SUMMARY RECORD OF THE FIVE HUNDRED AND EIGHTY-FIFTH MEETING

held on Wednesday, 26 July 1972 at 10.30 a.m.

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| Chairman: | Mr. F. AZÃO | Brazil |
| later | Mr. TODOROV | Bulgaria |

GENERAL DISCUSSION OF INTERNATIONAL ECONOMIC AND SOCIAL POLICIES (item 2 of the Council agenda) (E/L.1500/Rev.1/Add.1, E/L.1500/Rev.2, E/L.1501, E/L.1507, E/L.1509, E/L.1510, E/L.1511, E/L.1513) (continued)

The CHAIRMAN invited the Committee to consider documents E/L.1500/Rev.1, E/L.1500/Rev.1/Add.1, E/L.1500/Rev.2, E/L.1501, E/L.1507, E/L.1509, E/L.1510, E/L.1511 and E/L.1513, which had been referred to the Committee by the Council at its 1834th meeting on 25 July.

Mr. SANTA CRUZ (Chile), speaking as the sponsor of draft resolution E/L.1500/Rev.2 explained his position with regard to the various amendments which had been proposed. With regard to the Kenyan amendment (E/L.1507), Chile had always wholeheartedly supported the principle of national sovereignty over natural resources, but he would prefer the principle to be the subject of a separate resolution. He had therefore not incorporated the amendment proposed by Kenya in his revised text, but if it were put to the vote he would vote in favour of it. He accepted without hesitation the first of the four amendments submitted by the United Kingdom (E/L.1510): the idea of consulting Governments struck him as sound, and it was non-controversial. The fourth United Kingdom amendment also seemed acceptable, but he would like to see it merged with the second amendment submitted by Greece (E/L.1511); that would be possible by the addition at the end of the United Kingdom amendment of a comma, followed by "in particular those which the Governing Body of the International Labour Organisation is carrying out to implement the resolution adopted by the International Labour Conference at its fifty-sixth session". He trusted that the solution would be agreeable to the two delegations concerned. He also accepted the first Greek amendment (1831st plenary meeting). With regard to the other United Kingdom amendments, he asked the United Kingdom representative to withdraw his second amendment: a study of the impact of the activities of multinational corporations on international relations was an essential aspect of the draft resolution and he could not give it up. The Third United Kingdom amendment complicated the situation unnecessarily and might limit the terms of reference of the Group of Experts established by the United Nations Conference on Trade and Development at its third session. The UNCTAD Committee on Manufactures might well produce some interesting observations, but it only met once a year and it was not desirable to make it appear that the study to be undertaken by the Group depended on the results of the meeting of that Committee.

Turning to the Japanese amendment (E/L.1513), he said he did not deny that there were certain multinational corporations which acted in conformity with well-defined rules and standards and their investments could contribute to the economic growth of developing countries. Nevertheless, the incorporation of the Japanese amendment in the revised text of the draft resolution would upset the delicate balance which had been achieved. Chile had been the victim of the manoeuvres of certain multinational corporations, and the present draft resolution was the result. His delegation had,

however, endeavoured not to inject politics into the discussion and had preferred in the fourth preambular paragraph to quote a dispassionate text taken from the World Economic Survey, 1971.1/ He had agreed, as the United States representative had suggested, to quote the passage in its entirety in order to present a more balanced viewpoint.

The concessions made by his own and other delegations had created a favourable atmosphere for a consensus, and he therefore trusted that the members of the Committee would give favourable consideration to the draft resolution drawn up by the Chilean delegation on a subject whose growing importance was undisputed.

At the CHAIRMAN's invitation, Mr. ROUANET (Brazil) read out the text of the amendment proposed by his delegation.

> "Recognizes that private foreign investment by multinational corporations must be subject to national decisions and priorities, must facilitate the mobilization of internal resources, generate inflows and avoid outflows of foreign resources, incorporate appropriate technology and enhance savings and national investment."

He was prepared to have the amendment incorporated in the preamble rather than in the operative part of the draft resolution, as the Chilean representative had proposed.

Mr. SANTA CRUZ (Chile) said that when he had accepted the Brazilian amendment, it was on condition that the words "by multinational corporations" were deleted so that the text of the amendment was identical with that of UNCTAD resolution 56 (III).

