

GENERAL AGREEMENT ON TARIFFS AND TRADE

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REPORT BY THE WORKING PARTY ON TRADE WITH ROMANIA

1. The Council, at its meeting on 6 November 1979, established a Working Party to conduct, on behalf of the CONTRACTING PARTIES, the third consultation with the Government of Romania provided for in paragraph 5 of the Protocol of Accession¹, and to report to the Council.
2. The Working Party met on 13 and 14 October 1980, under the chairmanship of Mr. J.C. Raimondi (Argentina).
3. The Working Party had before it the following documents containing information relevant to its work:
 - L/4926: Statistics relating to Romania's trade with contracting parties in the years 1976-1978, and a supplementary paper covering 1979.
 - L/4935 and Addenda 1-4: Notifications by contracting parties on restrictions on imports from Romania.
 - A document relating to Romania's balance of payments with contracting parties for the period 1976-1978.
4. The following report sets down the main points of discussion in the Working Party under the following headings:
 - A. General statements
 - B. Romanian exports
 - C. Romanian imports
 - D. Romania's trade balance and balance of payments
- A. General statements
5. The representative of Romania² noted that the 1980 Consultation was taking place at the end of the 1976-1980 Romanian five-year plan which made it possible to get a preliminary general picture of foreign trade development during this

¹ BISD 18S/7.

² The full text of the statement by the representative of Romania is reproduced in the Annex.

period. He pointed out that Romanian trade with GATT countries had increased by 84 per cent - on average 16.5 per cent per year - in the years 1976-1979 but he expressed concern over the fact that Romania's imports from GATT countries had increased more rapidly than its exports to these countries. This further stressed the importance of the elimination, as foreseen by the Accession Protocol, of discriminatory import restrictions applied to Romanian products. He recalled that such restrictions were still imposed by Finland (on 15 per cent of Romanian exports in 1979), the European Communities (on 8 per cent of Romanian exports), Sweden (on 3 per cent of Romanian exports) and by Norway (on 2 per cent of Romanian exports).

6. Pursuant to the previous GATT Consultation, solutions were sought to the problem of discriminatory restrictions through non-preferential bilateral sector agreements, on textiles, steel and other industrial products. While those agreements included positive elements, they constituted only partial and provisional solutions to the problem, for which reason Romania was reiterating its request for the complete elimination by all contracting parties of restrictions incompatible with Article XIII of the General Agreement and was reserving all the rights deriving from its status as a contracting party to GATT.

7. The representative of Romania stated that some of the developed contracting parties to GATT did not take fully into account the developing country status of Romania; although some of these countries did include Romania in their GSP systems, they did exclude Romania from preferential treatment in respect of some of its export products. There was no reason why Romania should be treated differently from the countries at the same development level.

8. The representative of Romania stressed that Romania had more than fulfilled its commitment in the Accession Protocol to increase global imports from contracting parties at a rate not smaller than the growth of total Romanian imports. The 1979 imports had been 78.8 per cent larger than the 1975 imports, i.e. an annual increase of 15.6 per cent as compared with a 14.5 per cent increase fixed by the five-year plan and a 14.8 per cent increase fixed by the Supplementary Programme for the Development of the National Economy. At the same time imports from GATT countries had become gradually more diversified. He expressed the conviction that Romania's participation in most of the Agreements negotiated in the Multilateral Trade Negotiations and in the Trade Negotiations between Developing Countries would contribute to a further improvement of Romania's trade relations with the contracting parties.

9. The representative of the United States said that the development of trade relations between Romania and the contracting parties had been very satisfactory since the last Review. Romania had taken an active part in the Multilateral Trade Negotiations and had signed a number of agreements. It was also appreciated that some progress had been made in phasing out certain quantitative restrictions still applied to imports from Romania. He recalled that the United States maintained no such restrictions. While a total elimination of these import restrictions had not been achieved yet in accordance with the paragraph 3(a) of the Protocol of Accession of Romania, he expressed the hope that further progress would be made in this area, and that this goal would be realized. He noted with satisfaction that Romania, for her part, had fulfilled her basic commitment under the Protocol. The representative of the United States expressed concern with some of the provisions of the agreement recently concluded between the EEC and Romania.

