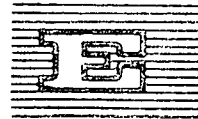


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COMMISSION ON TRANSNATIONAL CORPORATIONS

Third session

SUMMARY RECORD OF THE 28th MEETING

Held at Headquarters, New York,
on Friday, 29 April 1977, at 3 p.m.

Chairman: Mr. MATEEV (Bulgaria)

CONTENTS

Establishment of a comprehensive information system (continued)

- (a) International standards of accounting and reporting: progress report on the work of the Group of Experts at its first session
- (b) Disclosure of information regarding the activities of transnational corporations
- (c) Progress report on the establishment of a comprehensive information system

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The meeting was called to order at 3.25 p.m.

ESTABLISHMENT OF A COMPREHENSIVE INFORMATION SYSTEM (E/C.10/27, 28 and 30)
(continued)

- (a) INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING: PROGRESS REPORT ON THE WORK OF THE GROUP OF EXPERTS AT ITS FIRST SESSION
- (b) DISCLOSURE OF INFORMATION REGARDING THE ACTIVITIES OF TRANSNATIONAL CORPORATIONS
- (c) PROGRESS REPORT ON THE ESTABLISHMENT OF A COMPREHENSIVE INFORMATION SYSTEM

1. Mr. SHCHETININ (Union of Soviet Socialist Republics) said that the information system to be established should be compact and economical, and should serve the goals of the United Nations with maximum effectiveness. The system should have the same priorities as the Commission and its operation should assist in the preparation of a code of conduct, which was the Commission's main task.

2. Information collected by the Centre should be made available to Governments wishing to strengthen their position vis-à-vis transnational corporations, as well as to labour unions and consumer groups. The information system should not be allowed to serve unwittingly the interests of the transnational corporations themselves and in that connexion he fully endorsed the statement made at the preceding meeting by the representative of Bulgaria. Transnational corporations spent large sums on research on market conditions and capital investment opportunities and it was unthinkable that the financial resources allocated to the development of an information system might be used to serve those purposes.

3. Mr. BHATT (India) said that the work of the Group of Experts on International Standards of Accounting and Reporting had great relevance to the collection of information on individual corporations and the recommendations of that Group should be taken into account before the Centre proceeded with the computerization of information which was publicly available.

4. His delegation agreed that the heart of the information system was information on individual transnational corporations. In addition to the publicly available information described in annex I to document E/C.10/28, his delegation suggested that information on general reserves, retained profits and investment plans should also be collected. That would entail a qualitative assessment of information supplied by individual corporations. The collection of information should be selective and the information gathered should be relevant to the Commission's work, since otherwise the latter would be overwhelmed by a mass of data which it might not be able to put to practical use. Emphasis should be placed on collecting information which was concrete and would assist Governments, particularly those of developing countries, to strengthen their negotiating capacity vis-à-vis transnational corporations.

(Mr. Bhatt, India)

5. Macro information would be useful in so far as it indicated certain trends in the activities of transnational corporations in the mining, manufacturing and service sectors. It would also be useful in the context of technical co-operation. Once again, the guiding principle in the collection of information should be relevance to the work of the Commission. It was true that national direct investment surveys, as described in paragraph 24 of document E/C.10/28, were not strictly comparable. In order to increase comparability, the Centre might develop a model of the kind of survey that would be most useful in its own work. Information regarding contracts and agreements was to a limited extent already available from public sources, although the Centre had not been able to devote much of its time or resources to the collection of such information. The Centre might profitably request Governments of home and host countries to supply relevant information on specific types of contracts and agreements, which would shed light on the bilateral arrangements between transnational corporations and Governments and other bodies, and enable developing countries to strengthen their negotiating capacity when dealing with transnational corporations.
6. With regard to business confidentiality, it was true that information which would undermine the competitive ability of any corporation should be supplied only to national Governments and the Centre on Transnational Corporations.
7. It had been pointed out that consideration should be given to the cost to transnational corporations of supplying information to the Centre. If proper guidelines were evolved as to the type of financial and non-financial information relevant to the Commission's work, the cost could be kept within limits that transnational corporations could afford.
8. As to non-financial information, data on employment and labour conditions, research and development, the use of local materials, the training of local personnel and indigenization should be collected and furnished to the appropriate public authorities. After such data were collected, questions as to how they should be used and made available to home and host Governments in a regular system would have to be discussed further by the Commission.
9. Mrs. ARIGA (Japan) said that her delegation recognized that information was important if the Centre was to be successful in its work. That did not mean, however, that the Centre itself had to collect all information relating to transnational corporations. In that connexion, she supported the views expressed by the representatives of the United Kingdom and the Federal Republic of Germany to the effect that the collection of too much information would place an undue burden on administrations and corporations. The Centre therefore needed to determine carefully the kinds of information it would collect.
10. With regard to the five types of information described in paragraph 7 of document E/C.10/27, she stressed the importance of taking advantage of existing

