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### Policing the Global Economy: The Threat to Private Enterprise

Murray L. Weidenbaum

*Washington University in St Louis*

Mary A. Fejfar

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## **Policing the Global Economy: The Threat to Private Enterprise**

by Murray L. Weidenbaum and Mary A. Fejfar



Center for the  
Study of  
American Business  
Washington University - St. Louis

This booklet is one in a series designed to enhance the understanding of the private enterprise system and the key forces affecting it. The series provides a forum for considering vital current issues in public policy and for communicating these views to a wide audience in the business, government, and academic communities. Publications include papers and speeches, conference proceedings, and other research results of the Center for the Study of American Business.

# **Policing the Global Economy: The Threat to Private Enterprise**

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**CENTER FOR THE STUDY OF AMERICAN BUSINESS**

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## Contents

Introduction .....	1
Regulation of Business Operations .....	3
The UN Attack on Multinational Business .....	3
Controlling “The Common Heritage of Mankind” .....	4
European Community Labor Restrictions .....	4
Regulation of Marketing Activities .....	5
Consumer Protection, UN Style .....	6
The Europeans Move Toward Advertising Restrictions .....	7
Regulation of the Finance Function .....	8
Regulation of Technology .....	9
Regulation of Services .....	11
Regulation of Information .....	12
Summary and Conclusions .....	13
Notes .....	15

## Introduction

International organizations are increasingly involving themselves in the regulation of private enterprise. This new burst of regulation does not appear to be primarily motivated by a desire to improve business performance. Rather, the new style of regulation is aimed at more fundamental, political objectives ranging from protectionist measures by the European Economic Community to the efforts of United Nations' agencies to redistribute income and wealth.

To compound the problem, the advocates of this new array of regulation seem to have overlooked—and certainly have not learned any lessons from—the shortcomings of existing regulation of business in the developed countries. Study after study has demonstrated that government regulators have so often been oblivious to the burdens that they impose on the private sector and, far more fundamentally, that such rules, regulations, and directives often do little to advance their stated social objectives. In fact, in practice they are often counterproductive. One key finding permeates virtually all serious analyses of government regulation of business: it is the consumer who ultimately bears the burden that government, wittingly or unwittingly, attempts to impose on business.

The European Economic Community (EEC) and the Organization for Economic Cooperation and Development (OECD) are firmly instituted as promulgators of rules by which business must abide. The UN, in comparison, is in its infancy as a regulatory body. Many of its measures are in an evolving state, often having less to do with economic concerns than representing a political effort by developing countries to increase their share of the world's wealth and income.

Some of the international agency actions are broad; others are directed at specific business activities. Some of these regulatory efforts are in development or in negotiation stages, in the form of "advisory resolutions" or "voluntary guidelines." But in a growing number of instances, the regulations are legally binding treaties. The form in which they currently exist is often an indication of the "next step" that will be taken in the international regulatory process. Yesterday's studies lead to today's "voluntary guidelines" which, in turn, become the basis for the treaties and directives of tomorrow.

These regulatory activities cover virtually every function of the business firm—operations, marketing, finance, technology, services, and informa-

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Dr. Murray L. Weidenbaum is Director of the Center for the Study of American Business at Washington University in St. Louis. Mary A. Fejfar is research assistant at the Center for the Study of American Business and a graduate student in the Department of Technology and Human Affairs. This report draws upon two previous Center studies—*Is the U.N. Becoming a Global Nanny?* and *Regulation of Business by International Agencies*—as well as Dr. Weidenbaum's address on December 7, 1983, to UN officials and representatives at the United Nations in New York.

Table 1

**Regulatory Activities of International Organizations,  
by Business Function**

	Operations	Marketing	Finance	Technology	Services	Information
UNITED NATIONS						
General Assembly.....						
Conf. on Trade & Development (UNCTAD).....						
Environmental Program (UNEP).....						
Development Program (UNDP).....						
Economic & Social Council (ECOSOC).....						
Regional Commissions.....						
Comm. on Transnational Corps.(CTC).....						
Food & Agriculture Organization (FAO).....						
International Maritime Org. (IMO).....						
International Labor Org. (ILO).....						
Int'l. Telecommunications Union (ITU).....						
Educ., Scientific, Cultural (UNESCO).....						
Industrial Devel. Org. (UNIDO).....						
World Health Org. (WHO).....						
World Intellectual Prop. Org. (WIPO).....						
EUROPEAN ECONOMIC COMMUNITY (EEC).....						
ORG. FOR ECON. COOP. & DEVELOP. (OECD).....						
COUNCIL OF EUROPE.....						

