

COMMISSION ON TRANSNATIONAL CORPORATIONS

REPORT ON THE ELEVENTH SESSION

(10-19 April 1985)

ECONOMIC AND SOCIAL COUNCIL

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NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Chapter I

MATTERS CALLING FOR ACTION BY THE ECONOMIC AND SOCIAL COUNCIL
OR BROUGHT TO ITS ATTENTION

A. Draft resolutions

1. The Commission on Transnational Corporations recommends to the Economic and Social Council the adoption of the following draft resolutions:

DRAFT RESOLUTION I*

Intergovernmental Working Group of Experts on International
Standards of Accounting and Reporting

The Economic and Social Council,

Recalling its resolutions 1979/44 of 11 May 1979 and 1982/67 of 27 October 1982,

Having considered the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its third session, 1/

Acting upon the recommendation of the Group at its third session concerning its future work,

1. Decides that the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting should continue to meet on the basis of its existing mandate;
2. Agrees that the results of the work of the Group should be brought to the attention of Governments, standard-setting bodies, the accountancy profession, transnational corporations and other interested parties through United Nations publications.

* For the discussion, see chap. VIII below.

1/ E/C.10/1985/12 and Corr.1.

DRAFT RESOLUTION II*

Activities of transnational corporations in South Africa and
Namibia and their collaboration with the racist minority
régime in South Africa

The Economic and Social Council,

Recalling Security Council resolution 560 (1985) of 12 March 1985,

Recalling also General Assembly resolution 39/72 of 13 December 1984, in particular resolution 39/72 G on concerted international action for the elimination of apartheid,

Reaffirming its previous resolutions on the activities of transnational corporations in South Africa and Namibia and their collaboration with the racist minority régime in South Africa,

Having considered the report of the Secretary-General on the activities of transnational corporations in South Africa and Namibia and their collaboration with the racist minority régime in that area 2/ and the report of the Secretariat on the responsibilities of home countries with respect to the transnational corporations operating in South Africa and Namibia in violation of the relevant resolutions and decisions of the United Nations, 3/

Noting with grave concern the deterioration of the situation in South Africa as evidenced by the recent increased brutality, indiscriminate killings and mass arrest of innocent persons, including children, by the authorities of the racist minority régime of South Africa,

Regretting that the inflows of foreign direct investment to South Africa have risen significantly in recent years,

Affirming the need for intensified action at the international level by all Governments and non-governmental organizations including trade unions, academic institutions, parliamentarians and public officials in various countries,

1. Takes note of the report of the Secretary-General on the activities of transnational corporations in South Africa and Namibia and their collaboration with the racist minority régime in that area, in particular the list of transnational corporations operating in that area, and the report of the Secretariat on the responsibilities of home countries with respect to the transnational corporations operating in South Africa and Namibia in violation of the relevant resolutions and decisions of the United Nations;

* For the discussion, see chap. V below.

2/ E/C.10/1985/7 and Corr.1.

3/ E/C.10/1985/9.

2. Condemns the racist minority régime in South Africa and its brutal perpetuation of the inhuman system of apartheid and the illegal occupation of Namibia;

3. Reaffirms that the activities of transnational corporations in South Africa reinforce the racist minority régime in its perpetuation of the system of apartheid and its illegal occupation of Namibia;

4. Takes note with appreciation of the actions of those non-governmental organizations and academic institutions that have exerted pressure for disinvestment of their assets on transnational corporations collaborating with the racist minority régime and of the proposals for legislative and other regulatory measures put forward by some parliamentarians and other public officials in various countries with a view to terminating the activities of transnational corporations in South Africa and Namibia, and requests the Secretariat to transmit the text of the present resolution to all such organizations, parliamentarians and public officials;

5. Welcomes as a positive first step the measures taken by certain home countries of transnational corporations to place restrictions on further investments in South Africa and on bank loans to the racist minority régime;

6. Urges all transnational corporations to terminate their investments in South Africa and to end all forms of collaboration with the racist minority régime;

7. Reaffirms Security Council resolution 301 (1971) of 20 October 1971, in which the Council called upon States to abstain from entering into economic relations with South Africa in respect of Namibia and declared that rights, titles or contracts granted to individuals or corporations by South Africa after the termination of the mandate were not subject to protection or espousal by their States against the claims of a future lawful Government of Namibia;

8. Invites all States, non-governmental organizations and all transnational corporations operating in South Africa and Namibia to co-operate with the United Nations in organizing public hearings on the activities of South Africa and Namibia so as to facilitate the conduct of fair, objective and balanced hearings on the activities of transnational corporations with regard to the topics set out by the Economic and Social Council in resolution 1982/70 of 27 October 1982;

9. Requests the Secretary-General:

(a) To continue the useful work of the Secretariat on the activities of transnational corporations in South Africa and Namibia through the collection and dissemination of information;

(b) To provide more detailed information on the profiles of transnational corporations operating in South Africa and Namibia;

(c) To update, for submission to the Commission on Transnational Corporations at its twelfth session, the report of the Secretary-General on the activities of transnational corporations in South Africa and Namibia and

the report of the Secretariat on the responsibilities of home countries with respect to the transnational corporations operating in South Africa and Namibia in violation of the relevant resolutions and decisions of the United Nations.

B. Draft decisions

2. The Commission on Transnational Corporations recommends to the Economic and Social Council the adoption of the following draft decisions:

DRAFT DECISION I*

Organization of public hearings on the activities of
transnational corporations in South Africa and
Namibia

The Economic and Social Council decides:

(a) To approve the recommendations contained in the report of the Ad Hoc Committee on the Preparations for the Public Hearings on the Activities of Transnational Corporations in South Africa and Namibia 4/ and the publicity programme described in the report of the Secretary-General; 5/

(b) To invite all Member States to co-operate with the United Nations with a view to ensuring the successful holding of fair, balanced and objective hearings aimed at the eradication of the system of apartheid.

DRAFT DECISION II

Provisional agenda and documentation for the twelfth session
of the Commission on Transnational Corporations

The Economic and Social Council approves the provisional agenda and documentation for the twelfth session of the Commission on Transnational Corporations set out below.

PROVISIONAL AGENDA AND DOCUMENTATION FOR THE TWELFTH SESSION
OF THE COMMISSION ON TRANSNATIONAL CORPORATIONS

1. Election of officers.
2. Adoption of the agenda and organization of work.

* For the discussion, see chap. V below.

4/ E/C.10/1985/8.

5/ E/C.10/1985/18 and Corr.1.

- 3.- Recent developments related to transnational corporations and international economic relations.

Documentation

Report of the Secretary-General on recent developments related to transnational corporations and international economic relations

Report of the Secretary-General containing data on foreign direct investments, including capital inflows and outflows, on other aspects of the activities of transnational corporations, and containing suggestions for further action

4. Activities of the United Nations Centre on Transnational Corporations.

Documentation

Report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations, including the activities of the joint units established with the regional commissions

Report of the Secretary-General on the utilization of programme resources during the biennium 1984-1985

5. Work related to the code of conduct on transnational corporations and other international arrangements and agreements:

- (a) Code of conduct on transnational corporations;

Documentation

Report of the Secretary-General on the progress made in the work on the code of conduct on transnational corporations

- (b) Other international, regional and bilateral arrangements and agreements relating to transnational corporations.

Documentation

Report of the Secretary-General

6. Transnational corporations in South Africa and Namibia:

- (a) Activities of transnational corporations in South Africa and Namibia and their collaboration with the racist minority régime in the area;

Documentation

Report of the Secretary-General

- (b) Public hearings on the activities of transnational corporations in South Africa and Namibia;

Documentation

Report of the panel on the public hearings on the activities of transnational corporations in South Africa and Namibia

- (c) Responsibilities of home countries with respect to transnational corporations operating in South Africa and Namibia in violation of the relevant resolutions and decisions of the United Nations.

Documentation

Report of the Secretary-General

7. Strengthening the negotiating capacity of developing countries in their dealings with transnational corporations:

- (a) Programme of technical co-operation of the United Nations Centre on Transnational Corporations;

Documentation

Report of the Secretary-General

- (b) Experience gained in technical co-operation activities related to negotiations between developing countries and transnational corporations.

Documentation

Report of the Secretary-General

8. Ongoing and future research.

Documentation

Report of the Secretary-General

9. Comprehensive information system.

Documentation

Report of the Secretary-General

10. International standards of accounting and reporting.

Documentation

Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its fourth session

11. Transnational corporations and issues relating to the environment.

Documentation

Report of the Secretary-General

12. The role of transnational corporations in transborder data flows.

Documentation

Report of the Secretary-General

13. Work related to the definition of transnational corporations.

Documentation

Report of the Secretary-General

14. Question of expert advisers.

Documentation

Note by the Secretary-General on the question of expert advisers

15. Provisional agenda for the thirteenth session of the Commission.

16. Adoption of the report of the Commission.

C. Decisions of the Commission brought to the attention of the Council

3. The following decisions adopted by the Commission on Transnational Corporations are brought to the attention of the Council:

DECISION I

Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its third session and provisional agenda and documentation for the fourth session of the Group

The Commission on Transnational Corporations decides:

(a) To approve the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its third session 6/ and to commend the Group for its work;

(b) To approve the provisional agenda and documentation for the fourth session of the Group set out below.

6/ E/C.10/1985/12 and Corr.1.

PROVISIONAL AGENDA AND DOCUMENTATION FOR THE FOURTH SESSION OF
THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL
STANDARDS OF ACCOUNTING AND REPORTING

1. Opening of the session.
2. Election of officers.
3. Adoption of the agenda and organization of work.
4. Programme of work of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting:
 - (a) Review of important current developments in the field of accounting and reporting by transnational corporations, on the basis of documentation requested by the Group:
 - (i) With respect to the needs of users:
 - a. Home and host countries, especially developing countries;
 - b. Other users;
 - (ii) With respect to accounting and reporting:
 - a. Individual Member States;
 - b. Intergovernmental organizations:
 - i. Regional;
 - ii. International;
 - c. Non-governmental organizations:
 - i. National;
 - ii. Regional;
 - iii. International;

Documentation

Report of the Secretary-General

- (b) Discussion of issues of accounting and reporting identified during the third session:
 - (i) Issues related to the various technical aspects of the standard-setting process itself, for financial accounting and reporting and for non-financial reporting;
 - (ii) Issues related to information to be provided in financial statements:

- a. Foreign direct investment;
- b. Related party transactions;
- c. Transfer of technology;
- d. Accounting for property, plant and equipment;
- e. Depreciation accounting;
- f. Accounting for investments, including joint ventures;
- g. Revenue recognition;
- h. Accounting for non-operating gains and losses;

Documentation

Reports of the Secretary-General

- (iii) Issues related to information to be provided, other than in financial statements, of a financial nature and of a non-financial nature, regarding auditors' associations with non-financial information;

Documentation

Reports of the Secretary-General

- (c) Identification of issues of accounting and reporting for discussion on a priority basis during future sessions:
 - (i) Issues related to information to be provided in financial statements;
 - (ii) Issues related to information to be provided other than in financial statements:
 - a. Of a financial nature;
 - b. Of a non-financial nature;
- (d) Discussion of further steps to be taken in relation to the development of the comprehensive information system;

Documentation

Report of the Secretary-General

- (e) Discussion of accounting and reporting issues arising out of the future code of conduct on transnational corporations;
- (f) Discussion of appropriate measures to give effect to the work of the Group;

- (g) Discussion of ways and means of improving education, research and practical training in the field of accounting and reporting in Member States.
- 5. Provisional agenda for the fifth session of the Group.
- 6. Other business.
- 7. Adoption of the report of the Group.

