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ECOINT PRIMER

# The UN Economic and Social Council's Initiative on Multinational Corporations (1972-1974)

Sabine Selchow

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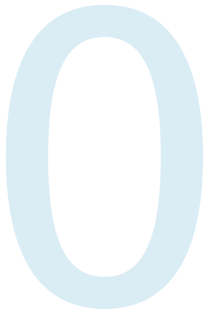
November 2023

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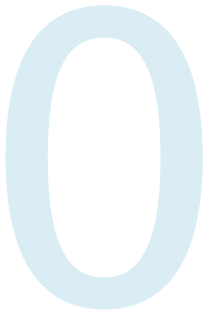
## ABOUT THIS PRIMER

In the 1960s and 1970s, multinational corporations turned into a political issue. The UN was an important site at which this politicisation unfolded. Of particular significance was an initiative of the UN Economic and Social Council (ECOSOC). Grounded in ECOSOC Resolution 1721 (LIII) of 1972, ECOSOC produced a Background Report, appointed a ‘group of eminent persons’ to study the impact of multinational corporations on development and international relations and asked this group to produce a report with recommendations for international action. The result was the establishment of the UN Commission on Transnational Corporations and the UN Center for Transnational Corporations in 1974.

This ECOINT primer provides information on the ECOSOC initiative. It lists the people who were involved and provides information on the two reports that were produced and have been perceived “groundbreaking and pivotal. They set the pattern and agenda for the UN contribution to the debate on TNCs for many years” (Sagafi-nejad 2008: 87).

This primer is addressed at readers who do not have prior knowledge of the ECOSOC initiative 1972-1974. Its aim is to help gaining a quick overview of some of the initiative’s main components.





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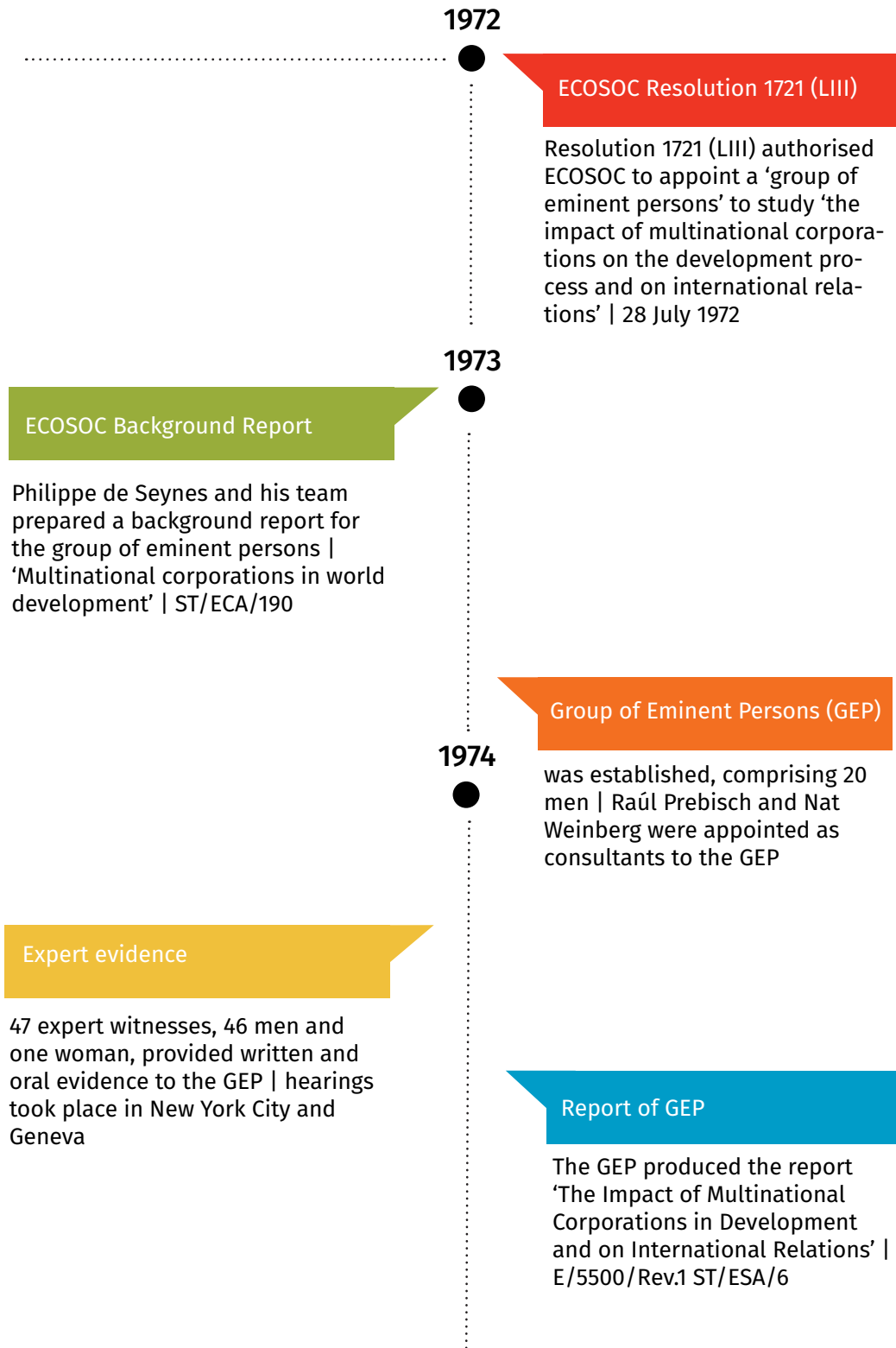
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# 1

