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Executive Committee

Second Session

SUMMARY RECORD OF THE NINTH MEETING

Held at the Palais des Nations, Geneva,

on 2 September 1948, at 10 a.m.

CHAIRMAN: Hon. L. D. WILGRESS (Canada)

Report by the Executive Secretary on consultation with the Secretary-General of the United Nations regarding the expenses incurred by the Preparatory Committee of the United Nations Conference on Trade and Employment and by that Conference. (ICITO/EC.2/4) (Item 10 of the Provisional Agenda).

The CHAIRMAN resolved the Committee into executive session to discuss the above item on the Agenda.

He then invited delegates to comment on the report of the Executive Secretary.

Mr. SHACKLE (United Kingdom) said he had not yet given the matter full consideration but submitted for discussion the proposal that the sum of $557,114 which had been borne on the United Nations' budget for 1946 and 1947 should remain a charge of the United Nations, whereas the claim of $954,830 advanced by the Secretary-General of the United Nations out of the United Nations Working Capital Fund should be reimbursed by the future ITO.

The CHAIRMAN pointed out that, as was made clear in paragraph 6 (page 4) of the document submitted by the Secretariat, there was no claim from the Secretary-General

for the first sum; there being only a claim for the reimbursement of the sums advanced out of the Working Capital Fund.

Since the issuance of the report, the information from the Comptroller showed that the figure had now been revised down to $775,515.66 (Document ICITO/EC.2/4/Add.1), which was the sum claimed for replenishment of the Working Capital Fund.

Mr. TURNER, Representative of the United Nations, said that the reduction was due to completion of the accounts by the Comptroller which gave the revised figure. The matter could now only be settled by an undertaking of the ITO to reimburse this sum or alternatively by a vote in the Assembly of the United Nations, authorizing these sums to be placed on the United Nations' budget. The Secretary-General of the United Nations was anxious to avoid this latter procedure which might mean a long discussion in Committee V of the Assembly by persons who might not all be well informed as to the intricacies of the problem. He hoped, therefore, that the Committee would decide to recommend to the First Conference of the ITO that the sums be reimbursed to the United Nations.

Mr. REISMAN (Canada) said that his Government had tended to look at this problem in the light of principles rather than of actual expenditure and had thought that the financing should be undertaken by the United Nations in the same manner as for other specialized agencies without making an exception for the ITO. After studying the question, however, it seemed to him in the interest of the future ITO to avoid the type of debate that would clearly ensue in the General Assembly, should the Committee take a firm

stand against the position of the Secretary-General of the United Nations. Although this was a substantial sum he thought the ITO should be able to bear it.

Mr. POLITIS (Greece) agreed with Mr. Reisman but was afraid his Government would be unwilling to accept expenses for meetings in which it had not participated.

The CHAIRMAN pointed out to Mr. Politis that the work of the Preparatory Committee had been carried out with a view to setting up an International Trade Organization and that its members had not acted on behalf of their own countries only, but on behalf of all those who would later join the ITO. It was the work of this Preparatory Committee which had made possible the Havana Conference and the setting up of the Interim Commission. Governments which had taken part in the work of the Preparatory Committee had not only contributed very much time and work to it, but had also incurred expenses for delegations which in total probably considerably exceeded the sums now under discussion.

Mr. STINEBOWER (United States of America) said that he wished to put the case strongly in an effort to lay the problem clearly before the Committee. He referred to the possible difficulties of a debate in the United Nations' Assembly mentioned by the Representative of the United Nations because of the possible lack of information of some of its members, and hoped that when the matter came up, the lack of information would apply only to Delegates, not to the Secretary-General. He thought that the United Nations' communication, reproduced in Document ICITO/EC.2/4/Add.1, was not only uninformative but uninformed. The United States had never taken part in a "Geneva Conference", but had been a member of the Preparatory Committee of the

International Conference on Trade and Employment. The Preparatory Committee was a United Nations Committee and had been established by the Economic and Social Council. The expenses should therefore obviously be borne by the United Nations. He did not see how the form and size of the budget could make a difference. He quoted the cases of the establishment of the World Health Organization and of the International Refugee Organization. If any detailed cost accounting of all the meetings required by the IRO had been kept, he did not doubt that the sum would be very large indeed. No question however arose as to whom should shoulder the charges. With regard to the Havana Conference, he said that before the Assembly had approved general rules for the convocation of International Conferences, it had adopted a temporary rule enabling the Economic and Social Council to call conferences on matters of health and international trade. One of the first items to be presented at the first meeting of the Economic and Social Council, and the only substantive item was the proposal which he himself had presented for convening a Conference on Trade and Employment. He had also pointed out at that time that such a Conference might be expensive and in view of the fact that the United Nations' finances had not yet been settled, he had submitted that the charges for the conference be paid by the host nation, and the United States had offered to act as host. However, the United States for budgetary reasons could have taken over such charges only if it issued the invitations itself.

