

GENERAL AGREEMENT ON

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TARIFFS AND TRADE

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TRADE POLICY REVIEW MECHANISM

POLAND

MINUTES OF MEETING

Chairman: Mr. A. Szepesi (Hungary)

Addendum

The attached communication has been received from the Government of Poland at the meeting, responding to questions put by participants during the Trade Policy Review of Poland.

I. TRADE POLICY, TRADE PRACTICES AND THE GATT SYSTEM

Import Licensing

Question:

What are the conditions under which the Minister of Foreign Economic Relations may grant or refuse an import licence or change the existing one? (United States)

Answer:

Conditions applied to import licensing requirements are officially published and may vary according to products. Issued licenses may be changed for reasons of national interest, or due to major changes in trade policy environment. They may also be altered in response to unforeseen economic difficulties or following the exhaustion of the quota.

Question:

Is the recently extended import licensing regime transitional or permanent? (Hong Kong)

Answer:

Most of import licensing measures are of transitional character.

Question:

Does Poland intend to cease import licensing of beer? (Mexico)

Answer:

Yes, after the restructuring and privatization of the brewery sector has been completed.

Tariffs

Question:

Are exemptions for imports of machinery, equipment and other items that are part of a non-cash contribution of a foreign partner in contradiction with the MFN principle? (Canada)

Answer:

No, these exemptions are automatically granted on a non-discriminatory basis to all investors established in Poland.

Question:

Will Poland decrease tariffs on fisheries products mainly hearing to the level existing before August 1991? (Canada)

Answer:

There are no immediate plans to return to zero tariffs on fisheries products.

Question:

What is the tariff reduction schedule under re-negotiation of Poland's accession to the GATT or Uruguay Round negotiations? (United States)

Answer:

Tariff reduction schedule for industrial goods will be based on the general formula of market access commitments of the Uruguay Round and on results of bilateral negotiations under the renegotiation of accession. Poland's agricultural offer is still under preparation and its tariff schedule for this sector is yet to be determined.

Question:

Does Poland plan to adopt the Combined Nomenclature in its exact form? (United States)

Answer:

Poland has adopted the CN nomenclature as from 1991 in its exact form and continues to update it as appropriate.

Questions:

Tariff rates and trade related procedures have been changing very frequently. The tariff schedule established in August 1991 represented a significant increase in tariff protection compared to earlier periods. What are Poland's intentions as regards tariff changes in the future? (Japan, Hong Kong, United States, Norway, Egypt and several other delegations).

Answers:

Poland's tariff of August 1991 was the first meaningful tariff schedule established under the new systemic conditions of a market economy, in the absence of any other significant regulatory measures. Therefore no direct comparison to earlier tariffs applied by Poland is relevant. Subsequent modifications have been largely correctional and relatively minor. They reflect the dynamic nature of the adjustment process where structural deficiencies are revealed spontaneously through the interplay of market forces and have to be addressed as appropriate. Poland intends to submit its tariff offer, bind the tariff concessions and subject such bindings to the relevant GATT disciplines, thus ensuring a greater stability in its tariff structures and policies.

Tariff quotas for motor vehicles

Question:

Will the quota for 30,000 units of passenger vehicles imported duty free from the EC take effect as originally written or will it be negotiated? (United States)

Answer:

The original Polish proposal called for a supplier-specific quota, allocated among EC companies making capital investment in Polish automotive industry. This proposal had been subsequently modified in order to be accessible to other suppliers from the EC. In return the EC granted a tariff quota for Polish cars. The negotiations have been completed and the arrangement is now in place.

Question:

How is this quota administered? (United States)

Answer:

The quota is available to all EC suppliers, first-come-first-served.

Statement:

The duty-free quota for cars imported from the EC is discriminatory under the GATT against non-members of the EC. (Japan)
It creates trade diversion. (India)

Comment:

This issue is expected to be dealt with in the Working Party on the Association Agreement.

State Trading

Question:

Has Poland reached a decision regarding the notification of the Agricultural Market Agency under the Article XVII of the GATT Agreement? What is the basis for this decision? (a Discussant, United States)

Answer:

Yes, such notification will be made soon, because the Agency receives some budgetary appropriations which may be regarded as a special benefit in the sense of Article XVII of the General Agreement.

