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STUDIES ON THE EFFECTS OF THE OPERATIONS AND PRACTICES OF
TRANSNATIONAL CORPORATIONS

Review of ongoing and future research

Report of the Secretariat

SUMMARY

At its eighth session, the Commission on Transnational Corporations decided to include in the provisional agenda for its ninth session (E/1982/18, chap. I, draft decision II) a review of ongoing and future research. The present report has been prepared to facilitate the Commission's consideration of this item.

The report summarizes the ongoing research activities of the United Nations Centre on Transnational Corporations (UNCTC). Section I provides a brief overview of the objectives, nature and modalities of the research programme, while section II outlines the research projects which were undertaken in 1982, are in progress in 1983 or are proposed for 1984. Annexes I and II list the research reports published by the Centre since the last session of the Commission and the reports which it is proposed to produce in the remainder of 1983 and in 1984.

* E/C.10/1983/1.

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INTRODUCTION

1. The present report is the latest in a series of reports submitted to the Commission on Transnational Corporations in which the United Nations Centre on Transnational Corporations describes its ongoing research activities and makes proposals for future research topics. The report focuses on the progress made in the year since the last report on this subject (E/C.10/1982/16) and on current plans for future work. The report covers all the research carried out as a part of the Centre's activities.

2. The present report should be considered in the context of the Centre's overall programme of work, which is set out in the approved programme budget for the biennium 1982-1983 1/ and in the proposed programme budget for the biennium 1984-1985. 2/ A longer-term perspective of the proposed research programme is contained in the medium-term plan for the period 1984-1989, which was adopted by the General Assembly at its thirty-seventh session. 3/

3. The present report contains a number of proposals for new areas of research, although the majority of the research activities proposed for the near future involve either the completion of ongoing activities or the extension and up-dating of previous work. In general, the Centre will be guided by the Commission's stated preference for quality rather than quantity in the programme of research.

I. OVERVIEW OF THE RESEARCH PROGRAMME

4. The research programme of the Centre was established by the Commission at its second session 4/ and was further elaborated at subsequent sessions. 5/ At its eighth session, the Commission "reaffirmed the great importance it attached to research on the economic, political, social and legal aspects of the activities of transnational corporations and reiterated that the research should be action-oriented and contribute to the work on the formulation of the United Nations code of conduct on transnational corporations and to the strengthening of the negotiating capacity of host countries, particularly developing countries". 6/

5. The research activities of the Centre may be said to have three broad objectives. The first of these is to increase the knowledge and understanding of the nature and impact of transnational corporations, particularly in developing countries. Such knowledge and understanding can be helpful both to individual Governments and to the international community in ascertaining the extent to which transnational corporations are contributing to the attainment of the objectives of the International Development Strategy and the New International Economic Order.

6. A second objective of the Centre's research is to strengthen the position of host countries, particularly developing countries, in their dealings with transnational corporations. This requires a continuing review of the costs and benefits of participation by transnational corporations in host countries and a comparative examination of the experience of host countries in negotiating and implementing arrangements with transnational corporations. This involves research both on economic aspects of these arrangements and on the legal and regulatory framework within which the corporations operate.

7. A third objective of the Centre's research is to examine the role of transnational corporations in relation to broader aspects of the development process, such as its social and cultural dimensions, human rights, environmental issues, etc.

8. In seeking to attain the foregoing objectives, it will be necessary to strengthen the relationship between the research, information and technical co-operation activities of the Centre. In particular, an effort will be made to strengthen resources within the Centre for information and advisory services and to assemble and analyse more fully the experience generated by the technical co-operation activities of the Centre so that the results of that experience can be disseminated more widely and utilized, as appropriate, for research. Such a strengthening of in-house resources should also contribute to the Centre's technical co-operation activities.

9. The means employed by the Centre for disseminating the results of its research activities include the presentation of reports to the Commission, the publication of technical papers as United Nations sales publications, the publication of articles in The CTC Reporter and the convening of workshops and seminars. The previous report in this series (E/C.10/1983/16) contained a listing of the research studies and reports published by the Centre to that date; a list of the various studies and reports issued since that time is contained in annex I to the present report, while annex II contains a list of the studies and reports currently planned for completion in 1983 and 1984.

10. In addition to research undertaken by the Centre, research activities are also conducted by the Joint Units established by the Centre and the regional commissions in pursuance of Economic and Social Council resolution 1961 (LIX). The Joint Units have responsibility for conducting studies and analyses relating to economic, social and institutional issues on transnational corporations in their respective regions, in particular through case studies. The Joint Units also carry out research studies requested directly by the regional commissions. The ongoing and future research activities of the Joint Units are described in the general report on their work which is before the Commission (E/C.10/1983/4). The results of research undertaken by the Joint Units are made available through the presentation of reports to their respective regional commissions and other regional or subregional meetings, through publication of the results of studies (including publication in The CTC Reporter), and through the convening of workshops and seminars.

