

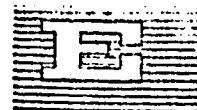
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CONSIDERATION OF AN ALL-EUROPEAN AGREEMENT ON ECONOMIC CO-OPERATION

Comments of the Government of the Union of Soviet Socialist Republics
on the Observations of Governments

The following communication, dated 13 April 1957, received from the Government of the Union of Soviet Socialist Republics is circulated for the information of the Commission in connexion with item 8 of the revised Provisional Agenda (E/ECE/264, Rev.1)

* * *

Dear Mr. Executive Secretary,

I have the honour to inform you that the Government of the Soviet Union has received the observations of Governments of countries members of the Economic Commission for Europe on the draft all-European agreement on economic co-operation transmitted to it by you.

Having studied these observations, the Government of the Soviet Union deems it necessary to set forth in a special memorandum its views on the questions raised by various governments, and requests you, as Executive Secretary of the Commission, to forward the memorandum, which is annexed to this letter, to the Governments of countries members.

Furthermore, in view of the fact that the provision made in resolution 3 (XI) for convening an ad hoc meeting of experts to examine the documentation supplied, and to draw up a general report for submission to the Commission at its twelfth session, has failed to command the necessary majority of countries members, the Government of the Soviet Union requests you to undertake this work yourself.

Yours very truly,

A. CHISTYAKOV

Representative of the USSR at the
European Office of the United Nations

- (1) Part I Contains additional information on the proposal of the USSR and the observations thereon of Governments of countries members of the Commission.
- (2) Part II contains an analytical summary of the observations on the proposal of the USSR received by the Executive Secretary.

MEMORANDUM

by the Government of the Soviet Union on the observations of Governments of countries members of the Economic Commission for Europe on the draft all-European agreement on economic co-operation submitted by the USSR

In pursuance of resolution 3 (XI) of the Economic Commission for Europe, the Soviet Union Government submitted a draft all-European agreement on economic co-operation, which was transmitted to the Governments of countries members of the Commission by the Executive Secretary in July 1956. The Soviet Union Government felt at the time that the conclusion of such an agreement would make a substantial contribution to the expansion of economic relations between all European countries, on the principle of mutual benefit, to the development of friendship between European States and to the consolidation of peace in Europe.

The Soviet Union Government has carefully studied the observations so far received from the Governments of twenty-seven countries members of the Commission setting out their views on the draft all-European agreement submitted by the Soviet Union. Those views can be summarised as follows.

The majority of countries members of the Commission support the idea of developing economic co-operation on an all-European basis. Many countries recognize the value of concluding an all-European agreement on economic co-operation in the form suggested by the Soviet Union or support the aims of all-European co-operation as set out in the draft agreement.

The considerable interest shown by countries members of the Commission in the development of Economic Co-operation on an all-European basis is witnessed by the fact that many Governments express a desire that the Government of the Soviet Union should provide clarification of certain of the articles of the draft agreement.

The Governments of Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Romania and those of a number of other countries, announce their readiness to assist in the conclusion of an agreement on economic co-operation on an all-European basis. Some of these Governments state in their replies that, when the draft all-European agreement on economic co-operation comes up for discussion, they intend to put forward observations and additions of their own, with the object of improving it.

The Government of Yugoslavia considers that the draft agreement on economic co-operation contains a number of positive provisions which would promote the

implementation on the regional plane of the principles of the United Nations.

The replies of the Governments of Austria, Finland and Sweden indicate that these Governments are ready to participate in the preparation of an agreement which would be acceptable to the majority of European countries. In this connexion, it should be noted that the Swedish Government regards the Soviet Union proposal for the conclusion of an all-European agreement on economic co-operation as a valuable contribution, pursuing aims which substantially coincide with Swedish efforts to strengthen economic co-operation between East and West.

The Government of the United Kingdom, although doubtful about the possibility of reaching agreement on the basis of the present draft of the agreement, none the less expresses the hope that the Governments of all countries members of the Commission will consider the matter realistically and constructively at the Commission's forthcoming session and possibly achieve some practical results. The Government of the United Kingdom also indicates in its reply that it welcomes the general aims of the draft submitted by the Soviet Union, and that, like the Government of the USSR, it wishes to see the obstacles to the improvement of relations, the expansion of trade and the increase of contacts between countries members of the Commission removed.

The Government of France, while making a number of reservations about the possibility of reaching agreement, considers that the questions raised in the draft agreement submitted by the Soviet Union should be studied and discussed in detail, at the same time declaring that it has always favoured the development of intra-European trade and European economic co-operation.

The Government of the Federal Republic of Germany, like the Governments of some other countries, notes with interest the Soviet Union proposal for the conclusion of an all-European agreement within the framework of ECE. Though doubtful whether the Soviet Union draft can in its present form serve as a workable basis for close economic co-operation, the Government of the Federal Republic of Germany views with sympathy the development of close co-operation between countries members of the Commission, and is ready to take any feasible steps designed to achieve this aim.

