

Extract from:

UNITED NATIONS JURIDICAL YEARBOOK 1972

Part Three. Judicial decisions on questions relating to the United Nations and related
intergovernmental organizations

Chapter VII. Decisions and advisory opinions of international tribunals



Copyright (c) United Nations

CONTENTS (*continued*)

Page

privileges and immunities as are necessary for the independent exercise of their functions—Principle of equity among members and equality among personnel of the United Nations, asserted in General Assembly resolution 78 (I) of 7 December 1946.	190
20. Privileges and immunities of United Nations officials who are nationals or residents of the local State—Any State Party to the Convention on the Privileges and Immunities of the United Nations has the obligation to resolve possible conflicts between its income tax legislation and the terms of the Convention by adapting its laws to the Convention.	191
21. Section 19 (<i>b</i>) of the Convention on the Privileges and Immunities of the Specialized Agencies—The salaries and emoluments paid by specialized agencies should not be taken into account in setting the rate of tax on non-exempt income—Co-operation required from staff members in lawfully minimizing their taxes	193
22. Question whether the provisions of Articles 39 and 41 of the United Nations Charter on sanctions which may be decided on by the Security Council are exclusive of all other collective sanctions imposed by other means. . . .	194
23. Draft articles on succession of States in respect of treaties—Procedure followed by the World Health Organization concerning the succession of newly independent States to WHO regulations.	195

Part Three. Judicial decisions on questions relating to the United Nations and related intergovernmental organizations

CHAPTER VII. DECISIONS AND ADVISORY OPINIONS OF INTERNATIONAL TRIBUNALS

1. International Court of Justice Appeal relating to the jurisdiction of the ICAO Council (<i>India v. Pakistan</i>): Judgement of 18 August 1972.	203
2. Arbitration case <i>Balakhany (Chad) Limited v. Food and Agriculture Organization of the United Nations</i> : Award of the Arbitrator dated 29 June 1972 . . .	206

CHAPTER VIII. DECISIONS OF NATIONAL TRIBUNALS

1. <i>Austria</i> Labour Court of Vienna <i>Anton Jakesch v. International Atomic Energy Agency</i> : Decision of 8 July 1971 Immunity of the IAEA from legal process under the Headquarters Agreement concluded between the Agency and Austria. . . .	208
2. <i>Netherlands</i> Court of Cassation (<i>Hoge Raad</i>) <i>State Secretary for Financial Affairs v. Passer</i> : Decision No. 16786 of 7 June 1972	

Chapter VII

DECISIONS AND ADVISORY OPINIONS OF INTERNATIONAL TRIBUNALS

1. INTERNATIONAL COURT OF JUSTICE

APPEAL RELATING TO THE JURISDICTION OF THE ICAO COUNCIL (INDIA V. PAKISTAN): JUDGMENT OF 18 AUGUST 1972¹

The Facts and the Main Contentions of the Parties (paras. 1-12 of the Judgment)

The Court has emphasized in its Judgment that it had nothing whatever to do with the facts and contentions of the Parties relative to the substance of the dispute between them, except in so far as those elements might relate to the purely jurisdictional issue which alone had been referred to it.

Under the International Civil Aviation Convention² and the International Air Services Transit Agreement,³ both signed in Chicago in 1944, the civil aircraft of Pakistan had the right to overfly Indian territory. Hostilities interrupting overflights broke out between the two countries in August 1965, but in February 1966 they came to an agreement that there should be an immediate resumption of overflights on the same basis as before 1 August 1965. Pakistan interpreted that undertaking as meaning that overflights would be resumed on the basis of the Convention and Transit Agreement, but India maintained that those two Treaties had been suspended during the hostilities and were never as such revived, and that overflights were resumed on the basis of a special régime according to which they could take place only after permission had been granted by India. Pakistan denied that any such régime ever came into existence and maintained that the Treaties had never ceased to be applicable since 1966.

