

discriminating against smaller corporations. Thirdly, the selection should not be limited to certain countries of origin, since this would tend to favour the predominance of the principal capital exporting countries. Fourthly, the selection should not necessarily be limited to parent corporations but should also include foreign affiliates, since the latter, especially when located in developing countries, may be more experienced in responding to the requirements of developing host countries. Thus, any company having experience in a particular sector should be considered for inclusion in this part of the information system. In fact, special efforts should be made to include smaller corporations and corporations from developing countries as well as enterprises from socialist countries.

65. While the purpose of broadening the choice of host countries requires that as wide a range of corporations as practicable be identified, it is not, however, necessary that a great deal of information on each of these corporations be collected in the first instance. It would suffice if the information enabled the identification of possible alternatives and provided the host country with some basic data regarding the company, its financial situation, as well as its presence abroad as a basis for further consideration. It is therefore proposed to cover to the extent relevant the following basic information on the corporations under the heading General corporate information.

Identification variables of enterprise as a whole

1. Legal name
2. Address
3. Country of incorporation
4. Lines of business (primary and other)
5. Number of employees

Financial statement items of enterprise as a whole

6. Sales (or total product)
7. Gross operating profits
8. Wages and salaries
9. Depreciation
10. Net income
11. Dividends
12. Increase or decrease of long-term debts
13. Capital expenditures for plant and equipment and other financial investments

Presence abroad (information on foreign affiliates)

14. Legal name of foreign affiliate
15. Address of foreign affiliate
16. Country of incorporation of foreign affiliate
17. Type of relationship to immediate parent of foreign affiliate
18. Lines of business (primary and other) of foreign affiliate
19. Number of employees of foreign affiliate
20. Sales (or total product) of foreign affiliate
21. Net income of foreign affiliate
22. Fixed assets of foreign affiliate

66. The importance of the identification variables is self-evident. The importance of the foreign experience variables relates to the identification of further possible alternatives, and to obtaining an indication of the preference of enterprises regarding their foreign activities in terms of the size of their foreign commitments, their locational pattern and their type (e.g., majority-owned affiliates). 22/ The importance of the financial statement variables is to allow a rough and preliminary evaluation and comparison of the financial capability, standing and performance of the companies involved.

67. Given the limited resources of the Centre on Transnational Corporations on the one hand, and the large number of corporations potentially relevant on the other, a practical approach is necessary. The Centre has taken this into account by devising an incremental growth plan which is based on the utilization of periodically updated data already available on computer tapes, key company directories and the Centre's own work.

68. The Centre has reviewed existing machine-readable data bases for their relevancy for the general corporate information component. 23/ On the basis of this review, on-line access to or tapes from eight data bases have been acquired. A ninth data base is based on the Centre's own work. Five of the data bases include detailed financial information for public companies traded in France, Japan, the United Kingdom of Great Britain and Northern Ireland and the United States of America, supplemented by financial information on companies located in some other developed market economy countries. One of the data bases specializes in equity ownership relations of corporations. Another of the data bases contains financial and non-financial information on United States and Canadian-based companies. All of the above provide information on primary lines of business. One has been purchased

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22/ For larger foreign affiliates which publish annual reports or similar documents, the same major financial statement items as specified for the corporate parent are sometimes obtainable and can be collected.

23/ The Centre expects to publish this review as a separate document.

directly from a government regulatory agency supervising the country's banking sector. A more specific description of the content of the data bases is contained in the table at the end of this report. In some cases, the data bases include information which goes beyond the variables included in the general corporate information and will be useful for the in-depth corporate information.

69. The coverage thus far is uneven, both in terms of countries covered and substantive content. Enterprises from a great number of countries, in particular from developing countries and socialist countries, are not yet included. For many of them, however, standardized and periodic directories exist which can be added to the existing pool of information. In terms of substantive coverage, additional information on lines of business - a key variable for general corporate information - is required. For large corporations in particular, it is simply not sufficient to have only information on the primary line of business. For parent companies and corporations as a whole, financial data are as a rule available. On the other hand, only very elementary data - the name, country of incorporation and type of relationship to the parent enterprise - are available on the foreign affiliates of corporations.

70. Even though the general corporate information would be based primarily on commercially available information, the work involved by the Centre is substantial. The process of utilizing the nine data bases and the information available in directories and from other sources in an integrated manner is not a simple task. <sup>24/</sup> For instance, items are often not easily comparable among information sources; precise definitions are lacking in certain data bases, particularly those designed for market expansion; standard reference currencies among (and sometimes even within) information sources are not used; identifiers for particular corporations differ; and indicators for key items (e.g., lines of business, geographic area, type of intra-corporate relationship) are not uniform. While standardization as such is not always essential, a minimum degree of compatibility is needed for the purpose of merging the various data bases into a unified system and permitting retrieval on key items.

