

United Nations

**ECONOMIC
AND
SOCIAL COUNCIL**

Nations Unies

**CONSEIL
ECONOMIQUE
ET SOCIAL**

RESTRICTED
LONDON
E/PC/T/C.V/30
14 November 1946
ORIGINAL: ENGLISH

PREPARATORY COMMITTEE OF THE INTERNATIONAL CONFERENCE
ON TRADE AND EMPLOYMENT

COMMITTEE V

Twelfth Meeting (continued) held on
Tuesday, 12 November 1946 at 3 p.m.

Chairman: Mr. EDWINSTER (United States)

VOTING

Mr. HAUTMAN (Belgium) introduced the memorandum on voting submitted by the Delegation of the Netherlands and the Belgo-Luxembourg Economic Union (E/PC/T/C.V/21 of 9 November). He said that these Delegations regarded the question as highly important and as calling for good will and understanding in its solution.

On the principle of the legal equality of all nations, he agreed with those Delegations which had supported the principle of one country one vote laid down in Article 53. This meant that every nation, whatever its size could be heard in the Conference and could expound its ideas, desires and demands. This situation flowed from the principle of legal equality and was essential for a spirit of confidence and co-operation within the ITO. For the same reason his Delegation and that of the Netherlands rejected the weighted vote, and also desired to retain unamended the wording of Article 58 (Executive Board - Voting).

Nevertheless, they agreed with the Delegates of France, Norway and Czechoslovakia that the great economic powers should have permanent seats on the Board. Precedent for such an arrangement could be found in the Charter of the United Nations, which established similar distinctions inside the Security Council between great powers and others; and in the constitutions of many of the specialized agencies. The Draft Charter itself, in its provisions relating to inter-governmental

commodity arrangements, allotted a varying representation to Member countries according to the importance of their respective interests in the importation or consumption of a particular product (Article 47 (2)).

The two Delegations might have argued, with the Delegates of South Africa and Canada, that nations with different economic interests must necessarily shoulder different responsibilities. They felt, however, that they would be on firmer ground in pointing out that all Members were interested in guaranteeing the future of the ITO and ensuring that its ends were realized. All must have been impressed by the great scope of these ends as shown in the debates of the five Committees, and hence the importance of the economic and financial measures which must be taken to realize them. Any programme for the expansion of exchanges must depend on the co-ordinated action of the chief economic powers, which itself must depend on technical and financial assistance. Such action on an international scale would only be possible if such powers were permanently represented on the Executive Board. The great powers were in a numerical minority both in the Board and in the Conference, and could not possibly obtain exclusive control of the Organization.

The Memorandum was not meant to set out any precise criteria of the economic importance of a country. These must be worked out by the Conference under the protection of the two-thirds majority vote. Satisfactory criteria had been found in the past for organizations as elaborate as the ILO, which had a social as well as an economic range. The task would be easier for a commercial organization, which would naturally (without prejudice to anything the Conference might decide) base its criteria on the volume of external trade of each state as indicated in official statistics.

The two Delegations would be delighted to hear their Memorandum discussed and amended. Their one desire was to help the Committee to find a formula on which to agree.

The CHAIRMAN, summarizing the previous discussion, said that three major categories of propositions had been advanced:

1. Voting in the Conference and the Executive Board should proceed on the lines of the Draft Charter.
2. It should follow the principle of one country one vote, as in the Charter, but certain countries should have permanent seats on the Board.
3. Voting (at least in the Conference; concerning the Executive Board the discussion had not been so clear) should be weighted, with or without permanent Membership of the Board.

He thought that little would be gained by considering the third proposition further at the present stage, and that the suggestions of the United Kingdom Delegation should simply be noted in the Report. Perhaps those Delegates who had expressed some measure of sympathy for the weighted vote might join with the British Delegate in formulating their views for the benefit of the Interim Drafting Committee. The Committee must give the Drafting Committee as complete and as clear an expression of its various views as possible, so that the Drafting Committee might formulate the majority and minority views on any given subject. For the rest of the discussion, however, he suggested that the Committee should assume that the principle of equal voting would apply in the Conference - which had been the opinion of the majority - and should proceed directly to discuss Membership and procedure in the Executive Board, in an attempt to secure as wide a basis of agreement as possible.