II. SUMMARY OF ONGOING AND PROPOSED RESEARCH ACTIVITIES IN 1983-1984

11. The activities described in the present section are classified according to the three broad objectives identified in the preceding section. They comprise subprogramme 1 (Policy analysis) of the budget for the biennium 1982-1983 1/ and most of the elements in sub-programme 2 (Enhancing the contribution of transnational corporations to development and minimizing their negative effects) of the proposed budget for the biennium 1984-1985. 2/ Several of the activities

identified below have been outlined in previous reports in this series; in such cases, the information provided previously has not been repeated. In those cases where a new activity is being proposed, more information is provided.

A. Analysis of general trends in the nature and extent of the operations of transnational corporations

1. Comprehensive integrated study of transnational corporations in world development

12. At its fourth session, the Commission decided that the Centre should prepare a comprehensive integrated study on transnational corporations in world development for presentation to the Commission at its ninth session in 1983. 7/ This study has been the centrepiece of the Centre's research activities since the last session of the Commission. Because of the limitations on documentation, only the first chapter of the report (containing an overview of its contents) is before the present session of the Commission (E/C.10/1983/2), but the full report is being issued as a United Nations sales publication and is expected to be available to the ninth session of the Commission. A summary of the contents of the report is contained in the Secretary-General's report on the activities of the Centre (E/C.10/1983/3).

2. Recent developments related to transnational corporations and international economic relations

13. At its eighth session, the Commission decided that a review of recent developments relating to transnational corporations and international economic relations should be a regular item on its agenda and accordingly requested the Centre to prepare a report on this subject for future sessions of the Commission. 8/ For the present session, the Commission decided that the documentation for this item should comprise the comprehensive integrated study 9/; as indicated above, the Commission has before it a report (E/C.10/1983/2) which constitutes the first chapter of the study.

14. In its resolution 37/202, the General Assembly reaffirmed "the decision to carry out in 1984, at the global level, the first over-all review and appraisal of the state of implementation of the policy measures, as well as the realization of the goals and objectives, of the International Development Strategy for the Third United Nations Development Decade", called upon "the relevant organs, organizations and bodies of the United Nations system to report on the results achieved in their respective sectors in applying the International Development Strategy as the policy framework in the formulation and implementation of their programmes of work and medium-term plans ..." and requested "the Secretary-General to prepare and submit to the General Assembly at its thirty-ninth session ... a comprehensive report and other appropriate documentation in order to assist the review and appraisal". In response to this request, the Centre proposes to submit as documentation for this item on the agenda of the tenth session of the Commission a report examining the role of transnational corporations in implementing and attaining the objectives of the International Development Strategy. This report will draw upon and will supplement the material contained in the comprehensive integrated study; it is

proposed to submit a preliminary version of the report to the Task Force on Long-Term Development Objectives of the Administrative Committee on Co-ordination (ACC), which has decided to collect and synthesize substantive contributions for the review and appraisal from its member organizations for submission to the ACC and to the Committee for Development Planning.

3. Trends in the activities of transnational corporations and domestic enterprises

15. At its second session, the Commission indicated that the Centre should collect and analyse information on transnational corporations at the aggregate and enterprise levels. 10/ In the absence of comprehensive, publicly available information on many of the items identified by the Commission at that time, the Centre has undertaken research in a number of these areas, notably with regard to trends in foreign direct investment. The Centre proposes to continue its research in this area, examining trends in foreign direct investment, in disinvestment, and in the growing internationalization of production and analysing the impact of these developments on the structure of world industry.

B. Issues of concern to host countries

1. Economic

(a) Transnational corporations and industrialization

16. At the eighth session of the Commission, it was suggested that the Centre should undertake research on various aspects of the role of transnational corporations in industrial development, such as the redeployment of industries, the expansion of export and technological capabilities, and joint ventures among corporations based in developing countries. 11/ A number of the Centre's activities address selected aspects of these issues.

