



UNITED NATIONS ECONOMIC AND SOCIAL COUNCIL



Distr.
GENERAL

E/5592
21 October 1974

ORIGINAL: ENGLISH

Resumed fifty-seventh session
Agenda item 9

THE IMPACT OF TRANSNATIONAL CORPORATIONS ON THE DEVELOPMENT PROCESS AND ON INTERNATIONAL RELATIONS

Activities of the United Nations system closely related to the subject of transnational corporations

Report of the Secretary-General

1. The Economic and Social Council at its fifty-seventh session adopted resolution 1908 (LVII) on the impact of transnational corporations on the development process and on international relations in which inter alia it requested "the Secretary-General, after consulting the appropriate organizations of the United Nations system, to prepare a concise report on those activities of the system which are closely related to the subject of transnational corporations". This report is in response to this request and is based on information received from the United Nations organizations and specialized agencies concerned.

Summary and Conclusions

2. Although the first comprehensive exercise on the phenomenon of transnational corporations in its totality has been launched only recently as a result of the adoption of Economic and Social Council resolution 1721 (LIII), various organizations and agencies of the United Nations system have over the past two decades dealt with a number of specific aspects related to foreign private investment and more recently also some of those concerning transnational corporations.

3. As early as 1948, the United Nations considered international investment and restrictive business practices as reflected in articles 12 and 46-54 of the Havana Charter. 1/ This unsuccessful attempt to provide rules in the field

1/ United Nations Conference on Trade and Employment held at Havana, Cuba, from 21 November 1946 to 24 March 1948, Final Act and Related Documents (United Nations publication, Sales No. 1948.II.D.4).

of international investment was followed by the drafting, by an Economic and Social Council Committee, of a convention on restrictive business practices prepared and submitted to the Council in 1953. 2/ The draft convention was never thoroughly considered.

4. Beginning in 1952, the General Assembly and the Economic and Social Council have adopted a series of resolutions proclaiming the principle of permanent national sovereignty over natural resources. 3/ In this connexion the Department of Economic and Social Affairs has produced reports on where the presence of transnational corporations has been historically strong. For a number of years starting in the early 1950s the United Nations Secretariat published regularly reports on international flow of capital. 4/ In addition, within the context of its work in development planning, as well as the preparation and review and appraisal of the Second United Nations Development Decade, the Department systematically analyses development finance in general and foreign direct private investment in developing countries in particular.

2/ Official Records of the Economic and Social Council, Sixteenth Session, Supplement No. 11 (E/2380).

3/ General Assembly resolutions 626 (VII), 1803 (XVII), 2158 (XXI), 2386 (XXIII), 2692 (XXV), 3016 (XXVII), 3171 (XXVIII) and 3175 (XXVIII) and Economic and Social Council resolution 1737 (LIV).

4/ The International Flow of Private Capital, 1946-1952 (United Nations publication, Sales No. E.54.II.D.1); "Report of the Secretary-General; the international flow of private capital, 1953-55", Official Records of the Economic and Social Council, Twenty-second Session, Annexes, agenda item 5, document E/2901; "Report of the Secretary-General; the international flow of private capital, 1956", Official Records of the Economic and Social Council, Twenty-fourth Session, Annexes, agenda item 6, document E/3021; The International Flow of Private Capital, 1955-1958 (United Nations publication, Sales No. E.59.II.D.2); "Report of the Secretary-General; international flow of private capital, 1957", Official Records of the Economic and Social Council, Twenty-sixth Session, Annexes, agenda item 4, document E/3128; "Report of the Secretary-General; international flow of private capital, 1958-1959", Official Records of the Economic and Social Council, Thirtieth Session, Annexes, agenda item 4, document E/3369; "Report of the Secretary-General; international flow of private capital, 1959-1960", Official Records of the Economic and Social Council, Thirty-second Session, Annexes, agenda items 2 and 5, document E/3513; The External Financing of Economic Development: International Flow of Long-term Capital and Official Donations, 1962-1966 (United Nations publication, Sales No. E.68.II.D.10); The External Financing of Economic Development: International Flow of Long-term Capital and Official Donations, 1963-1967 (United Nations publication, Sales No. E.69.II.D.10); The External Financing of Economic Development: International Flow of Long-term Capital and Official Donations, 1964-1968 (United Nations publication, Sales No. E.70.II.A.3).

