

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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CONSULTATION WITH POLAND

Ninth Review under the Protocol of Accession

Report by the Working Party on Trade with Poland

1. The Council, at its meeting on 15 July 1976 (C/M/115), established a Working Party to conduct, on behalf of the CONTRACTING PARTIES, the ninth annual consultation 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 23 and 25 March 1977 under the Chairmanship of Mr. K. Sandilya (India).

3. The Working Party had before it the following documents containing information relevant to its work:

L/4395 and addenda 1-2

Notifications by contracting parties on discriminatory restrictions maintained on imports from Poland;

L/4459 and addendum

Statistics on Poland's trade with GATT countries in 1973, 1974, 1975 and 1976.

4. The following report sets down the main points of the discussion in the Working Party under three headings:

A. General

B. Annual review of Poland's trade with contracting parties

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

A. GENERAL

5. In an introductory statement, the representative of Poland stated that the three-year period 1973-1975 was characterized by a rapid development of the country's economic potential. Numerous new plants had been constructed and existing equipment modernized. Industrial production had, as a consequence, increased by 73 per cent from 1970 to 1975, and agricultural production by 20 per cent. The national income had, as a result, grown by 62 per cent. As of 1971/72 the Polish Government had adopted an economic policy, one principle of which was an increased participation of Poland in the international division of labour. The rôle of foreign trade had been substantially increased. In the years 1966-1970, the volume of external trade had on the average increased by 9.2 per cent per year, while in 1971-1975 it had augmented by more than 21 per cent per year. The growth of the trade with GATT contracting parties had been still higher. The part of GATT countries in the foreign trade had increased from 56.6 per cent in 1973 to 57.6 per cent in 1975. In order to modernize and improve the quality of its production and export capacity, Poland had augmented its purchases abroad, especially of modern machinery, licences and complete plants. Accordingly, Poland today had an industry which could compete effectively on the world market. This policy had led to a deficit in the balance of trade. This development was, however, planned. The Five-Year Plan for 1976-1980 foresaw, on the other hand, a gradual decrease of the deficit as from 1977. This goal was to be reached through a substantial increase of exports while imports should be maintained on a level which assured a continuation of the rapid development of the national economy and which ensured that Poland fulfilled its obligation to its trading partners. The representative of Poland underlined, however, that it was necessary that all discriminatory quantitative restrictions be abolished if trade was to develop on a mutually profitable basis. The representative of Poland added a few words regarding credit policy. That seemed to him appropriate, since several references had been made to that problem, and the view had been expressed that Poland's indebtedness was too high. In recent years, Poland had benefited substantially from foreign credits and had had no difficulty in obtaining them. If that was the case, it was not out of charity, but because those transactions were mutually profitable for Poland as well as for its partners. The intention was to continue along that course, i.e. to contract credits and to pay them back punctually as hitherto.

6. One member of the Working Party noted the Polish statement that expansion of the imports had been foreseen in the Plan. His authorities had, however, noted in a published report that imports appeared to have grown twice as fast as had been planned. If this was true, he was accordingly encouraged that in some instances the planning in Poland could be more indicative than rigid, and that the planning system consequently showed signs of a welcome degree of flexibility.

B. ANNUAL REVIEW OF POLAND'S TRADE WITH CONTRACTING PARTIES

I. Polish exports

7. The Working Party took note of the statistics on Poland's trade with GATT countries contained in document L/4459 and Add.1.