On 4 February 1971, following a hijacking incident involving the diversion of an Indian aircraft to Pakistan, India suspended overflights of its territory by Pakistan civil aircraft. On 3 March 1971 Pakistan, alleging that India was in breach of the two Treaties, submitted to the ICAO Council (a) an Application under Article 84 of the Chicago Convention and Article II, Section 2, of the Transit Agreement; (b) a Complaint under Article II, Section 1, of the Transit Agreement. India having raised preliminary objections to its jurisdiction, the Council declared itself competent by decisions given on 29 July 1971. On 30 August 1971 India appealed from those decisions, founding its right to do so and the Court's jurisdiction to entertain the appeal on Article 84 of the Chicago Convention and Article II, Section 2, of the Transit Agreement (hereinafter called "the jurisdictional clauses of the Treaties").

¹ The analysis of the judgment reproduced above has been prepared by the Registry. It in no way involves the responsibility of the Court. It cannot be quoted against the actual text of the Judgment of which it does not constitute an interpretation.

² United Nations, *Treaty Series*, vol. 15, p. 295.

³ *Ibid.*, vol. 84, p. 389.

Jurisdiction of the Court to entertain the Appeal (paras. 13-26 of the Judgment)

Pakistan advanced certain objections to the jurisdiction of the Court to entertain the appeal. India pointed out that Pakistan had not raised those objections as *preliminary* objections under Article 62 of the Rules, but the Court observes that it must always satisfy itself that it has jurisdiction and, if necessary, go into that matter *proprio motu*. Pakistan had argued in the first place that India was precluded from affirming the competence of the Court by its contention, on the merits of the dispute, that the Treaties were not in force, which if correct, would entail the inapplicability of their jurisdictional clauses. The Court however has held that Pakistan's argument hereon was not well founded, for the following reasons: (a) India had not said that these multilateral Treaties were not in force in the definitive sense, but that they had been suspended or were not as a matter of fact being applied as between India and Pakistan; (b) a merely unilateral suspension of a treaty could not *per se* render its jurisdictional clause inoperative; (c) the question of the Court's jurisdiction could not be governed by preclusive considerations; (d) parties must be free to invoke jurisdictional clauses without being made to run the risk of destroying their *case on the merits*.

Pakistan had further asserted that the jurisdictional clauses of the Treaties made provision solely for an appeal to the Court against a final decision of the Council on the merits of disputes, and not for an appeal against decisions of an interim or preliminary nature. The Court considers that a decision of the Council on its jurisdiction does not come within the same category as procedural or interlocutory decisions concerning time-limits, the production of documents etc., for (a) although a decision on jurisdiction does not decide the ultimate merits, it is nevertheless a decision of a substantive character, inasmuch as it might decide the whole case by bringing it to an end; (b) an objection to jurisdiction has the significance *inter alia* of affording one of the parties the possibility of avoiding a hearing on the merits; (c) a jurisdictional decision may often involve some consideration of the merits; (d) issues of jurisdiction can be as important and complicated as any that might arise on the merits; (e) to allow an international organ to examine the merits of a dispute when its competence to do so has not been established would be contrary to accepted standards of the good administration of justice.

With regard more particularly to its Complaint to the ICAO Council, Pakistan had submitted that it was relying on Article II, Section 1, of the Transit Agreement (whereas the Application relied on Article 84 of the Chicago Convention and on Article II of Section 2 of the Transit Agreement). The point here was that decisions taken by the Council on the basis of Article II, Section 1, are not appealable, because, unlike decisions taken under the other two provisions mentioned above, they do not concern illegal action or breaches of treaty but action lawful, yet prejudicial. The Court found that the actual Complaint of Pakistan did not, at least for the most part, relate to the kind of situation for which Section 1 of Article II was primarily intended, inasmuch as the injustice and hardship alleged therein were such as resulted from action said to be illegal because in breach of the Treaties. As the Complaint made exactly the same charges of breach of the Treaties as the Application, it could be assimilated to the latter for the purposes of appealability; unless that were so, paradoxical situations might arise.