## OVERVIEW: THE ECOSOC INITIATIVE ON MULTINATIONAL CORPORATIONS



# 2

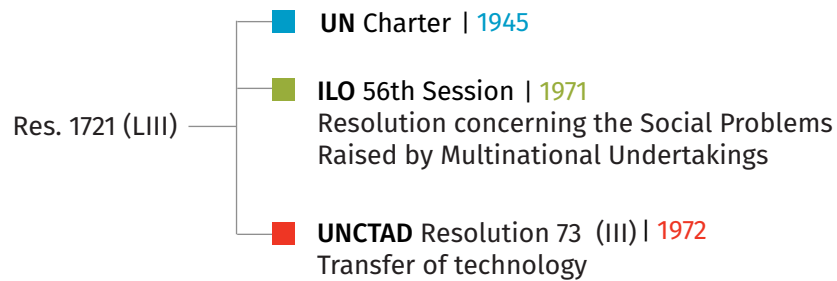
## ECOSOC RESOLUTION 1721 (LIII)



### 'THE IMPACT OF MULTINATIONAL CORPORATIONS ON THE DEVELOPMENT PROCESS AND ON INTERNATIONAL RELATIONS'



#### Resolutions referenced in ECOSOC Res. 1721 (LIII)



“ Requests the Secretary-General, in consultation with Governments, to appoint from the public and private sectors and on a broad geographical basis a study group of eminent persons intimately acquainted with international economic, trade and social problems and related international relations, to study the role of multinational corporations and their impact on the process of development, especially that of the developing countries, and also their implications for international relations, to formulate conclusions which may possibly be used by Governments in making their sovereign decisions regarding national policy in this respect, and to submit recommendations for appropriate international action, the study group to consist of not less than 14 nor more than 20 persons”



Sagafi-nejad (2008: 55) calls **Philippe de Seynes** the “prime architect” of resolution 1721 (LIII).



# 3

## ECOSOC BACKGROUND REPORT



### 'MULTINATIONAL CORPORATIONS IN WORLD DEVELOPMENT'



ST/ECA/190



initiated by Philippe de Seynes (UN DESA)

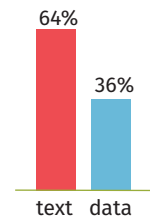


de Seynes' team

Dell, Sidney  
Feistel, Gustave  
Mousouris, Sotirios  
Muzak, Jacob  
Wang, N.T.



**195** pages of which are **71** pages data



Flesch Reading Ease Score: **29.18** (= difficult, graduate level)\*

\* calculated using the textstat Python library, which computes the score based on sentence length and syllable count (see <https://pypi.org/project/textstat/>)