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(Mrs. Ariga, Japan)

sources and requested information as to how the Centre used its resources to obtain such information.

11. Her delegation wished to receive clarification regarding the special purpose information mentioned in paragraph 12 of that document. Specifically, it wished to know what were the most likely special purposes currently envisaged by the Centre. The examples of artificial transfer pricing and restrictive business practices were mentioned in the paragraph as activities in which corporations might engage. It seemed that special purpose information would be collected on the assumption that a violation by a corporation in one country would be repeated in other countries and such an assumption was, in the view of her delegation, prejudicial.

12. The purpose of collecting information on contracts and agreements was not very clear. It was stated in paragraph 15 that such information provided insight into the strategies of the parties concerned, but her delegation wished to know who would benefit from the "insight" referred to and whose "strategies" the Centre had in mind. Her delegation also had doubts as to whether it was the function of a United Nations body to make existing contracts and agreements available to Governments or corporations on request.

13. As to confidentiality, she noted the Centre's view that confidentiality would be protected under the information system. In that connexion, her delegation did not believe that it was the function of a United Nations body to collect confidential information and supply it to Governments of developing countries in order to strengthen their bargaining power with transnational corporations. As the Centre should observe strict neutrality, it should not collect any information which was not publicly available.

14. Mr. AISSA (Algeria) said that in his delegation's view the task of an information system was not simply to centralize data that were publicly available but scattered among numerous sources, but rather to collect and make available more specific information which could strengthen the negotiating capacity of the developing countries vis-à-vis transnational corporations. If the information system failed to do at least that, the Centre would be seriously handicapped in pursuing its task. The chief difficulty for some States and the transnational corporations was the divulgence of information relating to contracts and agreements which they deemed to be confidential in nature. Distinctions, however, should be made and there were varying degrees of confidentiality. The task of the Commission would be greatly facilitated if those delegations which were opposed to the collection of such information would indicate more precisely the kind of information they did not want to be provided to the Centre instead of enunciating a principle in general terms. One solution might be to collect information relating to contracts and agreements but to preserve the anonymity of the sources and the parties concerned. At the preceding meeting one delegation had proposed that requests for information should be directed in the first instance to Governments,

(Mr. Aissa, Algeria)

which would in turn transmit them to the transnational corporations concerned. In the view of his delegation, such a procedure would delay the collection of necessary information and, as was well known, the time factor was crucial to the effective use of such information. It was contradictory for some delegations to stress the independence of transnational corporations when the drafting of a code of conduct was at issue and then to argue that Governments should be consulted whenever the Centre sought certain types of information relating to transnational corporations.

15. His delegation was not opposed to selectivity in the collection of information by the Centre in order to guard against amassing quantities of superfluous information which might never be used. The sole criterion which should guide the Centre in its activities was to meet the needs of the developing countries and help them to solve the problems they faced with regard to transnational corporations.

16. Mr. IMAM (Kuwait) observed that transnational corporations made use of management information systems to help them in the decision-making process and that courses on the collection, updating and processing of information had become part of management training. His delegation was confident that the Centre would have no difficulty in applying the most modern techniques in that field for its own purposes.

