RELATIONS WITH POLAND

Answers to Questionnaire

The Government of Poland has transmitted the following answers to the questions sent to the Vice Minister of Foreign Trade by the Executive Secretary, MGT/81/58:

1. Translations of the texts of the most important laws, regulations and orders relating to foreign trade, together with certain other important information relating to foreign trade organizations, are being transmitted to the secretariat.

2. The plan of foreign trade is closely related to the general economic plan of Poland. In drawing up the plan, current schemes for the country's economic development determining the general structure of imports and exports are taken into account. This refers to both long-term plans and one-year plans, any differences resulting from the nature of the two plans being, of course, taken into account. The system of material balances is applied to most important commodity items and sometimes to items of lesser importance. As a result of this system, the needs for import supplies are obtained directly especially as far as basic raw materials are concerned; on the other hand, the balances show export surpluses of more important goods including consumer goods.

The commodity plan constitutes the basic part of the foreign trade plan, the remainder being composed of "sundry" goods which are not specified as only their value is given. They represent a relatively important item, particularly as regards imports where a substantial part of consumers' goods is specified in the plan globally, leaving to the enterprises of internal trade together with the importing enterprises the care of adjusting with the maximum flexibility the imports to the tastes of the individual consumer. Taken together, the unspecified amounts covering "sundry" goods, the majority of which consist of consumers' goods, represent up to 15 per cent of the planned imports. The imports of machinery and industrial plant and equipment are not specified either, only some approximate value limits being fixed; within these limits, domestic buyers can freely decide which imports are more advantageous to them.

The fixed plan is not of a restrictive nature being practically a minimum plan. This commodity plan is co-related with the payments plan which contains also other items of receipts and expenditures of the balance of payments. The payments plan is divided roughly in two payments areas: clearing turnover and free exchange turnover the latter now representing over 20 per cent of the total trade exchange.

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This approximate payments plan is quarterly adjusted in the course of its fulfilment. To some extent, the commodity plan is also subject to adjustments. The improvement in terms of trade, increased possibilities of sales make it possible to increase imports accordingly; on the contrary a worsening in the terms of trade, difficulties in export possibilities may make it necessary to cut down imports even in respect of items fixed in the plan.

Within the framework of the plans and current payment abilities the import-export enterprises enjoy a considerable extent of liberty, namely:

1. The foreign trade enterprises co-operate in the establishment of the plan with respect to the goods in which they deal by investigating export possibilities from the point of view of internal production, as well as foreign markets, and by studying domestic demand and the possibilities of purchases abroad.

2. The foreign trade enterprises are entitled to choose their trade partners and obliged to act in this respect in accordance with commercial considerations.

3. Statistics of foreign trade are published by the Central Bureau of Statistics. The data in absolute figures cover Poland's turnover with individual countries, enumerating the more important goods as well as important exports and imports together with the chief foreign buying and selling countries. The value of goods in the statistics is given on the basis of contracts (invoices) at the official rates of exchange (i.e. US$1 = Zloty 4, and Rbl. 1 = Zloty 1). Imports and exports have till now been given the f.o.b. basis only.

4. The lack of the most-favoured-nation treatment in Poland's relations with several contracting parties to the GATT, causes serious difficulties in our foreign trade. One of the important questions for Poland is that the most-favoured-nation treatment is not applied to Poland by the United States of America, where the differences between normal customs rates and those accorded to the contracting parties are very substantial. As far as commodities are concerned the food and agricultural products and industrial consumers' goods such as textiles, handicraft articles etc., are most suffering from higher customs rates.

The question of customs rates does not exhaust all the difficulties because in numerous cases Polish goods do not enjoy equal treatment as regards import regulations and formalities, such as quantitative restrictions, valuation, etc.
5. Poland is not bound by any agreements or arrangements that could fall under the term "preference". As far as bilateral agreements are concerned, Poland has signed, with several countries, long-term agreements, mostly clearing agreements, by virtue of which reciprocal deliveries of certain more important commodities are arranged for; in some cases, an approximate ceiling figure of the total reciprocal turnover is included for a few years to follow.