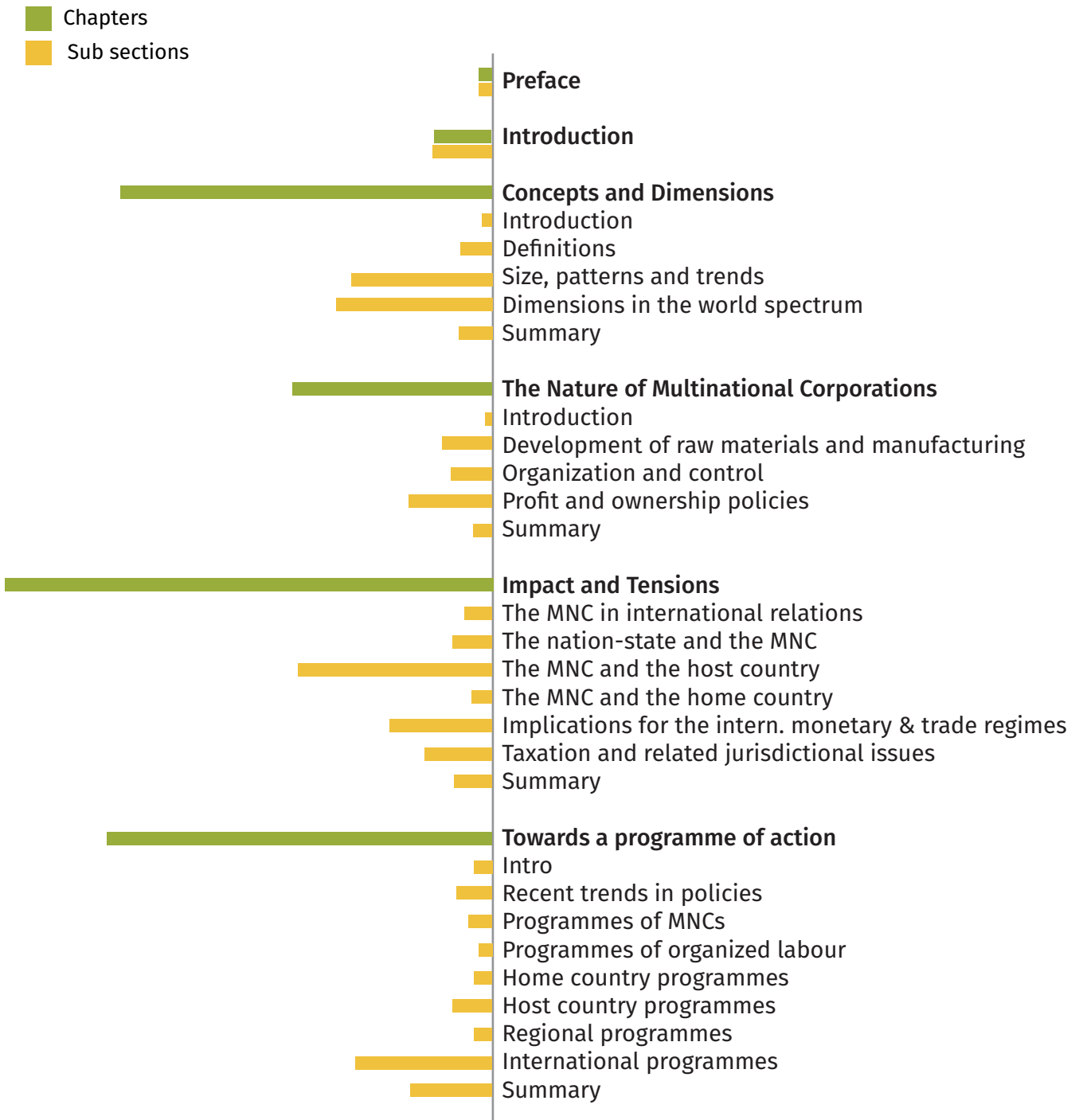
“It was, perhaps, the most comprehensive review of the state of knowledge on TNCs at that time and was groundbreaking in its scope, content, and format. Its layout became a prototype for the World Investment Report and other publications. The range of policy issues it covered set the agenda for subsequent years, and the concepts it considered became springboards for later UN work.” (Sagafi-nejad 2008: 60)

# 3

## ECOSOC BACKGROUND REPORT



Length of sections of the Report (% of total number of words) | word count: 34,604\*



\* Annexes not included

## 'MULTINATIONAL CORPORATIONS IN WORLD DEVELOPMENT'

“ Since the tensions and conflicts that arise from the operations of multinational corporations are international in character, programmes which are limited to one side or to only some of the parties concerned are unlikely to be adequate. [...] International measures are clearly necessary to achieve a balanced and more equitable solution.” (p. 86)



**Fig. 1** International programmes proposed in the Background Report

# 4

## GROUP OF EMINENT PERSONS

1973-4

SEPTEMBER  
FEBRUARY

“ The members of the Group were appointed in their individual capacity on a broad geographic basis from the public and private sectors. [...] During the discussions of the progress report in [ECOSOC’s] Economic Committee, some members voiced misgivings about the composition of the Group and felt, in particular, that the labour union movement was not adequately represented.” (UN Yearbook 1973: 427)

### 20 Members (100% men)

01. **Blum**, Emerik (SFRY)
02. **Browaldh**, Tore (SWE)
03. **Deutsch**, John (Canada)
04. **Diawara**, Mohamed (IC)
05. **Dunning**, John (UK)
06. **Estrany y Gendre**, A. (AR)
07. **Ghozali**, Mohammad (DZ)
08. **Ivanov**, I.D. (USSR)
09. **Javits**, Jacob (US)
10. **Jha**, L.K. (IN) (**chairman**)
11. **Khahama**, C. George (TZ) (**vice-chairman**)
12. **Komiya**, Ryutaro (JP)
13. **Mansholt**, Sicco (NL)
14. **Matthoefer**, Hans (FRG)
15. **Miller**, J. Irwin (US) (**vice-chairman**)
16. **Sadi**, Mohammad (ID)
17. **Schaffner**, Hans (CH)
18. **Somavia**, Juan (CL) (**rapporteur**)
19. **Trindade**, Mario (BRA)
20. **Uri**, Pierre (FR) (**vice-chairman**)