17. Most of the information which the Centre was interested in related to the negative aspects of the activities of transnational corporations such as transfer pricing, restrictive business practices and discrimination in employment and corporations were not likely to furnish information which was damaging to their own reputations. Investigations in some industrialized countries, however, had revealed much information regarding the corrupt practices of transnational corporations and whenever the home Government had an interest in repressing certain practices or whenever its interests coincided with those of a host Government, much valuable information would be forthcoming. The Centre could, nevertheless, expect to meet frequently with a lack of co-operation on the part of corporations, home Governments or both. Thus, in view of the constraints imposed by political realities, his delegation commended the work carried out so far by the Centre and hoped it would continue to collect the maximum amount of relevant information.

18. The Centre could do a great deal to protect the interests of consumers, especially in developing countries. Home Governments frequently took action to protect their own nationals against harmful products of transnational corporations. Governments and private consumer organizations often collected valuable information which, although publicly available, did not always come to the attention of the information media or the competent authorities in developing countries. It would therefore be useful if the Centre began to centralize and make maximum use of information already publicly available. The Centre would be requested to publish on a periodic basis lists of products which had been determined by home Governments

(Mr. Imam, Kuwait)

to be deleterious or which had been totally banned in their territories. Many products which were known to be harmful to human, animal or vegetable life were still used in many countries and a pragmatic information system could do much to end their use.

19. The effectiveness of the information collected by the Centre could be ensured through the use of an efficient management information system which made full use of computer technology. Such a system would be costly but would be more than justified in terms of its far-reaching benefits.

20. Mr. BERG (France) said that his delegation shared the concerns expressed by various speakers regarding the cost of a comprehensive information system, the question of selectivity in the collection of data and the tailoring of the system to suit the needs of the Commission's work.

21. His delegation fully endorsed the conclusions reached in document E/C.10/27 regarding the need for harmonization of information but doubted whether that goal could be achieved in the near future. Consequently, his delegation feared that the Centre would begin collecting information which would not be harmonized and would constitute an obstacle to the future work of the Commission.

22. His delegation would welcome clarification regarding the meaning of the first sentence of paragraph 65 (a) of document E/C.10/27.

23. He expressed some concern regarding the use of questionnaires for obtaining relevant information from Governments, as suggested in paragraph 67 of that document, since Governments already experienced difficulties in filling out questionnaires and adapting their replies to the requirements of the Centre. His delegation also had doubts as to the preparedness of Governments to transmit publicly available information related to transnational corporations to the Centre on a regular basis and suggested that it might be useful to consider that question further in the context of a smaller round-table discussion.

24. The final decision of the Commission on the establishment of an information system should be based on the considerations of cost and advisability. Considerable resources had already been allocated to the Centre, but they covered only the preliminary studies relating to the establishment of an information system. In that connexion, the experience gained from the working pilot project described in paragraph 88 of document E/C.10/28 would enable the Commission to take a more informed decision regarding the establishment of a comprehensive system. There was merit in the Argentine suggestion that the Commission might establish a number of groups of experts in the fields of statistics or balance-sheets whose advice and opinions would be useful to the Commission in its future work.

25. Finally, the Commission should guard against embarking on an overly-ambitious and complicated programme which might in the long term undermine the effectiveness of the Centre, the work of which his delegation fully supported.

26. Mr. QUENTIN (Italy) said that his delegation agreed with the views expressed by the representative of the United Kingdom regarding the establishment of a comprehensive information system, and, in particular, regarding the problem of confidentiality.

27. The Commission should not lose sight of the question of the cost of establishing such an information system. Considerable resources had already been allocated for that purpose by the relevant United Nations bodies and, in the view of his delegation, no additional appropriations should be necessary. The costs to companies and Governments of providing information to the Centre should also be taken into account. Most of the necessary information was already publicly available. For example, Guidelines for Multinational Enterprises had been approved by the Council of OECD in June 1976, and the European Economic Community had compiled much useful material for the preparation of legal instruments relating to standards of accounting for transnational corporations.

28. The Director of the Centre had informed the Commission that a Group of Experts had been convened in September 1976 for the purpose of establishing a minimum list of items which should be included in reports from transnational corporations. In that connexion, his delegation believed that, whenever the Centre took such initiatives, it should consult with Governments or delegations.

29. It was necessary to strike a balance between the material and human resources used to collect information and the actual value of such information to their ultimate recipients, namely the host countries.