(b) In-depth corporate information

71. The in-depth corporate information would provide considerably more detailed information of both a quantitative and non-quantitative nature on a relatively limited number of corporations which would be identified in the context of the industry analyses. On the basis of each industry analysis it is proposed to identify an appropriate number of corporations in that specific industry on which more detailed information would be collected. In-depth corporate information, combined with the relevant industry analyses, should prove most useful to Governments not only in their efforts to broaden their choice of alternatives, but also in preparing themselves for negotiations with particular transnational corporations.

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<sup>24/</sup> When this work is completed, a user's guide to the contents of the general corporate information component would be continually updated to provide users with a knowledge of the stage of growth of the integrated data base.

72. The precise set of variables on a particular corporation would, of course, vary according to the characteristics of each industry. Considerable work remains to be done to identify those variables that provide the most illuminating information of the firm's activities and that can be collected on a regular basis within the constraints of budgetary and technical feasibility. Each industry analysis would provide the basis for determining these variables.

73. The priorities, however, seem clear. They are: to provide more detailed quantitative information particularly on the financial capability, standing and performance of the corporation and its affiliates; to obtain information on their foreign experience to date in whatever form (e.g., equity, licensing, management contracts); and to include non-quantitative information regarding the operations of individual corporations.

74. For a variety of reasons, including the need to await the completion of a particular industry analysis before launching the corresponding collection of information on individual corporations, as well as the need for additional resources, the in-depth corporate information would have to evolve modestly and gradually. It may be expected that by the end of 1979 an estimated 300 to 400 corporations in the industries covered by analyses would be included.

75. In developing the in-depth corporate information, the Centre would draw upon the general corporate information component as well as on information available to Governments, corporations and intergovernmental organizations. It is proposed to supplement published information on corporations with information solicited directly from government agencies as well as from individual corporations themselves.

#### Information for strengthening the negotiating capability of Governments

76. Information on policies, laws and regulations, industry analyses and trends in the activities of transnational corporations as well as general and in-depth corporate information should prove useful to Governments in their efforts to strengthen their negotiating capability.

#### Contracts and agreements

77. In addition, the experiences of other countries in negotiating contracts and agreements can be very helpful for indicating the trends in the terms and conditions arrived at with transnational corporations under various circumstances. As such, they can provide guidance, set benchmarks and establish precedents for a negotiating country. Contracts between host country entities and transnational corporations would, therefore, have to be collected, organized and analysed.

78. Various types of agreements have been developed with respect to specific sectors of the economy of host countries. In the extractive sector, for example, arrangements have not been limited to direct investment under traditional concessions. They have included joint ventures, service contracts, production sharing agreements, management contracts, technical assistance agreements, long-term

sales contracts, marketing contracts, and other forms of non-equity arrangements. With regard to the transfer of technology and the manufacturing sector, some of the important contractual arrangements are contracts for the supply of machinery and other capital goods, technology licence agreements, turnkey contracts, long-term sales contracts, and technical assistance and know-how arrangements. Some contractual forms such as direct investment, joint ventures, management contracts and technical assistance agreements are also employed in agribusiness. Another important category of agreements relates to financing arrangements - loan and investment agreements - with private commercial banks with international operations.

79. The Centre has continued to expand and diversify its collection of transnational contracts and agreements, which now includes some 300, mostly in the extractive industries, but also in increasing numbers in manufacturing and services. An analytical checklist has been developed in connexion with the preparation of the Centre's recent comprehensive study, Transnational Corporations in World Development: A Re-examination, 25/ which contains, in chapter IV, an analysis of recent developments in contracts and agreements.

80. While restrictions do exist because of government and business confidentiality requirements, it is important to note that many host Governments publish agreements with transnational corporations, particularly in the extractive sector. Furthermore, a number of Governments require the registration of certain types of contracts and agreements. Some of these Governments have offered to supply the Centre with contracts and agreements for analytical purposes. Transnational corporations as well as educational and research institutions are also important sources of information on contracts and agreements. The Centre would also collect studies on contracts and the contractual relationship of transnational corporations and host countries.

#### Information on information

81. A crucial element of the Centre's information system would be information on information. In supporting government efforts related to the three purposes set out in paragraph 40, it cannot, of course, be expected that the Centre should collect all available relevant information. Such an approach would not only be too costly but would also result in unnecessary duplication. However, the Centre should be familiar with outside sources and expertise. It must be in a position to locate or to advise with a minimum of delay where the services or information on a wide variety of matters on which the Centre does not itself store information can be found.