### 2 Consultants




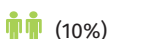
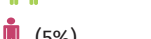
01. **Prebisch**, Raul (AR)
02. **Weinstein**, Nat (US)

# 4

## GROUP OF EMINENT PERSONS

1973-4

SEPTEMBER  
FEBRUARY

- public sector =  (40%)
- academia =  (30%)
- business =  (15%)
- banking =  (10%)
- union =  (5%)



**Fig. 2** Geographical location of the organisations, the members of the GEP were associated with

# 5

## EXPERT EVIDENCE

1973

SEPTEMBER  
NOVEMBER

“ [The group of eminent persons] heard testimony from some 50 leading personalities from government, business, trade unions, special and public interest groups and universities. This novel approach for the United Nations proved to be a most useful source of information and a valuable medium in which to test ideas. It succeeded in bringing about a high degree of public involvement in a subject which is both complex and of direct concern to many individuals and interest groups.” (Report of GEP, p. 4)



47 experts

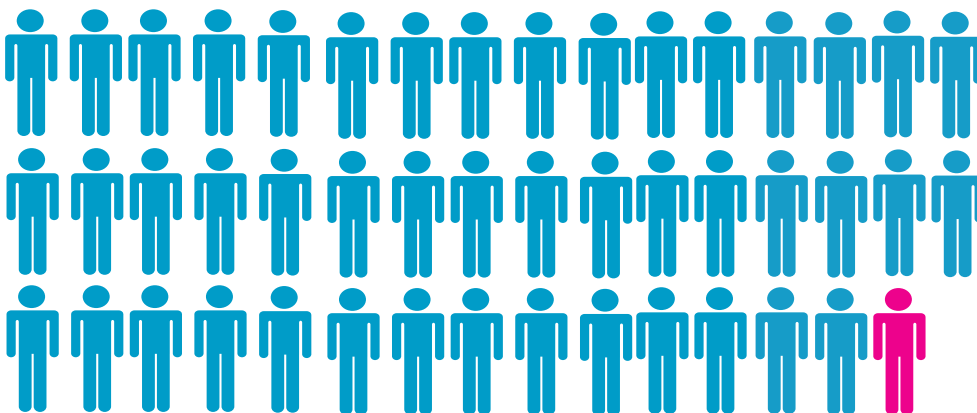


2 sets of hearings

3-7 September 1973, New York

12-16 November 1973, Geneva

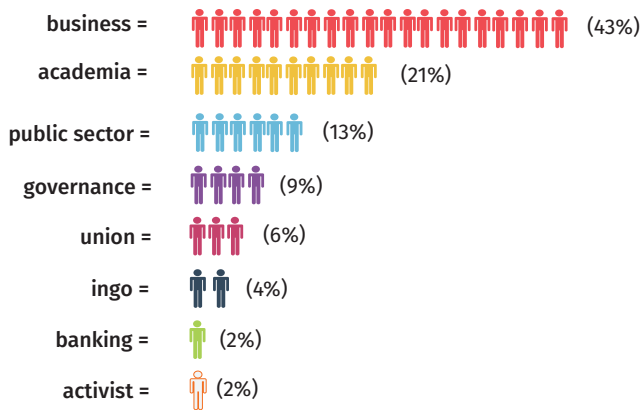
■ men ■ women



# 5

## EXPERT EVIDENCE

1973  
SEPTEMBER  
NOVEMBER



**Fig. 3** Geographical location of the organisations, the experts were associated with (rough, on country base)

## 5

## EXPERT EVIDENCE

1973

SEPTEMBER  
NOVEMBER

1	Adam, Gyoergy	academia	Hungary	Head, Economic Research Section, Computer and Automation Institute, Hungarian Academy of Sciences
2	Behrman, Jack	academia	USA	Graduate School of Business Administration, University of North Carolina
3	Heininger, Horst	academia	GDR	Head of Department, Institute for International Politics and Economy Berlin
4	Hymers, Stephen	academia	USA	Graduate Faculty, Department of Economics New School for Social Research
5	Kudlinski, Romuald	academia	Poland	Director, Institute for Economic Science, University of Warsaw
6	Nye, Joseph S.	academia	USA	Center for International Affairs, Harvard University
7	Onitiri, H.M.A.	academia	Nigeria	Director, Institute of Social and Economic Research, University of Ibadan
8	Penrose, Edith	academia	UK	School of Oriental and African Studies, UCL
9	Sunkel, Osvaldo	academia	Chile	Latin-American Faculty of Social Sciences, Santiago
10	Vagts, Detlev F.	academia	USA	Law School, Harvard University
11	Nader, Ralph	activist	USA	
12	Agnelli, Giovanni	business	Italy	Chairman, FIAT, S.P.A.
13	Berstein, Edward M.	business	USA	President, EMB (Ltd.) Research Economists
14	Collado, Emilio	business	USA	Executive Vice President, EXXON Corporation
15	Duncan, Sir Val	business	UK	Chairman and Chief Executive Officer, Rio Tinto Zinc Corporation
16	Fahey, Thomas	business	USA	Vice President, Sales General Tire International Company
17	Jones, Gilbert	business	USA	Chairman, IBM World Trade Corporation
18	Mainsonrouge, J.	business	USA	President, IBM World Trade Corporation
19	Keller, Ernst	business	LUX	President, ADELA Investment Company S.A.
20	Liotard-Vogt, Pierre	business	CHE	Managing Director, Nestle Alimentana S.A.