5. Impetus to the examination of aspects of private foreign investment in general and transnational corporations in particular as they relate to trade and development resulted from the establishment of the United Nations Conference on Trade and Development. The Conference, at its second session in 1968 in resolution 33 (II) called for a work programme on restrictive business practices and for studies on issues related to the flow of private capital to developing countries including measures for promotion and examination of its economic effects. An Ad Hoc Group of Experts on Restrictive Business Practices convened by UNCTAD has formulated recommendations and guidelines for action by Governments in this field (see para. 38 below). The question of the economic effects of private foreign investment on developing countries is also of concern to the Committee on Invisibles and Financing Related to Trade.
6. The issue of transfer of technology to developing countries has also attracted increased attention. Following General Assembly and ECOSOC resolutions 5/ the Department of Economic and Social Affairs examined beginning in 1961 various aspects of the problem, particularly connected with transfer of patents and non-patent technology. In 1970, on the basis of Trade and Development Board resolution 62 (IX), UNCTAD initiated also a programme of work aimed at the revision of the international patent system and at elaborating a code of conduct on transfer of technology. The responsibilities of the Department of Economic and Social Affairs in the area of the transfer of operative technology were then transferred to UNCTAD. (see para. 19 below).
7. Work on tax treaties has been carried out since 1968 by an expert group assisted by the Department of Economic and Social Affairs. Of particular relevance in this connexion is its examination of transfer pricing and tax evasion.
8. Legal questions related to transnational corporations and international trade law are being examined by the United Nations Commission on International Trade Law (UNCITRAL) following the adoption of resolution 2918 (XXVII) by the General Assembly at its twenty-seventh session. The Office of Legal Affairs is currently preparing a report on that subject.
9. At the same time transnational corporations are increasingly examined on a sectoral and regional basis. The Economic and Social Commission for Asia and the Pacific, the Economic Commission for Latin America and the Economic Commission for Africa are examining various aspects related to the impact of transnational corporations on their respective region as a whole, and on certain countries or industries.
10. The above areas cover the impact of some major inputs that transnational corporations transfer to developing countries, such as finance and technology, or the impact of some of their policies, such as restrictive business practices and taxation. However, the "package" of inputs includes also entrepreneurship and managerial and other skills which have an impact on employment, training, working conditions and labour relations. The International Labour Office initiated in 1972 a study focused on transnational corporations and social policy where the impact of these enterprises on manpower, working conditions and labour relations is examined; a series of studies on related issues are presently under way. The United Nations Educational, Scientific and Cultural Organization intends to

5/ General Assembly resolution 1713 (XVI) and Economic and Social Council resolution 834 (XXXII).

include in its 1975-1976 work programme activities related to the impact of transnational corporations in the fields of education, science, culture and other aspects of interest to the organization.

11. In addition, the Department of Economic and Social Affairs, the regional commissions, UNCTAD, the United Nations Industrial Development Organization and the International Labour Organisation provide technical co-operation to requesting Governments in areas related to the subject. The Food and Agriculture Organization of the United Nations in its various operational activities collaborates with transnational corporations and in addition carries out specific programmes in which transnational corporations play a central role, such as the Industry Co-operative Programme.

12. The Secretary-General notes the decision of the Economic and Social Council in resolution 1908 (LVII) "to keep the full range of issues relating to transnational corporations, and in particular the subject of the regulation and supervision over their activities, under close consideration on a continuing basis", as well as the decision in principle to establish a permanent machinery to assist the Council in this respect and the decision to establish an information and research centre on transnational corporations.

13. Notwithstanding the important activities related to transnational corporations being carried out by various United Nations organizations and agencies, it is clear that the implementation of Council resolution 1908 (LVII) requires an early and important strengthening in the programme of work within the United Nations system. The complexity and breadth of the issues involved are such that a continuing and co-ordinated analysis of the problem is essential for the further elucidation of the issues and implementation of appropriate action. The decision to establish an information and research centre on transnational corporations is particularly important towards this end by facilitating the comprehensive consideration of the subject as a whole. In this connexion much thought is being given to the arrangements which will permit the centre to operate with maximum effectiveness and to provide the focal point where the many efforts and the interests of a number of United Nations organizations and agencies on certain aspects related to transnational corporations can be concerted.

Activities related to transnational corporations within the
United Nations system

Department of Economic and Social Affairs

14. The Department of Economic and Social Affairs in its general studies of development problems, including those related to development planning, has paid appropriate attention to development finance and the role of foreign direct investment in developing countries. For example the World Economic Survey since 1955 has included a special study on a topical subject related to economic and social development. In this context particularly relevant are the studies on

external saving for economic growth, financial international trade and the flow of private capital dealt with in Part I of the World Economic Surveys 1960, 1963 and 1965. 6/ The Department also prepared for several years annual reports on international flows of capital (see para. 4 above).

15. In the report prepared by the Department relating to the first over-all review and appraisal of the Second United Nations Development Decade, 7/ the issue of external financing and the role of the transnational corporations were given special attention. Questions of external financing have been also discussed in a series of interregional seminars organized by the Department (see, for instance, Planning Domestic and External Resources for Investment, Report of the Second Interregional Seminar on Development Planning, Amsterdam, Netherlands, 19-30 September 1966 8/). The statistical work of the Department has also provided compilation of data on resource transfers and balance of payments which have been used in studies of the subject.

