THE SOVIET BLOC AND THE PURSUIT OF INTERNATIONAL TRADE COOPERATION THROUGH THE UNITED NATIONS, 1953-1964

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Preface

This study is an inquiry into and an interpretation of Soviet bloc policies with respect to certain economic activities of the United Nations, the response of other countries to these policies and the impact of the resulting interaction on the United Nations' institutions and functions. The focus is on the efforts of the Soviet Union and its East European allies to expand and "normalize" trade with the industrially advanced countries of the West through the Organization's central economic forums and the Economic Commission for Europe during the period from early 1953 to Nikita Khrushchev's exit from office in 1964.

We have neither attempted to hang the development of East-West trade during this period on the peg of the United Nations, i.e. used the Organization's activities simply to illustrate a recounting of the course of that development, nor have we sought to reconstruct the evolution of those commercial relationships on the evidence provided by the United Nations' record. To have done so in either case would have surely led to a distorted view of the fact that the socialist countries have used their participation in the United Nations to supplement policies pursued outside the Organization.

Throughout most of the first decade of the Organization's operation, the socialist countries under Soviet leadership showed little interest in the West's emphasis on the expansion and multilateralization of trade through the United Nations and other international organizations. As a

result, their participation in the United Nations' trade-related activities was of little significance, except with respect to the effects of the lack of it. The changes in Soviet bloc policy that came to be fully felt after Stalin's death were considerably more noteworthy. Although the socialist countries continued to conduct trade on a bilateral basis and to concentrate negotiating efforts at that level, in pursuing a more expansive trade programme they came to view the United Nations from the mid-1950's as more useful to their ends than before. While the ultimate objective of their activities within the Organization was better bilateral trade ties, the immediate aim was to transform the United Nations' economic work into a useful instrument for improving the conditions under which East-West trade might be conducted in a way consonant with the Soviet interpretation of what constituted the obstacles to that trade and what was necessary for "normalizing" it. Accordingly, as we will see, the subjects of their interest were legal, institutional and atmospheric in nature.

The approach adopted by the Soviet bloc delegations in the United Nations was, then, a distillation of the position taken in pressing for changes in East-West trade relations in bilateral negotiations, adapted in such a way as to take advantage of the opportunities afforded by the Organization. As the fundamental problems confronting the expansion of the socialist countries' trade with the West remained by their own account fairly constant throughout the period, so did the approach adopted by them remain in its essentials unchanged in the United Nations. Accordingly, we will attempt to show that whereas Soviet bloc policies in the United Nations offer an additional dimension to the general study of the bloc's external trade relations over these years, these policies were not advanced on an ad hoc basis but rather reflected a constant underlying

rationale and strategy. In view of this, we have not considered it necessary to present an extensive recounting of the record of bilateral developments in commercial relations, nor have we attempted to correlate the evolution of the multiplicity of bilateral arrangements with the proposals advanced in the United Nations except where such particulars are of illustrative value or where they were of such importance that they had a major effect on Soviet bloc policy in the Organization.

The considerable variety of national views among the members of the United Nations concerning the appropriate methods and objectives which should be pursued within the Organization regarding matters of international trade has stemmed from the fact that the relevant Charter provisions are both broad and vague. The Charter instructs the membership to promote "solutions of international economic...problems," while simultaneously identifying "full employment," "higher standards of living" and "economic... progress and development" as equally desirable goals. As one student of the Charter has observed, "No guidelines are given concerning the techniques which should be followed in implementing these objectives, nor are priorities assigned amongst them." Not only has this led to a great diversity of competing views, but it also quickly led after the close of the Second World War to the creation of a complex institutional framework within which activities relating to international trade were conducted. Within the United Nations system, specialized agencies were established and others were planned in the postwar period. The Economic and Social Council created its own subsidiary bodies, and both the Council and the General Assembly entertained debate and undertook work programmes in this area. Thus the framework for our study is exceedingly complicated, and our task is not lightened by the absence of a definite statement of objectives and methods in the Charter

against which the Soviet bloc's role in the evolution of the United Nations' functional programme in the international trade field can be measured and evaluated.

Here a matter of terminology needs to be clarified. The "functional" sphere of international organization has been characterized by Inis L. Claude, Jr. in his Swords into Plowshares as "that part of the mass of organized international activities which relates directly to economic, social, technical, and humanitarian matters....Functional activities are immediately and explicitly concerned with such values as prosperity, welfare, social justice, and the 'good life', rather than the prevention of war and the elimination of national insecurity." Throughout our study, we have used the terms "functional" and "functionalism" in this sense, except where "functional" obviously refers to operational concerns.

Several further matters should be mentioned. One is that within the United Nations, Soviet bloc policy was monolithic; that is, almost without exception, the policy positions assumed by the East European "client" states (Poland, Hungary, Czechoslovakia, Romania and Bulgaria) followed Moscow's lead down to the last specific. The sole exception during the period under consideration was Romania's independent stand on some issues at the first United Nations Conference on Trade and Development in 1964, during which it sought to identify itself with the developing countries. As a result, in several places we have resorted to analyses of the Soviet position on certain matters where consideration of the positions of the other socialist countries would be of only the most limited additional interest. This identification of viewpoints one with another should not, however, be interpreted as a lack of recognition on the author's part that the underlying economic interests and bilateral policies of the

several countries may well have been different and even conflicting. Our representation of their views in the United Nations simply reflects the fact that these differences were not significantly apparent in those public sessions of the United Nations which have commanded our attention.

Another matter is that except in the introductory and background sections of the paper we have relied almost exclusively on United Nations documents and sessional reports. We feel justified in this method insofar as published opinion within the USSR (where policy originated) concerning the role of the United Nations in improving trade relations as well as the nature and objectives of Soviet bloc policy in the Organization's various economic forums was also of one mind. Consensus on this policy level at a given time reflected, of course, decisions already made concerning competing views on particular issues, such as the desired Soviet response to the emergence of the Common Market. As we stated at the outset, we are interested in the interaction of national policies as finalized and presented as the basis for negotiations in the United Nations; a discussion of the genesis of each policy in the decision-making apparatus of each government--or even of the Soviet Union alone--is beyond the scope of this study, though such discussions would undoubtedly be of value in a longer thesis. A further consideration in this respect is the essential constancy of the Soviet bloc strategy for developing trade through the United Nations during the Khrushchev years. For our purposes we have found it sufficient to examine the roots of this underlying policy rationale and the ways in which it was adapted to fit changing circumstances.

Finally, it should be noted beforehand that we have extensively utilized exact quotations to illustrate and support our analysis. In

this we have been selective only with regard to their trechancy of statement and not their uniqueness. In most instances many more similar quotations could have been cited instead, for indeed a hallmark of Soviet bloc policy statements in the United Nations was their repetitiveness. This was no less true for the delegations of other member countries. The abundance of quotations gives the reader the opportunity to hear the various delegations speak on behalf of their own policies, and it also offers some guarantee that their viewpoints have not been distorted.

I am indebted to Duke University for granting an extended leave of absence from my doctoral studies to pursue this line of research abroad, and I am grateful to the Institute of Soviet and East European Studies at the University of Glasgow for the opportunity of using its excellent facilities and to its faculty and staff who provided much friendly encouragement and assistance. Above all, Professor Alec Nove generously offered valuable guidance at crucial points in the preparation of the paper. He deserves credit for all its merits and for none of its weaknesses, which are the sole responsibility of the author. I cannot begin to express my appreciation for the patient understanding which he has shown toward the delays, many of which were beyond control, in the final presentation of this volume. Beyond this, I must acknowledge my debt to Professors W.W. Kulski, Kazimierz Grzybowski, Vladimir Treml and Warren Lerner, whose courses in Soviet foreign policy, international law, economics and history at Duke nurtured my interest in Soviet economic diplomacy. Special mention should also be made of the solicitous assistance in tracking down documents provided by Mr. Alisdair Sutherland, formerly with the

Mitchell Library of Glasgow. It is inconceivable that this study could have been completed without his help. Finally, but most importantly, my wife, Charlotte, has shown to me her joy of giving, in unselfishly supporting my work both spiritually and financially through the lean but loving years of our marriage. And both of us cannot forget the many kindnesses shown to us by countless people during our pleasant stay in Scotland.

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A basic theme of the study is continuity and change in Soviet policy. The purpose of Chapter One is to familiarize the reader with important developments of the preceding postwar period which influenced and, expecially in the area of institutional evolution, conditioned Soviet trade-related policies in the United Nations after 1953. It offers an introductory survey of relevant developments in Soviet foreign policy, East-West relations and the evolution of the Organization's activities in the trade field from Joseph Stalin's initial posture of aloofness and hostility toward American wartime plans for reordering the world trading system to the early signs of a major change in the Soviet attitude toward the United Nations' economic programme which appeared shortly before his death. While Soviet--and hence Soviet bloc--participation in the economic work of the Organization was kept at a near stultifying low in the interim, what happened to the United Nations and outside it set the framework for

later Soviet policies. Thus the failure of wartime plans for an International Trade Organization (for reasons that had little enough to do directly with Soviet policy), the advent of the cold war and the American imposed western system of controls on trade with the East, the shifting of practically all matters of economic cooperation from the United Nations to the jurisdiction of the General Agreement on Tariffs and Trade and other essentially western institutions, and the United States' use of its enormous influence and power for bending the Organization to its own anti-communist purposes provided the themes of discrimination and subversion of the Charter which hallmarked the Soviet bloc's assult on western trade policy in the United Nations under the post-Stalin regime.

The expansion and implementation of the new look in the Soviet attitude toward extra-bloc trade carried out by Stalin's successors became a central feature of Nikita Khrushchev's highly touted policy of peaceful coexistence of the capitalist and socialist states. The diplomatic strategy developed by the socialist delegations in the United Nations as a complementary means of pressing the issue of "normalizing" East-West commercial relations was an adaptation of this policy. Its two main components--the contention that western trade controls and discriminatory practices constituted the most serious obstacles to such a normalization and the assertion that normal trade relations should and could precede a stable political peace--are systematically set forth and analyzed in Chapter Two. Contrasting western views, notably that differences between the nominally free-enterprise trading systems in the West and Soviet-type trading systems and practices in the Eastern bloc constituted a more serious hindrance to expansive commercial relations than controls on strategic commodities and that economic relations tend to follow the political lead, are also

surveyed. How these conflicting concepts were carried over into United Nations deliberations is part of the story of the study's remaining chapters.

Failure to end alleged western, and especially American, policies of trade discrimination and restrictions through preferred bilateral channels outside the United Nations led to increased Soviet efforts along these lines within the Organization, which offered the socialist countries unique institutional opportunities for pressing their policies in the name of fulfilling the contractual obligations of the Charter. Although they continued to conduct trade on a bilateral basis and to concentrate diplomatic efforts at that level, the immediate economic aim of their activities in the United Nations from the mid-1950's was to transform the Organization's economic programme into a useful instrument for improving the conditions under which East-West trade might be conducted in a way consonant with the Soviet interpretation of what constituted the main obstacles to that trade and what was necessary for normalizing it. Accordingly, the subjects of their interest, and ours, were legal, institutional and atmospheric in nature.

During this period the socialist delegations sought to translate Soviet trade policy into United Nations resolutions designed to end their exclusion from international programmes for the development of trade and to support their criticism of bilateral western trade policies. Thus the Soviet Union proposed the reconsideration of an international trade organization within the United Nations system to displace GATT from the center stage of intergovernmental commercial arrangements (Chapter Four) ; the adoption of an all-European Agreement on Economic Cooperation and other measures by the ECE to supplant the European Common Market (Chapter Five); and, later on,

the creation of four regional trade organizations--with emphasis on the one for Europe--which would in time merge into the preferred general universal trade organization (Chapters Four and Five). The numerous draft resolutions embodying these basic proposals for structurally reforming world trade were couched in the concepts of the trade strategy of peaceful coexistence, and the ensuing debates reflected and highlighted the differing approaches to the problems of their mutual trade relations taken by the socialist countries, on the one side, and the leading western countries, on the other. This was particularly evident in the case of another idea favored by the Soviet bloc, that of concluding a United Nations declaration of general principles of economic cooperation to serve as a guide for economic relations among member states and as the foundation for new institutions in the trade field (Chapter Three). For economic and political reasons, as well as for considerations having to do with international law, the major western trading states remained unconvinced of the purported merits of these various proposals, though they were in fact far from united in their own attitudes toward trade with the Soviet bloc. With the sole exception of the suggested declaration of principles, where a special ad hoc committee of the ECE was set up to study the question, all were abandoned for a time after 1960. In their place the socialist countries concentrated on upgrading the work of the Economic Commission for Europe in order that it might operate as something of a de facto trade organization (Chapter Five).

From the beginning, the socialist delegations had sought western acceptance of these measures as a prerequisite for success, recognizing that their adoption would be of little real value if the majorities did not include those states whose policies they were intended to change. Nonetheless, the convening of the United Nations Conference on Trade and

Development in the spring of 1964 at the behest of the less developed nations saw an abandonment of this caution and an attempt to enlist the now dominant presence of Third World countries in the United Nations in an effort to force the adoption of Soviet bloc policies with or without western concurrence (Chapter Six). Disregarding the main subject of the Conference, which was the trade factor in the problems of economic development in the Third World, the Soviet Union pressed for a broader economic conference to include East-West trade, resurrecting its campaign for an international trade organization and renewing pressures for a declaration of principles. In this it was not entirely unsuccessful. Even so, it was clear by the end of the Conference that the developing nations cared little for the issues of East-West trade and were determined to use the continuing UNCTAD machinery along with their superior voting power to reconstruct the world economic order to their own advantage at the expense of both the advanced capitalist and socialist countries.

With this, the trade programme pursued by the Soviet bloc in the United Nations over the previous decade came to a virtual end. It had not, however, been without its incidental benefits. Issues had been clarified, understanding of the problems of trade between differing systems had been advanced, and some progress had been achieved through the ECE in expanding East-West trade and defining acceptable principles for it. More significant still, the two sides had begun a slow process of reaching an effective working relationship in the ECE in the imporving political climate which followed the peaceful resolution of the Cuban Crisis of 1962. And although this more auspicious political situation held out better prospects for the development of trade relations outside the United Nations, thereby reducing the East's incentive for turning to the Organization as a

supplementary arm of foreign policy, it also held promise that the tasks left to the United Nations would have a greater chance of success than at anytime since the close of the Second World War.

CHAPTER ONE

KHRUSHCHEV'S INHERITANCE: STALIN AND UNITED NATIONS FUNCTIONALISM

> The history of the United Nations has been in large measure a history of retreat from false hopes and of adjustment to the reality of a divided world.
>
> --Senator J. William Fulbright

I. THE UNITED NATIONS FUNCTIONAL PROGRAMME: EXPECTATIONS AND PROBLEMS

Central to any study of the Soviet Union in the United Nations in the divided world of the mid-twentieth century is the fact that American concepts and objectives were a pervasive and dominating influence in the establishment of the successor to the League of Nations. In particular, the determination that a wide spectrum of economic and social activities should be encompassed within the projected United Nations system as an integral element of a durable peace can properly be ascribed to Secretary Cordell Hull's direction of the U.S. State Department's wartime preparatory studies and proposals for a general international organization.[1] The intellectual approach underlying these efforts constituted a radical departure from the philosophy of the earlier League institutions, which had paid only marginal attention to these mistakenly so-called "non-political"

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[1] See Harold Karan Jacobson, The USSR and the UN's Economic and Social Activities (Notre Dame: University of Notre Dame Press, 1963), pp. 4-6. (Hereafter referred to as USSR and UN.) See also Inis L. Claude, Jr., Swords into Plowshares: The Problems and Progress of International Organization, 3d ed., rev. (New York: Random House, 1964), p. 52. (Hereafter referred to as Swords.)

subjects. Nonetheless, the formal success of the American inspired design found in the provisions of the United Nations Charter concerning economic and social matters concealed a deep division of purpose among the Great Powers. From the start, the Soviet Union adopted an aloofness (at best) to the plans for endowing the Organization with competence in these areas. As the wartime Allied unity decomposed in the ensuing cold war, these divergent attitudes were adjusted on both sides of the East-West divide with ominous significance for the future work of the United Nations.

The influences which shaped the new Organization that emerged from the San Francisco Conference of 1945 were indeed complex. Certainly much of the success of American policies at the founding conferences was due to the singular strength of the United States in world affairs at the close of the Second World War. However, another factor ensured a favorable reception for the State Department's proposals concerning the institutionalization of economic cooperation within the United Nations' structure. As Charles H. Alexandrowicz has observed, there was early on among most interested governments a "common agreement that world economic recovery could not be left to private initiative and to impersonal market forces....It was obvious that some intergovernmental planning had to be applied, and the only way to realize it was the use of a network of International Economic Organizations."[1] At the source of this shared view among leading countries outside the Soviet bloc was the experience of the then still recent economic and financial crises of the interwar period. These were time and again causally linked in discussions with the outbreak of war in Europe in 1939. Coupled with this was the recognition that the technological developments which had made

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[1] Charles Henry Alexandrowicz, International Economic Organizations (London: London Institute of World Affairs, 1952), p. 110.

nations interdependent also necessitated the creation of mechanisms for the regulation of their relations on all levels.

The establishment of the United Nations on a Charter whose provisions encompassed global political, economic, and social affairs led to expectations in some quarters that the Organization would establish the infrastructure of an emerging world community. In emphasizing the evolving pattern of institutional arrangements, they maintained that the United Nations Charter, "buttressed by a thickening network of technical or specialized agencies and international non-governmental organizations," demonstrated "the existence of a nascent Gemeinschaft whose members would be increasingly tied together,"[1] by what has been described as "an intimacy of conduct, an interdependence of welfare, and a mutuality of vulnerability."[2] This was not, however, the view of the founding member governments. They saw the United Nations as testifying "not to the emergence of a modicum of community mindedness amongst the members of the international political system, but to their continued attachment to state sovereignty, an attachment qualified only by their reluctant recognition of the sheer inconvenience--and often risks--of a refusal to collaborate on a wide range of day-to-day matters...."[3]

This second, instrumentalist, view has from the outset characterized both western and Soviet conceptions of the United Nations system. However, at least during the early years of the United Nations, to the extent this view found currency in western policies it differed from the Soviet attitude

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[1] G.L. Goodwin, "The United Nations: Expectations and Experience," International Relations 3 (November 1970): 729.

[2] Inis L. Claude, "The United Nations, the United States and the Maintenance of Peace," in The United States and International Organization, ed. Lawrence S. Finkelstein (Boston: M.I.T. Press, 1969), p. 71, as quoted in Goodwin, p. 729.

[3] Goodwin, p. 18.

in its underlying assumption of the desirability of an orderly expansion of the domain of the Organization in accordance with a broad interpretation of the prerogatives and responsibilities set forth in the Charter. The Soviet leadership, on the other hand, viewed the Charter as a treaty relationship among the major powers which was to be held within a strict construction of its contractual terms.[1] This narrower conception of the Charter meant in practice limiting or opposing any expansion of the Organization's activities that in the opinion of the Soviet Union might dangerously encroach on its national sovereignty and freedom of action. The USSR accordingly met efforts to give a broad interpretation to the Charter provisions with a countervailing insistence on the broadest interpretation of the sovereignty of member states, particularly the Great Powers.[2]

Although the Soviet concept of national sovereignty as advocated within the United Nations in terms of the authority of the organization was developed only in the postwar years as a shield for the socialist countries in their position as a decreasing relative minority in the United Nations, Stalin's main line of defense of Soviet interests, his insistence on Great Power unanimity, was everywhere in evidence by the end of the war.[3] Thus, in 1945 he emphasized that the actions of the new world organization "will be effective if the great powers which have borne the brunt of the war against Hitler Germany continue to act in a spirit of unanimity and accord. They will not be effective if this essential condition is violated."[4]

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[1] Rupert Emerson and Inis L. Claude,Jr., "The Soviet Union and the United Nations: An Essay in Interpretation," International Organization 6 (February 1952): 3.

[2] Alexander Dallin, The Soviet Union at the United Nations. An Inquiry into Soviet Motives and Objectives (New York: Frederick A. Praeger, 1962), p. 22.

[3] Ibid.

[4] Joseph Stalin, The Great Patriotic War of the Soviet Union (New York: International Publishers, 1945), p. 106.

This insistence reflected a determined expectation of a shared hegemony administered through the United Nations perpetuating the wartime arrangements under which the strongest powers "had taken many major decisions jointly and had them imposed them on their weaker allies and on neutrals."[1]

The view of the United Nations by the Soviet leadership as at most an ancillary instrument of Soviet foreign policy was matched during the first postwar decade by the growing tendency of the western powers, led and urged on by the United States, to appropriate the Organization for their own purposes. This was made possible by the substantial majority support they commanded. If Soviet statesmen had any illusions at the close of the war as to the durability of the concert of Great Powers, these were soon dispelled in early 1946 by the Security Council's resolution of the question of Soviet troops in northern Iran in spite of steadfast Soviet opposition. The subsequent far-reaching disruptions in East-West relations, the events culminating in the United Nations' decision to intervene in Korea,and the scores of other contested issues within the Organization do not need repeating at length. As deliberations within the United Nations came to reflect the tension and rifts of the unfolding cold war, the predominance of the United States with its hardening view of the United Nations as "little more than a supplementary arm of western defense"[2] contributed to a crisis of purpose inside the Organization. Out of this emerged what Hans J. Morgenthau termed "a new United Nations...a child of the 'cold war', intended to wage rather than to

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[1] Philip E. Mosely, "The Soviet Union and the United Nations," International Organization 19 (1965): 666-67.

[2] Goodwin, p. 745.

terminate it."[1] During these years, the socialist countries found themselves confronted by an overwhelming majority of votes on virtually every important issue.

The bipolar division of the United Nations, repeatedly exacerbated and illustrated by the West's nearly automatic use of its majority and the Soviet Union's use of the veto, not only betrayed the expectations of Soviet statesmen but also belied the hopes many western leaders had initially placed in the Charter for constructing a better postwar world by means of "a democratic international procedure operating through consultation, conciliation and cooperation."[2] By the close of the war-ridden 1940's, the proclivity to approach important issues as problems to be solved by the "arithmetic of power" had solidified a situation in which the prerequisites for concerted and purposeful action--some measure of trust and some mutuality of interest--were manifestly absent in the Organization, if indeed they had ever been present in the first place.

The chilling effect of this overshadowing political fact was felt in every aspect of the United Nations' activities. In the functional sector, it further clouded an already unpromising beginning. During the wide-ranging discussions that followed the October 1943 four-power Moscow Declaration of intent to create a postwar general international organization and up to the first session of the General Assembly in January 1946, the Soviet attitude toward efforts to delineate the United Nations' competence in economic (and

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[1] Hans J. Morgenthau, "The United Nations and the Revision of the Charter," The Review of Politics 16 (January 1954): 15. In an interview in Pravda, 15 February 1951, Stalin similarly, but more extremely, observed: "The UNO, created as the bulwark for preserving peace, is being turned into an instrument of war, into a means of unleashing a new world war."

[2] Philip E. Mosely, "Soviet Policy in the United Nations," Proceedings of the Academy of Political Science (New York) 22 (1946): 37.

social) matters fluctuated between opposition and passive acquiescence.[1] The main direction of the Soviet policy in this respect was determined by its restrictive concept of a world organization which would be almost exclusively concerned with political and security issues.[2] The USSR declined association with the International Monetary Fund and the International Bank for Reconstruction and Development, whose instruments were finalized at the Conference of Bretton Woods in July 1944.[3] And at the San Francisco Conference of April 1945 the Soviet delegation largely refrained from the drafting of the Charter's economic and social provisions. Molotov set the tone of the Soviet position by excluding any reference to these functional concerns in his address at the opening plenary session.[4]

Gradually this measured reticence turned into critical and hostile opposition. In the first year of the United Nations' operations, the Soviet representatives showed a growing realization that Soviet interests were involved in the Organization's economic and social deliberations and accordingly sought to protect and promote these interests.[5] Yet with East-West tension mounting, the Soviet Union began by the end of 1946 to limit sharply its participation in functional activities, basing this incooperativeness on the assertion that the United Nations was becoming an instrument for the multilateralization of American interests. This charge was often leveled at the specialized agencies, as when at Lake Success in

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1 See Jacobson, p. 12.

2 See Claude, Swords, p. 61.

3 See Klaus Knorr, "The Bretton Woods Institutions in Transition," International Organization 2 (February 1948): 35-36.

4 Emerson and Claude, p. 18.

5 See Jacobson, p. 12.

October 1947 the Soviet Union accused the Bretton Woods institutions of being "merely branches of Wall Street," alleging that the Bank in particular was "subordinated to political purposes which made it the instrument of one great power."[1] In view of this stiffening attitude, Philip E. Mosely has concluded that the evidence was that by this time the Soviet government had decided that "it had nothing to gain by submitting any of its interests to [the United Nations] or raising its prestige in any way."[2] During this period, Soviet representatives who were approached by others earnestly seeking agreement reportedly responded by displaying "a monotonous concern to propagandize and to block rather than to make the system work."[3] Nonetheless, Soviet policy continued to reflect the wartime assumption of a major power hegemony in expressing a "tendency to allow the United Nations to act effectively in questions which, in Stalin's view, did not impinge directly on Soviet interests."[4]

II. THE INTERNATIONAL TRADE ORGANIZATION

Within the functional programme, one endeavor in particular in which it had been hoped the USSR would perceive a mutuality of interest with the West, as well as the western countries with one another, was the creation of an effective machinery for the multilateral expansion of international trade. To this end, the United States had taken the initiative before the end of the war in promoting the idea of an international trade organization

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[1] Quoted in the New York Times, 14 October 1947, as cited in Knorr, p. 36.

[2] Mosely, "The Soviet Union and the United Nations," p. 663.

[3] Emerson and Claude, p. 21.

[4] Mosely, "The Soviet Union and the United Nations," p. 668.

to be established on a charter of trade principles, forming specific commitments with binding force on governments, and brought within the United Nations system as a specialized agency.[1] And it had been on the premise of an impending agreement on a world trade organization that the Bretton Woods institutions were subsequently founded as essential parts of the overall institutional design for international economic cooperation. Accordingly, the Suggested Charter for an International Trade Organization[2] advanced by the United States in September 1946 as a basis of discussion was variously described as providing the "capstone" or "keystone" of the projected triad of agencies.[3]

Expectations for the early completion of the institutional structure

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[1] William Diebold, Jr., has observed that, "The core of the postwar trade policy of the United States was the ITO [International Trade Organization], which was in many ways the fusion and the highest development of the main elements in the policies that had gone before, since 1934 [the date of the Reciprocal Trade Agreements Act]." William Diebold, Jr., "The End of the I.T.O.," International Finance Section, Department of Economics and Social Institutions, Princeton University, Essays in International Finance, no. 16 (Princeton: Princeton University Press, 1952), p. 36. See also John H. Williams, "Economic Lessons of Two World Wars," Foreign Affairs 26 (October 1947): 144-45; and , James M. Landis, "Restoring World Trade, " Proceedings of the Academy of Political Science (New York) 21 (October/November 1946): 443-50.

[2] For a transcript of the Suggested Charter see International Conciliation No. 425 (November 1946): 487-543. This document was essentially a programmatic embodiment and ellaboration of the earlier United States' Proposals for the Expansion of World Trade and Employment published 6 December 1945 in conjunction with the Anglo-American Financial Agreement, during the negotiations for which the Proposals were finalized. To avoid confusion with the United Nations Charter in the text, the ITO Charter will be italicized where possible, that is, unless it appears in a quotation in which it is not italicized; in such circumstance, the context should clearly identify which charter is intended.

[3] Thus, Clair Wilcox, as chairman of the United States delegation, stated at the London Conference of the Preparatory Committee for the International Trade Organization (October-November, 1946): "Of the many tasks of economic reconstruction that remain, ours is by all odds the most important. Unless we bring this work to completion, the hopes of those builders who preceded us can never be fulfilled." Quoted in Diebold, p. 4.

were tied to optimistic assumptions not only that "after a brief period of readjustment it would be possible for the important trading countries to give up their extraordinary trading restrictions and join in a general attempt to develop free competitive multilateral trade again,"[1] but also that the USSR would become an active participant in the organizational scheme. This assumption of Soviet participation by western planners was not, however, a naive belief in the certainty of such participation, as some have charged claiming that contrary Soviet behavior was predictable. Instead, it would be more accurate to observe it in light of the general assumption in evidence at the San Francisco Conference that, at the time, "the world had no better alternative...than to build an organization which was dependent upon the possibility that great power unity would continue."[2] Insofar as the objectives of the United Nations were linked to the viability of its economic agencies, the assumption of Soviet cooperation in the proposed ITO was, therefore, a corollary of the necessary assumption of continued amity among the major powers upon which the United Nations Charter was predicated.

Given the operative gravity of this "necessary belief," it is not surprising that the authors of the plan for a world trade organization based their efforts on the predictions of those economists (and others) who foresaw in the postwar period a "reintegration" into the world economy of the Soviet Union and the countries under Soviet military occupation. Though there were no few doubters, this forecast persisted for some time in principle as a postulate of the American postwar trade policy pursued by the Truman Administration. As such, it was publicized in President Truman's address to Congress introducing the Marshall Plan at the end of 1947, in which he

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[1] John Bell Condliffe, "International Trade and Economic Nationalism," International Conciliation No. 476 (December 1951): 555.

[2] Claude, Swords, p. 69.

observed that "both the report of the Sixteen Nations and the programme submitted to Congress are based on the belief that over the next few years the normal pattern of trade between Eastern and Western Europe will be gradually restored."[1] Much of this optimism among the participating countries can be traced to the slow realization in the West that the political shape and hence economic configuration of European relations had been fundamentally altered by the Soviet domination of most of Eastern Europe. Gunnar Adler-Karlsson has pointed out that during the first two years after the war,

> the West European governments thought, acted and planned on assumptions based on the interwar experiences. One of the more important of these was that a high volume of East-West trade was of great importance for the rapid recovery of the West European economies. No discussions of East-West trade problems were needed, and none were forthcoming.[2]

Even when these problems finally did surface in 1947 during the planning for the Marshall aid programme, the fact was that this newly found awareness did not change the underlying assumptions, as Truman's presentation revealed.[3]

In addition it was often pointed out that Article VII of the Mutual Aid Agreement, which proposed steps for the freeing of trade as part of the settlement of lend-lease obligations, provided a contractual commitment among its adherents to negotiate procedures for a progressive and reciprocal lowering of trade barriers. Thus it was argued, by extension, that the

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[1] Quoted in "Mercator" (pseud.), "East-West Trade: Prospects and Limitations," Economia internazionale 7 (1954): 834.

[2] Gunnar Adler-Karlsson, Western Economic Warfare 1947-1967. A Case Study in Foreign Economic Policy, Stockholm Economic Studies, New Series IX (Stockholm: Almqvist and Wiksell, 1968), p. 157. (Hereafter referred to as Western Economic Warfare.)

[3] Ibid., pp. 167-68.

Soviet Union was obligated to participate in the preparations for the ITO.[1] Although the Soviet government had accepted Article VII, "its representatives abroad made no secret of their suspicion of its basic aims."[2] When the time came to make good the wartime understanding the Soviet Union alone failed to respond to, or possibly even to acknowledge, the American invitation to discuss measures to give effect to the provision.[3] Although the USSR nominally acquiesced in the February 1946 ECOSOC adoption of the American draft resolution to convene a nineteen-nation Preparatory Conference on Trade and Employment to discuss the creation of an international trade organization, it revised its stand to one of aloof opposition by the time of the first preliminary conference held the following October.[4]

By the time that the Havana Conference of Trade and Employment of November 1947 to March 1948 was convened, it was apparent that Soviet public indifference, save for occasional pro forma criticisms, reflected Stalin's choice of unilateral action over cooperation with the West as a precept of Soviet postwar foreign policy. Although Stalin is reported as having later told Secretary-General Trygve Lie that the Draft Charter for an

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1 See Otto Tod Mallery, "The Significance of the Forthcoming World Trade Conference," International Conciliation No. 406 (December 1944): 751; and, William Adams Brown, Jr., The United States and the Restoration of World Trade. An Analysis and Appraisal of the ITO Charter and the General Agreement on Tariffs and Trade (Washington: Brookings Institution, 1950), p. 96.

2 Brown, p. 45.

3 Herbert Feis, "The Conflict over Trade Ideologies," Foreign Affairs 25 (January 1947): 219-20.

4 See Alvin Z. Rubinstein, The Soviets in International Organizations. Changing Policy Toward the Developing Countries, 1953-1963. (Princeton: Princeton University Press, 1964), p. 10; and, Clair Wilcox, A Charter for World Trade (New York: Macmillan, 1949), p. 40.

International Trade Organization (signed at the conclusion of the Conference)[1] "was a good one" and with few changes, it might well be ratified...by the Soviet Union,"[2] this appears in retrospect to have been a display of, say, polite conversation rather than a change of policy. As one scholar has observed, during the years between the close of the war and Stalin's later reevaluation in the early 1950's of the significance of the United Nations for Soviet foreign affairs, the Soviet Union's emphasis on bilateralism in foreign trade and its concentration on its geographical periphery in foreign policy were "set within a structure of priorities which precluded cooperation with UN economic organizations."[3]

The extensive contemporary literature on the formal ITO negotiations and the subsequent American domestic debate on the ratification of the Charter make it amply evident that it was not generally expected that the Soviet Union would join the ITO in view of its undisguised lack of interest. But it is also clear that this did not absolve the drafters of the Charter and its critics from the obligation of considering the implications of Soviet participation, however remote it might have seemed at the time.

The Havana Charter represented the first attempt to encompass both private-enterprise and state-trading oriented economies within a multilateral convention designed to expand world trade. Alexander

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[1] Poland and Czechoslovakia attended the Havana Conference. While Poland, along with Argentina, refused to sign the Final Act, Czechoslovakia, together with fifty-two other governments, did sign, though it is significant that this was before the February 1948 coup in Czechoslovakia.

[2] Trygve Lie, In the Cause of Peace (New York: Macmillan, 1954), p. 81, as quoted in Rudolf Nötel, "The Role of the United Nations in the Sphere of East-West Trade," Economia internazionale 18 (November 1965); 645.

[3] Rubinstein, p. 13.

Gershchenkron's paper, "Russia and the International Trade Organization,"[1] presented at the annual meeting of the American Economic Association in January 1947, succinctly illustrated the dilemma posed by the uncertainty of Soviet membership for advocates of a comprehensive world trade organization which was to be based on a universally applicable code of commercial practice. Noting the "hardly encouraging" fact that the USSR had by then failed to participate in the preliminary work for the ITO, Gershchenkron nevertheless submitted that "the problem of Russia's reintegration into the world economy is of such stupendous moment that a discussion of the charter on the assumption of Russian membership seems justified even in default of current urgency."[2]

In this assumption, a significant change in Soviet policy directed toward an expansion of trade with western countries was postulated, and it meant that careful consideration had to be given to the question of establishing an institutional framework "within which the policies of the /Soviet/ foreign trade monopoly would be consonant with the guiding principles of the charter."[3] These principles were to effect an expansion of international trade by the reduction of tariffs, the restriction of quantitative trade controls and the extension of most-favored-nation treatment among member countries of the ITO. The peculiar problems of creating this legal framework for the regulation of East-West commercial

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[1] Alexander Gershchenkron, "Russia and the International Trade Organization," in the "Papers and Proceedings of the 59th Annual Meeting of the American Economic Association (January 23-26, 1947)," American Economic Review 37 (May 1947): 624-42. At the time, Gershchenkron was a member of the Board of Governors of the Federal Reserve System.

[2] Ibid., p. 624.

[3] Ibid., p. 625.

relations arose from the basic conflict between state trading and the most-favored-nation clause. As Harold J. Berman has asserted, "the principles of free multilateral trade and the policy of seeking to reduce quantitative restrictions and discriminatory practices in international trade, though valid for trade among market economies, are inappropriate to commercial relations between communist and non-communist countries."[1] The difficulty for the drafters of the Charter has been described elsewhere as that of "finding some scheme which would cause the state-trading states to increase trade and avoid discrimination in a form comparable to the avoidance of discrimination and increase of trade established by adoption of the most-favored-nation principle by private-enterprise states."[2]

Unlike many other attempts at finding solutions to various problems of the postwar international economy, efforts to subject state-trading practices to a rule of nondiscrimination and fair commercial practice had not been limited to the postwar period. Martin Domke and John N. Hazard in a study of the question of state trading and the most-favored-nation clause have detailed the series of bilateral trade agreements beginning in 1927 in which several countries attempted to introduce a workable quid pro quo clause to be granted by the USSR in exchange for most-favored-nation concessions.[3] Two innovations were variously applied in these agreements. One required the Soviet Union to purchase a fixed quantity of goods over a given period of time. A later undertaking that became known as the

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[1] Harold J. Berman, "The Legal Framework of Trade between Planned and Market Economies: the Soviet-American Example," Law and Contemporary Problems 24 (Summer 1959): 527.

[2] Martin Domke and John N. Hazard, "State Trading and the Most-Favored-Nation Clause," American Journal of International Law 52 (January 1958): 59.

[3] Domke and Hazard, pp. 55-63.

"commercial considerations" clause provided that, as stated in a protocol to the British-Soviet Commercial Agreement of 1930, "so far as relates to the treatment accorded by each party to the trade of the other, they will be guided in regard to the purchase and sale of goods, in regard to the employment of shipping and in regard to all similar matters by commercial and financial considerations...."[1]

However, neither the former substitutional formula nor the latter attempt to provide a commitment in state-trading practice commensurate in benefits with that of the most-favored-nation principle among nominally private-enterprise countries proved satisfactory in practice. Although the British became disillusioned with the operation of the most-favored-nation clause to increase trade with the USSR and with the commercial considerations substitute, the formula was repeated in their subsequent agreement with the Soviet Union in 1934. Domke and Hazard have cited Georg Schwarzenberger's explanation of the repetition of the formula which appeared in the 1945 British Yearbook of International Law as suggesting "that the British draftsmen could think of nothing else."[2] Schwarzenberger asserted that the most-favored-nation clause

> serves here as the only legal guarantee of equality of opportunity in trading with a state monopoly of foreign trade as it is practiced by the USSR. Only in this way can the object be achieved that, 'in considering any given transaction, regard shall be had to financial and commercial considerations only.'[3]

The British were not alone. The drafters of the Suggested Charter

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[1] Ibid., p. 58; and, see J.E.S. Fawcett, "State Trading and International Organization," Law and Contemporary Problems 24 (Spring 1959): 342.

[2] Ibid., p. 59.

[3] Georg Schwarzenberger, "The Most-Faroved-Nation Standard in British State Practice," British Yearbook of International Law 22 (1945): 113, as quoted in Domke and Hazard, p. 59.

and its successive revisions prior to the Havana Conference in effect concurred with Schwarzenberger's "counsel of despair." Initially they adopted both substitutes for the most-favored-nation clause as developed before the war in bilateral agreements, but while they had little difficulty in incorporating the commercial considerations clause the problems of finding a multilateral equivalent for the bilateral purchasing commitment formula in the end proved insuperable. As Domke and Hazard observed, "A global commitment scheme which would be comprehensible was finally deemed to be impossible of conception, and the draftsmen...had to content themselves with a simple expression of a desire to expand trade."[1]

At the time, the state-trading provisions of the Suggested Charter were the object of both constructive and carping criticism unaccompanied by acceptable alternative solutions.[2] Reflecting on this, Gershchenkron concluded:

> The fact that a substantial amount of time and thought has been devoted to the problem in recent years without production of any other workable solution cannot be overlooked. It suggests strongly that the essence of a state-trading monopoly is incompatible with general arrangements which in themselves constitute a reasonable guarantee for the attainment of an expanding trade on a nondiscriminatory basis.[3]

However, while recognizing that the proposed Charter's commitments relating to state trading would not be easily enforceable, Gershchenkron argued with

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[1] Domke and Hazard, p. 60.

[2] See Gershchenkron, p. 641; and, John H. Williams, "International Trade with Planned Economies: the ITO Charter," Proceedings of the Academy of Political Science (New York) 22 (1946-48): 288-302, passim. It is perhaps interesting that in his review for the American Journal of International Law of Wilcox's A Charter for World Trade, Robert R. Wilson observed that the chapter on state trading was the "least impressive" of that book; however, it appears that this section merely reflected the unimaginative discussions conducted on the subject by the Charter's draftsmen.