DECISION II*

Work of the United Nations Centre on Transnational Corporations

The Commission on Transnational Corporations, bearing in mind General Assembly decision 39/443 of 18 December 1984, taking note of the proposal contained in draft resolution E/C.10/1985/L.3, bearing in mind that that draft resolution relates to some important outstanding issues of the negotiations on the code of conduct on transnational corporations, and recognizing the importance of an early and successful completion of the code of conduct in a spirit of co-operation and understanding, decides that the issues raised in the above-mentioned draft resolution should be considered after the reconvened special session of the Commission in June 1985 at an appropriate occasion.

* For the discussion, see chap. III below.

Chapter II

RECENT DEVELOPMENTS RELATED TO TRANSNATIONAL CORPORATIONS AND INTERNATIONAL ECONOMIC RELATIONS

4. The Commission considered item 3 of its agenda at its 2nd to 4th meetings, on 10 and 11 April 1985. It had before it the reports of the Secretariat on recent developments related to transnational corporations and international economic relations (E/C.10/1985/2) and on transnational corporations in international trade and foreign direct investment by transnational corporations, including capital inflows and outflows (E/C.10/1985/3).

5. At the 2nd meeting, the Executive Director of the Centre on Transnational Corporations made an introductory statement. He said that although there had been a slight improvement in the world economic situation over the past year, the prospects were very poor in Africa, where a desperate situation was still affecting millions of people. Although foreign direct investment could certainly play an enlarged role in the development process, there was no single, quick solution to the challenge. Developing countries were hard-pressed to obtain additional foreign financial flows. Moreover, the expansion of trade had been largely disappointing for a great majority of them during the world recession. Therefore, in addition to the mobilization of current scarce domestic investment resources, there continued to be a pressing need for both concessional and non-concessional financial flows. It was within that framework that foreign direct investment was seen as making a contribution to the availability of investment resources and as a highly strategic resource in the development process. Despite the less restrictive policies adopted towards foreign capital in recent years, the inflow of investment to developing countries had decreased, outflows of profits and dividends had begun to exceed such inflows and, in any case, foreign direct investment was highly concentrated in the higher-income countries. Host Government concerns such as national sovereignty, the effective transfer of technology and socio-cultural consequences also had to be taken into account.

6. Regarding the financial dimensions of the participation of transnational corporations in the world economy, the Executive Director stressed the need to improve the generation and collection of national data on foreign investment and related flows and to adopt some standard international definitions and procedures so that national data could be consolidated and analysed in a meaningful way. If so requested by the Commission, he said, the Centre, in consultation with other international organizations such as the United Nations Conference on Trade and Development (UNCTAD) and the International Monetary Fund could prepare a brief report describing the current status of such statistics and suggesting steps to improve the situation.

7. Various delegations made statements on the state of the world economy, the current and prospective role of transnational corporations in that international setting and the implications for the future research work of the Centre. Most of the delegations agreed that the international economic setting was still bleak in spite of the recovery in economic activity under way in the United States of America, in Japan and, to a lesser extent, in Europe, which had had no significant impact on improving the economic situation of most developing countries.

8. One delegation, speaking on behalf of many others, stated that the recovery had generally bypassed the developing countries, that many of them were still facing serious short-term and long-term problems, including a widening technological gap, and that the economic crisis threatened the very nationhood of some of them. With regard to money and finance, it was stated that many developing countries were still in the throes of a debt crisis despite several rescheduling exercises. Several delegations expressed the view that the continued high level of protectionism in the developed world and the resulting problems in earning foreign exchange would cause the debt crisis to persist for a long time. Many delegations also expressed concern about the sharp decline in foreign investment flows to the developing countries and the slow-down in private bank lending while the outflow of interest and profit remittances exceeded the total inflow of real resources. Those delegations also noted that economic conditions in the least developed countries were most precarious and that neither foreign investors nor transnational banks found those countries attractive. There was a general call for an increase in the level of external financial flows to developing countries.

9. Concerning the analysis provided by the Secretariat in the two reports before the Commission, many delegations considered that it was balanced. They supported the view that transnational corporations were neither the only cause of the problems facing the developing countries nor the one solution to them. Transnational corporations could play a role in alleviating the economic crisis facing the developing countries by providing both enhanced external financial flows and technological management and marketing know-how, especially when those skills were effectively diffused throughout the economy.

10. Some delegations, however, considered that the Secretariat's analytical approach and findings were too cautious. While recognizing the limitations of foreign direct investment, they found that the two studies did not sufficiently focus on the positive role of foreign direct investment in improving the growth prospects of developing countries. A number of representatives noted that the changing economic situation over the past 10 years had shaped the way in which countries viewed transnational corporations and the effects of their activities. In their opinion, a growing number of countries had become increasingly aware of the economic benefits of foreign direct investment and had adopted more favourable attitudes towards transnational corporations. Transnational corporations could play a much more positive role if the developing countries adopted more appropriate policies towards foreign capital and kept those policies fairly stable over a period of time. They considered that the Secretariat had underestimated the possible importance of bilateral agreements in helping to bring about such stability.

11. Several other representatives stressed that the behaviour of transnational corporations had not changed in any fundamental way over the past 10 years and that the negative effects of the uncontrolled activities of such corporations remained one of the major obstacles to the development of developing countries. They also reiterated their commitment to just and equitable principles of international economic relations, as reflected, inter alia, in the Charter of Economic Rights and Duties of States (General Assembly resolution 3281 (XXIX)), which constituted an important basis for the efforts of the international community to regulate the activities of transnational corporations. In that connection, they expressed their full support for the work of the Commission and the Centre. However, those delegations also considered that the political and socio-cultural dimensions of the activities of transnational corporations had been given insufficient importance.

They referred, for example, to the tragic events at Bhopal, India. Those delegations considered that while transnational corporations could contribute to the development process, their activities could also infringe on the sovereignty of host countries, especially over their natural resources and economic activities. It was stated that transnational corporations were not averse to collaborating with oppressive régimes. Those delegations, and others, mentioned the specific case of South Africa, where the activities of transnational corporations, far from contributing towards the eradication of apartheid, reinforced it and gave sustenance to the racist minority régime.

12. All delegations stressed the need for an early conclusion to the negotiations on a code of conduct on transnational corporations. Some delegations noted the favourable impact that the adoption of a code might have on the flow of foreign direct investment to developing countries. Other delegations, making reference to the corresponding provisions of the International Development Strategy for the Third United Nations Development Decade (General Assembly resolution 35/56, annex), stated that the code was necessary to minimize the negative impact of transnational corporations on host developing countries, and to enhance the positive contribution of transnational corporations to the development of those countries in accordance with their national development goals.

13. Many delegations made comments on the implications of the Secretariat's analysis for future research work. One delegation inquired about the Centre's work on the transfer of technology by transnational corporations in developing countries. Several delegations, while cautioning the Centre not to spread its research resources too thinly, were of the opinion that there was a lack of universality in the work of the Centre. They considered that State-owned enterprises based in Eastern European countries should be analysed in the reports of the Secretariat, since, as shown in one of the reports before the Commission, such enterprises accounted for about \$1 billion of the world's stock of foreign investment, estimated to be about \$625 billion. Other delegations disputed the need to study enterprises of socialist countries, since, in their opinion, such enterprises differed from transnational corporations in their objectives, nature, scope and the impact of their activities on international economic relations. They also considered that there was a need for the Centre to analyse both the social and political implications of the activities of transnational corporations, including their production of and trade in armaments, and the long-term net outflow of financial resources from developing countries resulting from the activities of transnational corporations. Many delegations supported the call for a report describing the current status of statistics on foreign direct investment, including capital inflows and outflows, with a view to improving the situation.

14. In his response to the points made during the discussion, the Executive Director stated that while the Centre did not necessarily strive to strike a balance between opposing views, it did make an effort to be as objective as possible. Concerning suggestions for further research, he stated that the Centre had already acceded to the wishes of certain delegations and that drafts of studies on the ways in which transnational corporations transferred technology to host countries and on the impact of transnational corporations on the environment were already available and would be issued in the near future. He welcomed the comments of delegations on the need to study the current state of data on foreign investment and related flows. With regard to the request made by some delegations that the Centre should study in greater detail the issue of net resource outflows, he pointed out that such studies exceeded the Centre's current programme of work and

might more appropriately be carried out in other international organizations such as UNCTAD. None the less, the Centre would continue to study the issue as it related specifically to transnational corporations.

Action taken by the Commission

15. The Commission:

(a) Took note of the reports of the Secretariat on recent developments related to transnational corporations and international economic relations (E/C.10/1985/2) and on transnational corporations in international trade and foreign direct investment by transnational corporations, including capital inflows and outflows (E/C.10/1985/3);

(b) Requested the Secretary-General to prepare for its twelfth session relevant material for the agenda item entitled "Recent developments related to transnational corporations and international economic relations", taking into account the views expressed by representatives at the eleventh session;

(c) Also requested the Secretary-General, in consultation with appropriate international organizations, to prepare for its twelfth session a report describing the existing situation with regard to statistics on foreign direct investment, including capital inflows and outflows, and outlining suggestions for improvement.

Chapter III

ACTIVITIES OF THE UNITED NATIONS CENTRE ON TRANSNATIONAL CORPORATIONS

16. The Commission considered item 4 of its agenda at its 4th, 5th, 7th and 15th meetings, on 11, 12, 15 and 19 April 1985. It had before it the report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units with the regional commissions (E/C.10/1985/4).

17. In introducing the item, the Executive Director of the Centre first described the activities that supported intergovernmental deliberations relating to the operations of transnational corporations. In that context, he emphasized the importance of the Commission's work on the code of conduct and expressed hope that outstanding issues would be resolved expeditiously.

18. Regarding the Centre's policy analysis and research activities, the Executive Director noted the importance of integrating research on specific topics into major international economic, political and technological trends and stressed the need to intensify co-ordination between the Centre's research and technical co-operation activities. He thanked the countries that had made contributions to the Trust Fund for the technical co-operation programme and described the Centre's efforts to evaluate its technical assistance services. He also discussed the progress made in consolidating the Centre's comprehensive information system and the steps being taken to improve the collection, analysis and dissemination of data. Finally, the Executive Director reported that the work of the joint units established between the Centre and the regional commissions had complemented that of the Centre. He stated that he was taking steps to ensure further co-ordination between the Centre and those units, as well as with other United Nations organizations and bodies.

19. Most representatives expressed appreciation for the work of the Centre and stated that they attached importance to the activities it had undertaken. A number of representatives cited the Centre's advisory, training and information services and research activities as valuable contributions to the developing countries. Many representatives also complimented the Centre for having prepared a comprehensive report on its activities.

20. Concerning the content of its current reports and the future direction and focus of the Centre's activities, a number of representatives expressed satisfaction that the Centre's reports were, on the whole, well balanced, reflected an objective view on a complex subject area and were consistent with the Centre's mandate. Some representatives stated that, in order to present a complete picture of transnational corporations, the Centre should consider, in all of its activities, the operations of all companies that were transnational in character, including those from centrally planned economies. One representative suggested that the Centre should undertake a study to determine whether the foreign operations of corporations from developed market economies and from centrally planned economies had the same transnational effects. Some of those representatives stressed that the Centre should be selective in its activities and should undertake work only on subjects specific to the activities of transnational corporations.