Mr. McCARTHY (United Kingdom) said that since it was impossible to bring every subject into every resolution, he would ask the Kenyan representative to withdraw his amendment, not because of the differences of opinion which might exist with regard to sovereignty over national resources but simply because it would be more difficult to reach an agreement if the amendment were maintained. He was glad that the Chilean representative accepted his first amendment, and he had no objection to the form given to his fourth amendment. With regard to the reference to the UNCTAD Committee on Manufactures, it had certainly not been the intention of the United Kingdom to limit the terms of reference of the group of experts or to hold up its work, but since it could not start until the beginning of 1973, he had thought it would be desirable that the relevant conclusions of the Committee should be made available to the group. He hoped that in the light of that explanation, the Chilean representative might be able to include the amendment in draft resolution E/L.1500/Rev.2.

With regard to the second amendment he had proposed, the revised text of paragraph 1 was an improvement on the original text but was still not completely satisfactory. He thought that the wording he had suggested took sufficient account of the concern which the Chilean delegation had shown with regard to the effects of multinational corporations on international relations. He considered that the Japanese

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1/ United Nations publication. Sales No.: E.72.II.C.2.

amendment was reasonable, and far from upsetting the balance of the text, as the Chilean representative had claimed, it strengthened the balance both generally and specifically. He would not oppose the Brazilian amendment, although the United Kingdom delegation had abstained in the vote on UNCTAD resolution 56 (III) from which it was taken. He would have liked to have several other points included in the Chilean draft resolution. It might for example have made greater mention of the role of multinational corporations in the promotion of exports. He hoped that other Governments would follow the example of the United Kingdom Government and make available data for the study which was to be undertaken. The latter could also usefully include detailed information on State trading corporations which had become established in a number of countries in different parts of the world.

Mr. CARANICAS (Greece) said he was apprehensive that the oral amendment by the Brazilian representative might upset the balance of the draft resolution. The amendment also seemed quite redundant and he was inclined to regard it as demagogic. It was self-evident that multinational corporations could not install themselves in countries without respecting national decisions and priorities. Furthermore, he did not see how investment by multinational corporations could have the least effect on the mobilization of internal resources or on savings and national investment.

Although he supported the principles set out in the amendment proposed by the representative of Kenya (E/L.1507) his delegation did not think that the amendment was relevant in a draft resolution on multinational corporations.

He hoped that the Japanese delegation would withdraw its amendment (E/L.1513). It was not essential to the balance of the resolution, since the Chilean representative was now quoting in its entirety in the fourth preambular paragraph the statement taken from the World Economic Survey, 1971.

He was glad that his amendment had been accepted (E/L.1511), and he saw no objection to his first amendment being merged with the United Kingdom amendment, as the Chilean representative had proposed.

He considered that the phrase "economic and social and international policies" at the beginning of paragraph 1 was too vague. It would be better to be more specific and speak of "international trade policy".

Mr. ODERO-JOWI (Kenya) said he was surprised to see that the Chilean representative, who had always affirmed his support for the principle of permanent sovereignty over natural resources and had even assured him that he would vote for Kenya's amendment (E/L.1507), had now changed his views in order to win votes for his draft resolution.

Nevertheless, provided it was recognized that there was a direct relationship between the question of permanent sovereignty over natural resources and that of the activities of multinational corporations, he was prepared to attempt to find a compromise solution with the Chilean representative.

Mr. CHANG Tsien-hua (China) said that the Chilean draft resolution, in its present version, contained only reasonable and just statements which the Chinese delegation entirely supported. The Chinese delegation was unable to take a stand on the various amendments which had been proposed since it had not received the texts.

Mr. KOCH (Denmark) supported draft resolution E/L.1500/Rev.2 submitted by the Chilean delegation. The Danish delegation proposed, however, that the words "in particular" should be inserted between the phrase "on the process of development" and the phrase "of the developing countries" in paragraph 1.

The Brazilian amendment was very interesting. The subject of the draft resolution was certainly extremely complex, and it was desirable that the preambular paragraphs should present various aspects of it, provided a certain balance was maintained. Nevertheless he thought it would be more realistic to say "minimize outflows" rather than "avoid outflows". The Danish delegation also requested the addition of the words "and appropriate" to the phrase "adequate technology", so that it would read "adequate and appropriate technology".

The Danish delegation supported the Japanese amendment; it exactly met the concern of his Government, which had established an industrialization fund for developing countries in order to encourage Danish investors to invest in those countries.