Three more major categories of opinion had been expressed on Membership of the Board:

1. All Membership should be on the same basis, as provided in Article 57.
2. No express provision for permanent Members as such should be made, but five, or some other number, of Members should be

eligible for immediate re-election and the remainder should be elected by rotation.

3. Express provision should be made for permanent seats.

The first two of these suggestions would involve only slight modification of the present text. The third would involve more substantial amendment, and would probably need to be considered by a special Sub-Committee, which would probably have to consider, among others, the following questions:

1. What principles and procedure should apply in the selection of the non-permanent Members?
2. What consequential changes would be necessary in Chapter VII?
3. What additional safeguards, if any, would be necessary to protect the vital interests of particular Members?

The Committee would not greatly help the Drafting Committee, if it did not carry its formulation somewhat beyond the express provision for a certain number of permanent seats, though how far it could do so without going into undesirable detail would have to be considered.

Mr. PARANAQUA (Brazil) opposed any suggestion to give a privileged vote in the Conference and on the Executive Board, maintaining that the result would be that certain countries would not be prepared to accept the will of the majority, but would succeed in imposing their own. He agreed, however, that it was reasonable, within the Executive Board, to consider the economic or commercial importance of some countries. They would not have greater responsibility on the Board; but they had wider interests, and the problem was how to take account of those interests. Statistics of the League of Nations attributed to the United States 13.8 per cent of the total world trade, to the United Kingdom 10.4 per cent, to the Indian Group 15.10 per cent, to Latin America 2.0 per cent, to Africa 4.6 per cent, and to Oceania 3.3 per cent. In considering permanent representation on the Board, it would

be reasonable to consider the League grouping of the countries of the world into Europe, Africa, North America, Latin America, Asia and Oceania. For that purpose Article 57 (1) might be re-drafted as follows:

1. The Executive Board shall consist of twenty Members of the Organization.
2. Subject to the provisions of paragraph (3) of this Article, one half of the Membership of the Executive Board shall serve for a term of five years, and shall be appointed by the Members of the Organization having the largest share in world trade and belonging to the following trade groups: Europe (two Directors), North America (two Directors), Latin America (two Directors), Asia (two Directors), Oceania (one Director) and Africa (one Director). The other half of the Membership of the Executive Board shall be elected each year by the Conference, amongst the Members not having appointed any Executive Director. A retiring Member shall be eligible for immediate re-election.
3. Any change in the relative position in world trade of a Member country appointing an Executive Director shall be taken into consideration at the end of each term of five years, and the Executive Board shall make recommendations to the Conference in order to implement the preceding paragraph.
4. Each Member of the Executive Board shall have one representative and may appoint alternates and advisers to its representatives.

Thus permanent seats could be allotted in practice without being specifically provided, and the special provision of the different groups and of the countries composing them would be acknowledged.

Mr. HAUTMAN (Belgium) observed that the distinction between nations of major economic importance and nations with particular interests went some way towards reconciling the proposals of the United Kingdom with those of the Draft Charter. If, however, Delegates were agreed that the

most powerful countries should have some special representation, there seemed no value in considering the geographical position of a country, which was not necessarily a criterion of its economic importance. If, on the other hand, geographical position was made a criterion, countries like the United Kingdom, the Netherlands and Belgium would have an advantage, for they would be represented by a whole director for their continent and a fraction of a director for their colonies. The Belgian and Netherlands proposal followed Article 23 of the Charter of the United Nations, which provided for eleven Members of the Security Council of which five were permanent and the remainder were elected by the General Assembly, due regard being paid to the contribution of Members to the objects of the Organization and also to equitable geographical distribution. He commended a similar system to the Brazilian Delegate and the Committee.

Baron van TUYLL (Netherlands) added that his Delegation would employ the criterion of economic importance for the permanent seats and geographical situation for the non-permanent. The Brazilian proposals seemed to establish criteria for the permanent seats only.