[3] Gershchenkron, p. 641.

the Charter's detractors that these provisions could prove an effective safeguard against Soviet trade discrimination. This depended, though, on whether the Soviet Union could be convinced that membership and active participation in the ITO in accord with the spirit of the Charter's principles would bring such substantial benefits in its trade with non-state-trading countries as to make it unwise "to risk loss of those real advantages for the sake of short-run gains resulting from discrimination."[1] In this respect, the most important feature of the state-trading provisions was seen to be Article 35 regarding consultation. He concluded that ultimately the test of the "tentative promise" of the commercial considerations formula and the then still favored global purchasing arrangement concept would be in the day to day work of the ITO. Thus, while predictable economic advantage would lead the Soviet Union to join the organization, the USSR's subsequent purposeful participation would contribute to the practical mitigation of the problems presented by a state-trading system. The result would make for the integration of the Soviet Union into the world economy, thereby laying the foundation for further peaceful economic cooperation. It should be added that he presented this scenario with some reservation concerning actual Soviet intentions.

In this interpretation of the practical value of the Charter, emphasis was placed on the ITO as a mechanism for the piecemeal resolution of problems and on the Charter as a flexible instrument important in its intent.[2] Gershchenkron placed his expectations for the Charter's success in the ITO's ability to assert its authority in consultations, in mediating,

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[1] Ibid.

[2] Clair Wilcox, "The Promise of the World Trade Charter," Foreign Affairs 27 (April 1949): 488.

in pursuading and supervising.[1] In this eventuality, both he and Clair Wilcox, a leading American architect of the ITO, predicted the development of a body of case law that would come to influence the commercial policies of governments in accordance with the general principles of free multilateral trade.[2]

Nevertheless, the cogency of this defense of the Charter's state-trading provisions, like the provisions themselves, rested on assumptions concerning postwar Soviet policies that assumed expansive East-West economic cooperation. Gershchenkron was soon to acknowledge the hollowness of this hope. Writing in 1949, he observed that much of the earlier speculation on the postwar pattern of Soviet trade, admittedly including some of his own, had proved doubly wrong:

> The idea that after the war the Russian economy would be readjusted toward a greater international economic interdependence had found no corroboration in post-war economic policies in Russia. Furthermore, the belief that increased imports during the reconstruction years would come mainly from the West, and particularly from the United States, had been likewise disproved by the actual course of events. What was not foreseen was, first, the extent to which the Russians would rely on 'political' rather than commercial imports, and, second, the development of Russia's commercial trade proper with eastern European countries.3

It is obvious that these developments ran against the pattern of relations forseen by the two main state-trading provisions considered during the drafting of the Havana Charter. Gershchenkron described the implications for the underlying objectives of the provisions as follows:

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[1] Gershchenkron, p. 641.

[2] Ibid; and see Wilcox, "The Promise of the World Trade Charter," p. 494.

[3] Alexander Gershchenkron, "Russia's Trade in the Postwar Years," The Annals of the American Academy of Political and Social Sciences 263 (May 1949): 91.

> The question that stood in the foreground of discussions during the war and immediately thereafter was the development of an institutional framework within which trade between the two different economic systems could proceed in a smooth and mutually beneficial way.
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> It is probably fair to summarize the result of these discussions by saying that while technical difficulties undoubtedly existed they could have been overcome, given good will, a general atmosphere of confidence, and peaceful political conditions. The drafts of the ITO charter represented a serious attempt to free trade with Russia from political obstacles, and their authors doubtless assumed a situation of diminishing rather than growing political tensions. For the time being at least, this general problem has been removed from the agenda by Russia's refusal to be drawn into the system of international economic cooperation and by Russian policies of expansion in eastern Europe.[1]

The substantive question itself, however, could not be so easily put to rest. Events soon made it once again a topical concern of international trade policy, although this time the context was slightly altered, as we will see in the following section.

III. THE GENERAL AGREEMENT ON TARIFFS AND TRADE

The effect of the Department of State's announcement in December 1950 that the Havana Charter would not be resubmitted for ratification to the United States Congress--an announcement which spelled the end of the ITO-- was to make the General Agreement on Tariffs and Trade (GATT) the principle remaining multilateral instrument in the field of international trade policy.[2]

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[1] Gershchenkron, "Russia's Trade in the Postwar Years," p. 93. Jacob Viner has likewise asserted with specific reference to state trading that the United States was more interested in reaching workable agreements in areas where "clash of principle is particularly sharp" rather than in attempting "to apply rigorously-formulated principles in a doctrinaire manner." "Conflicts of Principle in Drafting a Trade Charter," Foreign Affairs 25 (July 1947): 627-28. See also the related discussions in Diebold, pp. 34-35; Calvin B. Hoover, "Soviet Economic Policies at Home and Abroad," Proceedings of the Academy of Political Science (New York) 22 (1946-48): 224-25; and Charles Prince, "Why Russia Continues to Snub World Trade and Monetary Bodies," The Commercial and Financial Chronicle, 24 April 1947, p. 43.

[2] Department of State Bulletin, 18 December 1950, p. 977.

The Agreement had originally been negotiated on the initiative of the United States during the Geneva meeting of the Preparatory Committee for the International Trade Organization in mid-1947 in anticipation of a successful conclusion to the work of the up-coming Havana Conference. Initially adhered to by twenty-three countries participating in negotiations on tariff reductions at Geneva, the Agreement was concluded for a period of three years. Under its auspices further tariff reductions were negotiated at Annecy in 1949, some trade disputes among members were settled and decisions made on the application of its provisions to certain cases.[1] The powers of the contracting parties to the Agreement had "already been so extensively used" by the beginning of 1950, one observer wrote, "as to make the GATT an active force in the conduct of international relations."[2]

As it became increasingly apparent that the Havana Charter would fail to gain acceptance, a concerted effort was made to extend the Agreement and protect the tariff concessions already negotiated.[3] The decision of the Truman Administration to avoid a certain defeat in Congress over the ITO issue coincided with the meeting of the Contracting Parties to GATT at Torquay. And it was thus at Torquay that the first of many steps were taken to secure and expand the existing arrangements built up under GATT, beginning with a three-year renewal of General Agreement. The United States delegation played a major role in this action under executive powers in the area of tariff negotiations previously granted to the President by Congress which were subject to review at a future date.

The General Agreement had first been conceived as a kind of advance

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1 Diebold, p. 23.

2 Brown, p. 261.

3 Diebold, p. 28.

installment of the Havana Charter.[1] Yet together the ITO and GATT were designed as distinctly separate though interrelated parts of a common plan:

> The Charter obligates members of the ITO to negotiate for entry into the Agreement. The /tariff/ concessions contained in the Agreement are safeguarded by incorporating those provisions of the Charter that prevent resort to other methods of restriction. When the Charter becomes effective, the common provisions of the two instruments are to be administered by the ITO.[2]

GATT, however, was to remain outside the framework of the United Nations, while maintaining close ties with it. This relationship between the General Agreement and the United Nations remains in effect today.

The selection of the provisions of the Charter for incorporation in the Agreement was determined by the limiting guideline of including only what was necessary to protect the value of the tariff concessions achieved at Geneva, "mainly because the United States delegation did not have congressional authority to go beyond this."[3] This meant that GATT had no authority with respect to policies on full employment, restrictive business practices, foreign investments and commodity agreements, even though these matters were to have come within the jurisdiction of the ITO. Nonetheless, the Agreement was cautiously deemed "sufficiently liberal to constitute a comprehensive international code of conduct in the field of commercial policy."[4] However, GATT also lacked the permanent institutional base provided for the ITO, as well as the binding commitments required of

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[1] Diebold, p. 27.

[2] Wilcox, "The Promise of the World Trade Charter," p. 496.

[3] Brown, p. 112; see also Charles H. Alexandrowicz, "International Trade and Tariffs at Torquay," World Affairs (New Series) 5 (April 1951): 215-16.

[4] Brown, p. 113.

signatories of the Havana Charter.[1]

William Diebold has pointed out that these differences were sources of both weaknesses and strength. It is not necessary to detail here the intricacies of the narrow path that GATT was forced to follow as a result of the circumstances in which the ITO project collapsed. The important point is that GATT's future in 1950 was at best precarious. As Diebold observed in his incisive 1952 essay, "The End of the ITO":

> ...GATT is the ITO manqué. There is a constant striving to fulfill the original pattern. If this striving should be satisfied, GATT would risk going over the same precipice as the Charter. So long as the striving is frustrated, GATT's strength is in doubt and it becomes the vortex of many strong and conflicting pressures. These pressures would exist without GATT; GATT may be able to survive them and to help control them, but the issue is in doubt.[2]

GATT surmounted these and subsequent difficulties and came to serve the international community in four principal ways, described by Richard N. Gardner in 1963 as "a forum for negotiations on the reduction of tariffs and other trade barriers;...a set of trade rules governing the conduct of trade policy;...an instrument for the interpretation of these rules and the adjustment of differences; and...a vehicle for developing and articulating new trade policy."[3] However, GATT provided these services to the "free world," as Gardner chose to call it, largely to the exclusion of consideration of the interests of the socialist countries, which with one extenuating exception, remained outside of GATT by choice.

In the first place, the General Agreement did not contain all the

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[1] Diebold, p. 23.

[2] Ibid., p. 30.

[3] Richard N. Gardner, "GATT and the United Nations Conference on Trade and Development," International Organization 18 (Autumn 1964): 688. At that time, Gardner was Deputy Assistant Secretary of State for International Organization Affairs at the United States Department of State.

Charter provisions on state-trading practices.[1] Thus on paper it was somewhat less competent to deal with these matters than the ITO would have been, while being faced with the same difficulties that confronted the effective implementation of the Havana Charter provisions. The Agreement did, however, include in Article XVII the principal clauses concerning state-trading enterprises, most importantly the "commercial considerations" formula, designed to give effect to the principle of non-discrimination in their commercial trade activities.[2]

The test of the efficacy of these provisions for integrating the foreign commerce of state-trading economies in the system of multilateral trade envisaged by the Agreement was forced upon GATT by the membership of Czechoslovakia. Czechoslovakia had become a member, as one of the original signatories of the Agreement, prior to that country's establishment of virtually complete state ownership and regulation of the means of production in Czechoslovakia following the consolidation of communist control of the government in 1948. While it must be acknowledged that in general GATT made efforts to bring other socialist countries into association with its activities, it continued to treat their state-trading practices as bothersome exceptions to the dominant trading system embodied in the Agreement, as aberrations from the norm of traditional international trade theory and policy.[3] Czechoslovakia was able to maintain its membership in GATT only by the flexible use under the Agreement of waiver procedures, consultations

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[1] See Raymond F. Mikesell and Donald A. Wells, "State Trading in the Sino-Soviet Bloc," Law and Contemporary Problems 24 (Summer 1959): 451.

[2] See K.R. Gupta, "GATT and State Trading," Economia internazionale 20 (1967): 59-60.

[3] For a discussion of this attitude towards state trading and some limitations of its perspective, see Robert Loring Allen, Soviet Economic Warfare (Washington: Public Affairs Press, 1960), pp. 24-27 and 44-45.

and procedural interpretation. These were implemented on the basis of an assurance given by Czechoslovakia in accordance with Article II that its establishment of state trading did not imply an increase of protection on items on which it had originally granted tariff concessions.[1] The practicableness of this approach to state-trading matters within GATT was, however, shortly severely circumscribed by the refusal of several of the more important Contracting Parties to accord Czechoslovakia non-discriminatory treatment in the area of quantitative restrictions and by the withdrawal of most-favored-nation treatment from it by the United States.

When, in 1951, Congress passed the Trade Agreements Extension Act, it directed in Section 5 that the countries of the Soviet bloc should be excluded from its benefits by the suspension or withdrawal from them of American tariff concessions (as well as any other favors previously granted by treaty) and the denial to them of most-favored-nation treatment.[2] Accordingly, the United States sought and obtained in September 1951 the sanction of the Contracting Parties to GATT for the denunciation of its standing agreements with Czechoslovakia and release from its most-favored-nation commitment to it.[3] Although GATT survived the controversy attending this move, the fact that the United States "by its existing restrictions abandoned both the principle and the policy of free trade with communist countries"[4] meant that, at least for the time being, GATT would not be able, or rather allowed, to serve effectively as an instrument for the integration

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[1] Ibid., p. 65.

[2] Diebold, p. 34.

[3] Basic Instruments and Selected Documents, Index of the General Agreement, Vol. 2 (Geneva: GATT, 1962), p. 36.

[4] Berman, p. 527.

of socialist countries into the broader international trading system dominated by the western countries.

Concurrently with the action taken against Czechoslovakia, the United States withdrew all favors extended earlier to Bulgaria, China, Hungary and Romania. The letter of the Act was fulfilled later in the year when existing agreements with the Soviet Union and Poland were renounced.

IV. THE WESTERN STRATEGIC EMBARGO

In the most important book to date on western economic warfare, Gunnar Adler-Karlsson has identified the main motivation behind the American policy of discrimination against Soviet bloc imports as a belief that "this would prevent the communist nations from earning dollars with which they could then buy 'strategic' goods in other western nations."[1] The intent of Section 5 of the Trade Agreements Extension Act of 1951 was, therefore, tied to the so-called strategic export embargo against the communist countries initiated by the United States around the turn of the year 1947/48.

Briefly, the origin of the embargo policy may be traced to actions taken by the U. S. Department of Commerce to utilize some remaining World War II export control laws in order to secure complete control over exports to the East. After the communist takeover of Czechoslovakia during the last week of February 1948, the obscurity surrounding the specific intent of the new export regulations issued in December and January gave way to frank declarations that the new requirements concerning destination controls and licensing for all goods bound for Europe had been adopted so that the Administration would know what kinds of goods were being shipped to Eastern Europe in order to regulate their flow. As Adler-Karlsson points out,

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[1] Adler-Karlsson, p. 30.

by late 1947 the cold war "was an established fact, mutual East-West fears and suspicions had reached a high level, and the economic relations between the two halves of Europe had received a heavy blow from the impossibility of creating an all-European cooperation in the Marshall Plan."[1] It was in this hostile climate that anti-communist sentiment in the United States and a determination to maintain the relative American power superiority over the USSR had joined to produce a policy which it was believed would help maintain this superiority through an embargo on certain ranges of commodities.

In the years following the initial decision, the export embargo was implemented in accordance with various lists of goods which were of allegedly "strategic" value to the Soviet bloc. In these lists, the definition of a "strategic" commodity was apparently based on a number of rational as well as irrational criteria which have never been fully identified or adequately explained by the United States government. Many of the official catch-all definitions which have been proffered over the years have been simply tautological.[2] The absence of a hard definition provided for great elasticity in the embargo lists, making a given commodity "strategic" by its inclusion on one list and "non-strategic" by its omission on another. It was believed in the United States, however, that the range of controlled commodities "had to be very wide" since "almost everything could be used for military production, directly or indirectly."[3]

The decision by Congress to include a stipulation in the Foreign

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[1] Ibid., p. 5.

[2] See Adler-Karlsson's discussion of the problem of definition, pp. 1-3.

[3] Ibid, p. 5.

Assistance Act of March 1948 requiring countries receiving Marshall aid to conform with American regulations concerning exports to the Soviet bloc led to the provisions in the Mutual Defense Assistance Control Act of 1951 (better known as the Battle Act) that aid should--but in exceptional cases might not be--stopped to any country shipping proscribed goods to "any nation or combination of nations threatening the security of the United States."[1] As long as American economic aid remained more important to the west Europeans than their trade with the socialist countries, a fairly wide measure of cooperation in the embargo policy was achieved. Still, economic and political considerations, as well as disputes over the definition of a "strategic" commodity, created trans-Atlantic frictions.

In the first place, many Europeans doubted the usefulness of the embargo as a means to maintaining relative power positions in the cold war, and it was often pointed out that the policy would tend to force the East European countries into a closer relationship with the Soviet Union. They also objected when the United States demanded that the western European governments unilaterally break standing contracts and trade agreements with Soviet bloc nations. Politically, the west Europeans chafed at the undiplomatic manner by which the United States sought to pressure European cooperation. And economically they openly questioned the wisdom of cooperating to withhold from the Soviet bloc goods which were not conventionally understood as being of a strategic character, expecially in view of the greater importance to them of East-West trade traditionally and the benefits that broader trade with the Eastern bloc could bring them in terms of their overall balance of trade. Partly because of these differences and

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[1] Title III, Section 301.

particularly during the early years of the trade sanctions, a considerable quantity and diversity of commodities embargoed by the United States found their way, legally or otherwise, into Eastern Europe and the Soviet Union, blunting the impact of the embargo policy. Section 5 of the 1951 Trade Agreements Extension Act reflected the United States' inability to secure full and effective implementation of its export regulations in Europe.[1]

Before turning our attention to the Soviet response in the United Nations to the import-export policies adopted in the West, we might reflect for a moment on the significance of the fact that the first practical actions restricting American exports to the socialist countries came precisely at the time when the Charter for the ITO was being finalized at the Havana Conference on Trade and Employment.

V. THE COLD WAR AND THE FATE OF THE HAVANA CHARTER

That the cold war had a significant role in the frustration of the ITO project has often been treated as something of a truism in the existing literature on East-West economic relations in the United Nations. In researching this study, we have found that many commentators in reviewing the development of international machinery for trade cooperation over the last quarter-century have concurred in Alvin Z. Rubinstein's terse conclusion that the "proposed ITO was an early casualty of the cold war."[2] Yet when this observation is not given greater specificity, as is all too often the case, the argument can be seriously misleading. If what is meant is that the

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[1] See Adler-Karlsson, Chapter Four, "Attitudes in Western Europe," especially pp. 45-49.

[2] Rubinstein, p. 10.

postwar breakdown of cooperation between the Soviet Union and its wartime western Allies shattered the original American ideal of a truly universal trade organization, i.e. one embracing all trading nations, then there can be little dissension on this point. However, a distinction must be made between the fate of the original design and the fate of the Havana Charter itself. It has been noted that Soviet membership in the ITO had not been widely expected following its refusal to participate in the series of Charter negotiations. Clair Wilcox, as well as other leading spokesmen for the ITO, responded to the problem of Soviet nonadherence to the Charter with the opinion that since the Soviet bloc accounted for only a small fraction of world trade, the ITO could work successfully without its cooperation.[1] Therefore, the question of the Charter's survival seemed to rest elsewhere, most importantly in its reception in the United States.

When the first embargo measures on trade with the socialist countries were made public, it became apparent that the United States would be unwilling to extend to the Soviet bloc all the trade benefits which were to be granted automatically to every member of the ITO under the Charter. In his personal papers, U. S. Defense Secretary James V. Forrestal recorded that when Averell Harriman presented the new export control policy to the Cabinet on January 16, 1948, he

> pointed out that it would meet head-on with the economic section of the State Department who were crusading for the pattern of international trade agreements, reciprocal trade, etc, sponsored by Will Clayton. Harriman said these were desirable objectives in a more orderly world but were not applicable now....[2]

As head of the American delegation at Havana, William Clayton had been at the

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[1] Wilcox, A Charter for World Trade, pp. 166-67.

[2] Walter Millis, ed., The Forrestal Diaries (New York: The Viking Press, 1951), p. 359.

time a major force behind the United States' leading role in the ITO negotiations. Certainly Forrestal's recollection of the conflict of policies within the Administration points toward the conclusion that Washington was fully aware that its trade policies toward the socialist countries contradicted the efforts of the drafters of the Havana Charter to free all international trade, and hence were at least in violation of the spirit of the Charter if not also the letter of its proposed contractual commitments.[1] Should it therefore be assumed that by the late 1940's the cold war, as evidenced in the American strategic embargo, had undermined the United States' commitment to the proposed ITO and figured prominently in its subsequent rejection of the Charter? We need to consider this question, for throughout most of the Khrushchev period one of the main issues in the United Nations'

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[1] This was pointed up by the experience of GATT in the area of the strategic embargo. In 1949 Czechoslovakia charged the United States with failure in carrying out its obligations under the General Agreement by introducing export licensing procedures and striving for cooperation with western Europe in this policy. The Czech representative specified that millions of dollars of allegedly non-military goods had been blocked from export by the U. S. government. The American representative responded that the licensing policy had been adopted for security reasons and that American specialists had determined that Czechoslovakia would apply the goods in question to military purposes. He therefore claimed that these actions were justifiable under the security provision of Article XXI. The crux of the issue, then, was not the embargo per se, but rather its scope. A majority of the Contracting Parties voted to uphold the United States. Adler-Karlsson, for one, has judged the decision to have been legally, technically correct, since the phrasing of Article XXI was so vague that originally it had been recognized that "the spirit in which Members of the Organization would interpret these provisions was the only guarantee against abuse." Of importance for us here is that the crucial security provision was also to be found in the Havana Charter. Indeed, the above quotation actually refers to the application of the clause within the anticipated ITO, as GATT was not an organization and had no members, strictly speaking. With its forewarning in mind, however, Adler-Karlsson has suggested that it may be argued with reason that the United States and its supporting majority by virtue of their decision violated the original spirit of the security provision. See Adler-Karlsson, Chapter Seven, fn. 3.

economic forums centered on a series of Soviet bloc proposals for reviving the idea of a comprehensive trade organization within the U.N. system, beginning with a call for ratification of the Havana Charter in 1955. Our findings in this section should be an aid in placing western opposition to these Soviet proposals in proper perspective when we again take up the issue of an ITO in a later chapter.

The actual facts surrounding the American decision against the ITO show that it would be incorrect to suppose that the state of East-West relations had more than a very marginal effect on the fate of the Havana Charter. In the first place, there is no evidence that the strategic export embargo affected the Truman Administration's support of the ITO. The adoption of the trade controls, which applied to only a very small part of American foreign trade, by no means meant the Administration had abandoned wholesale the postwar trade policy so laboriously nurtured by Clayton and his colleagues at the State Department. Indeed, it was almost two years after the limitations on Soviet bloc trade had been initiated that the Administration finally gave up its efforts on behalf of the Charter after three times failing to gain a Congressional commitment for the passage of an act of ratification.

In view of the fact that Congress was ultimately responsible for the quiet death of the Charter in 1950, we should consider whether cold war issues had a determining influence on its refusal to put the question of adherence to a vote. Again it must be pointed out that there was no reason at the time for believing the Soviet bloc countries (with the possible exception of Czechoslovakia) would ratify the Charter; there is, therefore, equally little reason to presume that considerations relating to communist membership had any essential bearing on Congressional opinion. Moreover, in his thoughtful essay on the causes of the collapse of the ITO

project, William Diebold has made it clear that despite the attractiveness of placing the blame on international tensions and the requirements of rearmament as they affected trade policy, the insurmountable opposition which by 1950 had built up in Congress and in the American business community at large rested on a broad catalogue of concerns that had little to do with the postwar rupture of East-West relations.[1]

Had the Charter proved generally acceptable and had the Soviet Union at the same time expressed an intention to join the ITO, then the cold war conceivably might have had a more direct influence on the debate in the United States. For if in view of the foregoing it cannot be said that the Charter was in actuality a "casualty of the cold war," it can be concluded from the conflict of policies in the American Administration and from subsequent developments in GATT which we considered earlier that the cold war served significantly to weaken western resolve as to the desirability and practicability of a truly comprehensive trade organization. While this was of little consequence in 1950, we will see in Chapter Four that the political dimensions of East-West relations acted in later years as a major barrier to Soviet efforts aimed at establishing a global trade insitiution within the United Nations.

VI. SOVIET TRADE POLICY IN THE UNITED NATIONS TO 1953: CONTINUITY AND CHANGE

The particularly dismal record of the United Nations in the area of

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[1] Diebold, in particular pp. 34-35. The main points of Diebold's analysis have been reiterated in examination of the subject undertaken with the added advantage of a more distant historical vantage point. See Karin Kock, International Trade Policy and the GATT 1947-1967, Stockholm Economic Studies, New Series XI (Stockholm: Almqvist and Wiksell, 1969), Chapter Two, "The Havana Conference and the Failure of the ITO," pp. 35-61.

East-West trade during its first seven years reflected the extent to which the political tensions of the postwar world imposed severe restrictions on international economic cooperation. With the failure of the Havana Charter to gain early ratification and the politicization of the United Nations economic forums brought on by the quickening of the cold war, the western countries shifted practically all significant economic matters to purely western institutions, such as the Organization for European Economic Cooperation (OEEC); to the specialized financial and monetary agencies, which were effectively under western control; and to GATT. In this deteriorating situation the socialist countries for the most part used the U.N.'s central economic organs (the Economic and Social Council and the General Assembly's Second /Economic and Financial/ Committee) and the Economic Commission for Europe for criticizing western trade policies.

The first of three main forms this policy assumed was an indirect attack on the West through an intensification of earlier criticisms of the specialized agencies, as well as the Havana Charter, and of the United Nations itself.[1] The second was a direct and resolute attack on the western trade controls system, constantly raised as the issue of "discrimination in international trade." The final tactic in the strategy was at once more constructive and comparatively more successful. While the central objective remained the removal of "artificial" trade restrictions, it focused on the establishment within the Economic Commission for Europe of special machinery for the promotion of East-West trade in Europe, as well as a proposal for a committee on economic development. Although a Committee

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[1] As delineated by Harold Karan Jacobson, "The Soviet Union, the UN and World Trade," The Western Political Quarterly 11 (1953): 676-81. (Hereafter referred to as "Soviet Union.")

for the Development of Trade was created in 1949 on a Soviet initiative taken the previous year, its final terms of reference and the USSR's abstention in voting on them represented a general reversal for the Soviets. The two meetings of the Committee in 1949 ended in a deadlock, with the Soviet delegation demanding that the ECE take steps against the western export licensing policy.[1] Following this, the Soviet Union remained aloof from the work of the ECE's technical committees on the ground that they ignored by way of Anglo-American influence their proper tasks and objectives. Although in his capacity as Executive-Secretary Gunnar Myrdal was able by "protracted efforts...to preserve the all-European character of the Commission,"[2] subsequent efforts under his ministrations to revive purposeful consultations on East-West commercial relations failed, the last time being September 1952. One observer has evaluated the situation as follows:

> The onus for the breakdown of the talks fell clearly on the Soviet bloc. It was apparent that the USSR and the satellites were not interested in increasing trade within the existing framework. The period closed with East-West trade at an extremely low level and with a complete deadlock on these questions in the Economic Commission for Europe. What constructive work was done by the United Nations concerning international trade was the result of cooperation solely among the non-Soviet states. Soviet abstention from these activities was complete.[3]

In mid-1951, however, there had been indications that the USSR was in the process of reappraising its foreign policy, beginning with a reconsideration of the course of the Korean crisis.[4] In June 1951 the

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[1] Jacobson, USSR and UN, p. 194.

[2] Gunnar Myrdal, "Twenty Years of the United Nations Economic Commission for Europe," International Organization 22 (1968): 619.

[3] Jacobson, "Soviet Union," p. 681.

[4] Mosely, "Soviet Union," pp. 668-69.

Soviet appeal in the United Nations for an armistice in Korea was soon followed by tentative moves in the Organization to revive its activities in the sphere of East-West trade. In July, Deputy Foreign Minister Gromyko informed the Secretariat of the Economic Commission for Europe that the Soviet Union was prepared to accept an invitation, which it had previously rejected in May, to enter technical discussions on the possibilities of expanding East-West trade relations.[1] And although as we noted above hopes for these consultations proved illusory, there followed a barrage of Soviet proposals for increased international cooperation both within and outside of the United Nations, including the announcement of an International Economic Conference to be held in Moscow later in the year to which prominent western businessmen and economists were being invited. These and subsequent Soviet initiatives, as well as new formulas concerning international relations presented to the Nineteenth Party Congress in October 1952, have often been alluded to as evidence that prior to his death in 1953 Stalin had detected opportunities in the international arena for a peaceful stabilization of relations with the other powers.[2]

The motives of this "new look" have been the subject of much analysis and speculation. In economic terms, the adjustment was likely prompted by a detection that the USSR's "acute hostility toward the non-communist world had reached a point of diminishing returns."[3] In his earlier rejection of the Marshall Plan offer of a general programme of economic recovery,

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[1] See Leon M. Herman, "The New Soviet Posture in World Trade," Problems of Communism 3 (November/December 1954): 12.

[2] See Dallin, pp. 37-38; and George A. Brinkley, "The Soviet Union and the United Nations: the Changing Role of the Developing Countries," The Review of Politics 32 (January 1970): 96.

[3] Zyzniewski, p. 220.

Stalin evidently had determined that the political and security dangers of a common effort more than offset its likely economic advantages.[1] His concern over western influence in Soviet spheres of interest extended to Eastern Europe, where Czechoslovakia and Poland had received with great enthusiasm the United States' offer of financial assistance announced by General Marshall in June 1947. As a result, Czechoslovakia retracted its official acceptance of Marshall aid and Poland declined to participate in discussions for the realization of the Plan. Karin Kock has observed that this was "one of the first visible signs that the cold war had penetrated into the realm of international trade and that it threatened to divide Europe into two economic blocs."[2] The subsequent hardening of the political divisions in Europe saw an increasing Soviet reliance on intra-bloc trade for meeting its economic requirements, which was reinforced by, and in turn reinforced, Soviet efforts to create a self-sufficient bloc of states in Eastern Europe bound economically and politically to the USSR.[3] This contributed to the downward trend in East-West trade following a brief initial rise in 1947. The value of trade between western Europe and the United States, on the one hand, and the Soviet bloc,[4] on the other, stagnated or, if price developments are considered, actually declined each year from 1948 through the Korean war.[5] Taken alone, American exports to the

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1 Ibid., p. 215.

2 Kock, p. 133.

3 See A. Nove and D. Matko, "The Pattern of Soviet Foreign Trade," Three Banks Review No. 53 (March 1962): 22; and, Stanley J. Zyzniewski, "Soviet Foreign Economic Policy," Political Science Quarterly 73 (June 1958): 315-16.

4 As in the rest of this study, we exclude China.

5 Adler-Karlsson, pp. 158-59.

communist countries virtually disappeared by 1951, while the volume of imports from the bloc more than halved over the same period.[1] Overall, the relative development of trade, i.e., the proportion of total world export from the western countries that went to the Soviet Union and Eastern Europe, slipped from some 2 3/4% in 1947 to approximately 1½% in 1953, while the percentage of imports from the bloc showed a similar decline, from a high of about 2½% in 1948 to 1½% in 1952 and 1953.[2] The artificially low level of trade attained by the end of 1952 was also the result of the expansion and intensification of the western export security controls which accompanied the involvement of the western countries in the Korean conflict; and it was during this period that the United States withdrew all tariff concessions previously granted to Soviet bloc countries. The character of East-West trade at the time, therefore, reflected not only the restrictive, autarkic orientation of Soviet policy but also the adoption of tactics of economic warfare by the NATO countries (except Iceland) and Japan.

By 1951 the Soviet Union had achieved considerable success in consolidating its political hegemony and in forming an economic orbit in Eastern Europe, prompting Stalin to observe the following year that "parallel world markets" existed, those of capitalism and of socialism.[3] In the meantime, however, it became apparent that intra-bloc shortages, particularly of capital goods, were hampering industrialization not only in the East European countries for whom the USSR had assumed the role of

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[1] Ibid., pp. 35-36.

[2] Computations derived from statistics presented by Adler-Karlsson in Table 14-2, p. 154.

[3] Joseph Stalin, Economic Problems of Socialism in the U.S.S.R. (New York: International Publishers, 1952), p. 26.

principal supplier, but also in the Soviet Union itself.[1] The need for obtaining otherwise unavailable large quantities of goods for fulfulling annual requirements of the second postwar Five-Year Plan (1951-55) and, perhaps even more important, the necessity of keeping abreast of modern technology meant that the Soviet bloc could no longer forego the benefits of world trade and of international cooperation for the purpose of obtaining scientific and technological information and knowledge of western industrial techniques. The growth in the sheer size of their economies and the relatively greater importance of East-West trade for them led the socialist countries under Soviet orchestration to take the initiative in seeking increased commercial contacts with the West. Thus, the underlying economic motive of the trade expansion programme was the expectation of a number of direct economic and technological gains for the USSR and its East European allies.

Although the shift in trade policy was to be deeply felt in the United Nations, the Soviet approach to trade problems in the Organization remained essentially unchanged. The central objective continued to be the elimination of all restrictions on East-West trade which prevented the Soviets from buying urgently needed advanced technology and other proscribed "strategic" goods, including such items as heavy equipment and vehicles. The persistent emphasis on the strategic controls, although successively more subtle and sophisticated, caused concern and scepticism in official circles in the West about the objectives of the campaign. This was due not only to the strategic implications involved (which actually seemed to worry only the Americans very much) but also to the tactics employed by the

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[1] Zyzniewski, pp. 219-20.

Soviet Union to deepen any real or supposed conflicts among the western governments on whose unity the control system depended. While the Soviets had good cause to believe many western Europeans opposed the strict American export control policy forced upon them by the Battle Act and were interested in narrowing the list of restricted commodities, these tactics of division heightened speculation about what political purposes might underlie the overtunes for trade and economic cooperation. Adding to this uneasiness and resentment were Soviet attempts to circumvent governmental channels by direct appeals to "honest businessmen" to trade with the East, as illustrated by the Moscow Economic Conference, which was eventually held in April 1952. Prefiguring the style which was to be used extensively in trade diplomacy under Khrushchev, the theme of the Conference was "peaceful coexistence through normalization of trade." The expectations of those attending of closing lucrative contracts with the Soviets did not materialize, "one reason being that Soviet offers of big deals often were so constructed that they combined imports of 'free' goods with goods on the embargo lists."[1] Others saw the Conference as a desire on the part of the Soviet Union to demonstrate its increased economic strength, leading a few to attempt a connection with Stalin's exposition in his confused Economic Problems of Socialism in the USSR (published in October) of the contradictions within the world capitalist system and the newly found economic capability of the USSR to prevent the western countries from achieving economic abundance and international stability. For these and other related reasons the western press at the time was replete with warnings of what was so often referred to as the Soviet "economic offensive" and "economic warfare."

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[1] Kock, p. 193.

Despite such official and unofficial reactions as these, western delegations on several occasions demonstrated their willingness to discuss the matter of trade expansion with the socialist countries within the Economic Commission for Europe. The first concrete evidence of a fundamental shift in Soviet attitude proved to be the acceptance by the USSR on January 17, 1953 of a suggestion made the previous fall by the ECE's Executive-Secretary for another trade consultation.

It was, however, left to Nikita Khrushchev as his successor to undertake the implementation of the more active policy of which Stalin had been the progenitor. And although Stalin had initiated a more constructive approach to collaboration on economic matters within the United Nations, it was only after his death that the Organization received a substantial upgrading in Soviet estimations of its potential value as an instrument of foreign economic policy.

CHAPTER TWO

PEACEFUL COEXISTENCE, TRADE, AND THE UNITED NATIONS

The upgrading of the United Nations' functional programme in the estimation of Soviet policy makers during the post-Stalinist period is perhaps best illustrated by Molotov's speech on the occasion of the tenth anniversary of the signing of the Charter in 1955. In contrast to his singleminded interest in the security aspects of the proposed Organization at the San Francisco Conference a decade earlier, he now divided his attention between certain directly security oriented issues before the United Nations and several problems of a functional character, among which was: "removal of any discrimination hampering the development of wide-scale economic cooperation in international trade."[1] Accordingly he observed:

> The United Nations is facing new tasks. The time is ripe...to consider the question of calling a world economic conference to facilitate the development of international trade. Only an authoritative international center like the United Nations would be capable of coping with the task of convening such a conference.... All this goes to show that the work of the United Nations and its practical activities require a great deal of improvement. The experience accumulated through the years will, of course, prove valuable. Even more important is the growing realization of the need to raise to a higher level the activity of the United Nations as a whole in order that the activity may be in full conformity with the noble purposes and principles of the

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[1] UN, Secretariat, Tenth Anniversary of the Signing of the United Nations Charter, San Francisco, 1955: Proceedings of the Commemorative Meetings (UN Document ST/GG/6: Sales No.: 1955, I. 26), pp. 103-15. Also cited in Jacobson, p. 266.

> organization. The United Nations can and should play an outstanding part in the efforts to cement peace.[1]

We will consider the proposal for a world economic conference more fully at a later point. Meanwhile we should observe that Molotov's emphasis on the United Nations' potential for taking effective action against trade discrimination coincided with long developing conditions within the Organization which likely led the Soviets to view its functional programme as being more useful to their own ends than had been anticipated in 1945.[2] Most importantly, the functional programme had not detracted from the Organization's political activities, as the Soviets had initially feared it might; and for various reasons (notably the western countries' concentration of their economic and financial interests in other institutions as well as the opposition of the developing countries to American attempts to direct the United Nations' economic activities as part of the anti-communist campaign) the Organization's economic forums had not slipped into an exclusively western orientation.

One Soviet specialist, weighing the advantages of bringing issues before the United Nations, stated in 1955:

> Despite all the shortcomings of its work...UNO brings a number of positive features into international relations. It facilitates to a certain extent the establishment and development of ties and intercourse between states and in this way provides some prerequisites for an extension of international cooperation in various fields--political, economic, social and others. The consideration of numerous international problems by UN bodies contributes to the clarification of the views of various states on this or that issue, brings the most important international questions to the notice of a broad public and helps to mobilize the progressive forces of various social groups for the preservation and consolidation of peace and for the peaceful settlement of outstanding international issues.[3]

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[1] New York Times, 23 June 1955.

[2] See Jacobson, p. 271.

[3] A. Vorobyov, "The Tenth Anniversary of the United Nations Organization," International Affairs (Moscow) No. 6 (June 1955): 44.

This statement places the United Nations in proper perspective in the over-all framework of Soviet foreign policy. It was clearly the manners rather than the goals of the Soviet leadership that had changed with the policy of more active participation in the United Nations' functional activities, for the Organization continued to have only ancillary importance for the USSR as an adjunct to the promotion of its foreign policy objectives on the bilateral level. As the above quotation indicates, however, this importance should not be underestimated.

In their efforts to gain flexibility and greater breadth of action, the Soviet leadership dramatically increased the pace of the campaign for a relaxation in external affairs by taking a series of steps in 1955 to release Soviet foreign policy from the immurement in which it had been languishing under Stalin's postwar policies. Among these initiatives were the treaty establishing Austrian independence, the overtures to President Tito of Yugoslavia, the Geneva Conference, the agreement on diplomatic relations with the German Federal Republic, negotiations for a peace settlement with Japan, and the Khrushchev-Bulganin visit to India, Burma and Afghanistan. The new look on the diplomatic front was reflected in a more vigorous and imaginative foreign economic policy. This period saw the beginning of the Soviet effort to exert influence in the Third World through aid and trade as well as a stepping-up of Soviet proposals for increased economic contact with the leading western industrial states. Molotov's suggestion of an economic conference was indicative of this new policy.

While these diplomatic and economic initiatives had evidently been prompted by a pragmatic assessment of Soviet achievements and failures, they were given a substantive foundation in Khrushchev's declaration on the

occasion of the Twentieth Party Congress of the fundamental concepts on which Soviet policy was based: the principle of the peaceful coexistence of the socialist and capitalist systems as reinterpreted by him, the non-inevitability of war, and the existence of various paths to socialism.[1] In the United Nations as well, Soviet inspired draft resolutions on economic matters were formulated in terms of and promoted in the name of peaceful coexistence. Thus, even though peaceful coexistence is not the main subject of our study, we would be remiss if we were to forego an examination of the significance of the concept of coexistence as conceived and utilized in Soviet policy making during the decade of Khrushchev's leadership. Moreover, the research entailed in preparing this study has convinced the author that an understanding of the interpretation of the concept as articulated by the Soviet leadership at the time enables one to gain important insights into the form and substance of Soviet foreign economic policy in the United Nations during these years, for in elaborating what they termed the "policy of peaceful coexistence" in the press and elsewhere, Soviet policy makers publicized in clear if guarded terms the framework in which they sought and, most importantly, thought it was possible to attain better commercial relations with the West. It was this evaluation of what could and should be done in the international trade field and how to go about it that underpinned the positions adopted by the socialist countries in the United Nations with a view to expanding East-West trade.

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[1] Pravda, 15 February 1956.