Source: Center for the Study of American Business

*The consumer ultimately bears the burden that government, wittingly or unwittingly, attempts to impose on business*

tion. Table 1 provides an overview of the primary agencies seeking to become "international cops" and the business functions they wish to police. This report reviews international regulatory efforts in each of these six areas of business decision making.

**Regulation of Business Operations**

**The UN Attack on Multinational Business**

Of the proposals or actions of agencies designed to control the day-to-day operations of private companies, the most ambitious is the United Nations draft code of conduct for multinational corporations (or so-called transnational enterprises).<sup>1</sup> The MNC Code is being developed by a commission of the Economic and Social Council. About two-thirds of the Code's 71 provisions have been agreed upon. The scope of the Code goes beyond the definition of multinational corporations in the existing scholarly literature. The latter is limited to companies which produce goods and services in more than one country and where there is more than one center of corporate decision making. Unilever and Royal Dutch Shell are the classic examples. But the Code would apparently cover almost any company that tries to sell its products to people in another country. In the modern world, that includes virtually every large company and many middle-size and smaller firms.

The vague language contained in some sections of the Code is scary enough to make any sensible company think twice before investing in overseas locations, where it might run afoul of the Code when it is promulgated. An example is the provision that multinational corporations should "avoid practices, products or services which cause detrimental effects on cultural patterns and socio-cultural objectives as determined by government." Where is the historical perspective of the authors of the Code? Over the centuries, civilization has been advanced by the transnational (to use that deadly term) flow of science, art, music, literature and—yes—culture and commerce. Moreover, should the UN encourage the governments of its member nations to set "socio-cultural objectives" and require private enterprise to follow the "cultural patterns" set by government? This is not a traditional function of government regulation in a free society. However, it is a mechanism used by totalitarian rulers to enforce their power.

Many of the organizations representing the business community on these matters have offered a weak response—asking only that the MNC Code be made voluntary and that, if passed, it apply also to state-owned

firms. That kind of response is inadequate. The Code is a misguided instrument and its basic rationale must be reconsidered in a fundamental way. After all, the private corporation has been the key to the successful development of Taiwan, South Korea, Singapore, Japan, and other

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*The vague language contained in the MNC Code is scary enough to make any sensible company think twice before investing in overseas locations if the Code is promulgated*

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developing societies that have prospered in our own time. In fact, Japan has succeeded in moving from the developing to the developed category in this century, and it did so without an MNC Code.

#### **Controlling "The Common Heritage of Mankind"**

The most sweeping UN regulation of private enterprise is in the area of natural resources and mining. The most important example is the Law of the Sea Treaty, adopted in April 1982.<sup>2</sup> The United States is not a signatory.

To receive approval for sea mining, a private firm must agree to transfer any technology it uses to the "Enterprise" (a unit operating under UN auspices) or to developing countries for "fair and reasonable commercial terms." Also, the company must provide, for each site mined, information on a second seabed site to be reserved for the Enterprise or developing countries. Private firms are, therefore, forced to subsidize and build the Enterprise, the same unit which competes with private enterprise.

A redistributive scheme similar to this one is contained in the UN's 1980 Moon Treaty.<sup>3</sup> That is another attempt by other nations to "free ride" on Western technological innovation. Since the treaty declares that "the moon and its natural resources are the common heritage of mankind," any benefits accruing from those resources must be shared, and an international regime will be established to oversee extraction of those resources. Financial incentives to private industry for space exploration are greatly reduced, since developing countries share in the benefits but not the costs of commercial activity in space.

#### **European Community Labor Restrictions**

Labor practices have also been the focus of international regulatory efforts of business operations. The European Community (EEC) has been developing proposals aimed to give labor an increased voice in managerial decision making.

For example, the proposed Fifth Directive, now in its final legislative stages, institutes a system of worker participation in corporate management.<sup>4</sup> Companies with over 1000 employees would be covered. One provision under consideration says that one third to one half of each cor-

porate board should consist of labor representatives. This would certainly alter labor-management relations, but it is not clear that the change would be for the better. Certainly, shareholder interests would readily become subordinate to employee interests in this type of arrangement.

