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INTERVIEW

A Basis for Economic Cooperation in Europe

Interview* with Dr Emanuel Treu of the UN-Economic Commission for Europe, Geneva

The UN-Economic Commission for Europe, to which today the large majority of the economically most advanced states in the world belong, has in the 21 years of its existence done work that cannot be gauged merely by tangible results. The Commission has played a vital part in creating the essential climatic conditions for the economic reconstruction of Europe after the war. During the dark days of the "cold war" it remained the only functioning forum for a dialogue between East and West. Its activities range from the regulation of cross-frontier traffic, to researches into long-term economic developments in Europe, to the promotion of East-West trade and even to questions of scientific and technological cooperation, and as such the ECE sets an example of economic coexistence. At the beginning of the third decade of its existence the Commission, firmly rooted as it is in a well-balanced mixture of idealism and realism, can look to the future with confidence. On the occasion of the 23rd meeting of the UN/ECE, which ended in Geneva on the second of May, we discussed with its chairman, Dr Treu, some of the main problems of economic cooperation between Eastern and Western Europe.

QUESTION: Dr Treu, in April last year, the United Nations Economic Commission for Europe celebrated the twentieth anniversary of its existence. What do you regard as its most important achievements and results in these two decades?

ANSWER: I should not like to stress any special achievement or

concrete result, for the Commission's activities have been ranging over a wide field of international cooperation in Europe. But its most important worth is perhaps the fact that since 1947 it has been the sole institution that kept functioning throughout the changing times and provided the framework for dialogues between East and West

on all aspects of economic and industrial cooperation.

QUESTION: What are the main tasks which the ECE is at present concerned with and what plans are existing for the near future?

ANSWER: Rather than give you a list of priorities I should prefer to single out some of the Commission's activities in the energy sector—a sphere that deserves particular attention at the time being. For, Europe in particular is acutely interested in the problem as to which source of energy should in the next few years become the predominant one, oil, coal, or atomic energy. This is why this question is high on the agenda of the appropriate main committees of the ECE. What accounts for the Commission's special interest in the developments taking place in the energy sector is the realisation that during the last two decades coal has lost its predominating position. In 1967 the share of coal as a source of power

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born in 1915 in Vienna, studied laws, economics and international law. In 1946, he joined the Austrian diplomatic service. During the period 1948-53, he was acting leader of the Austrian delegation to the Torquay GATT Conference, and was in charge of numerous bilateral trade negotiations with various Eastern and Western European countries. From 1953-55 he was Counsellor at the Austrian Embassy in Rio de Janeiro and in 1955 became head of the newly established Legation in Bogotá. Thereafter, he became Counsellor in charge of trade agreements and representative to GATT and the Economic Commission for Europe. During the first half of the 'sixties he was permanent representative to UN, EFTA and international organisations in Geneva. In 1965, he was appointed Vice-President and in 1967 President of the ECE.

* The interview was arranged by Dietrich Kebschull and Wolfgang Reisener.

dropped to 40 per cent whereas the year before it had still provided about 50 per cent. This drop in the demand for coal has effected considerable adjustments of economic structures, particularly in coal-producing countries. The coal crisis is a genuine problem for the whole of Europe. We must therefore concern ourselves with the question of how to integrate in a methodical and rational way other sources of energy, which are to replace or supplement coal. The practical side of the Commission's work in this field is for instance directed towards assisting endeavours to construct a network of oil-pipelines which cover the widest possible area of Europe and to examine what conditions must be created in order to ensure the economic exploitation of atomic energy.

QUESTION: Dr Treu, the ECE is Europe's sole economic organisation in which Eastern and Western states cooperate. Is the Commission's work appreciably affected by political factors?

ANSWER: I am glad to say that the experience of the more than twenty years that have passed since the ECE came into existence has shown that political factors have not decisively influenced the Commission's work. The proof of this lies in my opinion in the fact that the ECE was able to continue to function even in the dark days of the so-called "cold-war", though not as profitably as today. In the atmosphere of strong tension that then existed the ECE remained the only platform on which dialogues between East and West could be held. It would of course be naive to assert that political factors would not exercise any influence in the ECE. Naturally, politics play a part in the work of the ECE. Fortunately, however, there is a prevailing tendency to concentrate on factual, economic tasks and to relegate to the background political questions that are irrelevant to the problem under discussion.

QUESTION: Would it be correct to conclude from this that cooperation is possible only because the

Commission has set its sight not too high?

ANSWER: I would not go as far as that. The aims are not low, nor are the activities of the ECE deliberately kept on a low level. If one compares however the Commission's work with the process of integration that is presently going on in Western Europe, one can certainly come to the conclusion that the aims of the ECE are far less ambitious. But no one thinks, or has ever thought, of using the ECE as an instrument to achieve the integration of the whole of Europe. The tasks of the ECE arose originally from the situation in Europe such as it existed immediately after the war. Europe lay in ruins and the immediate task was to re-start elementary economic processes—to ensure adequate food supplies, organise the flow of raw materials and see to the production of energy. In that period—say from 1947 to 1950—the ECE achieved remarkable successes—successes that are often forgotten nowadays. Once the initial difficulties had been overcome, the Commission readjusted itself to the changed conditions, shifting the emphasis to cooperation between European states irrespective of their economic and political systems. The aim was to get them to work together in as many spheres as possible. Of these I should like to mention but a few: the traffic system, the transport of goods, power supply, the output of steel and timber and, naturally, last but not least, the expansion of commercial relations.