As a rule, such commitments have been undertaken in bilateral inter-governmental agreements, and not by commercial enterprises. Commercial contracts in such cases are signed usually for one-year periods. The Polish Government's standpoint is that such long-term commercial agreements can neither hamper the development of trade exchange with other countries, nor make it impossible for the Polish Government to fulfill its obligations under the GATT. Firstly, because other countries may sign agreements with Poland; secondly, agreements already in force still leave room for imports from third countries. On the other hand, it is a well-known fact that long-term agreements and contracts are not the exclusive feature in the socialist-economy countries, just to mention a very up-to-date example of long-term contracts for the United States coal deliveries. In the case of Poland, such type of commitments may even less affect the import possibilities from other countries, as Poland's domestic market is very absorptive, and import demands, almost in all branches particularly those regarding commodities for direct consumption, have always outstripped payment abilities.

6. Within the framework of the Council for Mutual Economic Aid, Poland does not undertake any obligations of a trade quota or similar nature that could be regarded as having an effect on Poland's commercial relations with third countries. Trade agreements between individual countries, members of the Council, are exclusively bilateral. The function of the Council is to create a framework for economic co-operation among the States members of the Council in order to secure a most rational development of individual branches of economy in those countries, thus creating most favourable conditions for the development of economy in each of those countries. Finally, these activities should bring both an increase in export possibilities of each of the Member countries and in their import needs, so that the development of trade exchange among the countries members of the Council and between each of them and non-member countries would be facilitated.

7 & 8. There is no established method of extending credits among the countries members of the Council for Mutual Economic Aid. Credits are extended at any one time as a result of bilateral negotiations between the States concerned. It can only be said that a common feature of those credits, although not arising from any obligations undertaken officially, is their low rate of interest not exceeding 2 per cent per annum.
The principal method of settling accounts is the clearing system. The basic form of that system is the balancing of turnover per each one-year period while both parties concerned extend each other unlimited overdraft facilities within that year. If the turnover at the end of the year shows a balance in favour of one of the parties, both parties arrange for the kinds and terms of goods deliveries or for another method of covering the balance.

Since 1957 beside the clearing system also a system of multilateral settlement of accounts has been in operation, the latter system having been so far only of a supplementary nature. The text of the arrangement relating to the multilateral settlement of accounts is being transmitted to the secretariat.

9 & 10. In her relations with non-socialist countries, Poland has a number of clearing agreements as well as agreements based on multilateral payments. In general, multilateral payments are applied to settlement of accounts with those countries which introduced the convertibility or "transferability" of their currencies, although free-exchange agreements (or free-exchange transactions) are sometimes concluded also with the countries whose currencies are not convertible. Above 50 per cent of the trade exchange with the non-socialist countries is carried out on the basis of free-exchange payments. Clearing agreements provide for all accounts (with one exception) to be conducted in one currency, which is either the currency of Poland's partner or the currency of a third country. In many cases, the clearings are not stiff, being made up by both parties either by transfers from or to the balances of third countries, or in free exchange.

One of the means to make the clearing system more flexible has, for the past twelve months, been the system of multilateral voluntary offsets under the auspices of the Economic Commission for Europe. Clearing agreements are connected with overdraft facilities. The clearing system has been established by Poland with the following contracting parties to the GATT: Austria, Belgium, Brazil, Ceylon, Finland, France, Greece, Luxembourg, Norway, the Netherlands, Sweden, Czechoslovakia, Turkey and Uruguay.

11. Within the limits of available payment means, Poland does not apply any privileged treatment to imports from certain countries to the disadvantage of those from other countries and therefore there does not arise, in our opinion, any necessity of special guarantees for the parties to the GATT as to the treatment of their imports not less favourable than that of imports from other countries.
The Provisions of Article XVII

12. (1) It appears from the above comments on the methods of foreign trade planning that the foreign trade enterprises are guided by commercial and economic considerations. Hence it is in the interest of the enterprises to see that the participation of foreign suppliers and free competition among them be as wide as possible, and it would be against their interests to discriminate against suppliers in the territories of certain contracting parties in favour of suppliers in the territories of other contracting parties, or to discriminate against suppliers in the territories of certain contracting parties in favour of countries outside the GATT.

