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COMMISSION ON TRANSNATIONAL CORPORATIONS

Third session

SUMMARY RECORD OF THE 26th MEETING

Held at Headquarters, New York,  
on Thursday, 28 April 1977, at 10.30 a.m.

Chairman: Mr. FASLA (Algeria)

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The meeting was called to order at 10.55 a.m.

ELECTION OF OFFICERS (continued)

1. Mr. BHATT (India), speaking on behalf of the group of Asian States, nominated Mr. Qadrud-Din (Pakistan) for the office of third Vice-Chairman.
2. Mr. HEININGER (German Democratic Republic), on behalf of the group of Socialist States of Eastern Europe, Mr. AISSA (Algeria), on behalf of the group of African States, Mr. RUBIN (United States of America), and Mr. CRUZ (Mexico), on behalf of the Group of Latin American States, supported that nomination.
3. Mr. Qadrud-Din was elected third Vice-Chairman by acclamation.

TECHNICAL CO-OPERATION (E/C.10/29) (continued)

4. Mr. TARZI (Director, Division of Recruitment, Office of Personnel Services) said, with regard to the question of the roster of experts under consideration by the Commission, that the Division of Recruitment had a computerized roster which included some 5,000 candidates classified by 53 areas of specialization, which were, in turn, subdivided into more specific areas of specialization such as, for example, international economy and, within that, the field of transnational corporations. One hundred and thirty-one countries from all parts of the world were represented on the roster. A list of candidates prepared by computers was normally distributed to permanent missions, national recruitment services, the specialized agencies and the regional commissions. In consultation with the Centre on Transnational Corporations, a document on international recruitment in the field of the activities of the Centre, describing briefly its advisory and training services and the professional qualifications which candidates should have, had recently been prepared. The document had already been sent to Ministries of Foreign Affairs and other sources of candidates, and it was planned to distribute it to permanent missions. With regard to candidates from the developing countries, the Division was making special efforts to recruit increasing numbers of experts from those countries.
5. Mr. BHATT (India) requested that the information provided by the Director of the Division of Recruitment of the Office of Personnel Services should be circulated.
6. Mr. RUBIN (United States of America) supported the request of the representative of India and, with regard to the suggestion made by the representative of Argentina at the previous meeting, that informal round tables should be held, said that his delegation hoped that that proposal could be put into practice.
7. Mr. BRUCE (Canada) also supported the proposal of the Argentine representative and proposed that delegations should transmit to the Rapporteur the

(Mr. Bruce, Canada)

questions which, in their opinion, could be considered at such round tables, so that their views could be duly reflected in the Commission's report.

8. The CHAIRMAN said that the Secretariat had taken note of the concern of the representative of India, and he announced that the third question put at the previous meeting to the persons selected by the Commission to assist it in its work had been withdrawn.

STUDIES ON THE EFFECTS OF THE OPERATIONS AND PRACTICES OF TRANSNATIONAL CORPORATIONS (E/C.10/26)

9. Mr. FIGUERERO (Argentina) said that he would like to know whether the Centre was adapting its activities to the order of priorities set by the Commission for its work. Specifically, he would like information on the stage reached by the studies on the balance of payments, shipping, tourism, employment, the effects of the activities of transnational corporations on those of local corporations and pharmaceutical products, as well as on the follow-up on the study published in 1973 (ST/ECA/190 and Corr.1) and the contents of the project on consultant services mentioned by the Executive Director of the Centre in his report.

10. Mr. RUBIN (United States of America) also showed interest in the information requested by the representative of Argentina. The immense volume of information which had to be taken into account and the limitation of resources, inter alia, made it necessary to have an order of priorities in the studies prepared by the Centre, which should concentrate on the most important questions. That would make it possible for the studies to be circulated in time for delegations to give them due consideration.

11. Mr. MATEEV (Bulgaria) said that his delegation considered the work done so far by the Centre on Transnational Corporations positive, despite the problems relating to the insufficiency of personnel, shortage of technical facilities and lack of qualitative information for the operation of transnational corporations. Among its future activities, the follow-up on the 1973 document on multinational corporations in world economy (ST/ECA/190 and Corr.1) would be particularly important. His Government was prepared to co-operate closely with the Centre and to contribute within the limits of its possibilities, to the successful fulfilment of its work.

12. Mr. BERG (France) said that the Centre's programme of studies should be carried out on a selective basis, making the best possible use of available resources and avoiding any duplication.