To sum up, the objections to the Court's jurisdiction based on the alleged inapplicability of the Treaties as such or of their jurisdictional clauses could not be sustained. The Court was therefore invested with jurisdiction under those clauses and it became irrelevant to consider objections to other possible bases of the Court's jurisdiction.

Furthermore, since it was the first time any matter had come to the Court on appeal, the Court observed that in thus providing for an appeal to the Court from the decisions

of the ICAO Council, the Treaties had enabled a certain measure of supervision by the Court of the validity of the Council's acts and that, from that standpoint, there was no ground for distinguishing between supervision as to jurisdiction and supervision as to merits.

By 13 votes to 3, the Court rejected the Government of Pakistan's objections on the question of its competence and found that it had jurisdiction to entertain India's appeal.

*Jurisdiction of the ICAO Council to entertain the merits of the case
(paras. 27-45 of the Judgment)*

With regard to the correctness of the decisions given by the Council on 29 July 1971, the question was whether Pakistan's case before the Council disclosed, within the meaning of the jurisdictional clauses of the Treaties, a disagreement relating to the interpretation or application of one or more provisions of those instruments. If so, the Council was *prima facie* competent, whether considerations claimed to lie outside the Treaties might be involved or not.

India had sought to maintain that the dispute could be resolved without any reference to the Treaties and therefore lay outside the competence of the Council. It had contended that the Treaties had never been revived since 1965 and that India had in any case been entitled to terminate or suspend them as from 1971 by reason of a material breach of them for which Pakistan was responsible, arising out of the hijacking incident. India had further argued that the jurisdictional clauses of the Treaties allowed the Council to entertain only disagreements relating to the interpretation and application of those instruments, whereas the present case concerned their termination or suspension. The Court found that, although those contentions clearly belonged to the merits of the dispute, (a) such notices or communications as there had been on the part of India from 1965-1971 appeared to have related to overflights rather than to the Treaties as such; (b) India did not appear ever to have indicated which particular provisions of the Treaties were alleged to have been breached; (c) the justification given by India for the suspension of the Treaties in 1971 was said to lie not in the provisions of the Treaties themselves but in a principle of general international law, or of international treaty law. Furthermore, mere unilateral affirmation of those contentions, contested by the other party, could not be utilized so as to negative the Council's jurisdiction.

Turning to the positive aspects of the question, the Court found that Pakistan's claim did in fact disclose the existence of a disagreement relating to the interpretation or application of the Treaties and that India's defences likewise involved questions of their interpretation or application. In the first place, Pakistan had cited specific provisions of the treaties as having been infringed by India's denial of overflight rights, while India had made charges of a material breach of the Convention by Pakistan: in order to determine the validity of those charges and counter-charges, the Council would inevitably be obliged to interpret or apply the Treaties. In the second place, India had claimed that the Treaties had been replaced by a special régime, but it seemed clear that Articles 82 and 83 of the Chicago Convention (relating to the abrogation of inconsistent arrangements and the registration of new agreements) must be involved whenever certain parties purported to replace the Convention or some part of it by other arrangements made between themselves; it followed that any special régime, or any disagreement concerning its existence, would raise issues concerning the interpretation or application of those articles. Finally Pakistan had argued that, if India maintained the contention which formed the substratum of its entire position, namely that the Treaties were terminated or suspended between the Parties, then such matters were regulated by Articles 89 and 95 of the Chicago Convention and Articles 1

and III of the Transit Agreement; but the two Parties had given divergent interpretations of those provisions, which related to war and emergency conditions and to the denunciation of the Treaties.

The Court concluded that the Council was invested with jurisdiction in the case and that the Court was not called upon to define further the exact extent of that jurisdiction, beyond what it had already indicated.