21. Other representatives stated that the Centre had devoted insufficient attention to the political, social and cultural effects of transnational corporations. They emphasized that various resolutions of the General Assembly and the Economic and Social Council that stressed the need to minimize the negative effects of transnational corporations should form the basis for the selection of the Centre's research topics. They opposed the proposal to concentrate the Centre's research activities on the foreign operations of enterprises of the socialist countries as being contrary to its mandate and its main objectives.

22. Some representatives mentioned specific topics that could usefully be incorporated in the Centre's future work plans. They included the environmental impact and industrial safety practices of transnational corporations; the role that regional integration schemes could play in helping low-income countries overcome some of the factors limiting foreign direct investment; the role of national policies and regulations in promoting foreign investment flows; and the outflow of financial resources from developing countries resulting from the activities of transnational corporations.

23. A number of representatives stated that the Centre's report on its activities should provide fuller information on certain activities so that the Commission could better judge the work of the Centre. A few representatives requested, in particular, more detailed and disaggregated data on resource utilization. They also requested information on activities planned for the future and on the financial implications of those activities. A number of representatives stated that advance receipt of documents was essential to an adequate review of the Centre's work. Others expressed the importance of wide and timely dissemination of all the Centre's reports, especially to developing countries, which were in need of the information contained therein.

24. Many representatives mentioned the issue of co-ordination between the Centre's activities and those of other organizations and bodies engaged in related work. Such co-ordination was seen as important in avoiding duplication of effort and in utilizing fully the resources and expertise available within the United Nations. One representative expressed the view that collaboration between the Centre and other organizations on research concerning such specific subjects as the environment and employment would permit the role of transnational corporations to be viewed appropriately in a broader context than would be possible if the Centre undertook such research entirely on its own.

25. In his concluding remarks, the Executive Director stated that the Centre would be in a position to present to the Commission at its twelfth session full details on the utilization of financial resources during the current biennium, as requested by the Commission at its tenth session. In addition, he stated that an audit of the Centre had recently been undertaken, and that the auditor's report would soon be finalized. He also stated that the Centre intended to establish systematic and unbiased procedures for evaluating its activities and management review procedures to monitor the design and implementation of those activities on a six-month basis. Those internal mechanisms would be used to supplement the planning system of the United Nations, which entailed financial and programmatic planning with time-frames of two and six years.

26. Regarding co-ordination with the joint units and with other United Nations bodies and organizations, the Executive Director informed the Commission that he had already shared the Centre's current six-month work programme with the joint

units and with a number of other bodies. He had invited their participation in projects of mutual interest and had agreed to avoid activities in which others were already engaged.

27. In discussing the coverage of the Centre's activities, the Executive Director stated that he would strive for efficient management of the Centre's resources with a view to providing the Commission with pertinent and relevant documentation and to providing services to Member States according to their expressed needs.

Action taken by the Commission

28. The Commission:

(a) Took note of the report of the Secretary-General on the activities of the United Nations Centre on Transnational Corporations and the activities of the joint units with the regional commissions (E/C.10/1985/4);

(b) Requested the Secretary-General to submit a report to the Commission at its twelfth session on the activities of the Centre, including the activities of the joint units with the regional commissions;

(c) Took note of the intention of the Secretary-General to submit to the Commission at its twelfth session a report on the Centre's utilization of resources by programme element during the biennium 1984-1985;

(d) Requested the Centre to take into account in its future work the views expressed by representatives at the eleventh session.

Work of the United Nations Centre on Transnational Corporations

29. At the 7th meeting, on 15 April, the representative of the Federal Republic of Germany, on behalf of Canada, the Federal Republic of Germany, Italy, Japan and the Netherlands, introduced a draft resolution entitled "Work of the United Nations Centre on Transnational Corporations" (E/C.10/1985/L.3), which read as follows:

"The Economic and Social Council,

"Recalling its resolution 1913 (LVII) of 5 December 1974, in particular the mandate of the Commission on Transnational Corporations, as well as the terms of reference of the United Nations Centre on Transnational Corporations,

"Aware of the increasing complexity of international economic relations and of the growing interdependence among countries and among all enterprises, whether privately owned, State-owned or mixed, engaged in transnational economic activities,

"Conscious of the relevance of the activities of such enterprises for economic development, especially in the developing countries,

"Having noted, inter alia, the data provided by the United Nations Centre on Transnational Corporations in its report on recent developments related to transnational corporations and international economic relations (E/C.10/1985/2) as to the universal nature of foreign direct investment,

"Recalling the decision of the Commission at its tenth session to postpone to a further session of the Commission the proposal, supported by many delegations, for the preparation of certain studies by the Centre, 7/

"Conscious of the significant role played by State-owned enterprises from both market and centrally planned economy countries in conducting transnational economic activities,

"1. Requests the United Nations Centre on Transnational Corporations, acting on the basis of the principle of universality, and taking into account the extensive work it has already undertaken and is currently carrying out on transnational enterprises of market economy countries, to prepare, as a matter of priority and for submission to the Commission at its twelfth session, a report on the activities of State-owned enterprises from countries with both market and centrally planned economies, giving particular attention to the impact of those enterprises on economic development, particularly in developing countries;

"2. Requests the Centre, in all of its future studies, reports, and activities to take full account, where relevant, of the role of such State-owned enterprises."

30. At the 15th meeting, on 19 April, the representative of Egypt, on behalf of the members of the Group of 77 which are members of the Commission, orally proposed the following draft decision:

"The Commission on Transnational Corporations, bearing in mind General Assembly resolution 39/443 of 18 December 1984, taking note of the proposal contained in draft resolution E/C.10/1985/L.3, bearing in mind that that draft resolution relates to some important outstanding issues of the negotiations on the code of conduct on transnational corporations, and recognizing the importance of an early and successful completion of the code of conduct in a spirit of co-operation and understanding, decides that the issues raised in the above-mentioned draft resolution should be considered in the light of the results of the reconvened special session of the Commission in June 1985."

31. At the same meeting, the representative of the Federal Republic of Germany proposed an amendment to the last phrase of the draft decision, by which:

(a) The words "in the light of the results of" would be replaced by the word "after";

(b) The words "at an appropriate occasion" would be added at the end of the decision.

32. After a discussion in which the representatives of the Federal Republic of Germany, the Union of Soviet Socialist Republics, Egypt (on behalf of the members of the Group of 77 which are members of the Commission), the German Democratic Republic, the United States of America, Canada and the United Kingdom of Great

7/ See Official Records of the Economic and Social Council, 1984, Supplement No. 8 (E/1984/18), paras. 18-22.

Britain and Northern Ireland took part, the Commission adopted the draft decision proposed by the representative of Egypt, as orally amended by the representative of the Federal Republic of Germany (see chap. I, sect. C, decision II).

33. In the light of the adoption of the draft decision, the Commission took no action on draft resolution E/C.10/1985/L.3.

34. Following the adoption of the draft decision, the representative of Egypt, on behalf of the members of the Group of 77 which are members of the Commission, stated that the countries of the Group of 77 continued to place the highest priority on the adoption of a code on conduct on transnational corporations. He noted the delicate stage of negotiations on the code and stated that the issues raised in draft resolution E/C.10/1985/L.3 were relevant to such negotiations. The Group of 77 had maintained continuously that those efforts and negotiations should continue and should not be disturbed or interrupted by any side issues. He further reaffirmed the position of the Group, as stated at the eighth session of the Commission in the course of the discussion on work related to the definition of transnational corporations, namely, that ownership should not be a determining criterion, and that the main concern was the manner in which corporations operated. 8/

35. Statements were then made by the representatives of Canada, the German Democratic Republic, Switzerland, China, the United States of America, the Federal Republic of Germany and the Union of Soviet Socialist Republics.

8/ Ibid., 1982, Supplement No. 8 (E/1982/18), para. 143.

Chapter IV

WORK RELATED TO THE FORMULATION OF A CODE OF CONDUCT ON TRANSNATIONAL CORPORATIONS AND OTHER INTERNATIONAL ARRANGEMENTS AND AGREEMENTS

36. The Commission considered item 5 of its agenda at its 6th meeting, on 12 April 1985. It had before it an information paper prepared by the Secretariat containing the proposals made by delegations at the reconvened special session in June 1984 (E/C.10/1985/5) and the report of the Secretariat on developments under other international arrangements and agreements on matters related to transnational corporations (E/C.10/1985/6).

A. Code of conduct

37. The Commission considered item 5 (a) in conjunction with item 12 (see also chap. XI below). In connection with item 12 it had before it the report of the Secretariat on the question of the definition of transnational corporations (E/C.10/1985/16).

38. The Executive Director of the Centre on Transnational Corporations made an introductory statement relating to items 5 and 12. He expressed the hope that, on the basis of a substantial commonality of interests, which was the rationale for the code, a certain measure of flexibility would make it possible to resolve the outstanding issues. The Executive Director was of the view that the effectiveness of the code did not necessarily depend on its legal form but rather on the political commitment of all parties to the code and the efficacy of its implementation and follow-up procedures. If the code were to be approached as a set of legally non-binding guidelines, it would conceivably be easier to resolve some of the difficulties relating to specific formulations of the outstanding provisions, on the assumption that the provisions of the code would not have to be couched in precise legal terms. Clarification of the legal nature of the code could therefore enhance the conditions for consensus and facilitate resolution of the outstanding issues. If, in spite of the enhanced conditions for consensus, it was still not possible to attain consensus on one or two issues, it might be useful to adopt a more flexible approach. In particular, a less ambitious approach to the question of the comprehensive scope of the code could be adopted. Issues on which consensus could not be reached could be taken up in later negotiations, provided that that would not upset the overall balance of the code.

39. The Executive Director also emphasized the importance of the full participation of all States in the code negotiations and in subsequent follow-up procedures. Such participation ensured universal acceptance of the principles embodied in the code and emphasized its evolutionary nature in terms of international norms relating to the activities and treatment of transnational corporations. The experience derived from the work related to other international instruments indicated that those instruments were constantly evolving and adapting to new circumstances not foreseen at the time of their adoption. It was very likely that the code would also undergo such an evolutionary process, which further emphasized the need to view it as a framework of generally accepted principles on which the Commission could build.

40. Some delegations had made observations on this question in connection with items 3 and 4 of the agenda (see chaps. II and III above). A number of delegations, however, made separate statements on item 5 (a). All delegations stressed the priority they attached to the negotiations on the code. Most of them reaffirmed their commitment to the speedy adoption of the code as a necessary multilateral framework governing the activities of transnational corporations and their treatment. Several delegations expressed the view that the negotiation of bilateral treaties on foreign investment was, for several reasons, not a substitute for a multilateral instrument; hence the need to continue negotiations on the code and to carry them to a successful conclusion. Other delegations emphasized that bilateral treaties and a multilateral code were not incompatible. Many delegations affirmed that the package proposal of the Chairman of the special session ^{9/} was still the best basis for resolving the outstanding issues. Some of them also made an appeal to all delegations to show the necessary political will for finalizing the work on the code and not to undertake activities that would upset or prejudice the difficult negotiations on the code. A number of delegations stressed that the code should be well balanced in its provisions, should avoid ambiguities on major issues, should be programmatic in view of the experience derived from other instruments, and should serve as a model for countries in the adoption of laws and policies on transnational corporations.

