

GENERAL AGREEMENT ON TARIFFS AND TRADE

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REVIEW OF THE IMPLEMENTATION OF THE DECLARATION ON TRADE RELATIONS WITH POLAND

Addendum

Information Supplied by the Government of Poland

Document L/1753 sets out certain background information and material supplied by certain governments for the first review under the Declaration of 9 November 1959. The present document reproduces, in slightly abridged form, a statement of facts and views which has been supplied by the Government of Poland.

A. GENERAL REMARKS

1. Before concentrating on the three points listed in paragraph 3 of document L/1736, it seems useful to comment briefly on the development of the economy and foreign trade of Poland. Mainly for statistical reasons information is supplied for the calendar year 1961, although the period to be covered by the review starts from 10 November 1960, when the Declaration on Relations between Poland and the Contracting Parties came into force.
2. In 1961 Poland made further progress in its economic development which, according to provisional statistical data, was characterized by a 10.5 per cent increase in industrial production and a slightly more than 10 per cent increase in agricultural production. The increase in national income was much higher than envisaged, as it had been expected to rise by only 5 per cent while the actual increase was more than 8 per cent.¹ In industrial production

¹It should be added that if the way of measuring national income used in western countries were used, the increase in Poland's national income would be even significantly higher.

there were wide differences in the expansion of its various branches. For example, the increase in electro-technical production was 20.5 per cent, in the chemical industry 19.1 per cent, in engineering 18.7 per cent, in metallurgy 14.5 per cent, whereas in the fuel industry the increase was only 2.8 per cent, and in the food processing and textile industries only 6.9 per cent. It is noteworthy that the increase in industrial production was mainly due to the rise in labour productivity; industrial labour productivity rose by 7.9 per cent during the year. Employment in national industry increased during the year by 84,000 (2.9 per cent) to a level of 3,021,500 (excluding part-time employees in training).

3. The following are certain figures of production which, although not giving a complete picture, give an indication of the structure of industrial production in Poland:

<u>Products of Basic Industries</u>	(unit)	
Electric power	m.kWh	32.2
Hard coal	m.tons	106.6
Coke	m.tons	12.6
Crude steel	m.tons	7.2
Aluminium	th.tons	47.6
Zinc	th.tons	182.0
Sulphuric acid	th.tons	794.2
Cement	m.tons	7.4

Industrial Consumer Goods

Motorcycles and scooters	-	piece	- 166,400
Bicycles (except those for children)	-	piece	- 499,800
Washing machines	-	piece	- 571,000
Refrigerators	-	piece	- 50,700
Sewing machines	-	piece	- 232,000
Radio sets	-	piece	- 581,500
TV sets	-	piece	- 230,800
Cotton and cotton-like fabrics	-	million mtr.	- 709.8
Woollen and woollen-like fabrics	-	million mtr.	- 77.6
Silk fabrics (incl. synthetic)	-	million mtr.	- 111.1
Footwear (incl. rubber)	-	million pair	- 86.6

4. As regards agriculture, a new agricultural policy has resulted in a steady increase in production. In 1961 this increase was over 10 per cent. Vegetable production rose by 12 per cent and production of animal products by 9 per cent. Purchases of agricultural products made by State agencies rose by 11 per cent. The production of four cereals (rye, wheat, barley and oats) amounted to 15.5 million tons; potatoes, 45.3 million tons; sugar (refined), 1.5 million tons; milk, about 12.5 thousand million litres; eggs, more than 6 thousand million pieces. The quantities of meat purchased by State agencies were as follows: pork, 1,154 thousand tons (in terms of live animals); beef and veal, 530,000 tons. In terms of meat (excluding mutton, poultry and horse meat) the State agencies purchased 1,186,000 tons. This figure excludes the meat supplied to the home market not controlled by the State. According to provisional data the total supply of meat (in terms of live animals) was 2,390,000 tons in 1961.

5. In the period concerned the investments in the national economy (socialist sector) rose by 8.2 per cent. Investment in productive capacity alone increased by 10.8.

National income created¹ increased by 8 per cent. The so-called "consumption fund" rose by 7 per cent compared to a plan target of 4.1 per cent. The so-called "accumulation fund" increased by 10 per cent, and the share of accumulation in national income was 27 per cent. The share of net investment amounted to 19.5 per cent. There was also a slight increase in stocks (7.4 per cent) as compared to the preceding year.

