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Trade Negotiations Committee

Sub-Committee on Non-Tariff Barriers and
Other Special Problems

PARTICIPATION BY POLAND IN THE TRADE NEGOTIATIONS

Note by the Secretariat

During the course of the meeting in July this year of the Working Party on Relations with Poland, there was an informal discussion between the representative of Poland and certain members of the Working Party on points arising from the statement made by the Polish Vice-Minister for Foreign Trade at the ministerial meeting in May concerning Poland's interest in participating in the forthcoming trade negotiations.¹ The attached note, which was prepared by the secretariat on the basis of this discussion, is circulated for the information of the Sub-Committee.

¹See L/2058, paragraph 17.

Notes on a Discussion Between the Representative of Poland
and Certain Members of the Working Party on
Relations with Poland

In the course of the meeting of the Working Party on Relations with Poland, certain members referred to the statement made by the Polish Vice-Minister for Foreign Trade, Mr. Modrzewski, at the ministerial meeting in May concerning Poland's interest in participating in the forthcoming trade negotiations, and wished to seek clarification on that statement. In his statement the Polish Vice-Minister had indicated Poland's willingness to take initiative to establish closer ties with GATT in the context of the trade negotiations, and enumerated four points regarding which undertakings could be given by Poland and which might provide a basis for Poland's participation in those negotiations. The present note summarizes the questions raised in the course of the discussions on the particular points of the ministerial statement and comments made by the Polish representative, speaking in a personal capacity.

Point I: The undertaking that future economic plans of Poland would be formulated in such a way as to provide for the contracting parties a reasonable share in the growth of the Polish market

1. In the course of the discussion in the Working Party, the Polish representative had stated that the Western countries and the socialist countries at present had a share in Poland's total external trade of 40 per cent and 60 per cent respectively. The question was raised whether this proportion of 40 versus 60 per cent was immutable or whether it was subject to change from time to time. And in what way is this proportion affected by Poland's obligations arising from her participation in COMECON? Furthermore, what was exactly meant by "a reasonable share". The proposition referred to the growth of the Polish market. But what factors will decide the level of imports? Will it be changes in the size of national income and the level of internal demand, or will it be the level of Polish exports?

2. The Polish representative replied that the proportion 40 versus 60 per cent was not intended to be immutable. It existed at present mainly as a result of historical forces and was not a result of international obligations undertaken by Poland. The Polish representative further explained that the level and composition of Polish imports was determined under the annual foreign trade plan, which in turn constituted an integral part of the general economic plan of the country. The foreign trade plan, not being autonomous, was affected by various non-trade factors, such as the growth of industrial output and the level of national income, all of which had, therefore, an indirect effect on the size of imports. On the other hand, the level of Poland's export earnings obviously constituted an important element in the economic plan, and to that extent export possibilities and foreign market conditions became relevant factors in determining the size of Polish imports.

Point II: The assurance that increased export earnings obtained by Poland as a result of tariff cuts or elimination of other barriers to her exports to the markets of the contracting parties will be used to increase her imports from the contracting parties in proportions and on the conditions to be agreed upon in the course of the forthcoming negotiations

3. Questions raised: Did Poland intend this assurance to be a part of the general settlement resulting from the 1964 Trade Negotiations, or to be the subject of a number of bilateral agreements? Would Poland's assurance concerning her imports, inasmuch as the increase in her export earnings could be attributable to the tariff reductions or liberalizing measures resulting from the Trade Negotiations, be given effect at the same time as those tariff reductions and similar measures came into force? How would the benefits deriving from the elimination of other barriers to Polish exports be calculated? Did Poland envisage that these various points should all be taken up by the Trade Negotiations Committee or during the Trade Negotiations in 1964, or perhaps through subsequent bilateral negotiations?

4. The Polish representative replied that his Government would prefer that negotiations, as well as any agreement reached on the various points, should be "multilateral" in form and in nature. (Such multilateral negotiations should be conducted in accordance with the normal GATT principles, including the principles concerning the right of "principal supplier".) As regards the timing of the coming into force of any obligations undertaken by Poland, this would depend on many factors and would appear to be a suitable subject for negotiation. On the other hand, account must be taken of the possibility of a change in the status of Poland in GATT, and the possible need, under certain provisional accession arrangements, for a temporary suspension of certain obligations on the part of Poland, while other obligations might take effect immediately. As to the scope of the counterparts to be offered by Poland, this, generally speaking, should be determined in the light of the benefits which Poland would derive from the reduction of custom duties and other barriers. The technical side of this question has not yet been elaborated. One way of achieving this would be to create a "special fund" comprising savings from import duties which would be used for additional imports. The exact proportion of this saving which should be reflected in increased imports into Poland would again appear to be a suitable subject for negotiation.

5. In the view of the Polish authorities all these points should be settled in the course of the actual negotiations in 1964.

Point III: In the course of those negotiations Poland would be prepared to negotiate with the interested contracting parties the inclusion of some categories of goods in her import plans and securing for those items a higher percentage increase as compared with the average increase of Polish imports

6. Questions raised: Would this offer of an assured level of imports apply especially to consumer goods? Would Poland be able to undertake that the goods so imported would be placed on the Polish market at prices which the consumer could easily afford? Would Poland be able to give an assurance that imports realized under such commitments would not be re-exported?

7. The Polish representative stated that what categories of imports would be covered by any such undertaking would obviously depend on the normal pattern of Poland's foreign trade with the various contracting parties. It might not be of interest to all contracting parties if such special undertakings were given exclusively or mainly for consumer goods since there were many countries whose interest lay in exports in other categories. Present indications were, however, that consumer goods would figure prominently in Poland's future imports.

8. On the question of domestic prices, the Polish representative did not think that any assurance could be given. On the other hand, contracting parties could rest assured that prices of imported goods, including consumer goods, would naturally be fixed at levels at which they could be sold. The Government had no interest in importing goods merely to augment stock and in case the price of any product should be found to have been fixed at a level beyond the means of the intended purchaser, adjustment would certainly be made.

9. As regards re-exportation, such an undertaking could certainly be given by Poland in the course of the Trade Negotiations.

Point IV: Poland would be further prepared to hold consultations within GATT with the contracting parties on the practices of her foreign trade, which would in reality mean a discussion on the whole of her policies connected with the expansion of the mutual exchange of goods and services

10. Question: What types of practices could be the subject of consultation?

11. The Polish representative replied that any practice effecting foreign trade could be a suitable subject for consultations. These would therefore include all policies and practices of Poland which had occasioned comments by contracting parties when they discussed the question of whether the GATT obligations could be meaningfully undertaken by Poland; these consultations would thus serve the purpose of dispelling any doubt which a contracting party might have with regard to the degree to which Poland fulfilled any special obligations which she might have undertaken. On the other hand, Poland would expect to be able to discuss with contracting parties the benefits which she

expected to derive from any arrangements agreed upon. The exchange of views within the framework of such consultations could cover all points of interest either to Poland or to any contracting party, including problems caused by certain provisions of the General Agreement which might not be suitably applied with respect to all participating governments. The Polish representative further noted that his Government would be prepared to discuss the detail procedures and the interval at which such consultations should be held.