41. One delegation was of the view that the paragraphs still causing difficulty should not be allowed to hold up agreement on the code, on the principle that the best should not be the enemy of the good. A pragmatic step-by-step approach in building up an international consensus for the code could, therefore, be useful. An initial step would be to adopt a code containing those paragraphs on which agreement had been reached; the next step would be to continue negotiations on the outstanding issues and to add newly agreed provisions to the code in later years. Another delegation was of the view that it was not useful to defer important outstanding issues for later negotiations. Since the code should be balanced, agreement on important outstanding issues could not be deferred.

42. All delegations stressed the high priority they attached to the negotiations and pledged their full commitment to participate effectively in the reconvened special session of the Commission in June 1985. A number of delegations expressed the hope that at that session the breakthrough that was needed to bring the negotiations to a speedy conclusion would be made. Some delegations noted that a spirit of co-operation and compromise should be further developed. They stressed that, in the negotiations on the code, delegations should not expect concessions from others unless they made or were prepared to make concessions themselves. In that context, one delegation, speaking on behalf of many others, indicated that it was looking forward to the study to be prepared by the Centre at the request of the General Assembly (decision 39/443 of 18 December 1984) in order to help the negotiations to pass through the current critical phase.

43. In his concluding remarks, the Executive Director observed that the expression of support for a speedy conclusion of the negotiations and the commonality of interests recognized by all should permit the flexibility that was required to make substantial progress at the special session.

^{9/} Ibid., 1983, Supplement No. 7 (E/1983/17/Rev.1), annex IV.

Action taken by the Commission

44. The Commission:

(a) Took note of the proposals made by the delegations at the reconvened special session of the Commission on Transnational Corporations (E/C.10/1985/5);

(b) Requested the Chairman, together with the other members of the Bureau of the reconvened special session of the Commission, and with the assistance of the United Nations Centre on Transnational Corporations, to initiate consultations aimed at overcoming the current impasse regarding the negotiations on the draft code of conduct on transnational corporations, bearing in mind, inter alia, the proposals of the Chairman and the Rapporteur and the progress achieved thus far during the special session;

(c) Requested the Secretary-General to prepare a study on the outstanding issues in the draft code of conduct on transnational corporations, including, inter alia, the question of international law/international obligations vis-à-vis national legislation, to be circulated to Governments prior to the reconvened special session;

(d) Urged that every effort should be made to conclude the negotiations on the code of conduct on transnational corporations, with a view to its speedy adoption and implementation, and decided to examine, at its reconvened special session, to be held from 17 to 21 June 1985, the study requested in subparagraph (c) above and, in the light of that examination and the results of the consultations mentioned in subparagraph (b) above, to prepare a report including suggestions regarding the most appropriate steps to be taken to complete the code of conduct, to be submitted, for consideration, to the Economic and Social Council at its second regular session of 1985 and to the General Assembly at its fortieth session;

(e) Requested the Secretary-General to provide all the necessary facilities to the Commission on Transnational Corporations at its special session in order to facilitate the negotiations.

B. Other international arrangements and agreements

45. Several delegations made comments bearing on the question of other international arrangements and agreements in the course of the deliberations on the code of conduct and on items 3 and 4.

46. A number of delegations expressed the view that the Centre's work on that question facilitated and supported the Commission's work on the code of conduct. In that context, several delegations stated that experience with other international agreements showed that those instruments had evolved in the process of their practical application and that the Commission's efforts to formulate a code should take into account the possibility of the code evolving also.

47. All delegations agreed that the conclusion of bilateral treaties was not a substitute for a multilateral framework such as the code of conduct on transnational corporations. Some delegations pointed out that the rise in the number of bilateral treaties had not substantially increased the flow of foreign

direct investment to developing countries, which underlined the importance of adopting international policy measures that would have a favourable impact on confidence and stimulate investment in developing countries. A number of other representatives stated that bilateral arrangements for the protection of investments were essential for investments in developing countries. Those representatives stated that bilateral treaties were not intended as a substitute for an international code.

Action taken by the Commission

48. The Commission took note of the report of the Secretariat on developments under other international arrangements and agreements on matters related to transnational corporations (E/C.10/1985/6) and requested the Centre, in its future work on international arrangements and agreements other than the code of conduct, to take into account the views expressed by representatives at the eleventh session.

Chapter V

TRANSNATIONAL CORPORATIONS IN SOUTH AFRICA AND NAMIBIA

49. The Commission considered item 6 of its agenda at its 7th to 9th and 12th to 14th meetings, from 15 to 19 April 1985. It had before it the report of the Secretary-General on the activities of transnational corporations in South Africa and Namibia and their collaboration with the racist minority régime in that area (E/C.10/1985/7 and Corr.1), the report of the Ad Hoc Committee on the Preparations for the Public Hearings on the Activities of Transnational Corporations in South Africa and Namibia (E/C.10/1985/8), the report of the Secretariat on the responsibilities of home countries with respect to transnational corporations operating in South Africa and Namibia in violation of the relevant resolutions and decisions of the United Nations (E/C.10/1985/9) and the report of the Secretary-General on the proposed publicity programme for the public hearings on the activities of transnational corporations in South Africa and Namibia (E/C.10/1985/18 and Corr.1). The Commission had before it statements of the programme budget implications of the recommendations of the Ad Hoc Committee and of the proposed publicity programme (E/C.10/1985/8, annex IV; E/C.10/1985/18 and Corr.1, sect. II).

50. The Executive Director of the Centre on Transnational Corporations made an introductory statement. He recalled that research on the activities of transnational corporations in South Africa and Namibia had been a part of the work of the Centre since its inception and continued to be an important element in its programme. He noted that the relevance of the question had been underlined by the recent tragic events in South Africa. There had been a dramatic increase in some home countries of divestment and boycott activities relating to transnational corporations in South Africa and Namibia, and recently public statements had been made by some transnational corporations in South Africa calling on the Government to abolish apartheid. The new sense of urgency concerning the question indicated that the public hearings being organized by the Commission on the activities of transnational corporations in South Africa and Namibia were a timely and significant undertaking, and it was planned that the hearings would be a focal point of the Centre's work on the question during the coming year.

A. Activities of transnational corporations in South Africa and Namibia and their collaboration with the racist minority régime in that area

51. All delegations that spoke stressed that their Governments condemned the apartheid policies and practices of the South African régime. Most delegations stressed the importance of the subject of the activities of transnational corporations in South Africa and Namibia in the work of the Commission and many stated that they attached great importance to the organization of public hearings on the question.

52. Many delegations expressed appreciation for the report of the Secretary-General (E/C.10/1985/7 and Corr.1), including the list of transnational corporations operating in all sectors of the South African economy. Several representatives noted that the report and its conclusions showed that, despite the

apparently increased pressures on transnational corporations to divest themselves of their affiliates in South Africa and Namibia, those transnational corporations continued to increase their investments in such key industries as energy, armaments, machinery and equipment and electronics. Moreover, those transnational corporations were based in a few principal home countries. Some of the delegations made references to the growing public opinion in those home countries in favour of divestment by transnational corporations of their assets in South Africa as an effective means of curtailing support for the racist minority régime in the region, which was pursuing inhuman policies and practices of apartheid. Those delegations stated that it was not sufficient for Governments to continue to condemn apartheid in various public forums without taking concrete measures to prevent transnational corporations from collaborating with the South African régime. They also noted that the contribution of transnational corporations in providing loans and investments and their active co-operation in the armaments industry had considerably strengthened the régime in perpetuating the system of apartheid. They further stated that increased collaboration by transnational corporations in the nuclear field with the South African régime could destabilize the region and pose a grave threat to world peace. They expressed disappointment that home Governments of transnational corporations had not adopted a more consistent policy of divestiture.

53. Citing information contained in the report, one delegation noted the ineffectiveness of the current oil embargo against South Africa. Another delegation noted that, despite some current views that divestments by transnational corporations operating in the South African economy would have an immediate negative influence on the earnings of non-white workers employed by those transnational corporations, there was also supporting evidence that the impact of certain types of divestments would not be felt by the workers but by the South African régime itself.

54. Other delegations reiterated their strong abhorrence of apartheid, stating that the resolution of the problem was not a question of principle but of tactics which would be effective. One delegation noted that the majority of its country's transnational corporations had given the lead for change in South Africa by adhering to the Sullivan Principles (see E/C.10/1985/9, annex, para. 4). They rejected the argument that any dealing with South Africa, even on the basis of improvement of conditions for black South Africans, was a contribution to or support of apartheid. The delegation also referred to the 1965 report of an Expert Committee of the Security Council, which had exhaustively looked at the feasibility, effectiveness and implications of sanctions which might be ordered by the Security Council. 10/ That delegation stated that its Government obeyed mandatory decisions of the United Nations, but reserved the right to take its own decisions as to the most effective and useful ways of dealing with apartheid.

10/ Report of the Expert Committee established in pursuance of Security Council resolution 191 (1964) (Official Records of the Security Council, Twentieth Year, Special Supplement No. 2 (S/6210 and Add.1)).

B. Organization of public hearings on the activities of transnational corporations in South Africa and Namibia

55. In connection with item 6 (b), the Chairman of the Ad Hoc Committee on the Preparations for the Public Hearings on the Activities of Transnational Corporations in South Africa and Namibia introduced the report of the Ad Hoc Committee. He pointed out that the organization of the hearings reflected the concern of the United Nations and the whole international community about the crime of apartheid practised by the racist minority régime of South Africa, and the continued illegal occupation of Namibia by South Africa. The hearings should seek to promote concrete and concerted measures at the national and international levels - particularly by Governments, public agencies and institutions in the home countries of transnational corporations operating in South Africa and Namibia, as well as by intergovernmental, non-governmental and other organizations - towards the eradication of apartheid and the cessation of the illegal occupation of Namibia. He expressed the conviction that the report of the Ad Hoc Committee would assist the Commission in adopting a set of guidelines, which would lay the foundation for the conduct of the public hearings by a panel of eminent international personalities, recommended by the Ad Hoc Committee, in a fair, objective and balanced manner.

56. Many delegations considered the organization of the public hearings to be timely and important, particularly in view of the deteriorating situation in South Africa and the inadequacy and ineffectiveness of the measures taken by the Member States to meet their responsibilities with regard to the termination of collaboration with the South African régime. Those delegations also stated that it would be timely for the hearings to be held in 1985 to coincide with the twenty-fifth anniversary of the Declaration on the Granting of Independence to Colonial Countries and Peoples, as well as with the celebration of the fortieth anniversary of the United Nations. Those delegations considered that the recommendations of the Ad Hoc Committee constituted a fair basis for the organization of the hearings. Several other delegations, however, stated that they remained somewhat sceptical about the value of the hearings and whether they would be comprehensive and balanced. In that respect, other delegations urged all States and other parties to participate fully in the conduct of the public hearings to ensure their balance and effectiveness.

C. Responsibilities of home countries with respect to transnational corporations operating in South Africa and Namibia in violation of the relevant resolutions and decisions of the United Nations

57. Regarding the responsibilities of home countries with respect to the operations of transnational corporations in South Africa, several delegations stated that, despite their expression of condemnation of apartheid, home countries had failed to take effective concrete actions to end the various forms of collaboration by transnational corporations with that racist system, as called for in the resolutions and decisions of the United Nations. Those delegations noted that thus far no home country had adopted measures mandating the withdrawal of investments of transnational corporations from South Africa. A number of those delegations cited the adoption of General Assembly resolution 39/72 G of 13 December 1984, on concerted international action for the elimination of apartheid, as a significant step, as it was supported by home countries of

transnational corporations. Regarding the various codes of conduct concerning employment practices adopted or endorsed by some home countries, those delegations indicated that the measures lacked effective monitoring and enforcement mechanisms and failed to deal with the need to dismantle the whole structure of apartheid.