6. Poland's population on 31 December 1961 reached 30.1 million. In 1961 the birth-rate showed a further decline to a level of 13.1 per one thousand population as compared to 14.9 per thousand in 1960. The number of people employed in the socialized economy was 7.3 million which is 278,000 higher than in the previous year. There is no unemployment in Poland. Net salaries rose by 4.5 per cent in 1962. There was a significant improvement in housing conditions, medical care and other services. The number of children in primary schools was 4.994 million, in secondary schools 1.2 million and 172.4 thousand in academic schools respectively.

7. From the above-mentioned data one might draw the conclusion that Poland's economic growth proceeds rather smoothly and that no problems arise in further development. This, however, would certainly be an oversimplification. It is, of course, true, that the most difficult problem of economic growth has already been overcome. Both industry and agriculture develop now faster than expected this development is taking place without

¹ i.e. the value of the gross national product after the material costs of manufacture have been deducted and the value of the so-called "account of price differences in foreign trade".

any strains on the domestic market. It should be added, however, that foreign trade continues to be a bottleneck, the only bottleneck, in Poland's economic growth. If this trade were developing more satisfactorily it would undoubtedly give a great stimulus to an acceleration of economic growth. It is worth noting also that despite the many difficulties facing Poland's foreign trade one can witness both the accelerated pace of economic growth and an accelerated expansion of foreign trade.

POLISH FOREIGN TRADE

8. In 1961 Poland's exports amounted to a total of 6,018 million exchange zlotys (1 US\$ = 4 exchange zlotys) and were thus by 13.5 per cent higher than in 1960. Imports amounted to 6,749 million exchange zlotys, an increase of 12.9 per cent over 1960. The trade deficit was covered by earnings from services and through credits.

Structure of Exports and Imports by Group of Commodities

(in percentages)

Groups of Commodities	Share in Total	<u>1961</u> <u>1960</u> (1960=100)
<u>E x p o r t s</u>		
Machinery, transport - and other equipment	28.0	113.6
Fuel, raw - and other materials	39.1	101.1
Agricultural foodstuffs	21.5	135.0
Industrial consumer's goods	11.4	128.4
T o t a l	<u>100.0</u>	<u>113.5</u>
<u>I m p o r t s</u>		
Machinery, transport - and other equipment	29.1	121.2
Fuel, raw - and other materials	49.7	108.9
Agricultural foodstuffs	15.3	108.0
Industrial consumer's goods	5.9	123.4
T o t a l	<u>100.0</u>	<u>112.9</u>

As may be seen from the table, the main changes in Poland's exports occurred in agricultural foodstuffs and industrial consumer's goods, where the rate of expansion was very high. In the case of capital goods the rate of expansion was slower, almost equal to the rate of increase in total exports, whereas exports of fuel, raw materials and other materials rose only slightly over those in the preceding year. As far as imports are concerned the highest rate of expansion was noted in the case of capital and industrial consumer's goods.

9. The unbalanced expansion of various branches both as regards exports and imports is due to the various forces acting on supply and demand. For example, the rising production of agricultural foodstuffs and industrial consumer's goods has increased export availabilities of these products for which there exists a growing external demand. On the other hand the rate of expansion of exports of capital goods in 1961 was slower than in previous years. This was due both to the accelerated economic growth of the country, which was creating the strong domestic demand for such goods, and, in certain instances, to some delay in filling the export orders. Finally, exports of fuel, raw materials and other materials registered only a slight increase in 1961 because of a weak foreign demand for these products and also because of the absence of larger quantities available for export.

10. In imports the highest rate of growth occurred in capital goods and industrial consumer's goods. Increased imports of both categories of goods are the result of accelerated economic growth, which created a strong market for machinery and also expanded demand for consumer's goods. Although the two remaining import categories show a smaller rate of expansion the rate of increase in imports of these categories of products is nevertheless higher than originally expected. The increased rate of imports for these categories of goods is due primarily to the rebuilding of stocks.

