

1977

The Activities of International Economic Organizations

Recommended Citation

The Activities of International Economic Organizations, 11 INT'L L. 389 (1977)
<https://scholar.smu.edu/til/vol11/iss2/17>

This Current Developments is brought to you for free and open access by the Law Journals at SMU Scholar. It has been accepted for inclusion in International Lawyer by an authorized administrator of SMU Scholar. For more information, please visit <http://digitalrepository.smu.edu>.

The Activities of International Economic Organizations

ECOSOC: Recent Activities Relating to Multinational Corporations

Code of Conduct

The second session of the United Nations Commission on Transnational Corporations¹ which met in Lima in March, 1976, established as its highest priority the formulation of a Code of Conduct on Transnational Corporations (TNCs), and set up an intergovernmental Working Group of the Whole to prepare an annotated outline of the Code for submission to the third session of the Commission which met in April/May 1977. A draft text of the Code is supposed to be ready for consideration by the Commission at its fourth session in Spring 1978.

To facilitate preparation of the Code, the U.N. Centre on Transnational Corporations² (an information and research center headed by Finland's Klaus A. Sahlgren) has prepared documents on the issues,³ collected and analyzed relevant materials,⁴ and documented the views of States and non-governmental groups.⁵

At its first session in January 1977, the intergovernmental Working Group approved (without prejudice) a list of the following "major principles and issues"⁶ as a working basis for preparation of the annotated outline of the Code

¹Created by ECOSOC Res. 1913 (LVII) (Dec. 5, 1974).

²Created by ECOSOC Res. 1908 (LVII) (Aug. 2, 1974).

³Transnational Corporations: Issues Involved in the Formulation of a Code of Conduct, U.N. Doc. E/ C.10/ 17 (July 20, 1976).

⁴Transnational Corporations: Material Relevant to the Formulation of a Code of Conduct, U.N. Doc. E/ C.10/ 18 (Dec. 10, 1976).

⁵Transnational Corporations: Views and Proposals of States on a Code of Conduct, U.N. Doc. E/ C.10/ 19 (Dec. 30, 1976) and Transnational Corporations: Views and Proposals of Non-Governmental Interests on a Code of Conduct, U.N. Doc. E/ C.10/ 20 (Dec. 30, 1976).

⁶See U.N. Doc. TNC/ 29 (Jan. 17, 1977).

of Conduct: respect for national sovereignty and observance of local law; adherence to host country economic goals, development objectives, and socio-cultural objectives and values; respect for human rights and fundamental freedoms; non-interference in internal political affairs and intergovernmental relations; abstention from corrupt practices; ownership and control of local affiliates; balance of payments and financing; transfer pricing; taxation; competition and restrictive business practices; technology transfer; employment and labor; consumer and environmental protection. Definitions (e.g., whether a state-owned enterprise will be subject to the Code); legal character (whether the Code will be binding or voluntary); and implementation are left for future discussion. Perhaps significantly, the list includes headings relating to treatment of TNCs by States, nationalization and compensation, and jurisdiction. It is clear from the Group's initial discussions that basic questions of applicable law and tribunals (domestic vs. international) in cases of nationalization remain major issues dividing developed and developing States. The Group met again in April 1977.

Bribery and Other Corrupt Practices

The United States proposal for a multilateral treaty dealing with corrupt practices, submitted to the second session of the Commission,⁷ led ECOSOC to establish an Ad Hoc Intergovernmental Working Group on Corrupt Practices to examine the problem of such practices in international commercial transactions and to prepare an international agreement to prevent and eliminate illicit payments in connection therewith.⁸

This Group met in November 1976 and in January/February 1977, and met again in March/April 1977. Although it seemed for a time that disputes over the definition of "illicit payments" might wreck any chance of drafting a treaty, the definitional problems may have been solved.⁹

At the second session of the Working Group, the United States submitted a moderately specific working paper¹⁰ outlining the form and substance of a proposed international agreement on illicit payments. This proposal limits punish-

⁷See U.N. Doc. E/ 5782 (May 1976), Annex VI.

⁸ECOSOC Res. 2041 (LXI) (Aug. 5, 1976).

