

**PREPARATORY COMMITTEE  
FOR THE  
WORLD TRADE ORGANIZATION**

RESTRICTED

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SUB-COMMITTEE ON BUDGET,  
FINANCE AND ADMINISTRATION

**RELATIONSHIP BETWEEN ITC AND THE WTO**

**Note by the Secretariat**

**A. Introduction**

The Preparatory Committee for the WTO has been mandated *inter alia* "to prepare recommendations for the consideration of the competent body of the WTO or, to the extent necessary, take decisions or, as appropriate, provisional decisions in advance of the establishment of the WTO, with respect to the recommendations submitted to it by the Chairman of the Sub-Committee on Budget, Finance and Administration . . . in cooperation with the Chairman of the GATT Committee on Budget, Finance and Administration, assisted by proposals from the Secretariat on . . .

- (vi) the relationship between the ITC and the WTO".

This note is intended to provide the factual background to enable the Sub-Committee to take a view on the matter.

**B. Origin and Evolution of the ITC**

The ITC had its origins in the International Trade Information Centre which was established within the framework of GATT in March 1964. In establishing the Centre the CONTRACTING PARTIES were guided by the desire to make a contribution to the efforts of developing countries to expand their exports. It was decided that in the initial phase of operations the Centre would concentrate on the following:

- (a) establishment of a "documents centre" - and operation of a "clearing house" for trade information;
- (b) provision of a "correspondence-answering service";
- (c) publication of a "Register of Sources of Trade Information";
- (d) publication of the "International Trade News Bulletin", in a form designed to meet the special needs of the less-developed countries;
- (e) preparation of a manual on efficient means for establishing and operating export promotion services;
- (f) arranging for and, as appropriate, provision of training facilities or courses in export promotion techniques.

In 1967 the Director-General of GATT proposed that within the United Nations Export Promotion Programme, in which UNCTAD and GATT had been participating, a joint GATT/UNCTAD international trade centre should be established for the purpose of assisting the export promotion efforts of the developing countries. The suggestion was based on a recognition of the fact that while Article XXXVIII 2(e) of Part IV of the GATT envisaged the provision of trade information and promotion services by the GATT, this was also an important preoccupation of UNCTAD. In the circumstances pooling of resources between GATT and UNCTAD for the purposes of assisting the developing countries by providing trade information and promotion services was a desirable course of action. The objective, as well as the administrative and financial arrangements, of the ITC were outlined in the Director-General's proposals as follows:

1. Within the United Nations Export Promotion Programme, in which UNCTAD and GATT are participating, there would be established a joint International Trade Centre, for the purpose of assisting the export promotion efforts of the developing countries by:
  - (a) providing trade information;
  - (b) providing trade promotion advisory services;
  - (c) arranging training in export promotion;
  - (d) undertaking studies on specific aspects of trade promotion and marketing;
  - (e) providing substantive support for export promotion projects financed under United Nations technical cooperation programmes.
2. The Centre would be headed by a Director appointed by agreement between the Secretary-General of UNCTAD and the Director-General of GATT. In the discharge of his duties, the Director would act under the joint guidance of the Secretary-General of UNCTAD and the Director-General of GATT, who would each designate a senior officer from their respective staffs to assist them for this purpose.
3. An annual report on the Centre's activities would be submitted to the Trade and Development Board of UNCTAD and to the CONTRACTING PARTIES of GATT, who would make appropriate recommendations and take appropriate steps for provision of budgetary resources for the programme recommended. The Trade and Development Board and the CONTRACTING PARTIES may wish to establish a joint advisory group consisting of government experts. This group would meet annually to review the activities of the Centre and formulate recommendations to the governing bodies. The report on the Centre would also be made available to the coordinating body of the United Nations Export Promotion Programme.
4. The budget of the Centre would be shared between UNCTAD and GATT.
5. The operational activities of the Centre would be financed primarily through technical cooperation projects requested by governments under the United Nations technical assistance programmes and through voluntary contributions to the Centre in the form of money and services.
6. In addition to its own resources, the Centre would rely to the fullest extent possible on the existing staff and facilities of the United Nations, UNCTAD and GATT.
7. Administrative and financial arrangements would be worked out jointly and kept as flexible as possible to ensure the most expeditious and efficient operation of the Centre. Newly recruited professional staff of the Centre would be appointed by agreement between UNCTAD and GATT.

### C. The ITC Budgetary System

1. When the Joint International Trade Centre UNCTAD/GATT was established on 1 January 1968, it was decided that the General Agreement on Tariffs and Trade (GATT) should continue to deal with administrative and financial matters such as personnel actions, making of payments and maintaining the accounts relating to the regular budget of ITC, and that all relevant GATT financial and staff rules and regulations should apply. The expenditures of voluntary contributions would also be accounted for by GATT and audited by its auditors. However, following reviews in 1972 and 1974, it was decided that the ITC would follow United Nations staff and financial regulations and rules and would make maximum use of the support services of the UN office in Geneva for reasons of economy and efficiency.
2. As a result of the above-mentioned arrangements, ITC's budget is presented in compliance with the United Nations budgeting process and cycle as briefly described below.
3. A six year Medium Term Plan is reviewed by the Committee for Programme and Coordination (CPC) (a main subsidiary organ of ECOSOC and the United Nations General Assembly), following endorsement by the Joint Advisory Group.
4. The Regular Programme Budget covers a biennium period starting with an even-numbered year. It is prepared in a programme format (subdivided into subprogrammes which contain narrative parts describing outputs and services) and includes also a breakdown by objects of expenditure (such as salaries, common staff costs, travel, general operating expenses, supplies and materials, equipment etc.).
5. It includes staffing tables. It also shows data on extrabudgetary resources and a breakdown of anticipated miscellaneous income.
6. The initial estimates are prepared by ITC on the basis of instructions and parameters given by UN New York; they are processed in New York to ensure that they are compatible with the Secretary-General's policy guidelines with regard to increases/decreases and with the Medium Term Plan as approved by the General Assembly.
7. These proposals are submitted to the Committee for Programme and Coordination (CPC) and to the Advisory Committee on Administrative and Budgetary Questions which reports to the General Assembly through the Fifth Committee (the Administrative and Budgetary Committee).
8. They are also submitted to the Committee on Budget, Finance and Administration of the GATT for submission to the Council.
9. The budget of ITC becomes operational when it has been approved by both the General Assembly and the CONTRACTING PARTIES.