82. A vital task which the Centre has already begun and which must be expanded and continuously updated is to survey existing relevant sources world-wide, including the types of sources available in other public and private agencies and the persons to contact; the content of various data banks, including those established by Governments; and the information available in various trade associations. In

addition, this survey aims at identifying institutions and individuals undertaking research on matters related to transnational corporations. Finally, there are many industry specialists and other experts who have the knowledge and ability to analyse information and situations. All these sources of information and expertise constitute a vital component of the information system. The progressive computerization of this component will greatly enhance the Centre's capability to tap quickly information and expertise on a world-wide basis.

#### IV. STORAGE AND RETRIEVAL

83. The information system requires adequate facilities and procedures for storing both quantitative and non-quantitative data in a manner which lends itself to easy retrieval in a form most suited to its purposes. This calls for both manual and computer storage and retrieval facilities.
84. In 1977 the Centre and the United Nations Electronic Data Processing and Information Systems Services (EDPIS) developed a detailed functional design for the Centre's computerized system to provide the necessary storage of and rapid access to information on individual corporations. The objective was to design a computer system capable of storing either information or references to information available in manual form, which the Centre would include in both the general corporate information and the in-depth corporate information components. Due account was also taken of the need to design a data storage and retrieval system capable of adapting to changing requirements as well as to the growing amounts of information which the Centre would obtain over the years.
85. Information which lends itself readily to computerization will be so stored together with references to supplementary information about a specific corporation essentially of a narrative nature which is being maintained in a manual file.
86. In order to achieve maximum flexibility a coding system has been incorporated which identifies the specific nature and significance of the information included. The flexibility of this coding system makes it possible to include in the future types of information not currently foreseen. In addition to the requirements for flexibility in incorporating information from disparate sources, the computer system has been designed to identify the source from which the information was obtained in order to facilitate the process of ensuring the reliability of the information.
87. At the beginning of this year, the Centre and EDPIS began the task of implementing the computerized system on corporate information. This involves the establishment of an over-all system of standard codes and abbreviations which will permit using in an integrated manner the information contained in the eight commercial data bases obtained by the Centre, the information emerging from its own work, as well as information to be obtained in the future. It is then necessary to translate the information into the coding schemes established, and finally to prepare a set of computer programmes to retrieve the information in the manner most appropriate for the Centre's needs. It is expected that by the end of 1978 the computer system on corporate information will have been tested and will become operational.

88. A computerized system is also being evolved for information on information. In this connexion most progress has been made to date in storing a directory of written source material and a directory of ongoing research projects related to transnational corporations. To date descriptions of some 1,000 ongoing research projects and some 8,000 items of written source material have been stored. 26/ By the end of 1978 it is expected to incorporate this information as well as other components of information on information described in paragraphs 81 and 82 above in an on-line system which will facilitate easy access.

89. During the coming year, the Centre and EDPIS will initiate steps to design a system for storing information on laws and regulations and contracts and agreements. The aim is not to incorporate into the computer system actual texts of laws, regulations, contracts and agreements, but appropriate references which would lead the searcher to the relevant material on hand in the Centre.

#### V. DISSEMINATION

90. The value of the Centre's information system could only be realized if its content is distributed in a timely and usable manner. This would involve both the publication of information in various forms, as well as responding to specific requests for information by Governments.

91. The information publications of the Centre would be devoted to both substantive information, as well as to sources of information outside the Centre. They would be given broad circulation. The CTC Reporter and press releases would be utilized to publicize the availability of these publications to all interested parties.

92. The Centre would issue periodically publications containing substantive information. 27/ It would include: (i) individual industry analysis together with detailed information on an appropriate number of corporations in that industry; (ii) statistics on transnational corporations; (iii) trends in the activities of transnational corporations; (iv) surveys of national laws and regulations; and (v) contracts and agreements in particular sectors. In addition, the Centre's functional and impact studies as well as over-all studies such as Transnational Corporations in World Development: A Re-examination also contain relevant information.

93. The publication on source information would include: 28/ (i) a directory of business directories; (ii) directory of transnational corporation related data sources; (iii) a bibliography on transnational corporation publications and

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26/ Survey of Research on Transnational Corporations (United Nations publication, Sales No. E.77.II.A.16) and Bibliography on Transnational Corporations (United Nations publication, Sales No. E.78.II.A.4).

27/ Relevant publications already issued are: E/C.10/38; and ST/CTC/6.

28/ Relevant publications already issued are: E/C.10/12 and Add.1; ST/CTC/2 and ST/CTC/3.

periodicals; (iv) a survey of research projects; (v) a directory of government and private institutions involved in matters related to transnational corporations and (vi) a directory of the content and capability of the Centre's information system.

