

information on certain specific aspects relating to such corporations, such as market structure, financial practices and supply of technology.

84. An important feature of the information system is the analysis of transnational corporation activities in particular sectors. The studies highlight the specific role of transnational corporations in particular branches of industry and the aspects requiring particular attention at various stages of negotiation and implementation.

85. Information on individual corporations continues to remain a priority area, both in terms of general information on a large number of corporations and more detailed information on some of the principal corporations in particular sectors. The former has concentrated primarily on financial statement items for the enterprise as a whole, and on the identification of foreign affiliates. The latter includes financial and non-financial data on parent and affiliate companies; and on various aspects of foreign operations, including patterns of investment, ownership, lines of business and products, sources and use of funds, technology diffusion and other aspects of corporate activities. Over the past year, the major emphasis has been on the expansion of the data bank and the improvement of its technical infrastructure. The Centre is now able to utilize routinely the manual and the computerized information system on individual corporations to meet a wide range of requests.

86. Whenever considered necessary, the information in the computerized system is being verified with individual corporations, some of which have designated liaison persons for communications with the Centre. Confirmation of data may also be sought from host country institutions utilized as sources.

87. Information on various sources of data and information has also continued to be given due emphasis, especially in view of the growing volume of material on such companies. Work has continued on the ongoing bibliography on transnational corporations, the survey of research, various special directories on information sources, and the expansion of the Centre's Documentation Unit. A new edition of the List of Company Directories and Summary of Their Contents ^{12/} is being prepared, and work is also continuing on the survey of institutions and persons dealing with transnational corporations.

88. The Centre endeavours to ensure that its information system is closely linked with, and assists the development of, national information systems dealing with related issues so that there is a regular exchange of information regarding the activities of transnational corporations in various industrial sectors in different countries and regions. The development of international standards of accounting and reporting has also been given emphasis so that more adequate data become available and to achieve a greater degree of comparability regarding such data.

^{12/} Idem.

B. User's guide to the information system

89. The growing amount of requests for information necessitate efficient methods for accommodating them promptly and adequately. A fairly detailed User's Guide to the Information System of the United Nations Centre on Transnational Corporations 13/ sets out the guidelines and procedures in this regard. It is intended to clarify the sources of information, the nature of information contained in the system, and the manner in which such information can be disseminated to, or obtained by, users. It is also designed to inform present and potential users of the type and nature of questions to which the system can respond most effectively, together with the nature of such response in respect of particular items of information.

90. The User's Guide also describes ongoing work for each of the principal components of the Centre's information system. The guide provides some examples which indicate possible requests of information from the system as well as the likely responses. It also lists selected documents on transnational corporations prepared by the Centre. The User's Guide will be brought up to date periodically as more information becomes available in the system and as more experience is gathered in respect of specific needs of principal users under the various components of the system. The complex nature of the system necessitates that its development must be viewed as a continuing exercise, involving close co-operation and guidance from its principal users.

C. Salient features of trends in investment

91. An important area of information relates to trends in investment by transnational corporations. The collection and analysis of such information has been a continuing effort of the Centre, including the expansion of sources for obtaining such information. The Centre has prepared a report entitled Salient features of trends in investment, 14/ which covers information up to 1978.

92. One measure of the growth of transnational corporation activities relates to the flow of direct investment, though the participation of transnational corporations is increasingly taking other forms, particularly technology licensing and service and contractual arrangements. Information on payments for foreign technology has also been included. The trend of the net flow of private direct investment to developing countries has shown an increase from an annual average of \$3.5 billion in 1970-1971 to \$10.5 billion in 1977-1978. Although there is no precise method of deflating these figures, some idea of their significance in real terms may be obtained from the trend in world export prices for manufactures which rose, in terms of United States dollars, by 111 per cent from 1970-1971 to 1977-1978.

93. In addition to direct investment flows, developing countries have received a greatly expanded volume of loans from the private banking sector in the

13/ Idem.

14/ Idem.

developed countries in recent years. While such loans amounted to an annual average of \$3.2 billion in 1970-1971, they reached a level of \$11 billion during the crisis of 1974-1975 and increased further to \$18.8 billion in 1977-1978. A large proportion of these transfers was in the nature of balance of payments support rather than long-term investment, and was designed to recycle funds from surplus to deficit countries.

94. While the United States of America and the United Kingdom continue to be the two leading sources of direct foreign investment, their share of the total stock of direct investment abroad has tended to decline in recent years, the corresponding increases taking place chiefly from the Federal Republic of Germany and Japan.

95. The latest available data on the sectoral distribution of direct investment flows to developing countries from the United States of America, the United Kingdom and Japan, which together account for two thirds of the investments by developed market economies, indicate that despite disinvestment in petroleum and other mineral sectors in certain countries, no major changes have taken place in the sectoral distribution. According to available stock figures, direct investment in the developing countries have been concentrated in countries with relatively higher national per capita income, while the poorest 25 developing countries have attracted the least amount of direct investment.