10. The representative of the European Communities welcomed the dynamic development of Romania's foreign trade for the period under review. He pointed out that for the period 1975-1979 EEC exports to Romania had increased by 53 per cent whereas Romania's exports to the EEC had increased by 100 per cent. The representative of Romania confirmed this statement, but remarked that, in absolute value, there remained an imbalance between imports and exports.

11. The representative of Canada expressed the hope that the discriminatory quantitative restrictions against imports from Romania could be removed quickly, and indicated that he also had some concerns and questions about the bilateral agreement between the EEC and Romania.

12. The representative of Japan congratulated Romania for its trade performance since the second review of the Working Party on Trade with Romania. He stated that his authorities were not indifferent to the remaining discriminatory import restrictions applied against Romania; they were against any such discriminatory measures because they were contrary to Article I of the GATT. However, there was some good news; Romania had recently concluded an agreement with the EEC on trade in industrial products. Articles 3 and 4 of this agreement clearly showed that the EEC was giving bona fide consideration to the provisions of paragraph 3(a) of the Protocol of Accession of Romania. It was a good step forward, and he hoped that remaining discriminatory restrictions would be phased out in the nearest possible future.

B. Romanian exports

13. The representative of Romania said that Romanian exports to contracting parties had increased by some 89 per cent in 1979, compared to 1975. The annual rate of increase had been for 1976: 15.2 per cent,

for 1977: 4.7 per cent, for 1978: 26 per cent, for 1979: 25 per cent, giving an average annual rate of increase of 17 per cent. Over the same period total Romanian exports had increased by 73.8 per cent. Despite this very favourable development exports had covered only 90 per cent of imports. Since exports were the principal means of financing imports the continued development of mutual trade depended on the growth of Romania's exports in favourable conditions and on a non-discriminatory basis.

14. The geographic distribution of Romanian exports to contracting parties had increased. The structure of Romanian exports remained disfavourable. The increase in exports had been mainly in raw materials, minerals and metals.

15. Turning to the question of quantitative restrictions, the representative of Romania stressed that these were useless hindrances to Romania's trade. Those contracting parties who did not apply such restrictions had had no problems with Romanian imports. He reiterated his authorities' invitation to contracting parties still maintaining discriminatory restrictions to remove them at an early date, according to the provisions of the Protocol of Accession of Romania.

16. The representative of Finland said that bilateral negotiations on the liberalization of the remaining quantitative restrictions imposed against Romanian imports had been initiated in connexion with negotiations on a long-term trade agreement. These negotiations would continue in November.

17. The representative of Sweden recalled that his authorities had reduced the number of quantitative restrictions applied against Romanian imports under the provisions of paragraph 3(a) of the Protocol; these now affected only 3 per cent of imports from Romania into Sweden, and were mainly in the textile sector. With reference to items omitted from Sweden's GSP, he explained that his authorities did not include under the GSP products which were the object of quantitative or other restrictions. The representative of Romania remarked that the removal of restrictions would enable Sweden to include these items in its GSP.

18. Several representatives of countries not maintaining discriminatory quantitative restrictions on imports from Romania noted that there had been some progress in reducing the number of such restrictions, and expressed the view that it was desirable to eliminate them altogether. One representative said that there were adequate safeguards in the GATT that precluded the need for quantitative restrictions against Romanian exports. The representative of the Communities recalled that Romanian exports to the Communities had increased since 1975 by more than 100 per cent, i.e. by a figure that exceeded Romania's average exports, a fact which bore witness to

the dynamism of that trade flow. Quantitative restrictions now represented less than 8 per cent and, in accordance with the provisions of the Protocol, were being progressively eliminated. Only economic circumstances prevented more rapid liberalization. The Communities were thus faithfully fulfilling their commitment under the Protocol. The bilateral agreement should contribute toward solving that problem. The representative of Romania replied that his country took the view that nothing short of complete elimination of quantitative restrictions incompatible with Article XIII of the General Agreement constituted fulfillment of the obligations laid down in the Protocol for the Accession of Romania.