QUESTION: The ECE has then devoted an essential part of its labours to the furtherance of East-West trade. What progress has it achieved in this respect?

ANSWER: Here, too, it is perhaps advisable to turn the clock back a little and think of the years 1947/1948/49 when no regular trade relations existed between most of the Eastern European states and those in the West. There were no possibilities of direct contacts until the ECE created them. This state of affairs has of course long since

become a thing of the past. Most West European countries now have with their East European trading partners regular relations which have been established by special treaties, but these treaties envisage as a rule only trade-exchanges on a bilateral basis. Now the Committee on Trade, acting on Eastern initiative, has again and again attempted to achieve for the Eastern trade the same form and regulations as the erstwhile OEEC tried to bring about in Western Europe. These endeavours have until now failed because of the differences in the economic systems. They have failed in particular in regard to the demand by the East European states for most-favoured-nations treatment. The East European states have for years been pressing for most-favoured-nations status in their exchanges with the West, but in vain.

QUESTION: What are the main problems concerned in the granting of most-favoured-nations status and what avenues have so far been explored in an attempt to find a solution?

ANSWER: To be able to arrange for full most-favoured-nations treatment the partners concerned must have similar, if not the same economic and trading systems. It is not deliberate discrimination that stands in the way of granting most-favoured-nations status, but the fact that both sides want to derive mutual advantages from their trade with one another. Now mutual advantages do not necessarily imply the granting of most-favoured-nations rights. Furthermore, experience shows that there are usually two parts to the question of most-favoured-nations status, namely best possible treatment in regard to import licences and best possible treatment in regard to customs duties. As far as import duties are concerned, we have gone a long way towards practically abolishing what I prefer to call differentiation rather than discrimination. In this field the state of most-favoured-nations treatment has therefore in fact nearly been reached. In the licence-sector, that is in the area of import-controls

this state of affairs could of course not yet be attained because here the flow of goods is limited and conditioned by the existing possibilities of payment.

QUESTION: In the USA Congress has granted the State Department powers to accord most-favoured-nations treatment to East European countries; it has also enabled the Export-Import Bank to allow these countries additional credits. Does this indicate a relaxation in the trading conditions between Eastern Europe and the USA?

ANSWER: If I am correctly informed, the willingness on the part of the USA to grant East European states most-favoured-nations treatment largely corresponds with the measures already taken by West European States in the customs sector. As far as imports are concerned, I believe that it is not so much the formal most-favoured-nations treatment that is important, but the gradual dismantling of the administrative obstacles to imports which are known to exist in the USA. I would not therefore call the present moves a relaxation in trade relations between Eastern Europe and the USA. However, people in the USA seem to begin to realise that East European states could assume greater importance as potential trading partners also for the United States.

QUESTION: Having regard to the difficulties standing in the way of solving only the one problem of most-favoured-nation treatment, are not the chances of putting East-West trade on a multilateral basis rather slim in the foreseeable future?

ANSWER: I believe the concept "multilateralisation" means something entirely different in trade with the East from what it does in the West—the multilateralisation such as has been achieved for years within the framework of the OECD. It is not so much a question of achieving genuine multilateralisation here and now, what matters is to create all the pre-conditions which must exist if trade between states with different economic sys-

tems is to develop steadily on the broadest possible scale.

QUESTION: Do you think that the differences in the economic systems preclude multilateral trading between East and West?

ANSWER: No, I do not think that these differences in the systems exclude multilateralisation of trade between East and West. There is essentially only one factor militating against multilateralisation, and that is that East European exchanges are not convertible.

QUESTION: What chances, do you think, have the often quoted plans designed to make East European currencies convertible?

ANSWER: This is a problem whose solution is exclusively the concern of the politicians in the Eastern states, specialising in economic, financial and monetary questions. It is just that their monetary policy is based on premises which are different from those in West European states and in the USA. In the East monetary policy and monetary technique play their part, but they are linked with other considerations of principle which with us have as a rule no bearing on the problem. As far as I can see, there is no chance of the East European currencies becoming convertible in the next few years to come.

QUESTION: It is often observed that the two systems—market economy and planned economy—are moving closer together. Do you believe that from such an approach may ultimately come a solution of the foreign trade problems?

ANSWER: It cannot in fact be denied that the market economies and the planned economies are moving towards each other, even if this movement proceeds without any spectacular upheavals. Even a market economy requires some measure of central planning to direct its over-all economic processes. On the other hand, a planned economy for its part seeks to achieve higher flexibility by introducing certain elements of the

market economy. But I would not expect from this approach alone a solution of the foreign trade problems for the already mentioned reason that I believe the main obstacles to be the different monetary systems and the different methods of transferring payments.