PART I: THE SOVIET APPROACH

A. The Policy of Peaceful Coexistence: The Political Imperative

Among Soviet policy makers, who have since soon after the October Revolution been by their own later-day accounts the most persistently active advocates of its adoption in international affairs, "peaceful coexistence" has proved to be both a fitfully mercurial concept and an even more unpredictable policy assertedly based on the imperatives of that concept. Under Khrushchev, peaceful coexistence took on particular meaning that is to be attributed to his revision of the traditional doctrinaire Soviet theories of interstate relations and the international class struggle.[1] Accordingly, for our purposes it is sufficient to concentrate mainly on his own elaborations of this concept. We feel justified in this narrow selection of source materials, moreover, since throughout this period official Soviet pronouncements on the subject as

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[1] Supporting this evaluation is B. Ponomarev's 1960 article in Pravda restating the thesis of peaceful coexistence as developed under Khrushchev. At the time, Ponomarev distinguished five "new propositions" concerning "coexistence" verified at the Twentieth (1956) and Twenty-first (1959) Party Congresses. These dealt with the enhanced importance of peaceful coexistence in Soviet foreign policy in the contemporary period, the non-inevitability of war, disarmament, competition between capitalism and socialism and the class struggle in conditions of coexistence. Justifying these purported innovations advanced by Khrushchev at the two Congresses, Ponomarev wrote (italics added); "All these important conclusions are the result of creative Marxism-Leninism. Marx, Engels and Lenin...stressed that their teaching was not dogma but a guide to action, that it was necessary to develop it in accordance with changes in social life. Taking into account...changes /in the international situation/ and approaching Marxist-Leninist doctrine creatively, the 20th and 21st Party Congresses outlined the paths of historical development of society in the conditions of the existence of a world socialist system, the paths of strengthening socialism and destroying imperialism. "Peaceful Coexistence Is A Vital Necessity," Pravda, 12 August 1960, pp. 2-3, as translated in The Current Digest of the Soviet Press 12, no. 32 (September 1962): 3-4. (Hereafter referred to as CDSP.)

well as the statements concerning coexistence made by Soviet bloc delegates in the United Nations conformed with Khrushchev's views. Because we are interested in the policy aspects of the concept, the article that appeared under Khrushchev's name in the January 1959 issue of Foreign Affairs entitled "On Peaceful Coexistence" is of particular interest to our study, for it was intended to communicate to influential western readers the essential features of the Soviet proposal for the establishment of "normal" economic and political relations under conditions of peaceful coexistence.[1]

Khrushchev's theoretical innovations stemmed from his evaluation of the implications of the nuclear fact in contemporary world affairs. On the practical policy level, the wellspring of his argument for peaceful coexistence outlined in Foreign Affairs is the assertion that the alternative open to countries with differing systems in the contemporary world is "either war--and war in the rocket and H-bomb age is fraught with the most dire consequences for all nations--or peaceful coexistence."[2] The idea that war can be excluded "from the life of /global/ society even before the full victory of socialism in the world, while capitalism still remains in part of the world "[3] is a most important consideration in the Soviet proposition of peaceful coexistence as a policy in the post-Stalin era.

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[1] Nikita S. Khrushchev, "On Peaceful Coexistence," Foreign Affairs 38 (October 1959): 1-13.

[2] Ibid., p. 1.

[3] Ponomarev, p. 4.

"The new alignment of international forces[1] which has developed since the Second World War," Khrushchev wrote, "offers ground for the assertion that a new world war is no longer a fatal inevitability, that it can be averted."[2] In view of the fact that war is not, of course, necessarily waged with the mutual consent of all involved, and since, therefore, unilateral action aimed at its prevention by the "new alignment of international forces" led by the Soviet Union is, though helpful, not sufficient, peaceful coexistence is offered by the Soviets as a universally valid policy to be pursued by all countries in accordance with its cardinal precepts.[3] These were listed in an official Soviet textbook on international law as being:

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[1] The "new alignment" said to be upholding the cause of peace was defined more comprehensively in the 1957 "Declaration of the Conference of Representatives of Communist and Workers' Parties of Socialist Countries" as consisting of the "camp of socialist states, headed by the Soviet Union; the peace-loving states of Asia and Africa...forming, together with the socialist countries, a large peace zone; the international liberation movement of the peoples of the colonies and semicolonies; the mass peace movements of the peoples; the peoples of the European countries who have proclaimed neutrality, the peoples of Latin America and the masses in the imperialist countries themselves, offering determined resistance to the plans for a new war." Pravda, 22 November 1957, pp. 1-2, as translated in CDSP 9, no. 47 (1 January 1958): 4.

[2] Khrushchev, p. 7. Therefore, as an active ingredient in the coexistence formula, the noninevitability of war was said to be of recent origin, introduced under Khrushchev formally at the Twentieth Party Congress in a "fundamentally different appraisal" of the question of war and peace from that given by Stalin in his Economic Problems of Socialism in the USSR. Ye.A. Korovin, G.I. Kozhevnikov, and G.P. Zadorozhny, "Peaceful Coexistence and International Law," Izvestia, 13 April 1962, p. 5, as translated in CDSP 14, no. 15 (9 May 1962): 8. See also Ponomarev, pp. 3-4. And "Speech by Comrade A.I. Mikoyan," Pravda, 1 February 1959, pp. 8-9, as translated in CDSP 11, no. 9 (1 April 1959): 57.

[3] See, for example, "Replies to Questions by A.E. (sic) Johann, West German Writer and Journalist, September 20, 1958," Pravda, 24 September 1958; included in Nikita S. Khrushchev, For Victory in Peaceful Competition with Capitalism (New York: E.P. Dutton & Co., Inc., 1960), pp. 652-55. (Hereafter referred to as Victory).

> mutual respect for territorial integrity and sovereignty, non-agression, non-interference in internal affairs, equality and mutual advantage.[1]

It is, however, important to understand that as presented by Khrushchev peaceful coexistence does not owe its provenance to the prospect of war between opposing systems that arose with the October Revolution but it derives moment from it.[2] As it applies to East-West relations, the concept of peaceful coexistence defines the optimum character of relations among states having different economic and social systems, taking into account the quality of the underlying competition and rivalry inherent in the basic relationship between the two groups of countries. While it is therefore value-oriented, it is also said to be factual in the sense of encompassing those relations between socialist and capitalist states which reflect the basic principles of coexistence.[3] The threat of nuclear war is important in that it points up the necessity of holding the line on those aspects of East-West relations potentially making for war by inducing all states to "undertake the mutual obligation" to refrain from acts disallowed under the principles of peaceful coexistence.[4] In this

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[1] F.I. Kozhevnikov, ed., International Law: A Textbook for Use in Law Schools, as quoted in Edward McWhinney, "'Peaceful Coexistence' and Soviet-Western International Law," American Journal of International Law 56 (October 1962): 954. (Hereafter referred to as "Peaceful Coexistence.")

[2] Soviet commentators trace peaceful coexistence to Lenin's "Concluding Speech Following the Discussion of the Report on Peace" of October 26 (November 8) 1917 in which he stated: "We reject all clauses on plunder and violence, but we shall welcome all clauses containing provisions for good-neighborly relations and all economic agreements; we cannot reject these." V.I. Lenin, Selected Works in Three Volumes (New York: International Publishers, 1967), 2: 465. Despite the fact that Lenin stated this in reference to the nascent Soviet state's efforts to extricate itself from the First World War, these commentators have treated it as a declaration of principle, not as a statement of tactics.

[3] See the excellent discussion of the meaning of peaceful coexistence by Evgeny M. Chossudovsky, "ECE and Coexistence," Coexistence 4 (1967): 151-53.

[4] Khrushchev, "On Peaceful Coexistence," p. 3.

strategy, the principles play the role of a restraining influence in setting forth that which is censurable in the conduct of foreign policy. Indeed, this is the substance of the connotation commonly given to the term peaceful coexistence, at least in English, that implies, as John Hazard has pointed out, a "condition in which essentially hostile forces are required by circumstances to refrain from fighting."[1]

Khrushchev, however, rejoined those critics of the policy of peaceful coexistence who, like Hazard, interpreted the Soviet position as one advocating an armed truce by maintaining that peaceful coexistence "does not at all rule out cooperation between countries, but on the contrary implies it," as he observed in the introduction to the American edition of For Victory in Peaceful Competition with Capitalism.[2] He laid the groundwork for this position at least as early as the Twentieth Party Congress in 1956 at which he declared:

> We believe that countries with differing social systems can do more than exist side by side. It is necessary to proceed further, to improve relations, strengthen confidence among countries and cooperate. The historic significance of the famous five principles /of peaceful coexistence/...is that in today's circumstances they provide the best form of relations among countries with different social systems.3

Developing this theme further, Khrushchev declared in his report to the Supreme Soviet in October 1959:

> The question now at hand is not whether or not there should be peaceful coexistence. It exists and will continue to exist, unless we want the lunancy of a nuclear-missle war. The point

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[1] See McWhinney, p. 953; also John N. Hazard, "Coexistence Law Bows Out," American Journal of International Law 59 (January 1965): 59-60.

[2] Khrushchev, Victory, p. viii.

[3] "Report of the Central Committee of the Communist Party of the Soviet Union to the Twentieth Party Congress.--Report by Comrade N.S. Khrushchev," Pravda, 15 February 1956, pp. 1-11, as translated in CDSP 8, no. 4 (7 March 1956): 10.

is to coexist on an intelligent basis.

> We want to see...conditions being created for cooperation among peoples. This cooperation should be predicated on the principle that each people chooses for itself and borrows from its neighbor what it itself deems necessary, without any dictation. Only then will coexistence be truly peaceful and good-neighborly.
>
> To be sure, such coexistence among states with differing social systems presupposes that they must make mutual concessions in the interest of peace. One may say that this calls for a realistic approach, a level-headed appraisal of the actual state of things, mutual understanding and consideration of each other's interests. This is a principled and at the same time flexible posture in the struggle for the preservation of peace.[1]

These same points were also made in his Foreign Affairs article which appeared that month. While he again called for mutual concessions to secure the conditions of peaceful coexistence--especially with respect to the question of disarmament and the "German problem"--he made it clear that the Soviet government was not acting from a position of weakness but from one of military and economic strength which ensured the protection of its own vital national interests. And pursuing his own sober advice concerning a realistic recognition of each other's national interests, he wrote that although the principle of peaceful coexistence "does not at all demand that one or another state abandon the system and ideology adopted by it," the "problems of ideological struggle" should not be confused with the "question of relations between states."[2] Accordingly, a central theme

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[1] "On the International Situation and the Foreign Policy of the Soviet Union.--Report by Comrade N.S. Khrushchev at the Third Session of the USSR Supreme Soviet October 31, 1959," Pravda and Izvestia, 31 October 1959, pp. 1-3, as translated in CDSP 11, no. 44 (2 December 1959): 3-4. See also "Visit in India by N.A. Bulganin and N.S. Khrushchev.--Speech by N.S. Khrushchev," Pravda and Izvestia, 26 November 1955, pp. 1-2, as translated in CDSP 7, no. 43 (11 January 1956): 3.

[2] Khrushchev, "On Peaceful Coexistence," p. 4. Because of these considerations, western legal scholars and United Nations delegates tended to prefer the General Assembly's formula "friendly relations and cooperation among states" to the term peaceful coexistence. However Chossudovsky, for example, has countered the substitution of cooperation for coexistence by

of the article was that peaceful coexistence could succeed only if both the capitalist and socialist states were to approach the resolution of outstanding problems between them by taking into account the legitimate national interests of all sides rather than overlooking them for the sake of ideology.

B. Trade and Peaceful Coexistence

Khrushchev emphasized this downgrading of ideological concerns in a lengthy excursus on the necessity of developing trade which precedes the concluding remarks of his Foreign Affairs article:

> It is readily seen that the policy of peaceful coexistence receives a firm foundation only with increase in extensive and absolutely unrestricted international trade....
>
> If the principle of peaceful coexistence is to be adhered to, not in words but in deeds, it is perfectly obvious that no ideological differences should be an obstacle to the development and exchange of everything produced by human genius in the sphere of peaceful branches of material production.1

It was a point which he had made earlier in an interview with the American Journal of Commerce: "Political dislike of this or that system is a bad

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maintaining that "only the concept of coexistence denotes one of the major characteristics of our epoch, i.e. the presence, side by side, of two groups of industrial countries with different systems of political, economic, and social organization and, in their turn, forming part of the capitalist and socialist world systems respectively." In addition to its unambiguous reference to the existence of two systems, peaceful coexistence is said to be uniquely preferable insofar as the reality of competition between systems is not implicit in the term cooperation. At this level, competition refers to the "ideological struggle" which makes up the underlying constant reality of relations between the socialist and capitalist systems. It is rooted in the belief nourishing the concept of coexistence at its core that the opposite ideology will ultimately be defeated. Therefore, while intergovernmental relations might even be friendly and cooperative, they are at bottom unalterably competitive. Chossudovsky, p. 152, fn. 2. See also G. Frantsov, "What Lies behind the Catch Phrase 'Ideological Disarmament,'" Kommunist, no. 13, September 1962, pp. 110-119.

1 Ibid., pp. 15-16.

counsellor. In business it can only cause harm."[1]

It is apparent that the development of trade and generally broader economic contacts between capitalist and socialist countries was to play an important role in the process of over-all "normalization" of relations mandated under the principle of peaceful coexistence. Anastas Mikoyan had previously, at the Twentieth Party Congress, uncompromisingly affirmed trade as the sine qua non of peaceful coexistence (italics original):

> It is our firm conviction that lasting peaceful coexistence is inconceivable without trade, which offers a good basis for it even after the formation of the two world markets. The existence of these markets, socialist and capitalist, far from precluding, presupposes developed mutually advantageous trade between all countries.[2]

It is also interesting to note the sporadic inclusion of "economic cooperation" in Soviet commentaries as one of the cardinal Five Principles (as they were often termed) on which relations between states should be constructed, further testifying to the importance of trade in the Soviet scenario for peaceful coexistence.[3]

1. The Question of Artificial Barriers to East-West Trade

The role of trade as the touchstone of coexistence reflects the historical perspective in which the Soviets viewed postwar western trading policies with the Soviet bloc as in the main the product of hostile

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[1] "Interview Given to Eric Ridder, Owner and Publisher of Journal of Commerce, and Its Editor Heinz Luedicke, March 22, 1958," in Khrushchev, Victory, p. 216.

[2] Quoted In M. Afonin, "A True Path to International Cooperation," International Affairs (Moscow) no. 5 (May 1956): 37.

[3] See, for example, "Speech at Grand Kremlin Palace Reception in Honor of 41st Anniversary of the Great October Socialist Revolution," p. 725; and "Report of the Central Committee of the Communist Party of the Soviet Union to the 20th Party Congress.--Report by Comrade N.S. Khrushchev," Pravda, 15 February 1956, pp. 1-11, as translated in CDSP 8, no. 4 (7 March 1956): 9.

and malevolent political intent. What Khrushchev alluded to in stating in his 1959 article, "if both sides want to improve relations, all barriers in international trade must be removed,"[1] was the western system of export controls and American import policies in particular, including credit and exchange controls. These so-called "artificial barriers" (which were most often grouped under the single heading of international trade discrimination) were, according to Soviet sources, established to "poison the international atmosphere and provide grist for the mill of the enemies of peace,"[2] and specifically to "impede the growth of the economic potential of the Soviet Union and other socialist countries and slow down their technological progress."[3] Despite some tempering of these measures and growing disaffection among leading west European nations with Washington's guidelines for the conduct of trade with the Soviet bloc countries that began to have effect with the waning of the Korean crisis, the Soviets did not relax their campaign against continuing controls and unequal treatment said to be used by the West "in order to keep the world in a state of tension, to trouble the waters and to fish in them...."[4] At least publicly, as in the United Nations, for them the most important question of trade was the elimination of these restrictions and discriminatory practices rather than the development of those areas of economic relations left largely unimpeded

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[1] Khrushchev, "On Peaceful Coexistence," p. 17.

[2] "Some Aspects of International Situation: Speech at Conference of Front-Rank Agricultural Workers of Byelorussian Republic, January 22, 1953," in Khrushchev, Victory, p. 62.

[3] "Barriers to Soviet-American Trade Must be Eliminated," Ekonomicheskaya gazeta (21 January 1961), as translated in CDSP 13, no. 6 (3 March 1961): 36.

[4] "Some Aspects of International Situation," p. 63.

by artificial barriers. This is not, however, to say they did not take pragmatic advantage of existing opportunities for expanding trade, as can be seen in the upswing in East-West trade beginning in mid-1953.

a. The Development of East-West Trade, 1953-64

Figured in millions of dollars, exports from western to Eastern Europe increased in the latter half of 1953 33.4% over the first half of the year and imports from the East rose 32.6% at the same time. The steady rise in the volume and significance of East-West trade over the next ten years (i.e., through the last year included in this study) is illustrated in the following table covering all western exports to and imports from the Soviet bloc.

Table 2-1. Some Important Statistics on Western Trade with the Soviet Bloc, 1952-64.1 (In millions dollars)

Year	Soviet Bloc as percent of total world trade	Volume with Eastern Europe and USSR	Of which American trade with Eastern Europe and USSR	American trade with USSR from 1958
Western Exports				
1952	1.6	1,165.7	1	
1953	1.5	1,101.4	2	
1954	1.9	1,472.7	6	
1955	2.1	1,770.6	7	
1956	2.3	2,126.5	11	
1957	2.6	2,584.1	86	
1958	2.8	2,647.0	113	3
1959	2.9	3,003.2	89	7
1960	3.3	3,738.4	194	38
1961	3.5	4,193.2	133	43
1962	3.6	4,470.9	125	15
1963	3.5	4,736.8	167	20
1964	3.7	5,729.0	340	145

[1] Computations derived from Adler-Karlsson, Table 14-2, p. 154; Table 14-10, p. 167; and Table 10-1, p. 100. As elsewhere in this study, the Soviet bloc is defined as excluding China and other non-European communist countries.

Western Imports			(same headings)	
1952	1.5	1,262.9	67	
1953	1.5	1,189.7	46	
1954	1.3	1,455.9	49	
1955	2.2	1,933.0	66	
1956	2.3	2,305.6	73	
1957	2.4	2,562.1	66	
1958	2.7	2,736.0	68	17
1959	2.8	3,039.5	33	29
1960	3.0	3,661.0	84	23
1961	3.4	4,225.6	85	23
1962	3.5	4,630.5	32	16
1963	3.6	5,255.0	35	20
1964	3.5	5,714.7	102	20

It is against this background of the actual progress made in expanding East-West trade that we should view Soviet-led efforts within the United Nations directed towards improving trade relations. More than the trade statistics themselves, however, we are interested in the conditions under which these commercial relations evolved as a basis for analyzing and understanding the approach to trade problems pursued by the Soviets in the United Nations' economic forums and the linking of this approach to the policy of peaceful coexistence.

b. Contributing Factors to the Development of Trade

The reasons for the change in 1953/54 have been extensively analyzed in the existing literature, and here we will take notice of only some of the more important economic and political factors involved. Even before the dramatic political events of 1955 there were indications that Stalin's heirs would not only continue the tentative moves toward relaxing international tensions begun before his death in March 1953, but were also intent upon developing a more moderate and hence more versatile posture vis-à-vis the West. For their part the western countries, too, hoped to ease relations with the East, and the negotiated truce reached in Korea in July 1953 (together with the armistice in Indochina achieved the following

year) "contributed significantly to the willingness of western political leaders to improve also commercial relations with the communists."[1] The growing stability of relations in Europe as well had a long-term salutory effect on East-West trade. This was in part due to a gradual realization in the West of the necessity of coming to terms with the realities of the postwar division of Europe.

The irreversibility of the political consequences of the Second World War was underscored by the USSR's explosion of an airborne hydrogen device in August 1953. One rather immediate effect of this demonstration of near parity in modern weaponry technique, which heralded the Soviet-American nuclear stalemate, was again to call into question the value of the strategic embargo on East-West trade as it was then applied.[2] Western Europeans who had long been critical of the policy had for some time been unfavorably comparing the objectives of the embargo advanced by the Americans with its actual economic, military and political effects; and its apparent failure to achieve significant results in the crucial field of nuclear power bolstered their efforts to curtail it. On the economic side of the argument for liberalizing western trade policies, persistent Soviet offers for increases especially in certain embargoed goods grew in appeal with economic recession in western Europe. And combined with this also, the end of the Marshall assistance programme in 1953 weakened the inter-governmental cohesion underlying the strict western control system which had been enforced by the Battle Act's threat of withdrawal of American

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[1] Adler-Karlsson, p. 84.

[2] As before, we will rely on Adler-Karlsson's study with respect to the matter of the strategic export embargo. Much of the following is accordingly based on his Chapter Eight, "Reasons for the Crumbling of the Policy," and Chapter Nine, "The Withering Away of the Cocom Embargo after 1953."

aid.

In 1954 and then again in 1958 the leading west European trading nations pressured the United States into a negotiated downward revision of the existing embargo lists in operation among the NATO countries and Japan. The first major revision involved the downgrading or decontrolling of some 250 of the previously 450 items which had been included on the control lists. Possibly as a concession to American policy, however, it was agreed that the remaining items were to be subject to more rigorous implementation measures. Still, the effect of the revision was to bring the embargo policy more closely into line with the European opinion that the lists "should be short, well defined and strictly enforced" and that the strategic controls should not constitute a virtual economic blockade of the communist countries.[1] Though there were some minor list revisions over the next three years, the second major revision came in 1958 when again at the insistence of west European governments the lists of embargoed commodities were further reduced by from one-third to one-half in length.[2] The remaining controlled goods reflected still nearer agreement on those items which the Europeans "judged to be of direct strategic value, and where they recognized that a Western technological monopoly, temporary superiority, or lead time would give some strategic advantage."[3] The determination of which goods fitted these criteria was, as in the case of the 1954 revision, partly affected by evidence of the progress achieved by the USSR in technological, industrial and scientific areas. The launching of the first Sputnik in 1957 had perhaps an even greater impact on western

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1 Adler-Karlsson, pp. 92 and 93.

2 Ibid., p. 97.

3 Ibid., p. 96.

opinion here than had the explosion of the Soviet hydrogen bomb in 1953, for as Adler-Karlsson has concluded, it appeared that Soviet advances had been the greatest in those sectors which had been the primary targets of the embargo system.[1]

The 1958 revision had other effects on the system, not the least of which was the decision that the export policy should thereafter be subjected to yearly review and alteration based on a close watch on developments in the Soviet bloc. By 1964, the multilaterally agreed-to list was described by the American Administration as comprising "somewhere around 10 percent of the total items that move in international trade."[2] However, despite the successes of the European governments in freeing East-West trade, points of conflict with the United States over the remaining controls continued to make themselves felt throughout the rest of the period under examination, and afterwards.

At each step in the "withering away" of the western embargo after 1953 the United States had sought in negotiations with its allies the barest minimum in changes in the export control system. The 1953 revision was especially irritating, and the Administration reported to Congress that it had only "reluctantly approved" the changes pressed upon it by the Europeans, probably because not to have done so would have had even more severe consequences. In view of the fact that after 1958 a great many more previously listed goods would be available to the socialist countries in west European markets--some through resale from the USA-- the Department of Commerce announced that the export controls in force in the United States would be significantly changed; yet it was also declared that the unilateral

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[1] Ibid.

[2] Statement by C. Douglas Dillon, cited by Adler-Karlsson, p. 93.

controls maintained by the Government would still be more comprehensive than those agreed to multilaterally. The Administration's restrictive attitude was exemplified by President Eisenhower's unencouraging reply to Khrushchev's June 1958 letter proposing expanding trade in non-military goods between their two countries.[1] And again in 1959, this time in response to trade proposals made by Mikoyan on his trip to the United States during which he criticized the strategic embargo, the Under-Secretary of State for Economic Affairs, C. Douglas Dillon, delivered a strongly worded speech in New Orleans in January which left no doubt about the United States' lack of interest in putting trade relations with the East on a more normal footing.[2] Although President Kennedy attempted, unsuccessfully, in 1961 to get Congress to modify the Battle Act so as to gain greater flexibility in foreign policy, nothing of much importance happened in the area of East-West trade until the big wheat deal of 1963-64 seemed to indicate the beginning of a change in American attitudes. The severity of American policy and controls in contrast with those pursued by all other non-communist countries was reflected in the actual development of U.S. trade with the East to 1964, as illustrated in the statistical table on pages 55-56.

c. The Starting Point for an Interpretation of Soviet Bloc Trade Policy in the United Nations under Khrushchev

Commenting on the relatively improved political climate in Europe and the gradual though steady increase of East-West trade after 1953, Gunnar Myrdal has suggested:

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[1] See Harold J. Berman, "A Reappraisal of US-USSR Trade Policy," Havard Business Review (July/August 1964): 146-47.

[2] The New York Times, 28 January 1959.

> There is clearly a mutual causal relationship between these two developments: the improved political relations have led to a rise in trade between the countries in the two blocs, while the increased trade, to some extent, has tended to lessen political tension further. Without a doubt, this sort of circular causation with cumulative effects is what we have experienced in recent years. It /is/...my main hypothesis...,however, that in this process political developments have played the leading role while, on the whole, the development of trade has been more of a response to the political changes.[1]

This is a striking conclusion, both in its simplicity and reasonableness when applied to the facts.

Without specifically referring to Myrdal as the originator of this analytical perspective, Adler-Karlsson (to whom we are therefore once again indebted) has provided an example of its application to the activities of the United Nations in the area of East-West trade in commenting on the significance of the first trade consultations held in the spring of 1953 and 1954 under the auspices of the Executive-Secretary of the Economic Commission for Europe.[2] According to him, the success of these consultations (which we will refer to again in Chapter Five) made up "one of the most important explanatory factors behind the timing of the turn of the trade development between Eastern and Western Europe...."[3] The consultations did not, however, create the opportunities for the bilateral commercial agreements concluded following the talks; rather, they facilitated the development of trade relations by taking advantage of already existing international conditions conducive to this end by bringing interested parties from both

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[1] Gunnar Myrdal, "Political Factors Affecting East-West Trade in Europe," Co-existence 5 (1968): 143.

[2] It is of interest to not that the Executive-Secretary at the time was, incidentally, Gunnar Myrdal and that Adler-Karlsson had Myrdal's advice and cooperation in the preparation of his book. This perhaps accounts for the incorporation of Myrdal's interpretation of events in the description of the ECE trade consultations.

[3] Adler-Karlsson, p. 85.

sides together in a setting which led to constructive discussions on matters pertaining to the revival of East-West trade. The conclusion reached by Adler-Karlsson is that the significance of the consultations was "first that they helped East-West trade to expand as far as was possible inside the given political limitations, and secondly...that they may have helped to decrease the extent /of the chilling effect on trade/ of these political limitations...without changing the actual political limitations" on East-West trade.[1] With respect to the second benefit in particular, he suggests that the consultations may have directly affected the 1954 revision of the strategic embargo lists, by "whetting the appetite" of the west Europeans through increasing their knowledge about the possibilities for large orders and profits and about what kinds of commodities might be worthwhile removing from the control lists. Implicit in this, however, is the fact that while on the one hand some improvement in political relations had contributed to the revision, on the other remaining political difficulties persisted to act as a brake on the freeing of trade from western controls.

The annual trade consultations, which became a permanent fixture in the ECE's operations, have continued to have an important and positive effect on the development of East-West trade. Yet for most of the first post-Stalinist decade the degree of cooperation and level of results achieved in the ECE consultations were elsewhere unmatched--nor even approached--in the various U.N. bodies concerned with the issues of East-West trade. The blame for this must be assessed against both the socialist and the western countries. Nonetheless, it is our firm conviction, based on the research for this study, that much of the responsibility for the unproductiveness of the plenary sessions of the ECE, the ECOSOC and the

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[1] Ibid., p. 86.

General Assembly (as well as their subsidiary committee meetings) rests with the policies pursued by the Soviet bloc, however much the opposite intention was meant. At the beginning of the chapter we noted the opinion expressed in the authoritative Soviet journal International Affairs that the value of bringing problems before the United Nations lay in the clarification of conflicting views, in the exposure of issues to an international public, and in the somewhat hazy notion of mobilizing "progressive forces...for the preservation and consolidation of peace and for the peaceful settlement of outstanding international issues." In other words, as we pointed out, the U.N. forums were to serve Soviet foreign policy where bilateral efforts were unable to secure the desired results. The Soviet Union and the other socialist countries accordingly reacted to discriminatory western export and import policies which impeded the development of trade on the level of bilateral negotiations by using the Organization's economic forums for pressing for the complete "normalization" of East-West trade, that is, for the removal of all "artificial"--politically motivated--barriers. However, by concentrating on what they saw to be the political dimensions of the trade problem, which they maintained were the only important obstacles to East-West trade, the socialist delegations virtually neglected other aspects of the problem which might have benefitted from examination in the United Nations. Quite possibly, progress in these other areas could have led to an even greater expansion of trade within existing political limitations while further diminishing the impact of those limitations on trade relations.

In this respect, then, Soviet bloc policy in the United Nations sought in effect to push East-West economic relations beyond the limitations imposed by political circumstances. We do not mean, of course, that the policy was that simple, and that there were not other, perhaps even conflicting,

motives behind their avowed single-minded interest in economic cooperation. However, we do believe this to be a useful perspective from which to examine their stated intentions. The diplomatic form which this effort took was characterized by the insistence on normalizing trade within the framework of the policy of peaceful coexistence, the outstanding feature of which was the assertion that the crucial relationship between trade and peace, i.e. between economic and political relations, was exactly the reverse of that later described by Myrdal as in fact determining the nature of evolving East-West relations in the postwar world.

2. Soviet Trade Diplomacy and Peaceful Coexistence*

a. The Objective: The "Normalization of Trade Relations"

During the period under consideration Soviet specialists and their colleagues in Eastern Europe assumed that, since the postwar depression (in contrast with its potential) in East-West trade could be attributed to "historical and political rather than economic factors," political action, such as the removal of export-import controls, "would be sufficient to

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* A Note to the Reader: We feel the reader should be made aware of the fact that in this section we will discuss general Soviet trade policy towards the West mainly by using the Soviet-American debate as an example. There are several good reasons for doing this. In the first place, trade with the United States was especially important to the Soviets because of the potential size of the American market, the technological advantages to be gained from Soviet-American trade, the effect of American policies on the rest of the West, and so on. Secondly, Soviet trade relations with the United States remained in a worse state than with any other major western trading nation. Accordingly, the Soviet literature is particularly rich in references to the problems of this trade relationship. A third reason is that even though the difficulties between these two countries were in several respects more exaggerated than those between the USSR and the other western countries, the approach adopted towards the United States on the issue of normalizing trade relations was no different in substance from that taken towards the rest of the West, as we will see in later chapters when we consider particular manifestations of this approach in the policies pursued by the Soviet bloc in the United Nations. Thus another advantage is that of convenience without, we trust, oversimplification.

bring about an expansion in the volume of trade."[1] This is the key to what the Soviets meant in calling for the normalization of East-West trade relations.

Although the USSR continued to experience trade difficulties with other leading western trading nations of the sort attributed to political restraints, Soviet spokesmen tended to concentrate criticism on the United States as the initiator and main perpetuator of the western controls system and, by the late 1950's, the only Great Power with which the Soviet Union did not have a trade agreement establishing the general principles of trade and forming the basis for the regulation of commerce and payments. The roots of these disorders were properly traced to the American decision in the late 1940's to initiate a policy of export controls and to the unilateral abrogation by the United States in 1951 of the Commercial Relations Agreement with the USSR proclaimed under the power of executive agreement by Franklin D. Roosevelt on August 6, 1937.[2]

Under Khrushchev, Soviet analysts continued to view the Agreement as a good one, "providing a legal basis for normal trade between the two countries."[3] And in his message of June 2, 1953, to President Eisenhower outlining proposals for Soviet-American trade, Khrushchev referred to the absence of a trade agreement with the United States and stressed that "the necessary contractual and legal basis must be created in order to initiate

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[1] See A.K. Cairncross, "Trade between Countries with Different Economic and Social Systems," International Social Science Journal 12, no. 2 (1960): 255.

[2] Agreement between the United States of America and the Union of Soviet Socialist Republics, Executive Agreement Series no. 105 (Washington, D.C.: United States Government Printing Office, 1937), pp. 1-8.

[3] "Speech by Comrade A.I. Mikoyan," Pravda, 1 February 1959, pp. 3-9, as translated in CDSP 11, no. 9 (1 April 1959): 59.

trade between the USSR and the USA."[1] Later, commenting on Khrushchev's proposals, Mikoyan contended with the demurring Department of State that:

> Our proposals for restoring normal conditions in Soviet-American trade, that is, the conditions antedating the 'cold war,' contemplate nothing exceptional or different from the conditions which obtain in our trade with other capitalist countries - Britain, France, West Germany, Italy, Sweden etc.
>
> These countries and many others have mutual most-favored-nation arrangements with the Soviet Union.2

This conspicuous reference to the 1937 Agreement, which granted mutual unconditional and unrestricted most-favored-nation treatment between the contracting parties, demonstrates one instance of what was meant by the Soviet call for "restoration" or "establishment" of "normal trade relations." It was not so much a particular target for the actual growth rate of commercial exchanges or a certain percentage of total American trade going to the East as it was the reintroduction of the most-favored-nation standard in Soviet-American trade through the renegotiation of a trade agreement.

In the opinion of Soviet economists, only the removal of obstacles to East-West trade and subsequent long-term trade agreements based on the most-favored nation principle could create the basis for the steady

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[1] "Message of June 2, 1958, from Chairman of USSR Council of Ministers N.S. Khrushchev to US President D. Eisenhower," Pravda and Izvestia, 6 June 1958, p. 3, as translated in CDSP 10, no. 23 (16 June 1958): 8.

[2] "Speech by Comrade A.I. Mikoyan, " p. 60. Cf., "Development of Trade Relations between the USSR and the USA.--Pravda Correspondent Interviews USSR Minister of Foreign Trade N.S. Patolichev," Pravda, 18 February 1959, pp. 4-5, as translated in CDSP 11, nos, 6-7 (18 March 1959): 12. While the issue of most-favored-nation treatment was particularly acute between the USSR and the USA, it should be noted that the Soviets had differences with other western states over the same issue, not the least of these being the disputes which arose over the Soviet trade relationship with the member countries of the Common Market and EFTA.

expansion of international trade and give a constant stimulus to the growth of national economies. American affirmations that the selective export regulations and discriminatory import policies had not had an appreciably detrimental effect on Soviet-American trade were contested during this period. The official Soviet rebuttle to American minimization of the economic repercussions of their policies was comprehensively outlined in a Pravda interview with Foreign Trade Minister N.S. Patolichev concerning the January 1959 address by U.S. Under-Secretary of State C. Douglas Dillon on Soviet-American trade relations.[1] Patolichev ridiculed Dillon's assertion of the United States' interest in expanding East-West trade by contrasting it with his expressed opposition to an agreement granting the USSR most-favored-nation status and his defense of restrictive American trade practices with the East. The Trade Minister observed further, and it is worth quoting at length:

> Mr. Dillon tries to assert that the high tariffs and import bans on a number of Soviet goods have had little effect on Soviet exports to the USA. This is far from true. Take, for example, the 1946-1950 five-year plan, which preceded the United State's abrogation of the trade agreement. During these years the goods which are now subject to high tariffs or which cannot be imported into the USA represented approximately 65% of our total exports to the USA.
>
> As for the restrictions on US exports to the Soviet Union, Mr. Dillon deliberately ignores the fact that in addition to direct bans on exports to the USSR American firms are required to obtain individual licenses on many goods, although exports of these goods are not officially banned. By this procedure American officials in fact set up a ban on these goods.
>
> For example, our organization negotiated with several US firms about placing orders for chemical equipment and plants. The firms agreed to accept the orders but stated that they had to obtain permission for this from the State Department [actually the Department of Commerce]. This was a long time ago, but the State Department has neither refused nor given permission. As is obvious, this is the form of refusal which the State Department elected to use.

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[1] See p. 60 supra.

> The fact that a psychologically unfavorable atmosphere has been created in the USA regarding firms which want to trade with us is no small factor. One cannot but see that life itself confirms the need for removing these obstacles so as to clear the way for mutually advantageous trade between our countries.1

The Soviets argued that the lifting of all such barriers to trade would not only improve mutual relations but would also be to the considerable economic advantage of both sides. In this respect, they often cited the requirements of the USSR's ambitious economic programme, which the new Party Programme described in 1961 as the plan for creating "the material and technical basis of communism within two decades." Khrushchev's discussion at the Twenty-First Party Congress of the control figures for the development of the national economy during 1959-1965 pointed to some of the tasks involved in this effort:

> At the present level of socialist production we are still unable to create the full abundance of material goods and cultural benefits necessary to satisfy the growing requirement of our people, necessary for their full development. But communism is impossible without this. Consequently, it is necessary first of all to develop the productive forces further and to increase the production of goods....
>
> Creation of the material and technical base of communism presumes first of all, a highly developed, modern industry, complete electrification of the country, scientific and technical progress in all branches of industry and agriculture, complex mechanization and automation of all productive processes, maximum utilization of new power sources..., new synthetics and other materials, a higher... technical level of all the working people, further improvement in the organization of production, and higher labor productivity.2

The relationship between this domestic plan and Soviet trading policy was illustrated by Khrushchev in a West German interview:

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1 "Development of Trade Relations between the USSR and the USA," p. 13.

2 "Extraordinary 21st Congress of the Communist Party of the Soviet Union: On Control Figures for Development of the USSR National Economy in 1959-1965.--Report by Comrade N.S. Khrushchev," Pravda, 23 January 1959, pp. 2-10, as translated in CDSP 11, no. 5 (11 March 1959): 13-14.

> As is known, the Soviet Union is currently carrying out a large program for increasing the production of consumer goods, including a considerable expansion of the production of synthetic materials, fibers, plastics, and artificial leathers and furs and products made from them. To speed up the fulfillment of this program, the Soviet Union could make heavy purchases of equipment in the FRG. Here we are counting on the industry of the FRG offering us equipment that accords with the present-day level of technology and offering it at acceptable prices. The FRG could also participate in the development of this branch of Soviet industry by sending its specialists to work at Soviet enterprises as consultants, by selling licenses and by other suitable means. An expansion of trade between the USSR and the FRG...is also possible in other branches of industry.[1]

Similarly, in his June 1958 letter to Eisenhower, Khrushchev observed that even though the Soviet Union "possesses all the means and resources itself to carry out this program successfully....the Soviet government, in order to accelerate its fulfillment, might make large purchases of the necessary equipment and materials in the USA."[2] To add strength to such overtures the Soviets often professed a belief in the desireability of an "international division of labor not only among countries in the world socialist system, but also among socialist and all other countries, including the western powers," as Mikoyan once put it.[3]

Regardless of their true conviction concerning the theory of comparative advantage as understood in the West, Soviet spokesmen clearly sought to influence western businessmen to see in the USSR a vast and receptive market for much needed western goods which would be

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[1] "Chairman of the USSR Council of Ministers N.S. Khrushchev's Replies to the Questions of West German Writer and Journalist A.J. Johann," Pravda, 24 September 1958, p. 1, as translated in CDSP 10, no. 33 (29 October 1958): 11.

[2] "Message of June 2, 1958, from Chairman of USSR Council of Ministers N.S. Khrushchev to US President D. Eisenhower," Pravda and Izvestia, 6 June 1958, p. 8, as translated in CDSP 10, no. 23 (16 June 1958): 8.

[3] "Speech by Comrade A.I. Mikoyan," p. 60.

free from domestic competition.[1] The idea was to generate corporate pressure on western governments to loosen restrictions on trade with the USSR, with a view to the eventual abolition of all export controls.[2] The progressive reduction of the strategic export control lists after 1953 demonstrates that this strategy was not without its successes.[3] In speaking directly to western business circles and affirming the advantages of each trade partner being able to buy what it needs and is easier for the other to produce, the Soviets argued that existing discriminatory policies were harmful "first and foremost" to the countries pursuing them. They also played upon two points of west European dissension from the harsh trade restraints originally dictated by the United States, which to varying

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1 See, for example, "Interview Given to Eric Ridder, Owner and Publisher of Journal of Commerce, and Its Editor Heinz Luedicke, March 22, 1958," in Khrushchev, Victory, pp. 219-22. Apparently Khrushchev believed Americans were hesitant to trade with the USSR because of a misunderstanding about what the Soviets meant by "peaceful economic competition between systems," and sought to clarify the noncompetitiveness of their mutual trade relations. See, for instance, "Some Questions Concerning International Situation: From Speech at Reception of Graduates of Military Academies, November 14, 1953," in Khrushchev, Victory, p. 756.

