

Massey-Ferguson, Noranda and Alcan, to name only a few, have long worked with Brazilians to enrich the economic and trading relationships between our two countries.

The proliferation and growth of the transnationals have not gone unquestioned. Throughout the late Sixties until the mid-Seventies there was a great deal of international questioning, and embryonic attempts to develop an international discipline and management of direct foreign investment were started. Critics focused on such concerns as the effects of transnationals on the balance of payments of host countries brought about through patriation of profits and transfer pricing mechanisms. They looked closely at their impact on social development, investment and employment patterns, the degree of industrial competition, and on consumer tastes. At the same time, there were a few startling exposés of unwise or unlawful interference in the domestic political processes of host countries.

Guidelines for transnationals

These difficulties pointed to an urgent need for clear guidelines for transnational corporations. The United Nations has established a Commission and Centre on Transnational Corporations which, in 1977, began to elaborate a code of conduct for such firms. Likewise, the Organization for Economic Co-operation and Development (OECD) has been working on guidelines for transnational behaviour along with concepts for the appropriate behaviour for host governments towards foreign investors. Clearly these endeavours must now be given a higher priority.

The need for multilateral action originally arose from a recognition that prospects have never been brighter nor the need greater to develop a more constructive international understanding about direct investment. At the same time, trends in international development and investment are becoming more varied and complex.

Despite earlier fears, investment flows have now become more balanced among OECD countries, thus reducing fears that US corporations were about to buy up the world. At the same time, the US has itself become an important host country for foreign direct investment.

Likewise, there has been a general increase in the number of host and home countries outside the OECD area and in the number of transnational corporations based in developing countries. In particular, the newly-industrialized countries have developed a larger stake in creating a positive climate for direct investment.

In some other countries, the situation is quite different. Multinationals are attracted to better-off developing nations, and direct investment flows to less-developed countries are insufficient to resolve their problem of under development. Only one-quarter of total foreign direct investment is directed to developing countries.

This outcome has relevance for programs of official development assistance, and em-
