

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONSULTATION WITH POLAND

Sixth Review under the Protocol of Accession

Report by the Working Party on Trade with Poland

1. The Council at its meeting on 29 May 1973 established a Working Party to conduct, on behalf of the CONTRACTING PARTIES, the sixth 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 15-19 October 1973 under the Chairmanship of Mr. I.S. Chadha (India).
3. The Working Party had before it the following documents containing information relevant to its work:
 - L/3917 Data on Poland's trade with GATT countries in 1970, 1971 and 1972 and imports from GATT countries for the first half of 1973;
 - L/3930 and Addenda 1-5 Notifications by contracting parties on discriminatory restrictions maintained on imports from Poland.
4. The following report sets down the main points of the discussion in the Working Party under the two headings:
 - A. Annual review of Poland's trade with contracting parties.
 - B. Establishment of a date for the termination of the transitional period referred to in paragraph 3(a) of the Protocol of Accession.

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

I. Polish Exports to the Territories of Contracting Parties

- (a) The general trend and geographical distribution of Polish exports to the territories of contracting parties. Has there been an unexpected decline or increase in Polish exports?

5. The Working Party noted that the increase in Poland's exports to GATT countries from 1971 to 1972 had been 24.5 per cent. In absolute terms exports to GATT countries had increased from \$1,745.7 million to \$2,173.8 million. Exports to all countries had increased from 1971 to 1972 by 27.2 per cent, from \$3,872.3 to \$4,927.4 million.

6. The representative of Poland recalled that exports to developed market economy countries had increased by 14.9 per cent in 1971; in 1972 exports to these countries had increased by 29.7 per cent. This substantial growth of exports had to a certain extent to be viewed in light of the considerable amount of new productive capacity created in the preceding years.

- (b) Development of Polish exports of different categories of goods, e.g. agricultural goods, raw materials, semi-manufactured goods, machinery and consumer goods

7. The representative of Poland stated that the substantial increase in Polish exports to the contracting parties in 1972 was largely due to greater dynamism in exports of machinery and equipment, as well as food products, while exports of consumer goods had also developed satisfactorily.

8. The Working Party noted the following figures for the share in total exports to contracting parties of the four main commodity groups:

	<u>1971</u>		<u>1972</u>	
	To GATT countries %	To all countries %	To GATT countries %	To all countries %
Machinery and equipment	24.0	39.9	26.4	39.1
Raw materials and semi-manufactures	45.7	32.7	41.3	31.5
Food products	20.5	11.8	21.9	13.4
Consumer goods	9.8	15.6	10.4	16.0

(c) Action taken by contracting parties under paragraph 3 of the Protocol to remove remaining quantitative restrictions on imports from Poland

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

Argentina	India	Portugal
Brazil	Japan	South Africa
Canada	Malawi	Spain
Cyprus	Malta	Turkey
Czechoslovakia	New Zealand	United States
	Pakistan	Yugoslavia

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

Australia	Iceland	Nigeria
Burundi	Indonesia	Romainia
Cameroon	Israel	Rwanda
Chad	Ivory Coast	Sierra Leone
Chile	Kenya	Upper Volta
Cuba	Korea, Rep. of	Uruguay
Gabon	Kuwait	

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

10. The Working Party took note of the notifications on quantitative restrictions submitted by:

Austria	Finland
European Communities	Norway
(including Denmark, Ireland ¹	Sweden
and the United Kingdom)	Switzerland

11. The representative of Poland noted with regret that a large number of contracting parties had not submitted notifications. He further pointed out that several notifications had been circulated only a few days before the meeting of the Working Party which made it impossible to examine them in capitals with proper care. Several other members of the Working Party expressed similar comments. On the proposal by the Chairman the Working Party agreed to

¹The notification was made available in the course of the meeting of the Working Party and is reproduced in L/3930/Add.4. These restrictions had already been applied during previous years, but as a result of material error had not been notified.

recommend that in the future notifications should be made available at least six weeks before the consultations and urged contracting parties to respect the time limits.

12. The representative of Poland said that some progress had been made in the elimination of discriminatory restrictions in certain contracting parties in the year since the Fifth Review. He noted that Austria had abolished a considerable number of restrictions on 1 January 1973 and had undertaken to eliminate all discrimination by 1 January 1975. The representative of Austria confirmed that modalities had been agreed between Austria and Poland concerning the elimination of all discriminatory restrictions by 1 January 1975 and furthermore pointed out, among other things, that 147 additional items had been liberalized by his country as from 1 January 1973, that the discriminatory element in the remaining restrictions had not been increased and that therefore his authorities were of the opinion that Austria had met its obligations under the Protocol of Accession. The representative of Poland was pleased to inform the Working Party that Denmark, after bilateral consultations, had liberalized in relation to Poland the products which had been discussed at the 1972 consultation (cf. paragraphs 15-17 of the Report on the Fifth Review, BISD, 19th Supplement, pages 114-115). On the whole, however, progress had been very slow and in many cases the form of the notifications made it impossible to judge if any liberalization had taken place.