⁹Mexico, Nigeria and Uganda argued that "illicit payments" included, *inter alia*, economic discrimination, over-invoicing, and payment of taxes and royalties to "illegal" minority regimes in Southern Africa. See U.N. Doc. TNC/ 16 (Nov. 18, 1976) at 5 and TNC/ 17/ Rev. 1 (Nov. 22, 1976) at 4. The Centre helped to prevent limitless discussion by defining (in a background report it had been asked to prepare) taxes and royalties paid to "illegal" regimes as *improper* but not *illicit* or *corrupt* within the Group's mandate. See U.N. Doc. E/ AC.64/ 3 (Jan. 20, 1977). The Centre's action considerably annoyed the Uganda and Sierra Leone delegates. See U.N. Doc. TNC/ 35 (Feb. 3, 1977) at 2 and TNC/ 36 (Feb. 4, 1977) at 1.

¹⁰U.N. Doc. E/ AC.64/ L.1 (Feb. 2, 1977).

able "corrupt practices" to bribery of public officials in connection with an international commercial transaction with a government. Contracting States would ensure that their criminal laws applied to such bribery, and would "endeavour to prosecute both those who offer or give bribes and those who demand, solicit or receive bribes in violation of their laws." Contracting States would also cooperate in the investigation and prosecution of offenders; exchange information through law enforcement authorities for the purpose of criminal investigation and prosecution and adopt reporting requirements covering disclosure of payments made by their nationals (or the foreign affiliates thereof) to foreign public officials as well as fees or commissions paid to intermediaries to secure execution or performance of an international transaction with a foreign government, or influence performance of an official act "of direct commercial interest" to a foreign enterprise or the local affiliate thereof. Reports would be publicly available, criminal penalties being established for failure to report and false reporting.

The Working Group itself approved (without prejudice) a broader working list of major issues to be considered in drafting an international treaty,¹¹ including mutual judicial assistance and extradition.

International Standards of Accounting and Reporting

Under the authority of ECOSOC,¹² the Executive Director of the Centre convened a Group of Experts for the purpose of establishing international standards of TNC accounting and reporting. The first session of the Group in August/ September 1976 achieved an impressive level of consensus.¹³ It compiled two preliminary lists of requirements for corporate reporting of financial and non-financial data, one for the consolidated corporate group and the other for the individual affiliate. The Group "favoured the idea that the information supplied should as far as possible be published. Confidentiality should be treated as an exception, based on cogent reasons, and applied as restrictively as possible."¹⁴

In November 1976, the Centre's Executive Director sent to a small number of major TNCs,¹⁵ the aforementioned Experts' lists of corporate reporting

¹¹U.N. Doc. E/ AC.64/ 4 (Feb. 10, 1977).

¹²ECOSOC Dec. 114 (LIX) (July 29, 1975).

¹³See Report on the First Session of the Group of Experts on International Standards of Accounting and Reporting, Preliminary Version.

¹⁴*Id.*, at 35.

¹⁵Including Caterpillar, Cummins Engine, DuPont, Heinz, IBM, Lever, Mitsubishi, Pfizer, Texaco, Unilever and Volvo. In an address at the Ralph Bunche Institute on the United Nations in New York City on February 16, 1977, Dr. Sahlgren indicated that the U.S. companies had generally reacted with resistance and caution to his request, unlike some European TNCs.

requirements, requesting the information called for by such lists—presumably in the nature of a “trial run.” Because both publicly-available and non-publicly-available data was requested, the Centre may have exceeded its authority as prescribed by the Commission on Transnational Corporations.¹⁶

There is concern, moreover, reportedly shared by the Department of State, that if the large TNCs comply, pressure on smaller companies to do the same will become irresistible. Many will feel it inadvisable and even dangerous to arm an organ of the United Nations, dominated as it is by “third-world” partisans and vociferously clamoring for a so-called “New International Economic Order,” with confidential information relating to hundreds or even thousands of United States and other free-world companies.