21	Marchandise, Jacques	business	France	Directeur, Delege Pechiney-Ugine-Kuhlmann
22	Murphy, Thomas A.	business	USA	Vice Chairman of the Board, General Motors Corporation
23	Powers, John	business	USA	Chairman of the Board (retired), Pfizer, Inc
24	Ram, Bharat	business	India	President, Delhi Cloth Mills
25	Shapiro, Irving S.	business	USA	Vice Chairman, E.I. Du Pont de Nemours



## 5

## EXPERT EVIDENCE

1973

SEPTEMBER  
NOVEMBER

26	Tacke, Gerd	business	FDR	Former President, Siemens A.G.
27	Thornbrough, Albert A.	business	Canada	President, Massey-Ferguson Ltd.
28	Vollmer, Gustavo	business	Venezuela	President, Central El Palma S.A.
29	Wagner, G.A.	business	NL	President, Royal Dutch Petroleum Company
30	Klijnstra, Michiel	business	NL/UK	Chairman, Unilever
31	Woodroofe, Kenneth	business	NL/UK	Chairman, Unilever
32	Wallenberg, Marcus	banking	Sweden	Chairman, Skandinaviska Enskilda Banken
33	Abimie, P.O.	government	Nigeria	Secretary for Finance, Federal Ministry of Finance
34	Burki, Javed	government	Pakistan	Chief, Industry and Commerce Section, Planning Division of Pakistan
35	Campillo-Sainz, Jose	government	Mexico	Under-Secretary for Industry and Commerce of Mexico
36	Puente, Jose de la	government	Peru	Under-Secretary for Economic Affairs, Ministry of Foreign Affairs
37	Walker, H.S.	government	Jamaica	Permanent Representative of Jamaica to the United Nations in Geneva
38	Walker, Sir Ronald	government	AUS	Special Adviser to the Government of Australia on Multinational Corporations
39	Lombardi, Renato	interest group	France	President, International Chamber of Commerce
40	Morgan, John	interest group	NL	Adviser on Multinational Corporations, International Council for Social Welfare
41	Hugill, J.A.C.	governance	France	FAO, Chairman, Industry Co-operative Programme (OECD)
42	Khene, Abderrahman	governance	Austria	Secretary-General, Organization of the Petroleum Exporting Countries (OPEC)
43	Spinelli, Altiero	governance	EU	Member of the Commission of European Communities
44	Vaitsos, Constantine V.	governance	Peru	Director, Technology Policy Group, Junta del Acuerdo de Cartagena
45	Goldfinger, Nathaniel	union	USA	Director, Department of Research, American Federation of Labor and Congress of Industrial Organizations
46	Goldman, Peter	union	USA	President of the International Organization of Consumers' Unions
47	Masetti, Albertino	union	TCH	Secretary, World Federation of Trade Unions

# 6

## REPORT OF THE GROUP OF EMINENT PERSONS



### 'THE IMPACT OF MULTINATIONAL CORPORATIONS ON DEVELOPMENT AND INTERNATIONAL RELATIONS'

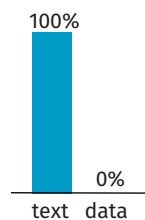
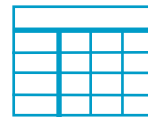


ST/ESA/6

“ a drafting committee composed of about half the members of the Group met in Rome [...] to prepare the elements of a draft report [...]. This was followed by a meeting in New Delhi [...] of the Chairman [Jha] and another member of the Group [Dunning] to prepare the draft on the basis of the Rome meeting. The Rapporteur [Somavia] completed the draft in Geneva from 1 to 4 March 1974. (GEP Report 1974: 19)