13. The studies made by the Centre should not be purely academic but should serve the priority objective set, namely, the formulation of the code of conduct and the implementation of the technical co-operation programme. With regard to the sectoral studies, the Centre might concentrate on the four studies of which the first phase had been completed and a few more which could be determined by a small group of delegations, with the collaboration of the Rapporteur; new priorities could be set later.

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14. Miss MUELLER (United Kingdom) said that she felt that the Centre's working capacity had perhaps been overburdened and that it would be better if, at the current session, the Commission concentrated on evaluation of the progress made and the setting of specific priorities for the Centre's future work, without adding new proposals or broadening the programme of study agreed upon at the second session. She agreed with the representative of France that the Centre's work should be concentrated mainly on the formulation of the code of conduct and the implementation of the technical co-operation programme. The Argentine representative's proposal to hold informal meetings to study the preparation of the code of conduct in greater detail was also worth considering.

15. She felt that it was necessary to place greater stress on the quality of the studies carried out rather than on their quantity and that it was not necessary for the Commission to undertake to carry out or finance all the investigations which the Commission considered desirable; they could utilize the many studies already made on transnational corporations by different organizations in various countries. Various projects in the programme of studies were being carried out in co-operation with other bodies, such as UNCTAD and UNIDO, and it would also be possible to promote the work of independent scholars and have them deal with subjects which required objective examination. The activities of the Centre itself should be concentrated in one or two important sectors in order thus to put to the test the methodology that was to be used.

16. Furthermore, the Commission should not exercise detailed control over all aspects of the Centre's work, because it would make its work excessively difficult. It was important to maintain the Centre's independence, but she hoped that Governments would be able to contribute to its work, by making available the knowledge and experience at their disposal. Details on the plan of studies for each year, the objectives and methods of each study, its author, the schedule for its completion, the portion of the budget to be allocated to it and the progress made should be included in future reports of the Executive Director. While it would not be appropriate to lay down strict rules for the conduct of studies, it might be useful in some cases to consult those Governments which had a special interest in the question under consideration.

17. Mr. IMAM (Kuwait) felt that the International Working Group had little information on the question of consumer protection. Often many industrialized countries prohibited domestic consumption of harmful products but did nothing to stop their corporations exporting them to the developing countries, which were sometimes unaware of their dangerousness. His delegation proposed that the Centre should be requested to prepare a document on consumer protection, summarizing the principle findings and conclusions so far and making recommendations for the protection of consumers in the developing countries. In view of the advanced stage of studies already made in that field, a recapitulation could be made relatively quickly and easily.

18. Mr. RUBIN (United States of America), referring to the suggestion made by the representative of Kuwait, said that, in many cases, particularly those involving the export of products financed by government organizations, the Government of the United States required a statement of the possible environmental effects of such products. Although that procedure was not applied generally, it undoubtedly constituted a valuable precedent. In that connexion, one of the tasks of the Centre could be to consider similar measures adopted by various Governments.

19. Mr. HEININGER (German Democratic Republic) said that international political and economic development since the second session of the Commission had confirmed the importance of the task it was carrying out. The negative impact of the activities of transnational corporations on international relations had continued and even increased, particularly in the developing countries; studies should be done on the situation and effective measures adopted to put an end to it. At the same time, it had been demonstrated that a close relationship existed between such measures and progress towards détente and international security.

20. The work priorities of the Centre should be established on the basis of the requests contained in the report on the Commission's second session. It was important to continue with the study on transnational corporations in world development and to deal with such basic aspects as origin, regional and sectoral distribution of the foreign activities of transnational corporations, their political effects in the host countries and in international relations, and their social and cultural consequences. Accordingly the results of research projects carried out by various countries and by special United Nations bodies should be included in the future document; the most important transnational corporations should also be studied in detail on a country by country basis.

21. His delegation considered the studies currently being carried out on strengthening the negotiating capacity of the developing countries to be very useful. Emphasis should also be given to studies of the role of transnational corporations in international banking and their influence in the food and beverages industries, which were of particular importance for the developing countries.

22. Mr. SHCHETININ (Union of Soviet Socialist Republics) said that the transnational corporations continued to engage in activities which violated the fundamental principles of international law and the United Nations Charter. The Commission should concentrate on the main questions and should not become bogged down in details. The Centre should co-ordinate its activities with those of other United Nations bodies in order to avoid duplication, and should establish priorities in its research in the light of the observations made in the Commission, which should be informed of projected activities.