Mr. LAURENCE (New Zealand) said that his Delegation believed that adherence to the Charter by the major trading nations was important not only for the entry of the Charter into force but also for the very success of the Organization. To give each state one vote would not solve the problem of enlisting the full support and co-operation of the major trading nations. It was quite wrong that the vote of a major country should be negatived by the vote of a state with very little interest in international trade. The position might arise in which one or more major nations adopted policies adverse to the operations of the ITO. Weighted votes on the Executive Board would not sufficiently offset the disadvantage of equal votes on the Conference, for the Conference had, by Article 55, final authority to determine policy, and the successful

working of the Organization would depend on policy much more than on its administration by the Board.

Though under a single vote system the vote of one country would be worth more than under any system of weighting that was likely to be generally acceptable, the position would be in reality that, if a major nation found that it had no say on policy in the Conference, it would withhold its co-operation. The principle of weighted voting should therefore be introduced into Article 53. His Delegation had not worked out a system, but emphasized external trade rather than national income; it had not yet decided whether the absolute volume of external trade should be the basis, or the volume expressed in relation to population. Weighted voting was highly complex. The Brazilian Delegate had introduced into his argument for geographical representation, on bases which were not at all consistent with the democratic principles he had advanced in discussing voting in the Conference. Inconsistencies of this kind were the inevitable result of any over-simplification.

Mr. BURY (Australia) agreed that the Drafting Committee should be requested to set out alternative schemes corresponding to the suggestions of Delegates. The Committee should not postpone any decision on which it could reach finality, but governments were acutely sensitive on these questions and needed time to consider many of the propositions which had been advanced. It would be better to discuss these at Geneva in the spring, assisted by the Drafting Committee, than to formulate agreement now and find later that some governments desired to withdraw from it.

Mr. HOLMES (United Kingdom) agreed substantially with this view. He suggested that the Drafting Committee might work out the kind of position that would be reached under various alternative systems of weighting the vote. This would not commit governments in any way. Delegates would have a better appreciation of the British proposals if they could be translated into such concrete terms. The afternoon's discussion had shown that

certain criticisms of the British proposals with the Fund and the Bank were not well founded. It had been very properly pointed out that the success of the ITO must depend for some years on the strong support of those countries which had a large share of international trade and were economically important. The Draft Charter which would result from the present discussions would provide a certain element of mutual aid for all Members and would oblige economically important countries to help in the industrial development of the under developed countries - in other words - to make a larger contribution than that of the smaller countries.

The CHAIRMAN said that the Heads of Delegations took the view that the Interim Drafting Committee should be a purely technical body and have no fact-finding or substantive functions. It should not therefore be charged with such duties as the study of weighting indices, or the drafting of alternative recommendations for weighting. He therefore repeated his invitation to those Members who sympathized with weighted voting to endeavour to concert their ideas and reach agreement on some more precise scheme, or alternative schemes for the guidance of the Drafting Committee and the consideration of the Preparatory Committee when it reassembles in the spring.

Dr. ALAMILLA (Cuba) reaffirmed his Delegation's desire that every Member should have a single vote. Their instructions were merely to support the Draft Charter, but his personal view was that the Cuban Government would not prove unreceptive to the suggestion that some provision be made for permanent seats, the principle of which had already been accepted by the United Nations. The Belgian Delegation had in their Memorandum (E/FC/T/C.V/21) supposed an Executive Board consisting of fifteen Members, six permanent and nine non-permanent. The Belgian Delegate had, however allowed in his speech for twenty Members, eight permanent and twelve non-permanent. He thought that possibly the larger number had been suggested in view of the fact that

if only seventeen or eighteen nations brought the Charter into force, and fifteen were placed on the Board, the position of the few who were excluded would be difficult. If the Board was to consist of twenty Members, the number of permanent seats should not be stated definitely, but only within limits. No-one could predict the actual size of the Board at the start, and if the Charter provided for five or any other definite number of permanent seats, those would be filled at once after keen competition, and those major countries which were excluded would lack incentive to continue supporting the Organization. The Conference should decide the number of permanent and non-permanent seats on information more complete than that available to the present Committee. Moreover, retiring Members should not be immediately eligible for re-election. Members so eligible would in all probability be re-elected. The aim should be the contrary one of giving every Member a chance of serving on the Executive Board as early as possible.

