

RESTRICTED

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REPORT OF THE WORKING PARTY ON THE REVIEW OF THE IMPLEMENTATION OF THE DECLARATION ON TRADE RELATIONS WITH

P O L A N D

1. The Working Party was appointed by the Council at its meeting in February 1962 "to conduct the first annual review under paragraphs A:4 and B:3 of the Declaration of 9 November 1959 on relations between contracting parties and Poland and to submit a report to the Council at its meeting in May 1962"¹. The scope of the review as defined by the Council (C/M/9) was as follows:

- (a) efforts made, and progress achieved, in the expansion of trade between Poland and the participating countries (i.e., signatories to the Declaration);
- (b) any problems arising from the trade relations between Poland and the participating parties; and any representations or consultations that may have been made or carried out pursuant to paragraphs A:2 or B:2 of the Declaration;
- (c) action taken or arrangements made by Poland for making public its laws, regulations, judicial decisions, administrative rulings and agreements as well as statistics pertaining to trade, as provided in paragraph A:3 of the Declaration.

2. In preparation for this review, the Council had requested contracting parties signatories to the Declaration to supply information on the points mentioned above. When the Working Party convened on 25 May, it had before it statements of fact and views sent by sixteen contracting parties and associated governments and a statement by Poland. Two contracting parties presented similar statements at the opening of the meeting. These ~~nineteen~~ statements, as listed in Annex II to the present report, are to be found in document L/1753 and addenda thereto. The Working Party took note of these statements, which should be regarded as constituting an integral part of the documentation of this review.

¹For the membership of the Working Party, see L/1738.

3. In amplification of the written submission of their governments, various members of the Working Party and observers addressed the meeting and supplied it with additional information or clarification of specific points. The statement made by the Polish representative, which outlines the salient points in the Polish written statement and draws attention to certain problems of concern to Poland, is reproduced as Annex I to this report. On the basis of the ensemble of this material, the Working Party discussed with the Polish representative the three principal points noted in paragraph 1 above.

Expansion of trade with Poland

4. The material available to the Working Party indicated that trade between contracting parties and Poland had been generally expanding, especially since the adoption of the Declaration.¹ On the Polish side, increases in imports and exports seemed to have been caused or stimulated by the expansion of the Polish economy, in which both industrial and agricultural production had been increasing significantly. A deficit on Poland's trade balance, however, persisted and was covered by earnings from services and by short- and long-term credits. In the view of the Polish Government, continued economic growth at a satisfactory rate might in future well be hampered by this imbalance in trade. Although the Polish authorities were determined that imports should not be curbed, future expansion in the inflow of goods would have to be at a slower rate than the expansion of exports. Having regard to the importance to Poland of markets in GATT countries, Poland certainly laid great store on further improvements in its trade relations with contracting parties.

5. As stated above, the picture of an expanding trade between Poland and contracting parties was generally corroborated by the statements submitted to the Working Party by signatories to the Declaration. The expansion of Polish exports was in certain cases attributed to trade liberalization measures or other action taken in pursuance of the objectives of the Declaration.

6. As regards the increasing trade deficit with most GATT countries which, according to the data supplied by Poland, accompanied the expansion of trade between them, the Working Party noted that while there were deficits in the trade with Western countries, imbalance unfavourable to Poland also occurred in its trade with Eastern European countries. In the light of this, the Working Party discussed with the Polish delegation the significance and justification of the emphasis which Poland placed on its trade deficits with the former group of countries as a limiting factor in its economic growth and in the expansion of its imports. The Working Party was informed that trade deficits with Western countries were more directly felt and constituted a problem principally because the lack of ways and means whereby such deficits could be readily covered. In its trade with Eastern European countries, on the contrary, solutions had been easier to arrange so that any pressures encountered could more easily be spread out over future years.

¹See Annex III.

7. The Polish representative also explained that, although this payments advantage might be an incidental factor in orientating Poland's trade towards its eastern European trading partners, there were more basic reasons why these countries should continue to figure more importantly in its trade relations than Western countries; these reasons were to be found in the propinquity of markets, in the long-standing economic relations and in co-operative action in other fields than commerce.