2 This was implicit in a dinner conversation Khrushchev had with American businessmen in Washington September 24, 1959, during which he restated the USSR's readiness to trade with American corporations while intimating that the State Department was impeding development of contacts. "For Mutually Profitable Trade on Basis of Equality and without Discrimination," Pravda and Izvestia, 27 September 1959, pp. 1-2, as translated in CDSP 11, no. 39 (28 October 1959): 10-12.

3 While it was most successful in Europe, it did not fail to have an impact in the United States as well. Mikoyan publicly took delight in former President Harry Truman's concern "lest American financiers and businessmen 'who are so strongly influenced by a possible source of new business deals will be unable properly to balance their interests with the nation's interests and the security of the country as a whole.' [Truman] wrote that he 'was especially distrubed by the efforts of some of our prominent industrialists and financiers to surround the visiting Soviet Deputy Premier [a reference to Mikoyan's U.S. visit] with solicitous attention and social glitter, the result of which is to pressure the White House.'" "Speech by Comrade A.I. Mikoyan," p. 53

degrees continued to plague western cooperation in the strategic embargo throughout the period. On the one hand, it was questioned whether "strategic goods" constituted a realistically definable category. On this point Khrushchev once expressed the opinion that the criteria on which the lists were based were entirely subjective and that even butter might also conceivably be included among strategic goods.[1] This struck a responsive note with those Europeans who, though they agreed that some commodities were of an undeniably strategic nature, desired a sharper definition and shortening of the lists. On the other hand, in spite of their quite obvious interest in importing western technology, the Soviets asserted that the USSR's defense industry was as advanced as any in the West and, therefore, "the arguments that for security reasons 'strategic' goods must not be sold to the Soviet Union are completely groundless."[2] Like the Europeans, they pointed to the Soviet nuclear force and (at least for a while) superiority in missile technology as evidence of the irrationality of the lists.

Nonetheless, it should be noted that the Soviets were not unattentive to the West's concern over the export of obviously strategic goods to the Soviet bloc and were cautious in explaining their demands for the lifting of all trade restrictions where these demands touched directly upon such items. Even Khrushchev tacitly acknowledged as legitimate a government's right to protect its national interests in this area of trade, stating, "If you don't want to, don't sell us guns, aircraft and ships...."[3]

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[1] "N.S. Khrushchev Interview--With E. Pickering, Editor in Chief of the British Newspaper Daily Express," Pravda and Izvestia, 24 December 1957, pp. 1-2, as translated in CDSP 9, no. 51 (29 January 1958): 14.

[2] "Speech by Comrade A.I. Mikoyan," p. 58.

[3] "N.S. Khrushchev Interview with E. Pickering," p. 14.

And Mikoyan deemed it advisable to assure the U.S. State Department that "we do not need /your/ weapons and have no intention of buying either weapons or other strategic goods....In our proposals to expand Soviet-American trade, we are talking of trade in commodities for peaceful consumption."[1] Yet, compare this with Khrushchev's answer to the question put to him by the American journalist Eric Ridder, "How would national security requirements have to be handled to satisfy Soviet interests, and what would your attitude be toward the reservation we might feel should be made on national security grounds?":

> In asking this question, you apparently proceed from the assumption that to ensure the interests of "national security" the existing restrictions on trade between the capitalist and socialist countries should to some extent be preserved. At the same time, you seem to be in favor of developing East-West trade. These are clearly incompatible positions, for the complete and comprehensive development of trade does not permit of any discriminatory restrictions or bans.[2]

In the same interview Khrushchev summed up this confusing policy:

> Whatever you do not want to buy, don't buy; whatever you do not want to sell, don't sell. But let us exercise the same right: to buy what we need and to sell what we can.[3]

This injunction, giving scope to conflicts of interest, could hardly be reassuring to those with whom it was argued a formal suspension of all trade restrictions would not be to the disadvantage of their national security interests.

b. The Strategy: The Substantive Approach Underlying Soviet Trade Diplomacy in the United Nations

In the preceding sub-section we noted that the Soviets believed that the normalization of commercial relations depended on political action

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[1] "Speech by Comrade A.I. Mikoyan," p. 60.

[2] "Interview Given to Eric Ridder," p. 223.

[3] Ibid., p. 215.

in the West to remove the "artificial" barriers to East-West trade. The principle reason why this was not forthcoming was singled out by Soviet Foreign Trade Minister Patolichev in a Pravda interview in February 1959 on the problems of normalizing trade with the United States. He alleged that,

> up to now our proposals on economic matters have run up against the American government's unwillingness to normalize trade relations, and the political motives behind its approach have not been concealed. To justify this negative approach American statesmen often resort to a variety of fictions in an effort to place the guilt for the abnormal state of affairs on the Soviet Union. Unfortunately, Mr. Dillon's speech in New Orleans [January, 1959] was made in this spirit.1

In further developing his criticism, Patolichev characterized the abrogation of the 1937 Trade Agreement and subsequent American trade policy as dictated by the United States' general "cold war policy" which was, he indicated, maliciously concocted in response to an alleged but "mythical 'Communist threat.'" Therefore, in attributing the current state of Soviet-American trade to historical political factors, the Trade Minister placed the onus at the doorstep of the United States, while failing to discern any responsibility on the part of the USSR either for the genesis or for the propagation of the state of affairs giving rise to western trade policies. In fairness, such misrepresentations were a common occurrence on both sides of the dispute.

Although he observed that in his speech Dillon found "it necessary to explain the delay in the State Department's reply to the Soviet government's trade proposals by referring to the sharpening of international tension," Patolichev, like Khrushchev, relegated such considerations to groundless and unconscionable cold warmongering, intimidation, and

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1 "Development of Trade Relations between the USSR and the USA," p. 12. Italics added.

ideological differences which should have no bearing on trade matters.[1] Yet it was not a question of political dislike, of ideological conflict alone. While poor political relations contributing to abnormal trade relations in part may be due to what might justifiably be called ideological considerations, other Soviet spokesmen laid responsibility to conflicts of outright national interests in interstate relations as well. Nevertheless, they have advocated the same forthright separation of these issues from trade matters as that proposed by Patolichev. Mikoyan is a good example. Also referring to Dillon's "reference to political developments in various parts of the world," he observed perhaps more candidly than Patolichev that, "Mr. Dillon's explanation is enough to show that where trade is concerned the American government is not guided by business considerations, but links these questions with specific disputed international political problems which arise."[2] He contended that this approach unnecessarily confounded trade relations:

> If the American side did not link trade questions with current international political issues such as the Far East and Berlin--after all, neither Berlin nor the Far East can be traded--both sides, after studying the ideas expressed in my meeting with Mr. Dillon, might use this meeting as the point of departure in preparing a mutually acceptable basis for Soviet-American trade.[3]

Thus, the proposed solution to the problem of eliminating trade restrictions and discriminatory practices, of normalizing trade relations, boiled down to a question of <u>political will</u>: it was a matter of political willingness to isolate ideological differences from interstate relations and from trade in particular, as Patolichev indicated; and, it was a

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[1] "Development of Trade Relations between the USSR and the USA," p. 12.

[2] "Speech by Comrade A.I. Mikoyan," p. 59.

[3] Ibid., p. 60.

matter of political willingness to separate international disputes from trade relations, as Mikoyan stated. The detection of an "unwillingness" on the part of the United States, however, stemmed from a recognition of the very real influence of very real ideological and political considerations on trade relations. Yet, in pressing for the normalization of trade, reversion to the concept of a lack of political will avoided rather than faced the crucial question of the actual role of political factors in the progressive development of economic relations. The attitude adopted by the Soviets can only be regarded as a tacit refusal to come to grips with the political exigencies of the international situation affecting the development of East-West trade. Instead, the proposal was for, in effect, a unilateral, surgical removal of these issues by the United States and its western allies from their consideration of economic ties with the socialist countries. The point is that political détente, of whatever limited degree, was not proffered as the answer to the problem of poor trade relations. The fruits of détente were sought without the negotiation of détente. This position led to the kind of non sequitur in policy statements that appeared in the January 1953 "Soviet Government Proposals on Question of Reducing International Tension:"

> Increased economic ties among states would create favorable grounds for the establishment of genuine confidence among them, thus creating the necessary conditions for improving political relations. No one can deny the indisputable fact that the severance of normal economic ties between many countries is a product of the "cold war" and of the establishment of two opposing military groupings. It follows that it is impossible to speak seriously of liquidating the "cold war" and reducing tension in international relations without eliminating the abnormal situation which has developed in international trade.1

At the bottom of this position lay the fact that despite ever present

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1 "Soviet Government Proposals on Questions of Reducing International Tension," Pravda, 10 January 1953, pp. 3-4, as translated in CDSP 10, no. 2 (19 January 1953): 23.

declarations from both sides of willingness to make "reasonable" concessions, there existed during this period a level of political accord insufficient to support as a matter of course a radical programme of adjustements in East-West trade relations such as that proposed from the Soviet side. As a result, the Soviets extended the prospect of an improved and stable international political regime to the West within the conceptual framework of peaceful coexistence as an incentive coupled with other incentives of a commercial nature for reaching agreement on normal trade relations. Such an agreement, it was postulated, would be the first step in the realization of the promises of peaceful coexistence. Thus, it was in adopting this policy--which we will call the trade strategy of peaceful coexistence--that Khrushchev wrote in his 1959 article:

> the policy of peaceful coexistence receives a firm foundation only with increase in extensive and absolutely unrestricted international trade.... It can be said without fear of exaggeration that there is no good basis for improvement of relations between our countries other than development of international trade....Only on this basis can international life develop normally.1

This statement carried a twofold message. On the one hand, it gave notice of the Soviets' unwillingness to dissociate the question of economic relations from that of improving political relations. As the authoritative Tass statement of August 1959 concerning American reluctance to take positive action to normalize East-West trade observed:

> It is up to the United States to expand or not to expand trade with the Soviet Union....But lately the frequent utterances of United States statesmen in favor of improving relations with the Soviet Union and professing a desire to improve the international situation, statements that, needless to say, should only be welcomed, can in no way be reconciled with the latest State Department declaration against development of trade with the Soviet Union.2

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1 Khrushchev, "On Peaceful Coexistence," pp. 15-16 and 17.

2 "Words and Deeds of US State Department.--Tass Statement," Pravda, 12 July 1959, p. 5, as translated in CDSP 11, no. 23 (12 August 1959): 30.

But, on the other hand, Khrushchev was also restating the Soviet position that the normalization of trade was not necessarily dependent on a prior improvement of interstate relations. Indeed, the main line of Soviet argument taken during this period (and which still commands respect within the USSR today, although its importance has been diminished with the attenuation of East-West tensions) was that an important causal relation existed between trade and peace in that order. Thus the question of implementing measures to expand international trade ties was included as a leading agenda item in the 1958 Soviet proposal for a conference of heads of governments to consider the major issues of the cold war. In the statement supporting its inclusion, trade was given specified significance beyond its immediate commercial advantages: Pravda asserted that the development of East-West trade

> would also facilitate the development of broad exchanges and peaceful competition among countries in the realm of scientific ideas, technological progress and the organization of production processes. Increased economic ties among states would create favorable grounds for the establishment of genuine confidence among them, thus creating the necessary conditions for improving political relations.[1]

This approach did not, however, ignore the more general influence of politics on trade, for it was based on the assumption that a necessary causal relation between subjective political attitudes and development of trade did in fact exist. It is evident in the Foreign Affairs article and elsewhere that Khrushchev believed that a desire to attain certain political goals could influence western trade policy with the East, and that indeed the development of economic relations depended on a perception by western governments that their political interests vis-à-vis the socialist countries were tied to the status of East-West commercial relations.

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[1] "Soviet Government Proposals on Questions of Reducing International Tension," p. 23.

In view of this, the Soviet position that trade promotes peace cannot be simplistically interpreted as a profession of faith in the traditional Marxist analytical concept in which the character of political relations is said to be determined by the configuration of economic relationships. Instead, it should be understood as a strategy for the promotion of trade based on an evaluation of national interests. Thus the concept of trade as the necessary basis for the development of stable political relations was in actuality an assertion in an otherwise unpropitious political climate that trade relations should be normalized as a symbol of intentions, of a desire to form better political relations. "Trade," Khrushchev stated in his inimitable style,

> is the litmus paper. It shows the state of relations between states. It shows whether or not they want to live in peace. You do not want to trade with us. But why? This gives us pause and puts us on the alert. Evidently your intentions are bad. After all, I can't tell our people that you are for peace but do not want to have trade with us, even in lousy herring. If I did that the Soviet people would tell me that I was a simpleton and they obviously needed a new premier. But I won't tell the Soviet people that.1

PART II: WESTERN RESPONSES

Unlike opinion in the Soviet bloc at the time, official opinion in the West about "whether," "why" and "how" trade might be normalized was not so nearly uniform. We need only to remember the tensions between the United States and its European partners over the strategic embargo to see this. Then, too, another factor which complicates analysis is that the process of trade policy formulation in the western countries, involving the interplay of diverse viewpoints within each government and among influential

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1 "For Mutually Profitable Trade on Basis of Equality and without Discrimination," Pravda and Izvestia, 27 September 1959, pp. 1-2, as translated in CDSP 11, no. 39 (28 October 1959): 10-12.

sectors in the countries at large, are more accessible to the scrutiny of the researcher than is the case with the communist countries. Still, despite the problems of contrasting trade policies among the members of the western alliance, there was sufficient common ground to enable the western group of countries, through caucusing, to present a fairly close-knit posture on the issues of East-West trade in the United Nations, where they evidently preferred the advantages of a united front in dealing with the Soviet bloc to the risks of airing their differences in full view of the rest of the world. Accordingly, the purpose of this section is to indicate the broad dimensions of those attitudes and responses in the West to the problems of East-West trade which were reflected, as we will see in subsequent chapters, in the conflict of policies between the western and socialist countries in the United Nations' economic forums.

A. To the Diplomatic Trade Strategy of Peaceful Coexistence

Before directing our attention to the differences in approach to the problems of improving trade relations, we might first consider the effectiveness in the West of the Soviet argument for normalizing trade as part of the broader policy proposal of peaceful coexistence.

The idea that trade should be normalized in the interest of peace formed the mainspring of the position taken by the socialist delegations in advancing trade-related proposals in the United Nations during the period under consideration. This inducement was not new, as it had had before then a long history on the Soviet diplomatic front. Yet, as Peter D.J. Wiles has observed, even though the Soviets have always maintained that economic relations promote peace, they have never explained in detail why this is so.[1]

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[1] Peter D.J. Wiles, "Trade and Peace," Studies in Comparative Communism, 2, nos. 3&4 (July/October 1969): 138. See also Chapter Eighteen

Instead, to all appearances, the truth of the proposition has been taken to be axiomatic.[1] In the absence of a convincing explanation of why commerce between countries would help them to get along peaceably together, it is evident that this argument for trade is no more than a simple a priori statement that, "We all know trade has these political ramifications; therefore let's normalize our trade relations and expand commerce." In terms of Soviet trade policy with the West, it seems quite simply to be a catch-all argument, plugged into the proposal for peaceful coexistence and designed to appeal to whatever sympathies exist in the West for the general proposition that trade makes for peace.

The Soviets had good reason to believe that this concept might find a responsive audience in the West, where it had been a part of the continuing debate on the nature of international economics that had begun with the first studies on political economy undertaken in the late eighteenth and early nineteenth centures.[2] In the mid-twentieth century, it was not unusual to find influential western spokesmen also affirming its truth in pressing for better economic relations with the East. For example, on February 25, 1954, Prime Minister Winston Churchill informed Parliament of his government's decision to seek a negotiated revision of the strategic embargo, prefacing his announcement with the following:

> There is one agency, at any rate, which everyone can see, through which helpful contacts and associations can be developed. The more trade there is through the Iron Curtain...the better still will be the

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of the same title in his Communist International Economics (New York: Frederick A. Praeger, 1969), pp. 524-57.

[1] An excellent example is the way in which Khrushchev introduced the trade-related section of his Foreign Affairs article: "It is readily seen that the policy of peaceful coexistence receives a firm foundation only with increase in...international trade." "On Peaceful Coexistence," p. 15. Italics added.

[2] See Wiles' article in Studies in Comparative Communism, pp. 104-109.

> chances of our living together in increasing comfort.
>
> When there is so much prosperity for everybody round the corner and within our reach, it cannot do anything but good to interchange merchandise and services on an increasing scale. The more the two great divisions of the world mingle in the healthy and fertile activities of commerce the greater is the counterpoise to purely military calculation. Other thoughts take up their place in the minds of men.[1]

Churchill went on, however, to show that this renewed interest in East-West trade had followed the political lead:

> I do not suggest that at the present time there should be any traffic in military equipment, including certain machine tools such as those capable only or mainly of making weapons and heavy weapons. But substantial relaxation of the regulations affecting manufactured goods, raw material, and shipping,--which, it must be remembered, were made three or four years ago in circumstances which we can all feel were different from those which now prevail--a substantial relaxation would undoubtedly be beneficial in its proper setting, bearing in mind the military and other arguments adduced.

Thus economic relations were to be extended to fill the vacuum created by improved political relations, while it was in turn hoped that these follow-up measures would have a salutory effect on the political climate. This was, indeed, what happened, as Myrdal later pointed out with reference to the evolution of East-West trade in general.

Still, many of the core political problems existing between the two sides were left unaffected by all this and continued to act as a restraint on the further freeing of trade. Churchill had made it clear that there were serious political limitations on the extent to which trade might be

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[1] Hansard, Vol. 524, pp. 581 ff., as quoted in Adler-Karlsson, p. 91. It is of passing interest that Khrushchev once similarly stated: "Good trade always leads to an improvement in relations. It is also necessary for strengthening peace: He who is thinking about trade does not think about war." "N.S. Khrushchev Interviewed by Correspondent of French Newspaper Le Figaro," Pravda and Izvestia, 27 March 1953, pp. 1-2, as translated in CDSP 10, no. 13 (7 May 1953): 23. And again in 1962, this time to American journalists: "It has been that way since ancient times: If states trade with each other and seek to develop their trade, they don't fight each other but live in peace. Trade and war are mutually exclusive." "Comrade N.S. Khrushchev's Interview with a Group of American Journalists, July 13, 1962," Pravda, 13 July 1962, pp. 1-2, as translated in CDSP 14, no. 29 (15 August 1962): 3.

normalized in indicating what types of goods would not be exempted from the control lists, "bearing in mind the military and other arguments adduced." Such restraint in trade was in the final analysis unacceptable to the Soviets in principle,[1] as Khrushchev often pointed out to westerners.

Khrushchev based his argument for the necessity of normalizing trade as a condition for coexistence on the contention that the alternative prospects for the contemporary world were two only: either nuclear war or peaceful coexistence.[2] However, what the "peace" of peaceful coexistence meant was defined in 1957 by Soviet Foreign Minister Dmitry Shepilov as "a struggle--a political struggle, an economic struggle, an ideological struggle."[3] This peace, then, was not the antithesis of war: as one western scholar evaluating the Soviet concept of coexistence concluded, "If peace is therefore a struggle, it differs from war not by its objectives but by the means used."[4] In constructing his harsh dichotomy, Khrushchev failed to acknowledge the possibility that the leading western governments were committed to another kind of peace, a third alternative as it were to the choice between nuclear war and an acceptance of the Soviet view of the world under a regime of peaceful coexistence. Western literature of the period, as well as the actual course of events, clearly showed that the shape of the peace which Khrushchev envisaged and for which trade was to be

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1 See, for example, "For Mutually Profitable Trade," p. 12; "N.S. Khrushchev Interview with Newspaper Chain Director W.R. Hearst," Pravda and Izvestia, 29 November 1957, pp. 1-2, as translated in CDSP 9, no. 46 (25 December 1957): 14; and the statement to Eric Ridder quoted on p. 72 supra.

2 "On Peaceful Coexistence," p. 1.

3 "Questions of International Situation and Foreign Policy of the Soviet Union.--Report by USSR Foreign Minister Shepilov," Pravda, 13 February 1957, pp. 3-5, as translated in CDSP 9, no. 11 (24 April 1957): 5.

4 Wladyslaw W. Kulski, Peaceful Coexistence: An Analysis of Soviet Foreign Policy (Chicago: Henry Regnery Co., 1959), p. 131.

normalized did not reflect even an elemental consensus with the West on the structure of a desirable peace which ould be expected to guide the actions of the socialist and western countries toward some form of agreed arrangement on both political and economic matters.[1] Despite whatever inclinations existed in the West for supporting trade as a peace promoting agent, the widespread perception that the Soviet policy of peaceful coexistence was merely an updated version of the "cold war" meant that peace as defined in Moscow, could not be a convincing argument for trade, as western delegates in the United Nations often pointed out to their socialist colleagues.

B. To the Soviet Prescription for "Normalizing" Trade

Without referring to the question of a causal relation between trade and peace, some western observers, who recognized the symbolic significance of restrictive western policies, thought it practical that if a re-examination of certain western, and particularly American, attitudes toward trade with the Soviet Union "would have, in Soviet eyes, a significance which would really be helpful in relaxing international tensions, then the suggestion is one that should not be lightly dismissed," as George F. Kennan concluded in his own reply in Foreign Affairs to Khrushchev's article.[2] However, even though Kennan thought that the West might take advantage of the Soviet position, he took exception to it, maintaining that "from the Western standpoint" one might suppose that "the virtues of increased

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[1] See Kulski's study cited above; George F. Kennan, "Peaceful Coexistence. A Western View," Foreign Affairs 38, no. 2 (January 1960): 171-190; and Philip E. Mosely, "The Meanings of Coexistence," Foreign Affairs 41, no. 1 (October 1962): 36-46.

[2] Kennan, p. 187.

international trade would of necessity be confined to the direct benefits such trade might bring to the economies of respective partners."[1] It was perhaps in anticipation of such criticism that the Soviet spokesmen also stated their case for normalized trade relations on the grounds of commercial advantage. Nonetheless, it was recognized in the West that any review of western trade policy would have to take into consideration the economic and political problems presented by the system and practice of state trading in the socialist countries.

The problems most often identified in western discussions as imposing obstacles to extensive East-West trade relations, in addition to questions about the commodity composition of that trade, can be roughly divided into two categories for our purposes. Those comprising the first category have concerned the problems of adjustment between the Soviet system of foreign trade and that of the advanced industrial countries of the West, problems which would exist regardless of differences in political aims and interests. In contrast to the arguments advanced by economists in the socialist countries that the depressed condition of East-West trade was the result of obstructive western trade policies, western economists tended to affirm that a far more important brake on the development of easier and expansive trade relations were those difficulties caused by the differences in trading systems, including the socialist countries' preference for bilateralism, and the problems thereby created with respect to the concepts of most-favored-nation treatment and reciprocity enshrined in western commercial policy.[2] In discussions within the United Nations during this

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[1] Ibid., p. 135.

[2] See Berman, pp. 483-500 and Kock, pp. 204-209.

period, the representatives of the leading western trading nations continued to concentrate, as had their counterparts during the drafting sessions of the Havana Charter before them, on the issue of developing an adequate legal framework--a commercial code--for trade between nominally free-enterprise and state trading countries. They were also inclined to stress the opinion that the low volume of trade had its origin in the devotion of the socialist countries to planning and their preoccupation with domestic requirements without similar regard for the development of exports.

The other category has consisted of those problems arising from the fact that differences in political objectives do exist, issues which have had particular importance in western policy-making because of the governmental monopoly of foreign trade in the socialist countries and the potential of that trade for use in the pursuit of political interests. Part of the problems in this grouping concern the difficulties caused by the with-holding of important economic data largely for political and security reasons and by the restrictions imposed on business relations for much the same reasons.[1] The more controversial issuesin this category, however, have been due to western uncertainty concerning the relative influence of commercial and political considerations in the foreign trade policies of the Soviet bloc countries, the USSR in particular. Much of the debate on this question has stemmed from disagreement about the way in which "political" factors should be defined and could be identified. During the period under consideration, some insisted simply, and simplistically, that all foreign economic transactions were conducted by the Soviets with certain overriding

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[1] Berman, pp. 501-502.

political aims of economic warfare in mind.[1] Others disagreed, arguing that efforts should be made to determine only those areas where political motives were directly involved, when elementary economic logic could not explain a particular trade policy.[2] This more reasoned perspective did not, however, rest on the untenable proposition that Soviet trading activities which were explainable by economic considerations were wholly divorced from politics, for it was obvious that in many instances these transactions were modified by political considerations, such as in the choice of trade partners.[3]

Many western observers who warned against the possible political, as well as economic, dangers of developing "too close trade entanglements with the East" were, nevertheless, quick to counsel against overreaction to suspected unfriendly political motives in Soviet economic policy. Detecting signs of greater appreciation on the part of Soviet planners of both the economic and constructive political advantages of trade, they pointed to the immediate prospects for incrementally increasing East-West commercial relations.[4] Optimism was guarded, however, because persistent autarkical undertones in Soviet trade overtures raised doubts about the bloc's dedication to the general principle of comparative advantage and

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[1] See, for example, Robert Loring Allen, Soviet Economic Warfare (Washington, D.C.: Public Affairs Press, 1960) and Henry G. Aubrey, Coexistence: Economic Challenge and Response (Washington, D.C.: National Planning Association, 1961). For a critical review of western treatment of Soviet foreign trade as a political weapon, see Adler-Karlsson, pp. 112-14.

[2] This criterion was suggested by Alec Nove, "Soviet Foreign Trade: Myth and Reality," The Listener, 19 February 1959, p. 319. See, also, his article, "Soviet Trade and Soviet Aid," Lloyds Bank Review (New Series) 51 (January 1959): 1-19.

[3] Nove, "Soviet Foreign Trade," p. 317.

[4] See, for example, Kennan, pp. 186-87.

the importance they attached to a more rational international division of labor.[1]

In his New Orleans speech of January 1959, which was heavily criticized in the Soviet press, Under-Secretary of State Dillon reflected some of the above problems in a five-point programme which he outlined for the Soviet Union to follow if it were serious about expanding trade:

1. A settlement of outstanding Soviet /Lend-Lease/ debts.
2. Permit greater access by American companies to producing and consuming units in the Soviet Union.
3. Making clear its intentions with respect to specific goods that it intends to buy and sell over a period of years.
4. Assurance to foreigners of genuine protection from private industrial property rights and authors' rights.
5. Firmer adherence to business principles, instead of turning trade off and on, 'as Soviet leaders so frequently do in the interest of political expendiency.'[2]

Despite his assertion that Soviet foreign economic policies "are geared to its main goal of world domination," Dillon expressed his government's readiness to increase commercial exchanges with the USSR, disputing the Soviet accusation that very few, unimportant goods were licensed for export to the socialist countries and maintaining that "'the only thing the Soviet Union needs to do if it really wishes to expand its trade with us is, quite simply, to begin trading.'"[3]

This viewpoint was in a sense the central issue in the East-West trade debate in the United Nations during these years. On the one hand, it concerned questions of fact: "Could the communist countries increase

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[1] For a discussion of "comparative advantage" versus "comparative utility" in Soviet trade policy, see Glen Alden Smith, Soviet Foreign Trade. Operations and Policy, 1918-1971 (New York: Praeger Publishers, 1973), pp. 39-46.

[2] As reported in The New York Times, 28 January 1959.

[3] Ibid.

their trade with the West if they wished to? If not, what stops them?"[1] On the other, in seeking answers, it highlighted the differences in approach to the task of establishing the basis for expansive trade relations. Western specialists, economists and negotiators alike, paid only passing attention to the issue of artificial barriers, maintaining that the low volume of trade had its causes in systemic and political factors antedating the Second World War, but which had perhaps intensified in the postwar years due to the low level of international confidence and trust.[2] Spokesmen for the socialist countries tended to dismiss the western countries' concentration of the problems presented by differing trading systems as "mere sophistry," as one U.N. delegate once put it. Instead they persisted in the view that western trade controls formed the main obstacle to trade and to the development of trust and confidence between the two groups of states. As in the policy of coexistence generally, any adjustments that had to be made were the sole responsibility of the West; in particular, the question of improved trade depended entirely on whether the western countries took steps to abolish discrimination in trade with the Soviet bloc. For them, this was not a subject for negotiation, but rather the question of western political will.

The perspective in which American policy-makers viewed this approach was well illustrated by Secretary of State John Foster Dulles in a news conference held the same day as Dillon's address; in it he stated, and it is worth quoting at length:

> I have seen nothing so far which leads me to feel that there is a genuine desire to end the cold war. There is a very strong desire to

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[1] Cairncross, p. 259.

[2] See Cairncross on the discussion at the 1953 Bursa Conference, pp. 254-55.

delude us into thinking the cold war is ended. There are a series of proposals made ostensibly to help end the cold war which would, in fact, play greatly into the hands of the proponents, the prosecutors of the cold war.

Take this matter of trade. Mr. Mikoyan, on the last day here /of his recent visit to America/...,came in to see Under-Secretary Dillon. He made certain requests, almost demands, of a very far-reaching character. They would eliminate all political controls over our trade with the Soviet Union so they could acquire strategic goods from us of their own pick and choosing. We would give most-favored-nation treatment to all their goods despite the fact that they operate under an entirely different system of economy....We would open in favor of them very large credits so that they could buy what they wanted here on a credit basis, and eliminate the provisions of the Johnson Act so as to permit them to continue in default upon their obligations to us while still getting credits. Now that is what we were supposed to do.

Of course, on the other side they keep every particle of foreign trade absolutely under the strictest kind of political control. Nobody buys anything or sells anything in the way of foreign trade unless it is decided from a political standpoint that that is to the advantage of the Soviet Union.

So we would be expected to renounce all political controls, to extend large credits and so forth, while they would keep their trade under the tightest kind of political control. And they have often said that from their standpoint they look upon trade as more important from a political standpoint than they do from the commercial standpoint.

Now I don't think that kind of a proposition is really designed to end the cold war. I can see that it would give the Soviet Union a very considerable advantage in prosecuting the cold war.[1]

Certainly not many western officials, particularly outside the United States, would have taken so rigid a position or stood by his analysis.[2] However, this passage does reflect the general indisposition shared by other western governments to settling the trade issue according to

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[1] From the State Department's transcript of Secretary of State Dulles' news conference of 27 January 1959. The New York Times, 28 January 1959, p. 6.

[2] Indeed, later Assistant Secretary of State for Economic Affairs Anthony M. Solomon, reflecting in 1967 on the earlier attitudes of the United States government, observed: "The Cold War has had a greater adverse impact on United States trade than that of other free world countries.... These /other/ countries have a greater incentive than we to seek trade where

the ground rules laid down by the Soviets. It is in this light that the work of the United Nations' economic bodies during this period takes on particular importance, for the socialist countries sought to take advantage of the peculiar opportunities afforded by the Organization's functional programme to press their campaign for major changes in the international trade field.

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they can. They have not been inclined to let the political emotions of the Cold War interfere with trade, which is so vital to their well-being." Anthony M. Solomon, "The Revival of Trade between the 'Communist Bloc' and the West," The Annals of the American Academy of Political and Social Science 372 (July 1967): 108.

CHAPTER THREE

TOWARDS A DECLARATION OF PRINCIPLES OF ECONOMIC COOPERATION

Perhaps the most straightforward example of the application of the trade policy of peaceful coexistence in the United Nations during this period was the attempt by the Soviet bloc to induce the membership to agree upon a set of general principles to guide countries in their economic relations. In the absence of a universal trade organization within the framework of the United Nations to promote the development of commercial contacts, the socialist countries tended to treat existing United Nations economic bodies collectively as something of a substitute trade organization.[1] The position adopted by the Soviet bloc from the mid-1950's was that not only had the United Nations failed to avail itself of opportunities to promote trade relations but also had stood by as the western states, under American direction, consolidated their policies of economic restrictions and discrimination.[2] Thus, a Pravda editorial of 1955 asserted that the shortcomings in the work of the United Nations until then had been due to the fact that a "number of states, primarily the United States, have embarked on the path of violating the Charter's

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[1] See Jacobson, p. 211.

[2] E.g., see the editorial, "On the Eve of the 11th Session of the UN General Assembly," International Affairs (Moscow), no. 10 (October 1956): 15.

basic principles, rejecting the idea of the peaceful coexistence of states...."[1] Asserting that states should make use of international machinery to advance economic cooperation, the socialist countries proposed that the United Nations should encourage the adoption of both national and international measures for the removal of barriers to the development of trade and economic relations.[2] Specifically, it was argued that the "serious economic difficulties of the present time could be eliminated only by the application of the principles of peaceful coexistence."[3] And, to this end, the socialist countries endeavored to keep before the Organization's economic forums the question of adopting a declaration embodying principles for economic cooperation which would, it was alleged, reflect these cardinal precepts.

This is an important point, for throughout discussions on economic matters Soviet bloc delegates maintained that there was no discrepancy between the principles embodied in the Charter and those of peaceful coexistence. Thus, the same Pravda editorialist asserted that the "U.N. Charter is based on firm recognition of the principle of coexistence and peaceful cooperation between states with different economic and social systems."[4] At times it was rather more disingenuously stated that the

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[1] "Principles of U.N. Charter Are Immutable!" Pravda, 26 June 1955, p. 1, as translated in CDSP 7, no. 26 (10 August 1955): 14. Also see: "On International Themes: Principles and Practice," Izvestia, 26 June 1957, p. 1, as translated in CDSP 9, no. 26 (7 August 1957): 13.

[2] E.g., see: UN, General Assembly, Second Committee, Official Records (11th Session), p. 275.

[3] Ibid.

[4] "Principles of U.N. Charter Are Immutable," p. 14.

principles of coexistence themselves stemmed from the Charter.[1] Accordingly, the socialist countries could proclaim an identity of purpose underlying the United Nations economic programme and the trade policy of peaceful coexistence. In particular, socialist representatives supported their proposals for economic cooperation on the basis of Articles 55 and 56 of the Charter, which they maintained defined a "duty to cooperate" encumbent upon all member states.[2] Therefore, whereas Stalin's strict construction of the Charter as a treaty relationship had been used to restrain the Organization's functional activities, his successors sought to expand its work in the promotion of trade and economic cooperation through an equally strict interpretation of relevant provisions.

I. THE 1957 ROMANIAN DRAFT RESOLUTION

The initiative on a statement of economic-related principles met with sustained opposition from both western as well as many less developed countries until the early 1960's. In the interval, debate centered on a Romanian draft resolution proposing a declaration of certain specified principles that was submitted to the Second (Economic and Financial)

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[1] E.g., see: "N.S. Khrushchev Interviewed by I. McDonald, Foreign Editor of the British Newspaper The Times," Pravda and Izvestia, 16 February 1958, pp. 1-2, as translated in CDSP 10, no. 7 (23 March 1958): 17.

[2] N. Sharygin, "Talks on International Economic Cooperation," International Affairs (Moscow) no. 11 (November 1957): 93.

Committee of the General Assembly during its twelfth session in 1957.[1]

As introduced by the Romanian delegate, the draft was "designed to improve international economic cooperation and create an atmosphere favorable to the solution of world economic problems."[2] His Soviet colleague explained that such a declaration was needed because international trade

> was not yet carried on under normal conditions such as would enable the countries of the world to conduct their trade in accordance with the principles of good will, equality and mutual benefit, and thus strengthen mutual confidence and peaceful relations between States. Trade was still being used as an instrument of political pressure, as a pawn in the game of politics.[3]

One of the basic criticisms directed by other delegations at the proposals, accordingly, was that its list of principles, whatever their outward appearance, reflected a selection of essentially political rather than economic precepts, designed to treat problems of economic relations solely on a political level.[4] This was, as we have seen in Chapter Two,

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[1] UN Document A/C. 2/L. 330. The original text of the draft resolution is not available in published United Nations documents. However, the report of the Second Committee (UN Document, A/3740, p. 10) states that under this draft resolution, "the General Assembly would consider that international economic relations should be based upon: (1) mutual respect for the economic independence of each State; (2) complete respect for the sovereign right of each State to dispose of its natural wealth and resources; (3) the observance, in international economic relations, of equality, equivalent exchanges and mutual advantages; (4) the granting of economic aid and technical assistance to the under-developed countries, free of any conditions which might impair the economic and political independence of these countries; (5) the maintenance of exchanges of experience and of wide contacts in the economic, scientific and technical fields."

[2] UN, General Assembly, Second Committee, Official Records (12th Session), p. 12.

[3] Ibid., p. 36.

[4] E.g. Ibid., p. 72 (Mexico). (Unless it is clear in the text, the country of the delegation to whose speech attention is drawn will hereafter be placed in parentheses after the reference to save time and confusion should the reader wish to check the source.)

a correct perception of the Soviet bloc's approach, which rested on the assumption that obstacles to normal trade relations were political in nature and, therefore, subject to remedial political action alone. It was, however, because of the inauspicious political climate for such action, that the socialist countries turned to the idea of a declaration of principles "to regulate international economic cooperation."[1] By claiming to have derived the principles proffered for incorporation from the Charter itself as well as from statements of principle embodied in previous United Nations resolutions, the socialist countries were in effect attempting to move the western countries to the defensive.[2] This was underscored by the Ukrainian representative who asserted that "the acceptance of a declaration embodying those principles would be a new and important step towards their implementation and would contribute...to the eradication of discriminatory policies, such as those pursued by the USA, despite its professed adherence to the principles enunciated in the draft."[3] In this respect, the position of the socialist states was that, as one Polish commentator later wrote, "recommendations that are formally promulgated by an organization are imbued with the organization's prestige, and thus attain a certain political and moral significance from collective 'legitimization.'"[4] It was apparently presumed that a declaration of general principles of the type proposed by Romania could be of significant advantage as a focal point for criticizing

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[1] Ibid., p. 127 (Romania).

[2] E.g., Ibid., p. 72 (USSR).

[3] Ibid., p. 77.

[4] Wojciech Morawiecki, "Institutional and Political Conditions of Participation of Socialist States in International Organizations: A Polish View," International Organization 22 (Spring 1968): 499.

western economic policies and mobilizing opinion in order to direct the practical work of the United Nations into channels promoting the policy objectives of the Soviet bloc members.

The most trenchant criticism of the Romanian draft resolution was directed at the basic conceptions underpinning the Soviet bloc's trade strategy. In the debate on the proposal, the Mexican representative articulated the views of a number of other delegations in replying to the socialist countries. It was his opinion that the objectives of the United Nations in any area of interest could be realized "only if there was concordance of opinions and a reconciling of the interests" of all members.[1] In effect, a declaration of principles could not promote harmony where it did not already exist. Exactly the reverse could be the result, he affirmed, for if "a declaration of economic principles were hastily drawn up by a single delegation the effect would simply be to provoke an interminable discussion which would sow the seeds of discord...."[2] As another delegate put it, the concern was that a partisan declaration would take on "a tendentious character unacceptable to the other delegations."[3]

The fact that the principles mentioned in the draft were drawn from previous United Nations sources was not held to be sufficient justification for codifying them for the purpose expressed by the socialist countries. The Mexican delegation insisted that a proper course of action would be first to establish whether the principles referred to in earlier formal recommendations represented "permanent rather than the merely transitory

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[1] UN, General Assembly, Second Committee, Official Records (12th Session), p. 71.

[2] Ibid., p. 72.

[3] Ibid., p. 127 (Panama).

interests of the Member States." To this end, a preliminary study of all the economic activities of the United Nations should be conducted "to determine whether there were areas of agreement that reflected common principles."[1]

This pragmatic test of the real value of economic principles was also often referred to in western responses to Soviet proposals for codifying the cardinal principles of peaceful coexistence.[2] Moreover, the Mexican representative reflected another common criticism of the Soviet appeal to general principles in maintaining that the principles recommended in the Romanian draft, while not in themselves unacceptable, were in need of clearer and more precise definition to be of any practical significance. There was also some question among western delegations as to the candor of assertions by socialist spokesmen that their governments had historically supported in practice the principles they were now advocating.

While a number of countries expressed interest in the general idea of a declaration of principles, the leading western trading nations affirmed that only an extensive code of commercial relations could be an effective instrument for the development of trade cooperation. Although this reflected a fundamental difference in approach to the issue of expanding economic relations, it was employed at this time as an argument against diverting the Organization's work away from allegedly more productive, practical activities. The American delegation pointed out that the negotiations culminating in the General Agreement on Tariffs and Trade had been exceedingly arduous; and in that case principles had been

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[1] Ibid., pp. 71-72.