Mr. RAZAFINDRABE (Madagascar) reaffirmed his delegation's support for the Chilean draft resolution. His delegation considered that the term "multinational corporations" meant large foreign firms with foreign capital and entirely foreign management, the technical administration of which was still partly foreign and which carried on production, sales and distribution activities. He wished to make that clarification because there was an implicit relationship in the text under consideration between private international investment and multinational corporations. But the economic and social development of Madagascar, like that of many other developing countries, was still dependent on foreign capital. Investments had, of course, to fulfil certain conditions (respect for national sovereignty, etc.) and it was in that spirit that the Malagasy delegation supported the Brazilian amendment.

As far as the Japanese amendment (E/L.1513) was concerned, he believed that the problems now facing Chile would arise in a few years in other countries. Multinational corporations should therefore be the subject of thorough studies showing their positive as well as their negative aspects. He did not approve the tendency of many developing countries systematically to reject investment by large corporations.

He agreed with the representative of Chile that the second amendment proposed by the United Kingdom delegation was difficult to accept.

Mr. BELFRAGE (Sweden) supported resolution E/L.1500/Rev.2 proposed by the Chilean delegation and the amendments it had just accepted. The Swedish Government believed that private foreign investment could contribute to the economic and social development of developing countries, but those countries should have the right to determine, in full knowledge of the facts, the role which such investment was to play in their development. The study requested by Chile would therefore be very useful. The "group of eminent persons" which it was planned to set up should, however, work in close co-ordination with the Group of Experts established by UNCTAD resolution 73 (III) in that sphere.

He could not endorse the amendment proposed by the Japanese delegation.

Mr. ROUANET (Brazil) assured the representative of Greece that the Brazilian amendment accepted by the representative of Chile was in no way demagogic. Possibly the list at the beginning of the text consisted merely of generally accepted truths, but the repetition of them was not without value. The Brazilian delegation was fully convinced that foreign capital could play a positive role, provided it was expressly subject to the conditions set out in the Brazilian amendment. It was precisely in that way that the draft resolution respected the balance which should be established between the positive role of multinational corporations and the limitations which must be placed on their activities.

The Brazilian delegation did not fully share the doubts of the Chilean delegation on the United Kingdom delegation's third amendment (E/L.1510, para.3) which, in its view, would enhance the role of the group of experts still further. On the other hand, he agreed with the representative of Chile that the second United Kingdom amendment would disturb the balance of the draft resolution and have the effect of giving the group of experts a much less complete mandate. Paragraph 1 of the Chilean draft should not be changed any further, since it was now satisfactory. In particular, his delegation would have difficulty in accepting the Greek representative's oral amendment to use the words "international trade policy" in paragraph 1; the scope of the study should not be limited by entrusting it exclusively to experts in international trade.

The Brazilian delegation could accept the Kenyan amendments (E/L.1507), but it appreciated the misgivings of the Chilean representative, since the insertion of those amendments in the draft resolution might endanger the unanimity desired by the Chilean delegation. If the amendments were put to a vote the Brazilian delegation would vote in favour, but it hoped that the representative of Kenya would withdraw them.

Similarly, if the Japanese delegation insisted that its amendment (E/L.1513) should be put to the vote, the Brazilian delegation would support it. But since that amendment, too, might stand in the way of unanimity, he hoped that the representative of Japan would withdraw it.

His delegation willingly accepted the two changes suggested in its amendment by the representative of Denmark. It was now for the representative of Chile, who had incorporated the Brazilian amendment in his draft resolution, to make up his mind in regard to those changes.

Mr. NATORF (Poland) agreed with the representative of Chile that the Japanese amendment prejudged the conclusions of the study to be entrusted to a group of eminent persons. He hoped that the Japanese delegation would withdraw its amendment, but if it insisted on a vote the Polish delegation would submit a sub-amendment to replace the final full stop of the Japanese text by a comma and to add the following words:

> "or may point to the excessive exploitation of natural and human resources, and interference in the internal affairs of the developing countries by multinational corporations".

Mr. Todorov (Bulgaria), Vice-Chairman, took the Chair.

Mr. SANTA CRUZ (Chile) said that, having heard the explanation given by the United Kingdom representative and the comments by the Brazilian representative, he agreed to incorporate the third United Kingdom amendment (E/L.1510, para. 3) in the draft resolution. If the representative of Kenya insisted that his amendment be put to a vote the Chilean delegation, which had constantly championed the principle of the sovereignty of States over their natural resources, would vote in favour of it. However, it was anxious to achieve unanimity for its draft resolution in order to enhance its value still further. In order to satisfy the representative of Kenya, therefore, it could insert a preambular paragraph in the draft recalling that the principles designed to govern international trade relations set out by the United Nations Conference on Trade and Development in its resolution 46 (III) included the principle that every country has a sovereign right freely to dispose of its natural resources; however, he would much prefer that the representative of Kenya withdrew his amendment.

