

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/3597

21 October 1971

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## CONSULTATION WITH POLAND

### Fourth Review under the Protocol of Accession

#### Report by the Working Party on Trade with Poland

1. The Council at its meeting on 21 April 1971 established a Working Party to conduct, on behalf of the CONTRACTING PARTIES, the fourth annual consultations with the Government of Poland provided for in the Protocol of Accession, to re-examine the question of the establishment of a date for the termination of the transitional period referred to in paragraph 3(a) of the Protocol and to report to the Council.
  2. The Working Party met on 11-13 October 1971 under the chairmanship of Mr. J.E. Larsen (Denmark).
  3. The Working Party had before it the following documents containing information relevant to its work:
    - L/3556 Note by the delegation of Poland on the removal of discriminatory import restrictions
    - L/3576 Data on Poland's trade with GATT countries in 1968, 1969 and 1970
    - L/3576/Add.1 Data on Poland's trade with GATT countries in the first half of 1971
    - L/3577 and addenda 1-11 Notifications by contracting parties on discriminatory restrictions maintained on imports from Poland
  4. The following report sets down the main points of the discussion in the Working Party under the two headings:
    - A. Annual review of Poland's trade with contracting parties
    - B. Establishment of a date for the termination of the transitional period in paragraph 3(a) of the Protocol of Accession of Poland
- A. Annual review of Poland's trade with contracting parties
- I. Polish exports to the territories of contracting parties
    - (a) The general trend and geographical distribution of Polish exports to the territories of contracting parties. Has there been an unexpected decline or increase in Polish exports?

5. The Working Party noted that the increase in Poland's exports to GATT countries from 1969 to 1970 had been 13.2 per cent. In absolute terms the exports to GATT countries had increased from US\$1,299.3 million to US\$1,470.3 million. Exports to all countries had increased from 1969 to 1970 by 12.9 per cent, from US\$3,143.3 million to US\$3,547.6 million. The representative of Poland stressed that exports to developed market economy countries had showed a particularly high rate of growth -- 18.9 per cent -- mainly attributable to increased exports of fuels, raw materials, machinery and equipment.

6. The representative of Poland said that there had been no unexpected decline or increase in Polish exports in 1970.

(b) Development of Polish exports of different categories of goods, e.g. agricultural goods, raw materials, semi-manufactured goods, machinery and consumer goods

7. The representative of Poland gave the following figures for the share in total exports of the four main commodity groups:

	1969		1970	
	<u>To GATT countries</u>	<u>To all countries</u>	<u>To GATT countries</u>	<u>To all countries</u>
Machinery and equipment	21.1%	39.2%	20.0%	38.5%
Raw materials, fuels and semi-finished products	43.9%	33.0%	44.7%	32.7%
Agricultural products and foodstuffs	23.7%	12.1%	24.2%	13.2%
Manufactured consumer goods	11.3%	15.7%	11.1%	15.6%

(c) Action taken by contracting parties under paragraph 3 of the Protocol to remove remaining quantitative restrictions on imports from Poland

8. The Working Party noted that the following contracting parties had notified that they did not maintain any discriminatory restrictions of the kind referred to in paragraph 3 of the Protocol:

Argentina	Iceland	Portugal
Australia	Indonesia	South Africa
Brazil	Ireland	Spain
Cameroon	Japan	Turkey
Canada	Kenya	United States
Ceylon	Korea, Rep. of	Upper Volta
Chile	New Zealand	Uruguay
Cuba	Nigeria	Yugoslavia
Czechoslovakia	Pakistan	

9. The Working Party noted that the following contracting parties had notified, within the framework of the examination of Non-Tariff Barriers in the Committee on Trade in Industrial Products, that they did not discriminate in the operation of their import restriction systems:

Burundi	Gabon	Kuwait
Chad	Israel	Rwanda
Cyprus	Ivory Coast	Sierre Leone

10. The Working Party took note of the notifications on quantitative restrictions submitted by:

Austria	Finland	Switzerland
Denmark	Malta	Trinidad and Tobago
European Communities and member States	Norway	United Kingdom
	Sweden	

11. The Working Party noted that notifications had been received from fifty contracting parties in 1971; in 1970 thirty-two countries only had submitted notifications.