58. Other delegations reiterated the continued importance they attached to the contribution that could be made by transnational corporations towards the improvement of the situation of their black employees in South Africa and of the black community. They stressed the importance of home country codes of conduct in ameliorating the situation of black workers in South Africa. One representative, speaking on behalf of a group of countries, reiterated the unambiguous condemnation of apartheid by their Governments and their fundamental opposition to it. That representative recalled the measures taken by States members of the European Economic Community in the field of employment practices and the treatment of non-white workers by transnational corporations in South Africa. The delegation emphasized the progress being made in applying the provisions of the EEC Code of Conduct for Companies with Subsidiaries, Branches or Representation in South Africa and cited the European Economic Community's recently released report on that matter (see E/C.10/1985/9, annex, paras. 2 and 6).

59. Two delegations cited the actions taken by their countries within the framework of the programme of action of the Nordic countries (see E/C.10/1985/9, para. 43 and passim). New measures were being introduced to reduce trade with South Africa and increase humanitarian aid to people in the region. The delegations cited the Nordic Governments' support for General Assembly resolution 39/72 G and indicated their support for the implementation of effective mandatory sanctions against South Africa by the Security Council. One of the representatives indicated that a measure to prohibit new investment in South Africa was to be adopted by his Government in the course of 1985.

Action taken by the Commission

60. The Commission took note of the report of the Secretary-General on the activities of transnational corporations in South Africa and Namibia (E/C.10/1985/7 and Corr.1), the report of the Ad Hoc Committee on the Preparations for the Public Hearings on the Activities of Transnational Corporations in South Africa and Namibia (E/C.10/1985/8), the report of the Secretariat on responsibilities of home countries with respect to transnational corporations operating in South Africa and Namibia in violation of the relevant resolutions and decisions of the United Nations (E/C.10/1985/9) and the report of the Secretary-General on the proposed publicity programme for the public hearings on the activities of transnational corporations in South Africa and Namibia (E/C.10/1985/18 and Corr.1).

61. The Commission requested that summary records be provided for the public hearings on the activities of transnational corporations in South Africa and Namibia as proposed in annex IV to the report of the Ad Hoc Committee (E/C.10/1985/8).

Activities of transnational corporations in South Africa and
Namibia and their collaboration with the racist minority
régime in South Africa

62. At the 12th meeting, on 17 April, the representative of Egypt, on behalf of the members of the Group of 77 which are members of the Commission, introduced a draft resolution entitled "Activities of transnational corporations in South Africa and Namibia and their collaboration with the racist minority régime in South Africa" (E/C.10/1985/L.5).

63. At the 14th meeting, on 19 April, the representative of Egypt orally revised operative paragraph 3 of the draft resolution by replacing the word "Convinced" by the word "Reaffirms".

64. At the same meeting, the Commission adopted the draft resolution, as orally revised, by a roll-call vote of 30 to 4, with 5 abstentions (see chap. I, sect. A, draft resolution II). The voting was as follows:

In favour: Algeria, Bahamas, Brazil, Bulgaria, Central African Republic, China, Cuba, Czechoslovakia, Egypt, German Democratic Republic, Ghana, Guinea, India, Indonesia, Iraq, Jamaica, Mexico, Morocco, Nigeria, Norway, Pakistan, Philippines, Republic of Korea, Thailand, Trinidad and Tobago, Turkey, Uganda, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, Venezuela.

Against: Germany, Federal Republic of, Switzerland, United Kingdom of Great Britain and Northern Ireland, United States of America.

Abstaining: Canada, France, Italy, Japan, Netherlands.

65. Statements in explanation of vote were made by the representatives of Egypt (on behalf of the members of the Group of 77 which are members of the Commission), France (on behalf also of the Federal Republic of Germany, Italy, the Netherlands and the United Kingdom of Great Britain and Northern Ireland), the United States of America, Norway, Pakistan, Switzerland, the Union of Soviet Socialist Republics and the German Democratic Republic.

Organization of public hearings on the activities of transnational
corporations in South Africa and Namibia

66. At the 13th meeting, on 18 April, the representative of Egypt, on behalf of the members of the Group of 77 which are members of the Commission, introduced a draft decision entitled "Organization of public hearings on the activities of transnational corporations in South Africa and Namibia" (E/C.10/1985/L.6).

67. At the same meeting, the representative of Egypt orally revised paragraph (a) by inserting the words "the recommendations contained in" after the word "approve" and by adding the words "and the publicity programme described in the report of the Secretary-General" at the end of the paragraph.

68. At its 14th meeting, on 19 April, the Commission adopted the draft decision, as orally revised, by a roll-call vote of 30 to 1, with 8 abstentions (see chap. I, sect. B, draft decision I). The voting was as follows:

In favour: Algeria, Bahamas, Brazil, Bulgaria, Central African Republic, China, Cuba, Czechoslovakia, Egypt, German Democratic Republic, Ghana, Guinea, India, Indonesia, Iraq, Jamaica, Mexico, Morocco, Nigeria, Norway, Pakistan, Philippines, Republic of Korea, Thailand, Trinidad and Tobago, Turkey, Uganda, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, Venezuela.

Against: United States of America.

Abstaining: Canada, France, Germany, Federal Republic of, Italy, Japan, Netherlands, Switzerland, United Kingdom of Great Britain and Northern Ireland.

69. Statements in explanation of vote were made by the representatives of Egypt (on behalf of the members of the Group of 77 which are members of the Commission), France (on behalf also of the Federal Republic of Germany, Italy, the Netherlands and the United Kingdom of Great Britain and Northern Ireland), the United States of America, Norway, the Union of Soviet Socialist Republics, Canada, the German Democratic Republic, Uganda, Iraq and Algeria.

70. The representative of Nigeria expressed regret that some delegations appeared to have more concern about the financial implications of the public hearings on the activities of transnational corporations in South Africa and Namibia than about the contribution that the hearings would make to the efforts of the international community to eliminate apartheid, and requested that his concern in that regard should be recorded in the report of the Commission.

71. The representative of the United States of America stated that the concern expressed by some delegations about the financial implications of the hearings should not be misconstrued as evidence that they placed the highest importance on that aspect of the question.

Chapter VI

ONGOING AND FUTURE RESEARCH

72. The Commission considered item 7 of its agenda at its 9th and 10th meetings, on 16 April 1985. It had before it the report of the Secretariat on ongoing and future research (E/C.10/1985/10).

73. In introducing the item, the Executive Director of the Centre on Transnational Corporations recalled that the Centre's research activities had been divided into five broad areas and said that the part of the proposed programme budget for the biennium 1986-1987 covering the Centre's research activities had been organized accordingly. The first area of research comprised studies relating to the code of conduct and to other international arrangements and agreements relating to transnational corporations. He stated that the Centre would be continuing its research relating to the code of conduct, to international standards of accounting and reporting and to other international, regional and bilateral arrangements. The second area of research was the investigation of overall trends in the nature and scope of the activities of transnational corporations, which was reflected, for example, in the Centre's annual reports to the Commission on recent developments. That work would also be continued and would be more closely integrated with the Centre's work on the role of transnational corporations in international trade and finance. The third area of research was the strengthening of the negotiating capacity of Governments in their relations with transnational corporations. In that context he referred both to technical co-operation (item 11) and to the Centre's analysis of laws, regulations, contracts and agreements relating to transnational corporations.

74. Analysis of the political, social and cultural impact of transnational corporations was the fourth broad area of research identified by the Executive Director. He emphasized the Centre's work on the activities of transnational corporations in South Africa and Namibia and also referred to the research being done on the environmental, labour, and social and cultural aspects of the activities of transnational corporations, drawing the Commission's attention to the co-operation in those areas between the Centre and other organizations of the United Nations system. The fifth area of research comprised studies of specific issues and selected sectors. He pointed to the interrelations between that and the other areas of research and stated that future work in the fifth area would relate to the activities and impact of transnational corporations in the primary, secondary and tertiary sectors. The Executive Director informed the Commission that the Centre had presented a preliminary draft report on transnational corporations in the armaments industry to a group of outside experts and had found that considerable further work was necessary to define the scope of the study and to ensure the reliability of the data being used. Finally, the Executive Director summarized the work being undertaken by the Centre in response to decision III on ongoing and future research adopted by the Commission at its ninth session, in 1983. 11/

11/ See Official Records of the Economic and Social Council, 1983, Supplement No. 7A (E/1983/18/Rev.1), chap. I, sect. C.

75. During the discussion, the research activities of the Centre were generally commended. Several representatives expressed the view that the quality of the Centre's research had improved over the years, but they emphasized that continued vigilance was necessary to ensure that standards were maintained and, it was hoped, enhanced further. Accuracy, balance, comprehensiveness and objectivity were identified as some of the factors to which continued attention would have to be given to sustain and improve the quality of the reports of the Secretary-General. One representative suggested that prior review of more of the Secretary-General's draft research reports by outside experts, including those from Governments, would also be beneficial.

76. There was general agreement that the reports should be restricted in scope to issues relating to transnational corporations and should be supportive of the Commission and its work. The need to avoid duplication and overlap with the work being done elsewhere was emphasized by several representatives. It was also stressed that one of the primary objectives of the Centre's research was to assist developing countries in their dealings with transnational corporations; the reports produced should therefore be action-oriented and should present policy options. In that connection, attention was drawn to the importance of the effective dissemination of the findings of the research reports.

77. Some representatives suggested that greater emphasis should be attached to the positive effects of transnational corporations. One representative expressed the view that the free play of market forces should be one of the possibilities examined when considering possible arrangements vis-à-vis transnational corporations. It was also proposed that greater attention should be given to the continuing improvement of relations between transnational corporations and the Governments of host developing countries and to measures that would improve the investment climate in those countries.

78. Other representatives were of the view that inadequate attention had been given by the Centre to an examination of the negative effects of transnational corporations. Those delegations felt that further research was needed into such questions as interference by transnational corporations in the internal affairs of States and the adverse political, economic, social and cultural impact of transnational corporations on host developing countries. They expressed the view that activities of transnational corporations not only impinged on the national sovereignty of those countries but also had aggravated their socio-economic problems during the 10 years that the Commission and the Centre had been in existence. They particularly referred to such indications of financial exploitation of developing countries by transnational corporations as the net outflow of real resources in the form of interest and profit remittances.

79. Those representatives emphasized the importance they attached to the study of the role of transnational corporations in the armaments industry and in the transfer of military technology. Another representative repeated the opposition that his delegation had expressed regarding such a study at previous sessions of the Commission. Other representatives noted the action that had been taken by the Centre with regard to the study.

80. Several representatives referred to Commission decision III of 1983 11/ and emphasized that the decision remained valid. While noting the actions taken by the Centre in response to that decision, a number of representatives encouraged the Centre to pursue the research proposals it contained more vigorously. In

particular, they reminded the Commission of the acute difficulties being faced by developing countries as a result of the prevailing international financial situation. They pointed to the various outflows of financial resources from developing countries and attached great importance to the Centre's continued research into the role of transnational corporations, particularly transnational banks, in that process. Mention was made of the interrelations between the trade, finance and investment flows of transnational corporations. It was suggested that the Centre should examine the role of international borrowing by transnational corporations as a factor in the international financial difficulties of the developing countries. One representative suggested that it would be useful to examine the extent to which the use of debt rather than equity as a means of acquiring foreign capital had exacerbated those difficulties.