8. In his statement, the Polish representative referred to the Common Agricultural Policy which was now being formulated by the European Economic Community. He furthermore stressed that, having regard to the predominant position of the EEC countries in the markets for its traditional agricultural exports, Poland could not but be apprehensive of developments in these markets in the direction of self-sufficiency in these products. The representative of an EEC country considered that it would be inappropriate to discuss the Common Agricultural Policy in this Working Party.

9. The representative of Indonesia drew attention to the sizeable and persistent trade deficit which Indonesia had encountered in its trade with Poland. The Polish delegation stated that it would convey the sentiments of the Indonesian Government to the Polish authorities for attention, in the light of the principles of GATT, and that they were doing their best to remedy the deficit; preparations for action to this end were already being undertaken.

Representations and consultations on specific problems

10. From the information made available to the Working Party, it appeared that few problems such as should be covered in Section (b) of the review¹ had in fact arisen. Such representations or consultations as had been made or carried out seemed in most cases to have resulted in a more or less satisfactory solution. The Working Party was of the view, however, that the absence of major cases requiring their implementation did not detract from the value of the procedures provided for in paragraphs A:2 and B:2 of the Declaration. It was also noted that insofar as any problems of concern to Poland might be the subject of discussion at the CONTRACTING PARTIES or their subsidiary organs, Poland would have an opportunity of joining in the discussion.

Publication of laws, regulations, etc., by Poland

11. The Working Party noted the statement of the Polish authorities that Poland had carried out its obligations under paragraph A:3 of the Declaration.

¹See paragraph 1 above.

General

12. In the course of the review, the Polish delegation supplied information on various subjects at the request of members of the Working Party, and clarified certain points on which apparent discrepancies had been noted in different papers of source material.

13. The Working Party considered that this frank and full exchange of views contributed substantially to a better understanding of the present situation and generally fulfilled the purposes, as envisaged by the CONTRACTING PARTIES, of the review provided for in the Declaration.

ANNEX I

Introductory Statement by the Representative
of Poland

In the name of the Polish Government I would like first of all to thank the CONTRACTING PARTIES and the secretariat for all efforts and works done to enable the studies which we are going to begin just now.

Personally for me it is a great honour to represent my country at the first review of the implementation of the Declaration on relations with Poland. I believe that results of the Working Party will be fully fruitful since our debates are being conducted under your chairmanship and guidance, Mr. Chairman.

Poland joins the Working Party with readiness to develop her relationship with GATT. We do appreciate very much the review just started. I hope it should help all parties interested to reach satisfactory results. We are ready, of course, to consult on any problem which might be raised by members of the Working Party under the terms of reference adopted by the CONTRACTING PARTIES.

It is impossible to present in this introductory statement all problems in detail. Many of them were mentioned in a set of GATT documents L/1753. Therefore I try only to concentrate on some aspects of relations between contracting parties and Poland.

In this respect my remarks will begin with brief comments on the development of the economy and foreign trade of Poland. As mentioned in the memorandum supplied by the Polish Government (L/1753/Add.1), 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 slightly more than 10 per cent increase in agricultural production. In the same period the investments in the national economy - strictly speaking in the socialist sector - rose by more than 8 per cent. Investments in productive capacity alone increased by 10.8 per cent. On 31 December 1961 Poland's population stood at 30 million. The number of people employed in the socialized economy was 7.3 million which is about 300,000 more than in 1960. In this period there was no unemployment in Poland. Net salaries rose by 4.5 per cent. Parallely there was a significant improvement in housing conditions, medical care and other services.

With regard to Polish foreign trade, in 1961 Poland's exports amounted to a total of more than US\$1.5 billion and were 13.5 per cent higher than in 1960. Imports were higher than exports amounting to US\$1.7 billion and representing an increase of 13 per cent over 1960. It should be added, however, that balance-of-payments difficulties and lack of an adequate foreign exchange reserve adversely affected the general situation in Polish foreign trade in the period concerned.