The offer was appreciated but rejected on the grounds that the United Nations should assume the responsibilities for the project, and accordingly should take charge of the

expenses. Therefore, he felt that on grounds of principle the Executive Committee should advise the Conference to ask the United Nations to bear the cost of the Havana Conference as well.

Mr. TONKIN (Australia) expressed his complete accord with Mr. Stinebower. The Committee should not sacrifice principles for expediency. The two reasons advanced against this, the desire to avoid discussions in the United Nations' Assembly and the large sums involved, were not sufficient arguments against the principles clearly laid down in paragraph 2 of the Executive Secretary's note and in pages 5 and 6 of his letter to the Secretary-General of the United Nations; further, paragraph 11 of the Executive Secretary's note provided a strong legal case for the maintaining of the position originally taken. Further arguments were:

1) the United Nations held it as one of their functions to convene conferences.

2) when the Preparatory Committee was set up by the Economic and Social Council, that body was aware of the fact that lengthy discussions would be necessary;

3) there was no stipulation for payments;

4) it was understood that tariff negotiations would be held by the Preparatory Committee.

The fact that all these meetings had cost more than those required to set up other specialized agencies was not an argument, and if the United Nations had to replenish the Working Capital Fund, this could be done by the annual contributions of Members.

Mr. PEDROSA (Philippines) said the ICITO had shown its adherence to principles in confirming to the Secretary-General of the United Nations the Executive Secretary's

commitment to reimburse advances made to the ICITO. He thought consequently that the ICITO should not shrink from the debate in the Assembly. The Executive Secretary in his letter to the Secretary-General had presented a very good case. He therefore suggested that a line should be drawn at some point up to which charges should be borne by the United Nations.

Mr. POLITIS (Greece) said that he had not wished in any way to under-rate the work of the Preparatory Committee. On the point of who should pay for expenses, he asked who would have to pay if the ITO did not come into existance. There was no doubt that up to the time of the Havana Conference these charges would have to be met by the United Nations.

Mr. NICOL (Observer New Zealand) asked whether he was correct in assuming that the Executive Committee could only make the recommendations to the First Conference of the ITO. If so, the position might arise where the United Nations Assembly would be discussing a resolution which was not binding.

The CHAIRMAN referred Mr. Nicol to the terms of reference of the resolution establishing the Interim Commission (Annex, 1 (h)) which instructed it to enter into consultation with the Secretary General of the United Nations regarding the expenses incurred by the Preparatory Committee and by the Havana Conference and to present a report to the First Conference of the ITO.

Mr. STINEBOWER (United States of America) said that at the 5th Meeting of the Economic and Social Council in 1947 at Lake Success, after it had been decided to call a Conference on Trade and Employment, the Cuban Government

submitted that if the Conference were held in Havana, it would bear all the expenses over and above those which would arise if the Conference were held at the United Nations' headquarters. To him, the acceptance by the Secretary-General implied that the United Nations would bear the charges up to a cost equivalent to that of holding a Conference at Lake Success.

Mr. TURNER (United Nations) said that the facts were correct but that the deduction made by Mr. Stinebower was open to question. He added that direct costs $175,875 were met out of the Working Capital Fund and the salary of the United Nations' staff furnished to the Conference for $150,000 were met out of the United Nations budget.

Mr. REISMAN said that Canada had always pressed for systematic financial procedures and hoped his earlier remarks did not detract from this position. He thought the issues were the following: if the Executive Committee pressed for rigid adherence to principles, important as these might be, there would certainly be a debate in the Assembly which would without doubt be controversial, embarrassing and costly; on the other hand, if the question of principle were waived, a more practical and convenient solution would be arrived at. His Delegation was therefore still convinced that it would be wisest if the suggestions of the Secretary-General were adopted.

Mr. SPEEKENBRINK (Benelux) said that notwithstanding the common sense approach of the Delegate of Canada, he supported the view of the Delegate of the United States.

