

GENERAL AGREEMENT ON TARIFFS AND TRADE

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REPORT BY THE WORKING PARTY ON TRADE WITH ROMANIA

1. The Council, at its meeting on 3 February 1975, established a Working Party to conduct, on behalf of the CONTRACTING PARTIES, the second consultation with the Government of Romania provided for in paragraph 5 of the Protocol of Accession¹, and to report to the Council.
2. The Working Party met on 18 and 19 January 1977, under the chairmanship of Mr. A. Bier (Brazil).
3. The Working Party had before it the following documents containing information relevant to its work:
 - L/4362: Statistics relating to Romania's trade with contracting parties in the year 1971-1975.
 - L/4170 and Addenda 1-3 and L/4343 and Addenda 1-2: Notifications by contracting parties of discriminatory prohibitions and quantitative restrictions still applied to imports from Romania.
 - A document relating to Romania's balance of payments with contracting parties for the period 1973-1975.
4. The following report sets down the main points of discussion in the Working Party under the following headings:
 - A. General
 - B. Romanian exports
 - C. Romanian imports
 - D. Romania's trade balance and balance of payments

¹BISD 18S/7

A. GENERAL

5. In an introductory statement the representative of Romania stressed the importance of this second consultation, which was occurring at the end of the first Five-Year Plan (1971-1975) following Romania's accession to GATT and thus for the first time made possible a full assessment of Romania's undertaking that it firmly intended to increase its imports from the contracting parties as a whole at a rate not smaller than the growth of total Romanian imports provided for in its Five-Year Plans.

6. With regard to Romania's exports, which had also increased, he noted the conclusion of a trade agreement with the United States which had accorded Romania most-favoured-nation treatment and an arrangement under the Arrangement Regarding International Trade in Textiles (ATTA), the conclusion of an agreement with the European Communities under the MFA, the conclusion of various medium and long-term trade and economic co-operation agreements, the formation of joint production, marketing and banking enterprises, and the elimination of all discriminatory restrictions by Austria. He also noted the inclusion of Romania in lists of beneficiaries of preferences under the Generalized System of Preferences (GSP).

7. He also noted with satisfaction that most of the contracting parties were not applying discriminatory quantitative restrictions vis-a-vis Romania. At the same time, he drew the Working Party's attention to the objective fixed by contracting parties applying quantitative restrictions not consistent with Article XIII of the General Agreement to eliminate those restrictions before the end of 1974. After citing some figures, he expressed the regret of his authorities that, in spite of the progress made, that objective had not been attained.

8. The representative of Romania said that import embargoes had been introduced affecting certain Romanian exports. Furthermore, restrictive measures had been imposed without prior recourse to all the possibilities afforded by GATT or other arrangements. In addition, there had been fairly frequent requests for self-restraint that were tending to become real restrictions.

9. In the view of the Romanian Government, the framework within which Romania's export trade was taking place did not take sufficient account of the level and the needs of Romania's economic development. Certain liberalization measures granted on the basis of the most-favoured-nation clause had not been extended to Romania's exports, and as a result, although progress had been made in the elimination of restrictions not consistent with Article XIII, their complete elimination had not been achieved.

10. The representative of the United States welcomed the non-discriminatory agreement which his authorities had concluded with Romania in August 1975 and the entry into force of GSP treatment with regard to imports from Romania as of January 1976.

B. ROMANIAN EXPORTS

11. The representative of Romania expressed the view that a certain geographical disequilibrium in his country's exports continued to exist, and that a large proportion of those exports still consisted of primary products.

12. He added that whereas most of the contracting parties did not maintain restrictions incompatible with the General Agreement vis-à-vis his country's exports, two groups of countries nevertheless continued to do so, namely, the European Communities and the Nordic countries. As for the former, although the situation had improved by virtue of an agreement reached in the context of the MFA, there remained restrictions on certain chemical and iron and steel products. As for the restrictions still maintained by the Nordic countries, his authorities believed that an agreement within the context of the MFA would practically eliminate the problem, although there would remain the question of some other products.

13. The representative of the European Communities expressed his authorities' view that mutual trade with Romania had progressed satisfactorily during the five-year period, despite some reduction in exports to Romania in the past two years. He said that a bilateral trade agreement would have improved the possibilities for increased Romanian exports even further. As for the obligations on the part of the European Communities, he cited the progressive elimination of discriminatory quantitative restrictions, which since Romania's accession to the GATT, had declined from 206 full and 271 partial tariff headings to 113 full and 80 partial tariff headings, which meant that now only 5 per cent of European Communities imports from Romania continued to be subject to such restrictions. Moreover, a further step towards the liberalization of trade had been taken by the signature of the textiles agreement. In addition, import quotas had been increased substantially from year to year. The representative of the European Communities stated that the *raison d'être* of the restrictions still being applied was to be found in the trade practices of certain exporters under present economic conditions. What was more, in some cases, quotas were being maintained in order to avoid differentiating between countries that were in similar situations. In the circumstances, he felt that the European Communities were honouring their obligations under the Protocol.