**162** pages of which are **0** pages data



Flesch Reading Ease Score: **26.44** (= difficult; graduate level)\*

\* calculated using the textstat Python library, which computes the score based on sentence length and syllable count (see <https://pypi.org/project/textstat/>)

“ The report of the Group is composed of three parts. **Part one** contains a general analysis of the role and impact of multinational corporations on development and on international relations, followed by the Group’s recommendations for international machinery and action. **Part two** analyses in greater detail some of the specific issues involved and contains recommendations which Governments may wish to consider when formulating their policies on the subject. **Part three** contains comments by some members of the Group. Most of the nine members who availed themselves of the opportunity to include individual comments did so in order to add to, expand, interpret or qualify various passages of the report. A few of them did so to criticize some of its content. (GEP Report 1974: p. 4)

# 6

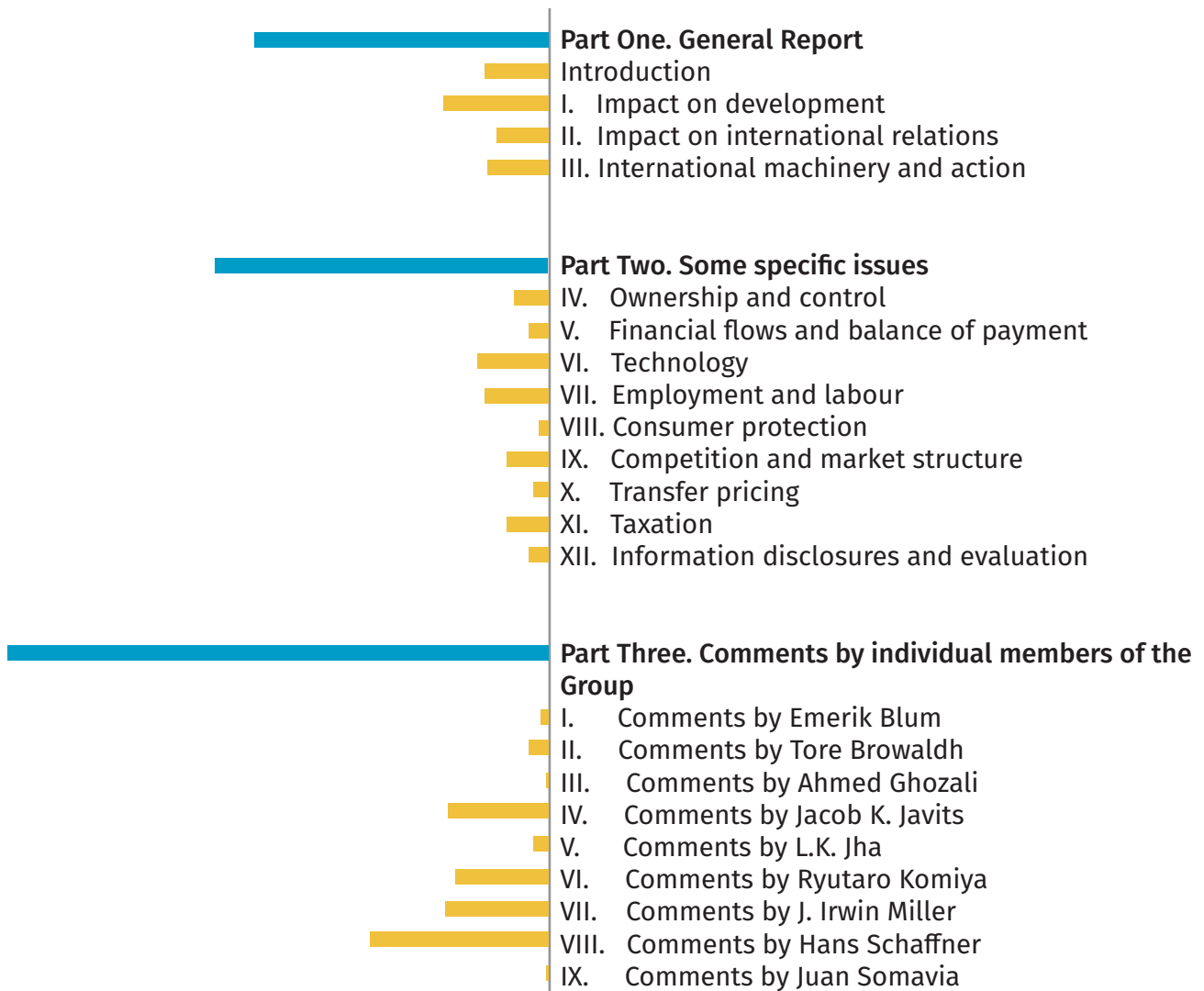
## REPORT OF THE GROUP OF EMINENT PERSONS

1974

9  
JUNE

Length of sections of the Report (% of total number of words) | word count: 60,356\*

- Chapters
- Sub sections



\* 'Report of Secretary-General' and Preface not included

# 6

## REPORT OF THE GROUP OF EMINENT PERSONS



The report provided a number of recommendations. Like the Background Report it suggested the establishment of:



Commission on multinational corporations



Information and research centre on multinational corporations

### Furthermore

“ **The Group recommends** that host countries should specify as precisely as possible the conditions under which multinational corporations should operate and what they should achieve. They should also indicate the ways in which the activities of multinational corporations should be integrated into the local economy and fit into the over-all priorities of the country.

