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SOCIAL COUNCIL**

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PREPARATORY COMMITTEE OF THE INTERNATIONAL CONFERENCE
ON TRADE AND EMPLOYMENT

COMMITTEE V

Eighth Meeting
Held on Wednesday, 6 November 1946 at 3 p.m.

Chairman: **Mr. L. R. EDMINSTER** (United States)

The **CHAIRMAN** reminded the Committee that a full discussion on the voting provisions of the Charter had been postponed pending receipt of a United Kingdom proposal on this subject. This proposal had since been circulated and he therefore called on the United Kingdom Delegate to open the debate.

Mr. **HOLMES** (United Kingdom) explained the contents of the United Kingdom Memorandum which had been kept as brief as possible as it was considered that the task of working out a scheme for weighted voting, should this be agreed to in principle, could appropriately be undertaken by the Drafting Committee that would be set up at the end of the present session. His Delegation's view was that in considering the weight to be given to the views of each member, due regard must be paid to the extent to which members of the organization participated in international trade since that was the true criterion of their interests in an organization of the kind proposed. While the principle of one state one vote might have much to commend it on the grounds of mere simplicity, the nature of the field which the International Trade Organization will cover was such as to lend itself very appropriately to a certain functional recognition. The Memorandum called attention to the provisions made in

the earlier United States' proposals whereby a certain number of seats on the Executive Board would be reserved permanently for certain countries - a provision which was not incorporated in the present Draft Charter. The memorandum called attention also to the corresponding provisions that are to be found in the conventions or agreements establishing other international organisations of a character similar to that of the proposed ITO. The manner in which the United Kingdom proposal might be given effect to was suggested in very general terms which he did not feel needed elaboration at this stage. He desired, however, to suggest that under the United Kingdom proposal, the position of countries who felt that their economic potentialities as well as their actual share in international trade should be given due recognition had been adequately provided for by the suggested periodic review. Account would thus be taken from time to time of any marked changes which may have taken place in the relative contributions of the various members to world trade.

Mr. TAIT (Observer for the International Labour Office), said that the constitution of the ILO provided that, of the sixteen Government representatives eight should be appointed by the members of chief industrial importance. Six of the government representatives on the governing body must represent non-European states. The criteria for determining the economic importance of states had caused certain difficulties; but they were not insuperable. At the first meeting of the International Labour Conference in 1919 a list had been improvised by the organizing committee. Certain excluded states had protested, and the question had come before the Council of the League of Nations. With the assistance of expert advice, detailed criteria had been worked out in 1922 and had been applied until 1934, when one of the eight states of chief industrial importance had resigned, and two more states of indubitable industrial importance had been admitted. As one or two states hitherto regarded as of

chief industrial importance would have to retire, the question came again under review. In 1935 the Governing Body had drawn up a set of criteria which, with one modification introduced in 1940, were still valid:

1. The scale of contributions to the League of Nations established by the Assembly of the League on the basis of national wealth.
2. A criterion based on the table of the industrial importance of states prepared from statistics compiled by the League Secretariat for its Index of World Production.
3. The table of the volume of foreign trade, both exports and imports, prepared from the statistics compiled by the League Secretariat.
4. Total figures of the occupied population.

The above criteria had been adopted in spite of some protests, but the situation had been made easier by the secession of Germany, Italy and Japan, so that states which had lost their seats regained them.

A vacancy had occurred in 1944, but the war had made it impossible to apply the criteria; a provisional appointment had been made on the understanding that the whole list would be reviewed as soon as circumstances allowed.

This formula had permitted the reservation of quasi-permanent seats for the states of chief industrial importance while avoiding complete rigidity. No other formula which would achieve these results had been devised.

In answer to a question by Mr. COUILLARD (Canada), Mr. Tait added that the Governing Body had decided, on the advice of the committee of experts, that the weighting of the four criteria should be in the proportion 3-3-3-1.