L. ROBERT PRIMOFF
New York, New York

Recent Developments Within the Council for Mutual Economic Assistance (CMEA)

The CMEA has still not reacted officially to the recent reply of the European Economic Community (EEC) to CMEA's offer of February, 1976 to conclude a framework trade cooperation agreement between it and the European Community. As explained in the previous issue, the EEC's reply rejected the offer of bloc-to-bloc trade negotiations or bloc-to-bloc discussion of economic cooperation but held out the possibility of minimal institutional ties with CMEA for the purpose of improving exchange of statistics, studies, forecasts, and other information on trade and economic matters. The EEC and CMEA already cooperate to some degree under the auspices of a study group of the United Nations Economic Commission for Europe (ECE) which is studying Soviet proposals for European cooperation in the fields of energy, transport, and environmental protection. The reasons for the Community's rejection of the

¹⁶See U.N. Doc. E/ 5782 (May 1976), ¶¶ 22, 54 and 56 of which bar collection of confidential information by the Centre until after completion of its feasibility study and the establishment of guidelines by the Commission which were to have been formulated after the latter's third session in April/May 1977. The third session, however, made little progress in this area.

CMEA offer include a broad range of political, economic and technical obstacles to broad cooperation between the two blocs, but the fundamental reason remains that the variance in institutional competence of the two organizations would deprive any broad cooperation agreement of reciprocity. The EEC's adherence to such an agreement would have binding effects on its member nations, while the CMEA's adherence would not bind its members. Therefore, the position of the Community remains that it will negotiate trade and economic cooperation agreements only with individual member nations of CMEA.

While there has been no direct formal reaction by CMEA, subsequent acts by two member nations may be viewed as indications that CMEA may, after an appropriate interval, accept the position advanced by the EEC. On November 10, 1976 Romania initialed a bilateral agreement with the EEC regulating Romanian textile exports largely within the framework of Article 4 of the Multi-fiber Agreement (MFA). The Romanian initiative was limited to a single industrial sector and may be simply another manifestation of the unique position of Romania in East-West relations. For those reasons and also because Hungary and Poland, also parties to the MFA, have indicated no willingness to negotiate bilateral agreements, the textile agreement is not viewed as a breakthrough in EEC-CMEA relations. A more significant development is the participation of the Soviet Union in direct negotiations with the EEC for a long-term agreement to permit the Soviet fishing fleet to operate within the Community's recently declared 200-mile fishing zone in return for Soviet permission for the fishing fleets of EEC member nations to operate in Soviet waters. The Soviet Union at first attempted to initiate separate bilateral negotiations with various EEC members but was rebuffed. Soviet recognition of the EEC as a diplomatic entity competent to negotiate for its members with non-members is a prerequisite to CMEA recognition, since the Soviet Union is the largest member of CMEA and exerts strong political and economic influence over that organization. The prerequisite may now have been satisfied.

The International Bank for Economic Cooperation (IBEC) has announced a liberalized procedure by which banks of non-member countries may make use of IBEC's facilities for settlement of commercial accounts in transferable rubles. (The transferable ruble is an accounting unit used in settlements among the member nations of CMEA and must be distinguished from the Soviet ruble.) IBEC has offered settlement facilities in transferable rubles to the developing non-member countries since 1966 and to non-member developed countries since 1972, without receiving any acceptance of such facilities from either the developing or the developed world. The most recent proposal may be viewed as an attempt by CMEA to introduce its own short-term commercial paper into the financing of East-West trade in order to avoid further dramatic increases in hard currency debt to the West. Since the transferable ruble is not

a recognized currency, Western parties participating in transferable ruble settlements would be tied in to barter transactions with the members of CMEA. They presumably would not gain access to CMEA's below world market internal pricing system for scarce commodities but would be subject to Soviet unilateral control over their balances with IBEC, since the exchange rate of the transferable ruble has been pegged to that of the Soviet ruble, even though the two currencies serve entirely different purposes. There is, therefore, no reason to expect that this latest proposal will receive a warmer reception from non-members than earlier proposals.

CMEA may be expanding its geographical and political scope in that two Latin American countries with socialist but non-Communist governments have expressed an interest in establishing a relationship with CMEA. Guyana has applied for formal association with CMEA, and Jamaica, which recently established diplomatic relations with the Soviet Union, has exchanged economic and trade missions with CMEA. These developments are attributed to Cuba's membership in CMEA.

GEORGE G. LORINCZI
Washington, D.C.