96. The report also describes the geographical distribution of some 82,000 foreign affiliates of nearly 11,000 parent companies located in developed market economies. Of the 21,000 affiliates in developing countries, 47 per cent are located in the Western Hemisphere, 28 per cent in South and East Asia, 21 per cent in Africa and 4 per cent in Western Asia.

D. Industry analyses

97. The formulation and implementation of national industrial strategies and policies often require adequate information and knowledge regarding the structure and basic features and trends in the activities of transnational corporations in industrial sectors of special significance to host countries, particularly developing countries. The Centre's industry analyses are intended to aid in this task by providing an over-all analysis of the role of transnational corporations in particular sectors, covering growth trends and characteristics of the sector, the competitive structure, changing pattern of ownership, control over technology and specialized services, and other related aspects of operations of transnational corporations, together with the impact of policies of the Government of the host country in this regard.

98. The Centre has, during the past year, undertaken several industry analyses: bauxite and aluminum, copper, heavy electrical equipment, agricultural machinery and fertilizers. The analyses of bauxite and aluminum and of copper have been completed, while those on heavy electrical equipment, agricultural machinery and fertilizers are expected to be finalized in late 1980. Similar

analyses of industrial sectors of special significance to host developing countries, particularly industries based on natural resources and manufacture of machinery and equipment, are proposed to be initiated during this year.

99. The analysis of the aluminum industry deals with the features and trends in the production of bauxite and subsequent stages of processing, together with the changing structure of the industry.

100. The study points out the disproportion that exists between the bauxite reserves and the aluminum consumption of developing countries, and the decreasing share of developing countries in the aluminum industry and in the refining process. In 1977, the developing countries had 75 per cent of the measured bauxite reserves, mined 48 per cent of the bauxite, produced 18 per cent of the alumina and smelted 9 per cent of the primary ingot.

101. The analysis shows that six major transnational corporations still control more than half the aluminum industry. All transnational corporations together own 83 per cent of the alumina and 91 per cent of the primary ingot of the market economies. The dominance of the six major transnational corporations is particularly great in the field of technology: with a few exceptions, the facilities owned by other transnational corporations, other private or government enterprises have also been built with technology provided by one of the six major transnational corporations.

102. The study also highlights the various issues and constraints which affect host developing countries significantly in obtaining larger revenues from bauxite and in developing integrated aluminum industries based on local bauxite deposits. While technology is available at a price, the lack of large domestic markets may constitute an important barrier to forward integration by bauxite producers. The large capital outlays involved, together with the specialized expertise and know-how necessary for the startup of aluminum smelters, also constitute major constraints.

103. Nevertheless, the study has indicated several areas in which the ability of developing countries to obtain more rapid transfer of technology could be enhanced and in which alternative arrangements with transnational corporations and greater co-operation among developing countries could produce satisfactory results.

104. The analysis of the copper industry treats the principal features and trends in copper production and processing, together with the analysis of the changing structure of the industry and the changing role of transnational corporations in the industry in recent years. The study indicates that nearly 60 per cent of the world copper reserves are located in the developing countries, more than 1.5 times their share of world output. Although developing countries have roughly the same share of mine capacity as the developed market economies, this share lessens as they go further in copper processing. In 1979, the major copper exporting developing countries accounted for about 16 per cent of the market economy refinery capacity and 25 per cent of the smelter capacity.

However, the developing countries are attempting to capture the economic benefits derived from the production of more processed products.

105. The study points out the increasing costs of developing new mining, smelting and refinery capacity. The level of industry concentration by large firms has declined dramatically: in 1948, the seven leading copper mining companies controlled 70 per cent of the total output of the market economies; by 1978, the share of the seven largest firms had declined to 23 per cent. This reflects ongoing discovery of large sources of copper, diffusion of large-scale mining technology to work on low-grade ore bodies, backward integration of copper processing firms, diversification into copper industry from other natural resource companies, and emergence of state-owned corporations, resulting from the efforts of Governments of developing countries to gain more direct control over the exploitation of their copper resources.

106. The study indicates that host developing countries have already made considerable progress in downstream smelting and refining of copper. Only one fourth of the mine output of developing countries is smelted outside the country of origin. Of the remaining three fourths, 25 per cent of developing country copper is smelted locally and refined overseas while roughly 50 per cent is processed through to refined copper. The study refers to the intergovernmental Council of Copper Exporting Countries co-operation and assistance from bilateral and multilateral aid institutions to assist developing countries in more systematic mineral exploitation of their territories.