Question:

What will be the role of the state-owned trading companies in the future? (Norway)

Answer:

Out of 65 state-owned trading companies existing at the beginning of the reform, about 40 have been either completely privatized or are at present in different stages of privatization. The process is expected to be completed for these companies in 1994.

Question:

To what extent is a foreign exporter free to choose its partner in Poland? (Norway)

Answer:

Polish and foreign traders enjoy unrestricted freedom to choose their trading partners without any administrative interference or guidance whatsoever.

Trading and representation permits

Question:

Are trading permits required for trading activities involving tobacco products, mineral oil and spirits within Poland as they are required for imports? (United States)

Answer:

No domestic trading permits are required for tobacco products and mineral oil, but they are mandatory for spirits.

Question:

Why there is a need for foreign representative offices to obtain permits from the Ministry of Foreign Economic Relations to engage in foreign trade in Poland? (United States)

Answer:

This practice, inherited from the previous administrative order, is up for revision under new legislation which is still pending. Consequently, a different procedure is expected to be established.

Agreements with the EC, EFTA and CEFTA

Question:

Do any provisions of the Association Agreement with the EC place constraints on the ability of any party to the Agreement to make tariff concessions in the future on MFN basis? If so, which ones? (United States)

Answer:

No such constraints are established by the Agreement as regards tariff concessions in favour of third parties.

Question:

Would Poland provide copies of these agreements? (United States, Switzerland)

Answer:

The text of Poland-EC Agreement has been provided in GATT document L/6992 Add.1. Agreements with EFTA and CEFTA countries will be notified after their ratification.

Question:

Will selective agricultural liberalization take place under the CEFTA Agreement? (United States)

Answer:

Yes.

Question:

What part of agricultural trade in each direction will be affected by Poland's FTA's with the EEC and EFTA? (United States)

Answer:

At present no such statistics are available. The matter is expected to be revisited when the agreements are examined in the Working Parties established under GATT Article XXIV.

Question:

Will substantially all trade between the parties to the agreement be free upon the final stage of the tariff reduction? (United States, Canada)

Answer:

All trade in industrial products will be free, while trade in agricultural products will be liberalized substantially.

Question:

In what way does Poland intend to reduce the trade diversion effect of the agreement (India, Korea, Canada) in textiles (Hong Kong)

Answer:

Poland is presently engaged in bilateral market access negotiations with interested non-European partners with a view to establishing a new schedule of GATT concessions. Poland will also present its tariff offer within the

Uruguay Round. This process, once completed, should alleviate some concerns presently expressed by several contracting parties.

Statement:

Trade diversion effect will result from the high tariff differentials (Canada). Similar effects are likely in the textile sector as a result of Poland-EC Agreement (Hong Kong).

Comment:

Some immediate trade diversion effect is a natural phenomenon, as indicated by the experience of other presently functioning regional trade arrangements. In a longer run, positive effects due to increased investment, higher domestic demand and improved competition should generate new trade flows benefiting regional and extra-regional suppliers. Trade diversion will also be mitigated following the measures indicated in the preceding reply.

Barter and countertrade

Question:

What is the share of barter and countertrade in Poland's trade with the former Soviet Union (United States) and the former CMEA countries (Canada)

Answer:

No reliable data are available, but unofficial estimates suggest that such trade may approximate about one-fifth of the total turnover with former CMEA countries.

Question:

Will such trade grow or will it be phased out? (United States, Norway)

Answer:

As a matter of policy, the Government refrains from interfering in legitimate commercial practices of individual traders. Consequently, it does not restrict the freedom of companies to engage in countertrade and barter on their own risk and account, nor does it specifically encourage such transactions.

Question:

In what way does Poland, in its countertrade with the ex-CMEA countries, avoid inconsistencies with Article XIII of the GATT? (Switzerland)

Answer:

In Poland's view no such inconsistencies exist. Countertrade does not entail quantitative trade restrictions.

Charges and fees

Question:

How are the storage fees required by Customs consistent with Article VIII of the GATT?

Answer:

The fee is not commercial but administrative. Its intention is to accelerate customs clearance in order to assure better management of limited storage facilities when delays in customs procedures are caused by incomplete documentation or other faults of the importer's. For other traders the use of customs storage facilities is optional.