Export-Import Bank of the United States

The decline in Eximbank authorizations of direct loans and financial guarantees has become increasingly precipitous, as the following table indicates:

| <i>Authorizations</i> (\$ Millions) | <i>FY 1975</i> | <i>FY 1976</i> | <i>6 Months</i> <i>July-December</i> <i>1976</i> |
|--|----------------|----------------|--|
| Direct Loans | \$2,534 | \$2,144 | \$381 |
| Financial Guarantees | <u>\$1,093</u> | <u>\$1,097</u> | <u>\$280</u> |
| Total | \$3,627 | \$3,241 | \$661 |

These statistics demonstrate that the Bank's policy to defer to commercial lenders on major project lending has taken dramatic effect. What is not yet clear is whether the result has been substantial losses to United States exports.

Total Eximbank authorizations of all types for the last six months of 1976 were \$2,926,000,000 as compared with \$8,617,000,000 for the full FY 1976. The decline in longer-term commitments reflected in direct loans and financial guarantees was not, however, matched by as great a decline in insurance on short and medium transactions.

Eximbank has reduced its lending rates to a new schedule ranging from 8 to 9 percent. The new rate increases by one-eighth of a point above 8 percent for every year of maturity above six, as measured from the date of authorization. The decrease from earlier rates varies between one-fourth and three-eighths of a point. This decision was made on the basis of cost of money to the Bank over the last six months of 1976 and the anticipated costs for the first six of 1977. Implicit in the decision is a review during mid-1977.

Eximbank has sent to the Congress a report on its competitive position with respect to other government export credit institutions during the first nine months of 1976. In general, Eximbank concluded that its recent reduction in rates has eliminated many of the disparities between it and other such lenders, with the exception of France and, to some extent, Japan. It should be noted, however, that the cost of export credits in France, Italy and the United Kingdom is very substantially below the price rate and rate on industrial bonds in those countries, in marked contrast to the United States.

STEPHEN B. IVES, JR.
Washington, D.C.

International Finance Corporation

As mentioned in an earlier report in this space (Spring, 1976 issue), the International Finance Corporation, the "investment banking branch" of the World Bank, is currently seeking a much-needed \$480 million expansion of its equity capital through subscriptions by its member countries. This would be the first new subscription since the founding of IFC in 1956.

Member countries holding more than 50 percent of the total votes in IFC's Board of Governors have now voted in favor of the proposed increase in capital. The increase will become effective when the United States (with 26 percent of the total voting power) approves it, as is expected to occur during the current

session of Congress. Legislation was introduced in the United States Congress in February, 1977, and hearings began thereafter before the appropriate congressional committees. The testimony of C. Fred Bergsten, Assistant Secretary of the Treasury-Designate for International Affairs, before a subcommittee of the House Appropriations Committee on February 17, 1977, made it evident that the Carter administration is continuing the strong support of the proposal which the Ford administration consistently manifested.

The United States share of the proposed capital increase is \$111.5 million. Speaking in support of the Carter administration's request for appropriation of \$44.6 million in FY 1978 (the first of the three tranches of the United States contribution), Mr. Bergsten made a persuasive presentation on behalf of the proposal. Echoing the sentiments of the preceding administration, Mr. Bergsten said the Carter administration feels that "increased attention needs to be directed toward the role of the private sector in the development process." Noting that IFC is the principal international institution devoted to this objective, he warned that without the proposed capital increase, IFC would be forced to become a very conservative lending institution, with severe restrictions on its ability to utilize its "most unique and distinguishing characteristic"—its authority to make substantial equity investments. Mr. Bergsten took due note of the catalytic effect of IFC's cooperation with foreign and local capital, foreign banks and official agencies such as OPIC in support of fledgling private enterprises in countries where outside investors, including IFC itself, may have made few or no investments in the post-colonial era, such as IFC's first investments (in its fiscal year ended June 30, 1976) in Rwanda and Malawi. At the same time, he pointed out, as former Treasury Secretary Simon had earlier, that if IFC obtains a large capital increase now it will be able to play a key role as a major participant in the increasingly large capital-intensive projects that are becoming characteristic of industrial development throughout the world, particularly in mineral development. In such cases IFC will be able to contribute substantial amounts of equity and loan funds (obtaining the latter through large-scale borrowings from the World Bank), and, especially in mineral exploitation projects, to contribute valuable services as a neutral intermediary between host country and private foreign interests.