If the Japanese representative insisted on his amendment, the changes proposed by the Polish delegation should be made in it.

He agreed to incorporate the changes proposed by the representative of Denmark to the Brazilian amendment, which he had already accepted. He also agreed to the insertion of the words "... in the process of development, in particular of the developing countries" in paragraph 1.

He could accept the Greek representative's oral amendment to state at the beginning of paragraph 1: "Requests the Secretary-General to appoint a group of eminent persons acquainted with economic, social trade and international policies ..." since "international policies" related particularly to questions of international law, which were bound to arise during the proposed study.

Mr. TARCIC (Yemen) said that his country, which was among the least developed of the developing countries, promoted multinational investments on its territory by all possible means, including legislation. However, Yemen shared the concern to which the activities of multinational corporations could give rise in countries with greater experience in that sphere, and therefore unreservedly supported the Chilean draft resolution, as revised, with the amendments accepted by the Chilean representative.

Mr. VERCELES (Philippines) endorsed the amendments put forward by Brazil, the United Kingdom and Greece and accepted by the Chilean representative. He was glad that the Chilean representative had agreed to the oral amendment submitted by Greece to paragraph 1 as well as the changes made by Denmark in the text of the Brazilian amendment.

If the Japanese delegation insisted that its amendment (E/L.1513) should be put to a vote, the delegation of the Philippines would propose a sub-amendment to replace the words "... for promoting international private investment" by "... on international private investment" and to replace the words "as will be conducive to" by "concerning". As thus amended, the Japanese text would be more neutral, the emphasis would be on the "objective studies" to be carried out, and the representatives of Chile and Poland could withdraw the counter-amendments they had in mind.

If the representative of Kenya insisted that his amendment (E/L.1507) should be put to a vote, the Philippine delegation would vote for it, but would prefer that it should not be incorporated in the Chilean draft.

In paragraph 1, he would have preferred the earlier version of the last two lines (E/L.1500/Rev.1) " ... to make recommendations concerning possible guidelines for appropriate international action" to be maintained and the words "national, regional and" to be deleted, since the group of experts should not be called upon to formulate "conclusions" by which it might encroach on the exclusive prerogatives of sovereign Governments. It would also be preferable for the group of experts to confine itself to a study which could be the basis for the preparation of a code of international conduct applicable to the practices referred to in the draft resolution and, consequently, to confine itself to making recommendations for "international" action.

Mr. McCARTHY (United Kingdom) thanked the representative of Chile for accepting the third United Kingdom amendment. The second United Kingdom amendment reproduced the wording of the first revised version of the Chilean draft resolution (E/L.1500/Rev.1), which his delegation preferred to the present text.

The United Kingdom delegation was prepared to support the Japanese amendment provided it was not changed.

With regard to the amendment proposed by Kenya (E/L.1507), he emphasized that the Charter was based on the principle of the sovereignty of States, and the same principle also underlay the Chilean draft resolution. The Kenyan proposal raised difficulties because it introduced that same principle, but in a more limited context. For that reason, the United Kingdom delegation hoped that the representative of Kenya would withdraw his amendment.

Mr. ODERO-JOWI (Kenya), referring to the clarifications made by the representative of Chile, noted with satisfaction that the representatives of Chile and other developing countries supported the principle of the permanent sovereignty of developing countries over their natural wealth.

He pointed out for the benefit of the United Kingdom representative that while sovereignty over natural resources was an aspect of State sovereignty, it was not respected in practice. That was the very reason why the Council was discussing it at the present time. Nevertheless, in a spirit of solidarity, his delegation agreed to withdraw its amendment.

Mr. OGISO (Japan) thanked the delegations which had supported the Japanese amendment and noted that its substance had not been criticized. However, in view of the Chilean representative's request, he would not insist that it should be put to the vote. He wished, however, to emphasize that his decision was not motivated by the sub-amendment proposed by Poland, although its effect had been to complicate his delegation's task.

Mr. ROUANET (Brazil) said that he too would withdraw his amendment, in a spirit of compromise.