[2] See: McWhinney, "Peaceful Coexistence," p. 962.

formulated in a particular context with regard to a particular purpose. Hence, "to draw up a declaration of principles concerning all the aspects of economic relations among all countries...would be an even longer and more difficult task.../perhaps/ without producing any appreciable results."[1] Yet any further formulation or more detailed interpretation of general principles short of that would, it was said, "limit the flexibility of the economic bodies of the United Nations" and would "predetermine the course of their future development."[2]

Accordingly, the main criticism of the Romanian proposal advanced by western and several developing countries alike centered on the contention that disagreements on international economic issues were more properly handled through detailed and extensive negotiations among the concerned parties than by a general statement of principles.[3] These countries tended to respond to Soviet bloc exhortations for such a declaration with the assertion that insofar as general principles were at all relevant to the Organization's work in the economic field, it was sufficient to respect those principles as already stated in diffuse United Nations' documents. It was most important to focus on specific issues with an "essentially low-level, empirically-based approach" to problem-solving, and with any further elaboration of general principles "to be derived only inductively from these actual cases and their concrete resolution," as Edward McWhinney advised in reference to how the West should respond to the basic approach of

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1 UN, General Assembly, Second Committee, Official Records (12th Session), p. 72 (USA).

2 Opinion included in UN Document E/3396, para. 9 (e), "Principles of International Economic Cooperation: Report by the Secretary-General."

3 Ibid., para. 9 (f).

peaceful coexistence.[1] As one delegate put it, it was this devotion to problem-solving on a practical work-a-day basis that would yeild the mutual understanding and agreement which were the prerequisites for progress in interstate economic cooperation.[2] Responding to this criticism, the socialist countries took the position, expressed by the Bulgarian representative, that "the restatement of basic principles...could only serve to facilitate and expedite the examination of specific problems."[3]

In view of the opposition which his draft resolution had encountered, the Romanian delegate eventually withdrew it and became a cosponsor of a Mexican proposal calling upon the Secretary-General to collect and collate information concerning principles of economic cooperation from past resolutions of the General Assembly and the Economic and Social Council.[4] Even though this assured that the question of a statement of principles would be raised again, the failure of the Romanian proposal represented an important set-back for the approach to economic and trade matters embodied in the policy of peaceful coexistence.

The compendium requested under the joint resolution was transmitted to member states in August, 1958. Subsequently, the Secretary-General was instructed by the General Assembly to solicit the views of governments on the desirability of formulating in the light of the compendium a "statement of the economic objectives of the United Nations and of the

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[1] See: Edward McWhinney, "Changing International Law Method and Objectives in the Era of the Soviet-Western Détente," American Journal of International Law 59 (January 1965): 2.

[2] UN, General Assembly, Second Committee, Official Records (12th Session), p. 74 (Brazil).

[3] Ibid. (Bulgaria).

[4] UN Document A/C. 2/L. 337, which was subsequently adopted as General Assembly Resolution 1157 (XII), 26 November 1957.

means of international cooperation that might serve to attain those objectives."[1] In June, 1960, the Secretary-General submitted to the Economic and Social Council at its request[2] an analytical and comparative summary of all replies sent to him by governments on the question.[3]

II. THE 1960 SOVIET DRAFT DECLARATION

A concerted effort along the lines of the 1957 Romanian draft resolution was made again in the fall of 1960 when the USSR submitted a "Draft Declaration on International Economic Cooperation" at the fifteenth session of the General Assembly.[4] The text of the draft was divided between provisions relating to economic cooperation and a set of basic rules governing assistance to the less developed countries. The first section, which is of immediate interest to our study, listed various general principles as well as certain measures for their implementation:

> The States Members of the United Nations which have signed this Declaration, starting from the premise that war as a means of settling international political, economic and other problems must be banished from the life of nations, declare their determination to join their efforts in seeking ways and means of ensuring the peaceful coexistence of States with different social systems in conformity with the United Nations Charter.
>
> The States signatories to the Declaration, being agreed that peaceful coexistence and peaceful competition presuppose a general expansion of economic, cultural and other ties among various countries irrespective of their social systems and that economic co-operation among nations in turn creates a good basis for improving political relations among States and consolidating peace and mutual trust,
>
> Jointly declare that:

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[1] General Assembly Resolution 1321 C (XIII), 12 December 1958.

[2] ECOSOC Resolution 727 B (XXVIII), 27 July 1959.

[3] UN Document E/3396, 6 June 1960, referred to above, Fnn. 23 and 24.

[4] UN Document A/C. 2/L. 466.

1. The interests of economic and social progress in the world require the strengthening and development of economic relations among States irrespective of differences in their social and economic systems;

2. Economic competition among countries with different social systems should not lead to the economic isolation of some countries or to economic warfare;

3. Economic and trade relations among countries should be founded on the principles of equality, mutual benefit and non-interference in internal affairs;

4. Countries should adhere to the principle of the most-favoured-nation treatment in their mutual trade relations;

5. Barriers and artificial discriminatory restrictions in international trade should be gradually removed with a view to creating the most favourable conditions for the exchanges of goods and services among nations;

6. The formation of sub-regional economic organizations and alignments should not prejudice the interests of third countries.

In his elaboration of this proposal, the Soviet representative made it clear that is was, as the text indicated, full-scale attempt to fuse the policy of peaceful coexistence, as elucidated by Khrushchev, with the objectives of the United Nations as set forth in the Charter in order to utilize the Organization's functional programme for promoting East-West trade and economic relations in an unfavorable political climate. He stated at the time, as reported in the summary record:

> The recent deterioration in political and economic relations had underlined the urgent need for the adoption of such a declaration by the United Nations, which, since it was required under the Charter to promote economic and social cooperation, could hardly ignore the policy of economic discrimination, restriction and embargo practiced by some Members against others. A solemn undertaking by Member States to abide strictly by certain standards in international economic intercourse would help to normalize economic relations, promote economic cooperation and eliminate mistrust and unfair competition between States. It would also enable the United Nations to settle certain disputes and to counter unilateral actions that were at variance with the provisions of the Charter.1

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1 UN, General Assembly, Second Committee, Official Records (15th Session), p. 178.

In this respect, the initial paragraphs of the draft declaration are of particular significance. Alluding to these, the representative of the Soviet Union stated concisely the supposed direct link between the objectives of the United Nations and of peaceful coexistence: "The signatory States would solemnly declare, first and foremost, that in accordance with the provisions of the United Nations Charter they were determined to unite their efforts to ensure the peaceful nature of the coexistence and economic competition of States with different social systems."[1] This encapsulation of the Soviet approach to economic cooperation through the United Nations was elaborated extensively during the sessions of the Economic and Social Council from 1961 through 1963, to which the General Assembly had in 1960 transferred consideration of the Soviet proposal.[2]

According to Soviet spokesmen, the draft declaration differed significantly from earlier United Nation's resolutions embodying economic principles, in that the present draft was designed to establish a charter of principles, open to signatories and closely following the form of such instruments as the Universal Declaration of Human Rights and the Declaration of the Rights of Children. One Soviet bloc representative described the difference between a "declaration" of this sort and a "resolution" as follows: "Although formulated in more general terms, the declaration would be a solemn undertaking which, together with more specific resolutions

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[1] Ibid., p. 11.

[2] An especially lucid presentation of the question of codifying principles in the context of the central concepts of coexistence and competition is to be found in V.G. Solodovnikov's address on behalf of the Soviet delegation in ECOSOC in April, 1963: UN, ECOSOC , Official Records (35th Session), pp. 77-78.

on the subject, could serve as a guide for the development of international economic relations."[1] As a formal declaration, then, the statement of principles would accordingly establish a set of "rules of conduct" in economic affairs;[2] and the Soviet delegation even went so far as to speak of its proposal in terms of a "codification of legal principles," creating the foundation for the development of international economic cooperation.[3]

The principles slated for inclusion in the declaration, moreover, were not intended to be entirely a restatement of the Charter's principles or of those promulgated in previous United Nations resolutions as had been the express intent of the 1957 Romanian draft resolution. Because certain conditions in international economic relations had occured since the adoption of the Charter, such as the rise to prominence of the socialist group of states and the emergence of the less developed countries with their particular economic problems, it was asserted that not all of these principles were still suitable.[4] Accordingly, the stated purpose of the declaration was to expand these principles and adapt them to present economic realities; as one representative put it, the declaration would provide the "authentic interpretation of the general principles embodied in the Charter."[5]

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1 UN, General Assembly, Second Committee, Official Records (15th Session), p. 186 (Hungary).

2 It was so described by the Polish delegation during the continuing debate on the question in 1962, as recorded in: UN, ECOSOC, Official Records (33rd Session), p. 82.

3 Ibid., p. 93. For other similar descriptions, see: UN, ECOSOC, Official Records (35th Session), pp. 77-78 (USSR).

4 E.g., UN, General Assembly, Second Committee, Official Records (15th Session), p. 183 (Romania); UN, ECOSOC, Official Records (31st Session), p. 23 (USSR); UN, ECOSOC, Official Records (33rd Session), p. 73 (USSR).

5 UN, ECOSOC, Official Records (31st Session), p. 28 (Poland).

In addition, it would also incorporate, as the Soviet delegate stated, "a number of new and completely original provisions which the United Nations had not yet proclaimed."[1] Although a distinction was not specifically made, it appears that he had the clauses referring to the less developed countries in mind.

Essentially this meant that alleged so-called "objective" requirements of current economic relations rather than the actual state of those relations were to be the guide to the formulation of principles. This attitude toward the task was made apparent in a speech by one spokesman from the Soviet bloc: "The draft declaration," he asserted, "required...a critical appraisal of the state of present-day international economic relations and recommended that international economic cooperation should be based on principles that for some might require a departure from the economic policies and practices they had followed for generations." This, he added, "was essential if full meaning was to be given to the United Nations Charter and if the United Nations was really to be an instrument for bringing the nations closer together."[2] In further maintaining that the Council should "concern itself with the existing conflict in world economic relations," the speaker again underlined the position that the principles of the declaration should be prescriptive, rather than merely descriptive of the norms found in the actual conduct of international economic intercourse. In the most revealing though perhaps unintentional comment on his government's approach to the resolution of the economic problems, the Soviet representative stated in answer to a critic that it was not communism "but good will that

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[1] UN, ECOSOC, Official Records (33rd Session), p. 93.

[2] Ibid., p. 82 (Poland).

the Soviet Union was trying to impose as the basis for cooperation in trade relations."[1]

Whereas a preponderance of the less developed countries looked with favor upon the general idea of this new Soviet initiative, western delegations tended to oppose or criticize it on the same grounds, mutatis mutandis, as they had the Romanian draft.[2] The arguments advanced by these delegations, therefore, clustered around two basic contentions: (a) there was no clear case for restating a selection of general principles of international cooperation, particularly in the form of a declaration; and (b) in lieu of an adequate commercial code applicable to commercial relations between states having different trading systems, it would be difficult if not impossible to draft a text of principles of precise meaning acceptable to all countries. Moreover, it was asserted that the couching of the draft declaration in terms of peaceful coexistence and competition vitiated the avowed constructive intent of the proposal.

During the years of debate over the draft declaration, the French delegation proved to be the most ardent opponent of the use of the terms peaceful coexistence and competition by the socialist countries in advancing proposals for the development of economic cooperation. French spokesmen described the socialists' concept of peaceful coexistence as a hostile doctrine.[3] Possibly most objectionable was the initial statement in the Soviet draft declaration that "peaceful coexistence and competition among States presupposes a general expansion and development of cooperation

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[1] UN, ECOSOC, Official Records (31st Session), p. 31. Italics added.

[2] See: UN Document E/3396.

[3] UN, ECOSOC, Official Records (31st Session), p. 27; and, UN, ECOSOC, Official Records (33rd Session), p. 33.

in the economic, scientific, technical, cultural and other fields among different countries, irrespective of their social systems."[1] For, whereas one French delegate observed that peaceful cooperation in an agreeable sense was to be found in Article 1 (3) of the Charter, he maintained that the "introduction of a new principle /"peaceful competition"/ emphasizing the differences between the political and social systems of various countries might appreciably reduce the area of international cooperation."[2] By injecting the ideas of peaceful coexistence into the proposed declaration, the Soviet Union was said to have expressed the Charter objective of economic cooperation in a "new and unwonted form."[3] As the American representative summed it up, this Soviet formulation re-emphasized the fact that the Soviet Union had a different conception of the nature of economic problems from that which prevailed in the West.[4]

On a directly related topic, the western countries, as well as many less developed countries, simply flatly disputed the accuracy of the second preambular paragraph which held that economic cooperation among nations "in turn creates a good basis for improving political relations among states and consolidating peace and mutual trust."[5] The development of trade relations, they observed, had not always produced these results.[6] Several delegations also rejected this concept insofar as it implied, in context,

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1 UN Document E/3467. This contains the text of the updated Soviet Draft Declaration submitted 3 April 1961.

2 UN, ECOSOC, Official Records (33rd Session), p. 83.

3 Ibid.

4 Ibid., p. 97.

5 UN Document E/3467.

6 E.g., UN, ECOSOC, Official Records (33rd Session), p. 74 (USA).

that the development of economic cooperation was not dependent on the prior settlement of political differences.[1]

It was similarly argued as before with reference to the Romanian proposal that international economic cooperation did not depend on general principles so much as on intentions. Commenting on the stated purpose of the declaration to alter trading practices to conform with the asserted imperatives of peaceful coexistence and the United Nations Charter, one western delegate affirmed:

> Article 1 (3) of the Charter referred to the efforts Member States were required to make in order to solve international problems of an economic character through international cooperation, but it left them free to meet those requirements unilaterally, through their national policies, or collectively, through their participation in the organizations concerned with economic cooperation. The most important factors were the spirit displayed by each Member State and a common concept of cooperation.[2]

Tied to this, moreover, was the West's insistence on reaching agreement on a code of commercial practice as the prerequisite to the development of economic relations and to the formulations of a set of general principles; for if such a declaration of principles were not based on such a code, it was asserted, the misunderstandings it would likely create could very well defeat its own ends.[3]

Accordingly, in the absence of a universally acceptable code, the western delegations as well as many among the less developed countries continued to express a predilection for the negotiation and gradual

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[1] E.g., UN, ECOSOC, Official Records (33rd Session), p. 23 (Italy).

[2] UN, ECOSOC, Official Records (33rd Session), p. 79 (France). Article 1 lists the "purposes of the United Nations; and paragraph 3 states that one of these is: "To achieve international cooperation in solving international problems of an economic...character...."

[3] E.g., UN, ECOSOC, Official Records (33rd Session), p. 33 (France).

resolution of economic problems on a subject-by-subject basis.[1] In the end, however, the western countries, faced with a growing interest among the less developed countries in defining the position of the United Nations on international economic matters, agreed in 1962 to participate in the drafting of a resolution, but not a declaration, setting forth principles of economic cooperation, "provided that it was constructive and fair to all States," as the American delegate observed.[2] Consequently, the Council established a working group of twelve members to consider the question of a declaration and to formulate a mutally acceptable text.[3] The ad hoc group reported to the thirty-fifth session of the Council in 1963 that it had arrived at agreement on a few of the principles under consideration but had also experienced substantial difficulty on a number of others.[4] At that session, however, the work of the group became the subject of a dispute over its relationship to the then forthcoming United Nations Conference on Trade and Development (UNCTAD) which was eventually convened in the spring of 1964. The Soviet delegate in the Council cited Khrushchev's contention to the effect that the Conference "would be a forum where principles of trade could be established."[5] During the discussion concerning UNCTAD in the General Assembly in the fall of 1963, the Soviet representative accordingly declared that it was his government's belief that the ad hoc group had "paved the way for discussion of the matter at

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1 See UN Document E/3396, para. 9 (i).

2 UN, ECOSOC, Official Records (33rd Session), p. 74.

3 ECOSOC Resolution 375 (XXXIII), 18 April 1962.

4 UN Document E/3725.

5 UN, ECOSOC, Official Records (35th Session), p. 77.

UNCTAD, at which it should be possible to reach final agreement on all principles of the declaration."[1] Thus he concluded that the working group should expedite its deliberations so that it could contribute to the work of the Conference. A number of western delegations, however, took a different position, maintaining that further elaboration of principles should await the results of UNCTAD; moreover, they alleged that the Soviet position was an attempt to prejudge the outcome of the Conference and could, if accepted, prove a serious hinderance to its work.[2] These viewpoints remained unreconciled, although the Economic and Social Council resolved to draw the attention of the Preparatory Committee for UNCTAD to the work of the ad hoc working group.[3] The results of the Conference in this area will be examined in Chapter Six.

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[1] UN, General Assembly, Second Committee, Official Records (18th Session), pp. 353-54.

[2] See the debate within the ad hoc Working Group summarized in its report of 25 February 1963, UN Document E/3725.

[3] ECOSOC Resolution 939, (XXXV), 11 April 1963.

CHAPTER FOUR

TOWARDS GLOBAL MACHINERY FOR TRADE COOPERATION

As the socialist countries came to take an increasingly active interest in the work of the United Nations in the economic field, it is not suprising that they insisted on certain changes being made, since the work programme developed in preceding years had been shaped largely without the participation of the Soviet bloc. The Soviet Union's concern with the removal of artificial obstacles to the development of East-West trade led it from the outset of the post-Stalinist period to seek resolutions on the elimination of trade discrimination and to press for consideration of new institutional machinery for the promotion of international trade. Short of that, it sought to make the existing economic forums of the Organization the locus of international discussions on trade matters.

An idea of the multiformity of this diplomatic offensive can be gathered from the major policy address delivered by the Soviet representative in the Assembly's Second Committee in 1957. In addition to giving full support to the Romanian draft resolution on a statement of principles of international economic cooperation (see Chapter Three), Mr. Arkadev expressed his government's interest in arranging consultations within the Organization among economic experts to ascertain the possibility of expanding economic cooperation. Moreover, he emphasized the need to convene an international

economic conference and suggested that a second conference should be called to consider the problems of economic development in the Third World, in addition to upgrading the work of the United Nations in this area. He drew attention also to the desirability of adopting resolutions on the normalization of trade relations and gave his delegation's support to a current Czechoslovakian proposal for developing regional and inter-regional economic cooperation. His most important remarks, from an institutional standpoint, centered on the necessity of establishing a universal trade organization within the United Nations system.[1] Although at that session of the General Assembly the socialist delegations did not incorporate all of these positions in specific draft resolutions, it was clear that a definite move had been made to take the initiative in trade and other economic matters away from the West and to solicit the support of the less developed countries in this endeavor.

I. THE QUESTION OF INTERNATIONAL ECONOMIC CONFERENCES

The idea of holding an international conference on economic problems was first advanced by the USSR in the United Nations during ECOSOC's eighteenth session in August 1954.[2] While the proposal specified a "world conference of government experts" for the purpose of formulating

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[1] UN, General Assembly, Second Committee, Official Records (12th Session), pp. 36-38.

[2] UN Document E/AC. 6/L. 614. Although one of the two formal decisions reached during the 1952 Moscow Economic Conference had been to ask the United Nations to convene an intergovernmental conference on world trade, no specific recommendation to this effect was submitted in the Organization. The vote at the Conference may have been simply a move to stave off criticism that the Moscow meeting was designed to pre-empt the United Nations in the trade field. In support of this conclusion, see: A.K. Cairncross, "The Moscow Economic Conference," Soviet Studies 4 (October 1952): 115-16.

recommendations for expansion of trade, other suggestions from the socialist countries in subsequent years proposed conferences or "consultations" of non-government economists either in conjunction with or as an alternative to a conference of government-level personnel. The scope of discussion topics for these meetings also varied, ranging from strictly trade to scientific, technical and other economic matters.[1] Nevertheless, none of these proposals ever received majority support in either the General Assembly or the ECOSOC. They were either withdrawn in the face of resolute opposition or amended in such a way as to keep the question before the United Nations.

Among these varied suggestions, the question of holding a major world economic conference drew the most attention. In support of this long-standing proposal, the socialist countries argued that the existing work of the United Nations on economic matters was "fragmentary" and, as one Polish delegate stated, "did not include general measures for solving world economic problems as a whole."[2] A specially convened conference, they maintained, could better undertake an inclusive study of the various problems requiring solution. Thus, responding to western criticism that a single conference would be ineffective, Soviet bloc delegates asserted that it would "be able to lay down a general scheme of coordination" as well as the "general lines of future international action."[3] Accordingly, rather than following an extensive agenda in a short space of time, the conference

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1 See, for example, UN Documents A/C. 2/L. 247; A/C. 2/L. 282; A/C. 2/L. 319; E/AC. 6/L. 189; E/AC. 6/L. 195; A/C. 2/L. 332; and E/AC. 6/L. 217.

2 UN, General Assembly, Second Committee, Official Records (11th Session), p. 270.

3 Ibid.; also see Ibid., p. 288 (Poland).

would merely seek to draw "general conclusions from the existing economic situation" and report on them to the United Nations. Speaking to this point, the Soviet representative in the Assembly's Second Committee in 1957 put the socialist countries' interest in clear perspective:

> At the proposed...conference, participating States would deal with a whole range of problems....They would, in particular, examine existing measures of discrimination. The latter were weapons used in the cold war and their abolition would do much to insure the peaceful coexistence of States with differing social systems and to strengthen international confidence. Only an international conference could deal with those complex problems and pave the way for their solution.[1]

As in the case of the proposed statement of principles of economic cooperation, this approach led many western delegations to charge that the socialist countries were intent on exacerbating political tensions. At the bottom of this reply lay the differences of opinion over the nature of the obstacles to the development of East-West trade. Western spokesmen who addressed the issue of western controls on trade with the Soviet bloc readily acknowledged the political character of these restrictions. However, they insisted that the policy affected only a small and diminishing number of those items which had entered into East-West trade before it was imposed. But they also persisted in attributing the controls to a lack of international confidence. Accordingly, they warned that a conference devoted solely to this matter not only would neglect the more important, systemic problems of East-West trade, but also would fail in its narrower objective if the issue of controls were discussed without first improving the political climate in which they had been adopted. The response of the socialist countries was, equally predictably, that the solution of economic problems would hasten détente, and that progress could and should be made in the economic field first.

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[1] Ibid., p. 270 (USSR).

II. THE QUESTION OF AN INTERNATIONAL TRADE ORGANIZATION

The main line of western opposition to the Soviet bloc's policy offensive centered on the Soviet-led campaign for the creation of an international trade organization. This issue was the focal point of the socialist countries' efforts toward institutional reform. Because the question was often linked with that of a trade conference, whose task it would be, in part, to review institutional arrangements, most western and a number of Third World delegations tended to subsume their evaluation of the conference proposals within broader responses to the issue of a comprehensive United Nations trade organization.[1]

During the twentieth session of the Economic and Social Council in 1955, the Soviet representative startled delegates with a draft resolution calling upon the Council to encourage member states to ratify the Havana Charter of the International Trade Organization, and to request the Secretary-General "to take appropriate steps for calling the first regular session of that Organization."[2] Anticipating the surprise generated by this volte face, he stated:

> It might be wondered why the Soviet Union had not attended the Havana Conference. The reason was that at that time the Soviet Union Government had considered that the aims of the Havana Charter could best be achieved through bilateral relations . Since then, the conditions for international trade had radically changed and it had become plain that international machinery was required to restore it to a healthy condition.[3]

The following year, however, the Soviets dropped all references to the

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[1] See, for example, UN Document A/3545, p. 1; and UN, General Assembly, Second Committee, Official Records (12th Session), p. 79 (Bulgaria).

[2] UN Document E/L. 678.

[3] Ibid.

Charter and proposed instead the formation of an ad hoc committee "to work out proposals for setting up an international organization for trade cooperation."[1] It thus seems likely, in retrospect, that the support given the Havana scheme in 1955 may be explained by its timing.

The initial Soviet proposal came at a time when the leading western trading nations were undertaking measures to improve upon the General Agreement on Tariffs and Trade. In light of the fact that the General Agreement had been originally intended as a temporary expedient until the ratification of the Havana Charter, it was recognized soon after the collapse of the ITO project that in order for GATT to discharge its functions in promoting freer trade, steps whould have to be taken to strengthen its position in the international trading system.[2] Delegations from the Contracting Parties met at Geneva in 1954 and agreed upon a major revision of GATT's terms, with a view to its acceptance as a permanent agreement. A separate instrument for the creation of an International Organization for Trade Cooperation (OTC) was prepared to serve as the institutional and administrative foundation for the revised GATT.[3] Article II (6) of the OTC Agreement provided that the organization could be brought into relationship with the United Nations as one of the specialized agencies referred to in Article 57 of the United Nations Charter. The review of GATT was completed in March, 1955, and the two enabling instruments were submitted to the Contracting Parties for ratification.

The lengthy negotiations on the OTC proposal and the revision of the General Agreement coincided with the first concerted moves by the Soviet-led

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[1] UN Document E/L. 734.

[2] See Condliffe, p. 581.

[3] See: George Bronz, "An International Trade Organization: The Second Attempt," Harvard Law Review 69 (January 1956): 440-82.

bloc in the United Nations to turn the attention of the Organization to the promotion of East-West trade. The fact that the following year the Soviets withdrew their support for the Charter may be taken as an indication that the decision to promote the idea of a United Nations trade organization--and hence the Havana Charter--had been taken suddenly in response to the developments in GATT. Why they chose initially to support the Havana Charter in opposition to the OTC Agreement remains a matter for speculation. The one thing that is certain is that the Soviet draft resolution recommending ratification did not reflect an actual commitment to the Havana design. However, we should note right away that once the proposal had been made, the question of establishing a new trade institution remained high among the priorities of Soviet trade policy in the U.N. until the mid-1960's. It is also important that in subsequent discussions in the United Nations the Soviets made clear that their main interest in such an organization was its potential for normalizing and expanding East-West trade. With this in mind, it does not seem unreasonable to conjecture that Soviet policy makers were ready in principle in 1955 to support a new institutional project, but had not defined a position on the subject. Perhaps they believed that the failure of the original postwar ITO project had effectively sealed for some time to come the issue of international machinery for trade cooperation. Conceivably, they had not anticipated the outcome of the 1954-55 GATT neogitations, particularly the decision to put GATT on an organizational footing. Even if they had followed the debates surrounding the review and revision of the General Agreement, it is quite possible that they were surprised by the apparent success of the American Administration in securing an agreement on insitutional matters which went a long way towards placating Congressional opposition while preserving a great deal of the structure embodied in the Havana Charter and meeting most of the demands of the other

Contracting Parties. In any respect, the successful conclusion of the Geneva discussions confronted Soviet policy with the prospect of a more formidable western-dominated commercial "club" than was the case with the existing GATT arrangements. Ratification of the OTC Agreement would make any efforts to transform the United Nations into a vital factor in international trade immeasurably more difficult; and a strengthened, institutionalized GATT would be a strong magnet for attracting those countries which had previously hesitated in accepting the General Agreement. It was, in fact, in response to a campaign launched in the United Nations by the leading western trading countries promoting international acceptance of the revised Agreement and the proposed OTC as the central organization in the trade field that the Soviets proposed resurrecting the Havana Charter.

By the opening session of the General Assembly in 1955, early ratification of the OTC Agreement must have seemed likely, if not certain. Faced with a virtual fait accompli, the socialist countries' first response was to reject the OTC plan (for reasons to be considered shortly) and to argue that the United Nations should not entertain draft resolutions encouraging ratification of the GATT agreements. Positive action on any such resolution, they warned, would set a "dangerous precedent" of sanctioning the affairs of organizations outside the purview of the United Nations and in alleged conflict with the principles of the U.N. Charter.[1] However, they obviously understood that such parliamentary maneuvers would have little effect unless they were backed by a substantial counter-proposal. Viewed in the context of this urgent situation, the reintroduction of the issue of the Havana Charter may be seen as a stopgap measure until such time

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[1] UN, General Assembly, Second Committee, Official Records (12th Session), p. 112 (USSR).

as a more satisfactory plan could be formulated. That the Charter itself was a dead letter was of little direct importance. Rather, by raising the issue again it was perhaps thought possible to stir up interest in the general idea of a broader approach to world trade problems than that embodied in GATT, while at the same time lending support to those countries which were critical of or not fully satisfied with the new GATT arrangements. Possibly the Soviets felt that by coming out in support of the Charter, which they had originally shunned, they could demonstrate unequivocally their changed position on trade cooperation, especially in view of the close kinship between the new Geneva agreements and the earlier Havana scheme. Despite these important similarities, however, there were also important differences. By contrasting GATT with the Charter, the Soviets were able to emphasize those differences which they maintained were deficiencies in the GATT system (such as its estrangement from the United Nations[1] and its allegedly restricted membership and domination by the West), while also pointing out clearly how far the leading western countries had backed down from their own original conceptions of what was needed for the realization of the economic objectives of the United Nations Charter.

Dramatic as it was, the Soviet move failed to achieve any concrete results. Yet the real significance of the Soviet draft resolution was that it represented a determined, unmistakable attempt to reverse the trend toward the exclusion of the socialist countries from intergovernmental programmes for the development of trade. Students of U.N. history have since treated it as a watershed in the evolution of the Organization's economic activities, marking the 1955 resolution as the starting point of all

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[1] Publicly, the socialist countries doubted that the OTC would be brought within the United Nations system as a specialized agency as provided for in Article II of the OTC Agreement.

subsequent efforts to recapture for the United Nations the authority in economic affairs which had been intended for it in the U.N. Charter, but which it had lost (or in time would lose) to other institutions and groupings.

By 1956, the OTC plan was already experiencing some of the difficulties that would eventually lead to its retraction, as the result of changing western attitudes that had little enough to do with Soviet policy. But the socialist countries had gained a respite, and time to pursue an altogether different kind of international trade organization.

Even though the issue remained before the United Nations for almost a decade, it was not until the 1964 Geneva Conference on Trade and Development that the socialist countries offered any detailed description of what they believed the insitutional and functional design of a new international trade organization should be. The circumstances in which this later design was put forward[1] caution against interpreting Soviet bloc policy over preceding years in its light. Because of this, and in view of the fact that the lack of specificity in the earlier institutional proposals played an important role in their reception in the United Nations, we will examine the relevant developments in the Soviet position only in the order in which they occurred.

Once the proposal for ratification of the Havana Charter had outlived its usefulness, the socialist countries sought only a broad commitment from the membership on the need for international trade machinery within the framework of the United Nations. They contended that concrete proposals could be left for consideration at a specially convened conference to study, inter alia, the question of new machinery and, perhaps, to undertake

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1. See Chapter Six.

preparatory negotiations for the creation of a trade organization.[1] Initially it was suggested that a world economic conference could consider the matter;[2] when this proposal met with strong opposition, a conference of experts having many of the same responsibilities was suggested as an alternative.[3] Sceptical of both, a number of western delegations maintained that if the socialist countries had any "constructive proposals" to offer, they should be presented within the regular meetings of the United Nations' economic organs; the ECOSOC, they argued, should consider calling a special conference only when specific proposals of merit had been submitted to it.[4] In the absence of agreement on this point, discussion focused on the preliminary question of the adequacy of the existing framework of international machinery for trade cooperation. Particular attention was given to GATT and the proposed OTC in recognition not only of the topical interest in the planned reform of GATT, but also of the fact that the over-all record of the United Nations system in the field of trade could not be evaluated without giving consideration to the accomplishments of GATT, which, while remaining outside the system, had been designed to contribute to the objectives of the United Nations Charter.[5]

The key issue in discussions of the suitability of the OTC was the membership requirement of adherence to the General Agreement. Article II of OTC Agreement stipulated:

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1 E.g., UN General Assembly, Second Committee, Official Records (12th Session), p. 107 (Hungary).

2 UN Document A/C. 2/1. 282.

3 E.g., UN Document A/C. 2/1. 332.

4 E.g., UN, General Assembly, Second Committee, Official Records (11th Session), pp. 281-82 (New Zealand).

5 See Brown, p. 152.

> The Members of the Organization shall be the Contracting Parties to the General Agreement. Governments which become or cease to be Contracting Parties to the General Agreement shall become or cease to be Members of the Organization. The Organization may, by a two-thirds majority of the votes cast, invite governments which are not or which cease to be Contracting Parties to the General Agreement to participate in such activities of the Organization and on such terms as it shall decide; provided that in no case shall such participation involve the right to vote or to be counted in determining the fulfilment of the relevant voting requirements when the Organization is exercising any function relating directly to the General Agreement.

The socialist countries, on the other hand, declared that any adequate trade organization would have to be as universal as possible, have no restrictive admission conditions, and assure equal participation for all members.[1] As one delegate asserted, the practical question of whether a new organization should be created or existing institutions further developed "should be subservient to the principle involved, namely, the character of the organization."[2] In reply, the French representative summed up the West's position in stating:

> Principles such as that of universality were not the prerogative of any one group; they were common ground. Two attitudes to those principles were conceivable: one favoring sweeping measures, the other anxious to promote slow but sure progress.[3]

Thus, while professing interest in increasing commercial relations with the Soviet bloc, the western countries avowed that their differences were not of goals, but of methods. Although on the surface the debate was over the membership requirements set forth in the OTC Agreement, this in turn focused attention of the General Agreement on Tariffs and Trade itself and highlighted the basic differences of approach between the two groups of countries to the

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[1] UN, General Assembly, Second Committee, Official Records (12th Session), p. 111 (Bulgaria).

[2] Ibid., p. 107 (Hungary).

[3] Ibid., p. 112.

"normalization" of their trade relations.

The representatives of the more important western trading countries argued their side of the institutional controversy from the basic position that the United Nations, its specialized agencies and other international organizations (specifically GATT and the proposed OTC) provided an adequate framework for the discussion of all problems relating to trade. It was their opinion that, as one delegate put it, "What was lacking was not organizations, but willingness on the part of the States which participated in them to take effective action."[1] The best way of achieving the Charter's goals was, therefore, held to be by working within existing institutions, intensifying and coordinating their activities, and not by creating additional, superfluous machinery that would weaken these bodies and burden the United Nations' resources. As the United States delegate remarked in the Assembly's Second Committee in 1957, this opinion "in no way signified a belief that everything was for the best in the best of all possible worlds." It meant, rather, that "the persistence of problems did not necessarily mean that such machinery was ineffective or should be supplemented."[2]

Making a case for the OTC, the western countries attributed GATT's proven effectiveness in lowering the obstacles to trade among its members to the fact that all member states, with the extenuating exception of Czechoslovakia, subscribed in principle "to the trading practices inherent in a free world market," observed GATT's commercial code and were obliged to adopt certain measures at the national level.[3] It was for this reason that

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[1] Ibid., p. 232 (USA).

[2] Ibid., p. 233.

[3] Ibid., p. 107 (Australia); and UN, General Assembly, Second Committee, Official Records (14th Session), p. 273 (USA).

the General Agreement would remain the basis of the new trade organization which had been planned by its Contracting Parties, but which would be open to all states willing to conduct their trade in a manner compatible with GATT. On the other hand, in considering the very broadly defined characteristics of the kind of trade organization proposed by the socialist countries, proponents of the OTC project pointed out that the Soviet bloc delegates had spoken only of the general principles of international trade which they thought should govern the work of such an organization and had made no reference to any contractual obligations that its members should assume.[1] The principles to which they referred were in fact the same trade related principles which during this period the socialist countries were proposing in the General Assembly for codification in a statement on the normative bases for economic cooperation. And since these principles were intended to bring pressure to bear on what the socialist countries determined to be politically motivated western trade controls, it appears that what they had in mind in advocating a world trade organization was an international forum in which to carry on a sustained dialogue for attaining an essentially political solution to trade problems. Consequently, western delegates tended to argue that it would be unrealistic to discard the fruit of GATT's years of patient efforts for something entirely new and less likely to be effective.

The Soviet bloc's position on unconditional membership was criticized as being unreasonable, since it was not unusual for a specialized organization, such as the OTC in the trade field, to set precise rules of entry, as had several of the United Nations specialized agencies. The socialist countries,

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[1] See, for instance, UN, General Assembly, Second Committee, Official Records (13th Session), p. 222 (Ukrainian, SSR).

however, contended that the OTC would be inherently discriminatory towards countries having a state-trading system, for the rules governing ascession to the General Agreement itself were unsatisfactory and unacceptable to them. Full membership in the OTC would, they concluded, in reality be restricted to countries oriented toward a particular trading system and, therefore, "could not serve the interests of the world economy or help to solve outstanding...economic problems."[1] Furthermore, they rejected out of hand the provisions in Article II providing for participation in the OTC by countries which were not contracting parties to the General Agreement. In addition to the principle open access, their position reflected concern with institutional safeguards as well as, perhaps, the matter of prestige connected with the issue of equality of membership.

Time and again western spokesmen denied with generalized assurances that the OTC Agreement had been formulated with an express intention of excluding any country or group of countries. In more candid moments, however, some delegates did agree with their socialist colleagues that the requirements for membership in effect made it unlikely that state-trading countries could under existing conditions become full members of the OTC. The main barrier was seen to be the conflict of trade philosophies and trading practices. Consequently it was maintained that GATT would be weakened by the admission of the major trading states of the Soviet bloc as full members. Western delegates repeatedly affirmed their governments' commitment to the replacement of bilateral commercial arrangements--the practice of the socialist countries--with multilateral arrangements such as those provided for in GATT and held that even bilateral agreements which did

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[1] UN, General Assembly, Second Committee, Official Records (11th Session), p. 277 (Ukrainian, SSR).

not require a strict balancing of trade were clearly discriminatory, and therefore undesirable. Moreover, they argued that the countries of the Soviet bloc subjected their foreign trade to special procedures which severely limited them in either multilaterally or bilaterally mitigating many obstacles to improvement of trade with extra-bloc countries. Any new trade organization, they asserted, would be of very little practical utility in effecting significant change in commercial relations as long as those differences persisted unreconciled by a workable commercial code. Thus it was stated that GATT and the OTC "could not be rapidly replaced by other machinery which would impose no obligations on members and would permit all types of countries to participate easily and automatically," as the socialist countries demanded.[1] Yet some of the more outspoken delegates expressed the conviction that although their countries were interested in finding a solution to the problem, the prospects for such a solution were not good. The difficulties encountered in drawing up the state trading provisions of the Havana Charter were often referred to as a case in point. As a result, a number of western delegations took a fairly rigid stance on how a reconciliation could be achieved, placing responsibility for this state of affairs solely on the trading practices of the socialist countries. The United States, in particular, endorsed the position that because

> the nature of the economic structures of /the socialist/ countries required them to engage in centrally-directed trade, it was to be hoped that a modification of those structures would enable those countries to participate in international trade in a true world market. On the other hand, the establishment of a new organization would not in any way accelerate that development.[2]

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[1] UN, General Assembly, Second Committee, Official Records (12th Session), p. 118 (Australia).

[2] UN, General Assembly, Second Committee, Official Records (14th Session), p. 273.

This idea of structural adjustment was in direct contrast to the Soviet approach to the problems of East-West trade. It contravened Khrushchev's basic contention that the development of interstate relations under peaceful coexistence required recognition by the West of the existence of two contrasting economic and social systems in the contemporary world. This led one Soviet bloc delegate to observe:

> The statement had been made that a single world trade organization was impossible because of the different trading systems of the two world blocs. It was true that the trading systems of the socialist countries had created a dilemma for the capitalist countries, but that dilemma could not be resolved by ignoring it. The Western countries must therefore make an effort to readjust their thinking on the matter, and to recognize that the organization of trade in the socialist countries was an internal matter not subject to outside interference, just as the socialist States took into account, in their dealings with Western countries, the effects of the capitalist system and the unpredictable market fluctuations to which it gave rise. It was unrealistic to expect the socialist countries to change a trading system which ensured them a degree of stability that could hardly be obtained under other systems.[1]

And, finally, the statement by the American delegate contrasted with the socialist countries' assertion that their growing economic strength would eventually allow them to participate in multilateral trading arrangements <u>if</u> international institutions providing for equality of all participants were <u>first</u> established. It was on these two points that the debate on institutional machinery deadlocked.[2]

The rigidity of the western position on the problems arising from differing trading systems as they affected institutional questions seems attributable in large measure to the continuing strains in East-West relations during the latter half of the 1950's. This is, of course a matter of

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[1] Ibid., pp. 276-77 (Czechoslovakia).