16. Issues closely related to multinational corporations have also figured prominently in the work of the Committee for Development Planning, a body of high level experts appointed in their personal capacity, for which the Department provides the necessary substantive support. For example, in the Report of the Committee in its ninth session 9/ which contained its comments and recommendations relating to the first over-all review and appraisal of development strategy, the subject of foreign private direct investment attracted considerable attention.

17. In its work related to permanent sovereignty over natural resources - a principle first proclaimed in General Assembly resolution 523 (VI) in 1952 - the Department has prepared a number of reports covering a wide range of issues associated with the utilization of natural resources. Special attention has been given to financial and industrial aspects; natural resources of the sea; the relationship between the exploitation of natural resources and foreign direct investment; and nationalization.

18. Responding to Economic and Social Council resolutions, the Department prepared in 1968 the report Foreign Investment in Developing Countries 10/ which in addition to an analysis of the issue, included also a programme of action and proposals for organizing panels on foreign investment to facilitate

6/ United Nations publications, Sales Nos. E.61.II.C.1, E.64.II.C.1 and E.66.II.C.1, respectively.

7/ The International Development Strategy, First over-all review and appraisal of issues and policies (United Nations publication, Sales No. E.73.II.A.6).

8/ United Nations publication, Sales No. E.69.II.B.34.

9/ Official Records of the Economic and Social Council, Fifty-fifth Session, Supplement No. 5 (E/5293), chapter I.

10/ United Nations publication, Sales No. E.68.II.D.2.

the dialogue between governments and investors. In response to ECOSOC resolution 1359 (XLV) and UNCTAD resolution 33 (II) a Panel on Foreign Investment in Developing Countries met in Amsterdam in 1969 and discussed among other issues, areas of reconciliation of interest between host governments and foreign investors, and institutional and other bilateral and multilateral measures for encouraging foreign investment. 11/ The second Panel met in Medellín, Colombia in 1970 in pursuance of ECOSOC resolution 1451 (XLVII). It discussed costs and benefits of foreign investment, including effects on exports, forms of partnership with local interests and related problems bearing on mobilization of domestic savings and entrepreneurship in Latin America. 12/ The third panel was convened in Tokyo in 1971 in response to ECOSOC resolution 1629 (LI). It discussed the impact of foreign investment in developing countries in the context of national priorities, contractual arrangements including licensing and management contracts and the behaviour of multinational corporations regarding transfer pricing and capital and profit management as well as their ability to overcome governmental controls, regulation and policies. 13/

19. Pursuant to General Assembly resolution 1713 (XVI) the Department prepared in 1964 a report entitled The Role of Patents in the Transfer of Technology to Developing Countries. 14/ Following subsequent consideration of the subject at the third session of UNCTAD in 1972, the study was recently revised jointly with the UNCTAD secretariat and the World Intellectual Property Organization giving particular attention to the possible revision of the patent system. The report was transferred by ECOSOC to UNCTAD for consideration. In response to General Assembly resolution 2091 (XX) and ECOSOC resolutions 1201 (XLII) and 1311 (XLIV), the Department worked out a methodology providing guidelines for studying transfer arrangements, and convened an interregional expert group meeting on transfer of operative technology in 1971. 15/ As indicated in a report of the Secretary-General on 28 February 1974 (E/5459) the responsibilities related to the transfer of technology and export credits were integrated into the work programme of UNCTAD in order to eliminate areas of overlapping.

20. In pursuance of ECOSOC resolution 1273 (XLIII) the Secretary-General established in 1967 an Expert Group on Tax Treaties between Developed and

11/ See Panel on Foreign Investment in Developing Countries, report on a meeting held at Amsterdam, from 16 to 20 February 1969 (United Nations publication, Sales No. E.69.II.D.12).

12/ See Panel on Foreign Investment in Latin America, Medellín, Colombia, 8-11 June 1970 (United Nations publication, Sales No. E.71.II.A.14).

13/ See Panel on Foreign Investment in Developing Countries, Tokyo, 29 November-2 December 1971 (United Nations publication, Sales No. E.72.II.A.9).

14/ United Nations publication, Sales No. E.65.II.B.1.

15/ See Transfer of Operative Technology at the Enterprise Level, Report of an Interregional Group on its Meeting held in New York from 21 to 26 June 1971 (United Nations publication, Sales No. E.72.II.A.1).

Developing Countries with the task of "exploring ... ways and means for facilitating conclusion of tax treaties between developed and developing countries, including the formulation ... of possible guidelines". The work accomplished by the Expert Group, which has met five times since 1968 and has published five reports entitled Tax Treaties between Developed and Developing Countries, 16/ has been consolidated in a handbook 17/ which contains the guidelines for tax treaties between developed and developing countries adopted by the Group up to the present.