**The Group recommends** that host countries should consider setting up centralized negotiating services or co-ordinating groups to deal with all proposals for foreign investment, especially from multinational corporations.

**The Group recommends** that the United Nations should strengthen its capacity to assist host countries, at their request, in such negotiations with multinational corporations, as well as to train their personnel in the conduct of such negotiations.

**The Group recommends** that in the initial agreement with multinational corporations, host countries should consider making provision for the review, at the request of either side, after suitable intervals, of various clauses of the agreement. The review by the host country should be carried out by the negotiating services or co-ordinating groups recommended above.

**The Group recommends** that developing countries should consider including provisions in their initial agreements with multinational corporations which permit the possibility of a reduction over time of the percentage of foreign ownership; the terms, as far as possible, should also be agreed upon at the very beginning, in order to minimize the possibilities of future conflict and controversy

# 6

## REPORT OF THE GROUP OF EMINENT PERSONS



“ The Group [...] recommends that international public aid should be increased, as recommended by the International Development Strategy, and directed to the basic needs of the poorest part of the population in developing countries, especially with regard to food, health, education, housing, and social services, as well as the development of indigenous industries.

The Group recommends that host countries should adopt policies towards affiliates of multinational corporations similar to those applied to indigenous companies, unless specific exceptions are made in the national interest.

The Group recommends that host countries should clearly define the permissible public activities of the affiliates of multinational corporations and also prescribe sanctions against infringements. The financial contributions of multinational corporations as well as of others to interest groups, should be regulated and disclosed.

The Group unequivocally condemns subversive political intervention on the part of multinational corporations directed towards the overthrow or substitution of a host country's Government or the fostering of internal or international situations that stimulate conditions for such actions, and recommends that, in such an eventuality, host countries should impose strict sanctions in accordance with due process of law of the host country concerned. Home countries are encouraged to consider ways of ensuring that their investment guarantee schemes do not make these sanctions ineffective.

The Group recommends that whenever there is occasion to nationalize the assets of a multinational corporation, host countries should ensure that the compensation is fair and adequate and determined according to due process of law of the country concerned, or in accordance with any arbitration arrangements existing between the parties.

The Group recommends that, in such contexts, home countries should refrain from involving themselves in differences and disputes between multinational corporations and host countries. If serious damage to their nationals is likely to arise, they should confine themselves to normal diplomatic representations. No attempt should be made to use international agencies as means of exerting pressure.

The Group recommends that home and host countries should ensure, through appropriate actions, that multinational corporations do not violate sanctions imposed by the United Nations Security Council, for example, on countries suppressing human rights and following racist policies.

The Group recommends that home and host countries should explore, with the help of the appropriate United Nations body, the possibility of concluding an international agreement regulating the issue of extraterritoriality of jurisdiction. As an interim measure, formal consultative machinery should be established in cases of conflicts of jurisdiction.

# 6

## REPORT OF THE GROUP OF EMINENT PERSONS



“ **The Group recommends** that the Economic and Social Council should give consideration to the adoption of a resolution embodying the recommendations in this chapter.

**The Group recommends** that a commission on multinational corporations should be established under the Economic and Social Council, composed of individuals with a profound understanding of the issues and problems involved.

**The Group recommends** that an information and research centre on multinational corporations should be established in the United Nations Secretariat or closely linked with it, which, under the general guidance of the commission on multinational corporations, would perform the following functions:

- (a) Provide substantive and administrative services for the commission on multinational corporations;
- (b) Collect, analyse and disseminate information, and undertake research along the lines recommended above.

**The Group recommends** that the technical co-operation capacity of the United Nations in matters related to multinational corporations should be significantly strengthened and expanded in the areas of training and advisory services.

**The Group recommends** that host countries should clearly define and announce the areas in which they are ready to accept foreign investment and also the conditions upon which such investment will be allowed in those sectors. In particular, developing countries should be encouraged to retain ownership of their natural resources or control the use of them.

**The Group recommends** that where ownership is an important objective for host countries, consideration should be given to the establishment of joint ventures as well as to the reduction over time of the share of foreign equity interests.

**The Group recommends** that before a multinational corporation is permitted to introduce a particular product into the domestic market, the host Government should carefully evaluate its suitability for meeting local needs.