Another proposed directive is designed to promote greater worker influence over management prerogatives. It would require parent companies to supply decision making information to the management of subsidiaries operating in the EEC. The information would then be disclosed to employee representatives. Commonly known as the "Vredeling Proposal," it has been toned down from its original form which required companies to submit biannual management reports to workers, including information on

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*The Vredeling Proposal would not only hamper managerial efficiency, but could also erode job security for workers it is designed to protect*

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plans for manufacturing and work procedures. In its current form the proposal requires management to annually inform employee representatives of the company structure, financial situation, production and sales forecasts, employment trends, and investment programs. Managers would also have to consult employees on major decisions such as plant closings.

Imagine how these proposals could affect the managerial efficiency of operations. How would the management of a firm with a fifty percent labor representation on its board attempt to decide between an "efficient," capital-intensive production process and a labor-intensive, less efficient one? The irony is, of course, that foregoing investment in the more efficient technology would ultimately make the firm less competitive and, thus, the "saved" job might not be saved for long. Under such circumstances, the proposed directive would not only hamper managerial efficiency, but it would erode job security for the workers it is designed to protect.

#### **Regulation of Marketing Activities**

Companies involved in international marketing of products face a variety of regulatory measures. In recent years, the most well known of these actions has been the Infant Formula Code, adopted in 1981 by the UN's World Health Organization.<sup>5</sup> This Code calls for a wide variety of restrictions on the marketing and distribution of breast milk substitutes, applying not only to advertising of the product and distribution of samples, but also to labeling requirements and even the activities and compensation of marketing personnel. The Infant Formula Code is not legally binding, but governments are encouraged to enact legislation for

its implementation, and some private companies have been pressured into accepting it.

It turns out that the Infant Formula Code is not the exception but the “entering wedge” for broader UN regulation of private enterprise. The World Health Organization is now considering formulating a code on the marketing of pharmaceuticals. It would create an international drug approval program and possibly include international rules on drug labeling and advertising. Such action would be in addition to WHO’s existing Essential Drug Program, which lists 250 “essential” generic drugs necessary for adequate health care that must be made available to developing countries. Other suggestions for UN supervision include chemicals and related products.

### **Consumer Protection, UN Style**

The UN’s Economic and Social Council is considering a sweeping consumer protection code that would create new obstacles to international trade via controls on product advertising, safety, quality, and pricing. The proposed Guidelines advocate replacing the present reliance on market competition—reflective of consumer choices—with a system of government regulation. When we look beyond their label, it is apparent that the Guidelines are a model of vagueness and over-blown phraseology. Grand

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*The U.N.’s Consumer Protection Guidelines would interfere with the goal of open international trade by establishing a new set of non-tariff barriers*

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goals are set forth in sweeping language that is, at best, highly generalized and unclear. The Guidelines would interfere with the goal of open international trade by establishing a new set of non-tariff barriers. The following few examples of the many shortcomings of the Guidelines make it clear that “protecting the consumer” is the furthest thing from the minds of the drafters of this code.

The Draft Guidelines contain seven objectives which are supposedly written “with special emphasis on the needs of developing nations.” But one objective is “to facilitate production patterns geared to meeting the most important needs of consumers.” In economies organized along private enterprise lines, the needs of consumers are always the strongest influence on “production patterns”; the pressures of the marketplace dictate that. But the Guidelines suggest the need for a controlled, highly centralized economy in which consumer choices are in practice limited by the decisions of an all-wise government. This objective strongly implies that a central government must identify, and then control, the means of achieving the “most important needs” of consumers. We need only consult the dismal record of any of the world’s centrally planned economies in

feeding their citizens to know that promulgating this objective would severely hurt the developing nations.

Moreover, this objective overlooks the importance of world trade in meeting the needs of consumers. Most growing economies gear production for international markets rather than only for the so-called “more important needs” of their own consumers. The case of Japan is instructive. If its post-war economy had been limited to meeting the needs of its own population, it surely would not enjoy the strong position in world markets and the high standard of living that it has today.

One general principle in the Guidelines raises grave concerns:

the right to economic safety from offenses or malpractices which deny consumers optimum benefit within their economic resources.

This phraseology may sound like mere gibberish, but given the propensity of totalitarian regimes, particularly communist governments, to throw people in jail for “economic offenses” against the state, this provision is potentially quite dangerous.