21. Responding to ECOSOC resolution 1765 (LIV), the Expert Group also studies the implementation of tax agreements, in such areas as income tax allocation including transfer pricing and tax evasion. The preliminary discussion of these problems is included in the fifth report of the Group. At its next meeting (February 1975), the Group will further consider the problem of international income allocation on the basis of documentation being submitted by the Department of Economic and Social Affairs with a view to development of guidelines and techniques covering allocation of income and expense to be utilized in treaty negotiations and to amplify and further develop the customary "arm's length" article contained in the usual treaty. The Group will also consider the development of guidelines supplementing the provisions in the treaties on exchange of information to prevent international tax evasion, fraud and avoidance.

22. In pursuance of resolution 1721 (LIII) of the Economic and Social Council and to facilitate the work of the Group of Eminent Persons on multinational corporations, the Department prepared in 1973 the report Multinational Corporations in World Development. 18/ This report analyses the concept and the dimensions of transnational corporations by providing statistical data, examines their nature, discusses the impact and tensions that their operations entail and suggests a programme of national, regional and international action. This report was a basis for discussion and source of information for the Group of Eminent Persons to study the impact of multinational corporations on development and on international relations. In addition, detailed studies on the transfer of technology, 19/ taxation and investment codes 20/ were prepared by the Department for the same purpose.

16/ United Nations publications, Sales Nos. E.69.XVI.2, E.71.XVI.2, E.72.XVI.4, E.73.XVI.1 and E.75.XVI.1.

17/ Guidelines for Tax Treaties between Developed and Developing Countries (United Nations publication, Sales No. E.74.XVI.5).

18/ United Nations publication, Sales No. E.73.II.A.11.

19/ The Acquisition of Technology from Multinational Corporations by Developing Countries (United Nations publication, Sales No. E.74.II.A.7).

20/ The Impact of Multinational Corporations on Development and on International Relations - Technical Papers: Taxation (United Nations publication, Sales No. E.74.II.A.6.).

23. At the request of Governments the Department has provided advisory services to over 20 countries since 1971, covering a variety of problems involving the formulation and administration of policies relating to direct private foreign investment and other forms of foreign business participation. In addition, Governments are being assisted in projects designed to train their officials in various aspects of administration of their policies toward such foreign business participation. Interregional advisory services have been also provided since 1969 to requesting developing countries on issues regarding mineral development policy and legislation and various legal aspects of mineral exploration and development.

Office of Legal Affairs

24. At its twenty-seventh session, the General Assembly (resolution 2928 (XXVII)) invited the United Nations Commission on International Trade Law (UNCITRAL) "to seek from Governments and interested international organizations information relating to legal problems presented by the different kinds of multinational enterprises, and the implications thereof for the unification and harmonization of international trade law, and to consider, in the light of the information and the results of available studies, including those by the International Labour Organisation, the United Nations Conference on Trade and Development and the Economic and Social Council, what further steps would be appropriate in this regard".

25. The Office of Legal Affairs, which functions as the secretariat of the Commission, is preparing a report, to be submitted at its eighth session (April 1975), in which it will analyse replies from governments and international organizations to a questionnaire, on the operation of transnational enterprises which are susceptible to solution by means of legal rules and presents suggestions as to the programme of work of the Commission and working methods in this area.

Economic and Social Commission for Asia and the Pacific

26. In areas related to transnational corporations, ESCAP is carrying out studies on foreign private investment in the region, and on the role of transnational corporations in certain countries. Furthermore, work is being undertaken on investment laws and transfer of technology on a regional framework. The role of foreign private investment in economic development and co-operation in the region was a subject of a study published in Part I of the Economic Survey of Asia and the Far East, 1970. 21/

27. The thirtieth session of the Commission, held at Colombo from 27 March to 6 April 1974, identified the problem arising out of private foreign investment and the operations of transnational corporations as one of the areas to which it attached priority. 22/ The secretariat is preparing a study to be included in the mid-term review and appraisal for the Second United Nations Development Decade.

21/ United Nations publication, Sales No. E.71.II.F.1.

22/ Official Records of the Economic and Social Council, Fifty-seventh Session, Supplement No. 5 (E/5469), para. 189.

The study will consist of a general review of the situation, an analytical inquiry into the impact of transnational corporations at the national and regional levels and appropriate recommendations. In addition, in-depth studies on the role and impact of transnational corporations in the development of Fiji, Iran, Singapore and Thailand will be completed by December 1975. On the basis of these studies the Commission plans to hold an expert group meeting with a view to formulating common policies regarding the operation of transnational corporations on a subregional basis.

28. Two studies on investment laws were presented to the Asian Conference on Industrialization in September 1970 in Tokyo. ^{23/} The Conference recommended that an information and investment centre be set up to provide information with respect to investment laws, regulations and contractual agreements prevailing among the countries of the region arising from co-operative undertakings with transnational corporations and foreign investors. At the request of the Commission, this project is to be taken up at a later date for implementation.