14. The representative of Finland said that his country's quantitative restrictions affecting imports from Romania covered sectors that were considered sensitive in the light of employment conditions, regional development efforts and Finland's balance-of-payments situation, as well as the unfavourable economic conditions in 1975-1976. He also stated that his authorities were aware of Romania's problems in this field, and that the two countries expected to discuss mutually interesting trade policy questions bilaterally in the very near future.

15. The representative of Sweden indicated that as from 1 January 1975 his country had unilaterally liberalized a large number of imports from Romania. Whereas his authorities considered it necessary to retain the remaining restrictions, Romanian products would in fact enter Sweden freely under normal marketing conditions, except for textiles, footwear and chinaware, which represented a mere 3.2 per cent of total imports from Romania to his country.

16. The representative of Norway noted that his country's trade with Romania had decreased somewhat as a result of unfavourable economic conditions generally. As for Norwegian restrictions on imports from Romania, the two Governments discussed this when concluding annual bilateral trade protocols. These restrictions were few in number and limited to the textile sector, i.e. to sensitive products. His authorities were still studying a Romanian suggestion to enter into an agreement in the context of the MFA. The Norwegian authorities had furthermore taken the decision in principle to extend GSP treatment to Romania, and were now studying the modalities of implementation.

17. Several representatives of countries not maintaining discriminatory quantitative restrictions affecting imports from Romania were pleased that the progress mentioned in the preceding paragraphs had been made, and certain of these supported the request by the representative of Romania that countries which continued to maintain such measures should eliminate these more rapidly. Some representatives were of the view that there were adequate safeguards within the framework of existing GATT agreements and arrangements, and that there was thus no need for the application of discriminatory quantitative restrictions against Romanian exports.

18. In the course of consideration of this item, the members of the Working Party reported on the evolution of their trade with Romania and on the measures taken to promote its development.

C. ROMANIAN IMPORTS

19. The representative of Romania referred to his earlier remarks about the increase in his country's imports from contracting parties. In this context the Working Party noted that Romania had fulfilled its import commitment under the Protocol of Accession.

20. One member of the Working Party expressed the view that the Working Party should be furnished with information that would permit identification of the contracting parties whose exports accounted for the increased Romanian imports, and more particularly, whether any of these countries had become contracting parties after the Protocol of Accession had been negotiated.

21. The representative of the European Communities felt that it was desirable to review the new decree regarding Romania's customs tariff, in particular as to its compatibility with non-discriminatory application of most-favoured-nation treatment. While recognizing its own competence to deal with all questions related to Romania's trade with contracting parties, the Working Party agreed that the special group responsible for studying Romania's customs tariff should continue its examination, henceforth taking into consideration the new legislative texts. Several delegations also expressed interest in examination of the Romanian tariff.

D. ROMANIA'S TRADE BALANCE AND BALANCE OF PAYMENTS

22. The representative of Romania said that his country's trade balance with the contracting parties as a whole had shown a deficit in the period 1971-1975. On average, Romania's exports had been equivalent to 90 per cent of its imports, and substantial financial efforts had therefore been necessary.

23. A member of the Working Party inquired as to invisibles and long-term credit operations that could not be discerned from the statistics which had been made available. He expressed the view that, whereas the strict requirements of the Protocol may have been met in this regard, the Working Party should be furnished more extensive and detailed information for future consultations.

CONCLUSIONS

24. The Working Party took note of the satisfactory developments in trade between Romania and the contracting parties. The Working Party generally considered that it would be appropriate and useful that between now and the next consultation, the interested parties should seek, taking into account the provisions of the Protocol of Accession, ways and means to speed up solution of the problems raised at the current session and in particular with respect to their bilateral implications.

ANNEX

Text submitted by the Delegation of Romania

1. The second of the periodic consultations designed to review the development of reciprocal trade between Romania and the other contracting parties is of obvious importance.

As it is taking place at the end of the first Five-Year Plan (1971-1975) after Romania's accession to GATT, it makes possible, for the first time, an assessment of the implementation of Romania's undertaking that it firmly intends to increase its imports from the contracting parties as a whole at a rate not smaller than the growth of total imports provided for in the Five-Year Plans. That firm intention has been realized and even exceeded.

In the second place, since the contracting parties maintaining quantitative restrictions not consistent with Article XIII of the General Agreement fixed as the objective of their undertaking the elimination of those restrictions before the end of 1974, there is now sufficient perspective to permit a comparative evaluation of the implementation of that undertaking. In spite of the progress made, the objective in question has not been attained.