As explained in our answer to Question 5, commitments entered into by the Polish Government under bilateral agreements are not, in the Polish Government's opinion, any obstacle to the application of the non-discrimination principle because: (1) they are based on commercial considerations; (2) bilateral agreements and contracts may be concluded with Poland by any interested country; bilateral agreements are not necessarily connected with a clearing system as they may also be made on the basis of multilateral payments; (3) the plan always leaves room for imports not included in the bilateral agreements. In these circumstances the Polish Government does not see any reason for the application of special measures to ensure protection against discrimination. The contracting parties will be able to test the fulfilment of the obligations resulting from Article XVII on the basis of Polish import statistics. The Polish Government, on the other hand, is ready to give an assurance that any objections on the part of contracting parties as to the failure to observe Article XVII would be most carefully examined and clarified.

(2) A separate point is the prevention of any discrimination whatsoever between domestic products and like products imported from the territories of the contracting parties to the GATT.

The question to what extent the goods may be freely imported under the conditions of planned economy in general, and of an economy characterized by a limited amount of available foreign exchange in particular, will be dealt with to a larger extent in the replies to Questions 33 - 38. In any case, no discrimination against imports in favour of domestic products is made once the goods have been imported.

The Proposed Global Import Quotas

13-24. (1) Taking into account the fact that the lack of a customs tariff in Poland makes it difficult to enter into negotiations with the contracting parties to the GATT, the Polish Government has indicated that the contracting parties might be granted global import quotas in respect of certain goods against reduced customs duties being granted to Poland within the GATT.
In putting forward such suggestions, the Polish Government understood that the establishment of global quotas would constitute the obligation to grant import licences for specified commodities (both agricultural and non-agricultural) covered by the global quotas, provided that transactions could be concluded, i.e. provided that the terms and conditions as quoted by suppliers would be competitive. The Polish Government's standpoint is that the proposals relating to the kinds and quantities or values of goods to be covered by such quotas ought to come from the exporting countries concerned as is the case with requests concerning the reductions in customs duties. The establishment of such global quotas would result from negotiations similar to tariff negotiations.

In suggesting global quotas the reference to "traditional" imports was made for two reasons: (1) we should not be able to undertake commitments as to the importation of such goods that could not be marketed in Poland at all; (2) taking into account the limited amount of means of payment being at our disposal - which question will be dealt with to a larger extent below - we should not be able to bind ourselves by quotas of such goods which perhaps could be marketed in this country but which hardly could be envisaged in the light of current payment abilities. It does not mean that there would be a tendency to restrict global quotas to essentials because a wide range of non-essential goods are imported; neither does it mean the elimination of such goods which have been imported by Poland but have not hitherto been imported from the contracting parties to the GATT. Thus, we believe, that the contracting parties will find the possibility to expand their trade with Poland within the global quotas.

(2) When speaking about the "global import quotas", we understood that such quotas would be opened to all the contracting parties to the GATT and only to them. The contracting parties to the GATT would receive normal statistical figures pertaining to the whole quantities (values) of imports for which global quotas would be determined, thus enabling the contracting parties to trace Poland's fulfilment of her obligations undertaken in this respect. As far as the relation of global quotas to those allowed to certain contracting parties to the GATT under bilateral agreements is concerned, the Polish Government would be prepared to determine the global quotas in such a way as to include the quotas allowed to the contracting parties under bilateral agreements, or to consider other solutions. This matter ought to be discussed by experts in the course of determining global quotas, the possibility of different solutions for different goods being admitted by the Polish Government.

The difference between the present state of affairs and the situation that would arise on the opening of global quotas by Poland would consist in the fact that at present Poland is not obliged to earmark a part of
her payment resources for the importation of specified goods in specified quantities (values), whereas such obligations toward the contracting parties to the GATT would be entered into by the Polish Government on putting global quotas into operation.

On the other hand, the Polish Government's standpoint is that it would be contrary to the spirit of the GATT both to tie the value of imports from a given country with the value of Poland’s exports to the same country, or to allocate global quotas according to any scheme. Neither does the Polish Government think that the equal treatment of all the contracting parties to the GATT should require a special system for the fulfilment of global quotas, e.g. in the form of a special system of tenders.