JAMES C. CONNER
Washington, D.C.

Asian Development Bank

Background

The Asian Development Bank¹ (ADB, or the Bank) has now completed over ten years of operations as a "world bank" for Asia. The ADB, which began operations in 1966, was the first regional development bank to permit countries from outside the region to join as full members, contribute capital, and acquire representation on the board of directors and professional staff.

As of December 31, 1976, the ADB had 42 members. Fourteen of the Bank's developed member countries are located outside the Asian and Pacific region—the United States, Canada and 12 Western European countries. Although all 25 of the ADB's developing member countries (DMCs) are located in the Asian and Pacific region, only three of the Bank's developed member countries are located in the region (Japan, Australia and New Zealand). Japan and the United States, with equal capital stock subscriptions, are the two largest shareholders of the Bank.

The ADB, which has its headquarters in Manila, is similar in structure to the Inter-American Development Bank (IDB), and its operating policies closely resemble those of the World Bank Group. The ADB makes conventional or "hard" loans to its DMCs from its ordinary capital window, and concessional or "soft" loans and technical assistance grants from its special funds.

Financial Structure

The ADB has a two-tier financial structure, somewhat similar to that of the IDB. Its ordinary capital resources, drawn primarily from member subscriptions to capital stock and from borrowings in world markets, are used to furnish funds for the Bank's ordinary loan operations. The ADB's special funds are generated mainly from voluntary member country contributions and are used to provide concessional loans and technical assistance grants. The Bank may supplement member contributions to special funds by setting aside up to 10 percent of its paid-in capital for special funds. Apart from this 10 percent rule, however, the Charter requires funds in each resource pool to be held, used, and invested separately.

¹This report is based in part on the article on the Asian Development Bank written by Graeme F. Rea, General Counsel of the Bank, and Daud Ilyas, Assistant General Counsel of the Bank, which will be included in the forthcoming *A LAWYER'S GUIDE TO INTERNATIONAL BUSINESS TRANSACTIONS*, WALTER S. SURREY AND DON WALLACE, JR., editors, being published by ALI-ABA with the assistance of the Institute of International and Foreign Trade Law, Georgetown University Law Center. See generally HUANG, *THE ASIAN DEVELOPMENT BANK—DIPLOMACY AND DEVELOPMENT IN ASIA* (1976).

Ordinary Capital

As of December 31, 1976, the ADB's member countries had subscribed \$3.69 billion of the Bank's authorized ordinary capital. This has been supplemented by borrowings totaling \$1.14 billion as of December 31, 1976, in the capital markets of Western Europe, the United States, Japan and the Middle East.

The Board of Governors of the ADB decided in November 1976 to increase the authorized ordinary capital of the Bank from \$3.71 billion to \$8.71 billion—an increase of 135 percent. The increase is to become effective before the end of 1977 in order to enable the Bank to continue its ordinary lending operations at an appropriate level in 1977 and in future years.²

Special Funds

The ADB currently administers three special funds. The Multi-Purpose Special Fund, established in 1968, and the Asian Development Fund (ADF), which came into operation in 1974, are used for making loans on concessional terms to the ADB's poorest DMCs. The ADF was created to replace in due course the Multi-Purpose Special Fund and to serve as a single, consolidated special fund operating on standard terms and conditions.

The ADB also administers the Technical Assistance Special Fund to finance technical assistance grants for preparing and implementing projects and for advisory services.

Lending

The total of ADB loan approvals from 1968 through the end of 1976 was \$3.4 billion, comprising \$2.5 billion in ordinary loans and \$894.7 million in concessional loans.³ At the end of 1976, the Bank was also involved in 214 national and regional technical assistance projects at a total cost of about \$34.6 million, including United Nations Development Program funding of \$7.97 million.⁴

The ADB may make, or participate in, direct loans to the governments of its DMCs, to any of their agencies or political subdivisions, and to public and private entities and enterprises operating within such countries, as well as to international or regional agencies concerned with economic development in the region. The ADB has also become involved in a number of joint financing or co-financing projects in certain countries.

Most of the ADB's lending has been in the form of direct loans to governments or government agencies. However, the Bank has made loans totaling \$589.6 million as of December 31, 1976 to national industrial development banks which, in turn, have made these funds available to a large number of enterprises operating in the private sector.⁵

²ADB QUARTERLY REVIEW, Jan. 1977, at 20.