Customs Valuations

Question:

How can importers contest decision of customs officers questioning the credibility of documents produced by importers for establishing the customs value? How and to whom should such an appeal be filed? (United States)

Answer:

This matter is regulated by the provisions of the Administrative Procedures Code and Customs Law. Any decision may be challenged and appealed to the Central Customs Office and the Supreme Administrative Court whose ruling is final and binding.

Question:

Has Poland fully ratified the Customs Valuation Code? (United States)
When will the Custom Valuation Code be adopted by the Polish national legislation? (United States).

Answer:

Poland has not ratified the Customs Valuation Code but intends to do so. The principal provisions of the Code have been incorporated into the Polish Customs Law (Articles 25-30). All principal technical provisions have been published and are applied in practice.

Question:

Is the shift from f.o.b. to c.i.f. customs valuation basis a temporary or permanent measure? (Canada)

Answer:

This measure is intended to be permanent and is consistent with the Customs Valuation Code.

QR's and other restrictions to trade

Question:

Does Poland plan to phase out its current QRs on agricultural imports? (United States)

Answer:

There are at present no specific plans to phase out existing QRs on agricultural products.

Question:

What are the criteria for allocation of import quotas? (a Discussant, Norway). The criteria used when allocating import quotas for certain alcoholic beverages, cigarettes and petrol products? (Australia)

Answer:

As regards liquid fuels import quotas are established at a level which corresponds with the estimated domestic supply and demand equilibrium, taking into consideration domestic output. For 1993 the quota amounts to 1.8 million tons of petroleum oils and 900 thousand tons of gasoline. For alcoholic beverages which are subject to import restrictions, quotas are established on the basis of estimated domestic sales of alcoholic beverages, taking into consideration the volume of imports in the previous relevant period. In recent years the share of imported alcoholic beverages of an alcoholic strength by volume of more than 18 per cent was in the range of 5-8 per cent of domestic consumption. Import quota for tobacco products is established on the basis of imports of cigarettes and cigars in the previous period. In 1992 the quota was 6 billion cigarettes and 20 million cigars and cigarillos. In 1993 the quota for cigarettes will be increased by 33 per cent to 8 billions and the quota for cigars will remain at the 1992 level.

Question:

How are the zero-duty tariff quotas for wheat and barley allocated between importers? (Australia)

Answer:

The zero tariff quotas were established on 3 October 1992 for 300 thousand tons of durum wheat, 600 thousand tons of wheat for breeding and 900 thousand tons of barley. The quota for durum wheat is open until June 1993 and for the remaining items until the end of 1993. Recently, zero-duty tariff quotas were established for rye (CN 1002.00.00) and oats (CN 1004.00.90). The quotas are erga omnes and are available to any Polish importer upon presentation of standard documents required by Polish customs clearance (see: para. 186 of document: C/RM/S/31A). The permits are issued by the Department of Trade Regulation and Customs Policy (DROTiPC)

of the Ministry of Foreign Economic Relations. The dutiable imports of above mentioned cereals are not limited by any non-tariff measure.

Question:

How long does Poland intend to maintain its present import licensing of oil products? (Norway)

Answer:

The aim of this licensing is to facilitate the restructuring in Polish oil refining industry. These measures are therefore temporary and their time perspective will be determined after the restructuring process gets fully underway.

Question:

Is there any tradable product subject to State monopoly? (Romania)

Answer:

No, at present no State monopoly exists as a matter of law.

Statement:

Non-transparent non-tariff barriers impede market access. (Canada)

Comment:

Poland fully shares such view and recognizes that its validity is well established by widespread practices of many contracting parties.

Homologation

Question:

Will the system of homologation for the Polish telecommunications sector be transparent and in accordance with the GATT rules? (Canada)

Answer:

The homologation procedure is regulated by Article 7 of the Telecommunications Act of 1991. It is not discriminatory as regards import sources and also covers Polish-made products. One of the essential criteria is the technical compatibility of various components of the communications systems. Currently there are several telecom systems accepted in Poland.

Question:

How does Poland intend to reduce the homologation periods for pharmaceutical products? (Switzerland)

Answer:

Poland has no hidden reasons to delay homologation procedures for trade related purposes. Homologation periods are adversely affected by technical constraints experienced by medical services which are facing considerable difficulties in handling a rapidly growing influx of foreign made products.