13. The representative of Poland recalled that the question of the form of the notification had been discussed at length at all previous consultations. He felt that the notification should clearly indicate the countries - or at least the number of zones as foreseen in the guidelines adopted by the Council - in which a particular restriction was applied. A notification of the kind before the Working Party, which only referred to the Community as a whole, gave an unsatisfactory basis for judging whether the Community and its member States had fulfilled their obligations under paragraph 3(a) of the Accession Protocol. Other members of the Working Party shared the Polish views in this respect. The representative of Poland pointed out that it could be seen from List B of the notification of the Communities that most items which had been liberalized in the period under review were items where Poland had had no exports to the Communities. With regard to items liberalized by the United Kingdom, he stressed that most products fell under the Common Agricultural Policy. The size of the imports of newly liberalized products into the Communities of Six was also very much smaller than in the previous year: \$1.6 million against 28.4. The figures given in the Community notification referred to the Polish exports into the Community of Nine whereas it was impossible to say on the basis of this notification in how many member States liberalization had taken place.

14. The representative of the Communities stressed that the Communities should be regarded as an entity. A notification by country could thus not be contemplated but the Communities would examine before the next consultation whether the form

of the notification could be amended to meet some of the wishes expressed. He emphasized, however, that it was clear from the notification in its present form that the Communities had fulfilled their commitments under paragraph 3(a). The fact that imports of newly liberalized items were smaller in the period covered by the present notification than in the previous one was a natural result of the decreasing number of products subject to specific restrictions. In 1966 some 700 positions had been the subject of such restrictions while the present figure was about 200. In addition to the items listed in the Communities' notification, some forty further items had been liberalized in July 1973. The representative of the Communities stressed that Polish exports to the Communities, regardless of the existence of the limited number of specific restrictions, represented 42 per cent of all its exports and were developing rapidly. He felt that the Working Party should pay more attention to the development of trade than to questions of pure form in relation to the notifications.

15. In reply to questions put by the representative of Poland, the representative of the Communities explained that the notifications concerning the United Kingdom, Denmark and Ireland reflected the actual state of discriminatory restrictions applied by these countries against imports from Poland. Differences between these notifications and the List A in the notification of the enlarged Communities were due to the fact that List A did not contain restrictions:

(a) which were applied also vis-à-vis other GATT countries by at least one of the Member States¹;

(b) which the acceding countries might apply during the transitional period according to Annex VII to the Treaty of Accession and which on the expiry of the transitional period would be eliminated.

In reply to further questions on the differences between List A of the European Communities and the United Kingdom and Danish notifications, the representative of the Communities explained that the date of 1 July 1973 in the United Kingdom and Danish submissions should be changed to 31 December 1972. He confirmed that Community List A, as amended by the Irish submission, was the list of discriminatory quantitative restrictions at the Community level as at 1 July 1973.

16. With reference to the notification by Sweden, the representative of Poland pointed out that no import values had been given for the products liberalized on 1 August 1973. The list of restricted items did not specify, in some cases, the products in a satisfactory manner. The representative of Sweden said that imports in 1972 of products liberalized on 1 August 1973 amounted to 8.8 million kronor. He also stated that the possibilities would be studied to improve the item descriptions in the agricultural sector of the notification for the forthcoming consultation.

¹List A comprises items included in Regulation EEC/1025/70 but not in Regulation EEC/109/70.

17. Many delegations noted that, on the basis of notifications submitted by some contracting parties, it was difficult to assess the extent of such actions as might have been taken by these contracting parties in pursuance of paragraph 3(a) of the Protocol of Accession of Poland. The Working Party welcomed the assurances given by some members that they would examine the possibilities of amending their future notifications to take into account the views expressed in the Working Party. The Working Party, therefore, recommends that the contracting parties concerned improve the form and content of their notifications and urges other contracting parties which have not submitted notifications this year to submit them in future.

II. Polish Imports from the Territories of Contracting Parties

(a) The general trend and geographical distribution of Polish imports from the territories of other contracting parties. Did actual Polish imports reach the quantities or values provided for in the period under review? If not, what was the reason for the shortfall in Polish imports?

18. The Working Party noted with satisfaction that according to the trade figures reproduced in Annex II of document L/3917, the increase in Poland's imports from GATT countries from 1971 to 1972 had been 48.9 per cent. The imports for 1971 and 1972 constituted 294 per cent of the 1970 imports, thus considerably exceeding Poland's commitment of 221.5 per cent.

(b) Development of Polish imports of various categories of goods (e.g. agricultural goods, raw materials, semi-manufactured goods, machinery and consumer goods) from the territories of contracting parties in relation to development of Polish imports from other countries

19. The representative of Poland stated that Poland's foreign trade was continuing to play an increasingly more important rôle in its economy. Total imports had increased by 31.8 per cent to \$5,476.5 million; for GATT countries the corresponding figures were 48.9 per cent and \$2,699.5 million.