30. Whenever the Centre undertook to contact transnational corporations directly, the home Government of the enterprise concerned should be informed of such contacts and of their outcome. Transnational corporations should have the right to check data concerning their activities collected by the Centre since it was possible that the latter might involuntarily summarize information it obtained in a misleading manner.

31. The Advisory Committee on Administrative and Budgetary Questions had noted in document A/31/8/Add.19 that the Commission would be considering at its spring 1977 session the results of a feasibility study on the availability of information on transnational corporations and had expressed its conviction that any work related to the outcome of that study would be undertaken only after the Commission had taken the relevant decisions. His delegation believed that the relevant study could be envisaged in due time within the limits of funds already available.

32. Mr. HEININGER (German Democratic Republic) stressed the responsibility of the Centre for collecting and disseminating information on transnational corporations. Because of financial implications, however, the Centre could not establish an information system which covered every aspect of the activities of transnational corporations. It was therefore necessary to establish priorities for the collection of information. The chief purposes of the Centre's activities should be to provide the Commission and the Working Group with useful information

(Mr. Heininger, German Democratic Republic)

on the political, economic and social activities of transnational corporations to be used in the preparation of a code of conduct and to strengthen the negotiating capacity of the developing countries vis-à-vis transnational corporations.

33. As indicated in paragraph 43 of document E/C.10/28, the Commission had determined that sufficient information was lacking regarding the political activities and the social impact of transnational corporations and, in the view of his delegation, the proposals of the Centre did not adequately reflect the need for further information in those areas. Moreover, document E/C.10/27 contained no specific reflection of those problems. It was necessary to have more detailed information regarding the Centre's plans for collecting information on those aspects of the activities of transnational corporations, and the importance of such information for the preparation of a code of conduct and the strengthening of the negotiating capacity of developing countries should be stressed.

34. With regard to the dissemination of information, his delegation supported the views expressed by the representative of the Soviet Union to the effect that information collected by the Centre should be made available to the Governments of developing countries, workers' organizations and trade unions in order to countervail the strength of the transnational corporations in their negotiations with developing countries and trade unions.

35. Mr. BRUCE (Canada) said that documents E/C.10/27 and E/C.10/28 provided a very useful survey of the issues involved in the complex task of information collection.

36. His delegation believed that there was a need to know more about the behaviour and structure of large-scale international enterprises, and supported proposals to compare national data on an international basis. In particular, that information should be collected on such matters as ownership links, areas of operations, financial and operating statements, new capital expenditures, employment, research and development, as well as transfer pricing policies and accounting practices. That information should be reported on a regional and, in some cases, on a country basis by global corporations. His delegation strongly supported the work of the Centre in setting standards for reporting on a harmonized basis to permit comparison, which would strengthen government attempts to assess the role of transnational corporations in their own country. In that regard, all transnational corporations, including State-owned and mixed enterprises, public and private corporations and co-operatives, whether incorporated or not, should be covered.

37. However, some issues raised in the two documents created significant concern. Firstly, his delegation believed that there should be a more specific relationship between the information sought and the precise problems to be analysed. His delegation felt that the soliciting of broad, general information was unlikely to be entirely satisfactory, and agreed that there was a need for a much more precise outline of the specific questions to be answered.

33. Secondly, there should be further discussion of the type of qualitative

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(Mr. Bruce, Canada)

information required before any reporting programme was begun. In any case, however, such information was best collected by Governments and forwarded to the Centre on an aggregated basis.

39. Thirdly, his delegation was concerned at the likely costs of establishing an information system. The production of very detailed information was extremely expensive and, beyond a certain point, potential users might be unable to evaluate it. He was pleased to note that the Centre would undertake extensive analysis through small-scale feasibility studies before any final decision was taken.

40. Furthermore, the information system should not clash with existing national systems. The Canadian Government and Canadian companies were both concerned that there had been instances where the Centre had contacted Canadian companies directly, without informing the Canadian Government. The Centre should channel its inquiries through Governments, particularly in the collection of confidential data. Such an approach would prevent duplication, take into account agreements and relations between Government and business, and permit a full assessment of the legitimacy of business claims concerning harmful competitive effects. His Government, too, was concerned about the problem of reporting data to the Centre in time, but was not convinced that direct correspondence between the Centre and Canadian business was necessarily faster than dealing through the Federal Government. Furthermore, Canadian business preferred the latter method.