29. In the field of transfer of appropriate technology, the following specific activities are planned: studies on problems of capital and technology transfer on a sectoral basis, including the terms of such transfer and their implications; assistance to developing countries in setting up institutional mechanisms for monitoring and regulating the flow of technology and the activities of transnational corporations. In the field of energy, a study is planned on the role of multinational corporations, in the import and distribution of fuel and their pricing policies.

Economic Commission for Latin America

30. The Economic Commission for Latin America, in its Economic Survey of Latin America, 1970, ^{24/} examined the expansion of transnational enterprises and their influence in Latin America with a particular emphasis on the expansion of United States enterprises and its implications for Latin America.

31. The secretariat of ECLA is undertaking a study on transnational corporations in manufacturing industries of Latin America. This study will be carried out in three or four representative countries of the region with the co-operation of governmental institutions, through surveys of subsidiary firms of transnational corporations. Its main objective is to evaluate the effects of the activity of transnational manufacturing corporations on the economic development of these countries and special attention will be devoted to those effects which are most relevant to the policies of the Latin American countries, such as employment and labour productivity, consumption and income distribution, the use of local resources and the trade balance.

^{23/} See Industrial Development in Asia and the Far East, Report of the Second Asian Conference on Industrialization (Tokyo, Japan, 8-21 September 1970) (United Nations publication, Sales No. E.71.II.F.18).

^{24/} United Nations publication, Sales No. E.72.II.G.1.

32. Furthermore, the secretariat of ECLA is currently preparing a preliminary report on the activities of transnational corporations in Latin American manufacturing in the 1960s, identifying the main investor and recipient countries, the sectoral distribution of capital, and other important aspects. At the same time, working hypotheses and methodology for this research are prepared, which is scheduled to be carried out in the selected countries during the first half of 1975, so that the first report can be presented at the end of that year.

Economic Commission for Africa

33. The Economic Commission for Africa is undertaking studies on transnational corporations operating in the manufacturing sector in Africa. Studies on property law of the region, on transport, technology, energy and on exploration and utilization of mineral deposits in Africa are being carried out.

34. The secretariat of ECA has completed studies on "The multinational corporations in Africa" (E/CN.14/INR/186), "The role of private foreign investment in African industrial development" (CMI.INR/WP6) and "The appraisal of proposals for foreign participation in manufacturing industry in Africa". Studies are envisaged on transnational corporations and African industrialization and on the factors influencing investment decision-making in the public and private sectors, as well as a meeting of panel of experts on foreign investment.

35. In the framework of regional economic co-operation, studies are under preparation on property laws of English and French speaking Africa; a conference was recently organized with the view to considering to establish an Industrial Property Organization. The programmes on promotion, exploitation and utilization of mineral deposits in Africa and on development of natural energy includes studies and operational activities which have considerable relevance to the subject of transnational corporations.

The United Nations Conference on Trade and Development

36. The United Nations Conference on Trade and Development has been concerned with the operations of transnational corporations in the formulation of policy at the intergovernmental level to the extent that they related to its various fields of activity. A broad view of this kind, together with the necessary co-ordination of policies, are matters within the purview of the Trade and Development Board.

37. In the field of primary commodities, the third session of the Conference (resolution 78 (III)) called for studies on the marketing and distribution systems for commodities of export interest to developing countries which should "define ... the monopolistic and oligopolistic factors, including multinational corporations, which affect price levels on the main world commodity markets and their impact on the developing countries". In pursuance of this resolution, studies of the marketing and distribution system for several commodities (i.e., cocoa, bananas, manganese and hides and skins) have been completed or are in an advanced stage of preparation. In addition, the question of internal transfer pricing has been taken into account in the context of the study on indexation of prices (TD/B/503) recently completed by UNCTAD at the request of the General Assembly. In

the future, activities of transnationals will be taken into account in the context of an over-all integrated programme for commodities, as called for in the Programme of Action adopted by the General Assembly (resolution 3202 (S-VI)).

38. In the areas of manufactured and semi-manufactured goods, the impact of transnational corporations has been considered in UNCTAD primarily in the context of studies and intergovernmental deliberations on the subject of restrictive business practices. Resolutions 25 (II) and 73 (III) set out a comprehensive work programme and established the terms of reference for the Ad Hoc Group of Experts on Restrictive Business Practices and called for international action not only for increased collection and exchange of information but also for consultation and action designed to eliminate injurious practices. The main areas dealt with are cartel activities, restrictive practices in licensing agreements, market allocation arrangements, abuse of the dominant position of transnational corporations in markets, particularly with regard to their pricing policies, mergers and takeovers, competition and restrictive business practices, laws and policies in developing countries, information requirements and model laws for developing countries. In several of these areas the Group of Experts in its report Restrictive Business Practices in Relation to the Trade and Development of Developing Countries, 25/ has contributed to the formulation of recommendations and guidelines for action by Governments. In addition, the activities of the transnational corporations are also examined in the context of studies relating to non-tariff barriers, the generalized system of preferences, international subcontracting and free zones for industrial production and export.

