



Economic and Social Council

SECRETARY

APR 5 - 1987

CONFERENCE

Distr.
GENERAL

E/1987/40
22 April 1987

ORIGINAL: ENGLISH

First regular session of 1987
Item 13 of the provisional agenda*

TRANSNATIONAL CORPORATIONS

Report of the Commission on Transnational Corporations
on its reconvened special session

(6 April 1987)

CONTENTS

<u>Chapter</u>	<u>Paragraphs</u>	<u>Page</u>
I. MATTERS CALLING FOR ACTION BY THE ECONOMIC AND SOCIAL COUNCIL	1	2
Draft resolution	1	2
II. RECOMMENDATION FOR THE EXPEDITIOUS FINALIZATION OF THE CODE OF CONDUCT	2 - 11	3
III. ADOPTION OF THE REPORT OF THE COMMISSION	12	5
IV. ORGANIZATION OF THE SESSION	13 - 21	5
A. Opening and duration of the session	13 - 14	5
B. Attendance	15 - 19	5
C. Composition of the Bureau	20	6
D. Agenda	21	7

* E/1987/30.

Chapter I

MATTERS CALLING FOR ACTION BY THE ECONOMIC AND SOCIAL COUNCIL

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

DRAFT RESOLUTION

Code of conduct on transnational corporations*

The Economic and Social Council,

Recalling its decision 1987/106 of 6 February 1987,

Reiterating the importance of an expeditious finalization of the code of conduct on transnational corporations,

Reiterating also that the special session of the Commission on Transnational Corporations is the proper forum for the negotiations on the code of conduct,

1. Decides that the special session of the Commission on Transnational Corporations should be reconvened at the earliest possible time and that a decision regarding its date should be taken not later than the organizational session of the Economic and Social Council for 1988 in the light of the results of the consultations to be held for the preparation of the reconvened special session;

2. Requests the Chairman of the special session, together with the Bureau of the special session and the Secretary-General, to hold intensive consultations with the aim of preparing a draft code of conduct on transnational corporations for the reconvened special session of the Commission, taking into account the existing drafts;

3. Requests member States to put forward, if appropriate, in the course of the consultations, concrete formulations aimed at resolving the outstanding issues in the code of conduct.

* For the discussion, see chap. II below.

Chapter II

RECOMMENDATION FOR THE EXPEDITIOUS FINALIZATION OF THE CODE OF CONDUCT

2. The Economic and Social Council, by its decision 1987/106, authorized the Commission on Transnational Corporations to reconvene its special session on 6 April 1987 in order to recommend procedures for the expeditious finalization of the code of conduct. It also authorized the Chairman of the special session to invite the open-ended enlarged Bureau of the special session to a meeting on 2 and 3 April 1987 to discuss all matters related to the outstanding issues. The Council invited the Secretary-General to assist the Commission at its reconvened special session in reaching agreement on the code of conduct.

3. The Commission heard an oral report by the Chairman on the results of the consultations with the enlarged Bureau. In addition, the Commission heard an oral report by the Executive Director of the United Nations Centre on Transnational Corporations on consultations held in response to the Commission's request at its special session on 14 April 1986.

4. The Chairman noted that the Economic and Social Council had endorsed the recommendation of the Commission to invite the Secretary-General to assist in reaching agreement on the code. He described the efforts undertaken by the Secretary-General through the United Nations Centre on Transnational Corporations pursuant to that invitation, in particular, the organization of a high-level round-table meeting on the code of conduct on transnational corporations to examine the status of the negotiations on the code and the significance of the global framework in the context of the world economy. In addition, the Chairman referred to Economic and Social Council decision 1987/106, whereby the Council had authorized the reconvening of the special session with a view to recommending procedures for the expeditious finalization of the code of conduct, preceded by an open-ended meeting of the enlarged Bureau of the special session. He stated that, pursuant to that decision, the enlarged Bureau had held a brief round of consultations on 2 and 3 April 1987.

5. The Executive Director of the Centre gave a brief account of the consultations held on the code of conduct since the last special session of the Commission. First, he referred to the high-level round-table meeting held at Montreux, Switzerland, on 3 and 4 October 1986, with the participation of high-level government officials and experts acting in their personal capacity. The purpose of the round-table meeting had been to reflect on the code of conduct in the light of the new attitudes towards foreign direct investment and transnational corporations. In particular, the Executive Director drew the attention of the delegations to the statement adopted at the round-table meeting emphasizing the benefits to be derived from a multilateral framework on transnational corporations. He also mentioned other consultations held by the Secretary-General, bilaterally, with the regional groups of members of the Commission and with the Bureau of the special session. Lastly, the Executive Director assessed the outcome of those consultations and made some suggestions which could serve as the basis for the expeditious finalization of the principal outstanding issues.

6. All delegations recognized the importance of expeditiously adopting the code of conduct and expressed their support for and co-operation in engaging in procedures aimed at finalizing the text of the code.

7. One representative, speaking on behalf of many delegations, expressed concern that there had been no significant progress in the resolution of the outstanding issues. The delegations reaffirmed their support for the reconvening of the special session as the most appropriate forum for the negotiations on the code. The reconvened special session should take place not later than the beginning of 1988 and should be conducted at a high political level. To that end, they also considered that the Chairman, the Bureau of the special session and the Secretary-General should engage in intensive preparations with a view to achieving positive results in the next round of negotiations. Conscious of the fact that the substantive issues could not be adequately discussed during a one-day session, they found it indispensable to give the Chairman the necessary support to obtain the political will that would permit bringing the negotiations to a successful conclusion. In that connection, they stressed the importance of continuing the informal discussions on the code, taking into account the text suggested by the expert advisers to the Commission, which contained concepts that, taken together, could lead to a definitive agreement (see E/1986/50, annex I).

