

FIFTH COMMITTEE: SUB-COMMITTEE 1

SUMMARY RECORD OF THE SECOND MEETING

Held at Lake Success, New York, on Thursday, 21 November 1946, at 3 p.m.

The following were present:

Chairman:	Mr. Martinez-Cadena	(Mexico)
Rapporteur:	Mr. Ganem	(France)
	Mr. Saint-Laurent	(Canada)
	Mr. Dzung	(China)
	Abdul Hakim Bey	(Egypt)
	Mr. Koper	(Netherlands)
	Mr. Katz-Suchy	(Poland)
	Mr. Pitblado	(United Kingdom)
	Mr. Hall	(United States of America)
	Mr. Geraschenko	(Union of Soviet Socialist Republics)

General Discussion on the Report of the Permanent Committee on Contributions (document A/80).

The CHAIRMAN stated that the Sub-Committee had been formed to draw up a report expressing its views on the question of contributions and to examine appeals for the readjustment of contributions. On the last point the CHAIRMAN requested the Secretary of the Committee to read a statement from the Turkish delegation. This statement pointed out that a new situation had risen in Turkey following the devaluation of the Turkish currency on 7 September in this year. Since the General Assembly, in wording the terms of reference of the permanent Committee on Contributions, had stated that ability to secure foreign exchange should be taken into account for the assessment of contributions, the Turkish delegation felt entitled to ask for a revision of the assessment fixed for its country.

The CHAIRMAN drew the Sub-Committee's attention to the terms of

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reference of the permanent Committee on Contributions (document A/80, page 3, paragraph 14 (a) (b) and (c)) which define the functions of the permanent Committee on Contributions as follows:

- (a) to make recommendations to the General Assembly on the contributions to be paid by new Members;
- (b) to consider and report to the General Assembly on appeals by Members for a change of assessment; and
- (c) to consider and report to the General Assembly on the action to be taken if Members fall into default with their contributions.

In view of these terms of reference, the CHAIRMAN thought that appeals by Members for the reassessment of their contributions and the study of assessments for new Members could be referred by the Sub-Committee of the permanent Committee on Contributions.

Mr. SAINT-LAURENT (CANADA) pointed out that no one had criticized the work done by the permanent Committee on Contributions within its terms of reference. The Canadian delegation did not question the accuracy of the conclusions to which that Committee had arrived; nor did it raise objections to the principle advocated by Mr. Vandenberg on behalf of the United States delegation, a principle which could be applied by fixing a maximum figure for the contribution of any one country. The Canadian delegation however ventured to point out that though the application of that principle was meant to obviate political embarrassment in some quarters, it might create political embarrassment elsewhere. Accordingly, Mr. SAINT-LAURENT submitted that any maximum contribution should be such that taxpayers of countries where the per capita income was lower than in the countries to which the maximum was applicable, would not be required to pay more on a per capita basis than the country whose contribution had been reduced through the maximum clause. During the war, Canada had for two years been alone in levying armies on the American continent. That had strained her finances. Mr. SAINT-LAURENT wished to avoid the adverse effect on public opinion in his country

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that might be caused if Canadian citizens were asked to pay a greater proportion of their income for the maintenance of peace through the United Nations organization than citizens in the United States would pay.

Mr. GERASCHENKO (UNION OF SOVIET SOCIALIST REPUBLICS) thought that the Sub-Committee should examine the United States proposal first. He moved that the permanent Committee on Contributions should be asked to examine the assessment of new Members. The Sub-Committee should take cognizance not only of the Turkish statement but of all the statements made by the delegations who had asked for a readjustment of their assessment. These requests could be discussed by the Sub-Committee and referred to the permanent Committee on Contributions, if it was deemed desirable to have the views of that Committee.

Mr. KATZ-SUCHY (POLAND) stated that his delegation was favourably inclined towards the declaration made by Mr. Vandenberg. The Polish delegation felt that it was not desirable that any one state should bear too large a share of the total contributions. Consequently the Polish delegation was favourably disposed towards the setting of a maximum limit. It could not agree however to the establishment of a maximum at the present session of the General Assembly, nor, at this state to the fixing of a date after which such a maximum would be enforced.

It would be outside the scope of the debate to quote figures showing the devastation which war had wrought in Poland. The consequences of the war continued to be felt. Since the war ended eleven hundred peasants had been killed by mines and unexploded bombs while ploughing their fields. In view of these facts, and in view also of the discontinuance of the services heretofore provided by UNRRA, the Polish Government anticipated difficulties in the payment of foreign commitments during the period of reconstruction. A three-year plan of reconstruction had been drawn up. In the meanwhile the terms of reference of the permanent Committee on Contributions took into account the temporary dislocation of

national economies arising out of the Second World War. Up-to-date statistics on Poland's capacity to pay had not been available to the permanent Committee on Contributions but they were so now. The Polish delegation hoped therefore that the Sub-Committee would recommend the permanent Committee to make a fifty per cent reduction in the assessment of Poland's contribution. If adopted, this assessment could be revised as progress was made in restoring the national economy; but to reach a just figure it was necessary to take into account not only capacity to pay but also the income per head of the population.

Mr. PITBLADO (UNITED KINGDOM) wished to point out that the Sub-Committee had to consider the implication of the United States proposal, the claims of countries who strove to secure a reduction of their assessment, and the assessment of the new Member States, since the Fifth Committee could not reach a decision unless the Sub-Committee's recommendation were based on a new and complete scale, in which the sum total of percentages reached one hundred. He felt that questions such as the devaluation of currency arose out of the dislocation caused by the war; hence that they should have some bearing on assessments.