³ADB QUARTERLY REVIEW, Jan. 1977, at 1-4.

⁴*Id.*

⁵ADB QUARTERLY REVIEW, Jan. 1977, at 17.

The Bank is authorized to make direct loans to private enterprises, and has in fact made such a loan for a transport and stevedoring development project. Such direct loans ordinarily must be guaranteed by the member government in whose territory the project is to be carried out, or by an acceptable agency or instrumentality of the member. The ADB can, subject to specific authorization by the Board of Governors, undertake equity investment or guarantee private loans, but no such investment or guarantee has yet been made.

All ADB loans are stated in United States dollars. The proceeds of the Bank's loans are used principally to cover foreign exchange expenditures incurred in a project. A breakdown of this lending in the eight years of loan operations through December 31, 1976 shows approximately 33 percent in public utilities, 24 percent in agriculture and agro-industry, 23 percent in other industry, 20 percent in transport and communications, and 1 percent in education.⁶

Management

The ADB management structure is similar to those of the International Bank for Reconstruction and Development (the World Bank) and the IDB. Supreme power is vested in a Board of Governors. An intermediate full-time executive body—the Board of Directors—oversees and directs Bank management. The day-to-day management of the ADB is assigned to the president and the Bank's staff of international civil servants. The president of the ADB, who must be a national of a regional member country, is elected by the Board of Governors for a five-year term and may be reelected.

United States Membership

The United States became a member of the ADB by Act of Congress in 1966.⁷ As of December 31, 1976, the ADB capital stock subscribed by the United States totaled \$603 million, comprising \$193 million of paid-in capital and \$410 million of callable capital. In fiscal years 1972 and 1975, the Congress authorized United States contributions to the ADB special funds in the amount of \$150 million, of which \$125 million has already been appropriated and paid to the Bank. The final United States contribution to the initial special funds mobilization has been included in the Administration's fiscal year 1977 supplemental appropriation request.⁸

J. EUGENE MARANS
KENNETH P. FREIBERG
Washington, D.C.

⁶*Id.*

⁷Asian Development Bank Act, P.L. 89-369, 22 U.S.C. §§ 285-285h.

⁸Statement of C. Fred Bergsten, Assistant Secretary of the Treasury-Designate for International Affairs, regarding the Asian Development Bank, before the Subcommittee on Foreign Operations of the House Appropriations Committee, Feb. 17, 1977, at 10.

International Civil Aviation Organization

Organization

The 22nd triennial Assembly of ICAO will take place in Montreal, September 13 to October 5, 1977. By that time it is expected that member states will have ratified an increase in the Council to thirty-three. The Council originally had twenty-one members; in 1971 the Soviet Union was added to the Council and in 1974 the People's Republic of China was added. Ratification by eighty-six member states (two-thirds of the membership) is required for the proposed increase. There have been forty-eight ratifications, including that of the United States.

Conference on Tariffs, Non-Scheduled Services and Capacity

A Special Air Transport Conference was held in Montreal April 13-26 to discuss tariff enforcement; policy concerning international non-scheduled transport; regulation of capacity in international air transport services; and the machinery for establishing international air transport fares and rates. It will be the first meeting of its kind.

The Conference will examine the report of a Panel of Experts on the Machinery for the Establishment of International Fares and Rates which met in Montreal December 6-17, 1976. Forty-one representatives of thirteen countries and the International Air Transport Association participated. The Panel took up the IATA fare mechanism first, and proposes to discuss next the machinery for establishment of retail seat prices on non-scheduled flights. Recommendations receiving the approval of a majority of those voting urged: (a) "introducing government representation directly" in IATA fare and rate-making conferences; (b) ["encouraging] . . . national carriers to meet on a regional basis to ensure that in the establishment of international fares and rates, the views of all carriers operating on the routes concerned are taken into account" (whether or not members of IATA); (c) "regular discussions between interested IATA carriers and non-scheduled airlines for coordinating tariff policies"; (d) "appropriate compliance machinery . . . to effectively ensure the enforcement of approved fares, including where an 'open rate' situation exists"; (e) "Unilateral action by governments . . . should possibly be avoided. However, guidelines and/ or requirements should be communicated to the IATA Conferences . . ."; (f) "a substantial reduction in the number of IATA sessions dealing with fares, to possibly a yearly frequency, together with recommendations for a radical simplification of fare structure and types"; (g) "All governments should require at least sixty days' notice of tariff changes"; (h) ". . . each and every government concerned shall announce its decision [on tariff changes] . . . as long as possible before the proposed implementation date"; and (i) "The process of tariff filing

could be simplified by governments accepting the submission of joint tariff agreements by the national carrier, or in the absence thereof by a carrier indicated by the government for this purpose."