Here’s another provision:

Business practices affecting the processing and distribution of food products and especially the marketing of highly refined and expensive food products should be regulated in order to ensure that such practices do not conflict with consumers’ interest or government aims in the area of food policy,

Why are “highly refined and expensive food products” singled out here? What all-wise power in a nation is going to determine that a specific category of food products presents a “conflict” with the interests of consumers, while another category does not? In free societies with market economies, it is the consumers themselves who make these decisions, protecting their “interests” by not buying the product. The true purpose of this provision appears to be to project “government aims” in food policy.

### **The Europeans Move Toward Advertising Restrictions**

Regulatory actions restricting consumers’ choices are not limited to the UN. The European Economic Community (EEC) is currently involved in an effort to control the content of product advertising. The proposed Directive on Misleading and Unfair Advertising assigns liability to firms if

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*The EEC’s proposed Directive on Misleading and Unfair Advertising assigns liability to firms if products do not “satisfy” consumer expectations “aroused” through advertising*

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products do not “satisfy” consumer expectations “aroused” through advertising.<sup>6</sup> The advertiser would also bear the burden of proof to



substantiate any claims made in the ad.

The clout of the directive will rest in the definition and interpretation of "misleading" and "unfair" advertising. The precise wording of these definitions is under debate in the EEC.

Broad definitions can be interpreted in a variety of ways. For example, assume a normally unobjectionable ad depicting a slim, smiling person drinking a diet soda on a hot day. What is the reasonable expectation to be construed from the ad? For one person it may be to have one's thirst quenched; for another, it might be to drink one's way to model-like thinness. Who is to determine which, if either, of these consumer expectations is "reasonable" enough to hold a company liable for misleading the consumer if his or her hopes are not met?

It is also clear that consumer preferences and expectations about products differ widely. One of the primary purposes of advertising is to show why a product is superior to its competition. A directive holding the advertiser liable for pointing out flaws in its competitors' products—"unfair" advertising—could lead to a myriad of costly legal suits unless "unfair" can be specified precisely. Penalizing a firm for advertising genuinely superior characteristics of its products because these statements could "harm the commercial reputation of a competitor" lessens the rewards for innovation and could lead to reduced consumer choice.

### Regulation of the Finance Function

The finance functions of international firms are also becoming increasingly subject to the watchful eye of the UN. For example, information disclosure and accounting practices have come under the scrutiny of a variety of organizations. The proposed MNC Code mentioned earlier calls for public disclosure of a wide range of company financial data and would give national governments the justification for extending those data requirements to cover many other aspects of a company's international operations. Again, there seems to be little awareness of the benefits and costs—and advantages and limitations—of the existing national regulations requiring such paperwork.

Also, the UN Center on Transnational Corporations is collecting data on direct foreign investment by multinational corporations. Supposedly, such information will be furnished to developing countries to help them gain greater influence over private business. The very selective interest of this new form of business regulation is intriguing.

International financial regulation is far more developed in the EEC. Firms operating within the European community are becoming painfully aware of the increased costs of these restrictions. Standards on the preparation of annual financial reports—accounting categories, asset valuation rules, capitalization of companies, inflation accounting, and auditing procedures—are mandated under the Fourth Company Directive,

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*Firms operating within the European community are becoming painfully aware of the increased costs of international financial regulation*

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adopted in 1978.<sup>7</sup>

As is often the case in international regulatory efforts, rules beget more rules. In 1983 the EEC adopted the Seventh Company Directive which expands upon the previous reporting requirements. The new rules require corporations operating in the EEC, including holding companies and groups of companies, to make public financial reports on their subsidiary operations. The reporting requirements depend upon the level of parent-company ownership. The regulations apply whether or not the headquarters of the controlling company is within the EEC.

In addition, a controversial, if not radical, Ninth Directive is in the works which would require parent companies to legally define responsibilities and liabilities to their subsidiaries in EEC countries. Corporations would have to define specific decision making responsibilities either by contract or some other explicit legal means—a "legal declaration." Parent companies could then be held liable to investors, suppliers and employees for damage to subsidiary interests resulting from decisions to phase out or even to merely change the operating nature of a subsidiary unit.

