RELATIONS BETWEEN POLAND AND THE CONTRACTING PARTIES

Statement made by Mr. F. Modrzewski, Vice-Minister of Foreign Trade of Poland, at a meeting of Heads of Delegations on 22 April 1958

First of all, I should like to thank you for having given me the opportunity to speak before this distinguished gathering. As you know my Government is interested in acceding as a contracting party to the General Agreement on Tariffs and Trade. Speaking for the first time in this forum I feel it to be my duty to present to you briefly what Poland is in the field of foreign trade and how do we see our eventual participation in the General Agreement.

It seems to me advisable to begin with certain general information on the present state of our foreign trade and its immediate prospects. Poland's global trade turnover (import and export taken jointly) in 1957 amounted to $2,226 million. Compared with 1956 it increased by 11 per cent. From among 37 contracting parties to the General Agreement Poland has regular trade relations with 27 countries, based on inter-governmental agreements of various types. In this global turnover the Member countries of the GATT participate with $900 million, including our neighbour Czechoslovakia which accounts for $138 million of our yearly trade.

In 1957 our trade with the contracting parties to the GATT increased - when compared with 1956 - by $56 million.

It is clear then that the global trade figures, as well as the trade with GATT countries show a rise. I must add, however, that the rate of this increase is not considered by us as being fully satisfactory. The rapid development of Poland's economy in the post-war period creates the need of a speedy increase of imports of raw materials, half-finished products and of capital goods for the developing industry, as well as of various food articles and other consumer goods for the population, whose purchasing power is increasing together with the development of our economy.

However, Poland is a country, in which the payments balance is entirely dependent on export receipts (I purposely omit to speak of credits, which in the long run have to be repaid).

Therefore, our imports can increase, and our trade can develop only along with the increased possibilities of developing our exports.
Poland has at her disposal a large variety of goods for export. I shall not, of course, embark upon a detailed consideration, but I would like to draw your attention, to such items in the Polish export list, which have become increasingly important in the last few years as a consequence of the industrialization of the country: there are first various products of the engineering industry, of steel industry and also many chemical products. A considerable role is played in our exports by traditional export products, among others by coal and by food and agricultural products.

Though it is important, as everybody knows, to possess goods for export, it is yet another thing to find a buyer. We make no secret of the fact that in some markets our goods meet with difficulties, on account of import restrictions or of higher tariffs, applied to our products. It is, therefore, understandable that our interest is being directed towards the only international organization, active in the field of trade, the organization which has undertaken the task of abolishing discrimination in international trade, of reducing trade barriers and of removing any other restrictions hampering the development of such trade. Our immediate economic interests coincide in this case with our general policy of cooperation with international organizations, especially those active in the economic field.

It is your undisputed right, Gentlemen, to put now to me the following question: "what would we get in exchange for conceding to Poland the full status of a contracting party with all rights inherent to the participation in the General Agreement"? I could argue that I have already given an answer to this question, when I stated that any increase of our exports - granted the great absorbing power of our market - includes the possibility of increasing also the imports. I realize, however, that you could consider this answer as being too general. I will, therefore, try to give you a more detailed explanation. With this in view I would like to say a few things on our foreign trade system, the more so, as - if I am not mistaken - there exist and circulate rather many incorrect views on this subject.

We are a country with a system of planned economy and our foreign trade being one of the essential elements of this economy is also being planned. Some of our western partners are inclined to interpret this plan in a restrictive sense. This I find most erroneous. Our foreign trade plan includes such import items as are absolutely indispensable for the national economy and such minimum of exports as is necessary to cover the planned imports. But if we obtain additional export receipts either by the opportunity to enlarge our exports or by better terms of sale of our products, it gives us - as a rule - the possibility to realize additional imports, which were not planned, but for which there exists an effective demand on the home market.

However, to be correct I must add that in view of the present difficult balance-of-payments situation - resulting from a considerable excess of imports over exports during the last year - we shall have to devote in the very near future an important part of our export receipts to rebuild our reserves in foreign exchange.
Another incorrect opinion, which we meet quite often, is the view that Poland adheres unconditionally to bilateralism and that our plan dictates to the foreign trade agencies where to sell or to buy the respective goods. I would like to state, first, that we do not hold the view according to which trade relations between States must be based solely on bilateralism. In our present situation bilateralism has its reasons and is of advantage to us as well as to our partners. However, even now more than the half of our trade with non-socialist countries is covered by multilateral payments system. (It may interest you to hear that from time to time we find ourselves in a paradoxical situation: countries proclaiming high values of multilateralism—insist upon our total receipts from exports to these countries, or at least their important part, being devoted to purchases in these same countries. But this is another chapter.)