It had further been argued on behalf of India, though denied by Pakistan, that the Council's decisions assuming jurisdiction in the case had been vitiated by various procedural irregularities and that the Court should accordingly declare them null and void and send the case back to the Council for re-decision. The Court considered that the alleged irregularities, even supposing they were proved, did not prejudice in any fundamental way the requirements of a just procedure, and that whether the Council had jurisdiction was an objective question of law, the answer to which could not depend on what had occurred before the Council.

By 14 votes to 2, the court held the Council of the International Civil Aviation Organization to be competent to entertain the Application and Complaint laid before it by the Government of Pakistan on 3 March 1971, and in consequence rejected the appeal made to the Court by the Government of India against the decision of the Council assuming jurisdiction in those respects.

For these proceedings the Court was composed as follows:

Vice-President Ammoun (Acting President), President Sir Muhammad Zafrulla Khan, Judges Sir Gerald Fitzmaurice, Padilla Nervo, Forster, Gros, Bengzon, Petrén, Lachs, Onyeama, Dillard, Ignacio-Pinto, de Castro, Morozov and Jiménez de Aréchaga, and Judge *ad hoc* Nagendra Singh.

President Sir Muhammad Zafrulla Khan and Judge Lachs have appended Declarations to the Judgment.

Judges Petrén, Onyeama, Dillard, de Castro and Jiménez de Aréchaga have appended Separate Opinions.

Judge Morozov and Judge *ad hoc* Nagendra Singh have appended Dissenting Opinions.

2. ARBITRATION CASE

BALAKHANY (CHAD) LIMITED V. FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS: AWARD OF THE ARBITRATOR DATED 29 JUNE 1972 ⁴

In 1969 the parties concluded a contract under which the contracting firm undertook to carry out for FAO certain work and services in connexion with a survey of the water resources of the Chad Basin. Under this contract, the contractor was entitled, in addition to the remuneration for his work and services, to

(a) the actual cost of the shipment of equipment and material "up to a total amount not to exceed Sterling pounds 5,000"

(b) the actual cost of air passages from the United Kingdom to Fort Lamy (Chad) "up to a total amount not to exceed Sterling pounds 2,500"

⁴ Barend van Marwijk Kooy, arbitrator. Summary kindly provided by the Secretariat of FAO.

In 1970, the parties agreed to raise the amount under (a) to pounds Sterling 11,719 6s. 10d. After performance of the contract work, the contractor contended that the above amounts proved inadequate and claimed reimbursement of

(a) additional shipment costs of pounds Sterling 6,500

(b) additional costs of air passages of pounds Sterling 4,000

As FAO declined to make these additional payments the contractor submitted the case, in accordance with the terms of the contract, to the Court of Arbitration of the International Chamber of Commerce.

The Arbitrator appointed by the Court of Arbitration briefly considered the question of the law applicable to the contract. In this respect the Organization had submitted that the contract deliberately contained no choice of law, as the Organization considered that such contract should not be governed by any particular system of municipal law but rather by generally accepted principles of law. The Arbitrator did not find it necessary to decide this question as the contract itself was clear on the point of remuneration in dispute between the parties. The Arbitrator held that the amounts mentioned in the contract were "maximal", the contractor bearing the risk, if the estimates proved to be too low. The Arbitrator found further that the contractor's claim could not be admitted on the basis of principles of fairness invoked by the contractor, and in particular that, in agreeing once to an increase of the maximum amount for reimbursement, the Organization had not given the contractor good reason to believe that further expenses would also be refunded. With regard to the contractor's plea, that the extra expenditure was the result of unforeseeable circumstances, entirely beyond his control, the Arbitrator held that the question of the effects of unforeseeable circumstances need not be decided as the circumstances referred to by the contractor (e.g. late arrival of essential equipment and payment of taxes) could indeed have been anticipated. Consequently the Arbitrator dismissed the claim and ordered the contractor to pay the costs of the arbitration.