Poland in GATT

Question:

Will the concept of the normal value be interpreted within the context of the open market? (Canada)

Answer:

Poland has ratified the Antidumping Code and signed the Subsidies Code, thus confirming its intentions to use antidumping and countervailing duty legislation in accordance with the relevant GATT disciplines, including the concept of normal value and methods of its determination.

Question:

Will Poland adhere to the Agreement on Technical Barriers to Trade? (Mexico)

Answer:

Yes. Poland intends to accede to the Code. The principal reason for the delay are administrative constraints faced by the National Bureau for Technical and Quality Standards.

Question:

Is there any contradiction between Article 11 of the GATT and the Poland's Council of Ministers powers to impose temporary limitations on foreign trade? (Mexico)

Answer:

In Poland's view there are no such contradictions. Temporary measures are applied on non-discriminatory basis.

Question:

When will Poland sign the Government Procurement Code? (Norway)

Answer:

There are no immediate plans to sign the Code, mainly for the lack of a sufficiently comprehensive domestic legislation, which is now under preparation.

Question:

What is the status of Poland's negotiations with member states as far as the new protocol of accession is concerned? (Canada)

Answer:

The Working Party on Poland has conducted a thorough review of Poland's economic and trading system. The draft report of the Working Party contains a new draft protocol of accession. Poland has received, and responded to, tariff request from several contracting parties as related to industrial products, with the agricultural segment expected to follow soon. By now, comments on Poland's response have been received from one contracting party.

Question:

What is the linkage between Article XIX of the GATT and Poland's recourse to voluntary export restraints? (Switzerland)

Answer:

So far Poland has taken no recourse to VERs, with one relatively recent exception involving one product category supplied by a European partner.

Trade policy and trade promotion

Question:

What are the Polish Government's intentions to resist protectionist pressure exerted by Polish and foreign interest groups? (a Discussant)

Answer:

The Government intends to continue taking a critical approach to protectionist initiatives and does not intend to cave in to pressures which are not justified by obvious economic and social realities.

Question:

What are Poland's plans to maintain trade with the Central and East European countries? (a Discussant)

Answer:

Restoring trade with other countries of the region is a vital necessity and one of the top priorities in Poland's external economic policies. In December 1992 Poland joined three other countries of the region (Czechia, Hungary and Slovakia) in establishing the Central European Free Trade Agreement. This arrangement is expected to assist all its signatories in reinvigorating their mutual trade. Strenuous efforts are also being made by Poland to rebuild trade with the successor states of the ex-USSR.

Question:

What are the tasks and the main instruments of the Trade Promotion Centre? (Romania)

Answer:

The Centre is a private institution which handles standard trade promotion functions, including inter alia business relations, international legal services, fairs and exhibitions, training activities, publishing, arbitration, certificates of origin, etc. It is financed from contributions by members of the Polish Chamber of Commerce, with occasional grants from public sources.

GSP

Question:

What is the product coverage of Poland's GSP? What is the level of tariffs preferences under GSP? Is the system to be extended in the future? (Egypt)

Answer:

Product coverage is broad, with exceptions limited to certain agricultural commodities, textiles, consumer electronics, tobacco, cosmetics, automobiles and jewelry. GSP preference margin is 30 per cent of the m.f.n. duty rate. Imports from the least developed countries are duty-free, as are all tropical products coming from GSP beneficiaries.

II. AGRICULTURE RELATED ASPECTS OF TRADE POLICY

Question:

Are the Polish authorities willing to continue the process of transformation towards a market economy and resist pressure from agricultural interest groups to rebuild protectionist measures?

Answer:

The Government of Poland has expressed and demonstrated its strong determination to develop Polish agriculture consistently with market economy rules, as stated in the programme called "Chances for Agriculture and Rural Areas". At present 4.2 million people are working in agriculture (29 per cent of the total labour force). Obviously, the transformation of the farming sector must be a gradual process, involving substantial political efforts to generate understanding and support for its objectives and modalities. The Government maintains close contacts with political, professional and social organizations representing farmers' interests. Through these channels, agriculture related issues can be consulted and negotiated and solutions may be sought to potential or real conflicts. One recent example of the latter situation are Government's successful efforts to stop Farmers Unions from blocking border checkpoints in protest against food imports.