Industry studies

17. The Centre's programme of industry studies provides an analysis of the role of transnational corporations in particular industries; the individual studies examine the strategies and operations of transnational corporations in selected sectors and their role in world production and in the development of the sector concerned in developing countries. These studies analyse growth patterns, the structure of competition, and the supply of technology and specialized services, and highlight patterns of ownership and forms of contractual and other arrangements between transnational corporations and host country organizations. Industry studies are intended to contribute to a better understanding of the participation and strategies of transnational corporations in specific industries and, in particular, to enhance the ability of host countries to establish appropriate policies, as well as to improve their negotiating capacity in dealing with transnational corporations. Since the last session of the Commission, four further industry studies have been published and two are awaiting publication. Two further studies

will be completed during the next year, namely "Transnational corporations in the international textile and synthetic fibre industry", and "Transnational corporations in the international construction and engineering industries". Other industry work currently in progress includes studies of the international computer and data processing industry, biotechnology, telecommunications and petrochemicals.

18. Following a report to its eighth session (E/C.10/1982/12 and Corr. 1), the Commission decided to make a discussion of the role of transnational corporations in transborder data flows a regular item of its agenda and requested the Centre to continue its research work in this area. 12/ A paper before the present session of the Commission (E/C.10/1983/12) summarizes the progress made since the last session. Two technical papers, advance copies of which were made available to the last session of the Commission, have been published. 13/ Fifteen replies have been received to a note verbale sent by the Secretary-General to all States in March 1982 informing Governments about the work of the Commission and the Centre on transborder data flows and transnational corporations. A summary of the replies is contained in document E/C.10/1983/12. During the period under review, the main emphasis of the Centre's work in this area has been on transnational corporations and remote-sensing data. A technical paper on this subject will be published later this year; in the meantime, a summary is contained in the progress report referred to above.

19. In order to avoid duplication of work, the Centre has maintained liaison with the principal international governmental and non-governmental institutions undertaking work on transborder data flows, telecommunications and informatics. A brief review of these related activities elsewhere is contained in E/C.10/1983/12. The Centre has held discussions with a number of Governments that are in the process of preparing country case studies on the socio-economic impact of transborder data flows and the role of transnational corporations in these flows. As of the beginning of April 1983, Canada, Costa Rica, the Federal Republic of Germany, Mexico, Poland, the Republic of Korea and the United States had intimated that they would prepare such studies, some of which should be ready for the tenth session of the Commission.

Joint ventures among developing countries

20. As indicated in last year's report, 14/ a study was undertaken of the experience of the countries in Latin America in utilizing joint industrial ventures among themselves, inter alia, as a means of improving their position vis-à-vis transnational corporations from developed market economies. A technical paper presenting the full results of this study has now been prepared. It shows that joint ventures can be a useful alternative to conventional foreign direct investment in increasing a region's capabilities in both the production and the marketing of manufactured goods.

State-owned enterprises

21. As indicated in the previous report, 15/ the Centre is undertaking an examination of the relationships between transnational corporations and State-owned enterprises in developing countries. One study has been undertaken on relationships between transnational corporations and State-owned enterprises in the

nitrogen fertilizer industry in four developing countries, while another study has examined the relative performance of transnational corporations and State-owned enterprises in Brazil. A more general study on relationships between transnational corporations and State-owned enterprises is currently in progress; an overall report on this subject will be prepared in 1983.

(b) Transnational corporations and issues of international trade and finance

22. At its second session, the Commission requested the Centre to study the effects of transnational corporations on the balance of payments of developing and other countries. 16/ A report on some aspects of this subject was subsequently presented to the Commission at its seventh session (E/C.10/84). As indicated in the previous report, 17/ the Centre has initiated studies of selected aspects of the trading activities of transnational corporations; a technical paper on this subject will be completed in 1983.

23. At the eighth session of the Commission, it was suggested that the Centre should conduct research on the role of transnational corporations in the expansion of exports and the improvement of external distribution and marketing systems of developing countries. 18/ The effect of the imposition of import limitations and local content requirements on transnational corporations is also worthy of examination. The Centre proposes to follow its initial paper on the role of transnational corporations in international trade with an examination of some of these issues.

24. As indicated in the previous report, the Centre has been undertaking a study to examine the local operations of transnational banks in host developing countries. 19/ A report summarizing the findings of a number of country case studies and identifying possible means of achieving more effective host Government policies towards transnational banks was presented to the Commission at its eighth session (E/C.10/1982/13). A technical paper on the subject has been prepared. The summary report submitted to the eighth session of the Commission was a synthesis of the material contained in this technical paper; it examines the role of transnational banks in the various countries studied, host Government regulations regarding the entry, expansion and ownership of the affiliates of these banks, and the role of the banks in providing both internal and external development finance.