39. In the field of finance and private foreign investment, the UNCTAD secretariat in accordance with Conference resolution 33 (II) has prepared reports on the income and balance-of-payments effects of private foreign investment in developing countries. The results of studies covering nearly 200 private foreign firms in six developing countries are summarized in a report entitled "Main findings of a study of private foreign investment in selected developing countries" (TD/B/C.3/III). The studies were carried out on the basis of cost-benefit analysis and alternative assumptions about the degree of local participation, access to technology, substitutability between foreign and local resources and restrictive export arrangements. In addition, the UNCTAD secretariat prepared annual reports on financial flows to and from developing countries. The Third Conference agreed that the secretariat should continue its studies in this area and that it should collect information on policies, practices and experience of both developed and developing countries as well as on those of regional arrangements, relating to the conditions of operation of foreign private investment, which could be of use to governments in deciding upon their own policies.

40. The work of UNCTAD in the field of transfer of technology began with resolution 74 (X) of the Trade and Development Board in 1970. Consequently, the Intergovernmental Group on Transfer of Technology, which was recently transformed into a committee of the Board, and the Third Conference, resolution 39 (III), elaborated a comprehensive programme of work. It includes the development of a conceptual framework for fact-finding and research on technology, collection of empirical evidence from a large number of countries and the elaboration of studies, namely, (a) on the patent system of existing national and international legislation,

with a view to its future revision, and (b) on the possibility and feasibility of establishing an international code of conduct on the transfer of technology. The Group has called for the convening in 1975 of two expert groups to consider respectively the main lines of the possible revision of the national and international patent systems, and to prepare a draft outline to serve as a basis for the elaboration of a universally applicable code of conduct on the transfer of technology. In preparing their recommendations the expert groups would consider the influence of transnational corporations on the acquisition of technology by developing countries.

41. In other areas of UNCTAD's deliberations a number of aspects of transnational corporations have been touched upon. Pursuant to resolution 53 (VIII) of the Trade and Development Board, a study is now under preparation on the role of transnational corporations in developing countries participating in economic integration schemes. The work of UNCTAD on shipping, such as that connected with the formulation and negotiations over the Code of Conduct for Liner Conferences, and the Intergovernmental Preparatory Group on a Convention on International Intermodal Transport, is also relevant to the subject of transnational corporations which have long been active in liner conferences, tramp shipping and specialized carriers. In the field of insurance, Conference resolution 42 (III) has requested UNCTAD to continue its studies on insurance and reinsurance including regional or subregional reinsurance funds.

42. Following Conference resolution 45 (III), a Working Group was established to prepare a draft Charter on the Economic Rights and Duties of States. Some of the draft articles under consideration deal with relations between States and private foreign investors, with special reference to natural resources and the activities of transnational corporations.

43. Under each of the problem areas mentioned above, UNCTAD's work programme necessitates the gathering of information from both primary and secondary sources. UNCTAD's technical assistance activities cover a number of areas related to transnational corporations. A promising start has been made in transfer of technology, where developing countries need assistance in identifying and evaluating the options available to them.

United Nations Industrial Development Organization

44. In pursuance of recommendations of the Industrial Development Board, the Committee for Development Planning, the Ad Hoc Committee of Long-Range Strategy on the Group of High Level Experts on UNIDO's future activity and strategies, UNIDO is giving increasing priority to the general issues of industrialization strategies and policies. Such issues involve the general role played by transnational corporations in the transfer of technology as well as in investment in and industrial training and development of the developing countries.

45. A study of the role played by transnational corporations in the industrialization of developing countries has been included in the Industrial Development Survey (Volume VII), which is the main document for the Second Conference of UNIDO in Lima, March 1975.

46. The medium-term plan of UNIDO includes studies on the role of transnational corporations in information systems, licensing and know-how arrangements, promotional and financing activities, product adaptation and subcontracting and industrial training and management.
47. The work of UNIDO in assisting the developing countries in their industrial activities includes preparation, evaluation and advice regarding specific industrial investment and development projects in which transnational corporations are in many instances actually or potentially involved. Through the promotional activities as well as through co-operation with the industry programme group and transnationals, UNIDO maintains practical contact with the problems related to the activities of transnational corporations in the developing countries.