Question:

What is the rationale of the planned variable levies on agricultural products? (a Discussant, Australia, Argentina, Canada, EC, Hungary, New Zealand, United States). Will the system of variable levies be tied to the system of minimum prices? (Argentina, Canada).

Answer:

A draft regulation on the variable levy system is still under discussion and neither its final shape nor possible product coverage have been established. Discussions are concentrating on fundamental definitions such as threshold price and domestic reference price. Undecided questions also include possible linkages to minimum prices. The whole issue will be assessed by the Polish Government and submitted to the Parliament. Nevertheless, even if approved, the scheme is expected to have a much smaller product coverage and offer considerably lower level of protection than the corresponding systems presently existing in some other countries. This issue will be assessed by Polish authorities in the context of the agricultural market access commitments of the Uruguay Round.

Question:

Does Poland envisage the abolition of the State Spirits Monopoly? (Australia)

Answer:

The State Spirits Monopoly does not exist in Poland at present. There are over 700 producers of high-proof alcoholic beverages. They represent various types of ownership and are licensed by the Minister of Agriculture and Food Economy.

Question:

Does the Rolimpex still continue to play a dominant role in the cereal trade? (Canada)

Answer:

The Rolimpex still continues to dominate in Polish imports and exports of cereals because of its experience and established position in the market. However, this position is not exclusive, as there are many independent operators whose number and trade volumes are growing. Rolimpex is a member of the Comité du Commerce des Céréales et des Aliments du Betail /COSERAL/. No special or preferential treatment is granted to the Rolimpex by the State administration.

Question:

How are the activities of the Agricultural Market Agency rated by Polish authorities? Will they intend to enlarge its scope of operations? (Argentina, Canada).

Answer:

The Agricultural Market Agency has been successful in stabilizing the domestic agricultural sector. Grains: AMA's activity is now focused on imports due to recent drought conditions. Milk: minimum prices suggested by AMA are now observed by 95 per cent of dairies. Meat: AMA intervention stopped the fall in prices and stabilized the market. Sugar: AMA helped to stop the price hike and stabilized the market. However, one should stress that AMA has been designed to play only auxiliary functions, which are limited in terms of product coverage, the volume of interventions and the size of available financing. No major expansion of AMA's activities is now foreseen.

Question:

What is the rationale for phytosanitary and veterinary regulations? (a Discussant, Argentina, Canada, United States)

Answer:

Polish phytosanitary and veterinary regulations are based on legislation dating back to 1962. The regulations are applied on a non-discriminatory basis, their rationale being essentially the same as that in other GATT contracting parties. Farm products which do not meet the standards are not allowed to enter Polish customs territory.

Question:

What measures are designed to offset the drought effect? (Australia, United States)

Answer:

To offset adverse effects of the dramatic drought the Polish authorities have undertaken the following measures published in the Journal of Laws No 101 of 29 December 1992, which will be in force until 30 June 1993:

Zero-duty quotas were established for the following CN tariff lines:
1001 10 90, ex 1001 90 99, 1002 00 00, 1003 00 90, 1004 00 90.

Zero-duty rates were established for the following CN tariff lines:

0714 10 99, 1005 90 00, 1007 00 90, 1008 30 00, 1008 90 90, 1201 00 90, 1205 00 90, 2301 10 00, 2301 20 00, 2304 00 00, 2305 00 00, 2306 10 00, 2306 20 00, 2306 30 00, 2306 40 00, 2306 50 00, 2306 60 00, 2306 90 11, 2306 90 19, 2306 90 91, 2306 90 93, 2306 90 99.

Temporary export prohibition has been established for the following CN codes:

0713 10 90, 0713 50 90, 1004 00 90, 1214 90 90, 2302 10 10, 2302 10 90, 2302 20 10, 2302 20 90, 2302 30 10, 2302 30 90, 2302 40 10, 2302 40 90, 2302 50 00, 2303 10 90, 2303 30 00, 2306 40 00, 2309 90 31, 2309 90 33, 2309 90 35, 2309 90 39, 2309 90 41, 2309 90 43, 2309 90 49, 2309 90 51, 2309 90 53, 2309 90 59, 2309 90 70, 2309 90 99.