**The Group [...] recommends** that the machinery for screening and handling investment proposals by multinational corporations, recommended earlier, should also be responsible for evaluating the appropriateness of the technology, and that its capacity to do so should, where advisable, be strengthened by the provision of information and advisory services by international institutions.

**The Group recommends** that host countries should require multinational corporations to make a reasonable contribution towards product and process innovation, of the kind most suited to national or regional needs, and should further encourage them to undertake such research through their affiliates. These affiliates should also be permitted to export their technology to other parts of the organization at appropriate prices.

# 6

## REPORT OF THE GROUP OF EMINENT PERSONS



“ **The Group** draws attention to the work of the Economic and Social Council and UNCTAD on technology (including decision 104 (XIII) of the Trade and Development Board on exploring the possibility of establishing a code of conduct for the transfer of technology) and **recommends** that international organizations should engage in an effort to revise the patent system and to evolve an over-all regime under which the cost of technology provided by multinational corporations to developing countries could be reduced.

**The Group recommends** that host countries should explore alternative ways of importing technology other than by foreign direct investment, and should acquire the capacity to determine which technology would best suit their needs. It also **recommends** that international agencies should help them in this task.

**The Group recommends** that home and host countries develop plans concerning employment, and clearly inform the multinational corporations of their employment objectives.

**The Group recommends** that home and host countries, through general budgetary support, the normal working of the social security system or the establishment of social funds, provide for full compensation to the workers displaced by production decisions of multinational corporations. Recognizing that some developing countries do not possess adequate means for that purpose, **the Group recommends** that consideration should be given to the creation of an international social fund, including contributions by multinational corporations, which would supplement the resources available to such countries.

**The Group recommends** that host countries take appropriate measures to obtain the maximum benefit from the entry of multinational corporations into their countries for as large a section of the lower income groups as possible.

**The Group recommends** that the proposed commission on multinational corporations study the various forms and procedures that could be evolved to ensure the participation of workers and their unions in the decision-making process of multinational corporations at the local and international level.

**The Group recommends** that home and host countries permit free entry to unionists from other countries representing international or national organizations, engaged in legitimate investigations or other union missions, including entry at the invitation of the workers concerned or of their unions to assist them in their negotiations with multinational corporations.

**The Group recommends** that in the matter of sympathy strikes or other peaceful forms of concerted action, Governments should follow liberal rather than restrictive policies.

**The Group recommends** that home countries should require multinational corporations to declare in all countries in which they operate, all measures of safeguards and special working conditions which they observe in their home countries to protect the health and safety of workers and to observe those measures in similar production processes in host countries with such changes and adaptations as the host Government may specify.

# 6

## REPORT OF THE GROUP OF EMINENT PERSONS



“ **The Group recommends** that, through appropriate means, home countries prevent multinational corporations from going into countries where workers’ rights are not respected, unless the affiliate obtains permission to apply internationally agreed labour standards,, such as free collective bargaining, equal treatment of workers and humane labour relations.

**The Group recommends** that host countries should require multinational corporations to declare, upon their entry, their intentions concerning purchasing and export policies and to make clear the extent, duration and justification of any possible restrictions.

**The Group recommends** that host and home Governments, preferably through an international agreement, should prohibit the market allocation of exports by multinational corporations, unless it can be shown that such allocations are necessary to secure other benefits to the countries concerned.

**The Group recommends** international recognition of the principle that restrictive clauses and market allocation by multinational corporations should be eliminated within regional groups of countries.

**The Group recommends** that the work of the Group of Experts on Tax Treaties should be speeded up, and that the bilateral treaties should be as uniform as possible so as to prepare the way for an international tax agreement.

**The Group further recommends** that developed countries should, without delay, embark on a policy of entering into such treaties with developing countries, bearing in mind the importance of increasing the flow of capital to and strengthening the revenues of the latter.

**The Group recommends** that the various schemes which are or may be applied for taxation of multinational corporations should be supplemented by the provisions which it has suggested in each case to meet the various objectives which it has analysed.

**The Group recommends** that an expert group on international accounting standards should be convened, under the auspices of the commission on multinational corporations.

**The Group recommends** that Governments should, as a rule, disclose the principal terms of agreements between them and multinational corporations; the information and research centre on multinational corporations should serve as the depository for information on such agreements. The centre should also prepare digests and summaries of such information.

**The Group recommends** that the machinery for formulating and implementing government policies towards multinational corporations, recommended earlier, should devise procedures for the collection of information about the performance of multinational corporations in specific areas.



# 7

## REFERENCES

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Sagafi-nejad, Tagi. 2008. The UN and Transnational Corporations: From Code of Conduct to Global Compact. With John H. Dunning; United Nations Intellectual History Project. Bloomington: Indiana University Press.