The International Labour Organisation

48. Following a meeting in 1972 on the Relationship between Multinational Corporations and Social Policy, the ILO launched a programme of studies about the role of these enterprises in areas of interest to the organization, such as employment, working conditions, labour relations, collective bargaining and development of human resources.
49. The studies prepared for the meeting held in ILO in the autumn of 1972, attended by experts drawn from government, employers' and workers' circles, as well as the conclusions of this meeting were published in the ILO document: Multinational Enterprises and Social Policy, Studies and Reports, New Series, No. 79 (1973). This study examines the nature and significance of transnational enterprises and their impact on manpower, conditions of work and industrial relations and discusses international labour standards and social principles developed by the ILO as they relate to the operations of these enterprises.
50. Pursuing the recommendations of this meeting the ILO has included in its work programme the following studies:
- (a) A case study on the mechanical industry. It identifies policies and practices of transnational corporations on employment and training, wages and working conditions and industrial relations. This study, which is expected to be completed in the second half of 1975, is based on answers to questionnaires which will be sent to firms operating in Europe, to labour and employer's organizations, and to home and host Governments. Similar studies in other sectors might be undertaken at a later stage.
 - (b) A study on general working conditions prevailing in transnational enterprises. Expected to be finished in the autumn of 1975, this pilot study compares wages, paid vacation and work length among transnational enterprises, and between transnational enterprises and domestic firms in five industries, mainly in the mechanical sector.
 - (c) A study on the contribution of multinational enterprises in the development of human resources. This pilot study, to be completed in mid-1975,

examines policies of transnational enterprises in developing countries concerning manpower training, career development of executives, procedures of decision-making as well as the over-all effect of these enterprises on development of human resources.

(d) A study on problems of labour inspection and transnational corporations. It is a pilot study, the first phase of which will be completed by the end of 1975; it will analyse communication and technical problems and other problems created by distance.

(e) A study on the usefulness of international principles and guidelines in the field of social policy regarding activities of transnational corporations. This study is a follow-up of the conclusions reached by the above-mentioned meeting at the ILO and decision of the Governing Body of the ILO in its 189th session in March 1973. 26/ On the basis of a legal analysis of structures specific to transnational enterprises within the framework of national rights and international law, the study scrutinizes the precedence which could constitute standards in the field of industrial relations and terms of employment as well as employment policy and labour standards.

(f) A study on transnational enterprises and collective bargaining. Two studies are envisaged on this subject; first, a general one, dealing with the responses of labour organizations towards the growth of transnational corporations, the responses of the enterprises and the strategy in the collective bargaining in these cases; secondly, a case study on the mechanical industry. These studies are expected to be completed by mid-1975.

(g) A study on transnational enterprises and employment. It is hoped that this study will be financed by extra-budgetary funds and that following a preliminary report it will be completed by the end of 1976. It will be based on studies in 10 countries among developing countries in Latin America, Africa and Asia and the less developed countries of southern Europe. In each case the impact of foreign private investment on the over-all economic and social development of the country will be assessed. The particular issues on which the study will focus are the degrees to which transnational corporations adapt their technology according to the local supply of factors of production, train their work force, create employment, affect the international division of labour and their relation with host Governments. Two pilot studies in Gabon and Zaire are already under implementation.

51. The ILO envisages to study, at a later stage, the effect of transnational corporations in the employment of their home countries and to hold conferences and ad hoc groups in the framework of its longer term plan.

26/ Record of Decisions of the 189th Session of the Governing Body of International Labour Office, agenda item 2.

Food and Agriculture Organization of the United Nations

52. The activities of FAO which are closely related to the subject of transnational corporations, pertain to agriculture, forestry and fisheries and include specific programmes in collaboration with transnational corporations, as well as a range of operational activities with such corporations and with Governments, with a view to facilitate the transfer of knowledge and capital leading to agricultural development.

53. The Food and Agricultural Organization obtains some manpower and materials with the co-operation of transnational corporations; it collaborates in research and operational activities where the interests of the members of FAO and those of transnational corporations coincide; it also provides information resulting from FAO activities to transnational corporations, where such information can be made public. These activities can be distinguished into three categories: first, those which constitute specific programmes between FAO and the private sector, mainly transnational corporations; secondly, those which involve collaboration with the private sector in which transnational corporations have a major role; thirdly, those within the framework of assisting Governments in dealing with investment proposals in specific industries.

54. The FAO programmes with transnational corporations are the following:

(a) Co-operative Programme of Agro-Allied Industries with FAO and other United Nations organizations (Industry Co-operative Programme). The ICP, established in 1966, provides a direct link between transnational corporations operating in agriculture, forestry and fisheries and FAO, other United Nations organizations and Governments. It has developed the following activities: initiation of dialogue between Governments and industry through FAO and other United Nations organizations for identifying areas of industrial partnership; industry working groups such as on dairy and meat development, forestries, fisheries and protein food development; a special subcommittee to study areas of priority interest to member companies; identification and formulation of projects in co-operation with Governments and the FAO and other United Nations organizations to make effective use of industry resources such as management, technology, marketing, in encouraging the growth of new industries in developing countries.

