ARRANGEMENTS MADE BETWEEN THE CONTRACTING PARTIES
AND THE ICITO FOR THE REPAYMENT OF SERVICES RENDERED

Note by the Executive Secretary

I. Arrangements made to repay services rendered by ICITO

1. Secretariat services for the Contracting Parties have from the beginning been provided by the Secretariat of the Interim Commission for the International Trade Organization against reimbursement. Since 1951 the Contracting Parties have budgeted in detail for their expenditure and provided resources to meet their charges in full. Prior to that date, however, reimbursement was made to ICITO according to a formula agreed upon with the latter.

2. The first arrangement was concluded in September 1948 (see GATT/CP.2/41); it provided inter alia that the Contracting Parties would pay 10 per cent of the personnel budget of the ICITO secretariat for periods between sessions and 50 per cent of that budget during sessions. This arrangement applied from 16 August 1948 to 31 December 1948. In 1952, the Contracting Parties also repaid the expenses of the Second Session held in 1948 on the same basis.

3. This arrangement was revised in July 1949, and the Contracting Parties agreed "to repay to the ICITO all the charges incurred on their behalf during the year 1950". To achieve that object, the following formula was adopted: "Although it is difficult to foresee at the present time how the work done by the Secretariat of the Contracting Parties will compare with the work done for ICITO, it would seem fair, on the basis of past experience, to ask the Contracting Parties to contribute 50 per cent of the ICITO personnel charges during the period between sessions and 90 per cent during the sessions." (BUDGET/3 Rev. 1. Para. 7)

II. Practical result of these arrangements

4. In practice, these arrangements which were based on the assumption that the ICITO would have a substantial programme of work in connection with the preparation of the first ITO conference did not work as contemplated. Instead of covering all expenditure incurred on behalf of the Contracting Parties, the repayments made by them in 1950 to ICITO covered less than 3/4 of this

MOT/103/52
expenditure. This may be illustrated by the fact that the Contracting Parties estimated their share in the staff expenditure at about $90,000 on the basis of a total ICITO staff expenditure of $130,000. As there was practically no ICITO activity in 1950, the staff was less numerous than contemplated and was almost exclusively engaged on GATT work. Staff expenditure amounted only to $90,000 and was identical with the amount for which the Contracting Parties would have been liable under the percentage arrangements. The Contracting Parties in fact only paid $60,000 whereas ICITO had to bear the cost of the remaining $30,000.

5. As regards 1948/49, the payment made by the Contracting Parties was admittedly of the nature of a token payment and covered only a small fraction of the expenditure incurred on their behalf.

6. The following table shows how the cost of the combined ICITO/GATT activities was covered by resources provided by the Contracting Parties, by casual income of ICITO and by advances of the UN Working Capital Fund:

<table>
<thead>
<tr>
<th></th>
<th>Combined Expenditure ICITO/GATT</th>
<th>Repayments by Contracting Parties including casual income</th>
<th>ICITO casual income</th>
<th>Advances from UN Working Capital Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apl/Dec '48</td>
<td>451,449.17</td>
<td>13,566.70</td>
<td>---</td>
<td>437,882.47</td>
</tr>
<tr>
<td>1949</td>
<td>829,482.10</td>
<td>428,398.80</td>
<td>8,067.25</td>
<td>393,016.05</td>
</tr>
<tr>
<td>1950</td>
<td>710,581.12</td>
<td>513,890.27</td>
<td>15,480.99</td>
<td>131,209.86</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,991,512.39</td>
<td>955,855.77</td>
<td>23,548.24</td>
<td>1,012,108.36</td>
</tr>
</tbody>
</table>

| 1951   | ---                             | ---                                                      | 6,397.53           | 1,005,728.85                          |
| 1952   | ---                             | 77,082.80                                                | 853.86             | 927,792.19                            |
| TOTAL  | 1,991,512.39                    | 1,032,938.57                                             | 30,781.63 or $216,773.87 |
7. In effect, practically all ICITO activities during 1948/50 were devoted to the servicing of the Contracting Parties, but the Contracting Parties only paid about half of the expenses incurred during that period.

8. In the result the ICITO has been placed in a difficult position vis-à-vis the General Assembly of the United Nations which authorised advances out of the United Nations Working Capital Fund to finance the Interim Commission pending the establishment of the ITO. The ICITO is at present not in a position to repay the balance due in respect of these advances and has no prospective income. If, therefore, things continue in their present state ICITO, at the forthcoming Session of the General Assembly, will have to default on its obligations. It is clearly most undesirable that such a situation should arise.

9. It is, therefore, desirable both on grounds of policy and of equity to consider whether the Contracting Parties, by recognising that the arrangements under which they enjoyed secretariat services provided by ICITO were unduly favourable, could not relieve the ICITO of the embarrassment with which it is confronted.

III Practical Suggestions

10. It would of course be possible for the ICITO to ask for the revision of the arrangements concluded, but in view of the difficulties which would remain for the ICITO, if it were to default even for a small part of its debt to the United Nations, it is suggested that the Contracting Parties might consider the possibility of making to the ICITO as and when practicable such additional repayment as would enable it to reimburse the full amount of the UN advances. If the Contracting Parties agreed to make such repayment, the total average yearly cost of the GATT operation (including the servicing of the Annecy and Torquay Conferences in 1948 and 1950) would work out at less than $170,000, a figure which cannot be considered as excessive when compared with the cost of other international conferences.

11. It is expected that these repayments would not involve any additional burden for the Contracting Parties if they were prepared to meet this liability out of past and future savings. They might authorise the Executive Secretary to apply the cash surpluses which
had been accumulated in previous years, as well as those which may be accumulated in 1952 and the following financial years to payments to ICITO until the ICITO debt is repaid. The Executive Secretary would see to it that the reserve set up in 1950 remains sufficient to cover expenditure pending the receipt of contributions and to meet extraordinary expenditure.

12. On 30 June 1952, the liquid assets of that reserve amounted to about $167,000. If the 1953 budget is fully covered by current contributions, and if the Contracting Parties agree as they did during the past financial year to leave in the hands of the Executive Secretary the cash surplus of this year, the amount of $167,000 would be available for repayments to ICITO in the course of 1953. The outstanding debt to the United Nations would then be reduced to about $60,000, and it is expected that this amount could be repaid out of savings during the next two or three years.

13. If an arrangement along these lines could be approved by the Contracting Parties at the Seventh Session, the Executive Secretary of the ICITO would be in a position to inform the Assembly of the United Nations which will meet in October of his plans for repaying the ICITO debt, and it is highly probable that such a practical method of solving this delicate problem would commend itself to the United Nations.