[2] Ibid., p. 276.

interpretation. The degree to which political affairs might influence the task of reconciling Soviet-type trading practices with those of the industrialized West through an effective commercial code of principles and procedures had been a subject of considerable academic and practical interest at the time of the postwar try at the United Nations Trade Organization. What was written about it then provides a useful perspective from which to view the debate of subsequent years, which was (as the western delegates showed) essentially a continuation of the earlier discussions but which received almost no wider public exposure at the time.

The western contention in the later debates that there were exceptionally tough problems involved in finding exact verbal formulations which would guarantee the principles of most-favored-nation treatment and reciprocity in East-West trade can hardly be disputed. Looking for historical perspective, we might once again refer to William Diebold's 1952 monograph on the end of the ITO. At the time, Diebold objected to the then current tendency to overemphasize the world political crisis as the central challenge to international trade policy. He asserted that, independent of issues of rearmament and cold war, the basic problem still persisted of whether the liberal trade principles embodied in the Havana Charter could be applied in the contemporary world: "Although political tension had increased the economic difficulties of many countries and has made some postwar adjustments more difficult than they would have been in a less threatening world, cold war cannot be considered the primary cause of some major difficulties that plagued the drafters and negotiators of the Charter and that would have continued to plague the ITO if it had been established."[1] As an important example of what he had in mind, Diebold singled out the

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[1] Diebold, pp. 34-35. Italics added.

difficulties encountered in formulating the Charter's state-trading provisions.

However, some observers during that earlier period maintained that given improved political circumstances, the problems of formulating principles and procedures applicable to trade between the differing systems would have been less difficult. For instance, Calvin B. Hoover wrote in 1946:

> At the moment not much progress is being made in working out a solution of this problem as it applies directly to international economic relations between Russia and the Western Powers, not because of the inherent technical difficulties but largely because of existing international political tension....Once the problems of international politics are in course of solution such problems of technique are not likely to offer insuperable barriers to expanding world trade.[1]

The above quotation actually enfolds two optimistic assessments. On the one hand, Hoover apparently believed that the systemic problems need not be considered inherently insolvable. On the other hand, he indicated that however difficult those problems might prove to be, they might well lose much of their importance as obstacles to East-West trade under better political conditions. It is indeed interesting that the following year Herbert Feis, a former advisor on international economic affairs in the United States Department of State and then recent Special Advisor to the Secretary of War, expressed the political requisites for an adaptable approach in concluding an article for Foreign Affairs with the following suggestive (though questionably official) offer: "...if, and this is the decisive if--the USSR will make it possible to believe that its trade policies are not directed to secure political domination or social revolution, we will not frustrate compromise by inflexible economic conceptions."[2] This brings to

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[1] Hoover, pp. 224-25 and 226-27.

[2] Feis, p. 223.

mind Alexandr Gershchenkron's argument,[1] also advanced in 1947, for the practical value of the Havana ITO in influencing Soviet trade practices through the organization's work-a-day activities. The reader might recall that Gershchenkron agreed that the state-trading provisions of the Charter were on paper less than ideal. Yet he proposed that the continuous act of conducting trade relations through the medium of the ITO in a spirit of cooperation would alter the significance of those provisions from that of providing the only available formulation of contractually binding restraints on inimical Soviet trade practices to that of providing positive guidelines for the general conduct of Soviet trade with nonstate-trading countries in conformity with the objectives of the Charter. The potential merit of the argument rested accordingly on the order of Soviet priorities--the essentially political decision of whether it wished to enter the ITO and benefit from it--and not on the capacity of the state-trading provisions, as they existed or might be altered, to provide an intellectually satisfying and comprehensive legal code.

Soviet indifference to the ITO, the eventual lapsing of the Havana Charter and the intensification of the political and economic cold war disposed of all such expectations for reaching a pragmatic settlement of the systemic obstacles to full and easy participation by the socialist states in international arrangements for the promotion of trade with nonstate-trading countries. At the same time, the economic conceptions embodied in the Charter and the General Agreement on Tariffs and Trade assumed most noticeably in U.N. debates a particular doctrinarism in the worsening political climate that might have been avoidable under other circumstances. Even with the moderation in the cold war towards the mid-1950's and the increased interest

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[1] See Chapter One, section II.

especially in western Europe in Soviet bloc trade, subsequent Soviet-led efforts to revive support for an international trade organization were met with insistent counter-arguments emphasizing the primacy of the very real difficulties in drawing up a comprehensive code for commercial relations, but difficulties which by and large owed their prominence and, to a degree, intractability to a low level of international political confidence.

III. THE QUESTION OF REGIONAL TRADE ORGANIZATIONS

During the twenty-eighth session of the Economic and Social Council in 1959 the socialist countries varied their position on the issue of a global trade organization. During the annual discussion of the general economic situation the Soviet delegation advocated the establishment of four regional trade organizations, one each for Europe, Asia, Africa and Latin America. The Soviet representative drew attention to the recent proposal submitted by the USSR in the Economic Commission for Europe earlier that year regarding the creation of an all-European trade organization. (At the time a final decision on it had been postponed pending further study in accordance with ECE Resolution I (XIV).[1]) In explaining this new concept, he suggested that the functions of the proposed regional trade organizations would be to

> promote trade within their respective regions, explore the possibilities of expanding trade between regions, give advice on trade policy, provide for settlements between members and so forth. They could promote the development of economic cooperation and international division of labor... and could also facilitate the conclusion of long-term trade agreements...[2]

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[1] 5 May 1959. For a summary of discussion on the proposal, see: UN, ECOSOC, Official Records (28th Session), Supplement No. 3, "Economic Commission for Europe: Annual Report," p. 27. (Hereafter "Economic Commission for Europe: Annual Report" will be referred to as the "ECE: Annual Report" in all such notations.)

[2] UN, ECOSOC, Official Records (28th Session), p. 12.

He made it clear, however, that the basic institutional objective had not changed, contending that the "establishment of regional trade organizations would pave the way for the subsequent creation of a world trade organization."[1] The proposal was later submitted to the Second Committee of the General Assembly in a draft resolution offered by Bulgaria, Czechoslovakia and Poland. In addition to proposing that the Assembly support the creation of the four regional organizations, the resolution also called upon the member countries to declare themselves in favor of a "single universal" trade body.[2]

From their comments during debate on the three-Power proposal, it is apparent that in adopting this new approach the socialist countries were influenced by two extenuating developments. The first was the progress as well as the problems of western European economic integration (see Chapter Five on the Economic Commission for Europe). The other was the evidence by 1959 that the attempt to establish the OTC would not succeed, due largely to apprehension on the part of the United States Congress. The decision by the socialist countries to promote a more incremental plan for an international trade organization may have been as much an attempt to take cautious advantage of this situation as it was a response to their own earlier failures in proposing institutional innovation of a unitary global conception. The operative word here is "cautious," for while the OTC project had demonstrated dissatisfaction among leading western trading countries with existing institutional arrangements,[3] its denouement

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[1] Ibid.

[2] UN Document A/C. 2/L. 429.

[3] For example, see the French delegate's discussion of GATT and the OTC in: UN, General Assembly, Second Committee, Official Records (11th Session), p. 259.

had also revealed a certain hesitancy regarding a more permanent structure. It is, therefore, significant that in introducing the proposal in the Second Committee the Polish delegate declared that, "As they did not want to put forward ready-made solutions, the sponsors of the draft resolution had steered clear of any dogmatic approach to the problem of the establishment of an international trade organization."[1] Noting the failure of the OTC, he further observed:

> by adopting the draft resolution, the Committee would not be commiting itself to one kind of organization rather than another but would merely be giving its approval, in principle, to the extension of international cooperation in the field of trade through an organization which would act within the framework of the United Nations and whose structures, functions and powers had still to be determined.[2]

After the collapse of the OTC, the western states remained steadfast in their opposition to a broader trade organization outside the scope of GATT and continued, with renewed vigor, to defend GATT as the most suitable forum in which the greatest practicable number of countries could promote their mutual commercial relations.

Whereas in their earlier declarations concerning new trade machinery a future role for GATT had been in doubt, the socialist countries now demonstrated a new sensitivity to the support given GATT by a large number of member countries of the United Nations. For example, one Czechoslovakian spokesman emphasized that the sponsors of the draft resolution "considered that in expressing approval of a single world trade organization, the General Assembly would in no way be prejudicing the existence of GATT,

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[1] UN, General Assembly, Second Committee, Official Records (14th Session), p. 259.

[2] Ibid.

which might well remain in existence independently or become a part of the new organization."[1] In characterizing the type of organization envisioned, the Soviet delegation went as far as to suggest that a general trade organization would be valuable to GATT in light of western European integration, stating that:

> ...GATT had lost some of its importance through the establishment of regional groups /in context, to be read "sub-regional" groups/ which...divided the world into several markets. The establishment of an international trade organization would be one way to reconcile the activities of GATT with those of the regional groups. The central organization would seek out the best ways in which to cooperate in developing international trade and removing trade barriers. It would be able to coordinate the activities of the existing organizations of more limited scope, including GATT and regional bodies....It would have to be a permanent body, whose functions would be to advise and take action with a view to intensifying cooperation in...international trade.[2]

From the western viewpoint, however, such arguments as this did not change their perception of the objectives behind the Soviet bloc's institutional proposals. And it should be stressed that it was at this time that the major western countries were most adament about the impossibility of creating an effective trade organization encompassing all trading systems.[3]

The milder treatment accorded to GATT has an additional explanation which is to be found in the changing policies of the Soviet bloc countries. Already in 1957 the Polish government had approached GATT seeking a formal arrangement for cooperation between Poland and the Contracting Parties other

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[1] Ibid., p. 276.

[2] Ibid., p. 271.

[3] It is also worth noting that the Soviet and Czechoslovakian delegations made reference to Khrushchev's article in Foreign Affairs, which was published while the Assembly was in session, and presented their proposals for increased East-West trade in precisely the same terms of the policy of peaceful coexistence which the Soviet Premier had used. It was in reference to this context that western delegates criticized the Soviet bloc's emphasis on western trade controls and on the concept of peaceful competition.

than full membership, since Poland had no tariff structure with which to negotiate entrance as prescribed in the General Agreement. "The result of this approach," as related by one close student of GATT, "was that Poland sent an accredited observer to the meeting in November-December the same year, and at the end of the meeting the Polish observer expressed his belief that GATT provided a most useful forum for discussions and his hope that Poland in the future would be able to cooperate in such a way as to make a useful contribution towards strengthening the principles of the General Agreement."[1] In 1959 Poland submitted a formal application for accession. And at the spring session of GATT, the Polish Minister of Foreign Trade declared that his government would be receptive to some other form of closer cooperation on a provisional basis if full participation in GATT were not possible.[2] That fall an agreement was reached on a declaration providing for consultations between Poland and the Contracting Parties with a view to expanding trade "on the basis of mutual advantage in trading conditions and opportunities." This followed the rejection of a Polish proposal suggesting substituting the negotiation of global quotas on traditional imports for tariff concessions in fulfillment of the conditions for full membership. Though the declaration did not provide for most-favored-nation treatment, it did give Poland the right to participate in the work of GATT. It is also noteworthy that in 1958 Hungary, too, had applied for observer status, but withdrew its application after meeting with politically motivated opposition from certain Contracting Parties.

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[1] Karin Kock, International Trade Policy and the GATT 1947-1967, Stockholm Economic Studies, New Series XI (Stockholm: Almqvist and Wiksell, 1969), p. 198. (Hereafter referred to as The GATT.)

[2] Ibid., p. 212.

These indications of a more independent policy on the part of the East European countries contrasted with the relentless hostility of the Soviet government toward GATT. Still, the socialist delegations were able to reach a common stand on institutional questions in the United Nations. It is not, after all, unreasonable that Poland and Hungary should take the pragmatic decision to seek some form of association with GATT (not to mention Czechoslovakia's continued participation in GATT) while also working through the United Nations toward the establishment of an international trade organization which would have been more to their liking. However, when it became certain that GATT would not soon be replaced by new global trade machinery of the socialist design, the ideal had to give up some ground. The regional approach adopted in 1959, with its emphasis on European trade cooperation, and the more moderate statements regarding GATT reflected in part the growing concern of the USSR and its East European partners with the Common Market and the need for taking immediate steps to counteract it. The creation of the European Economic Community had first led Poland in 1957 (and later Hungary) to seek the advantages of participation in GATT. In lieu of an effective U.N. trade organization through which they might take care of their interests vis-à-vis the Common Market, the East European countries looked with increasing interest upon the possibilities of improving their trade relationships with the Common Market countries through GATT. When compared with the Soviet attitude, this demonstrated the greater importance of the west European market for these countries than for the USSR. This is not of course to say that the Soviets were not also exercised by the developments in western Europe, though they were not convinced that their interests would be served by changing their policy towards GATT. The result of these differing policy approaches and the resolute western support of GATT was the proposal for an all-European trade organization which, as it

was articulated in various U.N. forums, provided for the continued purposeful existence of GATT while at the same time providing for a regional European institution which would be more closely attuned to Soviet policy and agreeable to the bloc as a whole. It is also important (as we will see more fully in the next chapter) that the regional approach, conceived as it was around the creation of four temporary regional trade organizations, was at bottom simply a refinement of previous Soviet bloc proposals on institutional changes, enabling the socialist countries to stick to their common position on matters of principle while postponing further action on a universal trade organization to a more propitious occasion.

IV. A "NEW EFFORT"

In the fall of 1960, Bulgaria, Czechoslovakia and Poland again co-sponsored a draft resolution on the subject of the "strengthening and development of the world economy."[1] This time, however, reference to the immediate creation of an international trade organization of any sort was omitted; and the Polish delegate professed that the purpose of the draft was "to make a new effort to set the basic problem of the development of international trade in its correct perspective."[2] In explaining this "new effort" he stated that, "As it had proved impossible to set up the world trade organization...it was the duty of the United Nations to do all it could to study the problems of international trade on a world basis."[3] Thus, with the failure of five years' of effort directed toward major institutional changes in the trade field, the socialist countries began

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1 UN Document A/C. 2/L. 471.

2 UN, General Assembly, Second Committee, Official Records (15th Session), p. 257. Italics added.

3 Ibid.

in 1960 to concentrate their attention on upgrading the work of existing United Nations economic bodies in an attempt to transform these bodies into a de facto trade organization.

It should be pointed out, however, that this was considered only a temporary expedient, for they stressed that a world trade organization would "ultimately" have to be established "if the United Nations was not to ignore the onward march of history," as the Bulgarian delegation affirmed.[1] A point of further interest is the fact that in now prescribing a general work programme for the United Nations, the Soviet bloc countries emphasized the same kind of decentralized approach which they had taken the previous year in proposing regional trade organizations.[2] Thus, one delegate declared that the United Nations

> should in particular organize trade cooperation at the regional level, in order to lay the groundwork for economic cooperation on a world scale. The regional economic commissions should take steps without delay to promote the expansion of international trade. That was the objective of the draft resolution.[3]

Operative paragraph 1 of the draft resolution, accordingly, proposed that the Economic Commission for Europe step up its activities directed toward improving East-West trade, while the following paragraph expressed the opinion that the other regional economic commissions should be given the task of studying the problems of the less developed countries. In the ensuing discussion of the draft, however, the socialist countries attached

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1 Ibid., p. 258

2 The Soviet delegate, Mr. Chernyshev, emphasized that the three-Power draft proposal "was extremely important and represented a logical continuation of the work in the field of international trade undertaken by the General Assembly at its fourteenth session," i.e. a continuation of the concepts of the earlier institutional proposal. Ibid., p. 264. Italics added.

3 Ibid., p. 257. (Poland).

preponderant importance to the work of the ECE. The draft in an amended form became Assembly resolution 1519 (XV).[1]

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[1] 15 December 1960.

CHAPTER FIVE

SOVIET BLOC POLICIES IN THE ECONOMIC COMMISSION FOR EUROPE

I. RENEWING PARTICIPATION

The three-Power draft resolution in the General Assembly referred to at the end of the previous chapter reflected a quickening of Soviet bloc efforts within the Economic Commission for Europe in the early 1960's to promote economic cooperation at all levels of the ECE's activities. Before this, Soviet trade policy had progressed through three distinct periods following the USSR's first tentative moves toward reopening trade discussions in the ECE just prior to Stalin's death. The first covered the years of adjustment of Soviet policy to full participation by 1956; it culminated with the submission of a draft "All-European Agreement on Economic Cooperation," which was the focal point of the following period, while policy during the third period centered on the Soviet proposal for an All-European Regional Trade Organization introduced at the ECE's fourteenth session in the spring of 1959.

The determination of the ECE Secretariat to retain the all-European character of the Commission while exerting a subtle influence on the course of East-West economic relations during the bitterest years of the cold war eventually led to a series of trade consultations under the good offices of the Executive-Secretary in 1953 and 1954 which were a significant contribution to the re-establishment of bilateral trade negotiations between

the East European and industrialized countries of the West. The business-like atmosphere in which the technique of simultaneous bilateral negotiations employed in these meetings took place and the general satisfaction of all participants led to the incorporation of trade consultations as a regular feature of the Commission's yearly operations.[1] But most importantly, the successful conclusion of the first round in the fall of 1953 marked the beginning of the new era of active Soviet participation in the economic programmes of the United Nations and its subsidiary organs.

The scope of the Commission's activities was further expanded from 1954 with the gradually increased participation of the socialist countries in the work of the ECE's several technical committees which were in part concerned with trade in various economic sectors. By 1957 proposals had been submitted for extending the activities of the specialized committees, particularly relating to exchanges of information and technical experts among member countries. Moreover, a steady increase in statistical and other information supplied by Soviet bloc governments facilitated and improved the Commission's operations.[2] However, whereas socialist representatives displayed a spirit of constructive cooperation in the annual trade consultations and in the Commission's technical committees, they continued for a number of years to fill the ECE's plenary sessions with persistent, though unproductive, attacks on the western system of trade controls.

The Committee on the Development of Trade was revived in 1954 at the request of the Soviet Union. And at the ECE's ninth session the Soviet delegation proposed that the work of the Committee should be concentrated

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[1] See Jacobson, p. 197.

[2] Myrdal, "Twenty Years," p. 622.

on the following subjects:

(a) the removal of obstacles to foreign trade;
(b) the conslusion of long-term and multilateral trade and payments agreements;
(c) the convening of meetings of experts on trade questions;
(d) the arranging of meetings of representatives of business circles;
(e) the publication of a special bulletin on foreign trade questions;
(f) the organization of international trade fairs.[1]

Although the Soviet Union used this suggested agenda as a vehicle for a vigorous denunciation of western trade policy, the western countries were sufficiently interested in the proposal to agree to a convocation of the Trade Committee, while insisting, however, on a modified work programme.[2] Since then, the Committee has met regularly on an annual basis.

By 1956 the Soviet stance in the ECE's plenary meetings had taken on a new character, evident in a pronounced moderation of the tactics of confrontation. With this the transformation of Soviet bloc policy to full participation in the Commission was completed. The pattern of participation finally settled upon appears to have been based on a more realistic assessment of the opportunities afforded by ECE membership, while it was designed to extract the maximum advantage from them for constructing an effective campaign against restrictive western export and import policies. As it developed in subsequent years, this strategy became increasingly concerned with exerting an influence on western Europe's progressing economic integration by taking advantage of the problems (real or fabricated) attending this process.[3]

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[1] UN Document E/ECE/SR. 9/6, p. 21

[2] See the joint resolution proposed by the USSR and the United Kingdom (the original U.K. draft text is to be found in UN Document E/ECE/SR. 9/8, p. 8) included in UN, ECOSOC, Official Records (20th Session), Supplement No. 3, "ECE: Annual Report," p. 21, as well as the summary of discussion following the text.

[3] See Jacobson, pp. 199 and 202-203.

II. THE DRAFT ALL-EUROPEAN AGREEMENT ON ECONOMIC COOPERATION

A series of proposals advanced by the USSR during the eleventh session of the Commission in the spring of 1956 were indicative of the new approach. The Soviet delegate offered three draft resolutions concerning the drafting of an "All-European Agreement on Economic Cooperation," the development of economic contacts between the countries of eastern and western Europe, and the establishment of an ECE subsidiary organ dealing with the economic aspects of the peaceful uses of atomic energy.[1] In separate resolutions, the Commission members deferred action on the recommendations to the twelfth session, calling upon governments to submit their observations to the Executive-Secretary as the basis for further discussion.[2] In particular, the resolution concerning the All-European Agreement noted the readiness of the Soviet government to submit supplementary and more definite information about its proposal.[3] In accordance with that resolution the USSR submitted a Draft All-European Agreement on Economic Cooperation, which was then distributed by the Executive-Secretary in July, 1956, among member countries for their comments.

The Explanatory Note which accompanied the Draft Agreement observed that it "reflects the viewpoint of the Soviet Government on the possible scale and nature of all-European cooperation...and on the basic principles

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[1] UN, ECOSOC, Official Records (22nd Session), Supplement No. 3, "ECE: Annual Report," p. 25.

[2] Ibid., pp. 32-33.

[3] ECE Resolution 3 (XI). Date not provided by the "Annual Report."

of such cooperation."[1] The preamble to the operative text of the Draft was an exemplary statement of the Soviet approach to economic problems within the United Nations framework, and it illustrated several points of the trade strategy of peaceful coexistence which we have considered in earlier chapters. In these prefatory paragraphs, the Draft Agreement was said to rest on the principles of the United Nations Charter and on the Charter's provisions concerning international economic cooperation, as well as on the specific tasks mandated to the ECE. It was also affirmed that in concluding the Agreement, member states would be "aware that the strengthening of international economic relations is an important condition for the peaceful coexistence of states irrespective of differences in their economic and political systems." In accordance with the concepts of peaceful coexistence, the Soviet Draft also declared that "the impairment of the traditional...economic relations between the European states causes great harm...and that the elimination of all obstacles and restrictions of a discriminatory nature in the sphere of trade and other economic contacts is a necessary condition for broad economic cooperation between European states." And although it was alleged that favorable conditions for cooperation had been created by a certain relaxation in international tension (apparently a reference to the alleged continuing "spirit" of the Geneva summit conference often referred to by the Soviets), the preamble also professed "the belief that broad economic cooperation between all European states will promote greater confidence in relations between nations

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[1] "Soviet Proposals for All-European Economic Cooperation," International Affairs (Moscow) no. 5 (May 1957): 157. This documentary section of the journal includes the texts of the Explanatory Note attached to the Draft itself, and the Memorandum of the Soviet government concerning the views of ECE member states submitted to the Executive-Secretary concerning it. See pp. 156-63.

and will be an important step towards ensuring all-European collective security and solving the disarmament problem."

The main body of the Agreement consisted of twenty-one articles extensively covering trade, scientific and technical cooperation and exchange of production experience. The provisions (Articles 4-12) directly related to trade may be summarized as follows:

> ECE member countries should aim at the expansion and normalization of their international economic relations, and should encourage co-operation by means of bilateral and multilateral agreements. Extra-European trade would be promoted through an international trade organization as a special agency of the United Nations. Member states would reciprocally extend to each other unconditional and unrestricted most-favoured-nation treatment. Long-term agreements on mutual deliveries should be aimed at, on a bilateral and multilateral basis. Member states would draft standard contracts for the sale and purchase of goods, and standard regulations for international goods traffic on European railways.[1]

A Soviet government Memorandum concerning the views of twenty-seven member states on the Draft Agreement which had been submitted to the Executive-Secretary by the beginning of 1957 pointed out the main areas of disagreement between the Soviet bloc and the leading western trading nations over the provisions of the Draft.[2] It should be noted that there was a broad spectrum of opinion concerning the idea of such an agreement among the non-Soviet bloc members of the ECE, ranging from Sweden and Austria's readiness to negotiate an acceptable Agreement to a few countries (notably the United States) which flatly rejected the idea of the Soviet proposal. In between, Great Britain, France, West Germany and the Benelux countries displayed varying degrees of interest in achieving effective results through constructive discussions on matters of cooperation, while

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[1] As summarized by N.B.S. Scott, "The Soviet Approach to European Economic Integration," Soviet Studies 9 (January 1958): 296.

[2] "Soviet Proposals for All-European Economic Cooperation," pp. 160-63.

discounting the usefulness of the Draft Agreement as conceived by the socialist countries. The contrast between the USA and the major western European trading countries in part illustrated the growing disenchantment among the latter with American trade policy towards the Soviet bloc. There was, however, a general consensus of critical opinion among western members on several issues arising from the text of the Draft which were common points of contention with Soviet bloc policy on trade cooperation throughout this period.

In response to western criticism that the Draft Agreement ignored the differences in economic, as well as political, systems embraced by the countries of eastern and western Europe, the Soviet Union characteristically replied in the Memorandum that such differences should not be considered obstacles, contending that "cooperation between states with different... systems depends largely on the desire...to further such cooperation."[1] With respect to the request by a number of members for a more concrete exposition of certain provisions--an insistence which reflected the general concern in the West over the meanings attached by the socialist countries to general principles--the Soviet Memorandum asserted that "the purpose of any broad agreement on cooperation is to define the common principles and objectives that would be a basis for cooperation," adding that "the Draft... would serve as the basis for constructive discussion at a conference of experts of all countries convened to make the necessary amplification and modifications, including such as would present certain propositions in more concrete form...."[2] Taking note of the concern expressed by several delegates

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[1] Ibid., p. 161.

[2] Ibid.

over possible duplication under the Draft Agreement's terms of certain functions of other international economic bodies, the Soviet Union pointed out that the Draft did not propose any administrative institution for the Agreement and explained that it was designed to promote cooperation under the aegis of the ECE.[1] However, the Soviet document did assert that the expression of support for an international trade organization in Article 4 was valuable and not outside the competence of the regional Commission, as some had maintained.[2]

The Soviet Union agreed to alter the wording of several provisions, specifically those pertaining to multilateral compensation and the establishment of an all-European body to deal with currency and credit matters; arbitration; preferential tariffs for the conveyance of exhibits and goods to exhibitions, fairs and so forth; and Article 14 concerning the civil uses of atomic energy. Most importantly, the Soviets agreed to reword the crucial Article 5 on most-favored-nation treatment. The original text had stated:

> The Member States shall reciprocally extend to each other unconditional and unrestricted most-favoured-nation treatment in all matters affecting trade, shipping, and the status of physical and juridical persons in carrying out their economic duties on the territory of any Member State, in so far as these duties are permitted by the legislation of the given country.
>
> None of the Contracting Parties will enforce restrictions, prohibitions or formalities with regard to import from the territory, or export to the territory, or another Party, which are not in this respect being applied to all Member States.

It was revised to read:

> In view of the fact that many European countries in their trade and shipping relations apply the most-favoured-nation principle, which creates the desired premises for international trade, the

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[1] Ibid.

[2] Ibid., p. 162.

> Member States shall strive to extend reciprocal application of this principle to the trade and shipping of all European nations.
>
> The Member States shall endeavour to eliminate obstacles of economic, commercial, political and administrative nature in the sphere of foreign trade, and whenever necessary, shall consult in order to adopt concerted decisions and recommendations.

Commenting on the negative western responses to the original Draft phrasing, Domke and Hazard have observed that although all private-enterprise states concluding commercial agreements with the USSR since the Second World War had acquiesced to Soviet insistence on inclusion of a most-favored-nation clause in principle (while some more than others applied it restrictively in practice), the western European countries were evidently unprepared to accept the principle in any general treaty where its significance would be more than a simple indication of good will.[1]

Having taken into consideration the comments of other member countries, the USSR submitted a revised Draft Agreement at the Commission's twelfth session in 1957. A number of the debated provisions, however, remained unaltered and were in the view of a majority of delegations unacceptable in themselves or allegedly mere repetitions of the principles embodied in the Commission's terms of reference. Moreover, they again argued that other matters in the Draft were already being considered within the ECE's framework or by other inter-governmental bodies. And, finally, western delegates tended to argue that it was unlikely that a formal multilateral agreement would in the present situation contribute much to intra-European economic cooperation. A draft resolution submitted by Czechoslovakia in the hope of keeping the proposal alive through continuing consultations and studies was defeated. Subsequently, a Belgian draft calling upon members to utilize the existing machinery of the Commission for

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[1] Domke and Hazard, pp. 61 and 67.

advancing concrete proposals on matters of economic cooperation not being examined elsewhere in the United Nations system was adopted with the abstention of the Soviet bloc and Finland.[1]

III. THE DRAFT AGREEMENT AND THE TREATY OF ROME

The Draft Agreement had been submitted and then revised at the same time that negotiations for the European Economic Community were entering their final stages. The Treaty of Rome establishing the Common Market was signed on March 25, 1957, a little over a month before the USSR offered the final version of the All-European Economic Agreement for consideration in the ECE. There was a clear connection between the two events. The various proposals for an all-European economic agreement, the development of intra-European contacts, and cooperation in the nuclear energy field were in part intended as alternatives to the proposed Common Market and the separately negotiated European Atomic Energy Community (Euratom). This became particularly evident in the discussion of an additional Soviet draft resolution in the ECE concerning the promotion of all-round cooperation among European states.[2]

The essentials of the case that the Soviet delegation had presented for the three draft resolutions orignially advanced in 1956 were restated in the USSR Foreign Ministry Statement on the Common Market issued on March 16, 1957, a scant nine days before the formal signing of the west

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[1] ECE Resolution 2 (XII). For its text, see: UN,ECOSOC, Official Records (24th Session), Supplement No. 6, "ECE: Annual Report," pp. 40-41. Date not provided.

[2] Ibid., pp. 36-40.

European agreements.[1] On the basis of policy proposals outlined in this Statement, the Soviet delegation shortly thereafter developed a six-point programme for the ECE which in effect covered identical subject matters intended, mutatis mutandis, for incorporation into the work of the projected western European institutions. Relevant to our study, point five of this ambitious programme suggested that the Commission continue its study of the possibilities and obstacles to developing trade on an all-European scale, with a view to a conclusion among interested governments of agreements on measures to facilitate trade.[2] In presenting the draft proposal setting forth the six recommendations, the Soviet representative declared that the objectives of western Europe's sub-regional integration efforts were "in blatant contradiction with the idea of developing cooperation on an all-European basis--in contradiction, in other words, with the aims and tasks of the Economic Commission for Europe."[3] And he dwelt at length on what the Foreign Ministry Statement had alleged would be the harmful effects of the Common Market and Euratom not only on East-West relations in

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[1] Copies of the Statement were sent to the embassies of all European nations having relations with the USSR, to the United States embassy and to the Executive-Secretary of the ECE. An official translation appeared in the New York Times, 17 March 1957, p. 41.

[2] UN, ECOSOC, Official Records (24th Session), Supplement No. 6, "ECE: Annual Report," p. 39. The other five points covered development of cooperation in the following fields: (1) in scientific research into the peaceful uses of atomic energy...(2) in the construction of atomic power stations and the use of atomic energy for industrial, scientific and technical purposes, including questions relating to the supply of fissible materials...(3) in the construction of large hydro power plants of interest to several countries, with the latter's consent and participation... (4) in the development of Europe's fuel and power resources, with a view to easing the strain on the fuel situation of many European countries... (5) on questions of the provision by states of mutual economic and financial assistance to promote their economic development.

[3] Ibid., p. 37.

Europe generally but also on the economies and political relationships of the participating western states. It was the Hungarian representative, however, who cast the Soviet proposal in unmistakable terms as an alternative to the western European sub-regional plans. He emphasized that, as summarized in the record:

> the conclusion of a comprehensive agreement on the subjects raised by the Soviet proposals would provide a solid basis for the solution of the most serious and most important problems facing European economy. The paramount problem of the future was whether the countries of Europe, organized as they were at present in various sub-regional groupings, would remain opposed to one another or if all-European agreements, consolidating cooperation among all countries of Europe, could be concluded. /He/ expressed the opinion that the establishment of the Common Market would reinforce existing antagonisms. He urged the Commission to consider the six constructive proposals presented by the Soviet Union which contained direct methods for helping Europe to overcome its economic difficulties.1

The alternative scheme offered by the Soviets was apparently thought likely to appeal to excluded governments and influential interests both within and outside the nascent economic Community which were not satisfied with its arrangements and which might be receptive to a proposal for the development of commercial relations on an all-European basis. However, the representatives of the major western states in the ECE regarded the Soviet draft resolution as an extension of an overt political campaign to disrupt western European plans for closer economic and technological union. In support of this assessment, they singled out the seminal March 16th Foreign Ministry Statement which had included not only the initial formulation of the recommendations later presented by the USSR in the ECE but also a pointed, albeit feeble, attempt to rupture the political accord that underlay the Treaty of Rome. The signatory countries to the European agreements took particular exception to the divisive attempt by socialist

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1 Ibid.

countries to portray the future of the Common Market and Euratom in terms of an alleged West German drive for economic and military hegemony in Europe, egged on, so the Statement charged, by "certain quarters in the United States...working for the speediest rebirth of German militarism" and seeking to bring western Europe under the control of the USA. They rejected the Soviet Union's six-point programme accordingly on the grounds that the proposals "were apparently intended to serve predominantly political objectives, since they were incorporated in the diplomatic note which contained a series of unwarranted charges against the western European countries and in particular the six countries that had acceded to the 'Euratom' and 'Common Market' Treaties."[1] Thus it was argued that the draft resolution should be considered by the members of the Commission--meaning the western majority--not in terms of the merit of its several recommendations but rather in view of the calculated effect it was intended to have on the pending western treaties. The American representative concurred, observing that the Soviet Statement of March 16th "contributed nothing to European cooperation, but rather to an increase in tensions...." He added that the Statement "was obviously designed to have an adverse influence on approval of these European treaties and as such was a flagrant attempt to interfere in the internal affairs of sovereign States."[2] His assertion that the Soviet Union's response to the treaties clearly lacked the mutual confidence required for genuine cooperation was shared by other western delegations, and consequently the Soviet proposal failed to generate sufficient support for its passage.

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[1] Ibid., p. 38.

[2] Ibid.

There is of course no denying that the Soviets were seeking to increase dissension in the West over the Common Market Treaty. It was also evident that in pursuing this divisive policy the Soviets were motivated by an inherent political and military threat perceived in western integration. The Foreign Ministry Statement, which was the first formal reaction to the Common Market and Euratom accords, shows that from the beginning the Soviet Union had treated the European Community "as if it were nothing more than an instrument of the cold war--a device, like NATO, invented by the Americans to mobilize the west European nations in a united front against the East," as Andrew Shonfield has observed.[1] The Soviet government noted in the Statement that all members of the Common Market and Euratom were members of NATO and claimed it was "obvious" that the activities of the two groups "will be subjugated to NATO aims, the aggressive character of which is (sic) widely known." It added: "The assertions of some west European leaders that Euratom and the Common Market would deal only with questions of the peaceful cooperation of its member states are nothing more than a veil to cloak the real schemes of their organizers and sponsors." Because these and other bitter attacks prefaced the Soviet proposals for all-European cooperation, one scholar has concluded that "Soviet opposition to the European Community is not so much directed against it as an economic bloc...as against its serving as the nucleus of European political unity."[2] Yet the Common Market countries' charge in the ECE, repeatedly echoed by

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[1] Andrew Shonfield, Europe: Journey to an Unknown Destination (Harmondsworth, Middlesex, England: Penguin Books Ltd., 1973), p. 63. This is an expanded version of the BBC Reith Lectures 1972.

[2] Gerhard Mally, The European Community in Perspective. The New Europe, the United States, and the World (Lexington, Massachusetts: Lexington Books, 1973), p. 55.

other western observers, that the Soviet delegation's recommendations "were apparently intended to serve predominantly political objectives" comes too close to denying them a reasonable and significant economic rationale as well.

In making this point we do not mean to minify the political, propagandistic and disruptive elements of the tactics employed in the U.N. by the Soviet Union and the rest of the bloc against western European union. In the exceedingly hostile exchanges in the ECE on the various Soviet counter-proposals, the political recriminations leveled by each side against the other fully overwhelmed the economic issues raised by the socialist delegations, issues which in effect seemed to serve more as an excuse for confrontation than as a basis for discussing the problems of East-West cooperation. Indeed, the ECE proceedings have often been referred to in the West in order to specify more exactly the dimensions of the Soviet response to the Treaty of Rome, with the result that the alternative measures adumbrated in the March 16th Statement have been as a rule interpreted as being no more than politically motivated delaying maneuvers. For example, C.F.G. Ransom has concluded that the Soviet plan as outlined in the ECE following the 1956 Draft Agreement on All-European Cooperation "seems (particularly by reason of its timing) to be a defensive response to West European integration rather than a positive contribution to the European debate."[1]

The focus of our interest, however, is not (like Ransom's) what Soviet policy in the United Nations can tell us about Soviet Common Market policy in general, but instead what the Soviet response in the U.N. to

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[1] C.F.G. Ransom, "Obstacles to the Liberalization of Relations between E.E.C. and Comecon," Studies in Comparative Communism 2 (July/October 1969): 65.

European economic integration has to say about the uses to which the Soviets have put the Organization in promoting their own economic interests. This approach quite naturally tends to emphasize--perhaps over-emphasize--the economic motives of Soviet actions in the United Nations and their (at least nominally) cooperative intentions. However, it does point up something regularly overlooked by those who have examined the U.N. proceedings from the other angle: namely, that the trade-related measures offered by the Soviet Union in the ECE in place of the Common Market Treaty were also integrally consistent parts of a more broadly conceived and longer-standing Soviet bloc economic programme in the U.N. which was presented as a positive contribution to the development of East-West commercial (and hence political) relations and which was solidly grounded in the general approach to the normalization of economic relations pursued on all diplomatic levels by the Soviet government in the post-Stalinist years.

Viewing the Common Market as the economic arm of NATO, the Soviets doubted that they stood to benefit commercially from it as its proponents claimed. Instead they regarded the Treaty of Rome, and especially its provisions on external trade relations, as symtomatic both of western efforts to hamper European economic cooperation in general and of the practices of trade discrimination and restrictions in western dealings with the socialist countries in particular. Like the campaign for an international trade organization, the suggested plan for an all-European approach to economic problems was part of the continuing efforts to eliminate "artificial" obstacles to East-West trade and to reverse western policies which worked to the exclusion of the socialist countries from international trading

arrangements and consultations.[1] Indeed, except for the matter of timing, there is little about the Soviet alternative in the area of trade relations that could not be explained without reference to the Common Market: for whatever the particular issue, whether the Common Market or GATT or bilateral western trade policies, the basic measures proposed in Soviet bloc draft resolutions remained essentially unchanged throughout the Khrushchev period. Thus, while Ransom is correct in describing the alternative scheme as a "defensive response," he and others have mistakenly implied that it was simply a diversionary tactic and the product of a particular situation.

Still, the very fact that the Soviet plan for developing all-European cooperation was not received in the West as "a positive contribution to the European debate" (as Ransom demonstrates) is a telling commentary on the efficacy of the style of Soviet economic diplomacy at the time and indicative of the politicization of the Common Market issue and of the political sensitivity of East-West economic relations generally. The rejection of the six-point programme advanced in 1957 (as well as the three related draft resolutions introduced the previous year) underlined the practical inexpediency of the Soviet approach to expanding trade relations in this politically charged atmosphere, which in truth the Soviet position on the Common Market did much to intensify.

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[1] Thus D. Andreyev and M. Makov stated in a later article in International Affairs (Moscow): "the formation of the Common Market was dictated in the first place by the striving to strengthen capitalism's positions in its struggle against the socialist countries and this, in fact, is the chief class content of so-called West European integration.... The main idea is that the E.E.C. countries will act in a single front in economic relations with the socialist countries, which the latter are to act each in isolation...." "The Common Market After Eleven Years" (January 1959).