Were the permanent Members to take part in electing the non-permanent? They would inevitably have an unfair preponderance, and should not vote in this election. The danger would exist that a group of nations might capture control of the Organization at the beginning and that others might be deterred from adhering to the Charter. To avoid this, a rota of non-permanent Members should be established, on an alphabetical or ballot basis, or, better still, on a basis that took due account of geographical distribution and the different stages of development of different countries. This would meet to some extent the Brazilian's Delegate's suggestion.

H.E. Mr. COLBAN (Norway) said that, in suggesting that five of the Board should be eligible for immediate re-election, he had not intended to provide permanent seats, but to make a system under which the leading commercial powers would be certain to be properly represented without being specifically named in the Charter. The

Board should on no account be larger than fifteen. The present Meeting of the Committee was attended by seventeen Delegates, and he could not imagine it fulfilling detailed executive tasks. As to voting in the Executive Board, he thought the same system as in the Conference should apply - one country one vote - though he was open to conviction. He could not imagine that any great commercial power would be out-voted on any issue in which it had a real interest. No reasonable proposal was likely to be voted down by a majority of unreasonable Members. International bodies habitually listened with greater interest and respect to the representatives of a nation which was eminent in the matter under discussion than to the representative, however eloquent his speech, of one which had no particular interest in it.

Mr. le PAN (Canada) said that, in their support of the principle of weighted voting, his Delegation could not admit that it was undemocratic, nor that it would impose the will of a minority. On the contrary, if the single vote were adopted, the situation might easily arise in which a coalition of countries which did not enter significantly into world trade might outvote the countries of chief economic importance - a really undemocratic result. The formulation of a system of weighted voting was not particularly difficult; but it was very detailed. He would be very willing to take part in an attempt to produce a memorandum, but this could not in any sense be definitive. It might result in a closer approximation to a system which would commend itself to a majority of the Preparatory Committee.

Mr. DAO (China) said that China had not changed her position in regard to the voting system since the Committee last discussed the subject.

As regards Membership, the Chinese Delegation had an open mind. But he wished to make two points:

1. China had no objection to an increase of the Membership from fifteen to not more than eighteen, but provision should be made for a smaller number in the event of the Charter being brought into force under Article 78, paragraph 3.

2. In the matter of permanent Members, there were two possible courses:

(a) Either to specify the names of the permanent Members in the Charter; or

(b) to adopt certain principles and procedures as a guide to the Conference, in their election.

It was obvious that economic and geographical factors would operate in determining the relative claims of the different countries. But it was essential in that connection to bear in mind, not only the actual, but also the potential, importance of the factors in question.

Furthermore, in allotting the seats, they had to provide for the possibility of new accessions in the future.

Mr. BURY (Australia) explained that in suggesting that the Board be increased to twenty, his Delegation had assumed that it would be discussing so many and such complicated subjects that it would have to do much of its work in Sub-Committee. He agreed that fifteen was too large a number to discuss questions of detail.

The CHAIRMAN said that he proposed, rather than appoint a Sub-Committee, to ask the Committee's two Rapporteurs to prepare at once the part of their summary which would deal with voting. Their report should place clearly in juxtaposition the various suggestions that had been made. They might perhaps suggest how some of the proposals would cancel out others or could be reconciled to them, and how divergencies might be narrowed if not abolished. The report might be prepared in a form suitable for incorporation in the whole report of the Committee to the Conference; it would be copied and distributed to Members - he hoped

LONDON
E/PC/T/C.V/30
Page 12.

before Thursday 14 November, when the Committee might resume discussion and see rather more clearly how the suggestions appeared in relation to one another. The Committee would then have an opportunity of placing on record any further suggestions that it saw fit, and the Preparatory Committee could start next spring from that position.

This was agreed.

The Committee rose at 6.15 p.m. until 3 p.m. Wednesday, 13 November.