2. During the 1971-1975 period, the Romanian economy pursued its development at a steady pace; total industrial production has risen at an average annual rate of 13.1 per cent and agricultural output had increased 2.9 times.

With a view to rapid development of the economy and in order to narrow the remaining gaps between Romania and the economically advanced countries, Romania has been giving particular attention to its investment policy; during the 1971-1975 five-year period, investments exceeded those of the preceding Five-Year Plan periods taken together.

Foreign trade has been expanded and diversified in line with a policy aimed at growing participation in the international division of labour, broad international collaboration and the expansion of economic relations and industrial, technical and scientific co-operation with all countries. During the 1971-1975 period, which also marks the first five years of Romania's participation in GATT, the volume of its foreign trade increased by 154.1 per cent, and trade with the contracting parties rose, in 1975, by 162.2 per cent as compared with 1971.

Romania's exports to the countries that are contracting parties to GATT increased 2.6 times between 1971 and 1975, the contracting parties accounting, in 1975, for 57.4 per cent of total exports. This growth of exports, however, was not such as to result in elimination of the deficit recorded in each of the five years, in Romania's trade balance with the contracting parties as a whole; throughout the period, exports averaged only 90 per cent of imports and, in view of the considerable value of the imports, this required financial efforts that had direct consequences for the country's balance of external payments.

As in the case of many countries, Romania's main source of financing for imports is its earnings from exports. This means that the development of Romania's foreign trade will continue to be predicated on the growth and diversification of its exports. It is in this way that the necessary material conditions will be created for satisfying the wish of Romania's enterprises and authorities to expand and further diversify its imports.

3. As already mentioned, in acceding to the General Agreement Romania gave expression, in the Protocol concluded with the contracting parties, to its firm intention to increase its imports from the countries members of GATT as a whole at a rate not smaller than the general rate of growth of Romanian imports as provided for in its Five-Year Plans.

In 1975, imports from the countries members of GATT were 2.6 times those in 1971, which means that the rate of growth was greater than that of Romania's total imports for the period in question; this signifies that the Romanian side has observed the provisions of the Protocol of Accession, which, it may be added, is in keeping with the principles held by Romania as regards observance of the international agreements to which it has acceded.

4. The Protocol of Accession relating to Romania specifies, however, that the contracting parties which still maintain prohibitions or restrictions not consistent with Article XIII shall not increase the discriminatory element in those restrictions, shall undertake to remove them progressively and shall have as their objective to eliminate them before the end of 1974.

We note with satisfaction that most of the contracting parties are not applying discriminatory quantitative restrictions to Romania. One contracting party, Austria, has eliminated all discriminatory restrictions with regard to Romania. Other contracting parties have undertaken measures of liberalization by eliminating part of those restrictions.

In spite of such progress, the objective of eliminating restrictions not consistent with Article XIII before the end of 1974 has not been attained. What is more, some liberalizations have not been extended to Romanian exports.

It may be noted with satisfaction that since the first consultation with the members of GATT, certain positive developments have been recorded:

- conclusion of a trade agreement with the United States, which has accorded us most-favoured-nation treatment and the benefits of the generalized system of preferences, and the conclusion of an agreement on textiles;

- conclusion of various medium- and long-term trade and economic co-operation agreements, and the formation of joint production, marketing and banking enterprises;

- conclusion of an agreement with the European Economic Communities under the Arrangement Regarding International Trade in Textiles (MFA);
- generalized preferences benefits accorded by Switzerland.

However, the following may also be noted:

- introduction of import embargoes which seriously affect some of our exports;
- on some occasions the introduction of restrictive measures without prior exhaustion of all the possibilities offered by GATT or other arrangements;
- rather frequent requests for self-restraint which have tended to become real restrictions;
- the framework within which Romania's exports are effected does not take sufficient account of the level and the needs of Romania's economic development; as a developing socialist country member of GATT, Romania considers that it is entitled to expect more favourable differentiated treatment, in keeping with its level of economic development.

Experience has shown that in dealing with problems as they arise, the consultation procedures provided for by the General Agreement and the Protocol can lead to solutions acceptable to the interested parties. We have also found that when the partners have the will to seek solutions pragmatically, these can be found even in such an area as textiles, reputed to be so sensitive.

5. The Romanian delegation intends to approach this consultation on the basis of Romania's position of principle that favours the promotion of international trade and Romania's intensive participation in such trade in keeping with its level of economic development and in full concordance with international obligations including those laid down by the General Agreement. It considers that the Working Party should concentrate in a constructive manner on the search for concrete, practical solutions, and it is prepared to co-operate with the other members of the Working Party in that spirit.