(c) Transnational corporations in the production, processing and marketing of primary commodities

25. As indicated in last year's report, 20/ the Centre, with the financial support of UNDP, has been co-ordinating a project designed to study the involvement of transnational corporations in the production, processing and marketing of nine commodities. For each of the commodities selected, the Joint Units in the Economic Commission for Africa (ECA), the Economic Commission for Latin America (ECLA) and the Economic and Social Commission for Asia and the Pacific (ESCAP) have been responsible for producing case studies on the participation of transnational

corporations in one or more of the countries in their respective regions. Each of these three Joint Units is also responsible for integrating the various country case studies on three commodities into a single report on each commodity. The studies so far completed by the Joint Units are listed in the annex to document E/C.10/1983/4. These various consolidated reports will be the subject of an interregional seminar to be convened in September 1983. The Centre is responsible for the organization of the seminar and for the preparation of two summary reports, one on non-fuel minerals and one on agricultural commodities. It is expected that the results of this project will be published as one or more technical papers following the seminar; a summary report will be presented to the tenth session of the Commission.

2. Legal

(a) Bilateral, regional and international arrangements on matters related to transnational corporations

26. As indicated in last year's report, 21/ the Centre is in the process of preparing an updated study of international, regional and bilateral arrangements on matters relating to transnational corporations. The study will analyse the efforts made by various organizations to formulate multilateral instruments for the regulation of the activities of transnational corporations, including the United Nations Code of Conduct on Transnational Corporations, the Declaration on International Investment and Multinational Enterprises adopted by the member States of the Organisation for Economic Co-operation and Development and other multilateral arrangements in such areas as restrictive business practices, commodities, and technology. It will also examine initiatives by regional and sub-regional organizations, such as the Economic Community of West African States (ECOWAS), the European Economic Community (EEC), the Andean Group, the Association of South-East Asian Nations (ASEAN) and the Arab League, to harmonize member countries' policies relating to foreign direct investment and the activities of transnational corporations. A third part of the study will examine substantive provisions of bilateral investment agreements and the main trends emerging. It is planned to submit a summary of the findings of this study to the tenth session of the Commission, followed by a more comprehensive technical paper.

(b) Analysis of contracts and agreements

27. A study of engineering and industrial consultancy contracts between transnational corporations and organizations and enterprises in developing countries is in progress. This study is based on a large number of contracts in this field and on model provisions used by some international organizations. The principal issues to be covered in the report include duties and responsibilities of project owners and consultants, standards of performance required under contractual provisions, transfer of technology and proprietary information, insurance, financial provisions, duration of contracts, development and utilization of host country human resources, employment of expatriate personnel, settlement of disputes, and suspension, termination and force majeure. It is expected that the report will be published early in 1984.

(c) Analysis of policies, laws and regulations

28. Policies, laws and regulations of countries will be analysed, particularly in the context of other studies undertaken by the Centre.

3. Political and social

(a) Transnational corporations and the armaments industry

29. At the seventh session of the Commission, it was suggested that the Centre should examine the involvement of transnational corporations in the armaments industry and in the transfer of military technology. 22/ A preliminary study on this subject is now in progress.

C. Special issues of international concern

1. Transnational corporations in southern Africa

30. Research on the activities of transnational corporations in southern Africa continues to be an important feature of the Centre's work; to date, five reports on the subject have been presented to the Commission (E/C.10/26, E/C.10/39, E/C.10/51, E/C.10/66 and E/C.10/83 and Corr.1-2).

31. On the recommendation of the Commission at its seventh session, the Economic and Social Council, in its resolution 1981/86 of 2 November 1981, requested the Secretary-General, inter alia, "to prepare a report on the policies and practices of transnational corporations regarding their activities in South Africa and Namibia for the Commission on Transnational Corporations at its ninth session ...". In accordance with this request, the present session of the Commission has before it a report on the policies and practices of transnational corporations in southern Africa (E/C.10/1983/10). The direction of further research will be guided by the decision of the Commission on this subject.

Notes

1/ Official Records of the General Assembly, Thirty-sixth Session, Supplement No. 6 (A/36/6), sect. 9. The programme parts of the 1982-1983 budget were made available to the Commission at its seventh session (E/C.10/VII/CRP.1).

2/ A/38/6 and Add.1.

3/ General Assembly resolution 37/234. The medium term plan for UNCTC is contained in Official Records of the General Assembly, Thirty-seventh Session, Supplement No. 6 (A/37/6), chap. 23.

4/ Official Records of the Economic and Social Council, Sixty-first Session, Supplement No. 5 (E/5782), para. 29.