19. The representative of Hungary raised a question concerning the competence and method by which decisions were taken within the EEC with respect to quantitative restrictions not consistent with Article XIII, still maintained against Romanian exports, i.e. who was responsible within the Community for the maintenance of these restrictions, and what was the internal decision-making process for their elimination. The representative of the Communities reiterated his position of principle, taking the view that internal procedures could not be subjected to examination by the present Working Party, whose task was to ascertain whether the commitments entered into under the Protocol were being observed. The notifications were made in the name of the Communities, and those notifications alone were the subject of the discussion. That being so, he was always prepared to explain - informally and on a bilateral basis - how the Communities' legislation and regulations functioned. The representative of Hungary could not accept the view that this matter was not relevant to the work of the Working Party. He said that he maintained the validity of his question and that he might revert to it later, if necessary, in the light of the progress achieved in the elimination of quantitative restrictions not consistent with Article XIII maintained by member States of the Community.

C. Romanian imports

20. The representative of Romania referred to his opening statement and pointed out that Romania had fulfilled its obligation with respect to imports. The share of imports from contracting parties had been 57.7 per cent in 1976, compared to 54.8 per cent in 1979. There had been little modification of product structure of imports. The increase in value of total Romanian imports was partly attributable to the increase in the price of petroleum products. Petroleum imports originated mainly from non-GATT countries and this accounted for an imbalance between GATT and non-GATT country imports.

21. The representative for Switzerland said that while there had been a very positive overall development of Romanian imports from contracting parties and other countries, there had been a severe decline in 1979 of Romanian imports

from Switzerland. Trade figures for January-August 1980 revealed an even sharper decline. The representative of Romania expressed the hope that this would only be a transitional situation.

22. One member of the Working Party while noting with satisfaction that Romania had fulfilled its commitment under the Protocol of Accession, expressed some concern over recent developments in Romania's foreign trade régime such as official appeals for more reliance on domestically produced goods and moves towards centralization of import purchasing decisions. The representative for Romania said that there was concern in his country with the disequilibrium of Romania's trade balance, which could only be rectified by an increase of exports or a reduction of imports of non-essentials. With regard to the reference made to an alleged trend toward centralization, he said that the trend was in fact in the contrary direction; the effect of the measures taken to improve the working of Romania's economy was to consolidate and broaden the autonomy and the economic and financial self-management of enterprises.

23. The Working Party noted with satisfaction that Romania had fulfilled its commitment under the Protocol of Accession.

24. In reply to concerns expressed in the Working Party that certain provisions of the Agreement on Trade in Industrial Products between the EEC and Romania could lead to preferential treatment for EEC exports, the representative for Romania stated that this bilateral agreement was not a preferential agreement, either for the European Communities or for Romania, nor was it a market sharing agreement, and that it was based on trade competitiveness. The agreement would be implemented in compliance with GATT provisions and of the provisions of the Protocol of Accession of Romania. The representative of the Communities supported that statement, stressing that not only was that Agreement not a preferential agreement, but also the parties to it had reaffirmed their attachment to the General Agreement and to the Protocol for the Accession of Romania. Moreover, under Article X of GATT the agreement would be published in Romania's official gazette.

25. The Working Party noted these statements with satisfaction, and attached particular importance to the compliance with the GATT provisions.

D. Romania's trade balance and balance of payments

26. The representative of Romania stressed the deficit on trade account in Romania's balance of payments for the period 1976-1978. He pointed out that the International Monetary Fund's financial statistics now published Romanian data and that figures for 1979 could be found in IMF's Financial Statistics, Volume 33, No.6 of June 1980.

Conclusions

27. The Working Party held a wide exchange of views on all questions falling within its terms of reference.

28. It observed that the Protocol for the Accession of Romania, and Romania's participation in the activities of GATT, had had beneficial effects on trade.

