisia. He agreed with the United Kingdom representative that the draft resolution should be brought more closely into line with the text adopted at the third session of UNCTAD.

47. As the USSR representative had said, draft resolution E/L.1500 was a modest one and he was surprised to hear so

many speakers oppose its substance. There had been much talk of revitalizing the Council and encouraging it to take up important problems and now every possible argument was being used to prevent it from discussing a major issue affecting the developing countries. The problem of multinational corporations was indeed an old one, but it was becoming more acute, since such corporations were sometimes used by Powers to penetrate and dominate the economies of developing countries. Any pressure exerted on those countries through such corporations was a violation of sovereign rights and could undermine international security. Such pressure had been applied by certain corporations in an attempt to influence Chile's policy.

48. It had been argued that it would be difficult to choose suitable members for the proposed group of eminent persons. He believed that a suitable choice could be made if there was a will to do so. Referring to the point raised by the representative of Greece he said that student movements played a part in Chile's affairs. He assured the Netherlands representative that Chile wanted an objective study. He thought the group itself could decide which corporations were relevant, but he was sure that all members of the Council knew what kind of corporations were envisaged in the draft resolution. Some would no doubt be vindicated by the proposed study, as they provided technical assistance and transferred technology to countries in which they operated. Others were taking out more than they brought in and were trying to dominate the economy and influence political appointments and decisions. If the proposed study was not carried out, the developing countries would know what they could expect from international organizations in the future, but Chile still had faith in those organizations.

49. Mr. MUÑOZ LEDO (Observer for Mexico) reaffirming Mexico's position on the question under discussion, said that his delegation had already stated that multinational undertakings and direct foreign investment, when accompanied by transfer of technology and access to foreign markets, could contribute appreciably to the modernization of the economies of developing countries, thereby creating a form of economic complementarity, but only provided that they complied with the laws and the development objectives of the countries in which they operated. His delegation was strongly in favour of draft resolution E/L.1500 because the activities of such corporations were not purely economic, but impinged directly or indirectly upon domestic affairs and even on national policy. It also supported the statements already made by the representatives of Peru and Chile.

50. The President of Mexico, both at the third session of UNCTAD, and in OAS, has emphasized the need to respect the rights of States to dispose freely of their natural resources, and to safeguard the sovereign right of every country to proceed to such expropriations as it deemed necessary in order to strengthen its autonomy.

51. Multinational undertakings could exploit the natural resources of a country, operate public services alone or jointly with local undertakings and create economic complementarity in so far as they provided financial or

technical resources. In exploiting natural resources or operating public services, however, multinational corporations frequently went beyond what was necessary in the public interest, and perpetuating old patterns of colonial domination, opposed structural modifications or intervened in internal political processes. He cited the instance of the Mexican oil-workers in 1917, who had engaged in a long strike in order to obtain satisfaction for their demands. The companies concerned having failed to comply with the orders of the courts, even the National Supreme Court, Mexico had decided, despite strong opposition from outside the country, instigated largely by the companies concerned, to nationalize its oil-industry.

52. His delegation was in agreement with the statement in the *World Economic Survey, 1971* (E/5144), quoted in the draft resolution, to the effect that the international community had yet to formulate a positive policy and establish effective machinery for dealing with the issues raised by the activities of multinational corporations. If the International Labour Conference, in which Governments represented on the Council also participated, had approved the establishment of an expert group to make an analysis of multinational undertakings in the light of social policy, there was no reason why the question, with all its economic implications, should not be studied in depth as suggested in draft resolution E/L.1500.