IV. THE QUESTION OF A REGIONAL TRADE ORGANIZATION FOR EUROPE

The advisability of bearing in mind the broad dimensions of Soviet trade strategy in the United Nations when examining specific instances of its implementation--especially when one's interest in them stems less from what they meant in terms of what had been going on within the Organization than from their relevance to immediate events outside it--should be remembered when considering the efforts of the socialist countries at institutional innovation through the ECE in the field of trade. As previously mentioned in the last chapter, at the fourteenth session of the Commission in the spring of 1959 the Soviet delegation submitted a draft resolution concerning the establishment of a European trade organization.[1] The proposal was deferred for later consideration and eventually set aside by its sponsors in 1960.[2] In an article on the evolution of the USSR's policy toward the Common Market in which he refers to this resolution, David F.P. Forte has analyzed the objectives of Soviet policy during the period from June 1959 through 1960 as follows:

> Diplomatically, the Soviet Union surmised that if it could be made privy to the Rome Treaty provisions itself, or if it could dissolve the Treaty in the context of a wider all-European economic organization, then the reality of the Common Market would disappear, as would much of Western integration. Consequently, it suddenly became the world champion of the most-favoured-nation principle and it asked the EEC to observe this principle in its dealings with the USSR.... At the United Nations Economic Commission for Europe the Soviet Union proposed anew an all-European trading organization. It even went so far as to propose that there be three other trading groups also: Asian, African and Latin American. It conveniently left out the United States.[3]

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[1] UN, ECOSOC, Official Records (28th Session), Supplement No. 3, "ECE: Annual Report," p. 27.

[2] ECE Resolution 1 (XIV), 5 May 1959.

[3] David F.P. Forte, "The Response of Soviet Foreign Policy to the Common Market, 1957-63," Soviet Studies 19(January 1968): 376-77.

However, besides the immediately obvious factual errors (the USSR had for a number of years supported the most-favored-nation standard; it had never before proposed an all-European trade body; the proposed organization would have included all ECE member states, and therefore the United States), this statement also conveys an inaccurate impression of the purpose of the proposed trade organization.

First of all, Forte indicates but then ignores the fact that the all-European trade organization was intended as an integral part of a larger plan that was by no means limited in its concerns to the commercial problems of Europe. The proposal put forward by the socialist countries during the twenty-eighth ECOSOC session in 1959 for four regional trade organizations has already been touched upon in the preceding chapter. There we described it in connection with the frustration of Soviet bloc efforts from 1955 to establish a single universal trade organization within the United Nations system, and we also conjectured that this new decentralized approach reflected the lessons apparent in the failure of the broadly conceived OTC Agreement to win sufficient support among the major western governments for ratification. Although this later proposal had been preceded by the Soviet bloc draft resolution in the ECE for a regional trade body for Europe, the central issue in the debate that followed in the Economic and Social Council continued to be (as it had been since 1955) the institutional adequacy of GATT, and not the Common Market.

This is not, as we pointed out in Chapter Four, to say that the growing strength of the Common Market in 1959 after a period of uncertainty was not a major incentive behind the redoubled Soviet bloc effort in the United Nations. Indeed, the socialist delegations repeatedly affirmed that projects for restricted economic groupings in western Europe (the negotiations which culminated in the European Free Trade Association had

recently been undertaken in response to the Common Market) had compounded the need for new institutional machinery in the trade field. They argued this position on the ground that only with the creation of an effective international trade organization could the legitimate commercial interests of third states be protected as they were not then under existing arrangements.[1]

This argument was used in the institutional debate in the United Nations to cut away at GATT's claim of being the most suitable forum for harmonizing such competing economic interests.[2] Soviet bloc spokesmen asserted that the importance of GATT, already said to be severely circumscribed by its limited membership and previous record on a wide range of other issues, had been further diminished by the division of the world into several markets with the emergence of the Common Market and EFTA, whose external policies were allegedly at odds with both the United Nations Charter and the stated objectives of the General Agreement itself.[3] In fact, the Common Market and EFTA were referred to as proof that the industrialized countries were not satisfied with GATT. Thus, instead of promoting the development

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1 See, for example, UN, ECOSOC, Official Records (23th Session), Supplement No. 3, "ECE: Annual Report," p. 27.

2 On the other side of the argument Richard N. Gardner observed in 1964 that the GATT provisions on regional arrangements have enabled the Contracting Parties to subject the Common Market and EFTA to close scrutiny. Although he recognized that this scrutiny "has not succeeded in giving full satisfaction to nonparticipating countries," he argued that "GATT has provided an opportunity for the United States and other countries to influence the Common Market and other regional arrangements in an outward-looking direction." In: "GATT and the United Nations Conference on Trade and Development," p. 692. Earlier, however, Jean Royer, upon recent retirement from the position of Deputy Executive-Secretary of GATT, had expressed less optimistic opinions concerning the impact of the Common Market and other regional trends on GATT. "World Trade: the Dangers of Regionalism," Lloyds Bank Review no. 66 (October 1962): 1-22.

3 See for example, UN, General Assembly, Second Committee, Official Records (14th Session), p. 259 (USSR).

of an equitable global trading system (deemed by the socialists to be the proper task of an international trade body of the character claimed for GATT by its leading member governments), the attrition of GATT's position in international trade was seen as having the opposite effect. This was, moreover, a situation which, they maintained, could not be put right as long as GATT excluded certain segments of the international community and remained in effect under the control of the major western trading states which were either members of, or lent their support to, the European economic communities.

As elaborated in the Economic and Social Council, the Soviet bloc proposal for four regional trade bodies, which were expressly described as the first installments of a world trade organization, clearly demonstrated that what the socialist countries had in mind was the displacement of GATT from center stage, but not its abolishment. And despite the arguments against sub-regionalism advanced in support of the plan there appears to be no concrete evidence for Forte's allegation that this institutional design was intended to "dissolve" the Common Market "in the context of a wider all-European organization." Instead, the evidence that is available indicates that the purpose of the all-European scheme as far as the Common Market issue was concerned was less ambitious, though in the end no more acceptable to the West for it: namely, to introduce specialized institutional machinery coterminous in jurisdiction with the ECE for the development of East-West commercial relations under--and in some respects in spite of--existing conditions.

In the first place we have the Soviet representative's characterization of what the USSR considered might be the scope and functions of the comprehensive trade organization which he set out during debate on the

proposal in ECOSOC. In it he declared, as previously quoted (see Chapter Four, Section III), that a universal trade organization would be able to reconcile and coordinate the activities of GATT and the various sub-regional economic groupings while pursuing the broad tasks of working out measures for the development of cooperation among states and the removal of barriers to international trade. However, the idea of first establishing several regional trade bodies meant that the realization of this scheme would be delayed indefinitely. It seems reasonable to conclude that the socialist countries believed that in the meantime an all-European trade organization could operate among the members of the ECE to reconcile the trade policies of those countries belonging to restricted economic groupings with the commercial interests of those remaining outside the respective arrangements. If indeed this was the case, then the plan was, quite simply, a straight forward application of the institutional approach to the general problems of improving East-West trade that the socialist countries had been pursuing in the United Nations over a number of years; all that was altered was the scenario. Thus, aside from what should be by now the obvious practical miscalculations inherent in this approach, the socialist delegations were eminently pragmatic in their treatment of the Common Market question in elaborating on the relationship between the Common Market, on the one hand, and the proposed European trade organization and the designated future global agency, on the other. It was here rather than in the vituperative exchanges on the merits of the Rome Treaty that the economic rationale of Soviet bloc policy was most apparent.

In the second place, unlike the Draft Agreement on All-European Economic Cooperation originally submitted by the Soviet Union in the ECE in 1956, the proposal for a European trade body was not offered as an

alternative to the Common Market. It is significant that in reply to western criticisms of the Draft Agreement the Soviet government Memorandum which accompanied the revised draft in 1957 stressed that the proposed Agreement did not envisage the creation of new institutional bodies in Europe for its implementation.[1] At the time, the apparent assumption was that as a contractual statement the Agreement could by itself provide a sufficient framework for the development of economic relations among all member states of the ECE in the absence of sub-regional tariff unions (which would presumably have been the result of its adoption). By 1959, however, things had worked out differently. In view of this, the proposed European trade organization may be seen in part as an implicit recognition of the established position and growing strength of the Common Market and, consequently, of the need for a policy more closely attuned to the new realities of Europe. Soviet bloc spokesmen were showing awareness that if their campaign for the creation of new machinery for trade cooperation was to have any chance of success, it could not be linked to the dissolution of either GATT or the Common Market, regardless of their acute dislike of both arrangements. Accordingly, they took pains to impress upon the western delegations that if they were to agree in principle to the creation of such machinery, its terms of reference would then be open for negotiation. From an institutional point of view, therefore, it is difficult to see the proposal as an immediate threat to the very existence of the Common Market, for presumably the proponents of western economic integration would have insisted on sufficient safeguards to protect their interests.

This more conciliatory approach is important. Forte correctly notes

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[1] "Soviet Proposals for All-European Economic Cooperation," p. 161, explanation no. 3.

that the Soviet Union had demanded that the members of the Common Market (and EFTA, in 1960) extend the liberalization of trade among themselves to the USSR by way of a rigorous application of the most-favored-nation principle. Referring to the fact that prior to the conclusion of the Rome Treaty each of the six acceding countries except the Netherlands had had trade agreements with the USSR which had provided for "maximum benefit," the Soviets charged that in subsequently refusing to extend internal Market tariff reduction to the USSR these countries had violated "one of the main principles of international law: that the conclusion of new agreements should not release the signatories from obligations under previous agreements."[1] This complaint is apparently what Forte had in mind when he stated that the Soviets "became" champions of the most-favored-nation principle and sought to "dissolve" the Treaty of Rome in a wider organization. It is true that the socialist countries had all along affirmed that any new trade machinery should be established on the standard of unconditional most-favored-nation treatment. Still, even had the western countries believed that genuine and fair free trade between centralized state-trading countries and modern market economy countries was not incompatible with both systems and that, consequently, the trade between them could and should be brought in under the umbrella of a single organization resting on the principle of non-discrimination, the creation of such an organization would by no means have ipso facto brought on the dissolution of the Common Market. For evidence of this, one needs to look

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[1] New World Review, July 1964, p. 3.

no further than GATT and its provisions concerning customs unions.[1] Given their commitment (despite de Gaulle) to the objectives of the Treaty of association, before agreeing to any all-European trade machinery the Common Market members certainly would have insisted, in negotiating its terms of reference, on a GATT-type acknowledgment of customs unions as an exception--though not an unrestricted exception--to the principle of non-discrimination contained in the most-favored-nation clause. Furthermore it should be remembered that in revising the Draft Agreement on All-European Economic Cooperation for the 1957 ECE session the Soviets had been pressured into compromising their maximalist position on most-favored-nation treatment which had been expressed in Article 5 of the original draft.[2] In the end they settled upon a formula which would recognize the desirableness of most-favored-nation treatment, but which would obligate signatories only to "strive to extend reciprocal application of this principle" and "endeavor to eliminate" other obstacles in the sphere of foreign trade. There is no reason to suppose that they could have hoped for more or would have refused a compromise in 1959.

But how else except with the leveling impact of an unconditional and unrestricted commitment to the most-favored-nation principle could the Soviets have expected to "dissolve" the Common Market within a European trade organization? It might be argued that by putting the Six at competitive odds with one another the Soviets had hoped to accelerate the break-up of the Common Market by intensifying the alleged internal contradictions among its capitalist member nations, contradictions which

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[1] Gardner, "GATT and the United Nations Conference on Trade and Development," p. 692.

[2] See Section II this chapter.

Soviet ideologues perhaps wishfully asserted would inevitably bring about the collapse of the Community. However, the connection between ideology and foreign policy is less than evident; and even Forte, who tries throughout his article to make such a connection in the Soviet response to the Common Market, fails to tie a convincing knot.

Stripped of its ideological overtones, the argument is a bit more plausible. Perhaps the Soviets believed that an all-European trade organization would be so attractive to economic interests in western Europe that it would fatally weaken the impulses toward sub-regional integration. The evidence which is available neither proves nor disproves that they had this in mind when making their proposal in 1959. They could not have forgotten, however, that the earlier Draft Agreement on all-European cooperation, which had been designed to do precisely this, had failed to generate much interest at a time when the final decision on establishing the Community, i.e. the ratification of the Treaty of Rome, had not yet been taken. Then, too, they must have been aware of the fact that the advantages of the OEEC had not deterred the creation of the Common Market and that GATT--which offered more concrete advantages for trade cooperation than did the Soviet concept of a trade organization--also had not dissuaded the Six from their plans for closer economic union. Still, we cannot overlook the appeal to Soviet policy makers of the myriad opportunities which a European-wide institution would offer the socialist countries for expressing their opposition to the Common Market (and EFTA) and continuing their efforts to weaken these arrangements.

It might also be that the Soviets believed such an organization would promote trade on a bilateral basis, providing opportunities for them (and the representatives of other socialist countries) to pursue their preferred "traditional method of dealing with the western nations singly,

and if possible in competition with one another"[1]--perhaps in much the same way as the annual ECE trade consultations were conducted, but in an open forum.[2] This in turn would possibly inhibit the progress of the Common Market countries in their moves toward a common external commercial policy in trade relations with the East.[3] If this could be accomplished, the advantages to Soviet policy would be twofold. On the one hand, it would at least put off the time when it would be no longer feasible to withhold formal recognition from the Community, an act repugnant to the Soviets for its political and economic implications.[4] And on the other hand, any time gained by delaying agreement among the Six on a new system for the joint conduct of their external commercial relations could be used for negotiating better terms of trade with each Common Market country individually, and hence more easily and with a greater likelihood of success. So long as the Soviets could maintain trade relations with the members of the Community on a bilateral negotiating basis, they could take advantage of every opportunity to exert a mitigating influence on the policies of each member country in its economic dealings with the Soviet Union, thereby in turn influencing the basis of an eventual common external policy if and when one were finally agreed upon by the Six.

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1 Shonfield, p. 64.

2 The ECE trade consultations "had some similarities with GATT negotiations: bilateral contacts, even between countries which had no diplomatic relations, within a multilateral framework. The meetings were private and there were no reports to the press." Kock, p. 194.

3 It is true of course that participation in such an organization could have had the opposite effect and driven the Common Market countries toward a common negotiating posture more quickly.

4 See, John Pinder, "EEC and COMECON," Survey: A Journal of Soviet and East European Studies no. 58 (January 1966): 110-12.

Of particular importance here is the fact that the socialist countries were not only deprived--as were all outside countries--of the benefits of trade liberalization and tariff reductions within the Community, but they were also faced with a higher tariff wall in their commercial dealings with the Six than were their competitors in those countries which enjoyed most-favored-nation treatment in the Common Market countries as provided for under the Treaty of Rome.[1] Naturally they wanted to be on an equal footing with these competitors; and we suggest that this more practical concern, rather than the very existence of the Common Market, may have been the main consideration behind the Soviet proposal in the ECE for the creation of new trade machinery aimed at the elimination of discrimination in international trade. Here a GATT-like construction of the most-favored-nation principle with reference to customs unions would have sufficed, and even a general commitment to strive for the application of non-discriminatory treatment in dealings with the third countries similar to that offered in the revised Draft Agreement of 1957 may have been acceptable to the Soviets. Of course this objective could have been achieved by acceding to the General Agreement on Tariffs and Trade, whose standard benefits of adherence automatically included most-favored-nation treatment.[2] This was, in fact, what Poland had tried, unsuccessfully. But for reasons discussed previously, membership in GATT--even if it had been possible--was not acceptable to all countries of the Soviet bloc, not least the USSR. In addition to the tariff discrepancies, several Common Market countries were applying discriminatory quotas on imports from the East, and the socialist countries might have thought it would be easier to

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[1] Kock, p. 198.

[2] See Chapter Four, Section III.

get these quotas removed within the framework of a trade organization. In the end, however, the western countries rejected the Soviet bloc proposal on the same grounds that they had refused similar offers in the past, i.e. that under existing circumstances and in lieu of a workable commercial code, a trade organization encompassing the two trading systems was impracticable.

V. OTHER INITIATIVES AND BETTER PROSPECTS

The failure of the 1959 proposal led to an attempt by the Soviet Union the following year to associate itself with the activity undertaken by the member countries of the OEEC under American pressure to transform that association into what became the Organization for Economic Cooperation and Development.[1] The establishment of the Common Market, and EFTA subsequently, had created certain problems for American foreign policy and for relations between the sub-regional groupings themselves. Because the United States believed that the future of western Europe depended on economic and political unity, it hoped to upgrade the OEEC so as to provide a competent institution for keeping the lines of communication between the two groups open. The Americans also hoped this would lay the basis for an Atlantic economic partnership.[2] During the ECE's fifteenth session, the Soviet delegate announced his government's readiness to

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[1] See: "OEEC into OECD," The World Today 17 (May 1961): 182-86.

[2] Ibid., pp. 182-83; and; Aleksandr Bilimovich, "The Common Market and COMECON," Studies on the Soviet Union 2, no. 2 (1962): 41. In the new organization, the United States and Canada would cooperate with the eighteen OEEC member countries as full members on an equal basis; previously their status in the OEEC had been that of associates and their role that of observers and advisors.

participate in the elaboration of the principles of the new organization at the OEEC conference scheduled for May, 1960, in the expectation that a broadly constituted OEEC would be a step toward an international trade organization.[1] At the time, no indication was given that the Soviets would insist on the organization being brought into the United Nations system. Representatives of the OEEC countries sidestepped this offer, as they did again in the following year when the USSR stated its interest in adhering to the OECD convention, which had been concluded and signed by twenty western states.[2]

Two other courses of action for developing commercial relations which were pursued by the socialist countries in the ECE during this period centered on inter-regional trade cooperation and special conferences on the problems of trade. As early as 1957, the socialist countries suggested that interested member countries of other regional economic commissions might participate, under Article 11 of the ECE's terms of reference, in the Commission's consultations of experts on East-West trade to be held in the autumn of that year.[3] Further discussion of the subject in subsequent years elicited a modicum of interest among the members in the general idea of increasing inter-regional contacts.

The other tack brought more results. Following the stifling of its Draft Agreement on economic cooperation the previous year, the USSR

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[1] UN, ECOSOC, Official Records (30th Session), Supplement No. 3, "ECE: Annual Report," p. 31.

[2] UN, ECOSOC, Official Records (32nd Session), Supplement No. 3, "ECE: Annual Report," p. 34. The Convention setting up the OECD was signed on 14 December 1960 and came into effect in October 1961.

[3] UN, ECOSOC, Official Records (24th Session), Supplement No. 3, No. 6, "ECE: Annual Report," pp. 42-43.

suggested in 1953 that the Commission convene before the end of the year a Conference of Ministers to consider the development of trade.[1] When it failed to receive sufficient support, the Soviet delegate withdrew the recommendation with the understanding that it could be reconsidered at a later date. In the fall of 1958 the Committee on the Development of Trade agreed on a bipartisan East-West suggestion to convene the following June a "special meeting on organizations and techniques of foreign trade: as a contribution to mutual understanding of trade problems.[2] Later, in an address during the Commission's fifteenth session in 1960 on the future directions of the ECE, the Executive-Secretary proposed that in order to develop further cooperation among member countries "an understanding should be reached to convene periodic intergovernmental meetings, which would be held in camera and at an appropriately high level, to consider major economic questions of a general policy character...."[3] Pursuant to this, the Commission adopted a western sponsored resolution calling for a meeting of "high-level senior economic advisors," which was then scheduled for March, 1961.[4] Although another Soviet proposal for a Conference of Ministers was offered at the same session, it was not put to a vote by the Soviet delegate, who instead accepted the western draft's phrasing of "high-level" advisors. The initial meeting was a considerable success, and as a result

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[1] UN, ECOSOC, Official Records (26th Session), Supplement No. 3, "ECE: Annucal Report," pp. 34-35.

[2] UN, ECOSOC, Official Records (28th Session), Supplement No. 3, "ECE: Annual Report," p. 18.

[3] UN, ECOSOC, Official Records (30th Session), Supplement No. 3, "ECE: Annual Report," p. 30.

[4] Ibid., p. 54. ECE Resolution 3 (XV), 5 May 1960.

the Commission decided similar meetings should be made an annual feature of the ECE's activities. As former Executive-Secretary Gunnar Myrdal has pointed out, the success of the Secretariat's initiative was a good indication of the general success achieved by the Commission at the time and of the "greater willingness of governments to use the ECE machinery for joint consideration of economic policies in their broader setting."[1]

In 1960, during his introductory remarks to a discussion on the future tasks of the Commission, the Executive-Secretary endorsed a plan for beginning work on drafting "a set of multilateral trade principles and procedures which might be applied in relations between countries with different economic systems."[2] Despite differing positions on the nature of the obstacles to expanding East-West trade, both groups of countries found it possible to combine their interests in the Executive-Secretary's proposal. In a joint draft resolution which was adopted as Commission resolution 6 (XV),[3] they invited the Trade Committee "to examine...the problems which need to be resolved and the possibilities which need to be explored in order to facilitate the introduction of more multilateral methods and any other methods likely to improve the international trade and payments relations between ECE countries...."

In the course of general discussion in the Committee at its next regular session, the two groups of states were unable to agree, however, on the scope of action to be taken pursuant to resolution 6 (XV). The

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[1] Myrdal, "Twenty Years," p. 623.

[2] UN, ECOSOC, Official Records (30th Session), Supplement No. 3, "ECE: Annual Report," p. 30.

[3] Ibid., p. 55. 5 May 1960.

socialist countries once again expressed the opinion that,

> recommendations be drafted which all member countries...could take as a guide in their trading relations, and emphasized that such recommendations would be of practical value if based on recognition of the following principles: peaceful coexistence of states with different social and economic systems; non-discrimination; maximum mutual advantage; removal of barriers of a non-economic character; and promotion of the development of the economically less developed countries.[1]

Other delegations, however, insisted that

> as long as strictly bilateral trading methods were followed it was futile to hope for an optimum expansion of East-West trade. They observed that the most useful kind of work which could be undertaken by the Committee was to study at a technical level the obstacles to trade which can be eliminated or at least reduced.[2]

These differences notwithstanding, the members of the Committee requested the Executive-Secretary to call a meeting of governmental trade experts to implement resolution 6 (XV). The requested meeting was eventually held in May, 1961.

At the ECE's sixteenth session, the members of the Commission agreed on the text of resolution 9 (XVI) which called upon the Trade Committee to give "particular attention...to the preparation of recommendations that would help towards removing the economic, administrative and trade policy obstacles to the development of trade...."[3] Pursuant to both resolution 6 (XV) and 9 (XVI) the Committee subsequently undertook a discussion on the obstacles to trade at its meeting in September, 1961, and proposed that the Secretariat prepare a report on the subject in light of previous discussions in the ECE and in consultation with experts from interested

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[1] UN, ECOSOC, Official Records (32nd Session), Supplement No. 3, "ECE: Annual Report," p. 19.

[2] Ibid.

[3] UN, ECOSOC, Official Records (32nd Session), Supplement No. 3, "ECE: Annual Report," pp. 60-61.

governments. The report, which was to provide the basis for future discussion, was submitted to member governments on the 26th of March, 1962.[1] Subsequently, at the Committee's next regular session in the fall of 1962, it was agreed that the next step should be to convene an ad hoc group of governmental experts from all member countries.[2] However, in view of sharp conflicts of opinion over the possible subjects to be considered by the ad hoc group, a final decision on the matter was deferred to the next session of the ECE during which, it was hoped, agreement could be reached on an agenda.

Accordingly, the eighteenth session of the Commission decided to establish an ad hoc group of seven governmental experts to undertake an intensive examination of the following subjects in East-West trade:

(a) The role of customs tariffs in the trade of member countries with different economic systems, and the bearing of pricing and taxation policies on external trade;

(b) The most-favored-nation principle and nondiscriminatory treatment as applied under different economic systems, and the problems concerning the effective reciprocity of obligations under the different systems; and

(c) The possibility of establishing multilateralization of trade and payments.[3]

The ad hoc group, under the leadership of Swedish Ambassador Carl Henrik von Platen continued to meet on a regular basis during the remainder of the period under consideration, starting in September 1963; and the Executive-Secretary duly reported to member countries on its progress.[4]

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1 UN Document ME/99/62.

2 UN, ECOSOC, Official Records (36th Session), Supplement No. 3, "ECE: Annual Report," p. 21.

3 Ibid., p. 64. ECE Resolution 4 (XVIII), 4 May 1963.

4 See: UN, ECOSOC, Official Records (37th Session), Supplement No. 7, "ECE: Annual Report," pp. 24-25; and, UN, ECOSOC, Official Records (39th Session), Supplement No. 3, "ECE: Annual Report," p. 24.

The upgrading of the work of the Committee on the Development of Trade from 1960 on was in part a reflection of the increased emphasis given to the regional economic commissions by the socialist countries in following up the "new effort" which they had proclaimed in the General Assembly that year. The scope of this effort in the ECE, however, was most pronounced in the annual plenary discussion on the work of the Commission as a whole. Thus, during the ECE's sixteenth session in April, 1961, Soviet bloc delegates drew attention to the resolutions of the General Assembly relevant to the Commission's activities and affirmed that the ECE, "as the sole all-European international governmental organization, could do much to normalize international economic relations."[1] Subsequent debate at that and the following year's session about what should be done to increase the effectiveness of the ECE in intra-European trade proceeded along familiar lines: the socialist delegates argued against limiting the Commission's work to "narrow technical questions" at the expense of considering "fundamental problems bearing on the principles of cooperation;" and their western colleagues asserted instead that the Commission "should concentrate on its work-a-day, functional and continuing activities" concerning matters of a "practical" character.[2]

On the occasion of fifteenth anniversary of the ECE in 1963, the Soviet Union and France made extensive statements on what their associated delegations determined to be the desirable directions for the future work

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[1] UN, ECOSOC, Official Records (32nd Session), Supplement No. 3, "ECE: Annual Report," p. 33.

[2] Ibid.

of the Commission.[1] Speaking on behalf of the socialist countries, the Soviet spokesman outlined their approach to economic cooperation within the ECE and affirmed that the Commission "should aim at mutually acceptable decisions on basic questions concerning the economic relations between States participating in its work." The French delegate, representing the western delegations, optimistically observed that the discussions of the current session "had, more than ever before, taken place in an atmosphere of compromise and conciliation which augured well for the Commission's future work."[2] This more promising situation was again noted the following year. The annual report of the ECE to ECOSOC recorded that during discussions on the Commission's activities the delegates "generally felt that the recent lessening of world tensions" during the year following the peaceful resolution of the Cuban crisis "could notfail to have beneficial effects on the work of the Commission, whose tasks would thereby be facilitated and rendered more effective."[3] At the same time, the Soviet representative prefaced the Commission's general discussion of the work of the ECE's subsidiary bodies with a number of observations concerning the strengthening of the institutional machinery of the Commission. Referring to various General Assembly and ECOSOC resolutions on decentralizing the functional activities of the United Nations and strengthening the regional commissions, he stated that, in view of improved interstate relations, it was thus "possible for the Commission to concentrate on solving the most

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[1] UN, ECOSOC, Official Records (36th Session), Supplement No. 3, "ECE: Annual Report," pp. 49-51.

[2] Ibid., p. 49.

[3] UN, ECOSOC, Official Records (37th Session), Supplement No. 7, "ECE: Annual Report," p. 51.

complex and important problems affecting modern sectors of the economy in the interests of the further development of all-European cooperation...." To do this, he asserted, the ECE's existing structure, which had been "designed to meet the requirements of the immediate postwar years and had since undergone little change," would have to be up-dated and its work programme reconstituted through a major over-hauling of the subsidiary bodies, which were, he observed, "the basis of the Commission's activities."[1] Thus, by the last year of the Khrushchev era, it appeared Soviet policy had assumed certain specific and constructive directions in the ECE which had a greater likelihood of success than had theretofore been possible within the United Nations.

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[1] Ibid., p. 41.

CHAPTER SIX

THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

When in 1960 the socialist countries announced the policy of the "new effort," which centered on upgrading the work of the regional commissions, they predicted that although current circumstances prevented the creation of new institutional machinery for trade cooperation, the United Nations would eventually have to establish an international trade organization to meet the requirements of the changing world economy. It was not long, however, before the series of negotiations initiated by the developing countries in the General Assembly and ECOSOC which led to the first United Nations Conference on Trade and Development (held in Geneva from March 23rd to June 16th, 1964) provided the Soviet bloc with a fresh opportunity for renewing the campaign for a worldwide economic conference and a general trade organization.[1]

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[1] Two extensive accounts of the events and negotiations that led to the establishment of UNCTAD have appeared to date. The more detailed account is that by Diego Cordovez, "The Making of UNCTAD," The Journal of World Trade Law 1 (May/June 1967): 243-328, which was then followed by his UNCTAD and Development Diplomacy. From Confrontation to Strategy (Twickenham, England: The Vincent Press, 1972), issued as a "special publication" by The Journal of World Trade Law. The other is in Chapters One and Two of Branislav Gosovic's book, UNCTAD: Conflict and Compromise. The Third World's Quest for an Equitable World Economic Order through the United Nations (Leiden: A.W. Sijthoff, 1972), p. 3. (Hereafter referred to as UNCTAD.) For a critical comparative review of these accounts see the Review Article by this writer in Coexistence, 10 (March 1973): 80-85.

This development appears to have taken the socialist countries as much by suprise as it did the industrialized western states. Contrary to the numerous assertions of Soviet statesmen and journalists (and of a surprising number of western commentators), UNCTAD was not the end result of the rather belated call for an international trade conference voiced by Khrushchev at a Moscow reception for the President of Mali in May, 1962.[1] Nor was it in any direct sense an outgrowth of the Soviet led efforts beginning in the mid-1950's to revitalize United Nations activities in the trade field. Where the focus of Soviet bloc policy had been on the normalization and expansion of East-West trade with obligatory nods in the direction of the developing countries, the main thrust of the efforts of the Third World delegations in the early 1960's was directed toward the trade problems of their own economic development. The relation, and distinction, between the two policies has been succinctly noted by UNCTAD's first Secretary-General, Raoul Prebisch:

> The idea of calling a trade conference originated in the 50s and the Soviet Union and other socialist countries were persistently pressing for it. Later on, developing countries followed this idea and it culminated in the first /UNCTAD/ conference. This was due to a growing consciousness that the moment had arrived for a new international trade policy geared to the needs of the developing countries.[2]

The sustained efforts of the developing countries which preceded the Geneva Conference generated from their earlier attempts singly and

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[1] "Meeting in Great Kremlin Palace," Pravda, 31 May 1962, pp. 1-2, as translated in CDSP 14, no. 22 (1962), p. 12. For examples of the error to which we refer, see: S. Mikoyan, "Economic Forum in Geneva," International Affairs (Moscow) no. 5 (May 1964): 26; M. Lavrichenko and I. Ornatsky, "Barometer of Interstate Relations," International Affairs (Moscow) no. 1 (January 1964): 5; "Importance of Geneva Conference" (interview with N.S. Patolichev), East European Trade no. 12 (March 1964): 11; Rubinstein, p. 144; and Forte, pp. 379-80.

[2] "Interview: Raoul Prebisch," The Banker 117 (September 1967): 748.

collectively to improve their commercial position vis-à-vis the more economically advanced states. Repeated frustrations in their bilateral trade relations and with existing economic bodies, particularly GATT, led the disadvantaged states to seek redress through the United Nations, where their coalescing unity and increasing voting strength seemed to promise a chance for a dramatic break with past international economic policies to which they felt they had been unfairly subjected. With the General Assembly's declaration in 1961 of the United Nations Development Decade,[1] the movement among the developing countries toward a united posture on trade issues gained momentum; and the sharpening definition of Third World policy became increasingly linked with the demand for a major international meeting on the commercial aspects of economic development. For the less developed nations, then, UNCTAD assumed importance beyond a simple proposal for an exchange of views and discussion of possible alternative policies: UNCTAD became the expression of their frustrations, the embodiment of their expectations and the symbol of their determination to effect a major restructuring of the international economic system. As such, it seems in retrospect all but inevitable that a permanent and central place would be sought for UNCTAD in the landscape of international economic organizations.

Thus prior to the Geneva Conference there were two essentially separate trade programmes being pursued in the United Nations which involved an increasing role for the Organization: one pursued by the socialist countries and concentrating on the traditional subject of postwar economic cooperation, i.e. the freeing of trade relations; and the other, promoted by the developing countries and directed toward a pattern of commercial relations tailored to meet the unique needs of economic

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[1] General Assembly Resolution 1710 (XVI), 19 December 1961.

development in the Third World. The ultimate origin of the developing countries' demand for the creation of international machinery in the field of trade and development, to which they were to attach a singular importance at Geneva,[1] can be traced to the institutional gap left in the United Nations system by the failure of the Havana Charter and the resulting proliferation of limited economic bodies outside the Organization, such as GATT and the OEEC-cum-OECD. Insofar as the proposed structural changes envisaged a central place for the United Nations in the formulation and conduct of international trade policy in fulfillment of its original institutional design and at the expense of the other organizations, the policy of the developing countries shared a certain similarity with that of the Soviet bloc. However, in light of the pronounced differences in the substantive objectives of the two groups of countries, the similarity at this level did not reflect a deeper identity of views.

I. THE NEGOTIATIONS LEADING TO THE GENEVA CONFERENCE

The immediate source of the UNCTAD initiative was the September 1961 Belgrade Conference of Non-Aligned States, which had recommended that a broadly representational conference be convened by the United Nations to work out measures for promoting economic development. From the outset of subsequent discussions in the United Nations, the socialist countries welcomed the growing interest among the developing states in the idea of an international economic conference(whose tasks were as yet officially undefined) and their increasingly evident mood of dissatisfaction with existing institutional arrangements. But throughout these preliminary talks,

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[1] Proceedings of the United Nations Conference on Trade and Development, Geneva, 23 March-16 June 1964, Vol. I: Final Act and Report (United Nations Publication Sales No.: 64. II. B11 /UN Document E/ Conf. 46/141, Vol. I/) (United Nations, 1964), p. 67. (Hereafter referred to as Proceedings I)

and then later during the preparations for Geneva and at the Conference itself, the objective of normalizing East-West trade remained the basic rationale of their active participation. Accordingly, the response of the socialist countries to the new course of action being laid out by Third World delegations was to reintroduce essentially the same proposals and concepts which they had promoted with little success in earlier United Nations sessions and which, as they were once again elaborated, had only incidental significance for what the developing countries hoped to achieve.[1] This effort to direct the debate in directions other than economic development was in the beginning aided by disagreements among the developing countries over the scope and organizational character of the trade programme desired.[2]

Pursuant to the Belgrade recommendation, two groups of developing countries submitted separate draft resolutions to the Second Committee of the General Assembly during its sixteenth session in 1961. Both drafts, one sponsored by Latin American countries[3] and the other by delegations from Africa and Asia,[4] called for action in the trade field and emphasized the need for international meetings and conferences on commercial problems. Whereas the former draft referred simply to international negotiations related to the problems of economic development alone, the Afro-Asian draft specifically requested the Secretary-General to prepare "a provisional agenda for an international conference on world trade problems, including

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[1] See, for example, Khrushchev's message to the president of the Geneva Conference, Proceedings I, pp. 92-93.

[2] See: Božidar Frangeš, "Institutional Framework of Economic Cooperation," Review of International Affairs 15 (20 March 1964): 5-7.

[3] UN Document A/C. 2/L. 550.

[4] UN Document A/C. 2/L. 556/Add 1/Rev. 1.

those relating to the primary commodity market...." In offering support for this broader formulation, the Soviet delegation asserted that "all viewpoints" would have to "be put forward if the conference was to prove fruitful."[1] Thus while the socialist delegations acknowledged in their replies that the main purpose of the conference proposed in the Afro-Asian draft was to assist the less developed nations, they insisted on a broader agenda.

The crux of their argument was the position they have persistently advanced over the years in discussions on the commodity trade of the developing countries, namely that world trade problems are indivisible and that favorable conditions for economic development in the Third World, especially through increased trade with the socialist countries, depends greatly on concrete and satisfactory solutions leading to expanding trade between the industrial export-oriented countries of the East and West. As one Polish representative put it during the continued debate the following year:

> In view of the underlying interdependence of all markets, an expansion of world trade was not possible unless due account was taken of all flows of trade. In that respect, the UNCTAD... should be an instrument for the liquidation of the economic remnants of the cold war and the promotion of economic cooperation among states, regardless of their level of development and their political and social systems.[2]

This concept and its policy implications remained a subject of contention in UNCTAD for a number of years after the permanent establishment of the

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[1] UN, General Assembly, Second Committee, Official Records (16th Session), pp. 180-81.

[2] UN, General Assembly, Second Committee, Official Records (18th Session), p. 147. Thus, in his opening policy speech at the Geneva Conference, N.S. Patolichev stated that "the USSR delegation is convinced that the radical solution of the problems of the developing countries is inseparable from the normalization of the international economic life as a whole." See Volume II of the Proceedings, p. 388.

organization. To some extent, of course, the issue concerned an important question of fact of potentially great importance to the Third World, and as such was often held to merit serious investigation.[1] It was also, however, recognized as a key part of the socialist countries' efforts to carve out a larger place for East-West trade in UNCTAD and was most often treated as such, but not lightly in view of the fact that the Soviet Union in effect conditioned its participation in UNCTAD on the liberalization of East-West commercial relations.

During debate on the initial proposals in 1961, the developing countries remained divided on the matter of the conference's scope, with a number of African delegations expressing sympathy with the Soviet bloc's position. On the other hand, the representative of Yugoslavia, whose government was becoming an effective leader in the development of Third World policy, was adamant in maintaining that, quite to the contrary, "the idea was that the conference should discuss not trade in general but the primary commodity (sic) of the underdeveloped countries."[2] The issue remained unresolved, and the relevant portion of the text finally settled upon simply requested the Secretary-General to consult member states regarding their views on the advisability of holding a "conference on international trade problems relating especially to primary commodity markets and, if they deem such a conference advisable, the topics that might be considered for a provisional agenda."[3] The vote on the resolution

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1 See: Raoul Prebisch, "Towards a New Trade Policy for Development." UN Document E/Conf. 46/3, 1964, pp. 47-48. This was the UNCTAD Secretary-General's policy report to the Geneva Conference that served as a substantive focal point for discussion.

2 UN, General Assembly, Second Committee, Official Records (16the Session), p. 187.

3 General Assembly Resolution 1701 (XVI), 19 December 1961.

was 45 to 36, with 10 abstentions; those abstaining or voting against were the western and Latin American countries, excepting Cuba. And it was the following May that Khrushchev made his much over-publicized appeal in the presence of the Mali head of state for an international economic conference.

In July, 1962, the Cairo Conference on the Problems of Economic Development, sponsored by a number of developing countries, strongly recommended the early convening of an international conference on trade and development under the aegis of the United Nations and proposed "that the agenda of the international economic conference should include all vital questions relating to international trade, primary commodity trade, economic relations between developing and developed countries."[1] Subsequently at ECOSOC's thirty-fourth session in August the decision was formally taken in resolution 917 (XXXIV)[2] to convene a United Nations Conference on Trade and Development when it at last became impossible for the leading western trading nations to resist pressures from the less developed countries. However, no mention was made of East-West trade or of new institutional machinery. Specifics of the character and agenda of the Conference were then debated during the seventeenth and eighteenth sessions of the General Assembly in 1962 and 1963, and it was eventually decided that the Conference should be convened not later than the spring of 1964.[3]

Prior to the finalization of the Geneva Conference's terms of reference, however, the Soviet Union submitted a draft resolution to the 1962 General Assembly on the "question of holding an international conference

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[1] Proceedings I, p. 101.

[2] 3 August 1962.

[3] General Assembly Resolution 1785 (XVII), 8 December 1962.

on trade problems," accompanied by an explanatory memorandum from the Soviet Minister of Foreign Affairs, Andrei Gromyko.[1] The draft proposed a world trade conference to consider the following basic subjects: "the establishment of an international trade organization; the elimination of discrimination in matters of foreign trade; fair prices for raw materials and manufactured goods." This embraced an idea of a conference considerably different from the one imagined by many of the delegations which had shortly before supported ECOSOC resolution 917 (XXXIV). In presenting his draft to the Second Committee, the Soviet representative stated clearly his government's viewpoint, implying that the ECOSOC decision had not been based on a tacit understanding defining the focus of the Conference despite its designation as a conference on trade and development. He observed:

> There were some who wanted that conference to deal with problems of both trade and development. The Soviet Union considered it more logical first of all to hold a conference on trade which could, moreover, deal with a certain number of economic problems or with some of the trade aspects of economic development.[2]

He explained, furthermore, that the draft was not proposing that the conference be directed to undertake the immediate establishment of an international trade organization, but simply asking that the subject be included on the agenda. In connection with this proposal, the Czechoslovakian delegation introduced another perennial subject of Soviet bloc interest, declaring that it was imperative for the Conference "to elaborate principles for the development of trade among all countries... and to give those principles a solid basis by creating an international trade organization."[3]

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[1] UN Document A/C. 2/L. 645.