8. The Working Party noted the following figures for total exports of the four main commodity groups:

	1974		1975	
	to GATT countries %	to all countries %	to GATT countries %	to all countries %
Machinery and equip- ment	23.3	37.0	26.6	39.0
Raw materials and semi- manufactures	51.1	36.1	51.5	37.2
Food products	15.5	11.8	11.9	9.1
Consumer goods	10.1	15.1	10.0	14.7

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

Australia	Japan	South Africa
Austria	Kenya	Switzerland
Canada	Malta	Turkey
Cyprus	New Zealand	Uganda
Czechoslovakia	Romania	United States
Hungary		

10. It was recalled that in the course of the previous consultations, it had been noted that the following countries had informed the secretariat that they did not maintain discriminatory quantitative restrictions against Poland:

Argentina	Indonesia	Portugal
Burundi	India	Rwanda
Brazil	Ivory Coast	Sierra Leone
Cameroon	Korea	Spain
Chad	Kuwait	Upper Volta
Chile	Malawi	Uruguay
Cuba	Nigeria	Yugoslavia
Iceland	Pakistan	

The Working Party noted that these countries had not communicated additional information to the secretariat for the ninth consultation.

11. The Working Party took note of the notifications on discriminatory quantitative restrictions by:

European Communities
Greece
Finland

Norway
Sweden

12. The representative of Poland stated that Polish exports to contracting parties had grown from \$3.2 thousand million in 1973 to \$4.5 thousand million in 1974 (an increase of 40.1 per cent) and to \$5.2 thousand million in 1975 (a further increase of 15.3 per cent). In 1976 his country's exports amounted to \$5.6 thousand million, i.e. an increase of only 4.1 per cent. Since global exports had increased in the same period by 39.9 and 23.5 per cent respectively, the growth of Polish exports to the contracting parties had been lower than those to all countries. The growth rate of the exports to the GATT contracting parties during 1973-1976 had stagnated. This was partly due to a substantial increase in internal demand and partly to the unfavourable economic situation on the world market. The representative of Poland noted that the structure of Polish exports was still unsatisfactory, since the part of raw materials and semi-manufactures of the total exports remained too high. As far as the discriminatory quantitative restrictions were concerned, he noted that a certain progress had been made with a view to their elimination. In many cases, however, the liberalization concerned products in which Poland had no export interest. The increases of quotas made were also of a symbolic character. He was particularly worried about the fact that a stagnation in the liberalization process could be observed in the last three-year period. This constituted a disturbance of the reciprocity of rights and obligations, to the disadvantage of Poland, whose obligations had been duly fulfilled. He pointed out that, for instance, Austria had eliminated all discriminatory quantitative restrictions on imports from Poland and had nevertheless proved that it was possible to develop its trade with Poland in a balanced manner. The same was valid for the United States, Canada, Japan and Australia and many developing countries. Consequently, his Government was of the view that now, nine years after the signature of the Polish Protocol of Accession, the time had come to stop applying to imports from Poland all prohibitions and quantitative restrictions inconsistent with Article XIII. In his view, the countries concerned risked nothing by taking such a measure in view of the safeguard provisions in the General Agreement and the provisions of paragraph 4 of the Protocol.

13. One member of the Working Party reiterated the support expressed at previous consultations for the Polish view that all discriminatory quantitative restrictions on imports from Poland should be eliminated. As far as the development of Poland's

trade was concerned, he found it noteworthy that the percentage increases of Poland's exports to and imports from market economy countries were almost identical, while there was a deficit in the trade with the CMEA countries.

14. Some members of the Working Party stated that their trade with Poland had developed in a positive way. These members regretted that some contracting parties continued to apply discriminatory quantitative restrictions on imports from Poland. In their view the elimination of these restrictions was slow. They supported what they felt was the legitimate concern of Poland that the transitional period should now be terminated, since nine years had passed since the Polish accession. They were convinced that the restrictions were unnecessary as a means of protection, since sufficient safeguard provisions were contained in paragraph 4 of the Protocol. Some of these members considered that Article XIX of the General Agreement provided additional protection.

15. Some members of the Working Party noted that a number of discriminatory quantitative restrictions had been relaxed and that the discriminatory element had been reduced in certain others. They welcomed, however, the proposals that due consideration should be given to fixing a date for the termination of the transitional period. In their view, adequate safeguard provisions were contained in Articles XIX and VI of the General Agreement and in the Arrangement Regarding International Trade in Textiles.