81. Several representatives commented favourably on the usefulness of the reports on host country laws and regulations pertaining to transnational corporations and foreign direct investment. It was suggested that the work could be extended by a review of trends in government policies towards transnational corporations and by an examination of the consequences of the various measures that had been adopted.

82. Continued support for the Centre's research on the activities of transnational corporations in South Africa and Namibia was voiced by some representatives. They considered that the public hearings on the subject should not lead to a diminution of that aspect of the Centre's research.

83. In addition to endorsements of the Centre's ongoing research regarding transnational corporations and, inter alia, the environment and transfer of technology, a number of suggestions were made regarding possible future research topics. They included the standards of product and process safety adopted by transnational corporations in developed and developing countries, the impact of new technologies on the decision-making process in transnational corporations, and the question of conflicts of jurisdiction.

84. Responding to the points made in the debate, the Executive Director noted the various and divergent views expressed. While representatives differed in the weight they attached to the Centre's various research activities, there seemed to be a consensus that a division into the five areas he had mentioned in his introductory statement was useful. He assured the Commission that the Centre would continue to devote particular attention to the areas of research identified by the Commission at its ninth session and would also endeavour to respond to some of the new proposals made, particularly that regarding product and process safety. Referring to the armaments study, the Executive Director pointed to the inter-State context of arms production and transfer and to the special circumstances that created for the activities of transnational corporations in that field. He indicated that a report covering that and the other preliminary questions he had mentioned in his introductory remarks would be prepared for the next session of the Commission. The Executive Director went on to point out that the Centre's ability to respond to the Commission's various research proposals within existing resource limitations was enhanced by the element of flexibility that the Secretariat enjoyed in determining the details of specific projects. However, that would not detract from the Centre's efforts to continue to respond to the Commission's more general requirements regarding the research programme, namely, that it should be selective and produce policy-oriented results.

Action taken by the Commission

85. The Commission took note of the report of the Secretariat on ongoing and future research (E/C.10/1985/10). It requested the Centre, in implementing the research programme, to take into account the views expressed by representatives at the eleventh session.

Chapter VII

COMPREHENSIVE INFORMATION SYSTEM

86. The Commission considered item 8 of its agenda at its 11th meeting, on 17 April 1985. It had before it the progress report of the Secretariat on the information system on transnational corporations (E/C.10/1985/11).

87. The Executive Director of the Centre on Transnational Corporations made an introductory statement. He noted the progress that had been achieved, in the collection and processing of data on trends in the activities of transnational corporations, with respect to statistical data on flows and stocks of foreign direct investment and related payments. He stated that the collection of selected data on the world's largest enterprises, an indicator of trends in the activities of transnational corporations, had been considerably expanded and that the Centre proposed to collect similar data on the largest transnational corporations in the service sectors in view of the increasing importance of the service industries in the world economy.

88. He also noted the progress made in the preparation of corporate profiles in a modified format, as approved by the Commission at its tenth session in conjunction with industry studies. He referred also to the progress achieved in the development of the legal and contractual components of the information system and in those activities called for in resolutions of intergovernmental bodies of the United Nations.

89. With regard to information on data and information sources, he stated that the Centre had observed a marked increase in the number of ad hoc requests from Governments of developing countries for advice on the development and management of their own information systems.

90. All delegations that spoke expressed appreciation of the progress the Centre had made in the development of the comprehensive information system and one representative noted that issues of verification of information, desirable objectivity in the collection of information and the necessity of maintaining the confidentiality of certain information had largely been resolved.

91. Another delegation expressed particular appreciation of the progress made in the development of the information system in view of the difficulty of obtaining information on individual transnational corporations owing to differences in types and amounts of information disclosed by different corporations. The same delegation requested that, in collecting such information, the Centre should take account of the minimum items of disclosure set out in the report of the Group of Experts on International Standards of Accounting and Reporting 12/ to ensure comparability of information on transnational corporations.

92. One representative considered that the Centre should ensure the accuracy and timeliness of information, should establish priorities based on cost-effectiveness and should stress quality rather than quantity. Several delegations stressed the

12/ International Standards of Accounting and Reporting for Transnational Corporations (United Nations publication, Sales No. E.77.II.A.17).

importance of information concerning transnational corporations to developing countries in the process of developing national information systems.

93. Several delegations emphasized that the establishment of the comprehensive information system, one of the priority activities of the Centre should be in full conformity with its terms of reference and should serve its principal tasks. They stressed the importance of using all sources of information available on the activities of transnational corporations and the need to continue the valuable work on corporate profiles. They also expressed the view that the information system should support the research activities of the Centre, especially on foreign direct investments by transnational corporations, including capital inflows and outflows.

94. Some delegations noted that the Centre should ensure that its efforts in the development of components of the information system were co-ordinated with those of other United Nations organizations engaged in related activities and one delegation requested additional information on planned activities in the development of the information system, particularly with respect to products harmful to health and the environment. That delegation expressed the view that information should be incorporated into the system on the benefits provided by transnational corporations and on the contribution to economies of infusions of foreign direct investment.

95. Replying to certain points, the Executive Director noted that, although many issues related to the development of the comprehensive information system had been resolved, improvements were still needed, especially with regard to placing greater emphasis on assistance to Governments in the development of national information systems. With respect to work on products harmful to health and the environment, he stated that the Office for Programme Planning and Co-ordination of the Department of International Economic and Social Affairs would continue to play the leading role in that effort and that the Centre's contribution would continue to be limited to providing information on synonyms, trade names and transnational corporations that manufacture certain products.

Action taken by the Commission

96. The Commission:

(a) Took note of the progress report of the Secretariat on the information system on transnational corporations (E/C.10/1985/11);

(b) Requested the Secretary-General to report to the Commission at its twelfth session on the comprehensive information system, taking into account the views expressed by representatives at the eleventh session.

Chapter VIII

INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING

97. The Commission considered item 9 of its agenda at its 11th and 14th meetings, on 17 and 19 April 1985. It had before it the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its third session (E/C.10/1985/12 and Corr.1).

98. The Chairman of the Intergovernmental Working Group, in his introductory statement, pointed out that the Group, as an interested party in the standard-setting process, had provided an international forum for the discussion of accounting and reporting issues. It had highlighted the major elements of the standard-setting process at all levels and raised the awareness of common elements, as well as of divergent approaches that might constitute obstacles to greater harmonization of accounting practices. The Group had contributed to increased mutual understanding of accounting and reporting by transnational corporations. The exchanges of views and experiences within the Group had been of particular value for the developing countries in formulating their own standards for accounting and reporting. Its work had potential for improving communications between transnational corporations and users of financial statements, including Governments of home and host countries, particularly in the developing countries. In the areas of harmonization of accounting and reporting and improvement of the availability and comparability of information disclosed by transnational corporations, the Group's approach would continue to be to encourage and contribute to the progress being made at the international, regional and national levels.

99. All delegations noted with satisfaction that the Group had achieved tangible results, as evidenced by its convergence of views on several complex accounting issues and by its consensus on information disclosure in a number of important areas. They were pleased that the Group, working within its mandate, had accomplished useful work in a business-like and professional manner. They recognized that the importance of the work entrusted to the Group could best be appreciated in the context of developments in the international business environment, in which transnational corporations continued to play a major role. Business decisions concerning, for example, world trade, capital flows, technology transfer, management policies, corporate relationships, expansion and diversification of operations, as well as personnel deployment, continued to be taken on a global basis. The financial aspects of such decisions were matters of great concern to home and host countries, particularly developing countries, and should be properly accounted for and adequately disclosed.

100. The Commission recalled paragraph 4 (h) of Economic and Social Council resolution 1982/67, in which the Council stipulated that the Commission, at its annual session, should keep under review the work of the Group; in particular, it should review the mandate, terms of reference and achievements of the Group after three years, with a view to deciding on the advisability of its continuation. Several delegations expressed support for the recommendation that the Group should continue its programme of work and should continue to meet on the basis of its existing mandate. Several other delegations supported the continuation of the existing mandate of the Group. Those delegations stated, however, that the mandate should be extended for a limited period - most expressing the view that a period of three years was most appropriate. They attached importance to a review by the

Commission at the end of that period to consider the further renewal of the Group's mandate. Some delegations stated that it was important for the Group to confine itself strictly to accounting and reporting on financial issues. Other delegations raised the issue of the duration of the sessions of the Group in relation to those of the Commission itself.

Action taken by the Commission

101. The Commission took note with appreciation of the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its third session (E/C.10/1985/12 and Corr.1).

102. The Commission agreed that it would, after three years, review the mandate, terms of reference and achievements of the Group, including the advisability of its continuation.

Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting

103. At its 14th meeting on 19 April, the Commission considered the draft resolution, entitled "Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting", recommended by the Group for adoption by the Commission (E/C.10/1985/12 and Corr.1, chap. I).

104. At the same meeting, the representative of the United States of America proposed the addition of a new operative paragraph 3, reading as follows:

"3. Agrees that it will, after three years, review the mandate, terms of reference and achievements of the Group, including the advisability of its continuation."

105. Following a discussion in which the representatives of the United States of America, Egypt (on behalf of the members of the Group of 77 which are members of the Commission), Pakistan and the United Kingdom of Great Britain and Northern Ireland took part, the Commission decided to incorporate the paragraph proposed by the representative of the United States into the report of the Commission (para. 102 above) and to adopt the draft resolution as contained in the report of the Working Group (see chap. I, sect. A, draft resolution I).

Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its third session and provisional agenda and documentation for the fourth session of the Group

106. At its 14th meeting, the Commission adopted the draft decision, entitled "Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its third session and provisional agenda and documentation for the fourth session of the Group", recommended by the Group for adoption by the Commission (E/C.10/1985/12 and Corr.1, chap. I) (see chap. I, sect. C, decision I).

Chapter IX

THE ROLE OF TRANSNATIONAL CORPORATIONS IN TRANSBORDER DATA FLOWS

107. The Commission considered item 10 of its agenda at its 9th and 10th meetings, on 16 April 1985. It had before it the report of the Secretariat on the role of transnational corporations in transborder data flows (E/C.10/1985/13). Technical papers entitled Transborder Data Flows: Transnational Corporations and Remote-Sensing Data 13/ and Transborder Data Flows and Poland: Polish Case Study 14/ were also made available to the Commission.

108. The Executive Director of the Centre on Transnational Corporations made an introductory statement, in which he first highlighted major developments related to transborder data flows which had occurred in other international forums since the last session of the Commission. Specifically, he made reference to the establishment of the International Consultative Commission on Transborder Data Flow Development by the Intergovernmental Bureau for Informatics; the adoption of the Declaration on Transborder Data Flows by the Organisation for Economic Co-operation and Development; and the beginning of a work programme on services by the General Agreement on Tariffs and Trade. While those developments indicated that the importance of transborder data flows - or, more generally, trade and foreign direct investment in data services - was being recognized, no organization, except the Commission on Transnational Corporations, was currently examining the role that transnational corporations played in transborder data flows. The Executive Director further reviewed the Centre's work in that area during the past year; he thanked the Permanent Secretariat of the Latin American Economic System for the financial contribution it had made to that work and noted with appreciation that the Government of Poland had prepared a country case study on transborder data flows. The Executive Director drew the Commission's attention to the options it had regarding further work on transnational corporations and transborder data flows.

