Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment.

Relations Between International Trade Organisation and International Monetary Fund.

Observations by Australian Delegation on paragraph 2 of Article 29.

Paragraph 2 of Article 29, as agreed by the majority of the Sub-Committee appointed to deal with Articles 26, 28 and 29 provide that

"...The Organisation, in reaching its final decision in cases involving the criteria set forth in paragraph 2(a) of Article 26 shall accept the determination of the International Monetary Fund as to what constitutes a serious decline in the Member's monetary reserves, a very low level of its monetary reserves or a reasonable rate of increase in its monetary reserves, and as to the financial aspects of other matters covered in consultation in such cases".

The Australian delegation disagrees with this text, believing that the underlined words should be replaced by the words "shall give special weight to the opinions", for the following reasons:

(i) It is impossible to define accurately the purely financial aspects of the criteria in Article 26(2)(a), on which it might be reasonable to give the Monetary Fund the final say, from the wider economic and commercial aspects, which are the concern of the Organisation at least as much as of the Fund.

(ii) It is undesirable to separate the functions of decision from those of responsibility for action. The I.T.O. will have responsibility for any action to be taken under paragraphs 4(c) and 4(d) of Article 26, and therefore should also retain the right of decision as to whether the criteria under paragraph 2(a) have been met.

(iii) Co-operation between the Organisation and the Monetary Fund, which should be as close as possible in the field of balance of payments questions, will be impaired if the Organisation is forced to carry out decisions with which it disagrees, but which are imposed upon it by the Monetary Fund.

(iv) In the view of at least one delegation, it would be the Fund, and not the Organisation, which would "pay due regard to special factors" in relation to the three specific criteria of Article 26(2)(a) on which the Organisation is required to "accept" the determination of the
Fund. If this is so, it means that in relation to these criteria, the Organisation is giving up not only its jurisdiction over the facts but also its right to use its discretion in deciding whether special circumstances exist which should modify its decision. In relation to these three criteria, it is difficult to see, for example, how the Organisation could carry out the provisions of paragraph 3(a) of Article 26, requiring it to take "full account of the difficulties of post-war adjustment".

(v) Since it may be assumed that membership of the two bodies will be fairly similar, it is likely that differences of opinion between them will arise mainly through differences in voting power of individual countries in the two bodies. It is particularly undesirable that a system of weighted voting, which may be appropriate in the case of the Monetary Fund, should be used to force decisions upon the Organisation.

(vi) It is unreasonable that a Member's action in trade matters under the Charter should be directly subject to the decision of another body of which it may not be a member.

(vii) If the Monetary Fund is to be given final decision on financial questions arising in connection with the Charter, it would be equally reasonable to provide that the Organisation should have final decision as to commercial or trade questions arising in connection with the Articles of Agreement of the Monetary Fund.

The Australian Delegation believes that an important error of principle will be made if the Commission adopts the text approved by the majority of the Sub-Committee, and that the future relations between two important international organisations are likely to be seriously prejudiced by such a provision. It is in the hope that reconsideration will be given to this question that the Australian delegation is putting forward the above views.