E. Analyses of contracts and agreements

107. The Centre has accorded considerable weight to the analysis of contracts and agreements between transnational corporations and host country entities. The studies entered upon include an evaluation of the financial and economic aspects of selected mining agreements with a view to identifying various options and alternative strategies open to host country Governments in dealing with transnational corporations in this sector. An analysis has also been undertaken of legal, institutional and operational aspects of selected non-fuel mining agreement between Governments and transnational corporations, which cover institutional and corporate arrangements, together with the structure of the contracts and formulation of specific contractual provisions. Case studies have also been initiated on joint venture agreements in selected minerals in Ghana, Sierra Leone and Zambia. The various stages of negotiations and implementation of agreements and the extent to which such implementation met the expectations of the parties concerned, particularly host Governments, are issues to be analysed. A cross-sectoral study of management and technical service agreements entered into with transnational corporations is also under way.

F. International standards of accounting and reporting

108. An important activity of the Centre relates to information which can assist in the formulation of an internationally comparable system of standardized accounting and reporting. Apart from the ongoing collection of published material on corporate accounting and reporting, the work during the last year included the following:

(a) An analysis of interested parties' comments on the United Nations publication containing the report of the Secretary-General and the report of the Group of Experts on International Standards of Accounting and Reporting; 15/

(b) Consultations with certain developing countries to obtain their views on international standards of accounting and reporting;

(c) Preparation of papers for presentation to the Ad Hoc Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting; established by Council resolution 1973/44.

109. The Ad Hoc Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting held its first session at United Nations Headquarters from 11 to 22 February 1980. Acting on its mandate, the Group adopted a work programme reflecting consideration of appropriate further steps to be taken in the field of international standards of accounting and reporting, taking into account the needs of home and host countries, particularly those of developing countries.

110. In response to a request made by the Intergovernmental Working Group on a Code of Conduct, the Group discussed and agreed on a formulation pertaining to disclosure of information for incorporation into the code of conduct currently under negotiation. After its consideration of the information items with regard to the enterprise as a whole and the individual member countries in the context of the Centre's comprehensive information system, the Group recommended a list of additional information items to be collected and identified several areas for further study. At its second session in the autumn, the Group will focus attention on (a) general purpose reporting; (b) appropriate further steps to be taken to improve the comparability of information provided by transnational corporations in their reporting; and (c) participation of developing countries and the United Nations in the adoption of international standards of accounting and reporting. An interim report of the Group (E/C.10/64) is being submitted separately to the Commission.

15/ See International Standards of Accounting and Reporting for Transnational Corporations (United Nations publication, Sales No. E.77.II.A.17, p. 7.

G. The CTC Reporter

111. At its fifth session, the Commission expressed satisfaction with the Centre's publication, entitled The CTC Reporter, which was generally considered a valuable publication for dissemination of information concerning the Centre's work and the activities of transnational corporations. Since the fifth session, two issues, numbers 7 and 8, have been published. In these issues, special attention has been given to the progress of work with respect to the formulation of a Code of Conduct. They also feature summaries of research studies made by the Centre, developments in the comprehensive information system and technical co-operation projects recently conducted by the Centre. Special emphasis has been laid in broadening the coverage of The CTC Reporter by including information on past and forthcoming meetings and on activities related to transnational corporations, which take place in other United Nations bodies. Both issues also report on new publications, periodicals and books dealing with transnational corporations, as well as on sales publications and other documents produced by the Centre.

112. The magazine currently has an edition of 9,000 copies and is distributed to 123 countries. It reaches government officials, chief executives of over 600 transnational corporations, trade unions and consumer groups, individual researchers, universities and news media. Efforts have been made to extend this audience and to develop two-way communication and exchange agreements with those receiving The CTC Reporter. Separate supplements summaries in French and in Spanish are part of the recent issues. These allow greater coverage and better targeting in distribution.

X. DEFINITION OF TRANSNATIONAL CORPORATIONS

113. At its fifth session, the Commission decided that the work related to a definition of transnational corporations should be continued, particularly in the context of the formulation of a code of conduct, and that this issue would be further discussed at the sixth session of the Commission.

114. At its eighth session held from 7 to 18 January 1980, the Intergovernmental Working Group on a Code of Conduct requested the Centre on Transnational Corporations to prepare key elements of a definition regarding the term "transnational corporation". In response to that request, the Centre submitted to the Working Group a working paper, entitled "Transnational corporations: a code of conduct; key elements regarding the term 'transnational corporation'". ^{16/} The Intergovernmental Working Group on a Code of Conduct will, at its subsequent sessions, further elaborate on the definition of transnational corporations in the context of the Code.

^{16/} For the discussion on the working paper at the eighth session of the Intergovernmental Working Group on a Code of Conduct, see paragraph 28 above.

