

C.A.C. V - VICTORIA

Item A - Impact of Codes of Conduct on Multinationals

SUMMARY NOTES

1) Glossary of Abbreviations

BIAC	-	Business and Industry Advisory Committee (OECD)
CBI	-	Confederation of British Industry
CED	-	Committee for Economic Development
CIEC	-	Conference on International Economic Co-operation
CIME	-	Committee on International Investment and Multinational Enterprises (OECD)
CTC	-	Commission on Transnational Corporations
ECOSOC	-	Economic and Social Council (UN)
EEC	-	European Economic Community
Group B	-	Industrialised Countries (UN)
Group D	-	Comecon Countries (UN)
Group of 77	-	Developing Countries (UN)
IASC	-	International Accounting Standards Committee
ICC	-	International Chamber of Commerce
ICFTU	-	International Confederation of Free Trade Unions
ILO	-	International Labour Organisation
IOE	-	International Organisation of Employers
IWG	-	Inter-Governmental Working Group
LDC	-	Less Developed Country
MNC	-	Multinational Corporation
MNE	-	Multinational Enterprise
NIC	-	Newly Industrialising Country
NIEO	-	New International Economic Order
ODA	-	Overseas Development Assistance
OECD	-	Organisation for Economic Co-operation and Development
RBP	-	Restrictive Business Practices
SAF	-	Swedish Employers Confederation
TNC	-	Transnational Corporation
ToT	-	Transfer of Technology
TUAC	-	Trade Union Advisory Committee (OECD)
UNCTAD	-	UN Conference on Trade and Development
UNCTC	-	UN Centre for Transnational Corporations
UNICE	-	Union of Industries of the European Economic Community
UNIDO	-	UN Industrial Development Organisation.

2) Background

- a) Codes of Conduct result from North/South dialogue, which has become as important as East/West confrontation.
- b) Role of multinational business in development and thereby in the whole North/South dialogue. Transfer of Technology, know-how, marketing, and efficient management as well as capital.
- c) Attitude of governments to multinational business.

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- d) Need to dispel ignorance, to expose prejudice and to ensure sensible and workable Codes of Conduct. In 1979, foreign investment by MNEs in LDCs was US\$44.6 billion. Total Government aid programmes combined was US\$19.9 billion.
 - e) Transition of Codes of Conduct from necessary self-regulation on specific issues towards global political/economic issues.
- 3) ICC Guidelines for Industrial Investment
- a) ICC first in the field - 1972.
 - b) Demonstration of interdependence of investors, home governments and host governments.
 - c) Need to promote as well as protect private foreign investment.
 - d) Universal in character, applicable to developed and developing nations.
 - e) Not legally binding.
 - f) Coverage
 - investment policies,
 - ownership and management,
 - finance,
 - fiscal policies,
 - legal framework,
 - labour policies,
 - technology
 - commercial policy
- 4) Attitude of International Business
- a) Active participation as means of achieving realistic objectives rather than opposition or passive inaction.
 - b) BIAC handling case in OECD; ICC in UN.
- 5) ILO Guidelines
- a) Agreed by governments, employers and trade unions in 1977. Full title is "Tripartite Declaration of Principle concerning Multinational Enterprises and Social Policy".
 - b) Concerned with labour relations.
 - c) Not legally binding.
 - d) Carry considerable authority.

6) OECD Guidelines

- a) Agreed by Governments of the 'North' in 1976. First review in 1979 resulted in only one amendment of any significance. Full title 'OECD Guidelines for Multinational Enterprises'.
- b) Coverage:
 - General Policy
 - Disclosure of information
 - Competition
 - Financing
 - Taxation
 - Employment and industrial relations
 - Science and Technology
- c) Application to Governments as well as to multinational corporations, to state-owned and mixed as well as to private enterprises.
- d) Emphasis on national treatment.
- e) Accepted by business in general and (some) companies in particular. Accepted by trade unions, but only as a first step.
- f) Not legally binding.

7) EEC

- a) Code of Conduct for companies with interests in South Africa.
- b) No other results so far, partly because Community regulations would have mandatory authority.

8) United Nations

- a) Report of 20 Eminent Persons in 1973.
- b) UN Centre on Transnationals:
 - Information centre
 - Reports on sectors and companies
 - Seminars
 - Code of Conduct for TNCs
- c) Major issues still outstanding:
 - Definition of TNC
 - Application
 - Voluntary or binding
 - Inclusion of South Africa

9) Brandt Report

- a) Official title is 'North-South (A Programme for Survival)'.
- b) Step in the right direction, but:
 - Transfer rather than creation of wealth
 - Role of private sector ignored
 - No analysis of why NICs have 'taken off'
 - Undue emphasis on Governments and International Organisations
 - New institutions instead of using existing ones
 - Mandatory code.

10) ICFTU Handbook

- a) Official title 'Trade Unions and the Transnationals - A Handbook for Negotiators'.
- b) Dangers arising if subsidiary/associated companies unwary or uninformed.
- c) (Current) emphasis on information disclosure/International Collective Bargaining.
- d) Misuse/abuse of existing Guidelines to achieve objectives.

11) EEC Commission

- a) Vredeling/Davignon paper.
- b) Rejection of concept of national treatment.
- c) Mandatory
- d) Extension of 'rights' to consultation outside host country - indeed outside EEC.

12) European Parliament

- a) Motion by Christian-Democratic Group.
- b) Proposal for 'pooling of resources'. Anti-trust? Monopolies Acts? Treaty of Rome?
- c) 'Corrective measures' against MNCs.
- d) Mandatory - within and outside the Community.
- e) Transparency.

- 13) Developments in areas other than information disclosure
 - a) Transfer of technology. Probable difficulties.
 - b) Taxation and Accounting Standards. Complex and protracted but no real political issues.
 - c) Restrictive Business Practices. Probable agreement October 1980.
- 14) UN Code of Conduct
 - a) UN timetable.
 - b) Difficulties in early agreement.
 - Mandatory or voluntary
 - Definition - private only or state-owned and mixed as well
 - Concept of national treatment
 - Inclusion or not of a section on South Africa
 - Application - TNCs only or governments as well.
- 15) Likely Development of Codes of Conduct (extract from Future Business Environment papers)
- 16) Dangers of 'Unacceptable' Measures Getting Through by Default

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