41. His delegation also had serious reservations concerning document E/C.10/27, paragraph 65 (d), on information relating to contracts between transnational corporations and government agencies and local enterprises. While his delegation shared the concern expressed by the representative of Argentina for expanding knowledge in the areas in which information was not yet available, it believed that, it was necessary to give prior consideration to methodology and the relative availability of information between geographic areas. Some information was highly confidential and in Canada the release of such information about certain sectors of the economy was unlawful.

42. His delegation was also concerned about the mechanical aspects of data collection. It was necessary to ensure that the data-collection system was compatible with that used by other agencies in the United Nations system. His delegation would continue its discussions with the Director to that end.

43. Canada strongly believed that more information was needed and that greater comparability between national systems was essential, but that it was necessary to proceed carefully in order that national and commercial interests could be fully understood and resources used effectively.

44. Miss GARCIA-DONOSO (Ecuador) supported the need for a comprehensive information system that would further understanding of the nature and activities of transnational corporations in order to enhance their positive contribution and eliminate their negative effects. Her delegation endorsed the classification of

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(Miss Garcia-Donoso, Ecuador)

information into six categories, as set forth in paragraph 8 of document E/C.10/28. Although much information existed under the first five categories, it was widely scattered, and lacked uniformity. In order to provide the maximum benefit, such information must be consolidated and harmonized.

45. Her delegation shared the view that it was important to preserve the quality of information and to seek means of obtaining information in a number of specific areas, where information gaps were most pressing, such as in the field of technology and financial practices.

46. The information compiled by the Centre should help in evaluating the effects of the activities of transnational corporations in the developing countries, and in drafting a code of conduct.

47. It was her delegation's view that all the tasks identified by the Commission relating to the compilation of information constituted priority areas, and that no effort should be spared in speeding up the work.

48. Mr. BENAVIDES (Peru) said that the establishment of a comprehensive information system was clearly a basic element of the Commission's programme of work. Such a system would not only further understanding of the nature and effects of the activities of transnational corporations but would also strengthen the negotiating capacity of host countries in their dealings with such corporations.

49. The information system should clearly be as comprehensive as possible; it could not be reduced to a mere inventory of publicly available information or limited to a few specific areas. The Centre should maintain its initiative in that respect. The information system should be able to draw on all the financial and human resources needed for its development. His delegation had noted the conclusion set forth in the feasibility study (E/C.10/27, para. 65) to the effect that the Centre should collect information on contracts and agreements between transnational corporations and government agencies in the host countries. It could not fulfil its mandate unless it compiled adequate information directly related to the nature and activities of transnational corporations. Accordingly, his delegation wished to express its initial agreement with regard to the categories of information set forth in paragraph 65 of document E/C.10/27. In addition, the Centre should do its utmost to obtain information that was not publicly available; the only limit should be legitimate requirements for restricting information.

50. As to the question of transnational corporations participating directly in the work of establishing an information system, he emphasized that in order to ensure utmost reliability of the information, the work of compiling and analysing the information must be carried out objectively by independent research workers. Thus, the Centre should be free from the influence of transnational corporations. He conceded that some relationship was necessary and should have permanent channels, so that the Centre could take account of the views of the transnational

(Mr. Benavides, Peru)

corporations in its work. By remaining independent, however, the Centre would be complying with its terms of reference and would preserve its integrity, thereby meeting the concerns of certain delegations.

51. Miss MUELLER (United Kingdom) said that it had emerged quite clearly from the discussion that there was a need to define more precisely the uses of the information compiled. The Commission's objectives, as agreed upon at its second session, were very broad, and needed to be defined more specifically in terms of priorities, procedures and guidelines for the Centre.

52. In view of the complexity of the issues, she felt that the Commission might need more time to produce satisfactory results. Consideration might be given to the possibility of an intersessional meeting to clarify issues in the light of further study and consultations with experts in national capitals, so that satisfactory objectives and guidelines could be laid down for the Centre.

53. Some of the documents before the Commission and some of the statements made at the current session suggested that the Commission was too concerned with the negative effects of transnational corporations. She hoped that the information system and the research programme would also give a better understanding of their positive effects. For example, she hoped that the Secretariat, in studying the economic impact of transnational corporations referred to in document E/C.10/28, annex I, section D (7), would take account of both sides of the question.