The difficulty in protecting the varied parties with economic interests via such a regulation is obvious. Imagine a situation in which reducing operations at a subsidiary will produce long-term gains for the parent company. Should the interests of the subsidiary investors and employees be favored over those of the parent company? Would the parent company be liable for subsidiary company losses due to poor management within the subsidiary?

Whatever the original intent of this regulation—and it appears to be little more than paranoia about multinational firms—its effect would be to make it prohibitively costly for parent companies to close subsidiary operations in host EEC countries, no matter how inefficient they might be. Of course, in the long run it would bring about less multinational investment in EEC nations. One of the Ninth Directive's saving features is that it is so complex that there is little likelihood of its passage in the immediate future.

### Regulation of Technology

Companies that sell or license highly-technology products or services to developing countries may be affected by the Transfer of Technology Code (or TOT Code) being negotiated by the UN Conference on Trade and Development.<sup>8</sup> The TOT Code attempts to define the contractual respon-

sibilities of parties involved in the transfer of technology. Its sets forth rules for negotiating, contracting, and post-contract activities.

For example, the technology-supplying country, upon request of the receiving party, is to provide specific information on various elements of the technology as required for "technical and financial" evaluation of the technology. The extent to which this is required is not clear. But if a company selling a microcomputer could be required to deliver specific information on the components of the microprocessor, it would be giving away competitively sensitive and valuable information.

What the guidelines overlook is the extent to which such regulations would impede the flow of technology. That certainly has been the experience in more developed nations: regulation dampens the incentive to develop and utilize new technology.

Other regulations which would restrict development and flow of technology are measures to redesign the current international system of

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*U.N. agencies have been actively trying to implement a new patent system allowing Third World nations to reap the benefits of Western technological advances without paying any of the costs*

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patent rights. UN agencies have been actively trying to renegotiate the Paris Convention, which is the international treaty that defines the current patent system.<sup>9</sup> Their goal is to implement a new patent system allowing Third World nations to reap the benefits of Western technological advances without paying any of the costs.

For example, developing countries would be able to impose compulsory licensing if a patent is not used within two and a half years after the patent is issued. Companies could be forced to forfeit the patent—that is, turn the technology rights over to the government—if the patent is not used within five years after it is granted. Industries needing product approval for manufacturing or marketing after patenting could be severely affected. For example, a drug approval process could easily take more than the five years allowed for non-use of the patent. Thus, a patent could be appropriated before a company is ever allowed to manufacture or market the product.

The EEC patent regulation has resulted in the establishment of protectionist trade barriers. Under one such law, products patented both outside and within the European Community cannot be imported into EEC countries without permission of the EEC patent holder.<sup>10</sup> This can be a severe impediment to trade.

Take, for example, a drug patented both in the U.S. and in West Germany which the U.S. patent holder wishes to distribute in the Netherlands. Since the U.S. is not a member of the EEC, the German patent

holder is able to deny importation by the Netherlands of any products containing the patented drug which the German patent holder also markets abroad. This type of regulation sets up an arbitrary and artificial system of import/export restraints with total disregard for the economics of the situation or consumer welfare. Not only might a more efficient producer of a product, in this case a drug, be denied access to markets, but a potential buyer, in this case a patient, would be denied the benefits of price competition for this technologically-advanced product.

The UN efforts to control technology transfer through patent regulation would have similar results. Those who would benefit from the introduction of a new technology, especially the Third World nations, may be denied those benefits if developers of the technology are not allowed a fair return on their investment.

### Regulation of Services

As worldwide trade in services has expanded, so have attempts by international bodies to regulate it, including banking, insurance, and even tourism. The UN has become particularly involved in measures to closely regulate the shipping industry. These activities are aimed at promoting companies in developing nations at the expense of existing enterprises in the developed nations. The centerpiece of these efforts is the Liner Code, developed by UNCTAD, which has just now become effective.<sup>11</sup> In essence, this Code sets up a government allotment of participation in an industry by strict allocation of shipping tonnage.

Free enterprise in the shipping industry is further under attack with a UN effort to eliminate open registry shipping. Current shipping companies could literally be forced out of business if treaty negotiations proceed according to the agenda set by developing countries. Their proposal includes regulation of labor, management, financing, and ownership of the shipping industry. For example, one objective is to require that a certain share of equity in a shipping company be held by nationals of the flag (registry) state of a ship. If investment capital is scarce and, therefore, high-priced in these countries, the shipping firm will be faced with the choice of paying the higher cost of capital or changing the registration.