[2] UN, General Assembly, Second Committee, Official Records (17th Session), p. 167.

[3] Ibid., p. 145.

At the same session, a draft resolution eventually cosponsored by twenty-eight developing countries proclaimed that among the fundamental points that the Conference's Preparatory Committee should consider in drawing up a draft agenda was "methods and machinery to implement measures relating to the expansion of international trade."[1] Explaining this provision, one of the sponsors pointed out that the draft resolution was not calling for new machinery, but instead for an examination of the effectiveness of existing arrangements and consideration of such "organizational improvements and initiatives as may be needed," as the text stated. It appears, nonetheless, that the absence of a specific reference to a new trade body only indicated a desire not to prejudge the issue, while at the same time believing that some sort of continuing machinery ought to be established following the Conference. A number of developing countries explicitly stated an interest in an international trade organization competent to deal with all trade matters relating to economic development. But, as before, the question remained as to where to draw the line. Several delegates opined that, as far as UNCTAD was concerned, any conference on the problems of commodity trade and development would by necessity have to cover a wider field, including matters relating to East-West trade.[2] And it is significant that the twenty-eight nation draft resolution included as a major agenda item "measures leading to the gradual removal of tariff, non-tariff or other trade barriers by industrialized countries... which have an adverse effect on the exports of the developing countries and on the expansion of international trade in general." However, both the

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[1] UN Document A/C. 2/L. 648.

[2] UN, General Assembly, Second Committee, Official Records (17th Session), p. 102.

question of institutional machinery and that of trade flows were, in context, given a definite development slant.

The western countries objected to the references to institutional adjustement and rejected out of hand the suggestion that East-West trade problems might be aired at UNCTAD. One student of the proceedings, Branislav Gosovic, has described their position as follows:

> They felt that this was not in the spirit of the original ECOSOC resolution [res. 917 (XXXIV)] Actually, when they agreed that the conference be held, the major western powers were informally assured by some cosponsors of this resolution [A/C.2/L.648] that neither the institutional question nor the question of East-West trade would be discussed there.[1]

Despite their objections, the draft resolution was adopted by the General Assembly with near unanimity in resolution 1785 (XVII).[2] As Gosovic concluded, the western countries "were gradually outmaneuvered by the developing countries, which by then seemed to have grasped the tactic of step-by-step negotiation," and, we might add, the complementary strategem of playing the East off against the West.[3] Thus although the western delegations had acquiesced in ECOSOC's 1962 resolution to convene the Conference, UNCTAD "was born against the wishes of most western countries and plunged into an environment unfavorable for its growth."[4]

II. THE GENEVA CONFERENCE

Following the failure of their initial efforts to restrict the scope of the Conference mainly to general trade issues, the Soviet bloc countries

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[1] Gosivic, p. 19.

[2] 8 December 1962.

[3] Gosovic, p. 19.

[4] Branislav Gosovic, "UNCTAD: North-South Encounter," International Conciliation no. 568 (May 1968): 5.

generally supported the developing countries in the deliberations of the Preparatory Committee's three sessions,[1] though they continued to argue for a representative place in UNCTAD for East-West trade and for the establishment of a world trade organization based on a set of general principles. In pressing these positions, however, the socialist countries encountered two largely insurmountable obstacles. The first was the persistent refusal of most western delegations seriously to entertain any matters they believed were not directly relevant to the problems of the developing countries. The other was the determination of the developing countries, in spite of their practice of capitalizing on East-West competition, not to allow the Conference to be jeopardized by an interminable and debilitating debate between the two major world power blocs. In this, the Third World delegations were guided by their past experience in the United Nations' economic forums. While the developing countries had most often taken exception to the leading western countries' use of the Organization's functional activities as an extension of the anti-communist programme, their resentment had come in time to reflect foremost a desire to shift the United Nations away from its preoccupation with cold war concerns and to involve it more in the problems of economic development.

The development orientation of the developing countries during this period formed the basis of what those countries themselves have termed "the outstanding feature of the Conference and an event of historical significance": the unity of the developing countries and the consequent division of the Conference delegations along North-South lines--"North" denoting the rich countries, economically advanced whether capitalist or

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[1] See Franges, p. 6. The sessions were respectively held from 22 January to 5 February 1963, from 21 May to 29 June 1963, and from 3 to 15 February 1964.

socialist, and "South" the poorer countries of the Third World. In their self-proclaimed role as the champions of the developing nations' struggle to achieve full economic and political independence, the Soviets have held as utterly untenable this division of the world according to the North-South confrontation formula.

Allegedly founded upon and guided by the principle of proletarian internationalism, the presumed cooperation between the Soviet bloc and the developing countries is, for the Soviets, objectively based on their common struggle against imperialism, as set forth in the 1961 Party Programme. According to one Soviet article that appeared during the second UNCTAD Conference in 1968, "to divide the countries in 'haves' and 'have-nots' without taking into account their social nature is to deprive the whole issue of its class content."[1] In the Soviet perspective, this class content characterizes all economic and political relations; the economic division of a non-socialist society into classes of exploiting owners and exploited workers is seen to be transferred, mutatis mutandis, to the international arena in the form of the capitalist countries' economic (and political) imperialism repressing the advancement of the Third World through an unjust international division of labor. The socialist countries, however, maintaining that they have eliminated exploiting classes within their own societies, claim to apply their ideology and anti-capitalist strength to the international class struggle to the benefit of the developing countries. Thus, to link the capitalist and socialist countries together in opposition to the Third World is, according to them, to misunderstand the true nature of international economic relations. For the socialist states,

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[1] A. Zakharov and L. Lobanov, "The UN and the Urgent Problems of the Developing Countries," International Affairs (Moscow) no. 5 (May 1968): 31. Also see Patolichev's objections in his opening address in Volume II of the Proceedings, p. 386.

the question is not one of who is rich, but one of who is progressive.[1] However, their pursuit of more favorable economic relations with the West has produced a certain tension between rhetoric and national interest, for as the economic cold war was gradually eased in the 1950's it became evident that the socialist states were emerging as increasingly substantial participants in and beneficiaries of the existing international economic order. This fact did not escape the delegates of the developing countries at the Geneva Conference. That the developing countries continued by and large to ignore these protestations and to lump socialists and capitalists together under the "rich North" rubric was a source of continuing frustration for the Soviet bloc delegations at Geneva.

The position adopted by the developing countries vis-à-vis the socialist countries belied earlier Soviet expectations that in concert with the growing number of developing countries in the United Nations it would soon become possible to wrest the Organization from the West, thereby strengthening the position of the Soviet bloc in the international decision-making process.[2] In particular, in view of the establishment of GATT without Soviet participation, of Soviet non-participation in the IBRD and IMF, and of the negligible Soviet role in the administration of United Nations economic programmes, "the launching of new trade machinery in partnership with the less developed countries seemed a way of breaking traditional western hegemony in international economic institutions."[3]

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[1] S. Mikoyan, p. 46.

[2] See, for example, "On World Trade Parley," New World Review, July 1964, p. 27. This is an interview with the deputy head of the Soviet delegation to the Geneva Conference.

[3] Richard N. Gardner, "The United Nations Conference on Trade and Development," International Organization 22 (Winter 1968): 103.

According to Richard Gardner, it also seemed a way "to expand Soviet trade and political influence with the uncommitted countries and bring pressure to bear on western economic policies regarded inimical to Soviet interests." Moreover, George A. Brinkley has surmised in his thorough article, "The Soviet Union and the United Nations: the Changing Role of the Developing Countries," that as "the period from 1960 was marked by increasing difficulties for Soviet policy outside the UN (failure of the 1960 summit, another Berlin crisis and erection of the wall, eruption of the Sino-Soviet split into the open, the Cuban missile crisis to mention a few) it undoubtedly became all the more important to Khrushchev to consummate a victory inside the United Nations."[2]

The Geneva Conference, however, pointed out that Khrushchev had seriously miscalculated in his assumptions about the developing countries and the consequences of his position in the United Nations. Although at the Conference the developing countries showed deference to the socialist delegations, they felt in no way obligated to the Soviet bloc countries for the support offered by them. Soviet bloc proposals on the major issues of the Conference, while formulated largely in accordance with the demands of the Third World, often aroused incredulity among the delegates from the developing countries. And the predominant concern of the less developed countries with improving their trade relations with the western industrialized states served to force the socialist states into the background.

Yet it should be recognized that the socialist countries did much from the start to exclude themselves from the mainstream deliberations of the Conference. While endorsing most of the developing countries' demands

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[1] Ibid.

[2] Brinkley, p. 101.

and proposals for special treatment and for various unilateral concessions, the socialist countries both before and during the Conference contended that these demands should be directed only to the states which were "historically responsible" for the plight of the Third World, i.e., the leading western countries with histories of imperialism and neo-colonialism.[1] More to the point, the socialist countries asserted that world commodity markets were largely governed by the international capitalist monopolies and it was, therefore, against them that action should be concentrated. Thus, in a review of the Conference, Reginald Green observed that the Soviet bloc delegations "took a position fairly typical of the industrial world, endorsing all changes which would adversely affect only other industrial countries, and opposing those which would place significant burdens on themselves."[2] Also, supporting their "tested" use of bilateral negotiations and agreements, the socialist countries exhibited a distinct unwillingness to participate in across the board commodity agreements or compensatory finance systems.

But perhaps the most important indication of the Soviet bloc's attitude toward the Geneva proceedings was their declaration, noted previously, that given the rather less developed state of their younger

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[1] This was linked to the issue of the developing countries' lumping of the socialist and capitalist countries together as comprising the "rich North." Thus Soviet Foreign Trade Minister Patolichev, who headed the Soviet delegation, told an interviewer: "...we do not bear any responsibility for the grievous economic legacy left over to the developing countries and resulting from the long colonial rule or the neocolonialist policy. Therefore, the attempts to approach the developed capitalist and the developed socialist countries in the same way in discussing questions pertaining to the compensation of the damage inflicted by colonialism and the activities of capitalist monopolies are unnatural and unrealistic." "USSR and the UN Conference" (interview with N.S. Patolichev), East European Trade no. 15 (June 1964): 4.

[2] Reginald H. Green, "UNCTAD and After: Anatomy of a Failure," The Journal of Modern African Studies 5 (1967): 249-50.

economies in comparison with the United States and others it would be difficult for the socialist countries to increase greatly their economic relations with the developing countries unless major changes were made in East-West trade and economic relations. Although for political reasons, but also because of lack of time, the Conference failed to take a position on a draft recommendation submitted by Czechoslovakia "concerning the question of trade among countries having different economic systems"[1] (i.e. East-West trade), the socialist delegations realized at last, however, that the developing countries expected positive action from them as well; and consequently the USSR, Hungary, Czechoslovakia and Poland assumed certain commitments towards the close of the Conference, pledging an eventual increase of trade turnover between themselves and the developing countries.[2] In return, the socialist delegations had to be content with the decision of the Conference to transmit the Czechoslovakian draft "to the continuing United Nations trade machinery which it is proposed to establish, for further consideration and action."[3]

A. THE INSTITUTIONALIZATION CONTROVERSY AT GENEVA

The continuing machinery of UNCTAD that emerged from the Geneva Conference was an institutional compromise between those countries which promoted and those which reluctantly accepted the idea of an organization within the United Nations linking trade with development and devoted in the main to the economic problems of the Third World. Walter Kotschnig has called this machinery the developing countries' "greatest achievement in

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1 See Volume VIII of the Proceedings, p. 86.

2 E/CONF. 46/L. 17 (12 June 1964).

3 Ibid.

institution building within the UN."[1] Yet this institution was the result of difficult, often bitter, negotiations concluded only in the final hours of the Conference, and it bore the marks of the confrontation of the developed and developing countries over the kind of institutional machinery, if any, that should be created.

The establishment of any organization is always a complex business, involving questions of structural framework, membership, voting, arrangements, purposes, functions, and so forth. We do not intend to examine the deliberations of the UNCTAD delegations on all these matters since in most respects they are relevant only in terms of the continuing work of UNCTAD after 1964 and are therefore beyond the scope of this study. Furthermore, it is not our intention to review the Conference's reappraisal of the effectiveness of existing arrangements, which centered on the role of GATT. To a large extent, this discussion took place between the western and developing countries and is therefore of only tangential interest to us. As far as the immediate interests of our study are concerned, the basic positions of the socialist and western countries on this matter have been outlined previously; and it should suffice to observe that the developing countries considered existing institutions inadequate and ill-equipped to promote their economic interests.

The inability of the other Conference committees to make real progress on substantive problems of trade and development convinced the developing countries at an early stage in the proceedings that little would be accomplished at the single convocation, making it apparent to them that the success of the Conference depended on their efforts in the

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[1] Walter M. Kotschnig, "The United Nations as an Instrument of Economic and Social Development," International Organization 12 (Winter 1968): 33.

Fourth Committee ("Institutional Arrangements, Methods and Machinery To Implement Measures Relating to the Expansion of International Trade") to negotiate some sort of institutional framework for continuing the work begun at Geneva. Similarly, the failure of the socialist countries to secure Conference consideration of the issues most important to them placed particular urgency on their proposal for the establishment of an international trade organization.

The preliminary debate in the Fourth Committee indicated that by the opening of the Conference most all participants, including the western countries, "had reached the conclusion that the establishment of a new institutional framework within the United Nations was required in order to promote international trade cooperation and to implement effectively the principles and policies of the Conference," as stated in the summary record.[1] Notwithstanding this elemental agreement, serious differences existed over the kind of arrangements desired.

In his report to the Conference, "Towards a New Trade Policy for Development," UNCTAD Secretary-General Prebisch endorsed the idea of a "new trade organization," based on periodic UNCTAD conferences, a standing committee and "an intellectually independent secretariat with the authority and ability to submit proposals to Governments within the framework of the United Nations."[2] Initially the Fourth Committee had before it four formal draft proposals on institutional arrangements that to differing degrees corresponded to this formula. The three proposals that can be respectively

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[1] Proceedings I, p. 233.

[2] Prebisch, p. 100.

identified as the socialist,[1] Afro-Asian[2] and Latin American[3] drafts called for the establishment of an international trade organization. Two of these, the Afro-Asian and Latin American proposals, suggested the setting up of transitional arrangements--consisting of periodic conferences on trade and development, a standing committee and a specialized secretariat--"which would be vested with appropriate powers and functions in the field of international trade and which would also be entrusted with the task of preparing the legal instruments required for the establishment of the trade organization."[4] The former draft designated the projected institution as the "United Nations Organization for Trade and Development," while the latter referred to an "International Trade Organization within the United Nations system to deal with the problems of international trade, with special reference to the needs of development."

The socialist draft differed from these in that it called upon the Geneva delegates to establish forthwith a universal International Trade Organization and offered for the first time a detailed design for such an institution. Moreover, the proposal did not include any exceptional reference to the trade problems of the developing countries and omitted the subject of a continuing role for UNCTAD following the first Conference.

The fourth draft proposal,[5] which was sponsored by a number of

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1 UN Document E/CONF. 46/50. Romania was not a cosponsor.

2 UN Document E/CONF. 46/C. 4/L. 3.

3 UN Document E/CONF. 46/C. 4/L. 5/Rev. 1.

4 Proceedings I, p. 233. The idea of a standing conference was first put forward, prior to Geneva, by Yugoslavia. See, "Memorandum of the Government of the Socialist Republic of Yugoslavia" of April 1963, in answer to a questionaire of the UN Secretary-General, as cited by Franges, pp. 5 & 7.

5 UN Document E/CONF. 46/C. 4/L. 9.

western delegations, provided for new institutional arrangements on a permanent basis--also in the form of periodic conferences, a standing committee and appropriate secretariat services--as an integral part of the United Nations economic machinery under the Economic and Social Council. Except for the fact that the developing countries wanted UNCTAD as an organ of the General Assembly, the western proposal was in line with the minimal demands of the developing countries concerning continuing Conference machinery. In seeking to protect the competence and operation of GATT, the western countries maintained that the United Nations should be informed about and should discuss trade and development problems, but that GATT, as a contractual agreement, was the appropriate instrument for the implementation of any international trade policies. By advocating a permanent place for UNCTAD in the United Nations structure but not an international trade organization as a specialized agency, the western delegations were following a strategy that would least disturb the status quo in the institutional field. Furthermore, they shored up their position of total opposition to a new trade agency by pointing out that the Conference--not being a conference of plenipotentiaries--could not approve the legal instruments that were required for the creation of such an organization, as intended in the Soviet bloc draft.[1] While there was broad agreement on this point, the western delegations also argued that it was necessary to define the legal basis of an international trade organization before passing judgement on its establishment as the developing countries desired in proposing transitional arrangements.[2] On this there was no agreement.

The developing countries, however, took a pragmatic view of the

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[1] Proceedings I, p. 233.

[2] Ibid.

opposition of the major western trading states to an international trade organization in acknowledgment of the fact that the effectiveness of continuing arrangements would depend on their acceptability to those states, and accordingly offered no support to the socialist countries' plan. Nonetheless, they refused to discard the idea of transitional arrangements embodied in their draft proposals. For the developing countries it was important to get the process started and to build the organizational structure in stages; they therefore concentrated on defining the status and functions of a permanent Conference on Trade and Development. Thus, as the Committee report observes, "while the majority of delegations expressed their support for the establishment of such an /international trade/ organization, a broad measure of agreement emerged regarding the advisability of recommending...at that stage that the United Nations Conference on Trade and Development should be maintained as a continuing institution which would be convened periodically."[1]

Following the general consideration of the four proposals, and after several informal discussions among the delegations, three revised proposals were submitted: a draft resolution concerning the establishment of an international trade organization submitted by the socialist countries,[2] a draft recommendation submitted jointly by seventy Afro-Asian and Latin American countries and Yugoslavia,[3] and a draft recommendation submitted by an expanded number of western delegations.[4]

The rapporteur of the Fourth Committee noted that in introducing the

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1 Ibid.

2 UN Document E/CONF. 46/50/Rev. 1 and Add 1 and 2.

3 UN Document E/CONF. 46/C. 4/L. 12 and Add 1 and 2.

4 UN Document E/CONF. 46/C. 4/L. 9/Rev. 1 and Add 1.

revised texts, spokesmen in behalf of the respective drafts stressed that an effort had been made to harmonize proposals and to promote conciliation in order to reach a solution acceptable to all. In this connection, the socialist countries pointed out that, with a view to facilitating the position of those delegations which had opposed or had had difficulty accepting the previous text that provided for the immediate creation of an international trade organization, the revised version of their proposal included transitional arrangements which, pending the establishment of such an organization, would perform the functions required for implementing the decisions of the Conference.[1] Although the western countries claimed that their revised draft gave particular attention to the views of the developing countries (no mention was made of the Soviet bloc proposal), disagreement was apparent on a number of issues, one of which remained the provision concerning the establishment of an international trade organization.

Delegations among the western states persisted in the opinion that "the new institutional arrangement should be set up on a permanent basis and that no reference should be made to the creation of a new international trade organization since a case had not been made out for its establishment."[2] Nonetheless, in a joint position statement presented toward the conclusion of negotiations,[3] they declared that while they felt it would be premature to take a decision on further institutional arrangements, the question of a comprehensive trade organization could be left open for study at a later time; this was assured, they stated, by paragraph 6 (f) of their draft proposal, which provided that the standing committee of the permanent

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[1] Proceedings I, pp. 235-36.

[2] Ibid., p. 236.

[3] UN Document E/CONF. 46/C. 4/L. 19.

Conference would "keep under continuing review the effectiveness and further evolution of organizational arrangements and to recommend such organizational improvements as may appear feasible so as to maximize the beneficial results of trade for the promotion of economic development." In a parallel statement, however, the developing countries replied that they were "not satisfied with this assurance," and wished "to make a more specific reference" to the need for setting up a comprehensive international trade organization.[1] In the end, no agreement was reached on this issue, and the draft resolution of the developing countries was adopted as a whole by 80 votes to 20, with three abstentions.

Quite some time before the final vote was taken, however, the socialist delegations had moved into the background in the Committee's deliberations. By modifying their original draft proposal to include transitional machinery they had brought their position closer to that of the developing countries while remaining at irreconcilable odds with the western delegations on the issue of a world trade organization. Even with these changes, there was no reason for the developing countries, who were in a strong voting position, to switch their support to the socialist draft; indeed, in their position statement, the developing countries asserted that there was a considerable measure of agreement between their two revised proposals, but also stressed that the main difference between them was the degree of emphasis placed on the establishment of a comprehensive trade organization.[2] On the other hand, the vote in the Fourth Committee, and the pressure it generated, made the developed

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[1] UN Document E/CONF. 46/C. 4/L. 18.

[2] Ibid.

western countries more willing to reach a conciliation.[1] Consequently, during the debate on the remaining three draft proposals the socialist delegations had to be content with supporting the positions taken by the developing countries. In a statement following the vote in the Fourth Committee, the socialist countries explained they had voted with the developing countries because they were satisfied with the transitional arrangements; however, they also stated that, as reported, "they had hoped the Committee would reach unanimous agreement, but since that had not been possible, they had decided to cooperate as fully as possible with the developing countries, although the draft recommendation just approved did not take account of all of their own ideas."[2]

The peripheral role of the socialist delegations remained unchanged during the final dramatic round of behind the scene negotiations that took place under Prebisch's leadership after the Fourth Committee reported out. By this time, the dearth of substantive achievements was a matter of record; and it put pressure on the developing countries to put aside the confrontation tactics followed in the Committee in order to negotiate a viable compromise with the major western trading states on the Final Act's provisions for continuing machinery.

UNCTAD's continuing machinery could be either important or it could be futile. The Conference suffered a joke at the hands of not only the western delegates. The Swiss national exposition was going on at Lausanne concurrently with the Conference, and one of the exhibits at the exposition was a kinetic sculpture that moved its parts a lot, made lots of noise, but served no other purpose. It was thus referred to by some delegates

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[1] See Gosovic, UNCTAD, pp. 42-43.

[2] Proceedings I, p. 239.

as the "continuing machinery." Whether the machinery that emerged from the Conference would mimic the purposeless sculpture depended, or course, on its effectiveness.

The western countries understood effectiveness in restrictive terms of the machinery fitting in well with existing international economic institutions, especially GATT. The developing countries, on the other hand, understood it in terms of their ability to establish control over international economic policy that concerned them; this involved by-passing those institutions which traditionally had been in the control of the developed states, and this meant GATT in particular. In their interest in relegating GATT to a position of lesser importance in the international economic system the developing countries shared a common institutional objective with the socialist states; and it was in consideration of this that the two groups of countries advanced their respective proposals for an autonomous trade organization. The Geneva Conference had been, however, at least a beginning, if not a very promising one, in securring a more advantageous position for the developing countries in world trade; it was far more important for them to ensure that the work begun at Geneva would not end there than to stick to an inflexible position on the transitional nature of the continuing machinery that could jeopardize constructive western participation in UNCTAD. Accordingly, the negotiated provision in the Final Act[1] concerning future insitutional arrangements, adopted without dissent, combined essential elements of the positions taken by the western and Third World delegations in the Fourth Committee:

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[1] The Final Act was subsequently adopted by the General Assembly as Resolution 1995 (XIX) and UNCTAD came into being as a permanent organ of the Assembly on 30 December 1964.

> The Conference should review, in the light of experience, the effectiveness and further evolution of institutional arrangements with a view to recommending such changes and improvements as might be necessary. To this end it should study all relevant subjects including matters relating to the establishment of a comprehensive organization based on the entire membership of the United Nations system of organizations to deal with trade and with trade in relation to development.1

Thus in the end the developing countries backed off from their earlier demand for a specific reference to the need for setting up a comprehensive international trade organization, though the Preamble to the Final Act took note of the "widespread desire among developing countries" for such an organization. Despite the above provision, in the years since the Geneva Conference the developing countries have been so preoccupied with making the existing UNCTAD structure work that very seldomly has the question been raised of further insitutional evolution in the direction of a world trade body. After a decade of Soviet bloc efforts at institutional innovation, the Geneva Conference, in which the socialist countries had placed such high hopes initially, effectively buried the prospect of a United Nations international trade organization for the indefinite future.

B. A STATEMENT OF INTERNATIONAL TRADE PRINCIPLES

Likewise, the socialist countries had little justifiable cause for satisfaction over the related matter of a statement of principles to govern international trade relations. In keeping with the position adopted by the USSR in the General Assembly the previous fall, representatives of the Soviet bloc countries went to Geneva determined that the Conference should complete the work of the ad hoc Working Group established by

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[1] Final Act, Second Part, Section V, para. 78 (g): Proceedings I, p. 15.

ECOSOC in 1963 to consider the question of a declaration on international economic cooperation.[1] In his opening policy address, the head of the Soviet delegation, Foreign Trade Minister N. S. Patolichev, drew attention to the draft "Principles of International Trade Relations and Trade Policy"[2] which had been submitted to the Conference by the USSR, Poland and Czechoslovakia. It is clear from his comments that the Soviet's main objective in proposing a set of general norms remained for them the normalization of East-West commercial relations.[3] The developing countries, for their part, were anxious for the Conference to adopt a set of both "general" and "special" principles that would "define the common concern of the whole international community for the economic development of the developing countries...and spell out...the policies required to obtain these ends."[4]

As a result of this interest, the Fifth Committee, within whose competence the subject fell, had before it more than a score of draft proposals and related documents concerning the question of principles, including the report of the ECOSOC ad hoc committee.[5] The proceedings of the Working Group established by the Fifth Committee to prepare draft principles for consideration by the Committee as a whole showed that

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1 See Volume II of the Proceedings, p. 388.

2 UN Document E/CONF. 46/49.

3 In a concurrent article for East European Trade, S. Borisov, First Deputy Minister of Foreign Trade of the USSR, wrote of the three-Power draft that the "new principles of international trade proceed from the need of its universal normalization." "Main Tasks of Geneva Conference," East European Trade no. 12 (March 1964): 18.

4 Evgeny M. Chossudovsky, "UNCTAD and Coexistence: part one--From Geneva to New Delhi," Coexistence 6, no. 2 (1969): 107.

5 UN Document E/3725. For the report of the Fifth Committee, see Proceedings I, pp. 307-330.

agreement on universally acceptable principles was no easier to attain at Geneva than it had been earlier in the General Assembly and ECOSOC.

The Working Group took as the basis of its deliberations a draft set of principles submitted by seventy-five developing countries. This proposal included, with some important conflicts in wording, most of the points covered in the three-part draft prepared by the socialist countries; most, but not all, of these differences were later ironed out in negotiations. The final compendium of general and special principles subsequently approved by the Fifth Committee had no pretentions of being a definitive enumeration of all possibly relevant principles nor was the text of the principles listed accepted unanimously by the Committee's members.

As with the institutional question, a final effort was made after the Fifth Committee finished its business to reach a greater measure of agreement on a number of principles. Little additional progress was made, however, and the final vote of the Conference in plenary session repeated the pattern in the Committee: of the "General and Special Principles to govern international trade relations and trade policies conducive to development" adopted by the Conference, the United States, most often joined by the other principal western trading nations, voted against or abstained on eleven of fifteen "General" and eleven of thirteen "Special" principles. A final defeat for the western countries was their unsuccessful attempt to place the statement of principles as an annex to the Final Act; as a result, it appears in Section I of the Second Part of the Final Act, foremost among the decisions of the Conference.

The socialist countries attached much importance to this Conference decision in spite of the fact they had hoped a declaration of principles would be made the cornerstone of an international trade organization. The

propositions included in the general principles most often singled out by Soviet commentators on UNCTAD--and those having the greatest bearing on East-West trade--are the following four:

(a) International trade should be conducted to mutual advantage on the basis of the most-favored-nation treatment and should be free from measures detrimental to the trading interests of other countries.1

(b) Economic relations between countries, including trade relations, shall be based on respect for the principle of sovereign equality of States, self-determination of peoples, and non-interference in the internal affairs of other countries.2

(c) There shall be no discrimination of the basis of differences in socio-economic systems. Adaptation of trading methods shall be consistent with this principle.3

(d) Every country has the sovereign right freely to trade with other countries....4

These and the other UNCTAD principles were viewed by the socialist countries at the time as, in the words of one Soviet correspondent, "a guide to normal economic relations and the foundation of international law,...part of the legal texture of our time."[5] This followed precisely the pre-Geneva position concerning a declaration of principles on economic cooperation taken by Soviet bloc representatives in the central economic forums of the United Nations. However, the major western trading states did not support the general principle incorporating the most-favored-nation provisions, and with infrequent defections, did not vote for the other principles relevant to trade as between the industrially

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1 From General Principle Eight.

2 General Principle One.

3 General Principle Two.

4 From General Principle Three.

5 L. Sedin, "The Geneva Charter," New Times, 24 June 1964, p. 112.

developed countries. Despite the encomiums in the Soviet press, the Soviets were well aware of the limitations of those principles which recommended changes in the commercial policies of nations not part of the majority which had written them into the Final Act.

In view of the lack of unanimity, the success of UNCTAD's principles as a guide to action in promoting change in the long run depended on two factors. The first of these, their eventual acceptance by the West, has not been achieved even though the Conference recommended that the proposed insitutional machinery should continue efforts "to achieve the broadest possible measure of agreement at the earliest moment on a set of Principles."[1] The second may be termed their "political fallout" or "atmospheric effect": whether the advanced western countries would be able to sustain existing trade and economic policies--those allegedly conflicting with the general and special principles--in the face of concerted efforts by other UNCTAD member states acting on the basis of the principles to bring about changes in national and international policies through the Conference's continuing machinery. In this respect, Soviet spokesmen have warned that "attempts to ignore the broad response to UN decisions are fraught with serious political implications."[2] Nonetheless, it must have been obvious to them by the close of the Geneva session that the UNCTAD machinery would be used in the foreseeable future by the developing countries not for the purpose of normalizing East-West trade but for bringing pressure to bear on all developed countries, both socialist and western, to promote the interests of economic development in the Third World.

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[1] Final Act, Annex A. I. 3.: Proceedings I, p. 26.

[2] P. Khvoinik, "The United Nations and the Third World," International Affairs (Moscow) no. 5 (May 1969): 31.

III. CONCLUSION

In a sense, the Geneva Conference marked a culmination and a final turning point in Soviet bloc economic policy in the United Nations. Outwardly, Soviet observers lauded the developing countries' vigorous prosecution of their case against western economic policies and greeted the promulgation of the Final Act with enthusiasm. Yet when placed against their stated expectations, the Conference must have been a bitter disappointment for those policy makers who had hoped that the now elusive united front with the Third World would bring their own decade-long efforts within the Organization closer to fruition.

It should be pointed out, however, that throughout the period beginning with Stalin's death, except during the debates surrounding the Geneva Conference, the socialist countries had not unduly relied on the voting support of the Third World delegations to pass the various trade-directed proposals we have examined. Indeed, they followed the same basic strategy and advanced the same kinds of proposals within both the General Assembly and ECOSOC, where the developing countries' influence was significant, and the Economic Commission for Europe, in which the developing countries did not participate, except most infrequently and in a limited capacity. It is true that in recognition of the political realities of the negotiating process in those bodies, the socialist delegations regularly formulated their draft resolutions in the Organization's central forums to include matters of interest to the developing countries. But the presence of a growing number of independent, disadvantaged countries in the United Nations was employed before UNCTAD mainly for hortatory purposes, that is, to support the Soviet bloc contention that the composition and character of international relations had changed and that the conduct of world trade

was increasingly less the sole prerogative of the industrialized West. Regardless of their efforts to bring a wider spectrum of international opinion to bear on western trading policies, it is evident that the socialist countries understood that whatever numerical majority might be mustered for their recommendations, ultimately their implementation depended on the concurrence of the western countries: hence their emphasis on the question of the West's "political will" to improve economic relations, on the mutual economic advantages of expanded trade, and on the affirmed imperatives of peaceful coexistence and the complementary obligations of United Nations membership as they interpreted them. Yet the ineffectiveness of this approach to the problems of East-West trade as it was pressed inside the United Nations had already been a matter of record prior to the developing countries' call for a conference on trade and development. The Geneva Conference merely served to underscore it once again.

Set in this historical perspective, then, the frustration of Soviet bloc efforts at Geneva is only partly attributable to the vain attempt to enlist the support of the developing countries. Nonetheless, the significance of the Conference for our study lies in the fact that the bafflement of the united front strategy exhausted for all practical purposes the options open to the socialist countries for securing an acceptance--whatever the consensus--of the policies which they had pursued without success from the mid-1950's.

Branislav Gosovic, in his commendable study of the developing countries in UNCTAD, observes that when, after several years of western opposition, "East-West trade finally found its place in UNCTAD, it remained essentially a marginal issue and not a priority topic as the socialist

countries had hoped for." He concludes, "Consequently, their expectations were diminished and they gradually lost some of their original interest in the organization."[1] It appears more likely, however, that any diminution of their interest in the organization as a diplomatic instrument was due not to the marginal position allocated to East-West trade at this late date, but mainly to improvements in trade relations achieved outside UNCTAD in the interim.

Even as they were playing out their hand at Geneva, there were indications that the socialist countries were revising their approach to trade problems in the Economic Commission for Europe, as we saw at the end of Chapter Five. And it was not long after the conclusion of the UNCTAD Conference that it became clear that Soviet bloc diplomacy was taking a decidedly new direction in pursuing better economic relations with the West through the United Nations.

East-West trade in Europe had continued to expand until by the early 1960's it had reached healthy proportions. In America, too, there were growing pressures for a change in trade policy with the East, spurred on by an awakening realization that at a time when the United States was experiencing balance of trade difficulties, the rest of the western world was deriving considerable economic advantages from trade with communist countries.[2] At the White House Trade Expansion Conference of September 1963 a large representative group of American businessmen called for a reappraisal of the U.S. policy. And in April 1964, the annual meeting of the United States Chamber of Commerce unanimously passed an unprecedented

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[1] Gosovic, UNCTAD, p. 169.

[2] See Berman, "A Reappraisal of U.S.-U.S.S.R. Trade Policy," pp. 139-41.

resolution urging the Government to liberalize its regulations on non-strategic exports so that American businesses might compete in Eastern markets on equal terms with the western Europeans. The emerging modus vivendi between the USSR and the United States that followed the peaceful settlement of the Cuban crisis of October 1962 also had a salutory effect on their mutual economic relations, and on the attitude of the American Administration in particular even though the crisis itself had spawned opposite reactions in Congress and among certain emotional sectors of the American public. In March 1964 Averell Harriman, who was then Ambassador at Large, proposed that trade in peaceful goods with the socialist countries be expanded; and at about the same time, Soviet Deputy Premier Kosygin renewed Khrushchev's 1953 offer of a trade agreement with the United States. A few weeks later, The New York Times reported that President Johnson had indicated he would welcome proposals for more trade with the Soviet bloc.[1] This in turn was soon followed by Under-Secretary of Commerce Franklin D. Roosevelt, Jr.'s statement that:

> A new look is being given at the wisdom of the restrictive practices in trade. Obviously, the situation that existed when our restrictions were imposed on trade with these Communist countries has changed. The political climate of the world has changed. The ability of the Soviets to pay for imports from the West has changed. Therefore trade policies must also change.[2]

Despite this thaw in the official American attitude, practical results were slow in coming. Nonetheless, as the prospects for trade improved and as the political restrictions on trade--particularly on East-West trade in Europe--faded and commerce significantly increased, the socialist delegations in the United Nations grew more attentive to the

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[1] The New York Times, 26 April 1964.

[2] As quoted in The New World Review, July 1964, p. 30.

problems stemming from the differences in trading systems and practices. In this respect, it is interesting to observe the comments of one Hungarian scholar, József Bognár, on the proceedings of the first UNCTAD Conference. In contrast to, but not in direct repudiation of, the course of action taken by the socialist countries at Geneva, he stated:

> The various socio-economic systems represent different economic methods and mechanisms....From the existence of different economic mechanisms it follows that what world economy and trade require today is not universal and general principles in the first place. Certain general principles demonstrating our intentions and goodwill without prescribing a sequence of action can, of course, be formulated. (Most of these can be summed up in a negative form, stating what to refrain from.) However, it is impossible to adopt universal rules determining the order and mode of economic action, because the introduction of one and the same impulse into different economic mechanisms will lead to different results....[W]orld trade needs few general principles and many concrete common aims attainable by means of coordinated action.1

This in effect called for a new approach, a new attitude, in pursuing better trade relations through the United Nations. While past diplomatic failures undoubtedly figured in this reassessment, the improved political climate and trading situation highlighted these systemic problems and put them in better perspective. As a result, though the socialist countries continued to use the Organization's economic forums for attacking remaining western restrictions and discriminatory practices, in the ensuing years both sides came closer to a consensual understanding of the need for finding pragmatic measures which would facilitate trade between the two trading groups to the mutual satisfaction of the trading partners.

Early practical experience in this direction was gained from the participation of Poland in the Kennedy Round of GATT negotiations after March 1965, and the pragmatic approach adopted there was further developed

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1 József Bognár, "Coexistence and the World Trade Conference," New Hungarian Quarterly 5 (Winter 1964): 101 and 104.

by the special ad hoc group on East-West trade which had been established by the ECE back in 1963. Another example of the commitment of the socialist countries to this low-level, step-by-step approach to problem solving was also to be seen in their support of the original Hungarian resolution which resulted in the creation of the United Nations Commission on International Trade Law in 1966. Expressing the conviction "that divergencies arising from the laws of different States in matters relating to international trade constitute one of the obstacles to the development of world trade," the resolution defining UNCITRAL's terms of reference declared its objective to be "the promotion of the progressive harmonization and unification of the law of international trade."[1]

The influence of these and other related developments in the United Nations on East-West trade has not been dramatic, but it has been important, both as an aid to expanding that trade and in defining a more effective place for the Organization in it. Nonetheless, it cannot be denied that the improvement of the socialist countries' trading position with the West over that which existed in the mid-1950's brought with it a declining interest in the United Nations as a supplementary arm of foreign economic policy. Soviet bloc activities in the Organization over the preceding decade, however, had not been entirely without beneficial results: for instance, the areas of disagreement with the West over the obstacles to expansive commercial and economic relations had been clarified by debate; research studies undertaken by the Secretariat had promoted better understanding of the problems presented by the existence of differing economic systems, which were in themselves heterogeneous; concrete advances had been made in reviving

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[1] UN, General Assembly, 1497th Plenary Meeting, Official Records (21st Session), pp. 1-2.

and extending East-West trade through the consultations held under the auspices of the ECE; and some progress had been made toward defining the bases of trade and economic cooperation. The more pragmatic and conciliatory policy first adopted by the Soviet bloc delegations in the 1963 session of the ECE indicated that the multiple advantages of continued participation, and of the United Nations as the only existing international forum in which the socialist and western countries could meet on a regular basis to discuss economic matters, had not been lost on the socialist countries. In light of this, the economic policies pursued in the United Nations by the Soviet Union and its Eastern European allies during the Khrushchev years may be tentatively seen as part of a long-term process of readjusting their attitudes toward the Organization's functional programme from the aloofness and hostility that had characterized the Soviet position under Stalin.

Thus, if the United Nations did not loom largely in the future development of East-West commercial relations, it was atleast apparent at the end of the Khrushchev era that it would continue to play a role. And it promised to be a more meaningful role for the United Nations in promoting the economic objectives of the Charter than the Organization had enjoyed at any time since the great expectations of its founders had disintegrated in the bitter political aftermath of the Second World War.

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The system used by the United Nations to number its documents is complex. The first letter of any symbol designates the major organ of the United Nations responsible for its publication. Only documents of the General Assembly and the Economic and Social Council are referred to in this study. The basic symbol "A" designates Assembly documents, and "E," those of ECOSOC. Other symbols have the following meanings:

Add.	Addendum
AC.	Ad hoc Committee
C.	Committee
CN.	Commission
Conf.	Conference
Corr.	Corrigendum
L.	Limited Distribution
P.C.	Preparatory Commission or Committee
Rev.	Revision
SC.	Subcommittee
SR.	Summary Record
ST.	Secretariat
Sub.	Subcommission

The symbols for the committees, commissions and other organs frequently referred to are:

A/C.2	Second (Economic and Financial) Committee
E/AC.6	Economic Committee

E/ECE Economic Commission for Europe
E/CONF.46 United Nations Conference on Trade and Development, Geneva, 1964.

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