Nevertheless, it was the political problem arising out of the United States declaration that seemed the most difficult to settle.

With regard to the assessment of contributions, a recommendation had been adopted in London containing a warning against any course which might be considered arbitrary; it had also been agreed to avoid decisions which might endanger feelings calculated to prejudice good international relations. Those were the factors to bear in mind when considering what the representative of Canada had said with regard to the principle of a maximum contribution and the representative of Poland with regard to the time when such a maximum came to be enforced.

Mr. DZUNG (CHINA) expressed appreciation of the work done by the permanent Committee on Contributions and of the standpoint of the

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United States of America. The United States declaration as well as the claims of countries suffering from the consequences of the war set practical problems which had to be solved. The attitude of the United States should be particularly appreciated since it was an unselfish one.

Mr. Vandenberg's aim was not to save a certain amount of money or to give less support to the Organization but, on the contrary, to give it more support by preserving a principle.

Other factors than capacity to pay should be taken into account in the assessment of contributions. When reading the report of the Committee on Contributions it appeared that the Committee had in mind some international form of taxation. The idea was a praiseworthy one, but there must be no undue haste in the first stages, and present consideration should be confined to contributions. The Chinese delegation was favourably disposed to the idea of a maximum assessment.

Nevertheless, contributions were paid out of taxation, and if capacity to pay was relatively of little importance for countries with large budgets, equality must be preserved; and it was still more evident that capacity to pay must be taken into account when dealing with countries with a small budget.

Mr. GANEM (FRANCE) thought that the Sub-Committee was in fact agreed that the assessment of new Members and the examination of requests for the readjustment of contributions should be referred to the permanent Committee on Contributions.

No Member seemed to question the wisdom of setting a maximum to the contributions of any one nation. There were no objections to the principle. The question was how to apply the principle. The representative of France understood that Mr. Vandenberg did not press for an immediate application of the maximum, if the principle itself was adopted. Mr. GANEM thought that it would be advisable to limit the scope of the discussion to the revision of the scale of contributions for 1947 while taking into

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account that the problem of a maximum did not arise for 1947. The final decision could be deferred until an adequate study of the problem had been made.

There were two other problems which did not call for the same urgency: the means of securing foreign currency, and the criteria to be taken into account when assessing capacity to pay.

With regard to the first problem, Mr. Vandenberg had requested the Secretary of the Treasury of the United States to examine means of making available to Members at least part of the United States currency necessary for the payment of their contributions. The Sub-Committee should await the result of the request.

With regard to the second problem, the assessment of ability to pay, it was debatable whether the main determining factor should be the reserve in capital of a country, its national income, or the volume of its foreign exchanges.

Mr. CANEM moved that the Fiscal Commission of the Economic and Social Council should be asked to examine the problem, as Mr. Rueff (France) had had occasion to suggest during discussions in the Fifth Committee.

Mr. MARTINEZ-CABANAS (MEXICO) drew attention to the difference between the administrative budget which was the subject of discussions and the operational budget. Large countries were willing to allocate considerable sums for the operational budget, while small countries wished to be protected from undue expenditure in this field.

The representative of Mexico reminded members that the Secretary-General had suggested a minimum contribution for Members. According to the present scale, Costa Rica, Haiti, Honduras, Liberia, Nicaragua and Paraguay were asked to pay some .02 per cent of the total contributions. This meant approximately five thousand dollars. On the average, refundable travel expenses amounted to five thousand dollars per delegation. The

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Dominican Republic, Ecuador, Guatemala, Luxembourg and Panama were assessed each at 0.04 per cent of the total contributions.

With regard to a maximum contribution, he believed that members should bear in mind the recommendation of the Preparatory Commission to the effect that the adoption of a maximum figure should not obscure the relationship between contribution and capacity to pay.

The CHAIRMAN stated that at the next meeting he would produce a table which would show how individual countries were affected by the contributions assessed. Per capita income could not be the only factor to be considered. The per capita income of the United States, to take one instance, was twenty times greater than that of India.

Mr. SAINT-LAURENT (CANADA) suggested that the part of the national income which each country allocated for public purposes could be taken as a factor in defining capacity to pay. Governments might feel inclined to devote part of such allocation for the payment of their contributions to the United Nations organization.

Mr. GERASCHENKO (UNION OF SOVIET SOCIALIST REPUBLICS) advised the Sub-Committee against a discussion of a scholastic character on the assessment of a maximum contribution. Mr. Vandenberg had suggested twenty-five per cent. It was difficult to see what merit that particular amount had in itself, other than being one quarter of a whole. One third or forty-five per cent might have the same merit. The Sub-Committee had no data pertaining to the adoption of one figure rather than another. There was no doubt however that national income ought to be taken into account.

Mr. GERASCHENKO moved that the Sub-Committee should examine the practical problem which arose out of the declaration of Mr. Vandenberg. If the Sub-Committee decided that a change should be made in the assessment for the United States, it might examine how the amount involved should be distributed among the other Members.

The CHAIRMAN agreed with the procedure outlined by Mr. Geraschenko and

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invited the members of the Sub-Committee to submit concrete proposals at the next meeting.

It was necessary to find out first if the principle of a maximum contribution was acceptable. The Sub-Committee should then discuss the amount of the maximum. The CHAIRMAN understood that Mr. Vandenberg's last suggestion for his country's share was thirty-seven and one-half per cent, but Mr. Vandenberg did not regard that figure as final.

Mr. HALL (UNITED STATES OF AMERICA) confirmed the Chairman's interpretation of his country's proposal. He promised to answer the questions raised with regard to the facilities which the United States Treasury might grant for obtaining dollar currency.

The meeting rose at 5:35 p.m.