16. The representative of Switzerland stated that his country had no discriminatory quantitative restrictions on imports of industrial products and that the last discriminatory restrictions on agricultural products had been eliminated in 1975.

17. The representative of Sweden stated that trade between Poland and his country had developed positively during the first half of this decade, having increased by about four times during that period. This trend had, however, been broken in 1976 when his country's exports to Poland had decreased, while imports from Poland had continued to increase. He expressed the hope that the development would change again and that the trade flows between the two countries would continue to develop positively. He stated that a considerable number of products had been liberalized as of 1 January 1975 when a new import régime had been introduced. Some items were subject to licences under that régime, but were normally admitted without restrictions. Certain other items, mainly textiles, shoes and chinaware were still being restricted for certain important and exceptional reasons as regards imports from Socialist countries in Europe and Asia. The restrictions were necessitated by the pricing policies of these countries.

He noted, however, that only 3 per cent of the Polish exports to his country were subject to restrictions and that, in consequence, a positive development of the trade could not reasonably be expected to be impeded by such restrictions. His country had therefore, in his view, fulfilled its obligations under the Protocol.

18. The representative of Norway noted the positive development of the trade between his country and Poland during recent years and especially in 1976. As far as discriminatory restrictions were concerned there had been no changes during the reporting period. The restrictions were, however, few and concerned sensitive products, mostly textiles. During the last meeting of the mixed Commission set up under Norway's long-term trade agreement with Poland, which took place in the beginning of March this year, agreement was reached that the textile quotas should remain unchanged for the coming period. There had, however, been an important increase in Polish textile exports to Norway, amounting to 23.9 million Norwegian crowns in 1976, as against 17.8 million Norwegian crowns in 1975. He concluded that his country, in his view, had fulfilled its obligations under the Protocol.

19. The representative of Finland stated that his country was discussing bilaterally with Poland the quantitative restrictions still being maintained by Finland.

20. The representative of the European Communities noted that Polish exports to the contracting parties, and in particular to the Communities, had developed favourably. He stressed, however, that Polish exports to some countries which had eliminated discriminatory quantitative restrictions had stagnated and even decreased while the exports to some countries maintaining such restrictions had developed favourably. This supported his conviction that there was no definitive correlation between liberalization and development of trade. He agreed that progress in the liberalization might seem slow, but stressed that 70-80 per cent of all products had been subject to restrictions when Poland acceded to the GATT while the corresponding figure now was only 15-16 per cent. On 1 April 1976 further headings and sub-headings had been liberalized. In addition, the quotas were increased annually by at least 10 per cent. His authorities also intended to negotiate a textiles agreement, within the framework of which further liberalization could take place. In view of a number of factors acting together, in particular the economic situation and the selling conditions for Poland's exports, no substantial progress towards liberalization could be foreseen for the time being. Nevertheless, the conclusion of a bilateral agreement with the Communities would afford conditions that would facilitate a speeding-up of the liberalization process.

II. Polish imports

21. The Working Party noted the following figures for total imports of the four main commodity groups:

	1974		1975	
	From GATT countries %	From all countries %	From GATT countries %	From all countries %
Machinery and equipment	36.4	38.5	39.4	37.4
Raw materials and semi-finished products	49.1	47.0	46.2	48.6
Food products	9.5	8.9	10.2	8.7
Consumer goods	5.0	5.6	4.2	5.3

22. The representative of Poland stated that his country's imports from GATT countries had risen from \$4.8 thousand million in 1973 to \$6.9 thousand million in 1974 (an increase of 41.8 per cent), to \$7.9 thousand million in 1975 (a further increase of 15.1 per cent) and to \$8.8 thousand million in 1976 (a still further increase of 11.4 per cent). Whereas in the 1973-1975 period his country had been committed under the Protocol of Accession to import at least 344 per cent in value more than during the base period, the imports from contracting parties in that triennial period had actually amounted to \$19.6 thousand million, i.e., 774 per cent over the base amount. This demonstrated that Poland had amply fulfilled its import commitment under the Protocol. With regard to the geographical distribution, he noted that Poland had increased its imports from a number of developing contracting parties.