Mr. CABAL (Brazil) opposed the British memorandum. Article 53, he said, conserved the democratic principle of the equality of nations, the very foundation of international relations and law. To make the criterion of a country's interest in the organization its participation in international trade was not just. Countries whose participation was limited might take as keen an interest as the great commercial powers; indeed, in the initial phase of commercial expansion a keener interest, since they will have a greater desire to increase their capacity to buy and sell abroad. Moreover, it is not always the economically powerful who suffer most when trade is seriously contracted; more often the under-developed countries were the ones most seriously affected because of their vital dependence on international exchange. To grant special privileges in the organization to a few powers would be detrimental to the very spirit of co-operation which it is the purpose of the organization to foster. Organizations such as the Bank and the Fund which had already adopted a weighted voting procedure were essentially different in character from the proposed ITO. His Delegation believed too that any voting system based on the volume of trade or on national income would present serious difficulties. It was hoped, therefore, that the proposal as set forth in the United States Draft Charter would be adopted without change.

Mr. KELLOGG (United States) explained that the United States Government had refrained from inserting a proposal for weighted voting into Article 53 because, first of all, they had considered that the democratic principle should apply. As the French Delegate had previously pointed out, a small country might be as seriously involved in a question before the Organization as a large one. They had also followed the precedent of the United Nations Charter, which allowed only one vote to each Member in the Assembly. To meet certain special requirements, Article 55 (2) and (8) provided for a two-thirds instead of a simple majority. Similarly, in connection with the commodity agreements, special provisions had been included to

safeguard the position of those countries most directly concerned. His Government had also been much influenced by the difficulty of finding a formula acceptable to most potential members of the Organization, which, it was felt, ought to have as broad a membership as possible. Similar considerations accounted for the omission of any provision for permanent seats on the Executive Board: in accordance with the democratic principle, no such special provision had been made in connection with membership of the Economic and Social Council; while again it had been found that almost all proposed formulae were likely to be unacceptable for one reason or another to a great many countries who it was hoped would become members of the Organization.

Mr. QURESHI (India) expressed complete agreement with the views of the United States Delegate. His Delegation supported the principle of one country one vote irrespective of its size or importance. Acceptance of this principle would create goodwill and trust, and would ensure for each country due respect for and protection of its interests. At the same time, while his Delegation would be reluctant to change its position in this matter, it would be prepared, should there be any strong support for some alternative system, to give it their careful consideration. The criteria suggested by the United Kingdom, however, would not be entirely acceptable, since undue weight would be given to certain small interests while much larger interests would be neglected. The ILO criteria seemed to be more satisfactory, although if the principle of equal voting were to be abandoned, the criterion which should be given the greatest weight, from the democratic point of view, should be population. National wealth would be a preferable criterion to national income, but there were a number of other considerations that would need to be taken into account. The proposals contained in the United States Draft Charter, however, were the most fair and equitable.

Mr. BURY (Australia) stated that in general his country strongly supported the principle of one country one vote in all international gatherings. They were quite prepared, however, to examine alternative proposals and if it could be shown that a weighted system which took account of the different degrees of interest in and dependence on international trade of different countries, would be more just and equitable, his Delegation might modify its views on this issue. Turning to the criterion suggested by the United Kingdom Delegate, he considered that substantial weight should be given to the first criterion mentioned since this would ensure that no nation's voice was so small that it would not count for something. The second criterion was clearly of major importance if any system of weighted voting was to be adopted. In the opinion of his Delegation, however, national income would be a very unsuitable criterion to apply in the case of the ITO. Decisions should not be weighted in favour of a country whose national income may be large but whose international trade is relatively small. On the other hand, if a country had both a large national income and a proportionately large international trade its position would be safeguarded by virtue of the weight given to the second criterion suggested by the United Kingdom. He proposed that if the weighted system was to be considered, a third criterion should be the relative importance of international trade to individual countries. In the case of certain countries, any substantial collapse of trade can paralyze the whole of their economic life. The position of such countries would be the more serious if they were liable to be overborne in international councils by countries that are much less dependent on international trade. As Mr. Wilcox had said in his opening speech, the strangulation of trade would necessitate for the United States a difficult readjustment; for others, it would spell catastrophe.

