UNITED NATIONS

ECONOMIC
AND
SOCIAL COUNCIL

c.1

LIMITED

ST/ECLA/Conf.38/L.2
28 August 1970

ENGLISH
ORIGINAL: SPANISH

MEETING OF EXPERTS ON ADMINISTRATIVE
CAPABILITY FOR DEVELOPMENT

Santiago, Chile, 16-21 November 1970

SUMMARY

LATIN AMERICAN MULTINATIONAL PUBLIC CORPORATIONS: POSSIBLE CONTRIBUTION TO THE DEVELOPMENT AND INTEGRATION OF LATIN AMERICA

by

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In the 1960s, Latin America reached a critical stage both in national development and in regional integration projects and experiments. This points to the need to go beyond the present stage and forms, and to design and implement a more comprehensive and far-reaching development and integration strategy. It is also possible - and necessary - to create and mobilize elements and machinery for the adoption of tactics for parts of the whole that will not conflict with over-all strategy but, on the contrary, will enrich and strengthen it. Specific multinational projects and bodies can serve to create and keep in operation centres and poles of integrationist action, which will stimulate, spread and intensify such action at all possible levels and on every possible scale throughout the region, and in the systems and subsystems and groups incorporated in, dependent on or influenced by them. The many possibilities in this respect include subregional groups, sectoral and border integration movements, and river basin development projects. These possibilities require executing agents, centres, and a whole network for their organization and operation. This study discusses the possible establishment of multinational public enterprises, particularly in the form of corporations.

It is a basic assumption that the State, the public sector of the economy and public enterprises can and should play a decisive role in the combined process of national development and regional integration in Latin America. This very real and important possibility derives mainly from the steady increase in State intervention and State entrepreneurial activity in the countries of the region. The State has gradually expanded the number, scope and size of its activities and agencies and extended its action to encompass a wide range of activities, instruments and organs which enable it to intervene in, promote and participate in the socio-economic process, including the production and distribution of goods and the provision of services.

The Latin American States and their public sectors are thus able to co-operate in the regional integration process, inter alia, by unifying their economic policies, participating in strategic sectors and branches

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of activity, counterbalancing or offsetting the effects of private monopolistic agreements, harmonizing day-to-day economic and social policy, generally ironing out differences in legislation, and establishing joint economic activities and continuing trade and investment flows which will favour balanced growth in the countries participating in the integration movement. Such co-operation could be along much the same lines as those followed in joint production projects.

What is needed, in general, is the establishment of units capable of undertaking regional development and integration activities, in the form of joint, multinational or international enterprises enjoying a considerable degree of organic and operational autonomy within certain limits. Such units could be based on a strictly private or a strictly public system of participation and contribution, or a combination of the two. This paper is confined to a study of the multinational enterprise established by Latin American States, and special attention is given to the analysis of one type of enterprise in this category: the multinational public corporation.

Multinational public enterprises have gradually increased in number and scope over the past few years in Europe, Africa and Asia. There are marked differences between them not only in what they are called, but also in regard to their sphere of operation, the reasons for their establishment and their operational aims, and these differences are reflected in their very diverse individual characteristics.

It is very difficult to define or describe the multinational public enterprise, because it is a fairly recent institution which varies widely in form, location, context, features, functions and scope. The elements of an approximate and tentative definition are suggested here, and some proposed classifications are included by way of example.

The institutional structures and legal systems of multinational public enterprises also differ widely in terms of requirements, objectives, activities, membership and government policies. This is evident above all in the different procedures for setting them up, and in their functions, organs, fields of competence, and degree of freedom of action.

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Multinational public enterprises come into being by agreement between two or more States, which are partners thereof, with the possible participation of autonomous public entities in the countries concerned. No attempt is made to analyse semi-public international or multinational enterprises in which State and private interests are associated. There are a number of alternative possibilities, single or combined, for establishing multinational public enterprises and selecting their mode of operation:

1. Adoption of a programme of action by an organ of an existing international agency;

2. Establishment of a multinational public enterprise by existing international agencies, the terms of reference to be agreed between the member States;

3. Establishment of such an enterprise by international agreement, subject to constitutional procedures for its ratification, acceptance or approval;

4. Establishment of such an enterprise under a contract.

Of all the possibilities that are open, a suitably modified form of public corporation would seem to be the most appropriate. Its characteristics, adapted to the conditions under which it would operate in Latin America, and the problems it might have to face, are analysed in the study:

1. Establishment by virtue of an agreement, questions relating to structure and operation being regulated by means of protocols and annexes to the agreement, subsequent agreements and statutes;

2. Most have a public aim.

3. Setting up of a joint authority and a joint policy for a sector, programme or project, which would be an independent body with legal status and capacity, administrative autonomy, responsibility for its own activities, wide decision-making powers with regard to economic and financial questions and contracting in general.

4. Legal status and relative independence together with organic links with the member States, links which carry with them a measure of responsibility for the States concerned. Forms and degree of State control.

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5. Its own executive and management organs: meeting of shareholders, external supervisory board, president, board of directors or governing council, and a general manager or managing director.

6. Staff rules.

7. Problems connected with economic, property and financial management. Contributions and distribution of profits among the participants.

8. Privileges and immunities.

9. Subsidiary organs.

10. Non-government representatives.

11. Legal organs and procedures.

12. Field and scope of action: a general development corporation, or a corporation for promoting and financing the development of special sectors; administration of integrated river basin development programmes.

13. Latin American background.

14. Supercentralization fostering bureaucracy versus autonomy conducive to dispersion of effort and disorganization.

The last section of the paper deals with problems and prospects in relation to the specific functions of multinational public enterprises in the transition period from the present situation to the full development and integration of Latin America, including the emergence of a new and better co-operative world order. This is analysed at three levels.

The first level relates to the promotion and convergence of basic elements: the integration and co-ordination of forces, subjects and agents; the development of recognized regional and world community interests and values; a new system of regional and international loyalties; a new form of institutional organization; the exertion of influence and pressures on governments, regional agencies and the world system of organizations; and the use of all factors and elements which can help to create favourable conditions for the attainment of the proposed aims. The multinational public corporation should be conceived of not merely as a suitable instrument for operating in the sectors and at the levels indicated, but also as the prime agent for mobilizing, co-ordinating and implementing forces, machinery and objectives.

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The second level relates to the problems currently besetting the nation-State in Latin America: the elements and circumstances which obstruct and vitiate its action to promote development and integration, and its potential capability to attain those aims. The multinational public corporation could, under certain conditions, become a decisive agent of internal politico-administrative reorganization.

At the third level, the study discusses the role which the multinational public corporation can play in the implementation of transitorial strategies, tactics and measures, particularly in connexion with policies governing trade, investment, finance, harmonious balance between countries, cultural integration, the harmonization of legal systems, planning and decision-making.

Lastly, multinational public corporations can help to produce and support the most difficult conditions and requirements involved in integrated regional development, especially the following:

(i) Control of power and decision-making systems by dynamic reform groups;

(ii) Organization of links with national bodies and action with the general support of the public;

(iii) Reciprocal adjustments to internal and Latin American structures and machinery, and co-ordination of national and regional policies and planning;

(iv) Creation of supranational and community authorities;

(v) Elimination of external dependence on the great Powers, recovery of political and diplomatic freedom of action, and formulation and implementation of a Latin American foreign policy;

(vi) Harmonization and operational alliances with multinational public enterprises and corporations in countries and regions of the third world and in the two blocs of developed countries.

The multinational corporation could become a powerful agent in promoting not only the development and integration of Latin America but also its real participation in a new co-operative and peaceful world order, in terms of advanced forms of institutional organization and international law.