20. Concerning the development of imports in the four main categories of goods, the Working Party noted that the share of total imports in 1971 and 1972 had been:

	1971		1972	
	From GATT countries %	From all countries %	From GATT countries %	From all countries %
Machinery and equipment	34.3	36.0	38.7	38.9
Raw materials, fuel and semi-finished products	47.2	45.8	43.6	44.2
Agricultural products and foodstuffs	12.4	12.3	10.2	9.1
Manufactured consumer goods	6.1	7.3	7.5	7.8

21. The representative of Poland underlined the favourable trend in the structure of imports from contracting parties, particularly for capital goods and manufactured consumer products, which had increased by respectively 68.2 per cent and 83.9 per cent in 1972. The structure of imports from GATT countries was similar to that of overall imports. He further noted the increasing diversification of imports from developing countries, where the share of manufactured and semi-manufactured goods had increased from 28 per cent in 1971 to 39.7 per cent in 1972.

(c) Development of Polish imports from the territories of contracting parties in relation to development of the Polish market

22. The representative of Poland said that the share of imports from GATT countries as a percentage of total imports had reached 49.2 in 1972, as compared to 43.9 in 1971.

(d) Provision made by Poland pursuant to paragraph 1 of the Schedule of Concessions of Poland to ensure an annual increase in the total value of its imports from the territories of contracting parties

23. The Working Party noted with satisfaction that Poland had fulfilled its commitments for the years 1971 and 1972 by importing in those years 294 per cent of the imports in 1970. In the first half of 1973, imports from GATT countries had increased by 66.1 per cent, this pointing to the maintenance of the trend for imports to be considerably in excess of the commitment.

(e) Other questions relating to imports of Poland from the territories of contracting parties

24. No questions were taken up under this heading.

III. Polish Balance of Payments with Contracting Parties

25. The Working Party heard 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 there had been a deterioration in Poland's trade balance with contracting parties as compared to previous years.

26. Some members of the Working Party raised a number of points in connexion with the information supplied, inter alia, whether more detailed global balance-of-payments data would be submitted, so as to allow for proper comparisons to be made. The representative of Poland replied to the points raised and in connexion with the balance-of-payments documentation referred to the Plan for the Annual Review which expressly mentioned Poland's balance of payments with contracting parties and said that consequently the balance of payments was given for these as a group. The balance-of-payments data should be considered

as an additional element which facilitated the Working Party in examining the fulfilment by Poland of its commitment. Regarding the methodology of presentation of the balance of payments, he stated that the present form of data presentation had been followed as from the first consultation and that his country would continue this form of presentation also in the future. He added that his country had already made considerable efforts to supply the data and explanations in their present form.

B. ESTABLISHMENT OF A DATE FOR THE TERMINATION OF THE
TRANSITIONAL PERIOD REFERRED TO IN PARAGRAPH 3(a)
OF THE PROTOCOL OF ACCESSION

27. The Chairman recalled that the Working Parties that had carried out the Third, Fourth and Fifth Consultations had not been able to agree on a date for the termination of the transitional period for the abolition of discriminatory restrictions; the question therefore had to be re-examined at the Sixth Annual Review.

28. The representative of Poland recalled his delegation's earlier proposal that the expiry of the transitional period should be set at 31 December 1974 and stated that his country still maintained this position. He quoted the provisions of paragraph 3(a) of the Protocol of Accession, stressing the necessity of eliminating any inconsistency with Article XIII of the General Agreement, adding that neither the state of Poland's trade relations with the countries concerned nor its economic system justified their persistent refusal to agree to a terminal date; the interests of local producers would be amply met by the appropriate safeguard stipulations of the General Agreement and of the Protocol of Accession. Poland had exceeded its commitments, and the refusal of some countries to agree to a date was distorting the balance of mutual rights and obligations of the parties to the Protocol and to the General Agreement.

29. Several members of the Working Party agreed with the Polish arguments as set out in paragraph 28 above and strongly supported the Polish proposal regarding the establishment of an expiry date for the transitional period.

30. Representatives of some countries still maintaining restrictions inconsistent with Article XIII stated that they were likewise in favour of an expiry date for the transitional period. Since, however, the economic circumstances that had led them to establish the quantitative restrictions were still in existence, they were not in a position to state when those restrictions could be eliminated in their entirety. At the time of the fourth review they had therefore indicated their agreement with the compromise formula suggested by the Chairman (paragraph 41 of the Report on the Fourth Review; BISD, 18th Supplement, page 209) and remained favourably disposed to any solution along those lines. They regretted that agreement on such a realistic compromise was not feasible at the present session.

31. In view of the divergencies of opinion set out above, the Working Party was not in a position to agree on a recommendation to the Council, and in accordance with paragraph 3(a) of the Protocol of Accession the question would have to be re-examined at the Seventh Annual Review. The representative of Poland said that his delegation wished that the question of the establishment of a terminal date for the transitional period should be brought to the attention of the Council at its next meeting.