8. One representative, speaking on behalf of a number of delegations, observed that in supporting procedures for the expeditious finalization of the code, they were recognizing the need to give new impetus to the already long negotiating process. Particularly in view of the fact that the consultations prior to the special session did not deal with substantive issues, the delegations expressed their hope that the future consultations to be conducted by the Chairman, together with the Bureau and the Secretary-General, would ensure more comprehensive, intensive and effective preparations in order to resolve the outstanding issues. In reaffirming their strong belief that the code would play an important role in improving international economic co-operation and promoting international economic security, they stressed that the code should define, first and foremost, basic international standards for the behaviour of transnational corporations. Lastly, they expressed the view that the reconvened special session was still the proper forum for the negotiations on the code.

9. One representative stated that it was necessary to adopt a code that was generally acceptable and universally applicable so as to eliminate the negative impact of activities of transnational corporations and enable them to make positive contributions to the economic development of the world as a whole, and to that of the developing countries in particular. He stated, however, that the key to the expeditious finalization of the code did not lie in the procedural aspect of the negotiations, but in the demonstration of political will by the parties concerned. The representative recommended that the reconvened special session be scheduled at a time as close as possible to the regular session of the Commission in order to allow more countries to participate in the negotiations and, in that way, to accelerate the formulation of the code. He further recommended that both the Commission and the Centre continue to encourage the expert advisers to the Commission to make fresh contributions to the finalization of the code.

10. Another representative emphasized that the consultations to be undertaken as provided in the draft resolution sought to achieve consensus in preparing a draft code of conduct; if consensus on the outstanding issues was not obtained, the text should reflect those differences, including alternative proposals.

Action by the Commission

11. The Chairman introduced a draft resolution on the code of conduct on transnational corporations. The Commission approved the draft resolution for adoption by the Council (see chap. I, para. 1).

Chapter III

ADOPTION OF THE REPORT OF THE COMMISSION

12. Owing to constraints of time, the Commission, on the proposal of the Chairman, entrusted the task of preparing the report on the session to the Rapporteur, with the understanding that the Commission would not meet again to adopt the report formally.

Chapter IV

ORGANIZATION OF THE SESSION

A. Opening and duration of the session

13. Pursuant to Economic and Social Council decision 1987/106, the reconvened special session of the Commission was held at United Nations Headquarters on 6 April 1987; one meeting was held (42nd).

14. The reconvened special session was opened by the Chairman, Miguel Marín-Bosch (Mexico).

B. Attendance

15. In accordance with Economic and Social Council resolution 1982/68, the special session of the Commission was open to the participation of all States. The following States attended the session: Algeria, Australia, Austria, Bahamas, Bangladesh, Barbados, Belgium, Belize, Benin, Brazil, Bulgaria, Byelorussian Soviet Socialist Republic, Canada, China, Cuba, Cyprus, Czechoslovakia, Democratic Yemen, Denmark, Ecuador, Egypt, Fiji, Finland, France, German Democratic Republic, Germany, Federal Republic of, Ghana, Greece, Guatemala, Hungary, India, Indonesia, Iran (Islamic Republic of), Iraq, Ireland, Italy, Jamaica, Japan, Lebanon, Lesotho, Malawi, Malta, Mauritius, Mexico, Morocco, Mozambique, Netherlands, New Zealand, Nicaragua, Nigeria, Norway, Pakistan, Paraguay, Peru, Poland, Republic of Korea, Saint Lucia, Sierra Leone, Spain, Suriname, Swaziland, Switzerland, Syrian Arab

Republic, Togo, Tunisia, Turkey, Uganda, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, United States of America, Venezuela, Viet Nam, Yugoslavia, Zaire, Zambia, Zimbabwe.

16. The following expert advisers attended the reconvened special session: Kamal Hossain (Bangladesh), Luis Enrique Marius Martinez (Uruguay/Italy), John Bower Rhodes (United States of America), William Robbins (United Kingdom of Great Britain and Northern Ireland), Hassan Sunmonu (Ghana), Kari Tapiola (Finland), Teng Weizao (China), L. M. Thapar (India), Raul Trajtenberg (Uruguay/Argentina), Vasiliy P. Trepelkov (Union of Soviet Socialist Republics).

17. The following specialized agencies were represented: International Labour Organisation, World Health Organization.

18. One intergovernmental organization, the European Economic Community, was represented by an observer.

19. The following non-governmental organization in consultative status with the Economic and Social Council was represented by an observer:

Category I: World Confederation of Labour.

C. Composition of the Bureau

20. The composition of the Bureau of the Commission at its reconvened special session remained as follows:

Chairman: Miguel Marín Bosch (Mexico)

Vice-Chairmen:* Juergen Kuehn (Federal Republic of Germany)
Wolfgang Sproete (German Democratic Republic)

The Commission elected the following officer:

Rapporteur: Magda Shahin (Egypt)

* The election of a third Vice-Chairman was postponed to a future session.

D. Agenda

21. At its 42nd meeting, on 6 April 1987, the Commission adopted the following agenda:

1. Election of the Rapporteur and a Vice-Chairman.
 2. Adoption of the agenda and organization of work.
 3. Report of the Chairman.
 4. Report of the Secretary-General.
 5. Recommendation for the expeditious finalization of the code of conduct.
 6. Adoption of the report of the Commission.
-