53. Mr. NESTERENKO (Union of Soviet Socialist Republics) said that he would clear up the misunderstanding about his reference to Brazil personally with that country's representative. He agreed with the views expressed by the representatives of Chile and Peru. Early in the session the Council had been accused of refusing to take up important issues, with the result that it had been by-passed and the necessary action was being taken through other bodies. Other speakers had claimed that the Council was competent to deal with important issues and that it should be revitalized and its authority enhanced. Members could help to bring that about by allowing it to take up the important issue under discussion. Some were nevertheless hesitating to allow it to undertake even a study on that issue. He agreed that the problem was an old one, but the circumstances were new and the countries concerned were no longer powerless to defend their interests against the multinational corporations. He agreed that the issue involved the prerogative of Governments in domestic affairs and was a complex issue, but that did not in his view preclude the Council from studying it. It was also true that UNCTAD's study on restrictive business practices would deal with part of the problem but there was no reason why the Council should not study the whole problem. The proposal was not concerned with relations between multinational corporations and Governments of developed countries: the position was entirely different when large multinational corporations operated in small developing countries. If there was any difficulty in finding suitably qualified experts for the study, the USSR would be glad to provide some.

54. Mr. CHANG Tsien-hua (China) said that the representative of Chile had made a very precise statement on the

acts of the multinational corporations which interfered in the internal affairs of the host countries concerned and disrupted their economies. His statement reflected the aspirations of countries that wanted independence and nations that wanted liberation. The Chinese delegation therefore supported the draft resolutions submitted by Chile and would be prepared, if the Chilean delegation had no objection, to agree to the discussion of draft resolution E/L.1500 in another forum.

55. Mr. de SEYNES (Under-Secretary-General for Economic and Social Affairs) said that it was appropriate that the question of terminology, which had been referred to by the representative of Chile, should be raised at the present stage in the discussions because, in international affairs, it was the United Nations which had the major influence in deciding on terminology. The public debate on international companies had been going on for ten years. If the United Nations had intervened somewhat sooner, agreement might already have been reached on a definition of the terms "multinational", "supranational" and "international". The fact that the question of terminology had been raised at the present meeting was also important because it related to the problem of the reform of the Council. If the Council was to continue to exist, it should be vigilant and able to anticipate problems before they arose. It should therefore not wait ten years to discuss a major international problems which had provided subject matter for many newspapers, university publications and debates outside the United Nations.

56. It was often true that aberrations drew attention to, and stimulated interest in, the problem itself. That was, in his opinion, the case with the problem of multinational corporations. It was inevitable that some countries should be more keenly aware of those aberrations than others, and he thought that the experts who might be appointed to study that problem should also be aware of them. Nevertheless, the problem existed quite apart from such aberrations, because the development of technology, the system of international trade and payments and international communications had necessarily led to new forms of social organization and production which, in an ever-increasing number of cases, transcended the geographical boundaries of States. In the past ten years, the development of those new forms of social organization and production had been intensified to such an extent that, at the international level, it corresponded to a new phenomenon. Combinations of factors of production, technology, financial resources, management and distribution networks could operate in extremely varied ways. For example, some of those combinations took place between countries with different economic systems, between market-economy countries and socialist-economy countries. That example indicated that the development which was taking place was due to a new international state of affairs, and that, consequently, it was a problem which existed quite apart from abuses and excesses, and which should be studied comprehensively and not only from the point of view of its aberrations.

57. He was of the opinion that national sovereignty provided the key to the problem of multinational corporations, for the problem would not exist if there was no

national sovereignty. In that connexion, countries receiving foreign capital were increasingly aware of their bargaining strength in their discussions with multinational corporations. For example, the petroleum-exporting countries had recently been able to take advantage of a favourable economic situation, and of the fact that a great deal of the petroleum technology was now in the public domain.

58. Not all situations were the same, however, and the United Nations had learned from experience that a large number of Governments were anxious to be informed of the possible combinations of factors of production and financial resources and of the best means of appraising the cost-benefit relationship of a given investment, particularly when psychological, political and sociological factors were involved in that relationship. The problem of the installation of manufacturing industries could not be compared to the problems of the petroleum industry, but the two sets of problems were extremely important in the context of economic development. Thus, a large part of the increase in the exports of manufactures from the Latin American countries had been brought about through the intermediary of multinational corporations and the worldwide and regional distribution networks available to them.