Latin American Civil Aviation Commission

The Second Assembly of the Latin American Civil Aviation Commission (CLAC) took place December 1-7, 1976 at Montevideo, Uruguay. Article 2 of the CLAC statute limits membership to states located in South America and Central America including Panama, Mexico and the Caribbean. Pursuant to an ICAO Assembly Resolution, the United States and other non-members were permitted observer status. (Similar regional groups exist in Europe and Africa. An Arab States group has been meeting informally.) This session was devoted principally to discussing the forthcoming Special Air Transport Conference.

Aircraft Noise

The United States has proposed that all subsonic jet transport in international navigation be required to meet Annex 16 noise standards (applied since August, 1971, to new aircraft only) no later than January 1, 1985.

Progress Toward the Adoption of a New International Landing System Standard

A ten-member ICAO panel convened in Montreal on February 28 to seek agreement on a microwave landing system to be the international replacement of the existing ILS system. A United States developed scanning beam system supported by the Soviet Union and Australia and a British Doppler technique are the principal candidates. However, French and German systems are being developed. The next steps will be consideration by the Air Navigation Commission and finally approval by an All-Weather Operation Division meeting which is tentatively scheduled for November of this year.

Dangerous Goods Panel

A meeting was held January 11-28 with members nominated by Belgium, Canada, France, Federal Republic of Germany, Japan, Netherlands, United Kingdom, USSR, USA, IATA and IFALPA to prepare the first draft of an ICAO Annex on Carriage of Hazardous Materials. IATA regulations and national law now govern this subject in fifty-two countries.

Lease, Charter and Interchange

The responsibilities of states for safety of aircraft in cases of international lease, charter or interchange of aircraft was the subject of an ICAO Legal Subcommittee Meeting March 23-April 7, 1977.

Joint Financing Agreements for North Atlantic

The Third Conference of ICAO on the 1956 Danish and Icelandic Joint Financing Agreements met March 1-16 in Montreal to discuss modification of North Atlantic Air Traffic Control, meteorological and communication facilities to accord more closely with present needs. In 1973 agreement was reached on dividing the cost between governments and users. The total cost is now \$9 million of which the United States share is \$2.5 million.

DAVID B. ORTMAN

International Labor Organization Maritime Conference

The 62nd (Maritime) Session of the International Labor Conference was held in Geneva, Switzerland in October of 1976. The Conference adopted six international instruments relating to maritime standards.

The Continuity of Employment (Seafarer's) Convention and the accompanying Recommendation provide for a national policy with respect to the maritime industry to encourage continuous or regular employment for qualified seafarers, and in so doing, to provide shipowners with a stable and competent work force.

The Seafarers Annual Leave with Pay Convention provides for an annual leave with pay of not less than thirty calendar days for one year of service for every seafarer. The Convention revises the 1949 Paid Vacations (Seafarers) Convention.

The Recommendation on the Protection of Young Seafarers sets out national guidelines concerning hours of permitted duties and rest periods, repatriation, safety in work and health and opportunities for vocational guidance and education, as well as for vocational training for persons under the age of eighteen years employed in any capacity on board a sea-going ship.

The Convention concerning Minimum Standards in Merchant Ships and accompanying Recommendation were the most far-reaching of the instruments adopted by the Maritime Conference. The Convention provides that each ratifying Member undertakes to have laws or regulations concerning safety standards, appropriate social security measures, and shipboard conditions of employment and living arrangements insofar as these areas are not covered by collective agreements.

Such regulation shall extend to ships registered in its territory. However, where a complaint is received that conditions aboard a foreign flag ship docked in a ratifying Member's port do not conform to the standards of the Convention, the Member may prepare a report addressed to the government in which the ship is registered and may take measures necessary to rectify any conditions on board which are clearly hazardous to safety or health.