94. Besides publications, the Centre should strengthen its capability to respond to government requests for information on specific issues. In order to respond to such requests in a timely manner, the Centre's information must be properly organized and its staff capability to prepare appropriate responses must be strengthened.

## VI. RESOURCE REQUIREMENTS AND PHASING

95. The information system proposed in this document is a flexible one. However, if it is to achieve its full potential, increased resources will be required during the 1980-1983 medium term. With the resources available to the Centre for 1978-1979, the progress which can be made during this biennium will remain limited. Considerable reliance will have to be placed on consultant support and as a result the in-house capability can only be effectively built during the 1980-1981 biennium. This will be reflected in the proposed programme budget for 1980-1981 and will take full account of the experience gained by 1979.

96. During the 1978-1979 biennium, it is proposed to continue developing the general corporate information into an integrated information base; to complete the industry analyses already under way as well as additional industry analyses referred to earlier; and to prepare in-depth corporate information for several of the priority industries for which industry analysis will have been completed. It is at present difficult to estimate the number of corporations for which in-depth information would be collected, as this would depend on the selection made on the basis of each industry analysis, as well as on the extent of co-operation received, in particular from Governments and corporations. Nevertheless, it may be estimated that detailed information would be obtained for some 300 to 400 corporations. As more industry analyses are completed, the Centre would be in a position to expand the in-depth corporate information component during the 1980-1983 medium term. The Centre would also continue to build on the work done to date on laws and regulations, contracts and agreements and information on information. Finally, during 1978 and 1979 the Centre, in co-operation with EDPIIS, intends to implement the computer system which has been designed.

97. It must be recalled that in all these areas the collection and analysis of information is not a one-time task. Much of the information will have to be periodically updated and supplemented in order to avoid obsolescence.

98. As has been mentioned above, the Centre will be able to establish only gradually its in-house capability. It should, however, be borne in mind that the effective implementation of the information system requires that the Centre be in a position to rely primarily on its own staff, rather than on outside consultants, so that the accumulated experience and knowledge can be fed back into future work. This would also include responding to a growing number of ad hoc requests for specific information requested by Governments. It therefore is important that the Centre obtain resources to engage additional personnel specialized in particular in industry analysis as well as in the analysis of corporate financial and technology investment trends.

Table

Matrix of data base variable content a/

| Variables   | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|---|---|---|
| <u>Data bases</u>   |   |   |   |   |   |   |   |   |   |
| <u>Identification variable of enterprise as a whole</u>                     |   |   |   |   |   |   |   |   |   |
| Legal name  | x | x | x | x | x | x | x | x | x |
| Address   |   |   |   | x |   |   | x |   | x |
| Country of incorporation  |   |   |   | x |   |   | x |   | x |
| Lines of business (primary and other)                                       | x | x | x | x | x | x | x | x | x |
| Number of employees   | x |   | x | x | x |   |   | x |   |
| <u>Financial statement items of enterprise as a whole</u>                   |   |   |   |   |   |   |   |   |   |
| Sales   | x |   |   |   |   |   |   |   |   |
| Gross operating profits   |   | x | x | x | x | x | x | x | x |
| Wages and salaries  |   |   | x | x | x | x | x | x | x |
| Depreciation  |   |   | x | x | x | x | x | x | x |
| Net income  |   | x | x | x | x | x | x | x | x |
| Dividends   |   | x | x | x | x | x | x | x | x |
| Increase or decrease of long-term debts                                     |   |   |   |   |   |   |   |   |   |
| Capital expenditures for plant and equipment and other financial investment |   | x | x | x | x | x |   | x |   |
| <u>Present all-round information on foreign affiliates</u>                  |   |   |   |   |   |   |   |   |   |
| Legal name of foreign affiliate   |   |   |   | x |   |   |   | x |   |
| Address   |   |   |   | x |   |   |   |   |   |
| Country of incorporation  |   |   |   | x |   |   |   |   |   |
| Type of relationship with immediate parent                                  |   |   |   | x |   |   |   |   |   |
| Lines of business of foreign affiliate                                      |   |   |   |   |   |   |   | x | x |
| Number of employees of foreign affiliate                                    |   |   |   |   |   |   |   |   |   |
| Sales (or total product) of foreign affiliate                               |   |   |   | x |   |   |   |   |   |
| Net income of foreign affiliate   |   |   |   | x |   |   |   |   |   |
| Fixed assets of foreign affiliate   |   |   |   | x |   |   |   |   |   |

a/ While a data base may contain data on each of the variables indicated, it does not necessarily contain information on each variable for every corporation included.