Generally, foreign trade continues to be a bottle-neck in Poland's economic growth. It is evident that if trade were developing more satisfactorily it would undoubtedly give an additional stimulus to an acceleration of economic growth. In this connexion it is a very urgent task for Poland to remedy its balance of payments and to increase her earnings from exports.

In such a situation one might suggest the reduction of imports as a means of avoiding payments difficulties. In our opinion 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 Poland's foreign trade is to be expanded on a sound long-run basis.

One aspect more should be noted regarding the situation in Polish foreign trade. I have in mind the fact that Poland's foreign trade is now rising at a faster rate than its industrial production. It seems to us that this factor is one of the most important elements to form a solid basis for mutual relationship between contracting parties to the General Agreement and Poland.

Almost 50 per cent of Polish foreign trade is carried out with the contracting parties to GATT. Last year the share of GATT countries in Poland's total imports was more than 49 per cent and in exports more than 46 per cent. Among the ten leading trade partners of Poland, seven are Members of the GATT.

It should be added that during the last six years (1955-1961) the value of Poland's trade with contracting parties was almost doubled while Poland's total trade rose only by 72 per cent in the same period.

My country, up to now, has participated in the work of GATT to the fullest extent possible under the present associated membership arrangement. The Polish Government sends delegates to the plenary sessions, the Council meetings, Committees and Working Parties. Poland is ready also to co-operate in commodity groups, such as those on cereals, meat and others.

Referring to the documents submitted to the Working Group by fifteen contracting parties and by Poland, one may have the impression that no serious problems have arisen requiring solution on a multilateral basis. But it seems to me that this is not so. I would like to mention only one item, which relates to an important part of Polish foreign trade. I have in mind,

Mr. Chairman, some protectionist aspects of common market policy. If structure of our exports to the Six were taken into account our deep concern would be fully understood. More than 90 per cent of Polish exports consists of agricultural products, fuels and raw materials.

Poland, due to its natural resources, economic potentialities and geographical situation, is, in many products, a traditional supplier to this part of Europe. But, if the realization of common policy of the European Economic Community is finally put into effect in its present shape, the prospects for our exports will look gloomy indeed. It would be a great harm to our mutual trade if these natural and traditional outlets for our agricultural products, which despite many difficulties still find in six countries a ready and ever-expanding market, had been affected by the restrictive trade policy of our partners.

We believe however that GATT is the most proper forum to discuss and elaborate ways and means to protect the international trade against any disruptive factors.

In conclusion, I should like to repeat that it is a great pleasure for me to reassure you and the distinguished members of the Working Party about the intention of the Polish Government, expressed already on various occasions that Poland recognizes its participation in the work of GATT as one of the best forms to establish a solid basis for mutual understanding and trade co-operation between countries, regardless of any differences in their economic and political systems.

Although the mutual co-operation is limited by our present status of associated Member, we fully believe that our deliberations will bring us a step further in strengthening our participation in the work of the CONTRACTING PARTIES to the General Agreement.

ANNEX II

List of Statements of Participating Governments

Poland	L/1753/Add.1
Australia	L/1753
Austria	Add.2 and 3
Belgium	Add.3
Canada	"
Czechoslovakia	Add.6
Denmark	"
France	"
Federal Republic of Germany	Add.4
Indonesia	Add.6
Italy	Add.5
Japan	Add.3
Luxembourg	"
Netherlands	"
Rhodesia and Nyasaland	Add.2
Sweden	"
Switzerland	"
United Kingdom	"
United States	"

ANNEX III

Poland's Trade with Contracting Parties

(in millions of dollars, at current prices)

	<u>Imports</u>	<u>Exports</u>
1959	568.5	514.0
1960	639.6	575.5
1961	781.3	692.5

Note: Further statistics supplied by Poland are to be found in L/1753/Add.1 and Corr.1. See also L/1753 and other addenda for statistical and other data supplied by other signatories to the Declaration.