

International Relations

economic questions of this and the forthcoming decade are related to the efforts of the world community to solve the problem of multinational companies. The major multinational companies' income and productive capacity exceed those of most of the member countries of the United Nations and those companies are beyond the control of national governments. Even in times of economic austerity and despite the restrictive policies of their host country, many of those companies are so successful that it can only reflect the outstanding efficiency with which they transfer technology, develop resources and know-how, and promote world-wide marketing and distribution techniques. The multinationals are the institutional incarnation of the interdependence which is the hallmark of the world economy, a fact which prompted the head of a nation to say that certain industries should be nationalized rather than be allowed to grow into international giants. I fully appreciate the urgency which some countries see in the nationalization of their industries.

Throughout the seventies, the OECD and the United Nations held negotiations concerning the standards that would make it possible to assess and improve the conduct of those undertakings. The 1976 OECD guidelines for multinational companies proved to be a major milestone in that respect, and the government is keeping a close eye on the negotiations which are going on before the United Nations Commission on Multinational Companies concerning an international code of conduct for multinational companies.

Canada probably knows more than any other country the problems and frustrations associated with the regulations of multinational subsidiaries. It is therefore in a good position to help other host countries and to make exporting countries aware of the problems than can crop up. At the same time, some important Canadian multinationals in the resource field have made Canada a large exporter of capital in the last few years, with no less than \$27.3 billion of long-term investment capital going abroad in 1977. Developing countries might be concerned that their economy will be controlled by multinationals, but Canada's level of technological development and sophistication is comparable to those of investing countries. That puts in us in a good position to require a balanced and efficient code agreeable both to corporations and governments.

The Canadian position is based on a double premise. On the one hand, host countries have the right to expect that foreign companies will comply with the national legislation and policies defining the behavior of a good corporate citizen. On the other hand, they must also recognize the generally accepted standards of international law and sound management practices. Canadian spokesmen carefully avoided endorsing proposals that would make the exporting country responsible for the conduct of foreign subsidiaries of corporations under its jurisdiction. It is indeed up to the host country to determine what is appropriate and legal in terms of business practices within its boundaries. Our experience with foreign control as

exercised by other countries, in the case for example of trade with China and Cuba and the implementation of anti-trust measures, has only reinforced our views in this regard.

We can easily understand some of the problems and concerns which developing countries ascribe to multinationals: transfer costs, exchange distortions, lack of local framework, slow technological change and lack of sensitivity to local conditions, since we must face them ourselves. However, some of the more extreme solutions put forward in developing countries would result in stopping the flow of private investments in the countries which would implement those measures, which would be most unfortunate indeed. Many developing countries feel that they do not have enough bargaining power to negotiate effectively with multinationals, that they are controlled by firms which are ahead of them as far as information, know-how, capital and market control are concerned. The governments of developing countries tend to ask for an automatic and total right of access to information and to technology as well as to the other assets of multinationals.

The government of Canada, Mr. Speaker, has attempted to deal with that inequality in bargaining power by developing a greater awareness among developing countries of the structures and rules of competition in exporting countries, by giving them better access to current sources of information and by trying to reach an agreement on the type of information which might be reasonably required from firms. The fundamental problems arising from the disparities in size and wealth cannot obviously be eliminated or dealt with readily. Furthermore, they should not be magnified. Most big firms are responsible. Far from seeking only short-term profits, they try rather to establish with their hosts relationships that are mutually profitable in the longer term. The uncertainty created by vague or arbitrary rules of the game can shy away desirable investors and make room for unscrupulous profiteers. On the other hand, the experience of co-operation with responsible multinationals can help a country learn to make better use of new foreign investments. That is a major objective of Canada in negotiating a code for multinationals and in establishing its general assistance and development policies.

In view of all the prerequisites to national sovereignty, it is quite unrealistic to expect the early emergence of some form of supranational code applying to multinational corporations. Indeed any such code should most probably be based on guidelines coming from the parent country by way of the headquarters of these companies. That is certainly not desirable. But it is a realistic and useful exercise to seek an agreement on the legal and political requirements that the host and the parent countries can reasonably impose on multinational corporations and that the latter will consider in their best interest to comply with both the letter and the intent of these agreements. I am quite happy to be able to say that in that area Canadian policy is strongly based upon our own experience and that it has decided on that realistic approach.