The Governments of Belgium, Denmark, the Netherlands and some other countries state, among other things, that the Soviet draft merits careful study provided that the Soviet Union Government will clarify some of the points they have raised.

A number of countries - Belgium, France, Italy, Norway, the United Kingdom and others - point out that the Soviet draft fails to take into account the differences between the political and economic systems of countries in eastern and western Europe respectively. At the same time, they recognize the need to develop widespread co-operation within the framework of the Commission, either by concluding appropriate agreements on specific matters of common interest, or by modifying and extending the Commission's terms of reference.

Among the few governments which reject in its entirety the Soviet Union's proposal for the conclusion of an all-European Agreement is that of the United States of America. While opposing the constructive proposals submitted by the USSR for strengthening economic co-operation on an all-European basis, the United States of America does not itself put forward any suggestions for attaining this end. Such an attitude is incompatible with the fundamental purposes of the Commission, which, in accordance with the aims and principles of the Charter of the United Nations, is called upon to promote the development of economic co-operation between its Member States.

Having considered the foregoing comments, and wishing to meet the views expressed by many countries, the Soviet Union Government has decided, with a view to reconciling the divergent points of view and creating an atmosphere of constructive co-operation at the Commission's twelfth session, to introduce a number of changes in the draft agreement as originally submitted and to provide the following explanations:

1. The Governments of a number of countries suggest in their observations that the main obstacles to the development of all-European co-operation are due to differences inherent in the systems of States Members of the Commission.

To this it must be said that the differences in systems referred to cannot and do not in themselves constitute an obstacle to the development of co-operation between States. The facts prove that on many occasions States with different systems have been able to co-operate and that such co-operation has been successful in every field, including foreign trade, finance, culture, science and technology. Another outcome of co-operation between States with different systems is the joint establishment of international organizations, such as the United Nations Economic Commission for Europe, and participation in their activities, in which countries with different political and economic systems collaborate.

In the opinion of the Government of the Soviet Union, if the necessary conditions for the development of widespread economic co-operation on an all-European basis exist - and they do exist - the successful development of co-operation between States with different social and economic systems is largely dependent upon the desire of those States to promote such co-operation.

2. Certain governments express the wish to see a number of the provisions of the Soviet draft agreement made more specific. The Government of the Soviet Union deems it necessary to draw attention to the fact that the purpose of any broad agreement on co-operation must be to determine the general principles and directives for the development of such co-operation between the participating countries. Moreover, it was borne in mind in drafting the agreement that the text will serve as the basis for practical discussions at a meeting of experts from all countries, at which the necessary amendments or additions to the draft will be made, including changes intended to make individual articles more specific, with the general object of rendering the agreement acceptable to all participating States. The Soviet Union Government hopes that the joint efforts of the governments of interested countries within the framework of the Economic Commission for Europe, especially at the latter's twelfth session, will yield satisfactory results.

3. The governments of several countries express concern about the possibility of certain of the articles of the Soviet draft entailing duplication of work already being carried out by certain existing international organizations. To this it must be said that the Soviet draft does not envisage the establishment of any new international organization, but is intended to strengthen and promote all-European co-operation, both through the medium and under the aegis of the Economic Commission for Europe. It is therefore natural that the Soviet draft agreement should contain provisions for initiating activity both within the framework of the Commission itself and, possibly, within that of certain other organizations, the membership of which is not all-European. In the view of the Soviet Union Government, this circumstance will not impede, but on the contrary will create more favourable conditions for, the fruitful application of these provisions and principles for the good of the development of economic co-operation on an all-European basis.

4. Some governments, referring to Article 1 of the draft agreement, raise the question of the compatibility of international co-operation with the sovereign rights of States, and request clarification of this point.

On this issue, the Government of the Soviet Union maintains the incontestable position that State sovereignty subsumes such principles as the prohibition of interference in the domestic affairs of States, and the right of States to conclude agreements with other States as equals.

This has been allowed for in the drafting of Article 1 of the draft agreement.

5. Many governments express doubts about the need for Article 3 of the Soviet draft agreement (in which reference is made to the granting of assistance to under-developed countries through the United Nations), pointing out that this provision of the article goes beyond the regional scope of the co-operation envisaged. The Government of the Soviet Union will have no objection to the deletion of this article from the text of the draft agreement, should such a step accord with the wishes of the majority of participating countries.

6. The observations of governments on Article 4 mainly relate to the question of the establishment of an international trade organization. In their opinion, this matter lies outside the competence of the regional economic organs of the United Nations.

The Soviet Union Government is still convinced that a favourable reaction on the part of European States to the idea of the creation of an international trade organization would speed up the realization of this idea, which, in turn, would make a real contribution to the work of developing international economic co-operation.