Another provision of the proposed treaty would require that a fixed percentage of the shipping firm's managers be nationals of the flag state. Experienced managers would have to be fired and new management trained. More important, however, is the usurpation of private decision making by an international agency.

Companies that register their ships under flags of convenience or in open-registry countries do so because costs of fleet maintenance are lower in these countries. The irony is that if the UN regulations are adopted, these countries could lose their competitive advantage as low-cost sup-

pliers of ship registrations—and thus lose the benefits hoped for and even the pre-regulation benefits as well. Consumers world-wide would bear the burden of the cost increases to the shipping firms.

### Regulation of Information

The value of information in the world today is apparent from the increasing efforts to control it. One effort to do so has been spearheaded by the United Nations Educational, Scientific, and Cultural Organization (UNESCO) in its notion of a New World Information Order. The stated aim of the Information Order is to correct the “imbalance of information flow” between developed and developing nations.

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*The U.N.'s New World Information Order would downgrade the role of the free press and enhance the position of government-controlled news agencies*

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In 1980, a General Conference of UNESCO embraced a set of recommendations which would downgrade the role of the free press and enhance the position of government-controlled news agencies. The recommendations are quite ambitious. They include the following:

- Restriction on news-gathering by “multinational” communications agencies.
- Developing a code of ethics for journalists.
- Exploring by the UN and the media of a means for international “right of reply” to news accounts. Proposals include a UN news service and censoring the release to the Western press of information about the developing countries.
- A requirement that multinational corporations supply governments of the nations in which they operate with information for “legislative and administrative purposes” relevant to their activities. This information is intended to evaluate and monitor the companies—at the same time that news on the developing countries themselves would be controlled by governments.
- Reducing “the influence of market and commercial considerations” on communications flows—thus emphasizing government-run, rather than privately financed, news media.
- Developing guidelines “with respect to advertising content and the values and attitudes it fosters.”<sup>12</sup>

On December 15, 1983, the UN General Assembly took a major step toward instituting a system of world journalistic censorship. A resolution was adopted promoting the development of a New World Information

Order. The U.S. strongly opposes the Order. Protesting UN actions to limit freedom of the press, the U.S. has announced its intention to withdraw from UNESCO in 1985 and will take with it the U.S. funding contribution, which represents 25 percent of the agency’s budget.

Another form of information regulation with immediate costs to business is the control of data transmissions among countries. The Organization for Economic Cooperation and Development (OECD) has instituted Guidelines on the transmission of “personal” data across borders.<sup>13</sup> The Council of Europe has developed a legally binding treaty on the same issue.<sup>14</sup> It is expected to soon be ratified. Companies involved in transmission of “personal” data such as personnel records, supplier data, or direct marketing survey results would fall under jurisdiction of the treaty. Many companies which regularly participate in the routine processing of these data, such as communications, banking, credit, insurance, tourism, entertainment, and employment services, are covered. These companies may be denied freedom to transmit data out of Europe unless they meet rigid security and data use standards.

### Summary and Conclusions

The examples presented in this report are just that, a small sample of a large and rapidly growing phenomenon. Unfortunately, the public at large knows little about this new development.

Americans still think of the UN as an organization devoted to peace-keeping—the function with which it is most explicitly charged in its charter. There is little awareness of the extent to which the UN is becoming an economic body involved in radically changing the performance and

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*There is little public awareness of the extent to which the UN is becoming an economic body involved in radically changing the performance and character of private economies throughout the world*

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character of private economies throughout the world. The UN’s regulatory efforts focus on controlling the operations of private enterprise by pejoratively labeling every company that tries to do business in any other country as a “multinational” corporation or “transnational” enterprise.

The proposals of the various units of the UN are alien to consumers in Western nations that thrive on private markets and the principle of competition. Large private companies (the so-called multinational corporations) are given special attention—and penalized—in the UN’s proposals. Is it because they are the major alternative to direct government control and operation of the economic development process? More basically, business firms are singled out because they pose a real threat to the establishment and maintenance of concentrated economic power in government—which is the hallmark of totalitarian societies.