All contracting parties will know the size of global quotas and it seems that it is for the enterprises concerned to make offers. This concerns, to an equal degree, all countries whether distant or not. At present Poland maintains commercial relations also with several distant countries, and in our opinion, the mechanism of these relations works to the satisfaction of both parties concerned. Out of the offers submitted, Polish enterprises of foreign trade will choose those most advantageous, according to the normal commercial practice, and will inform the offerers accordingly whereas all unsuccessful offerers will be informed about the reasons for non-acceptance.

Non-discrimination as between contracting parties to the GATT will be ensured in a similar way as it is practised in countries of free enterprise because State enterprises in Poland are interested in purchasing goods at the lowest possible price, naturally taking into account their quality, term of delivery and other commercial considerations.

Should Polish consumption of the items covered by the global quotas increase, the Polish Government would be ready to take into consideration suggestions to increase also the global quotas, provided adequate payment means were available. These matters are closely connected with the answer to Question 27.

All contracting parties will also be able, on a non-discriminatory basis, to furnish to Poland goods not covered by global quotas, due to the fact that Polish imports are being made in accordance with commercial considerations.

Balance-of-Payments Import Restrictions

25-27.(1) Poland’s balance of payments is mostly determined by her balance of trade. The latter, in turn, is one of the co-elements of the national-economy plan. Consequently it reflects the fact that the country’s needs connected with the programme of reconstruction and transformation
of economy can be satisfied only by going to the limits of available means. In such circumstances, trade balances are necessarily drawn up and operated with a relatively low payments reserve. Consequently, despite the fact that the balance of payments is balanced, the equilibrium may be easily shaken when world market prospects as assumed at the time of drawing up the plan are not fulfilled, particularly when terms of trade of our exchange with foreign countries worsen.

(2) In determining global quotas as outlined above, the expected payments situation must be taken into account in order to avoid any recourse to such measures as reductions in the size of the quotas. However, Poland's payments situation may be influenced by certain outside factors, (e.g. the deepening recession in the countries with which commercial relations are maintained), and therefore the fulfilment of the global quotas could be influenced as well.

It appears from the nature of Poland's economy that we are not interested in limiting imports for any other reasons than those arising from our payments ability. Consequently, the Polish Government has no reservations as to consultations with the CONTRACTING PARTIES as regards Poland's import restrictions - to the same extent as every contracting party.

(3) Poland has always aimed at expanding her trade with foreign countries, and her imports have been limited only by payments ability. In consequence, a steady increase in imports, insofar as adequate foreign means of payment permit, may be taken for granted. In such a favourable situation, Poland would be ready to negotiate the extension of the range and volume of global quotas.

The Proposed Customs Tariff

28-32.(1) There exists at present in Poland a customs tariff concerning only goods brought into or taken out of Poland by passengers or by mail. Irrespective of the fact and date of its accession to the GATT the Polish Government intends to introduce a customs tariff applicable to trade exchanges. It is assumed that customs duties would be one of the elements influencing the domestic prices. In consequence it is intended to differentiate the rates according to the nature of goods; certain groups of essential goods might be entirely exempted from customs duty, others fixed at a low level and higher rates applied to various non-essential goods. It is assumed that the customs tariff will become operative not earlier than in about three years' time.

It is expected that tariff rates will be ad valorem although in individual cases specific rates may be applied. The Polish Government does not see any difficulties in applying these rates in accordance with the principles set forth in Article VII of the General Agreement.

As far as the future rate of exchange is concerned, it is rather premature to speak about it.
(2) The Polish Government would be inclined to enter into negotiations for the consolidation or reduction of duties on items for which global quotas had been established, on the understanding that by such concessions the Polish Government would be freed of the commitments of a quantitative nature. The negotiations could be conducted after the aforementioned tariff had come into effect.

The proposed tariff would be applied to imports from all countries, both the contracting parties to the GATT and non-GATT countries.

Sale of Imported Goods

33-38. (1) In considering the pricing system in Poland's economy, it should be remembered that it is a planned economy. It means that the plan of national economy determines basic economic figures and proportions, and first of all the size and structure of national income. Thus, general volumes of consumption and accumulation as well as basic elements of their structures are determined by the plan.