23. One member of the Working Party agreed that while in a formal or juridical sense Poland had fulfilled its import commitment, it was necessary to take account of the effect of inflation on the import figures. Moreover, it was noteworthy that there had been an increase of over 30 per cent in Polish imports from centrally-planned economy State-trading contracting parties, an increase that could be considered normal in the light of the relationships of these countries with Poland. In reply, the representative of Poland noted that Poland's commitment had been set with regard to contracting parties generally, without reference to particular countries or groups of countries.

24. The representative of Norway noted that his country's exports to Poland had increased by 31.8 per cent from 1975 to 1976, and added that in 1976 Poland had become his country's most important market in Eastern Europe.
25. The representative of Sweden said that although Poland's imports from his country had been lower in 1976 than in previous years, his authorities were still generally satisfied with the situation.
26. The representative of Poland said that the composition of his country's imports from other GATT countries had not changed markedly from previous years. Thus, imports of raw materials and semi-manufactures were still the largest single category, although their share had dropped from 48.6 per cent of the total in 1974 to 36.2 per cent in 1975. Also there had been an increase in imports of machinery and capital goods, as well as in the food sector, the latter having risen in 1976 as a result of grain purchases. He added that on the whole, the composition of imports from contracting parties resembled that of Polish imports generally.
27. One member of the Working Party called attention to the foreign trade targets in the Plan for 1976-1980, noting that in this period exports were to increase by 75 per cent while imports were to rise by 25 per cent. He further noted that the Plan contained a 13 per cent increase in exports in 1977 while imports were supposed to rise by only 2.7 per cent. In this connexion he invited the Polish delegation to comment upon the measures to be used to reach these targets.
28. Several members of the Working Party drew attention to the new customs tariff which had been introduced by Poland. While not calling for an immediate examination of the new customs tariff in the Working Party, they expressed the view that in due course it should be thoroughly examined in the GATT.
29. The representative of Poland acknowledged that as from 1 January 1976 his Government had increased the influence of economic factors in its foreign trade policy. In this context a normally functioning "two-column" customs tariff had been introduced, inter alia, with an m.f.n. rate and a rate applied to other countries. The average rate of duty had been approximately 20 per cent before recent tariff cuts had been implemented. The customs tariff was applied without discrimination to imports of all products by State-trading enterprises, which held the monopoly in foreign trade. He said that during 1976 it had been necessary to modify the application of the customs tariff in some respects; and the rates of duty had been changed on a number of products. Accordingly, it was necessary to allow the new customs tariff to operate somewhat longer before submitting it to an examination in GATT. Nevertheless, his authorities would welcome such an examination of the Polish customs tariff as to the substance and in relation to

other elements of the Polish economic system. He suggested that the preferable course of action would be for the contracting parties to entrust that task to a separate working party convened for that purpose. His delegation, for its part, would provide the necessary documentation to contracting parties prior to the convening of such a working party.

30. Several members of the Working Party welcomed this suggestion by the representative of Poland. One member said that his authorities welcomed the goal stated by Poland that among the instruments in the Polish foreign economic policy the customs tariff was to be given a central rôle. He and another member of the Working Party also welcomed the commitment with regard to adequate documentation for an examination of the customs tariff and of the Polish foreign trade system. They recalled, however, that Article X of the General Agreement called for the prompt publication of all trade regulations for all aspects of the trade régime - not just limited to the tariff - and urged that the Polish Government make this information available to contracting parties as soon as possible.

31. One member of the Working Party said that as from about September 1976 exporters in his country had noticed a "tightening up" with respect to exports to Poland. Whereas theretofore these exporters had been able to take orders directly from the Polish foreign trade organizations, it had since appeared that the foreign trade organizations were increasingly required to obtain the necessary approval from the various Government ministries in Poland.