What should be done? First of all, an educational effort is essential. The public needs to be made aware of the wide variety of regulations being developed by international agencies. But the uncritical supporters of this new style of regulation must themselves be put on guard so that they understand the implications of these measures. After all, how could anyone initially oppose guidelines labeled as protecting the consumer? It takes a hard heart to question the proposed UN promulgation of such good things as product safety and international cooperation. The content of these regulatory packages, however, is far less attractive than their labels. It is ironic that so many of these proposed regulations that are supposedly consumer-oriented would themselves flunk any truth-in-labeling test.

A modest step toward educating the American public is the bill introduced by Senator Larry Pressler, "The International Organizations Public Procedures Act." Despite its forbidding title, Senator Pressler's bill would simply require publication in the *Federal Register* of any proposal being considered by an international organization that may affect the commerce of the United States. Such action would let private citizens, including business executives, comment on the proposal so that their views could be taken into account in preparing the official U.S. position on the matter. That would seem to be a useful step forward.

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*Many international regulatory efforts are misguided.  
We should not be intimidated by the strong rhetoric  
contained in the justification for these activities*

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Regardless of the motivation of their sponsors, many of these rules would increase costs to firms and ultimately to consumers, and create new barriers to the flow of trade and investment among nations. At a time when many of the developing nations are hard-pressed to earn the foreign exchange to service their existing debts, such regulation would be counter-productive to their own needs. It is clear that the rush to regulate by the UN and other international agencies is misguided. We should not be intimidated by the strong rhetoric contained in the justification for these activities.

The formal labels applied to international regulatory efforts by the UN and other world bodies merely cloak fundamental political concerns. On the surface, the proposals deal with consumer safety, family health, advertising, technology, and so forth. In reality, however, these efforts are an integral part of an old-fashioned, political power struggle. That struggle goes by a variety of names, but its object is clear. For those concerned with free markets and free societies, it is a dangerous delusion to believe that they can remain spectators aloof from the consequences of this new, international attack on private enterprise.

## Notes

1. See United Nations Commission on Transnational Corporations, "Draft United Nations Code of Conduct on Transnational Corporations," New York, United Nations Document E/C.10/1983/S/5, June 2, 1983.
2. See United Nations Conference on the Law of the Sea, "United Nations Convention on the Law of the Sea," December 10, 1982, *International Legal Materials*, Volume XXI, No. 6, November 1982, p. 1261.
3. See United Nations, "Agreement Governing the Activities of the States on the Moon and Other Celestial Bodies," November 12, 1979, *International Legal Materials*, Volume XVIII, No. 6, November 1979, p. 1434.
4. U.S. Council for International Business, "Company Law Directives," *EC Update*, No. 2, May 1983, p. 2.
5. World Health Organization, "International Code of Marketing Breastmilk Substitutes," May 21, 1981, *International Legal Materials*, Volume XX, No. 4, July 1981, p. 1004.
6. J. J. Boddewyn, "The Global Spread of Advertising Regulation," *MSU Business Topics*, Michigan State University, Spring 1981.
7. International Organizations Monitoring Service, *The International Organizations Regulatory Guidebook*, International Business-Government Counsellors, Inc., 1983, p. 27.
8. United Nations Conference on an International Code of Conduct on the Transfer of Technology, "Draft International Code of Conduct on the Transfer of Technology," United Nations Document TD/CODE TOT/33, May 12, 1981.
9. See International Business-Government Counsellors, *Washington International Business Report*, Vol. XIII, No. 1, January 9, 1984, p. 4.
10. Paul Demaret, *Patents, Territorial Restrictions and EEC Law*, Max Planck Institute for Foreign and International Patent, Copyright and Competition Law, Munich, 1980, p. 103.
11. U.S. Council for International Business, *UN Report*, Volume 4, No. 4, May 16, 1983, p. 3.
12. International Commission for the Study of Communication Problems, *Many Voices, One World: Toward a More Just and More Efficient World Information and Communication Order*, United Nations Educational, Scientific and Cultural Organization, Paris, 1980, p. 253.
13. Organization for Economic Cooperation and Development, "Council Recommendation Concerning the Protection of Privacy and Transborder Flows of Personal Data," October 1, 1980, *International Legal Materials*, Volume XX, No. 2, March 1981, p. 422.
14. Council of Europe, "Convention for the Protection of Individuals with Regard to Automatic Processing of Personal Data," January 28, 1982, *International Legal Materials*, Volume XX, No. 2, March 1981, p. 317.