Temporary export restrictions in the form of export licence have been instituted for the following CN items:

0713 10 11, 0713 10 19, 0713 50 10, 1001 10 10, 1001 10 90, 1001 90 10, 1001 90 91, 1001 90 99, 1002 00 00, 1003 00 10, 1003 00 90, 1004 00 10, 1008 10 00, 1008 20 00, 1008 30 00, 1008 90 10, 1008 90 90, 1205 00 10, 1205 00 90, 2301 10 00, 2303 20 11, 2303 20 13, 2303 20 19, 2303 20 90, 2304 00 00, 2309 90 91.

In addition, an import surcharge (see below) has been established for two years since December 1992 in order to forestall the imminent threat of a serious deterioration in the balance of payments caused by a combined effect of reduced exports and increased imports of agricultural products.

III. GENERAL ECONOMIC AND FINANCIAL ISSUES

Protectionism or liberalism?

Question:

Is the policy evolution in Poland towards trade liberalization and market economy stable? (New Zealand, a Discussant)

Answer:

The Government of Poland is committed to a fully fledged market economy as a guarantee of economic efficiency and development. This process is irreversible in terms of principal policy decisions and institutional framework and is not contradicted by a moderate involvement of the State.

Question:

Is there a slowing down of the economic reform and what are the consequences for the trade policy? (Switzerland, Mexico)

Answer:

Due to a number of circumstances (social rigidities, time consuming legislative procedures, unfavorable external economic conditions) the reform process encounters social frustrations caused by high rate of unemployment, delayed improvement in living standards, and other adverse factors. Therefore it is no longer as smooth as expected, while the

confrontation with hard realities of the reform gives rise to various pressure groups. This may have resulted in certain policy adjustments but the major lines of the reform continue to be maintained.

Question:

Was macroeconomic stabilization a prerequisite for the reforms in trade policy? (Mexico)

Answer:

The radical economic transformation of Poland started in January of 1990 under conditions of extremely severe macro- and microeconomic imbalances. The restoration of domestic market equilibrium has been achieved through the liberalization of prices from administrative control and opening up of the economy. Therefore, the liberalization of trade policy combined with the introduction of internal convertibility of domestic currency formed the cornerstone of the reform, which finally enabled the achievement of macroeconomic stability.

Question:

How does the system of interest representation work and what is the scope of bargaining between the government and large state-owned enterprises? (a Discussant)

Answer:

In collective labour disputes, direct negotiations between representatives of Government and trade unions are possible, if such conflicts arise in sectors directly controlled by the Government (public utilities, public services, etc.). If conflicts develop in fully state-owned enterprises or sectors where essential operational decisions and functions rest directly with the management, then the management rather than the Government is a party to the dispute. Consequently, it is expected to face all practical and legal implications of a settlement, including ramifications for the economic position of the enterprise. The guidelines for conciliatory procedures are provided in the Trade Union Act. The same rules are applied to all types of economic entities.

Question:

Are state-owned enterprises still operating largely on the basis of regulations dating from before the reforms? (a Discussant)

Answer:

The question might imply that there has been no major change in the functioning of state-owned enterprises. This is not correct. The reform, initiated in 1990, eliminated all elements of the centrally planned economy which were essential determinants of the special status of state-owned enterprises (central allocation of physical and financial inputs including

import financing, allocation of output, managed labour market, subsidies, price controls, etc). Central planning was abandoned, domestic prices were liberalized from bureaucratic controls, and the convertibility of domestic currency removed all forms of administered import financing. Gradual elimination of non-tariff barriers made tariffs the main instrument of trade policy. These radical changes exposed state-owned enterprises to foreign and domestic competition. Now, they are subject to general regulations, and operate in a competitive environment, although for most of them the legal ownership status remains unchanged.

Surcharge

Question:

What is the purpose of the recently announced import surcharge? Will it really be temporary? (Canada, Norway)

Answer:

The temporary import surcharge is seen as necessary to forestall the imminent threat of a substantial deterioration in the balance of payments caused by the unusually severe drought and a worsening of the trade balance. In the last quarter of 1992, Poland observed a drastic deterioration of its balance of payments position. During eleven months of 1992 the current account registered a deficit of \$36 million and the trade balance decreased from \$1,019 million during January-September to \$734 million during January-November, 1992. The surcharge will be a turnover tax applied until the VAT comes into force. The surcharge will continue thereafter as a separate tax. The surcharge will be 6 per cent until the end of 1993 and 3 per cent in 1994. It will be discontinued from the beginning of 1995.

