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ORGANISATION EUROPÉENNE POUR LA RECHERCHE NUCLÉAIRE
CERN EUROPEAN ORGANIZATION FOR NUCLEAR RESEARCH

SIXTEENTH SESSION OF THE COUNCIL

Geneva - 14 June, 1960

THE POSITION OF YUGOSLAVIA

The attached letter from the Chairman of the Finance Committee and the accompanying memorandum are to be considered by the Finance Committee and the Committee of Council at their meetings on 13 June, 1960, and by the Council at its Sixteenth Session, on 14 June, 1960.

There is also attached a further note of comment from the Administration (Annex I).

COPY

Mr. F. de Rose
 President of the CERN Council
 Ministère des Affaires étrangères
 Secrétariat général
 Coordination des Questions
 atomiques
 37, Quai d'Orsay
Paris - 7ème

31 May, 1960

Dear Mr. President,

The Council of CERN at its Fourteenth Session on 2 December, 1959, took note of the fact that the amount of the unpaid contributions of Yugoslavia to the Organization exceeded the amount of the contributions from that country for the then current and immediately preceding financial year. In accordance with Article V, 5 of the Convention, the Council had to conclude from this fact that Yugoslavia was no longer entitled to vote in the Council. The last sentence of Article V, 5 would have made it possible for the Council to restore the right of voting if Council were satisfied that the failure to pay was due to conditions beyond the control of the State concerned. The application of this proviso was impossible at that moment because it would have anticipated a study which, earlier in the same session, Council had ordered to be conducted.

When discussing the scale of contributions for the years 1960, 1961 and 1962, Council had heard the request of the Yugoslav Delegation that the provisions of Article VII, 1, b (ii) should be applied by recognizing that special circumstances should be taken into account and the Yugoslav percentage of contributions be adjusted accordingly. Council decided that this request should be examined by the Finance Committee Working Party. In adopting the scale of contributions for 1960, 1961 and 1962, the possibility of review in the course of the year was left open when the conclusions of the study would be known. It was mentioned at the meeting that only after a decision on the application of Article VII, 1, b (ii) could the possibility of applying Article V, 5, last sentence, be discussed again.

The investigation which the Council ordered had now been made. I started the study and laid my preliminary conclusions before the Finance Committee Working Party. Unfortunately the sad event of 23 April made the meeting of the Working Party, foreseen for the 25th, impossible. Several members of the Working Party could, however, discuss with me the paper which had been drawn up and I had then the opportunity of drafting a new set of proposals which I sent in a confidential letter of 28 April to the members of the Finance Committee. My personal conclusion from the discussion of the matter at the Finance Committee on May 10 is that I must propose that Council applies to Yugoslavia both Article VII, 1, b (ii) and the last sentence of Article V, 5. After a further discussion of the matter in the Committee of Council on 27 May I now lay down this proposal in the present letter.

I make this proposal with the greater pleasure because its approval will entail the acknowledgement by Yugoslavia of its accumulated debt to CERN over the years 1957, 1958 and 1959. The Yugoslav Delegation has authorized me to include in the detailed proposals, which will be set down below, the settlement of this debt in twelve annual instalments. Incidentally, I take this to mean that Yugoslavia no longer challenges the provision of Article VII, 1, b which says that the scale of contributions shall be based on the average net national income at factor cost of each Member State.

That the national income per capita is very low in Yugoslavia was clearly shown by the investigation. The large deficit in the trade-balance, especially when compared with the small totals of exports and imports, and the resulting shortness of foreign currency became also very clear. It was found that a large percentage of the national income has to be spent on education to conquer illiteracy. It was shown that relatively large amounts must be spent on universities for the medical, technical and agricultural sciences necessary for the reconstruction of the country and for the establishment of its economic life, so that only a small percentage of what can be spent on research and higher education is available for the basic sciences. Although a real effort is made for nuclear physics the number of nuclear physicists is still very small and the amounts which can be devoted to this branch of science can only be considered as low. The Yugoslav universities have many needs which can be met only by spending money in foreign countries, but the total amount of foreign currency which can be placed at their disposal is less than the contribution which should be paid to CERN.

All these and similar facts have been substantiated in the course of the study. They all have a considerable "marginal effect" and should be taken into consideration in fixing a reduced rate of contribution for Yugoslavia, once we have decided to accept "special circumstances". I doubt, however, even taking them all together, if they can be considered to constitute these "special circumstances". But there is more. In my letter to the members of the Finance Committee, I drew their attention to the difficulty of assessing the dollar-value of the Yugoslav national income; when using the "official" rate of dinar-dollar exchange one gets a value for the national income which may be more than double the value which follows from a more realistic rate. I also wrote about the long-term consequences of a political situation which has affected the Yugoslav economy very severely; these consequences are strongly felt in the foreign currency position of the country. I do not want to go into details of these two aspects in this letter. They were discussed at the meeting of the Finance Committee and though I cannot say that all members agreed in every detail, my main impression was one of general agreement with my conclusion that these two points will justify a Council decision to apply the two Articles of the Convention.

