

## **Book Review**

**'Restrictive Business Practices'**, report by the UNCTAD Secretariat, April 1972.

The report by the UNCTAD Secretariat, submitted to the third session of the United Nations Conference on Trade and Development held in Santiago (Chile) in April 1972, deals with the restrictive business practices of the multinational corporations with special reference to the export interests of the developing countries.

Since the world war, there has been a tremendous growth in the size and activities of many international firms. They have grown from the national corporation to the multidivisional corporation and now to the multinational corporation. With each step they acquired greater financial power, better technology and know-how and more complex administrative structures. They have subsidiaries and branches all over the world. In the course of the sixties they became one of the dominant factors in determining the pattern of world trade. At the same time, their increasingly restrictive business practices, which tended to adversely affect world trade and the export interest of less developed countries, attracted the attention of the governments both in developed and less developed countries and serious concern was shown at the international level. It is against this background that the UNCTAD undertook the study on the question of restrictive business practices.

The main issues discussed in the report are:—

- (a) The cartel activity in the developed market economy countries and contractual restrictions on export activity of firms in developing countries. The import cartels in the developed countries collectively limit the aggregate amount of imported goods, determine the sources of supply and fix the prices and terms of purchase of such imports. Similarly, export cartel undertake aggressive activities against firms of developing countries. Explicit export restriction clauses are included in the contractual agreements entered into between the multinational corporations and the firms in the developing countries.
- (b) The extent to which the patent and trade mark systems may contain inherent restrictions on the export ability of firms in developing countries. In the case of patents, export to countries in which the patentee has obtained corresponding patents for the product in question may be prohibited unless the patentee has given his authorization. In consequence, exports to such countries automatically require the prior approval of the patentee irrespective of whether the licensee in the developing country is an independent firm or a subsidiary of the patentee.
- (c) The extent to which both the developed and developing countries may have adopted policies to provide a certain degree of protection for the export interests of the developing countries. Some develop-

ing countries have taken action to protect their export interests against restrictive business practices. Such actions have been taken through foreign investment laws, guide lines ad codes and national competition laws controlling business practices, etc. The possibility exists in the developed country also for some collateral protection being given to the export interest of the developing countries. But the extent to which this has occurred seems limited.

- (d) The existing bilateral and multilateral arrangements which have been introduced to provide for consultations and dealing with problems i this area. A number of bilateral and multilateral arrangements has been made during the past decade or so. But, by and large, the principal objective of the establishment of such arrangements seems to be the settling of actual or potential disputes among the developed countries in the area of business competition. They have limited implications to the export interest of the developing countries. Hence there is a need either to create new multilateral arrangements or to enlarge the scope of the existing arrangements.

A great deal of information has been gathered by the UNCTAD Secretariat about restrictive business practices, as indicated by the reports. However, in order to deal effectively with the issues involved and to find remedial measures it seems necessary that the developing countries should take more interest than they have shown so far in these issues, and should undertake detailed investigations and indepth studies on these problems. It appears that many developing countries including Pakistan have shown very limited interest. They should make detailed exchange of their experiences and knowledge in the various issues involved.

The recommendation of the UNCTAD Secretariat to establish an expert group at the international level, to deal with the issues under consideration appears to be a step in the right direction because the developing countries cannot properly deal with the present issues on individual basis. The financial and technological dependence of the developing countries on the multinational corporations make the relative bargaining position of the developing countries weak and they have to accept unfavourable terms and conditions. Moreover the absence of efficient laws and mechanism in the field of competition policies in developing countries, greatly limit their ability to control such restrictive business practices.

The restrictive business practices of multinational corporations that effect the export interests of developing countries is only one aspect of the problem. The activities of multinational corporations may limit the choice of technique, may increase the costs of imports of developing countries, may distort resource allocation and indeed may inhibit the overall development efforts of the developing countries, as suggested by Stephen Hymer in 'The Multinational Corporation and the Law of Uneven Development. It, therefore, seems desirable to undertake a thorough investigation of all the important aspects of the activities of the multinational corporations.