QUESTION: One, by no means negligible reason for preventing trade between East and West from growing is the fact that the states of the Eastern bloc do not offer adequate goods. On the other hand they see themselves handicapped by the import regulations which Western states—as for instance the Common Market countries—have imposed for farm products. ECE experts are at present analysing the likely export and import trends during the next ten years. Do you think these studies may show ways leading to an expansion of trade?

ANSWER: Such a result may in fact be expected, particularly as the old argument, which has hitherto been regarded as incontrovertible, is slowly losing its force, namely that the goods on offer from the East are inadequate as regards price as well as quality. We know very well that the East European states are also making rapid progress in their industrial and general economic development with the results that the quality of the goods on offer is steadily improving. Whether this will lead to an increase in the trade volume depends above all on price and other factors such as for instance delivery dates and credit facilities, which play an important part in trade.

QUESTION: Do you consider that there is a good chance for collective trade agreements to be concluded between the EEC and the COMECON?

ANSWER: The answer to this question must be "no". There are fundamental differences between the two economic groupings, both as to their construction and their functions so that they can hardly be regarded as trading partners on the basis of collective agreements. The European Economic Community is as far as its status is con-

cerned well able to negotiate collective trade agreements for and on behalf of its member states. The COMECON has no such powers, for its Council is not the exponent, not the representative of an economic community in dealing with the outside world; it is the head of an organism which is designed merely to coordinate the individual plans of its member states and to foster economic cooperation between those states.

QUESTION: Has the ECE concerned itself exhaustively with the possibilities of cooperation between Western capitalist enterprises and East European firms?

ANSWER: Yes, the ECE has already dealt with the question of cooperation between privately-owned industrial enterprises and state-owned factories in Eastern Europe and is now devoting increasing attention to this problem. This cooperation is first of all intended to concentrate on specific fields, in which both sides have essentially the same interests irrespective of their economic systems. In this connexion must be mentioned first of all industrial cooperation on the factory floor level, which is already successfully going on in many instances. Further possibilities of cooperation lie in the direction of common research into and of trying out various production processes such as rationalisation of production and the use of computers. One example for this is the comparative study of how computerised data can lead to increased output in mining and to greater competitiveness.

QUESTION: Is it not possible that this cooperation between factories may lead in the long run to a superiority of the cooperating Eastern undertakings over their Western competitors?

ANSWER: Should it be the case that an East European enterprise outstrips its Western partner, the West European firm will ultimately also profit by the achievements of its Eastern partner, thanks to the common interests established between them. In any event, it will become clear that the trend to-

wards an international division of labour is strengthened by such cooperation. Different economic systems are no insuperable barriers to a division of labour.

QUESTION: In present circumstances cooperation means above all that enterprises in the Eastern bloc profit from Western know-how. Are there, on the other hand, cases of, say, Russian licences being granted to enterprises in the West?

ANSWER: I know of no such recent concrete examples. I do know, however, that quite a number of industrial developments in Eastern states are being adopted by West European concerns. In the field of television the Soviet Union has achieved technical progress which is recognised even in the West as remarkable.

QUESTION: Some people evidently see in technological and scientific cooperation on a multilateral basis the answer to the problem of how trade between East and West can be expanded at a faster pace. Has the ECE made any positive experiences in this field—experiences that could assist such endeavours?

ANSWER: The ECE has no positive experiences in this respect. But just now, at the 23rd session of the European Economic Commission, attempts are being made to adopt special resolutions designed to further work in this field and to improve the conditions in which multilateral cooperation in the spheres of science and technology can flourish. These new activities could infuse new life into the ECE's Committee on Trade. To any one wishing to intensify trade between states with different economic systems it is useful to analyse the already existing long-term trade agreements with a view to extracting from them the constantly recurring principles that are common to these agreements. In this manner it should be possible to lay the foundations on which long-term export/import programmes may be established, and these programmes should then be extended to provide for the exchange of

know-how relating to industrial management and production techniques. Now that the Soviet Union has become a signatory of the international conventions for the protection of patents, there seem to be no more major obstacles in the way of trading in licences and patents, too.

QUESTION: Has the 23rd session of the ECE so far produced any new suggestions or proposals aimed at expanding and facilitating East-West trade—proposals that could have a determining influence on the future work of the Committee on Trade?

ANSWER: It is noticeable that Eastern Europe, anxious to simplify trade, is now also beginning to show a keener interest in the standardisation of export documents, a field that has hitherto been primarily the concern of West European states. Much the same applies to the standardisation of procedures and regulations governing the international goods traffic.

Most noteworthy in this regard is a proposal made by the Soviet delegation. This proposal concerns the establishment of a European Chamber of Commerce which should have as its members the chambers of commerce in the East and West European states. The purpose of such a European Chamber of Commerce would be to further contacts between businessmen and firms from countries possessing varying economic systems. In addition, the Chamber could also take on such tasks as the opening up of markets as well as market research with a view to bringing closer together markets that have for too long been separated.

Finally, there are the latest developments in the world monetary system which merit particular attention. Special precautions must be taken, if world trade is to be protected against the possibility of being upset by monetary policy.

These are in essence the questions with which the ECE's Committee on Trade could from now on concern itself.