54. Referring to paragraph 66 of that document, she agreed that transnational corporations were often responsible for the speculative movement of short-term funds which had a negative effect on the balance of payments. She emphasized, however, that such operations were not peculiar to transnational corporations; purely national corporations were also responsible for such operations.

55. As to the negative effect of artificial transfer pricing on a country's balance of payments, it must follow that such transactions would have a corresponding positive effect on the balance of payments of the other country involved. Although such practices should not be condoned, they existed, since it was sometimes difficult to establish arm's-length prices or market prices.

56. In conclusion, she urged the Commission not to assume that the main impact of transnational corporations was negative. Competition, too, could have positive effects.

57. Mr. SANDERS (Netherlands) agreed that there was a need for a more precise definition of the general subject of information. He stressed the need to consider who would be using the information, and to distinguish clearly between confidential information and material that was publicly available.

58. Mr. GERVASI (Venezuela) said that his delegation's views had been expressed by other speakers, particularly the representatives of Algeria, Argentina and Peru, and by the representative of Kuwait, who had put forward a very useful proposal regarding the information that the Centre could supply.
59. As to the view that the Commission was excessively concerned with the negative aspects of transnational corporations, he pointed out that the developing countries recognized the positive effects of the activities of transnational corporations in a number of fields, including the import of capital and the transfer of technology. The developing countries were aware, however, that the majority of such activities were not equitable in terms of the benefits derived therefrom, and that the long-term effects were mostly negative.
60. Furthermore, the very existence of the Commission was a clear indication of the extent of international concern, as was the need to draw up a code of conduct. Further proof was the establishment of various institutions in the industrialized countries to deal with the phenomenon of transnational corporations.
61. While he shared to some extent the concern expressed by the representative of the United Kingdom, he felt that the Centre should concentrate on the negative effects of such activities on the economies of the developing countries and on international economic relations.
62. Mr. RUBIN (United States of America) said he could not accept that the work of the Commission and the work being done in various parts of the world with a view to the preparation of codes of conduct was directed towards controlling primarily the negative effects of the activities of transnational corporations. He agreed very much with the representative of the United Kingdom, and took the view that it had not been established that the negative effects were greater than the positive.
63. The purpose of the Commission's work in examining the activities of transnational corporations and their relationship with Governments was to maximize their positive effects just as much as it was to reduce any negative effects.
64. The CHAIRMAN said that the United Kingdom had submitted a written question asking the persons selected by the Commission to assist it in its work to comment on the feasibility of supplying the information listed in the annex to document E/C.10/28 and on whether there were other sources on which the Centre on Transnational Corporations might draw to fill in the gaps mentioned in the Centre's papers.
65. Mr. TACKE (Member of the Board of Siemens A.G., Retired Chairman of the Board),* speaking at the invitation of the Chairman and referring to the question of corrupt practices, which had been raised by the representative of India, said that all transnational corporations would be happy if corrupt practices were abolished, since their work would become much easier. In that connexion, it was usually assumed that transnational corporations offered bribes, but in fact, corporations were usually asked for bribes. The International Chamber of Commerce had established a committee to examine the question.

* Person selected by the Commission to assist it in its work.

66. With respect to the question posed by the United Kingdom, all transnational corporations felt that the more the public knew about them and the less it distrusted them, the better it would be for the corporations. Accordingly, the question of revealing accounts was not one of principle, but of degree. Not all the information requested by delegations was available, and in smaller corporations, 80 per cent of the information was not available. Furthermore, too much information was counterproductive, since it became difficult to analyse. The Commission must try to obtain the optimum volume of information and should concentrate on information relevant to the questions under consideration.

67. With respect to document E/C.10/28, annex I, section H, some items of information would be difficult to supply. As far as company history was concerned, the company he represented was very old and much of the information concerning its history was now unobtainable. With respect to ranking in terms of net sales of latest year, the only information available was that provided by Fortune, but in any case, measuring size in terms of net sales did not give satisfactory results. Furthermore, it was impossible to establish rankings for individual markets. With respect to lines of business his company sold thousands of finished products and millions of combinations. Similarly, with regard to company organization, his company had more than 1,000 "principal officers", not counting the staff of its 160 affiliates. Accordingly, while transnational corporations did not want to conceal any information, the Commission would defeat its own ends if it tried to obtain too much.