Besides administrative measures, those of an economic nature are applied to a large extent to fulfill the plan. One of the basic economic measures to fulfill the tasks of the national economy plan is the policy of prices. The policy is to act in such a way that the level and structure of prices together with the given level and structure of money income of the population should permit the fulfilment of the basic tasks of the plan without having recourse to measures regulating the trade exchange in a quantitative manner. Hence, the basis of Poland's pricing policy is the principle of market equilibrium and the principle of price stabilization of essential commodities. This means that wherever the principle of stable prices for long periods is applied, the quantity of goods earmarked for the market should balance the demand existing at the given price. For secondary goods, a more flexible policy of prices is followed in the sense that the market equilibrium, if disturbed, is obtained not only by changes in supply but also by changes in prices. With the growing possibilities of market supplies, prices are lowered so that the increasing quantities of goods should find buyers.

The starting point to establish prices of goods of domestic production are production costs. In a number of cases, owing to limited possibilities of supply or owing to the tendency to limit the consumption of certain goods in favour of others, prices differ from production costs in greater or lesser degree, in accordance with the principle of market equilibrium.

(2) The prices of imported goods are fixed along the general lines and remain on the same level as the prices of similar domestic goods, or - in the absence of such goods - as the prices of the specified substitutes, taking into account any qualitative differences. This refers to all imports irrespective of the source.
As far as imports of machinery, plant and equipment, auxiliary materials and the majority of industrial consumers' goods are concerned, possible differences in the purchase price as quoted by foreign suppliers are taken into consideration in fixing domestic prices.

(3) It is obvious that should global quotas for the contracting parties to the GATT be agreed upon for certain goods, internal sale prices for such goods would be determined on a level securing the outlet for these goods on the home market. It results, however, from the principles of planned economy and from its pricing policy that the imported goods compete with domestic ones not in a spontaneous but in a controlled way.

The Polish consumer makes his choice between home products and imported articles according to his likes and payments ability, taking into account the existing level and structure of prices. In this respect the situation is analogous to that relating to the choice of different home products. Foreign exporters are able to familiarize the Polish public with their products either by means of samples or by other advertising media.

(4) As for the contemplated reform of the internal price structure it is intended:

(a) To arrange for the prices of raw materials, semi-manufactured goods, machinery, plant and equipment, to be closer co-related with their costs of production from which they now differ in several cases. In fixing the internal prices for basic raw materials the relation of world market prices would also be taken into account.

(b) To limit the range of consumer goods and services in respect of which subsidization is applied and to arrange for gradually decreasing the existing margin between the price-level of industrial and that of agricultural goods according to the increasing possibilities of production and imports.

It is expected that the whole process of the above changes will last a few years.

Export Prices

39-43. Under the present system of prices, it cannot be said that the export price follows automatically the cost of production. This results both from the current rate of exchange and from the fact that prices of raw materials and semi-manufactured goods as well as of other elements included in the costs of manufactured goods are not automatically related to their costs.
Goods exported by foreign trade enterprises are being sold at world prices, and where it is difficult to determine such prices, at prices comparable with those of the suppliers of third countries which compete with Poland. Consequently, the Polish Government is of the opinion that the contracting parties to the GATT can, without any difficulty, exercise their rights to which they are entitled by virtue of Article VI. In particular, the principle "to have dutiable values of Polish products determined by reference to the prices of like or directly competitive products being imported from other countries" is acceptable to Poland. Thus, there are no objections to entering into consultations if necessary, in case of allegations that the prices of Polish products are considerably lower than the prices quoted by other suppliers.

Subsidies

44-47. Export subsidization within the meaning of Article XVI is not operated by Poland. There are, indeed, differences between the export price in foreign currency converted into Zloty at the official rate and the internal domestic price, but such differences - in the light of the explanations relating to the price-and-cost structure are obvious and can not be regarded as subsidization.

Neither are there applied in Poland special credit terms for exporters or other export incentives for foreign trade enterprises.

Although - in view of circumstances which were dealt with under the points relating to prices - differences between the internal prices of imports and the prices of those goods in foreign currency converted at the official rate, are transferred to the Treasury, while the Treasury covers similar differences existing, as a rule, in exports, there is no system of tying the receipts with the expenditures mentioned above. The two types of operation run independently of each other.