59. It was also necessary to consider the aspects of the problem of multinational corporations which could not be solved only by the exercise of national sovereignty. It was not possible to discuss the international redistribution of economic power generated by the development of multinational companies without also taking into account the international aspects of the phenomenon and the need for some measure of international surveillance. Much could be done to assist a country in the effective exercise of its sovereignty and to increase its knowledge of means by which it could protect itself against interference by multinational corporations. It was also necessary to study some of the international aspects of the problem such as the complexity of the operations involved in transactions between different units of one single international corporation, the advantages which could be derived from certain price-fixing mechanisms and the consequences of the different tax systems in force in the various host countries.

60. If there was to be a normalization in relations between multinational corporations and host countries, it was not possible merely to rely on the effective use of national sovereignty. It would be necessary to develop a network of institutionalized international relations and, if necessary, a set of conventions on that subject. In addition, it might be useful to hold an international debate on the question. The many requests for a debate of that kind had led to the conclusion that some international organization should deal with the problem. He recognized that it was extremely difficult to find a starting point for such discussions and subsequent institutional actions. He had suggested that one such starting point, which would not cover the problem as a whole but which related to one important aspect, might be to draft a convention on restrictive business practices. The idea of such a convention went back as far as the Havana Charter, which had been drafted before many of the developing countries had become independent and which was not yet influenced by

schools of thought which had developed since that time. In 1950, 1951 and 1952, the United Nations had endeavoured to prepare an international convention on the question of restrictive business practices, but that attempt had been abandoned in 1953.⁵ There was no doubt that if it was to be taken up again, that convention would have to be considerably modified because of developments which had taken place since that time. The study of a convention of that kind would, however, be a step in the right direction.

61. In his statement, the representative of Chile had referred to the question of the Eurodollar market, which had been of concern to the United Nations in the context of the reform of the international monetary system. The problem of the Eurodollar market involved short-term capital and was, therefore, basically different from the problem of the installation of private capital, which was generally of a long-term nature. Those two problems were, however, related, since multinational corporations included a large number of international banking corporations, which had been instrumental in promoting Eurodollar transactions. During most of the past decade, transactions on the Eurodollar market had been of great importance for the expansion of European economies, but in the last two or three years they had caused some difficulties and, in particular, had contributed to inflationist pressures. The problem of the Eurodollar market was, however, different from that of the multinational corporations. It involved the ability of governments to control their cyclical economic policies in a world economy which should remain as open as possible. That problem was of fundamental importance to the international community as a whole and it was being studied by IMF in the context of studies which were being carried out for the reform of the international monetary system.

62. With regard to the question of the Secretary-General's responsibility in selecting the members of the group of eminent persons which had been proposed by the delegation of Chile, he said that the main problem was to decide on the number of persons to be appointed, because the proposal would have financial implications. He was of the opinion that, if the group was to be established, it should consist of fourteen or fifteen experts, although other possibilities would certainly be considered.

63. It was also necessary to decide when the studies by the group should be ready for the Council. That question too, had financial implications, as it was difficult to undertake projects of any kind before funds had been voted by the General Assembly. Some preliminary or exploratory work could be done in the near future, but he thought that it should be kept in mind that the study could not really be started before 1 January 1973.

Farewell to Mr. Viaud

64. The PRESIDENT said that he wished, on behalf of the Economic and Social Council, to extend best wishes to

⁵ See Economic and Social Council resolutions 375 (XIII), 487 (XVI) and 568 (XIX).

Mr. Maurice Viaud, the representative of France, who would soon be leaving the Council to take up a new assignment. M. Viaud had been associated with the work of the Council for many years and his broad knowledge of the work of the United Nations, particularly in the field of economic affairs, his sagacity, his skill as a diplomat and the warmth of his friendship had earned him the deep respect and admiration of all those who had worked with him. The members of the Council wished him success and happiness in his new post.

65. Mr. CARANICAS (Greece), Mr. DRISS (Tunisia), Mr. FRAZÃO (Brazil), Miss LIM (Malaysia) and Mr. de SEYNES (Under-Secretary-General for Economic and Social Affairs) associated themselves with the tribute paid to Mr. Viaud by the President.

66. Mr. VIAUD (France) thanked all the members of the Economic and Social Council for their good wishes.

The meeting rose at 7.25 p.m.