11. What should be emphasized is that Poland's foreign trade is now rising at a faster rate than its industrial production. Whether this development is going to continue remains to be seen. It may be pointed out, however, that in the case of exports this phenomenon has been repeated for the third consecutive year. In the case of imports there are some pronounced fluctuations and the trend is less clear.

12. Poland must remedy its balance of payments, and increased earnings from commodity exports must play the major role. While it would be possible to reduce imports in order to avoid payments difficulties, such a course is not desirable. On the contrary it is felt that imports must continue to rise although at a slower rate than exports, if foreign trade is to be expanded on a sound basis.

13. For this reason Poland is focussing its efforts on export promotion, an effort which in many instances has shown promising results. There are, however, various difficulties both of an internal and external nature in export promotion. Internally much is being done in order to remove these various obstacles. Nevertheless, despite the considerable progress in expanding exports of capital goods, the share of exports in total production of some branches of Poland's engineering industry continues to be less than 5 per cent. The same is true for some other branches of the national economy, where exports constitute only a small fraction of production.

14. For certain branches of the economy, or for certain plants, export promotion is something of a new phenomenon. In view of this fact and in view of the increasing flexibility characterizing Poland's system of national economic planning, it is very likely that in future Poland's exports will be rising at a faster rate without any particular difficulties for the economy as a whole. Attention has, of course, to be paid to achieving a sound structure of the export trade. It is well known that the diversification of exports is one of the most effective methods of avoiding adverse effects of price fluctuations and other circumstances having an adverse effect on export earnings. As noted above Poland has made good progress in diversifying its export trade. In 1955 the share of capital goods in total Poland's exports was only 13.1 per cent, while fuel, raw materials and other materials accounted for 64.8 per cent, agricultural foodstuff for 14.9 per cent and industrial consumer's goods for 7.2 per cent of total exports. It should be added that in the period 1955-1961 Polish exports rose by 63.3 per cent. As may be seen, the shift in the pattern of exports was remarkable. This does not mean that Poland regards the progress made so far as satisfactory and that no further efforts in this respect will be made. Since Poland's industrial potential is growing steadily it is clear that further diversification in exports will take place, with manufactured goods becoming increasingly more important.

15. As compared to its exports, Poland's imports are much less diversified, although there is good reason to believe that certain changes will take place in the near future. For instance in the period 1955-1961 these changes were only slight. In 1955 the share of capital goods in total imports was 30.9 per cent, fuel, raw materials and other materials accounted for 51.7 per cent, agricultural foodstuffs for 13.1 per cent and industrial consumer's goods for 4.3 per cent of total imports. If these figures are compared to those of 1961 noted above, one may note that the changes that have occurred are not striking, although one can note a slight trend upward in the share of industrial consumer's goods and agricultural foodstuffs in total imports. Total imports in the period in question rose by 81 per cent.

16. In view of the level of Poland's economic development, the diversification of the country's external trade is one of the problems requiring particular attention. At present Poland is passing the stage, where it must be decided which branches of the national economy or which specific industries should be

expanded, and which should be abandoned. The successful solution of this problem will stimulate Poland's external trade. Whether this trade will be equally stimulated in a geographical sense does not depend exclusively on Poland.

17. The following figures, indicating the rôle of specific commodities in Poland's foreign trade, although provisional and subject to slight changes in the light of more complete trade returns, should facilitate to draw a clearer picture of what has been said above.

EXPORTS (FOB)

	Volume	Value (mil. exchange zlotys)
Capital goods		1,688.0
of which:		
(a) ships and vessels	33 units	258.5
(b) freight cars (incl. all types)	4,924 units	156.4
(c) passenger wagons	407 units	89.6
(d) complete plants		248.0
(e) machine tools		57.0
Hard coal	17.0 million tons	825.4
Coke	2.1 million tons	221.5
Metallurgical products	717.8 thousand tons	423.0
Zinc	66.4 thousand tons	60.0
Timber and plywood	940.0 thousand cub. m.	117.1
Pigs and pork (in terms of meat)	118.6 thousand tons	231.7
Poultry	19.1 thousand tons	46.4
Bacon	48.7 thousand tons	109.3
Canned meat, ham and sausages	38.0 thousand tons	209.0
Butter	26.7 thousand tons	63.2
Eggs	1.444 million piece	136.4
Sugar	662.3 thousand tons	191.0
Cotton fabrics	83.3 million mtr.	57.5
Woollen fabrics	5.3 million mtr.	54.5
Confection		96.0
Footwear (incl. rubber)	4.4 million pair	41.3
Furniture		41.1