Other Questions

48. Export quantities of individual goods as established in the foreign trade plans are not of the restrictive-export-quota nature in the sense of Article XI; they are minimum obligations for the enterprises of foreign trade and the relative domestic producers, in order to secure indispensable foreign exchange receipts. Export quotas provided for in bilateral agreements are not of a restrictive nature either; on the contrary, they are to guarantee or facilitate Polish exporters the possibility of placing at least the specified quantities of goods, and therefore they do not constitute any impediments to an increase in such quantities provided the importing country agrees to this.
49. The Polish Government deems it possible to agree with the CONTRACTING PARTIES as regards exchange questions on the same conditions as those applied to the contracting parties non-members of the International Monetary Fund.

50. The Polish Government does not foresee any obstacles to complying with the provisions and procedures of Articles XXII and XXIII should any of the contracting parties consider itself injured in consequence of any steps taken by the Polish authorities or by the non-fulfilment by Poland of her obligations undertaken at the time of her adherence to the General Agreement. In our opinion, however, the procedures of Articles XXII and XXIII could not be applied to commercial disputes arising between Polish State enterprises of foreign trade and foreign enterprises, both private and State; for such type of dispute a normal commercial arbitration is proper.

51 & 52. It appears from the annex to Point 1 that in Poland there are operating also licensed co-operative enterprises and enterprises with mixed capital apart from State enterprises. A further extension of the number of enterprises authorized to carry on direct import-export business by authorizing certain major industrial and commercial enterprises is possible. Individuals, however, may not transact import business directly, and no changes in this respect are envisaged.

53. The Polish Government does not see any obstacles to the publication, in accordance with Article X, of all regulations relating to exports and imports; at present such regulations are available to all concerned.

As for the obligation respecting the notification to the GATT of the list of goods whose importation or exportation is entrusted to State commercial enterprises, in our conditions the list comprises practically the complete range of imports and exports. The lines of business of individual enterprises are explained in the annex to Point 1 containing the whole list of import-export enterprises.

It is obvious that the Polish Government will send to the GATT such information regarding the enterprises' activities which is usually supplied by the contracting parties to the GATT. Under Point 3, the range of published statistical data relating to Poland's foreign trade was given. Statistical figures concerning internal production and retail prices are now published also to quite a large extent. Statistics relating to production costs are not published as periodical figures. As regards supplementary statistical figures, which - in the opinion of the contracting parties to the GATT - could be necessary under the Agreement, the Polish Government is always prepared to give a favourable consideration to any suggestions in this respect.

54. The Polish Government does not see any impediments to the compliance with the principle of national treatment in pursuance of Article III of the General Agreement. As regards "laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or
use of products and internal quantitative regulations requiring the mixture, processing or use of products in specified amounts of proportions*, such regulations - very numerous in fact - will be considerably simplified as the result of a codification. The Polish Government does not see any obstacles to the furnishing to the CONTRACTING PARTIES of the texts of the above laws and regulations after the codification has been completed.

55. As mentioned above, a special committee has begun to work out a new Customs Law and customs tariff. Under such conditions, it seems to be of little purpose to translate very extensive texts which are partly out of date.

Existing regulations relating to cases of non-commercial nature and to the handling of passengers' personal effects are governed by the following order:

(a) the handling of passengers' personal effects into and out of Poland as well as the handling of household effects incidental to transfers of residence into Poland are regulated by Order of the Minister of Foreign Trade dated 12 October 1956 (Monitor Polski - Official Gazette No.82, Item 970);

(b) the handling of household effects incidental to transfers of residence out of Poland is regulated by Order of the Minister of Foreign Trade dated 14 March 1957 (Monitor Polski - Official Gazette No.22, Item 160);

(c) the duty-exemption treatment for diplomatic missions and diplomatic staff was regulated by the pre-war Instruction of the Minister of the Treasury, which is out of date now. New regulations relating to this matter are under preparation.

As regards the organization, authority and functions of the Customs Administration, they are specified in the Law of 14 February 1952 (Dziennik Ustaw - Journal of Laws - No.10, Item 53).