68. Mr. KOJIMA (Professor of Economics, Hitotsubashi University),* speaking at the invitation of the Chairman, said that any attempt to gather all the information requested would prove very costly and extremely difficult because of business confidentiality. If the data were to be used for conducting an aggregate analysis of the activities of transnational corporations, the cost involved would outweigh the benefits obtained. If the data were intended to provide information on transfer pricing, tax evasion and other such practices, the result might be disappointing, since, for reasons of business confidentiality, the relevant information would not be made available. With respect to transfer pricing and other similar matters, it would be better to ascertain the degree of monopoly or oligopoly in a given context, using objective criteria. One of the objectives of the proposed code of conduct was to correct the monopolistic and oligopolistic behaviour with which transnational corporations were usually associated, but it should be emphasized that action at the international level would be less effective than anti-monopolistic legislation at the national level. However, even at the national level, transfer pricing, tax evasion and other similar practices would be difficult to control.

69. He did not support the idea of providing technical co-operation under the auspices of the Centre on Transnational Corporations. In cases where a given country selected a project and invited direct investment, the most efficient way of obtaining information would be to approach the consultant company involved. It was sometimes argued that information obtained from private companies was not

* Person selected by the Commission to assist it in its work.

(Mr. Kojima)

trustworthy, while that obtained from United Nations sources was. The argument was based on a misunderstanding, and correcting such misunderstandings should be of primary concern to the United Nations.

70. Mr. SHCHETININ (Union of Soviet Socialist Republics) said that the question raised by the United Kingdom had been answered, and it was not for the persons selected by the Commission to assist it in its work to raise new questions.

71. Mr. PAUL (Director, Indian Institute of Management),* speaking at the invitation of the Chairman and referring to the question of gathering information on transnational corporations, said that much of the information referred to in annex I to document E/C.10/28 was economic or financial, and most of it could be obtained from corporations' balance-sheets. In order to provide a rational framework for the collection of data, the Commission should identify its areas of concern, ask questions concerning each of those areas, obtain data to answer the questions, and then determine to whom the data should be made available. For example, with respect to the question of restrictive business practices, it might prove useful to ask questions concerning corporations' marketing systems, since the answers to those questions would indicate areas of abuse.

72. With respect to macro information, the Commission should establish two categories, consisting of first, trade and economic data, and second, international-industry-type data. Document E/C.10/28 referred primarily to the first category, but the second category was also important with respect to strengthening the negotiating position of the host country. Because of the existence of monopolies and oligopolies, many developing countries did not know what technology or management techniques were available. It would therefore be desirable to increase competition by developing a data bank containing information on the capabilities of transnational corporations.

73. Mr. SALGADO (Chairman, United Nations Development Planning Committee),* speaking at the invitation of the Chairman, said that much of the information referred to in document E/C.10/28, paragraph 43 would be extremely difficult to obtain. The necessary information system would be extremely complex and must be established gradually. It would be necessary to establish minimum requirements with respect to such information, and those requirements could be included in the code of conduct. Individual countries could contribute to the process by reforming national legislation and trade laws with a view to requiring their own corporations, including transnational corporations, to provide information. Information acquired through national systems could then be fed to the Centre on Transnational Corporations.

74. Ms. WILLNER (International Organization of Consumers Unions), said that information on consumer protection already available in developed countries must be made available to developing countries. A large volume of information existed concerning safety and health standards, performance standards and restrictions, limitations, warnings and special conditions for use, and such information

* Person selected by the Commission to assist it in its work.

concerning products of special relevance to developing countries could be fed into the computerized data bank of the Centre. The data bank could also be stocked with information on existing legal provisions in both developing and developed countries concerning fraud, deceptive advertising, improper credit practices, labeling, and unacceptable food additives or preservatives. Such information would help developing countries to identify safeguards for inclusion in agreements with transnational corporations.