32. In reply, the representative of Poland said that there was no requirement of obtaining the necessary approval from the various Polish Government ministries. In certain cases, however, difficulties might arise when an enterprise sought to import products either not provided for in the Plan or which went beyond the foreign exchange amounts which had been established. In such cases, the importing enterprise would be required to seek approval from the appropriate authority so as to obtain the necessary foreign exchange for the purchase. He explained that although the Plans were based on the needs of the various enterprises, they were actually established by the superior authorities, such as the Ministries of Foreign Trade or of Industry and were then approved by the Planning Commission. Whenever an enterprise had adequate foreign exchange available it was entirely free to import whatever it needed, since the sole directive with regard to the enterprises dealt with their balance of foreign exchange earnings. As a result, while the enterprises might exceed their goals either with respect to imports or to exports, and thus had a greater degree of freedom, the primary criterion was their balance.

33. One member of the Working Party said that the existence of the foreign exchange balance criterion would be of great interest to his authorities, and he said that this was the type of information that should be made available to contracting parties generally so as to permit them to understand the Polish foreign trade régime more completely.

34. A member of the Working Party referred to the reports by his country's exporters of lengthy discussions as to prices on exports to Poland, that were sometimes followed by an announcement that the project in question was not to be pursued. He asked how an exporter could determine, from the outset, whether he had been invited to bid on a real project. Another member of the Working Party called attention to a practice encountered by exporters who were sometimes obliged to accept payment in goods when selling to the Polish market. He noted that these bartered goods were almost invariably unwanted by the exporter, who would seek to dispose of them as rapidly as possible and frequently at prices well below the normal level for such products.

35. The representative of Poland said that there was absolutely no obligation for such barter transactions under his country's foreign trade régime. It was possible nonetheless that such sales could occur, because the added exports of goods from Poland would permit an enterprise to increase its imports from abroad. Moreover, such barter arrangements were sometimes made at the suggestion of the foreign country's exporter. The representative of Poland finally stated that all foreign trade measures introduced by his country were in conformity with the letter and spirit of the General Agreement.

III. Polish balance of payments with contracting parties

36. The Working Party heard additional clarifications and explanations by the Polish delegation regarding the data submitted to the Working Party on Poland's balance of payments with contracting parties, and noted that a net deficit on goods and services had been covered by foreign credits and unrequited transfers leaving a net surplus almost of \$326 million.

37. A member of the Working Party asked whether it would be possible for the Polish delegation to present more complete figures, notably with regard to (a) "errors and omissions" which did not appear on the present information, (b) capital movements in relation to trade in comparison to those related to economic co-operation and other operations, and (c) different types of operations made by central monetary institutions, in particular changes in the amount of foreign currency related to the deficit and surplus in the balance of payments as well as other changes in the amount of foreign currency related to international credits and loans.

38. The representative of Poland answered that there had been no need until now to specify an item "errors and omissions" because of the high degree of accuracy of the data furnished by the State-trading enterprises and also in the banking system. He added that the balance-of-payments data were compiled in accordance with IMF methodology. They were compiled on a transaction basis and he exemplified in detail how this had been carried out.

C. ESTABLISHMENT OF A DATE FOR THE TERMINATION OF THE TRANSITIONAL PERIODS
REFERRED TO IN PARAGRAPH 3(a) OF THE PROTOCOL

39. The representative of Poland referred to his previous intervention and insisted that a date now should be set for the termination of the transitional period.

40. Several members of the Working Party supported the Polish position.

41. One member of the Working Party stated that in his previous intervention he had expressed the reasons why it was impossible to agree to set a date for the termination of the transitional period at this time. Another member, however, was of the opinion that these reasons - among them such as the practice of payments in goods - were not relevant to the provisions of the Protocol of Accession.

42. As had appeared from their statements made earlier, other countries maintaining quantitative restrictions also found it difficult at this stage to agree upon a date for the termination of the transitional period.

43. The Chairman stated that in the absence of agreement, the Working Party would have to continue its efforts in this regard at its next review.