Mr. BENDA (Czechoslovakia) said that in the opinion of his Delegation, which fully adhered to the principle of one State one vote, the Conference should be a democratic body responsible for the broad policy of ITO. Its system of voting should conform to the accepted principles and to the practice for assemblies or conferences of other international organizations. The introduction of any alternative system of voting would necessitate modification of other agreed articles of the Charter. Moreover, since for certain decisions qualified majorities are necessary, a weighted system of voting based on such criteria as had been suggested, would possibly endanger the interests of less developed countries who would be easily outvoted. On the question of membership of the Executive Board, his Delegation considered that the great Powers should have permanent seats, as on the Security Council. The criteria for determining a "great Power" should not be purely commercial.

Mr. MERINO (Chile) reserved the right to express his Delegation's opinion after it had consulted its government. His government had accepted the invitation to attend the Conference on the basis of the United States Draft Charter and the British proposals changed that basis fundamentally. He did not believe that his Delegation would be able to accept them.

Mr. PARANAGUA (Brazil) said that the ITO would not be a political organization nor would it be of the same character as some of the others that had been mentioned. The ITO had judicial functions, and in every court each judge had an equal vote. A weighted vote would handicap the organization from the beginning and disappoint many countries. The rule of a two-thirds majority would be a sufficient guarantee that no important decision was taken against a large trading country.

Mr. MORAN (Cuba) declared that his Delegation supported the principle of equal voting as put forward by the United States.

Mr. DAO (China) said that his Delegation always supported the principle of one member one vote. In his opinion, however, a system of weighted voting might be admissible if it could be established that the obligations assumed by some members will be greater than those assumed by others and that there is a common standard which can be measured with some degree of accuracy and by which the importance of the contributions made by different members to the work of the organization might be assessed. His Delegation, however, seriously doubted whether the British proposals were practicable. The suggested criteria were variable from year to year and the methods of estimation were vitally different from one country to another. Both on absolute and relative terms, the obligations imposed on members under the Suggested Charter were identical. His Delegation, therefore, were in favour of the voting provisions as drafted.

Baron VAN TUYLL (Netherlands) reserved his Delegation's position.

Mr. HOUTMAN (Belgium), also desired to reserve the position of his Delegation pending consultation with his Government.

H. E. Mr. COLBAN (Norway) recalled that at a previous meeting he had expressed general agreement with the French Delegate's statement in favour of an equal vote for everybody in the Conference of ITO. In his personal opinion, it was imperative that the great trading powers should have a special position on the Executive Board. With respect to the majority (i.e. non-permanent) members of the Board, he would like to see a system of rotation introduced.

Mr. COUILLARD (Canada) said that on a first impression he would be inclined to support the United Kingdom proposal, namely that a system of weighted voting should apply in the Conference. Representatives of the major countries should enjoy a strength reflected from their economic power, in the

Conference, rather than on the Board. He did not understand clearly what the British proposals intended for the Board, and would reserve for the time being his Delegation's view so far as Board voting was concerned. The membership of the Organization should be on as wide a basis as possible, and should be based on functional principles. Once a member has adhered to the principles of the Charter, of this specialized agency, its voice in the Conference should be proportioned to its real importance, its interest in and contribution towards, the objectives of the Organization. The formula for assessing the relative weights should certainly be reviewed periodically. Alternatively, it might be based on a running three-year average, beginning with a base period probably immediately pre-war.

Mr. NJIDE (South Africa) saw the issue as a question of whether the varying interest and contribution of the members should be recognized. The term "democracy" was often misapplied; the organization would not be democratic if its Executive Board had permanent seats on it. The United Nations was not a democratic body; the veto vitiated the whole principle of democracy. The responsibility and leadership of countries varied widely and must be considered. The British criteria invited further exploration. An immediate final decision would be most unwise. The Drafting Committee might well devise criteria that would satisfy all members while incorporating in the Charter the concept underlying the United Kingdom proposals.

Mr. PARANAGUA (Brazil) pressed for an immediate decision on the proposal.

The CHAIRMAN pointed out that a majority of members had already indicated a preference for the system of one country one vote, and nothing would be gained by a show of hands. The discussion was quite preliminary and tentative. He suggested that those members who had favoured some kind of weighted voting or who had at least indicated a willingness to consider it, should constitute themselves a small

sub-committee to prepare an alternate draft provision. It was not essential that this issue be resolved at this meeting of the Preparatory Committee.