Mr. SANTA CRUZ (Chile) thanked the delegations of Brazil, Japan, Kenya and the United Kingdom, for their co-operation. For the benefit of the representatives of the Philippines and the United Kingdom, he said that the first revised text of the Chilean draft resolution had been changed at the request of the Argentine delegation, which had feared that if recommendations concerning guidelines for national action were made, they might result in infringements of national sovereignty. The Chilean delegation did not fully share that view, since Governments were free to follow or not to follow recommendations made to them. In the case under consideration, the conclusions which the "group of eminent persons" would reach concerning the activities of multinational corporations could help Governments to take decisions either to promote or to restrict the activities of those corporations, according to the circumstances.

In any event, the second revised text of the Chilean draft resolution (E/L.1500/Rev.2) was quite logical, and he hoped that the representatives of the United Kingdom and the Philippines would not insist on its amendment.

Mrs. ZAEFFERER de GOYENECHE (Argentina) said that the explanations given to the representatives of the United Kingdom and the Philippines by the representative of Chile exactly reflected the view of the Argentine delegation, which fully supported the revised Chilean draft resolution and the amendments accepted by its sponsor.

Mr. OLMEDO VIRREIRA (Bolivia) and Mr. MUÑOZ LEDO (Mexico) supported the amended Chilean draft resolution and the amendments approved by the Chilean delegation.

Mr. EKBLOM (Finland) said that his delegation supported the second revised version of the Chilean draft resolution and the amendments accepted by its sponsor. It sincerely hoped that the text as thus amended could be adopted by consensus.

Mr. ZAGORIN (United States of America) welcomed the spirit of international co-operation which had been shown during the discussion, and congratulated especially the representatives of Brazil, Japan and Kenya, who had agreed to withdraw their amendments.

The United States delegation fully supported the second revised version of the Chilean draft resolution (E/L.1500/Rev.2) and the amendments accepted by the representative of Chile.

His delegation drew the Committee's attention to the terms of reference of the Ad hoc Group of Experts on Restrictive Business Practices established under UNCTAD resolution 73 (III) and the limitations placed on those terms of reference in paragraph 5 of the resolution. The United States delegation considered that the study envisaged in the Chilean draft resolution should be carried out in the same strictly defined context.

Mr. SINGH (Malaysia) supported the second revised version of the draft resolution (E/L.1500/Rev.2) and the amendments accepted by the representative of Chile.

He suggested that the figures "73 (III)" should be inserted for greater clarity after the words "in its resolution" in the first sentence of the fifth preambular paragraph.

It was so decided.

Mr. McCARTHY (United Kingdom), said that he would withdraw his amendment to paragraph1 of draft resolution E/L.1500/Rev.2 in view of the fact that the representative of Chile had accepted the text proposed by the Argentine delegation.

Mr. CARANICAS (Greece) thought that the words "acquainted with economic, social and international policy" in paragraph 1 should be replaced by the words "acquainted with economic, social and international trade policy".

After an exchange of views in which Mr. SANTA CRUZ (Chile), Mr. CARANICAS (Greece) and Mr. JAIN (India) took part, the CHAIRMAN suggested that the amendment proposed by the representative of Greece should be replaced by the following: "acquainted with international economic, trade and social problems and related international relations".

Mr. SANTA CRUZ (Chile) accepted the Chairman's suggestion.

Mr. WALDRON-RAMSEY (Barbados) felt that the words "in consultation with Governments" added to the beginning of paragraph 1 would have the effect of limiting the Secretary-General's choice when he came to appoint the eminent persons who were to make up the proposed group.

Mr. ROUANET (Brazil) thought that the fears of the representative of Barbados were not justified. In that connexion, he recalled the establishment by UNIDO of a group of experts to prepare the Industrial Development Strategy. The members of that group were experts appointed in consultation with Governments, but sitting as individuals and not as representatives of their countries.

Mr. WALDRON-RAMSEY (Barbados) said he did not entirely agree with the representative of Brazil. However, if the representative of Chile was prepared to accept the text in question, the delegation of Barbados would go along with him.

Mr. SANTA CRUZ (Chile) said that he had accepted the amendment referred to by the representative of Barbados because, in his view, the Secretary-General would act in consultation with Governments, but without being bound to obtain their agreement, in nominating the eminent persons who would make up the proposed group.

Mr. KUMI (Ghana) said that under the terms of the draft resolution the Secretary-General would act in consultation with Governments, and not on their advice.

Miss KAMAL (Secretary of the Committee) read out the amendments which the representative of Chile had agreed to make to his draft resolution (E/L.1500/Rev.2).

Draft resolution E/L.1500/Rev.2, as amended, was approved.

The meeting rose at 1.20 p.m.