12. The representative of Poland noted with satisfaction that the number of notifications received by the secretariat had increased in comparison with the previous consultation. He also recognized that the accuracy of the notifications had improved somewhat; there were, however, still some notifications which were not in conformity with the guidelines and which were lacking in clarity to such an extent that it was impossible to judge whether any progress had been made towards the elimination of the restrictions. He further stated that for the sake of clarity the notification by the European Communities should also indicate the state of liberalization in their member States.

13. Several delegations associated themselves with the views expressed by the representative of Poland with regard to the lack of clarity of the notifications and suggested possible ways in which the situation might be remedied.

14. With regard to individual notifications submitted for the Fourth Consultation, the notifying countries supplied the following additional information:

Austria: On 1 January 1971, 184 items were removed from the list of products subject to discriminatory restrictions. The liberalization movement would continue.

European Communities: The representative of the European Communities pointed out that the notification submitted by the Communities listed all items subject to quantitative restrictions in the member States when imported from Poland. He explained that the notification by the Communities listed as headings subject to restrictions the full Brussels Nomenclature headings even in cases where only a small part of the heading was under restriction. At the Community level the number of tariff positions subject to restrictions when

imported from Poland had been reduced from 690 in 1967 to 502 in 1970 and further to 444 in 1971. Because of the different methods of delimiting quotas in the member States, it was impossible to give exact figures for the enlargement of quotas. In the year under review, many quotas had, however, been increased by up to 30 per cent. The sum of restrictions abolished in the member States between 1 July 1970 and 30 June 1971 was 135. Twenty-four items had been liberalized in Germany, twenty-seven in France, sixty-nine in Italy and fifteen in Benelux.

Sweden: The size of some quotas had been enlarged. Of the quotas in force, only three (finished textiles, footwear and porcelain) represented real limitations, as could be seen from the import figures in L/3577/Add.1. Those limitations were in the view of the Swedish authorities justified for economic and social reasons.

United Kingdom: After the extensive liberalization undertaken on 1 May 1970, the number of discriminatory restrictions had remained unchanged. The size of several quotas had, however, been increased. The total value of quotas for imports from Poland had gone up from £8.8 million in 1968 to £10.2 million in 1971 although the number of items subject to quotas had been considerably reduced in the same period.

15. In view of the fact that the Communities had reported all restrictions applied to imports from Poland, discriminatory as well as residual, which was contrary to the terms of the Protocol of Accession, the representative of Poland, supported by some other members of the Working Party, could not consider the notification by the Communities as fulfilling its purpose. The representative of the Communities said that efforts were being made to improve the notification by the Communities in the manner requested.

16. Members of the Working Party which had notified that they maintained discriminatory restrictions on imports from Poland said that it was clear from their notifications and from additional information given orally at the meeting that they had fulfilled their commitment under paragraph 3(a) of the Protocol. Other members of the Working Party took note of the assurances given that none of the countries concerned had increased the discriminatory element in restrictions maintained by them or introduced new discriminatory restrictions and that action had been taken towards relaxation of the discriminatory element in existing restrictions, even though it was not possible to confirm this on the basis of the notifications submitted to the Working Party prior to the meeting.

17. The representative of Poland and other members of the Working Party expressed concern over the slow movement towards abolition of discriminatory restrictions. They urged the countries maintaining such restrictions to expedite the removal or relaxation of them.

18. The representative of Poland said that the importance of the relaxation of the restrictions could be seen from the fact that Poland's exports of machinery - where important liberalization had taken place - had gone up in 1969/70 by 37 per cent.

19. In order to improve the clarity of the notifications, the Working Party agreed to recommend to countries maintaining discriminatory restrictions that in future notifications they should include a statement indicating that they either had or had not increased the discriminatory element in restrictions and that they either had or had not progressively relaxed it as required by paragraph 3(a) of the Protocol of Accession.

- (d) Other questions relating to the exports of Poland to the territories of contracting parties in the period under review, including any problems arising of the sort provided for by, or any action taken under paragraph 4 of the Protocol

20. The Working Party noted that no action had been taken under paragraph 4 of the Protocol.

II. Polish imports from the territories of contracting parties

- (a) The general trend and geographical distribution of Polish imports from the territories of other contracting parties. Did actual Polish imports reach the quantities or values provided for in the period under review? If not, what was the reason for the shortfall in Polish imports?