7. In connexion with Article 5, a number of governments express doubts about the universal and reciprocal grant of unconditional and unrestricted most-favoured-nation treatment, and also about the undertaking not to apply any limitations, prohibitions or formalities in respect of imports or exports.

Taking the above-mentioned comments into consideration, the Government of the Soviet Union proposes that Article 5 of the draft agreement be amended to read:

"Considering that many European countries grant one another most-favoured-nation treatment in their mutual relations in matters of trade and shipping, thus creating the requisite conditions for the development of international trade, the participating States shall endeavour to extend the application of this principle, on terms of reciprocity, to trade and shipping among all European countries.

"The participating States shall make every effort to remove all obstacles of an economic, trade policy or administrative character impeding foreign trade, and where necessary shall consult together for the purpose of reaching agreed decisions and recommendations."

8. The general purport of the observations of governments on Article 6 is that European States cannot assume the undertaking to promote the conclusion of private, long-term trading contracts.

The Government of the Soviet Union therefore proposes that Article 6 be re-drafted and combined with Article 11 of the draft agreement, dealing with standard contracts for the purchase and sale of goods, to read as follows:

"With the object of ensuring the steady expansion of trade, and bearing in mind the satisfactory experience of a number of European countries in developing their foreign trade through the medium of long-term agreements, the participating States shall endeavour to conclude long-term bilateral and multilateral agreements covering reciprocal deliveries of goods and shall also encourage the conclusion of long-term trading contracts. With the object of facilitating the conclusion of transactions in European trade, the participating States shall continue to co-operate, within the Economic Commission for Europe, in the drafting of standard forms of contract for the purchase and sale of goods".

9. With regard to Article 7, the Governments of a number of countries are opposed to the inclusion therein of the questions of a multilateral compensation agreement and the establishment of an all-European body to deal with matters of foreign exchange and credit, until the work being done on these subjects within the Commission has been completed.

The Soviet Union Government is prepared to take these considerations into account and proposes that Article 7 be reworded to read:

"In order to facilitate multilateral exchanges of goods and services in European trade, the Participating States shall endeavour to use the method of multilateral settlements in their trade relations, making use in particular of the results of the work done in this sphere within the Economic Commission for Europe."

10. With regard to Article 9, the Governments of some countries state that the undertaking to give effect to arbitral decisions in disputes arising out of commercial contracts is unacceptable to them.

In the light of these comments, the Soviet Union Government proposes that Article 9 be worded more precisely as follows:

"The Participating States shall, in accordance with their national legislation, help to give effect to arbitral decisions in disputes arising out of commercial contracts concluded by their citizens, organizations or institutions, where provision is made in the contract itself, or in a separate agreement expressed in the form required by the contract, that disputes shall be settled by a specially or permanently constituted arbitral tribunal."

11. With regard to Article 10, the observations of governments relate to the difficulties of providing favourable rates for the transport of exhibits and goods intended for exhibitions, shows and fairs, and to the work already done on this matter, especially within the Commission.

In the light of these observations and in that of the results of the work done on this matter within the Commission, the Soviet Government proposes that paragraph 2 of Article 10 be worded to read:

"For these purposes they shall in particular give sympathetic consideration to the provision of favourable rates for the rail transport of exhibits intended for exhibitions, and to the exemption from Customs and other forms of duty, of goods intended for exhibitions, shows and fairs, subject to the observance of the conditions in force for the temporary importation into their Customs territory of goods intended for exhibitions, shows and fairs".

12. With regard to Article 14, some Governments consider it premature to consider the question of combining the efforts of individual countries to develop the utilization of atomic energy for peaceful purposes and of undertaking to seek mutually satisfactory ways of collaborating therein within the framework of the Economic Commission for Europe, so long as the work of setting up the International Atomic Energy Agency has not been completed.

The Government of the Soviet Union deems it necessary to draw attention to the fact that the co-operation in the utilization of atomic energy for peaceful purposes on an all-European basis proposed in the Soviet draft is intended to facilitate the work of the International Atomic Energy Agency. To avoid possible misunderstanding, the Soviet Union Government proposes that Article 14 be worded to read:

"The Participating States, convinced of the vast prospects which the practical utilization of atomic energy presents for the development of the peaceful economy of all countries and for a consequent increase in their people's welfare, and desiring to contribute to the speediest possible progress in this direction shall endeavour to work out mutually advantageous and satisfactory forms and methods of collaborating in the utilization of atomic energy for peaceful purposes within the framework of the Economic Commission for Europe, and shall to this end establish appropriate contacts with the International Atomic Energy Agency".

The Government of the Soviet Union hopes that the foregoing explanations and observations will be carefully studied by the Governments of countries members of the Commission and provide a basis for fruitful discussion when the draft all-European agreement on economic co-operation is considered at the Commission's twelfth session.