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PREPARATORY COMMITTEE OF THE CONFERENCE  
ON TRADE AND EMPLOYMENT

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ADVANCE GUIDANCE ON ITO DRAFT CHARTER

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Note A more detailed guidance on the  
Charter itself will be issued  
later.

A. THE DRAFT ITO CHARTER

BACKGROUND See Press Release 262, page one.

PURPOSE OF THE CHARTER

The purpose of the Charter is to provide the ITO and its Members with rules and regulations to enable the ITO to function successfully.

OBJECTIVES OF THE ITO

ITO Members pledge themselves to promote national and international action designed

- (a) To assure a large and steadily growing volume of real income and effective demand; to increase production, consumption and exchange of goods and thus to contribute to a balanced and expanding world economy,
- (b) to foster and assist industrial and general economic development, particularly of under developed countries and to encourage the international flow of capital for productive investment,
- (c) to promote access to markets, products and productive facilities needed for economic development,
- (d) to reduce tariffs and other barriers to trade and eliminate discriminatory treatment in international commerce,
- (e) to enable countries by increasing their trade and economic development, to abstain from measures which would disrupt world commerce, reduce employment or retard economic progress,

- (f) to facilitate the solution of international trade problems in the fields of employment, economic development, commercial policy, business practices and commodity policy.

*Ed: - Speculation of rights to the mention of Indonesia - to be kept in the light of the new Ch. VIII and - if so - can we issue a questionnaire (which he wants) for.*

MEMBERSHIP

Any State, approved by ITO, may become a Member. In addition, the admission of ~~Burma, Ceylon, Southern Rhodesia, the Indonesian Republic~~ and other Customs territories which may be autonomous in the conduct of their commercial relations is provided for. The ITO is to determine whether membership is to be extended to Trust Territories administered by the U.N. and to Trieste.

STRUCTURE OF ITO

The draft Charter proposes that ITO shall have

- (a) a Conference, consisting of all the Members.
- (b) an Executive Board.
- (c) a Tariff Committee
- (d) Commissions to be established by the Executive Board.

There will be a Director General, to be appointed by the Conference upon the recommendation of the Executive Board. Neither the draft charter nor the Preparatory Committee makes any proposal regarding a suitable site for ITO.

VOTING

The Preparatory Committee has been unable to reach agreement on whether voting should be on the principle of one state one vote or whether there should be a system of weighted voting related to such factors as volume of trade and population. Alternative proposals are being submitted to the World Conference.

Each member of the Executive Board will have one vote and decisions will be made by simple majority.

RELATIONSHIP WITH U.N.

ITO will be one of the specialized agencies referred to in Article 57 of the Charter of the U.N. The Preparatory Committee, which has drafted the charter was constituted by the Economic and Social Council.

CONTRIBUTIONS

The Conference of ITO is to determine how much each Member will contribute. The draft charter provides that a Member whose contributions fall in arrears shall lose its vote.

**B. POINTS LEFT FOR DECISION BY WORLD CONFERENCE**

There are four important points left open in the Draft Charter, on all of which alternative suggested texts are being submitted to the World Conference. This does not mean, of course, that the rest of the Draft Charter is not open to full discussion at the World Conference.

**1. Voting**

The world conference at Havana will have to decide on the important principle of whether ITO shall use a system of one vote to one member or whether there shall be a system of weighted voting related to such factors as the volume of world trade enjoyed by an individual member. The Draft Charter submits three texts covering (a) one state, one vote, (b) "heavy" weighted voting, (c) "light" weighted voting.

**2. Relations with Non-Members**

As it is still unknown how many countries will join the ITO within a reasonable time, it has been left to the world conference to decide how the charter shall deal with relations between ITO members and non-members of ITO. The Draft Charter submits three alternative texts.

**3. Relations with the International Court of Justice.**

It is agreed that on matters of dispute arising from the ITO charter the ITO may request an advisory opinion from the International Court of Justice. But there is a difference of views as to whether the ICJ shall deal only with juridical matters or whether it shall also be a judge of matters of economic fact.

**4. Members of the Executive Board**

The Draft Charter submits three alternative suggestions. The first proposes a fixed number of seats to be allocated to named States of major economic importance and the allocation of the remainder on a "regional" basis (see press release No. 273). The second proposes the open election of all members, without any allocation of seats to named States. The third proposes a fixed number of permanent seats (as in the first proposal) and the open election of the remainder by the ITO.

**Note**

The Preparatory Committee has expressed the view that if there are to be a certain number of seats allocated to States of major economic importance, the Dominion of India would be entitled to come within this category.

C. NUMBER OF MEETINGS HELD: LONDON,LAKE SUCCESS, GENEVA

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

London, 15 October - 26 November, 1946.

Plenaries	6
Executive Sessions and Heads of Delegations	10
Committees	54
Sub-Committees	<u>45</u>
<u>Total</u>	<u>115</u>

Drafting Committee, Lake Success - 25 February, 1947

Committees	29
Sub-Committees	<u>29</u>
<u>Total</u>	<u>58</u>

Second Session of the Preparatory Committee, Geneva

10 April - 22 August 1947

Plenaries	7
Executive Sessions, Commissions and Heads of Delegations	112
Tariff Agreement, Consultative and Steering Committees	18
Tariff Negotiations Working Party	30
Legal Drafting Committee	55
Sub-Committee and Working Parties on Chapters & Articles	<u>231</u>
<u>Total</u>	<u>453</u>

Grand Total 626

D. WORLD TRADE STATISTICS

The trade of the 17 countries, which formed the Preparatory Committee, is approximately 63 per cent of total world trade.

The following percentages, based on average of year 1938 and latest twelve months for which figures are available, indicate the relative amounts of trade enjoyed by the leading trading countries and unions.

<u>Country</u>	<u>Percentage</u>
Australia	3.2
Belgium-Netherlands Luxembourg Economic Union	11.0
Brazil	2.8
Burma	0.7
Canada	7.2
Ceylon	0.6
Chile	0.6
China	2.7
Cuba	0.9
Czechoslovakia	1.4
France	9.5
India } Pakistan }	3.3
New Zealand	1.2
Norway	1.5
Southern Rhodesia	0.3
Syro-Lebanese Customs Union	0.1
Union of South Africa	1.7
United Kingdom of Great Britain and Northern Ireland	25.9
United States of America	<u>25.4</u>
	<u>100 %</u>