Mr. P-LINEY (France) proposed as a compromise that article 55 should be left as it stood, that permanent members should be admitted to the Executive Board and that the provisions of the Charter should be carefully re-examined with a view to safeguarding the vital interests of certain States by providing for a two-thirds majority vote on more important questions.

The CHAIRMAN suggested that it might be best to let the matter of voting in the Conference rest for the time-being and to proceed to a discussion of Article 57.

Mr. COLMAN (Norway) supported the Chairman's proposals that those who saw merit in the United Kingdom memo should consider it further among themselves and that the Committee meanwhile should take up Article 57.

Article 57. Executive Board - Membership

Mr. LAWRENCE (New Zealand) remarked that the Board must consist of fifteen members, but that by article 76 (5) the Charter might be brought into force by fewer members, in which event it would not be possible to give effect to paragraph 1 of Article 57.

Mr. HOLMES (United Kingdom) suggested that words might be added permitting the Board to be constituted by a smaller number corresponding to the number of members bringing the Charter into force.

Mr. BURY (Australia) considered the provision of permanent seats on the Board for the principal trading nations unnecessary, for he could not envisage them not being automatically re-elected. If the Conference failed to re-elect them the future of the Organization would be bleak. In his Delegation's view, the membership of the Board should be nearer twenty for it was hoped that all the United Nations and several others would join the Organization. In the election of members, due regard should be paid to adequate geographical representation.

Mr. QURESHI (India) agreed, and suggested twenty as a fitting number. Specific reference should be made in the Charter to the necessity of adequate geographical representation on the Board.

Mr. COUILLARD (Canada) desired provision to be made for the attendance of members of the Organization other than members of the Board at its meetings when matters especially affecting them were discussed. Article 31 of the United Nations Charter left in doubt the conditions under which non-members might attend the Security Council; and as a result their participation had been restricted. That error should not be repeated in the Charter of the Organization. It was his Delegation's intention to suggest the inclusion of a paragraph on the following lines:-

"Any member of the Organization who is not a member of the Executive Board shall be invited to send a representative to any meeting of the Board called to discuss a matter of particular and substantial concern to that member. Such representative shall, for the purpose of such discussions have all the rights of Board members, except the right to vote."

H.E. Mr. COLBAN (Norway) said he disliked the provision making retiring members eligible for immediate re-election. He preferred a reasonable rotation. A Board of fifteen or even eighteen, with an organization of ~~forty-five~~ or fifty members, should provide for reasonable rotation and this, in turn, would ensure geographical distribution. He would favour some such wording as: "the Executive Board shall consist of fifteen members of the organization elected by the Conference, five of whom shall be eligible for immediate re-election." In practice, that would mean that the leading commercial powers would be assured of permanent seats.

Mr. QURESHI (India) maintained that, if permanent seats were to be provided, they must be equitably and fairly distributed, with regard to the importance of the commercial powers and to geographical representation. If no provision were to be made for permanent seats, election should be free and without reservation. It would be most objectionable to enact that five members only should be re-elected, and to ask representatives of smaller powers not to stand. To provide for the automatic re-election of the major powers would be equally undesirable.

Mr. HOUTMAN (Belgium) suggested that the same principles, *mutatis mutandis*, should be applied as in selecting the personnel of the Secretariat.

Mr. PALTHEY (France) agreed with the Norwegian Delegate on the desirability of providing for permanent membership combined with rapid rotation of the non-permanent seats.

Mr. HOLMES (United Kingdom) suggested that discussion of both permanent seats and voting should be adjourned partly because two delegations wished to consult their governments and partly because the Committee needs more time to study the British memorandum. He did not consider that the accusations directed against the United Kingdom of being undemocratic, in submitting its proposals, were very soundly based. It was not really democratic, for example, to suggest that the United Kingdom and all the various territories associated with her, many of which enjoyed very effective autonomy in the matters covered by the Charter, should have only one vote in a highly specialized organization such as the ITO. He thought, however, that the best procedure would be to continue the discussion on a later occasion after further thought had been given to the United Kingdom proposals and to the points that had been raised in the course of the morning's debate.

The Committee adjourned at 6.00 p.m.