29. It noted the determination of all the contracting parties to respect the provisions of GATT.

ANNEX

Opening Statement by the Representative of Romania

The present Consultation between Romania and the CONTRACTING PARTIES is taking place at the end of my country's five-year plan for the period 1976-1980, which makes it possible to draw up a preliminary balance-sheet of the development of reciprocal trade during that period, and of the measures taken under the Protocol for the Accession of Romania to GATT.

1. In the first four years (1976-1979) of the present five-year plan, Romania's trade with contracting parties to GATT increased by 84 per cent, thus achieving a mean annual growth rate of 16.5 per cent. The preliminary figures for 1980 show the same trend.

2. Romania's exports to contracting parties have increased, but they fall short of the value of Romania's imports from those countries. Those imports have developed more, a fact which causes serious concern to my country's authorities.

That being so, the implementation by all contracting parties of the provisions of Romania's Protocol of Accession to GATT in the matter of the elimination of quantitative restrictions incompatible with Article XIII of the General Agreement takes on particular significance.

The great majority of contracting parties do not apply discriminatory quantitative restrictions, and mutual trade proceeds normally, consistently with the general provisions of GATT. However, there are still some contracting parties that unjustifiably maintain such restrictions which affect Romania's exports to the countries in question: Finland (15 per cent of exports in 1979); European Communities (8 per cent); Sweden (3 per cent); and Norway (2 per cent).¹

The liberalization measures adopted by some of these countries have been insignificant.

In conformity with the conclusions of the previous Consultation, that of 1977, endeavours have been made in the subsequent period to find solutions to the problem of quantitative restrictions incompatible with Article XIII of the General Agreement. In this connexion, non-preferential bilateral sectoral agreements have been concluded with various countries or groups of countries

¹The figures do not include Romanian exports subject to restraint.

concerning textiles, iron and steel products and other manufactures. While these agreements include positive elements, they constitute only partial and provisional solutions to the problem. Romania therefore reiterates its request for the complete elimination, by all contracting parties, of restrictions incompatible with Article XIII of the General Agreement, and reserves all the rights deriving from its status as a contracting party to GATT.

The system applied to Romanian exports by certain developed countries that are contracting parties to GATT likewise fails to reflect adequately the difference that exists between Romania's level of economic development and that of the countries in question; some of them, while including Romania among the beneficiary countries for the generalized system of preferences, have excluded certain Romanian products from the benefit of those preferences. Romania expects to be treated by all the countries that grant generalized preferences in the same way as are the other developing countries at a similar level of development. We have accordingly noted with satisfaction that the EEC is giving favourable consideration to the approach made on these lines, and we wish to express the conviction that the EEC Commission's proposals will be adopted by the Community decision-making bodies. We also await with interest favourable reactions on the part of the authorities of Switzerland, Sweden and Norway.

3. By the Protocol of Accession to the General Agreement, Romania stated its firm intention to increase its imports from the contracting parties as a whole at a rate not smaller than the growth of total Romanian imports provided for in its five-year plans. That intention has been implemented, and even surpassed. By 1979, Romania's imports from the contracting parties to GATT had increased by 78.8 per cent from the 1975 level, in other words, at a mean annual rate of 15.6 per cent, which exceeds the rate of 14.5 per cent provided for in the five-year plan and the rate of 14.8 per cent provided for in the supplementary programme of national economic development. At the same time, imports from the contracting parties to GATT have diversified. Future growth and diversification of Romania's imports are obviously linked to the creation of more favourable conditions of access for the country's exports.

4. We consider that Romania's participation in most of the agreements concluded as the outcome of the multilateral trade negotiations can contribute to a better flow of reciprocal trade with the other contracting parties, as will Romania's participation in the Protocol Relating to Trade Negotiations among Developing Countries.

In present conditions, when economic and political difficulties are multiplying in the world, Romania once more proclaims its decision to contribute to the setting-up of a new economic order and to the development of equitable co-operation among all States.