75. Such information could be supplemented by technical assistance. Although the Centre had made remarkable progress in providing technical assistance, none of that assistance was directed towards consumer protection. Such assistance should include the provision of senior advisers and training programmes in consumer protection legislation, administration and enforcement. It would help to strengthen the negotiating capacity of those countries and would ultimately raise the standard of other products, whether foreign or domestic. Many developing countries were subject to technical dumping of foreign goods, since companies whose goods did not pass their own quality control checks were sending those goods to undeveloped areas where there were few statutory instruments to prevent entry. If the consumers in such areas were better protected by advertising laws or statutory regulations governing loans and higher purchase, such substandard goods would be recycled. While such problems were by no means unique to transnational corporations, proposals made in connexion with transnational corporations could serve as a vehicle for establishing general standards of use to Governments. UNIDO could provide technical assistance by setting up standards bodies at the request of Governments, but the effectiveness of such bodies would depend on the existence of product information and appropriate legislation. The Centre on Transnational Corporations could co-operate with UNIDO by covering both aspects of the issue.

76. Ms. JAGER (Economist, American Federation of Labor and Congress of Industrial Organization),* speaking at the invitation of the Chairman, said that she had been reported in the press as opposing research into transnational corporations. In fact, she opposed politicized research. With respect to gathering information on transnational corporations, the question as posed by the United Kingdom was misleading, and in general, there were many misconceptions concerning the availability of information in developed countries. There was not as much information as people thought, and the information available was not necessarily related to the problems under discussion. The list of items of information in annex I to document E/C.10/28 made no mention of comparability. Furthermore, the computerization of information would not help unless the information concerned was reliable, comprehensive and non-political. Information which did not include data on State-owned institutions, as opposed to private corporations, would also lead to confusion. With respect to the issue of consumer protection, it seemed that everyone wanted to discuss the matter, but no one was prepared to take any action.

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77. Mr. WANG (Director, Information Analysis Division, Centre on Transnational Corporations), answering questions raised during the discussion, said that the purpose of collecting and analysing information was established by the Commission itself, and the Centre would welcome further clarification in that respect. The question of the type of information to be collected was directly related to that purpose. In that connexion, several delegations had said that information should be relevant to the Commission's objectives, and the types of information already identified by the Centre were relevant. However, in all research, information that seemed relevant at the outset often proved of limited value, whereas truly relevant information might be neglected. For example, in one country, experts had been asked to find out why transnational corporations did not pay enough taxes. Initially, they had considered reforming the taxation system, but had eventually discovered that the problem had arisen because of malfunctions in the mailing of taxation notices.

78. With respect to the question of who would benefit from the information gathered, the Centre on Transnational Corporations was part of the United Nations Secretariat, and as such, would serve the interests of Governments. However, much of the information, in so far as it promoted understanding of transnational corporations, would also prove useful to educational institutions, trade unions and business.

79. The question of how the Centre should go about collecting information was related to the question of guidelines and procedures. Many of the statements in papers submitted by the Secretariat were made in direct response to specific questions raised by the Commission, and must be seen in that context. Greater progress had been made in some areas than in others.

80. The question of the types of information to be gathered must be seen in its long-term context. When the Commission defined the purposes of gathering information, it could not anticipate all questions that might arise, and the primary objective must therefore be to identify the types of information that might be needed in future and to build up the information-obtaining capacity of the Centre. It was also important to be selective, since the accumulation of too much information would lead to chaos.

81. As for the question of communicating directly with transnational corporations, the Centre approached corporations with specific goals in mind. For example, in deciding what should be included in international standards of accounting and reporting, the Centre was interested in knowing the extent to which certain practices were already in use in transnational corporations, and corporations had proved extremely helpful in that regard. The Centre also compared its information with publicly available information in order to evaluate reporting by transnational corporations. In that connexion, empirical studies of government and corporate behaviour had shown that the type of information regarded as confidential was subject to change and that the attitude of management was extremely important in that respect. It should be emphasized that the Secretariat had no authority to require transnational corporations to provide information, and any information it had received had been provided on a voluntary basis. It was for Governments to

decide whether they wished to establish guidelines governing communication by the Centre with transnational corporations. However, flexibility was important, since, if the Centre was required to pass through Governments instead of approaching corporations directly, it might be unable to use information readily available to the public in newspapers and annual reports.

The meeting rose at 6.05 p.m.