109. Most delegations commended the Centre for the high quality of its work in that area and the useful role it played. A number of delegations pointed to the revolutionary impact of the new information technologies and the need to understand more about their consequences, especially for the development process of the developing countries. A number of delegations pointed out that the international attention being given to that subject was growing and that, in fact, it was becoming a very active area of work, with several international organizations dealing with aspects of the subject. A few delegations commented on the Polish country case study - which was summarized by the representative of Poland - and commended the quality of the study. Other delegations questioned some of the findings in the report of the Secretariat (E/C.10/1985/13).

110. One delegation, speaking on behalf of many others, requested the Centre to intensify its work on transnational corporations and transborder data flows. The areas of further work that were suggested by various delegations included the link between transborder data flows and trade in services; the preparation of an

13/ United Nations publication, Sales No. E.84.II.A.8.

14/ United Nations publication, Sales No. E.84.II.A.11.

annotated bibliography; the impact of transborder data flows on the autonomy of foreign affiliates or, more generally, the impact of new information technologies on the decision-making structures of transnational corporations; the strengthening of information industries in developing countries; and the importance of software and computer crime. However, a number of delegations cautioned the Centre not to be over ambitious and, in particular, urged the Centre to focus its work on the role of transnational corporations in transborder data flows and to avoid duplication with work done elsewhere. Many delegations emphasized the centrality of the country case studies. In that context, the delegations of the Federal Republic of Germany, Mexico and the United States of America informed the Commission that their country case studies were nearing completion. A few delegations suggested that, after those studies became available, the Centre should prepare a synthesis report. In that context, several delegations recommended caution in proceeding to a general analysis of the different country studies, since each country presented an individual case.

111. On the question of the Commission's future course of action on transnational corporations and transborder data flows, one delegation, speaking on behalf of many others, suggested that an ad hoc working group of experts, with terms of reference along the lines described in paragraph 47 of document E/C.10/1985/13, would provide the proper framework, although that suggestion was not meant to prejudge other options. While a number of delegations supported that suggestion, others urged that the Centre's work should continue along the same lines as in the past. One delegation suggested that the latter approach should be combined with informal meetings of experts, while another remarked that the Commission was one of the few institutions that offered a forum for dialogue between all groups of countries. A few delegations suggested that the Centre's work on transborder data flows should be incorporated into a broader work programme on transnational corporations and international transactions in services and the impact of new information technologies; in that context, one delegation was of the view that it was too early to begin a broad work programme on services per se, but that such a programme could be considered in the future. A number of delegations favoured a closer link between the research on transborder data flows and the Centre's technical assistance activities in order to take a more concrete and practical approach. One delegation suggested making that a subject for seminars, and another encouraged the developed countries to make financial contributions in that respect. One delegation urged the Centre to be neutral in its technical assistance activities and not to promote the interests of one group of countries over those of another. Other delegations cautioned that the Centre should not devote a disproportionate share of its resources to transborder data flows, given the importance of the other priorities in its research programme.

112. In his concluding comments, the Executive Director noted that there was a broad agreement in the Commission that transborder data flows was an important evolving area in which the Centre had a useful role to play, that technical assistance in that area should be strengthened and that the country case studies were of central importance. He pointed out that the question of transborder data flows was only one of the Centre's many research areas and consumed only a small proportion of the Centre's resources. The Commission was assured that the Centre would continue to make a conscious effort to avoid duplication of work, to focus its research on transnational corporations and to remain impartial in its technical assistance.

Action taken by the Commission

113. The Commission:

(a) Took note of the report of the Secretariat on the role of transnational corporations in transborder data flows (E/C.10/1985/13) and commended the Centre on its work in that area;

(b) Agreed that work should continue along the same lines as in the past, taking into account the views expressed by representatives at the eleventh session;

(c) Also agreed that a stronger link should be sought between the Centre's research on transborder data flows and its technical assistance activities.

Chapter X

TECHNICAL CO-OPERATION

114. The Commission considered item 11 of its agenda at its 12th meeting, on 17 April 1985. It had before it the reports of the Secretariat on the programme of technical co-operation of the United Nations Centre on Transnational Corporations, (E/C.10/1985/14), on the evaluation of the technical co-operation activities carried out by the Centre (E/C.10/1985/14/Add.1) and on measures to strengthen the capabilities of developing countries in their dealings with transnational corporations (E/C.10/1985/15).

115. In introducing the item, the Executive Director of the Centre outlined the need for continuing substantial support to developing countries through the Centre's technical co-operation programme, the nature and execution of the programme and the Centre's efforts to enhance the effectiveness and efficiency of the programme. He noted that, while many developing countries were attempting to promote inflows of foreign direct investment, there was at the same time a considerable need to strengthen their institutional and manpower capabilities to deal with transnational corporations. Assistance was especially important to low-income countries, which had received a considerable amount of the Centre's assistance in 1984.

116. The Executive Director expressed his appreciation for the financial contributions made by specific countries to the Trust Fund for the Centre's technical co-operation programme and emphasized the continuing importance of voluntary support for the Trust Fund. He described the Centre's efforts to assess its technical co-operation programme and the measures taken to enhance its effectiveness.

A. Review of the programme of technical co-operation

117. All the representatives that took part in the discussion stressed the importance they attached to the Centre's technical co-operation programme. Many stated that the programme addressed the concrete needs of developing countries in their efforts to optimize the participation of transnational corporations in their economies. A number of representatives voiced approval of the Centre's assistance to low-income countries and urged the Centre to maintain its efforts to assist those countries.

118. Several representatives noted that their Governments had been direct beneficiaries of the Centre's technical co-operation services. They expressed a high degree of satisfaction with the practical approach and the quality of expertise employed by the Centre in implementing projects in their countries. Other representatives cited the increase in funding from the United Nations Development Programme as a measure of the confidence that recipient countries had in the programme.

119. Several representatives cited the importance of the Trust Fund in maintaining the scope, quality and flexibility of the Centre's technical co-operation programme and expressed appreciation to the countries that had made voluntary contributions to the Trust Fund. A number of representatives expressed concern regarding the

long-term viability of the Trust Fund and made an appeal to all developed countries that had not yet contributed to the Fund to do so. The representative of China informed the Commission that his Government would make a voluntary contribution of \$US 20,000 to the Trust Fund and the representatives of the Netherlands and Switzerland stated that their Governments were actively considering contributions in 1985.

120. Several representatives commended the Centre for its efforts to evaluate its technical co-operation programme. Some of them expressed their support for the Centre's engaging an outside consultant to conduct a field evaluation of selected projects, a practice that, in the view of one representative, enhanced the confidence of donors to the Trust Fund. Another representative urged that the Centre's internal evaluation should contain more detailed information on the nature of the advice rendered by the Centre, the background of the experts engaged for technical assistance projects and the documentation used at workshops.

121. A few representatives suggested that, in the selection of its experts, the Centre should be attentive to the issue of broad geographical representation and should consider experts with experience in dealing with transnational corporations in joint ventures with small and medium-sized enterprises. Other representatives expressed the view that the most important criteria in choosing experts were a high quality of technical expertise and independence. One representative voiced concern that in one workshop the Centre's adherence to the principle of balance had been questionable.

122. Several representatives emphasized the importance of technical co-operation activities that contributed to the type of institution-building that would enable developing countries to deal with transnational corporations. Some of those representatives stressed the importance of establishing national information capabilities in developing countries and of training that imparted practical skills and expertise. Other representatives expressed the view that the Centre should attempt to identify and direct its resources to priority areas to ensure that its technical co-operation services would have the maximum impact.

123. One representative suggested that the Centre, through its advisory and information services, could provide information on the grey area between incentives for foreign investment and subsidies. Several representatives mentioned the importance of co-ordination and co-operation with other organizations and bodies providing technical assistance so as to avoid overlap and to make full use of available resources. A number of representatives felt that the Centre should more actively publicize the services it offered.

124. In his concluding remarks, the Executive Director thanked the representatives for expressing their support for and confidence in the Centre's technical co-operation programme and assured the Commission that the Centre would continue to try to improve the relevance and timeliness of its technical co-operation projects. He noted that the evaluation procedures of the programme - an important instrument for monitoring and ensuring the quality of the programme - were being reviewed to ensure an ongoing, systematic and objective assessment of the programme in the future.

125. The Executive Director reiterated that the Centre made every effort to maintain a balanced view in its technical co-operation projects and always tried to involve experts representing different points of view. In the particular instance

referred to by one representative, the Centre had gone out of its way to invite representatives of the business community, who unfortunately had declined the invitation. He further stated that the formulation and execution of projects was undertaken by in-house staff who were assisted by outside experts when the requisite technical expertise was unavailable within the Centre.

Action taken by the Commission

126. The Commission:

(a) Took note of the reports of the Secretariat on the programme of technical co-operation of the United Nations Centre on Transnational Corporations (E/C.10/1985/14) and on the evaluation of the technical co-operation activities carried out by the Centre (E/C.10/1985/14/Add.1) and commended the Centre on the way in which it was implementing the programme;

(b) Reaffirmed the importance it attached to the Centre's technical co-operation programme;

(c) Requested the Centre to report to the Commission at its twelfth session on its technical co-operation programme, including the evaluation of selected projects.

B. Measures to strengthen the negotiating capacity of developing countries in their dealings with transnational corporations

127. Many representatives welcomed the report of the Secretariat on measures to strengthen the capabilities of developing countries in their dealings with transnational corporations (E/C.10/1985/15) and stated that it accurately traced the efforts made over the past 20 years by the developing countries to improve their expertise and increase their knowledge concerning transnational corporations. Those representatives further noted that, despite those efforts, many developing countries, in particular those with a low per capita income, still lacked the necessary human and financial resources to deal with transnational corporations on a well-informed basis and required technical assistance in that area. A number of those representatives cited the importance of a code of conduct in establishing a framework for relationships between transnational corporations and Governments.

128. Many delegations noted that technical assistance to developing countries in their dealings with transnational corporations could promote mutual understanding and investment relationships that were amicable and enduring. Some representatives noted that while international measures to strengthen the capabilities of developing countries were necessary and desirable, attention should also be given to national measures that could enhance the relationship between host and home Governments and transnational corporations.

Action taken by the Commission

129. The Commission:

(a) Took note of the report of the Secretariat on measures to strengthen the capabilities of developing countries in their dealings with transnational corporations (E/C.10/1985/15);

(b) Requested the Centre to continue its research and technical co-operation activities aimed at assisting the developing countries in their dealings with transnational corporations;

(c) Requested the Centre to take into account in its future work the views expressed by representatives at the eleventh session.

Chapter XI

WORK RELATED TO THE DEFINITION OF TRANSNATIONAL CORPORATIONS

130. The Commission considered item 12 of its agenda at its 6th meeting, on 12 April 1985, in conjunction with item 5 (a) (see chap. IV above). It had before it the report of the Secretariat on the question of the definition of transnational corporations (E/C.10/1985/16).

131. Delegations that addressed the Commission on this question reiterated their previously stated views. A number of delegations stressed the need to view the code of conduct as a truly universal instrument that applied to all entities with transnational corporations, and called for the necessary flexibility on the resolution of the outstanding issues. Other delegations emphasized the importance of finding an acceptable solution to the problems of the definition of transnational corporations and the scope of application of the code in their close interrelationships with other outstanding issues, as proposed by the Chairman of the special session.