23. The political aspects of the activities of transnational corporations conspired against détente, and against peace and security. The military industrial complexes and monopolies operating in the colonial countries contrived to create explosive situations resulting in the deaths of many thousands of people. The economic and social situation of workers was adversely affected by the activities - sometimes clandestine - of transnational corporations designed to restrict the right to work and to infringe trade union rights and social security provisions. That was all

(Mr. Shchetinin, USSR)

contrary to Article 55 of the United Nations Charter, which called for the promotion of "higher standards of living, full employment, and conditions of economic and social progress and development".

24. Miss MUELLER (United Kingdom), referring to the proposal that priority should be given to research on the political, social and cultural effects of the activities of transnational corporations, said that such questions, although important, were difficult and were currently being discussed in the Working Group on the Code of Conduct. At the current stage, what was needed was not more research, but a continuation of those discussions. The Commission had assigned the highest priority firstly to the formulation of the code of conduct, and secondly to technical co-operation. As one of the persons chosen by the Commission to assist it in its work had suggested, the transnational corporations should be more sensitive to the needs of host countries. However, that was a problem which would not be solved by research.

25. Mr. BENAVIDES (Peru) said that research on transnational corporations occupied an important place in the efforts to achieve a new international economic order. The role of transnational corporations as a central factor in the world economy and as economic units which, in many cases, were almost independent of national States, was a recent phenomenon. As the report of the Executive Director (E/C.10/30) showed, many of the areas in which studies were envisaged were virtually untouched by independent research, thus demonstrating the enormous importance of the Centre's activities.

26. Mr. MATEEV (Bulgaria) recalled that the primary objective of the programme of work adopted by the Commission at its second session was to further understanding of the nature and the political, legal, economic and social effects of the activities of transnational corporations (E/C.10/16, para. 6 (a)).

27. Mr. RUBIN (United States of America) said that it was a mistake to refer in general to "transnational corporations" - a term which was as yet undefined by the Commission - without distinguishing, for example, between enterprises involved in the extractive industries and those involved in marketing, or between those involved in heavy industry and those involved in light industry. Such differences in turn signified differences in such areas as capital, infrastructure and total investment in the host country, and therefore differences in the mobility of transnational corporations and in the interest taken by host countries in their activities.

28. Mr. GUNTHER (Federal Republic of Germany) supported the idea of establishing an order of priorities, in view of the limited resources available, and noted that, in document E/C.10/16, referred to by the representative of Bulgaria, the highest priority had been assigned firstly to the drafting of a code of conduct and secondly to the establishment of a comprehensive information system. He supported the position adopted by the representatives of the United Kingdom and the United States to the effect that the work of the Centre should be focused on those two areas. He also believed that the Centre should make full use of the work done in the rest of the United Nations system and, after reading document E/C.10/28, he was fully confident that such would be the case. He emphasized the importance of research work, such as that referred to in paragraph 29 (e) of document E/C.10/16.

29. Mr. FIGUERERO (Argentina) asked whether a summary was being prepared of the material being studied by the Centre. Such a summary would be very useful since the information it provided could be taken into account by the Commission in carrying out its work. He would also like to know what was the status of the quarterly publication which was to summarize the work of the Commission and the Centre, and whether it would be possible to include in the studies to be prepared by the Centre a bibliography of the material used and information on the persons consulted.
30. Mr. SANDERS (Netherlands) said that the Centre should focus its research on questions which were closely related to the formulation of the code of conduct and to increasing the negotiating capacity of host countries. Related questions, such as the settlement of disputes, could be studied later.
31. Mr. QUENTIN (Italy) repeated that the Centre's activities were subject to strict budgetary limitations. Accordingly, the Centre would have to concentrate on the two priority areas set by the Commission: elaboration of a code of conduct and technical co-operation.
32. Mr. JIMINEZ DE LUCIO (Deputy Executive Director of the Centre on Transnational Corporations) said that each of the nine studies making up the programme of the Centre had been divided into four phases. The first consisted of an over-all review of all available material on the item and an appraisal of the aspects that were particularly relevant for attaining the priority objectives which the Centre had set: a code of conduct for transnational corporations and the programme of technical co-operation. As the General Assembly had not approved the Centre's budget estimates for the implementation of the programme in their entirety, some projects had had to be postponed but none of them had been cancelled. Different deadlines had been set for the various studies: the study on the activities of transnational corporations in southern Africa had been completed in one year while two or three years had been allowed for other studies. When it was stated that some projects had already been completed that meant only the first phase of the study whose results were not going to be published but would lay the basis and the methodology for future work. Nor were all proposed studies of the same scope; in any event attempts had been made to avoid unnecessary duplication.
33. The integrated study of the political, legal, economic and social repercussions of the operations and practices of transnational corporations, which was to complement the study published in 1973 (ST/ECA/190 and Corr.1), was under way and it was hoped that it would be ready for the next session of the Commission. The publication CTC Reporter, the second issue of which was about to appear would probably serve to keep members of the Commission informed as to ongoing activities and as to various aspects related to transnational corporations.
34. Co-ordination with other organs was a basic function of the preliminary research. The Centre had contacted ILO in connexion with its research into employment, UNCTAD regarding research into the merchant marine and balance of payments, and UNIDO (with which it had already started joint work) regarding research into the mining industries and the industrialization of the product thereof, within the framework of the natural resources project. Contacts had also been established outside the United Nations system.