### D. Concerns of the GATT Committee on Budget, Finance and Administration

1. The GATT commitment to ITC's US dollar biennium budget is recorded on an annual basis in Swiss francs; it is subject to a number of variations, over which the Secretariat has no control. These variations result from the technical adjustments inherent in the budgeting system applied and referred to above.
2. The timing of these adjustments made in the course of the biennium makes their timely recording into an annual GATT budget impossible. The consequence is that the yearly GATT contribution to

ITC is recorded in the GATT budget showing large variations from year to year. These variations are not the result of programme implementation deviations by ITC but only the consequence of the technical adjustments resulting from the methodology applied in the preparation of these Performance Reports.

3. For a number of years now, the GATT Committee on Budget, Finance and Administration has expressed growing dissatisfaction with its control function being hampered as a result of the different budgeting and reporting system followed by ITC.

4. In this context, it should be kept in mind that the GATT contribution to ITC represents some 14% of its total budget, whereas the UN contribution represents some 0.7% of its regular budget.

#### **E. The Principal Activities of the International Trade Centre**

ITC's initial services were focused on trade information, market studies and other publications, and training in export promotion. Trade promotion advisory services were soon added, covering trade promotion institutions, support services and programmes, along with market development advisory services, focusing on products and markets. At the same time ITC became increasingly involved in technical cooperation projects. In the latter part of the 1970s ITC also began to carry out activities in import operations and techniques, thereby completing, in general terms, the coverage of its technical cooperation programme as it exists today. These programme areas have been categorized into four types of activities under the UN Medium-term Plan 1992-1997, as stated below.

1. Institutional infrastructure, including business organizations, for trade promotion and export development.
2. Product and market research, development and promotion.
3. Import operations and techniques.
4. Human resource development for trade promotion.

The Executive Director of ITC has prepared a paper entitled "ITC at the Crossroads: An Agenda for the Future," which will be discussed at the JAG from 21 to 25 November. That paper outlines six core services upon which ITC will focus in the medium term. These services group, in a logical manner, the main technical cooperation activities contained in the UN Medium-term Plan 1992-1997 referred to above. They are the following:

1. Trade development strategy and programme design.
2. Trade information.
3. Export product and market development.
4. Development of trade support services.
5. Import management.
6. Human resource development.

F. WTO and ITC

While GATT is and the WTO will be concerned mainly with trade policy, the ITC's area of work comprises trade information, trade promotion, trade facilitation, import management and institution building. At the time of the creation of the joint GATT/UNCTAD International Trade Centre it was specifically mentioned in the report of the Working Party which was adopted by the CONTRACTING PARTIES at the 24th Session that the "Centre would not be concerned with the negotiations of trade policy issues such as tariffs, non-tariff barriers, preferences etc. which were outside the competence of the Centre". The ITC has adhered to the exclusions mentioned at the outset in its mandate.

This is not to say that the ITC activities are not encompassed by GATT 1994. Article XXXVIII of GATT envisages *inter alia* that the CONTRACTING PARTIES shall collaborate jointly within the framework of the GATT and elsewhere as appropriate to further the objectives of increasing the export earnings of the developing countries and diversifying their economies. In particular Article XXXVIII envisages the CONTRACTING PARTIES would collaborate "in seeking feasible methods to expand trade for the purpose of economic development . . . through export promotion by the establishment of facilities for the increased flow of trade information and the development of market research".

It must be recalled that the decision of the CONTRACTING PARTIES to hive off the trade information and trade promotion activities in a separate organization was motivated mainly by the desire to pool resources of GATT and UNCTAD. The present arrangement of partnership worked well for many years. However some problems arose first on the budgetary side as explained earlier and more recently in the joint exercise of administrative control. In 1993 when difficulties arising from disagreement between the CONTRACTING PARTIES and the United Nations about the rank of the Executive Director ITC compounded the problems arising from the budgetary process, the contracting parties had discussed informally the possible future arrangement and the following main options had emerged:

1. To continue with the current practice in which the GATT (or WTO) involvement was limited to a financial contribution to the ITC;
2. To seek a re-establishment of a genuine partnership i.e. full consultation on all aspects of ITC's activities, including all appointments and financial procedures;
3. To stop making any contribution to the ITC regular budget, enabling the Centre to become wholly a United Nations body;
4. To assume complete responsibility for the ITC. The Centre would then operate as a WTO body, subsidiary but autonomous, the status of which should be determined beforehand.

The Sub-Committee may like to take a view on the future relationship between the WTO and ITC taking the above aspects into consideration. In this connection it is relevant to note that the budget of ITC has already been approved for the biennium 1994-1995 and should the Sub-Committee decide to recommend a change in the existing arrangement, the new relationship could be introduced with effect from 1 January 1996.