CATHERINE E. BOCSKOR
Washington, D.C.

Developments Within the International Energy Agency

1. In the aftermath of the 1973-74 energy crisis, the Washington Energy Conference of February 1974 created an Energy Co-ordinating Group with the aim of improving energy cooperation among the principal industrial nations. An intensive series of meetings of the Group throughout the spring and summer of 1974 led in November 1974 to an Agreement on an International Energy Programme (IEP) and to the establishment of the International Energy Agency (IEA) as an autonomous body within the Paris-based Organisation for Economic Cooperation and Development (OECD). An earlier report to the Section summarised the decision-making structure of the IEA and various actions taken to implement the IEP Agreement. The present report covers developments within the IEA since January 1976.

Entry Into Force and Ratification of IEP Agreement

2. The Agreement on an International Energy Programme formally entered into force on January 19, 1976. To date the Agreement has been ratified by fourteen governments, comprising Austria, Belgium, Canada, Denmark, Germany, Ireland, Luxembourg, the Netherlands, New Zealand, Spain, Sweden, Switzerland, the United Kingdom and the United States.

Membership of the IEA

3. In May, 1976 Greece became the nineteenth country of the OECD to participate in the activities of the IEA following the decision of the Agency's

Governing Board. Participating countries, in addition to those listed above, now include Greece, Italy, Japan, Norway, and Turkey.

Long-Term Cooperation Programme

4. In January, 1976 the IEA Governing Board agreed on a Long-Term Co-operation Programme on energy. The Programme is designed to strengthen member countries' security of energy supplies and to promote stability in world energy markets. It provides for cooperative efforts to conserve energy, to accelerate the development of alternative energy sources by means of both specific and general measures, to step up research and development of new technologies and to improve conditions for energy investment and trade by reducing legislative and administrative obstacles to increasing energy supplies. A general measure of cooperation was approved to provide protection for investment in energy production in IEA Participating Countries through "a minimum safeguard price." This measure is intended to reduce the risk that investment in higher cost conventional energy sources may be jeopardised by a sudden drop in the price of much lower cost oil produced outside the IEA area. Under the system, member governments have agreed not to permit imported crude oil to be sold in their domestic markets below the safeguard price of \$7 per barrel of "marker" crude. It is estimated that investment in the bulk of IEA conventional energy sources is covered by this level of protection.

Energy Research and Development

5. Cooperative energy R & D projects under IEA auspices are being developed in each of the following high priority technology areas: conservation, coal technology, nuclear power, solar energy, biomass conversion, geothermal energy, wind energy, ocean energy, fusion power and hydrogen production.

6. To date, fourteen Implementing Agreements on specific energy R & D projects have been concluded in the areas of coal technology, nuclear and fusion power, solar energy and conservation, providing for technical information services, and exchange of information in the field of reactor safety research and development, construction of an intense neutron source, energy conservation in combustion and the like.

Cooperation with Oil Producing and Other Oil Consuming Countries

7. The Agreement on an International Energy Programme commits the participating countries to develop cooperation with oil producing and other oil consuming countries in the field of energy and related matters.

8. On the institutional level this commitment is pursued through the IEA's participation as a permanent observer in the Energy Commission of the Paris

Conference on International Economic Cooperation on energy, raw materials, development and financial questions. Throughout the Conference the Agency has facilitated consultations among its member countries on the progress of the Conference. In addition, the IEA closely studies the energy situation and related economic and political considerations in other major global regions with the aim of encouraging favourable conditions for strengthened international cooperation on energy resources, supplies, prices and research and development.

Energy Information System

9. The Agency has made considerable progress in developing an extensive energy statistics system. The system contains a special section to provide the data base necessary for efficient operation of the IEA's emergency oil-sharing plan and a general section to obtain broader information on the international oil market and the activities of oil companies.

Emergency Oil-Sharing Plan

10. The emergency oil-sharing system established by the Agreement on an International Energy Programme is now in place. As of January 1, 1976 the emergency reserve commitment of the IEA member countries was raised from sixty to seventy days and will be raised further to ninety days by January 1, 1980.

J. WALLACE HOPKINS, JR.