(b) Food and Agricultural Organization/Bankers Programme is composed of multinational banks and national development banks of developed and developing countries. The objective of the programme is to stimulate the flow of funds into agricultural development in developing countries. Meetings of the general committee of the programme, held twice annually, provide a forum where the issues of attracting and regulating resources from multinational banks into agricultural developments are discussed. In order to encourage this flow, FAO assists local banks in identifying and preparing development projects, some of which need the support of multinational banking corporations. The FAO Investment Centre ensures that these projects are technically and financially viable. A number of projects prepared under the programme have already been implemented in three countries.

(c) Food and Agricultural Organization Fertilizer Programme. This programme, which started in 1961 under the FAO Freedom from Hunger Campaign, includes, but is not confined to, transnational corporations. Its approach is oriented to extension work and it undertakes fertilizer trials and demonstrations of fertilizers, pilot schemes, distribution and credit as well as training projects. The contributions by industry until the end of 1975 have amounted to about \$US 5 million. Projects of three to 10 years duration have been implemented in 28 developing countries.

55. Other activities of FAO have been undertaken in collaboration with transnational corporations. They involve exchanging information on development and economic matters, obtaining information on plant machinery and the latest processing techniques, training of persons from developing countries by transnational corporations, co-operating in joint publications and consultation on investment follow-up to field projects. For example, some transnational corporations, collaborate in conducting fishery project feasibility studies, exploratory and experimental fishery surveys and industrial pilot projects; firms from more advanced countries assist others from developing countries in the technical managerial or marketing aspects; transnational corporations are participating in the improvement of forest management and expansion of forest industries in developing countries through the financing and establishment with local interests, of mills and marketing services; transnational corporations receive a periodic news sheet regarding fishery projects assisted by FAO and so on.

56. Finally, FAO provides advice and assistance to Governments regarding technical aspects of investment operations, many of which involve transnational corporations. Examples of such work are the study on foreign investment laws and agriculture ^{27/} and "Handbook on Forest Utilization Contracts on Public Land" (FO-UNDP/Misc/71/1). Advice to Governments on institutional arrangements and devices to protect their national interest, in transacting contracts with foreign corporations with respect to forest concessions, etc. is provided largely through field projects. Similarly, advice is given to Governments, on request, on technical and legal aspects of negotiations with transnational corporations for the formation of fishery joint venture agreements. Reviews of fishery joint venture agreements are underway in West Africa and in the Indian Ocean area and the findings are to be submitted to the relevant intergovernmental fishery bodies. Moreover, guidelines for the negotiation of international fishery joint ventures, based on case histories, are being developed. A panel of representatives for transnational corporations is assisting in the review of these guidelines.

United Nations Educational Scientific and Cultural Organization

57. In its ninety-fourth session (May-June 1974) the Executive Board of UNESCO recommended to its General Conference to include in the programme for 1975-1976

^{27/} J. Henderson, Foreign Investment Laws and Agriculture, FAO Legislative Series No. 9 (Rome, Food and Agriculture Organization of the United Nations, 1970).

provisions for a study on the impact of transnational corporations in the areas that are within the organization's competence.

58. The Board specifically recommended that a group of experts should convene in 1975, "in order: (a) to assess the conclusions of the ... 'Report /of the group of eminent persons to study the impact of multinational corporations on development and international relations/' in so far as they bear on matters within UNESCO's competence; (b) report on the impact of multinational corporations in the field of education, science, culture, communications, environment and development; (c) propose further studies necessary for elucidation of these questions". The Board also invited the Director General of UNESCO to co-operate, as appropriate, with the United Nations agencies in any other action to follow up the ECOSOC Report. 28/

World Health Organization

59. The World Health Organization does not consider that any of its activities are closely related to the subject of transnational corporations. Certain aspects of the organization's work, however, involve a degree of collaboration with commercial or industrial corporations, national or transnational. Such aspects are, for example, the use of and adherence to WHO's specialization in the development, formulation and testing of fertility regulating agents or of insecticides, or the establishment and application of international standards for pharmaceutical substances.

General Agreement on Tariffs and Trade

60. To the extent that transnational corporations engage in international trade, and in view of the scope of these activities on world trade and trade relations, transnational corporations represent an important and continuing element in the general background to GATT work. However, there is no specific activity related to transnational corporations as such.

Other United Nations Organizations and specialized agencies

61. The Economic Commission for Europe, the Economic Commission for Western Asia, the International Bank for Reconstruction and Development and the International Monetary Fund do not consider their activities as being closely related with the subject of transnational corporations.

28/ United Nations Educational, Scientific and Cultural Organization, Resolutions and Decisions Adopted by the Executive Board at its 94th Session (Paris and Varna, 20 May-28 June 1974) (94EX/Decisions), pp. 44-45.