Chapter XII

PROVISIONAL AGENDA FOR THE TWELFTH SESSION OF THE COMMISSION

132. The Commission considered item 14 of its agenda at its 15th meeting, on 19 April 1985. It had before it a draft decision setting forth the draft provisional agenda and documentation for its twelfth session (E/C.10/1985/L.7).

133. In the course of the discussion, the Executive Director of the Centre on Transnational Corporations stated that changes in the formulation of certain agenda items represented an effort to help the Commission focus on substantive aspects of the Centre's programme and did not represent a change of policy.

Action taken by the Commission

134. The Commission adopted the draft decision (see chap. I, sect. B, draft decision II).

Chapter XIII

ADOPTION OF THE REPORT OF THE COMMISSION

135. At its 15th meeting, on 19 April, the Commission considered its draft report (E/C.10/1985/L.4 and Add.1-10) and adopted it as amended during the discussion.

Chapter XIV

ORGANIZATION OF THE SESSION

A. Opening and duration of the session

136. The Commission on Transnational Corporations held its eleventh session at United Nations Headquarters from 10 to 19 April 1985. The Commission held 15 meetings.

137. The session was opened by the temporary Chairman, Ahmed Rhazaoui (Morocco).

138. The Chairman of the Commission, Konstantin Kolev (Bulgaria), in his opening statement at the 1st meeting, stated that the international political and economic situation was far from satisfactory, particularly with respect to the critical economic situation in Africa and the external financial burden of the developing countries. Transnational corporations as a part of the world economy had full opportunity and a great responsibility to make a contribution to the efforts undertaken by the world community to seek ways and means of solving the complex and topical problems relating to economic development and international economic co-operation on a just and equitable basis. The main objectives of the Commission remained fully valid and the highest priority of the Commission continued to be the adoption of the code of conduct on transnational corporations, as was also envisaged in the International Development Strategy for the Third United Nations Development Decade.

139. He stated that the documents prepared for the eleventh session by the Centre on Transnational Corporations provided a fruitful basis for the work of the Commission, and welcomed the Executive Director of the Centre, Peter Hansen, in his new responsibilities.

140. The Under-Secretary-General for International Economic and Social Affairs, in his opening statement, said that after a decade of work the Commission and the Centre had every reason to be proud of what had been accomplished. He stated that currently the highest priority of the Commission's work programme was the formulation and adoption of a code of conduct on transnational corporations.

141. He also stated that, in preparation for the special session of the Commission in June, it would be useful to reflect on the commonality of interests that provided the underlying rationale for the code. Those common interests included sustained economic growth, in which transnational corporations could be important agents of industrialization and structural change; the creation of a favourable framework for growth, in which Governments by their public policies set the climate for the activities of transnational corporations; and the establishment of standards of behaviour, whose observance could enhance amicable international economic relations. On the basis of that commonality of interests, it appeared that all Governments, trade unions and the business community supported the formulation and adoption of the code of conduct. He concluded his remarks by reiterating the belief of the Secretary-General that the code was within reach, and he assured the Commission of the continued, firm support of the Secretary-General in its efforts to accomplish that task.

142. The Executive Director of the Centre on Transnational Corporations, in his opening statement, outlined the evolution in the global strategies of transnational corporations and spoke of the implications of those strategies for host and home countries. He welcomed the Commission's continuing and important guidance in the Centre's future work in the challenging and complex matter of transnational corporations in the world economy.

143. He also noted that, considering the relatively advanced nature of transnational corporations' activities and products, those firms were not in a position to contribute to the industrialization and development process of all countries to the same degree and, in any event, the firms could only partially satisfy the requirements of developing countries. Official development assistance was also necessary to generate an effective industrial infrastructure, as was assistance for developing countries in framing policies and structuring the participation of transnational corporations in their economies. The Executive Director concluded by expressing his confidence that the eleventh session of the Commission would be instrumental in bringing to a successful conclusion the work on a code of conduct, which was especially important for guiding transnational corporations towards optimal contributions to the economic development process under conditions agreed to by the countries concerned.

B. Attendance

144. The following States members of the Commission attended the session: Algeria, Argentina, Bahamas, Bangladesh, Brazil, Bulgaria, Cameroon, Canada, Central African Republic, China, Colombia, Cuba, Cyprus, Czechoslovakia, Egypt, France, German Democratic Republic, Germany, Federal Republic of, Ghana, Guinea, India, Indonesia, Iraq, Italy, Jamaica, Japan, Mexico, Morocco, Netherlands, Nigeria, Norway, Pakistan, Philippines, Republic of Korea, Switzerland, Thailand, Trinidad and Tobago, Turkey, Uganda, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela.

145. The following expert advisers attended the session: Thomas J. Bata (Canada), Friedrich Dribbusch (Federal Republic of Germany), Wim Kok (Netherlands), Luis Enrique Marius (Uruguay/Italy), Elias Mashasi (United Republic of Tanzania), Charles Albert Michalet (France), Brian Price (United Kingdom of Great Britain and Northern Ireland), David Sycip (Philippines), Teng Weizao (China), Vasilij P. Trepelkov (Union of Soviet Socialist Republics), Eduardo White (Argentina).

146. The following States Members of the United Nations were represented by observers: Austria, Belgium, Denmark, Finland, Guatemala, Lebanon, Liberia, Mongolia, Paraguay, Peru, Poland, Swaziland, Sweden, Syrian Arab Republic, Yugoslavia.

147. The following United Nations bodies were represented: Economic Commission for Europe, Economic and Social Commission for Asia and the Pacific, United Nations Industrial Development Organization.

148. The following specialized agencies were represented by observers: International Labour Organisation, United Nations Educational, Scientific and Cultural Organization, World Health Organization.

149. The following intergovernmental organization was represented by an observer: European Economic Community.

150. The following non-governmental organizations in consultative status with the Economic and Social Council were represented by observers:

Category I: International Chamber of Commerce, International Confederation of Free Trade Unions, International Council of Women, International Organization of Employers, World Confederation of Labour; Category II: Bahá'í International Community; Roster: International Juridical Organization.

C. Election of officers

151. At its 1st and 3rd meetings, on 10 and 11 April, the Commission elected the following officers:

Chairman: Konstantin Kolev (Bulgaria)
Vice-Chairman: Even Fontaine-Ortiz (Cuba)
Genzalc G. Santos, Jr. (Philippines)
Ibrahima Kalil Tcuré (Guinea)
Rapporteur: Marino Baldi (Switzerland).

D. Agenda and documentation

152. At its 1st meeting, on 10 April, the Commission adopted the agenda contained in document E/C.10/1985/1 (see annex I to the present report).

153. The documents before the Commission at its eleventh session are listed in annex II to the present report.

E. Cycle of meetings of the Commission

154. At its 13th and 14th meetings, on 18 and 19 April, in pursuance of Economic and Social Council decision 1984/104 and of its decision II, 15/ adopted at the tenth session, the Commission considered the question of its cycle of meetings.

155. At its 14th meeting, the Commission decided, owing to the divergency of views on the subject, to postpone its consideration of the question until its twelfth session.

15/ See Official Records of the Economic and Social Council, 1984, Supplement No. 8 (E/1984/18), chap. I, sect. C.

Annex I

AGENDA OF THE ELEVENTH SESSION

1. Election of officers.
2. Adoption of the agenda and organization of work.
3. Recent developments related to transnational corporations and international economic relations.
4. Activities of the United Nations Centre on Transnational Corporations.
5. Work related to the formulation of a code of conduct on transnational corporations and other international arrangements and agreements:
 - (a) Code of conduct;
 - (b) Other international arrangements and agreements.
6. Transnational corporations in South Africa and Namibia:
 - (a) Activities of transnational corporations in South Africa and Namibia and their collaboration with the racist minority régime in that area;
 - (b) Organization of public hearings on the activities of transnational corporations in South Africa and Namibia;
 - (c) Responsibilities of home countries with respect to transnational corporations operating in South Africa and Namibia in violation of the relevant resolutions and decisions of the United Nations.
7. Ongoing and future research.
8. Comprehensive information system.
9. International standards of accounting and reporting.
10. The role of transnational corporations in transborder data flows.
11. Technical co-operation:
 - (a) Review of the programme of technical co-operation;
 - (b) Measures to strengthen the negotiating capacity of developing countries in their dealings with transnational corporations.
12. Work related to the definition of transnational corporations.
13. Issues arising from decisions of the General Assembly and the Economic and Social Council.
14. Provisional agenda for the twelfth session of the Commission.
15. Adoption of the report of the Commission.

Annex II

LIST OF DOCUMENTS BEFORE THE COMMISSION AT ITS ELEVENTH SESSION

<u>Document number</u>	<u>Agenda item</u>	<u>Title or description</u>
E/C.10/1985/1	2	Annotated provisional agenda
E/C.10/1985/2	3	Report of the Secretariat
E/C.10/1985/3	3	Transnational corporations in international trade and foreign direct investment by transnational corporations, including capital inflows and outflows: report of the Secretariat
E/C.10/1985/4	4	Activities of the United Nations Centre on Transnational Corporations and the activities of the joint units with the regional commissions: report of the Secretary-General
E/C.10/1985/5	5 (a)	Proposals made by delegations at the reconvened special session (June 1984)
E/C.10/1985/6	5 (b)	Developments under other international arrangements and agreements on matters related to transnational corporations: report of the Secretariat
E/C.10/1985/7 and Corr.1	6 (a)	Report of the Secretary-General
E/C.10/1985/8	6 (b)	Report of the <u>Ad Hoc</u> Committee on the Preparations for the Public Hearings on the Activities of Transnational Corporations in South Africa and Namibia
E/C.10/1985/9	6 (c)	Report of the Secretariat
E/C.10/1985/10	7	Report of the Secretariat
E/C.10/1985/11	8	Progress on the information system on transnational corporations: report of the Secretariat
E/C.10/1985/12 and Ccrr.1	9	Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its third session
E/C.10/1985/13	10	Report of the Secretariat
E/C.10/1985/14	11 (a)	Programme of technical co-operation of the United Nations Centre on Transnational Corporations: report of the Secretariat

<u>Document number</u>	<u>Agenda item</u>	<u>Title or description</u>
E/C.10/1985/14/Add.1	11 (a)	Evaluation of the technical co-operation activities carried out by the United Nations Centre on Transnational Corporations: report of the Secretariat
E/C.10/1985/15	11 (b)	Measures to strengthen the capabilities of developing countries in their dealings with transnational corporations: report of the Secretariat
E/C.10/1985/16	12	Question of the definition of transnational corporations: report of the Secretariat
E/C.10/1985/17	[Symbol not used]	
E/C.10/1985/18 and Corr. 1	6 (b)	Proposed publicity programme for the hearings: report of the Secretary-General
E/C.10/1985/L.1	2	State of preparedness of documentation for the session: note by the Secretariat
E/C.10/1985/L.2	2	Organization of the work of the session: note by the Secretariat
E/C.10/1985/L.3	4	Canada, Germany, Federal Republic of, Italy, Japan and Netherlands: draft resolution
E/C.10/1985/L.4 and Add.1-10	15	Draft report of the Commission
E/C.10/1985/L.5	6 (a)	Egypt on behalf of the States members of the Group of 77 which are members of the Commission: draft resolution
E/C.10/1985/L.6	6 (b)	Egypt on behalf of the States members of the Group of 77 which are members of the Commission: draft resolution
E/C.10/1985/L.7	14	Draft provisional agenda and documentation for the twelfth session of the Commission: note by the Secretary-General
E/C.10/1985/INF.1	-	List of participants

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