Question:

Why has the import surcharge not been properly notified to the GATT? (Norway)

Answer:

There has been no breach of GATT disciplines. The import surcharge became effective on December 17, 1992 and the appropriate notification was made consistently with the relevant GATT rules on 30 December, 1992 under Article XII of the General Agreement.

Tax system

Question:

What is the Polish plan of action in order to modernize its tax system and strengthen its financial sector? (Canada)

Answer:

The Polish tax system is in the process of modernization in order to make it compatible with that of other market economies. Starting from 1992, a universal income tax is applied to physical persons. A similar tax is applied to legal persons since 1990. No major systemic changes in the application of direct taxes are foreseen at present. There will only be some secondary alterations aimed at increasing the transparency of the system through the following measures: modifications of tax schedules; modifications in tax assessment procedures and exemption rules; tax incentives to encourage privatization. Additional measures aimed at improving tax collection discipline are also envisaged. The current reform in Poland will radically change the system of indirect taxes. The present turnover tax will be replaced by a universal Value Added Tax (VAT) and excise taxes. Also in 1993, two additional tax regulations will be considered by the Parliament: a new system of taxation of tobacco products and tax labelling of goods which are subject to income tax. The purpose of the latter measure is to eliminate smuggling.

Question:

What are Poland's current plans with regard to the adoption of a Value Added Tax (VAT) system in 1993? Will the recent increase in turnover tax translate into a higher VAT? Will the new VAT system be discriminatory with regard to imports? (United States, Canada)

Answer:

The legislative track concerning a universal VAT and excise taxes has already been completed. The VAT system will be introduced on 5 July, 1993. The principal tax rate will amount to 22 per cent, with certain staple foods and other basic necessities taxed at 7 per cent. Exports will carry zero-level tax rate, and there will be no tax discrimination of imported goods or services. In order to facilitate the transition from turnover tax to VAT, gradual changes are currently underway in turnover tax rates.

Question:

Is the discrimination element in turnover tax rates applied to domestic and imported goods? (United States, a Discussant)

Answer:

The Polish turnover tax system does not discriminate against imported goods. Tax rate differentials result from different tax assessment base: producer selling price for domestic goods and customs value plus customs duties in imports.

Question:

What are the reasons of imposing turnover tax on exports? (a Discussant)

Answer:

The turnover tax is imposed at present only on some types of hard coal and on raw and half-tanned hides, because of unusually large differentials between domestic prices and much higher foreign prices.

Financial sector

Question:

What steps are the Polish authorities taking to upgrade the country's financial sector? (Canada, Mexico)

Answer:

A substantial improvement has been made in respect of quality of financial services offered by nine state-owned commercial banks established in 1989. There has been a considerable transfer of skills to these banks under the "twinning arrangements", and two banks are ready for privatization. However, the poor quality of the inherited loan portfolio and the deteriorating financial situation of many State enterprises, the banks' main clients, have left them with a serious loan loss problem and a need for recapitalization. A legislation on the financial restructuring of enterprises and banks has been approved by the Polish Parliament.

Bad loan departments have been created in each bank and banks are obliged to work out some financial arrangements with problem debtors or to seek collection of their claims by applying for the debtor's receivership. The prevention of a recurrence of the bad debt problem will require improved bank supervision. Work is now underway in the National Bank of Poland to improve the plan of accounts underlying bank reporting, to draw up the necessary set of prudential rules, and to strengthen monitoring procedures. The work of the banking system will be supported during 1993 by the establishment of a deposit insurance company and the inauguration and automation of the National Clearing House. Parallel efforts are being made to restructure and recapitalize the insurance industry. The Warsaw Stock Exchange resumed its activities in 1991 and is gradually expanding its operations. The quality of financial services benefits also from improvements in performance of about 80 private and cooperative banks whose number continues to grow.