With regard to the whole of imports planned in transferable currencies, mainly in dollars and in pounds sterling, the import organizations have no precise instructions where to buy, and the main criteria governing their activities are the terms of trade: price, quality, date and conditions of delivery of goods. Owing to these circumstances our Ministry of Foreign Trade has often to intervene in order to persuade our trade agencies to fulfil import quotas foreseen in trade treaties. I venture to say, that our system is in this respect far from being rigid. Because of this freedom of choice of suppliers our import agencies are always eager to find new ones, and the contacts established by way of exporting Polish products are often becoming a point of departure for import transactions even when no bilateral payments or trade agreements are binding our respective countries.

Here I would like to point out that Poland, while not yet a member of your organization, fully honours an essential principle of the GATT, namely the principle of non-discrimination, with the evident exception of restrictions resulting from the exigencies of the balance of payments.

Non-discrimination does not mean, however, that our relations are the same with all countries. It is evident that bilateral inter-governmental agreements even in their most general forms, such as the still in force pre-war or some post-war agreements including most-favoured-nation clause, constitute a special incentive to develop mutual trade.

As far as tariffs are concerned, Poland does not apply any tariffs to imports carried out by authorized foreign trade agencies. We might consider this state of affairs as a very advantageous one and declare that we have reached some kind of perfection from the point of view of the long-term aims of GATT. But to speak more seriously we understand very well, that such a situation makes the problem of Poland’s accession to GATT much more complicated, the General Agreement being based mainly on mutual tariff concessions. We find ourselves in Poland in a period of certain reforms of our economy. We used to
call them decentralization and democratization of the economy. These reforms consist of replacing by economic incentives the administrative measures which were to a certain extent justified by the concentration of all efforts on post-war reconstruction and on rapid development of heavy industry. In the framework of these reforms, which will in a later period cover also our system of internal prices, we came to the conclusion that quite independently from our interest in GATT, it might be in principle appropriate to reintroduce tariffs as one of the instruments of our trade policy. But this as I said is only a prospect for the future. As we all here present perfectly know, the elaboration of a tariff system will need hard work for many months.

If the contracting parties were interested in receiving at present an equivalent for granting to Poland the full rights of a contracting party, we envisage the possibility of undertaking obligations concerning global import quotas of certain goods in which contracting parties would be particularly interested and which are traditionally imported into Poland. I do not think that it would be the right place and time to enter into details, but if this principle is agreed upon we shall expect detailed proposals on behalf of the interested countries and then it will be the task of experts to discuss the matter further. I may add that if the contracting parties agree to enter into negotiations with my country, Poland does not intend to ask for any additional tariff concessions. What we want is to obtain the concessions already negotiated in the framework of GATT.

Finally I should like to explain two problems which - it seems to me - may give rise to some doubts. The first is the problem of internal prices fixed for imported goods. I must say that we are not intent on fixing these prices at a higher level than those of corresponding home-made goods. On the contrary during a certain period the prices of imported goods were much too low, which led to well-known black market phenomena. But it would be quite incorrect to take the import price expressed in a foreign currency and multiply it by the official rate of exchange. Firstly this rate of exchange does not correspond to the actual purchasing power of our currency. Secondly, we neither apply the import duties nor any internal purchase taxes. We hope that in the future in the framework of the general reforms of which I have spoken earlier these questions will be settled in a more satisfactory way.

The second problem is that of dumping. We do not sell our goods at prices lower than their normal value and do not intend to do so in the future.

In fact, we are selling them at world prices or at prices prevailing on respective markets. But here also it is impossible to compare our export prices with the internal prices merely by applying the official rate of exchange. That would be incorrect not only because of the rate of exchange but also because in many cases especially with respect to consumer goods the internal prices are fixed for financial or economic reasons at a level considerably higher than it would result from the costs of production.
In my statement I have tried to explain some points which to my mind might enable you to define your attitude to the problem of Poland's accession to the General Agreement. I do not know how far I succeeded but I am of course at your disposal for the purpose of any additional clarifications. Anyhow I hope that our personal contact will be of some advantage.