The above figures comprise only those categories of exports which in value exceed \$10 million each (40 million exchange zlotys). These eighteen items (capital goods considered as one item) constitute more than 76 per cent of Poland's total exports.¹

18. As far as imports are concerned the respective figures are as follows:

IMPORTS (FOB)

	Volume	Value (mil. exchange zlotys)
Capital goods		1,965.0
Coking coal	906 thousand tons	59.5
Crude petroleum	740 thousand tons	66.7
Petroleum products	2.3 million tons	322.5
Iron, manganese and chromium ores	8.1 million tons	425.0
Metallurgical products	507.4 thousand tons	399.0
Copper	32.9 thousand tons	81.9
Fertilizers (incl. for processing)	1.5 million tons	115.0
Rubber (incl. synthetic)	42.0 thousand tons	100.7
Cotton	139.9 thousand tons	395.1
Wool	17.6 thousand tons	134.2
Hides and skins	34.5 thousand tons	63.0
Tobacco	10.6 thousand tons	54.0
Vegetable oil and fats	112.5 thousand tons	124.0
Cereals	2.5 million tons	689.3
Sugar	261.4 thousand tons	89.3

The above sixteen items account for about 75 per cent of Poland's total imports. Here again have been quoted only those categories of imports which exceed US\$ 10 million each (40 exchange zlotys).

19. In 1961 Poland had commercial relations with 150 countries as compared with 135 countries in 1960. The share of socialist countries in Poland's total trade was approximately 61.0 per cent in 1961. In the case of exports this share was almost 60 per cent. Total trade with socialist countries in 1961 rose by nearly 10 per cent, while trade with remaining countries rose by almost 18 per cent. (These data may be slightly changed after complete trade returns become available.)

20. The figures on trade with GATT countries are as follows (Poland does not make a formal distinction between contracting parties to the GATT and associated countries):

¹This figure would be even higher if the so-called "broad exchange of goods" is included (exchange of consumer's goods effected directly by Polish trade institutions with similar institutions in other socialist countries).

Country	I m p o r t s		E x p o r t s	
	million exch. zl.	1960=100	million exch. zl.	1960=100
Argentina	55.3	71	29.2	87
Australia ¹	88.9	97.3	2.8	112
Austria	114.7	125.1	112.9	96.3
Belgium/Luxemburg	27.8	47.5	36.7	115.8
Brazil	66.1	63	45.7	57
Burma	3.4	1,000	5.4	113
Cambodia	-	-	4.1	140
Canada	131.3	207.1	12.2	131.3
Ceylon	6.3	600	21.0	4,000
Chile	4.3	205	0.8	190
Cuba	97.5	250	90.2	552
Czechoslovakia	651.4	128.1	587.2	129.8
Denmark	63.3	117	65.8	92.8
Dominican Republic	-	-	0.2	125
Finland	99.0	139.8	84.9	102.9
France	81.6	78.8	56.6	95
Germany, Federal Republic of	266.0	93.8	344.9	115.2
Ghana	2.2	56	1.7	1,100
Greece	30.7	125.3	16.9	152.3
Haiti	-	-	-	-
India	28.4	87	65.8	266
Indonesia	3.4	157	67.6	105
Israel	3.2	139.1	4.4	163
Italy	122.0	141	129.8	106.6
Japan	5.0	156.3	3.7	264.3
Luxemburg (see Belgium)				
Malaya, Federation of	26.5	185	2.6	88
Netherlands, Kingdom of	51.5	72.3	46.2	124.9
New Zealand	-	-	-	-
Nicaragua	-	-	-	-
Nigeria, Federation of	0.3	1,900	1.3	2,300
Norway	14.2	81.6	17.5	119
Pakistan	29.2	97	3.4	38
Peru	0.5	135	-	-
Portugal	6.1	115.1	10.3	332.3
Rhodesia and Nyasaland, Federation of	2.8	145	1.2	311
Sierra Leone	-	-	0.3	600

¹ See footnote on page 10.