Question:

What happens when the state-owned enterprise defaults on a loan? Are the state-owned enterprises allowed to go bankrupt? (United States)

Answer:

According to the general rules, state-owned enterprises can go bankrupt. However, there are special renegotiation procedures allowing for agreements between debtors and creditors on financial arrangements. If an enterprise

is unable to pay its debt, creditors holding at least 50 per cent of the claims on the enterprise may work with the enterprise management to draw up a financial and business restructuring plan. The creditors may reschedule part of their claims on the firm and convert the remainder into equity.

Question:

What is the role of foreign banks in the development of the Polish banking system? (Mexico)

Answer:

Unfortunately, there are still only few foreign banks operating in Poland (see para 120 of document C/RM/S/31A). They are successful in introducing new banking procedures and business practices and their role in enhancing the competition in the domestic market is quite important. There are also special training and assistance programmes provided by foreign banks under the "twinning" agreements with the nine Polish state-owned commercial banks.

Privatization

Question:

Does the government of Poland foresee a continued government presence in terms of ownership in the market over the long term? How long will it take to privatize the state-owned enterprises? (United States, Korea)

Answer:

The intention of the Polish government is to speed up the process of privatization of state-owned enterprises. However, it is expected that state ownership will retain relatively important role in some sectors, particularly in public utilities and general services. By the end of 1992 already some 2100 state-owned enterprises (about a quarter of the total at the beginning of the reform) had become private. In 1993 the programme will be extended to cover approximately 600 large entities and a substantial amount of smaller units, so that by the end of the year close to one-half of all State-run firms will have been in private hands. Ultimately up to 80 per cent of State industrial property is expected to be private by the end of the decade.

Question:

How does Poland determine the price at which state-owned enterprises are privatized? (United States)

Answer:

The price is initially assessed by independent consultants, Polish or foreign. At least two different methodologies have to be used, the most frequent being income valuation and book value estimates. On this basis

the Ministry of Privatization, after consultations with the management and other directly interested parties, makes its final determination on price and other terms of sale.

Question:

What steps are planned to encourage privatization in the Polish economy? (Canada)

Answer:

State enterprises (except in certain sectors which are vital for public interest) are expected to present plans for the transformation of ownership. They have to decide whether they wish to determine their future status or to be commercialized and subsequently privatized by the Ministry of Privatization. There are several alternative privatization schemes: a management or employee buy-out, sale to domestic or foreign investors, a joint-venture arrangement, a public or private offering or the "mass privatization" (privatization by voucher) programme.

Foreign investments

Question:

What are the major rules on external capital transactions involving Polish persons? (Romania)

Answer:

Under the Polish Exchange Law of 1989, capital transactions abroad are controlled by the Treasury. Polish natural and legal persons must have special permits issued by the National Bank of Poland.

Question:

Which are the fields in which foreign investment needs prior licensing? (Romania)

Answer:

Licensing is required for: (a) operating seaports and airports; (b) wholesaling of imported consumer goods; (c) real estate brokerage; (d) selling of legal services.

General policy

Question:

Are wage rates in Poland controlled by the Government? (United States)

Answer:

There is no direct control of wage rates, except for public administration and public services sectors. Wages are subject to personal income tax and special penalty taxes on excess wage increases are applied (the latter only in State-run sectors). No wage controls apply to private entities.

Question:

How are decisions on investment, production, and pricing being made, taking into consideration the self-management in state enterprises? (United States)

Answer:

Except for a relatively small number of entities which are directly operated by the state (public utilities, public services), such decisions are made by the management, solely on the basis of commercial criteria and independently of state administration.

Question:

What privileges are enjoyed by the state-owned enterprises? (United States)

Answer:

As a rule, state-owned enterprises enjoy no special privileges or exclusive rights.

Question:

What types of guidelines are proposed and what intervention measures are foreseen after the central planning was abolished? (United States)

Answer:

The "guidelines" are entirely indicative and are designed to provide better consistency of budgetary and monetary policies. They set out major anti-recessionary and deflationary instruments and are addressed primarily to public administration, without any mandatory effects for individual enterprises, both public and private.

Question:

Is the support directed to specific industries such as those listed on page 99 as "potentially good prospects"? (United States)

Answer:

The list of industries described as "potentially good prospects" indicates sectors which may enjoy priority in allocation of foreign credits offered to Poland under official assistance programmes. The list has no implications in terms of other forms of support.