21. The Working Party noted with satisfaction that, according to the trade figures reproduced in Annex II to document L/3576, the increase in Poland's imports from GATT countries from 1969 to 1970 had been 7.9 per cent; it thus exceeded the Polish commitment.

22. One delegation expressed concern over the disharmonious development of Poland's purchases. On one hand, certain important trading partners of Poland had seen their sales to that country stagnate, and on the other hand the share of contracting parties in Poland's total imports had shown a tendency to decrease rather than to increase after the accession of Poland to GATT.

23. The representative of Poland replied to this that a reorientation of Polish imports had taken place in 1970, whereby more emphasis had been put on the importation of consumer goods and agricultural products. Such a reorientation had as an inevitable consequence that imports would decrease from some countries and increase from others. He also added that some of the exporters to the Polish market still lacked sufficient initiative to make use of its potential and opportunities.

- (b) Development of Polish imports of various categories of goods (e.g. agricultural goods, raw materials, semi-manufactured goods, machinery and consumer goods) from the territories of contracting parties in relation to development of Polish imports from other countries

24. The representative of Poland pointed out that total foreign trade of Poland in 1970 had increased by 12.7 per cent to US\$7,155.1 million. Trade with GATT countries had increased by 10.5 per cent to US\$2,934.6 million. Total imports had increased in 1970 by 12.4 per cent to US\$3,607.5 million; corresponding figures for imports from GATT countries were 7.9 per cent and US\$1,464.3 million.

25. With regard to the development of imports in the four main categories of goods, the Working Party noted that the share of total imports in 1969 and 1970 had been:

	1969		1970	
	<u>From GATT countries</u>	<u>From all countries</u>	<u>From GATT countries</u>	<u>From all countries</u>
Machinery and equipment	35.6%	36.9%	32.7%	36.4%
Raw materials, fuels and semi-finished products	49.9%	47.0%	50.7%	47.8%
Agricultural products and foodstuffs	10.4%	10.4%	12.3%	9.6%
Manufactured consumer goods	4.0%	5.7%	4.3%	6.2%

(c) Development of Polish imports from the territories of contracting parties in relation to development of the Polish market

26. The representative of Poland said that the total output of Polish industry had grown by 8.4 per cent from 1969 to 1970. Agricultural output had increased by 2.1 per cent and real national product by 5.7 per cent. Against the background of those figures, the increase of foreign trade by 12.7 per cent (exports by 12.9 per cent, imports by 12.4 per cent) showed that foreign trade was the sector expanding most rapidly.

27. The share of GATT countries in Poland's total foreign trade was 41 per cent in 1970; in 1969 the same share had been 41.8 per cent.

(d) Provision made by Poland pursuant to paragraph 1 of the Schedule of concessions of Poland to ensure an annual increase in the total value of its imports from the territories of contracting parties

28. The representative of Poland recalled that 1971 was the first year in which Poland was to implement its import commitment vis-à-vis the contracting parties in a new, modified form. He wished to state most emphatically that it was the firm intention of his Government to fulfil its commitment.

29. In general, the economic development in Poland in 1971 was characterized by a somewhat slower growth rate of the industrial output in comparison with the previous years and with regard to foreign trade by a higher growth of exports than of imports. During the first seven months of 1971 the total industrial

output had increased by 6.7 per cent over the same period of the preceding year, the investment spendings had risen by 6 per cent, while the value of exports had increased by 8.4 per cent and that of imports by 4.6 per cent.

30. Data for the first half of 1971 showed, as could be seen from the statistics reproduced in L/3576/Add.1, only a moderate 1.4 per cent increase of imports from the contracting parties over the same period of 1970. In this connexion it should be borne in mind that as a result of a certain reorientation of the Polish import structure more financial resources had been allocated to imports of consumer goods and agricultural products with a view to improve the demand-supply balance on the domestic market, which had obviously resulted in some decline of the growth rate for the imports of machinery and equipment, especially of single machines. At the same time, however, larger contracts, in terms of value, had been placed on imports of complete technological lines and industrial plants; due to their very nature, these imports would come into the import statistics only at a later stage.