Country	I m p o r t s		E x p o r t s	
	Million exch. zl.	1960=100	million exch. zl.	1960=100
South Africa	8.6		2.0	138
Spain	13.4	159.5	20.6	286.1
Sweden	79.9	113.7	87.8	119.8
Switzerland	92.5	156.0	96.2	226.4
Tunisia	5.6	160	7.3	192
Turkey	16.4	113.9	19.5	64.6
United Kingdom ¹	381.5	144.0	416.2	105.2
United States	483.6	143.7	241.5	112.3
Uruguay	-	-	1.0	66
Yugoslavia	156.2	255.2	104.9	71.5

21. The share of GATT countries in Poland's total imports in 1961 was more than 49 per cent and in exports more than 46 per cent. In 1961 imports originating in GATT countries rose almost by 25 per cent. In the case of exports the increase barely exceeded 16 per cent. On account of this development the trade deficit has doubled. This deficit was covered by earnings from services and inflow of credits. On the other hand it should be noted that Poland has extended credits to certain developing countries for financing their purchases of capital goods in Poland.

22. Poland has an acute problem of balancing its trade deficit vis-à-vis GATT countries, except Czechoslovakia, with which country this deficit is easily compensated by earnings from transit and other services. As can also be seen from the table above in some cases there are sharp fluctuations in the level of imports from year to year and a considerable divergence in the development of the import and export index.

23. It is a regrettable fact that with the exception of Cuba our exports to and consequently our ability to pay for imports from Latin American countries has shown a sharp decline. On the other hand Poland's trade with remaining developing countries was, in general, quite promising. Last year, for instance, the heavy trade deficit vis-à-vis these countries almost disappeared, and it will be quite reasonable to expect that in the near future Poland's trade with the developing countries will indeed show a surplus.

¹ For Australia the amount of exchange zlotys 25.5 million was added to the 1961 import figure for imports originating in Australia while the same sum was deducted from imports from the United Kingdom in 1960, the corresponding change in import data for these two countries were 90.2 million exchange zlotys.

24. The problem is more complex in the case of trade with the highly-developed countries. In trade with these countries the deficit has grown last year both as regards commodity trade and services. Furthermore, this situation is the more serious because Poland is at the same time repaying its debts to these countries. To have a trade deficit vis-à-vis these countries was, of course, only because Poland has incurred new debts. Such a situation evidently creates a heavy burden on the balance of payments and can certainly not contribute to a better flow of trade.

25. In the opinion of the Polish Government there exist possibilities of expanding exports to the highly-developed countries if Polish goods are granted access to these markets on easier terms. We are aware that certain countries do regard this as at least a very complicated problem. We do not doubt that the problem is complicated. It may be pointed out, however, that certain highly-developed countries do not apply any discriminatory import treatment to Poland, for instance the United States, Canada, Australia, and it is doubtful whether it could be claimed that Poland's exports to these markets have a disruptive effect.

26. At present it is still very difficult to judge exactly what effect the moves by certain countries towards regional economic integration will have on Poland's trade. There is no doubt, however, that these moves may have a potentially adverse effect on Poland's export trade to the countries concerned.

27. Poland is vitally interested in the normalization of its trade with all countries without regard to their political and social systems and from the table shown above one may easily see that Poland is expanding its trade even with the countries having no diplomatic relations with Poland.

28. At the same time it should be stressed that Poland was, and still is, ready to enter into any kind of consultations with the view of settling the problems lying in the way of mutual trade expansion. It is very often maintained that bilateralism is unavoidable in the case of a country with a centrally planned economy. Poland does not share this view, but it considers bilateralism as being at present the only possible solution, at least in most cases. Furthermore, it should be stressed that Poland is not insisting on any bilateral agreements, although in the case of developing countries these may sometimes be the only effective means of mutual trade expansion.

29. At any rate bilateral agreements do not exclude the discussion on possible multilateral solutions. Poland is ready to enter into such a discussion and to consider all workable proposals in this respect.

C. LAWS, REGULATIONS, STATISTICS, ETC.

All laws, regulations, statistics, etc. of the kind mentioned in paragraph 3(c) of document L/1736 have been published in Poland.