- 5/ Ibid., Sixty-third Session, Supplement No. 5 (E/5986), para. 14; *ibid.*, 1978, Supplement No. 12 (E/1978/52), paras. 60-65; *ibid.*, 1979, Supplement No. 8 (E/1979/38/Rev.1), paras. 110-121; and *ibid.*, 1981, Supplement No. 9 (E/1981/49), paras. 80-96.
- 6/ *Ibid.*, 1982, Supplement No. 8 (E/1982/18), para. 139.
- 7/ *Ibid.*, 1978, Supplement No. 12 (E/1978/52), para. 44.
- 8/ *Ibid.*, 1982, Supplement No. 8 (E/1982/18), para. 18.
- 9/ Loc. cit.
- 10/ *Ibid.*, Sixty-first Session, Supplement No. 5 (E/5782), para. 23.
- 11/ *Ibid.*, 1982, Supplement No. 8 (E/1982/18), para. 133.
- 12/ *Ibid.*, para. 120.
- 13/ Transborder data flows: Access to the international on-line data-base market (United Nations publication, Sales No. E.83/II.A.1); Transborder data flows and Brazil (United Nations publication, Sales No. E.83.II.A.3).
- 14/ E/C.10/1982/16, para. 14.
- 15/ *Ibid.*, para 13.
- 16/ Official Records of the Economic and Social Council, Sixty-first session, Supplement No. 5 (E/5782), para. 29 (a).
- 17/ E/C.10/1982/16, para. 33.
- 18/ Official Records of the Economic and Social Council, 1982, Supplement No. 9 (E/1982/18), para. 133.
- 19/ E/C.10/1983/16, para. 31.
- 20/ *Ibid.*, para. 17.
- 21/ *Ibid.*, para. 25.
- 22/ Official Records of the Economic and Social Council, 1981, Supplement No. 9 (E/1981/49), para. 15.

Annex I

LIST OF STUDIES PREPARED BY THE CENTRE AND PUBLISHED AS UNITED
NATIONS SALES PUBLICATIONS SINCE THE EIGHTH SESSION OF THE
COMMISSION

<u>Title</u>	<u>Sales No.</u>
Towards international standardization of corporate accounting and reporting	E.82.II.A.3
Transnational corporations and transborder data flows: A technical paper	E.82.II.A.4
Transnational corporations in the fertilizer industry	E.82.II.A.10
Transnational corporations in the power equipment industry	E.82.II.A.11
Alternative arrangements for petroleum development	E.82.II.A.22
Transborder data flows and Brazil	E.83.II.A.3
Transborder data flows: Access to the international on-line data-base market	E.83.II.A.1
Transnational corporations in the agricultural machinery and equipment industry	E.83.II.A.4
Transnational corporations in the international auto industry	E.83.II.A.6
Salient features and trends in foreign direct investment	E.83.II.A.8

Annex II

FORTHCOMING STUDIES AND REPORTS OF THE CENTRE

A. Reports to the Commission on Transnational Corporations

1983

Transnational corporations in world development: third survey (E/C.10/1983/2)

Report on the policies and practices of transnational corporations regarding their activities in South Africa and Namibia (E/C.10/1983/10)

Transnational corporations and transborder data flows: Report of the Secretariat (E/C.10/1983/12)

1984

Recent developments related to transnational corporations and international economic relations

Bilateral, regional and international arrangements on matters related to transnational corporations

Transnational corporations and transborder data flows

Transnational corporations and the production, processing and marketing of primary commodities

B. Technical papers

1983

Management contracts in developing countries: an analysis of their substantive provisions (ST/CTC/27)

Features and issues in turnkey contracts in developing countries (ST/CTC/28)

Main features and trends in petroleum and mining agreements (ST/CTC/29)

Transnational corporations in the international semiconductor industry (ST/CTC/39)

Analysis of equipment leasing contracts (ST/CTC/45)

Transnational corporations and contractual arrangements in the uranium industry (ST/CTC/37)

Issues in negotiating international loan agreements with transnational banks

Transnational corporations and State-owned enterprises

Transnational corporations and remote sensing data

Transnational corporations in the pharmaceutical industry of developing countries

The regulation of transnational banks in developing countries

Measures strengthening the negotiating capacity of Governments in their relations with transnational corporations: Joint ventures in Latin America

Transnational corporations in international trade

1984

Engineering and industrial consultancy contracts

Export processing zones

Investment incentives in developing countries

Transnational corporations in the telecommunications industry

Transnational corporations in the petrochemicals industry

Transnational corporations in the international construction and engineering industries

Transnational corporations in the textile and synthetic fibre industry

Trends in technology contracting and technical service agreements

Transnational corporations in the production, processing and marketing of primary commodities

Bilateral, regional and international arrangements on matters related to transnational corporations

Transnational corporations and transborder data flows (country studies)

Technical paper on transnational corporations and transborder data flows

Environmental aspects of activities of transnational corporations