35. Mr. FIGUERERO (Argentina) asked when the time-limits for the elaboration of the studies had started and what studies would last three years rather than two.

36. Mr. JIMINEZ DE LUCIO (Deputy Executive Director of the Centre on Transnational Corporations) said that the two-year period was calculated from the time when the Economic and Social Council approved the project, so that the deadline for most of the projects would be 1978. The three-year projects, which would be completed in 1979, related to employment, balance of payments, obstacles preventing the strengthening of Governments' negotiating capacity and measures adopted by Governments to strengthen their negotiating capacity, insurance, the merchant marine and the mining industries.

37. Mr. RUBIN (United States of America) suggested that the calendar of work should be printed and circulated.

38. Mr. BERG (France) pointed out that the completion dates for the studies mentioned by the Deputy Executive Director had already been given on pages 26 to 30 of document A/C.5/31/25, issued on 12 November 1976, and he congratulated the Centre on its preciseness.

39. The CHAIRMAN said that he had been requested to ask the persons selected by the Commission to help it in its work for their opinion on the studies which had been carried out, particularly in their special area of experience and competence, and what studies could be carried out on the effects of the activities of the transnational corporations.

40. Mrs. JAGER (Economist, American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)),\* speaking at the Chairman's invitation, said that with regard to the political aspects of the activities of transnational corporations, the researchers generally tended to study issues that confirmed what they believed. Thus the research did not seem to be balanced enough. Moreover, too much emphasis was placed on the sectoral analysis without sufficiently taking into consideration the multifaceted nature of most of the national and transnational corporations, both State-owned and private. There was also the danger of overlooking a considerable proportion of firms if the practice of basically taking into account the most recent information was continued. It should be remembered that only a few countries required firms to present annual reports.

41. Mr. TACKE (Member of the Board of Siemens A.G., Chairman of the Board (retired)),\* speaking at the invitation of the Chairman, said that there was so much research into transnational corporations, that it was practically impossible to keep abreast of it all. Hence the importance of avoiding any duplication of efforts. The attitude of researchers was, in fact, affected by the research and could be modified as a result of it. The recent ILO study and the report prepared in 1974 by the Group of Eminent Persons would seem to confirm that fact.

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\* Persons selected by the Commission to help it in its work.



42. Mr. SANFELICE (Economist, World Federation of Trade Unions (WFTU)),\* speaking at the invitation of the Chairman, said that it was very difficult to study all the available information on transnational corporations, not only because it was very vast but also because it was fragmentary. An interdisciplinary approach would be useful, but there were some problems that did not lend themselves to such an approach. Accordingly, in such cases it was necessary to concentrate on specific aspects. The Centre would have to play a co-ordinating and guiding role in order to facilitate study of the available information. As to the methodology to be used in the studies, it should be remembered that in some areas, employment for instance, new criteria were needed for, whereas studies carried out in that field so far had referred to the direct effects of activities of the transnational corporations on employment, the indirect effects of such activities should now be studied.

43. Mr. IVANOV (Chief of Economic Division, Institute for US Studies, USSR Academy of Sciences),\* speaking at the invitation of the Chairman, said that when studying the activities of the transnational corporations, the political aspect of the question should not be forgotten for it was of capital importance since transnational corporations could influence government decisions, modify mechanisms in negotiations with corporations of the host countries and even overthrow Governments. For all those reasons it was of the utmost urgency to determine in the various countries which of the transnational corporations' activities were legal and which were illegal. Studies on and research into banks should not be confined solely to banking activities as such, for it was well known that banks often exercised various types of control over industrial enterprises. Accordingly, it should be emphasized that the banks should also be responsible for the conduct of such enterprises.

The meeting rose at 1.15 p.m.