The main question was that of principle; a substantial sum was involved and he thought any Government feeling it should be paid by the United Nations, had good grounds to support this view. Much depended on the nature of the recommendations which the Executive Committee would make to the ITO Conference. He asked whether Committee 5 of the United Nations Assembly would meet after the First Conference of the ITO to consider the latter's decision? Or would there be a report of the Secretary-General to the Assembly before the ITO Conference?

The CHAIRMAN replied that Mr. Speekenbrink's point was similar to that raised by New Zealand, and he explained that if the Executive Committee took a strong stand against reimbursement to the Working Capital Fund, then the Secretary-General of the United Nations might feel compelled to include this item in the budget(for submission to the forthcoming session of the Assembly). If instead it was decided to accept the Secretary-General's view, then any decision by the United Nations could be deferred until after the ITO Conference.

Mr. CHI CHU (China) wished to support the view of the Delegate of Canada.

Mr. SHACKLE (United Kingdom) said that in his initial remarks, he had supported the view that the United Nations should be reimbursed and the debate had confirmed him in his opinion. It had been rightly suggested on grounds of principle that the United Nations should bear all charges up to and including those of the Havana Conference. He also felt that a demarcation line should be drawn at some points and it appeared obvious that this point should be at the end of the Havana Conference. But in attempting to draw a

line, it should be borne in mind that there would be the maximum of difficulty when the matter came up in the Assembly, particularly for those countries which did not at the time intend to participate in the ITO. A controversial discussion in the Assembly might mean that the ITO would start under unfavourable auspices. If instead it were decided that these charges be paid out of the ITO budget, there would be a problem raised by their magnitude which might make it advisable to spread them over several budgetary periods.

Mr. LECUYER (France) said that on a point of principle, there could be no doubt about the decision to be taken. It was true a large sum would be involved, but there might be long discussions in the Assembly and strong reactions which should be avoided. He suggested drawing a line of demarcation and it was for the Executive Committee to decide whether this should be done before the Havana Conference or after.

Mr. Jimenez CASTILLO (Salvador) said this was a particular problem which had to be solved in a particular manner. The Executive Committee could only make a recommendation to the Confernece of the ITO which could either accept or reject the recommendation. On the other hand the Assembly of the United Nations could take a decision and as nearly all Members of one body were Members of the others, the decisions of the Assembly would be binding for most members who would subsequently attend the ITO Conferences. It therefore seemed to him preferable that the matter should be decided by the Assembly. It was true that for the ITO Members who did not belong to the United Nations, decisions of the latter would not be binding on them, but a majority of the Members of the

Conference would be Members of the United Nations and so in effect, a decision of the Assembly would be decisive.

Mr. PEDROSA (Philippines) reviewed the negotiations which had taken place and insisted on his view that there was a very strong case against the Secretary-General's attitude. He thought that the heavy initial charges for expenses of earlier work might operate as a deterrent to some governments joining the ITO.

The EXECUTIVE SECRETARY felt that in all fairness to the Secretary-General he should give a summary history of the decisions relating to the question of the financing of the Second Session of the Preparatory Committee. The Secretary-General had been confronted with the alternative of having to finance the Second Session of the Preparatory Committee and the Conferences by some form of extraordinary financing or find means not requiring supplementary budget allotments. He was anxious to forward the work of the Preparatory Committee and came to the conclusion that it was impracticable to seek supplementary budget allocations which would have meant delay to the work which had to go forward. He decided therefore to make advances out of the Working Capital Fund. At one moment he had considered coming to the Preparatory Committee and requesting the Committee to undertake that the ITO would assure reimbursement, and if the ITO were set up the members of the Preparatory Committee would do so. After consultation with the Executive Secretary he was convinced that this procedure would be inadvisable. The Secretary-General ran some risks in taking this decision, but he felt justified by the importance of the purposes of the Preparatory Committee.

In the course of his discussions with the Advisory Committee he (the Executive Secretary) had been very strongly impressed by the many practical difficulties involved and for that reason he wished to draw the attention of the Executive Committee to the considerations he had set out in page 3 and 4 of his note.

The CHAIRMAN, in summing up the discussion, said several distinct and divergent points of view had been expressed. Some members were in favour of reimbursement on grounds of expediency. The United States Delegate had argued forcibly in favour of the principle but had not excluded, in common with the Delegate of France, the possibility of finding a way out. The Delegates of Benelux, Greece and the Philippine Republic opposed any compromise. The Delegate of El Salvador had argued in favour of leaving the decision to the Assembly of the United Nations. The CHAIRMAN proposed that the question be referred to the Committee on Administration.

The Executive Committee agreed to this proposal.

The meeting rose at 1:15 p.m.