31. According to the estimates imports from GATT countries would increase by over 6 per cent in 1971. With regard to the year 1972, an 8 per cent increase of the imports from the contracting parties over the year 1971 was envisaged.

32. A member of the Working Party pointed out that it was likely that Romania would become a contracting party in the very near future. He asked how it was envisaged that trade with Romania would be taken into account in the coming years when calculating the import increase from contracting parties. It was agreed that it was essential that imports from new contracting parties were treated in the same manner in respect of the base year as in respect of the year for which the increase was to be calculated.

(c) Other questions relating to imports of Poland from the territories of contracting parties

33. There was no discussion under this heading.

III. Polish balance of payments with contracting parties

34. The Working Party heard an explanation by the representative of Poland concerning the balance-of-payments situation of Poland with regard to its relation with the contracting parties. The Working Party noted with satisfaction that it did not seem likely that the present balance-of-payments situation would interfere with the fulfilment of Poland's commitment under the Protocol of Accession.

35. A member of the Working Party pointed out that in the information relating to Poland's balance of payments, the import increase from contracting parties in 1970 was given at 10.7 per cent, while the corresponding figure in the trade statistics was 7.9 per cent. The representative of Poland replied that the balance-of-payments figure related to imports which had actually partly taken place earlier than in 1970.

36. The representative of Austria said that the system of payments between Poland and his country would be based on convertible currencies with effect from 1 January 1972.

B. Establishment of a date for the termination of the transitional period in paragraph 3(a) of the Protocol of Accession

37. The Chairman recalled that the Working Party that had carried out the Third Consultation under the Protocol of Accession of Poland had not been able to agree on a date for the termination of the transitional period for the abolition of discriminatory restrictions. The question had therefore to be re-examined at the Fourth Consultation.

38. The representative of Poland said that foreign trade was of extreme importance to his country. When Poland had acceded to GATT in 1967, it had expected to receive most-favoured-nation treatment. Poland, on its side, had fulfilled its GATT obligations, and it felt that the time had come to terminate the period during which other contracting parties were allowed to discriminate against Poland. In the opinion of the Polish Government 31 December 1974 was a reasonable terminal date by which all discriminatory restrictions should be eliminated. The provisions of GATT itself and of the Protocol of Accession should offer sufficient safeguard against possible market disruption in other contracting parties.

39. Several members of the Working Party, who had been in favour of a similar Polish proposal at the 1970 Consultation, confirmed that they were supporting the Polish proposal set out in paragraph 38 above.

40. The representatives of the countries still maintaining discriminatory restrictions said that their positions remain unchanged from the previous consultation. They could accept the formula set out in paragraph 42 of the Report on the Third Review (L/3475) which, they noted, had at the time of that Review been acceptable to the delegation of Poland.

41. In an effort to make it possible to reach a compromise, the Chairman proposed the following text:

"Contracting parties still maintaining prohibitions or quantitative restrictions non-consistent with Article XIII of the General Agreement shall not increase the discriminatory element in these restrictions, undertake to remove them progressively and shall have as their objective to eliminate them before the end of 1974, that is, before the end of the transitional period. Should this agreed objective not be achieved and for exceptional reasons, should a limited number of restrictions still be in force as of 1 January 1975, they would be the subject of an examination by the Working Party with a view to their elimination."

42. Some members of the Working Party were prepared to accept this text. Other members, however, indicated that it was, for substantive and legal reasons, not acceptable to them.

43. The representative of Poland stated that in view of the new developments in international trade, which might complicate the expansion of Polish exports to the territories of contracting parties, Poland attached a particular importance to the elimination of quantitative restrictions inconsistent with Article XIII and would be unable to accept the proposal by the Chairman in its present wording.

44. In view of the divergencies of opinion set out above, the Working Party was not in a position to agree on a recommendation to the Council, and in accordance with paragraph 3(a) of the Protocol of Accession the question would have to be re-examined at the Fifth Annual Review. The representative of Poland said that his delegation wished that the question of the establishment of a terminal date for the transitional period should be brought to the attention of the Council at its next meeting.