I therefore propose that Council:

- a) Decides that special circumstances can be taken into account in assessing the rate of contribution of Yugoslavia for the period 1960, 1961 and 1962, and accordingly fixes this rate for this period at 0.65% (Art. VII, 1, b (ii)), without altering the percentage of the other Member States.
- b) Agrees that the failure of Yugoslavia to pay its full contributions over the years 1957, 1958 and 1959 is due to conditions beyond the control of that State, and consequently decides to permit Yugoslavia to vote in the Council (Art. V, 5).
- c) Accepts the Yugoslav proposal to pay its debts incurred during 1957, 1958 and 1959 (2,449,200 Swiss francs) in twelve annual instalments (5% in 1961 and 1962 and 9% in each of the following ten years).

Should Council, as I hope, adopt these proposals, consideration must be given to how the gap left by the reduction in the Yugoslav contribution is to be filled. This is a rather complex matter and I would not like to encumber this letter with too much detail. I have laid down my ideas in this regard in a memorandum of which I send you a copy. It may be sufficient for Council, when considering the above proposals, to take note of, and if possible agree with the general principles of that memorandum. As you

know there is a possibility that later in this year Council will have to consider a new application for Membership. This may substantially affect some details of the contents of my memorandum. For that reason I would prefer a decision on the actual adjustment of contributions to be deferred to a later session of Council.

Dear Mr. President, I ardently hope that the Council in its session of 14 June, 1960 will unanimously approve the proposals which I have made. Articles V and VII require only a two-thirds majority but it seems important to me that on such decisions unanimity should be reached, if possible. But also I consider it essential to the relations between the Member States that as soon as possible a final decision is reached in a matter which has been troubling CERN already for such a long time.

I want to end by expressing my personal hope that the reasons for reducing the Yugoslav contribution in the years 1960, 1961 and 1962, will no longer exist when Council will have to assess the contributions for the following 3-year period.

Yours sincerely,

J.H. Banner
Chairman, Finance Committee.

Encl. 1

MEMORANDUM

by the Chairman of the Finance Committee

If Council decides on a reduced rate of contribution for Yugoslavia for the period 1960, 1961 and 1962, measures must be taken to make up for the ensuing reduction in the income of CERN. Assuming a budget-level (contributions) of 65 million Swiss francs and a reduction from 1.95 to 0.65%, each year 845,000 Swiss francs must be found, either through adjustments in the contributions of other members or from other sources of income. The only other source of income which can be mentioned in this connection is the "special contribution" of 1 million Swiss francs (from Austria), while there is a possibility that there will be at least one other "special contribution" in the near future. It must be noted that no prescriptions for a case like this are given in the Convention.

Points which must be taken into consideration are the following :

1. The special position of Greece.
2. The difficulty of changing the contributions for 1960.
3. A proper spreading of the consequences over all other Members.
4. The 25-percent ceiling of any one contribution.
5. The rule that "special contributions" shall be applied in reducing the contributions of other Members.

Firstly, the decisions must be remembered which Council took in regard to Greece during its Twelfth and Fourteenth Sessions. These should be regarded to constitute "special circumstances" in the sense of Article VII, 1, b, (ii), leading Council to the decision that the Greek rate of contribution should not be raised in the present 3-year period above 1.17% of 65 million (760,500 Sw.Frs. per annum). If Council decides so, Greece will not be required to pay any part of the difference in the Yugoslav contribution.

Secondly, attention must be drawn to the fact that it is already too late in the year to review the scale of contributions for 1960 for most Members; several Member States would have serious internal budgetary difficulties if their contribution for the present year had to be increased. This means that the gap of 845,000 Sw.Frs. for 1960 cannot be filled by an overall change in the scale of contributions for this year. Another argument against such a change is that the British contribution for 1960 cannot be raised above 25% of 65 million, which means that the U.K. would not be allowed to bear its part of the common burden. It is also the 25% ceiling which makes it impossible to use part of the special contribution of 1 million francs to close

the gap in 1960, for that could only be done by first increasing all contributions and then use the special contribution to reduce them again, but this initial increase can obviously not be applied to a Member which has reached the ceiling. Formally that Member could even expect a reimbursement out of the special contribution, which would create the strange situation that such a refund would only be received by the country which, because of constitutional ceiling, pays a smaller contribution than is proportional to its national income. The only conclusion can be that the 1960-gap cannot be filled in 1960 and that the necessary amount of 845,000 francs can only come out of the budget for 1961. This necessitates not only the inclusion in the 1961 budget of expenditures a special item for this purpose but also a Council-decision to raise the already fixed budget-level (contributions) of 65 million to 65,845,000 Swiss francs; both steps may be unusual but certainly not impossible. It can even be argued that if no settlement of the Yugoslav arrears is reached the same two steps will have to be taken but for a larger amount.

The problem is now transferred to 1961. If, as may happen, by that time the entrance of a new Member State would have reduced the percentages of all Members (except Yugoslavia, remaining at 0.65% of 65 million) so far that the 25% ceiling no longer plays a part, there would be no more problem. But even if no new Member joins CERN the problem for 1961 might be solved in the way set out below.:

I suggest that Finance Committee and Council need not at this stage do more than take note of the following paragraphs; it will be time to discuss them later in the year when we shall know whether or not this further problem should arise. But it is important if possible to get Council agreement now on the previous paragraphs.

If there is no new Member in 1961 the Council assesses the total amount of contributions at 65,845,000 francs, which entails that no Member State will be required to pay more than 16,461,250 francs (Article VII, 1, b(i)). The amount of 65,845,000 must be realized by all Member States together. The special contribution of 1 million shall be applied (Article VII, 3, b) in reducing the contributions of the Member States, with the exception of Austria. This can be done by transferring this million in 1961 from the special account where it stands now, to the account of the contributions, which reduces all contributions in the same ratio. To compensate this reduction in the case of Austria the final figure which will emerge from the rest of calculations will have to be increased by 19,300 Sw.Frs. (1.93% of 1 million). There remains 64,845,000 minus 19,300, that is 64,825,700 Sw.Frs. to be contributed by all Members as near as possible in ratio of their national incomes. It is, however, impossible to ask more than 1.17% of this sum from Greece, which will thus have to pay 750,460 Sw.Frs., and it would not be reasonable to ask from Yugoslavia anything else than 422,500 Sw.Frs. In dividing

the remaining 63,644,740 over the other Members these will all have to pay a higher percentage of this sum than they paid in 1960 of the total of 65 million, e.g. the United Kingdom will now pay more than 25%, but none shall be required to pay more than 16,461,250 francs, which may mean that some adjustment will still be necessary.

All this seems to be rather intricate and even far-fetched. It may be possible to find a simpler solution, but the one outlined above is fair towards Greece and Yugoslavia, does not violate any prescriptions of the Convention and assures a more or less equitable sharing of the consequences of the reduction granted to Yugoslavia.

The main remaining difficulty is that it solves the problem only for 1961 and not for 1962. However, if there is no new Member in 1961, there may be in 1962. And if this were too much to expect, it is still possible to apply the same idea once more: assess Yugoslavia for 1961 not for 0.65% but for 1.95% but allow them to pay only 0.65%, adding the deficit to the 1962-budget. But this can better be discussed at the time when it is known that the proposed procedure has to be applied. If Council agrees with the general principles it might ask the Administration to work these out in actual figures.

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NOTE BY THE ADMINISTRATION

It is important that, if it is at all possible, a solution of the problem of the Yugoslav contribution should be reached at the Finance Committee Meeting on 13 June and the Council Session on 14 June, at least in so far as regards the three points (a), (b) and (c) appearing in Mr. Bannier's letter of 31 May. This, however, would leave the Organization short of 845,000.- S.Frs. during the current year, a situation which the proposals in Mr. Bannier's memorandum attached to his letter is intended to meet. If any of these latter proposals present difficulties to any of the Member States, and since the financial situation of the Organization does not permit it to face a deficiency of this amount, it is suggested that the Council should be asked, in approving points (a) to (c) referred to above, and if it cannot approve the further proposals in the memorandum, to make arrangements to allow the Organization to have the current use of the Austrian current contribution for 1959 (500,000.- S.Frs.) plus the two instalments of the special contribution toward capital expenditure which have already been received (333,333.- S.Frs.). These amounts are at present being held in a suspense account, by a resolution of the Council (CERN/332 and Minutes of the Fourteenth Session, CERN/341, paragraph 14). A further amount of 333,333.- S.Frs. is due next July. All that would be needed therefore would be for the Council to resolve that CERN should be entitled to borrow up to 845,000.- S.Frs. for current purposes from this suspense account, and that the Council postpones sine die its consideration of the eventual use to be made of these contributions in accordance with the Convention.

This will leave the Council free then at any time when the financial situation of the Organization admits, to give instructions on the disposal of the Austrian contributions according to the provisions of the Convention.
